A Study on the Financial Performance of Maruti Suzuki India Limited

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ABSTRACT

Maruti Suzuki India Limited, formerly known as MarutiUdyog Limited, is an automobile manufacturer in India. It is a 56.21% owned subsidiary of the Japanese car and motorcycle manufacturer Suzuki Motor Corporation. In India Maruti Suzuki gives budgeted cars for the middle class people it improve the huge growth of the company. The economy will raises by the growth of the industry and it boost the GDP frequently. From the above point of view the researcher has undertaken an analysis of financial performance of Maruti Suzuki India Limited Company to understand how management of finance plays a crucial role in the growth. To analyze profitability, liquidity and solvency status of the Maruti Suzuki India Limited. Finally the study concludes Maruti Suzuki can continue the same for the future improvements. Thus, the dreams of our planners to accelerate the economic growth in the country by effecting increased automotive production of reasonable cost are still possible to be translated into reality.

1. INTRODUCTION

MarutiUdyog Limited (MUL) was established to meet the demands of the automobile sector in India. It was enacted through an act passed by the parliament. The company came into being as a joint venture between Suzuki Motor Company of Japan and the Government of India in Oct 1983. Suzuki owned 26% of the equity and the rest of it was of the Government with the agreement that Suzuki will provide the latest technology to the Indian customer. Suzuki had a brilliant history of making the small passenger cars all over the world. In 1987, the share of Suzuki was raised to 40%; on a condition that was already mentioned in the agreement. In 1992, Suzuki still further enhanced its equity to 50%. In 2002, the government handed the management control of MarutiUdyog Ltd (MUL) to Suzuki Motor Corporation (SMC) for a consideration of Rs.1,000crore rupees. At the time of complete handing over of the control, the government held 49.76% equity in Maruti while Suzuki Motors Corporation was having 50% equity and the remaining 0.24% was held by the employee’s trust. SMC acquired the full control and ownership of the country’s leading automobile company by way of the government renouncing its subscription to Rs. 400crore rights issue of MUL.

After the rights issue, SMC acquired 54.20% stake and the Centre's stake falling to 45.54%. The government sold its 27.5% share to the public in June 2003 and the rest of it was done away with in May 10, 2007. Since its inception to the present day, the company has not looked back. It has been and still is the unchallenged leader in the Indian automobile sector. It has become the favorite destination for the car buying individuals in India. The company has long crossed the
landmark of a sale of 10 million units which no other company doing business in India has been able to achieve.

Maruti Suzuki India Limited (MSIL, formerly known as MarutiUdyog Ltd) is a subsidiary of Suzuki Motor Corporation, Japan. Maruti Suzuki has been the leader of the Indian car market for over two and a half decades. It is largely credited for having brought in an automobile revolution to India. Maruti Suzuki India Limited accounting for nearly 50 percent of the total industrial sales. In terms of number of cars produced and sold, the company is the largest subsidiary of Suzuki Motor Corporation, cumulatively; the company has produced over 10 million vehicles since the roll out of its first vehicle on 14th December, 1983. Maruti Suzuki is the only Indian company to have crossed the 10 million sales mark since its inception. The company has two manufacturing facilities located at Gurgaon and Manesar, south of New Delhi, India. Both the facilities have a combined capability to produce over a 1.5 million (1,500,000) vehicles annually.

Over two and half decades, Maruti Suzuki has won the hearts of customers through high quality products and services. The company is engaged in the business of Manufacturing, Purchase and sale of motor vehicles and Spare parts. The other activities of the company include facilitation of pre-owned car sales, fleet management and car financing. The company has seven subsidiary companies, namely Maruti Insurance Business Agency Ltd, Maruti Insurance Distribution Services Ltd, Maruti Insurance Agency Solutions Ltd, Maruti Insurance Agency Solutions Ltd, Maruti Insurance Agency Solutions Ltd, Maruti Insurance Agency Network Ltd, Maruti Insurance Agency Services Ltd, Maruti Insurance Agency Logistics Ltd and True Value Solutions Ltd.

2. REVIEW OF LITERATURE

Pradhan Singh (2008) in recent years, developing countries have emerged as significant participants in the OFDI (Outward foreign direct investment) activities having the strategic asset seeking motive. This study examines these issues for the Indian automotive industry that is currently transnationalizing at a rapid rate in terms of both exports and OFDI. The study traces the technological capability building and several dimensions of OFDI in this industry. The case studies of two major automotive groups highlight their competence building and knowledge seeking operations.

Balakrishnan, Jagathy(2011) Globalization and liberalization, with the entry of many prominent foreign manufacturers, changed the automobile scenario in India, since early 1990s. Manufacturers such as Ford, General Motors, Honda, Toyota, Suzuki, Hyundai, Renault, Mitsubishi, Benz, BMW, Volkswagen and Nissan set up their manufacturing units in India. Car customers started developing their own personal preferences and purchasing patterns, which were hitherto unknown in the Indian automobile segment. The main purpose of this paper is to come up with the identification of possible parameters and a framework development, that influence the consumer purchase behavior patterns of passenger car owners in the State of Kerala, so that further research could be done based on the framework and the identified parameters.

Kale (2011), in the last decade the Indian auto industry has shown increasing levels of technological sophistication and significant growth. The Indian auto industry consists of local firms with indigenous design and development capability, well established global brands and has marketing presence in Indian as well as other emerging markets. This paper reveals that key...
attributes of firm ownership such as managerial vision and diversified nature of business, helped Indian firms in the development of the innovative capabilities. Ray (2012), this study tries to evaluate the performance of Indian automobile industry in terms of various financial indicators, sales trend, production trend, export trend etc. for the period of 2003-04 to 2009-10. The result suggests that the automobile industry has been passing through turbulent phases characterized by enhanced debt burden, low utilization of assets, and above all, huge liquidity crunch. The key to success in the industry is to improve labour productivity, labour flexibility, and capital efficiency.

Dharmaraj and Kathirvel (2013), the Indian Automobile Industry marked a new journey in the 1991 with the financial revolutionary New Industrial Policy Act 1991, opening automatic route which allowed the 100 per cent Foreign Direct Investment (FDI). Here, an attempt is made to find out the effect of FDI on the financial performance of Indian Automobile Industry. For this purpose, sixteen companies were selected and analysed through various financial ratios. Descriptive statistical tools like Mean, Standard Deviation and Student’s paired ‘t’ Test were used to test the hypothesis. It is concluded that foreign direct investment in India makes positive impact on the financial variables of the Automobile Companies.

STATEMENT OF THE PROBLEM

Financial performance analysis is the process of determining the operation and financial characteristics of affirm from accounting and financial statements. The goal of such an analysis is to determine the efficiency and performance of the firm’s management, as reflected in the financial records and reports. From the above point of view the researcher has undertaken an analysis of financial performance of Maruti Suzuki India Limited Company to understand how management of finance plays a crucial role in the growth.

3. OBJECTIVES OF THE STUDY

➢ To study the growth and development of Maruti Suzuki India limited.
➢ To examine the consistency and growth rate of selected financial parameters of the particular Maruti Suzuki India Limited.
➢ To analyze profitability, liquidity and solvency status of the Maruti Suzuki India Limited.
➢ To offer valuable suggestion for further improvement of firm’s profitability.

4. RESEARCH METHODOLOGY

The study is based on secondary data. For a project of this nature, the secondary data collected from the annual reports is of vital importance. The data collected from the financial reports is subjected to the solvency ratio analysis, so as to estimate the financial soundness of the company.

SOURCES OF DATA

Secondary data are used in this study, which were collected from the various data base, journal and magazines. Variables pertaining to behavior of solvency were collected from the balance
sheet and profit and loss account of the selected Maruti Suzuki India Limited Company for a period of 10 years.

**DATA COLLECTION**

Generally data were collected into two ways Primary and secondary data. The study mainly based on secondary data. The secondary data were collected from various sources such as money control, NSE websites and respective annual reports of the company.

**TOOLS OF ANALYSIS**

The statistical tools applied for data analysis are ratio analysis, mean, standard deviation, coefficient of variance.

**PERIOD OF THE STUDY**

The present study covers a period of ten years from 2009-10 to 2018-19.

**LIMITATIONS OF THE STUDY**

The study covers a period of ten years from 2009-10 to 2018-19. Secondary data were collected for this study due to cost and time constraints. The present study is largely based on financial statement, which have been its own limitations.

**DATA ANALYSIS AND INTERPRETATION**

**SOLVENCY RATIO**

Solvency or financial ratio includes all ratios which express the financial position of the concern. Financial ratios are also analyzed to find judicious use of funds. The significant financial ratios are classified as short-term solvency ratios and long-term solvency ratios.

**SHORT-TERM SOLVENCY RATIO**

**CURRENT RATIO**

Current ratio may be defined as the ratio of current assets to current liabilities. On the other hand, it measures the strength of working capital of the firm and on the other; it indicates the financial soundness of the firm. This will help in the working capital decisions of the concern in general a ratio equal or near the rule of thumb of 2:1 is considered to be satisfactory.

\[
\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current liabilities}}
\]
The current ratio of the Maruti Suzuki India Limited has shown table 1(a) a trend during the period of study. The current ratio has fluctuated between 1.60 times and 0.65 times in the year 2013-14 to 2017-18. The highest ratio was found 1.76 times in the year 2013-14 and the lowest ratio was 0.51 times in the year 2018-19. The mean ratio was 1.07 and standard deviation of 0.49. The coefficient of variation was 45.87 per cent proves that fluctuation of during the study period.

**LIQUID ASSETS**

Liquid assets are current assets minus inventories and prepaid expenses. Current liabilities mean liabilities which are payable within a short period. This ratio signifies the ability of the firm to settle all its current liabilities. The Rule of thumb is one to one (1:1) for the acid test ratio. In other words, liquid assets should not be less than liquid liabilities.

\[
\text{Liquid Ratio} = \frac{\text{Liquid Asset}}{\text{Current liabilities}} \times 100
\]
TABLE NO 2
LIQUID RATIO (RS. IN MILLIONS)

<table>
<thead>
<tr>
<th>S. NO.</th>
<th>YEAR</th>
<th>QUICK ASSETS</th>
<th>CURRENT LIABILITIES</th>
<th>RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-2010</td>
<td>996.30</td>
<td>2738.00</td>
<td>0.36</td>
</tr>
<tr>
<td>2</td>
<td>2010-2011</td>
<td>9929.00</td>
<td>29394.00</td>
<td>0.34</td>
</tr>
<tr>
<td>3</td>
<td>2011-2012</td>
<td>35691.00</td>
<td>35540.00</td>
<td>1.00</td>
</tr>
<tr>
<td>4</td>
<td>2012-2013</td>
<td>92825.00</td>
<td>65476.00</td>
<td>1.42</td>
</tr>
<tr>
<td>5</td>
<td>2013-2014</td>
<td>90841.00</td>
<td>68280.00</td>
<td>1.33</td>
</tr>
<tr>
<td>6</td>
<td>2014-2015</td>
<td>124658.00</td>
<td>80741.00</td>
<td>1.54</td>
</tr>
<tr>
<td>7</td>
<td>2015-2016</td>
<td>55829.00</td>
<td>88230.00</td>
<td>0.63</td>
</tr>
<tr>
<td>8</td>
<td>2016-2017</td>
<td>40174.00</td>
<td>112900.00</td>
<td>0.36</td>
</tr>
<tr>
<td>9</td>
<td>2017-2018</td>
<td>53477.00</td>
<td>132313.00</td>
<td>0.40</td>
</tr>
<tr>
<td>10</td>
<td>2018-2019</td>
<td>47606.00</td>
<td>154421.00</td>
<td>0.31</td>
</tr>
</tbody>
</table>

Mean: 0.77
Standard Deviation: 0.50
Co-efficient: 65.33
Maximum: 1.54
Minimum: 0.31

Source: Computed from Annual Report

The Liquid ratio of the Maruti Suzuki India Limited has shown table 2(b) a trend during the period of study. The Liquid ratio has fluctuated between 1.42 times and 0.63 times in the year 2013-14 to 2016-17. The highest ratio was found 1.54 times in the year 2014-15 and the lowest ratio was 0.31 times in the year 2018-19. The mean ratio was 0.77 and standard deviation of 0.50. The coefficient of variation was 65.33 per cent proves that fluctuation of during the study period.

LONG-TERM SOLVENCY RATIO

DEBT-EQUITY RATIO

Debt-Equity ratio develops the relationship between owned funds and the borrowed funds. This reflects the extent to which borrowed capital is used in place of equity capital. Business firms acquire assets both with owners and creditors funds. The larger portion of the funds provided by the owners, the less risk is assumed by creditors. The debt-equity ratio is

\[
\text{Debt- Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's fund}}
\]
TABLE NO 3
DEBT EQUITY RATIO (RS. IN MILLIONS)

<table>
<thead>
<tr>
<th>S. NO.</th>
<th>YEAR</th>
<th>DEBT</th>
<th>SHAREHOLDERS FUND</th>
<th>RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-2010</td>
<td>9527.30</td>
<td>8627.10</td>
<td>1.10</td>
</tr>
<tr>
<td>2</td>
<td>2010-2011</td>
<td>126565.00</td>
<td>118351.00</td>
<td>1.07</td>
</tr>
<tr>
<td>3</td>
<td>2011-2012</td>
<td>140065.00</td>
<td>138675.00</td>
<td>1.01</td>
</tr>
<tr>
<td>4</td>
<td>2012-2013</td>
<td>151874.00</td>
<td>151874.00</td>
<td>1.00</td>
</tr>
<tr>
<td>5</td>
<td>2013-2014</td>
<td>191218.00</td>
<td>185789.00</td>
<td>1.03</td>
</tr>
<tr>
<td>6</td>
<td>2014-2015</td>
<td>214384.00</td>
<td>209780.00</td>
<td>1.02</td>
</tr>
<tr>
<td>7</td>
<td>2015-2016</td>
<td>238490.00</td>
<td>237042.00</td>
<td>1.01</td>
</tr>
<tr>
<td>8</td>
<td>2016-2017</td>
<td>270071.00</td>
<td>270071.00</td>
<td>1.00</td>
</tr>
<tr>
<td>9</td>
<td>2017-2018</td>
<td>361711.00</td>
<td>361711.00</td>
<td>1.00</td>
</tr>
<tr>
<td>10</td>
<td>2018-2019</td>
<td>417573.00</td>
<td>417573.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Mean: 1.02
Standard Deviation: 0.04
Coefficient: 3.47
Maximum: 1.10
Minimum: 1.00

Source: Computed from Annual Report

The Debt-Equity ratio of the Maruti Suzuki India Limited has shown table 3 a trend during the period of study. The Debt-Equity ratio has fluctuated between 1.07 times in the year 2010-11 and 1.02 times in the year 2014-15. The highest ratio was found 1.10 times in the year 2009-10 and the lowest ratio was 1.00 times in the year 2018-19. The mean ratio was 1.02 and standard deviation of 0.04. The coefficient of variation was 3.47 per cent proves that fluctuation of during the study period.

FINDINGS

This chapter presents the summary of findings of the study undertaken.

SOLVENCY RATIO

SHORT TERM SOLVENCY RATIO

CURRENT RATIO

The highest ratio was found 1.76 times in the year 2014-15 and the lowest ratio 0.51 times in the year 2018-19. The mean ratio was 1.07 and standard deviation of 0.49. The coefficient of variation was 45.87 per cent.

LIQUID RATIO
The highest ratio was found 1.54 times in the year 2014-15 and the lowest ratio 0.31 times in the year 2018-19. The mean ratio was 0.77 and standard deviation of 0.50. The coefficient of variation was 65.33 per cent.

**LONG-TERM SOLVENCY RATIO**

**DEBT-EQUITY RATIO**

The highest ratio was found 1.10 times in the year 2009-10 and the lowest ratio 1.00 times in the year 2018-19. The mean ratio was 1.02 and standard deviation of 0.04. The coefficient of variation was 3.47 per cent.

**RECOMMENDATIONS**

The above findings of the study the following points are recommend to improving the financial performance of the Maruti Suzuki India limited.

- From the findings of the research paper, the return on capital employed has found fluctuating trend during the period of study. Therefore it is recommended huge part of profits can be invested back in to the company for the benefits of the stakeholders. It helps to produce the higher rate of return and it results in a sign of successful growth of the company.
- Return on total asset ratio found fluctuating trend during the study period. It indicates the low profitable position of the company. Hence the company may use it assets to generate earnings.
- From the analysis, the study revealed that the gross profit position of the company is satisfactory. Therefore the company should continue the sells its products efficiently.
- Inventory turnover ratio indicates that the inventory position is highly satisfied. Therefore the Maruti Suzuki India Limited should continue the process to produce and sell its products efficiently.
- The liquidity ratios of Maruti Suzuki India limited indicate an uncomfortable position. So necessary steps should be taken to increase the current assets and also decrease the current liabilities and also it helps to increase the profitability position of the company.

**5. CONCLUSION**

Maruti Suzuki India Limited, formerly known as MarutiUdyog Limited, is an automobile manufacturer in India. It is a 56.21% owned subsidiary of the Japanese car and motorcycle manufacturer Suzuki Motor Corporation. As of July 2018, it had a market share of 53% of the Indian passenger car market. With growing competition, industry sales will get further fragmented. Experts feel that India today is one of the most concentrated markets in the world with Maruti Suzuki lording over almost half the industry. It is not just about the player but also per model sales. In India Maruti Suzuki gives budgeted cars for the middle class people it improve the huge growth of the company. The economy will raise by the growth of the industry and it boost the GDP frequently. Finally the study concludes Maruti Suzuki can continue the same for the future improvements. Thus, the dreams of our planners to accelerate the economic
growth in the country by effecting increased automotive production of reasonable cost are still possible to be translated into reality.

6. REFERENCE