

## FUNDAMENTAL ANALYSIS OF AUTOMOBILE SECTOR

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### ABSTRACT

*This paper presents a fundamental analysis of five key companies in the Indian automobile sector: Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Bajaj Auto, and Ashok Leyland. The analysis includes the calculation of key financial ratios, including Earnings per share, Return on Equity, Dividend pay-out Ratio, Return on Asset, and Debt to Equity, to determine each company's intrinsic value and growth potential. We also examine industry trends and macroeconomic factors to evaluate each company's performance. The analysis reveals that while each company has unique strengths and weaknesses, Maruti Suzuki stands out as a leader in the Indian automobile sector, with a strong financial performance across all metrics. Tata Motors and Mahindra & Mahindra are also strong players in the market, with healthy financial ratios and a good track record of innovation. Bajaj Auto and Ashok Leyland, on the other hand, have struggled to maintain consistent financial performance, but they show potential for growth in the future. Overall, this study provides valuable insights into the financial health of the Indian automobile sector and serves as a guide for investors looking to invest in this sector*

**Key Words:** *Fundamental Analysis, Indian automobile sector, financial ratios, Earnings per share, Return on Equity, Dividend pay-out Ratio, Return on Asset, Debt to Equity, intrinsic value, growth potential, macroeconomic factors, performance, strengths, weaknesses, leader, strong financial performance innovation, struggled, financial health, investors.*

### I. INTRODUCTION

The automobile sector in India has seen significant growth in recent years due to increasing consumer demand, favourable demographics, government support, and a growing economy. However, the sector faces challenges such as infrastructure constraints and regulatory uncertainty. The Indian stock market, which includes equity stock, bonds, and other assets, provides significant opportunities for investment and growth. The stock market is an attractive option for investors, and small individual investors to larger global participants can participate. The Indian automobile industry is the fourth-largest manufacturer globally, and it plays a major role in the macroeconomic development and technological advancement of the country.

The rise in demand for vehicles and commercial vehicles is fueled by a sizable young population, greater access to credit, and rising personal income levels. The Indian automotive industry is expected to increase from its projected value of US 32.70 billion in 2021 to US\$ 54.84 billion by 2027, with a CAGR of almost 9% between 2021-2027. The industry for electric cars in India is expected to be worth Rs. 1 million crore (US\$ 7.09 billion) by 2025. Overall, investors should be mindful of the challenges and uncertainties faced by companies operating in these sectors and consider these factors when making investment decisions.

## II. REVIEW OF LITERATURE

Sl.No	Particulars
1.	In the article “Financial appraisal of Automobile industry” author Chahat Gupta, (February 2018) The article analyzes the financial performance of Maruti Suzuki and Tata Motors, two leading automobile companies in India. The author uses statistical tools and ratio analysis to compare the liquidity and profitability of the companies. The analysis reveals that both companies have low liquidity ratios, indicating a lack of necessary liquid assets to clear their current liabilities.
2.	In the article “An Analysis of Fundamentals of Selected It Companies Listed At NSE”, author: Dr. Shashi Gupta, (August 2020) Conducted fundamental analysis on IT sector stocks to determine intrinsic value and financial performance, recommending better investment choices. Predicted future earnings per share using fundamental tools for selected IT companies.
3.	In the article “An Analysis of Financial Performance of Leading Automobile Companies in India – A Comparative Study”, Authors: CMA Sandip Basak and etall, (May –June 2021) examined the comparative study of pre and during COVID-19 influenced the financial performance of the automobile companies in India. The author is forecasting the expected fundamentals of the company by viewing the past data or performance of the automobiles companies.
4.	In the article “Equity research: Fundamental analysis for long term investment”, authors: Vinodkumar P Pathade, (March 2017) The paper presents equities' financial statements for long-term investment decisions, using statistical tools to analyze past financial data of automobile companies. The tools used include earning per share, current ratio, return on capital employed, inventory and debtors turnover ratios, and gross profit ratio.
5.	In the article “Financial Performance Of Select Automobile Companies In India”, author: sudarshan kumar, (2021) The article examines the financial performance of selected automobile companies in India using statistical tools like mean, standard deviation, and CAGR. It analyses growth and profitability potential of the industry.
6.	In the article “ Fundamental Performance Of Select Automobile Companies In India”, author: Hemal Pandya and Hetal Pandya, (May 2013) Analyzes financial performance of Indian automobile industry by studying economic factors like inflation, GDP, unemployment, FDI, and their impact on the industry. Aids investors in making effective investment decisions for maximum returns.
7.	In the article “A Study on Fundamental Analysis of Automobile Companies”, author: P. Devika, (2019) Examines fundamental analysis of selected auto companies using statistical tools for profitability, performance, growth, and risk/return. Helps investors measure ROI and manage portfolios.

## III. DATA AND METHODOLOGY

### 3.1 Objectives of the Study

- To analyse the fundamentals of selected automobile companies.
- To analyse the selected automobile companies of India through fundamental analysis and assist the investors in making investment decision.

### 3.2 Type of Research

Exploratory research in financial analysis is to gain a better understanding of the fundamental factors that affect a company's financial performance, such as revenue growth, profitability, and cash flow. This information can then be used to make more informed investment decisions and to develop investment strategies that are based on sound fundamental analysis.

This paper contains the report from various research documents, information, and conclusions on Fundamental Analysis of Automobile Sector in India. Readers should be able to learn everything that they need to know about the main components of the Fundamental Analysis of the Automobile companies and have a better understanding of the financial performance.

#### IV. DATA ANALYSIS AND FINDINGS

Year	Maruti Suzuki	Tata Motors	Mahindra and Mahindra	Bajaj Auto	Ashok Leyland
2017-2018	260.88	26.46	69.2	145.8	6.02
2018-2019	253.26	-84.89	48.91	170.3	7.08
2019-2020	187.95	-34.88	-1.15	180.2	1.15
2020-2021	145.3	-36.99	16.33	167.9	-0.56
2021-2022	128.43	-29.88	59.2	213.2	-1.22
Mean	195.16	-32.04	38.50	175.48	2.49

#### 4.1 Earnings per Share:

The EPS of five major Indian automobile companies - Maruti and Suzuki, Tata Motors, Mahindra and Mahindra, Bajaj Auto, and Ashok Leyland - for five years are listed along with the mean EPS for each company over the period. Maruti and Suzuki had the highest mean EPS of 195.16, followed by Bajaj Auto with 175.48. Tata Motors had a negative mean EPS of -32.04, indicating a loss-making trend over the years. Mahindra and Mahindra had a stable mean EPS of 38.50, while Ashok Leyland's mean EPS was 2.49. However, EPS alone does not provide a comprehensive picture of a company's financial performance and should be evaluated with other financial ratios and metrics.

Year	Maruti Suzuki	Tata Motors	Mahindra and Mahindra	Bajaj Auto	Ashok Leyland
2017-2018	0.3067	0	0.1084	0.4115	0.4037
2018-2019	0.3159	0	0.1738	0.3523	0.4379
2019-2020	0.3192	0	-2.0435	0.6659	0.4348
2020-2021	0.3097	0	0.5358	0.8338	-1.0714
2021-2022	0.4672	0	0.1951	0.6567	-0.8197
Mean	0.3437	0	-0.2061	0.5841	-0.1230

#### 4.2 Dividend Pay-out Ratio:

The table lists the dividend payout ratios for major Indian automobile companies - Maruti and Suzuki, Tata Motors, Mahindra and Mahindra, Bajaj Auto, and Ashok Leyland - for five years, along with the mean ratio. Tata Motors did not pay any dividends during the period. The other four companies had positive ratios, with Bajaj Auto having the highest mean of 0.5841. However, dividend payout ratio should be evaluated with other financial ratios for a comprehensive analysis.

Year	Maruti Suzuki	Tata Motors	Mahindra and Mahindra	Bajaj Auto	Ashok Leyland
2017-2018	13.07	2.71	5.47	16.78	5.25
2018-2019	11.95	-9.38	3.25	17.08	5.31
2019-2020	8.92	-3.74	0.07	19.66	0.88
2020-2021	6.15	-3.92	1.08	14.45	-0.39
2021-2022	5.19	-3.46	3.77	17.56	-0.82
Mean	9.06	-3.56	2.73	17.11	2.05

#### 4.3 Return on Asset:

The table lists the return on assets (ROA) for major Indian automobile companies - Maruti and Suzuki, Tata Motors, Mahindra and Mahindra, Bajaj Auto, and Ashok Leyland - for five years, along with the mean ROA. Tata Motors had negative ROA for all five years, while the other four companies had positive ROA, with Bajaj Auto having the highest mean of 17.11. However, ROA should be evaluated along with other financial ratios for a comprehensive analysis.

**4.4 Debt-to-Equity:**

Year	Maruti Suzuki	Tata Motors	Mahindra and Mahindra	Bajaj Auto	Ashok Leyland
2017-2018	0	0.82	1.23	0	1.64
2018-2019	0	1.51	1.35	0	1.73
2019-2020	0	1.58	1.56	0	2.07
2020-2021	0.01	2.08	1.43	0	2.31
2021-2022	0.01	3.13	1.58	0	3.28
<b>Mean</b>	0.004	1.824	1.43	0	2.206

This table presents debt-to-equity ratios for five companies over five years. Maruti and Suzuki and Bajaj Auto have a debt-to-equity ratio of zero for all years, indicating no debt and financing their operations entirely through equity. Tata Motors, Mahindra and Mahindra, and Ashok Leyland have debt-to-equity ratios ranging from 0.82 to 3.28. The mean debt-to-equity ratio for all companies is 2.206, indicating a higher level of debt financing relative to equity.

**4.5 Returns on Equity:**

Year	Maruti Suzuki	Tata Motors	Mahindra and Mahindra	Bajaj Auto	Ashok Leyland
2017-2018	18.51	9.41	20.42	20.65	23.72
2018-2019	16.24	-47.90	13.29	21.20	23.76
2019-2020	11.48	-19.13	0.31	24.06	4.32
2020-2021	8.36	-24.34	4.35	17.80	-2.10
2021-2022	7.01	-25.67	13.95	20.64	-4.90
<b>Mean</b>	12.32	-21.526	10.464	20.87	8.96

The table shows the returns on equity (ROE) of five companies over five years. Maruti and Suzuki have the highest average ROE of 12.32%, while Tata Motors has the lowest average ROE of -21.526%. Mahindra and Mahindra, Bajaj Auto, and Ashok Leyland have average ROEs of 10.464%, 20.87%, and 8.96%, respectively. Negative ROE indicates insufficient net income to cover shareholders' equity. ROE values are influenced by debt levels, industry conditions, and business cycles. Investors may use ROE to evaluate a company's profitability with shareholders' investment.

**V. CONCLUSION**

The fundamental analysis of India's automobile sector involves evaluating economic, industry, and company-specific factors. Key economic factors include GDP growth, consumer spending patterns, and government initiatives for electric vehicles. The sector is highly competitive, with domestic and international players vying for market share, and safety, fuel efficiency, and electric vehicles are important industry trends. Financial stability, profitability, research and development capabilities, distribution networks, and innovation are critical company-level indicators. Maruti Suzuki, Bajaj Auto, Tata Motors, Mahindra & Mahindra, and Ashok Leyland are leading players in the sector. The automobile sector offers significant growth opportunities, but it's important to evaluate factors carefully before making investment decisions. Keeping an eye on emerging trends and shifts in consumer preferences is essential for success.

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