International Research Journal of Management and Commerce
Vol. 3, Issue 8, August 2016 IF- 3.861 ISSN: (2348-9766)

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A CRITICAL EVALUATION OF THE AUTOMOBILE INDUSTRY IN INDIA AND ITS IMPACT ON THE DEVELOPMENT OF THE COUNTRY

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ABSTRACT

The research paper try to examines the performance of Indian automobile industry on the basis of some fundamental analysis and technical analysis to draw the attention of investors of what to look out for before investment decisions are taken. Four automobile companies are chosen for the study, thus; Ashok Leyland, Tata Motors Limited, Eicher Motors Limited, and Maruti Suzuki India Limited. A period of 8 years, from 2008-2009 to 2014-2015 was adopted for the study. Performance of the companies are ascertained by the calculation of some fundamental tools as Debt-Equity ratio, Inventory Turnover ratio, Return on Equity (ROE), Dividend Payout ratio, Earning Per Share (EPS), Assets-Turnover ratio, Current ratio. Technical analysis was also carried out to assess the movement in stock prices of the selected companies. The study reveals that in most of the fundamentals, Maruti Suzuki was doing better than the other three companies, and that Ashok Leyland was trailing behind. However, the industry as a whole was doing well and promises brighter future. Investors are therefore encouraged to invest in these companies for stable returns and less risk as they all recorded low debt-equity ratio.

Keywords: Investors, Fundamental Analysis , Technical Analysis, Returns & Risk

Introduction

The Indian automobile industry is surely one of the largest in the world. There is hardly any sector of the economy where the impact of the auto industry is not appreciated, even in the military. The industry has come a long way, from the position of infancy to a position of significant importance in the economy. This is mainly due to its contribution to the Gross Domestic Product (GDP), Employment generation, and attraction of Foreign Direct Investment (FDI). In the global arena, about 31% of small cars sold in the world are from India (ibef.org: 2016). Favourable and sustained government economic policies are at the heart of the growth of the industry. This growth is propelled, especially removal of licensing and opening up the sector Foreign Direct Investment (FDI) in 1991. Also with the fall in oil prices in the international market, the future of the industry looks very bright, since many individuals and families can buy fuel their own private cars. It is therefore predicted by industry observers that the pace of growth in the industry will rise tremendously by 2020. Despite stiff competition from the US, Japan, China, and Korea, India still has the potential to be among the third leading automobile manufacturing nations in the world. Although, there seem to be a little set back to the auto industry from the pronouncement of Finance Minister of extra taxes on passenger vehicles and cars above 10 lakhs. (Joe King-Head of Audi India. Economic Times Feb 29, 2016), this is expected to negatively impact on the industry he argues. The aim of this paper is to examine the performance of four leading companies in the Indian automobile industry for the period of 2008-2009 to 2014-2015 as to determine how the industry has impacted the economy for the period under review. The rest of the paper is organised as follows:-

Section I………………… Literature Review
Section II………………… Objectives of the Study
Section III…………………...Methodology
Section IV…………………… India Automobile Industry
Section V…………………….Indian Capital Market
Section VI…………………… Data Analysis and Interpretation
Section VII……………………Conclusion and Suggestions

Section I: Literature Review

In a working paper Ranawar and Tiwari (2009) recognize the enviable position of the India auto industry, and recount how it has grown from its nascent position during independence to a rapidly growing industry today. It made a landmark production target of 10 million in 2006 from mere 4,000 in the early years. Shinde and Ganjre (2012) posited that the small car in India has witnessed a tremendous growth that its brands are all over the globe. Dharmaraj and kathirvel (2013) while writing under the topic of 'Analysing the financial performance of selected Indian automobile companies', shared the views of earlier writers that the industry has actually arrived the elite club of automobile countries in the world. Especially as world leader in some segments of the global market, like in two-wheeler. This view is also expressed by the report by Bhasker (2013). In a paper titled 'Fundamental Analysis of India Automobile Industry, Srinivas (2014) studies the performance of the Indian auto industry by using the fundamental analysis of two auto companies. The data collected was for six years 2006-2011. The study compares the performance of the companies and states that they did well during the period under review, but that Maruti Suzuki was comparatively better than Tata Motors Limited in terms of Earnings (EPS), ROI and Dividend Payout Ratio. The India Brand Equity Foundation (IBEF) posits that India auto industry is one of the largest in the world. This is due to rapid growth in the industry and government positive interventions (www.ibef.org-July 2016 update). Steffi Joseph (2016) The Indian Automobile Industry is segmented into four groups, viz, (1). Two-wheelers comprising of moped, scooters, motorcycles, and electric two-wheelers.(2) Passenger vehicles which includes passenger cars utility vehicles and multi-purpose vehicles, (3). Commercial vehicles which are light and medium-heavy vehicles, and (4) Three-wheelers that are passenger carriers and goods carriers. He further states that the industry is a key factor to the growth and development of the Indian economy.

Section II: Objectives of the study

The main objective of the paper is to examine the performance of the automobile industry in India. Specifically, the study seeks to achieve the following objectives:

1. To examine the automobile industry in India
2. To examine the performance of four major automobile companies in India; Ashok Leyland, Eicher Motors, Maruti Suzuki, and Tata Motors
3. To evaluate how the automobile industry impacts on the economy of India.

Section III: Research Methodology

This study is a descriptive one in which secondary data is the main source of data. They are sourced from different databases, financial statements of the auto companies under study, websites, newspapers, official records, Government policy documents. Different statistical tools have been utilized to treat the data for the purposes of analysis such the mean, standard deviation, correlation analysis and moving averages. To make the data presentable, tables and charts are used for the purpose. This study is for a period covering from 2008-2009 to 2014-2015 and concentrates on four automobile companies in India:-

Ashok Leyland Motors

Eicher Motors Limited

Tata Motors Limited

Maruti Suzuki India Limited

The four automobile companies under study are listed in both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). The health, profitability and liquidity of the companies are determine by the use of some fundamental analytical tools such as Debt-Equity Ratio, Return on Equity (ROE), Return on Investment (ROI), Liquidity Ratio, and Inventory Turnover.

An important aspect of research on finance and accounting is the impact of financial performance of companies on the price movements of their shares in the capital market. It therefore behoves on investors to watch out carefully while making their decision to buy, hold or sell shares. Companies with good performance may not necessarily have the best prices in the market (Dhole, 2013).

Fundamental and Technical analysis shall be used to effectively carry out this study. Fundamental analysis seek to find the intrinsic value of stock of firms by examining different factors including events happening in the economy, the industry, and the companies themselves. This analysis will tend to correct the mispricing of stock at the stock period. The top-down-approach will be adopted in this study. In doing this, the intrinsic value will have to be compared to the current market price as to determine whether the stock is overpriced or under-priced. The approach adopted will involve considering the national economy, the industry, and the concerned companies.

Economic analysis The economic analysis will reveal whether the conditions in the economy will encourage business activities by observing government policies, inflation rate, unemployment, Gross Domestic Product (GDP), interest rate, etc. this is important because these factors have far-reaching effect on any business in the economy.

Industry analysis This area forecasts on the status of an industry in terms of past performances, challenges of an industry, current position, and outlook of an industry for the future. This is done in consonance with what is obtainable in the economy. It is a holistic evaluation of an industry.

Company analysis This method involves an evaluation of present activities, stock price and movement of a company, and a careful forecast of the future considering the present status and the industry and the economy. Most of the information about a company from the financial statements, which provides critical statistics and data about a firm, in respect to its health status, profitability potentials, returns.

Technical analysis In contrast to fundamental analysis, technical analysis studies securities by analysing data about actual stock price and volume of firms' stock from the capital market. Technical analysis uses special tools to display the pattern of stock price and volume movement at the stock market. The tools are, moving averages, closing prices movements, use of graphs and charts, and risk and return analysis.

Section IV: Indian Automobile Industry

The Indian auto industry is one of the largest in the world. The industry contributes handsomely to the Gross Domestic Product (GDP), as high as 7.1% (IBEF, 2016). The industry is witnessing a steady growth, especially in small car sector, commercial vehicle. This growth is not unconnected with positive policies by the government. The government opened the sector by delicensing it and enabling influx of foreign giants to partner with local firms and have joint ventures. This attracted Foreign Direct Investment (FDI) to the industry and the economy.

Domestic sales has been growing in the industry. This is associated with the growth in the middle-class in India and increase in disposable income. Society of Indian Automobile Manufacturers (SIAM) reports states that there is domestic sales growth rate of 3.90 per cent of passenger car in 2015. This growth rate is also witnessed in the other sub-sectors, except in the MUV that experienced a decline during the period.

The industry is not serving the local market alone. The brands of the India auto industry is a major player in the world market. Its presence is felt in all the continents of the world. Exports grew by 14.89 per cent in April-March 2015. The growth in exports is noticed in all the segments:- three-wheelers, two-wheelers, commercial and passenger vehicles (SIAM).

The industry produced more than 23 million vehicles including commercial vehicle, passengers vehicles, three wheelers and two-wheelers as at March 2015, as compared with 21 million the same period in 2014 (SIAM). It has a growth rate of 8.68% at the same period.

The industry has witnessed great investment in all the segments. The Department of Industrial Policy and Promotion (DIPP) reports that the level of FDI in the industry worth US$14.32 billion was realised during the period April 2000 to December 2015 (IBEF, 2016). There are lots of encouragement by the India Government to continue the expansion of the industry. For example, the government aims to make automobile manufacturing the driver of the 'make in India' initiative as it expects the passenger vehicle market to triple in 2026. The union budget of 2015-2016 provides for credit of US$124.71billion to farmers which will boost the tractor segment (IBEF).

Profile of the Selected Automobile Companies

Ashok Leyland Motors limited

Ashok Leyland is an Indian automobile manufacturing company (formerly Ashok Motors) based in Chennai, India and operating six plants at Ennore, Hosur, Bhandara, Alwar, Pantnagar, Sengadu Village. Founded in 1948 by Raghunandan Saran an Indian freedom fighter from Punjab. The company was named after the only son of the founder, Ashok Saran. After the death of Ashok in air crash, a partnership with Leyland which he initiated was perfected, and the company changed its name to Ashok Leyland in 1954. It is the second largest commercial vehicle manufacturer in India, 4th largest manufacturer of buses in the world and 16th largest manufacturer of trucks globally. The products of the company include tractors, buses, heavy duty vehicles, engines, and commercial vehicles. It has a net income of US$4.3 billion in 2014, US$2 3 billion in revenue (2015), and had 11,552 employees in 2014 (Ashok Leyland Annual Report 2014).

Eicher Motors Limited (EML)

Eicher Motors Limited (EML) is an Indian-based automobile manufacturing company and auto components. The company was founded in 1948 and incorporated 1982 in Gurgaon, India. The company designs, manufactures and markets trucks, buses and related components. Eicher Motors Ltd. has a revenue base of US$1.3billion as at 2014 and US$450million as net income (2012) and had 2500 employees in 2012. It is indeed one of the leading automobile manufacturers in India. The company owns the most cherished Royal Enfield Motorcycle in India, which has continuously been in the production of well-liked motorcycles all over the globe. A joint venture with Volvo Group VE Commercial Vehicles Limited, designs, produces, and markets fuel-efficient trucks and buses. The company is at the forefront of modernizing commercial transportation in India and many developing economies. Revenue in 2014 was US$1.3 billion and Net income of US$460 million in 2012. EML has an employee record of 2,500 (2012).

Tata Motors Limited

Tata Motors Limited (formerly known as TELCO) is a leading multinational automobile manufacturing company in India, established in 1945 in Mumbai, India. It is a leading global automobile manufacturer with a portfolio that covers a wide range of cars, sports vehicles, buses, trucks, and defense vehicles. It is an USD 42billion organization whose marquee can be found in 175 countries around the globe. The company brands are; Tata Indica, Tata Indigo, Tata Safari, The company has employee strength of 60,000 and a turnover of $42billion, with total sales of more than 9 million vehicles. It is the world's seventeenth-largest motor vehicle manufacturing company, fourth-largest truck manufacturer and second-largest bus manufacturer by volume.

Maruti Suzuki India limited

Maruti Suzuki India Limited formerly known as Maruti Udyong Limited is another automobile manufacturers in India and a subsidiary of Japanese automobile manufacturer Suzuki Motor Corporation. The company has its manufacturing plants in two different locations in India, Gurgaon and Manesar, both at the southern part of India. These facilities have combined installed capacity of 900,000 units per year. It is among the ten top most automobile manufacturing companies in India. The company is a leader in the car segment of Indian automobile industry in terms of sales volume revenue. It has a range of about 15 brands or models including but not limited to; Maruti 800, Alto, Ritz, Swift, Gypsy, Grand Vitara, Eeco, etc. As at 2012, it had about 37% of the Indian passenger car market. The company employs 12,900 workers as at 2015.

Section IV: The Indian Capital Market

A stock market is where equity of companies are traded through the stock exchanges. They trade on stocks listed on stock exchanges as well as those traded privately. In India, there are many stock exchanges (about 23), but two are the most prominent; National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The prices and volume of stocks listed in these exchanges are well provided by the exchanges for those interested to access, especially the investors. Their investment decisions will be made easier by this information. The National Stock Exchange (NSE) is the leading stock exchange of India. It was established in 1992 as the first demutualized electronic exchange in the country. It is the world's 12th largest exchange as on January 23, 2015. Bombay Stock Exchange is another Indian stock exchange established in 1875 and located in Dalal Street, Kala Ghoda, Mumbai, and Maharashtra, India. The BSE is the world's 11th largest stock exchange with an overall market capitalization of US$1.7 trillion as on January 23, 2015 (Economics Times 12, 09 2015). More than 5500 companies are listed in BSE. The four automobile companies in this study are all listed in both the NSE and the BSE.

Section V: Data Presentation and Analysis

In this section, fundamental analysis tools has been discussed using the top-down approach-economy through the company; then the technical analysis.

Fundamental Analysis

Economy analysis The economy of India is the seventh-largest in the world in terms of nominal GDP and third-largest by purchasing power parity (PPP). India is now classified as a newly industrialized country. The country is a member of regional and global major bodies; UN, G-20, BRICS, The Commonwealth, G8+5, the South Asian Association for Regional Cooperation, The International Monetary Fund, World Bank, The World Trade Organisation, and a very strong economic power in Asia, etc. India is a fast developing country with an average rate projected at 7% over the last two decades. Maharashtra is the wealthiest state in India with an GDP of US$220 billion, almost equal to that of Portugal and this accounts for 12% of Indian GDP, followed by the state of Tamil Nadu (US$140 billion) and Uttar Pradesh (US$130 billion).

India has overtaken the People's Republic of China as the world's fastest growing major economy in the last quarter of 2014. This is asserted by the Central Statistics Organisation

(CSO) and the International Monetary Fund (IMF). According to the Economic Survey 2015-2016, the India economy will continue to grow more than 7 per cent in 2016-2017. The long-term growth prospective of the India economy is positive due to factors as young population, low dependency ratio, fast growing health sector, savings and investment etc.(Indian in Business. Ministry of External Affairs, Govt. of India. Investment and Technology Promotion Division).

Foreign Direct Investment (FDI) has increased by 29 per cent in India during October 2014 to December 2015 after the launch of the 'Make in India' initiative. The government of India has taken various steps to grow the economy and this has shown positive results as the GDP at factor cost at constant (2011-12) prices 2015-16 is US$1.668 trillion as against US$1.55 trillion in 2014-15 a growth of 7.6 per cent.

India has one of the highest growing service sector in the world with annual growth rate of above 9 per cent since 2001, which contributed to 57 per cent of GDP in 2012-13. India has become a major exporter of IT service. The agricultural sector is also growing in leaps and bound contributing significantly to GDP. India is home to a vibrant Automobile industry, being one of the largest in the world with annual production of 21.48 million vehicles (mostly two-wheeler and three-wheeler) in FY 2013-14. (info.shine.com)

Now look at some critical indicators of the economy as inflation rate, GDP growth rate, unemployment, FDI inflow.

Inflation Rate

Inflation rate in India has been volatile, rising and falling because of unsteady prices of consumer goods. However, it is showing sign of decline that if sustained will indicate good economic management. Prices are expected to fall the year (2016) because fall in global oil prices, which is likely to benefit India as oil importing nation. Inflation rate is expected to come down, though there is general global economic downturn that may slow down a drop in inflation rate.

Table 1: Inflation Rate

Years	Inflation Rate
2007	5.1%
2008	9.70%
2009	14.97%
2010	9.47%
2011	6.49%

2012	11.17%
2013	9.13%
2014	5.86%
2015	6.32%

Source: www.inflation.eu

Gross Domestic Product (GDP)

This accounts for the total goods and services produced in a country for a period. In India and by industry, the most important and fastest growing sectors are the services, trade, hotels, transport and communication, financing, insurance, real estate, and business services and community. Social and personal services account for more than 60 per cent of GDP. Agriculture, forestry and fishing constitute about 12 per cent of the output, but employs more than 50 per cent of the labour force. Manufacturing accounts for 15 per cent of GDP, Construction for another 8 per cent, mining, quarrying, electricity, gas and water supply for the remaining 5 per cent. (www.tradingeconomics.com)

Table 2: Gross Domestic Product (GDP) growth rate

Years	**GDP Growth Rate**
2007	9.80%
2008	3.89%
2009	8.48%
2010	10.26%
2011	6.64%
2012	5.62%
2013	6.64%
2014	7.24%
2015	7.34%

Source: www.trading economics.com

Unemployment Rate

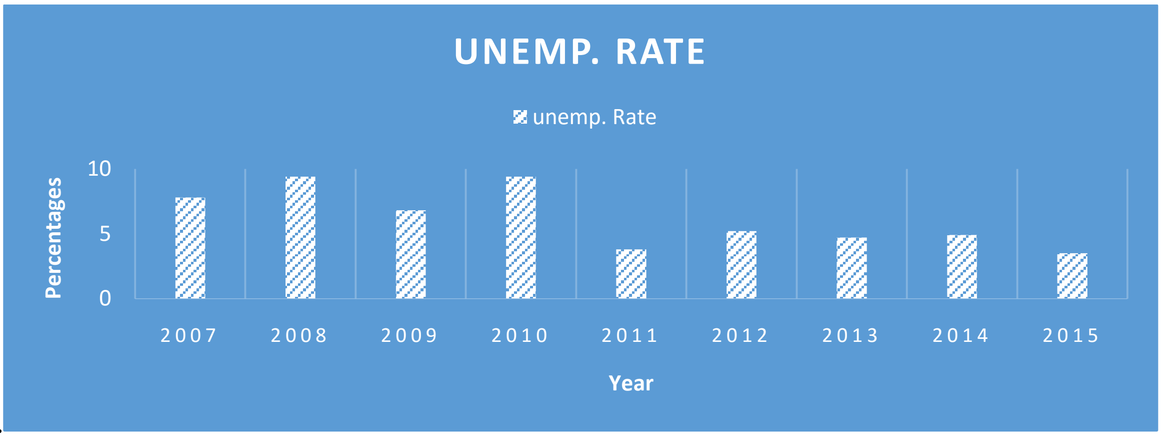
In India unemployment rate decreased to 4.90 per cent in 2013 from 5.20 per cent in 2012. It was 8 per cent in 2007 & 2008, increased in 2009 & 2010 to 9.4 per cent. However, in 2011 and 2012, a decrease was witnessed at 6.3 per cent and 5.2 per cent respectively. And in 2013, it went to a record low of 4.70 per cent, but slightly rose to 4.90 per cent in 2014.

Table 3. Unemployment Rate in India

Years	Unemployment Rate
2007	7.8%
2008	9.4%
2009	6.8%
2010	9.4%
2011	3.8%
2012	5.2%
2013	4.7%
2014	4.9%
2015	3.5%

Source: Open Government Data (OGD) platform India

Fig.1 Unemployment Rate in India



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Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) happens when a firm investments in new operation in a foreign country. It may be to set a factory or marketing activity. In either case, there is flow of funds from the originating country to the foreign country. The delicensing of the automobile industry by the Indian Government, opened an avenue for major players in the automobile industry around the world to come to the market. Some came on the basis of acquisition, others on mergers with existing local companies. By this means, there was much influx of funds from foreign countries to India. The automobile sector is the sixth sector in terms of contribution to FDI IN 2015 and accounts to about 5% of total FDI as shown on the table below.

Table 4: DIPP's-Financial Year-Wise FDI Equity Inflows

(As per DIPP's FDI data base-equity capital component only)

Financial Year	In Rs. Crores	In US$ million	%age growth rate over previous years (in terms of US$)
2007-08	98.642	24,575	(+) 97%
2008-09	142.829	31,396	(+) 28%
2009-2010	123,120	25,834	(-) 18%
2010-2011	97,320	21,383	(-) 17%
2011-2012	165,146	35,121	(+) 64%
2012-2013	121,907	22,423	(-) 36%
2013-2014	147,518	24,299	(+) 8%
2014-2015	189,107	30,931	(+) 27%

Table 5: Sectors Attracting Highest FDI Equity Inflows

Amount in US Dollars

Ranks	Sector	2013-14	2014-2015	2015-16	Cumulative inflow	%age to total inflow in US$
1	Services	13,294(2225)	19963(3253)	1361(217)	206893 (42930)	17%
2	Construction development, townships, housing ,built-up infrastructure	7508(1226)	4582(758)	2(0.3)	113142 (24064)	10%
3	Telecommunications	7987(1307)	17372(2895)	27(4)	84119	7%

					(17062)	
4	Computer Software/Hardware	6896(1126)	1356(2200)	4446(709)	77681 (15726)	6%
5	Drugs& pharmaceuticals	7191(1279)	9211(1523)	121(19)	65403 (13140)	5%
6	Automobile Industry	9027(1517)	15794(2570)	4107(655)	68098 (13037)	5%
7	Chemicals (other than fertilizer)	4738(878)	4077(669)	320(51)	49630 (10388)	4%
8	Power	6519(1066)	3985(657)	683(109)	4732 (9666)	4%
9	Metallurgical Industries	3436(568)	2897(472)	232(37)	41379 (8584)	3%
10	Trading	8191(1343)	16962(2761)	2769(441)	46569 (8502)	3%

Source: Department of Industrial Policy & Promotion (DIPP: 2015) and RBI

The service sector is the highest in terms of attracting FDI in India for the period under review. The automobile industry is sixth on the list. The rate of FDI inflow in India is really very encouraging and government policies are a strong factor in this regard.

Industry Analysis This study is about the automobile industry of India. The automobile industry in India is one of the fastest growing in the world. The industry also experienced the global economic crisis in 2008, but quickly recovered after the period. It is rated as the second fastest growing auto market in the world after China in 2010. The annual production is more than 20 million vehicles in 2015. This growth is noticed in the segments, especially in the two-wheeler and three-wheeler sectors. According to the Confederation of Indian Industry the automobile industry employs 80 lakh people.

Company Analysis In this sub-section, the performance of the individual companies are focused on. Individual companies are not likely to perform at the same rate, despite the growth or otherwise, in the industry or the general economy. Uniqueness of management policies, corporate governance, credit policy, and other factors may be responsible for this. Some key financial ratios shall be considered in this section to credence to what each company is able to achieve. These ratios includes:- debt-equity ratio, ROE, current ratio, etc.

Ashok Leyland Motors

Table 6: Ashok Leyland Ratios

Ratios	**Mar 08**	**Mar 09**	**Mar 10**	**Mar 11**	**Mar 12**	**Mar 13**	**Mar 14**	**Mar 15**
Basic EPS	3.53	1.43	3.18	2.37	2.13	1.63	0.11	1.20
ROE	23.76	18.23	9.02	22.06	19.55	13.73	0.89	8.17
Total debt-equity	0.42	0.93	0.95	0.88	0.83	1.11	1.19	0.63
Current ratio	1.21	1.46	1.38	1.06	0.89	0.81	0.84	0.93
Inventory turnover	5.06	4.54	4.64	6.51	5.76	6.58	8.36	9.70
Dividend Payout ratio (NP)	42.56	69.92	47.09	42.14	47.01	36.80	0.00	38.25
Market Cap/Operating Revenue	0.59	0.39	1.00	0.68	0.63	0.47	0.63	1.54
Assets-Turnover ratio	142.92	77.97	79.88	105.51	107.77	95.30	77.63	101.88

Source:-www.moneycontrol.com

The three most important ratios in the automobile industry are the debt-equity ratio, inventory to turnover ratio and Return on Equity. And these are well represented on the table above. Debt-equity provides an indication of a company's capital structure. The auto industry is capital intensive, and high debt ratio may not be show a high risk as generally believe. However, debt-equity ratio of Ashok Leyland is moderate. It was low in 2007-08 but increased thereafter, and in 2014-15 it went down to .63 from 1.19 the previous year 2013-14. The increase in inventory turnover ratio shows efficiency and better sales outlook for the company. Return on Equity (ROE) sowed a decline in 2008-09 but rose in 2010-2011and 2011-2012. The return of 2013-2014 was very low, but investors need not to lose sleep as it improved in following year.

Eicher Motors Limited

Table 7: Eicher Motors Ratios

Ratios	**Mar 08**	**Mar 09**	**Mar 10**	**Mar 11**	**Mar 12**	**Mar 13**	**Mar 14**	**Mar 15**
Basic EPS	22.45	45.58	28.00	46.18	53.62	103.15	206.38	453.20
ROE	13.75	0.00	16.51	23.06	23.01	33.92	45.30	57.18
Total debt-equity	0.43	0.03	0.04	0.03	0.03	0.00	0.00	0.01
Current ratio	0.99	1.28	0.56	2.73	1.99	1.65	1.31	0.98
Inventory turnover	10.55	17.18	15.66	14.83	13.91	11.94	14.78	20.60
Dividend Payout ratio (NP)	22.28	32.39	39.27	34.67	37.30	29.11	24.24	22.08
Market Cap/Operating Revenue	0.32	2.19	7.51	5.93	7.47	7.90	13.50	8.40
Assets-Turnover ratio	176.73	67.96	69.12	85.82	102.44	114.78	135.99	181.04

Source:-www.moneycontrol.com

Tata Motors Limited

Table8: Tata Motors Limited Ratios

Ratios	**Mar 08**	**Mar 09**	**Mar 10**	**Mar 11**	**Mar 12**	**Mar 13**	**Mar 14**	**Mar 15**
Basic EPS	52.63	19.78	39.26	6.06	3.90	0.93	1.03	14.72
ROE	25.96	8.21	15.15	9.06	6.33	1.57	1.74	0.00
Total debt-equity	0.80	1.06	1.12	0.73	0.56	0.75	0.76	1.35
Current ratio	0.80	0.54	0.52	0.58	0.62	0.48	0.36	0.42
Inventory turnover	11.88	11.51	12.05	12.10	11.84	10.05	8.88	7.56
Dividend Payout ratio (NP)	28.50	30.65	38.34	70.32	103.09	213.77	193.87	0.00

Market Cap/Operating Revenue	0.84	0.36	1.22	1.69	1.61	1.92	3.74	4.88
Assets-Turnover ratio	110.01	66.81	69.22	86.89	99.60	85.78	68.94	72.67

Source:-www.moneycontrol.com

Current ratio in the case of Tata Motors Limited is not favourable as it is less than the acceptable 2.0 throughout the eight years. This should agitate the mind of a serious investor. Return on Equity (ROE) was only good in 2007-08, but declined afterwards, and it showed o% in 2014-2015 which calls for caution by investors. Inventory turnover indicates some consistence in sales, though low in 2014-15, this may be due to decline in export sales. The company utilizes equity financing for its operations.

Maruti Suzuki Limited

Table 9: Maruti Suzuki Limited Ratios

Ratios	**Mar 08**	**Mar 09**	**Mar 10**	**Mar 11**	**Mar 12**	**Mar 13**	**Mar 14**	**Mar 15**
Basic EPS	59.89	42.17	86.42	79.22	56.60	79.19	92.13	122.85
ROE	20.56	13.04	21.10	16.50	10.76	12.87	13.26	15.65
Total debt-equity	0.11	0.07	0.07	0.01	0.07	0.07	0.08	0.01
Current ratio	0.96	1.59	0.95	2.39	1.69	1.63	1.76	0.93
Inventory turnover	17.41	22.29	24.25	25.88	19.81	23.68	25.62	19.11
Dividend Payout ratio (NP)	8.34	8.29	6.93	9.46	13.25	10.10	13.02	20.34
Market Cap/Operating Revenue	1.33	1.08	1.40	1.00	1.10	0.89	1.36	2.24
Assets-Turnover ratio	145.65	151.58	178.27	198.74	159.56	163.04	143.11	148.93

Source:-www.moneycontrol.com

The Return on Equity (ROE) for Maruti was highest in 2008 which was even turbulent year globally, but effect of that was felt in 2008-9 with a sharp drop from 20.56% to 13.04% in

2008-09. It improved the following year to 21.10%. The finances its operation mainly from equity financing which is a more costly source of financing when compared with debt, but less risky. The inventory turnover ratio shows a steady sales activities. The company is consistent in the payment of dividend, from 8.34 ratio in 2007-8 to 20.34 ratio in 2014-15 which is about 41% increase.

Technical Analysis

Technical analysis does not and will not help in determining the intrinsic value of stock, rather it deals with identifying future price of stock through the use of charts and other tools. It uses actual prices in the capital market as a pattern to predict the future in the short period. In other words, the actual performances of stocks in the market will be an indication of what to expect in the future.

Closing Prices Movement

This works considers the closing price movement of the companies and compares them for easy prediction of future prices.

Table 10: Stock Closing Price Movement

Years	STOCK PRICE(IN US$)	STOCK PRICE(in US$)	STOCK PRICE(IN US$)	STOC PRICE(IN US$)
	ASHOK LEYLAND	TATA MOTORS	EICHER	MARUTI SUZUKI
2008	0.51	1.42	17.08	62.48
	0.51	1.41	17.11	63.41
2009	2.56	0.54	29.76	91.88
	2.57	0.58	29.63	92.32
2010	2.00	1.89	78.34	126.36
	2.05	1.88	78.15	125.21
2011	2.31	2.90	124.85	129.19
	2.26	2.86	124.21	130.81
2012	3.03	3.11	261.81	158.27
	3.08	3.18	262.79	157.05

2013	2.68	3,12	356.39	203.81
	2.74	3.03	360.57	202.13
2014	7.96	4.70	819.91	255.96
	6.88	4.82	833.50	256.82
2015	9.90	6.32	2152.02	527.47
	9.64	6.40	2145.46	521.82

Source: in.finance.yahoo.com

The general trend in the stock market for the auto companies is an upsurge in their prices, since after the 2008 crisis which was global. Though, in the case of Tata motors, 2009 was equally bad for the shareholders share value as it went down further to less than US$1. Ashok Leyland stock price also nose-dived in 2013, but went up in 2014, about 34.42%.

Section VII: Conclusion and Suggestions

The automobile industry in India is one of the largest in the world, and also a fast growing industry, though with slight decline in 2013. Indian's economy has been on the path of growth despite global economic slowdown. Gross Domestic Product (GDP) grew by 10.26% in 2013, but witnessed a decline thereafter. Though it grew at slower rate. The other indicators also showed improvement; inflation rate has recorded a decline in 2008, 2011 2013, 2014; however, it rose in 2009 and 2012 at 14.97% and 11.17% respectively. Unemployment rate dropped to 4.70% in2013 and 4.90% in 2014 from 9% in 2010, this is due largely to government desperate policy to improve the agricultural sector by some incentives and other policies to encourage the small scale industries.

In terms of EPS, Maruti Suzuki did better than the other companies, and this should appeal to investors. The position of Eicher is commendable when compared to the others in terms of ROE it was consistently better within the period of study. The companies favoured the use of more equity capital to finance expansion and other activities. Though Eicher used more debt financing. Maruti Suzuki is a company when we consider the inventory of the companies as it is the highest throughout the period under review. According to Maverick (2015) they key financial ratios of the automobile industry are debt-equity ratio, inventory turnover ratio and Return on Equity ratios, and the performance of companies under consideration are favourable. And another important indicator that investors must consider is the dividend payout ratio. The companies steadily paid dividend throughout the period under review, except Tata motors and Ashok Leyland that did pay dividend in 2014 and 2013 respectively.

This may have resulted as better investment showed up in the year, otherwise that may be as a result of poor business activity. Investors should benefit from analysis of fundamentals for long term investment decision as it is done in this paper. The automobile industry continue to be an industry of investment destination. The industry will continue on other sectors significantly, as no sector of any economy can make real progress without the input of the automobile industry. Investors should avail themselves with the success story of the auto industry in India as return is huge and risk minimised because of use of less debt financing. And despite the volatility of price in the capital market, prices of the stocks of these companies have been on the rise. Foreign Direct Investment (FDI) shows some positives in growth in the automobile industry, though having negatives in 2010-11 and 2012-13 FY. There is hope that it will continue to grow since major foreign manufacturers have seen huge potential in the Indian market with attractive environment for investment in the sector. This paper suggests that the investment in the Indian automobile industry is worthwhile one, considering the huge potentials that exists in it for a long term period. Return is promising, risk is within acceptable limit and stock price is attractive. Investors should think fast.

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