



A STUDY ON FINANCIAL PERFORMANCE OF MARUTI SUZUKI MOTORS

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ABSTRACT

Maruti Suzuki India Ltd. primarily manufactures cars and has been the most favorite automobile brand among Indian people since its inception. The main objective of the study is to analyze firm's profitability and liquidity position by using ratio analysis and to know the changes over working capital for the period of four years (2015-19). The company can improve its profitability position by pay off current liabilities. By managing the debtors effectively working capital of the company can be increased.

KEY WORDS-*Financial Performance, Ratio Analysis, Profitability Ratios, Liquidity Ratios, Working Capital.*

INTRODUCTION

At present we cannot imagine a world without finance. It can also describe as finance is the soul of our economic activities. Effective management of business requires control over expense to reduce the cost of operation and to make the business profitable. Assets must be properly maintained to increase their productivity. Liabilities of a business have to be repaid in due time. According to entrepreneurs "finance is concerned with cash. It is so, since, every business transaction involves cash directly or indirectly". It is the vast term. Measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firms return on investments, return on assets, value added, etc... Financial performance is to calculate key financial ratios over the last three to five years. The ratios can be compared year to year.

STATEMENT OF THE PROBLEM

Being this present status, it quiet possible for the company to improve its profitability as well as liquidity considerable without employing, further resources and just be stream lining the existing

financial system and the financial information system. The basic problem faced by the financial manager of an enterprise in to trade-off between the conflicting and equally improvement goals of profitability and liquidity.

SCOPE OF THE STUDY

The scope of study is to find the financial performance of the MARUTI SUZUKI MOTORS. For the preparation of ratio analysis and working capital statement past five years balance sheet (2015 to 2019) has taken for study. This study is made mainly to know the profitability, liquidity and financial growth of the company. These suggestions would help the company for further improvements.

OBJECTIVES OF THE STUDY

1. To analyze profitability position of the Maruti Suzuki Motors.
2. To know the liquidity position of the company.
3. To know the changes over working capital for the period of four years (2015-19).



RESEARCH METHODOLOGY

Secondary data was mainly used for the study. The data used in this study is mainly from the audited annual reports of the company. The present study covers the period of five years from 2014-2015 to 2018-2019.

Tools and Techniques

The ratios are used as a tool for analyzing the financial performance on Maruti Suzuki Motors. Ratios are calculated from previous year and current year. The tools are

1. Ratio analysis.
 - Profitability ratio
 - Liquidity ratio
2. Working capital.

LIMITATIONS OF THE STUDY

- The period of the study limited only to five years.
- The end result of the study is relevant best for Maruti Suzuki Limited and it cannot use in another company.
- The data are secondary by nature and any bias in them reflects in the analysis and the conclusion of the study.

REVIEW OF LITERATURE

Mr. V. Elayabharathi, Mrs. D. Praveena, Mrs. S. Rathika (2019), “a study on financial performance analysis with reference to TNSC Bank, Chennai”. They analyzed the financial performance of the TNSC APEX CO-OPERATIVE BANK. They suggested the bank needs to maintain proper receivables. The performance should be continued and improvement to be made in order to attain the objectives of the concern which pave the way to have the result in attaining the competitive advantage.

Lam Weng Hoe, Lam Weng Siew, Liew Kah Fai (2019), “a study on performance analysis on Telecommunication companies in Malaysia with TOPSIS model”. The objective of this paper is to propose a conceptual framework to evaluate, compare and rank the financial performance of companies in Malaysia. They concluded that the best ideal and worst ideal solutions for each financial ratio can serve as the benchmark to the telecommunication companies for further improvement.

Dr. D. Pathma Priya (2019), “a study on financial performance analysis of HDFC limited”. The study was made to analyze the financial performance of HDFC limited for the period of five years and to offer suggestions based on their findings of the study. She concluded that the financial performance of the HDFC Limited is at satisfactory level and suggested to concentrate to get back the funds from debt to equity funds and also reduce and long term financial obligations

DATA ANALYSIS AND INTERPRETATION PROFITABILITY RATIO

Efficiency of a business is measured by profitability. It measures the profit earning capacity of the business concern. The important profitability ratios are discussed below:

1. Gross profit ratio
2. Net profit ratio
3. Operating profit ratio
4. Operating ratio

1. Gross Profit Ratio

This ratio indicates the efficiency of trading activities. The relationship of gross profit to sales is known as gross profit ratio. It is also known as gross margin or trading margin ratio. The ratio is calculated as:

$$\text{Gross Profit Ratio} = \text{Gross Profit} / \text{Sales} \times 100$$

Table No. 1
Table Showing Gross Profit Ratio

| Year | Gross Profit | Sales | Ratio |
|-----------|--------------|----------|-------|
| 2014-2015 | 7338.50 | 49970.60 | 14.68 |
| 2015-2016 | 10263.90 | 57538.10 | 17.83 |
| 2016-2017 | 12562.40 | 68034.80 | 18.46 |
| 2017-2018 | 13761.30 | 79762.70 | 17.25 |
| 2018-2019 | 13484.50 | 86020.30 | 15.67 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

The above table 1 shows the relationship between the gross profit and net sales in the

percentage. During the study period 2014-2015 the gross profit ratio is 14.68. On 2015-2016 the ratio increased to 17.83 and further it moves upward to



18.46 in 2016-2017. During 2017-2018 it decreased to 17.25. In the year 2018-2019 it decreased to 15.67. The average gross profit position was 16.7%. However the company maintains a good gross profit ratio.

This ratio determines the overall efficiency of the business. The relationship of net profit to sales is known as net profit ratio. It is determined by dividing the net income after tax to the net sales for the period and measure the profit per rupee of sales. The ratio is calculated as:

2. Net Profit Ratio

$$\text{Net Profit Ratio} = \text{Net Profit} / \text{Sales} \times 100$$

Table No. 2
Table Showing Net Profit Ratio

| Year | Net Profit | Sales | Ratio |
|-----------|------------|----------|-------|
| 2014-2015 | 3243.37 | 49970.60 | 6.49 |
| 2015-2016 | 4525.46 | 57538.10 | 7.86 |
| 2016-2017 | 5754.21 | 68034.80 | 8.45 |
| 2017-2018 | 6400.85 | 79762.70 | 8.02 |
| 2018-2019 | 5831.25 | 86020.30 | 6.77 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

The above table 2 shows the relationship between the net profit and net sales in percentage. During the study period 2014-2015 the ratio was 6.49 then it moves upward to 7.86 and 8.45 in the year 2015-2016 and 2016-2017 respectively. The ratio decreased to 8.02 in 2017-2018 and it also moves downward to 6.77 in the year 2018-2019. The

average net profit position was 7.5% and is in decreasing trend.

3. OPERATING PROFIT RATIO

This ratio is an indicator of the operational efficiency of the management. It establishes the relationship between operating profit and sales. The ratio is calculated as:

$$\text{Operating Profit Ratio} = \text{Operating Profit} / \text{Sales} \times 100$$

Table No. 3
Table Showing Operating Profit Ratio

| Year | Operating Profit | Sales | Ratio |
|-----------|------------------|----------|-------|
| 2014-2015 | 7544.50 | 49970.60 | 15.09 |
| 2015-2016 | 10345.40 | 57538.10 | 17.98 |
| 2016-2017 | 12651.80 | 68034.80 | 18.59 |
| 2017-2018 | 14107.00 | 79762.70 | 17.68 |
| 2018-2019 | 13560.30 | 86020.30 | 15.76 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

The above table 3 shows that the operating profit ratio is 15.09 in year 2014-15 and keeps fluctuating for upcoming years. But in 2017-2018 it goes

downward to 17.68 and further it decreased to 15.76 in the year 2018-2019. So the company should decrease their expense to increase their profit.

4. OPERATING RATIO

This ratio determines the operating efficiency of the business concern. Operating ratio measures the amount of expenditure incurred in

production, sales and distribution of output. The relationship between operating cost to sales is known as operating ratio the ratio calculated as:



$$\text{Operating Ratio} = \text{Cost of Goods Sold} + \text{Operating Expenses} / \text{Sales} \times 100$$

Table No. 4
Table Showing Operating Ratio

(Rupees in Cores)

| Year | Operating Profit Ratio | Ratio |
|-----------|------------------------|-------|
| 2014-2015 | 15.09 | 84.91 |
| 2015-2016 | 17.98 | 82.02 |
| 2016-2017 | 18.59 | 81.41 |
| 2017-2018 | 17.68 | 82.32 |
| 2018-2019 | 15.76 | 84.24 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

From the above table 4 shows that operating profit for the year 2014-2015 was 84.91 and it is decreased to 82.02 in 2015-2016. Again the ratio decreased to 81.41 in 2016-2017. On 2017-2018 the ratio is increased to 82.32 and it moves upward to 84.24 in 2018-2019. It is clear that operating profit of Maruti Suzuki motors consistently good in all the years.

LIQUIDITY RATIO

Liquidity ratio measure the firm's ability to pay off current dues i.e., repayable within a year.

Liquidity ratios are otherwise called as short term solvency ratios. The important liquidity ratios are

1. Current Ratio
2. Liquid Ratio
3. Absolute Liquid Ratio

1. CURRENT RATIO

This ratio is used to assess the firm's ability to meet its current liabilities. The relationship of current assets to current liabilities is known as current ratio. The ratio is calculated as:

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$$

Table No. 5
Table Showing Current Ratio

(Rupees in Cores)

| Year | Current Asset | Current Liabilities | Ratio |
|-----------|---------------|---------------------|-------|
| 2014-2015 | 5199.80 | 8450.50 | 0.61 |
| 2015-2016 | 6789.20 | 10808.30 | 0.62 |
| 2016-2017 | 6597.40 | 12742.80 | 0.51 |
| 2017-2018 | 6704.10 | 15331.30 | 0.43 |
| 2018-2019 | 7316.10 | 14000.70 | 0.52 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

The above table 5 shows that the current ratio in the year 2014-15 was 0.61 and then it is moves upward to 0.62 in the year 2015-16, next year onwards it move downward to 0.51 in the year 2016-17 and it again moves downwards to 0.43 in 2017-2018 and finally in the year 2018-19 it went downwards to 0.52. The normal current ratio is 2:1. The above table shows current ratio lower than 2% in

all financial year. This shows that the company is not enjoying credit worthiness.

2. LIQUID RATIO

This ratio is used to assess the firm's short term liquidity. The relationship of liquid assets to current liabilities is known as liquid ratio. It is otherwise called as quick ratio or acid test ratio. The ratio is calculated as:



$$\text{Liquid Ratio} = \text{Liquid Assets} / \text{Current Liabilities}$$

Table No. 6
Table Showing Liquid Ratio

| Year | Liquid Asset | Current Liabilities | Ratio |
|-----------|--------------|---------------------|-------|
| 2014-2015 | 2513.9 | 8450.50 | 0.29 |
| 2015-2016 | 3657.1 | 10808.30 | 0.33 |
| 2016-2017 | 3335.2 | 12742.80 | 0.26 |
| 2017-2018 | 3543.3 | 15331.30 | 0.23 |
| 2018-2019 | 3990.4 | 14000.70 | 0.28 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

The above table 6 shows that the liquid ratio in 2014-2015 was 0.29 then it increased to 0.33 in 2015-2016. In the year 2016-2017 the ratio was decreased to 0.26 in 2016-2017 and it is further decreased to 0.23 in 2017-2018. In the year 2018-2019 the ratio is 0.28. The company is not having adequate cash to meet its expenses.

3. ABSOLUTE LIQUID RATIO

It is a modified form of liquid ratio. The relationship of absolute liquid assets to liquid liabilities is known as absolute liquid ratio. This ratio is also called as super quick ratio. The ratio is calculated as:

$$\text{Absolute Liquid Ratio} = \text{Absolute Liquid Assets} / \text{Liquid Liabilities}$$

Table No. 7
Table Showing Absolute Liquid Ratio

| Year | Absolute Liquid Profit | Current Liabilities | Ratio |
|-----------|------------------------|---------------------|-------|
| 2014-2015 | 18.30 | 8450.50 | 2.16 |
| 2015-2016 | 39.10 | 10808.30 | 3.61 |
| 2016-2017 | 13.80 | 12742.80 | 1.08 |
| 2017-2018 | 71.10 | 15331.30 | 4.63 |
| 2018-2019 | 178.90 | 14000.70 | 0.01 |

(Source: 5 years annual report of Maruti Suzuki)

INTERPRETATION

In the above table 7 shows the absolute liquid ratio in 2014-2015 was 2.16 and it moves upward to 3.61 in 2015-2016. The ratio was decreased to 1.08 in 2016-2017 then it increased gradually to 4.63 in 2017-2018. The ratio in the year 2018-2019 is 0.01 which was least. The ratio is below 1 in 2018-2019 and hence the company needs more than its cash reserve to pay-off its current debt.

WORKING CAPITAL

Working capital is a financial metric which represents operating liquidity available to a business, organization, or other entity, including governmental entities. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Working capital is a financial measure which calculates whether a company has enough liquid assets to pay its bills that will be due in a year. Working capital can be calculated by deducting the current liabilities from the current assets.



Working Capital = Current Assets – Current Liabilities

Table No. 8

Table Showing The Schedule Of Changes In Working Capital For The Year Ended 2015-2016

(Rs. in Crores)

| PARTICULARS | 2015 | 2016 | INCREASE | DECREASE |
|---------------------------------|----------------|-----------------|----------|----------|
| Current Assets | | | | |
| Inventories | 2685.90 | 3132.10 | 446.2 | |
| Sundry Debtors | 1069.80 | 1322.20 | 252.4 | |
| Cash and Bank | 18.30 | 39.10 | 20.8 | |
| Loans and Advances | 1425.80 | 2295.80 | 870 | |
| Total (A) | 5199.80 | 6789.20 | | |
| Current Liabilities | | | | |
| Current liabilities | 7090.10 | 9613.80 | | 2523.7 |
| Provisions | 1360.40 | 1194.50 | 165.9 | |
| Total (B) | 8450.50 | 10808.30 | | |
| Working capital (A-B) | -3250.7 | -4019.1 | | |
| Net decrease in working capital | | 768.4 | 768.4 | |
| Total | -3250.7 | -3250.7 | 2523.7 | 2523.7 |

(Source: Secondary Data)

INTERPRETATION

Current asset during 2015, 2016 is Rs. 5199.80 and Rs. 6789.20 respectively. The current asset increases to Rs. 1589.4. A current liability during 2015, 2016 is Rs. 8450.50 and Rs.10808.30

respectively. The current liability increases to Rs. 2357.8.

INFERENCE

Net decrease in working capital is Rs. 768.4

Table No. 9

Table Showing The Schedule Of Changes In Working Capital For The Year Ended 2016-2017

(Rs. in Crores)

| PARTICULARS | 2016 | 2017 | INCREASE | DECREASE |
|---------------------------------|-----------------|-----------------|----------|----------|
| Current Assets | | | | |
| Inventories | 3132.10 | 3262.20 | 130.1 | |
| Sundry Debtors | 1322.20 | 1199.20 | | 123 |
| Cash and Bank | 39.10 | 13.80 | | 25.3 |
| Loans and Advances | 2295.80 | 2122.20 | | 173.6 |
| Total (A) | 6789.20 | 6597.40 | | |
| Current Liabilities | | | | |
| Current liabilities | 9613.80 | 11495.10 | | 1881.3 |
| Provisions | 1194.50 | 1247.70 | | 53.2 |
| Total (B) | 10808.30 | 12742.80 | | |
| Working capital (A-B) | -4019.1 | -6145.40 | | |
| Net decrease in working capital | | 2126.3 | 2126.3 | |
| Total | -4019.1 | -4019.1 | 2256.4 | 2256.4 |

(Source: Secondary Data)

INTERPRETATION

Current asset during 2016, 2017 is Rs. 6789.20 and Rs. 6597.40 respectively. The current asset decreases to Rs. 191.8. A current liability during 2016, 2017 is Rs.10808.30 and 12742.80

respectively. The current liability increases to Rs. 1934.5.

INFERENCE

Net decrease in working capital is Rs. 2126.3.



Table No. 10
Table Showing The Schedule Of Changes In Working Capital For The Year Ended 2017-2018
(Rs. in Crores)

| PARTICULARS | 2017 | 2018 | INCREASE | DECREASE |
|---------------------------------|-----------------|-----------------|---------------|---------------|
| Current Assets | | | | |
| Inventories | 3262.20 | 3160.80 | | 101.4 |
| Sundry Debtors | 1199.20 | 1461.80 | 262.6 | |
| Cash and Bank | 13.80 | 71.10 | 57.3 | |
| Loans and Advances | 2122.20 | 2010.40 | | 111.8 |
| Total (A) | 6597.40 | 6704.10 | | |
| Current Liabilities | | | | |
| Current liabilities | 11495.10 | 13917.20 | | 2422.1 |
| Provisions | 1247.70 | 1414.10 | | 166.4 |
| Total (B) | 12742.80 | 15331.30 | | |
| Working capital (A-B) | -6145.40 | -8627.20 | | |
| Net decrease in working capital | | 2481.80 | 2481.8 | |
| Total | -6145.40 | -6145.40 | 2801.7 | 2801.7 |

*(Source: Secondary Data)***INTERPRETATION**

Current asset during 2017, 2018 is Rs. 6597.40 and Rs. 6704.10 respectively. The current asset increases to Rs. 106.7. A current liability during 2017, 2018 is Rs. 12742.80 and Rs. 15331.30

respectively. The current liability increases to Rs. 2588.5

INFERENCE

Net decrease in working capital is Rs. 2481.80.

Table No. 11
Table Showing The Schedule Of Changes In Working Capital For The Year Ended 2018-2019
(Rs. in Crores)

| PARTICULARS | 2018 | 2019 | INCREASE | DECREASE |
|---------------------------------|-----------------|-----------------|---------------|---------------|
| Current Assets | | | | |
| Inventories | 3160.80 | 3325.70 | 164.9 | |
| Sundry Debtors | 1461.80 | 2310.40 | 848.6 | |
| Cash and Bank | 71.10 | 178.90 | 107.8 | |
| Loans and Advances | 2010.40 | 1501.10 | | 509.3 |
| Total (A) | 6704.10 | 7316.10 | | |
| Current Liabilities | | | | |
| Current liabilities | 13917.20 | 12703.40 | 1213.8 | |
| Provisions | 1414.10 | 1297.30 | 116.8 | |
| Total (B) | 15331.30 | 14000.70 | | |
| Working capital (A-B) | -8627.2 | -6684.60 | | |
| Net increase in working capital | | 1942.6 | | 1942.6 |
| Total | -8627.2 | -8627.2 | 2451.9 | 2451.9 |

*(Source: Secondary Data)***INTERPRETATION**

Current asset during 2018, 2019 is Rs. 6704.10 and Rs. 7316.10 respectively. The current asset increases to Rs. 612. A current liability during 2018, 2019 is Rs. 15331.30 and Rs. 14000.70 respectively. The current liability decreases to Rs. 1330.6.

INFERENCE

Net increase in working capital is Rs. 1942.6.

FINDINGS, SUGGESTION AND CONCLUSION**FINDINGS**

- Gross profit of the company was highest in the year 2016-2017 and lowest in the year 2014-2015.
- Net profit of the company was highest in the year 2016-2017 and lowest in the year 2014-2015.



- Operating profit ratio of the company was highest in the year 2016-2017 and lowest in the year 2018-2019.
- Operating Ratio of Maruthi Suzuki Motors is maximum during the year 2014-2015 and lowest in the year 2018-2019.
- Current ratio of the company was highest in the year 2015-2016 and lowest in the year 2017-2018.
- Quick ratio, highest in the year 2015-2016 and in the lowest in the year 2017-2018.
- Absolute liquid ratio of the company was highest in the year 2017-2018 and lowest in the year 2018-2019.
- Working capital was decreased in the year 2015 and 2016.
- Working capital was decreased in the year 2016 and 2017.
- Working capital was decreased in the year 2017 and 2018.
- Working capital was increased in the year 2018 and 2019.

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SUGGESTIONS

- The company can improve its profitability position by pay off current liabilities.
- In order to improve the stable financial position of the company current liability can be reduced by selling of unnecessary assets.
- Net profit of the company can be increased by reducing operational expenses.
- The company's profits are huge in the current year, it is better to declare dividend to shareholders.
- The working capital of the company in the year 2018-2019 was increased it has to maintain the position to increase more profit by managing debtors effectively.

CONCLUSION

The study undertaken with objective of profitability of Maruti Suzuki motors. Even though the profitability condition in the satisfactory level, in upcoming years the firm should focus on getting of more profits by considering internal as well as external factors. There is a fluctuation in the liquidity position of the company so they have to invest more amount in current assets in order to improve their liquidity position hence, if the given suggestion are implement then the overall efficiency and profitability of Maruti Suzuki can be improved. The working capital of the company can be increased by managing debtors effectively.