

A Study on Liquidity Analysis of Select Automobile Companies in India

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Abstract

The automobile industry is critical to the economic growth of developing countries. Financial Results Assessment is the goal and method of evaluating a company's operating and financial constraints using financial and accounting statement steps. By 2022, it will be among the top five auto-producers in the world, result of rising wages, an expanding middle class and young population base, a wide pool of skilled workforce, and better management. Profit is the engine that propels a company forward. Any firm or business enterprise should be profitable enough to thrive and prosper in the longer term. Profitability refers to an organization's, companies, firms, or enterprise's ability to gain from any of its business operations.

Key words: Automobile, Liquidity, economic growth, enterprises.

I. INTRODUCTION

Profit is the engine that propels a company forward. Any firm or business enterprise should be profitable enough to thrive and prosper in the longer term. Profitability refers to an organization's, company's, firm's, or enterprise's ability to gain from any of its business operations. India recently ranked second in the global two-wheeler industry and fourth in the largest automotive sector, as well as eleventh and fifth in the international automobile market and the number of trucks and buses sold worldwide, respectively.

II. RELEVANT STUDIES

Modi Vishakhaben (2020) attempts to assess the liquidity of a number of Indian automotive companies in his research. The data was analyzed using statistical methods such as Mean, Standard Deviation, and Coefficient of Variances, and the study discovered that few car companies have a poor liquidity position, while others have a good liquidity position, and only a few have a very strong liquidity position. **Krishna Reddy and Vijay Kumar Reddy**

(2019) in their study explained that the in current marketing theory and practice, customer happiness is a crucial idea. The marketing concept stresses giving customer delight while also generating revenues. **Rahul Vaghela et al (2019)** found that liquidity is excellent and made an effort to achieve the optimal liquidity level because it is unable to fulfil its short-term obligations. In their research, **Jothi and Geethalakshmi, (2017)** found a positive correlation between profitability, short-term capital, and long-term capital. In their study, Hariharan and Vedala Naga Sailaja (2017) evaluated the effectiveness of credit risk management in the private sector. Nagamalleswari et al. (2018) investigate the relationship between reducing risk and completing a successful project while maintaining appropriate liquidity management and also Motivation is an important part of the management process (Rajasekar and Premkumar,2017)

III. NEED FOR THE STUDY

Every business strives to maintain both short-term stability and long-term survival for growth. Liquidity is a powerful tool for assessing the financial health of potential assets, as well as ensuring that an individual or company still has a stable supply of cash close at hand. Since liquid assets can be turned into cash quickly in a crisis or emergency, they are essential to have. The organization maintains its wellness, flexibility, and financial stability. In this manner. The ability to provide funds to a company when and when it is needed is critical to its success. In comparison, if sufficient funds are not available. The situation could result in bankruptcy, necessitating further research into liquidity analysis and cash management.

IV. OBJECTIVES OF THE STUDY

- To learn about the automotive industry's liquidity and solvency.
- Analyze the cash-controlling strategies used in the automobile industry and assess financial stability.

V. SCOPE OF THE STUDY

The current research focuses on the automobile industry's liquidity analysis and cash management. The research focuses on the collection, handling, and use of cash, which is a wide field of finance. It also entails determining market liquidity, cash flow, and investment opportunities. The previous five years' financial statements are used in this analysis to determine the firm's liquidity and solvency status.

VI. RESEARCH METHODOLOGY

Research is a set of steps used to gather and evaluate data in order to better understand a subject or problem, and it involves any collection of data, details, or facts for the advancement of knowledge.

VII. TYPES OF RESEARCH

Research is the systematic investigation of fact that seeks to establish relationship between two types.

a) *Primary Data*

1. Officers of accounts section
2. Executives and staff of financial and accounting department
3. Meeting with concerned people
4. Personal observation

b) *Secondary Data*

1. Annual reports of the company
2. Financial management textbooks
3. Articles and research papers
4. printed materials
5. Internet

VIII. DATA COLLECTED

Past 15 years of financial statement

Data Analysis:

Analysis and Interpretation

The liquidity status of the selected car companies is shown in Table No. 1 below. During the study period, the ratios had a fluctuating pattern. In this pandemic scenario, the compound growth rate of the ratios was negative for all companies except Ford Motors Ltd. during the study period. The average current ratio reveals that Ashok Leyland only maintains a current ratio of 2:1 as per the rule of thumb, whereas the other four companies have current ratios that are less than the recommended standard of 2:1.

Year	Current Ratio					Quick Ratio					Absolute Liquidity				
	Ashok leyland	Tata Motors	Ford	Maruthi	Toyota	Ashok leyland	Tata Motors	Ford	Maru thi	Toyo ta	Ashok leyland	Tata Motors	Ford	Maruthi	Toyota
2004-05															
05-06	3.03	1.43	1.47	0.14	2.20	2.40	1.27	0.43	0.07	1.47	0.01	0.30	0.03	0.04	0.27
06-07	3.43	1.34	1.44	0.22	1.34	2.44	0.91	0.34	0.11	1.17	0.17	0.14	0.03	0.13	0.14
07-08	3.30	1.34	1.41	0.23	1.34	2.33	0.79	0.37	0.14	0.91	0.10	0.03	0.07	0.17	0.03
08-09	2.79	1.12	1.47	0.23	1.04	1.93	0.71	0.43	0.14	0.43	0.34	0.01	0.02	0.04	0.04
09-10	2.71	1.04	1.42	0.24	1.00	1.47	0.73	0.44	0.17	0.43	0.44	0.01	0.03	0.11	0.13
10-11	2.24	1.21	1.49	0.27	0.74	1.47	0.74	0.74	0.17	0.42	0.34	0.12	0.12	0.04	0.07
11-12	1.74	1.11	1.44	0.24	0.79	1.14	0.74	0.73	0.17	0.44	0.37	0.07	0.07	0.04	0.17
12-13	1.74	1.23	1.37	0.27	1.07	1.34	0.73	0.44	0.20	0.73	0.73	0.09	0.04	0.07	0.37
13-14	1.47	1.14	1.34	0.32	1.37	0.93	0.73	0.72	0.24	1.07	0.43	0.12	0.04	0.07	0.20
14-15	1.43	1.21	1.13	0.22	1.34	0.93	0.72	0.47	0.17	1.03	0.24	0.13	0.04	0.13	0.13
15-16	1.27	3.72	1.14	0.14	0.97	0.73	3.43	0.44	0.10	0.74	0.23	4.74	0.04	0.04	0.27
16-17	1.37	1.37	1.14	0.14	0.77	0.74	1.22	0.40	0.09	0.47	0.04	1.10	0.04	0.04	0.13
17-18	1.30	0.41	1.24	0.12	0.44	0.74	0.33	0.49	0.07	0.39	0.20	0.09	0.07	0.17	0.12
18-19	1.13	0.40	1.27	0.11	0.74	0.40	0.29	0.42	0.04	0.44	0.04	0.02	0.03	0.23	0.23
19-20	1.07	0.31	2.40	0.12	0.77	0.41	0.10	1.70	0.04	0.34	0.01	0.01	1.23	0.33	0.14
20-21	1.06	0.35	2.33	0.11	0.66	0.38	0.09	1.65	0.02	0.25	0.01	0.01	1.21	0.32	0.12
Average	2.13	1.33	1.41	0.21	1.11	1.37	1.02	0.49	0.13	0.70	0.29	0.43	0.13	0.12	0.17
S.D	0.97	1.03	0.34	0.04	0.39	0.72	1.04	0.30	0.04	0.33	0.23	1.37	0.31	0.10	0.09
CV	2.12	1.21	3.18	3.17	2.22	1.45	0.84	2.17	2.34	2.22	1.17	0.34	0.33	1.22	1.73

IX. ONE-WAY ANALYSIS OF VARIANCE TEST (ANOVA)

H₀: There is no any significant difference among the liquidity ratios of the selected Automobile companies in Indian auto- mobile industry.

One Way ANOVA

Variables		Sum of Squares	df	Mean Square	F	Sig.
Current Ratio	Between Groups	27.364	3	6.366	14.146	.000
	Within Groups	29.562	62	0.234		
Quick Ratio	Between Groups	11.245	3	3.104	8.557	.000
	Within Groups	21.356	62	0.363		
Absolute Liquid Ratio	Between Groups	1.235	3	0.221	0.951	0.440
	Within Groups	28.254	62	0.246		
	Total	38.489	65			

Outcome:

As the P value <0.05 , alternate hypothesis is accepted

Inference

There is significant difference among the among the liquidity ratios of the selected Automobile companies in Indian auto- mobile industry.

X. FINDINGS

- The Automobile Industry's liquidity situation is adequate, as the current asset ratio varies year to year. As it stands, it has potential for improvement.
- In the Automobile Industry, the firm's liquidity status is adequate when current assets exceed current liabilities.
- Throughout the years, the companies have maintained a standard quick ratio. As a result, can conclude that the firm's liquidity position is beneficial.
- The debt equity ratio of the Automobile Industry indicates that the company's solvency is sufficient.
- Cash and credit are regulated using dual controls, while cash is managed using management techniques.
- The firm's financial stability is adequate.

XI. SUGGESTIONS

- Despite the fact that current assets exceed current liabilities, the company is unable to reach the standard ratio of 2:1, necessitating an increase in current assets.
- Since the firm's net cash flow from investing activities is limited, it must maintain an optimal level of investment options.
- Other cash management techniques can be used in addition to dual controls.
- The automobile industry should increase cash sales and decrease credit sales to ensure proper cash management.

- In order to strengthen its solvency status, the company must focus on can liquidity resources and reducing debts.

XII. CONCLUSION

According to research reports, the automobile industry's overall performance has been satisfactory. The business raises long-term funds either by raising share capital or by taking long-term loans from a financial institution or bank, as seen in the cash flow statements. The researcher concluded that the liquidity ratios affected the efficiency of force motors more positively, and that other companies should increase their liquidity and turnover to improve their performance.

To increase profitability, cautious attention must be paid to liquidity. The net cash flows from operating activities are very strong, indicating that the firm's revenues are rising year after year, indicating that the business is growing. As a result, even after the second wave of the pandemic, the overall financial condition of the automobile industry is adequate and can be strengthened further in the future.

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