



A STUDY ON LIQUIDITY AND PROFITABILITY ANALYSIS OF MARUTI SUZUKI INDIA LTD

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ABSTRACT

The primary goal of the current investigation is to use ratio analysis to assess Maruti Suzuki India Limited's financial performance. The core objectives of this investigation are to understand the company's profitability, liquidity, and financial development. These recommendations would aid the business in making additional advancements. The method comprises calculating and comparing the outcomes with noteworthy business undertaking data, competition, or venture midpoints to determine the overall vigor and performance of the businesses under investigation.

KEYWORDS: Financial performance, Profitability, Liquidity, Trend Analysis

INTRODUCTION

Finance is considered as lifeblood of every business organization. Financial statements are a beneficial tool for assessing the financial performance of any business organization. One of the key factors for stakeholders is the company's financial health. The fundamental goal of measuring financial health is to demonstrate that the business is profitable and not in immediate risk of going out of business. Therefore, evaluating the financial performance of each business organization is essential in the modern world.

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. Monetary record investigation is the arrangement of examining an organization's budget reports. Financial analysis is the process of assessing the performance and suitability of enterprises, projects, budgets, and other financial-related transactions. Financial analysis is frequently used to determine whether a company is solid, solvent, liquid, or profitable enough to justify a financial investment.

STATEMENT OF PROBLEM

In its contemporary state, the business can still substantially increase its profitability and liquidity without using any further resources; all it needs to do is streamline its existing financial system and financial information system. The fundamental issue that a firm's financial analyst must deal with is how to compromise between the two competing but equally important goals of profitability and liquidity.

A financial scenario known as a liquidity crisis is defined by a simultaneous lack of cash or assets that can be quickly converted into cash at numerous firms or financial institutions. A severe rise in demand and a dramatic drop in availability of cash occur during a liquidity crisis, and the ensuing lack of accessible money can result in widespread defaults and even bankruptcy. The ability to generate a profit is a sign of how effectively an enterprise is running its activities. The level of profit is an indicator of a company's efficiency. The more profit a business makes, the more efficient it is thought to be. Profits are therefore the essence of a firm, without which it would cease to exist.

The process of identifying an organization's operational and financial features from its accounting and financial statements is referred to as fiscal performance analysis. Determining the effectiveness and performance of the firm's management, as shown by the



financial records and reports, is the aim of such an examination. From the aforementioned perspective, the researcher has examined the financial performance of the Maruti Suzuki India Limited Company in order to comprehend how financial management is essential to growth. The financial data from 2013 to 2022 from Maruti Suzuki India Limited was used in this investigation.

OBJECTIVES OF THE STUDY

- To study the liquidity status of Maruti Suzuki India Ltd.
- To analyze the profitability of Maruti Suzuki India Ltd by using profitability ratios.
- To analyze the long-term solvency position of Maruti Suzuki India Ltd.
- To study the growth and development of Maruti Suzuki India Ltd using trend analysis.
- To present summary of the study and to make appropriate suggestion for improvement in the competitive business world.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The crucial financial tool of ratio analysis was utilised to examine the financial performance of MARUTI SUZUKI INDIA LTD. Clear explanations of the analysis are provided using a chart and several diagrams. It is obvious that graphs and diagrams make any difficult topic or discussion seem quite simple to a casual reader of the thesis.

Trend percentages are also used as a measure that is very beneficial when comparing financial statements over a number of years. Here, the analytical design is applied.

DATA COLLECTION

Data was collected through secondary data sources. Secondary data consist of information that already exists somewhere, having been collected for some other purpose. In this study secondary data was collected from audited financial statements periodicals and other records maintained by Maruti Suzuki India limited.

PERIOD OF THE STUDY

The data of ten financial years were taken for the study. The financial data from 2013 to 2022 of Maruti Suzuki India Limited was used in this investigation.

TOOLS FOR FINANCIAL ANALYSIS

The most common tools of financial analysis involve the calculation of ratios from the income statement and balance sheet. The tools listed below can be used by a financial analyst to analyze financial statements. These are also referred to as financial analysis techniques.

1. RATIO ANALYSIS

- Liquidity ratios
- Profitability ratios

2. TREND ANALYSIS

REVIEW OF LITERATURE

Appah Ebimobowei, Onowu Joseph Uche and Tonye Young-Arney (2021) In this study, profitability and liquidity ratios were experimentally investigated in relation to the increase in profit of listed oil and gas companies in Nigeria. Data for the study was taken from the annual reports of sample companies for the years 2014 through 2019 and was gathered using an ex-post facto and correlation design. The study therefore made the following recommendations amongst others that firms should use financial ratios to measure the level of corporate profit growth to comprehend the conditions of firms which may eventually affect the investment decisions.

Abinash Dash, Baisali Das, and Biswajit Rout (2020), The profitability of Maruti Suzuki from 2009 to 2019 is revealed in their report, "A Study on Financial Statement Analysis of Maruti Suzuki India Limited Company." Profitability is assessed using a variety of profitability measures, growth charts, and statistical methods.

Adegbie Folajimi Festus and Adesanmi Timilehin (2020) The study looked into how Nigerian oil and gas companies' corporate sustainability was affected by their use of liquidity management. The ex-post facto research design was examined in the study. The study revealed that corporate sustainability of quoted oil and gas companies in Nigerian was significantly affected by



liquidity management. Results showed that liquidity management had a positive significant effect on profitability and liquidity management exhibited a positive significant impact on economic value added.

Modi Vishakhaben (2020) attempts to assess the liquidity of a number of Indian automotive companies in his research. The data was analyzed using statistical methods such as Mean, Standard Deviation, and Coefficient of Variances, and the study discovered that few car companies have a poor liquidity position, while others have a good liquidity position, and only a few have a very strong liquidity position.

Shaikh Salman Masood and Haitham Nobanee (2020) say that this project is based on the financial position of the company tata motors ltd by ratio analyses and research to analysis the information is taken from google on money control for five years 2017, 2018, 2019, 2020, 2021. This can show that whether changing a major (or) minor and the financial position of tata motors ltd.

Bhagyalakshmi and Saraswathi (2019) conducted a study on financial performance evaluation using DUPONT analysis through profitability ratios like ROE, ROA and ROCE. The study was conducted on 10 Automobile companies listed in the NSE and period of the study was 2013 to 2017. This study was mainly based on secondary data. Data was collected from published annual financial statements. Correlation and regression analysis was adopted to know the relationship among the variable and its impact of ROA and EM on ROE.

DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

Ratio analysis is the study or analysis of the cost estimates included in the company's financial statements. It can be used to evaluate a number of aspects of a business, including profitability, liquidity, solvency, and operational effectiveness. Since financial statements are their principal source of information, external analysts are primarily responsible for performing ratio analysis.

LIQUIDITY RATIO

A company's ability to service its debt by using its present assets can be assessed using liquidity ratios. In times of financial difficulty, the business might use its assets and sell them to raise money for debt repayment. The quick ratio, current ratio, cash ratio, and others are some of the liquidity ratios that are most frequently utilized.

CURRENT RATIO

The current ratio, also known as the working capital ratio, is a metric that aids businesses in assessing their capacity to settle short-term liabilities within a year. It seeks to demonstrate how individuals might make the most of their current assets to pay off their creditors' short-term debts. It is computed by dividing a company's overall current asset value by its current liability value.

Current Ratio = Current Assets/Current Liabilities

TABLE NO 1
TABLE SHOWING CURRENT RATIO OF MARUTI SUZUKI INDIA LTD

YEAR	CURRENT ASSET	CURRENT LIABILITIES	CURRENT RATIO
2013	10,946.00	6,727.50	1.63
2014	14,171.70	8,074.10	1.76
2015	8,197.90	8,823.00	0.93
2016	7,846.00	11,039.20	0.71
2017	8,776.20	13,226.40	0.66
2018	7,921.40	15,442.10	0.51
2019	12,361.60	14,150.30	0.87
2020	8,427.40	11,294.80	0.75
2021	18,526.70	16,106.70	1.15
2022	16,781.20	17,013.70	0.99

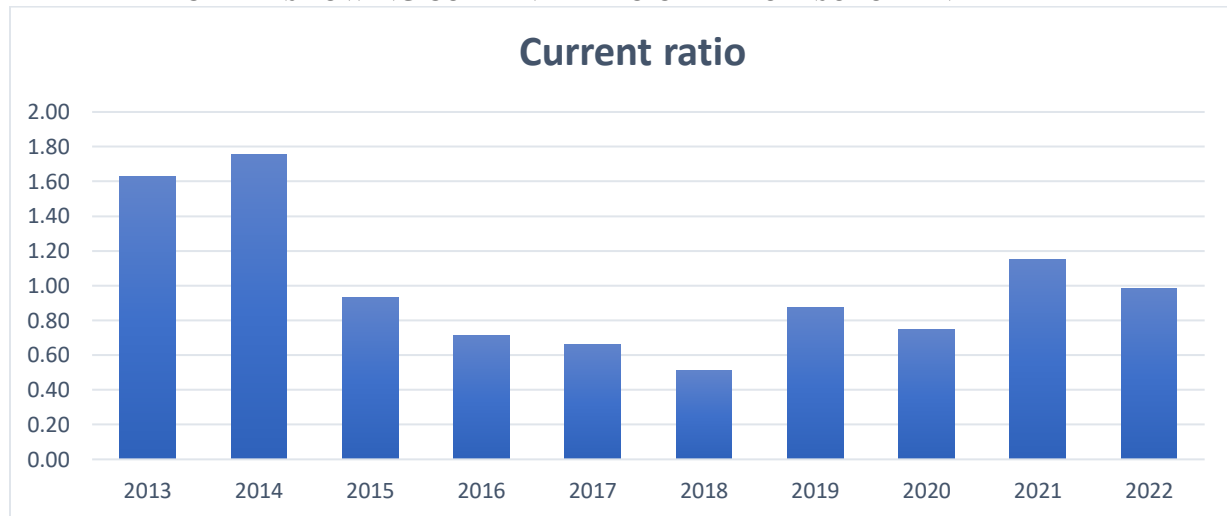
INTERPRETATION

The above table shows current ratio position of Maruti Suzuki India Ltd during the year 2013 to 2022. The study shows the ratio ranges from 1.63 in the year 2013 and gradually falls after the next year which results to 0.99 in the year of 2022.

CHART NO 1



CHART SHOWING CURRENT RATIO OF MARUTI SUZUKI INDIA LTD



QUICK/LIQUID/ACID TEST RATIO

The Quick Ratio (also referred to as the acid test ratio) is a financial ratio formula whose main aim is to help the companies measure their ability to pay off their short-term liability dues within the next 90 days with the help of their near-cash assets. It tries to portray how a firm can maximize its Quick Assets to settle short-term debts towards its creditors.

Liquid ratio = liquid asset/current liabilities.

**TABLE NO 2
TABLE SHOWING LIQUID RATIO OF MARUTI SUZUKI INDIA LTD**

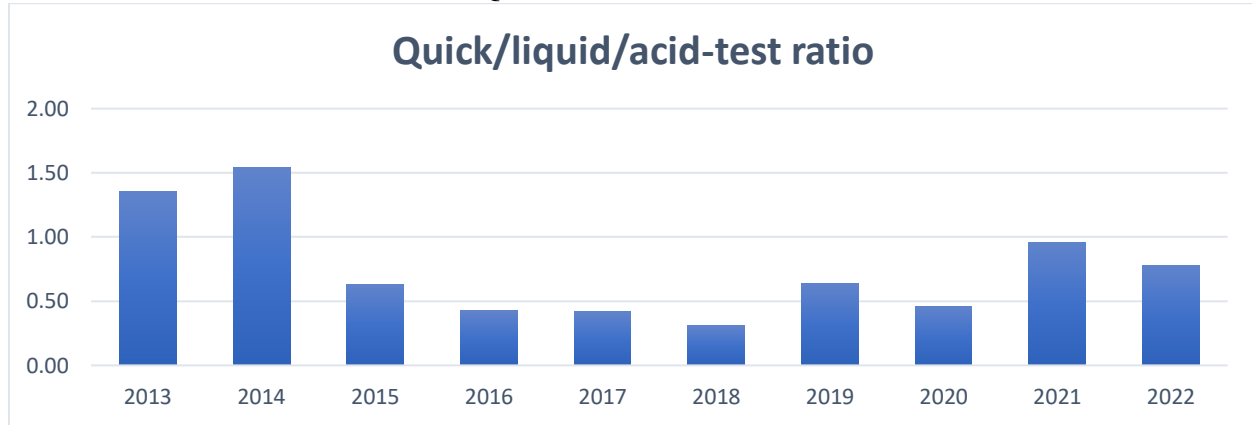
YEAR	LIQUID ASSET	CURRENT LIABILITIES	LIQUID RATIO
2013	9,105.30	6,727.50	1.35
2014	12,465.80	8,074.10	1.54
2015	5,582.90	8,823.00	0.63
2016	4,713.90	11,039.20	0.43
2017	5,514.00	13,226.40	0.42
2018	4,760.60	15,442.10	0.31
2019	9,035.90	14,150.30	0.64
2020	5,212.50	11,294.80	0.46
2021	15,476.70	16,106.70	0.96
2022	13,248.10	17,013.70	0.78

INTERPRETATION

The above table shows liquid ratio position of Maruti Suzuki India Ltd during the year 2013 to 2022. The study shows the ratio ranges from 1.35 in the year 2013 and gradually falls after the next year which results to 0.78 in the year of 2022.



CHART NO 2
CHART SHOWING LIQUID RATIO OF MARUTI SUZUKI INDIA LTD



CASH/ABSOLUTE LIQUID RATIO

The ability of a corporation to pay down obligations entirely using liquid assets is assessed using the cash ratio, a liquidity indicator. It is used by creditors to assess how readily a corporation can pay down short-term liabilities.

Absolute Liquid Ratio = Absolute liquid assets / Current liabilities.

TABLE NO 3
TABLE SHOWING ABSOLUTE LIQUID RATIO OF MARUTI SUZUKI INDIA LTD

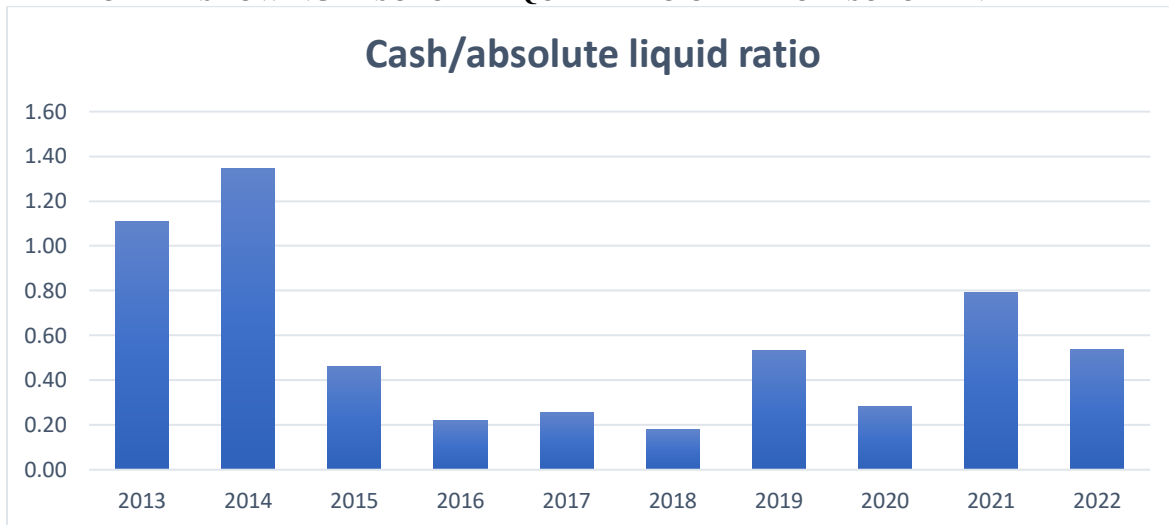
YEAR	ABSOLUTE LIQUID ASSET	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
2013	7,449.70	6,727.50	1.11
2014	10,856.50	8,074.10	1.34
2015	4,084.50	8,823.00	0.46
2016	2,421.20	11,039.20	0.22
2017	3,391.80	13,226.40	0.26
2018	2,750.20	15,442.10	0.18
2019	7,534.80	14,150.30	0.53
2020	3,214.80	11,294.80	0.28
2021	12,728.70	16,106.70	0.79
2022	9,166.40	17,013.70	0.54

INTERPRETATION

The above table shows absolute liquid ratio position of Maruti Suzuki India Ltd during the year 2013 to 2022. The study shows the ratio ranges from 1.11 in the year 2013 and gradually falls after the next year which results to 0.54 in the year of 2022.



CHART NO 3
CHART SHOWING ABSOLUTE LIQUID RATIO OF MARUTI SUZUKI INDIA LTD



PROFITABILITY RATIO

Profitability ratios are used to assess a company's capacity to turn a profit in relation to its costs. When a company's profitability ratio is higher than it was during the preceding accounting period, that company is doing well. The profitability ratio can also be used to analyze the performance of competitors by comparing their financial results to those of a similar firm.

GROSS PROFIT RATIO

The link between gross profit and net sales revenue is gauged by the profitability ratio known as the gross profit ratio. It is also referred to as the Gross Profit Margin when it is expressed as a percentage. It is a popular tool to evaluate the operational performance of the business. The ratio thus reflects the margin of profit that a concern is able to earn on its trading and manufacturing activity.

Gross profit ratio = gross profit/sales*100

TABLE NO 4
TABLE SHOWING GROSS PROFIT RATIO OF MARUTI SUZUKI INDIA LTD

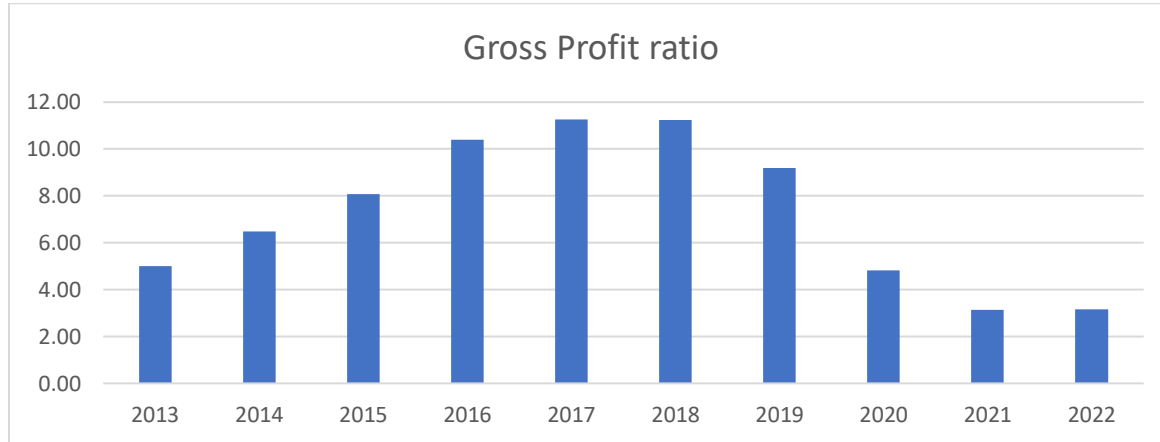
Year	Gross Profit	Sales	Gross Profit ratio
2013	2,178.60	43,587.90	5.00
2014	2,835.60	43,700.60	6.49
2015	4,036.60	49,970.60	8.08
2016	5,982.70	57,538.10	10.40
2017	7,660.20	68,034.80	11.26
2018	8,957.90	79,762.70	11.23
2019	7,904.60	86,020.30	9.19
2020	3,644.00	75,610.60	4.82
2021	2,213.00	70,332.50	3.15
2022	2,788.80	88,295.60	3.16

INTERPRETATION

The above table shows gross profit ratio position of Maruti Suzuki India Ltd during the year 2013 to 2022. The study shows the ratio ranges from 5.00 in the year 2013 and gradually increases to 11.26 in the year 2017 which later falls from the next year which results to 3.16 in the year of 2022.



CHART NO 4
CHART SHOWING GROSS PROFIT RATIO OF MARUTI SUZUKI INDIA LTD



NET PROFIT RATIO

Net profit ratio is an important profitability ratio that shows the relationship between net sales and net profit after tax. When expressed as percentage, it is known as net profit margin. Net profit ratio **helps to find out net profit earned in comparison to revenue earned from operations.** It helps investors in determining whether the company’s management is able to generate profit from the sales and how well the operating costs and costs related to overhead are contained.

Net profit ratio = Net profit/sales*100

TABLE NO 5
TABLE SHOWING NET PROFIT RATIO OF MARUTI SUZUKI INDIA LTD

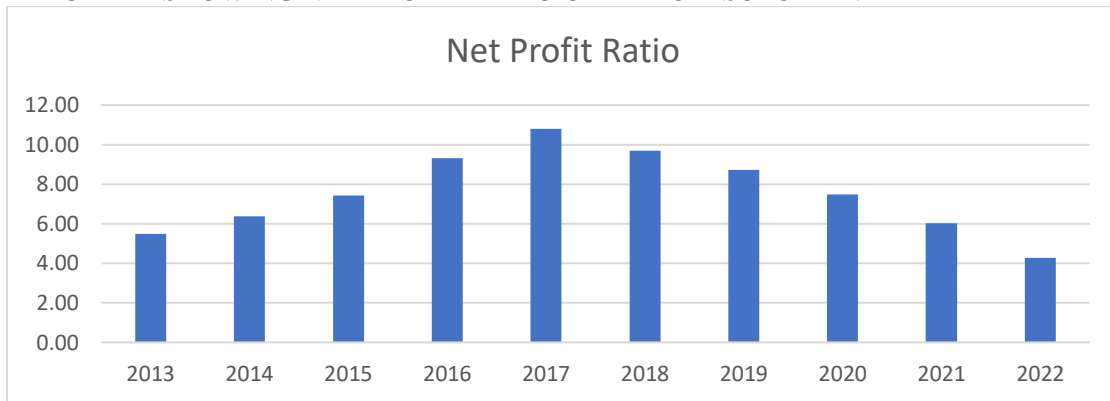
Year	Net Profit	Net Sales	Net Profit Ratio
2013	2,392.10	43,587.90	5.49
2014	2,783.00	43,700.60	6.37
2015	3,711.20	49,970.60	7.43
2016	5,364.30	57,538.10	9.32
2017	7,350.20	68,034.80	10.80
2018	7,721.80	79,762.70	9.68
2019	7,500.60	86,020.30	8.72
2020	5,650.60	75,610.60	7.47
2021	4,229.70	70,332.50	6.01
2022	3,766.30	88,295.60	4.27

INTERPRETATION

The above table shows net profit ratio position of Maruti Suzuki India Ltd during the year 2013 to 2022. The study shows the ratio ranges from 5.49 in the year 2013 and gradually increases to 10.80 in the year 2017 which later falls from the next year which results to 4.27 in the year of 2022.



CHART NO 5
CHART SHOWING NET PROFIT RATIO OF MARUTI SUZUKI INDIA LTD



OPERATING PROFIT RATIO

Operating profit ratio is expressed as a percentage. Operating Profit ratio helps to find out Operating Profit earned in comparison to revenue earned from operations.

Operating profit ratio = Operating profit/sales*100

TABLE NO 6
TABLE SHOWING OPERATING PROFIT RATIO OF MARUTI SUZUKI INDIA LTD

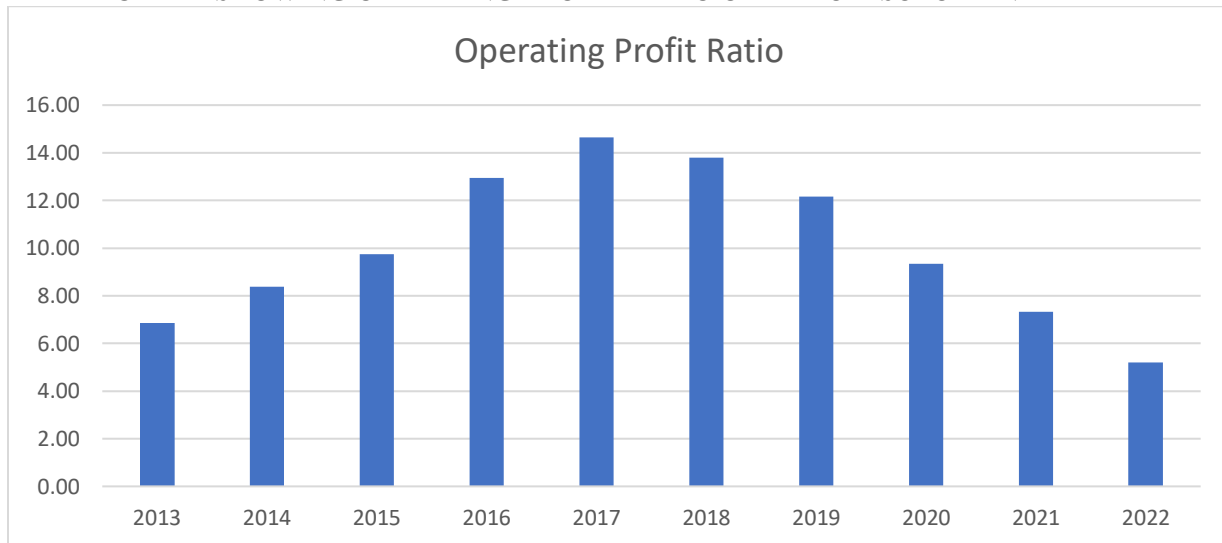
Year	Operating Profit	Net Sales	Operating Profit Ratio
2013	2991	43,587.90	6.86
2014	3658.5	43,700.60	8.37
2015	4868.2	49,970.60	9.74
2016	7443.7	57,538.10	12.94
2017	9960.3	68,034.80	14.64
2018	11003.4	79,762.70	13.80
2019	10465.6	86,020.30	12.17
2020	7064.8	75,610.60	9.34
2021	5159.4	70,332.50	7.34
2022	4582.3	88,295.60	5.19

INTERPRETATION

The above table shows operating profit ratio position of Maruti Suzuki India Ltd during the year 2013 to 2022. The study shows the ratio ranges from 6.86 in the year 2013 and gradually increases to 14.64 in the year 2017 which later falls from the next year which results to 5.19 in the year of 2022.



CHART NO 6
CHART SHOWING OPERATING PROFIT RATIO OF MARUTI SUZUKI INDIA LTD



TREND ANALYSIS

Trend analysis compares the movement in each line item across time periods in order to draw actionable insights. It basically indicates the change either in terms of amount or as a percentage change year over year. In other words, it aids in understanding a particular firm's strength or weakness in relation to other similar firms in the industry.

The analyst can effectively compare two or more companies over time with the aid of trend analysis. It may also be contrasted to the industry standard. In other words, it aids in understanding a particular firm's strength or weakness in relation to other similar firms in the industry.

TABLE NO 7
TABLE SHOWING TREND ANALYSIS OF MARUTI SUZUKI INDIA LTD

YEAR	NET PROFIT	CHANGE IN AMOUNT	PERCENTAGE AMOUNT
2013	2,392.10	0.00	0%
2014	2,783.00	390.90	16%
2015	3,711.20	1,319.10	55%
2016	5,364.30	2,972.20	124%
2017	7,350.20	4,958.10	207%
2018	7,721.80	5,329.70	223%
2019	7,500.60	5,108.50	214%
2020	5,650.60	3,258.50	136%
2021	4,229.70	1,837.60	77%
2022	3,766.30	1,374.20	57%
FORECASTED FUTURE VALUES			
2023	6,346.05	3,953.95	165%
2024	6,582.25	4,190.15	175%
2025	6,818.44	4,426.34	185%
2026	7,054.64	4,662.54	195%
2027	7,290.83	4,898.73	205%

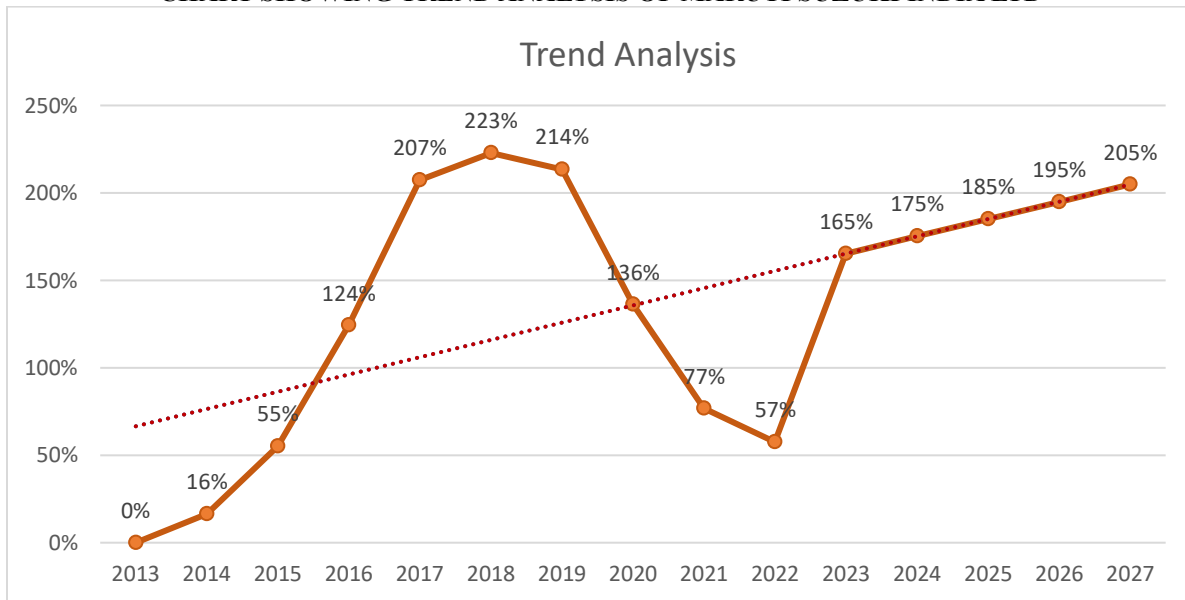
INTERPRETATION

The above table shows the trend value of the net profit for the study period of 2013 to 2022. The analysis also shows the trend rate of the forecasted net profit value for the next five years from 2023 to 2027.



The study states that the growth rate of Maruti Suzuki India Ltd was higher in the year 2018 which may indicate that it has been able to improve its operational efficiency as well as non-operating income. Overall, the company is trending up, which may be sustainable in the near term if the market remains favorable.

CHART NO 7
CHART SHOWING TREND ANALYSIS OF MARUTI SUZUKI INDIA LTD



FINDINGS

- The current ratio of Maruti Suzuki India Ltd was favorable during the year 2014.
- The liquid ratio was highest in the year of 2014 and lowest in the year of 2018.
- Absolute liquid Ratio was highest with a range of 1.34 in the year of 2014.
- Gross profit ratio performance was high in the period of 2017 and it started decreasing.
- Net profit ratio was high in the year of 2017 and it started decreasing.
- Operating profit ratio was high with a value of 14.64 in the year 2017.
- Trend Analysis shows position of upward trend in the year of 2023,2024,2025,2026,2027.

SUGGESTIONS

- The liquidity position could be strengthened by lowering the current liabilities and enhancing the availability of liquid cash.
- The company can increase their profitability position by generating sales with available resources.
- The company should put more of a focus on internal equity in order to strengthen its solvency position.

CONCLUSION

According to the study, the financial performance of MARUTI SUZUKI INDIA LTD during the course of ten years between 2013 to 2022, is generally found to be satisfactory. Financial performance is important for finding the financial strength of the company. To analyze the success of the organization, researchers have employed a diversity of ratios including the liquidity ratio, profitability ratio, solvency ratio and trend analysis. It could be concluded that the company has been performing well and the inner strength of the company is remarkable. The corporation may increase its profitability still further by focusing on internal equity and making the most use of its resources.



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