FINANCIAL PERFORMANCE OF SELECT AUTOMOBILE COMPANIES

(WITH REFERENCE TO ASHOK LEYLAND AND SML ISUZU)

BY

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(15PCO005)

Under the guidance of

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Master of Commerce

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Certificate

AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER EDUCATION FOR WOMEN

COIMBATORE-641043

DEPARTMENT OF COMMERCE

Certificate

This is to certify that the project entitled,

"FINANCIAL PERFORMANCE OF SELECT AUTOMOBILE COMPANIES (WITH REFERENCE TO ASHOK LEYLAND AND SML ISUZU)" is a bonafide work done by,

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Signature of the Dean

Signature of the Head of the Department

Viva Voce Examination held on_____

Signature of the Supervisor

Signature of the External Examiner

Declaration

DECLARATION

We hereby declare the work entitled **"FINANCIAL PERFORMANCE OF SELECT AUTOMOBILE COMPANIES(WITH REFERENCE TO ASHOK LEYLAND AND SML ISUZU)"** is submitted in partial fulfillment of the requirements for the award of the degree of master of commerce, under the supervision and guidance of Dr**(Mrs.)D.GEETHA**, M.Com., Diploma in Higher Education., M .Phil., Ph.D., Associate Professor Department of Commerce, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore-641043

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DATE:

SIGNATURE OF THE CANDIDATE **SIGNATURE OF THE GUIDE**

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Abstract

ABSTRACT

In today's financial world, assessment of the financial performance is crucial for taking financial decisions related to planning and control. Hence, financial performance gains much importance for taking financial decisions effectively. Mainly India is fastly growing economy. The economic development of a country depends on the development of Agricultural, Industrial and Service sector. Industries play a significant role in the economic development of a country. The automobile industries today are leading players in the growth of manufacturing sector and are deeply engaged in industrial development.

Ashok Leyland and SML Isuzu companies are the two major, leading automobile companies. The analysis of financial performance of them reflects the financial position of the company. This research study focus on the financial performance of the companies by analyzing the liquidity, profitability, solvency, mean, standard deviation, coefficient of variance and estimation of financial health (Z-Score analysis).

The research study is aimed to analyze and compare the financial performance of Ashok Leyland and SML Isuzu companies. The findings of the research study will help this Automobile Industries to improve their financial performance. The financial health will be better and industry will contribute well for the economic development of the country.

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INTRODUCTION OF THE STUDY

1.1 INTRODUCTION

The Indian automobile industry has been recording tremendous growth over the years and has emerged as a major contributor to India's Gross Domestic Product. The industry currently accounts for almost 7 per cent of the country's GDP and employs about 19 million people both directly and indirectly. According to the Automotive Mission Plan 2006–2016, with Government's backing and special focus on exports, the automotive sector's contribution to the GDP is expected to reach double figures up to 2016. It is important to know that how this growing sector is affecting the financial performance of companies under this sector. The present study takes two major Automobile companies of Indian origin and compares their financial strength in this growing sector. The foremost purpose of analyzing the firms financially is to assess the performance of the firms under study, on a number of aspects such as their resources, ability to earn profit or fair return on their investment, ability to meet their obligations, value of assets, extent and nature of their liabilities etc.

Finance is very important fact of every concern. The financial requirements of a business must be sufficient to meet its long-term and short-term commitments. In long term commitment, it needs permanent capital and for short-term commitments it needs working capitals. Both excessive as well as inadequate finance position are dangerous from the business point of view. Finance is the heart of the concern, without finance there can be no functions. Therefore the financial analyst is responsible to monitor the financial position of the business regularly. The company performance is judged though its financial statement. Financial statement analysis is one of the methods that can be used in predicating financial distress which focus on financial variables.

Among the variable tools are used to the financial information contained in the financial statement. Ratio analysis is widely used tools, which is relevant in assessing the performance of a firm in respect of liquidity position, short term solvency.

HISTORY OF THE INDIAN AUTOMOBILE INDUSTRY

The Indian automobile industry can be viewed in terms of the pre-1991 (before liberalization) and post-1991 (after liberalization) phase.

Before Liberalization (Before 1991)

1880

About hundred years ago the first motorcar was imported and Import duty on vehicles was introduced. Indian Great Royal Road (Predecessor of the Grand Trunk Road) was conceived. First car brought in India by a princely ruler in 1898. Simpson & Co established in 1840. They were the first to build a steam car and a steam bus, to attempt motorcar manufacture, to build and operate petrol driven passenger service and to import American Chassis in India. Railways first came to India in 1850's. In 1865 Col. RookesCrompton introduced public transport wagons strapped to and pulled by imported steam road rollers called streamers. The maximum speed of these buses was 33kms/hr.

1920 to 1950

In 1919 at the end of the war, a large number of military vehicles came on the roads. In 1928 assembly of CKD trucks andcars was started by the wholly owned Indiansubsidiary of American General Motors inBombay and in 1930-31, by Canadian FordMotors in Madras. In1935 the proposal of Sir M Visvesvaraya toset up an Automobile Industry wasdisallowed. 1942 Hindustan Motors Ltd wasincorporated and the first vehicle was madein 1950. In 1944 Premier Automobiles Ltd.incorporated and in 1947 the first vehiclewas produced. In 1947 the Government of Bombay accepted a scheme of Bajaj Auto to replace the cycle rickshaw by the auto and assembly started in a couple of years under a license from Piaggio. Manufacturing Program for the auto and scooter was submitted in 1953 to the Tariff Commission and approved by the Government in 1959. In 1953 the Government decreed that only firms having a manufacturing program should be allowed to operate and mere assemblers of imported CKD units be asked to terminate operations in three years. Only seven firms namely Hindustan Motors Limited, Automobile Products of India Limited, Ashok Leyland Limited, Standard Motors Products of India Limited, Premier Automobiles Limited, Mahindra & Mahindra and TELCO received approval. M&M was manufacturing jeeps. Few more companies came up later. Government continued with its protectionism policies towards the industry. Automobile Products of India (API) and Enfield India had already commenced the manufacture of scooters,

motorcycles, mopeds and autos from 1955. In 1956, Bajaj Tempo Ltd. entered the Indian market with a program of manufacturing Commercial Vehicles, and Simpson for making engines. AIA & AIA (Association of the component manufacturers) came into being in 1959 and Government approved Bajaj Auto Ltd's plans for domestic manufacture of Vespa scooters and granted permission to produce 6000 units annually.

1960

In sixties 2 and 3 Wheeler segment established a foothold in the industry. Escorts and Ideal Jawa entered the field in the beginning of sixties. Association of Indian Automobile Manufacturers was formally established in 1960. Between 1955 and 1960 only API was producing Mopeds. During the first half of the sixties three companies namely Mopeds India Ltd. (1965), SZUL Gwalior (1964) and Pearl Scooters Ltd. (1962) entered the arena. Standard Motors Products of India Ltd. moved over to the manufacture of Light Commercial Vehicles in 1965. Escorts and Enfield closed their scooter division and continued only with Motorcycle manufacturing. Entire scooter market was occupied by Bajaj Auto Ltd. and API in the sixties.

1970

Major factors affecting the industry's structure were the implementation of MRTP Act, FERA and Oil Shocks of 1973 and 1979. Unlike Motorcycle and Scooter segments the Mopeds segment grew rapidly.In the late seventies there were many entries in the Moped Industry. Only two firms namely, Majestic Auto Ltd. and Sundaram Clayton managed to survive after 1980. During the seventies the economy was in bad shape. This and many specific problems affected the Automobile Industry adversely.

1980

The period of liberalized policy and intense competition, since the 80s, the Indian car Industry has seen a major resurgence with the opening up of Indian shores to foreign manufacturers and collaborators. First phase of liberalization announced and unfairpractices of monopoly, oligopoly, slowlydisappeared. It was beginning ofLiberalization of the protectionism policiesof the Government. Lots of new Foreign Collaborations came up in the eighties. Many companies went in for Japanese collaborations. Andhra Pradesh Scooters entered into collaboration with

Piaggio for manufacture of Vespa model. Hindustan Motors Ltd. in collaboration with Isuzu of Japan introduced the Isuzu truck in early eighties. ALL entered into collaboration with Leyland Vehicles Ltd. for development of integral buses and with Hino Motors of Japan for the manufacture of W Series of Engines. Telco after the expiry of its contract with Daimler Benz indigenously improved the same Benz model and introduced it in the market. Government approved four new firms in the LCV market, namely, DCM, Eicher, Swaraj and Allwyn. They had collaborations with Japanese companies namely, Toyota, Mitsubishi, Mazda and Nissan respectively.

The Two Wheeler market increased. Since 1982 the Government had permitted foreign collaborations for the manufacturing of Two Wheelers up to 100 cc engine capacity. Foreign Equity up to 40% was also allowed. In 1983 MarutiUdyog Ltd. was started in collaboration with Suzuki, a Japanese firm. Other three Car manufacturers namely, Hindustan Motors Ltd., Premier Automobiles Ltd., Standard Motor Production of India Ltd. also introduced new models in the market. At the time there were five Passenger Car manufacturers in India -MarutiUdyog Ltd., Hindustan Motors Ltd., Premier Automobiles Ltd., Standard Motor Production of India Ltd., and Sipani Automobiles. Ashok Leyland Ltd. and Telco were strong players in the Commercial Vehicles sector. In 1983 84 Bajaj Tempo Ltd. entered into collaboration with Daimler-Benz of Germany for manufactureof LCVs. Important policy changes likerelaxation in MRTP and FERA, Delicensingof some ancillary products, broad banding ofthe products, modifications in licensingpolicy, concessions to private sector (bothIndian and Foreign) and foreign collaboration policy etc. resulted in higher growth / better performance of the industry than in the earlier decades.

After Liberalization (After 1991)

The government of India has made some radical changes in its policies bearing on trade, foreign investment, exchange rate, industry, fiscal affairs and so on. Mass Emission Norms were introduced for in 1991 for Petrol Vehicles and in 1992 for Diesel Vehicles. In 1991 new Industrial Policy was announced. It was the death of the License Raj and the Automobile Industry was allowed to expand. Further tightening of Emission norms was done in 1996. In 1997 National Highway Policy has been announced which will have a positive impact on the Automobile Industry. The Indian Automobile market in general and Passenger Cars in particular have witnessed liberalization. Many multinationals like Daewoo, Peugeot, General Motors,

Mercedes-Benz, Honda, Hyundai, Toyota, Mitsubishi, Suzuki, Volvo, Ford and Fiat entered the market. Various companies were coming up with state-of-art models of vehicles. TELCO has diversified in Passenger Car segment with Indica. Despite the adverse trend in the growth of the industry, it was resolutely trying to meet the challenges. Various issues of critical importance to the industry are being dealt with forcefully. In 1999 The Honorable Supreme Court passed an order directing all car manufacturers to comply with Euro I emission norms (India 2000 norms) by the 1st of May 1999 in National Capital Region (NCR) of Delhi. The deadline was later extended to 1st June 1999. The 90s have become the melting point for the car industry in India. The consumer is king. He is being constantly wooed by both the Indian and foreign manufacturers. Though sales had taken a dip in the first few months of 1999, it is back in boom time. New models like Maruti s Classic, Alto, Station Wagon, Ford s Ikon and the new looks Mitsubishi Lancer have all been launched with an eye on the emerging market.

EMERGING TRENDS IN INDIAN AUTOMOBILE SECTOR

Globalization is pushing auto majors to consolidate, to upgrade technology, enlarge product range, access new markets and cut costs. They have resorted to common platforms, modular assemblies and systems integration of component suppliers and ecommerce. The component industry is undergoing vertical integration resulting into emergence of systems and assembly suppliers rather than individual component suppliers. Thus, while most component suppliers are integrating into tier 2 and tier 3 suppliers, larger manufacturers and multinational corporations (MNCs) are being transformed into tier 1 companies. Environmental and safety concerns are leading to higher safety and emission norms in the country. India has already charted out a road-map for reaching EURO-II norms across the country by the year 2005. Seven metropolitan cities of India would simultaneously move to EURO-III norms in 2005. Most vehicle manufacturers are already producing EURO-II compliant vehicles in the country to meet special requirements of capital city of New Delhi where the Supreme Court verdict has already necessitated this. To meet the concomitant testing andcertification activities relating to highersafety and emission norms, testing infrastructure in the country is being overhauled. A substantive state funding is being planned in upgrading the testing infrastructure with participation of industry. Environmental pollution and the need to conserve existing supply of fossil fuels have led to search for alternative fuels. In addition to supporting Greenfield research in this area, an

ambitious phased programme to upgrade carbon fuel quality commensuratewith higher emission norms is also being undertaken. Foreign direct investment normshave already been considerably relaxed. Unhindered import of automobiles, including new and second hand vehicles, has also been permitted. Most non-tariff barriers have also been relaxed or removed. The Government has moderated and lowered taxes and duties on automobiles, including customs duty. Value Added Tax (VAT) was also proposed to be introduced across thecountry from 1 April 2001. The Government had also allowed private sector participation in the insurance sector. Norms guiding external commercial borrowings (ECBs) have been liberalized and lending rates within the country have also been reduced further strengthening the environment of investment. An ambitious programme to upgrade the quadrilateral of highways in the country, the Government is laying an eight lane expressway linking all metropolitan andseveral important capital towns across the country paving the way for movement of heavier haulage vehicles.

At present, after the demonetization the automobile industry faces great challenges. They are

1. Automobile industry cuts production as demonetization hurts sales.
2. A decline in sales is prompting automobile companies to slash production as demonetization has adversely impacted buyer sentiment and hit footballs at showrooms.
3. Few companies were willing to talk on record over the matter, but officials said in private that “things are getting increasingly difficult” after the ban on Rs.500 and Rs.1000 notes that came into effect from November 8.
4. The automobile industry continues to go through challenging times, grappling within the short-term effects of demonetization as well as reduced and postponed purchase decisions

To successfully meet the challenges and win the market share suitable financial and marketing strategies should be framed. Only if financial performance of companies is good and made better, they can with stand and survive in the difficult situation in the industry. Hence, the leading automobile companies in the industry were taken for this research study. Their financial performance was analysed for a period of 10 years. After analysis and interpretation, suitable suggestions are given.

COMPANY PROFILE OF ASHOK LEYLAND LTD

The origin of Ashok Leyland, a Hinduja group company can be traced to the urge for self–reliance, felt by independent India. Pandit Jawaharlal Nehru, India's first Prime Minister persuaded Raghunandan Saran, an industrialist, to enter into Automotive manufacture. In 1948, Ashok Motors was set up in Madras, for the assembly of Austin Cars. The Company's destiny and name changed soon with equity participation by British Leyland, and Ashok Leyland commenced manufacture of commercial vehicles in 1955.

Since then Ashok Leyland has been a major presence in India's commercial vehicle industry with a tradition of technological leadership, achieved through tie–ups with international technology leaders and through vigorous in–house R&D. Access to international technology enabled the Company to set a tradition to be first with technology. Be it full air brakes, power steering or rear engine busses, Ashok Leyland pioneered all these concepts. Responding to the operating conditions and practices in the country, the Company made its vehicles strong, over–engineering them with extra metallic muscles. 'Designing durable products that make economic sense to the consumer, using appropriate technology', became the design philosophy of the Company, which in turn has molded consumer attitudes and the brand personality.

The Hinduja Group is a transnational conglomerate that provides a wide range of products in over fifty countries worldwide. Today, the Hinduja Group has become one of the largest transnational business conglomerates in the world with diversified operations, spanning all the continents. The Group employs over 25,000 people and has offices in many key cities of the world and all the major cities in India. Ashok Leyland vehicles have built a reputation for reliability and ruggedness.

In the populous Indian metros, four out of the five State Transport Undertaking (STU) buses come from Ashok Leyland. Some of them like the double–decker and vestibule buses are unique models from Ashok Leyland, tailor–made for high–density routes.

In 1987, the overseas holding by Land Rover Leyland International Holdings Limited (LRLIH) was taken over by a joint venture between the Hinduja Group, the Non–Resident Indian transnational group and IVECO. (Since July 2006, the Hinduja Group is 100% holder of LRLIH). The blueprint prepared for the future reflected the global ambitions of the company,

captured in four words: Global Standards, Global Markets. This was at a time when liberalization and globalization were not yet in the air. Ashok Leyland embarked on a major product and process upgradation to match world–class standards of technology.

For over five decades, Ashok Leyland has been the technology leader in India's commercial vehicle industry, molding the country's commercial vehicle profile by introducing technologies and product ideas that have gone on to become industry norms. From 18 seater to 82 seater double–decker buses, from 7.5 tonne to 49 tonne in haulage vehicles, from numerous special application vehicles to diesel engines for industrial, marine and genset applications, Ashok Leyland offers a wide range of products. Eight out of ten metro state transport buses in India are from Ashok Leyland. With over 60 million passengers a day, Ashok Leyland buses carry more people than the entire Indian rail network!

Product range of the company includes:

- Buses
- Trucks
- Engines
- Defense & Special Vehicles

Associates Companies are**Automotive Coaches & Components Ltd (ACCL), Lanka Ashok Leyland, Hinduja Foundries, IRIZAR–TVS, Ashok Leyland Project Services Limited.**

Milestones: –

- 1966 – Introduced full air brakes
- 1967 – Launched double–decker bus
- 1968 – Offered power steering in commercial vehicles
- 1979 – Introduced multi–axle trucks
- 1980 – Introduced the international concept of integral bus with air suspension
- 1982 – Introduced vestibule bus
- 1992 – Won self–certification status for defense supplies
- 1993 – Received ISO 9002
- 1997 – India's first CNG powered bus joined the BEST fleet

- 2001 – Received ISO 14001 certification for all manufacturing units
- 2002 – Launched hybrid electric vehicle
- 2003 –DheerajHinduja Elected Vice Chairman of Ashok Leyland Board
- 2004 – The Government of National Capital Territory of Delhi and Ashok Leyland signed an agreement for setting up a 'state–of–the–art' Driver Training Institute at Burari
- 2005 – State–of–the–art Driver Training Institute opens in Delhi
- 2006 – Ashok Leyland and Bosch have joined hands with the Indian Institute of Technology Madras (IITM) to set up the Ashok Leyland and Bosch Centre of Excellence in Engineering Design at the IITM campus
- 2007 – The company unveiled 4921 TT, a 6x4 tractor with a gross vehicle weight of 49 tonnes
- 2008 – The company signed an agreement for a joint venture with John Deere, for manufacturing and marketing of construction equipment.
- 2009 – Ashok Leyland and Bank of Baroda signed a MoU Wherein Bank of Baroda will fund Ashok Leyland's end–customers as well as finance its dealers' inventory
- 2010 – Ashok Leyland has bagged an order for 600 vehicles from VRL Logistics that comprise 500 numbers of 3123 Multi–Axle Vehicle (MAV) in the 8x2 configuration, a newly developed, first of its kind for the Indian commercial vehicle industry, along with 100 nos. of the Company's 12–meter buses
- 2011–Ashok Leyland forays in small commercial vehicle segment; launches "DOST" in Joint Venture with Nissan Motor.
- 2013– Launched the STILE, a stylish Multi–Purpose Vehicle (MPV) based on a contemporary, award–winning vehicle platform.
- 2013– Launched the BOSS, an intermediate commercial vehicle (ICV), that seamlessly combines the strength and ruggedness of a truck with the comfort of a car.
- 2014– Launched two new Light Commercial Vehicles (LCV) – PARTNER truck, India's first air–conditioned LCV goods vehicle and MiTR bus, a LCV bus with best–in–class comfort. After the commercially successful Dost and the recently launched Stile, now PARTNER and MiTR are the latest offerings from the Ashok Leyland – Nissan Joint Venture.

Awards/Achievements

In the journey towards global standards of quality, Ashok Leyland reached a major milestone in 1993, when it became the first in India's automobile history, to win the ISO 9002 certification. The more comprehensive ISO 9001 certification came in 1994, QS 9000 in 1998 and ISO 14001 certification for all vehicle manufacturing units in 2002. It has also become the first Indian auto company to receive the latest ISO/TS 16949 Corporate Certification (in July 2006) which is specific to the auto industry.

FINANCE

During the year Non–Convertible Debentures (NCDs) Series AL 15 of Rs. 70 Crores, AL 17 of Rs. 200 Crores and AL 19 of Rs. 150 Crores were fully redeemed and NCD Series AL 16 of Rs. 45 Crores was partly redeemed. No fresh NCDs were issued during the year. The Company repaid secured rupee term loan availed from Banks to the tune of Rs. 83.33 Crores before the due date during the year under review. No fresh term loans were availed during the year. During the year under review, the Company repaid ECB loan installments that fell due, equivalent to USD 33.33 million on the due dates. No fresh ECB loans were availed during the year.

As at March 31, 2016, long term borrowings stood at Rs. 2,659 Crores as against Rs. 3,325 Crores as on March 31, 2015.

COMPANY PROFILE OF SML ISUZU

SML ISUZU, earlier known as Swaraj Mazda, incorporated in 1983 as Swaraj Vehicles, is engaged in manufacturing of vehicles for goods and passenger applications. In 1984 the company entered in a joint venture with Punjab Tractors, Mazda Motor Corporation and Sumitomo Corporation, Japan for the manufacture of light commercial vehicles (LCVs). Thus the name of the company was changed to Swaraj Mazda. Swaraj Mazda manufactures a range of vehicles such as trucks, buses and ambulances. The company has launched products like 4WD, Samrat, Sartaj, Dual Cab, Supreme–8 tonner, Truck– Super 12, Super ALFD and many more.
It was formed in 2010, from the Swaraj Mazda Company, after Mazda pulled out of the venture and the Swaraj name was sold to Mahindra. Then the tractor division Punjab tractor was sold off. The Sumitomo Corporation and Isuzu are now partners in this company and together have produced several licensed – Isuzu products.

Starting from 2-wheel bases, its model range now spans 5-wheel bases. Carrying capacities have spread from 3.0 ton to 6.0 ton in the goods segment (GVW 5.8 to 8.8 ton) and from 12 to 41 seaters in the passenger segment. The company has also the distinction of producing India's first factory finished buses. In recent years, Swaraj Mazda has successfully introduced India's first 4-wheel drive LCVs and CNG mini-buses. Current variety of speciality vehicles includes Police Vans, Ambulances (2 stretchers/4 stretchers), Dental Vans, Water Tankers, Fire Tenders, Dumper Placers, Bottle Carriers etc. On the basis of design features and performance, over the years, its buses, ambulances and specialty vehicles have acquired a distinct customer image and preference.

In the year 2005, based on its R&D efforts and guidance from Mazda, 3, more wheel bases have been added of 2.8m, 3.9m and 4.7m. The GVW range has been raised to 9.8 Ton. Thus SMLs current range of 5.8-9.8 Ton GVW has 6 distinct models with several variants. Also in the passenger segment, from the original 26 seated version, SML models are of 12-41 seat range. In 4-wheel drive vehicles, CNG vehicles and Airbrake versions, has also be developed through SMLs own efforts. It has achieved Bharat Stage III compliance (equal to Euro III), raising in the process, the power of the engine from 80 to 100 bhp.

Milestones

1983– Swaraj Vehicles was incorporated in July of that year.

1984– The company entered in a joint venture with Punjab Tractors, Mazda Motor Corporation, Japan & Sumitomo Corporation, Japan. SVL was renamed as Swaraj Mazda.

1985– The company established a project with a capacity of 5000 LCVs at capital investment of Rs 20 crore. The company commenced trial production and test marketing of Swaraj Mazda Truck WT–48, WT–49 and WT–50 LCVs. The company also developed a vendor base as per PMP approved by the Government of India.

1986– The company commences commercial operations.

1987– SML introduced indigenously developed bus.

1989– It set up an in–house tooling for local production of chassis long member.

1990– It launched its second truck model (Swaraj Mazda Super).

1991– Transmission components indigenized.

1992– The company started supply of trucks to the defense ministry. It supplied 500 vehicles to the defense sector.

1993– The company launched its third truck model (Swaraj Mazda Premium).

1994– SML was declared a sick company under SICA (due to rupee devaluation of 1991–93).

1995– BIFR approves rehabilitation scheme.

1996– The company developed a 4–wheel drive truck.

1998– The company completes wipe off of accumulated losses.

2000– SML extended technical assistance agreement up to October 2004.

2001– The company's cumulative sales crossed 50,000 vehicles. In March SWL launched a 4–wheel drive ambulance. In August company launched an economy truck 'Swaraj'. The company launched a CNG Bus for NCR Delhi in October.

2002– The company's profit before tax for FY 2002 crosses Rs 100 million mark. 2003– Profit before tax for FY–2003 grows 115% to Rs 225 million.

2004– SWL's profit before tax for FY–2004 grows 44% to Rs. 324 million.

2005– The company's cumulative sales crossed 86,000 vehicles. In June, Punjab Tractors sold off its 15% of equity stake in favor of Sumitomo Corporation, Japan. In August, Mazda Motor Corporation sold off its 15% of equity holding in favor of Sumitomo Corporation, Japan

2006– The company received approval from government for new manufacturing facilities at existing site in January. The company entered technical assistance agreement with Isuzu Motors. In August company started construction of buildings for vehicle expansion and new bus body plant.

2007– The company conducted trial production of Isuzu bus LT134 in July.

2008– The company launched ultra-luxury buses in July

2009– Sumitomo raised its stake in the company to 53.5% by purchasing the entire equity stake of Punjab Tractors in the company.

2011– Swaraj Mazda renamed as SML ISUZU LIMITED

PERFORMANCE REVIEW

The Indian economy performed reasonably well in fiscal year 2015–16 in the backdrop of uncertain and volatile global scenario. Led by favorable local macro–economic factors, GDP grew 7.6% during fiscal 2015–16 compared to 7.2% in 2014–15. Commercial Vehicle Industry registered a growth of 12.2% to reach sales volume of 7,87,400 vehicles in the year. Light vehicles (LCV) grew 2.6% to reach 4,49,800 and Medium & Heavy vehicles (M&HCV) segment grew faster at 28.2% to reach 3,37,600. The Company was also able to meet the higher demand and achieved sales of 12,700 vehicles during fiscal 2015–16 against 11,759 in the previous year.

DIVIDEND

The Directors have recommended payment of dividend of Rs. 8.0 per equity share of face value of Rs. 10/– each for the year ended 31st March, 2016 (previous year – Rs. 6.0 per equity share) amounting to Rs. 13.93 crores (previous year –Rs. 10.45 crores), including dividend distribution tax of Rs. 2.36 crores (previous year – Rs. 1.77 crores).

SAFETY, HEALTH AND ENVIRONMENT

The Company continues to demonstrate strong commitment to safety, health and environment which have been adopted as core organizational values. The Company assures safety and audits its facilities in accordance with statutory and regulatory requirements. The Directors review these areas every quarter through reports and presentations made at the Board Meetings.

Employees are continuously made aware of hazards / risks associated with their job and their knowledge and skills are updated through requisite training to meet any emergency. Regular medical and occupational check–ups of employees are conducted and eco–friendly activities are promoted. Safe disposal of hazardous waste is ensured through an effluent treatment plant and an incinerator; a sewage treatment plant ensures eco–friendly disposal of sewage.

The project in its concept, aims at breaking new ground not only in terms of product and production technology, but also in building a new culture and value system in the organization, which enables it to move forward with confidence into the era of competitive markets. This guiding philosophy is dictating every face of project implementation both in physical facilities and the human side.

1.2 STATEMENT OF THE PROBLEM

The financial performance is an integral part of overall corporate management.There had been variation in profits of both the companies from period to period. The success orfailure is determined by applying various tools such as Ratio analysis, Mean, Standarddeviation, Coefficient of variation and Z score analysis. The company's performance has beenevaluated by analysing its financial capability. A study of the financial performance of Ashok LeylandLtd and SML Isuzu has been found to be apt in this context, which will throw light onthe causes of fluctuation in performance.

Hence the researcher has made an attempt to analyse the following problems:

- How the companies are managing its finance over the period of 10 years from 2007- 2016?
- How the firms have succeeded in its growth?

1.3 NEED OF THE STUDY:

The growth and development of a company depends upon the financial performance of the company. Hence, it should be clearly analysed and improved. Efforts must be taken to improve the financial performance. The assessment of the company helps to improve the financial performance of a company. Hence a study on assessment of financial performance is very essential. Growth of manufacturing sector is very essentially, required in the developing country. This leading sector contributes more to the economic development.

The automobile industries today are leading players in growth of manufacturing sector and are deeply engaged in industrial development. A research study is essential to improve the financial performance of major Automobile Industries. Hence a research study on major automobile industries (Ashok Leyland and SML Isuzu) was undertaken in 2017 to study the financial health for the period of 10 years (2007-2016).

In this research, an analysis was carried out to find out the financial performance and financial position of the automobile industries. If the automobile companies will develop, automatically the manufacturing sector will also develop. The manufacturing sector contributes significantly for the development of the economy.

1.4OBJECTIVES OF THE STUDY:

- To analyse the liquidity, profitability and solvency of the select Automobile companies and compare (Ashok Leyland and SML Isuzu)
- To measure the overall financial performance of both the companies and
- To assess the financial health of the companies.

1.5 SCOPE OF THE STUDY:

Financial performance of an organization is a very important factor for the long term survival profitability of any organization. The purpose of financial analysis is to diagnose the information contained in financial statement so as to judge the profitability and financial soundness of the firm.

The study offers a good scope, for all in the Industry, to understand the financial health of the two companies**.**The necessary strategies can be drawn to improve the financial performance of the companies.

1.6 LIMITATIONS OF THE STUDY

- The study covers a period of 10 years from 2007 to 2016. It does not consider Changes that have been taken place before and after the period.
- The calculations have been made on the basis of the figures provided in the published financial statements. Hence, the study is subject to inherent limitations of accounting practices.

1.7 CHAPTER SCHEME

The project is classified into five chapters as follows

- **Chapter I**- This chapter discusses about introduction, company profile Scope of the study, Objectives, and the limitations of the study
- **Chapter II**- This chapter gives the reviews of similar research studies conducted earlier.
- **Chapter III**- This explains the methodology framed in the research study.
- **Chapter IV**- This chapter describes the Analysis and Interpretation
- **Chapter V**- This chapter presents the findings, and offers suggestions.

Review of Literature

CHAPTER - II
REVIEW OF LITERATURE

A review of literature is a test of a research work, which includes the current knowledge including substances, findings as well as theoretical and methodological contributes to a particular topic. It helps to determine the nature of the research. The review of literature related to the research study are thoroughly scrutinized and presented here.

Palanichamy K and Jaganathan A (2016) had conducted a research titled **"A Study on Financial Performance of Ashok Leyland limited, Chennai".** Finance is regarded as the life blood of a business enterprise. In the Modern economy, finance is one of the basic foundations of all kinds of economic activities. Finance statements are prepared primarily for decision -making .They play a dominant role in setting the frame work and managerial conclusion and can be drawn from these statements. It is of immense use in decision- making through analysis and interpretation of financial statements. Every business under taking needs finance for its smooth working. It has to raise funds from the cheapest and less risky source to utilize this in most effective manner. So every company will be interested in knowing its financial performance. The article entitled "Financial performance analysis of Ashok Leyland company Ltd " throw light on overall financial performance of the company.

Jeevan Jayant Nagarkar* (2015) studied **"Analysis of Financial Performance of Banks in India".** In this study Business cycles are observed and they are not new to the Indian economy. In last ten years, India witnessed two major phases of business cycle. High growth tide lifted all boats and high revenue high profits were taken for granted. The last four years have been the phase of recession. Banking industry which was growing at a high growth of +30% now is struggling to achieve 19% growth. This paper is an attempt to analyze performance of five major public, private and foreign sector banks with principle component analysis on the financial parameters. The weights are assigned on the basis of importance of the parameters on financials.

NicolaeBaltes and Georgiana Daniela Minculete (PIKO)(2015) hada research study entitled "**Study on the financial performance of companies operating in the pharmaceutical industry in Romania".**The study aims at determining the financial performance of companies in the pharmaceutical industry between 2009 and 2014 by means of the indicator of the financial

return rate, using multiple linear regressions as research method. By analysing the evolution of the share of companies in the pharmaceutical industry, based on the trend of the financial rate of return, it can be estimated that the number of entities that resort to supporting the financial activities from loans and liabilities is growing in the period under analysis. This is due mainly to the liquidity crisis faced by entities, as a result of the high recovery duration of debts. By applying the multiple linear regressions, the highlight shown is that, the financial return of pharmaceutical companies is positively influenced by their economic profitability, by the equity multiplier and by inflation. The financial return is negatively influenced by the net profit margin.

Dr. AnsarulHaque (2014) had done a research on **"Comparison of Financial Performance of Commercial Banks: A Case Study in the Context of India (2009-2013)".**Therefore this study examines and evaluates the concurrent performance of chosen few major Indian banks during 2009-2013 following the global financial slump of 2008. In order to judge their performance, the present study compares the financial position of various indigenous and foreign Scheduled Commercial Banks (SCBs). And to prove his viability, he has used the parameters─ Return on Asset, Return on Equity and Net Interest Margin. Furthermore, his study ascertains results by using Analysis of Variance (ANOVA). It finds out, any significant difference of profitability exists among different banking groups . The result indicates that there is no significant means in difference of profitability among various banking groups in respect to ROA and NIM, yet a significant means of difference is seen among the peer groups in terms of ROE.

MdAminul Islam (2014) studied **"An Analysis of the Financial Performance of National Bank Limited".** This study attempts primarily to measure the financial performance of National Bank Limited which is one of the largest and prominent private commercial banks in Bangladesh for the period 2008-2013 and to identify whether any difference exists between a banks previous years of operation and its performance classifying it for two periods (2008-10 & 2011-13). Financial ratio analysis (FRA) method, helped to draw an overview about financial performance of the National bank limited in terms of profitability, liquidity and credit performance. To test the hypothesis the study has been worked on Student t-test by using SPSS .These analysis helped to find out the current performance condition of this bank, compared to past performance. Now a day's banking sector of Bangladesh is suffering by the disease of default culture which is the result of bad performance of most of the banks. The performances of

banks are dependent more on the management's ability in formulating strategic plans and the efficient implementation of its strategies. The findings of the study are helpful for management of National bank ltd and also for private commercial banks in Bangladesh, to improve their financial performance and formulate policies that will improve their performance. The study also identified specific areas for bank to work up on, which can ensure sustainable growth for these banks.

ShivaniVerma and Y.P. Sachdeva (2014)has done a research entitled **"A Study On Financial Performance Of Leading Cycle Manufacturing Companies in India".** The performance of the company is judged by its financial statements which throws light on the operational efficiency and financial position of the company. An attempt has been made in the present study to have an insight into the evaluation of efficiency and financial performance using data collected from annual reports of three selected companies namely Hero Cycles Limited, Avon Cycles Limited and Atlas Cycles Limited. The efficiency of selected companies was evaluated using efficiency ratios and the overall financial performance of the companies was examined using the liquidity, solvency and profitability ratios. While, comparing the financial ratios of the selected companies, the current ratio, quick ratio, debt-equity ratio, proprietary ratio and net profit ratio of Hero Cycles Limited came out to be 2.31, 1.28, 0.12, 0.69 and 7.48, respectively depicting the best overall financial performance during the period under study as compared to other sample companies. On the other hand on the basis of efficiency ratios, Atlas Cycles Limited was found to be the most efficient company.

Ms. Shikha Gupta (2014) had done research study entitled **"An empirical study of financial performance of ICICI bank- a comparative analysis"**. ICICI bank emerged as a pioneer venture on the horizon of offering an expanded range of banking products and financial services for corporate and retail customers through its diverse delivery channels and specialized subsidiaries in the areas of investment banking, asset management, venture capital and insurance. In the light of its strategic importance in the nation interest, it is crucial to evaluate the financial performance of the ICICI Bank. The present study focused on operational control, profitability and solvency etc. This research is aimed to analyse and compare the Financial Performance of ICICI Bank and offer suggestions for the improvement of efficiency in the bank.

Subramanian *et al.* (2014) "Financial Performance Analysis – ACase Study", measured the firm's liquidity and profitability position of Seshasayee Paper and Boards Limited a leading and large-scale private sector paper mill in Tamil Nadu. The study is primarily based on the secondary data taken from the Annual Reports and other relevant publications ofSeshasayee Paper and Boards Limited. A moderate period of seven years from 2005-06 to 2011-12 is adopted to draw the meaningful inferences. The financial position of the Seshasayee Paper and Boards Limited is satisfactory, but there is a need for improvement in Certain factors. A lot of funds invested in inventory and receivables can be released for alternative uses.

V.Vijayalakshmi and M.Srividya (2014) had conducted a research study under the title **"A Study on Financial Performance Of Pharmaceutical Industry In India".** The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expended drastically in the last two decades. The pharmaceutical and chemical industry in India is an extremely fragmented market with severe price competition and government price control. The Pharmaceutical Industry in India meets around 705 of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulation, chemicals, tablets, orals and injectibles. There are approximately 250 large units and about 8000 small-scale units, which form the core of the Pharmaceutical Industry in India (including 5 central public sector units) Looking ahead, the worldwide Pharma market is estimated to more than double to $1.3 billion by the year 2020.The Indian Pharmaceutical Industry is developing drastically every year. Hence an attempt has been made to analyze the profitability position of the industry with the help of mean, standard deviation, co-efficient of variation, multiple regression, and analysis of variance. The increase in profitability will not only yield greater efficiency but also improve financial performance in future.

C.Indhumathi and P. Palanivelu (2013) had done a research on**" A Study on Financial Performance of Selected Textile Companies in India".** In this paper an attempt is made to know the profitability and financial position of selected textile companies, For accomplishment of the objective, the data was collected from the annual reports from 2001-2010 from the selected textile companies in India. The collected data is analyzed and computed to fit for drawing inferences. This study utilizes various ratios analysis, correlation, trend and compounded growth rate. The results reveals that there is a close relationship exist between the

financial performances of the selected textiles companies in India and the proportion of changes in return on total assets.

Khatik.S.K, Varghese Titto (2013) conducted a study on **" Financial analysis of steel authority of India limited (SAIL)"** It states that financial analysis is used to analyse whether an entity is stable, solvent, liquid or profitable enough to invest money in it. For analysis of the financial position of the SAIL, gross profit ratio, net profit and operating ratio, productivity, investment and solvency ratios were calculated.

Dr.G. Malyadri.B ,Sudheerkumar (2013) had done a research entitled **" Study on Financial Performance of Sugar Industry In India".** The industry has the potential to cater to the large and growing domestic sugar consumption, and can emerge as a significant carbon credit earner and power producer. Further, the industry can improve its cost competitiveness through higher farm productivity and by managing the domestic production variation through international trade with a focus on countries in the Indian ocean. Thus, transformed sector would be less cyclical with greater alignment between sugarcane and sugar prices, and will have stable diversified sources of revenue.

S.Sabarinathan and V.Jenifer (2013) They present a research study entitled **"A Study On Financial Performance of Kaleeswarar Mills B Unit of National Textile Corporation Ltd".** The study was based on secondary data from records, reports and profile of the Organization. The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. The present study has shown major concentration in ratio analysis, from the 5years balance sheet and profit and loss a/c. An objective of the study includes the profitability, cost of goods sold and the Companies overall financial performance. Short term-long term position of the company Suitable suggestions were given by the researcher for a better soundness and cost effectiveness of the company

Srinivas .K, Saroja.L.(2013) had done a research on **"Comparative Financial Performance of HDFC Bank andICICI Bank**. For the purpose of analysis ofcomparative financial performance of the selected banks, the CAMELS model with t –test was applied.The result showed that there is no significant difference between the ICICI andHDFC bank's financial performance. But theICICI bank performance is slightly less , compared with HDFC.

Dr. BhaskarBagchi, DR. BasantaKhamari (2012) conducted a study on **"Financial performance of Select FMCG Companies in India: A Comparative Study between Britannia Industries and Dabur India".** In this study, they have used various accounting ratios and statistical tools like linear regression analysis and multiple correlation analysis. The results reveal that though Britannia Industries is passing through hard times of profitability, Dabur India is enjoying its enhanced performance and continuous growth in the sector.

C. Singh A.B., Tondon P. (2012) conducted **"A Study Of Financial Performance: A Comparative Analysis Of SBI And ICICI Bank"** examined the financial performance of SBI and ICICI Bank, public sector and private sector respectively. The study found that SBI is performing well and financially sound than ICICI Bank but in the context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

Joseph Jelsy and Vetrivel, (2012) have studied **"Time driven activity based costing for spinning mills to improve financial performance".** It concluded that better cost predictions, loss making products are identified. The ABC can be used for cost reduction, DSS(Decision Support System) budgeting and better performance measurement in order to improve the financial performance of the companies.

M.Vikram Singh (2012) conducted a study entitled **"A Study on financial Performance analysis (with reference to Kesoram Cement)".** The objective of the study is to understand the financial position and also know the liquidity and profitability position. The data was collected from secondary sources. The statistical tools used in the study are ratio analysis, comparative balance sheet, and common size balance sheet and trend analysis. The findings of the study show that the financial position of Kesoram Cement is not satisfactory and they should take efforts to attain a good position.

Maryam Mohammadi and AfaghMalek (2012),conducted a research study on **"An Empirical Study of Financial Performance Evaluation of a Malaysian Manufacturing Company".** Accounting principles are useful tools in executing and improving a successful management practice and plan. In today's competitive environment, evaluating the financial performance is crucial for companies in manufacturing sector. The analysis of financial performance reflects the financial position of the company, the level of competitiveness in the same sector, and a thorough knowledge about the cost and profit centers within the firm. Managers, investors, and creditors can then apply this accounting information provided by

financial analysis in their strategic planning and investment decisions. This study investigates the financial performance of an investment company in Malaysia for a three-year period from 2009 to 2011, which is assessed using financial ratios. The findings pointed out that overall company performance reduced remarkably in the last year of the analysis. This study principally emphasizes on how accounting information aids budgetary decision-makers to evaluate the company financial performance, determine its future obligations, and make better investment decisions.

Reddy K. Sriharsha (2012)in the study entitled **"Relative Performance of commercial banks in India using Camel Approach"** analysed relative performance of banks in India using CAMEL approach. It is found that public sector banks have appreciably improved, indicating positive impact of the reforms in liberalizing interest rates, rationalizing directed credit, Investments and increasing competition.

Amalendu Bhunia, et al(2011)made an attempt to study**"Liquidity Management Efficiency of An Indian Steel Company – A Case Study".**The study reveals that traditional current ratio and profitability is positively less (0.026) associated with higher profitability. But other traditional liquidity ratios, liquid ratio and absolute liquid ratio are negatively associated (0.024 and 0.086) with higher and lower profitability respectively. The result is in support of expectation that traditional liquidity ratios merely affect the profitability**.**

A.S. Shiralashetti (2011) had done a research on **"Performance Appraisal of the Gadag Co-operative Cotton Textile Mill Ltd, Hulkoti – A Case Study"**. The Researcher made an attempt to evaluate the financial and operational efficiency of the company by using secondary data collected from the Annual Reports of the Gadag Co-Operative Cotton Textiles Mill Ltd. The Study used ratio analysis tools like Profitability Ratio, Solvency Ratio, Liquidity Ratio and Efficiency Ratio to examine the performance of Gadag Co-Operative Cotton Textiles Mill Ltd. The Study concludes that the performance of the company was unsound in majority of areas.

Abdi Dufera (2010) conducted a research study under the title **"Financial Performance Evaluation: A Case Study Of Awash International Bank (AIB) S.C.".** Its main objective was to compare and examine empirically the performance of the first private commercial bank in Ethiopia, i.e. Awash International Bank (AIB) in comparison with industry average with respect to liquidity; profitability; credit risk, solvency and efficiency for the period 2003-2009

Yimin Zhang and**Tianmu Wang (2010)** had done a study on **"Profitability and Productivity of the Chinese Textile Industry".** This considered the cost structure, profitability and productivity of the Chinese textile industry and estimated the impacts of Renminbi appreciation on this industry for 1999–2006. It was found that the industry had suffered from very low profit margins and returns on capital. As input prices have been increasing, particularly since 2001, generating profits had become more difficult for the industry. Nevertheless, the industry achieved substantial productivity growth during the period examined. Although at an inadequate level, the profitability of the industry did show some signs of improvement.

Kannadhasan (2006)had done a research entitled**"Working Capital Management in a Public limited Company – A Case Study"**. The study reveals that the liquidity position was as good as it had remained above standard norms throughout the period of study. It needed to be maintained and increased further by effective utilization and control of current assets.

Research Methodology

CHAPTER-III
RESEARCH METHODOLOGY

Research methodology is a systematic way to solve the research problem. In research, various steps are generally adopted by a researcher in studying the research problem along with the logic behind them. In order to achieve the objective of the study and to analyze the factors considered, an appropriate methodology is developed. The collection of data and analysis strategy are planned accordingly.

Research Gap

After scrutinizing thoroughly the various reviews of literature on financial performance analysis of companies in manufacturing sector and services sector in different periods, it is found that there were only very few researches on comparison of financial performance of Automobile companies. After finding out this research gap only, a research study to compare the financial performance and financial health of Ashok Leyland and SML Isuzu companies was carried out during 2017. The financial performance was analyzed for two giant automobile companies for the period 2007-2016.For achieving the best result, main research objectives were formulated.

Research Objectives are

- To analyse the liquidity, profitability and solvency of the select Automobile companies and compare (Ashok Leyland and SML Isuzu)
- To measure the overall financial performance of both the companies
- To assess the financial health of these companies.

To achieve the research objectives, a suitable research design was framed.

Research design

The research design of this study is analytical in nature. This section is helpful to know the methodology adopted to achieve the objective of the analysis and it provides details of the collection of data, and data analysis procedures.This study is based on secondary data. Data pertaining to liquidity, solvency and profitability position was collected from the Balance Sheets and Profit & Loss accounts of Ashok Leyland and SML Isuzu (2007-2016).

Nature of data

The data required for the study has been collected from secondary sources and the relevant information were taken from annual reports, journals and internet etc.

Period of the Study

The study was conducted for a period of 10 years from 2007 to 2016.

Size of sampling

The size of the sample of the research study is two major automobile industries. The research was conducted on financial performance of Ashok Leyland and SML Isuzu. Ashok Leyland is one of the leading automobile Industry, SML Isuzu is also a second leading company.

Source of data

Data was collected from secondary sources.

Secondary data

The secondary data is that which had already been collected by some and already processed. The sources of secondary data are annual reports, websites, magazines, articles etc...

Tools applied

To have a meaningful analysis and interpretation of the data collected, the following tools were applied in this study.

1. Ratio Analysis
2. Mean
3. Standard Deviation
4. Coefficient of Variance
5. Z score analysis.

1. Ratio Analysis:

Ratio analysis is a widely used tool of financial analysis. The term ratio refers to the relationship expressed in mathematical terms between two individual figures or group of figures connected with each other in some logical manner and are selected from financial statements of the concern. It helps to express the relationship between two accounting figures in such a way that users can draw conclusions about the performance, strengths and weakness of a firm.

Several ratios can be calculated from the accounting data contained in the financial statements. In view of the requirements of the various ratios, ratios are classified into the following three important categories.

A. Liquidity ratio
B. Profitability ratio
C. Solvency ratio

A. Liquidity ratios:

Liquidity ratios measure the ability of a firm to meet its current obligations as they become due. A firm should ensure that it does not suffer from lack of liquidity, and also that it does not have excess liquidity. The failure of a company to meet its obligations due to lack of sufficient liquidity, will result in a poor creditworthiness, loss of creditor's confidence, or even in legal tangles resulting in the closure of the company. The most common ratios in measuring liquidity are:

i. Current ratio
ii. Quick ratio
iii. Absolute liquid ratio

i. Current Ratio:

The current ratio is calculated by dividing current assets and current liabilities. Current assets are those, which can be realized with in a period of one year. Current liabilities are those amounts, which are payable with in a period of one year. Current ratio of 2 to 1 or more is considered satisfactory. Current ratio represents a margin of safety for creditors.

Current Ratio = current Assets/ Current liabilities

ii. Quick Ratio:

Quick ratio also known as acid-test ratio establishes a relationship between quick assets and the current liabilities. Cash is the most liquid asset. It is calculated by dividing quick assets by current liabilities. (Quick assets= current assets- inventory). The acid-test ratio measures the firm's ability to convert its current assets quickly into cash in order to meet its current liabilities. A quick ratio of 1 to 1 is considered to represent a satisfactory liquidity condition. It is an important index of the firm's liquidity.

Quick ratio = quick assets/ Liquid liabilities

iii. Absolute Liquidity Ratio:

Although receivables, debtors and bills receivable are generally more liquid than inventories, yet there may be doubts regarding their realization into cash immediately or in time. Hence, some authorities are of the opinion that the absolute liquid ratio should also be calculated together with current ratio and acid test ratio. So they exclude even receivables from the current assets and find out the absolute ratio.

Absolute liquidity ratio = Cash + bank +marketable securities/ Current liabilities

B. Profitability Ratio:

The profitability of a business concern can be measured by the profitability ratios. These ratios highlight the end result of business activities by which alone the overall efficiency of a business unit can be judged. (E.g.) gross Profit ratios, Net profit ratios.

Generally profitability ratios:

i. Gross profit ratio
ii. Net profit ratio
iii. Operating profit ratio
iv. Cash profit ratio
v. Return on shareholders' investment

i. Gross Profit Ratio:

Gross profit ratio measures the relationship of gross profit to net sales and is usually represented as a percentage. It is a good measure of profitability. The gross profit ratio indicates the extent to which selling price of goods per unit may decline without resulting in losses on operation. Higher the gross profit betters is the result.

Gross profit ratio = Gross profit / Net sales x 100

ii. Net Profit Ratio:

Net profit ratio establishes a relationship between net profit (after taxes) and sales. It is determined by dividing the net income after tax by the net sales for the period and measures the profit per rupee of sales.

Net profit Ratio = (Net profit/ Net sales) x 100

iii. Operating profit ratio:

This ratio is calculated by dividing operating profit by sales. Operating profit is calculated as: net profit + non-operating expenses – non operating income. So,

Operating profit ratio = (operating profit divided by sales)* 100.

iv. Cash profit ratio:

The net profit of the firm is affected by the amount/ method of depreciation charged. Further, depreciation being non-cash expense, it is better to calculate cash profit ratio. This ratio measures the relationship between cash generated from operations and the net sales. Thus,

Cash profit ratio = (cash profit divided by net sales)* 100.

v. Return on shareholder's investment:

Return on shareholders' investment, popularly known as R O I or return on shareholder/ proprietors' funds is the relationship between net profits (* after interest and tax) and the proprietors' funds. Thus

R O I = Net profit (after interest & tax) / shareholders' funds

C. Solvency Ratio:

The term "solvency" refers to the ability of a concern to meet its long-term obligation. According to, long-term solvency ratios indicate a firm's ability to meet the fixed interests, costs and repayment schedules associated with its long-term borrowings. (E.g.) debt equity ratio, proprietary ratio, etc….

i. Proprietary ratio:

This ratio is called as equity ratio. It establishes a relationship between shareholder's funds to total assets of the company. Equity ratio is calculated by dividing shareholder's funds by total assets.

Proprietary ratio = Shareholders funds / Total assets

2. Mean

Arithmetic average is called as mean. It gives the single value to describe the whole data.

$$X=\frac{\sum x}{N}$$

3. Standard deviation

The variance and its square root, the standard deviation are by far the most powerful and most useful measures of dispersion which take into how all the observation in the data are distributed and takes in to consideration each value of the data.

$$S.D = \sqrt{\frac{\sum d2}{n} - \frac{\sum d2}{n}}$$

4. Co-efficient of variance

It shows the relationship between the standard deviation and arithmetic mean expressed in the terms percentage.

$$C.V = \frac{S.D * 100}{X}$$

5. Z – Score Analysis

New York University Stern Finance, Edward Altman, developed the Altman Z-Score formula in 1997. In 2012, he released an update version called the Altman Z –Score plus, that can be used to evaluate both public and private companies, both manufacturing and non-manufacturing companies and both U.S and non U.S Companies. Investors can use Altman Z-Score to help determine whether they should buy or sell a particular stock if they're concerned about the underlying company's financial strength. The Altman Z- Score can be used to evaluate corporate credit risk. The Altman Z-Score is based on five financial ratios that can be calculated from data found on a company's annual report. The Altman Z-Score is calculated as follows:

Z-Score=1.2x1+1.4x2+3.3x3+0.6x4+1.0x5

Where,

X1= Working capital / total assets

X2=Retained earnings/ total assets

X3=Earnings before interest and tax / total assets

X4=Market value of equity / total liabilities

X5=Sales / total assets

A score below 1.8 means the company is probably headed for bankruptcy, while companies with scores above 3.0 are not likely to go bankrupt and their financial health is good. The higher or lower the score, the higher or lower is the likelihood of bankruptcy.

Analysis and Interpretation

CHAPTER-IV

ANALYSIS AND INTERPRETATION

Analysis is an examination of data and facts to uncover and understand the cause - effect relationship, thus providing basis for problem solving and decision making.

Interpretation is the act of explaining, reframing or otherwise showing researcher' own understanding of something.

The financial data collected from Ashok Leyland and SML Isuzu is analyzed by applying relevant tools.

The analyzed data was presented in the following manner:

- To analyse the liquidity, profitability and solvency of the select Automobile companies and compare (Ashok Leyland and SML Isuzu)
- To measure the overall financial performance of both the companies
- To assess the financial health of the companies.

TABLE I

I. LIQUIDITY RATIO

CURRENT RATIO

YEARS	ASHOK LEYLAND %	SML ISUZU%
2007	1.29	1.08
2008	1.08	0.98
2009	1.29	1.08
2010	1.21	1.24
2011	1.02	1.38
2012	0.92	1.39
2013	0.93	1.40
2014	0.93	1.68
2015	0.94	1.56
2016	1.07	1.53
Average	**1.07**	**1.33**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table shows that the current ratio in the year 2007 was 1.29 and after a fall to 1.08 it regained to 1.29% in 2009. The current ratio was fluctuating during 2010-2015. In 2016 it raised above 1 (1.07%). The normal current ratio is 2:1. The above table shows current ratio is less than 2 in the study period. This shows that the company is not enjoying credit worthiness. The average current ratio of Ashok Leyland is 1.07%.

SML Isuzu:

The table reveals the current ratio of SML Isuzu. In the year 2007 it was 1.08, and by the next year it decreased to 0.98% .Gradually during the period 2009- 2014 it increased from 1.08% to 1.68%. From the year 2015-2016 the current ratio of SML Isuzu decreased to 1.56%-1.53%. It shows a decreasing trend. Almost in all years the company maintained a ratio of one percent. The average current ratio of SML Isuzu is 1.33%.

When the liquidity position of Ashok Leyland and SML Isuzu was compared the current ratios for the period 2007-2016, indicates that the liquidity of SML Isuzu is in a better position.

EXHIBIT I

ASHOK LEYLAND AND SML ISUZU- CURRENT RATIO (2007-2016)

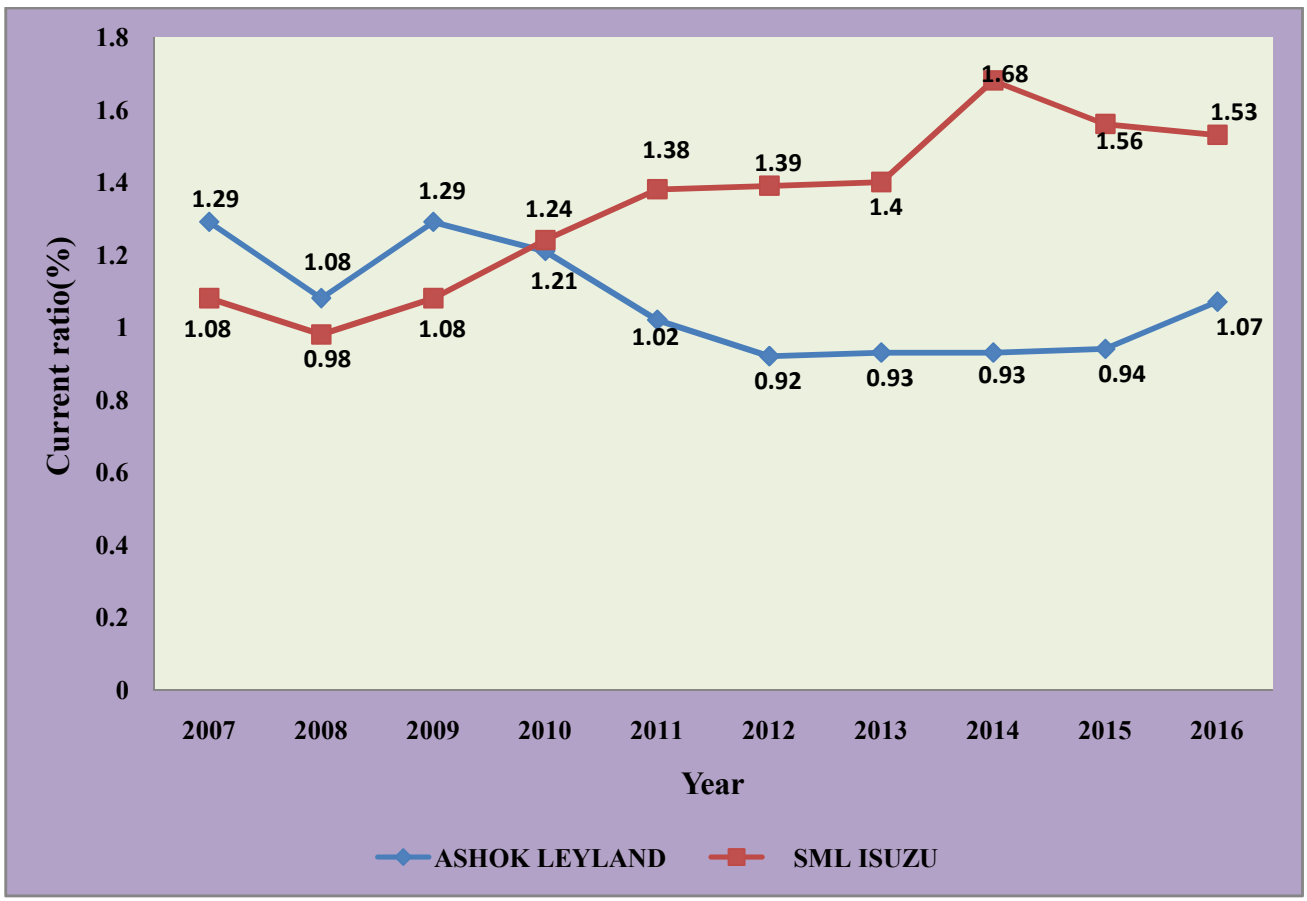


TABLE II

LIQUID RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	0.31	0.84
2008	0.16	0.69
2009	0.42	0.60
2010	0.35	0.69
2011	0.31	0.66
2012	0.23	0.72
2013	0.27	0.75
2014	0.29	0.61
2015	0.35	0.65
2016	0.47	0.48
Average	**0.32**	**0.66**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table shows that the liquid ratio in the year 2007 was 0.31 and then it fluctuated till 2012 (0.23%). Gradually during the years 2013-2016 the liquid ratio again moved upwards from 0.27 to 0.47. The ratio reached the highest score of 0.47% in the year 2016 indicating better liquidity position.The average liquid ratio of Ashok Leyland is 0.32%.

SML Isuzu:

The above table reveals the current ratio of SML Isuzu. In the year 2007 it was 0.84, and it fluctuated during the period 2008-2016. The liquid ratio of SML Isuzu finally, in 2016 declined to 0.48%. The liquidity position is not a desirable one. The average liquid ratio of SML Isuzu is 0.66%.

Whenthe liquid ratios of both the companies are compared the SML Isuzu’s liquidity position is better.

EXHIBIT II

ASHOK LEYLAND AND SML ISUZU- LIQUID RATIO (2007-2016)

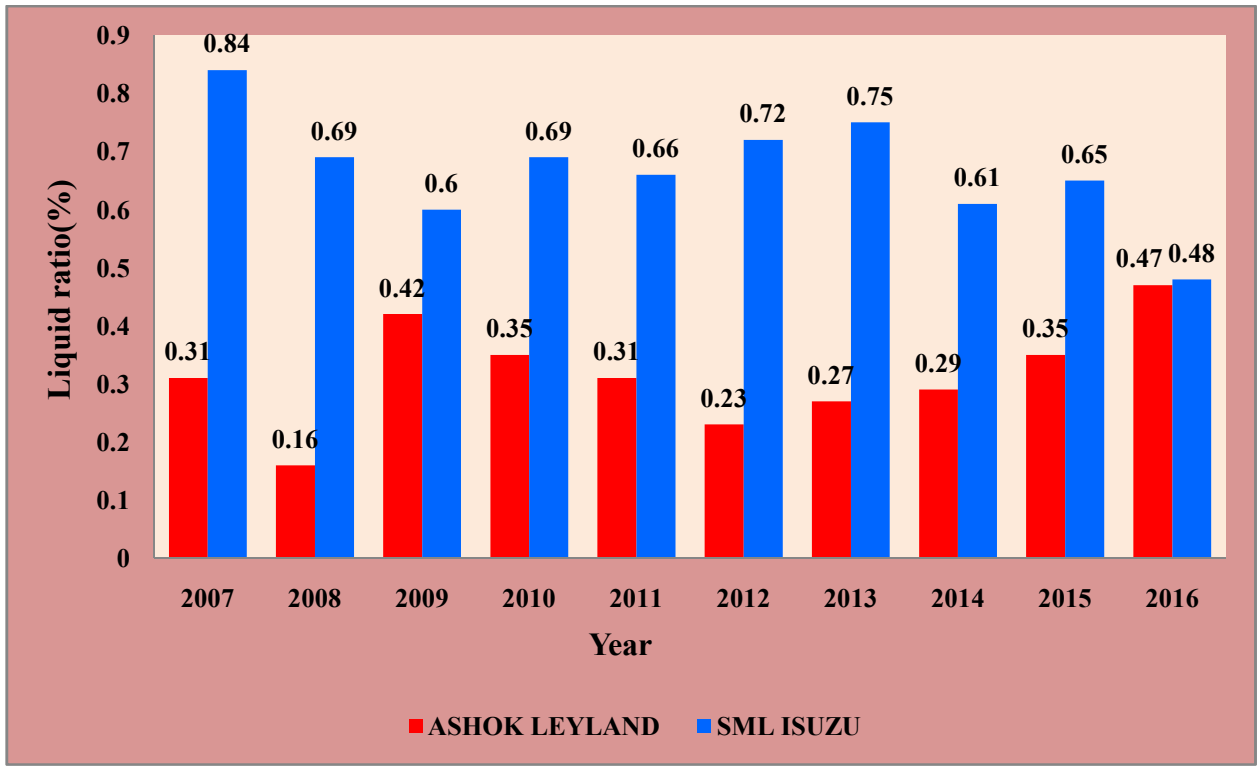


TABLE III

ABSOLUTE LIQUID RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	0.04	0.31
2008	0.01	0.26
2009	0.03	0.13
2010	0.05	0.23
2011	0.04	0.25
2012	0.006	0.34
2013	0.002	0.29
2014	0.002	0.24
2015	0.13	0.30
2016	0.26	0.15
Average	**0.06**	**0.25**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table reveals the absolute liquid ratio of Ashok Leyland. In the year 2007 it was 0.04%, It had fluctuated during the period 2007-2014. In the year 2015 and 2016 it had raised and shown an increasing trend (0.13% and 0.26%). Ashok Leyland shows an average absolute liquid ratio of 0.06%.

SML Isuzu:

This table reveals the absolute liquid ratio of SML Isuzu. In the year 2007 it was 0.31%. It was fluctuating during 2007-2015. It had declined to 0.15% in the year 2016, the lowest in 10 years. This has to be set right. SML Isuzu shows an average absolute liquid ratio of 0.25%.

When compared, the absolute liquid ratios of both the companies for the period 2007-2016, indicates that the absolute liquid of SML Isuzu is in better position.The absolute liquid position of Ashok Leyland is not satisfactory.

EXHIBIT III

ASHOK LEYLAND AND SML ISUZU- ABSOLUTE LIQUID RATIO (2007-2016)

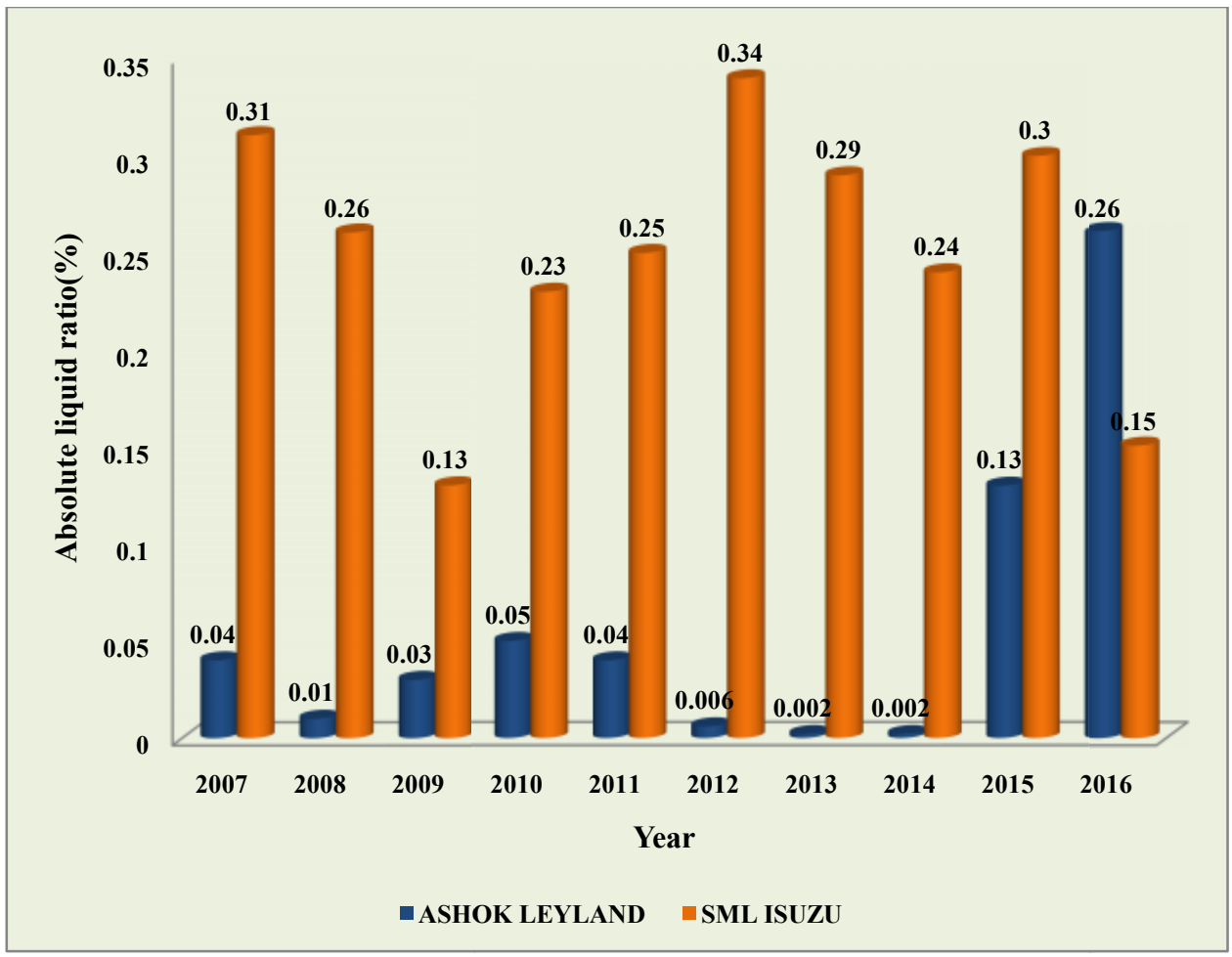


TABLE IV

II. PROFITABILITY RATIO

GROSS PROFIT RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	9.32	5.71
2008	10.09	7.80
2009	7.66	4.96
2010	10.23	7.81
2011	10.85	7.44
2012	9.78	7.69
2013	7.02	7.02
2014	1.67	3.59
2015	7.56	5.92
2016	11.50	7.27
Average	**8.57**	**6.52**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table shows the gross profit ratio in the year 2007 was 9.32%. It was fluctuating from 2007-2016. Finally in the year 2016 it was the highest 11.50%. This shows that the Sales were made effectively in the last two years.The average Gross profit ratio of Ashok Leyland was 8.57%.

SML Isuzu:

The above table shows that the gross profit ratio in the year 2007 was 5.17%. It was fluctuating from 2007-2016. There was a heavy decline in profitability ratio to 3.59%in the year 2014, and it was the lowest. Finally in the year 2016 it again showed a rising trend, Gross profit ratio was 7.27%. The average gross profit ratio of SML Isuzu was 6.52%.

The profitability position of Ashok Leyland and SML Isuzu was compared. The gross profit ratios for the period 2007-2016, indicates that the profitability position of Ashok Leyland is in better position.

EXHIBIT IV

ASHOK LEYLAND AND SML ISUZU- GROSS PROFIT RATIO (2007-2016)

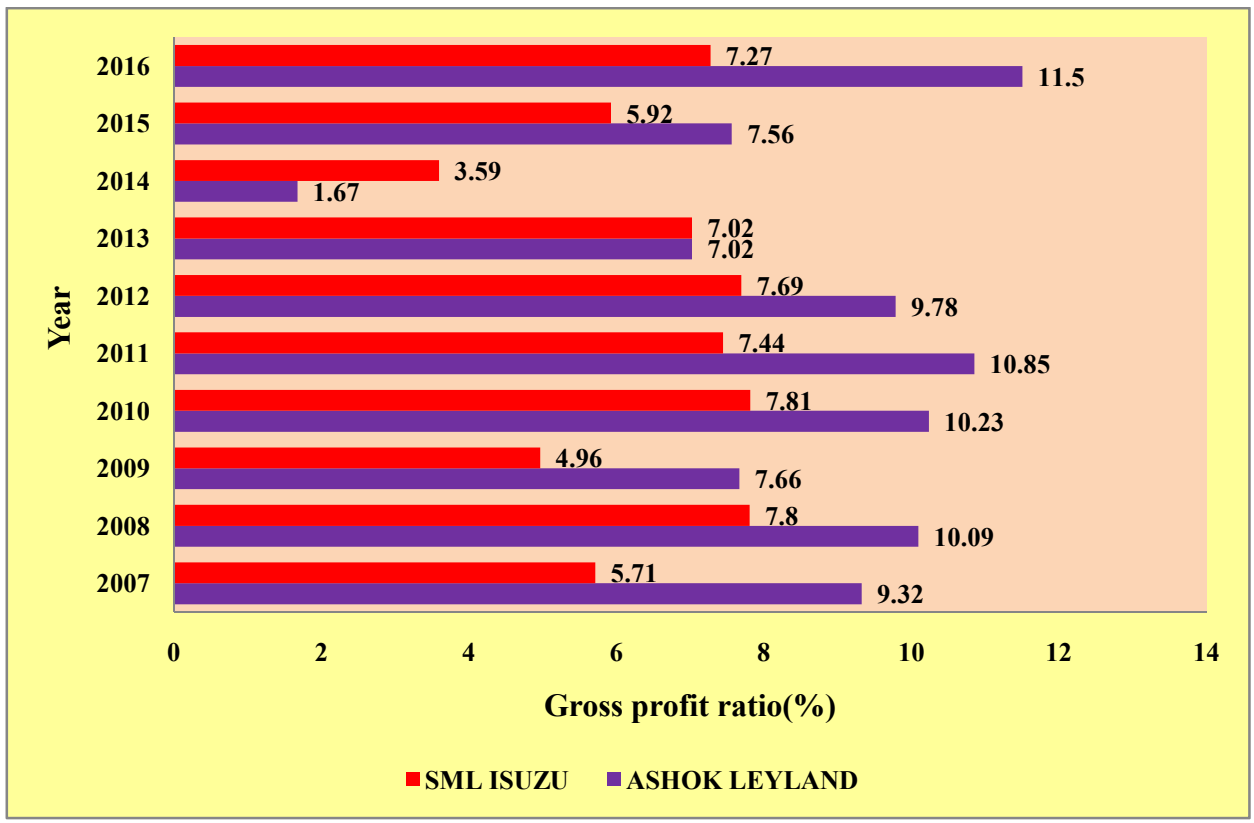


TABLE V

NET PROFIT RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	5.99	2.67
2008	5.88	3.76
2009	3.07	0.87
2010	5.69	2.97
2011	5.64	4.01
2012	4.40	4.04
2013	3.47	3.63
2014	0.29	1.97
2015	2.46	3.34
2016	3.83	4.39
Average	**4.078**	**3.17**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table shows that the Net profit ratio in the year 2007 was 5.99%. It was fluctuating during the period 2007-2014. There was a heavy decline to 0.29% in the year 2014. Finally in the years 2015 and 2016 Ashok Leyland showed an increasing trend.The average Net profit of Ashok Leyland is 4.078%.

SML Isuzu:

The above table shows that the net profit ratio in the year 2007 was 2.67%. The ratios were fluctuating in the next seven years. The lowest ratio was 0.87% in 2009. Finally in the year 2016 it again moved upwards to 4.39%, the highest ratio of this period.The average Net profit of SML Isuzu is 3.17.

When the profitability position of Ashok Leyland and SML Isuzu, was compared, the net profit ratios for the period 2007-2016, indicates that the profitability position of SML Isuzu is in better position.

EXHIBIT V

ASHOK LEYLAND AND SML ISUZU- NET PROFIT RATIO (2007-2016)

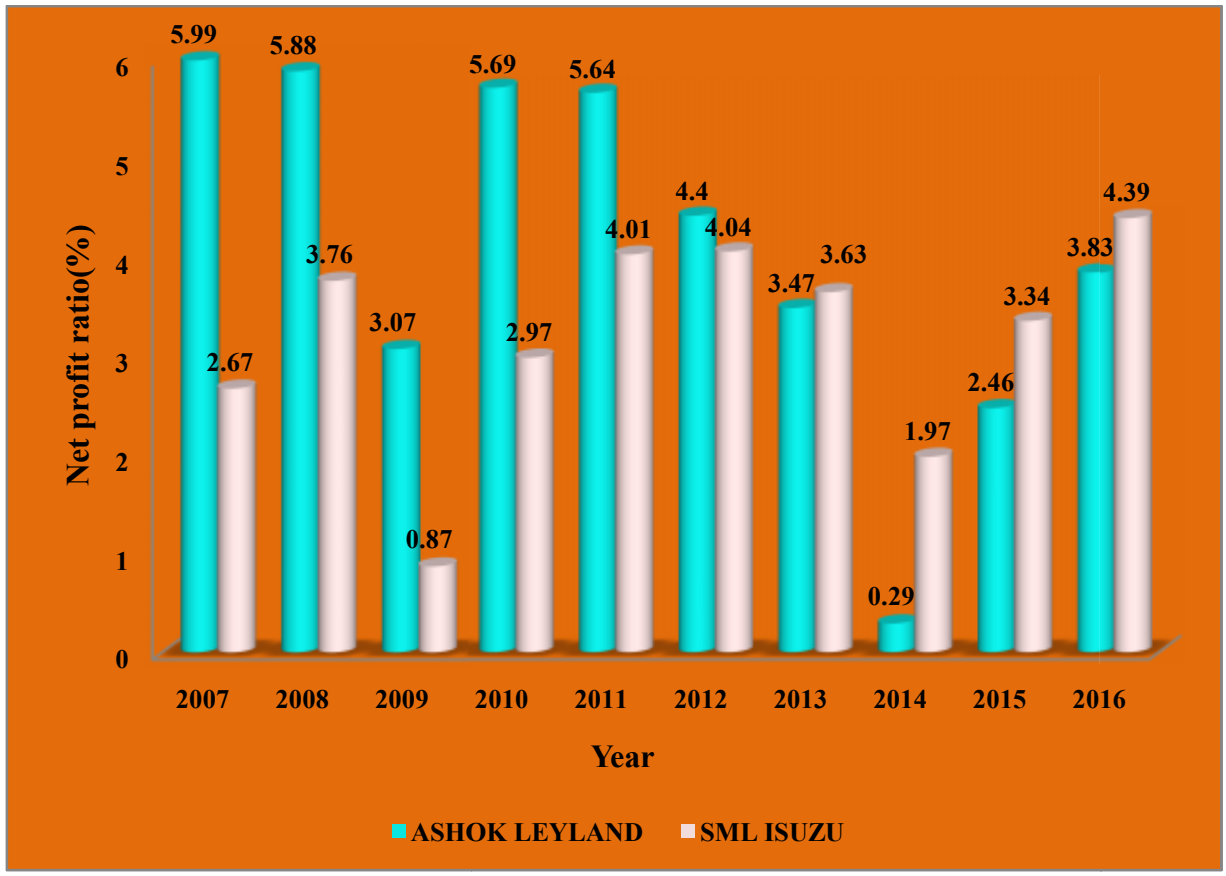


TABLE VI

OPERATING PROFIT RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	9.32	5.71
2008	10.09	7.80
2009	7.66	4.96
2010	10.23	7.81
2011	10.85	7.43
2012	9.78	7.68
2013	7.02	7.01
2014	1.67	3.59
2015	7.56	5.92
2016	11.50	7.27
Average	**8.573**	**6.52**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table reveals that the operating profit ratio had been increased from 2007-2016(9.32%-11.50%) except in the year 2014. There was fluctuation during 2007-2015. The lowest ratio was 1.67% in the year 2014. But in the year 2016 it was the highest 11.50%, showing increasing trend. The average Operating profit of Ashok Leyland is 8.573%.

SML Isuzu:

The above table shows that the operating profit ratio had been fluctuating from 2007-2016 (5.71%-7.27%) except in the year 2014(3.59%). In 2007 the operating profit ratio was 5.71%. In 2014 the ratio was the lowest and finally in the year 2015 and 2016 it moved upwards to 5.92%-7.27%. It shows an increasing trend.The average Operating profit of SML Isuzu is 6.52%.

When compared the profitability position of Ashok Leyland and SML Isuzu, the operating profit ratios for the period 2007-2016, indicates that the Operating profit ratio of Ashok Leyland is in better position.

EXHIBIT VI

ASHOK LEYLAND AND SML ISUZU- OPERATING PROFIT RATIO (2007-2016)

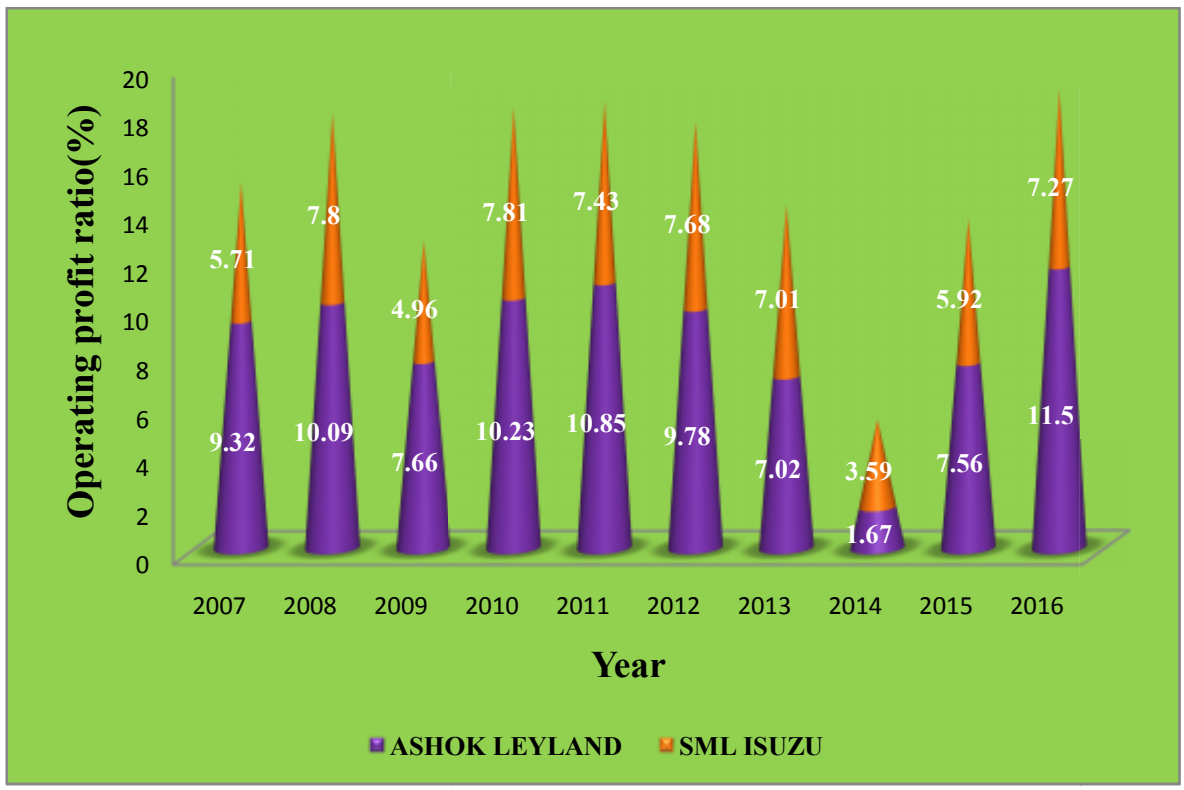


TABLE VII

CASH PROFIT RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	11.37	6.19
2008	12.31	8.29
2009	10.56	6.03
2010	12.98	9.01
2011	13.25	8.42
2012	12.52	8.6
2013	10.07	8.23
2014	5.46	5.04
2015	10.63	7.72
2016	13.86	8.96
Average	**11.305**	**7.66**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table shows that the cash profit ratio in the year 2007 was 11.37% and then it had fluctuated during the period 2007-2016. The Cash profit ratio moved upwards from 5.46%-13.86%.The ratio reaches the highest score of 13.86% in the year 2016.The average Cash profit of SML Isuzu is 11.305%.

SML Isuzu:

The table reveals the current ratio of SML Isuzu. In the year 2007 it was 6.19. There was fluctuation in cash profit ratios during the period 2007-2016. Finally in the year 2016 cash profit ratio increased to 8.96%. It was the highest and shows an increasing trend.The average Cash profit ratio of SML Isuzu is 7.66%.

While comparingthe Cash profit position of Ashok Leyland and SML Isuzu, the cash profit ratios for the period 2007-2016, indicates that the cash profit position of Ashok Leyland is in better position.

EXHIBIT VII

ASHOK LEYLAND AND SML ISUZU- CASH PROFIT RATIO (2007-2016)

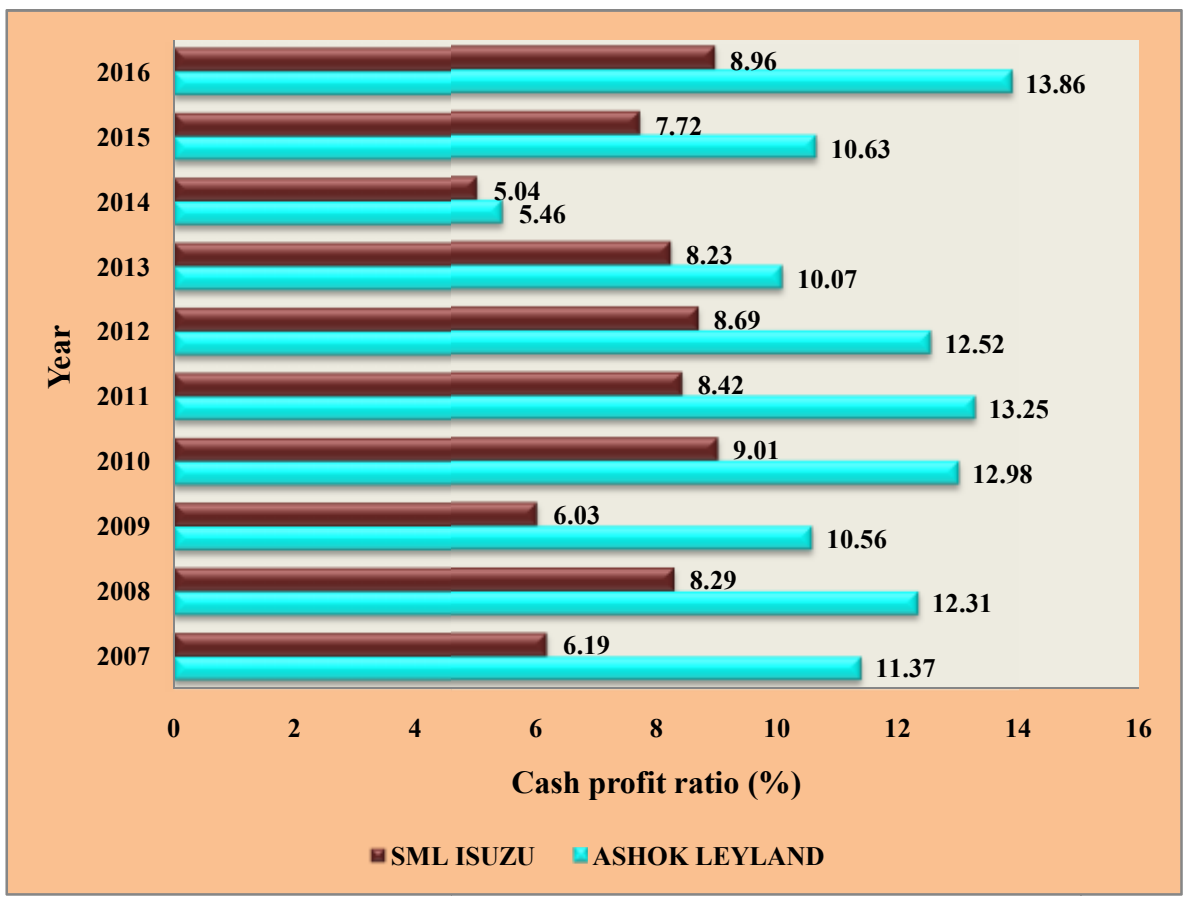


TABLE VIII

RETURN ON SHAREHOLDERS' INVESTMENT

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	0.23	0.21
2008	0.22	0.26
2009	0.09	0.04
2010	0.18	0.11
2011	0.23	0.17
2012	0.19	0.17
2013	0.13	0.14
2014	0.09	0.06
2015	0.08	0.12
2016	0.16	0.15
Average	**0.15**	**0.14**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The above table shows that return on shareholder's investment in the year 2007 was 0.23% and then it decreased to 0.16% in 2016. From 2007 onwards it moves downwards. Gradually from 2016 it shows an upward trend.The average return on shareholder's investment of Ashok Leyland is 0.15%.

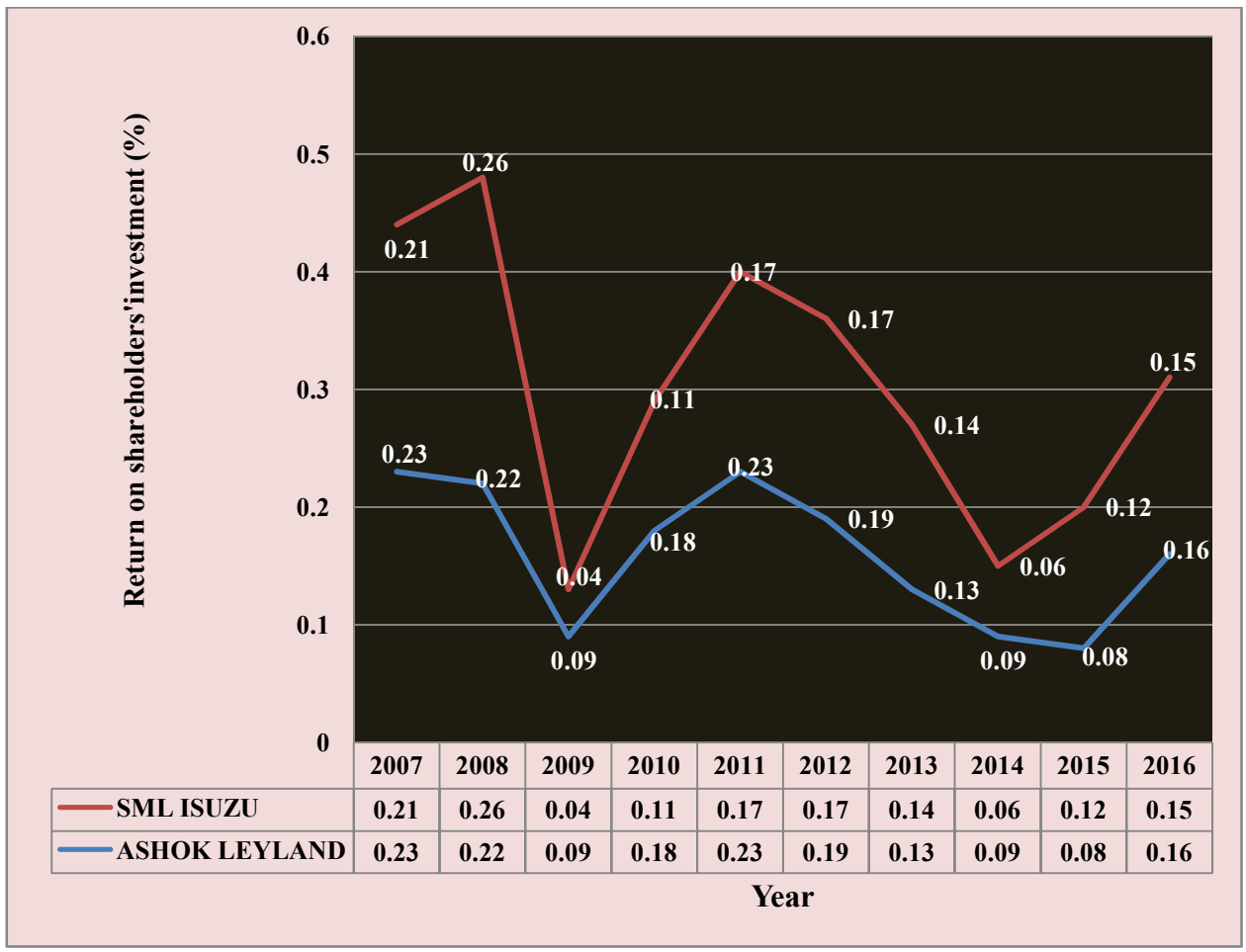
SML Isuzu:

Theabove table shows that return on shareholder's investment in the year 2007 was 0.21.The ratios were fluctuating in the next nine years. Finally in the year 2015 and 2016, the ratio moves upwards to 0.12- 0.15, showing a better trend.The average return on shareholder's investment of SML Isuzu is 0.14.

When compared, theoverall profitability position of Ashok Leyland and SML Isuzu, the return on shareholder's investment for the period 2007-2016, indicates that the return on shareholder's investment of SML Isuzu is in better position.

EXHIBIT VIII

ASHOK LEYLAND AND SML ISUZU- RETURN ON SHAREHOLDERS' INVESTMENT (2007-2016)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SML ISUZU	0.21	0.26	0.04	0.11	0.17	0.17	0.14	0.06	0.12	0.15
ASHOK LEYLAND	0.23	0.22	0.09	0.18	0.23	0.19	0.13	0.09	0.08	0.16

TABLE IX

III. SOLVENCY RATIO

PROPRIETARY RATIO

YEARS	ASHOK LEYLAND%	SML ISUZU%
2007	0.74	0.17
2008	0.70	0.17
2009	0.51	0.20
2010	0.50	0.38
2011	0.53	0.38
2012	0.54	0.38
2013	0.47	0.40
2014	0.45	0.50
2015	0.61	0.44
2016	0.69	0.46
Average	**0.578**	**0.35**

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

The proprietary ratio had decreased from the period 2007 to 2014 (0.74% - 0.45%). There is a fluctuation in the period 2011 to 2014. But in the year 2015 and 2016, the proprietary ratio is in the increasing trend with ratios of 0.61%-0.69%.The average proprietary ratio of Ashok Leyland is 0.578%.

SML Isuzu:

The proprietary ratio had increased steadily from the period 2007 to 2016 (0.17% -0.46%), except a slight decline in the year 2015. There was a constant ratio (0.38%) in the periods from 2010 to 2012. But in the years 2015 and 2016, the proprietary ratios were in the increasing trend (0.61% -0.69%).The average proprietary ratio of SML Isuzu is 0.35%.

When compared, the solvency positions of Ashok Leyland and SML Isuzu the, proprietary ratiosfor the period of 2007-2016, indicates that the solvency of Ashok Leyland is in better position than theSML Isuzu.

EXHIBIT IX

ASHOK LEYLAND AND SML ISUZU- SOLVENCY RATIO (2007-2016)

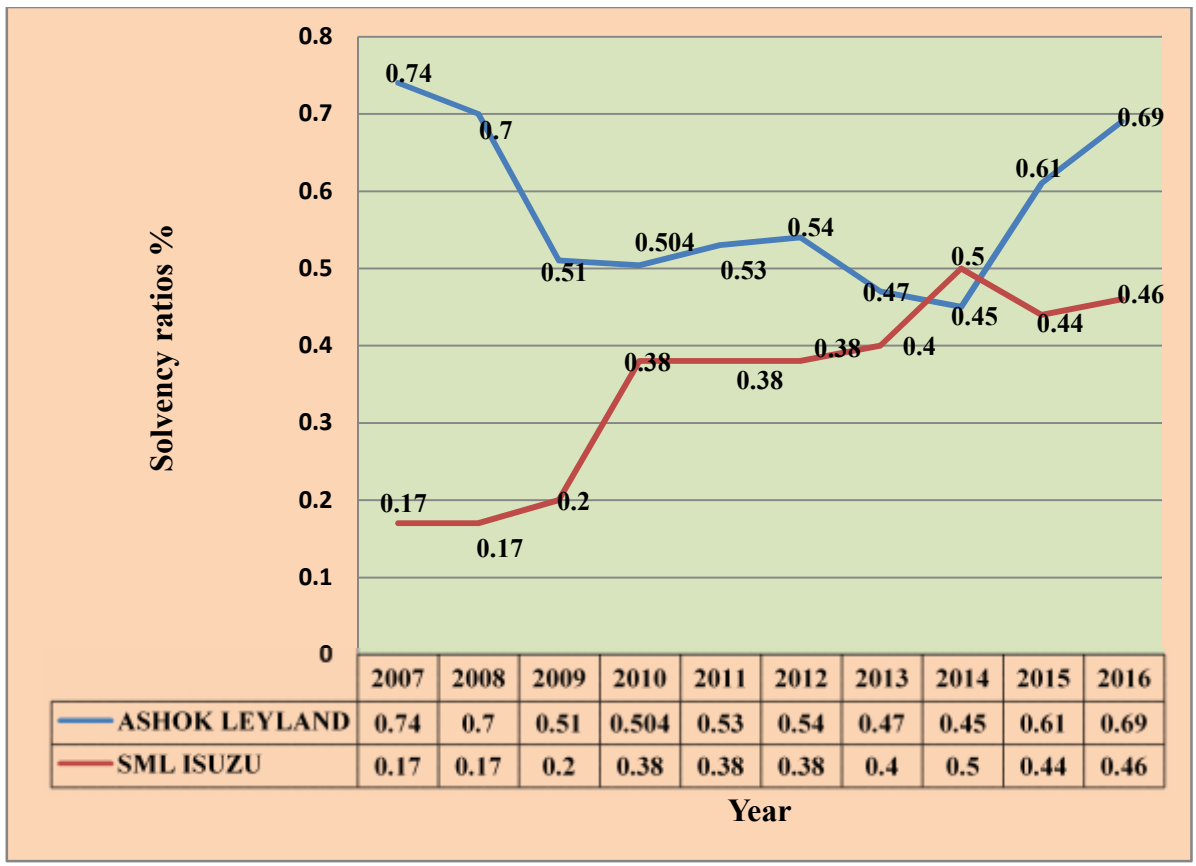


TABLE X

ASHOK LEYLAND AND SML ISUZU AUTOMOBILE COMPANIES -

MEAN, STANDARD DEVIATION AND COEFFICIENT OF VARIANCE

CATEGORY	VARIABLES	MEAN		STANDARD DEVIATION		COEFFICIENT OF VARIANCE	
		ASHOK LEYLAND	SML ISUZU	ASHOK LEYLAND	SML ISUZU	ASHOK LEYLAND	SML ISUZU
Liquidity ratio	Current ratio	1.07	1.33	0.14	0.22	13.09	16.48
	Liquid ratio	0.32	0.66	0.08	0.09	26.37	1.36
	Absolute liquid ratio	0.06	0.25	0.07	0.06	128.08	2.55
Profitability ratio	Gross profit ratio	8.57	6.52	2.69	1.35	31.45	20.74
	Net profit ratio	4.078	3.17	1.74	1.02	42.79	32.37
	Operating profit ratio	8.573	6.52	2.69	1.35	31.45	20.74
	Cash profit ratio	11.305	7.66	2.28	1.32	20.22	17.27
	Return on shareholders' investment	0.15	0.14	0.07	0.06	46.19	42.67
Solvency ratio	Proprietary ratio	0.578	0.35	0.09	0.11	16.94	33.01

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016.

Ashok Leyland:

From the above table, it is understood that the average of liquidity ratios (1.07, 0.32 and 0.06) which is less than normal current ratio of 2:1. It shows that the company do not enjoy credit worthiness during this study period. The average profitability ratios (gross profit, net profit, operating profit, cash profit and return on shareholder's investment) of Ashok Leyland shows an increasing trend (8.57, 4.078, 8.573, 11.305 and 0.15)from 2007-2016. It indicates that the profitability position of Ashok Leyland is good. The average solvency ratio shows 0.578. The Ashok Leyland was effectively managing the current assets. It will effectively utilize the assets and it collects the debts from debtors smartly and working capital is also effectively used. The overall mean ofcurrent ratios calculated by the Ashok Leyland results in good average. Profitability and solvency of Ashok Leyland is better.

The standard deviation,indicates the level of risk associated with Ashok Leyland and SML Isuzu. In this analysis, the Ashok Leyland performance is not satisfactory under liquidity ratio and

shows more fluctuations during the study period. The standard deviation of Profitability ratios (2.69, 1.74, 2.69, 2.28 and 0.07) shows an increasing trend from 2007-2016. The performance level of Ashok Leyland regarding profitability is good. The solvency ratio also shows more deviations in the year 2007-2016.

The coefficient of variance shows an increasing trend of (13.09, 26.37 and 128.08) in Ashok Leyland. This shows the relationship between the average and standard deviation.

SML Isuzu:

From the above table, it is understood that the average liquidity ratios (1.33,0.66 and 0.25) .It shows that the company enjoys credit worthiness during this research study. The average profitability ratios (gross profit, net profit, operating profit, cash profit and return on shareholder's investment) of SML Isuzu shows an increasing trend (6.52, 3.17, 6.52, 7.66 and 0.14) from 2007-2016. It indicates that the profitability position of SML Isuzu is not satisfactory. The average solvency ratio shows 0.35. Hence, The SML Isuzu was not effectively managing the current assets. It hadnot effectively utilized of the assets .The overall mean calculated by the SML Isuzu results showedthat they are not in a better position than Ashok Leyland .

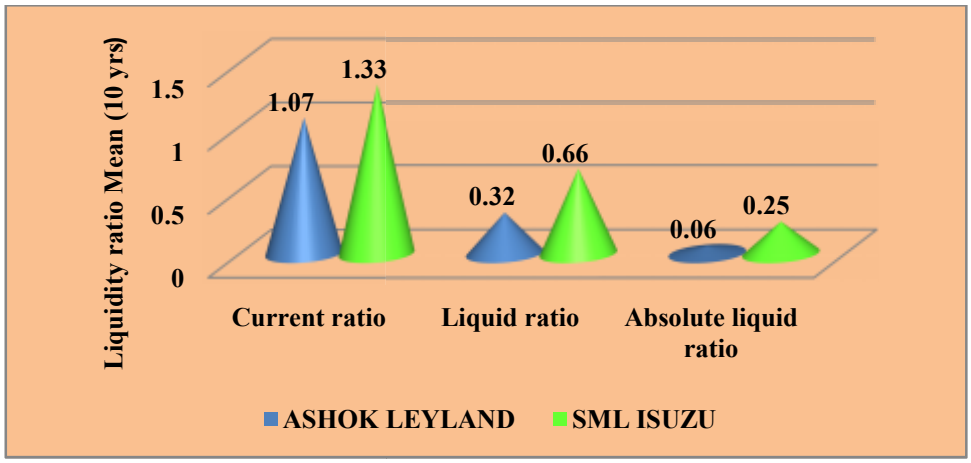
The standard deviation indicates the level of risk associated with performance of Ashok Leyland and SML Isuzu. In this analysis, the SML Isuzu performance is satisfactory regarding liquidity ratio. The standard deviation of Profitability ratios (1.35, 1.02, 1.35, 1.32 and 0.06) shows a decreasing trend from 2007-2016. The performance level of SML Isuzu is not good regarding profitability. The solvency ratio under standard deviation also showsmore deviations in the year 2007-2016. This shows an increasing trend of 0.11 during the study period.

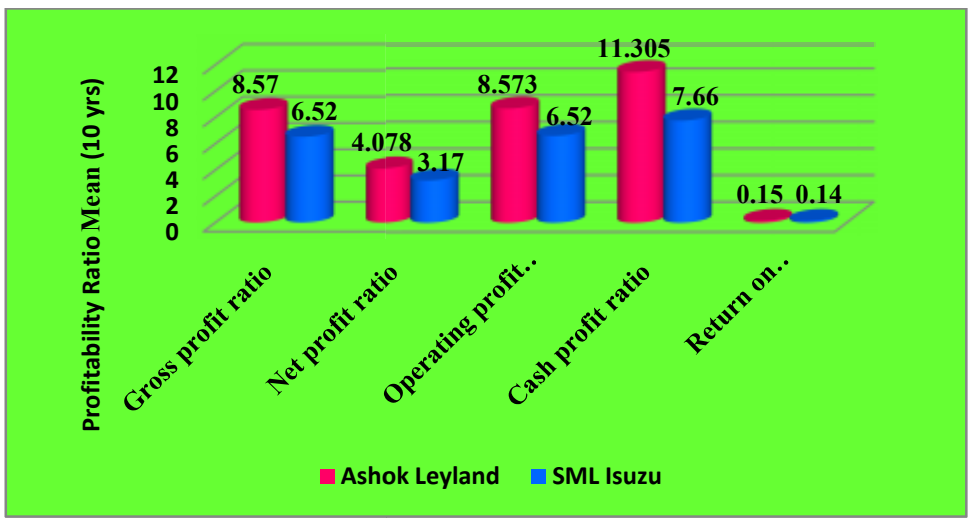
The coefficient of variance shows a decreasing trend of (1.36 and 2.55) in SML Isuzu except in current ratio. This shows the relationship between the average and standard deviation.

The overall liquidity ratio is good for SML Isuzu. The profitability and solvency position of Ashok Leyland is in increasing trend for all the average, standard deviation and coefficient of variance.

EXHIBIT X

ASHOK LEYLAND AND SML ISUZU- MEAN(LIQUIDITY, PROFITABILITY AND SOLVENCY RATIO) (2007-2016)





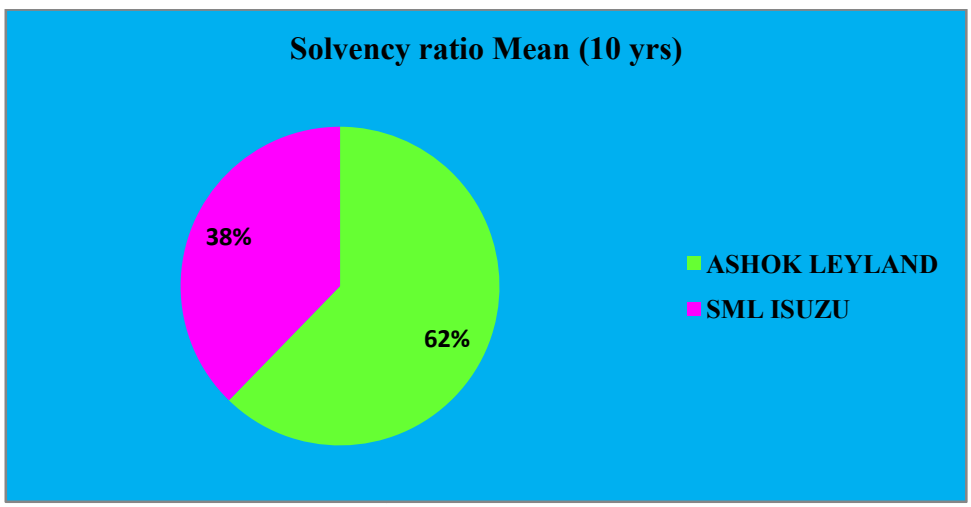


TABLE XI

THE ESTIMATION OF FINANCIAL HEALTH OF BOTH THE AUTOMOBILE COMPANIES (Z-SCORE ANALYSIS)

Ashok Leyland and SML Isuzu- comparison of financial health (Z-Score Analysis)

Year	Ashok Leyland Z Score	SML Isuzu Z Score	Better position
2007	5.06	2.08	Ashok Leyland
2008	4.47	1.83	Ashok Leyland
2009	2.66	1.60	Ashok Leyland
2010	2.84	2.20	Ashok Leyland
2011	3.39	2.48	Ashok Leyland
2012	3.43	2.46	Ashok Leyland
2013	2.68	2.30	Ashok Leyland
2014	1.98	2.29	SML Isuzu
2015	3.09	2.39	Ashok Leyland
2016	4.42	2.37	Ashok Leyland

Source: Ashok Leyland SML Isuzu Annual reports 2007-2016

Ashok Leyland:

In this analysis, the Ashok Leyland score is above 2.99. In 2007, it had reached the highest score 5.06. So, the Ashok Leyland is highly safe for investment on basis of financial health. The financial health is in the "grey zone" in the year (2009 and 2014). It indicates that the Z-Score is lower than the standard rate of 2.99. Hence it is pretty sure that Ashok Leyland enjoys good financial health. Overall financial health is good.

SML Isuzu:

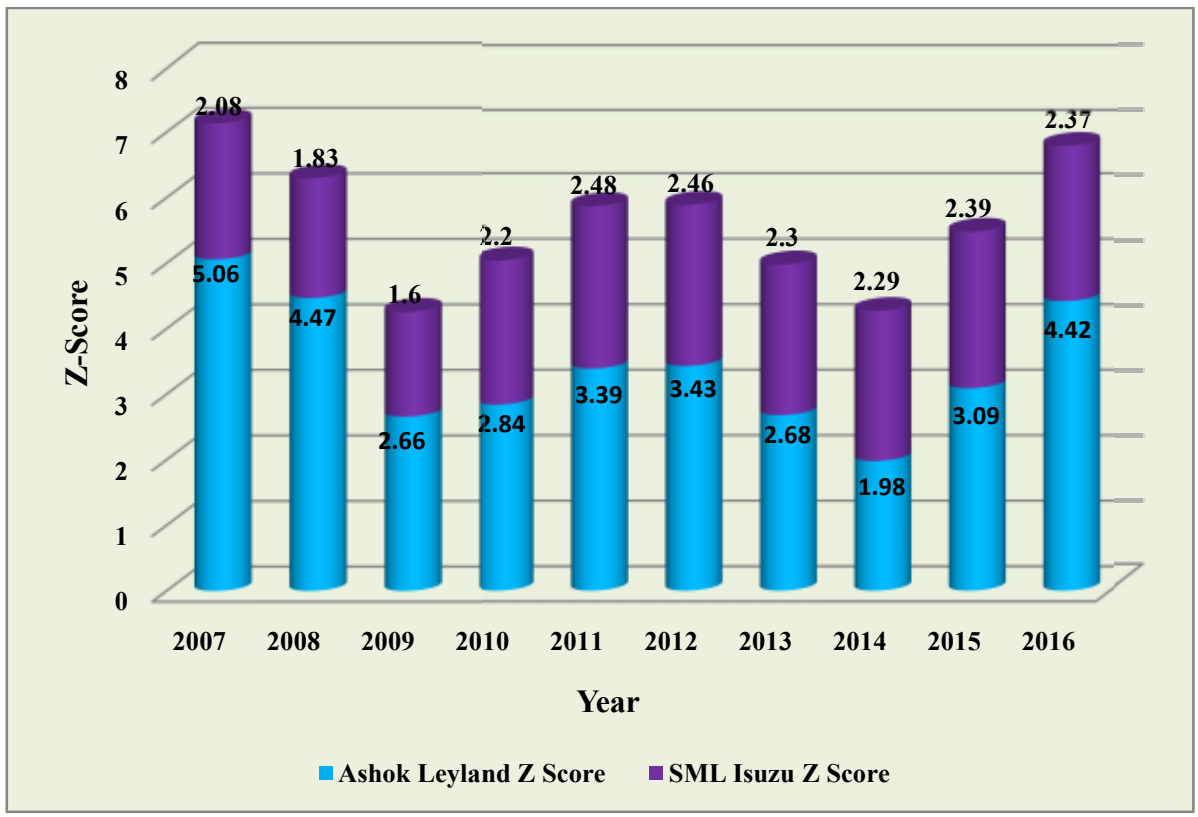
In this analysis, the SML Isuzu score indicates that the financial health is in the grey zone from (2007-2016). It indicates that the Z-Score is lower than the standard rate of 2.99. In the year 2008-2009 it is pretty sure that SML Isuzu is in the "distress zone". Hence the SML Isuzu do not enjoy good financial health during 2007-2016.

In this analysis, the Ashok Leyland Score is above the standard score of 2.99. While, comparing to SML Isuzu, Ashok Leyland company's financial health is better. Z scores indicates that the Ashok Leyland always maintained a safe zone of above 2.99 indicating good financial health except in the year (2009 and 2014). But Z score of SML Isuzu limited shows increasing trend

(2007-2016 – 2.08-2.37). Hence, it is pretty sure that the Ashok Leyland enjoys good financial health.

EXHIBIT XI

ASHOK LEYLAND AND SML ISUZU- FINANCIAL HEALTH INDICATOR- Z SCORE ANALYSIS (2007-2016)



Findings and conclusion

CHAPTER-V

FINDINGS AND CONCLUSION

Findings mean principal outcomes of a research project. This usually refers to the totality of outcomes rather than the conclusion or recommendations drawn from them. This chapter provides the summary of findings based on the analysis of the data collected. "**FINANCIAL PERFORMANCE OF SELECT AUTOMOBILE COMPANIES (WITH REFERENCE TO ASHOK LEYLAND AND SML ISUZU)"** research study was carried out using the secondary data collected.

The findings of the analysis are presented in the following headings:

A. The liquidity, profitability and solvency position of Ashok Leyland and SML Isuzu companies.
B. The financial performance of Ashok Leyland and SML Isuzu companies
C. The assessment of financial health of the Companies by applying Z score analysis.

A. The liquidity, profitability and solvency position of Ashok Leyland and SML Isuzu companies:

The ratio analysis for the liquidity, profitability and solvency position of Ashok Leyland and SML Isuzu companies from 2007-2016, indicates the following:

The liquidity ratios of SML Isuzu are better when compared to Ashok Leyland. SML Isuzu shows anaverage current ratio of 1.33. Hence, it indicates that Ashok Leyland (current ratio 0.07) was not having much credit worthiness during the study period while compared to SML Isuzu.

The profitability ratio of Ashok Leyland had grown up while comparing the SML Isuzu Company. It maintains a good gross profit (8.57), operating profit (8.57) and cash profit ratios (11.3) during the study period. Net profit ratio(4.078) and return on shareholders' investment (0.15) shows higher trend in Ashok Leyland thanSML Isuzu.

When comparing Ashok Leyland and SML Isuzu solvency ratios, the Ashok Leyland (0.58) is in a Better Position. The Ashok Leyland was effectively managing the current assets. It will effectively utilize the assets and it collects the debts from debtors smartly. The working capital is also effectively used.

B. The financial performance of Ashok Leyland and SML Isuzu companies:

Generally, the overall financial performance of Ashok Leyland is in better when compared withSML Isuzu. The profitability ratio of Ashok Leyland shows an increasing trend during the study period. The Solvency position shows a better position than SML Isuzu. The financial performance was good in Ashok Leyland.

C. The assessment of financial health of the Companies by applying Z score analysis:

The assessment of financial health of the Companies by applying Z score analysis from 2007-2016, indicates the following:

In this Z score analysis, The Financial Health of Ashok Leyland is in a safer zone when compared with SML Isuzu. The majority of the Z score value indicates that it is above the standard Z score of 2.99. The SML Isuzu shows minimum Z score in all the years except in the year 2014. Hence it is pretty sure that the SML Isuzu is not having a good financial health. Ashok Leyland is on the safer zone for investment.

CONCLUSION:

Financial performance is an important yardstick to measure a company's operational and financial efficiency. Efforts should be constantly made to improve the financial position. Efficient management on finance is very important for the success of an enterprise. In current scenario greater importance is given to financial performance. This aspect must form part of the company's strategic and operational thinking. ASHOK LEYLAND and SML ISUZU are the two automobile industries which contribute more to the development of our economy. Hence, research study was undertaken on "Financial Performance of Select Automobile Companies with Reference to Ashok Leyland and SML Isuzu".

While, analyzing the overall financial performance of these two automobile industries, Ashok Leyland and SML Isuzu, it was found that the financial performance of Ashok Leyland is in better position when compared to SML Isuzu.

This research study would help Ashok Leyland and SML Isuzu companiesto enhance their financial performance. Efficient financial performance will help the economy to grow. These companies will contribute to the economic development of our nation.

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Annexure

PROFIT AND LOSS ACCOUNT OF ASHOK LEYLAND

PARTICULARS	2016	2015	2014	2013	2012
Income					
Sales Turnover	19,877.25	14,485.93	9,943.43	12,481.20	12,841.99
Excise Duty	1,055.67	923.75	0.00	0.00	0.00
Net Sales	18,821.58	13,562.18	9,943.43	12,481.20	12,841.99
Other Income	-279.56	225.41	572.18	351.91	41.95
Stock Adjustments	521.44	52.61	-423.87	-271.98	167.01
Total Income	**19,063.46**	**13,840.20**	**10,091.74**	**12,561.13**	**13,050.95**
Expenditure					
Raw Materials	13,859.65	10,078.97	7,228.97	8,925.14	9,699.94
Power & Fuel Cost	115.96	82.49	61.04	86.00	76.75
Employee Cost	1,398.75	1,184.00	999.67	1,075.51	1,020.39
Miscellaneous Expenses	1,802.69	1,242.70	1,063.31	1,246.10	955.83
Total Expenses	17,177.05	12,588.16	9,352.99	11,332.75	11,752.91
Operating Profit	**2,165.97**	**1,026.63**	**166.57**	**876.47**	**1,256.09**
PBDIT	1,886.41	1,252.04	738.75	1,228.38	1,298.04
Interest	273.54	393.51	452.92	376.89	255.25
PBDT	1,612.87	858.53	285.83	851.49	1,042.79
Depreciation	443.67	416.34	377.04	380.78	352.81
Profit Before Tax	1,169.20	442.19	-91.21	470.71	689.98
PBT (Post Extra-ord Items)	1,169.20	442.19	-91.21	470.71	689.98
Tax	447.43	107.39	-120.60	37.00	124.00
Reported Net Profit	**721.78**	**334.81**	**29.38**	**433.71**	**565.98**
Total Value Addition	3,317.40	2,509.20	2,124.02	2,407.62	2,052.97
Equity Dividend	270.36	128.06	0.00	159.64	266.07
Corporate Dividend Tax	55.04	26.07	0.00	27.13	43.16
Per share data (annualised)					
Shares in issue (lakhs)	28,458.77	28,458.77	26,606.77	26,606.77	26,606.77
Earning Per Share (Rs)	**2.54**	**1.18**	**0.11**	**1.63**	**2.13**
Equity Dividend (%)	95.00	45.00	0.00	60.00	100.00
Book Value (Rs)	15.79	14.40	12.30	11.87	10.88

PARTICULARS	2011	2010	2009	2008	2007
Income					
Sales Turnover	19,877.25	14,485.93	9,943.43	12,481.20	12,841.99
Excise Duty	1,055.67	923.75	0.00	0.00	0.00
Net Sales	18,821.58	13,562.18	9,943.43	12,481.20	12,841.99
Other Income	-279.56	225.41	572.18	351.91	41.95
Stock Adjustments	521.44	52.61	-423.87	-271.98	167.01
Total Income	**19,063.46**	**13,840.20**	**10,091.74**	**12,561.13**	**13,050.95**
Expenditure					
Raw Materials	13,859.65	10,078.97	7,228.97	8,925.14	9,699.94
Power & Fuel Cost	115.96	82.49	61.04	86.00	76.75
Employee Cost	1,398.75	1,184.00	999.67	1,075.51	1,020.39
Miscellaneous Expenses	1,802.69	1,242.70	1,063.31	1,246.10	955.83
Total Expenses	17,177.05	12,588.16	9,352.99	11,332.75	11,752.91
Operating Profit	**2,165.97**	**1,026.63**	**166.57**	**876.47**	**1,256.09**
PBDIT	1,886.41	1,252.04	738.75	1,228.38	1,298.04
Interest	273.54	393.51	452.92	376.89	255.25
PBDT	1,612.87	858.53	285.83	851.49	1,042.79
Depreciation	443.67	416.34	377.04	380.78	352.81
Profit Before Tax	1,169.20	442.19	-91.21	470.71	689.98
PBT (Post Extra-ord Items)	1,169.20	442.19	-91.21	470.71	689.98
Tax	447.43	107.39	-120.60	37.00	124.00
Reported Net Profit	**721.78**	**334.81**	**29.38**	**433.71**	**565.98**
Total Value Addition	3,317.40	2,509.20	2,124.02	2,407.62	2,052.97
Equity Dividend	270.36	128.06	0.00	159.64	266.07
Corporate Dividend Tax	55.04	26.07	0.00	27.13	43.16
Per share data (annualised)					
Shares in issue (lakhs)	28,458.77	28,458.77	26,606.77	26,606.77	26,606.77
Earning Per Share (Rs)	**2.54**	**1.18**	**0.11**	**1.63**	**2.13**
Equity Dividend (%)	95.00	45.00	0.00	60.00	100.00
Book Value (Rs)	15.79	14.40	12.30	11.87	10.88

BALANCESHEET OF ASHOK LEYLAND

PARTICULARS	2016	2015	2014	2013	2012
Sources Of Funds					
Total Share Capital	284.59	284.59	266.07	266.07	266.07
Equity Share Capital	284.59	284.59	266.07	266.07	266.07
Reserves	4,207.74	3,812.30	3,007.89	2,892.39	2,628.75
Networth	**4,492.33**	**4,096.89**	**3,273.96**	**3,158.46**	**2,894.82**
Secured Loans	650.00	910.00	1,937.30	1,903.46	960.00
Unsecured Loans	1,334.38	1,681.34	1,946.61	1,601.36	1,435.10
Total Debt	**1,984.38**	**2,591.34**	**3,883.91**	**3,504.82**	**2,395.10**
Total Liabilities	**6,476.71**	**6,688.23**	**7,157.87**	**6,663.28**	**5,289.92**
Application Of Funds					
Gross Block	8,255.98	8,135.65	8,327.87	7,715.37	7,061.27
Less: Revaluation Reserves	1,021.81	1,021.81	1,173.93	1,296.65	1,313.36
Less: Accum. Depreciation	3,202.31	2,880.10	2,668.00	2,433.49	2,147.77
Net Block	**4,031.86**	**4,233.74**	**4,485.94**	**3,985.23**	**3,600.14**
Capital Work in Progress	75.67	120.14	181.53	688.93	548.22
Investments	**1,917.86**	**2,648.83**	**2,789.69**	**2,337.63**	**1,534.48**
Inventories	1,730.59	1,398.53	1,188.70	1,896.02	2,230.63
Sundry Debtors	1,250.95	1,257.69	1,299.01	1,419.41	1,230.25
Cash and Bank Balance	1,568.13	751.29	11.69	13.94	32.56
Total Current Assets	4,549.67	3,407.51	2,499.40	3,329.37	3,493.44
Loans and Advances	1,788.63	1,879.45	1,677.51	1,458.89	1,426.12
Total CA, Loans & Advances	6,338.30	5,286.96	4,176.91	4,788.26	4,919.56
Current Liabilities	5,240.13	5,266.80	4,320.21	4,749.58	4,815.54
Provisions	646.88	334.66	155.99	387.20	496.94
Total CL & Provisions	5,887.01	5,601.46	4,476.20	5,136.78	5,312.48
Net Current Assets	**451.29**	**-314.50**	**-299.29**	**-348.52**	**-392.92**
Total Assets	**6,476.68**	**6,688.21**	**7,157.87**	**6,663.27**	**5,289.92**
Contingent Liabilities	526.76	479.22	374.65	320.70	985.92
Book Value (Rs)	15.79	14.40	12.30	11.87	10.88

PARTICULARS	2011	2010	2009	2008	2007
Application Of Funds					
Gross Block	6,562.09	6,018.63	4,953.27	2,942.44	2,620.20
Less: Revaluation Reserves	1,306.28	1,333.17	1,364.86	22.38	22.96
Less: Accum. Depreciation	1,928.29	1,769.07	1,554.16	1,416.89	1,313.16
Net Block	**3,327.52**	**2,916.39**	**2,034.25**	**1,503.17**	**1,284.08**
Capital Work in Progress	357.97	619.71	1,043.19	661.08	407.70
Investments	**1,230.00**	**326.15**	**263.56**	**609.90**	**221.09**
Inventories	2,208.90	1,638.24	1,330.01	1,223.91	1,070.32
Sundry Debtors	1,164.50	1,022.06	957.97	375.84	522.88
Cash and Bank Balance	179.53	188.92	86.93	44.55	88.55
Total Current Assets	3,552.93	2,849.22	2,374.91	1,644.30	1,681.75
Loans and Advances	818.63	928.31	819.63	708.26	516.78
Fixed Deposits	0.00	330.01	1.15	406.82	346.39
Total CA, Loans & Advances	4,371.56	4,107.54	3,195.69	2,759.38	2,544.92
Current Liabilities	3,786.82	3,002.68	2,207.29	2,196.49	1,865.97
Provisions	495.41	368.69	268.08	345.23	104.23
Total CL & Provisions	4,282.23	3,371.37	2,475.37	2,541.72	1,970.20
Net Current Assets	**89.33**	**736.17**	**720.32**	**217.66**	**574.72**
Miscellaneous Expenses	0.00	5.17	9.69	22.29	24.42
Total Assets	**5,004.82**	**4,603.59**	**4,071.01**	**3,014.10**	**2,512.01**
Contingent Liabilities	881.77	445.03	754.37	1,783.97	1,129.49
Book Value (Rs)	19.97	17.46	15.85	15.99	14.14

PROFIT AND LOSS OF SML ISUZU

PARTICULARS	2011	2010	2009	2008	2007
Income					
Sales Turnover	910.00	778.94	604.04	763.33	688.88
Excise Duty	0.00	58.48	59.33	93.76	87.54
Net Sales	910.00	720.46	544.71	669.57	601.34
Other Income	2.99	1.05	0.81	0.92	0.48
Stock Adjustments	13.84	6.69	18.42	14.49	3.05
Total Income	**926.83**	**728.20**	**563.94**	**684.98**	**604.87**
Expenditure					
Raw Materials	722.22	578.38	466.79	565.55	506.17
Power & Fuel Cost	5.94	4.62	3.34	3.55	3.76
Employee Cost	59.94	42.55	35.46	29.14	26.68
Other Manufacturing Expenses	0.00	0.27	0.17	0.23	0.34
Selling and Admin Expenses	0.00	44.06	28.51	32.40	31.82
Miscellaneous Expenses	68.06	1.00	1.83	1.10	1.28
Preoperative ExpCapitalised	0.00	0.00	-0.01	-0.16	0.00
Total Expenses	856.16	670.88	536.09	631.81	570.05
Operating Profit	**67.68**	**56.27**	**27.04**	**52.25**	**34.34**
PBDIT	70.67	57.32	27.85	53.17	34.82
Interest	10.39	19.13	19.02	11.96	9.42
PBDT	60.28	38.19	8.83	41.21	25.40
Depreciation	8.91	8.64	5.84	3.30	2.89
Profit Before Tax	51.37	29.55	2.99	37.91	22.51
Extra-ordinary items	0.00	0.77	1.16	0.79	0.72
PBT (Post Extra-ord Items)	51.37	30.32	4.15	38.70	23.23
Tax	14.82	8.86	-0.65	13.50	7.13
Reported Net Profit	**36.56**	**21.46**	**4.79**	**25.20**	**16.09**
Total Value Addition	133.94	92.50	69.31	66.25	63.88
Equity Dividend	11.58	5.79	1.57	5.77	5.77
Corporate Dividend Tax	1.92	0.98	0.27	0.98	0.98
Per share data (annualised)					
Shares in issue (lakhs)	144.72	144.72	104.87	104.87	104.87
Earning Per Share (Rs)	**25.26**	**14.83**	**4.57**	**24.03**	**15.34**
Equity Dividend (%)	80.00	40.00	15.00	55.00	55.00
Book Value (Rs)	147.04	131.10	92.05	89.24	72.15

PARTICULARS	2016	2015	2014	2013	2012
Income					
Sales turnover	1302.33	1200.16	881.27	1112.31	1035.83
Excise duty	138.03	94.61	0.0	110.21	0.00
Net sales	1164.30	1105.55	881.27	1002.10	1035.83
Other income	8.28	8.79	4.72	8.96	1.51
Stock adjustments	46.78	39.32	40.15	8.35	16.87
Total income	**1219.36**	**1153.66**	**926.14**	**1019.41**	**1054.21**
Operating profit	**84.76**	**65.55**	**31.69**	**70.34**	**79.65**
PBDIT	93.04	74.34	36.41	79.30	81.16
Interest	5.16	5.82	5.89	18.61	10.62
PBDT	87.88	68.52	30.52	60.69	70.54
Depreciation	19.55	19.78	12.80	12.18	10.44
Profit before tax	68.33	48.74	17.72	48.51	60.10
PBT(post extra-ord items)	68.33	48.74	17.72	48.51	60.10
Tax	17.16	11.81	0.31	12.06	18.20
Reported net profit	**51.16**	**36.94**	**17.40**	**36.43**	**41.87**
Total value addition	229.38	227.24	180.48	168.38	162.45
Equity dividend	11.58	8.68	4.34	11.58	11.58
Corporate dividend tax	2.36	1.77	0.74	1.97	1.88
Per share data (annualized)					
Shares in issue(lakhs)	144.72	144.72	144.72	144.72	144.72
Earnings per share (Rs)	**35.35**	**25.53**	**12.02**	**25.18**	**28..93**
Equity dividend (%)	80.00	60.00	30.00	80.00	80.00
Book value (Rs)	235.03	209.31	191.00	182.49	166.67

BALANCE SHEET OF SML ISUZU

PARTICULARS	2011	2010	2009	2008	2007
Equities And Liabilities					
Shareholder's Funds					
Equity Share Capital	14.48	14.48	10.49	10.49	10.49
Total Share Capital	**14.48**	**14.48**	**10.49**	**10.49**	**10.49**
Reserves and Surplus	198.31	175.25	86.03	83.09	65.17
Total Reserves and Surplus	**198.31**	**175.25**	**86.03**	**83.09**	**65.17**
Total Shareholders' Funds	**212.79**	**189.73**	**96.53**	**93.58**	**75.66**
Non-Current Liabilities					
Long Term Borrowings	0.00	0.00	60.00	0.00	0.00
Deferred Tax Liabilities [Net]	8.01	14.56	11.47	2.75	1.97
Other Long Term Liabilities	15.91	0.00	0.00	0.00	0.00
Long Term Provisions	18.09	0.00	0.00	0.00	0.00
Total Non-Current Liabilities	**42.02**	**14.56**	**71.47**	**2.75**	**1.97**
Current Liabilities					
Short Term Borrowings	85.00	84.63	160.29	142.57	109.79
Trade Payables	138.31	164.39	113.89	173.05	162.70
Other Current Liabilities	39.80	20.57	19.60	19.80	16.96
Short Term Provisions	28.18	23.60	15.20	90.60	73.10
Total Current Liabilities	**291.29**	**293.20**	**308.98**	**426.02**	**362.54**
Total Capital And Liabilities	**546.09**	**497.49**	**476.98**	**522.36**	**440.17**
Non-Current Assets					
Tangible Assets	125.57	119.10	99.46	18.73	19.28
Intangible Assets	1.93	0.00	0.00	0.00	0.00
Capital Work-In-Progress	2.43	5.98	28.40	80.94	26.33
Intangible Assets Under Development	5.36	0.00	0.00	0.00	0.00
Fixed Assets	**135.29**	**125.08**	**127.85**	**99.67**	**45.62**
Deferred Tax Assets [Net]	0.00	8.39	14.27	4.40	2.44
Long Term Loans And Advances	7.26	0.00	0.00	0.00	0.00
Total Non-Current Assets	**142.55**	**133.48**	**142.13**	**104.07**	**48.06**
Current Assets					
Inventories	210.16	160.00	149.29	123.50	87.33
Trade Receivables	116.51	136.56	146.33	185.60	191.55
Cash And Cash Equivalents	41.02	32.05	7.01	9.14	22.73
Short Term Loans And Advances	32.96	35.41	32.22	100.05	90.50

Other Current Assets	2.90	0.00	0.00	0.00	0.00
Total Current Assets	**403.54**	**364.02**	**334.85**	**418.29**	**392.11**
Total Assets	**546.09**	**497.49**	**476.98**	**522.36**	**440.17**
Other Additional Information					
Contingent Liabilities, Commitments					
Contingent Liabilities	14.11	27.77	10.86	6.14	16.38
CIF Value Of Imports					
Raw Materials	40.73	16.96	22.45	39.16	13.58
Stores, Spares And Loose Tools	3.23	0.00	0.00	0.00	0.00
Capital Goods	0.60	0.31	7.94	1.22	2.61
Expenditure In Foreign Exchange					
Expenditure In Foreign Currency	0.52	0.51	1.44	1.27	1.62
Remittances In Foreign Currencies For Dividends					
Dividend Remittance In Foreign Currency	-	-	-	2.37	2.37
Earnings In Foreign Exchange					
FOB Value Of Goods	30.82	19.79	22.67	32.42	31.07
Other Earnings	0.82	0.82	0.95	0.92	0.87
Bonus Details					
Bonus Equity Share Capital	-	-	-	-	-
Non-Current Investments					
Non-Current Investments Quoted Market Value	-	-	-	-	-
Non-Current Investments Unquoted Book Value	-	-	-	-	-
Current Investments					
Current Investments Quoted Market Value	-	-	-	-	-
Current Investments Unquoted Book Value	-	-	-	-	-

PARTICULARS	2016	2015	2014	2013	2012
Equities And Liabilities					
Shareholder's Funds					
Equity Share Capital	14.48	14.48	14.48	14.48	14.48
Total Share Capital	**14.48**	**14.48**	**14.48**	**14.48**	**14.48**
Reserves and Surplus	325.65	288.42	261.93	249.61	226.72
Total Reserves and Surplus	**325.65**	**288.42**	**261.93**	**249.61**	**226.72**
Total Shareholders Funds	**340.13**	**302.90**	**276.41**	**264.09**	**241.20**
Non-Current Liabilities					
Deferred Tax Liabilities [Net]	5.60	2.57	9.64	10.52	10.12
Other Long Term Liabilities	11.66	10.18	11.76	11.37	15.43
Long Term Provisions	47.79	45.20	27.37	21.83	20.33
Total Non-Current Liabilities	**65.06**	**57.95**	**48.77**	**43.72**	**45.88**
Current Liabilities					
Short Term Borrowings	55.00	22.29	0.00	162.09	100.00
Trade Payables	171.93	200.34	164.14	111.62	163.41
Other Current Liabilities	55.49	52.38	36.07	41.33	39.91
Short Term Provisions	39.08	39.22	25.22	36.03	31.60
Total Current Liabilities	**321.50**	**314.24**	**225.43**	**351.07**	**334.93**
Total Capital And Liabilities	**726.69**	**675.08**	**550.61**	**658.87**	**622.01**
Assets					
Non-Current Assets					
Tangible Assets	164.00	131.33	135.72	131.14	125.75
Intangible Assets	7.11	6.52	7.64	8.15	9.28
Capital Work-In-Progress	40.29	25.43	8.19	10.02	8.36
Intangible Assets Under Development	0.00	1.20	0.40	0.00	0.00
Fixed Assets	**211.39**	**164.48**	**151.95**	**149.31**	**143.39**
Long Term Loans And Advances	22.49	18.41	18.25	15.66	12.66
Other Non-Current Assets	0.00	1.41	0.58	0.02	0.00
Total Non-Current Assets	**233.88**	**184.30**	**170.78**	**164.99**	**156.05**
Current Assets					
Inventories	338.53	285.86	243.35	230.65	226.39
Trade Receivables	102.80	104.38	81.77	150.73	121.02
Cash And Cash Equivalents	36.14	87.75	41.10	75.00	87.96
Short Term Loans And Advances	13.02	7.84	12.70	26.97	26.89
OtherCurrentAssets	2.32	4.95	0.91	10.54	3.70
Total Current Assets	**492.81**	**490.78**	**379.83**	**493.89**	**465.97**

Total Assets	**726.69**	**675.08**	**550.61**	**658.87**	**622.01**
Other Additional Information					
Contingent Liabilities, Commitments					
Contingent Liabilities	64.22	46.84	44.32	27.65	25.04
CIF Value Of Imports					
Raw Materials	12.89	8.17	6.40	27.89	13.34
Stores, Spares And Loose Tools	0.60	0.46	2.72	2.67	3.91
Capital Goods	4.27	2.25	3.22	2.21	1.18
Expenditure In Foreign Exchange					
Expenditure In Foreign Currency	0.39	0.62	0.31	0.43	0.27
Remittances In Foreign Currencies For Dividends					
Dividend Remittance In Foreign Currency	1.30	0.65	1.74	1.74	-
Earnings In Foreign Exchange					
FOB Value Of Goods	21.55	33.06	23.52	27.50	50.28
Other Earnings	-	-	-	-	0.97
Bonus Details					
Bonus Equity Share Capital	-	-	-	-	-
Non-Current Investments					
Non-Current Investments Quoted Market Value	-	-	-	-	-
Non-Current Investments Unquoted Book Value	-	-	-	-	-
Current Investments					
Current Investments Quoted Market Value	-	-	-	-	-
Current Investments Unquoted Book Value	-	-	-	-	-