A Study of Liquidity Analysis of Selected Automobile Companies of India

NISHITA T. THAKRAR
Nishitathakrar9@gmail.com
RAJKOT

Abstract:
The Indian automobile industry is one of the driving forces of the economy, contributing about 49% to the country's manufacturing GDP (gross domestic product) and 7.5% to its overall GDP. The sector's value chain employs about 32 million people. In 2018, the Indian automobile market pepped Germany to become the fourth-largest in the world. In the last decade, while the production of two-wheelers in India has nearly trebled, the production of passenger vehicles and commercial vehicles in the country has doubled.

Keywords: *Liquidity Analysis; Automobile Industry*

1.Introduction
India became the fourth largest auto market in 2019 displacing Germany with about 3.99 million units sold in the passenger and commercial vehicles categories. India is expected to displace Japan as the third largest auto market by 2021The two wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector.India is also a prominent auto exporter and has strong export growth expectations for the near future.

2.Methodology
2.1 Objective of the Study
Present article is based on the Study of Liquidity of Selected Companies of Automobile Industry

2.2 Period of Study
The study period is to be converted 5 years; from 2015-16 to 2019-20.

2.3 No. of sample
Researcher has selected 5Automobile companies of India for the present study.

2.4 Tools & Techniques
For the present studyCurrent Ratio and Quick Ratio has considered as an accounting tools and F-Test - ONE WAY ANOVA is used as tools of Statistics.

[i] Current Ratio: Current ratio indicates the liquidity of current assets or the ability of the business to meet its maturing current liabilities. High current ratio finds favor with short-term creditors whereas low ratio causes concern to them. An increase in the current ratio reflects improvement in the liquidity position of the business while the decrease signals that there has been deterioration in the liquidity position of the business.
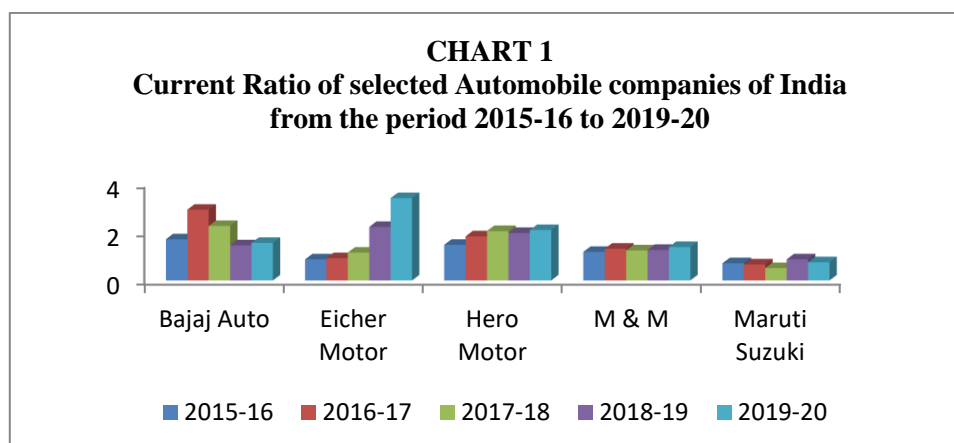
Table 1:Current ratio of selected automobile companies of India for the period from 2015-16 to 2019-20						
Year	COMPANY					Total
	Bajaj Auto	Eicher Motor	Hero Motor	M & M	Maruti Suzuki	
2015-16	1.70	0.87	1.47	1.18	0.71	5.93
2016-17	2.92	0.92	1.82	1.31	0.66	7.63
2017-18	2.25	1.15	2.04	1.24	0.51	7.19
2018-19	1.45	2.21	1.96	1.26	0.87	7.75
2019-20	1.55	3.40	2.08	1.38	0.75	9.16
TOTAL	9.87	8.55	9.37	6.37	3.5	37.66
Average	1.97	1.71	1.87	1.27	0.7	7.52
Source: www.moneycontrol.com						

It is evident from the above table that highest Average Current Ratio achieved in the year 2019-20 due to Average Current Ratio of Eicher Motors showing 3.40 in that year comparing to remaining research unit while higher average Current Ratio 1.97 is showing by Bajaj Auto during research period.

Graphical Analysis

CHART 1
Current Ratio of selected Automobile companies of India from the period 2015-16 to 2019-20

From the above chart it is evident that Bajaj Auto is having highest ratio in 2015-16; 2016-17; 2017-18; but for remaining two year 2018-19 and 2019-20 Eicher motor is having higher current ratio.
Statistical Analysis

Table 2:"F"-Test One Way ANOVA for Current Ratio of selected Automobile Companies of India for the period from 2015-16 to 2019-20					
H0: There is No Significant Different between Current Ratio of Selected Automobile Companies of India for the period from 2015-16 to 2019-20					
H1: There is Significant Different between Current Ratio of Selected Automobile Companies of India for the period from 2015-16 to 2019-20					
Source of Variation	Sum of Square	Degree of Freedom	Mean Sum of Square	F_c	F_t
B.S.S.	5.4976	04	1.3744	4.17	2.87
W.S.S.	6.5854	20	0.3293		
T.S.S.	12.083	24			

From the "F" test one way ANOVA Table as calculated above it shows Calculated value of Fc = 4.17 while tabular value of Ft = 2.87 which show that calculated value Fc is greater than tabular value Ft, Fc > Ft Hence Null Hypothesis is rejected and Alternative Hypothesis is accepted that there is significant Difference in current ratio for selected automobile companies of India during research period.

(ii) Quick Ratio: Quick ratio is also known as liquid ratio or acid test ratio. Current ratio provides a rough idea of the liquidity of a firm so subsequently a second testing device was developed named as acid test ratio or quick ratio. It establishes relationship between liquid assets and current liabilities. In many businesses a significant proportion of current assets may comprise of inventory. Inventory, by nature, cannot be converted into ready cash abruptly. The term liquid assets does not include inventory.
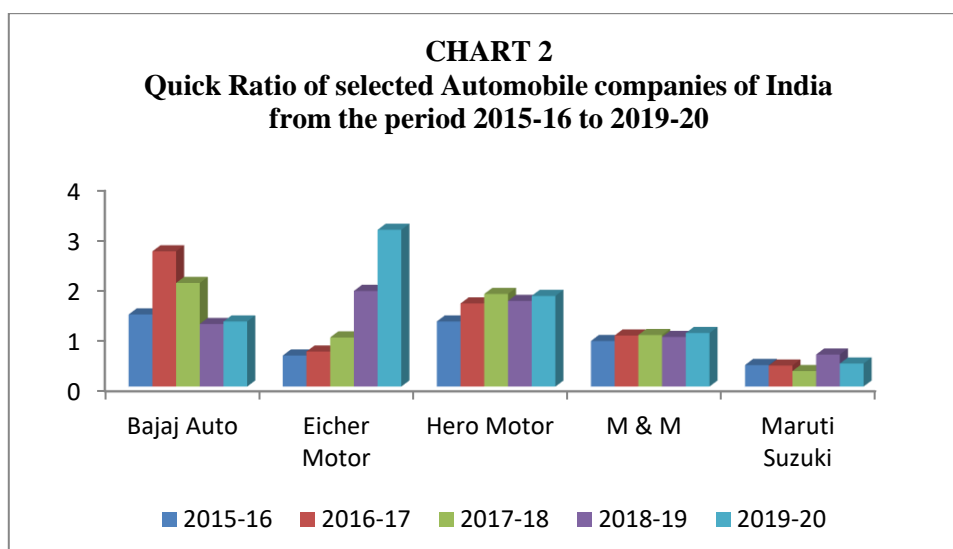
Table 3: Quick ratio of selected automobile companies of India for the period from 2015-16 to 2019-20						
Year	**COMPANY**					
	Bajaj Auto	**Eicher Motor**	**Hero Motor**	**M & M**	**Maruti Suzuki**	**Total**
2015-16	1.44	0.62	1.30	0.91	0.43	4.7
2016-17	2.70	0.70	1.66	1.02	0.42	6.5
2017-18	2.07	0.98	1.85	1.03	0.31	6.24
2018-19	1.25	1.91	1.71	0.99	0.64	6.5
2019-20	1.30	3.13	1.81	1.07	0.46	7.77
TOTAL	8.76	7.34	8.33	5.02	2.26	31.71
Average	1.75	1.47	1.66	1.00	0.45	6.33
Source: www.moneycontrol.com						

It is evident from the above table that highest Average Quick Ratio achieved in the year 2019-20 due to Average Quick Ratio of Eicher Motors showing 3.13 in that year comparing to remaining research unit while higher average quick Ratio 1.75 is showing by Bajaj Auto during research period.

Graphical Analysis

CHART 2
Quick Ratio of selected Automobile companies of India from the period 2015-16 to 2019-20

International Journal of Research in all Subjects in Multi Languages
[Author: Vivek Sitaram Sarkate] [Sub. English] I.F.6.156

Vol. 8, Issue: 10, Oct.: 2020
(IJRSML) ISSN: 2321 - 2853

From the above chart it is evident that Bajaj Auto is having highest ratio in 2015-16; 2016-17; 2017-18; but for remaining two year 2018-19 and 2019-20 Eicher motor is having higher quick ratio.

Statistical Analysis

Table 4: "F"-Test One Way ANOVA for Quick Ratio of selected Automobile Companies of India for the period from 2015-16 to 2019-20					
H_0: There is No Significant Different between Quick Ratio of Selected Automobile Companies of India for the period from 2015-16 to 2019-20					
H_1: There is Significant Different between Quick Ratio of Selected Automobile Companies of India for the period from 2015-16 to 2019-20					
Source of Variation	Sum of Square	Degree of Freedom	Mean Sum of Square	F_c	F_t
B.S.S.	5.8411	04	1.4603	4.62	2.87
W.S.S.	6.3200	20	0.3160		
T.S.S.	11.1611	24			

From the "F" test one way ANOVA Table as calculated above it shows Calculated value of Fc = 4.62 while tabular value of Ft = 2.87 which show that calculated value Fc is greater than tabular value Ft, Fc > Ft Hence Null Hypothesis is rejected and Alternative Hypothesis is accepted that there is significant Difference in quick ratio for selected automobile companies of India during research period.

3. Conclusion

From the above analysis it shows that there is significant difference in both the liquidity ratio for selected automobile companies of India during research period.

References

1. https://www.indiastat.com/SOCIO_PDF/104/fulltext.pdf
2. https://accountlearning.com
3. https://courses.lumenlearning.com
4. http://priyankablogthoughts.com
5. https://www.thebalance.com
6. https://www.wikihow.com/Calculate-Asset-Utilization
7. https://auto.economictimes.indiatimes.com/e/report2020
8. https://www.ibef.org/industry/india-automobiles.aspx