

**AN ANALYSIS ON THE FINANCIAL PERFORMANCE AND DETERMINANTS OF
DIVIDEND POLICY IN INDIAN AUTOMOTIVE INDUSTRY**

REPORT ON MAIN PROJECT

SUBMITTED BY,

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UNDER THE GUIDANCE OF

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IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE

DEGREE OF

MASTER OF COMMERCE WITH COMPUTER APPLICATIONS



DEPARTMENT OF COMMERCE

AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER

EDUCATION FOR WOMEN

COIMBATORE – 641043

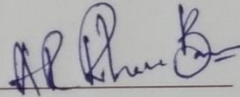
May-2022

CERTIFICATE

CERTIFICATE

This is to certify the project work entitle, "AN ANALYSIS ON THE FINANCIAL PERFORMANCE AND DETERMINANTS OF DIVIDEND POLICY IN INDIAN AUTOMOTIVE INDUSTRY" submitted to the Department of commerce, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore – 641043, in partial, fulfilment of the requirement for the award of degree of **MASTER OF COMMERCE WITH COMPUTER APPLICATIONS** is a record of original research project **KEERTHANA.S (20PCC008)**, during the period of her study, under my supervision and guidance.

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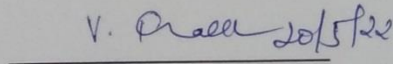


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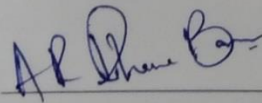
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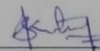
I hereby declare that this project work entitled "AN ANALYSIS ON THE FINANCIAL PERFORMANCE AND DETERMINANTS OF DIVIDEND POLICY IN INDIAN AUTOMOTIVE INDUSTRY" submitted to Department of Commerce, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore, in partial fulfilment of the requirements for the award of the **DEGREE OF MASTER OF COMMERCE WITH COMPUTER APPLICATIONS**) is the record of the original project work done by us during the period of study, under the supervision and guidance of **Dr. RIHANA BANU M.COM(CA), Ph.D., SET.**, Assistant professor, Department of Commerce.

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CONTENTS

CONTENTS

CHAPTER NO	TITLE	PAGE NO
I	INTRODUCTION	1
II	REVIEW OF LITERATURE	10
III	RESEARCH METHODOLOGY	16
IV	ANALYSIS AND INTERPRETATION	21
V	FINDINGS, SUGGESTIONS, AND CONCLUSION	41
	BIBLIOGRAPHY	47

LIST OF TABLES

LIST OF TABLES

TABLE NO	TITLE	PAGE NO
1	Capital of selected automotive companies	22
2	Inventory turnover ratio of selected automotive companies	23
3	Return on assets of selected automotive companies	24
4	Assets turnover ratio of selected automotive companies	25
5	Leverage of selected automotive companies	26
6	Liquidity of selected automotive companies	28
7	Net operating income of selected automotive companies	29
8	Profitability of selected automotive companies	30
9	Net profit margin of selected automotive companies	31
10	Dividend payout ratio of selected automotive companies	32
11	Earnings per share of selected automotive companies	33

12	Factors that influence the dividend policy of Maruti Suzuki Indian Ltd	35
13	Factors that influence the dividend policy of Bajaj Auto Ltd	36
14	Factors that influence the dividend policy of Hero MotoCorp Ltd	37
15	Factors that influence the dividend policy of Eicher Motor Ltd	38
16	Factors that influence the dividend policy of Escorts Ltd	39
17	Risk and returns of equity share	40

ABSTRACT

AN ANALYSIS ON THE FINANCIAL PERFORMANCE AND DETERMINANTS OF DIVIDEND POLICY IN INDIAN AUTOMOTIVE INDUSTRY

Abstract

Indian automotive industry is one of the largest and fastest developing industries in the world. The present study intends to analyze the financial performance of the automotive industry for which Maruti Suzuki Indian limited, Bajaj Auto Limited, Hero MotoCorp Limited, Escorts limited and Eicher Motors limited are selected as samples based on the closing price of December 16th, 2021. The study covered ten years from 2011-2012 to 2020-2021. The analysis is based on secondary data. Descriptive statistics, Regression, Alpha, and Beta are used as statistical tools for analyzing the data. The purpose of the study is used to compare the financial performance, measure the influence of variables such as liquidity, leverage, firm size, profitability, and earnings per share on the dividend payout ratio and the equity analysis of these industries will help the investors in making an investment decision. The result of the study disclosed that the Independent variables significantly influence on dividend payout ratio. The financial performance of the firms is very good. The risk and returns of the equity of selected companies are moderate.

INTRODUCTION

CHAPTER 1

INTRODUCTION

The automotive industry in India is a successful sector in the country. The automotive industry is the fastest and largest growing sector in India. The automotive industry comprises a wide range of companies and organizations involved in the design, development, marketing, manufacture, and sale of motor vehicles. It is one of the largest industries in the world by revenue. It is also the industry that spends the most on research and development.

Key factors affecting the automobile industry:

The automobile industry affects economic development. Massive economic growth and immediate equity news will help investors make important decisions, especially when it comes to sector expansion. Listed below are some of the economic factors that affect car companies and bridge the gap between supply and customer demand.

- **Taxation:**

Lower taxes in the automotive industry, such as lower fuel costs, may lead consumers to consider buying a private car. To meet demand, car companies increase production and supply. However, due to the high fuel tax, most customers will prefer public transportation to the private sector. In addition, emission charges in major cities require most customers to switch to public transport to avoid taxes. Most consumers do not understand the environmental impact of tax cuts. The first solution is to get the customer to use public transport.

- **Interest Rate:**

The interest rate has a significant influence on the automobile industry. Lower interest rates may encourage clients to borrow funds from financial institutions to purchase a private car or even a fleet of vehicles, implying increased production and increased sales of automobiles. The expansion of automobile industries means more employment opportunities as well.

On the other hand, increased interest rates may depreciate money value and reduce purchasing power. With high-interest rates, clients shy away from borrowing finances to purchase automobile products and services. Rejection of buying products results in customer demand and low production to minimize the supply of automobiles.

- **Demand and Supply:**

Supply and demand play a significant role in the automotive industry. The two have direct proportionality and are critical to the economy's growth. As consumers demand more vehicles, the automotive prices increase, and the manufacturers increase their supplies. It will indirectly ignite the competition among automotive manufacturers leading to reduced prices. So, for the automakers to make sales and gain profit, they may offer incentives and discounts to clients. More clients will get enticed to purchase the cars and bikes, and the automotive manufacturer does not have to sacrifice the benefit.

- **Government Regulation:**

Irrespective of the form, automotive industries operate within governments' rules and regulations in the countries they operate. In this automotive industry, the rules directly influence the overall performance, looks, features, and design of a given automobile. Some government regulations may see an increase in the manufacture of given cars and bikes. It will lead to a rise in sales, growth, and expansion of that brand.

Similarly, the same regulations from the governments may limit how cars and bikes get marketed and sold. In most circumstances, the governments impose these regulations intending to protect consumers and also the environment. The automakers who fail to adhere to the government's rules and regulations may face penalties or hefty fines. Fines or penalties are drawbacks in the automotive industry.

Role of automobile industry:

The Role of the Automotive Industry in India's GDP has been a phenomenon. The increase in the demand for cars, and other vehicles, powered by the increase in income is the primary growth

driver of the automotive industry in India. The introduction of tailor-made finance schemes and easy repayment schemes has also helped the growth of the automotive sector. Indian market before independence was seen as a market for imported vehicles while assembling cars manufactured by General Motors and other brands were the order of the day. Indian automotive industry mainly focused on servicing, dealership, financing, and maintenance of vehicles.

India has emerged as Asia's fourth-largest exporter of automotive, behind Japan, South Korea, and Thailand. The country is expected to top the world in car volumes with approximately 611 million vehicles on the nation's roads by 2050.

The Economic Progress of this automotive industry is indicated by the number of goods and services produced which give the capacity for transportation and boost the sale of vehicles. There is a huge increase in automotive production with a catalyst effect by indirectly increasing the demand for several raw materials like steel, plastics, glass, paint, rubber, electronics, and services.

Role of Automotive Industry in India GDP- sales Trends:

- In the year 2006-2007 the number of Passenger Car sold were 10,76,408
- In the year 2006-2007 the number of Passenger Vehicles sold were 13,79,698
- In the year 2006-2007 the number of Commercial Vehicles sold were 4,67,882
- In the year 2006-2007 the number of Three Wheelers sold were 4,03,909
- In the year 2006-2007 the number of Two Wheelers sold were 78,57,548
- In the year 2006-2007 the number of automobiles sold was 1,01,09,037.

Role of Automotive Industry in India GDP-Growth:

- The growth rate of the Passenger Car in the year 2007 is 14.00%
- The growth rate of the Utility Vehicles in the year 2007 is 10.00%
- The growth rate of the Multi-Purpose Vehicles in the year 2007 is 24.35%
- The growth rate of the Light Commercial Vehicles in the year of 2007 is 16.0%
- The growth rate of the Commercial Vehicles in the year 2007 is 3.44%
- The Maruti Udyog Ltd is the largest car manufacturer in the country and the rate of growth in the year 2007 was 21.20%

- The Mahindra & Mahindra Ltd's cumulative sales for the year 2007 were 1,06,094 units and the rate of growth was 36.30%
- The Honda Siel Cars India Ltd, the leader in India in the manufacturing of premium cars, registered a growth of 16.11 % during the year 2007 and sold 41,638 units
- The Daimler Chrysler sales in the year 2007 was 1,681 units in India and the growth rate was more than 22.0%
- General Motors India, registered a 114% increase in national sales in the year 2007 August.
- The Hero Honda sold more than 2 million units in the January-August period of the year 2007
- The export of the motorbikes was 3,21,321 units in the year 2007
- It is estimated that in the year 2007-2008 the motorcycle sales would be 7 million, the car sales would be 1.55 million, and the two-wheelers sales would be 8.3 million

GST Rate on Automotive industry:

GST tax rates are calculated using a fixed base rate of 28% for all cars with additional shaft plates such as 1%, 3%, 15%, 17%, 20%, 22%. Both taxation and basic tax rates together affect the GST tax rate in the automotive sector.

Category	Before GST	After GST
Two wheelers	30.2%	28-31%
Commercial vehicles	30.2%	28%
Luxury cars	50%	42-45%
Small cars	24-25%	29-31%
Hybrid cars	30%	43%
Spare parts	12%	28%

Profile of selected companies:

Maruti Suzuki India Limited:

Maruti Suzuki India Limited (Maruti Udyog Limited) is an Indian car manufacturer industry based in New Delhi. Founded in 1981, it was owned by the Government of India until it was sold to Japanese car maker Suzuki Motor Corporation in 2003. As of February 2022, Maruti Suzuki has a 44.2% market share in the Indian passenger car market. There are 3,598 stores in 1,861 cities in India. The company hopes to expand its sales network to 4,000 branches by 2020. There are 3,792 gas stations in cities across India. Maruti's dealer network is larger than a combination of well-known companies. This service is an important source of income for the company. Most gas stations are franchised and Maruti Suzuki trains staff on-site. There is also an express service station that dispatches repairers to the vehicle if it is not in a regular service center.

Bajaj Auto Limited:

Bajaj Auto Limited is an Indian multinational car manufacturer based in Pune. We manufacture motorcycles, scooters, and automatic rickshaws. Bajaj Auto Ltd is part of the Bajaj Group. Founded in the 1940s by Jamnarl Bajaj in Rajasthan. Bajaj Auto Ltd is the third largest motorcycle manufacturer in the world and the second-largest motorcycle manufacturer in India. The world's largest manufacturer of tricycles. As of December 2020, Bajaj Auto has a market capitalization of over 10,000 rupees (\$ 13.6 billion), making it the most valuable motorcycle company in the world.

Shareholding:

As of September 30, 2015, 49.29% of the company's capital is owned by the promoter Bajaj Group and the rest is owned by others.

Shareholders (as of 30 September 2015)	Shareholding %
Promoters: Bajaj Group	49.29 %
Mutual funds, FIs and insurance companies	08.13 %

Foreign institutional investors	14.25 %
Individual shareholders	15.12 %
Bodies corporate	08.25 %
Foreign portfolio investment corporations	03.51 %
GDRs	00.2 %
Others	01.43 %
Total	100.0 %

Hero MotoCorp Limited:

Hero MotoCorp Limited (formerly Hero Honda) is an Indian multinational motorcycle and scooter manufacturer headquartered in New Delhi. The company is the world's largest motorcycle manufacturer and boasts a market share of approximately 37.1% in the motorcycle industry in India. As of May 27, 2021, the company had a market capitalization of 59,600 crores (\$ 7.8 billion). As of December 31, 2013, the promoters of the Munjal family own approximately 40% of Hero MotoCorp's stake. Over 61,000 individual shareholders own approximately 7.44% of their shares. Foreign institutional investors own about 30% of the company's stock.

Shareholders (as of 30 September 2015)	Shareholding %
Promoter Group	34.6 %
Foreign institutional investors	34.3 %
Non Resident Indians (NRIs)	0.4 %
Indian public	8.3 %

Insurance companies	8.3 %
Mutual Funds/ UTI	8.2 %
Bodies Corporate	1.40 %
Financial institutions / banks	2.0 %
Others	2.5 %
Total	100 %

Eicher Motors Limited:

Eicher Motors Limited is an Indian multinational automobile company that manufactures motorcycles and commercial vehicles and is headquartered in New Delhi. Eicher is the parent company of Royal Enfield, a manufacturer of midrange motorcycles.

The Shaw Group has diversified its business interests in the design and development, manufacturing, and domestic and international marketing of trucks, buses, motorcycles, vehicle transmissions, and components. Eicher has invested in potential growth areas of business consulting, custom engineering, maps and travel guides.

Escorts Limited:

Escorts Limited is an Indian multinational conglomerate engaged in agricultural machinery, construction machinery, material handling and railroad equipment. Headquartered in Faridabad, Haryana. Founded in 1944, the company has marketing activities in more than 40 countries. Escorts manufactures tractors, auto parts, railroad equipment, construction and material handling equipment. In the early 1980s, Escort began manufacturing Yamaha motorcycles in India. The Rajdoot 350 was launched in 1981, followed by the Yamaha RX 100 in 1984. The motorcycle plant in Faridabad, India, was sold to Yamaha in the late 1990s when Escort withdrew from the motorcycle business and decided to focus on tractors and automotive concentrates.

Statement of the problem:

The dividend is a payment from the profit of a company and that is circulated to the shareholders in the proportion of their shareholdings. The dividend policy is one of the most controversial problems in company finance because of the policies, rules, and regulations of the government. This dividend policy is determined based on several factors. The risk and returns of equity also differ for every company. This paper analyzes the financial performance, the determinants of dividend policy, risk, and returns of selected Automotive companies.

Needs of this study:

This investigation helps to identify the will performed company in past ten years. The financial performance, dividend policy, and risk of equity shares are analyzed to find the best all-rounder automotive company, factors that influence the dividend policy, and the risk and returns of equity of a company.

Objectives: -

1. To analyze the financial performance of Indian automotive industry.
2. To know the determinants of the dividend policy of automotive industry in India.
3. To analyze the risk and returns of equity shares in automotive industry.

REVIEW OF LITERATURE

CHAPTER 2

REVIEW OF LITERATURE

A literature review is an overview of the previously published works on a specific topic. The articles collected for the present study are based on the objectives of the paper-like financial performance, dividend policy, and risk and returns of equity shares of the companies.

Review of financial performance:

- Dr. Nalla Bala Kalyan (2021) analyzed the share price movement of the automotive industry in India. The study covered the share price of Tata motor ltd and TVS motor ltd. Simple moving average and relative strength index tools are used to analyze the data and the study concluded the share cost may change quickly upward or downward and the share value is ideal for the financial specialists.
- Sheela Christina (2017) analyzed the Financial Performance of Wheels India Limited Chennai. The study covered the current ratio and quick ratio from 2012 to 2016. Ratio analysis was employed to analyze the data and the result disclosed that the financial performance is good because there is an increase in profits, fixed asset utilization, and working capital levels over the previous fiscal year.
- S. Saigeetha and Dr. ST. Surulivel (2017) analyzed the financial performance of Bharat heavy electrical limited (BHEL). The study covered the period from 2012 to 2016. A ratio analysis tool was implemented to analyze the data and the study suggested the management must improve the current ratio by decreasing the current liability.
- Prof. Madhavi Dhole (2013) carried out a study on the price movement of Shares in the automobile sector. The study covered the price movement of four sectors. Graphs and charts are employed to analyze the data and the study concluded that investment in companies is good for the future by looking market value and performance of that companies.
- Dhanabhakyaam and Kavitha (2012) conducted a study on the asset management of Automotive Companies in India. The research analyzed the efficiency of an asset in automobile companies. Rational analysis and correlation analysis was used as analytical tools to analyze the data. The survey found that the selected automobile companies are

functioning well in the efficient use of assets and the financing patterns of assets. This helps companies to make important financial decisions regarding fixed assets and current assets.

- Vijayakumar (2011) sought to investigate the relationship between the structure of the company and the profitability of Indian automobile companies. This study considered variables such as company size, growth, liquidity, leverage, age, profitability, market share, and capital utilization. Regression models and ratio analysis are implemented as analytical tools. The sample size of the survey includes 20 Indian automobile companies. The results show that company size and growth were determinants of profitability in the Indian automotive industry and there was a positive relationship between profitability and company size and growth.
- Sanjay, Bhayani, and Butalal Ajmera (2011) conducted a study on the financial leverage, earnings, and dividend of Maruti Suzuki India Ltd. The study occupied financial leverage, earnings, and dividends for the period of eight years from 2002 to 2009. The ratio method and the correlation coefficient are used as statistical tools to analyze the data. The study survey found that dividend payments decreased during the survey period. The company has made it possible to maximize profit per share through the reverse operation of financial leverage. The company has succeeded in lowering the level of financial leverage to take advantage of EPS.
- Nishi Sharma (2011) carried out a study on the financial Analysis of the Indian Automotive Industry. This study covered four Indian automobile companies in the decade from 2001 to 2010 and analyzed the profitability and asset management of sectors. According to the survey, the financial performance of both Mahindra & Mahindra Limited and Tata Motors was very good in terms of profitability and management efficiency in generating revenue from the use of assets.

Review on dividend policy:

- Sujith toms and Dr. N. Ravichandran (2020) analyzed the factors affecting dividend policy in Indian automobile companies. The study measures factors such as current ratio, profitability, operating cash flow, corporate tax, debt to equity ratio, firm size, earnings

volatility, and tangibility as independent variables and dividend payout ratio as the dependent variable. Regression analysis is implemented to analyze the data and the result indicated operating cash flow, debt to equity ratio, firm size and tangibility have a positive significant influence on dividend payout ratio.

- Dr. N. Sunathy & Dr. D. D. Rajasekaran (2019) analyzed the determinants of Dividend policy in the Indian Automotive Industry. The study covered thirteen automobile companies in India and analyzed the ten variables like leverage, liquidity, profitability, size, earnings per share, price-earnings, sales growth, retained earnings, corporate tax, and previous year's dividend as independent variables and dividend payout as the dependent variable. correlation and regression were employed to analyze the data and the result disclosed that the liquidity, size, price earning retained earnings, profitability, and previous year's dividend significantly influence the dividend policy.
- Suman Chakraborty, Sandeep s. Shenoy and Subrahmanyam kumar. N (2018) analyzed the determinants of dividend policy in Indian automobile companies. The study covered profitability, capital structure, investment, liquidity, and cash flows as independent variables and dividend payout ratio as the dependent variable. Regression analysis was engaged to analyze the data and the study finds operating profit and cash from operating are significantly influenced by the dividend payout ratio.
- N. Sumathi and K.Jothi (2018) analyzed the impact of the dividend policy on Indian automobile companies. The variables used for the study are market price, previous year's market price, price-earnings ratio, return on equity, and dividend per share. Regression and correlation are the tools used for analyzing the data. The study concluded that the previous year's dividend and dividend per share positively influence the share price.
- P. G. Thirumagal and S. Vasantha (2017) carried out a study on determinants of dividend policy of automobiles, information technology, infrastructure, and construction. This study covered fifteen years. It covered leverage, past dividend, firm size, and profitability as independent variables and dividend payout ratio as a dependent variable. Regression was employed to analyze the data and the result disclosed that firm size, profitability, and leverage are significantly influenced by dividend payout ratio.
- Gowri kannam and suravanan. R (2016) investigated the factors that determine the dividend policy of automobile, chemical, foods, steel, and textile industries. This study

covered five companies from 2007 to 2016. Regression analysis was implemented to analyze the data and the result indicated that profitability and growth were negatively influenced by the dividend payout ratio.

Reviews on risk and returns of equity shares:

- Suman Tandon & Palkinjot Kaur (2021) analyzed the performance of the automobile Industry in equity. The study covered risk and returns of equity share in ten automobile companies in India. Alpha and beta were implemented to analyze the data and the study concluded Bajaj auto ltd and TVS are the best companies to contribute since the beta esteem is less than one and they have a positive return.
- Perumal K and Dr. S. mahalingam (2019) analyzed a study on the equity share of Indian automobile companies. The study was conducted with eight automobile companies for five years. Alpha and beta were implemented to analyze the data and the result found that Mahindra and Mahindra Ltd is the best company to invest. Because the value of beta is less than one and the alpha value is positive.
- S. Sankeerthana and K. Neeraja (2018) analyzed the equity share of the automobile sector. The study covered three automobile sectors in India for five years 2013 to 2017. Descriptive statistic, alpha, and beta was employed to analyze the data. The result disclosed that Maruti Suzuki India Ltd has low risk and is positively correlated. So the investor can invest in this sector.
- Dr. M. Muthu Gopala Krishnan & Mr. Akarsh PK (2017) undertook the study on equity shares of the Automotive Industry in India. The study covered 8 companies from Nifty. Alpha and beta were engaged to analyze the data and they concluded Mahindra and Mahindra Ltd is the best company to invest. Because the beta value is less than one and they have a positive alpha value.
- S. Nagarajan and K. Prabhakaran (2013) analyzed the equity of FMCG Companies in NSE. The stocks of various selected FMCG companies were analyzed using statistical tools of standard deviation, alpha, and beta. The result found that Nestle India Ltd's stock price was

53% related to the Nifty Index and it was lower than other companies selected from the FMCG sector.

- Dr. P Vikkreaman and P Varadharajan (2009) analyzed the equity of the automotive industry in India. The study occupied the period from 2004 to 2007. The beta and alpha technologies are used to analyze the risks and rewards of automobile companies. The study shows the return indicators and systematic risk calculations. It helps the companies to have a clear understanding of their investment decision.

Research Gap:

Previous investigations are aim under only one aspect, whether financial performance, dividend policy or risk of the equity shares of the companies. But the present study is aimed to analysis the overall performance of selected automotive companies like measuring the financial performance, factors that influence the dividend payout, risk level and returns of equity shares of automotive companies. The financial performance included capital, inventory turnover ratio, return on assets, net operating income and net profit margin to measure the accurate performance of the automotive companies.

RESEARCH METHODOLOGY

CHAPTER 3

RESEARCH METHODOLOGY

Research methodology is a systematic way to solve all the research problems. It is the science of studying how research is done scientifically. Research design is a logical and systematic plan created to carry out research. Specifies the methodology and techniques used to achieve the goal. Data acquisition and analysis strategies are planned accordingly. The proposed study is based solely on secondary data.

The study has analyzed the equity, financial performance, and dividend policy of selected automotive companies in India. This helps the investors in understanding the performance, dividend policy, and the risk and returns of the equity of the automotive industry in India. This study is descriptive. That is, the researcher has described the financial performance, dividend policy, risk, and returns of the selected automotive industry in India.

Selection of sample companies:

The top five companies are taken for research based on the closing price value on 16 December 2021.

1. Maruti Suzuki India Ltd
2. Bajaj Auto Ltd
3. Hero MotoCorp Ltd
4. Eicher Motors Ltd
5. Escorts Ltd

Study period:

The study covers a period of ten years from 2012 to 2021. Dates are collected for ten years and analyzed to find the financial performance, dividend policy, risk, and returns of equity. Investors can make investment decisions based on the company's past performance. It helps investors to invest their money safely to make a profit.

Source of the data:

The data collected for the study is based on secondary data. It is collected through BSE and the company's websites. Capital, liquidity, leverage, inventory turnover, asset turnover ratio, etc., are collected to find the performance, dividend policy, risk, and returns of the equity.

Tools used for Analysis:

- To measure the financial performance of the selected companies - Descriptive statistics
- To the determinants of the dividend policy of selected companies – Regression analysis
- To analyze the risk and returns of equity shares - Alpha and Beta

Descriptive statistics:

Descriptive statistics are used to explain the basic characteristics of the survey data. These provide a summary of samples and actions. Together with a simple graphical analysis, these form the basis for quantitative analysis of virtually all data. Descriptive statistics are used to provide quantitative explanations in a manageable format. Descriptive statistics reduce a lot of data into simpler summaries.

Standard Deviation:

The standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. The standard deviation is calculated as the square root of variance by determining each data point's deviation relative to the mean.

Formula:

Sample Standard Deviation =

$$SD = \sqrt{\frac{\sum (x - \bar{x})^2}{N - 1}}$$

SD = sample standard deviation

N = the number of observations

X_i = the observed values of a sample item

\bar{X} = the mean value of the observations

Average:

An average is a single number taken as representative of a list of numbers, usually the sum of the numbers divided by how many numbers are in the list.

Formula:

$$\text{Average} = \frac{\text{sum of all observation}}{\text{Total number of observation}}$$

Regression:

Regression analysis is a set of statistical techniques used to estimate the relationship between a dependent variable and one or more independent variables. You can use it to evaluate the strength of relationships between variables and model future relationships between variables.

Regression analysis includes several variations Linear, multilinear, non-linear. The most common models are single and multiple linear. Non-linear regression analysis is commonly used for more complex data sets where the dependent and independent variables are in a non-linear relationship.

Formula:

$$Y_i = f(X_i, \beta) + e_i$$

Y_i = Dependend variable

F = Function

X_i = Independend variables

β = Unknown parameters

e_i = error terms

Risk and returns

Alpha and Beta:

Alpha measures the amount returned by an investment compared to the market index or other broad benchmarks on which the investment is compared. Beta measures the relative volatility of an investment. This shows its relative risk. Both alpha and beta are historical indicators of past performance.

Alpha shows how good (or inadequate) the stock is performing compared to the benchmark index. Beta shows how volatile stock prices are compared to the market as a whole. High alpha is always good. High beta may be favored by growth stock investors, but avoided by investors seeking stable returns and reduced risk.

ANALYSIS AND INTERPREATION

CHAPTER-4

ANALYSIS AND INTERPREATION

An analysis is a detailed examination of a topic. It supports the argument with evidence. Here an analysis part is used to measure the financial performance, find the determinants of dividend policy, and to find the risk and returns of the equity share of selected companies.

There are eleven factors used to measure the financial performance of the selected companies.

1.Capital of selected automotive companies:

Rs in crores

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	1875.5	300	50	30	401
2020	1875.5	300	50	30	401
2019	1875.5	300	50	30	401
2018	1875.5	300	50	30	401
2017	1872	300	50	30	401
2016	1872	300	50	30	401
2015	1872	300	50	30	401
2014	1872	300	50	30	401
2013	1872	300	50	30	401
2012	1871	300	50	30	120
Average of capital	1,873.4	300	50	30	372.9
Std. deviation	474.836	.000	.000	.000	88.860

Source: secondary data

The capital of a business is the money it has available to pay for its day-to-day operations and to fund its future growth. The four types of capital include working equity, capital, debt, and trading capital.

The above table shows the capital of selected companies for the past ten years and the average is calculated for every company. It clearly shows that the capital of Maruti Suzuki India Ltd (1,723.4) is higher than other selected companies. Because the size of the business is larger than other selected firms. Followed that Escorts Ltd (372.9), Bajaj Auto Ltd (300), Hero MotoCorp Ltd (50), and Eicher Motors Ltd (15.149). The capital serves as a measure of how efficiently a company functions and how financially stable it is in the short term.

The standard deviation of Maruti Suzuki India Ltd is 474.836. it means the capital of hero motocorp was having the highest standard deviation.

2.Inventory Turnover Ratio of selected automotive companies:

Times

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	23.06	18.57	20.96	11.21	10.27
2020	23.52	28.13	26.41	17.52	7.01
2019	25.87	31.46	31.38	16.18	7.54
2018	25.23	33.89	39.13	23.62	9.23
2017	20.86	29.88	43.43	21.83	9.53
2016	18.38	31.41	42.5	20.6	8.9
2015	19	26.55	33.83	0	9.58
2014	25.21	31.5	37.75	14.78	11.42
2013	23.48	31.43	37.33	11.84	7.84
2012	19.64	28.78	34.9	13.91	9.89

Average of ITR	22.425	29.16	34.762	15.149	9.121
Std. deviation	2.759	4.269	7.009	6.753	1.343

Source: secondary data

The inventory turnover is a financial ratio, that measures how many times the inventory is sold and replaced during a given period. Based on the goods cost the inventory turnover ratio is calculated.

The Inventory Turnover Ratio of selected companies for the past ten years is calculated. It clearly shows that the Inventory Turnover Ratio of Hero MotoCorp (34.762) is higher than other selected companies. Because the cost of goods sold is higher than other firms. Followed that Bajaj Auto Ltd (29.160), Maruti Suzuki India Ltd (22.425), Eicher Motors Ltd (15.149), and Escorts Ltd (9.121). The cost of goods sold by Maruti Suzuki India Ltd is increased every year.

The standard deviation of the inventory turnover ratio is 7.009. it shows inventory turnover ratio of hero motocorp Ltd is higher than other selected companies.

3.Return on Assets of selected automotive companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	6.03	14.44	13.37	10.53	12.13
2020	9.03	20.58	19.37	17.99	9.14
2019	11.91	17.07	19.18	21.67	9.7
2018	13	17.07	22.08	21.97	8.07
2017	14.34	18.38	22.98	28.15	4.56
2016	12.79	23.83	25.38	36.12	2.67
2015	11.06	18.08	22.67	0	2.2

2014	9.11	21.99	20.88	25.07	7.01
2013	8.94	24.39	21.96	18.78	2.03
2012	7.33	27.1	24.04	14.13	3.82
Average of ROA	10.354	20.293	21.191	19.441	6.133
Std. deviation	2.685	3.975	3.351	9.917	3.565

Source: secondary data

Return on assets is a metric that indicates a company's profitability about its total assets. ROA can be used by management, analysts, and investors to determine whether a company uses its assets efficiently to generate a profit. A company's ROA is calculated by dividing its net income by its total assets.

The above table shows Return on Assets of selected companies for the past ten years and the average is calculated. It clearly shows return on assets of Hero MotoCorp (21.191) is higher than other selected companies. Because the utilization of assets operating is more effective than other selected firms. Followed that Bajaj Auto Ltd (20.293), Eicher Motors Ltd (19.441), Maruti Suzuki India Ltd (10.354), and Escorts Ltd (6.133). Escorts Ltd is trying to utilize the assets effectively. Because the return on assets is increased every year.

The standard deviation of return on assets is 9.917. it shows that eicher motors Ltd is having highest standard deviation.

4.Asset Turnover Ratio of selected automotive companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	100.37	87.98	138.98	68.27	96.19
2020	120.87	120.76	153.79	85.8	108.44
2019	136.68	110.48	190.74	103.34	124

2018	134.34	105.64	192.54	114.34	116.99
2017	132.74	104.57	193.95	127.03	116.5
2016	137.19	137	231.74	170.7	104.07
2015	148.93	138.87	262.17	0	117.67
2014	143.11	136.62	250.31	135.99	180.13
2013	163.04	160.25	246.51	114.78	113.99
2012	159.56	176.23	238.43	102.44	103.21
Average of ATR	137.683	127.84	209.916	102.269	118.119
Std. deviation	18.225	27.181	42.292	45.488	23.322

Source: secondary data

Asset turnover is the ratio of total sales or revenue to average assets. This metric helps investors understand how effectively companies are using their assets to generate sales.

The above table shows the Asset Turnover Ratio of selected companies for the past ten years and the average is calculated. It clearly shows that the Asset Turnover Ratio of Hero MotoCorp (209.916) is higher than other selected companies. Because Hero MotoCorp effectively utilized its assets to increase sales more than other firms. Followed that Maruti Suzuki India Ltd (137.683), Bajaj Auto Ltd (127.840), Escorts Ltd (118.119), and Eicher Motors Ltd (102.269). It means every firm are utilized their asset to increase sales to increase profit.

The standard deviation of the asset turnover ratio is 45.488. it means the standard deviation of eicher motors is higher than other selected companies.

5.Leverage of selected automotive companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	1.37	1.23	2.1	0.96	1.56
2020	1.56	1.43	2.14	1.17	1.7

2019	1.91	1.48	2.73	1.55	2.12
2018	1.99	1.38	2.95	1.9	2.1
2017	1.99	1.43	3.16	2.22	1.87
2016	2.28	1.48	3.26	3.23	1.78
2015	2.5	1.58	3.16	3.82	1.68
2014	2.16	1.49	3.26	4.12	1.87
2013	2.13	1.55	3.35	3.96	1.79
2012	2.25	1.65	3.44	4.1	1.65
Average of Leverage	2.014	1.47	2.955	2.703	1.812
Std. deviation	.338	.116	.484	1.276	.184

Source: secondary data

Leverage refers to the use of debt (borrowed funds) to amplify returns from an investment or project. Investors use leverage to multiply their buying power in the market.

The Leverage of selected companies for the past ten years and the Average is calculated for every company. A leverage ratio higher than two can cause a company to be considered a highly risky investment and less than one considered a risk-free investment by lenders and potential investors.

It clearly shows that the Leverage of Hero MotoCorp is 2.955, Eicher Motors Ltd is 2.703 and Maruti Suzuki India Ltd is 2.014 are high risks in investment. But Bajaj Auto Ltd is 1.470 and Escorts Ltd is 1.812 are low-risk investments. The standard deviation of liquidity in eicher motor is 1.376 which is higher than other companies.

6.Liquidity of selected automotive companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	0.96	2.25	1.55	3.29	2.37
2020	0.46	1.3	1.81	3.13	1.18
2019	0.64	1.25	1.71	1.91	1.01
2018	0.31	2.07	1.85	0.98	0.95
2017	0.42	2.7	1.66	0.7	0.7
2016	0.44	1.44	1.3	0.62	0.96
2015	0.67	1.95	1.15	0	0.97
2014	1.55	1.05	1.1	1.09	0.95
2013	1.33	1.35	1.06	1.43	0.85
2012	1.41	0.98	0.96	1.79	0.99
Average of Liquidity	0.819	1.634	1.415	1.494	1.093
Std. deviation	.461	.573	.338	1.066	.465

Source: secondary data

Liquidity refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price.

The above table shows the Liquidity of selected companies for the past ten years and the Average is calculated for every company. It clearly shows that the Liquidity of Bajaj Auto Ltd (1.634) is higher than other selected companies. Because the Liquidities of every firm like cash, asset, security, credit, etc. are increased every year for emergency purposes.

Even Short term provisions and trade payables of current liability in Bajaj Auto Ltd are increased, and short-term loans and advances are decreased every year. Followed that Eicher

Motors Ltd (1.494), Hero MotoCorp (1.415), Escorts Ltd (1.093), and Maruti Suzuki India Ltd (0.819).

The standard deviation in liquidity of Eicher motors is 1.066. it shows that Eicher motors are the higher than other selected automotive companies.

7.Net Operating Revenue of selected automotive companies:

Rs

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	2.95	3.83	1.89	8.26	2.51
2020	1.71	1.96	1.1	3.94	1.41
2019	2.34	2.79	1.52	5.72	1.58
2018	3.36	3.16	2.2	8.62	2.01
2017	2.67	3.73	2.26	9.88	1.61
2016	1.95	3.08	2.06	8.4	0.48
2015	2.2	2.7	1.91	0	0.38
2014	1.34	2.98	1.8	13.5	0.22
2013	0.87	2.6	1.3	7.9	0.2
2012	1.08	2.49	1.74	7.47	0.22
Average of NOR	2.047	2.932	1.778	7.369	1.062
Std. deviation	.815	.562	.377	3.596	.860

Source: secondary data

Net operating income (NOI) is a calculation used to analyze the profitability of income-generating real estate investments. It measures an income-producing property's profitability before adding in any costs from financing or taxes.

The above table shows the net operating revenue of selected companies for the past ten years and the Average is calculated for every company. The net operating revenue of Maruti Suzuki India Ltd (2.047), Bajaj Auto Ltd (2.932), Hero MotoCorp (1.778), and Escorts Ltd (1.062) is lower than Eicher Motors Ltd (7.369). Because the net operating revenue of Eicher motors Ltd.'s operating cost, excise, service tax, and other levies are reduced every year and it results in high Net Operating Revenue.

The net operating revenue of Eicher motors is 3.596. it shows that the standard deviation of Eicher motors is higher than other selected automotive companies.

8.Profitability of selected companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	8.23	18.07	19.5	13.7	16.21
2020	11.66	25.59	25.7	23	13.95
2019	16.25	21.46	26.32	28.82	16.04
2018	18.49	21.29	31.41	31.88	13.52
2017	20.17	22.46	33.39	39.77	8.05
2016	17.95	29.62	39.42	56.03	4.86
2015	15.65	26.31	36.47	0	4.24
2014	13.26	33.75	37.66	45.3	13.64
2013	12.87	38.51	42.31	33.92	4.43
2012	10.76	49.72	55.43	23.01	6.88
Average of Profitability	14.529	28.678	34.761	29.543	10.182
Std. deviation	3.799	9.656	10.092	15.947	4.945

Source: secondary data

Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.

The average profitability is calculated for the past ten years. It clearly shows that the Profitability of Hero MotoCorp (34.761) is higher than other selected companies. Followed that Eicher Motors Ltd (29.543), Bajaj Auto Ltd (28.678), Maruti Suzuki India Ltd (14.529), and Escorts Ltd (10.182). The above table shows that profitability is reduced every year because the total expenses and cost of materials consumed are increased.

The standard deviation of Profitability is calculated and it shows that the standard deviation of Eicher motor is higher than selected automotive companies.

9.Net Profit Margin of selected companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	6.01	16.41	9.62	15.42	12.61
2020	7.47	17.04	12.59	20.97	8.42
2019	8.71	15.45	10.05	20.97	7.82
2018	9.68	16.16	11.47	19.12	6.9
2017	10.8	17.58	11.84	22.16	3.91
2016	9.32	17.39	10.95	21.16	2.57
2015	7.42	13.01	8.64	20	1.87
2014	6.36	16.09	8.38	18.43	3.89
2013	5.48	15.21	8.91	16.36	1.78
2012	4.59	15.38	10.08	13.79	3.7
Average of NPM	7.584	15.972	10.253	18.838	5.347
Std. deviation	2.012	1.331	1.427	2.797	3.498

Source: secondary data

Net profit margin measures how much net income is generated as a percentage of revenues received. It helps investors assess if a company's management is generating enough profit from its sales and whether operating costs and overhead costs are being contained. It is one of the most important indicator of a company's overall financial health.

The net profit margin of Eicher Motors Ltd is (18.838) higher than other selected companies because the sales are higher and operating costs are low than other firms. Followed that Bajaj Auto Ltd (15.972), Hero MotoCorp (10.253), Maruti Suzuki India Ltd (7.584), and Escorts Ltd (5.347). The Net Profit Margin of selected companies for the past ten years is analyzed. it increased every year. Because the sales of the firms were increased every year and the operating cost is reduced.

The standard deviation of escorts Ltd is 3.498. it means the net profit margin of escorts Ltd is higher than other selected companies.

10.Dividend Payout Ratio of selected companies:

Percentage

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	42.85	0	64.02	0	2.8
2020	42.76	102.12	53.32	35.84	4.41
2019	32.21	37.13	56.05	14.59	4.92
2018	29.34	39.12	45.91	18.51	5.2
2017	14.38	3.77	51.44	0	8.94
2016	13.74	73.63	45.89	35.76	16.45
2015	19.83	51.42	50.22	0	19.68
2014	12.7	44.6	61.59	24.24	9
2013	9.78	42.78	56.56	29.11	21.13
2012	12.89	43.34	37.78	37.3	13.19

Average of DPR	23.048	43.791	52.278	19.535	10.572
Std. deviation	12.748	29.699	7.851	15.380	6.668

Source: secondary data

The dividend payout ratio shows how much of a company's earnings after tax are paid to shareholders. It is calculated by dividing the dividends paid by earnings after tax and multiplying the result by 100.

The above table shows the Dividend Payout Ratio of selected companies for the past ten years and the Average is calculated for every company. It clearly shows that the Dividend Payout Ratio of Hero MotoCorp (52.278) is higher than other selected companies. Followed that Bajaj Auto Ltd (43.791), Maruti Suzuki India Ltd (23.048), Eicher Motors Ltd (19.535) and Escorts Ltd (10.572).

The dividend payout ratio is fixed by the earnings of the firm. The above table shows dividend payout of the firm is increased every year because the earnings of the firm are increased. When the earnings after tax increase then the dividend payout of the firm will also be increased. The standard deviation of Maruti Suzuki is higher than other selected automotive companies.

11.Earning Per Share of selected companies:

Rs

	Maruti Suzuki India Ltd	Bajaj Auto Ltd	Hero MotoCorp	Eicher Motors	Escorts Ltd
2021	140.02	157.5	148.39	48.68	68.14
2020	187.06	176.3	181.91	697.5	40.63
2019	248.8	161.6	169.48	753.37	40.48
2018	255.62	140.6	185.14	629.07	28.85
2017	243.32	132.3	169.12	573.75	13.43

2016	181.98	135.8	156.86	482.45	7.49
2015	126.04	97.2	119.46	342.25	6.26
2014	94.44	112.1	105.61	206.38	20.53
2013	81.74	105.2	106.07	103.15	5.84
2012	58.19	103.8	119.09	53.62	11.74
Average of EPS	161.721	132.24	146.113	389.022	24.339
Std. deviation	72.646	27.280	31.065	273.654	20.303

Sources: secondary data

Earnings per share (EPS) is a company's net profit divided by the number of shares held by the shareholders it has outstanding. EPS indicates how much money a company earns for each share of its stock.

The above table shows the Earning Per Share of selected companies for the past ten years and the Average is calculated for every company. It clearly shows that Earning Per Share of Eicher Motors (389.022) is higher than other selected companies. Because the profit of the firm is increased every year.

During the study period, Maruti Suzuki India Ltd, Bajaj Auto Ltd, Hero MotoCorp, Eicher Motors Ltd, and Escorts Ltd.'s net profit increased. But in the pandemic period net profit, revenue and expenses are decreased. The standard deviation of Eicher motors is higher than other selected companies.

Regression Analysis:

Regression analysis is used in the present to find the determinants of dividend policy in selected automotive companies. Liquidity, leverage, profitability, firm size, and earnings per share as independent, and dividend payout ratio is the dependent variable.

12.Factors influencing dividend policy of Maruti Suzuki India ltd:

Model	Unstandardized coefficients		P value
	B	Std. error	
(constant)	49.562	19.975	.068
Leverage	11.246	9.947	.321
Liquidity	-10.292	6.349	.180
Profitability	-4.842	4.522	.345
Firm size	-.572	6.900	.938
Earnings per share	2.220	.070	.034
R	.982		
R square	.964		
Adjusted r²	.919		
Anova p value	0.005		

Source: Computed data

The above table indicates the value of R and R square for Maruti Suzuki is 98% and 96%. The Value of adjusted R-Square for Maruti Suzuki is 0.919. It indicates that there is a 92% change in dividend payout due to the changes in the independent variables.

There is a significant impact of independent variables on the dividend payout ratio of Maruti Suzuki India Ltd. Because the independent variables statistically significantly predict the dependent variable, the value of F significance 0.005, $P < 0.05$ also shows that the model is significant.

Unstandardized coefficients indicate how much the dependent variable varies with an Independent variable when all other independent variables are held constant.

The earnings per share of Maruti Suzuki India Ltd are significant. The Unstandardized Coefficient for earnings per share is equal to 22%. This means that Maruti Suzuki India Ltd for every additional increase in earnings per share, the dividend payout ratio increase by 22%.

13.Factors influencing dividend policy of Bajaj auto ltd:

Model	Unstandardized coefficients		P value
	B	Std. error	
(constant)	-167.311	279.831	.582
Leverage	114.331	141.106	.463
Liquidity	-26.430	24.729	.345
Profitability	-4.340	3.053	.228
Firm size	8.847	6.161	.224
Earnings per share	.236	.590	.710
R	.829		
R square	.687		
Adjusted r²	.296		
Anova p value	0.302		

Source: Computed data

The above table indicates the value of R and R square for bajaj auto ltd is 83% and 69%. The Value of adjusted R-Square for bajaj auto is 0.296. It indicates that there is a 30% change in dividend payout due to the changes in the independent variables.

There is no significant impact of independent variables on the dividend payout ratio of bajaj auto ltd. Because the independent variables do not significantly predict the dependent variable, the value of F significance 0.005, $P > 0.05$ also shows that the model is not significant.

14.Factors influencing dividend policy of Hero motocorp ltd:

Model	Unstandardized coefficients		P value
	B	Std. error	
(constant)	100.584	18.697	.006
Leverage	3.961	8.478	.665
Liquidity	11.195	21.222	.626
Profitability	.807	.370	.055
Firm size	.349	1.197	.785
Earnings per share	.276	.215	.268
R	.945		
R square	.894		
Adjusted r²	.761		
Anova p value	0.044		

Source: Computed data

The above table indicates the value of R and R square for Hero MotoCorp is 95% and 89%. The Value of adjusted R-Square for Hero MotoCorp is 0.761. It indicates that there is a 76% change in dividend payout due to the changes in the independent variables.

There is a significant impact of independent variables on the dividend payout ratio of Hero MotoCorp Ltd. Because the independent variables statistically significantly predict the dependent variable, the value of F significance 0.005, $P < 0.05$ also shows that the model is significant. Unstandardized coefficients indicate how much the dependent variable varies with an Independent variable when all other independent variables are held constant.

The profitability of hero motocorp ltd is significant. The Unstandardized Coefficient for profitability is equal to 8%. This means every additional increase in earnings per share, the dividend payout ratio increase by 8%.

15.Factors influencing dividend policy of Eicher motor ltd:

Model	Unstandardized coefficients		P value
	B	Std. error	
(constant)	-86.188	33.062	.060
Leverage	19.172	7.626	.056
Liquidity	17.777	5.747	.036
Profitability	-.591	2.269	.807
Firm size	1.538	3.714	.700
Earnings per share	.038	.024	.191
R	.885		
R square	.784		
Adjusted r²	.514		
Anova p value	.162		

Source: computed data

The above table indicates the value of R and R square for Eicher motor ltd is 88.5% and 78%. The Value of adjusted R-Square for Eicher motor is 0.514. It indicates that there is a 51% change in dividend payout due to the changes in the independent variables.

There is no significant impact of independent variables on the dividend payout ratio of Eicher motor ltd. Because the independent variables do not significantly predict the dependent variable, the value of F significance 0.005, $P > 0.05$ also shows that the model is not significant.

Unstandardized coefficients indicate how much the dependent variable varies with an Independent variable when all other independent variables are held constant. The leverage and liquidity of eicher motor Ltd are significant. The Unstandardized Coefficient for leverage and liquidity is equal to 19% and 18%. It means every additional increase in earnings per share, the dividend payout ratio increase by 19% and 18%.

16.Factors influencing dividend policy of Escorts ltd:

Model	Unstandardized coefficients		P value
	B	Std. error	
(constant)	17.104	9.730	.154
Leverage	2.810	4.485	.565
Liquidity	1.657	3.748	.681
Profitability	3.894	1.196	.031
Firm size	12.572	3.093	.015
Earnings per share	.987	.327	.039
R	.990		
R square	.981		
Adjusted r²	.957		
Anova p value	.002		

The above table indicates the value of R and R square for escorts ltd is 99% and 98%. The Value of adjusted R-Square for Maruti Suzuki is 0.957. It indicates that there is a 95% change in dividend payout due to the changes in the independent variables.

There is a significant impact of independent variables on the dividend payout ratio of Escorts Ltd. Because the independent variables statistically significantly predict the dependent variable, the value of F significance 0.005, $P < 0.05$ also shows that the model is significant.

Unstandardized coefficients indicate how much the dependent variable varies with an Independent variable when all other independent variables are held constant.

Profitability, firm size, and earnings per share of Escorts Ltd are significant. The Unstandardized Coefficient for profitability, firm size and earnings per share are equal to 4%, 13%, and 1%. It means every additional increase in profitability, firm size, and earnings per share, the dividend payout ratio increases by 4%, 13%, and 1%.

Risk and returns

Alpha and Beta:

Alpha and beta are used to calculate to analyze the risk and returns of equity share of selected automotive industries. The beta value and alpha value must be less than 0.5 and greater than one. If the beta value is greater than 0.5 then it denotes high risk.

17.Risk and returns of selected automotive companies:

Name of companies	Beta	Alpha
Maruti Suzuki India Ltd	.078	.723
Bajaj Auto Ltd	.003	.593
Hero MotoCorp Ltd	.031	.480
Eicher Motors Ltd	.003	.705
Escort Ltd	.024	.705

Source: computed data

The alpha is used to find the returns and the beta is used to find the risk in the equity. The above table shows the alpha value of Maruti Suzuki India Ltd, Bajaj Auto Ltd, Eicher Motors Ltd, and Escorts Ltd is greater than 0.5. It means the return of these firms is moderate. It clearly shows Hero MotoCorp gives a low return because the alpha value is lesser than 0.5. The beta value of all selected companies is less than 0.5. It shows that the risk of equity in all selected firms for research is low. Every firm is good in performance and investors can invest. Because the beta value is less than 0.5 and alpha values are positive.

FINDINGS, SUGGESTIONS AND CONCLUSION

CHAPTER 5

FINDINGS:

The findings are given based on the analysis of the study. Here, the will performed companies are identified by measuring the financial factors of the selected automotive companies. Additionally, an attempt is made to find the factors that influence the dividend payout ratio, risk level, and returns of selected automotive companies.

- The Inventory turnover ratio, return on assets, profitability, leverage, assets turnover ratio and a dividend payout ratio of Hero MotoCorp Ltd are higher than other companies. It means there is an effective utilization of debt and assets to increase the sales and profit of the company.
- The liquidity of Bajaj auto ltd is higher than other companies. It shows that the value of assets and securities is good, so they can be easily converted into cash. In case of an emergency purpose, this helps the companies to overcome the complications, and the net profit margin, net operating income, and earnings per share of Eicher Motors Ltd are higher than other companies.
- The performance of escorts ltd is very good. Because each factor of finance is increasing every year. Even the mean return of escorts ltd is higher than other selected companies. It indicates the performance of escorts ltd is developing with good management.
- Maruti Suzuki India Ltd, Hero MotoCorp Ltd, and Escorts Ltd. show the independent variables that statistically significantly predict the dependent variable. The value of F significance 0.005, 0.044, and 0.02 is less than 0.05 showing that the model is significant. It means that there is a significant impact of (Leverage, Liquidity, Profitability, Firm Size, and Earnings per share) independent variables on the dividend payout ratio. There is no statistical significance between the independent variables and dependent variables of Bajaj Auto Ltd and Eicher Motors Ltd. Because the P-value is greater than 0.05.
- The return of Maruti Suzuki India Ltd, Bajaj Auto Ltd, Eicher Motors Ltd, and Escorts Ltd is moderate because the alpha value of these firms is greater than 0.5 and less than 1. It means the return of these firms is moderate. It clearly shows Hero MotoCorp gives a low return because the alpha value is less than 0.5 and Hero MotoCorp gives a low return. The beta value of all selected companies is less than 0.5. It means the risk of equity is low.

SUGGESTIONS

The findings part of the study provides suggestions part. Here the suggestions are given to the companies and the investors based on the financial performance, dividend policy, risk level, and returns of the automotive companies.

Suggestions to the company:

- Maruti Suzuki India Ltd should concentrate on its liquidity, return on assets, and profitability. Because the capital of a company is high but liquidity is very lower than other companies. Even the profitability has decreased every year and there was no effective utilization of assets to increase profit.
- Bajaj auto Ltd should concentrate on leverage. Because the use of debt to amplify returns from an investment is very low. Leverage can be increased by the debt capital to purchase valid assets for the business.
- This company should increase the operating revenue by reducing the operating cost. Because the net profit revenue is low when compared to other companies. When the operating cost is reduced automatically operating revenue will be increased.
- The asset turnover ratio decreased every year. It means the utilization of assets to generate sales were decreasing. So eicher motor Ltd should concentrate on assets turnover ratio to improve the sales of the company. If the sales increase the net profit of the firm can also be increased.
- performance of the escorts is very good. Because the financial performance factors are developed every year with the god management. But the capital of the business should concentrate, to develop the level of business.

Suggestions to the investors:

- This investigation shows the financial performance, dividend policy and risk and returns of equity share of selected automotive companies. Investor can invest in any of this companies because the performance was very good. Even the risk is low in these companies because the beta value is less than 0.5 and the alpha value is positive.

CONCLUSION

Conclusion:

Based on the findings, the suggestions and conclusions are given in the research. The present paper is concluded based on the financial performance, dividend policy, risk, and returns of the equity shares of the automotive companies.

This investigation analyzed the financial performance, risk, returns, and dividend policy of Maruti Suzuki India Ltd, Bajaj Auto Ltd, Hero MotoCorp, Eicher Motors Ltd, and Escorts Ltd. It helps the investor with an investment decision.

Some statistical tools used for analyzing the data are descriptive statistics, regression analyses, alpha, and beta. It shows the financial performance of every firm is good and there is a significant relationship between dependent and independent variables.

The investor needs to consider both risk factors and the returns of companies. The beta values of Maruti Suzuki India Ltd, Bajaj Auto Ltd, Hero MotoCorp Ltd, Eicher Motors Ltd, and Escorts Ltd are less risky. The alpha value of firms is positive and less than one, it shows the return is moderate.

According to the financial performance of escorts ltd is very good. Profitability, firm size, and earnings per share are the three factors that significantly influenced on dividend payout ratio. The risk of equity is low and the alpha value is positive.

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