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# A Study on Financial Performance Analysis of an Automobile Dealership with Reference to Maruti Suzuki's Mandovi Motors, Bangalore.

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**ABSTRACT**

An automobile industry with no doubt dominates the market as it has increasingly become of the most basic necessities of an Indian household be it, an individual or a nuclear family, middle or high class included. India also stands as a prominent auto exporter and also predicts strong export growth rate which will also lead to the overall development of the country in maintaining harmony among other part countries gaining more exposure and opportunities' in a competitive market.

Recent study shows that the automobile exports from India grew at 6.86 percent CAGR between FY 2020-2025. Mandovi Motors in specific is MARUTI SUZUKI'S authorized car dealer founded by Aroor Sripathi Rao (1924-1992) who was and is the guiding spirit behind Mandovi Motors Private Limited. With Mandovi's continuous contribution towards its ravishing sales and service, providing the market a perfect competition in the automobile industry whilst serving the people with the best of cars to choose from with quality service and overall experience. The paper measures and analyses the overall performance of Maruti Suzuki which majorly includes Mandovi's contribution throughout the years for the period of 5 years from 2020-2025.

## INTRODUCTION

In today's dynamic business landscape, understanding the financial performance of automobile dealerships is crucial for stakeholders seeking insights into operational efficiency, profitability, and sustainability. Maruti Suzuki's Mandovi Motors, situated in Bangalore, stands as a prominent player in the automotive retail sector, serving as a prime case study for examining the intricacies of financial performance analysis within this domain. This research endeavors to delve deep into the financial metrics and indicators that underpin Mandovi Motors' success in Bangalore's competitive market. This study aims to provide a comprehensive assessment of Mandovi Motors' financial health, operational efficiency, and strategic positioning.

The choice of Mandovi Motors as the focal point of this study is strategic, given Maruti Suzuki's dominance in the Indian automotive market and the dealership's significant presence in Bangalore, a hub for automotive enthusiasts and consumers. By analyzing Mandovi Motors' financial performance, this research seeks to unravel the strategies, strengths, and challenges that have shaped its trajectory in the marketplace.Ultimately, this research aspires to contribute to the existing body of knowledge in financial performance analysis within the automotive retail sector while providing actionable insights into navigating the evolving landscape of automobile dealership management and operations.

## LITERATURE REVIEW

**Dawar Varun (2012)** The study was conducted to analyze the contributing variables to a manufacturing industry such s dividend debt capital expenditure and was found that stocks and share market played a major part in contributing towards the corporate policies that are viable contributors to variables.

**Idhyajothi, Retal (2014)** The study was based on a heavy automobile manufacturing industry and studies found out that the overall performance was healthy, especially the financial sector but suggested the industry to remove additional costs that did not benefit the industry in any manner.

**Jothi K, Kalaivani P (2015)** The study was based on the comparative performance or selected automobile industries. It studied about the company's liquidity position and studies showed that one company was more on its cash ratio when compared to the other which resulted the proving the reason for higher profitability.

**Balakrishna Jagathy (2016)** The study consists of the changes that took place in the most happening industry at the time which is the automobile industry and how liberalization and globalization impacted on manufacture and sales of the commodities, distributions levels etc by measuring its foreign direct investment.

**Ray (2017)** The paper presents various economical pointers that contribute towards the sales trend, production, export trend etc. The paper further shows and proves the study that such problems can arise due to extreme liquidity or debt which can be rectified with the consideration of recovering labor efficiency, capital competence etc.

## STATEMENT OF THE PROBLEM

The goal of performance measurement is to not only determine how well a business is performing, but also to identify improvements that can be made. With an increasingly competitive field that has risen, it is highly essential for companies and businesses to consider financial performance as a crucial and serious step.

Performance evaluation's primary goal is to assess and analyze historical and recent financial data. By doing this, it is simple to identify a company's financial situation and to predict prospective dangers and rewards in the future.

## OBJECTIVES OF THE STUDY

- To assess the chosen automobile dealership's liquidity and solvency.
- To measure the overall profitability and turnover of the selected automobile dealership.

## RESEARCH METHODOLOGY

The research presented is fully supported by secondary data. The information was gathered from the annual reports of the relevant companies, as well as from text books, reference books, journals, articles, magazines, and the internet. The essential information was gathered from the company's website, equity master, and moneycontrol.com.

## SCOPE OF THE STUDY

This study focuses on Maruti Suzuki's many contributors dealerships financial performance with the use of ratio analysis.

Financial Performance will aid in determining whether the company's strategy, application, and execution are successfully promoting Profitability, Liquidity, Efficiency, and Solvency so that the firm may be operated successfully, ensuring success, growth, and bottom-line improvement.

## DATA ANALYSIS AND INTERPRETATION

The following analysis are quantitative methods of ratio analysis conducted for gaining insight into the company's liquidity, operational efficiency, solvency, profitability etc.

LIQUIDITY RATIO

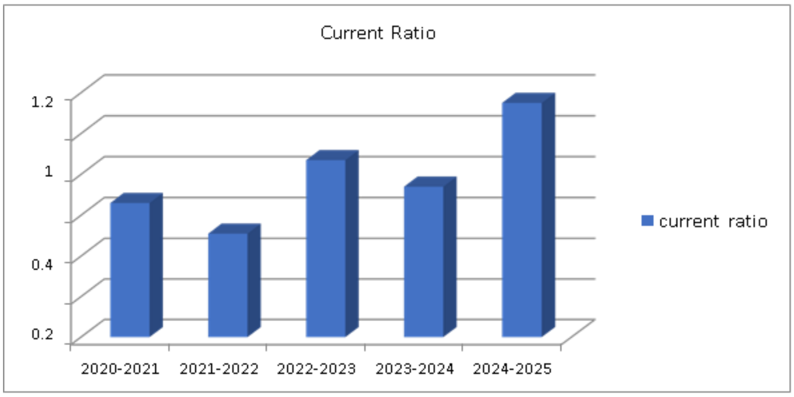
CURRENT RATIO

Current Ratio = Current Asset / Current Liability

**Table showing current ratio**

| Year | Current Assets (In Crore) | Current Liabilities (in crore) | Ratio |
|---|---|---|---|
| 2020-2021 | 8798 | 13236 | 0.66 |
| 2021-2022 | 7930 | 15448 | 0.51 |
| 2022-2023 | 12372 | 14160 | 0.87 |
| 2023-2024 | 8440 | 11305 | 0.74 |
| 2024-2025 | 18544 | 16120 | 1.15 |

**Chart Showing Current Ratio**




**INTERPRETATION:**

As shown in the above table,

In the year 2020-2021, the company's current ratio is 0.66 which indicates a little depletion in cash and slow clearance of debt. In the year 2021-2022, the company's current ratio lies at 0.51 and it is noticeable that it is the least the company has gained when compared to it's preceding and succeeding year. But yet again the company has certainly tried to bounce back to its winning position in the year 2022-2023 with the second highest ratio of 0.87 when compared to five years. However, the company seems to have faced another downfall due to the pandemic with a ratio of 0.74 indicating more trouble over repayment of debt.

With the standard ratio being 2:1, the above data shows that the company has gained less than 2:1 ratio and in the year 2024-2025 but it is the highest gained ratio when compared to other 5 years which proves progress and growth. Increase in current ratio can be possible due to the slow but steady restructuring of debt in the company and earning its position in the market.

LIQUID RATIO

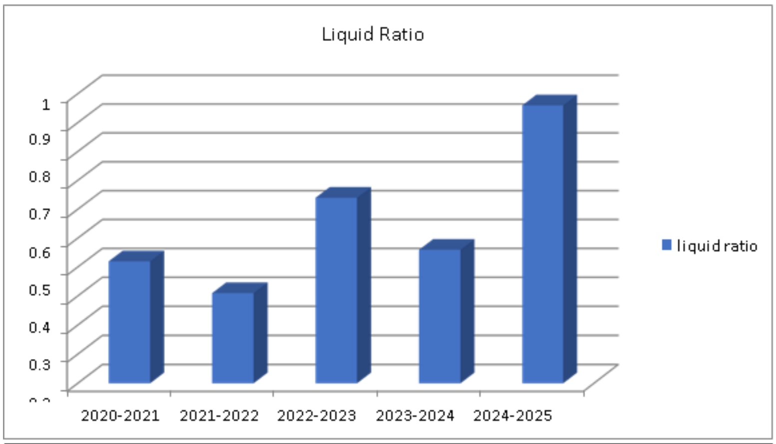
Liquid Ratio = Liquid Asset / Current Liabilities

Liquid assets = Current Assets – (Inventory + Prepaid Expenses)

**Table Showing Liquid Ratio**

| **Year** | **Liquid Assets (In Crore)** | **Current Liabilities (In Crore)** | **Ratio** |
|---|---|---|---|
| 2020-2021 | 5559.12 | 13236 | 0.42 |
| 2021-2022 | 4788.88 | 15448 | 0.31 |
| 2022-2023 | 9062.4 | 14160 | 0.64 |
| 2023-2024 | 5200.3 | 11305 | 0.46 |
| 2024-2025 | 15475.2 | 16120 | 0.96 |

**Chart Showing Liquid Ratio**




INTERPRETATION:

The ideal ratio is 1:1. As shown in the table, the lowest ratio is in 2021-2022. The highest ratio is in 2024-2025 indicating that the firm has the ability to meet its current liabilities in time. In general, highest liquidity ratio shows a company is more liquid and has better coverage of outstanding debts, while low or lowest liquid ratio shows that the company is facing certain struggles in converting assets into immediate cash that can be helpful to pay off any debt without external help.

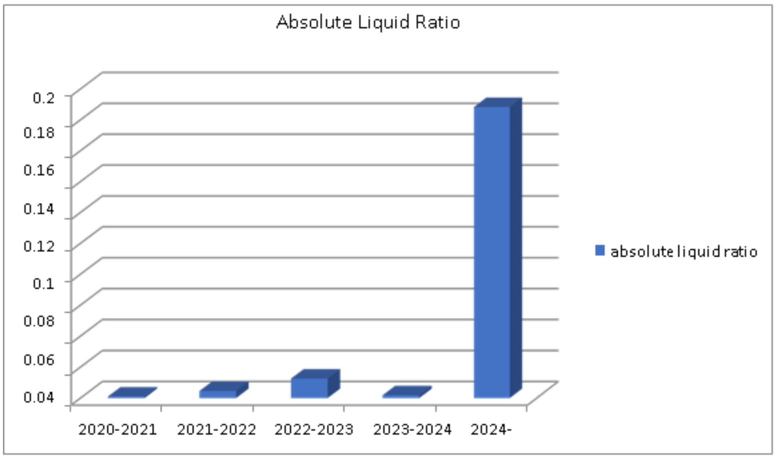
ABSOLUTE LIQUID RATIO

Absolute Liquid Ratio = Absolute Liquid Asset / Current Liabilities. Absolute Liquid Asset = Cash and Bank + Short term Securities.

**Table Showing Absolute Liquid Ratio**

| Year | Absolute Liquid Assets (In Crore) | Current Liabilities | Ratio |
|---|---|---|---|
| 2020-2021 | 13.80 | 13236 | 0.0010 |
| 2021-2022 | 71010 | 15448 | 0.0046 |
| 2022-2023 | 178.90 | 14160 | 0.0126 |
| 2023-2024 | 21010 | 11305 | 0.0018 |
| 2024-2025 | 3036.40 | 16120 | 0.1883 |

**Chart showing absolute liquid ratio**




INTERPRETATION:

The ratio being 1 as ideal indicates the adequacy of liquid assets to pay the current liabilities in time. The ratio lower than 1, shows the company's day to day cash management is in poor light. As shown in the table, the company seems to be experiencing dynamic variations from the years 2020-2024. But it has shown some progress in the year 2024-2025 reaching its highest of value. It is clear that the company might have been through a rough phase throughout the years which helps analyse the inefficient use of assets but has managed to utilize the same through company based technicalities.

PROFITABILITY RATIO

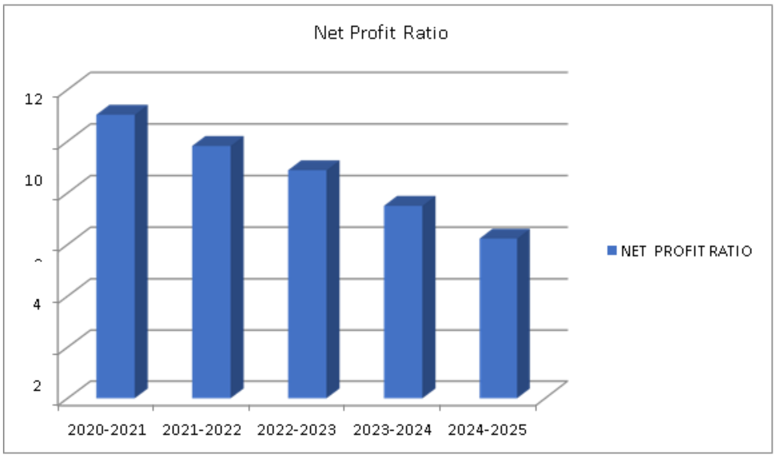
NET PROFIT RATIO

Net Profit Ratio = Net Profit / Net Sales * 100

**Table Showing Net Profit Ratio**

| Year | Net Profit (In Crore) | Net Sales (In Crore) | Ratio |
|---|---|---|---|
| 2020-2021 | 7510 | 68085 | 11.03 |
| 2021-2022 | 7880 | 78909 | 9.82 |
| 2022-2023 | 7649 | 86088 | 8.88 |
| 2023-2024 | 5676 | 75660 | 7.50 |
| 2024-2025 | 4389 | 70372 | 6.23 |

**Chart Showing Net Profit Ratio**



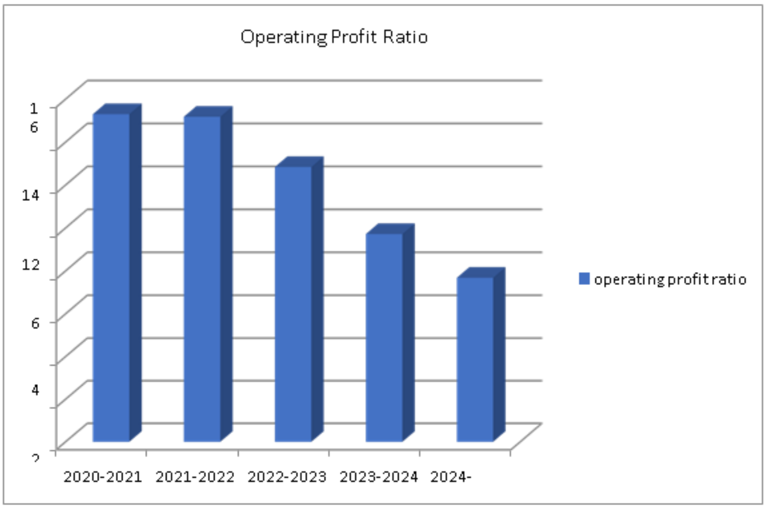

OPERATING PROFIT RATIO

Operating Profit Ratio = Operating Profit of a company / Net Sales * 100

**Table Showing Operating Profit Ratio**

| Year | Operating Profit (In Crore) | Net Sales (In Crore) | Ratio |
|---|---|---|---|
| 2020-2021 | 10421 | 68085 | 15.30 |
| 2021-2022 | 12118 | 79809 | 15.18 |
| 2022-2023 | 11056 | 86088 | 12.84 |
| 2023-2024 | 7355 | 75660 | 9.72 |
| 2024-2025 | 5411 | 70372 | 7.68 |

**Chart Showing Operating Profit Ratio**




INTERPRETATION :

This ratio shows the % of profit that a company produces from its operations. Margin of > 15% is considered as good. In 2020 and 2021, the company's ratio is good. But has tragically come down to 7.68% in the year 2024-2025. Possible reasons could be sudden outbreak in pandemic, sudden inadequate revenue, overstaffing etc. The company can most certainly regain its position by taking the necessary steps such as boosting revenue or sales and by lowering expenses.

## FINDINGS

1. The liquid ratio of the firm is satisfactory but the firm is not much well to satisfy its current liabilities.
2. The solvency ratio of the firm is below 20%.

3. From this we can understand that the financial status of the firm is good.
4. In the case of operating profit ratio, the margin of 15% is considered as good. In 2021 and 2022 it is good, but in later years operating profit has reduced. It shows the reduction in the profit from company’s operations

## CONCLUSIONS

The study is concerned with the financial statement analysis of Maruti Suzuki’s Mandovi Motors Private Limited. The main aim of the study is to analyze the financial statements of the company, in terms of liquidity, solvency and profitability etc.The study is conducted with the help of financial report published in the websites: Maruti Suzuki, Money Control.The company shows an improving trend in financial statements taking necessary policies. The lower current ratio, net profit ratio and operating profit ratio can be improved by taking necessary policies. The company is procuring its funds mainly from shares.

In short, the company is in improving trend which is the way forward and futuristic.

## SUGGESTIONS

1. Current ratio is below the standard norm. This can be rectified by reducing the personal drawings and selling the capital assets that are not generating returns to the business.
2. Net profit ratio is low. This can be improved by increasing net margins by increasing revenues through selling more goods and services and receiving units through finding cheaper sources for good quality raw materials.
3. In case of operating profit ratio, earlier years it was good but later it declines. This can be improved by:
   - Reducing cost of goods.
   - Improving inventory management.
   - Boosting staff productivity.
   - Reducing wastage etc.
   - Long-term value, on the other hand, is the total of short-term values.
4. Financial performance management includes current asset management, current liabilities, and current financing assets. If such businesses are in charge of their finances, the accounts will get a onetime list of items in the correct sequence, which will boost their profitability.

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