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A Comparative analysis of the financial Performance: A study of Indian automobile Corporate Sector

DAYAWATI
Assistant Professor in Commerce
Bharti College , Janak Puri, Delhi

Abstract
This paper attempts to analyze the financial statement and measure the performance in the term liquidity, solvency, turnover, profitability. In this paper methodology use for comparative study of intra and intercompany of three automobile company Tata Motors, Mahindra & Mahindra and Maruti Suzki India Ltd. Which focus on present and past performance of companies. This study purely relies on secondary data, which collected from audited annual reports of companies and maintained and made available by several organizations viz., India's automobile industry, Bombay stock exchange, National stock exchange for the purpose of effective periodical analysis. In order to know the performance of industry that was evaluated with the help of liquidity ratio, solvency ratio, turnover ratio, profitability ratio, which might affect the financial performance of the firm. The study reveals intra and intercompany performance.
Keywords: liquidity ratio, turnover ratio, financial statement analysis, solvency ratio and profitability ratio.

1. **Introduction:** Financial statement analysis is process of reviewing and analyzing a company's financial statements to make better economic decision. Financial statement includes income statement, balance sheet, cash flow statement and fund flow statement. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions. Main purpose of financial analysis is to recognize changes in financial trends, to help measure the progress made by an enterprise and identify a relationship to draw a conclusion on performance of company. Secondary objective of financial analysis is comparing the company performance with its competitor and to know where company exists in that industry. Financial statement shows the performance of company in economic terms, which are not able to conclude the position of company in solvency condition, profitability condition and turnover of company is either improving or not. These also compare the company current past and present situation with it's competitors, this comparison is performed by analysis through trends, ratio analysis. Descriptive and analytical financial position and performance include liquidity measures which help the short-term outsider to know about security of their receivable, solvency measure help long term outsider either company is able to their debts at time and debt also compare their return in same industry, turnover ratio describe the activities of company how much effective, profitability ratio shows the shareholder funds security and market status of company.

   Ratio may be expressed
   - Proportion or Pure ratio or Simple ratio
   - Rate or So Many Times
   - Percentage
   - Fraction

Liquidity ratios measure the company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio and operating cash flow ratio. Current liabilities are analyzed in relation to liquid assets to evaluate the coverage of short-term debts in an emergency. Bankruptcy analysts and mortgage originators use liquidity ratios to evaluate going concern issues, as liquidity measurement ratios indicate cash flow positioning. This analysis may be performed internally or externally. For example, internal analysis regarding liquidity ratios involves utilizing multiple accounting periods that are reported using the same accounting methods. Comparing previous time periods to current operations allows analysts to track changes in the business. In general, a higher liquidity ratio indicates that a company is more liquid and has better coverage of outstanding debts.

Alternatively, external analysis involves comparing the liquidity ratios of one company to another company or entire industry. This information is useful to compare the company's strategic positioning in relation to its competitors when establishing benchmark goals. Liquidity ratio analysis may not be as effective when looking across industries, as various businesses require different financing structures. The ratios used to determine about the companies' financing methods, or the ability to meet the obligations. There are many ratios to calculate **leverage** but the important factors include debt, interest expenses, equity and assets.

Activity ratios measure company sales per another asset account—the most common asset accounts used are accounts receivable, inventory, and total assets. Activity ratios measure the efficiency of the company in using its resources. Since most companies invest heavily in accounts receivable or inventory, these accounts are used in the denominator of the most popular activity ratios. Thus, we would like to investigate and study the financial statement of three automobile companies to know the industry changes and company policies and strategic change to compete in that industry. This study is organized in different section in which second section gives the theoretical foundations, third section is research problem and objective. The fourth section presents research methodology and data collection, meanwhile fifth section summaries the result of financial analysis, and, lastly the conclusions.

The profitability ratios indicated positive current and future performances from the company so we decided to invest extensively in the company. This ratio is a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income.

2.Theoretical foundations: Financial ratio drawn from annual reports have been used extensively in prior research for variety of purposes such as corporate predictions, acquisitions, liquidations, rating decision, etc. Each and every firm in every industry is more concern with its profitability and performance, to measure the performance of firms ratio analysis is most frequently used tool. Ratios are useful for company stakeholders according to their own benefits.

Research problem and objectives:

This research paper aims to analyze the financial statement of Tata Motors, Mahindra & Mahindra and Maruti Suzuki for the period of 2014, 2013, 2012 using comparative financial ratio. This study provides the liquidity, activity, leverage, profitability and market value ratio related question of three companies in automobile industry.

In short, this study specifically aims to meet the following objectives:

- To determine the liquidity, activity, leverage, profitability, the market value ratios of TM, M&M and MSIL;
- To study and show the unproblematic financial analysis.
- Comparison of three company statement within the company and outside the company.
- To determine norms, industry figures, and peculiarities of automobile industry in India.

Importance, scope and purpose of study: The absolute accounting figures report the financial statement does provide a meaningful understanding of the financial position of the firm, the study is concerned on financial analysis to evaluate the financial position of TM, M&M and MSIL. The scope of this study extends to a number of areas, with the help of ratio analysis, strength and weaknesses of the companies. Financial analysis helps the management to make the best use of their capital mix. The study aims to analysis the position and profitability of the companies.
Limitation of the study: This study suffers from certain limitations:

a. This study exclusively depends on published financial data, so it is subject to all limitations that are inherent in the condensed published financial statements.
b. It is only rearrangement of data appeared in financial statement, and discussion are based on available data.
c. There may be widow dressing in the financial statements.

Research methodology
This research paper is both exploratory and quantitative in context and in design. It is exploratory in the sense that the researcher found no published literature discussing norms, industry figures, and peculiarities in the automobile sector using financial ratio. More so, it is a quantitative research in the sense that it aims to draw out conclusions from the financial data gather, summarized, and processes.
As a research procedure, the researcher obtained the audited financial statements for the period 2014, 2013, 2012 of TM, M&M and MSIL from stock exchange website and published annual report from three companies. Financial information required for financial ratios were derived from these financial statements. These were then summarized and processed to came up with comparative financial ratios that were used in the analysis phase. To provide a basis for analysis, for each financial ratio, the firm adjudged as the best one (using rule of thumb and ratio trends) was given three points, the next one, two points, and last one, one point. The total poits for each ratio category were then computed to arrive at an overall basis for analysis.
Companies profile
Tata motors: Tata Motors was established in 1945 as Tata Engineering and Locomotive Co. Ltd. to manufacture locomotives and other engineering products. It is India's largest automobile company. The Tata Motors Group recorded a 12.6% growth in gross turnover to Rs.266,345 crores in Fiscal 2015 from Rs.236,626 crores in the previous year. Company is committed to introduce new, modified and refreshed products which will improve the Company's revenue. Investment in right products and vehicle platform are being made to ensure a competitive pipeline for the future. Together with forward looking product strategy, the Company is also focusing extensively in right sizing the business and operational improvement through various strategic projects for operational excellence and cost cutting initiatives. Tata Motors recorded sales of 504,369 vehicles, a decline of 11.5% over Fiscal 2014. Industry grew during the year by 2.4%. However, the Company's market share decreased to 14.1% in the Indian automotive industry from 16.5% in the previous year. The Company exported 49,936 vehicles. Tata Motors, the first company from India's engineering sector to be listed in the New York Stock Exchange (September 2004), has also emerged as an international automobile company. Through subsidiaries and associate companies, Tata Motors has operations in

the UK, South Korea, Thailand and Spain. Tata Motors is also expanding its international footprint, established through exports since 1961. The company's commercial and passenger vehicles are already being marketed in several countries in Europe, Africa, the Middle East, South East Asia, South Asia and South America. It has franchisee/joint venture assembly operations in Kenya, Bangladesh, Ukraine, Russia and Senegal. The years to come will see the introduction of several other innovative vehicles, all rooted in emerging customer needs. Besides product development, R&D is also focusing on environment–friendly technologies in emissions and alternative fuels., it plays an active role in community development, serving rural communities adjacent to its manufacturing locations.

Maruti Suzuki: Maruti Suzuki India Ltd (formerly Maruti Udyog Ltd) is India's largest passenger car company, accounting for over 50 per cent of the domestic car market. The company is engaged in the business of manufacturing, purchase and sale of motor vehicles and spare parts (automobiles). The other activities of the company include facilitation of pre-owned car sales, fleet management and car financing. . Maruti Suzuki India Ltd was incorporated on February 24, 1981 with the name Maruti Udyog Ltd. The company was formed as a government company, with Suzuki as a minor partner, to make a peoples car for middle class. MSIL's parent company, Suzuki Motor Corporation, has been a global leader in mini and compact cars for three decades. Suzuki's technical superiority lies in its ability to pack power and performance into a compact, lightweight engine that is clean and fuel efficient. Maruti Suzuki exports entry–level models across the globe to over 100 countries and the focus has been to identify new markets. Some important markets include Latin America, Africa and South East Asia. In 2000 Maruti alto launched. First car company in India to launch call centre. Maruti Suzuki wins 'Golden Peacock Eco–Innovation Award'. Maruti Suzuki Ranks Highest in Automotive Customer Satisfaction in India For Ninth Consecutive Year. Maruti Suzuki becomes the first Indian car company to export half a million cars.

Mahindra and Mahindra: Mahindra & Mahindra was established on October 2, 1945 when K.C. Mahindra visited the United States of America as Chairman of the India Supply Mission. He met Barney Roos, inventor of the rugged 'general purpose vehicle' or Jeep and had a flash of inspiration. The Mahindra brothers joined hands with a distinguished gentleman called Ghulam Mohammed and Mahindra & Mohammed was set up as a franchise for assembling jeeps from Willys, USA. Two years later, India became an independent nation and Mahindra & Mohammed changed its name to Mahindra & Mahindra. Ghulam Mohammed migrated to Pakistan post–partition and became the first Finance Minister of Pakistan. Mahindra & Mahindra is the only Indian company among the top three tractor manufacturers in the world. The Group has a leading presence in key sectors of the Indian economy. Mahindra & Mahindra has comprehensive manufacturing facilities with high level of vertical integration. These manufacturing plants keep abreast with the latest technology to meet the growing market expectations. These manufacturing facilities have some of the best technologies and equipment in India. In 1956 shares listed on the Bombay Stock Exchange. Dr. Beck & Company established – a joint venture with Dr. Beck & Company, Germany.

Results, analysis and learning insights

This part of the research paper is organized using the four categories for financial ratio. Specific ratio for each category are also presented and discussed.

Liquidity ratios

Current ratio= current assets/current liabilities (in times)

TM

	March'15	March'14	Marh'13
Current assets	8,573	6,739	10,135
Current liabilities	20,371	18,978	21,105
Current ratio	.42	0.36	0.48

Mahindra and Mahindra

	March'15	March'14	Marh'13
Current assets	10128	11289	8943
Current liabilities	8,974	8,767	8,150
Current ratio	1.13	1.29	1.10

MSIL

	March'15	March'14	Marh'13
Current assets	17,216	22,098	18,021
Current liabilities	17,841	16,045	13,802
Current ratio	.96	1.38	1.31

Analysis: Current ratio shows current assets to cover the current liabilities at the balance sheet date. Current asset shows the buffer to pay the current liabilities within a period of one year. In above tables shows the current assets, current liabilities and current ratios of Tata Motors, Mahindra & Mahindra and Maruti Suzuki India Limited respectively. TM current assets are even not equal to its current liabilities in other words, TM current assets are very low to pay its current liabilities. Current ratio of M&M is more 1.00, it means M&M current assets are just about equal to current liabilities, but in current assets debtors and stock can't be converted in cash to pay off the current liabilities of company. MSIL current ratio is near about 1.00 in current year and previous two year it shows decline. On above analysis basis M&M shows the better condition of liquidity in current ratio in comparison to TM and MSIL. Overall to M&M I give 3 point, 2 points to MSIL and 1 point to TM.

Quick/acid-test ratio= Quick assets/ current liabilities (in times)

TM

	March'15	March'14	Marh'13
Quick assets	3,771	2,876	5,680
Current assets	15,000	16,042	18,781
Quick ratio	.18	.15	.27

M&M

	March'15	March'14	Marh'13
Quick assets	7,690	8,486	6,523
Current liabilities	8,974	8,767	8,150
Quick ratio	1.13	1.29	1.10

MSIL

	March'15	March'14	Marh'13
Quick assets	14,600	20,392	16,180
Current liabilities	17,841	16,045	13,802
Quick ratio	.82	1.27	1.17

Analysis: in supplement to current ratio we use acid test ratio. In acid test ratio most liquid assets are included in which inventory in not recorded in current assets. Acid test ratio indicates the assets obtained by company to pay its current liabilities more quickly. Above table show the quick assets in times in respect to current asset. From the acid test ratio point of view M&M is given 3 points, MSIL is given 2 point and TM is given one point.

Accounts receivable is the total amount of money due to a company for products or services sold on an open credit account. The **account receivable turnover** shows how quickly a company collects what is owed to it and indicates the liquidity of the receivables. Analysts frequently use the **average collection period** to measure the effectiveness of a company's ability to collect payments from its

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credit customers. Generally, the average collection period should not exceed the credit terms that the company extends to its customers.

Average collection period

Account receivable turnover ratio (ARTR) =net sales/ average account receivable (AR)

Average collection period=365/ARTR

TM

	March'15	March'14	Marh'13
Net sales	36295	34288	44766
Average AR	1166	1516.5	2263
AR turnover ratio	31.13	22.61	19.78
Average collection period	11.73	16.14	18.45

M&M

	March'15	March'14	Marh'13
Net sales	38945	40509	40441
Average AR	2533.5	2358.5	2068.5
AR turnover ratio	15.37	17.18	19.55
Average collection period	23.75	21.25	18.67

MSIL

	March'15	March'14	Marh'13
Net sales	49971	43792	43588
Average AR	1241.5	1441.5	1204
AR turnover ratio	40.25	30.38	36.20
Average collection period	9.07	12.01	10.08

Analysis: Average collection period presents the pattern of paying by account receivable. It also provides information about credit policy of company. For instance, if the average collection period is increasing overtime or is higher than the industry average, the firm's credit policies could be too lenient and accounts receivable not sufficiently liquid. The loosening of credit could be necessary at time to boost revenues, but an increasing cost to the firm. On the other hand, if credit policies are too restrictive, as reflected in average collection period that is shortening and less than industry competitors, the firm may be losing qualified customers. MSIL has restricted trade policy.TM shortening their collection period and M&M increasing their collection period. MSIL gets 3 points, TM 2 points and M&M 1 point only.

Average payable period:

Account payable turnover ratio (APTR) =cost of goods sold/average account payable (AP)

Average payable period=365/APTR (in days)

TM

	March'15	March'14	Marh'13
COGS	34959	32205	40372
Average AP	9262.5	9063.5	8581.5
APTR	3.77	3.55	4.70
Average AP period	96.82	102.82	77.66

M&M

	March'15	March'14	Marh'13
COGS	30555	32458	34909
Average AP	5717	5824.5	5158
APTR	5.3	5.57	6.77
Average AP period	68.87	65.53	53.91

MSIL

	March'15	March'14	Marh'13
COGS	40882	36125	36889
Average AP	5229.5	4528	3754
APTR	7.82	7.98	9.83
Average AP period	46.66	45.74	37.13

Analysis: Average payable period indicates the pattern to pay its accounts payable. Accounts payable period within 30 days to 60 days is considered good to avail discount from suppliers. M&M and MSIL reducing their payment period which provides the information that M&M and MSIL taking more time in comparison to previous year to pay their payables, if same tendency is noticed then their suppliers will not allow the discount because of long payment period.TM average payment period is more than 75 days which is no good indicator to TM. MSIL gets 3 point, M&M 2 points and TM 1 point.

Activity ratio:

Account receivable turnover=net sales/average account receivable (in times)

TM

	March'15	March'14	Marh'13
Net sales	36295	34288	44766
Average AR	1166	1516.5	2263
AR turnover ratio	31.13	22.61	19.78

M&M

	March'15	March'14	Marh'13
Net sales	38945	40509	40441
Average AR	2533.5	2358.5	2068.5
AR turnover ratio	15.37	17.18	19.55

MSIL

	March'15	March'14	Marh'13
Net sales	49971	43792	43588
Average AR	1241.5	1441.5	1204
AR turnover ratio	40.25	30.38	36.20

Analysis: This ratio evaluates the effectiveness of the firm in managing it receivables. As a rule of thumb, the higher the ratio, the more effective is the firm's management. From the above analysis TM account receivable turnover is increasing, M&M AR turnover is decreasing and MSIL turnover is fluctuating. TM collection from its customer is higher in current year in comparison of pervious year but highest turnover ratio, in three, has MSIL, which gets 3 points, TM achieves 2 points and M&M gets 1 point.

For a company to be profitable, it must be able to manage its inventory, because it is money invested that does not earn a return until the product is sold. A higher inventory turnover ratio indicates more effective cash management and reduces the incidence of inventory obsolescence. The best measure of inventory utilization is the **inventory turnover ratio** (**inventory utilization ratio**).

Stock turnover=COGS/average stock

TM

	March'15	March'14	Marh'13
COGS	34959	32205	40372
Average stock	4332.5	4159	4521.5
Ratio	7.98	7.74	8.93

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M&M

	March'15	March'14	Marh'13
COGS	30555	32458	34909
Average stock	2621	2612	2389
Ratio	11.66	12.43	14.61

MSIL

	March'15	March'14	Marh'13
COGS	40882	36125	36889
Average stock	2160.5	1773.5	1489
Ratio	18.92	20.37	27.77

Analysis: This ratio indicates whether stock has been efficiently used or not. It shows the speed with which the stock us rotated into sales or number of times stock is turned into sales during the year. The higher the ratio, the better it is, since indicates that stock is selling quickly. In a business where stock turnover ratio is high, goods can be sold at a low margin of profit and even then the profitability may be quite high. MSIL gets 3 points, M&M gets 2 and TM gets 1 point.

The **total asset turnover** measures the return on each dollar invested in assets and is equal to the **net sales**, which is total sales minus cash sales minus returns and allowances, divided by the average total assets:

Fixed assets turnover=net sales/ fixed assets

TM

	March'15	March'14	Marh'13
Net sales	36295	34288	44766
Fixed assets	15783	15241	15456
Ratio	2.30	2.25	2.90

M&M

	March'15	March'14	Marh'13
Net sales	38945	40509	40441
Fixed assets	5929	5877	4958
Ratio	6.57	6.89	8.16

MSIL

	March'15	March'14	Marh'13
Net sales	49971	43792	43588
Fixed assets	12259	10790	9799
Ratio	4.08	4.06	4.45

Analysis: This ratio is of particular importance in manufacturing concerns whether the investment in fixed assets is quite high. This ratio reveals how efficiently the fixed assets are being utilized. Compared with pervious year, if there is increase in this ratio, it will indicate that there is better utilization of fixed assets. If there is a fall in this ratio, it will show that fixed assets have not been used as efficiently, as they had been used in the pervious year. TM has much increase in ratio as compare to pervious year so it get 3 points, MSIL gets 2 points, and M&M gets 1 point.

Leverage ratio: The most important leverage ratio is the debt to equity ratio that gives you an idea about the debt one company is in and the equity it has at its disposal. Leverage ratios also determine the company's cost mix and its effects on the operating income . Companies with high fixed cost earn more income because after the break even point, with the increase in output the income increases as the cost has already been incurred. On the other hand a company with higher variable cost seems to earn little operating income because with the increase in output the variable cost increases too.

Debt equity ratio= debt /equity

TM

	March'15	March'14	Marh'13
Debt	14710	11760	11945
Equity	14863	19177	19135
Ratio	0.99	0.61	0.62

M&M

	March'15	March'14	Marh'13
Debt	4716	5731	4644
Equity	19255	16791	14659
Ratio	0.24	0.34	0.32

MSIL

	March'15	March'14	Marh'13
Debt	1024	1484	1428
Equity	23704	20978	18579
Ratio	0.04	0.07	0.08

Analysis: Debt equity ratio is leverage ratio which exhibits debt in company over its equity. Higher is debt equity ratio means company has more debt in its capital structure which may be dangerous to company shareholder. Debts are cheaper source of finance although company should make a balance between its debts and equity for healthy financial structure. In TM debt are much higher and MSIL debt are very low. Because of high financial cost companies profit are low or may be negative; and MSIL has very low debt, means high equity it means company financial cost is low but shareholder expectations are high. M&M has sufficient balance between it debt and equity. Overall, M&M gets 3 points, MSIL gets2 points and TM gets 1 point.

Debt to total asset=debt/total asset (in times)

TM

	March'15	March'14	Marh'13
Debt	14710	11760	11945
Total asset	49943	49734	52185
Ratio	0.29	0.24	0.23

M&M

	March'15	March'14	Marh'13
Debt	4716	5731	4644
Total asset	32945	31289	27454
Ratio	0.14	0.18	0.17

MSIL

	March'15	March'14	Marh'13
Debt	1024	1484	1428
Total asset	42569	38507	33809
Ratio	0.02	0.04	0.04

Analysis: Debt to total asset ratio shows availability of total asset to outsider debts. Debt prefers the low ratio, because it caution at time of liquidation. As lower the ratio security of debt is higher. Using the perspective of debt MSIL get 3 points, M&M gets 2 points and TM gets 1 point.

Interest coverage ratio: Another important ratio is the interest covering ratio that determines the interest payment ability of the company against the debt it owes. The interest payment is made from the company's profit that it earns with the primary business it does.
formula=EBIT/interest
TM

	March'15	March'14	Marh'13
EBIT	(3128)	1688	1689
Interest	1611	1353	1388
Ratio	(1.94)	1.25	1.22

M&M

	March'15	March'14	Marh'13
EBIT	3535	4017	3544
Interest	214	259	191
Ratio	16.52	15.51	18.55

MSIL

	March'15	March'14	Marh'13
EBIT	5074	3835	3181
Interest	206	176	190
Ratio	23.63	21.79	16.74

Analysis: interest coverage ratio shows the profit available to pay interest to its debts. The higher the times interest earned ratio the better; however, if a firm is generating high profits, but no cash flow from operations, this ratio is misleading. MSIL has higher ratio, means many times profit to pay interest, gets 3 points; M&M gets 2 points, and TM has not profit to pay interest.

Profitability ratio:

Operating profit or operating margin takes into account the costs of producing the product administrative or services that are unrelated to the direct production of the product or services, such as overhead and expenses.

Operating profit ratio=operating profit/net sales (in %)
TM

	March'15	March'14	Marh'13
Operating profit	644	2938	3797
Net sales	36295	34288	44766
Ratio	0.016	0.086	0.085

M&M

	March'15	March'14	Marh'13
Operating profit	5022	5439	5258
Net sales	38945	40509	40441
Ratio	0.129	0.134	0.130

MSIL

	March'15	March'14	Marh'13
Operating profit	7545	5919	5042
Net sales	49971	43792	43588
Ratio	0.151	0.135	0.116

Analysis: operating profit ratio measures the operating profit related to its revenue. Higher the operating profit means lower the operating cost .MSIL operating profits are highest and it gets 3 points, M&M gets 2 points and TM gets 1 point.

Net profit ratio=net profit/net sales (in %)

TM

	March'15	March'14	Marh'13
Net profit	(3571)	(486)	591
Net sales	36295	34288	44766
Ratio	(0.098)	(0.014)	0.13

M&M

	March'15	March'14	Marh'13
Net profit	3833	4317	4356
Net sales	38945	40509	40441
Ratio	0.098	0.106	0.107

MSIL

	March'15	March'14	Marh'13
Net profit	3711	2783	2392
Net sales	49971	43792	43588
Ratio	0.074	0.060	0.054

Analysis: This ratio presents net income gained over its net revenues. Higher the ratio means company is earning good return on its sales. Higher net profit ratio is preferred as comparison to other company. M&M net profit ratio is highest. As a regard M&M gets 3 points, MSIL gets 2 points and TM is making losses from two years gets 3 points. In automobile industry there is low profit because of heavy research expenses which are written off by company year by year.

Return on equity measures how much a company makes for each rupee that investors put into it.
Return on equity=net profit/equity shareholder fund (in %)

TM

	March'15	March'14	Marh'13
Net profit	(3571)	(486)	591
ES fund	14863	19177	19135
Ratio			0.03

M&M

	March'15	March'14	Marh'13
Net profit	3833	4317	4356
ES fund	19255	16791	14659
Ratio	0.20	0.26	0.29

MSIL

	March'15	March'14	Marh'13
Net profit	3711	2783	2392
ES fund	23704	20978	18579
Ratio	0.16	0.13	0.13

Analysis: This ratio shows the availability of profit to its equity shareholders. Higher the ratio is favorable to the shareholders and company because company can plough back the profit and expend it business. M&M gets 3 points which making high net profit in comparison to MSIL and TM, MSIL gets 2 points and lastly TM gets 1 point which is making losses from last two years.

Conclusion: From the above analysis, overall conclusion is that MSIL gets 33 point, M&M gets 28 points and TM gets 17 points. MSIL liquidity position is very good which get 10 points, M&M gets 9 points in liquidity and TM position of liquidity position is worst. Activity ratio of MSIL is best which gets 8 points, TM in activity position better than M&M, which gets 6 points; and M&M worst position in activity and get 4 points. Tata Motors debt approximately equal to equity. M&M has sufficient debt equity in capital structure and MSIL is equity oriented company. Tata motors has much debt, that's the reason company is making losses has not sufficient profit even pay interest to debts. But Tata Motors group profit is very good that's why Tata Motors is number one automobile company in financial year 2013-14. Mahindra and Mahindra is number one heavy vehicle company and MSIL manufactures cars for middle class families.

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