



A STUDY ON FINANCIAL PERFORMANCE AND ANALYSIS OF MARUTHI SUZUKI INDIA LIMITED USING RATIO AND TREND ANALYSIS

Dr.S.UMA MAHESWARI¹, Mr. J AJEL SANYU²

¹ Assistant Professor School of Management Studies

Sathyabama Institute of Science & Technology, Chennai , umaishwarya99@gmail.com

² Student School of Management Studies Sathyabama Institute of Science & Technology, Chennai , sanyu2905@gmail.com

ABSTRACT

Maruti Suzuki India Limited (MSIL) has been a dominant player in the Indian automobile

industry for several decades. This project aims to conduct a thorough analysis of MSIL's financial performance to provide valuable insights into its operations and strategies. The study utilizes both qualitative and quantitative methods to analyze various financial aspects of MSIL, including profitability, liquidity, turnover, and solvency. The research begins by examining the financial statements of MSIL, including the five years balance sheet and profit and loss account, to assess its financial health and performance over the years.

INTRODUCTION:

Financial management is that part of management which deals with raising of funds in the most economical and suitable manner, using the funds as profitability as possible, planning future operations, inspections, controlling current performance and future development through financial accounting and other means. No business can plan its activities without considering its financial resources. The business functions of a finance department typically include planning, organizing, accounting and controlling the company's finance and to ensure intensive and economic use of capital resources of the organization.

OBJECTIVE OF THE STUDY

The following specific objective have been framed for the study

- To study the financial performance of Maruti Suzuki India Ltd over a period of five years (2018-2019 to 2022-2023)
- To evaluate financial position of the company in terms of solvency, profitability, liquidity and efficiency
- To estimate the trend in sales and profit of the firm.
- To analyze the balance sheet and income statement and to identify the trends and relationships between financial statement items

REVIEW OF LITERATURE

1. Brown, A. (2018)

Brown's research focuses on conducting a comparative analysis of financial ratios across key players in the automobile sector, including Maruti Suzuki India Limited. By comparing these ratios, the study aims to identify trends, benchmarks, and performance indicators that can provide valuable insights into the financial health and competitive positioning of Maruti Suzuki India Limited within the industry.

2. Lee, S. (2020)

Lee's study investigates the various factors that influence the financial performance of automotive companies, with a specific focus on Maruti Suzuki India Limited. The study identifies and analyzes internal and external factors, such as market conditions, regulatory environment, management practices, and industry trends, that impact the company's financial performance.

RESEARCH DESIGN

The study is primarily based on the internal records and the annual records of the company. The company's operational dynamics, financial health, and possible opportunities for improvement are all revealed by the findings.

SOURCES OF DATA:

- Websites
- Books
- Magazines
- Articles and Journals

ANALYTICAL TOOLS

- Ratio analysis
- Trend analysis

RATIO ANALYSIS

The ratios can be classified in to four broad groups

- Liquidity Ratio
- Profitability Ratio
- Turnover Ratio
- Solvency Ratio

Trend Percentage Analysis (TPA)

The trend analysis is a technique of studying several financial statements over a series of years. In this analysis the trend percentages are calculated for each item by taking the figure of that item for the base year taken as 100. Generally the first year is taken as a base year.

The analyst is able to see the trend of figures, whether moving upward or downward.

- In brief, the procedure for calculating trends is as:
- One year is taken as a base year which is generally is the first year or last year.
- Trend percentages are calculated in relation to base year Turnover Ratio

DATA ANALYSIS AND INTERPRETATION**RATIO ANALYSIS****GROSS PROFIT RATIO****Gross Profit Ratio**

YEAR	GROSS PROFIT (Cr.)	NET SALES (Cr.)	RATIO
2018-2019	78809.40	78117.10	100.88
2019-2020	86068.50	83038.50	103.64
2020-2021	75660.00	71704.80	105.43
2021-2022	70372.00	66571.80	105.70
2022-2023	83329.80	83799.80	99.43
Average			103.016

INTERPRETATION

The Gross Margin Ratio stayed consistently high from approximately 100.84% in 2019-20 to 103.36% in 2022-23 over the period, reflecting the company's strong profitability and efficient cost management. This trend indicates sustained financial health and ongoing improvement in production efficiency.

NET PROFIT RATIO

Net Profit Ratio			
YEAR	NET PROFIT (Cr.)	NET SALES (Cr.)	RATIO
2018-2019	7717.40	78117.10	9.87
2019-2020	7494.90	83038.50	9.02
2020-2021	5559.20	71704.80	7.75
2021-2022	4220.10	66571.80	6.33
2022-2023	3717.60	83799.80	4.43
Average			7.48

Interpretation:

This ratio is used to measure the overall profitability and hence it is very useful to proprietors. Here the ratio shows decreasing trend year after year so operational efficiency of the concern reaches the lowest level in the year 2021-2022 and 2022-2023. This fluctuating trend indicates the need of cost management and sales promotion.

TREND ANALYSIS

NET PROFIT

Net Profit				
YEAR	X	Y	XY	X ²
2018-2019	1	7717.40	7717.40	1
2019-2020	2	7494.90	14989.8	4
2020-2021	3	5559.20	16667.6	9
2021-2022	4	4220.10	16880.4	16
2022-2023	5	3717.60	18588	25
TOTAL	15	28709.2	74843.2	55

Interpretation: the net profit shows a gradual decline from 2020-2021 and reaches the down in the year 2022-2023.

$$Y = a + bX$$

Where,

$$b = \frac{N \sum XY - \sum X \sum Y}{N \sum X^2 - \sum (X)^2}$$

$$= \frac{5 * 74843.2 - 15 * 28709.2}{5 * 55 - (15)^2}$$

$$= \frac{374216 - 430638}{50}$$

$$= \frac{-56422}{50}$$

$$= -1128.44$$

$$b = -1,128.44$$

$$\sum Y - b (\sum X)$$

$$a = \frac{\sum Y - b (\sum X)}{N}$$

$$= \frac{28709.2 - \{-1128.44(15)\}}{5}$$

$$= \frac{28709.2 - (-16926.6)}{5}$$

$$a = 2,356.64$$

Profit for the year 2023-24 to 2027-28

$$Y = a + bX$$

2023-2024

$$Y = 2356.64 + 1128.44 * 6$$

$$= 2356.64 + 6770.64$$

$$= 9,127.28$$

2024-2025

$$Y = 2356.64 + 1128.44 * 7$$

$$= 2356.64 + 7899.08$$

$$= 10,255.52$$

2025-2026

$$Y = 2356.64 + 1128.44 * 8$$

$$= 2356.64 + 9027.52$$

$$= 11,384.16$$

2026-2027

$$Y = 2356.64 + 1128.44 * 9$$

$$= 2356.64 + 10155.96$$

$$= 12512.60$$

2027-2028

$$Y = 2356.64 + 1128.44 * 10$$

$$= 2356.64 + 11284.4$$

$$= 13,641$$

FINDINGS

- In 2018-2019 the gross profit was 100.88 and it increasing to 103.64, 105.43, 105.70 in next three years and decline to 99.43 at 2022-23. The average ratio is 103.016. over the period, reflecting the company's average profitability and efficient cost management. This trend indicates sustained financial health and ongoing improvement in production efficiency
- The Net Profit Ratio stayed consistently high from approximately 9.87 in 2018-2019 and fluctuated over the years, with a significant decrease in 2022-23. Here the ratio shows decreasing trend year after year so operational efficiency of the concern is average.
- From the past data (2018-2019 to 2022 -2023) of the trend of net profit & net sales is estimated for the next five years (2023-2024 to 2027-2028) the graph shows the movement of net profit and net sales has a positive trend in the future.

SUGGESTIONS

- Conduct a detailed analysis of Maruti Suzuki's cost structure, including raw materials, labor, and overhead costs, to identify areas for cost optimization
- Calculate and analyze key financial ratios such as liquidity ratios, profitability ratios, and leverage ratios to assess Maruti Suzuki's financial health.
- Identify the trend in Maruti Suzuki's sales and profit over the five-year period to understand the company's revenue and profit growth patterns.
- Assess the company's profitability to determine its ability to generate profits from its operations in managing its assets and liabilities to generate maximum returns.
- Examine Maruti Suzuki's investments in research and development, technological innovations, and their implications for its competitive position
- To support future growth and competitiveness, take into account strategic investments in market diversification, technical advancements, and expansion prospects when net profit and net sales are expected to rise.

CONCLUSION

The study has been undertaken to the objective of evaluating the financial performance of Maruti Suzuki India Ltd as of Five Year Assessment and the connected Profit and Loss Account. Specific objectives has been set for the study and secondary data for the period of 5 years from 2018-2019 to 2022-2023 were analyzed. There are suggestions made for improving asset usage, maintaining profitability, improving liquidity management, and fortifying the financial structure. Good growth potential in the next years is indicated by positive net profit and net sales estimates

REFERENCES :

1. Chandra , P. “Financial Management”, Tata Me Graw-Hill Publishing Company Ltd., New Delhi,2014
2. Dr. Maheshwari, S.N. “Financial Management Principles and Practices”, Sultan Chand and Sons, New Delhi, 2009
3. Jain and Narang. “Financial Accounting”, Kalyani Publishers, 2005
4. Myers, S. C., Brealey, R. A., & Allen, F. (2020). Corporate Finance Fundamentals. McGraw-Hill Learning.
5. Neale, B., & Pike, R. (2019). Corporate Investment and Finance: Choices and Approaches. Routledge.