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Financial Appraisal of Automobile Industry (A Case Study of Maruti Suzuki)

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ABSTRACT: In the global auto industry, the Indian auto industry is extremely important. It is a vital economic sector and one of the biggest industries in the world. Over the past few years, the Indian automobile industry has kept up its growth trajectory. During the past 20 years, this industry has grown astronomically. Therefore, a number of academicians and professional institutions have been drawn to conduct a variety of studies in this area due to the automobile industry's growing importance and role in a nation's economic growth, particularly in developing nations like India. This study's primary goal is to examine the Maruti Suzuki automobile company's financial situation and health over the course of five years, from 2018–2019 to 2022–2023. The secondary data used in this study. The necessary information was gathered from the companies' annual reports and relevant websites. Several ratios are used to analyse Maruti Suzuki's financial situation. The position of Maruti Suzuki through this study. This study aims to gain further insights into the industry's status.

KEYWORDS: Maruti Suzuki, Automobile Industry.

I. INTRODUCTION

Automobile Industry plays a pivotal role in country's rapid economic and industrial development. Automobile industry is one of the largest industries which have been making increasing contribution to the overall industrial development in the country. Indian Automobile Industry has flourished like never before in the recent years. It has made significant progress in these years. Indian Automobile Industry has made significant contribution towards providing the jobs to the millions of people and hence improvement in the living standard of the people. After the liberalization, various steps were taken by the Government of India for the Automobile Industry such as reduction of tariffs on imports and relaxation of the foreign exchange regulations which resulted in the growth of the industry. Over the recent years, it has been noticed that India is emerging as a global automotive hub. The demand for automobiles has increased in India. Indian automobile industry has been recording tremendous growth over the years and has emerged as a major contributor to India's Gross Domestic Product. So, it has become necessary to appraise the financial position of the selected companies in order to improve their performance.

Financial analysis or appraisal means assessment of the profitability, viability and stability of a business or project. Financial statements record financial data so this information is useful to various interested parties such as investors, shareholders, managers and other interested parties while taking decision. The presents study takes two major companies of Indian origin and compares their financial strength in this growing sector. The main objective of this study is to analyse the Maruti Suzuki's financially in order to assess their performance on various aspects such as their ability to meet the obligations on time, ability of the Maruti Suzuki's to earn a fair return on investment.

AN OVERVIEW OF MARUTI SUZUKI LIMITED

Maruti Suzuki India Limited (MSIL, formerly known as Maruti Udyog Ltd is a subsidiary of Suzuki Motor Corporation, Japan. Maruti Suzuki has been the leader of Indian car market for over two and half decades. It was

incorporated in 1981 under the provisions of companies Act, 1956. It was founded by Sanjay Gandhi. As of January 2017, it has a market share of 51% of the Indian passenger car market. Maruti Suzuki manufactures and sells products cars such as Ciaz, Ertiga, Wagon, Swift Dzire. It is headquartered at New Delhi. Maruti Suzuki is one of the leading automobile manufacturing companies in India. It is the market leader in the automobile industry in terms of production and revenue generation.

II. REVIEW OF LITERATURE

Sharma (2019) in her study on 'Indian Automobile Industry' examined the capabilities of different firms in an automobile industry. In this study, the researcher analysed that the growth in automobile sector is expected to grow because of rising in disposable income and the global automakers will continue to allocate a rising proportion of the foreign direct investment in India.

Kale (2018) in his study examined that the Indian automobiles industry has shown increasing levels. Development in the Indian Automobile Industry has become possible due to the various internal and external factors that have shaped innovative capabilities. This paper also reveals that key attributes such as managerial vision and diversified nature of business also helped the firms in the development of capabilities.

Ray (2017) in his study evaluated the performance of Indian automobile industry in terms of various financial indicators such as sales trend, production trend from 2003 to 2010. It was found out that the Automobile Industry has been passing through debt burden, low utilization of assets and high liquidity crunch.

Vishal S. (2013), in his study, "Performance Evaluation of Maruti Suzuki India Limited, " Maruti's Suzuki India Limited is India's leading and largest passenger manufacturer which accounting for nearly 50 percent of the total industry sales. It was analysed that the company has variety of brands in its basket in order to meet the requirement of various customers. The company has also received various awards and achievements due to its growth.

Sankaran.R (2014) "Financial Performance of Automobile Industry in India", analysed that the automobile industry has grown a reasonable capture in four-wheeler companies in India. It plays a vital role in the economic segments in both passenger cars and commercial vehicles in rural and urban areas.

III. OBJECTIVES OF THE STUDY

- To ascertain the financial performance of Maruti Suzuki's study in terms of short-term obligations.
- To compare the profitability of the company under study.
- To offer the suggestions in order to improve the performance of Maruti Suzuki's

IV. RESEARCH METHODOLOGY

SOURCE OF DATA

The study is based on secondary data. Data has been collected from the annual reports of the selected companies under study.

SAMPLE SIZE:

Maruti Suzuki's have selected for the purpose of the study

DATA ANALYSIS:

In order to compare the Performance of Maruti Suzuki financial data has been extracted from various annual reports of the companies under the study. The ratios have been divided in the different sections to analyse the performance of the Maruti Suzuki's under study.

LIQUIDITY ANALYSIS OF THE COMPANIES

CURRENT RATIO:

This ratio is used to know the short-term position of the concern. In current ratio, current assets and current liabilities are compared. Generally, Current ratio 2: 1 is considered ideal for the firms. If the ratio is less than 2, then it becomes

difficult for the firm to meet its obligations. If the ratio is higher than 2, then it indicates about the idle funds with the concern.

Table No.1

Year	2019	2020	2021	2022	2023
Maruti Suzuki India Limited	0.87	0.75	1.15	0.99	0.58

INTERPRETATION:

Current ratio of Maruti Suzuki in financial year 2019 was 0.87 which is higher as comparatively to the other financial years which indicate that in 2020, company had sufficient funds to meet its obligations. But it does not satisfy the minimum standard of 2:1. Current ratio of Maruti Suzuki declines to 0.99 times and it has lowest ratio 0.58 in 2023 which implies that the company experienced difficulty in making the payment towards current liabilities. If current assets will be more, then current ratio will be high.

LIQUID RATIO:

Liquid ratio is calculated by comparing the relationship between liquid assets and current liabilities. Liquid assets are those which can be converted into cash with in a short period of time. It includes all the current assets except inventories and prepaid expenses. An Ideal liquid ratio is 1:1 Thus, a concern must have quick assets equivalent to 100% of its current liabilities.

Table No:2

Year	2019	2020	2021	2022	2023
Maruti Suzuki India Limited	0.64	0.46	0.96	0.78	0.36

INTERPRETATION:

It is analyzed during the study, Maruti Suzuki has low 0.36 liquid ratio in 2023 which means during this year, company is not able to meet its current obligations out of the liquid assets. Liquid ratio of both companies is less, thus the company does not maintain sufficient liquid assets to pay off its current liabilities immediately. The main objective of liquidity ratio is to measure the liquidity of the firm and its ability to meet its maturing short term obligation. It is good for the company to have sound liquidity, but implication of excess liquidity have drastic impact on the company's economy. On the other side, too little liquidity leads to frustration and reduced rate of return.

Profitability Ratios Of The Companies In Relation To Investment Return On Capital Employed:

It is also known as rate of return or return on investment. Return on capital employed reflects the efficiency of generating profit by the optimum utilization of capital employed. If return on capital employed is more, it means company is utilizing its capital efficiently in order to generate more profits.

Table No:3

Year	2019	2020	2021	2022	2023
Maruti Suzuki India Limited	21.60	14.04	9.74	8.35	16.40

It is depicted from the table no:3 that the Return on Capital Employed in Maruti Suzuki Ltd. was 21.60 in the year 2019, it reached at 16.40% in the year 2023, although it got reduced during the study period. ROC reflects the efficiency of generating profit by the optimum utilization of capital employed. The return of Maruti Suzuki Ltd. is out the study period because of better management of assets and dividend decisions. It is suggested to manage the funds by Maruti Suzuki so that return on capital employed can be increased.

RETURN ON NET WORTH:

It is also called “Return on Shareholder’s Funds. It determines the profitability of the company from the prospective of shareholders.

Table No:4

Year	2019	2020	2021	2022	2023
Maruti Suzuki India Limited	16.25	11.66	8.23	6.96	13.33

Interpretation:

From the above table, it is found that the return of Maruti in 2019 was 16.25 and decreased to 11.66 in 2020 the Return on Net Worth decreased till the year 2022 then it was negative. 13.33 in 2023. This ratio reflects that Maruti Suzuki is managing its net worth.

PROFITABILITY RATIOS OF THE COMPANIES IN RELATION TO SALES 10.1 GROSS PROFIT RATIO

Gross profit ratio indicates the profit earning capacity of the business related to sales. Increase in gross profit ratio means costs are reduced and decrease in gross profit ratio means increase in cost.

Year	2019	2020	2021	2022	2023
Maruti Suzuki India Limited	9.27	4.99	3.28	3.30	6.96

Interpretation:

Maruti Suzuki Limited has high gross profit ratio of 9.47% in 2019, but this ratio has fallen in the previous years. The higher gross profit ratio in 2018-19 indicates the improved efficiency of the company in manufacturing or trading activities which may result from increase in selling price and decrease in cost price. This reflects that the gross profit of Maruti Suzuki.

NET PROFIT:

This ratio establishes the relationship between the net profit and sales. This ratio helps to know that how efficiently the firm has control over its total expenses.

Year	2019	2020	2021	2022	2023
Maruti Suzuki India Limited	8.71	7.47	6.01	4.26	6.84

Interpretation:

Maruti Suzuki has Net profit ratio in 2018-19 was 8.71% and decreased to 7.47% in 2020 indicating that the company has adequate profitability during the year. But company has lesser number of profits during the previous years selected for the purpose of the study

V. CONCLUSIONS

Maruti Suzuki Ltd. leading companies in the automobile industry. Maruti Suzuki have an important role to play for the economy as well as investors. With reference to ratio analysis, the financial position of Maruti Suzuki it should improve its management efficiency in utilizing its funds. Therefore, after analysing the ratio analysis of Maruti Suzuki it is concluded that there is difference between the liquidity, solvency and profitability position of the both concerns.

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