

# RECEIVABLE MANAGEMENT OF INDIAN AUTOMAKERS IN A REVIVED SCENARIO

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## Abstract

January 2010 marks a milestone in the automotive journey of the country with Maruthi Suzuki, Tata Motors, Mahindra & Mahindra and General Motors India reporting their highest ever monthly sales. A firm's profitability is determined partly by way of its working capital management. An efficient management of working capital will yield significant results and its neglect can be highly dangerous to any firm. The Automobile Industry is growing at a very high speed. During the post global financial crisis, the growth of the Automobile Industry is at a very high rate compared to the other industries. A sample of eleven companies were selected for this study on the basis of high sales turnover and data for this study were collected for a period from 1999 to 2009 to analyze whether the sample companies really managed their Receivables or not. The study used Ratio Analysis and ANOVA as tools to find out the efficiency of Receivable Management during the study period. The study found out that the Automobile Industry in India efficiently managed their Receivables and based on the future sales forecast, the sales turnover and profit will be good in the future.

**Keywords:** Receivable Management, Profitability, Automobile, Working Capital.

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## 1.0 Introduction

Automakers zoom on the fastest lane in January 2010. January 2010 marks a milestone in the automotive journey of the country with Maruthi Suzuki, Tata Motors, Mahindra & Mahindra and General Motors India reporting their highest ever monthly sales. Maruthi, the top car maker, set a new sales record of nearly 96,000 units, while its closest challenger, Hyundai Motor India, clocked 52,635 units and, in the process, its highest ever domestic sales at 29,601 units. For Tata Motors, passenger vehicle sales of 26,245 units was its highest ever to date. Similarly, Mahindra & Mahindra and GM India saw their sales reaching all-time highs of 20,332 and 9,421 units respectively. The January month also saw the company treble its exports to 14,562 units and register a 40 percent growth in the multi purpose vehicle segment, which almost touched 11,000, with the new Eeco<sup>1</sup>.

It is worth noting that creating value with cash flow, high profitability and better consumer service are fundamental challenges to all types of business. In this regard, the aim of any company is to increase the profit by increasing sales and reducing cost. A trader very often buys and sells goods on a credit basis. The credit is one of the instruments to promote sales in the competitive world. In the event of credit sales, the sundry debtors are one of the significant and major components in the Receivables Management. The objectives of Receivable Management are to increase the volume of sales, to ensure credit worthiness or financial soundness of the concern and to measure the effective handling of accounts Receivables. In a business concern, the accounts receivable is considered to be the most important aspect of financial planning and control next only to inventories and cash.

The term 'Accounts Receivable' is defined as 'debt owned to the firm by customers arising from sale of goods or services'. The word 'Account Receivables' is also known as 'Sundry Debtors' or 'Trade Debtors' or 'Book Debts'. The Sundry Debtors may be defined as "money due from a customer for sale of goods or services in the ordinary course of business".

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<sup>1</sup> The Hindu Business Line, dated February 02, 2010.

## 1.1 Formulation of Credit Policies

The economic conditions, product pricing, product quality and the firm's credit policies are the chief influencing aspects on the level of a firm's Account Receivable. The credit policy, however, has a significant impact on sales. In other words, credit is one among many factors that stimulates the demand for a firm's product. The term credit policy refers to a firm's guidelines for determining quality of a trade accounts to be accepted, the length of the credit period, the cash discount and any special term such as seasonal dating, the collection programme and policy of discounting of bills.

Every firm has to determine credit policy and credit standard for efficient Receivable Management. The determination of credit policy involves a trade-off between the profit on additional sales that arise due to the credit being extended to its customers on the one hand and the cost of carrying those losses suffered on account of bad debts on the other hand. The credit standard refers to the minimum quality of credit worthiness of a credit applicant that is acceptable to the firm. In other words, the quality of the trade accounts to be accepted is called as Credit Standard.

## 1.2 Review of the Literature

An attempt has been made to review the research works already undertaken in the area of Receivable Management to understand research gap and methodology adopted by earlier researchers. A review of selected studies has been given under.

**Manoj Anand (2001)** analyzed the firm's inventory, receivables and payables in order to achieve a balance between risk and return and thereby contribute positively to the creation of a firm value. The present empirical survey has been designed to identify some quantitative working capital benchmarks in order to help Corporate India to manage its working capital more efficiently. **Ioannis Lazaridis and Dimitrios Tryfonidis (2002)** examined the relationship between corporate profitability and working capital management. The study used a sample of 131 companies listed in the Athens Stock. The study showed that there were significant returns between profitability, measured through gross operating profit, and the cash conversion cycle. It is found that the manager should be efficient enough in handling the cash conversion cycle and keeping optimum level of account Receivables, account payables and inventory. **Pedro Juan**

**Garcia Teruel and Pedro Martinez Solano (2003)** examined the effects of working capital management on the profitability of a sample of small and medium-sized Spanish firms. The study pointed out that the SME firms have efficiently managed their accounts receivable and inventories. However, the study suggested that the manager can only add more value to the company by reducing the cash conversion cycle and by improving the firm's profitability.

**Kesseven Padachi (2006)** examined profitability and the relation between working capital Management and corporate profitability. The regression results show that high investment in inventories and receivables is associated with lower profitability. An analysis of the liquidity, profitability and operational efficiency of the five industries showed significant changes and how best practices in the paper industry have contributed to the performance. The study also revealed an Increasing trend in the short-term component of working capital financing.

**Jain P K and Praveen Kumar (2006)** analyzed the impact of working capital in listed companies of S&P CNX Nifty index. The result of the study revealed that the sample Nifty companies had lower liquidity ratio. The company's current asset and quick asset were below the standard norms of 2:1 and 1:1 respectively. The study suggested that the sample companies must reduce their financing cost in order to have better profitability.

**Hitesh and Shukla J (2007)** examined the Receivable Management of sample companies using working capital ratios and ANOVA test. The authors found that there was significant relationship between and within the groups of the sample companies. The study found that the pharmacy industries were efficient in managing their Receivables.

**Anand, Manoj and Malhotra, Keshav (2007)** evaluate the working capital management performance of Corporate India from time to time. During the period of study, Corporate India has achieved a Compound Annual Growth Rate (CAGR) of 26.3% in net sales and 1.6% in the three-year average cash operating margins. The length of the operating cycle and cash conversion cycle has reduced by 10.2% and 12.7% respectively on compounded annual basis. The found that, the evidence on the positive relationship between working capital management and firm profitability. And also, the paper captures the dynamics of risk-return trade-off, which will help the performance evaluation of working capital management of Corporate India.

**Haitham Nobanee and Maryam Al Hajjar (2009)** investigated the relationship between working capital management, corporate performance and operating cash flow. The results suggested that managers can increase profitability and operating cash flow of their firms by shortening the cash conversion cycle, and by shortening the receivable collection period. The results also suggest that shortening the inventory conversion period and lengthening

the payable deferral period reducing profitability and operating cash flow of firms instead of increasing them. **Moniruzzaman Siddiquee and Shaem Mahmud Khan (2009)** analyzed the working Capital performances of 83 listed companies from seven different sectors of Dhaka Stock Exchange Ltd. over the period 2003-2007. The result of the study showed that significant differences exist among the position of the companies in working Capital measures across time. The study found that a consistency in how companies in a particular industry "stack up" against each other over time with respect to the working Capital measures. **S. Benjamin Christopher and A.L.Kamalavalli (2009)** examined the relationship between working capital management and corporate profitability of 14 sample corporate hospitals in India by using panel data analysis for the period 1996-97 to 2005-06. The analysis of correlation revealed that eight variables were significantly associated with ROI. From regression analysis, it was evident that an increase of one unit in current ratio, cash turnover ratio, Current Assets to operating income and leverage decreases the profitability. **A. Jeyachitra, E. Bennet, P.Nageswari & S. Parasuraman (2010)** took a sample of ten companies from the Cement Industry to find out how efficiently the receivables were managed by the Industry during the study period. They concluded that the cement industry was efficiently managing their receivables and based on the future sales forecast, the sales turnover and profit would be good in the near future. The above literature provided an overview of the working capital management from different industries. This study also analyzed the Receivable Management of Indian Automobile Industry using the methodology and tools used by the earlier studies. This study has used six ratios and two way ANOVA test to analyze the Working Capital Management.

### **1.3 Statement of the Problem**

January 2010 marks a mile stone in the automotive journey of the country. Creating value with cash flow, high profitability, returns on investment and better customer service are real challenges to all types of businesses. The Receivables, the key element of working capital, usually push up business revenue and help to earn profit. But they also affect liquidity and also increase chances of bad debts. It is to be noted that maximizing sales is possible only through credit sales. When firms do more credit sales, there is also the possibility of funds being locked up as Receivables in the total Current Assets. Hence the Receivable Management is a real challenge that needs to be tackled. Under these circumstances, this study was conducted to test

how best the Indian automobile companies were able to manage these challenges to realise better Receivable Management.

#### **1.4 Objectives of the Study**

The objective of this study was to analyze the efficiency of Receivables Management in the selected sample automobile companies of India.

#### **1.5 Hypotheses of the Study**

The present study tested the following two null hypotheses.

**NH1:** There is no significant difference in the ratios of Receivable Management within the groups of sample companies.

**NH2:** There is no significant difference in the ratios of Receivable Management between the groups of sample companies.

#### **1.6 Methodology of the Study**

In 2009, India emerged as the fourth largest exporter of automobiles following Japan, South Korea and Thailand. Indian automobile industry has come up a long way to have a diverse array of cars these days. It is natural that any emerging industry may require huge amount of working capital that too for receivable management. Hence the researchers chose receivable management of automobile industry for their study.

##### **a. Sample Size**

In order to meet the objectives of the study, eleven sample companies under Automobile Industry were selected on the basis of higher annual turnover (more than 1000 crores) during the year 2009. The reason behind choosing the sales as a criterion is that higher the sale, higher is the need of working capital. It is a known fact that the company with high sales may have to have better Receivable Management. The sample companies selected from the Automobile Industry were further classified into three sub categories as given below:

Commercial vehicles	Passenger car multi utility vehicles	Two and Three wheelers
1. Ashok Leyland Ltd.	1. Ford India Pvt. Ltd.	1. Eicher Motors Ltd.
2. Force Motors Ltd.	2. Honda Siel Cars India Ltd.	2. Hero Honda Motors Ltd.
3. Tata Motors Ltd.	3. Hyundai Motor India Ltd.	3. T V S Motor Co. Ltd.
	4. Mahindra & Mahindra Ltd.	
	5. Maruti Suzuki India Ltd.	

## b. Period of the Study

The study covers a period of Ten years from 01.04.1999 to 31.03. 2009.

## c. Sources of Data

The present study was mainly based on secondary data. The required secondary data were collected from prowest, a corporate database maintained by CMIE.

## d. Tools used for the Analysis

The Ratios are effective tools to evaluate the Receivable Management. Hence the present study used ratios for the purpose of analysis. The ratios used in this study include Receivables to Current Asset Ratio, Receivables to Total Asset Ratio, Receivables to Sales Ratio, Debtors Turnover Ratio (Times), Average Collection Period (In Days), Receivables to Payables Ratio and ANOVA.

## 1.7 Ratios on Receivable Management

The following ratios are generally used to test the Receivable Management.

### a. Receivables to Current Asset Ratio

This Ratio of Receivables as a percentage of Current Assets would reveal the size of receivables with reference to Current Asset and the opportunity cost associated with the same. When the percentage of current asset is higher, it indicates the cost of carrying the Receivables is higher. It is therefore advised that a firm needs to carry the least percentage of Receivables without affecting the sales volume. The ratio is calculated as follows.

$$\text{Current Assets Ratio} = \frac{\text{Closing Receivables}}{\text{Current Assets}} \times 100$$

### **b. Receivables to Total Asset Ratio**

The Ratio of Receivables to Total Assets depends on the industry, but generally a low number indicates that the company has too much money tied up with total assets that are not contributing to sales. It is a Ratio of Receivables /total assets (or Total Average Assets). The profit margins are an important consideration while analyzing this number. The percentage of Receivables to total assets is found out by using the following formula.

$$\text{Receivables to Total Asset Ratio} = \frac{\text{Closing Receivables}}{\text{Total Assets}} \times 100$$

### **c. Receivables to Sales Ratio**

It indicates the amount of Receivables held by the business firm as a percentage of sales during a particular period. The main purpose of this ratio is to work out the efficiency of Receivables Management in the business organization. High ratio indicates that the business firm is doing business with huge debtors. Higher the sales and lower the debtors indicate that the company has a high rate of collection. This ratio is calculated with the following formula.

$$\text{Receivables to Sales Ratio} = \frac{\text{Closing Receivables}}{\text{Sales}} \times 100$$

### **d. Debtors Turnover Ratio (Times)**

Debtors Turnover Ratio is termed as Receivables Turnover Ratio or Debtors Velocity. It indicates the number of times the Receivables or turn over in business during a particular period. In other words, it indicates how quickly debtors are converted into cash. This ratio establishes the relationship between Receivables and Sales. Debtors Turnover Ratio measures the liquidity of debtors of a business firm and average collection period. It indicates the average time lag in days between sales and collection. Higher Receivables turnover ratio and lower debtor collection period reflect the firm's ability to manage a larger volume of business without corresponding increase in Receivables and vice versa. This ratio is calculated with the following formula.

$$\text{Debtors Turnover Ratio} = \frac{\text{Sales}}{\text{Average Account Receivables}}$$

$$\text{*Average Account Receivables} = \frac{\text{opening receivable} + \text{closing receivable}}{2}$$



#### e. Average Collection Period (In Days)

The average collection period is otherwise called Debt Collection Period. This technique of computation of average collection period indicates the efficiency of the debt collection period and the extent to which the debt have been converted into cash. Both the techniques are used to measure the quality of Accounts Receivable. It indicates the liquidity of trade debtors i.e., higher turnover ratio and shorter debt collection period indicate the prompt payment by debtors. Similarly, the low turnover ratio and higher collection period implies that payment of trade debtor are delayed. The Debt Collection Period can be determined as follows:

$$\text{Average Collection Period} = \frac{365 \text{ days}}{\text{Receivables Turnover Ratio}}$$

#### f. Receivables to Payables Ratio

The Ratio of Receivables to Payables would help the finance manager to establish the relationship between credit offered to the customers and credit obtained from the supplier of the business firm. The ratio is computed as follows.

$$\text{Receivables to Payables Ratio} = \frac{\text{Sales}}{\text{Average Receivables}}$$

**g. Analysis of Variance (ANOVA):** The Analysis of Variance (ANOVA) is an extension of t-test used to test the homogeneity of several means. The observed value of F Statistic is calculated as:

$$F - \text{observed} = \frac{\text{Between Group Mean}}{\text{Within Group Mean}}$$

### 1.8 Analysis of the Study

**Table 1** shows result the Receivable Management Ratios of top eleven sample automobile companies in India during the study period from 01.04.1999 to 31.03. 2009. As stated earlier, the top eleven automobile companies were taken from the Automobile Industry and they include three from **Commercial Vehicles**, namely, Ashok Leyland Ltd, Force Motors

Ltd and Tata Motors Ltd, five companies from **Passenger Car Multi Utility Vehicles**, namely, Ford India Pvt Ltd, Honda Siel Cars India Ltd, Hyundai Motor India Ltd, Mahindra & Mahindra Ltd, Maruthi Suzuki India Ltd and three companies from **Two and Three Wheeler Category** namely Eicher Motors Ltd, Hero Honda Motors Ltd and TVS Motor Co. Ltd.

It is understood from **column-1 of Table-1 (Receivable to Current Asset Ratio)** of the Automobile Industry that Hyundai Motor India Ltd was able to manage their Receivables well during the study period. Its Receivable to Current Asset Ratio was lower (23.68%) when compared to other sample companies. This is followed by Force Motor Ltd (33.66%), Honda Siel Cars India Ltd (35.93%), Tata Motors Ltd (40.72%) and TVS Motors Co. Ltd (41.71%). The overall Industry Average Ratio during the study period was (42%). The ratio for Mahindra and Mahindra was 43.71% while Maruthi Suzuki got 44.79. %. Ford India (51.6%) and Hero Honda (48.76%). The analysis on an annual basis shows that sample companies in Automobile Industry managed their Receivables (33.84%) better in 2006. The overall analysis clearly showed the fact that during the study period the sample companies generally managed their Receivables satisfactorily.

From the **Ratio of Receivables to Total Assets** of the sample companies during the study period of 1999 to 2009, as given in **Table 1 Column-2**, it is clear that the Eicher Motor Ltd had (26.72%) earned large amount of Receivables as a part of total assets, followed by Ashok Leyland (26.18%), Force Motor (21.04%) and Maruti Suzuki (19.09) but Hyundai motor managed their Receivables (10.11) better as a part of total assets. It acquired the lowest percentage of Receivables to Total Assets during the study period. It is to be noted that the Industry Average Ratio of 17.14% is compared to the average of sample companies. The comparison indicates the fact that the Eicher Motor (26.72%), Ashok Leyland (26.18%), Force Motor (21.04%) earned the higher value of ratio than that of the Industry Average Ratio (17.14). When the industry average was taken as a bench mark and compared, it is found that Hyundai Motors (10.11%) displayed the best performance and earned the lowest percentage of Receivables to Total Assets. It was followed by Tata Motors (12.79%), Ford India Ltd (13.1%). During the study period, in the year 2009, the Automobile Industry managed their Receivables better as part of total assets.

**Table 1 Column-3** shows the result of **Receivables to Sales Ratio** of sample companies during the study period 1999-2009. It is to be noted that the Hero Honda Motor with the ratio of 4.62% was considered to be the most efficient firm by holding less amount of investment in Receivables as percentage of sales. It is followed by Honda Siel (7.06%), TVS Motor (7.15%), and Hyundai Motor (7.27%). The Industry Average Ratio of 11.77% (as a bench mark) was compared to other sample companies and it is found that Ashok Leyland (22.04), Ford India with 18.68, Mahindra and Mahindra with 14.72%, Eicher Motor with 12.74% acquired higher ratio than bench mark. This indicates that these firms were doing business with huge debtors on hand. In the annual analysis, all companies performed well in 2006.

The **Debtors' Turnover Ratio** of the sample companies are given in **Table 1 Column - 4** and they clearly indicate that Honda Siel Motor earned the higher turnover (28.72 times) during the study period and it is followed by Hero Honda (24.26 times), Hyundai motor (22.03 times) and TVS Motors (15.63 times). The overall Industry Average Turnover of 13.89 times is compared to average of sample companies. The comparison indicates that Ashok Leyland with 5.79 times earned much lower turnover and it is followed by Eicher Motor (7.82 times), Mahindra and Mahindra (8.07) and Force Motor (7.81 times). The Automobile Industry earned higher turnover in 2006.

**Average Collection Period** (in days) of sample companies are given in **Table 1 Column 5**. From this table, it is clearly understood that Hero Honda managed better as their collection period was very low (15.56 days) and it is followed by Hyundai Motor (22.30 days) and Honda Siel (22.63 days) and TVS Motors (25.17 days). The Industry Average Collection Period was 41 days. Keeping the industry average as a bench mark, it is seen that Ashok Leyland did not perform well as their collection period was very high (83.92 days) when compared to other sample companies. It is followed by Mahindra and Mahindra (53.52 days) and Ford India (51.32 days).

From the **Ratio of Receivables to Payable Ratio (column 6)** as earned by sample companies during the study period of 1999 to 2009, it is clear that Honda Siel Cars India Ltd (28.72) extended extremely higher units of credit to its customers during the entire study period compared to other sample companies. Ashok Leyland (5.79) extended much lower units of credits to its customers for every unit of credit it obtained from its suppliers. Honda Siel Cars

India Ltd (28.72) and Hero Honda Motors (24.26) earned higher percentage than Industry Average Ratio (13.89).

TABLE – 1

**Receivable Management Ratios of Top Ten Indian Cement Companies.**

Name of the Company	Receivable to current Asset Ratio (%)	Receivable to Total Asset Ratio (%)	Receivables to Sales Ratio (%)	Debtors Turnover Ratio (Times)	Average Collection Period (in days)	Receivables to Payable Ratio (%)
<b>Industry Average (Mean) Ratio</b>	<b>42.11</b>	<b>17.14</b>	<b>11.77</b>	<b>13.89</b>	<b>41.00</b>	<b>13.89</b>
Ashok Leyland Ltd	46.37	26.17	22.04	5.79	83.92	5.79
Eicher Motors Ltd	52.54	26.71	12.74	7.81	49.29	7.81
Force Motors Ltd	33.65	21.04	12.28	8.61	42.92	8.61
Hero Honda Motors Ltd	48.76	11.93	<b>*4.61</b>	24.26	<b>*15.56</b>	24.26
Mahindra & Mahindra Ltd.	43.47	17.37	14.72	8.07	53.52	8.07
Maruti Suzuki India Ltd.	44.79	19.09	10.48	10.43	36.84	10.43
TVS Motor Co. Ltd.	41.71	15.35	7.15	15.63	25.17	15.63
Tata Motors Ltd	40.72	12.79	12.46	11.25	47.55	11.25
Honda Siel Cars India Ltd.	35.93	14.88	7.05	<b>*28.72</b>	22.63	<b>*28.72</b>
Hyundai Motor India	<b>*23.67</b>	<b>*10.11</b>	7.26	22.03	22.30	22.03
Ford India Pvt. Ltd.	51.59	13.10	18.68	10.14	51.32	10.14

**Source:** Computed from PROWESS DATABASE.

\*Indicates the best performance among the 10 sample companies

The result of the significance of Receivable Management Ratios of sample companies during the study period (1999 – 2009) is given in **Table 2**. It is to be noted from the analysis (between the groups) of sample companies that Receivable To Current Asset, Receivable To Sales And Average Collection Period were significant to the Ratios. Receivable To Total Asset, Debtor’s Turnover Ratio and Receivable To Payable Ratio were not significant between the groups of the sample companies. Therefore the null hypothesis (NH1), **“there is no significance in the ratios of Receivable Management between the groups of sample companies”** is partially accepted.

The analysis within the groups of sample companies reveals that all the six ratios of Receivable Management were found to be significant. Therefore the null hypothesis (NH2), **“there is no significant difference in the ratios of Receivable Management within the groups of sample companies,”** is rejected.

**TABLE - 2**

**THE SIGNIFICANCE OF THE RATIOS OF RECEIVABLE MANAGEMENT**

S.No	Receivable Management Ratios	Between the groups			Within the groups		
		F	F critical	Sig	F	F critical	Sig
1	Receivables to Current Asset Ratio	2.56	1.98	S	4.85	1.94	S
2	Receivables to Total Asset Ratio	1.86	1.98	NS	8.35	1.94	S
3	Receivables to Sales Ratio	4.28	1.98	S	4.47	1.94	S
4	Debtors Turnover Ratio(Times)	1.66	1.98	NS	9.27	1.94	S
5	Average Collection Period(in Days)	5.41	1.98	S	8.73	1.94	S
6	Receivables to Payables Ratio	1.66	1.98	NS	9.27	1.94	S

Sources: computed from Table 1 to 6

\*S – Significant at 5% level \*\*NS – Not Significant

### 1.9 Implications and Suggestions of the Study

The following are the important findings and suggestions of the study.

1. The average bench mark of the Receivable to Current Asset Ratio of the Automobile Industry during the study period was 42%. From the analysis, it is found that the Receivables to Current Asset Ratio were efficiently managed by sample automobile companies during the study period. However, appropriate efforts should be made to maintain Receivables Management at this level, which would help companies to improve their profitability.
2. The Ratio of Receivable to Current Assets of sample companies is significantly different between the groups and within the groups because the F value of 2.56 higher than the F critical value of 1.98.
3. The Receivable to Total Asset of the Hyundai Motor is 10.11% which is less than the Industry Average Ratio of 17.14. Eicher Motor Ltd earned higher ratio 26.71% compared to the Industry Average of sample companies and it was followed by Ashok Leyland,

Force Motor and Maruthi. This indicates that these companies did not perform well during the study period.

4. The Ratio of Receivables to Current and Total Asset of the Sample Companies namely Hyundai Motor India performed better than the other sample companies.
5. Hero Honda Motors Ltd was the most efficient firm by holding less amount of investment (4.62%) in receivables as percentage of sales and well managed their collection period because the collection seems to be very low.
6. For Receivable to Sales of sample companies, Honda Seal earned the lowest ratio of 7.05% as compared to other sample companies and also the benchmark of the Industry which indicate that the Honda efficiently managed their collection during the study period. It is also suggested that other companies must take steps to collect the amount within a shorter period of time.
7. While comparing the benchmark (Receivable to Sales) Ratio of the **Industry (11.8%)**, it is found out that Ashok Leyland earned higher ratio of **22%** which indicates that the Ashok Leyland is doing business with huge amount of debtors. It means that the Ashok Leyland provides more credit to their customers and should collect the proceeds on time.
8. Debtors' Turnover Ratio of the Industry Average (13.89 times) was compared to sample companies. Honda Siel earned higher turnover of 28.72 times. It indicates that the debtors of the Honda Siel were converted into cash quickly. The average time lag in days between the sales and the collection was higher. But Honda Siel earned better turnover during the study period.
9. The Industry Average for the Average Collection Period was 41 in days (bench mark). Ashok Leyland took longer collection period (83.92 days) while Hero Honda Motor collected within a very short period. It is found out that the Hero Honda Motors efficiently collected the debt without delay from the debtors.

10. The Average Collection Period of the Hyundai Motor was 22.3 days, Honda Siel 22.63 days and TVS Motor (25 days).
11. It is also suggested that Ashok Leyland should improve their Average Collection Period and also try to reduce their credit sales by designing clear cut collection policy and collection procedures.
12. Efficient and timely collection of dues ensures that the losses on bad debt be reduced to the minimum level. This would help the company to have higher returns on investment and profits.
13. It is also found out that Honda Seil Motor earned the highest turnover of 28.72 than the Industry Average (13.89).

## **2.0 Scope for further research**

The present study was conducted by using the data of Automobile Industry. There is greater scope to do the evaluation for other industries like manufacturing, servicing etc and also a comparative study within Industries.

## **2.1 Conclusion**

The present study found that the level of Receivable Management in Automobile Industry during the study period was fairly good. The overall analysis indicates the fact that the performance of the Automobile Industry in respect of Receivables Management was satisfactory. Honda Siel, Hero Honda Motor and Hyundai Motor earned higher turnovers and lower debt collection period. Hence the study concluded that the Automobile Industry efficiently managed their Receivables during the study period.

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