FINANCIAL PERFORMANCE OF MARUTI SUZUKI INDIA Ltd.
NEWDELHI

PROJECT REPORT
Submitted to Mahatma Gandhi University in partial fulfilment

of the requirements for the award of the Degree of

MASTER OF BUSINESS ADMINISTRATION

By

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Accredited by NAAC with 'A' Grade

DEPARTMENT OF MANAGEMENT STUDIES

MAR ATHANASIOS COLLEGE FOR ADVANCED STUDIES TIRUVALLA

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CERTIFICATE

This is to certify that the project report entitled "**FINANCIAL PERFORMANCE OF MARUTI SUZUKI INDIA Ltd. NEW DELHI**"*is a bonafide report of the project work undertaken by* ***HRITHYA SALI,*** *fourth semester MBA student of our college during a period of 8 weeks commencing from 1st April to 30th May, 2021.*

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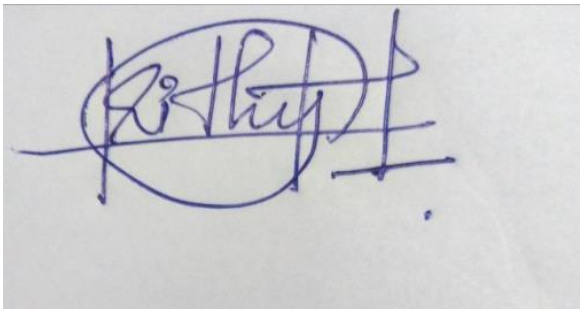
DECLARATION

I hereby declare that this project report entitled **"FINANCIAL PERFORMANCE OF MARUTI SUZUKI INDIA Ltd. NEWDELHI"** is a *bonafide* report of the study undertaken by me, under the guidance of **Dr. V.P. VIJAYAMOHAN**, Department of Management Studies, MACFAST,Tiruvalla.

I also declare that this project report has not been submitted to any other University or Institute for the award of any degree or diploma.



Place: Tiruvalla

Date: 30 /05/2021

HRITHYA SALI

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Firstly, I would like to express my deep sense of gratitude to **God Almighty** for his endless blessings, which led to the successful completion of my project.

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ABBREVIATIONS

FDI : Foreign Direct Investment

DPIIT : Department for Promotion of Industry and Internal Trade

GDP : Gross Domestic Product

MNC : Multinational Corporations

EV : Electric Vehicles

SWOT : Strength Weakness Opportunity and Threat analysis

SUV : Sports Utility Vehicles

FY : Financial Year

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CHAPTER -1

INTRODUCTION

1.1 Background of the Study

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. Since business firms are profit seeking organizations, their functions are to maximize the company's wealth. Asset management, costing, budgeting, credit management, debit management are the other functions of the finance department.

Finance in essence is considered with the acquisition and use of funds by a business firm. The main objective of financial management is to control required funds for meeting short term and long-term needs of business enterprise and to maximize the value of firm to its equity share holders.

To have a clear understanding of the profitability and financial position of business, the financial statements have to be analysed and interpreted. Financial statements are prepared for decision making. They play a dominant role in setting the framework of managerial decisions. But the information provided by the financial statement is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided by the financial statement is of immense use in making decision through analysis and interpretation of financial statement.

Financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting data. The Profit and Loss account and Balance sheet are indicators of two significant factors- profitability and financial soundness. Analysis of financial statements means such a treatment of the information contained in the two statements as to afford a full diagnosis of the profitability and financial position of the firm . It helps to summarise large quantities of financial data and to make quantitative judgement about the firm's financial performance.

According to John N. Myers “Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements.”

This research is mainly done to find out the financial performance analysis and to determine the liquidity, profitability, efficiency and solvency position of the firm by using the equation and graph method. Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of „analysis‟ is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other.

The study helps to assess the profitability and financial position of a concern. This analysis can be done by comparing the ratios for the same over a period of years. Accounting ratios are calculated for a number of years which shows the trend for the change of position. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc. uses the accounting ratios for analyzing the financial position. The secondary data is used for the entire study.

The study entitled ‘ Financial Performance of Maruti Suzuki India Limited ’ has been oriented with a view to study the financial position of the company that help in making sound decision by analyzing the recent trend.

1.2 STATEMENT OF THE PROBLEM

The financial statements reveal a true and fair view of the financial position of a concern. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm’s position and performance. To evaluate the company’s profitability, liquidity, efficiency and solvency using the financial statements. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc. uses the accounting ratios for analyzing the financial position.

1.3 RELEVANCE AND SCOPE OF THE STUDY

- The scope of the study is limited to single organization Maruthi Suzuki.
- Major scope of this study is to find out the financial strength and weakness of the firm from analyzing the financial statements.
- To understand past performance, present financial conditions and to find suggestions for the future improvements.

1.4 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 (2016-2017 to 2020-2021)
- 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.

CHAPTER – 2

PROFILE OF AUTOMOBILE INDUSTRY

2.1 BUSINESS PROCESS OF THE AUTOMOTIVE INDUSTRY

The first automobile with a petrol engine was built in 1885 and soon the figure for total cars in the world will be touching a mark of 1000 million cars and light trucks. This article presents a quick overview of what we mean with the Automotive Industry and how it started and what is the scale of this industry today.

The automotive industry designs, develops, manufactures, markets, and sells motor vehicles, and is one of the earth's most important economic sectors by revenue. The term automotive industry usually does not include industries dedicated to automobiles after delivery to the customer, such as repair shops and motor fuel filling stations.

The first practical automobile with a petrol engine was built by Karl Benz in 1885 in Mannheim, Germany. Benz was granted a patent for his automobile on 29 January 1886, and began the first production of automobiles in 1888, after Bertha Benz, his wife, had proved with the first long-distance trip in August 1888 (104 km from Mannheim to Pforzheim and back) that the horseless coach was absolutely suitable for daily use. Since 2008 a Bertha Benz Memorial Route commemorates this event.

Soon after, in 1889, Gottlieb Daimler and Wilhelm Maybach in Stuttgart designed a vehicle from scratch to be an automobile, rather than a horse-drawn carriage fitted with an engine. They also are usually credited as inventors of the first motorcycle, the Daimler Reitwagen, in 1885, but Italy's Enrico Bernardi, of the University of Padua, in 1882, patented a 0.024 horsepower (17.9 W) 122 cc (7.4 cu in) one-cylinder petrol motor, fitting it into his son's tricycle, making it at least a candidate for the first automobile, and first motorcycle.

Until 2005, the U.S.A. led the world in total automobile production. In 1929 before the Great Depression, the world had 32,028,500 automobiles in use, and the US automobile industry produced over 90% of them. At that time the U.S. had one car per 4.87 persons. In 2006, Japan narrowly passed the U.S. in production and held this rank until 2009, when China took the top spot with 13.8 million units. By producing 18.3 million units in 2010, China produced nearly twice the number of second-place Japan (9.6 million units), with the U.S. in third place with 7.8 million units.

Around the world, there were about 806 million cars and light trucks on the road in 2007, consuming over 260 billion US gallons (980,000,000 m3) of gasoline and diesel fuel yearly. The automobile is a primary mode of transportation for many developed economies. The Detroit branch of Boston Consulting Group predicts that, by 2014, one-third of world demand will be in the four BRIC markets (Brazil, Russia, India, and China). Other potentially powerful automotive markets are Iran and Indonesia. Emerging auto markets already buy more cars than established markets. According to a J.D. Power study, emerging markets accounted for 51 percent of the global light-vehicle sales in 2010. The study expects this trend to accelerate.

India is home to a vibrant automobile of more than 40 million vehicles. It has been one of the few countries worldwide which saw growing passenger car sales during the recession of the past two years. It is believed this upward trend will be sustained in the foreseeable future due to a strong domestic market and increased thrust on exports. The Indian economy has grown at an average rate of around 9 percent over the past five years and is expected to continue this growth in the medium term. This is predicted to drive an increase in the percentage of the Indian population able to afford vehicles. India's car per capita ratio (expressed in cars per 1,000 populations) is currently among the lowest in the world's top 10 auto markets. The twin phenomena of low car penetration and rising incomes, when combined with the increasing affordability of cars, are expected to contribute to an increase in India's automobile demand.

In the current competitive business environment, businesses must be able to reduce their manufacturing costs by eliminating all non-value adding processes, ensuring compliance to industry standards, ensuring proper storage of data, and fostering innovations in the industry.

Many manufacturers now adhere to the global environmental norms regarding emission/technological standards and quality certifications. The industry grew by around 20% annually in the 1990s, and the average annual growth of exports was around 15% during that period. Over the years, it has been able to modernize its technology and improve quality and has developed capabilities to manufacture components for new-generation vehicles. Indian companies maintained their traditional strengths in casting, forging and precision machining, and fabricating (welding, grinding, and polishing) at technology levels matching

the required scale of operations. They achieved significant success in garnering engineering capabilities and adapted to local requirements through local design. High growth has taken place in engine, drive transmission, and steering parts. Engine parts, being high value-added in its nature, have been contributing most to total production. Endowed with the potential of low-cost quality products, India edges over many other developing countries in component manufacturing.

The automotive industry is growing, primarily driven by the increase in demand in middle-income countries. The huge demand has resulted in the increase in the number of competitors for the available buyers, which is coupled with the increased demand for unique and fuel-efficient vehicles. There has also been an increase in the outsourcing of various products in motor vehicles, which has resulted in the need for increased coordination between car manufacturers and their suppliers. Additionally, most current car buyers require reliable vehicles that use sophisticated technologies. For example, they require cars that are fuel efficient, those that have sophisticated safety equipment, and also have digital infotainment systems (McGarrahan& Harris, 2008). Given the increased complexities in the manufacture of vehicles due to high demand from both customers and motor vehicle regulators, enterprises in this industry require an automated business process that will assist them in ensuring that they meet our requirements and can perform their operations in an economical and sustainable means.

The primary importance of this business in the automotive industry is in the provision of detailed analytics of various aspects of the company. In particular, the business will provide car manufacturers with information on demand levels of various car brands. This information is critical to the success of any business since its shows it the optimal number of vehicles that should be manufactured for each region. More importantly, a detailed analysis of this data is essential in enabling the company to identify the optimal production levels and also the optimal location for the manufacture of an assembly plant (Ferreira, Marques, Faria, &Azevedo, 2016). Regarding the most optimal output, businesses can know their economic order quantity, which helps them to identify its optimal order quantities and re-order levels for various outsourced items. Moreover, a business can identify where to establish its assembly plant having factored its logistics and manufacturing costs.

Besides enabling companies to have information on the demand levels of the cars ordered by customers, the business process management will help companies ensure that their vehicles

comply with the established safety standards. The business will require engineers to follow a set of systematic steps for it to achieve its goals. In the first step, engineers will have to record once they install a safety feature in each car. Secondly, there will be a test of the safety equipment installed in each car. Lastly, there will be a random simulated test of each car made by a manufacturer. In most cases, one car will be tested for its safety. This test will be necessary for providing car manufacturers with actual information of their safety kits. Further, this information will ensure that carmakers comply with safety laws, which will in turn cases of litigations due to the manufacturing errors.

Finally, the information provided by the business management system will be essential in enabling car manufacturers to develop the best car designs for their customers. The business management systems will always customer's demand for specific products based on their unique characters and market trends. This information will be necessary for ensuring car manufacturers remain competitive by developing, modern, affordable, and stylish cars.

2.2 MARKET DEMAND AND SUPPLY, CONTRIBUTION TO GDP, REVENUE GENERATION

Indian automotive industry is among the largest automotive industries across the globe. The India automotive industry accounts for 7.1% of the country's total Gross Domestic Product (GDP). Two wheelers market is the major segment in the Indian automobile market with approximately 80% market share, owing to a growing middle class and a young population in the country. Moreover, the market players are now exploring the rural markets of the country which has been further augmenting the growth of Indian automobile industry growth. On the other hand, passenger vehicles segment accounts for about 15% of total automobile industry of the country. India is also a flourishing automobile exporter to its neighboring countries such as Africa, Bangladesh and Sri Lanka among others and also has robust export progression prospects for the nearby future. Total automobile trades grew 13.01 per cent year-on-year from 2016 to 2017. Additionally, the India automotive industry is anticipated to observe major changes in the form of electric vehicles (EVs), shared mobility, Bharat Stage-VI emission and safety norms which will significantly influence the growth of automobile industry in the country.

Goldstein Market Intelligence analyst forecast the automobile Industry in India is likely to grow at a CAGR of +12% during the forecast period 2017-2030. Moreover, Indian automotive industry sales of passenger vehicles and two wheelers up surged by 5.3% and

40.31% year-on-year respectively, in December 2017. Further, total automobile exports grew by 13.0% year-on-year between April-December 2017.

The automobile industry in India is world's fourth largest, with the country currently being the world's fourth largest manufacturer of cars and seventh largest manufacturer of commercial vehicles in 2018. Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US$ 251.4-282.8 billion) by 2026. Two-wheelers dominate the industry and made up 81 per cent share in the domestic automobile sales in FY19. Overall, Domestic automobiles sales increased at 6.71 per cent CAGR between FY13-18 with 26.27 million vehicles being sold in FY19. Indian automobile industry has received Foreign Direct Investment (FDI) worth US$ 23.89 billion between April 2000 and December 2019. Five per cent of total FDI inflows to India went into the automobiles sector. The future growth prospects of the India automotive industry for 2017-2030 along with the total sales of automobiles in the country and the total revenue from aftermarkets, service providers and automotive components industry. They calculated the market size and revenue share on the basis of revenue generated from the sales of automobile and component manufacturers across the India.

India Automotive Industry Outlook 2017-2030, has been prepared based on an in-depth market analysis from industry experts. The report covers the competitive landscape and current position of major players in the India automotive industry market. The report also includes porter's five force model, SWOT analysis, company profiling, business strategies of market players and their business models**.** India automotive industry report also recognizes value chain analysis to understand the cost differentiation to provide competitive advantage to the existing and new entry players.

2.2.1) Contribution to GDP

The Automotive sector in India is valued at $93 billion currently and is growing at a steady pace. The automotive industry contributes a whopping 49% of India's manufacturing GDP. In 2018, the Automotive Sector contributed to 7.5% of India's total Gross Domestic Product (GDP). While this percentage dropped to 7% in the current year, owing to COVID-19, new emission norms and the economic downturn, experts believe that it may show an increase towards the end of this year. From March 2020 to April 2020, all automotive manufacturers and dealers were shut down for a period of 40 days, further contributing to the decline in

GDP. As a result, the GDP, which saw an increasing trend, began to feel the pinch of an unexpected and unforeseeable downfall.

2.2.2) Revenue Generation

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US$ 24.53 billion between April 2000 and June 2020, according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT).
Some of the recent/planned investments and developments in the automobile sector in India are as follows:

- In November 2020, Mercedes Benz partnered with the State Bank of India to provide attractive interest rates, while expanding customer base by reaching out to potential HNI customers of the bank.
- Hyundai Motor India invested ~Rs. 3,500 crores (US$ 500 million) in FY20, with an eye to gain the market share. This investment is a part of Rs. 7,000 crores (US$ 993 million) commitment made by the company to the Tamil Nadu government in 2019.
- In October 2020, Kinetic Green, an electric vehicles manufacturer, announced plan to set up a manufacturing facility for electric golf carts besides a battery swapping unit in Andhra Pradesh. The two projects involving setting up a manufacturing facility for electric golf carts and a battery swapping unit will entail an investment of Rs. 1,750 crores (US$ 236.27 million).
- In October 2020, Japan Bank for International Cooperation (JBIC) agreed to provide US$ 1 billion (Rs. 7,400 crores) to SBI (State Bank of India) for funding the manufacturing and sales business of suppliers and dealers of Japanese automobile manufacturers and providing auto loans for the purchase of Japanese automobiles in India.
- In October 2020, MG Motors announced its interest in investing Rs. 1,000 crores (US$ 135.3 million) to launch new models and expand operations in spite of the anti-China sentiments.

- In October 2020, Ultraviolette Automotive, a manufacturer of electric motorcycle in India, raised a disclosed amount in a series B investment from GoFrugal Technologies, a software company.
- In September 2020, Toyota Kirloskar Motors announced investments of more than Rs 2,000 crores (US$ 272.81 million) in India directed towards electric components and technology for domestic customers and exports.
- During early September 2020, Mahindra & Mahindra singed a MoU with Israel-based REE Automotive to collaborate and develop commercial electric vehicles.
- In April 2020, TVS Motor Company bought UK's iconic sporting motorcycle brand, Norton, for a sum of about Rs. 153 crores (US$ 21.89 million), making its entry into the top end (above 850cc) segment of the superbike market.
- In March 2020, Lithium Urban Technologies partnered with renewable energy solutions provider, Fourth Partner Energy, to build charging infrastructure across the country.
- In January 2020, Tata AutoComp Systems, the auto-components arm of Tata Group entered a joint venture with Beijing-based Prestolite Electric to enter the electric vehicle (EV) components market.
- In December 2019, Force Motors planned to invest Rs. 600 crores (US$ 85.85 million) to develop two new models over the next two years.
- In December 2019, Morris Garages (MG), a British automobile brand, announced plans to invest an additional Rs. 3,000 crore (US$ 429.25 million) in India.
- Audi India planned to launch nine all-new models including Sedans and SUVs along with futuristic E-tron EV by end of 2019.
- MG Motor India planned to launch MG ZS EV electric SUV in early 2020 and have plans to launch affordable EV in the next 3-4 years.
- BYD-Olectra, Tata Motors and Ashok Leyland will supply 5,500 electric buses for different state departments.

2.3 LEVEL AND TYPE OF COMPETITION – FIRMS OPERATING IN THE INDUSTRY

European, Asian, and American carmakers dominate the worldwide car-manufacturing market. The "big five" carmakers in the global industry are Toyota, Ford, General Motors, Hyundai, and Volkswagen. The automobile market is oligopolistic. An oligopolistic market

implies that the industry is dominated by a small number of carmakers. Such a market is unique because the business action of one car manufacturer significantly influences the operations of the other players.

In the middle of 1991, the Indian Government made significant changes to its economic and industrial policies leading to the liberalization of the markets. This provided the impetus for the Indian automobile industry to flourish further. A new automobile policy was launched in 1993, facilitating the entry of global assemblers. Auto licensing was abolished in 1991, and the weighted average tariff was lowered from 87% to 20.3% in 1997. The PMP policy ended in 1992. The Indian Government introduced a memorandum of understanding (MOU) system that continued to emphasize localization of components, up to 50%, for approving financial collaboration proposals on a case-by-case basis, which was raised to 70% later. Mass emission regulatory norms for vehicles were introduced, and a national highway policy was announced in this decade.

In 1997, automatic FDI approval of JVs with a 51% majority share for the foreign partner was allowed. Liberalized policies and the attraction of a huge unsaturated market made many globally competitive automakers to enter the passenger car market.The most common route of entry was through JVs with Indian firms. Some manufacturers also left the market due to increased competition.

Japanese participation in the Indian automobile industry brought significant changes to the structure of the passenger car market, including utility vehicles. Gradually, established players such as Telco entered the commercial passenger car segment capitalizing on their engineering capabilities, and economies of scale, and domestic players in the commercial vehicle segment started developing passenger cars on a limited scale. Indian companies such as Telco, M&M, Hindustan Motors, Premier Automobiles, and DCM entered into JVs with Ford, Mercedes, General Motors (GM), and Peugeot for assembly of medium-sized cars from knocked-down units. This increased the market competition and restructured pressures on existing players.

The post-1992 period is widely regarded as the second wave of FDI in the sector, which played a crucial role in bringing dynamism, diversification, and intense competition in the industry. Many companies started operating at a significant scale in the market and started operations in the midsize car segment. Indian companies such as Tata Motors introduced special purpose vehicles and platforms to enter the passenger car segment. This period saw

creation of wide networks, as many companies had full technology and competence in producing state-of-the-art models of vehicles and had contractual arrangements with their component suppliers.

The role of foreign presence in the passenger vehicle segment grew much more than all the other segments of automobiles, followed by the multi-utility vehicle segment. Thus, foreign partners now hold all or a greater share of the equity in most of these cases even though most of them initially formed JV of equal sharing of equity.The inability of the Indian partners to contribute toward capacity expansion allowed foreign partners to increase their stake or take total control by buying out their Indian partners.

In both the waves of FDI that occurred in 1983 and post-1992 period, a significant amount of FDI by the multinational corporations (MNCs) flowed into the country to build modern plants. Maruti Suzuki's investment in the early 1980s was made possible mainly due to its willingness to invest capital. Subsequently, various MNC manufacturers have made investments of millions of US dollars in the country.

In the post-2000 period, Indian firms such as Maruti Suzuki slowly started moving toward building its own design and development capabilities. Tata Motors made rapid strides toward developing an advanced level of technological capability by launching the first indigenously developed Indian car, "Tata Indica" (1998). In 2002, M&M launched "Scorpio" as a sport utility vehicle (SUV) – a product of in-house design and development effort. In 2004, Tata Motors signed a JV with Daimler-Benz for manufacturing Mercedes-Benz passenger cars in India. The Mercedes-Benz India Limited plant assembled completely knocked-down units imported from abroad.

Increased competition led to restructuring and cutting of costs, enhanced quality, and improved responsiveness to demand. MNC automakers such as Hyundai, Nissan, Toyota, Volkswagen, and Suzuki which had established production plants in India eventually started using India as an export platform for their overseas networks. The small car segment did particularly well, and India's potential as a global hub for manufacturing small cars began to be recognized.

Between the years 2001 and 2010, passenger vehicle sales grew at a compound annual growth rate (CAGR) of 15.67%. Of the total sales, roughly 10% were contributed by exports. Between 2000 and 2015, the average year-on-year growth rate of export of vehicles from the country was approximately 23%. The industry is known for export of mini hatchbacks and an

evolving export base for midsize cars and compact SUVs. As per the World Trade Organization's World Trade Statistical Review 2017, India was the tenth largest exporter of automobile products worldwide in 2016, accounting for US$ 13 billion worth of exports.

In the last decade again, various trade and investment restrictions were removed to speed up momentum for large-scale production. As of today, the government encourages foreign investment and allows 100% FDI in the sector via the automatic route. The industry is fully de-licensed, and free imports of automotive components are allowed. India is the second fastest-growing market for automobiles and components globally (after China).

With an outward vision of component makers, and competitive pressures from international firms, the component industry had to upgrade process and product qualities and technology standards to gain and sustain capabilities. Many manufacturers now adhere to the global environmental norms regarding emission/technological standards and quality certifications. The industry grew by around 20% annually in the 1990s, and the average annual growth of exports was around 15% during that period. Over the years, it has been able to modernize its technology and improve quality and has developed capabilities to manufacture components for new-generation vehicles. Indian companies maintained their traditional strengths in casting, forging and precision machining, and fabricating (welding, grinding, and polishing) at technology levels matching the required scale of operations. They achieved significant success in garnering engineering capabilities and adapted to local requirements through local design. High growth has taken place in engine, drive transmission, and steering parts. Engine parts, being high value-added in its nature, have been contributing most to total production. Endowed with the potential of low-cost quality products, India edges over many other developing countries in component manufacturing.

2.3.1. The Porter Five Forces in the World's Automobile Industry

a) Threat of Entry

According to Porter (2008), threats of new entry determine whether it is easier or difficult for new companies to enter the industry. Threats of entry are very low in the automaker industry (Uzwyshyn, 2012). New companies cannot enter the automobile industry easily. Car manufacturers, like manufacturers in other sectors, must develop products with unique features. A new entrant, therefore, must have a high capital investment to ensure that they

manufacture cars with unique designs, comfort, safety features, and sophisticated electronic functions. Fuel consumption is a major challenge in the automobile industry. Car manufacturers must use modern technology in making engines to ensure their cars are fuel-efficient.

The threat of entry is also very low because the industry gives prominence to brand loyalty. Car manufacturers depend on brand loyalty to ensure that their loyal and existing customers keep coming back. For this reason, it is technically difficult for new carmakers to enter the industry and convince new clients to purchase their products. Examples of carmakers that enjoy strong brand loyalty include Mercedes, General Motors, Volkswagen, and BMW. It will be difficult for new entrants to compete with these companies or brands because they (new entrants) aim at winning new customers while existing companies aim at retaining their customers. Strong brand loyalty offers numerous advantages. For instance, a company with a stronger brand loyalty incurs lower marketing costs than a company with a lower loyalty. Carmakers with stronger brand loyalties also enjoy more freedom in making price changes than manufacturers (new entrants) without. Besides, existing car manufacturers have significant shares in the market as compared to new entrants, who must invest to gain market share or woo consumers to their side (Porter, 2008).

b) Competitive Rivalry

The second force of competition in the industry is the rivalry between competitors. The internal rivalry in this industry is moderate. The car industry is oligopolistic with 10 global manufacturers controlling over 70 percent of the global car market according to 2013 statistics (OICA, 2013). The top 20 carmakers sold about 78 million cars out of the total 87 million vehicles in 2013. The internal rivalry is only intense among the top five carmakers. However, the rivalry is likely to go higher because of the effects of globalization. Globalization has forced companies to expand and compete in emerging markets (Uzwyshyn, 2012). The rivalry in the car manufacturing business is also moderate because the number of competitors is relative. Despite the industry having more than 50 players, only four companies produced more than 5 million vehicles each in 2013 (OICA, 2013). The internal rivalry between competitors is also moderate because the industry attracts strong customer loyalty.

c) Threats of Substitutes

The third competitive force in the industry is the threat of substitutes. The threat of substitutes in the global car-manufacturing market is strong. The industry has many substitute companies that are ready to capture the attention of customers sensitive to price (Lee, 2011). Any change in the price of one carmaker will lead to an increase in demand for another. Consumers prefer cars that are less costly and cheaper to maintain. For instance, consumers will prefer substitutes (carmakers) that manufacture durable cars at the expense of less durable cars. Customers will also purchase vehicles that are fuel-efficient and flexible (e.g. hybrid cars). Price-elasticity in this industry makes consumers seek more information on the products before making purchasing decisions.

d) Power of Consumers

The fourth force in the industry is the bargaining power of consumers. The bargaining power of buyers in the industry is moderate. After purchasing a house, people think of buying cars. Most buyers are sensitive to prices, therefore, would negotiate with automakers to obtain better deals. However, carmakers tend to offer significant discounts to corporations that make purchases in bulk. To create a balanced playing field, where they sell cars for profits while preserving customer loyalty, automakers try to make durable and efficient products. They also provide quality customer services to convince their consumers to purchase cars at profitable prices.

e) Supplier Power

The last competitive force is supplier power. Supplier power in the car-manufacturing business is very low. The power of suppliers is low in the industry because carmakers have the opportunity to choose parts from a range of manufacturers (Min, 2005). Carmakers go for suppliers with low production and labor costs because they sell less expensive parts. The bargaining power of suppliers also remains low in the automobile industry because some carmakers prefer to manufacture their components. Carmakers often demand price concessions from suppliers because they have a pool of suppliers from whom to choose.

2.4 PRICING STRATEGIES IN THE AUTOMOBILE INDUSTRY

Indian Car Pricing Trend Analysis is an exclusive Analysis of Indian Passenger Vehicle. Pricing is one of the most important criteria for Indian buyers. Each segment is having different user, dynamics, expectation, and Outlook and product position. Our latest report gives an in-depth analysis of Vehicle pricing, how it curved with product and market

parameters and other key detail. It is expected that the Indian car market will be the global top market in the next 5 years

Effective pricing strategies shall help a company sell its products in a competitive market to witness a profit. So, it is a way or literally an approach to find the competitive price of service or a product in that particular market. This strategy is one of the other marketing strategies followed in the system of every management. It is indeed a known fact that a company's ultimate goal is to maximize their turnover. In order to maximize the profit, one has to choose the right strategy for price setting.

Business magnate might use different combinations of price strategies to increase sales, but finding the right strategy is a crucial step in the journey towards success. Often, the misconceived thought on price setting is, sales volume is directly proportional to profit. An increase in sales volume is expected to increase a company's profit. There are different strategies one can depend on in the process of price setting. A few significant factors are given below.

2.4.1 Penetration & psychological pricing strategies

In order to gain a great market share, many companies embrace the penetration pricing strategy. The company aims to set up a customer-based price in the market. This is primarily achieved by providing a free to low price for their products or services to a limited period of time. This later on, with a revised version comes into the market as a premium product with a little raise in the price. This strategy is implied to meet the expectation that consumers will hop on to new brands when they're priced low. On the other hand, a psychological pricing strategy is a method that embraces a consumer's emotional response rather than considering their rational one. Here consumer ignores the quality of a service/ product but sticks on to the costing price.

2.4.2 Product line & economy pricing strategies

The product line pricing strategy is nothing but, providing service with an option to upgrade upon choosing higher value packs. Consumers are pushed to compare the packages and choose a wise plus cost-effective product or service. The other purpose of the product line strategy is to bring a product or service to the spotlight which had low visibility or

recognition earlier. The economy pricing strategy embraces no to the low marketing cost in product or service promotion. It's more like the budget pricing of a product or service. A great example would be promoting only a certain range of products or services that shall gain specific and quick attention among people.

2.4.3 Customer value-based pricing strategy

This is the most effective method that is followed by many successful companies. Value-based pricing is a nothing but, price setting strategy that exclusively focuses on consumer perceived value of a service or product. This is entirely based on how consumers value the product or service and how they find it worth buying. Many companies that offer unique and high-value products choose this strategy in setting the price. The value-based pricing embraces customer's abilities to buy a product by considering the unparalleled experience upon buying a particular service or a product. Many luxury automakers find customer-value based pricing strategy an effective method of approach. A value-based strategy will enable manufacturing companies to extend the life-cycle of existing products and will help to establish a great bond with value-added suppliers.

a) Pricing analytics

Manufacturers and service providers predict the future well enough to carry out a price optimization system. They evaluate the past performance with a specific set of market conditions and suggest the state of conditions for the probability of profit for your product or service in the market. This will help the automotive industry to gain an insight into pricing strategy. Pricing analytics include the process of finding the underperformers of a particular industry. It's highly crucial to analyze why certain product lines become your cause of down economy. We develop reports exclusively after researching the probabilities and will let you understand the customer value definition with facts and figures.

b) Customer satisfaction

When a pricing system includes detailed pricing analytics, it will definitely boost the customers' satisfaction. The system of achieving maximum profit with minimum wasted effort shall only be obtained upon consulting the business consultants. ACG shall help you find not only the best pricing strategy for your company but also identify the substitute

product or service that might better fit in a customers' budget. This will help your sales team create a budget based service or product that shall come with a package deal to the customers which in turn allows you to enhance customer's ability to purchase.

Almost everything in business aims for justification for the value of a specific price. Customers do not buy a product or service by just seeing the price tag; they meticulously research before buying it. With much of comparisons, they find the right choice that will fit in their budget and lifestyle. Our business consulting services shall help you understand how customers understand the value of a service or product. We consider a lot of factors, impacts on buying decisions with that of other parameters before drawing the conclusion**.**

2.5 PROSPECTS AND CHALLENGES OF THE AUTOMOTIVE INDUSTRY

The Indian automotive sector has witnessed excellent growth in the recent past and is all set to carry on this momentum. The Indian automobile industry has come a long way since its launch in erstwhile Bombay in 1898. Currently, the automotive sector is contributing majorly to the Indian economy both in terms of revenue and in terms of employment. Directly or indirectly this sector employs more than ten million people in the country. The Indian automotive industry comprises heavy vehicles, passenger cars and two-wheelers. While the heavy vehicles sector is dominated by major players like Eicher Motors, Mahindra and Mahindra, Ashok Leyland and Tata Telco, the major car manufacturers are Hindustan Motors, Maruti Udyog, Ford India Ltd, Hyundai Motors India Ltd. and Tata Motors. In the two-wheeler segment, the dominant players are Bajaj, Hero Honda, TVS and Yamaha.

Since independence, there have been several limitations that the automotive sector has overcome. Measures such as reduction of tariffs on imports, relaxation of the foreign exchange and equity regulations, and refining the banking policies played a major driver in turning around the Indian automobile industry. The Indian automotive industry is gearing up for major challenges in the coming years. Entrepreneurs in the automotive manufacturing industry are confronted with many challenges. With changes in government regulations, altering the world economy, relative prices and market dynamics it becomes difficult to adopt strategic planning for the automotive business.

Key challenges in the Indian Automotive Sector

There are some pressing questions that are currently worrying the automotive manufacturers in India:

- Will there be a decline in car ownership with the rise of autonomous driving?
- How will make of the vehicles change with the government's increasing focus on fuel-efficient technology?
- How should the automakers modify their business strategies as sales slowdown in mature markets' demands and demographics start shifting?

There are five key challenges that form the crux of these indispensable areas of concern in the Indian automotive world:

a) **The ever-expanding Chinese market**: one of the biggest challenges of automakers outside China is the risk of competing with China. In the last fifteen years, China has been the leading automotive market. The volume growth has helped the country to overcome other structural and competitive challenges. The biggest challenge for the planners of the automotive market is to plan a strategy keeping in mind China's outlook.

b) **The evolution of connected cars**: connected are the biggest transformational changes in the automotive industry, but it is also one of the biggest unknowns. The concepts of connected cars serve as a communication hub that receives and transmits data from its surroundings. However, this technology is still in such a nascent stage that it is creating uncertainties and questions such as who will buy the car, which will deliver these services, whether the current automakers will be able to navigate through all these uncertainties keep plaguing the automotive world.

c) **Increased competition**: of all the myriad issues facing the automotive world, one of the pressing problems is the sales demand flattening in mature markets like Europe and Japan and competition rising from other manufacturers. The slowdown of sales is directly proportional to the increasing competition.

d) **Balance of demands of the technology and government**: The major global automotive markets had been facing stringent legislation focusing on controlling carbon dioxide emission and other exhaust gas

emissions. This is done to improve fuel economy. One of the key challenges in the industry is to make the right power trains and technology choices to cater to changing social preferences in a changing regulatory environment.

e) **Consolidation of platforms**: intensifying competition, state regulators and global consumers are making global automakers rethink their platform strategy. The trend towards consolidation of modular architectures or mega-platforms is slowly replacing the earlier rationalization of segments. Hence this is becoming one big challenge for automakers.

2.6 KEY DRIVERS OF THE AUTOMOTIVE INDUSTRY

a) Economic Conditions:

The first key driver is economic conditions. When economic conditions are favorable, people are more likely to purchase new vehicles giving momentum to the industry. Slowdown in economic output leads to reduced consumer and business confidence and levels of vehicle consumption goes down.

Automotive manufacturers need to plan capacity to achieve economies of scale. Companies plan their capacities based on their sales predictions which are totally dependent on economic cycles. The capacity issue has a strong influence on industry economics as vehicle prices are calculated on forecast capacities and reduced capacity means higher unit costs. Vehicle makers, therefore, get heavily impacted due to economic conditions.

b) Consumer Demand and Interests:

The second key driver is consumer interest, their preferences and demand. There is a growing demand for more choice. Volume production may become similar to that for premium cars, with a greater number of vehicles being made to order on the basis of a multi-option choice. The market for niche vehicles is growing, as consumers demand more variation of body shape and styling. This has led to a variety of body shapes being constructed on standard platforms.

There is an increased awareness of occupant and pedestrian safety, and consumers also look for greater fuel economy, exemplified by the growing rise of fossil fuel prices. Consumer are becoming more aware of specifications and looking for inclusion of more on-board electronics and telecommunications systems. Automobile safety is tremendously important to

consumers in all markets and consumers are willing to pay more for vehicles with safety features.

c) Globalization:

The third key driver is globalization and global industry influences. Today, the modern global automotive industry operates in a global competitive marketplace. Globalization of the automotive industry has been greatly accelerated during the last half of the 1990's due to the construction of important overseas facilities and establishment of mergers between giant multinational automakers. The world's largest automobile manufacturers invest into production facilities in emerging markets in order to reduce production costs. Automakers, have merged with, and in some cases established commercial strategic partnerships with other automobile manufacturers, enabling them to expand in overseas markets.

Increasing global competition amongst the global manufacturers and positioning within foreign markets has divided the world's automakers into three tiers, the first tier being GM, Ford, Toyota, Honda and Volkswagen, and the two remaining tier manufacturers attempting to consolidate or merge with other lower tier automakers to compete with the first tier companies.

d) Technological Innovations:

The fourth key driver influencing automotive industry significantly is Technology. Automotive companies seek to take advantage of sophisticated technology to address the competitive pressure and to meet increased customer expectations on quality and cost. Technological advances help them add value to their vehicles and offset the squeeze on costs and profit margins. Technology also helps them meeting the demands of environmental legislation. It is through technology that manufacturers are able to address consumer demands for increased safety and sophistication.

Other innovations that consumers are interested in include features that improve navigation, like GPS, and features that enhance entertainment, including satellite radio and in-car access to digital music.

In terms of the vehicle, the innovations that are likely to be in demand are more electronics and telemetric, move to a 42-volt electrical system, safety improvements, electrically

controlled steering, braking, ABS and suspension. There might be continued development of electric, hybrid and fuel cell drives, especially for city cars and fleet vehicles.

Features likely to be introduced could be sophisticated route guidance, inter-model route planning, lane guidance and proximity radars for speed control and warning systems. The consumer in this sector always demands innovation and technology-driven innovations such as fuel-efficient, safer, more comfortable low-emission vehicles will shape the future of the industry.

e) Government & Regulations:

The fifth key driver of the automotive industry is government. Legislation is a major driver of the industry; emissions and recycling legislation have a strong impact both on vehicle technologies and construction. In many countries, governments have imposed strict environmental regulations dealing with fuel economy and emissions control on auto manufacturers. These environmental legislations vary in different countries and define standards that are compulsory for all vehicles sold in those countries. This has huge impact on global auto manufacturers as they must keep updating the products they sell in different parts of the world to comply with these regulations. This can add significantly to manufacturing costs.

CHAPTER -3

REVIEW OF LITERATURE

3.1 BRIEF THEORETICAL CONSTRUCT RELATED TO THE PROBLEM

In this chapter explains the theoretical frame work applied for the present study. Finance is the life blood of every business. Every business enterprise whether large, medium and small size needs finance to carry out its operations and to achieve its targets. Proper financial planning and control is necessary.

Business is mainly concerned with the financial activities. In order to ascertain the financial status of the business every enterprise prepares certain statements, known as financial statements. Financial statements are mainly prepared for decision making purposes. But the information as is provided in the financial statements is not adequately helpful in drawing a meaningful conclusion. Thus, an effective analysis and interpretation of financial statements is required.

3.1.1 FINANCIAL PERFORMANCE ANALYSIS

The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance.

The dictionary meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other.It helps to identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors

3.1.2 FINANCIAL STATEMENT

A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a balance sheet, or may reveal a series of activities over a given period of time, as in the case of an income statement.

The objective of income statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements should be understandable, relevant, reliable and comparable. Reported assets, liabilities, equity, income and expenses are directly related to an organization's financial position.

Financial statements are intended to be understandable by readers who have a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently. They are useful for the following reasons:

- To determine the ability of a business to generate cash, and the sources and uses of that cash.
- To determine whether a business has the capability to pay back its debts.
- To track financial results on a trend line to spot any looming profitability issues.
- To derive financial ratios from the statements that can indicate the condition of the business.
- To investigate the details of certain business transactions as outlined in the disclosures that accompany the statements

Main types of financial statements are:

1. **Balance Sheet**

Statement of Financial Position, also known as the Balance Sheet, presents the financial position of an entity at a given date. It is comprised of the following three elements:

- Assets: Something a business owns or controls (e.g. cash, inventory, plant and machinery, etc)
- Liabilities: Something a business owes to someone (e.g. creditors, bank loans, etc)
- Equity: What the business owes to its owners. This represents the amount of capital that remains in the business after its assets are used to pay off its outstanding liabilities. Equity therefore represents the difference between the assets and liabilities

2. Profit and loss account

Income Statement, also known as the Profit and Loss Statement, reports the company's financial performance in terms of net profit or loss over a specified period. Income Statement is composed of the following two elements:

- Income: What the business has earned over a period (e.g. sales revenue, dividend income, etc)
- Expense: The cost incurred by the business over a period (e.g. salaries and wages, depreciation, rental charges, etc)

Net profit or loss is arrived by deducting expenses from income

3.1.3 ANALYSIS OF FINANCIAL STATEMENT

Financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting data. The Profit and Loss account and Balance sheet are indicators of two significant factors profitability and financial soundness. Analysis of financial statement means such a treatment of the information contained in the two statements as to afford a full diagnosis of the profitability and financial position of the firm concerned. Broadly, the term financial analysis is applied to almost any kind of detailed enquiry into financial data. A financial executive has to evaluate the past performance , present financial position, liquidity position, enquire into profitability of the firm and to plan for future operations.

Definition

Metcalf and Titard: "Analysis of financial statement is a process of evaluating the relationship between components part of a financial statement to obtain a better understanding of a firms position and performance."

3.1.4 PURPOSE OF FINANCIAL ANALYSIS

The following are the main purpose of the analysis of financial statements:

- To estimate the earning capacity of the firm.
- To determine the long-term liquidity of the funds.

- To judge the solvency of the firm.
- To determine the debt capacity of the firm.
- To decide about the future prospects of the firm.
- To measure the efficiency of operations.

3.1.5 TYPES OF FINANCIAL ANALYSIS

The following points highlight the important types of financial analysis,

• According to Material Used

• According to Modus Operandi,

• According to Time Horizon or Objective of Analysis

According to Material Used

According to material used, financial analysis can be of two types;

(a)External Analysis

This analysis is done by outsiders who do not have access to the detailed internal accounting records of the business firm. These outsiders include investors, potential investors, creditors, potential creditors, government agencies, credit agencies, and the general public.

For financial analysis, these external parties to the firm depend almost entirely on the published financial statements. External analysis, thus serves only a limited purpose. However, the recent changes in the government regulations requiring business firms to make available more detailed information to the public through audited published accounts have considerably improved the position of the external analysis.

(b) Internal Analysis

The analysis conducted by persons who have access to the internal accounting records of a business firm is known as internal analysis. Such an analysis can, therefore, be performed by executives and employees of the organization as well as government agencies which have statutory powers vested in them. Financial analysis for managerial purposes is the internal type of analysis that can be affected depending upon the purpose to be achieved.

According to Modus operandi:

(a) Horizontal Analysis

Horizontal analysis refers to the comparison of financial data of a company for several years. The figures for this type of analysis are presented horizontally over a number of columns. The figures of the various years are compared with standard or base year. A base year is a year chosen as beginning point

This type of analysis is also called 'Dynamic Analysis' as it is based on the data from year to year rather than on data of any one year. The horizontal analysis makes it possible to focus attention on items that have changed significantly during the period under review

(b) Vertical Analysis

Vertical analysis refers to the study of relationship of the various items in the financial statements of one accounting period. In these types of analysis the figures from financial statement of a year are compared with a base selected from the same year's statement.

Since vertical analysis considers data for one time period only, it is not very conducive to a proper analysis of financial statements. However, it may be used along with horizontal analysis to make it more effective and meaningful

According to Time Horizon or Objective of Analysis:

(a) Short-term Analysis:

Short-term analysis measures the liquidity position of a firm, i.e. the short- term paying capacity of a firm or the firm's ability to meet its current obligations

(b)Long-term Analysis

Long-term analysis involves the study of firm's ability to meet the interest costs and repayment schedules of its long-term obligations. The solvency, stability and profitability are measured under this type of analysis.

3.1.6 OBJECTIVES OF FINANCIAL ANALYSIS

- To review the company's performance over past periods.
- To assess the current financial position.
- To forecast the profitability trends.
- To measure the managerial efficiency of the firm.

3.1.7 LIMITATIONS OF FINANCIAL ANALYSIS

Financial Statement Analysis is very important, but it has certain limitations which are to be kept in mind. Following are the limitations of financial analysis;

- Not a Substitute of Judgment
- Based on Past Data
- Problem in Comparability
- Reliability of Figures
- Various methods of Accounting and Financing
- Change in Accounting Methods
- Changes in the Value of Money
- Limitations of the Tools Application for Analysis
- No Assessment of Managerial Ability
- Change of Business Condition

• Financial statements are prepared according to certain conventions at a point of time, whereas the investor is concerned with the present and future of the company.

• The results shown by financial statements may be misleading, if price level changes have not been accounted for.

• Financial analysis does not measure the qualitative aspects of the firm e.g. skill, technical know-how etc…

• Results shown by analysis may be misleading in the absence of absolute data.

•The accuracy and reliability of analysis depends on reliability of figures derived from financial statement.

3.1.8 TECHNIQUES OR TOOLS OF FINANCIAL ANALYSIS

The analysis of financial statements consists of a study of relationships and trends to determine whether or not the financial position of the concern and its operating efficiency have been satisfactory. In the process of this analysis various tools or methods are used by the financial analyst. The analytical tools generally available to an analyst for this purpose are as follows

- Comparative financial and operating statements
- Common-size statement
- Trend ratio (trend percentage)
- Average analysis
- Statement of changes in working capital
- Ratio analysis

i) Comparative Financial Statement

Financial data becomes more meaningful when compared with similar data for a previous period or number of prior periods. Statements prepared in form that reflects financial data of two or more periods are known as comparative statements. Annual data can be compared with similar data for prior years. Such statements are very helpful in measuring the effect of the conduct of business during consideration. Comparative statements can be of two types:

Comparative Balance sheet.
Comparative Income statement.

The Comparative Balance sheet analysis is the study of the trend of the same items, group of item and computed items in two or more Balance sheet of the same business enterprise on different dates.

The comparative income statement is a statement prepared to get an idea of the progress of a business over a period of time.

ii) Common Size Statements

Those are the statements prepared to show the relationship of different individual item with some common items. These are the comparative statement that gives only the vertical

percentage ratio for financial data without giving rupee value. These are also known as 100% statements. Common size statements include.

- Common size balance sheet
- Common size income statements

Common size balance sheet is a statement in which balance sheet items are expressed as percentage of each asset and percentage of each liability to total of liabilities is called common size balance sheet.

Common size income statement is a statement in which each item of expense is shown as a percentage

iii) 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.

iv) Average Trend Analysis

It is an improvement over trend analysis method. When trend ratios have been determining for the concern, these figures are compared with the average trend of the industry. Both these trends can be presented on the graph paper also in the shape pf curves. This presentation of fact in the shape of picture makes the analysis and comparison more comprehensive and impressive.

v) Statement of Changes in Working Capital

A change in Working Capital is the net change in current assets and current liabilities. Working Capital is a measure of a company's short term liquidity or its ability to cover short

term liabilities. Working capital is defined as the difference between a company's current assets and current liabilities. That is,

Working Capital = Current Assets - Current Liabilities.

Changes in Working Capital is reported in the cash flow statement since it is one of the major ways in which net income can differ from operating cash flow. Under the accruals system, companies calculate revenue and expenditure when a transaction occurs instead of when the cash actually changes hands.

vi) Ratio Analysis

Financial ratio analysis is the process of calculating financial ratios, which are mathematical indicators calculated by comparing key financial information appearing in financial statements of a business, and analyzing those to find out reasons behind the business's current financial position and its recent financial performance, and develop expectation about its future outlook.

Financial ratio analysis is very useful tool because it simplifies the process of financial comparison of two or more businesses. Direct comparison of financial statements is not efficient due to difference in the size of relevant businesses. Financial ratio analysis makes the financial statements comparable both among different businesses and across different periods of a single business.

There are different financial ratios to analyze different aspects of a business' financial position, performance and cash flows. Financial ratios calculated and analyzed in a particular situation depend on the user of the financial statements. For example, a shareholder is primarily concerned about a business's profitability and solvency; a debt-holder is concerned about its solvency, liquidity and profitability in the descending order of importance; a creditor/supplier is worried mainly about the business' liquidity, etc.

Classification of ratios;

The ratios can be classified in to four broad groups

- Liquidity Ratio

- Solvency or Leverage Ratio
- Turnover Ratio
- Profitability Ratio

A. LIQUIDITY RATIO

Liquidity ratio assesses a business's liquidity, i.e. its ability to convert its assets to cash and pay off its obligations without any significant difficulty (i.e. delay or loss of value). Liquidity ratios are particularly useful for suppliers, employees, banks, etc.

The various ratios that explains about the liquidity of the firm are

1. Current Ratio
2. Acid Test Ratio / quick ratio
3. Absolute liquid ration / cash ratio

1. Current ratio

Current ratio is a liquidity ratio which measures a company's ability to pay its current liabilities with cash generated from its current assets. In a sound business a current ratio of 2:1 is considered an ideal one. High ratio indicates sound solvency and low ratio indicates inadequate working capital. It is calculated by dividing current assets by current liabilities.

Current Ratio = Current Asset/Current Liabilities

Current assets are assets that are expected to be converted to cash within normal operating cycle, or one year. Examples of current assets include cash and cash equivalents, marketable securities, debtors, bills receivable, inventories and prepaid expenses.

Current liabilities are obligations that require settlement within normal operating cycle or next 12 months. Examples of current liabilities include sundry creditors, bills payable, short term loans, income tax liability, accrued expenses and dividends payable.

2. Quick ratio

The quick ratio or acid test ratio is a liquidity ratio that measures the ability of a company to pay its current liabilities when they come due with only quick assets. Quick assets are current

assets that can be converted to cash within 90 days or in the short-term. It is calculated by dividing quick assets by the current liabilities.

Quick ratio = Quick assets / Current liabilities

Quick assets refer to the more liquid types of current assets which include: cash and cash equivalents, marketable securities, and short-term receivables. Inventories (stock) and prepayments are not included.

3. Absolute liquidity ratio

It shows the relationship between absolute liquid or super quick current assets and liabilitiesIt is more conservative compared to the current ratio and quick ratio since only cash and marketable securities are compared with current liabilities

Absolute liquid ratio = Absolute liquid assets / Current liabilities

The current ratio measures liquidity by comparing all current assets with current liabilities. The quick ratio is more conservative in that it measures liquidity using quick assets (cash and cash equivalents, marketable securities, and short-term receivables).Cash ratio is an even more conservative ratio since it considers cash and marketable securities only.

B. **LEVERAGE / SOLVENCY RATIO**

Leverage ratio / Solvency ratio assess the long-term financial viability of a business i.e. its ability to assure the long term creditors with regard to periodic payment of interest during the period and loan repayment of principal on maturity or in predetermined installments at due dates. . Information about solvency is critical for banks, employees, owners, bond holders, institutional investors, government, etc.

There are thus two aspects of the long-term solvency of a firm.

• Regular payment of the interest.

• Ability to repay the principal amount when due.

Solvency ratios are;

- Debt equity ratio
- Proprietary (equity) ratio
- Fixed assets to net worth ratio

1. Debt Equity Ratio

The debt to equity ratio is a financial, liquidity ratio that compares a company's total debt to total equity. The debt to equity ratio shows the percentage of company financing that comes from creditors and investors. A higher debt to equity ratio indicates that more creditor financing (bank loans) is used than investor financing (shareholders).

Debt equity ratio = Outsider Funds (Total Debts)/Shareholder Funds or Equity

The outsider fund includes long-term debts as well as current liabilities. The shareholder funds include equity share capital, preference share capital, reserves and surplus including accumulated profits. The shareholder funds so calculated are known as net worth of the business.

2. Proprietary (Equity) Ratio

The proprietary ratio (also known as net worth ratio or equity ratio) is used to evaluate the soundness of the capital structure of a company. This ratio indicates the proportion of total assets of the company financed by its owners (equity shareholders). It is calculated by dividing Shareholder funds by total assets.

Proprietary (equity) ratio = Shareholder funds/Total assets

This ratio shows the financial strength of the company. It helps the creditors to find out the proportion of shareholders fund in the total assets. Higher ratio indicates a secured position to creditors and a low ratio indicates greater risk to creditors. It indicates the long term solvency of the firm.

3. Fixed assets to net worth ratio

Fixed assets to net worth is a ratio measuring the solvency of a company. This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, and the extent to which funds are available for the company's operations (i.e. for working capital).

Fixed assets to net worth ratio = Fixed Assets / Net Worth

The Net worth (shareholder funds) include equity share capital, preference share capital, reserves and surplus. The shareholder funds so calculated are known as net worth of the business.

C. TURNOVER RATIO

Activity ratios/Turnover ratio assesses the efficiency of operations of a business. For example, these ratios attempt to find out how effectively the business is converting inventories into sales and sales into cash, or how it is utilizing its fixed assets and working capital, etc. Key activity ratios are:

- Fixed asset turnover ratio
- Net working capital turnover ratio
- Capital Turnover Ratio

1. Fixed asset turnover ratio

The definition of fixed asset turnover analysis and ratio shows what portion of sales is generated from fixed asset investment. If compared with the previous year it indicates that, whether the investment in the fixed assets has been judicious or not.In general, the higher the value, the better the company is.

Fixed asset turnover = Total Sales / Fixed Assets

2. Net Working Capital Turnover ratio

Working capital turnover ratio is an activity ratio that measures dollars of revenue generated per dollar of investment in working capital. Working capital is defined as the amount by which current assets exceed current liabilities

Working Capital Turnover Ratio = Net Sales / Working Capital

Working Capital = Current Assets − Current Liabilities

3. Capital Turnover Ratio

Capital Turnover Ratio indicates the efficiency of the organization with which the capital employed is being utilized. A high capital turnover ratio indicates the capability of the organization to achieve maximum sales with minimum amount of capital employed. Higher the capital turnover ratio better will be the situation.

Capital turnover ratio = Sales / Shareholders fund

D. PROFITABILITY RATIO

Profitability ratios measure the ability of a business to earn profit for its owners. While liquidity ratios and solvency ratios explain the financial position of a business, profitability ratios and efficiency ratios communicate the financial performance of a business. Important profitability ratios are ;

1. Gross profit margin or ratio

2. Net profit margin or ratio

1. Gross Profit Margin or Ratio

It measures the relationship between gross profit and net sales. It is calculated by dividing gross profit by net sales. It is a popular tool to evaluate the operational performance of the business. Gross profit is the difference between sales and cost of goods sold.

Gross profit margin or ratio = Gross profit /Net sales *100

2. Net Profit Ratio

It measures the relationship between net profit and sales of a firm. It represents the proportion of sales that is left over after all relevant expenses have been adjusted. It is calculated by dividing net profit after tax by sales.

Net profit margin or ratio = Earnings after tax /Net Sales *100

3.2 AN OVERVIEW OF EARLIER STUDIES

A number of researches have already undertaken various studies on different aspects relating to the management of finance of different types of industries. Some of those studies were reviewed and a brief report is given below.

Jagan Mohan Rao (1993) has conducted a study on financial appraisal of Indian Automotive Tyre Industry. The study was intended to measure and evaluate the financial performance through inter-company and inter- sectoral analysis over a given period of time (1981-1988). The main findings are that fixed assets utilization in many of the tyre undertakings was not as

productive as expected and inventory was managed fairly well. The tyre industry's overall profit performance was subjected to inconsistency and ineffective.

Pai, Vadivel and Kamal (l995) have studied the diversified companies and financial performance. An effort was made to study the relationship between diversified firms and their financial performance. Seven large firms having different products-both related and otherwise in their portfolio and operating in diverse industries were analyzed. A set of performance measures ratios and employed to determine the level of financial performance. The results reveal that the diversified firms studied have been healthy financial performance. However variation in performance from one firm to another has been observed and statically established.

Vijaya Kumar .A (1996) has in his study on 'Assessment of corporate liquidity -discriminate analysis approach'revealed that the growth rate of sales, leverage. Current fat. Operating expenses to sales and vertical integration are the important variables which determine the profitability of companies in the sugar industry. Future.The author has studied the short-term liquidity position in twenty-eight selective sugar factories in co-operative and private sectors. A discrimination analysis has been undertaken to distinguish the good risk companies from poor risk companies based on current and liquidity ratios. And according to the '2' scores the companies are ranked in the order of liquidity.

Sidhu and Gurpreet Bhatia (1998) have studied the factors affecting profitability in Indian textile industry. An attempt was made in this study to identify the major determinants of profitability in Indian textile industry with the help of empirical data taken from directory of Bombay Stock Exchange for the year 1983. The regression analysis applied for the study revealed that there exists no clear cut relationship between current profitability and capital intensity. The age of the firm was having generally negative but statistically insignificant relationship with current profitability which points towards the fact firms in Indian textile industry are absolute and need modernization.

Rajeswari (2000) has studied the Liquidity Management of Tamil Nadu Cement Corporation LtdAlangulam. The study revealed that the liquidity position of TANCEM is not stable. Regarding liquidity ratios, there was too much of liquidity in the first two years of the study period. A very high degree of liquidity is also bad as idle assets earn nothing and

effects profitability. It can be concluded that the liquidity management of TANCEM is poor and is not satisfactory 64.

Vijayakumar (2002) has in his study on‘ Determinants of profitability A firm level study of the sugar industry of Tamil Nadu’, delved into the various determinants of profitability viz., growth rate of sales, vertical integration and leverage. Apart from these three variables, he had selected current ratio, operating expenses to sales ratio and inventory turnover ratio. Economic models were used to test the various hypotheses relating to profitability and reported the poor liquidity performance of the sugar mills.

Vijayakumar and Kadirvel (2003) have studied the profitability and size of firm in Indian |: Minerals and Metals Industry. For this purpose, Indian public sector minerals and metals a industry has been selected. The study reveals that size is found to be significantly associated with “the profitability during the study period. It is also evident from the analysis that size is positively associated with the profitability. Thus, larger firm may be in a position to earn higher rate of return on investment through diversification and moving into higher technology.

3.3 UNIQUENESS OF RESEARCH STUDY

Finance is a crucial part of any business. Many of the previous studies are focus on the performance evaluation of selected automotive industries. The above kinds of literature clearly state that many studies have been done on profitability, financial performance, and liquidity analysis of various industries. The present study mainly concentrated on analyzing and evaluating the overall financial efficiency of Maruti Suzuki India and the financial trend of the company for a period of five years.

- These Research Study has conducted during the period of Indian pandemic COVID-19
- The study is entirely based on online data.
- Data collected from reliable sources.
- The tools were used for analysis are updated as well as have advanced techniques.

CHAPTER 4

METHODOLOGY OF THE STUDY

4.1 RESEARCH APPROACH AND DESIGN

Analytical Research

The study is primarily based on the internal records and the annual records of the company.

4.2 SOURCES OF ONLINE DATA

- Websites
- Books
- Magazines
- Articles and Journals
- Secondary data

4.3 DATA ANALYSIS TOOLS

The data collected where classified and analyzed with the help of percentages , averages, accounting rates and comparative financial statement.

4.5 REPORT STRUCTURE

The report is presented in five chapters as given below;

Chapter 1 Introduction.

Chapter 2 Profile. of automotive industry in India

Chapter 3 Review of Literature.

Chapter 4 Methodology of the Study.

Chapter 5 Data Analysis, Interpretation, Inference.

Chapter 6 Findings of the Study

Chapter 7 Conclusions

4.5 LIMITATIONS OF THE STUDY

The study was conducted with the following limitations;

- The study has been based on secondary data sources, namely published financial statements of the company. Therefore, the reliability of the ratios is linked to the accuracy of information in these statements.
- The study is for a period of five years only. I.e. FY 2015-16 to 2020-21.
- The study involves the use of various financial tools, which itself is having its own limitations.

CHAPTER 5

DATA ANALYSIS, INTERPRETATION & INFERENCE

DATA ANALYSIS

Researchers often find data analysis the most enjoyable part of carrying out a research study, since after all the hard work and waiting they get a chance to find out the answers. So, analyzing the data and interpreting the results are the reward of the work of collecting data.
It is used in all of the sciences; it is used in business, administration, and policy. Data do not, however, "speak for themselves". They reveal what the researcher can detect. Analysis, especially in the case of survey or experimental data involves converting raw data into information, which is meaningful. As with most other aspects of a study, analysis and interpretation of the study should relate to the study objectives and research questions.

5.1 RATIO ANALYSIS

A) LIQUIDITY RATIO

- **CURRENT RATI**

Current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations. In a sound business a current ratio of 2:1 is considered an ideal one. High ratio indicates sound solvency and low ratio indicates inadequate working capital. Current ratio is an index of the firm's financial stability.

Current Ratio = Current Asset/Current Liabilities

Table 5.1

Current Ratio

YEAR	CURRENT ASSET (Cr.)	CURRENT LIABILITY (Cr.)	CURRENT RATIO
2016-2017	8776.20	13226.40	0.66
2017-2018	7921.40	15442.10	0.51
2018-2019	12361.60	14150.30	0.87
2019-2020	8427.40	11294.80	0.75
2020-2021	18526.70	16106.70	1.15
Average			**0.788**

Interpretation:

The above table shows that the current ratio in the year 2016-17 was 0.66 and then it decreases to 0.51 and increases to 0.87 , 0.75 in the next two years and finally it upwards to 1.15 in the last year.

The ideal current ratio is 2:1 .The above table shows that the current ratio of the firm is lower than 2 % in all five years. The average current ratio of the period from 2016 to 2021 is 0.788, which mean average ratio of the company is not satisfactory.

5.1.2 QUICK RATIO

This ratio is also known as Acid test ratio or Liquid ratio. It is the best measure of the liquidity of the company. It shows the ability of business to meet its immediate financial commitments. Quick ratio is more conservative than the current ratio. The quick asset is computed by adjusting current asset to eliminate those assets which are not in cash.

Quick ratio /Acid Test Ratio = Quick Assets/Current liabilities

Table 5.2

Quick Ratio

YEAR	**QUICK ASSET (Cr.)**	**CURRENT LIABILITY (Cr.)**	**QUICK RATIO**
2016-2017	5514	13226.40	0.41
2017-2018	4760.6	15442.10	0.30
2018-2019	9035.9	14150.30	0.64
2019-2020	5212.5	11294.80	0.46
2020-2021	15476.7	16106.70	0.96
Average			**0.544**

Interpretation:

Quick ratio is the test of business solvency. The standard quick ratio is 1:1.A higher ratio indicates sound financial position , here the ratios are 0.41, 0.30, 0.64, 0.46, 0.96 and the average ratio is 0.544.We can conclude that firm has not in a position to meet its current liabilities immediately or within a month.

5 .1.3 ABSOLUTE LIQUIDITY RATIO

This is also known as super quick ratio or cash ratio. In calculating this ratio, both inventories and receivables are deducted from the current assets to arrive at absolute liquid asset such as cash, bank and easily marketable investments in securities. The ideal Absolute liquidity ratio is 1:2 Higher the ratio, the higher is the cash liquidity.

Absolute liquid ratio = Absolute liquid assets/Current liability

Table 5.3

Absolute Liquidity Ratio

YEAR	ABSOLUTE LIQUID ASSET (Cr.)	CURRENT LIABILITIES (Cr.)	ABSOLUTE LIQUIDITY RATIO
2016-2017	2192.60	13226.40	0.17
2017-2018	1288.40	15442.10	0.08
2018-2019	5224.40	14150.30	0.36
2019-2020	5523.20	11294.80	0.48
2020-2021	6036.40	16106.70	0.37
Average			**0.292**

Interpretation:

The acceptable norm for this ratio is 1:2 to attain liquidity position.In Maruti Suzuki India Ltd the absolute liquidity ratio is very low in the years 2016-2017 and 2017-2018 then the ratio upturns in the next year. The average ratio of the company is 0.292,when the ratios are less than the recommended level; the company fails to manage day to day cash management progression.

B) SOLVENCY RATIO

5.1.4 DEBT EQUITY RATIO

This ratio indicates the relative proportion of debt and equity in financing the assets of a firm. An acceptable norm for this ratio is considered to be 2:1. A high ratio shows that the claim of creditors are greater those of owners.From the point of view of the company, the lower this ratio, the less company has to worry in meeting its fixed obligations.

Debt equity ratio = Outsider Funds (Total Debts)/Shareholder Funds or Equity

Table 5.4

Debt Equity Ratio

YEAR	**DEBT (Cr.)**	**EQUITY (Cr.)**	**DEBT-EQUITY RATIO**
2016-2017	1593.10	151	10.55
2017-2018	2170.70	151	14.37
2018-2019	2640.00	151	17.48
2019-2020	2820.30	151	18.67
2020-2021	2593.90	151	17.17
Average			**15.648**

Interpretation:

An acceptable norm for this ratio is considered to be 2:1 .A high ratio shows that the claims of creditors are greater those of owners. A very high ratio is unfavourable from the point of view of the firm. Here the ratios are 10.55, 14.37, 17.48, 18.67 and 17.17 respectively for the continuous five years and the average ratio of the company is 15.648.Hence we can conclude that long term solvency position of the firm is bad.

5.1.5 PROPRIETARY RATIO

Proprietary ratio shows the extent to which shareholders own the business and thus indicates the general financial strength of the business. A higher ratio indicated a secured position to the creditors of the company and low ratio indicates that the creditors will have no guarantee for their money.

Proprietary (equity) ratio = Shareholder funds/Total assets

Table 5.5

Proprietary Ratio

YEAR	SHAREHOLDERS FUND (Cr.)	TOTAL ASSET (Cr.)	PROPRIETARY RATIO
2016-2017	36431.10	51250.60	0.71
2017-2018	41757.30	59370.10	0.70
2018-2019	46141.50	62931.80	0.73
2019-2020	48437.00	62552.10	0.77
2020-2021	51366.80	70067.40	0.73
Average			**0.728**

Interpretation:

The proprietary ratio is computed for the purpose of knowing how much funds have been provided by the shareholder towards the total asset. A high ratio indicates safety to the

creditors and low ratio shows greater risk to the creditors. The acceptable norm of the ratio is 1:3.But the company shows the proprietary ratio less than that of the general ratio and the average ratio of the company is 0.728.This indicate greater risk to the creditors. Hence we can conclude that the firm takes the advantage of trading on equity.

5.1.6 FIXED ASSET TO NET WORTH RATIO

This ratio shows the relationship between fixed assets and shareholders fund. The purpose of this ratio is to find out the percentage of the owners fund is invested in fixed assets such as property, plant and equipment, and the extent to which funds are available for the company's operation. If the ratio is greater than 1, it means that creditor's funds have been used to acquire a part of the fixed assets.

Fixed assets to net worth ratio = Fixed Assets / Shareholders fund

Table 5.6

Fixed Assets to Net worth Ratio

YEAR	**FIXED ASSET (Cr.)**	**SHAREHOLDERS FUND (Cr.)**	**RATIO**
2016-2017	14545.00	36431.10	0.39
2017-2018	15484.90	41757.30	0.37
2018-2019	17007.90	46141.50	0.36
2019-2020	17118.60	48437.00	0.35
2020-2021	16446.80	51366.80	0.32
Average			**0.358**

Interpretation:

If the ratio is greater than one, it means that creditors fund have been used to acquire a part of fixed asset. The average ratio of the company is 0.358; here the ratios are very much satisfactory. So we can conclude that Maruti Suzuki India Ltd does not need creditors fund for acquiring fixed asset.

C) ACTIVITY RATIO

5.1.7 FIXED ASSET TURNOVER RATIO

This ratio measures a company' ability to generate sales from its investments in fixed assets such as plant and machinery, land and building etc. Generally, a high ratio indicates efficient utilization of fixed assets in generating sales and low ratio may signify that the firm has an excessive investment in the fixed assets.

Fixed asset turnover = Net Sales/ Fixed Assets

Table 5.7

Fixed Asset Turnover Ratio

YEAR	NET SALES (Cr.)	FIXED ASSET (Cr.)	RATIO
2016-2017	66909.40	14545.00	4.60
2017-2018	78104.80	15484.90	5.04
2018-2019	83026.50	17007.90	4.88
2019-2020	71690.40	17118.60	4.18
2020-2021	66562.10	16446.80	4.04
Average			**4.548**

Interpretation:

The effective utilization of fixed asset will result in increased production and reduced cost. Yearly there is a decreasing trend in the ratio except the period 2017-2018.The effective utilization of fixed assets shows a higher ratio in the year2017-2018 and the average ratio of the company is 4.548. The fluctuation in the ratio indicates the need of better utilization of fixed asset

5.1.8 WORKING CAPITAL TURN OVER RATIO

The Working capital turnover ratio measures how efficiently a company using its working capital in making sales. A high ratio shows the efficient utilization of working capital in generating sales. A low ratio, on the other hand, may indicate excess of net working capital. The ratio thus shows whether working capital is efficiently utilized or not.

Working Capital Turnover Ratio=Net Sales/Working Capital

Table 5.8

Working Capital Turnover Ratio

YEAR	NET SALES (Cr.)	WORKING CAPITAL (Cr.)	RATIO
2016-2017	66909.40	-4450.20	-15.O3
2017-2018	78104.80	-7520.70	-10.38
2018-2019	83026.50	-1788.70	-46.41
2019-2020	71690.40	-2867.4	-25.00
2020-2021	66562.10	2420	27.50
Average			**-69.32**

Interpretation:

Fluctuation in the working capital due to the variation of net working capital shows that the need of consistent working capital management policy.

5.1.9CAPITAL TURNOVER RATIO

Capital turnover ratio shows how much sales are entertained from the capital.A high capital turnover ratio indicates the capability of the organization to achieve maximum sales with minimum amount of capital employed.

Capital Turnover Ratio = Net sales / Shareholders fund

Table 5.9

Capital Turnover Ratio

YEAR	NET SALES (Cr.)	SHAREHOLDERS FUND (Cr.)	RATIO
2016-2017	66909.40	36431.10	1.84
2017-2018	78104.80	41757.30	1.87
2018-2019	83026.50	46141.50	1.79
2019-2020	71690.40	48437.00	1.48
2020-2021	66562.10	51366.80	1.29
Average			**1.654**

Interpretation:

The above table shows the relationship between the sales and proprietors funds. In the year 20117-18 the ratio is 1.87 and then it decreasing to 1.79, 1.48 and 1.29 in the next three years. The average ratio of the company is 1.654. It shows the firms is not maintaining the better utilization of own funds.

D) PROFITABILITY RATIO

5.1.10 GROSS PROFIT RATIO

Gross profit ratio is a profitability ratio that shows the relationship between gross profit and net sales revenue. 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 / Net Sales * 100

Table 5.10

Gross Profit Ratio

YEAR	GROSS PROFIT (Cr.)	NET SALES (Cr.)	RATIO
2016-2017	68034.80	66909.40	101.68
2017-2018	79762.70	78104.80	102.12
2018-2019	86020.30	83026.50	103.60
2019-2020	75610.60	71690.40	105.46
2020-2021	70332.50	66562.10	105.66
Average			**103.704**

Interpretation:

Mostly higher gross profit ratio is considered better. The above table shows the relationship between the gross profit and net sales in percentage. In 2016-2017 the gross profit was 101.68 and it increasing to 102.12, 103.60, 105.46, and 105.66 in the next four years. The average ratio is 103.70

5.1.11. NET PROFIT RATIO

Net profit ratio is a measure of the overall profitability. A firm with a high net profit ratio is in an advantageous position to survive in the face of rising cost of production and falling selling prices.

Net profit margin or ratio = Net Profit / Net Sales

Table 5.11

Net Profit Ratio

YEAR	NET PROFIT (Cr.)	NET SALES (Cr.)	NET PROFIT RATIO
2016-2017	9960.30	66909.40	14.88
2017-2018	11003.40	78104.80	14.08
2018-2019	10465.60	83026.50	12.60
2019-2020	7064.80	71690.40	9.85
2020-2021	5159.40	66562.10	7.75
Average	**8730.7**	**73258.64**	**11.832**

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 2019-2020 and 2020 -2021.This fluctuating trend indicate the need of cost management and sales promotion.

TREND ANALYSIS

An aspect of technical analysis that tries to predict the future movement based on past data. It also forms the basis for future projections.

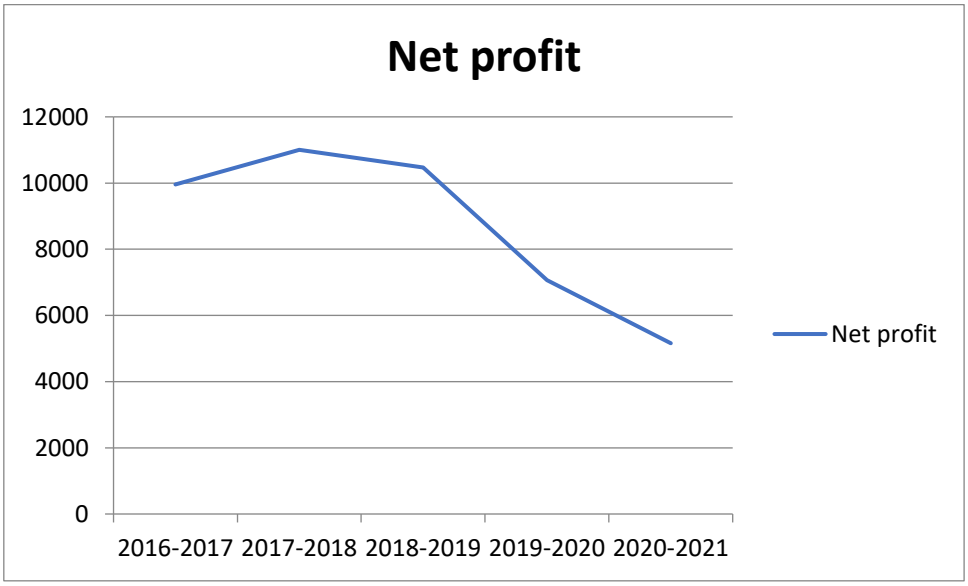
A .The table showing the trend for net profit from 2016-17 to 2020-21

Table .5.12

Net Profit

YEAR	X	Y	XY	X^2
2016-2017	1	9960.30	9960.30	1
2017-2018	2	11003.40	22006.8	4
2018-2019	3	10465.60	31396.8	9
2019-2020	4	7064.80	28259.2	16
2020-2021	5	5159.40	25797	25
TOTAL	15	43653.5	117420	55

Figure. 5.1



Interpretation: the net profit shows a gradual decline from 2019-2020 and reaches the down in the year 2020-2021.

Y= a + bX

Where

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

$$= \frac{5* 117420- 15* 8730.7}{5*55 – (15)2}$$

$$= \frac{587100- 130960.5}{50}$$

$$= \frac{456139.5}{50}$$

= 9122.79

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

$$= \frac{8730.7 – \{9122.79(15)\}}{5}$$

$$= \frac{8730.7– (136841.85)}{5}$$

= -25622.23 (a)

Profit for the year 2021-22 to 2025-26

Y= a + bX

- 2021-2022

  Y =- 25622.23+ 9122.79*6

= -25622.23 + 54736.74

= 29114.51

- 2022-2023

  Y= - 25622.23+ 9122.79*7

  = -25622.23 + 63859.53

= 38237.3

- 2023-2024

Y= - 25622.23+ 9122.79*8

= -25622.23 + 72982.32

= 47360.09

- 2024-2025

Y= - 25622.23+ 9122.79*9

= -25622.23 + 82105.11

= 56482.88

- 2025-2026

Y= - 25622.23+ 9122.79*10

= -25622.23 + 91227.9

= 65605.67

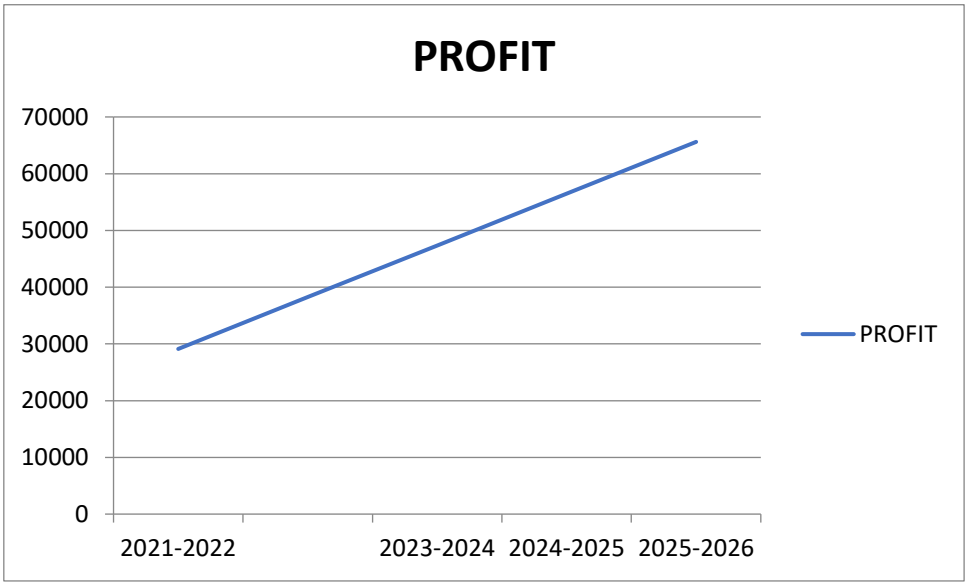
Table 5.13

Estimated profit from 2021-2022 to 2025-2026

YEAR	**PROFIT**
2021-2022	29114.51
2022-2023	38237.3
2023-2024	47360.09
2024-2025	56482.88
2025-2026	65605.67

Figure 5.2

Future Profit



Interpretation:

From the past data (2016-2017 to 2020 -2021) of the trend of net profit is estimated for the next five years (2021-2022 to 2025-2026) the graph shows that the movement of net profit has a positive trend in the future.

B. The table showing the trend for net sales from 2016-2017 to 2020-2021

Table 5.14

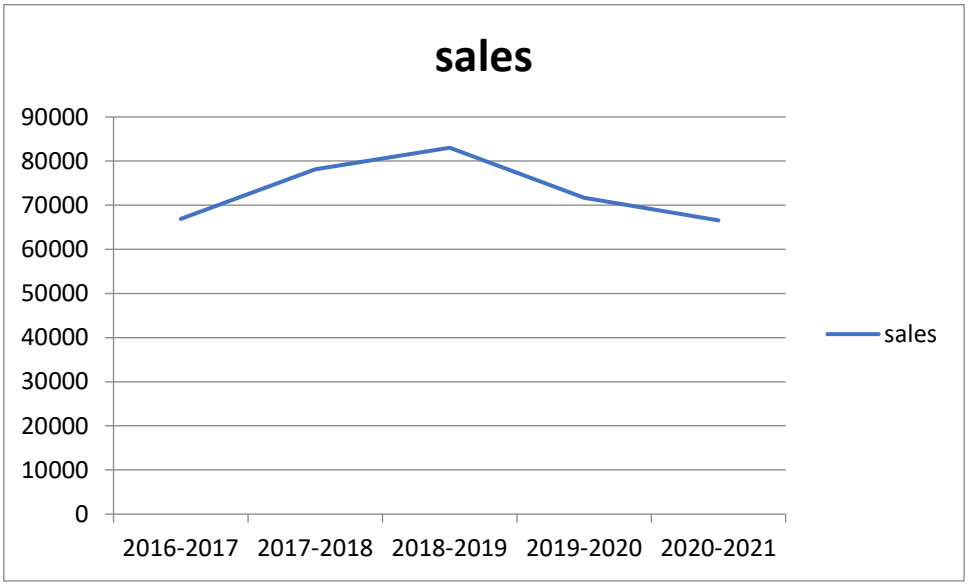
Net Sales

YEAR	X	Y	XY	X^2
2016-2017	1	66909.40	66909.40	1
2017-2018	2	78104.80	156209.6	4
2018-2019	3	83026.50	249079.5	9
2019-2020	4	71690.40	286761.6	16
2020-2021	5	66562.10	332810.5	25

TOTAL	15	366293.2	1091770.6	55

Figure 5.3

Sales trend from 2016-2017 to 2020-2021



The sales show a gradual decrease from 2016-2017 to 2020-2021.

Y= a + bX

Where

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

$$= \frac{5*1091770.6 - 15*366293.2}{5*55 - (15)2}$$

$$= \frac{5458853 - 5494398}{50}$$

$$= \frac{-35545}{50}$$

= -710.9

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

$$= \frac{366293.2 - \{-710(15)\}}{5}$$

$$= \frac{366293.2 + 10650}{5}$$

$$= 75388.64$$

Sales for the year 2021-2022 to 2025-2026

Y= a + bX

- 2021-2022
  = 75388.64+ (-710)*6
  = 75388.64+ (- 4260)
  = 71128.64
- 2022-2023
  = 75388.64+ (-710)*7
  = 75388.64+ (-4970)
  = 80358.64
- 2023-2024
  =75388.64+ (-710)*8
  = 75388.64+ (-5680)
  = 69708.64
- 2024-2025
  =75388.64+ (-710)*9
  = 75388.64+ (-6390)
  = 68998.64
- 2025-2026
  = 75388.64+ (-710)*10
  = 75388.64+ (-7100)

= 82488.64

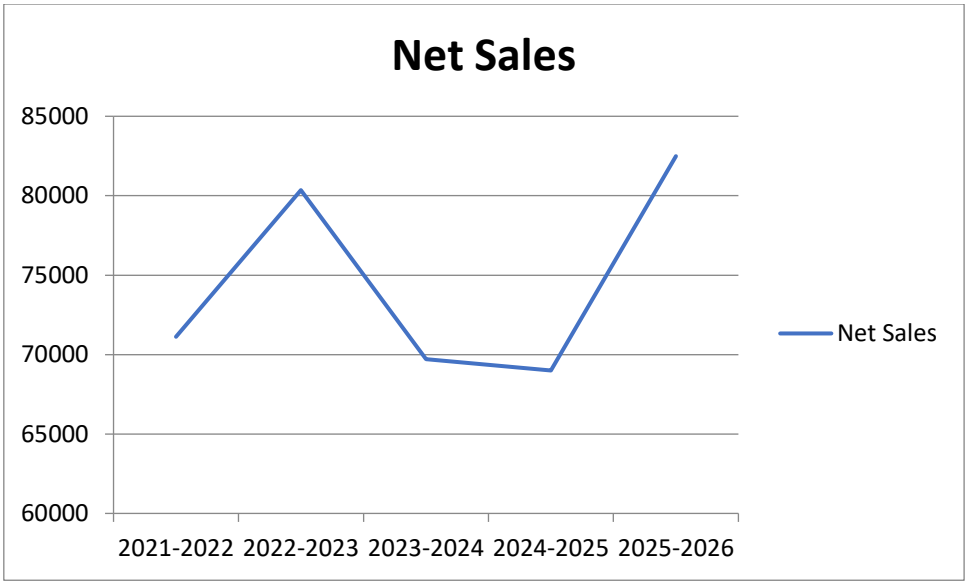
Table 5.15

Estimated sales for 2021-2022 to 2025-2026

YEAR	SALES
2021 - 2022	71128.64
2022 - 2023	80358.64
2023 – 2024	69708.64
2024– 2025	68998.64
2025 - 2026	82488.64

Figure 4

Future Sales



Interpretation: From the past data (2016-2017 to2020-2021) the trend of net sales is estimated for the next five years (20121-2022 to 2025-2026) the graph shows that the movement of net sales for the future has a positive trend.

COMPARATIVE BALANCE SHEET

Table 5. 16

Comparative Balance Sheet of Maruthi Suzuki India Ltd, year ended March 2015-2016 and 2016-2017

Particulars	**2015-2016 (Cr)**	**2016-2017 (Cr)**	**Increase / Decrease**	**% Change**
Liabilities				
Share Capital	151.00	151.00	0	0
Reserve & Surplus	29733.20	36280.10	6546.9	22.01
Current Liabilities	11039.20	13226.40	2187.2	19.81
Long Term Provision	14.80	21.90	7.1	47.97
Assets				
Fixed Assets	13516.90	14545.00	1028.1	7.60
Long term Loans & Advances	0.40	0.30	-0.1	-25
Capital work in progress	1006.90	1252.30	245.4	24.37
Investment	18875.40	26302.20	7426.8	39.34
Deferred Tax Asset	0	0	0	0
Current Assets	7846.00	8776.20	930.2	11.85

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are decreased by 7.60 %, the current liabilities by 19.81 % and the current assets are increased by 11.85 %

Table.5. 17

Comparative Balance Sheet of Maruthi Suzuki India Ltd, year ended March 2016-2017 and 2017-2018

Particulars	**2016-2017 (Cr)**	**2017-2018 (Cr)**	**Increase / Decrease**	**% Change**
Liabilities				
Share Capital	151.00	151.00	0	0
Reserve & Surplus	36280.10	41606.30	5326.2	14.68
Current Liabilities	13226.40	15442.10	2215.7	16.75
Long Term Provision	21.90	26.50	4.6	21
Assets				
Fixed Assets	14545.00	15484.90	939.9	6.46
Long term Loans & Advances	0.30	0.20	-0.1	-33.33
Capital work in progress	1252.30	2125.90	873.6	69.75
Investment	26302.20	34072.90	7770.7	29.54
Deferred Tax Asset	0	0	0	0
Current Assets	8776.20	7921.40	-854.8	-9.73

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are increased by 6.46 %, the current liabilities by 16.75 % and the current assets are decreased by 9.73 %.

Table 5.18

Comparative Balance Sheet of Maruthi Suzuki India Ltd, year ended March 2017-2018 and 2018-2019

Particulars	**2017-2018 (Cr)**	**2018-2019 (Cr)**	**Increase / Decrease**	**% Change**
Liabilities				
Share Capital	151.00	151.00	0	0
Reserve & Surplus	41606.30	45990.50	4384.2	10.53
Current Liabilities	15442.10	14150.30	-1291.8	-8.36
Long Term Provision	26.50	39.50	13	49.05
Assets				
Fixed Assets	15484.90	17007.90	1523	9.83
Long term Loans & Advances	0.20	0.20	0	0
Capital work in progress	2125.90	1600.10	-525.8	-24.73
Investment	34072.90	31469.50	-2603.4	-7.64
Deferred Tax Asset	0	0	0	0
Current Assets	7921.40	12361.60	4440.2	56.05

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are decreased by 9.83 %, the current assets by 56.05 % and the current liabilities decreased by 8.36 %.

Table 5. 19

Comparative Balance Sheet of Maruthi Suzuki India Ltd, year ended March 2018-2019 and 2019-2020

Particulars	**2018-2019 (Cr)**	**2019-2020 (Cr)**	**Increase / Decrease**	**% Change**
Liabilities				
Share Capital	151.00	151.00	0	0
Reserve & Surplus	45990.50	48286.00	2295.5	4.99
Current Liabilities	14150.30	11294.80	-2855.5	-20.17
Long Term Provision	39.50	51.60	12.1	30.63
Assets				
Fixed Assets	17007.90	17118.60	110.7	0.65
Long term Loans & Advances	0.20	0.20	0	0
Capital work in progress	1600.10	1337.40	-262.7	-0.16
Investment	31469.50	35248.80	3779.3	0.12
Deferred Tax Asset	0	0	0	0
Current Assets	12361.60	8427.40	-3934.2	-0.31

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are decreased by 0.65 %, the current assets by 0.31 % and the current liabilities decreased by 20.17 %.

Table .5. 20

Comparative Balance Sheet of Maruthi Suzuki India Ltd, year ended March 2019-2020 and 2020-2021

Particulars	**2019-2020 (Cr)**	**2020-2021 (Cr)**	**Increase / Decrease**	**% Change**
Liabilities				
Share Capital	151.00	151.00	0	0
Reserve & Surplus	48286.00	51215.80	2929.80	6.06
Current Liabilities	11294.80	16106.70	4811.9	42.60
Long Term Provision	51.60	44.70	-6.9	-13.37
Assets				
Fixed Assets	17118.60	16446.80	-671.8	-3.92
Long term Loans & Advances	0.20	0.20	0	0
Capital work in progress	1337.40	0.00	0	0
Investment	35248.80	33371.00	-1877.8	-5.32
Deferred Tax Asset	0	0	0	0
Current Assets	8427.40	18526.70	10099.3	119.8

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are decreased by 3.92%, the current liabilities by 42.60 % and the current assets are increased by 119.8 %.

CHAPTER – 6

FINDINGS

FINDINGS

The following were the findings from the research study.

- The ideal current ratio is 2:1 .The current ratio of the firm is lower than 2 % in all five years. The average current ratio of the period from 2016 to 2021 is 0.788, which mean average current ratio of the company is not satisfactory.
- The standard quick ratio is 1:1.A higher ratio indicates sound financial position, here the ratios are 0.41, 0.30, 0.64, 0.46, 0.96 and the average ratio is 0.544. So, firm has not in a position to meet its current liabilities immediately or within a month.
- On the whole liquidity position of the Maruti Suzuki India Ltd is not satisfactory.
- The accepted norm of debt-equity ratio is 2:1 and here the average ratio is 15.648. This indicate that the claim of creditors are greater those of owners. A high debt-equity ratio is unfavorable to the company.
- The acceptable norm of the ratio is 1:3.But the company shows the proprietary ratio less than that of the general ratio and the average ratio of the company is 0.728.This indicate greater risk to the creditors.
- Fixed assets to net worth ratio of the firm is below one. Here the 0.358 ratio are very much satisfactory. We can conclude that company does not need to use creditors fund for acquiring fixed asset.
- The firm was able to maintain a good level fixed assets turnover ratio. The ideal ratio is 0.75:1 and the firm achieved an average of 4.548, which is very good for a business concern.
- Fluctuations in the working capital due to the variation of net working capital shows that the need of consistent working capital management policy.
- The capital turnover ratio of the company is decreasing year by year. It is found that the company is not maintaining the better utilization of own fund.
- In 2016-2017 the gross profit was 101.68 and it increasing to 102.12, 103.60, 105.46, and 105.66 in the next four years. The average ratio is 103.704.
- The net profit ratio measures the overall profitability and hence it is very useful to proprietors. Here the ratio shows increasing trend year after year so operational efficiency of the concern is good.
- The movement of net profit and net sales has a positive trend in the future.

CHAPTER – 7

CONCLUSION

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 2016-2017 to 2020-2021 were analysed.The findings of the study revealed that liquidity position of the company is poor and the solvency position of the company is good.The analysis done with the help of collected information's from different sources and it shows the overall performance of the organization. The points noted in the findings are important factors regarding the firm. The study came to the conclusion that, the overall financial performance of the company is average.

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BALANCE SHEET OF MARUTI SUZUKI INDIA (in Rs. Cr.)	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	151.00	151.00	151.00	151.00	151.00
TOTAL SHARE CAPITAL	151.00	151.00	151.00	151.00	151.00
Reserves and Surplus	36,280.10	41,606.30	45,990.50	51,215.80	48,286.00
TOTAL RESERVES AND SURPLUS	36,280.10	41,606.30	45,990.50	51,215.80	48,286.00
TOTAL SHAREHOLDERS FUNDS	36,431.10	41,757.30	46,141.50	51,366.80	48,437.00
NON-CURRENT LIABILITIES					
Long Term Borrowings	0.00	0.00	0.00	0.00	0.00
Deferred Tax Liabilities [Net]	466.20	558.90	564.00	384.70	598.40
Other Long Term Liabilities	1,105.00	1,585.30	2,036.50	2,164.50	2,170.30
Long Term Provisions	21.90	26.50	39.50	44.70	51.60
TOTAL NON-CURRENT LIABILITIES	1,593.10	2,170.70	2,640.00	2,593.90	2,820.30
CURRENT LIABILITIES					
Short Term Borrowings	483.60	110.80	149.60	488.80	106.30
Trade Payables	8,367.30	10,497.00	9,633.00	10,161.70	7,494.10
Other Current Liabilities	3,926.50	4,274.30	3,743.30	4,714.60	3,014.80
Short Term Provisions	449.00	560.00	624.40	741.60	679.60
TOTAL CURRENT LIABILITIES	13,226.40	15,442.10	14,150.30	16,106.70	11,294.80

TOTAL CAPITAL AND LIABILITIES	51,250.60	59,370.10	62,931.80	70,067.40	62,552.10

ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	12,919.70	13,047.30	14,956.70	16,446.80	15,374.50
Intangible Assets	373.00	311.70	451.10	0.00	406.70
Capital Work-In-Progress	1,252.30	2,125.90	1,600.10	0.00	1,337.40
Other Assets	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	14,545.00	15,484.90	17,007.90	16,446.80	17,118.60
Non-Current Investments	26,302.20	34,072.90	31,469.50	33,371.00	35,248.80
Deferred Tax Assets [Net]	0.00	0.00	0.00	0.00	0.00
Long Term Loans And Advances	0.30	0.20	0.20	0.20	0.20
Other Non-Current Assets	1,626.90	1,890.70	2,092.60	1,722.70	1,757.10
TOTAL NON-CURRENT ASSETS	42,474.40	51,448.70	50,570.20	51,540.70	54,124.70
CURRENT ASSETS					
Current Investments	2,178.80	1,217.30	5,045.50	8,415.70	1,218.80
Inventories	3,262.20	3,160.80	3,325.70	3,050.00	3,214.90
Trade Receivables	1,199.20	1,461.80	2,310.40	1,276.60	2,127.00
Cash And Cash Equivalents	13.80	71.10	178.90	3,036.40	21.10
Short Term Loans And Advances	2.50	3.00	16.00	23.00	16.90
OtherCurrentAssets	2,119.70	2,007.40	1,485.10	2,725.00	1,828.70

TOTAL CURRENT ASSETS	8,776.20	7,921.40	12,361.60	18,526.70	8,427.40
TOTAL ASSETS	51,250.60	59,370.10	62,931.80	70,067.40	62,552.10

Profit and Loss Account of Maruti Suzuki India Limited from 2016-2017 to 2020-2021

Particulars	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
INCOME					
REVENUE FROM OPERATIONS [GROSS]	**76,140.80**	**80,336.50**	**83,026.50**	**71,690.40**	**66562.10**
Less: Excise/Sevice Tax/Other Levies	9,231.40	2,231.70	0.00	0.00	0.00
REVENUE FROM OPERATIONS [NET]	**66,909.40**	**78,104.80**	**83,026.50**	**71690.40**	**66562.10**
TOTAL OPERATING REVENUES	**68,034.80**	**79,762.70**	**86,020.30**	**75610.60**	**70332.50**
Other Income	2,300.10	2,045.50	2,561.00	3420.80	3004.30
TOTAL REVENUE	**70,334.90**	**81,808.20**	**88,581.30**	**79031.40**	**73336.80**
EXPENSES					
Cost Of Materials Consumed	42,629.60	44,941.30	45,023.90	34636.60	33296.90
Operating And Direct Expenses	0.00	0.00	0.00	0.00	0.00
Changes In Inventories Of FG,WIP And Stock-In Trade	-380.10	40.70	210.80	273.10	-238.10
Employee Benefit Expenses	2,331.00	2,833.80	3,254.90	3383.90	3402.90
Finance Costs	89.40	345.70	75.80	132.90	100.80
Depreciation And Amortisation Expenses	2,602.10	2,757.90	3,018.90	3525.70	3031.50
Other Expenses	8,724.10	9,991.50	11,634.00	11889.20	10825.00
TOTAL EXPENSES	**60,374.60**	**70,804.80**	**78,115.70**	**71966.60**	**68177.40**
PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX	**9,960.30**	**11,003.40**	**10,465.60**	**7064.80**	**5159.40**
Exceptional Items	0.00	0.00	0.00	0.00	0.00
PROFIT/LOSS BEFORE TAX	**9,960.30**	**11,003.40**	**10,465.60**	**7064.80**	**5159.40**
TAX EXPENSES-CONTINUED OPERATIONS					
Current Tax	2,335.60	3,349.50	2,932.30	1374.80	929.70
Less: MAT Credit Entitlement	0.00	0.00	0.00	0.00	0.00
Deferred Tax	274.50	-67.90	32.70	39.40	0.00

Tax For Earlier Years	0.00	0.00	0.00	0.00	0.00
TOTAL TAX EXPENSES	**2,610.10**	**3,281.60**	**2,965.00**	**1414.20**	**929.70**
PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS	**7,350.20**	**7,721.80**	**7,500.60**	**5650.60**	**4229.70**
PROFIT/LOSS FROM CONTINUING OPERATIONS	**7,350.20**	**7,721.80**	**7,500.60**	**5650.60**	**4229.70**
PROFIT/LOSS FOR THE PERIOD	**7,350.20**	**7,721.80**	**7,500.60**	**5650.60**	**4229.70**