

EVALUATION OF FINANCIAL PERFORMANCE IN TERMS OF FINANCIAL RATIOS- AN EMPIRICAL STUDY ON INDIAN AUTOMOBILE INDUSTRY

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ABSTRACT

Indian automobile industry is experiencing a boom over the last few years but at the recent time it is facing hurdles due to financial distress in Indian market. The present study aims at reducing the number of financial ratios which could able to portrait the actual financial standing of Indian automobile industry and exploring the individual variables which affect the profitability of the concerned industry by applying factor analysis and multiple regression analysis during the study period. Factor analysis is applied in the present study on 36 audited financial ratios grouped in 7 categories for a period of 15 years since 1999-2000 to 2013-2014. Multiple regression analysis shows that three individual variables working capital to total assets, inventory turnover ratio and dividend payout ratio to cash profit have significant effect on the profitability factor of the concerned industry.

KEYWORDS: Indian Automobile Industry, Factor Analysis, Multiple Regression Analysis, Ratios