



Financial Performance Evaluation of Select Automobile Companies

Ms. Sandhya S², Dr.G.Sudarsana Reddy¹

¹Final Year M.Com, DOSR in Commerce, Tumkur University, Tumakuru – 572103, Karnataka.

²Professor, DOSR in Commerce, Tumkur University, Tumakuru – 572103, Karnataka.

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ABSTRACT

India, with a growth rate of 6.6 per cent in the year 2022, is among the fastest growing economies in Asia. Manufacturing sector and agricultural sectors occupies second and third place in terms of contribution to GDP respectively. The automobile industry plays a vital role in Indian economy in India in terms of employment generation, production and sales. Automobile sector a key driver of macroeconomic growth. Success of any organisation depends on mainly on management of its finance efficiently; therefore financial performance evaluation is plays pivotal role. The aim of the paper is to evaluate the financial performance of select Automobile Companies using ratios. The study is desk research and it is based on the secondary data collected annual reports for five years 2016-17 to 2020-21. The population of the study comprises of top 10 automobile companies listed in BSE Ltd. as on 31-12-2021. The researcher has chosen top three companies on the basis of turnover. The sample companies are Tata Motors, Maruti Suzuki, and Hyundai Motors. The scope of the study is limited to the select companies which are from four wheel passengers' vehicles only. The data collected for study were analysed using ratio analysis and EVA analysis. It is found that on an overall the financial performance of select sample automobile companies were in a slow pace, but Maruti Suzuki and Hyundai Motors were stable and better in their financial performance.

Keywords: Finance, Performance, Evaluation, Automobile, Tata, Maruti, Hyundai Motors

1. INTRODUCTION

India, with a growth rate of 6.6 per cent in the year 2022, is among the fastest growing economies in Asia amid a global slowdown triggered by a massive energy shock due to the ongoing Russia-Ukraine conflict, as per The Organisation for Economic Cooperation and Development (OECD). Development of economy depends on various sectors; currently service sector dominates with highest contribution to gross domestic product (GDP) than others sectors. Sector contributed over 50 per cent to India's GDP, highlighted the Economic Survey 2021-22. Manufacturing sector and agricultural sectors occupies second and third place in terms of contribution to GDP respectively. The manufacturing GVA at current prices was estimated at US\$ 77.47 billion in the third quarter of financial year 2022 and has contributed around 16.3 per cent. India is going to be a global manufacturing hub and by 2030. As per the economic survey reports, estimated employment in manufacturing sector in India was 5.7 crore in 2017-18, 6.12 crore in 2018-19 which was further increased to 6.24 crore in 2019-20. Therefore, in terms of employment generation manufacturing sector provides more employment than the agricultural sector. Manufacturing sectors consists of seven core industries involved in production of coal, cement, electricity, refinery products, fertilizers, steel, and natural gas. The automobile industry plays a vital role in Indian economy in India in terms of employment generation, production and sales. Further, it helps develop other industries through procurement of raw material like glass, rubber, steel, metal, plastic, petrochemicals, and so on. Therefore, automobile sector a key driver of macroeconomic growth. Success of any organisation depends on mainly on management of its finance efficiently; therefore financial performance evaluation is plays pivotal role.

Even the Indian automotive industry today operates in terms of the dynamics of an open market like the automobile and the auto-component industries, which constitute the automotive industry, exhibit a good balance of domestic and foreign players. For the development of an economy well developed transport system is very necessary. As India's transport network is developing at a fast speed, Indian Automobile Industry is growing too. Also, the Automobile industry has strong backward and forward linkages, and hence provides employment to a large part of the population. Therefore, automobile industry plays pivotal role in Indian economy. In the number of Automobile industry includes two wheelers, three wheelers, commercial vehicles and passenger vehicles.

A Research design a legal and systematic plan prepared for diverting a research study. It specifies the objectives of a study, the methodology and techniques to be adopted for achieving the objective. It involves plan for collection of data and analysis of data. It is a plan, structure and strategy of investigation, Conceived so as to obtain answer to research. A Research design is the problem that guides the investigation in the process of collecting analyzing and interpreting observation.

2. Review of Literature

The collection of reviews has been made from studies undertaken by the academicians, economist practitioners to time. The collected review of literature helped the researcher to frame the relevant scope for the study.

Ramachandra Reddy and Yuvaraja Reddy (2016) examined the effect of selected variables on market value added (MVA). This study was conducted with 10 cement companies in India and the objective of this study was to examine the effect of select variables on MVA. For this purpose, Multiple Regression technique has been used to test the effect of select variables on MVA. The study found that none of the factors is found to have impact on MVA and EPS is found to have negative and significant impact on MVA. They opined that profitability performance of sample cement units can be done with cost reduction and modernization. Companies which earn higher returns than cost of capital are creating shareholder's value. This technique to measure performance of a company is far better than that of profit after tax (PAT), earnings per share (EPS) and Return on assets (ROA).

Pratapsinh Chauhan (2012) examined the shareholder's value creation in the Indian petroleum industry. The study aims to analyze the performance of the company we have divided petroleum into public sector firm and private sector firms. The Data relating to EVA, MVA, NOPAT, PAT, Market Capitalization and EPS data provided by CMIE Prowess database for the period of 10 years (2001-02 to 2010-11) for seven companies. The correlation relationship finds between EVA, MVA, NOPAT, PAT, EPS and Market Capitalization and also to test hypothesis for 't' test applied. EVA has been found to have significant correlation with operating profit (OP), NOPAT, EPS, Market Capitalization and MVA figures of firms of both the sectors. The study concludes that petroleum companies have created positive EVA and MVA throughout the study period.

Dharmendra and Mistry (2012) in their study ascertained the determinants of profitability in Indian automotive industry. The study was undertaken for a period of five years from 2004-05 to 2008-09. This study used descriptive analysis and ratio analysis. Size, Liquidity, Inventory Turnover Ratio and Debt-Equity Ratio were found to be dominants in determining profitability of Indian Automobiles Industry. The study also found that debt-equity (DE), inventory turnover (ITR) and size were the most important determinants of the profitability which affected the profitability of the companies under the study positively. Liquidity was found to have negative effect on the profitability. DE was the most important determinant of profitability of the automobiles industry because its regression coefficients were the highest and found statistically significant for most of the years under the study which suggested that there was a positive relationship between profitability and DE.

Tariq Zafar and Khalid (2012) analyzed qualitative and quantitative performance of Maruti & Tata Companies to investigate their risk and returns factors. The Study found that Maruti had better strategic position in comparison to its competitor in all the respective ratios. It had secured top position in Liquidity analysis, in profitability analysis in relation to sales and in relation to investment, in efficiency analysis, in leverage analysis, in market valuation and has secured first rank. Tata on other hand, with almost second rank in all the respective analysis, has secured second position.

Sanjay and Butalal Ajmera (2011) in their study analyzed financial leverage, earnings and dividend of Maruti Suzuki India Ltd. The study period was eight years from 2001-02 to 2008-09. For the purpose of analysis, the researcher used ratio techniques and correlation-co-efficient and 't' test as statistical tools. The study found that dividend payout was in decreasing trend during the study period. The company was enabling to maximize the EPS by the reverse operation of financial leverage. The company successfully pulled down the degree of financial leverage to reap the EPS advantage.

Nishi Sharma (2011) in a study analyzed the financial performance of Indian Automobile Industry. For this purpose the researcher selected four automobile companies in India for a period of 10 years from 2001-02 to 2010-11. The selection of the company was done on the basis of their market share. The study found that the financial performance of Mahindra & Mahindra Limited as well as Tata Motors was very satisfactory in terms of profitability as well as managerial efficiency to generate sales from the use of assets. But their liquidity positions were not so sound. The liquidity position of commercial vehicle manufactures was better than passenger vehicle manufacturers. The financial performance of Ashok Leyland was comparatively poor. A better long term solvency scenario for passenger vehicle industry Maruti Suzuki and commercial vehicle industry VST Tillers was found. The performance of Hindustan Motors, from the passenger vehicle segment, is not very satisfactory.

Sharma and Kumar (2010) analyzed effectiveness of Economic Value Added in selected companies for the period d of 2001-02 to 2008-09. Researcher has used traditional measures along with EVA to measure effectiveness of the firm. The result of statistical tools reveals that except few majorities of the sample companies are able to continuously create value for their shareholders during the study period. The study finds that EVA is gaining popularity in India as important measures of firm performance.

Asha (2009) in his doctoral research work analyzed financial performance of Maruti Suzuki India Ltd. and Hyundai Motors India Ltd. and compared the results. For this purpose the researcher used ratio analysis as financial tool and appropriate statistical tools for analysis. The study was based on secondary data and they were collected from annual reports and other sources. The study period was ten years from 1998-99 to 2007-08. The researcher described key findings of the study and recommendations in his research report.

Manor Selvi A. and Vijaya Kumar. A (2007) in this study structure of profit rates in India automobile industries – a comparison an attempt has been made in this study to examine the trends of profit of selected Indian automobile Industries over the period from 1991-92 to 2003-04. It shows a declining trend in profitability of ten out of eighteen industries (55.55 percent). India automobile industries studied here is a very big cause of concern. The falling tendency of profit rates of these industries is a proof of adverse effect of various controls on prices, output, expansion and investment etc., extended by government on these industries over time.

Ghanbari and Sarlak (2006) studied economic value added in Indian automobile industry. The objectives of the study are: to compute and analyze Economic Value Added (EVA) of firms in the automobile industry and to identify the EVA trend of the industry the period of the study. The study found that the Economic Value Added (EVA) of only 30 per cent of the selected companies is positive and 70 per cent of the selected companies have

destroyed their shareholders wealth by negative EVA. The study concluded that there has been a significant increasing trend in EVA of the Automobile Industry firms which means that companies have a positive trend to improve their firm values.

Karam Pal Singh and Mahesh Garg (2004) examined the disclosure of EVA in Indian corporate. The study revealed that out of 50 companies, only 32 companies have generated positive EVA and 18 companies have destroyed their shareholders wealth in 1998. In 2000, only 29 companies have generated positive EVA. In 2001, only 34 companies have generated positive EVA. And the same trend continued in 2002. The study also found that one – third of total companies are reporting negative EVA throughout the period and another one – third companies are generating positive EVA. It also revealed that only two – three industries are reporting negative EVA and rest are generating positive EVA.

Raj S Dhankar and Ajit S Boora (1996) studied the effect on cost of capital, optimal capital structure and financial performance of the Indian private sector firms at micro level as well as macro level. A sample of 26 large scale companies was selected across the different industry. The study has employed both primary and secondary data. A vicariate correlation has been applied to find the relationship among the capital structure and financial performance variables. It reveals that No significant relationship was found between change in capital structure and the value of a firm, at the micro level. This is because of the fact that the value of a firm is affected by a multiplicity of factors and capital structure is just one of them. Many of these factors like the reputation of promoters, management of the company, economic and political conditions, role of bulls and bears, government policies, etc., are not measurable as they are qualitative in nature. This study concludes that Companies were found to differ significantly in capital structure irrespective of whether they belong to the same industry group or different groups. This is because of the fact that the magnitude of the effect of determinants of capital structure vary from company to company.

Brain K. Boyd (1991) studied “Strategic Planning Financial Performance - A Meta- analytic Review”. After two decades of research, the effect of strategic planning on a firm’s performance is still unclear, while some studies have found no relationship, or even small negative effects. The study used meta-analysis to aggregate the results of 29 samples on a total of 2429 organizations. Analysis of previous studies found modest calculation between planning and nine performance measures like profitability, assets productivity, capital structure, solvency, working capital, liquidity, dividend policy, growth rate in operating performance –and social performance. Extensive measurement problems suggest that these findings underestimate the true relationship between planning and performance.

3. Research Gap

After a thorough of review of literature, it was found that many studies have been undertaken on the financial performance evaluation and Economic Value added Analysis wherein the analysis were made either only on financial performance or economic value added analysis on Selected Automobile Industries. But, the researcher should has studied both financial performance and economic value added analysis altogether. In India, This study has been conducted on three Indian Automobile giants namely Tata Motors Limited, Maruti Suzuki Limited and Hyundai Motors Limited by considering the data for five years framework starting From Financial Year 2016-17 to 2020-21.

Here introduce the paper, and put a nomenclature if necessary, in a box with the same font size as the rest of the paper. The paragraphs continue from here and are only separated by headings, subheadings, images and formulae. The section headings are arranged by numbers, bold and 9.5 pt. Here follows further instructions for authors.

4. Statement of the Problem

India is one of the leading automobile manufacturer and exporter in the world. Automobile industry is growing at high rate during the recent decade. Automobile industry acts as the backbone of transportation of a country; from passengers to logistics it helps in ease of movement across the nation. The Indian automobile industry has performed an uptick in sales. During the period from April 2000 to 2015, the Automobile Industry has attracted FDI of US \$12,232.06 billion as per the data announced by Department of Industrial Policy and Promotion (DIPP). The automobile sector is considered to be most important for an economic development. The general conception is that, increasing in financial performance will impact on organizational performance. The analysis of annual statement is process of examining the relationship between the understanding of firm’s financial position and performance whereas Economic value added is based on the stakeholders ‘approach that is concerned with maximizing the wealth of customers, suppliers, society and also shareholders. It measure of company’s financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit. Therefore, present study mainly focus on examining the financial performance and importance of Economic Value Added (EVA) method of Automobile Industries are Tata Motors, Maruti Suzuki and Hyundai Motors help to the stakeholders to choose better investment decision.

5. Aim of the Paper

The aim of the paper is to evaluate the financial performance of select Automobile Companies using ratios and EVA.

6. Research Design

The study is desk research and it is based on the secondary data. The population of the study comprises of top 10 automobile companies listed in BSE Ltd. as on 31-12-2021. The researcher has chosen top three companies on the basis of turnover. The sample companies are Tata Motors, Maruti Suzuki,

and Hyundai Motors. The scope of the study is limited to the four wheel passengers' vehicles only. The data collected for study were analysed using ratio analysis and EVA analysis.

7. Analysis and Discussion

The data collected is analysed using liquidity, solvency, activity, profitability and economic value added ratios.

7.1 Liquid Ratios

Liquidity position of a company conveys its ability to pay currently maturing obligations without loss of the company image. The most important ratios used to study the liquidity position of a company are Current ratio and Quick ratio.

Current Ratio (CR) refers to the relationship between current assets and current liabilities. It helps measure the ability of a business concern to meet its short-term obligations that are due within a year. It is also known as working capital ratio. It is most commonly used measure to examine short-term financial position of a business concern. 2:1 is considered ideal ratio.

Quick Ratio (QR) shows the relationship between liquid assets and current liabilities. It refers the degree to which a business concern to meet its short-term obligations with its most liquid assets. In other words, it measures the proportion of a business's current liabilities that it can meet with cash and assets that can be readily converted to cash. It is also known as acid test ratio. The ratio of 1:1 is considered ideal. Table 1 provides the liquidity position of select companies.

Table 1 Liquidity Ratios (in Times)

Year	Tata Motors		Maruti Suzuki		Hyundai Motors		Automobile industry (Consolidated)	
	CR	QR	CR	QR	CR	QR	CR	QR
2016-17	1.01	0.71	0.66	0.42	1.71	1.48	1.13	2.60
2017-18	0.95	0.57	0.51	0.31	1.48	1.26	0.98	2.14
2018-19	0.85	0.58	0.87	0.64	1.43	1.21	1.05	2.43
2019-20	0.85	0.58	0.75	0.46	1.41	1.22	1.00	2.26
2020-21	0.93	0.70	1.15	0.32	1.38	1.20	1.15	2.22
Average	0.92	0.63	0.79	0.43	1.48	1.27	1.06	2.33

From Table 1 we can observe that the average current ratio of select companies is less than the industry average, except Hyundai Motors. Current ratio of select companies' and industry is less than standard ratio 2:1 in all the years under reference. Current ratio of Maruti Suzuki improved over the study period and other two companies' ratio declined. The poor ratio recoded at all companies, but Hyundai Motor's liquidity position is better when compared to others.

When we look at the quick ratio all the three companies' and automobile industry quick ratio shown declining trend over the study period. Hyundai motors ratio is above standard ratio 1:1. But, industry is in very good position in honoring current liabilities.

7.2 Solvency Ratios

Solvency ratios helps measure an organisation's financial position from a long-term solvency point of view, more specifically the repayment of debt principal and interest expense. These ratios can be used by the lenders for evaluating prospective borrowers financial risk and determine creditworthiness. There are three: Debt- Equity ratio, Proprietary ratio, and Interest Coverage ratio.

Debt-Equity Ratio (DER) shows relationship between long-term borrowed funds (debt) and shareholders' funds (equity) is a popular measure of long-term solvency of a firm. This relationship is shown by debt-equity ratio. Long-term debt is financial obligations which have a repayment period of greater than one year. Long-term debt is divided by equity to get the ratio. Although standard ratio varies from industry to industry, a DE ratio of around 2 or 2.5 is generally considered good.

Interest Coverage Ratio (ICR) shows the amount of Earnings before Interest and Taxes (EBIT) available for payment of interest expenses. The ratio measures the ability of a company to pay the interest on its outstanding debt on time. It is used by lenders. The higher ratio, the lower the chances of defaults and indicates the sound financial health. Some lenders and creditors seek the ratio 3 times.

Proprietary Ratio (PR) indicates the proportion of a company's total assets to its shareholders' funds. It indicates the portion of total assets financed by owners' funds. Total assets are all the assets. Shareholders' equity is divided to get total assets. Table 2 presents solvency ratios of sample companies.

Table 2 Solvency Ratios (In Percentage)

Year	Tata Motors			Maruti Suzuki			Hyundai Motors			Automobile industry (Consolidated)		
	DER	ICR	PR	DER	ICR	PR	DER	ICR	PR	DER	ICR	PR
2016-17	1.28	1.93	0.21	0.32	1.67	0.71	0.17	4.08	0.42	0.59	2.56	0.45

2017-18	0.82	1.96	0.29	0.08	0.40	0.71	0.14	1.03	0.41	0.34	1.13	0.48
2018-19	1.51	-0.30	0.20	0.10	1.68	0.74	0.16	7.59	0.36	0.59	2.99	0.43
2019-20	1.58	-1.06	0.20	0.07	0.88	0.78	0.17	2.50	0.36	0.61	0.77	0.45
2020-21	2.08	0.41	0.16	0.33	1.56	0.74	0.13	12.18	0.35	0.84	4.72	0.42
Average	1.45	0.59	0.21	0.18	1.24	0.73	0.15	5.48	0.38	0.60	2.43	0.44

Table 2 shows that the average debt-equity of all selected companies and consolidated position is less than 2 times except Tata Motors. Tata Motors compare to other companies managing the financial activities by raising their capital through Debt more than Equity. Maruthi Suzuki and Hyundai motors used more equity in capital structure making safety net for lenders; and Tata motors use more debt, though it is less than the standard ratio which is risky for lenders'.

In interest coverage ratio of selected companies less than the industry average 2.43 times, except Hyundai Motors (5.48 times). Hyundai Motors is in very good position with 5.48 paise for every one rupee of interest expenses. But, Tata Motors has just 50 paise for every one rupee of interest expense. Maruti Suzuki is in good position with 1.24 paise for every of rupee of interest payment. On an average, the industry is capable of honouring interest payments.

Proprietary ratio of all companies' on an average shows (Table 2) that the ratio is less than one indicating the equity funds are not sufficient in financing total assets. In other words, total assets were financed with equity as well as debt funds. But, Maruthi Suzuki has used more equity in financial total assets. Tata Motors using more debt capital rather than equity compare to selected companies.

7.3 Activity Ratios

Activity ratios are quite different from the liquidity and activity ratios. Activity ratios are used to determine the efficiency of the organisation in utilising and managing its assets/resources to generate maximum possible revenue. *Put in simple, activity ratios indicate the efficiency of a firm in daily business operations. We used three ratios: inventory turnover, debtors' turnover, and fixed assets turnover.*

Inventory Turnover Ratio (ITO) ratio indicates the number of times at which inventory is converted in to sales over a specific amount of time. It is calculated by dividing the cost of goods sold by the average inventory. It is also known as stock velocity. A high ratio is always favorable, as it indicates *reduced storage and other holding costs; but might indicate insufficient stocking that is costing the company sales.* Put in simple, a high inventory turnover ratio indicates *that a business manages its stock very well.*

Debtors Turnover Ratio (DTO) indicates how efficiently debtors are converted in to cash during a year. It *shows how quickly the credit sales are converted into the cash.* Credit sales divided by average trade receivables to get debtors turnover ratio. A higher debtor's turnover ratio indicates that the business can collect its receivables amount many times over in a particular period.

Fixed Assets Turnover Ratio (FATO) measures the efficiency at which a company is capable of utilising its long-term fixed assets base to generate revenue. Net sales revenue is divided by fixed assets. Fixed assets can includes Buildings, computer, equipment, software, furniture, land machinery and vehicles. There is no precise standard ratio. Companies desire a high ratio indicating that assets are being used efficiently, resulting in significant number of sales, higher returns on assets. But, turnover can be high when a firm outsource its activities and maintains sales revenue. It helps in maximising return on fixed assets and investment.

Table 3 Activity Ratios (In Times)

Year	Tata Motors			Maruti Suzuki			Hyundai Motors			Automobile Industry (Consolidated)		
	ITO	DTO	FATO	ITO	DTO	FATO	ITO	DTO	FATO	ITO	DTO	FATO
2016-17	5.96	19.51	2.09	15.79	56.61	1.58	7.58	23.29	0.92	9.78	33.14	1.53
2017-18	5.85	17.35	1.83	18.48	54.53	1.53	7.78	26.05	0.90	10.70	32.64	1.42
2018-19	5.83	15.53	2.12	20.39	37.21	1.67	7.87	31.06	0.89	11.37	27.93	1.56
2019-20	5.34	17.31	1.61	19.53	35.52	1.37	7.44	30.60	0.83	10.77	27.81	1.27
2020-21	5.28	20.95	1.57	17.68	54.98	1.33	8.33	36.57	0.81	10.43	37.50	1.24
Average	5.65	18.13	1.84	18.38	47.77	1.50	7.80	29.51	0.87	10.61	31.80	1.40

On an average automobile industry recorded 10.61 times (Table 3) inventory turnover ratio. Maruti Suzuki's ITO is above the industry and other companies under study. It indicates that the Maruti Suzuki was able to convert the inventory into cash quickly and thus reducing block of funds in stock; reducing carrying and storage cost of inventory.

Debtor's turnover ratio of industry is stood at 32 times (Table 3) indicating automobile industry is efficient in collecting debtors on time. As usual Maruti Suzuki occupies first place with 47.77 times followed by Hyundai and Tata Motors. It indicates that amount from debtor is being collected more quickly and less risk from Bad debts compare to others.

Fixed assets turnover ratio of industry is recorded 1.4 times, which is normally less. The similar ratio was recorded at Tata and Maruthi Suzuki. The ratio at Hyundai is less than one (0.87 times) indicating fixed assets were under utilised. On an overall, the performance of companies in utilising fixed assets is not appreciable.

7.4 Profitability Ratios

Profitability ratios are used to evaluate a company's capacity to earn profit from its operations. Profitability ratios show how well a business generates profit and value for its shareholders. Profitability ratios can be calculated on the basis of either sales or investments. The profitability ratios used in this study are Gross Profit Ratio; Net Profit Ratio; and Earnings per Share (EPS). Table 4 gives the profitability performance of sample companies.

Gross Profit Ratio (GPR) helps to know the proportion of profit generated by the sale of products/services, but before deducting selling and administrative expenses. In other words, it is the profit available in hand to cover the firm's operating expenses. The ratio is used to examine the ability of firm in producing products in a cost-effective manner. Gross profit is divided by net sales to arrive gross profit ratio.

Net Profit Ratio (NPR) measures the relationship between net profit after tax and net sales of a firm. The ratio of net profit after tax to net sales expresses the cost price effectiveness of the operation. Net profit is divided by net sales to arrive net profit ratio. Net sales equals to sales minus excise duty.

Earnings per Share (EPS) is calculated by dividing earnings available to shareholders (net profit after tax and preference share dividend) by number of outstanding equity shares. Net Profit available to shareholders refers profit or loss after income tax, minority interests and extraordinary items.

Table 4 Profitability Ratios (In Percentage)

Year	Tata Motors			Maruti Suzuki			Hyundai Motors			Automobile industry Consolidated		
	GP	NP	EPS	GP	NP	EPS	GP	NP	EPS	GP	NP	EPS
2016-17	25.16	2.76	22.00	25.49	11.03	24.86	18.24	4.72	91.64	22.96	6.17	46.11
2017-18	23.39	3.05	26.00	24.96	9.87	26.09	15.64	1.70	34.36	21.33	4.87	28.81
2018-19	21.66	-9.55	-85.00	22.56	8.89	25.33	16.70	3.01	68.99	20.30	0.78	3.11
2019-20	21.77	-4.62	-35.00	19.18	7.50	18.80	17.77	1.85	33.27	19.57	1.58	5.69
2020-21	22.34	-5.38	-37.00	17.31	6.24	14.53	18.65	4.84	115.77	19.43	1.90	31.10
Average	22.86	-2.75	-21.80	21.90	8.71	21.92	17.40	3.22	68.77	20.72	3.06	22.96

Table 4 Indicates Tata Motors and Maruti Suzuki are having highest gross profit ratio on par with the automobile industry, indicating that these companies are efficient in producing their products and have sufficient funds for paying selling and administrative expenses and grow their business.

Though the net profit is very less in single digit, the ratio of selected companies more than the industry average except Tata Motors. It indicates that the profit making companies are in better position to cope up market challenges like Price, Low demand etc.... on other side Tata Motors not in good position to prevail economic condition because of its net loss for due to very subdued performance of their Luxury Vehicle Jaguar Land rover and commercial vehicles business globally and facing trade disruption because of covid-19 pandemic.

Earnings per share of selected companies Maruti Suzuki is on par with the industry and Hyundai Motors recorded very high ratio (68.77). Tata Motors incurring losses.

7.5 Economic Value Added Analysis

The EVA intends to measure the value added by the firm during a given period of time. EVA recognizes that this creation of value has to be measured after the firm has returned cost to those who contributed to the capital formation and creditors. EVA is the financial performance measure that comes closer than any other to capturing the true economic profit of an enterprise. In modern economics and finance area, EVA holds an important part that has less debate among practitioners. It is the performance measure most directly linked to the creation of shareholders wealth over time. Shareholders are very much choosy for their interest into the business and they like management to come up with very specific solution. EVA can be taken as the net operating profit minus an appropriate charge for the opportunity cost of all the capital invested in an enterprise. Cost of capital employed is deducted from Net Operating Profit after Taxes is to get EVA. Symbolically, NOPAT – WACC* Capital Employed. Table 5 provides EVA of select companies.

Table 5 Economic Value Addition of Select Automobile Companies (in Crores)

Year	Tata Motors Ltd.	Maruti Suzuki Ltd	Hyundai Motors
2016-17	-4120.11	-442.18	-73456.36
2017-18	500.53	4092.31	-1356886.89
2018-19	-36006.60	-2657.32	-1243960.18
2019-20	-13910.88	-4518.46	-50503.04
2020-21	-40575.78	-21333.53	-687007.69

Table 5 presents EVA of selected companies. No sample company's performance is good on the basis of EVA during the study period, except one year 2017-18. In this year Tata and Maruthi created EVA. These companies destroying the wealth of the shareholder have a high equity cost and the profit is not enough to cover the equity cost.

8. Findings

The following findings have been drawn from the forgoing analysis and discussion:

- Current ratio of all the three sample companies is below the standard ratio 2:1. However, Hyundai Motor recorded a better ratio when compared to other companies under study and ability to pay its current liability and financial obligations. When we look at the Quick Ratio of Tata Motors and Maruti Suzuki was not good compare to Hyundai Motors. But, Hyundai Motors is ability to pay its current liabilities converting its most liquid assets in to cash.
- Debt Equity Ratio of selected companies less than the industry average except Tata Motors. Tata Motors managing financial activities through debt capital rather than equity compare to other.
 - In Interest Coverage Ratio companies less than the industry average, except Hyundai motors. Hyundai Motors have less burden of debt expenses and remaining companies not paying its interest regularly.
 - Proprietary ratio of selected companies has a good position in Maruti Suzuki compare to other companies. Tata motors raising capital through Debt rather than Equity.
- When we look at the Profitability position of selected companies Hyundai Motors have highest Gross profit compare to others over study period.
 - Net profit of selected companies Maruti Suzuki in good position compare to remaining Companies. But Tata Motors have Net Loss due to Covid 19.
 - Earnings per Share of selected Companies Tata Motors from 2018-19 to 2020-21 financial year there is no Earnings per Share Compare to remaining companies.
 - In terms of EVA, no sample company's performance is good on the basis of EVA during the study period, except one year 2017-18. In this year Tata and Maruthi created EVA. These companies destroying the wealth of the shareholder have a high equity cost and the profit is not enough to cover the equity cost.

9. Conclusion

On an overall the financial performance of select sample automobile companies, the study concludes that though the automobile industry was in a slow pace Maruti Suzuki and Hyundai Motors were still stable and better. But, Tata Motors have been in loss and not performed well since last five years. The findings of the study suggest that the solvency and liquidity position should be significantly improved. EVA as the best represents the market value of company in comparison to conventional performance measures. EVA ensures long-term survival and sustainability of any enterprise. The business cannot be sustained without adding economic value the select Automobile Companies are not able to generate return which is enough to add economic value. The risk-averse investors should be cautions before making investment decision select Automobile Companies.

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