

## *Management Of Working Capital*

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### **Introduction**

India is the most preferred destination for automobile industry today. Indian automotive industry is one of the largest in the world and one of the fastest growing globally. It has emerged as a 'sunrise sector' in our economy within 15 years of its liberalisation. India manufactures over 11 million 2 and 4-wheeled vehicles and exports about 1.5 million every year. It is the world's 2nd largest manufacturer of motorcycles and 11th largest manufacturer of passenger car and 13th in commercial vehicles. Several Indian automobile manufacturers such as Tata Motors, Maruti Suzuki, Mahindra and Mahindra have spread their operations in the international market.

The industry also includes a large number of small and medium auto components enterprises. These enterprises play a vital role in the growth of economy. According to the national Auto industry policy for 2006-2016, India's GDP is expected to grow to almost US\$ 1400 billion in 2016 and in this GDP, the auto component industry is expected to contribute to almost US\$ 150 by then. As per this policy, the GDP of India will have a contribution of around 10% from the automotive industry. This shows that industry has strong outlook and one can foresee enormous growth opportunities lying ahead. Therefore the paper studies the two major giants of the Indian automobile industry. It tries to establish the role of working capital in company's performance.

Working capital management involves managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of Working Capital Management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash. The management of the working capital is equally important as the management of long-term financial investment. Every running business needs working capital. Even a business which is fully equipped with all types of fixed assets required is bound to collapse without (i) adequate supply of raw materials for processing; (ii) cash to pay for wages, power and other costs; (iii) creating a stock of finished goods to feed the market demand regularly; and, (iv) the ability to grant credit to its customers. Working capital is thus like the lifeblood of a business. The business will not be able to carry on day-to-day activities without the availability of adequate working capital.

### **To understand the importance of working capital the paper talks about the current profiles of both Tata Motors and Mahindra & Mahindra.**

Tata Motors Ltd.:- The company was established in 1945 and the new venture by the name was functional from 1954. More than 5.9 million Tata vehicles play on Indian roads. Over the years Tata Motors' has evolved from a truck manufacturer to becoming India's only fully integrated automobile manufacturer with a product range designed to meet India's transportation needs. Tata has given wide variety of brands such as Nano, Indica, Indica Vista, Indigo, Indigo Manza, Indigo CS, Sumo, Safari, Xenon, Aria.

Mahindra & Mahindra Ltd. (M & M):- The origins of Mahindra Group can be traced back to October 2, 1945. Mahindra Group is the market leader in utility vehicles in India since beginning and one of the leading tractor brands in the world. M&M's automotive division makes a wide range of vehicles including utility vehicles, light commercial vehicles and three wheelers. It offers over 20 models. Some of the famous automobile brands of Mahindra are: Scorpio, Xylo, Axe , Major and Bolero.

The companies are having good profile and are truly giants of auto motives. The question is which is better managed in terms of capital and short term liabilities? To answer the question let me formulate a few Objectives:- The study is divided in to two parts:

- Study the structure of working capital including its composition for the above 2 companies.
- Study Working Capital Management of small and medium scale automobile industries

Now, The objectives need to be defined, estimated and proved therefore the Research Methodology followed is : - The companies Tata Motors Ltd and M&M Ltd have been selected on the basis of their dominance in automobile sector. The research methodology employed qualitative and quantitative analysis of the financial statements. These statements were extracted from annual reports of Tata Motors Ltd. and M&M Ltd from the year 2005 to 2010. Analysis of the company's financial statement has been carried out in order to verify my findings. For analysis, both financial and statistical techniques were applied. Data of small and medium scale automobile industries is collected through personal interview of related persons.

#### Analysis and Discussion

Method of analysis is Comparative Analysis of working capital management of M&M & Tata Motors. Analysis is divided in three parts as

- Size wise analysis including discussion on composition of Working Capital,
- Ratio analysis related to working Capital and
- t-test analysis.

Size wise analysis (including discussion on composition of Working Capital) :

It includes the study of working capital structure of both M&M & Tata Motors. The concept of gross working capital and net working capital is used through the study. Working capital comprises of inventories, debtors, cash and bank, loans and advances, other assets and current liabilities.

Working capital: The gross working capital of M&M showed an increasing trend every year except in 2008. It increased to 3747.73 crores in the year 2007 from 2299.49 crores in 2005. Declined in 2008 by 92.36 crores and again increased to 5062.93 and 6042.39 in 2009 and 2010 respectively. Whereas net working capital showed increasing trend till 2007 (i.e. from 539.79 crore to 1082.08 crore) and thereafter declined to 404.36 and 265.17 crore in 2008 and 2009 respectively. Again increased in 2010 to 845.85 crores. On an average it stood at 641.02 crore with standard deviation 273.44 and a high coefficient of variation of 42.66%.

In case of Tata Motors the gross working capital showed an increasing trend every year. It increased from 7086.03 crores to 11537.98 crores in six years. Whereas net working capital showed increasing trend till 2007 (i.e. from 545.36 crore to 2784.05 crore) and thereafter showed negative trend in next three years. It was -272.85 crores in 2008 which increased to -5834.64 crores in 2010. On an average it stood at -1368.77 crore with standard deviation 1732.74 and a very high coefficient of variation of 759.55%.

Inventories: For M&M Ltd. the inventories increased from 759.97 crores in 2005 to 878.88 crore in 2006. In 2008 increased to 1084.11 crores with slight decrease in 2007. In 2009 declined by 23.44 crores and again increased to 1188.78 crores in 2010. On an average inventories stood at 975.14 crores with standard deviation 147.06 and a low variation rate of 15.08%. Inventories were 26.43% of GWC on an average.

In case of Tata Motors Ltd. the inventories increased from 1601.36 crores in 2005 to 2500.95 crore in 2007. They decreased to 2421.83 and 2229.81 crores in 2008 & 2009 respectively. In 2010 they rose to 2935.59 crores. On an average inventories stood at 2283.63 crores with standard deviation 415.04 and a low variation rate of 18.17%. Inventories were 23.23% of GWC on an average.

Debtors: Debtors of M&M Ltd. showed increasing trend every year. It increased from 511.52 crores in 2005 to 1258.08 crores in 2010. On an average it stood at 859.44 crores with standard deviation 261.2. Variation rate is slightly high i.e. 30.39%. They comprised 22.16% of GWC.

In case of Tata Motors Ltd. also Debtors showed increasing trend every year except in 2006. It was 798.58 crores

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in 2005 which declined to 715.78 in 2006. Thereafter it increased to 2391.92 crores in 2010. On an average it stood at 1170.73 crores with standard deviation 575.97 and a high variation rate of 49.20%. They covered only 11.73% of GWC.

Cash and Bank: For M&M Ltd. it increased from 623.98 crores in 2005 to 1326.07 crore in 2007. In 2008 it decreased to 861.23 crores and again climbed up to 1743.23 crores in 2010. The average amounted to 1143.21 crores with standard deviation 427.98 indicating high variation rate of 37.44%. They form 28.74% portion of GWC.

Cash and Bank balance in case of Tata Motors Ltd. was 2005.04 crores which came down in next two years. It was 1119.43 and 826.76 crores in 2006 and 2007 respectively. In 2008 increased from 826.76 crores to 2397.31 crores. Decreased to 1141.82 crores in 2009 and again increased to 1753.26 crores in 2010. On an average amounted to 1540.60 crores with standard deviation 553.9 indicating high variation rate of 35.95%. It occupied 16.33% portion of GWC.

Loans and Advances: From 2005 to 2007 it has shown rising trend. In 2005 it was 401.88 crore which increased to 839.42 Cr. in 2007. It reduced to 691.88 Cr in 2008. It rose to 1382.62 Cr. and 1801.43 Cr in 2009 and 2010 respectively. Ordinarily it stood at 938.08 crores with standard deviation 497.17 and very high variation rate of 53%. On an average it covered 22.41% of GWC.

Tata motors has shown fluctuating trend. In 2005 it was 2674.93 crore which increased to 6396.22 crores in 2007. It reduced to 4433.05 crores in 2008. It rose to 4962.99 crores and declined by 505.89 crores in 2009 and 2010 respectively. Ordinarily it stood at 4788.67 crores with standard deviation 1180.21 and variation rate of 24.65%. On an average it covered major portion i.e. 48.68% of GWC.

Other current assets: These constitute very small portion of GWC of both the companies with very high variation rate.

Current Liabilities: Current liabilities of M&M Ltd. showed an increasing trend. It continuously increased from 1759.7 crores in 2005 to 5196.54 crores in 2010. They represented an average of 3287.27 crores with variation rate of 39.61%.

Same in the case of Tata Motors Ltd.. Current liabilities have shown increasing trend throughout the study period. It was 6540.67 crore in 2005 which increased to 17372.59 crores in 2010. They illustrated average of Rs.10015.03. Coefficient of variation rate is 36.62%.

### **Ratio Analysis :**

The various ratios used for the study include Current Ratio (CR), Quick Ratio (QR), Absolute Cash Ratio (ACR), Working Capital Turnover Ratio (WCTR), Inventory Turnover Ratio (ITR), Debtors Turnover Ratio (DTR), Cash Turnover Ratio (CTR), Inventory Conversion Period (ICP) and Debtors Collection Period (DCP). All turnover ratios are calculated in relation to net sales.

Mahindra & Mahindra Ltd.: CR was in between 1.06:1 to 1.41:1 over the period of study with an average of 1.24 which is below standard ratio of 2:1. QR was 0.25:1 to 1.23:1 through out the period with an average ratio of 0.68:1 which is below standard ratio of 1:1. ACR was below standard norm with a mean ratio of 0.36:1. Least WCTR was 8.88:1 and highest was 47.70:1 with an average ratio of 21.33:1. ITR decreased from 19 times to 17 times in 2006. Thereafter it increased to 29 times in 2010 giving a mean of 20.10 times. ICP increased from 27 days to 30 days in 2006. In 2007 it was 28 days which rose to 29 days in 2008 and again declined to 26 days and 19 days in 2009 and 2010 respectively. Average ICP was 26 days. DTR was 13, 13, 14 times in 2005, 2006 and 2007 respectively. It declined to 11 times in 2008 and again reached to 14 times in 2010 depicting average DTR of 12.70 times. DCP was same for 2005 and 2006 i.e. 29 days. It declined to 27 days in 2007 and again climbed up to 34 days with diminishing trend in subsequent two years. It stood at average of 29 days. CTR was fluctuating through out the period and gave an average of 10 times.

Tata Motors Ltd.: CR was below standard ratio of 2:1 over the period of study with an average of 1.05:1. It started with 1.08:1 rose to 1.36:1 and fell down to 0.66:1 in 2010. QR was 0.50:1 to 1.08:1 through out the period with an average ratio of 0.82:1 which is below standard ratio of 1:1. ACR was in between 0.10:1 and 0.31:1 giving mean ratio of 0.17:1 which is very less than the standard norm of 0.50:1. WCTR placed from (105.30):1 to 32.25:1 showing an average ratio of (13.94):1. ITR decreased from 24 times to 21 times in 2008. it remained same in 2009 and increased to 25 times in 2010. On an average it stood at 22.57 times. ICP increased from 22 days to 25 days in 2008. In 2009 and 2010 it fell down to 24 and 21 days respectively. Mean ICP was 23.57 days. DTR rose to 35

times in 2007 from 22 times in 2005 and then declined continuously to 15 times in 2010. Average DTR was of 25 times. DCP was 17 days in 2005 which reduced to 10 days in 2007. It climbed up to 25 days in 2010. It averaged at 16 days. CTR increased to 33 times in 2007 from 9 times. Then it showed fluctuating trend in last 3 years and offered an average of 19.23 times.

### **t-test Analysis :**

t-test was performed at 5% significance level to check whether significant difference exist in the working capital of both the companies. Result showed that there is no significant difference between two.

Findings and Conclusions:

It was observed that M&M Ltd has shown good liquidity position as it has revealed positive and adequate net working capital compare to Tata Motors . Result showed by Tata Motors was positive in first three years but from 2008 to 2010 it has revealed increasingly negative working capital. It portrayed very high variation rate of (759) due to high amount of negative working capital in one year and positive in one year. It requires urgent action to be taken for improvement as it illustrated poor liquidity position.

Composition of current assets disclosed that investment of M&M Ltd. in inventories, debtors, Loans and advances and cash and bank is near about same ranging from 22.41% to 28.74%. It showed that they have managed composition of current assets properly. However Tata Motors have invested huge fund i.e.48.68% of current assets in loans and advances. While investment in debtors is comparatively low. Proportion of cash and bank balance is only 16.33%.

The analysis of current liabilities of M&M showed lower amounts than total current assets resulting positive net working capital every year. In case of Tata Motors amount of current liabilities for first three years was in control but in next three years it exceeded the limit of total current assets representing negative trend in net working capital.

On an average Current ratio, Quick ratio and Absolute cash ratio of both the companies was below standard of 2:1, 1:1 and 0.50:1 respectively. When compared with each other result disclosed that liquidity position of M&M is better. M&M revealed good working capital turnover ratio as it has revealed positive working capital every year. However in case of Tata Motors due to negative working capital, average working capital turnover ratio showed bad results.

Cash turnover ratio of Tata Motors was comparatively higher than Mahindra & Mahindra.

Debtors turnover ratio for Mahindra & Mahindra is 12.70 times and debtors get converted into cash after 29 days whereas for Tata Motors debtors turnover was near about double i.e. 24.65 times and period required for conversion was only 16 days. Result showed that compare to M&M Tata Motors can raise cash easily from debtors in shorter period.

Inventory turnover ratio of both the companies was pretty high with high conversion period. It indicated that both the companies are managing their inventories efficiently.

After this comparative study it may be concluded that though Tata Motors is still leader in the market as far as management of working capital is concerned, Mahindra and Mahindra has performed better.

In case of SMIs: Investigation revealed that Tata Motors, M&M, Bajaj Auto, DANA India and Spicer these are the major clients for them. For 50% of the SMIs under study raw material is supplied by the client as and when required. So no problem of inventory arises for them. Few SMIs they follow just in time technique. Where as few were not aware about it and impact of poor inventory management. Regarding debtors again their suppliers are their clients so no major problem for few but for remaining 50% they some times face the problem in collection. Overall SMIs study showed that though few companies are managing working capital properly few are not aware of it. Due to which they are facing problems to raise funds from banks, to avail credit facilities from suppliers, etc.

### **Suggestions:**

Though working capital structure of M&M has shown better results, it has to take steps to improve its liquidity position to meet the future growth requirements in global market. In case of Tata Motors huge fund of gross working capital is captured by loans and advances which indicates that now they have to take more efforts for recovery of the same. Exceeding amount of current liabilities demonstrate that part of fixed assets are financed from short term sources. Company has to focus on liquidity problem and increase efficiency in utilization of fixed

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assets.

They have already taken benefit of its goodwill in the market for last three years now its time to take corrective action and improve liquidity position to sustain its present status. In case of SMIs they have to understand the importance of working capital mainly inventory and debtors management for early growth.

According to Automotive Mission Plan 2006-2016 next few years will be the crucial period for growth of Indian automotive industry in global stage. All large as well as small and medium scale industries have to manage their working capital efficiently and effectively to scale newer heights in years to come.

### Working Tables:

**Table 1**

**Working Capital Structure: Mahindra and Mahindra Ltd.**

**(Rs. In Crores)**

| Year                              | 2010    | 2009    | 2008    | 2007    | 2006   | 2005   | Total   | Mean     | S.D.   | C.V.   |
|-----------------------------------|---------|---------|---------|---------|--------|--------|---------|----------|--------|--------|
| Current Assets, Loans Inventories | 1188.78 | 1060.67 | 1084.11 | 878.41  | 878.88 | 759.97 | 5850.82 | 975.14   | 147.06 | 15.08  |
| % GWC                             | 19.67   | 20.95   | 29.66   | 23.44   | 31.82  | 33.05  |         | 26.43    |        |        |
| Debtors                           | 1258.08 | 1043.65 | 1004.88 | 700.52  | 637.96 | 511.52 | 5156.61 | 859.44   | 261.2  | 30.39  |
| % GWC                             | 20.82   | 20.61   | 27.49   | 18.69   | 23.10  | 22.24  |         | 22.16    |        |        |
| Cash and Bank Balances            | 1743.23 | 1574.43 | 861.23  | 1326.07 | 730.31 | 623.98 | 6859.25 | 1,143.21 | 427.98 | 37.44  |
| % GWC                             | 28.85   | 31.10   | 23.56   | 35.38   | 26.44  | 27.14  |         | 28.74    |        |        |
| Loans and Advances                | 1801.43 | 1382.62 | 691.88  | 839.42  | 511.23 | 401.88 | 5628.46 | 938.08   | 497.17 | 53.00  |
| % GWC                             | 29.81   | 27.31   | 18.93   | 22.40   | 18.51  | 17.48  |         | 22.41    |        |        |
| Other Current Assets              | 50.87   | 1.56    | 13.27   | 3.31    | 3.46   | 2.14   | 74.61   | 12.44    | 17.64  | 141.86 |
| % GWC                             | 0.84    | 0.03    | 0.36    | 0.09    | 0.13   | 0.09   |         | 0.26     |        |        |

| Year                                 | 2010    | 2009    | 2008    | 2007    | 2006    | 2005    | Total    | Mean     | S.D.    | C.V.  |
|--------------------------------------|---------|---------|---------|---------|---------|---------|----------|----------|---------|-------|
| Gross Working Capital (GWC)          | 6042.39 | 5062.93 | 3655.37 | 3747.73 | 2761.84 | 2299.49 | 23569.75 | 3,928.29 | 1283.1  | 32.66 |
| Current Liabilities And Provisions : | 5196.54 | 4797.76 | 3251.01 | 2665.65 | 2052.98 | 1759.7  | 19723.64 | 3,287.27 | 1302.02 | 39.61 |
| Net Working Capital (NWC)            | 845.85  | 265.17  | 404.36  | 1082.08 | 708.86  | 539.79  | 3846.11  | 641.02   | 273.44  | 42.66 |

**Table 2**

**Working Capital Structure: Tata Motors Ltd.**

**(Rs. In Crores)**

| Year                                  | 2010    | 2009    | 2008    | 2007    | 2006    | 2005    | Total    | Mean     | S.D.   | C.V.  |
|---------------------------------------|---------|---------|---------|---------|---------|---------|----------|----------|--------|-------|
| Current Assets, Loans And Inventories | 2935.59 | 2229.81 | 2421.83 | 2500.95 | 2012.24 | 1601.36 | 13701.78 | 2,283.63 | 415.04 | 18.17 |
| % GWC                                 | 25.44   | 23.37   | 23.32   | 23.79   | 20.83   | 22.60   |          | 23.23    |        |       |

|                        |         |         |         |         |         |         |          |          |         |       |
|------------------------|---------|---------|---------|---------|---------|---------|----------|----------|---------|-------|
| Sundry Debtors         | 2391.92 | 1205.52 | 1130.73 | 782.18  | 715.78  | 798.58  | 7024.71  | 1,170.79 | 575.97  | 49.20 |
| % GWC                  | 20.73   | 12.64   | 10.89   | 7.44    | 7.41    | 11.27   |          | 11.73    |         |       |
| Cash And Bank Balances | 1753.26 | 1141.82 | 2397.31 | 826.76  | 1119.43 | 2005.04 | 9243.62  | 1,540.60 | 553.9   | 35.95 |
| % GWC                  | 15.20   | 11.97   | 23.09   | 7.86    | 11.59   | 28.30   |          | 16.33    |         |       |
| Loans And Advances     | 4457.1  | 4962.99 | 4433.05 | 6396.22 | 5807.7  | 2674.93 | 28731.99 | 4,788.67 | 1180.21 | 24.65 |
| % GWC                  | 38.63   | 52.02   | 42.69   | 60.85   | 60.11   | 37.75   |          | 48.68    |         |       |
| Other Current Assets   | 0.11    | 0.11    | 0.86    | 5.94    | 6.16    | 6.12    | 19.3     | 3.22     | 2.87    | 89.22 |
| % GWC                  | 0.00    | 0.00    | 0.01    | 0.06    | 0.06    | 0.09    |          | 0.04     |         |       |

**Table 2 (cont.)****Working Capital Structure: Tata Motors Ltd.****(Rs. In Crores)**

| Year                               | 2010     | 2009     | 2008     | 2007     | 2006    | 2005    | Total    | Mean      | S.D.    | C.V    |
|------------------------------------|----------|----------|----------|----------|---------|---------|----------|-----------|---------|--------|
| Gross Working Capital (GWC)        | 11537.98 | 9540.25  | 10383.78 | 10512.05 | 9661.31 | 7086.03 | 58721.4  | 9,786.90  | 1373.54 | 14.03  |
| Current Liabilities And Provisions | 17372.59 | 10676.92 | 10656.63 | 7728     | 7115.36 | 6540.67 | 60090.17 | 10,015.03 | 3667.27 | 36.62  |
| Net Working Capital (NWC)          | 5834.61  | 1136.67  | 272.85   | 2784.05  | 2545.95 | 545.36  | 1368.77  | 228.13    | 1732.74 | 759.55 |

**Tables of Ratios:****Table 3****Working capital Ratios of Mahindra and Mahindra Ltd**

| Year | ITR (Times) | ICP (Days) | DTR (Times) | DCP (Days) | CTR (Times) | WTR (Times) | CR (Times) | QR (Times) | ACR (Times) |
|------|-------------|------------|-------------|------------|-------------|-------------|------------|------------|-------------|
| 2010 | 29          | 19         | 14          | 25         | 10          | 21.33       | 1.16       | 0.71       | 0.34        |
| 2009 | 20          | 26         | 12          | 30         | 8           | 47.70       | 1.06       | 0.25       | 0.33        |
| 2008 | 18          | 29         | 11          | 34         | 13          | 26.72       | 1.12       | 0.37       | 0.26        |
| 2007 | 18          | 28         | 14          | 27         | 7           | 8.88        | 1.41       | 1.23       | 0.50        |
| 2006 | 17          | 30         | 13          | 29         | 11          | 11.27       | 1.35       | 0.81       | 0.36        |
| 2005 | 19          | 27         | 13          | 29         | 10          | 12.10       | 1.31       | 0.71       | 0.35        |

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|       |       |       |       |       |         |        |      |      |      |
|-------|-------|-------|-------|-------|---------|--------|------|------|------|
| Total | 121   | 158   | 76    | 174   | rised60 | 127.99 | 7.41 | 4.08 | 2.14 |
| Mean  | 20.10 | 26.30 | 12.70 | 28.99 | 9.93    | 21.33  | 1.24 | 0.68 | 0.36 |

**Table 4**  
Working capital Ratios of Tata Motors Ltd

| Year  | ITR<br>(Times) | ICP<br>(Days) | DTR<br>(Times) | DCP<br>(Days) | CTR<br>(Times) | WTR<br>(Times) | CR<br>(Times) | QR<br>(Times) | ACR<br>(Times) |
|-------|----------------|---------------|----------------|---------------|----------------|----------------|---------------|---------------|----------------|
| 2010  | 25             | 21            | 15             | 25            | 20             | (6.10)         | 0.66          | 0.50          | 0.10           |
| 2009  | 21             | 24            | 21             | 17            | 22             | (22.55)        | 0.89          | 0.68          | 0.11           |
| 2008  | 21             | 25            | 25             | 14            | 12             | (105.30)       | 0.97          | 0.75          | 0.22           |
| 2007  | 22             | 24            | 35             | 10            | 33             | 9.87           | 1.36          | 1.04          | 0.11           |
| 2006  | 23             | 24            | 29             | 13            | 19             | 8.21           | 1.36          | 1.08          | 0.16           |
| 2005  | 24             | 22            | 22             | 17            | 9              | 32.25          | 1.08          | 0.84          | 0.31           |
| Total | 135            | 141           | 148            | 96            | 115            | (83.63)        | 6.32          | 4.89          | 1.01           |
| Mean  | 22.57          | 23.51         | 24.65          | 15.92         | 19.23          | (13.94)        | 1.05          | 0.82          | 0.17           |

t-test:

H<sub>0</sub> : No significant difference exist in the working capital of M&M Ltd. and Tata Motors Ltd.

H<sub>1</sub> : Significant difference exist in the working capital of M&M Ltd. and Tata Motors Ltd.

**Table 5**  
Net Working Capital (Rs. in Crores)

| Year | M&M Ltd. | T M Ltd.   |
|------|----------|------------|
| 2010 | 845.85   | (5,834.61) |
| 2009 | 265.17   | (1,136.67) |
| 2008 | 404.36   | (272.85)   |
| 2007 | 1082.08  | 2784.05    |
| 2006 | 708.86   | 2545.95    |
| 2005 | 539.79   | 545.36     |

Degree of freedom =  $n_1+n_2-2= 6+6-2=10$

t at 5% i.e.  $t_{0.05}$  significance level for degree of freedom 10 = 2.228

$t_{cal} = 0.6747$

As  $t_{0.05} > t_{cal}$ , The null hypothesis (H<sub>0</sub>) is accepted.

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