© INTERNATIONAL JOURNAL FOR RESEARCH PUBLICATION & SEMINAR
ISSN: 2278-6848 | Volume: 04 Issue: 01 | January - June 2013
Paper is available at www.jrps.in | Email : info@jrps.in

FINANCIAL PERFORMANCE OF INDIAN AUTOMOBILE SECTOR

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ABSTRACT :
The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability & financial soundness of the firm. Just like a doctor examines his patient by recording his body temperature, blood pressure, etc. before making his conclusion regarding the illness & before giving his treatment, a financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise. The analysis & interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements. Information about financial performance is primarily provided in a Statement of Profit and loss (also known as Income Statement). Information about the performance of an enterprise, in particularits profitability, is required in order to assess potential changes in the economic resources that it is likely to control in the future.

INTRODUCTION :

Market Structure and Technology

The market structure was concentrated with entry barriers and restrictions to creating capacities and adding new product lines. While General Motors and Ford shut down their operations in India, business groups like the Birla and the Walchand group entered the industry. In 1960, there were three manufacturers, initially producing with licensed technology from US, UK and Italy; Premier Automobiles limited, Hindustan Motors and Standard Motors private limited, each producing very small outputs and Mahindra manufacturing jeeps. Product specific licensing policy forced companies to enter niche segments where each enjoyed a monopoly.

The market structure was thus concentrated and the firms relied on licensed technology and foreign equity participation as the means to growth. In mid seventies, the commercial vehicle industry was allowed unlimited production capacity and an automatic capacity expansion of 25% every five years. In the automobile industry, the government regulations granted enough time for successful learners to build technological capabilities by restricting competition and encouraging import substituting industrialization.

Market Structure

Maruti manufactured 12000 vehicles challenging the market shares of the existing manufacturers and eventually becoming the market leader by 1991. Entry in the Passenger car segment was still restricted, with three players until early 1991- Maruti, Hindustan motors and Premier automobiles limited (PAL) with market shares of 60%, 13% and 23%. Standard Motors exited from the industry in the late 1980s. Thus, fromthis phase, the market structure changed in favor of the government joint venture-MarutiUdyog Limited and the output of automobile industry increased by nearly 400%. The commercial vehicle segment was liberalized and saw the entry of Japanese joint ventures like DCM-Toyota, Eicher-Mitsubishi Swaraj-Mazda and Allwyn-Nissan. However, most of them suffered setbacks due to macroeconomic environment and foreign exchange appreciation.

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Industry performance in 2011-12

Production

The cumulative production data for April-March 2012 shows production growth of 13.83 percent over same period last year. In March 2012 as compared to March 2011, production grew at a single digit rate of 6.83 percent. In 2011-12, the industry produced 20,366,432 vehicles of which share of two wheelers, passenger vehicles, three wheelers and commercial vehicles were 76 percent, 15 percent, 4 percent and 4 percent respectively.

Domestic Sales: The growth rate for overall domestic sales for 2011-12 was 12.24 percent amounting to 17,376,624 vehicles. In the month of only March 2012, domestic sales grew at a rate of 10.11 percent as compared to March 2011.Passenger Vehicles segment grew at 4.66 percent during April-March 2012 over same period last year. Passenger Cars grew by 2.19 percent, Utility Vehicles grew by 16.47 percent and Vans by 10.01 percent during this period. In March 2012, domestic sales of Passenger Cars grew by 19.66 percent over the same month last year. Also, sales growth of total passenger vehicle in the month of March 2012 was at 20.59 percent (as compared to March 2011). For the first time in history car sales crossed two million in a financial year.

Exports: During April-March 2012, the industry exported 2,910,055 automobiles registering a growth of 25.44 percent. Passenger Vehicles registered growth at 14.18 percent in this period. Commercial Vehicles, Three Wheelers and Two Wheelers segments recorded growth of 25.15 percent, 34.41 percent and 27.13 percent respectively during April-March 2012. For the first time in history car exports crossed half a million in a financial year. In March 2012 compared to March 2011, overallautomobile exports registered a growth of 17.81 percent. In present study, the Indian Automobiles Industry includes the following listed company.

FINANCIAL PERFORMANCE IN PRE AND POST-RECESSION PERIOD OF TATA MOTORS LTD: Tata Motors Limited is India's largest automobile company, with consolidated revenues of Rs. 92,519 crore (USD 20 billion) in 2009-10. It is the leader in commercial vehicles in each segment, and among the top three in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments. The company is the world's fourth largest truck manufacturer, and the world's second largest bus manufacturer. The company's 24,000 employees are guided by the vision to be "best in the manner in which we operate, best in the products we deliver, and best in our value system and ethics." Established in 1945, Tata Motors' presence indeed cuts across the length and breadth of India. Over 5.9 million Tata vehicles ply on Indian roads, since the first rolled out in 1954. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand) and Dharwad (Karnataka). Following a strategic alliance with Fiat in 2005, it has set up an industrial joint venture with Fiat Group Automobiles at Ranjangaon (Maharashtra) to produce both Fiat and Tata cars and Fiat powertrains. The company is establishing a new plant at Sanand (Gujarat). The company's dealership, sales, services and spare parts network comprises over 3500 touch points; Tata Motors also distributes and markets Fiat branded cars in India.

Expenses Performance in Pre and Post Recession Period of Tata Motors Ltd.
(Rs. in Million)

	Pre-Recession Period		**Post-Recession Period**	
Variable	2005-2006 (Year-1)	2006-2007 (Year-2)	2008-2009 (Year-1)	2009-2010 (Year-2)
Other Expenses (A)	180962.90	283961.10	690901.00	872009.30
Depreciation (B)	5209.40	6880.90	7852.56	8962.36
Total Expenses (A+B)	186172.30	290842.00	698753.56	880971.66

The other expenses of the Tata Motors Ltd. was Rs. 180962.90 million and Rs. 283961.10 million for 2005-06 & 2006-07 respectively whereas Rs. 690901.00 million and Rs. 872009.30 million as other expenses of the firm for 2008-09 & 2009- 10 respectively. The amount of depreciation for pre-recession period was Rs. 5209.40 million and Rs. 6880.90 million. In post-recession period, the amount of depreciation for 2008-09 was Rs. 7852.560 million and Rs. 8962.36 million for 2009-10. The total expenses of the firm in pre-recession period were less as compared to post-recession period. The total expenses were Rs. 186172.30 million in 2005-06 and Rs. 290842.00 million in 2006-07 whereas the amount of total expenses were Rs. 698753.56 million and Rs. 880971.66 million for 2008-09 and 2009-10 respectively.

CONCLUSION : The current global economic crisis is widely viewed as a glaring example of limitless pursuit of greed and overindulgence at the expense of caution, prudence, due diligence and regulation. It is true that people who break the rules create consequences and, like a stone thrown in a pond, its ripples move ever outward. Wall Street firms broke the financial rules and regulations and the people of the world in general and the US in particular are being called upon to bear the brunt of it. Financial crises of some kind or the other occur sporadically virtually every decade and in various locations around the world. Financial meltdowns have occurred in countries ranging from Sweden to Argentina, from Russia to Korea, from the United Kingdom to Indonesia, and from Japan to the United States. Each financial crisis is unique, yet each bears some resemblance to others.

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