IMPACT OF RETURNS OF SELECTED AUTO MANUFACTURING COMPANIES ON THE BSE AUTO INDEX WITH SPECIAL REFERENCE TO PASSENGER VEHICLES

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ABSTRACT

Since India adopted globalisation in the year 1991, the automobile sector has been one of the most lucrative sectors in terms of attracting investments and getting fair returns compared to other sectors on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) due to robust growth in demand for passenger vehicles. Over the years, automobile sector is the only sector which has been consistent in giving exceptional returns to shareholders. The companies considered in this study are part of BSE Auto Index. BSE Auto Index is made of select few companies which have free float market capitalisation prescribed by stock exchanges and SEBI from time to time. This index is made of underlying companies which are given underlying weights according to the market capitalisation of the companies. This study emphasises on three companies which are part of BSE Auto Index and leading manufacturers of passenger vehicles in India. It helps us to understand the trend, relation and impact of the stock prices of these three companies on BSE Auto Index.

Keywords: Automobile Sector, Market Capitalisation, Passenger Vehicles, BSE Auto Index

INTRODUCTION OF AUTOMOBILE INDUSTRY

The automobile sector in India has come a long way. Indian Auto market has the potential to dominate the global auto industry, provided, a conducive environment is created for potential investors to come up with new investments. For the year 2014-2015, automobile sector has shown a sluggish growth because of high costs of ownership like excise duty, cost of registration, fuel costs, road tax and slow rural income growth. The slowdown in the rural markets and high interest rates however continued to bring down the sales of vehicles in passenger vehicle categories.

However, 2015-16 has been turnaroud year for passenger cars industry. Cumulatively, the automotive industry ended financial year 2015-16 on a positive note growing 3.78 percent in domestic sales. Passenger vehicles grew 7.24 percent with cars, utility vehicles and vans rising by 7.87 percent, 6.25 percent and 3.58 percent, despite the Reserve Bank of India cutting repo rates, no visible impact in terms of lowering of interest rates can be seen on the ground. Interest rates for car loans range between 10.18 percent and 14.38 percent. This affected sales in rural areas coupled with erratic monsoons.
Overall Performance of Passenger Car Sector

For the just-ended 2015-16 fiscal year, the sales figures of the top three passenger vehicle makers in the country indicate that the Indian passenger vehicle industry seems to be on track for posting healthy growth. Maruti Suzuki India the top player in the country, reported their best-ever domestic sales for the fiscal ended March 31, with growth of 11.5%. Third in terms of market share and the largest UV maker in the country, Mahindra & Mahindra also reported a 6% rise in sales after two consecutive double-digit declines in the last two fiscals.

Performance of Selected Companies

Maruti Suzuki India sold 118,895 units in March 2016, up 14.6% year on year (March 2015: 103,719) with new models like the Baleno and Vitara Brezza making their impact. While the entry level duo of the Alto and Wagon R sold 36,678 units, down 8.7 percent (March 2015: 40,159), the compact car quintet of the Swift, Ritz, Dzire, Celerio and Baleno sold 46,786 units, up 20.9 percent (March 2015: 38,710). Demand for the premium Ciaz sedan is on the rise, having sold 5,480 units, up 28.9 percent (March 2015: 4,251). Another solid contribution came from Maruti’s UVs – the Gypsy, S-Cross, Ertiga and Vitara Brezza – which together sold 13,894 units, up 123.4% YoY (March 2015: 6,218) and also the Omni and Eeco vans, which sold 12,896 units, up 9.6 percent (March 2015: 11,768).

Mahindra & Mahindra (M&M) seems to have found its mojo on the sales front. The company reported a 6 percent rise in total domestic passenger vehicle (PV) sales for 2015-16 to 236,307 units. This growth comes after two consecutive fiscals of double-digit decline for the automaker. In 2014-15, the company had sold 223,968 units in the domestic personal vehicles market with a dip of 11.94%, which was preceded by a decline of 18.14% in 2013-14, with sales of 254,344 units. M&M reinvented its product strategy in 2015-16 by launching a total of nine new products and variants during the fiscal. This renewed strategy paid rich dividends for the company and strong market response for new products like the TUV300 and the KUV100 helped the automaker post positive numbers for the year. M&M had reported its best ever domestic PV sales in 2012-13, when the company sold 310,707 units with a growth of 26.46 percent. In March 2016, M&M’s passenger vehicles segment (which includes UVs, cars and vans) sold 26,885 units as against 22,183 units during March 2015, a growth of 21 percent.

TATA motors sold 11268 vehicles in financial year 2015-16 as compared to 17,211 vehicles in financial year 2014-15 which amounts to decrease by 34.53%.

OBJECTIVES OF THE STUDY

- To analyze the share price behavior of the selected companies in automobile sector.
- To study the price movements on the BSE Auto Index
- To study the impact of share price movements of selected auto companies on the BSE Auto Index.

SCOPE OF THE STUDY

A better understanding of the stock market trend will facilitate allocation of financial sources to the most profitable investment opportunity. The behavior of stock returns will enable the investors to make appropriate investment decisions. The fluctuations of stock returns are due to several economic and non-economic factors. The study is aimed at ascertaining the behavior of share returns.

The study on fluctuations in equity market helps in understanding the behavior of equity market. It helps the investors to be aware about deviations in the returns of the stocks. The simple moving average model indicates the buy and sell signal to the investors. This helps the investors is taking good decisions when investing in equity shares. The study also helps the customers to ascertain the risk and return of the stocks. This will help the investors viz, individuals, Files in identifying the stocks which would yield them higher return and lesser risk.
Time Period Covered
The daily share prices of above mentioned companies were taken for a period of nearly one year from 1\textsuperscript{st} April 2015 to 31\textsuperscript{st} March 2016. The closing prices of share prices were taken and the future price movements were analyzed.

METHOD OF SAMPLING
Since for the purpose of this analysis only one sector is taken and three companies are taken in specified sector. The three sample companies in each sector are selected based upon the Market capitalization of the companies in that sector. Random sampling has been used as a tool of sampling.

HYPOTHESIS
H\textsubscript{0a}: Returns from TATA Motors Ltd. does not significantly affect returns from BSE Auto Index.
H\textsubscript{1a}: Returns from TATA Motors Ltd. affect returns from BSE Auto Index.
H\textsubscript{0b}: Returns from Mahindra & Mahindra Ltd. does not significantly affect returns from BSE Auto Index.
H\textsubscript{1b}: Returns from Mahindra & Mahindra Ltd. affect returns from BSE Auto Index.
H\textsubscript{0c}: Returns from Maruti Suzuki does not significantly affect returns from BSE Auto Index.
H\textsubscript{1c}: Returns from Maruti Suzuki affect returns from BSE Auto Index.

LITERATURE REVIEW
Srivastava (2014), focuses on the performance of the Indian automobile sector & it’s past performance through the help of data analysis. It further says how the Indian automobile sector was once very promising but now faces certain important problems and growth has been reduced.

Seth & Tripathi (2014), identified three principle factors viz. inflation, interest rates & exchange rates as the ones that affect the Indian stock market. It further states that the stock price movement is not the result of key macroeconomic variables but is also an important reason of movement in other macro dimensions of the country.

Data Analysis & Interpretation
Average holding period return of TATA motors is negative whereas share price movements in TATA motors is more volatile as compared to Share price movements in peer companies, which is reflected by higher standard deviation.

**SUMMARY OUTPUT**

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**CONCLUSION**

The table shows value of F is significant (less than 0.05) that is at least movement in share price of one company affects BSE auto index. Further, 89% of the movement taking place in BSE auto index is because of movements in share price of three selected companies. The P Value for all three companies are significant (less than 0.05) and slope coefficients are positive that is positive. The movements in returns have significant positive impact on BSE auto Index.

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