



A STUDY ON WORKING CAPITAL MANAGEMENT ON MARUTI SUZUKI AND HYUNDAI MOTOR LIMITED IN INDIA

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ABSTRACT

This paper examines the impact of working capital management of selected automobile industries in India. Objective of the study is to analyze the working capital position of selected automobile industries in India. For this purpose a sample of selected automobile companies namely Maruti Suzuki and Hyundai limited Motors have been selected for the study. The data have been taken for a period of five years (2016 -2020) and secondary data is used because the data is collected from the balance sheet for analyses part. Ratios have been used to analyze the working capital position of selected companies.

KEYWORDS: Maruti Suzuki &Hyundai Motors, working capital ratio, ratio analysis

1. INTRODUCTION

In today's competitive world maintain financial strength on each day to day basis has become a challenge. Every firm wants to ascertain themselves financially sound. The financial attributes like liquidity, solvency and profitability are often improved by effective implementation of the working capital management. Capital supports the day-today operations of the firm. As it included items like cash, inventory, receivables, payables etc the capital shows the activities of the business. Working Capital management is the management of current assets and current liabilities. The term working capital is used for the capital required for day to day working activities in business concern. Such as for purchasing raw material for meeting day to day expenditure on salaries, wages, rent, rates, advertising, etc. A solvency of concern its proper circulation provides to the business the right account of cash to maintain regular flow of its operations. Profitability & solvency are the two objectives of working capital management. Hence, this paper analyses the working capital management of Maruti Suzuki and Hyundai motor limited in India

2. STATEMENT OF THE PROBLEM

Working capital represents that a part of resources of the business which makes the business work. Within the absence of proper management of capital it might be difficult to realize the objectives of the business enterprise. Hence the study has been undertaken to analyse the efficiency position and dealing capital management of selected companies.

3. OBJECTIVE OF THE STUDY

- To compare the performance of working capital of Maruti Suzuki and Hyundai Motor limited in India.
- To study optimum level of current assets and current liabilities of the companies.
- To suggest the findings and conclusions of Maruti Suzuki and Hyundai Motors for effective functioning.



4. RESEARCH METHODOLOGY

Source of Data	Secondary data
Period of Study	2015-2016 to 2019 – 2020
Framework of analysis	Financial Statements
Tools and Techniques	Ratio analysis

5. STATISTICAL TOOLS

The following statistical tools were applied to analyze the statistical data collected for calculation of financial performance analysis:

Ratio Analysis

- Current Ratio
- Liquid Ratio
- Absolute liquid Ratio
- Inventory turnover Ratio
- Working Capital Turnover Ratio
- Average Collection period
- Average payment period

6. REVIEW OF LITERATURE

Akash B.Selkari, Omdeo Ghyar (2019)¹ conducted a “Study on working capital of Mahindra and Mahindra ltd”. The study was conducted for a period of 3 years from 2015 to 2018. They used secondary data method for collecting information for their study. The ratio analysis technique was used to study the working capital of the company. They concluded that the working capital of company was satisfactory because of maintaining proper inventory levels, cash, bank, and other current assets and a decrease in the current liabilities and provisions.

1. Akash B.Selkari and Omdeo Gyhar (2019), “ Study on working capital of Mahindra & Mahindra Ltd”, *ISRO Journal of Engineering* , Vol.09, Issue 5, May 2019, pp.41-46.

Sneka s (2018)² the analysis has shown the fluctuations and have both good and bad sides during five years. The performance of the company seems to be in increase every year because of the increase in sales but the efficient management of adapting to changes is

needed to run towards success. The company is having good reserves and reputation, which will lead to excellent progress in the fore coming years.

2. Sneka S. “A study on working capital management in Salem Co-Operative Sugar Mills Ltd. Mohanur, Namakkal, *International Journal Of Management and commerce Innovation Month 2018*; 6(1):1521.

Snehlata (2017)³ in his Comparative study of working capital management of TVS motors and Bajaj auto ltd.” Working capital management is one of the vital important financial decisions in business that represent the management efficiency. In this study, the researcher tried to carry out a comparative analysis on working capital management of TVS motors and Bajaj auto Ltd. The aim of this study is to analyze which company’s performance is better than other company. The Secondary data from the company’s websites and annual reports and financial websites like money control.com for five years 2013-2017 has been used in the study .Ratios like current ratio, quick ratio, activity ratio debtor turnover ratio etc has used for the comparative study. The results show that liquidity position of Bajaj auto was better than TVS motor because its result is stable and move nearer to ideal than TVS motors . It may be concluded that three firms properly manage the components of working capital for the better possibility for strengthening the financial sources.

3. Snehlata (2017)³ “A Comparative study of working capital management of TVS motor and Bajaj auto ltd ,” 24 October 2017, www.conferenceworld.in ISBN :978-93-86171-74-0.



7.1 TABLE [RATIO ANALYSIS OF MARUTI SUZUKI LIMITED]

Year	Current Ratio	Liquid Ratio	Absolute Liquid Ratio	Inventory Turnover Ratio	Working Capital Turnover Ratio	Average Collection Period	Average Payment Period
2016	0.75	0.46	0.27	2.10	0.05	10.28	51.09
2017	0.87	0.64	0.48	2.15	0.17	9.81	58.38
2018	0.51	0.31	0.21	2.30	0.06	6.70	69.46
2019	0.66	0.42	0.33	2.45	0.05	6.45	64.53
2020	0.72	0.44	0.32	2.47	0.10	8.39	69.50
AVERAGE	0.72	0.45	0.32	2.29	0.09	8.32	62.59

7.2 TABLE [RATIO ANALYSIS OF HYUNDAI MOTOR LIMITED]

Year	Current Ratio	Liquid Ratio	Absolute Liquid Ratio	Inventory Turnover Ratio	Working Capital Turnover Ratio	Average Collection Period	Average Payment Period
2016	1.41	0.05	0.05	1.70	0.01	17.67	0.19
2017	1.43	0.06	0.05	1.67	0.01	21.09	0.17
2018	1.48	0.03	0.03	1.58	0.02	19.27	0.19
2019	1.71	0.02	0.02	1.72	0.02	18.46	0.18
2020	1.66	0.02	0.02	1.80	0.03	15.68	0.19
AVERAGE	1.53	0.04	0.04	1.7	0.19	19.18	0.18

- It is found that Maruti Suzuki India Ltd and Hyundai Motor Company average current ratio is less than the standard norm 2:1 and the current assets have to be increased or current liabilities reduced to meet with the norm.
- It is found that the Maruti Suzuki India Ltd and Hyundai Motor Company average liquid ratio is less than the standard norm of 1:1, which implies that there is no sufficient liquid assets to pay off the current liabilities.
- It is found that the Maruti Suzuki India Ltd and Hyundai Motor Company Absolute liquid ratio is less than the standard norm of 0.5:1 and it has no sufficient Absolute liquid Assets to pay off the Current Liability.
- It is found that Average Inventory turnover ratio Maruti Suzuki India Ltd has been 2.29 times and for Hyundai Motor Company it has been 1.7 on an average during a year. Higher the Inventory Turnover Ratio, lower is the Working capital required and Vice Versa. In case of both the companies the Inventory Turnover Ratio is not satisfactory.
- It is found that average working capital turnover of Maruti Suzuki India Ltd is lower than Hyundai Motor Company. Hence the working capital turnover of Hyundai Motor Company is better than Maruthi Suzuki India Ltd.
- It is found that the average collection period of Maruti Suzuki India Ltd is shorter compared to Hyundai Motor Company. It implies quick payment by debtors and efficient collection performance of the company Maruti Suzuki India Ltd. Hyundai Motor Company debtor's period is too long and it has to be minimized by changing the norms.
- It is found that the average payment period of Hyundai Motor Company is shorter compared to Maruti Suzuki India Ltd. It implies quick payment by creditors and efficient payment performance of the company Hyundai Motor Company. Maruti Suzuki India Ltd debtor's period is too long and it has to be minimized by changing the norm

8. SUGGESTIONS

- The companies have to increase its current assets and decrease its current liabilities in order to maintain its assets and liabilities in the short run promptly.
- The companies have to maintain its current assets and current liabilities in the standard ratio so as to maintain its liquidity position properly.
- The companies have to maintain its standard and capability to pay its liquid liabilities.



- The working capital of the both the companies must be maintained appropriately. It should not be too low and too high.
- The companies have to pay its debts as far as possible in order to maintain its goodwill and reputation in the industry.
- The companies have to collect its dues from the debtors within the shorter period. It should be too longer in order to avoid its investment blocking and collection expenses.

9. CONCLUSION

From the study of working capital management of Maruti Suzuki and Hyundai motor limited has helped to know the performance of the company. It also has given a clear idea about the efficiency of the company. The study has revealed that the efficiency and working capital position are not satisfactory during the study period. The companies can put forth efforts to increase the earning high profits through proper management and by proper utilization of available resources. It will help to improve companies performance.

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