



Original Research Article

A study on fundamental analysis of automobile sector as a long term investment for investors

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Abstract

Fundamental analysis is an approach used to determine the 'correct price' or intrinsic value of a security. The objective is to identify underpriced and overpriced securities in the marketplace, thereby aiding in sound investment decisions such as buying or selling. A security is considered underpriced if its current market price is below its intrinsic value, and overpriced if the market price exceeds this value.

This method evaluates a security by examining various economic, financial, and other qualitative and quantitative factors, including company-specific variables. The analysis typically follows the Top-Down Approach, also known as the E-I-C (Economy-Industry-Company) framework.

Due to growing demand, technical developments, and supportive government regulations, the Indian vehicle industry continues to expand and plays a significant role in economic development. This study looks at the financial performance and Nifty 50 rating of five significant automakers: Eicher Motors, Bajaj Auto, Mahindra & Mahindra, Tata Motors, and Maruti Suzuki.

This topic uses an exploratory research design that is based in secondary data. This study will take into account data from a chosen group of companies listed on the National Stock Exchange for the period of March 1, 2020, through March 31, 2024. The annual reports served as the basis for the descriptive research. The balance sheet, profit and loss account, and cash flow statement of the business from 2020-2024 are used to do the ratio analysis. This study expands our knowledge of the ways in which basic analysis could guide smart financial decisions in one of India's most significant industries.

Keywords: Fundamental Analysis, Automobile Sector, Long-Term Investment, Ratio Analysis, E-I-C Approach, Liquidity Ratios

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1. Introduction

A technique called fundamental analysis looks at associated economic, financial, and other qualitative and quantitative aspects in order to determine a security's intrinsic value. Macroeconomic factors like GDP growth and interest rates as well as microeconomic factors like corporate earnings, management performance, industry circumstances, and competitive advantages are all studied because they have the potential to impact a firm's value.

Fundamental analysis in the stock market refers to evaluating a company's financial statements, such as its cash flow, balance sheet, and income statement, in order to ascertain its financial stability and prospects for future expansion. Investors can use this technique to determine if a

stock is overpriced or underpriced in relation to its current market price.

Fundamental analysis considers external elements including market demand, industry trends, governmental regulations, and economic conditions in addition to financial data. For example, in the automotive industry, a company's profitability can be greatly impacted by consumer preferences for electric vehicles, legislative changes, and technical improvements.

Fundamental research is essential for long-term investors because it helps them choose steady, fundamentally sound businesses that have the potential to generate consistent profits over time. In industries like the automotive sector, which is impacted by a number of cyclical and structural factors such as innovation, customer demand,

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governmental restrictions, and worldwide economic trends, this strategy is particularly pertinent.³

2. Framework of Fundamental Analysis

Fundamental analysis can generally be approached in two distinct ways:

2.1. Top-down approach

E-I-C Approach, this method involves analyzing the Economy (E) first, followed by the Industry (I), and finally the Company (C).

2.2. Bottom-up approach

C-I-E Approach, this process begins with the Company (C), then considers the Industry (I) it operates in, and lastly evaluates the broader Economy (E).

In this study, we adopt the Top-Down Approach (E-I-C) for conducting fundamental analysis. This involves:

First, evaluating the overall economic conditions.

Next, studying the industry to which the selected company belongs.

Finally, performing a detailed analysis of the specific company.

3. Objectives

The major objectives of this study are:

1. To study Fundamental Analysis of Automobile Sector for selected stocks for the
2. Long term investment.
3. To analyse the growth and financial performance of selected stocks.
4. To use ratio analysis tools of the selected companies for long term investment.
5. To analyse the company's share that would be best in future to invest for long term investment.

4. Literature Review

1. **Nidhi Mittal, Rina Rani, & Prince Garg. (2024):** This study, "Navigating Uncertainty: The Impact Risk Profile of India's Automobile Industry during COVID-19," examines the yearly turnover rates of the top ten companies in the Indian automobile industry from 2013 to 2023 in order to evaluate their financial stability. Examining business risk and firm-specific risk stemming from changes brought about by a quickly evolving business environment is the main goal. In order to assess risk profiles and financial health, the study uses a variety of financial measures and statistical methods, offering important insights into how resilient the industry was during the epidemic.
2. **Diya Mittal. (2024):** The study paper "Effect of Self-Reliant Policy on FDI in India: Case Study of Automobile Multinationals" investigates the influence of India's "Self-Reliant Policy 2020" on Foreign Direct

Investment (FDI) in the automobile sector. Using a qualitative methodology, the paper examines case studies of international automakers with operations in India. The results indicate that the strategy, which places a strong emphasis on "Make in India and Make for the World," has affected multinational corporations' decisions to invest in India, influencing their investment patterns and operational strategies. The study advances knowledge on how national policies might influence the flow of foreign investment into emerging markets.

3. **Sandeepthi Robert M. & Dr. Nirmala J. (2023):** India's manufacturing industry makes a substantial contribution to the nation's GDP, and the country views manufacturing as essential to its development. In India's manufacturing business, foreign promoters have had a significant economic impact across a number of output areas. The global market is dominated by the automotive industry and its auto component sector. The Indian automobile industry saw a noteworthy 326.1164% increase in foreign direct investment (FDI) over the fiscal years 2021–2022, placing it seventh in terms of FDI inflows. The increase of foreign direct investment inflows into India is significantly influenced by the size of the industry
4. **Dr. A. Vini Infanta & Kalaiyarasu R. (2023):** This study explores the impact of COVID-19 lockdowns on India's automobile industry, highlighting the significant disruptions caused. It uses secondary data from journals, research papers, articles, and online sources to assess how the pandemic affected the broader economy and the auto sector. The research applies a fundamental analysis approach, evaluating key financial metrics such as debt-to-equity ratio, earnings per share, profit margins, and market performance. The analysis follows the E-I-C (Economy-Industry-Company) framework to offer a conservative, value-based assessment of equity shares.
5. **K. Maran, L. Sujatha, & T. Praveen Kumar (2017):** This study examines the effects of foreign direct investment (FDI) on the Indian auto sector under the title "Impact of Foreign Direct Investment on Automobile Sector: An Empirical Study with Reference to India." The rise of FDI inflows into the sector between 2000 and 2015 is examined in the study using secondary data. It examines the relationship between FDI and economic indicators like GDP growth, employment, and technological advancement. Findings show that FDI has boosted the Indian auto sector's competitiveness through technology transfer, improved production, and export opportunities. The study concludes that continued FDI is vital for sustained industry growth.

5. Research Methodology

The primary goal of this project's study technique is to perform a fundamental analysis of a few chosen automobiles that are included in the Nifty 50 index. Examining their financial performance and understanding their potential for long-term investments are the goals.²

| | |
|-----------------------------|--|
| Name of the Industry | Automobile Industry |
| Data sources | Annual report of selected company |
| | Company Balance Sheet |
| | Company profit and Loss A/C |
| | Cash Flow statement |
| | Money control , Economic times and other reports, |
| | Official web site of company: |
| | NSE India (www.nseindia.com) BSE India (www.bseindia.com) |
| Data collection tool | Ratio analysis |
| Charts and graphs | Used for analysis and interpret them |
| Research Design | Descriptive & Analytical |
| Method of Sampling | Purposive sampling of selected listed automobile companies. |

5.1. Data analysis

5.1.1. Economic analysis

The country's total GDP is closely related to its automobile industry. In addition to making a major boost to the GDP, it also promotes growth in industry, creates a big number of jobs, and supports related industries like electronics, steel, rubber, and glass. Analyzing investment potential in this industry thus requires an awareness of the economic climate.

6. Indian Economy Survey 2024

The Economic Survey 2024 presented by Finance Minister Nirmala Sitharaman, highlights India's strong profitable performance.

The Indian frugality recorded a robust GDP growth of 8.2 in FY24, with prospects of 6.5 – 7 growth in FY25. The check emphasized the strength of domestic demand, rising private investment, and stable macroeconomic pointers. The husbandry sector contributed 17.7 to GVA, and services remained dominant at 54.7. Affectionation eased to 5.4, and the Current Account deficiency narrowed to 0.7 of GDP, reflecting better control over external trade. structure growth continued, with 34 km of roadways erected per day and new outstations opened at 21 airfields. The fiscal sector remained strong with increased bank credit, and the social sector also expanded, with over 34.7 crore Ayushman Bharat cards issued. The check also stressed progress in green energy, with 45.4 of installed electricity capacity from non-fossil energy

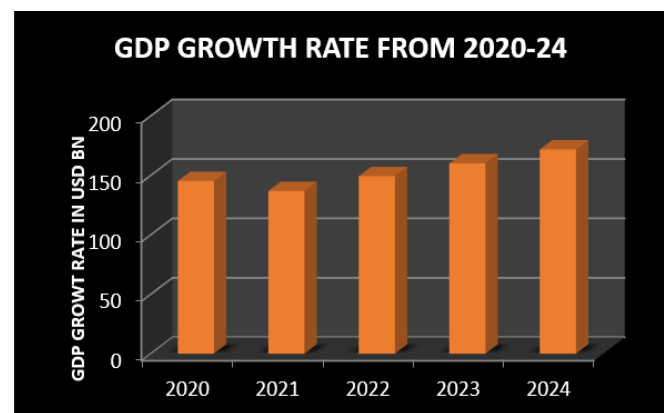
sources. Overall, the check reflects a stable, growth-acquainted terrain, boosting confidence in sectors like motorcars for long- term investment.

7. Economic Indicator of India

| Year | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Compo und Annuall y Growth Rate(%)) |
|--------------------------------------|---------|---------|---------|---------|---------|--------------------------------------|
| GDP GROWTH (%) | 145.3 | 136.9 | 149.3 | 160.1 | 171.8 | 3.39% |
| Inflation rate (%) | 6.62 | 5.13 | 6.70 | 5.65 | 4.6 | -7.41% |
| Exports in USD in Bn | 499.73 | 677.77 | 778.02 | 777.14 | 820 | 10.48 |
| Foreign Direct Investm ent in USD Bn | 64.36 | 44.73 | 49.94 | 28.07 | 29.79 | -15.83 |

8. Gross Domestic Product

The Gross Domestic Product (GDP) is an essential indicator for assessing the overall condition and effectiveness of a nation's economy. It is usually defined as the total monetary value of all goods and services produced inside a nation's boundaries over a given time period, such as a year or a quarter. Policymakers, economists, and investors can better assess the economy's health and whether it growing or falling by using GDP.



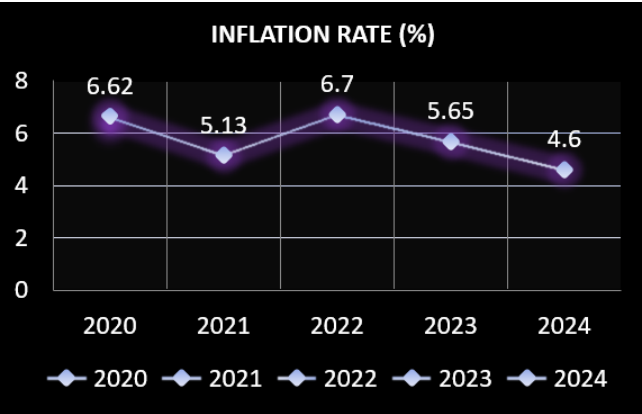
Interpretation

India's GDP increased steadily between 2019–20 and 2023–24, with the exception of 2020–21, when the COVID-19

epidemic caused a decline. The GDP grew at a Compound Annual Growth Rate (CAGR) of 4.2%, from 145.3 to 171.8. This consistent rise demonstrates the expansion and recovery of the Indian economy. People's incomes rise in tandem with GDP, which raises their expenditure on items like cars. Long-term investment in the automotive industry is supported by a robust and expanding GDP since it demonstrates stability and growing consumer demand.

Inflation rate

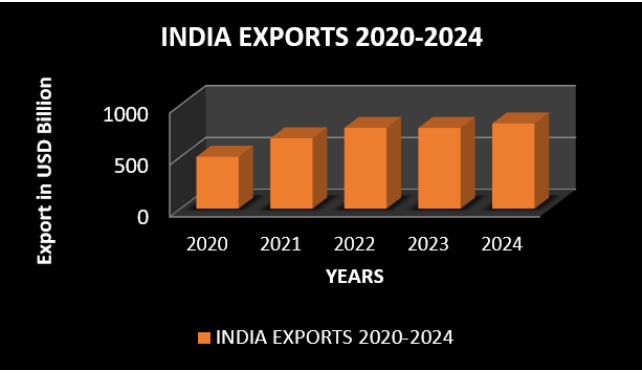
The inflation rate is a measure of how much prices for goods and services rise over time. Inflation is important for long-term investors, particularly in industries like automobile. It has an impact on customer demand, production costs, raw material prices, and eventually business profit margins. Knowing inflation makes it easier for investors to assess how well automakers can control growing expenses while preserving profitability, which is essential for fundamental analysis and wise long-term investment choices.



Interpretation

The rate of inflation has changed over time. Due to problems with the global supply chain, it peaked in 2021–22, decreased slightly in 2020–21, and then increased again in 2019–20 at 6.62%. But in 2023–2024, it dropped to 4.6%, a manageable and healthy level. Customers benefit as well since auto loans become more cheap while interest rates remain low. Therefore, a steady rate of inflation benefits investors as well as the auto sector.⁵

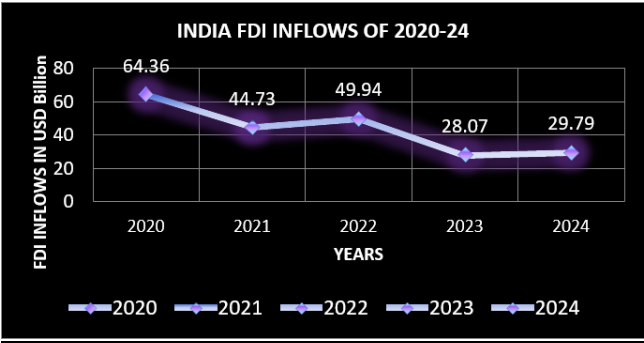
9. India Exports



Interpretation

In the last few years, India's export earnings have been impressive, rising from USD 499.73 billion in 2019–20 to USD 820 billion in 2023–24. Strong worldwide demand and the competitiveness of Indian companies are reflected in this steady increase. This is encouraging for the auto industry because India is emerging as a major exporter of auto parts and even some car models. Growing exports boost investor confidence and the economy, making the industry appealing to long-term investors.

10. India Foreign Direct Investment



Interpretation

India's foreign direct investment (FDI) peaked in 2019–20 at USD 64.36 billion, but it fell in the years that followed, to its lowest point in 2022–2023 at USD 28.07 billion. It has marginally improved to USD 29.79 billion in 2023–2024. The current improvement indicates a return of confidence, even though the decline in FDI can indicate short-term investor caution. For the automotive industry, foreign direct investment (FDI) is crucial, particularly for the development of electric vehicles, sophisticated technology, and the establishment of production facilities.⁶⁻¹¹ The sector is a wise area for investors to concentrate on since more FDI can encourage long-term growth and innovation in the industry.

10.1. Industry analysis

The automobile industry is one of the most dynamic and important sectors of the Indian economy. It is a solid foundation for employment, industrial expansion, and technical development. The sector makes a substantial contribution to India's GDP through its wide value chain, which encompasses manufacture, sales, financing, and after-sales services.

The goal of this industry analysis is to present a thorough grasp of the composition, patterns, and prospects for expansion of the automotive industry. In order to assess the sector's feasibility as a long-term investment opportunity for investors, the analysis looks at the macroeconomic climate, governmental policies, consumer demand trends, and upcoming technologies like electric transportation.

11. Indian Automobile Sector At A Glance

The automobile sector contributes to around 6% of India's national GDP, with exports totalling 4.5 million units across all categories in fiscal year 2023-24, including 6,72,105 passenger vehicles and 3.45 million two-wheelers. This tendency is best illustrated by multinational automakers such as Maruti Suzuki, which exports over 2,80,000 units a year, and Skoda Auto Volkswagen India, which exports 30% of its manufacturing.

The industry is estimated to be worth USD 121.5 billion as of 2024 and is expected to increase at a Compound Annual Growth Rate (CAGR) of 7.13% to reach USD 247.4 billion by 2033. In terms of total vehicle sales, India has surpassed Japan to become the world's third-largest automobile market. Passenger cars, commercial vehicles, two-wheelers, and electric vehicles (EVs) are some of the categories that make up this industry. Its steady expansion is driven by both strong domestic demand and export possibilities.

Over the last four years, the sector has received \$36 billion in Foreign Direct Investment (FDI), indicating India's growing relevance in the global automotive market. India's automotive industry is made more attractive to investors by allowing 100% FDI through.

The Indian government has put several important efforts into place to support this growth:

12. The FAME II (Faster Adoption and Manufacture of Electrical vehicles) Scheme

Launched in April 2019 with a ₹10,000 crore budget, was later expanded to ₹11,500 crore. It intends to promote the use of electric vehicles by offering demand incentives for 7,000 e-buses, 5 lakh e-3 wheelers, 55,000 e-four wheeler passenger cars, and 10 lakh e-two wheelers.

13. The Production-Linked Incentive (PLI) Scheme

The PLI program, which was approved in September 2021 with a budgetary cost of ₹25,938 crore, aims to improve India's capacity to manufacture Advanced Automotive Technology goods, such as hydrogen fuel cell and electric vehicles. It is anticipated that the plan will increase domestic production and draw large investments.

The Industry presents attractive prospects for long-term investment, particularly in fields like electric automobiles, commercial vehicles, and auto components. The automotive industry is a promising place for investors looking for consistent capital growth and long-term value creation because of its solid foundation, government support, and technical advancements.

14. Company Analysis

Company analysis involves assessing a company's performance and identifying the key factors behind its success or failure. When a company performs well despite economic or industry challenges, it often possesses unique characteristics that contribute to its strength. These characteristics, whether measurable or not, are explored through both quantitative and qualitative analysis. Quantitative analysis focuses on financial and operational indicators, such as profitability and financial stability, derived from the income statement and balance sheet. Future prospects are gauged through budgets and cash flow statements, while metrics like Earnings Per Share (EPS) and Dividend Per Share (DPS) offer insights into profitability and returns.¹²

Qualitative analysis, though less tangible, plays a crucial role in investment decisions. It includes factors like management reputation, brand image, and future strategies, often reflected in directors' or auditors' reports and public statements. Ratio analysis—covering profitability, turnover, and leverage ratios—also supports investment evaluation, with profitability ratios being especially important for forecasting a company's future strength. A balanced assessment of both quantitative and qualitative elements provides a comprehensive view of a company's potential.

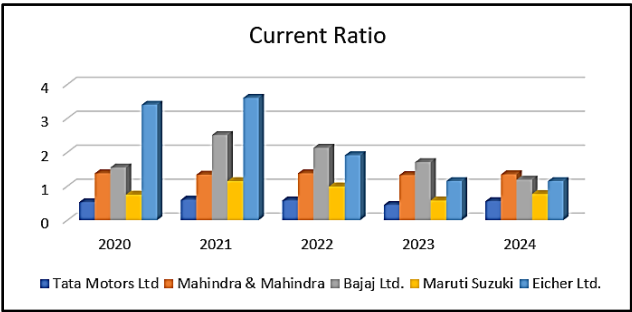
Company Analysis of Eicher Motors, Bajaj Auto, Mahindra & Mahindra, Tata Motors, and Maruti Suzuki.¹

14.1. Current ratio

The current ratio is a financial ratio that measures a company's capacity to meet its short-term obligations using its short-term assets.¹³ It shows the liquidity situation of the business, indicating if it has sufficient current assets (cash, inventory, and receivables) to cover its current liabilities (short-term loans, creditors, and bills payable).

Current ratio:
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

| Compan y | Tata Motor s Ltd. | Mahind ra & Mahind ra | Baja j Aut o Ltd. | Maru ti Suzuk i India Ltd. | Eiche r Motor s Ltd. |
|-------------|-------------------------|--------------------------------|-------------------------------|---|-------------------------------|
| 2020 | 0.53 | 1.38 | 1.55 | 0.75 | 3.4 |
| 2021 | 0.6 | 1.34 | 2.51 | 1.15 | 3.6 |
| 2022 | 0.58 | 1.38 | 2.13 | 0.99 | 1.91 |
| 2023 | 0.45 | 1.33 | 1.71 | 0.58 | 1.15 |
| 2024 | 0.56 | 1.35 | 1.19 | 0.77 | 1.15 |



Interpretation

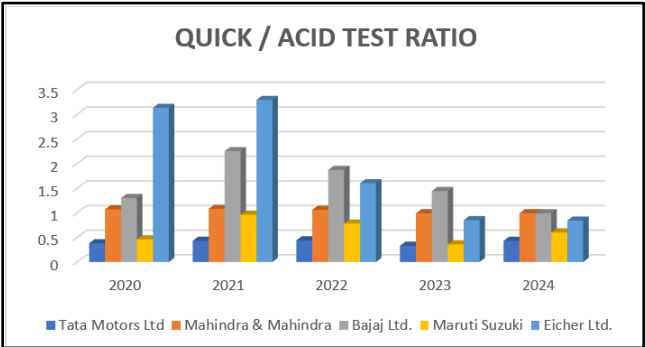
In this, all companies haven’t maintained the ideal current ratio except Eicher Motors Ltd. The highest current ratio of Eicher Motors Ltd was 3.6 in 2021, which implies that current assets were 3.6 times the current liabilities. While the highest current ratio of BAJAJ AUTO Ltd. was 2.51 in 2021. It is the second highest current ratio compared to all. An abnormally high value of current ratio may indicate the existence of idle or underutilized resources in the company.¹⁴⁻¹⁶

14.2. Quick/ acid test ratio

The quick ratio, also known as the acid test ratio, is a liquidity ratio that assesses a company's capacity to pay its current liabilities when they become due using solely quick assets. Current assets that can be quickly (within 90 days) turned into cash are known as quick assets.

Quick ratio: $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$

| Compan y | Tata Motor s Ltd. | Mahind ra & Mahind ra | Baja j Aut o Ltd. | Maru ti Suzuk i India Ltd. | Eiche r Motor s Ltd. |
|----------|-------------------|-----------------------|-------------------|----------------------------|----------------------|
| 2020 | 0.38 | 1.07 | 1.3 | 0.46 | 3.13 |
| 2021 | 0.43 | 1.08 | 2.25 | 0.96 | 3.29 |
| 2022 | 0.44 | 1.06 | 1.87 | 0.78 | 1.6 |
| 2023 | 0.33 | 0.99 | 1.44 | 0.36 | 0.85 |
| 2024 | 0.43 | 0.99 | 0.99 | 0.6 | 0.84 |



Interpretation

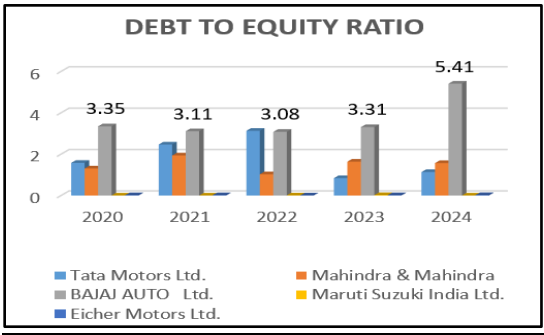
All the above companies have been maintaining their liquid asset position above the standard limit except Tata Motors Ltd. and Maruti Suzuki India Ltd. Quick ratio of Eicher Motors Ltd. has showed highest quick ratio in the year 2021 and after that in 2020. BAJAJ AUTO Ltd. has also shown higher quick ratio in 2021. Mahindra & Mahindra has been showing almost constant quick ratio for the last four years.

14.3. Debt to equity ratio

The Debt to Equity Ratio compares a company's total debt to its shareholders' equity. It shows the level at which the business finances its activities using borrowed money (debt) instead of to its own money (equity). A high ratio indicates that the business is taking on more debt, which could be dangerous if earnings are erratic. A low ratio suggests financial stability because it shows a greater dependence on equity and less on debt.

Debt to equity ratio: $\frac{\text{Total debt}}{\text{Shareholder's equity}}$

| Compa ny | Tata Moto rs Ltd. | Mahind ra & Mahind ra | BAJA J AUT O Ltd. | Maru ti Suzu ki India Ltd. | Eiche r Moto rs Ltd. |
|----------|-------------------|-----------------------|-------------------|----------------------------|----------------------|
| 2020 | 1.58 | 1.31 | 3.35 | 0.0023 | 0.0145 |
| 2021 | 2.47 | 1.94 | 3.11 | 0.001 | 0.0151 |
| 2022 | 3.13 | 1.03 | 3.08 | 0.0069 | 0.0047 |
| 2023 | 0.844 | 1.64 | 3.31 | 0.02 | 0.0147 |
| 2024 | 1.14 | 1.57 | 5.41 | 0.0006 | 0.0173 |



Interpretation

The D/E ratio is an important tool of financial analysis to appraise the financial structure of a firm. A high ratio shows a large share of financing by the creditors of the firm, a low

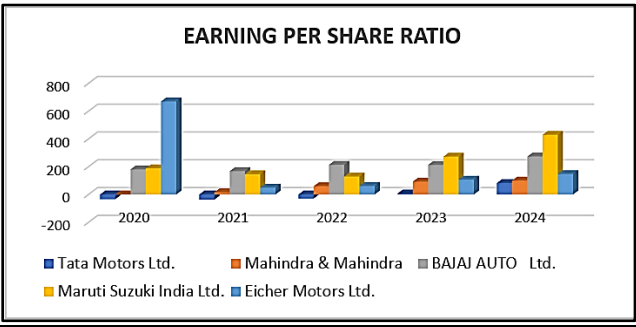
ratio implies a smaller claim of creditors. No companies have been maintaining the standard Debt-Equity Ratio for the last five years. Maruti Suzuki India Ltd. has shown a very low Debt-Equity ratio, which means they can go for more debt financing. A low debt-equity ratio of Maruti Suzuki is favorable as it indicates less risk.

14.4. Earning per share

Earnings Per Share (EPS) is a key financial indicator that indicates how much profit a firm makes on each share of its stock. A company's profitability is shown by its EPS. The corporation is more profitable and making more money for its stockholders if its EPS is higher. EPS is frequently used by investors to evaluate business performance and guide their investment choices.

To put it simply, EPS indicates the amount of money that each share would receive if the entire profit was distributed.

Earnings per share ratio:
$$\frac{\text{Net profit}}{\text{No. of outstanding shares}}$$



Interpretation

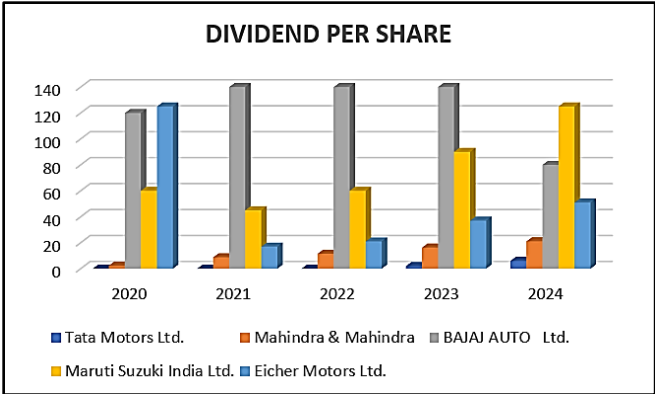
More the earnings per share (EPS), more the interest of shareholders and investors in the company. Eicher Motors Ltd. has the highest EPS in all five years, showing very consistent profitability. Bajaj Auto Ltd. also posted higher EPS throughout, reflecting steady earnings. Mahindra & Mahindra demonstrated consistent EPS growth across the period. Maruti Suzuki India Ltd. maintained strong EPS figures year after year, confirming reliable performance. The least performer is Tata Motors Ltd., though it recovered from negative to positive EPS by 2024, indicating signs of growing investor confidence.

14.5. Dividend per share

Dividend per share (DPS) is the total number of dividends paid out in a given year (including interim dividends but not special dividends) divided by the number of outstanding ordinary shares issued. The total amount of dividends paid to each outstanding share of a firm is known as the dividend per share, or DPS.

Dividend per share:
$$\frac{\text{Total dividend}}{\text{No. of outstanding share}}$$

| Compa ny | Tata Moto rs Ltd. | Mahind ra & Mahind ra | BAJA J AUT O Ltd. | Maru ti Suzu ki India Ltd. | Eiche r Moto rs Ltd. |
|----------|-------------------|-----------------------|-------------------|----------------------------|----------------------|
| 2020 | 0 | 2.35 | 120 | 60 | 125 |
| 2021 | 0 | 8.75 | 140 | 45 | 17 |
| 2022 | 0 | 11.55 | 140 | 60 | 21 |
| 2023 | 2 | 16.25 | 140 | 90 | 37 |
| 2024 | 6 | 21.1 | 80 | 125 | 51 |



Interpretation

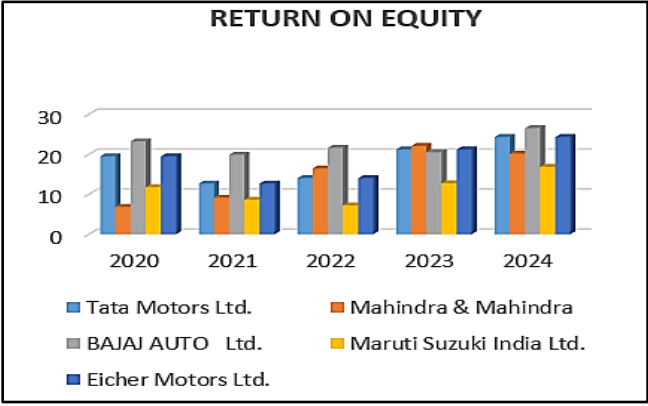
A company's dividend per share (DPS) reflects how much profit is shared with its shareholders. Bajaj Auto consistently paid the highest dividends, ranging from ₹120 to ₹140, though it dipped to ₹80 in 2024. Maruti Suzuki showed steady growth in DPS from ₹45 in 2021 to ₹125 in 2024, indicating rising profitability. Mahindra & Mahindra also improved its DPS from ₹2.35 in 2020 to ₹21.10 in 2024. Eicher Motors started high at ₹125 in 2020, declined, and recovered to ₹51 by 2024. Tata Motors resumed dividends in 2023 with ₹2 and increased to ₹6 in 2024, showing signs of financial recovery.

14.6. Return on Equity

ROE indicates the amount of return on investment that the business is making for its shareholders. Better profitability and efficiency are indicated by a greater ROE. It is a crucial sign of both management efficacy and financial performance. Simply said, ROE indicates how effectively a business uses the capital of investors to generate profits.

Return on equity:
$$\frac{\text{Net income}}{\text{Shareholder' equity}}$$

| Compan y | Tata Motor s Ltd. | Mahind ra & Mahind ra | Baja j Aut o Ltd. | Maru ti Suzuk i India Ltd. | Eiche r Motor s Ltd. |
|----------|-------------------|-----------------------|-------------------|----------------------------|----------------------|
| 2020 | 19.47 | 6.83 | 23.2 2 | 11.77 | 19.47 |
| 2021 | 12.67 | 9.14 | 19.8 6 | 8.61 | 12.67 |
| 2022 | 14.02 | 16.44 | 21.6 | 7.2 | 14.02 |
| 2023 | 21.19 | 22.09 | 20.5 | 12.72 | 21.19 |
| 2024 | 24.32 | 20.11 | 26.5 1 | 16.84 | 24.32 |



Interpretation

Return on Equity (ROE) examines profitability from the perspective of equity shareholders by comparing net profit (after preference dividend) with the shareholders' equity. It reflects how effectively the company uses investors' funds.

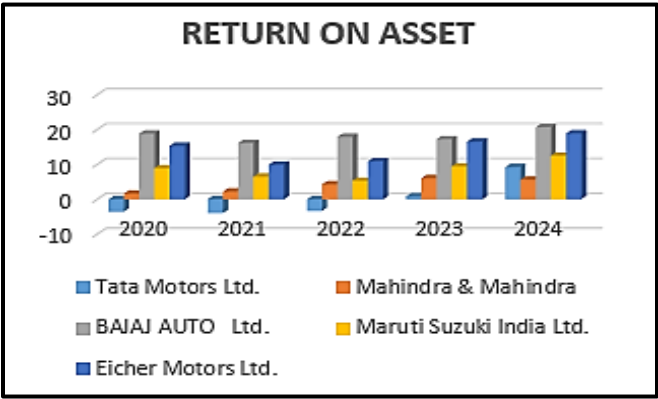
Bajaj Auto consistently performed well, with ROE ranging from 19.86% to 26.51%, indicating strong efficiency. Tata Motors and Eicher Motors showed improvement, both reaching 24.32% in 2024, reflecting better use of equity funds. Mahindra & Mahindra maintained a stable and strong ROE, peaking at 22.09% in 2023. Maruti Suzuki showed a moderate but steady trend, ending at 16.84% in 2024. Overall, most firms used shareholders' funds effectively, with Bajaj Auto leading in performance.

14.7. Return on Asset

Return on assets is a profitability statistic that indicates how much profit a company can make from its assets.

Return on Asset:
$$\frac{\text{Net income}}{\text{Shareholder' equity}}$$

| Compan y | Tata Motor s Ltd. | Mahind ra & Mahind ra | Baja j Aut o Ltd. | Maru ti Suzuk i India Ltd. | Eiche r Motor s Ltd. |
|----------|-------------------|-----------------------|-------------------|----------------------------|----------------------|
| 2020 | -3.55 | 1.66 | 18.8 3 | 8.9 | 15.33 |
| 2021 | -3.97 | 2.24 | 16.1 6 | 6.5 | 9.97 |
| 2022 | -3.38 | 4.3 | 17.9 5 | 5.32 | 10.92 |
| 2023 | 0.82 | 6.04 | 17.2 5 | 9.46 | 16.49 |
| 2024 | 9.24 | 5.59 | 20.7 | 12.52 | 18.91 |



Interpretation

Return on Assets (ROA) measures a company's profitability in relation to the total assets employed, indicating how much profit is earned per rupee of assets used.

In 2020, Bajaj Auto had the highest ROA at 18.83% and maintained strong and stable performance, peaking at 20.70% in 2024. Eicher Motors was the second-best performer, with steady improvement from 9.97% in 2021 to 18.91% in 2024. Maruti Suzuki showed gradual growth from 5.32% in 2022 to 12.52% in 2024. Mahindra & Mahindra displayed consistent improvement until 2023 but dipped slightly in 2024. Tata Motors was the least performer with negative ROA till 2022, but recovered gradually, reaching 9.24% in 2024, indicating improved asset efficiency.

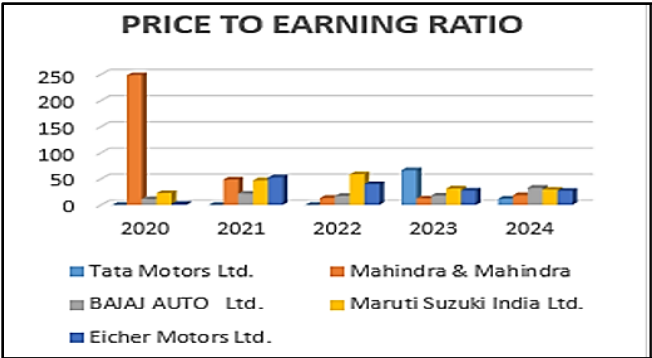
14.8. Price-to-earning ratio

The P/E ratio indicates how much investors are ready to pay for ₹1 in earnings. A high P/E ratio could mean that investors anticipate rapid future growth or that the company is overpriced. The stock may be undervalued or have reduced growth forecasts if the P/E ratio is low.

It indicates how costly or inexpensive a stock is in relation to its earnings.

P/E ratio:
$$\frac{\text{Net income}}{\text{Shareholder' equity}}$$

| Comp any | Tata Motor s Ltd. | Mahind ra & Mahind ra | Bajaj Auto Ltd. | Marut i Suzuki India Ltd. | Eicher Motor s Ltd. |
|----------|-------------------|-----------------------|-----------------|---------------------------|---------------------|
| 2020 | 0 | 248.69 | 11.24 | 22.81 | 1.96 |
| 2021 | 0 | 48.71 | 21.88 | 47.2 | 52.83 |
| 2022 | 0 | 13.62 | 17.14 | 58.85 | 40.12 |
| 2023 | 66.72 | 12.55 | 18.13 | 31.55 | 27.69 |
| 2024 | 12.12 | 19.01 | 33.12 | 29.4 | 27.51 |



Interpretation

Price-to-Earnings (P/E) ratio compares a company’s share price to its earnings per share and helps assess whether a stock is overvalued or undervalued based on market expectations.

In 2020, Mahindra & Mahindra had a very high P/E of 248.69, indicating possible overvaluation or very low earnings. Over the years, its P/E dropped to 19.01 in 2024, showing market correction. Bajaj Auto maintained a relatively stable P/E, with a high of 33.12 in 2024, close to the industry average of 36.72. Maruti Suzuki’s P/E remained moderately high, indicating consistent market confidence. Eicher Motors saw a steady P/E, ending at 27.51 in 2024. Tata Motors had no P/E till 2022 due to losses, but in 2023 and 2024, it posted P/Es of 66.72 and¹² respectively, suggesting volatility and improving performance. Stocks like Tata Motors and Eicher may still be undervalued when compared to the industry average, offering potential upside for investors

15. Findings

In the Economic Analysis, it is observed that while India’s GDP is growing steadily, short-term investment sentiment is low due to reduced FDI and inflation fluctuations. However, the economy shows strong potential for long-term investment, supported by large market size and ongoing development projects.

In the Industry Analysis, the Indian automobile sector is performing well, contributing 6% to GDP and showing high

growth potential. With strong export figures and supportive government policies like FAME II and the PLI scheme, the industry is a low-risk and attractive option for long-term investors.

In the Company Analysis, Bajaj Auto Ltd., Eicher Motors Ltd., and Maruti Suzuki India Ltd. stand out with strong earnings, good liquidity, high returns (ROE, ROA), and consistent dividend payouts. Bajaj Auto leads in profitability and returns, while Eicher and Maruti also reflect strong financial health. Maruti has the lowest debt, indicating low risk. These three companies are recommended as strong long-term investment options based on their stable performance and sound fundamentals.

16. Limitations

The analysis relies solely on secondary data from company reports and financial websites, which may contain estimation errors or delays. It focuses on five NSE-listed companies, which may not represent the entire industry. The data covers the period 2020–2024, so sudden changes in economic conditions or policies beyond this may impact future outcomes. Additionally, qualitative factors like management decisions and brand perception are not deeply addressed.

17. Conclusion

This part will indicate to the investor, creditors, and shareholders each of the company’s overall operating efficiency and performance that will help them to make the most efficient investment decision. Fundamental analysis holds that no investment decision should be without processing and analyzing all relevant information. Its strength lies in the fact that the information analyzed is real as opposed to hunches or assumptions. On the other hand, while fundamental analysis deals with tangible facts, it does not tend to ignore the fact that human beings do not always act rationally. Prices rise or fall due to insider trading, speculation, rumor, and a host of other factors.

Fundamental analysis is based on the analysis of the economy, industry as well as the company and in this research, we can see that the automobile sector is showing strong growth in sales, returns, and investor interest. The above report says that the Indian economy is recovering steadily, and the automobile industry is currently showing positive signs, so it is the right time to invest in strong-performing auto companies.

According to company analysis, Bajaj Auto Ltd. has shown consistently strong ratios including EPS, ROE, ROA and DPS making it the most favorable company for investment. Eicher Motors Ltd. and Maruti Suzuki India Ltd. have also demonstrated good overall performance across key financial indicators and show promising returns, making them suitable for long-term investment.

So, all three companies – Bajaj Auto Ltd., Eicher Motors Ltd., and Maruti Suzuki India Ltd. – are good options for long-term investment as after analyzing, I conclude that these companies have the most favorable and consistent financial performance among their peers.

18. Source of Funding

None.

19. Conflict of Interest

None.

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