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PROFITABILITY COMPARISON FOR AUTOMOBILE COMPANIES IN INDIA USING DUPONT ANALYSIS

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ABSTRACT

*This research paper is all about to measure and compare the profitability performance of the Automobile companies in India with respect to Tata Motors Ltd. and Mahindra & Mahindra Ltd. by using DuPont. In this paper, researcher uses DuPont analysis, is a method for assessing a company's return on equity (ROE) breaking it into three parts i.e. Profit Margin (Profit/Sales), Total Asset Turnover (Sales/Assets) and Equity Multiplier (Assets/Equity). To satisfy the objectives of this research paper; researcher measured the ratios of ROE and ROI applying DuPont analysis which is demonstrated with the aid of tables to show change periodically. DuPont analysis (ROI and ROE)) is an important tool for judging the operating financial performance. It is an indication of the earning power of the firm. The return on equity disaggregates performance into three components: Net Profit Margin, Total Asset Turnover, and the Equity Multiplier. Return on Investment consists of Assets Turnover and Profit Margin. The return on investment consists of Assets Turnover (Operating Income * Total Assets) and Profit Margin (EBIT * Operating Income). The researcher used 't' test for analysing and comparing previous 5 years financial data to find out level of significant change.*

KEYWORDS: Dupont Analysis, Return On Equity, Return On Investment, Financial Performance

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