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A Study on Financial Statement Analysis of Maruti Suzuki India Limited Company

*Biswajit Rout
**Abinash Dash
***Baisali Das

Abstract

The paramount aim of financial statement analysis is to bag profit for the growth of the business by the efficiency and performance of the company's management, as shown in the books of record. The profit comes from investment. The better investment gives good profit and to calculate how much profit the company is gaining; the profitability ratios are using. These ratios are the tools to estimate the overall financial performance of the particular company, Maruti Suzuki. By these ratios, the management can do the needful for the growth of their business and to maximize the intrinsic value of the company. In this paper, the profitability of Maruti Suzuki from 2009 to 2019 is stated. Various profitability ratios, growth charts, and statistical tools are used for evaluating profitability.

Keywords: Profitability Ratio, Net Profit, PAT, RONW, EPS, P/E Ratio

Introduction

The Indian economy had undergone significant policy shifts at the beginning of the 1990s. This new model of economic reforms is also known as the LPG or Liberalisation, Privatisation and Globalisation model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies. The chain of reforms that took place with regards to business, manufacturing, and financial services industries targeted at lifting the economy of the country to a more proficient level. These economic reforms had influenced most of the economic growth of the country in a significant manner. Till the 1980s Indians have very limited options for passenger vehicles. But after the new LPG policy of India, the automobile sector blooms like anything. Thus major car manufacturers such as Suzuki, Ford, Toyota, General Motors, Skoda, Hyundai, Honda, Renault, Mitsubishi, Nissan, Volvo, Audi, BMW, and Benz, set up their manufacturing units in India with Joint Venture collaboration with Indian companies. The automobile industry in India is the world's fourth-largest, with the country currently being the world's 4th largest manufacturer of cars and the 7th largest manufacturer of commercial vehicles in 2018. The automobile industry in India (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US$ 251.4-282.8 billion) by 2026. The passenger vehicle sales in India crossed the 3.37 million units in FY19 and is further expected to increase to 10 million units by FY20. Maruti Suzuki India kept trudging along with

overall sales of 1,729,826 units by the end of the fiscal, leading it to grow its overall PV market share to 51.22 percent, which stood at 49.97 percent until the end of FY2018 with cumulative sales pegged at 1,643,467 units.

The proposed study is to analyze the profitability of Maruti Suzuki. Profit is considered as a correct and reliable index to predict the strength of a successful business. There are many vital ways in which the peak of running a business can be measured easily. Firstly, different deals and standard packages are only offered by the leading multinational companies. Secondly, the power of occupation can also be judged by a remarkable number of clients. Thirdly, an organization can also become successful with happy clerks and working staff. Finally, the success of a business can be related to the amount that is invested in giving a good return to the business.

This study is based on the accounting statements of the automobile giant, Maruti Suzuki. The analysis of the performance of collected data here is of 10 years period from 2009 – 2019.

The objective of the Study

- To study the growth and development of Maruti Suzuki Limited Company.
- To examine the stability and growth rate of selected financial parameters of the particular Maruti Suzuki Company.
- To analyze the profitability and liquidity status of the Maruti Suzuki Company Limited.

Review of Literature

This is to provide a review of research work relevant to Auto (car) Industries as well as articles in journals and earlier studies that focused on the financial performance of various companies.

Sharma (2008): She analyzed the sales and capabilities of different firms in the automobile industries n her study "Indian Automobile Industry". Her study reveals that due to rising disposable income and increasing consumerism the automobile sector is growing. The global automakers will continue to allocate a rising proportion of the FDI in India, growing auto – manufacturing first and then auto engineering R&D services. Many companies are aware of the fact that their labor cost advantage is beginning to gradually destroy as both the shop floor and management wage costs rise. However, they are optimistic that productivity improvements through lower-cost automation and improved management efficiency will compensate for rising direct wage costs.

Mukherjee and Sastry (1996) discuss that focusing on passenger cars in rural and semi-urban areas is extremely low and could provide fresh markets. They have a thought that new entrants will have to deal with the uncertainty of demand, different and evolving customer needs, a relatively poor supplier base, a market crowded with competition and industry-wide capacity shortages. They see the Indian prospect emerging as a significant manufacturing base for exports. They summarized that in the high price-sensitive market, reduction of prices because of lower duties and taxes and progressive indigenization, and rising middle-class incomes are likely to further increase industry growth rates.

Pillai (2009)quoted that car sales are getting into a steady stage, in the month of December 2008. In spite of the general sink in the automobile market, the used car segment has not taken much of a beating. Many of the dealers have said steady sales in December 2008, contrary to the negative sales in the previous few months. This is attributed to the package announced by the Government of India for the automobile industry in terms of reduction in the excise duty of cars, and lucrative packages announced by the car manufacturers.

As per Kotwal (2009), face off buyers now prefers to have cars with the space, comfort, and luxury of a mid-size sedan. With the growing affluence and technological advancement, they develop a certain maturity in taste, as evidenced by the growing popularity of the Indian Hatchback market. The "third box" or the boot space does not seem to have equal importance, which it once had. Many customers buy cars with space and comfort, less the

boot, as it is easy to negotiate in our ever-increasing crowded cities. That is where premium hatchback commands a respect in its segment. Though they are costing more money, customers buy them for their practicality and comfort they offer, without sacrificing of the feel-good factor.

Kumar (2009) in 'Business Manorama' and "Auto Focus" quoted identically in The Hindu (2009) that the passenger car market is coming out of the economic slowdown phenomenon being witnessed all over the World. He also reported that manufacturers have adopted a strategy to introduce new and modified edition of the existing models in the market in the coming months, to smarten the market, which gives a positive signal to the car industry in general. Because of several measures implemented by the Reserve Bank of India to support the economy and boost up the demand, Indian banks have reduced the interest rate for car loans, which gives hope for the industry. While the current generation banks in the private sector concentrate their car financing activities in the cities, Public Sector Banks are turning the heat on, in the small and medium towns and rural areas, where they have more coverage and influence, as quoted by **Ajit (2009).**

Kale (2011): He reported in his paper "Sources of Innovation and Technology Capability Development in the Indian Automobile Industry", the Indian automobile industry has shown significant improvements in technology and remarkable growth in the last decade. The Indian auto industry comprises of local firms with indigenous design and development capability, well established global brands and has marketing presence in India as well as other emerging markets. The study points out that the industrial policy of the Indian Government secured the development of basic capabilities but restricted innovative capability development in auto manufacturing. This paper reveals that key attributes of firm ownership such as managerial vision and diversified nature of the business, helped firms of India in the development of innovative capabilities.

Ray Sarbapriya (2012), this study tries to evaluate the performance of the automobile industry in India in terms of several financial indicators, sales trends, production trends, export trends, etc. for the period of 2003-04 to2009-10. The result suggests that the auto industry has been passing through turbulent phases characterized by enhanced debt burden, low utilization of assets, and above all, huge liquidity crunch. The key to success in the industry is to improvise labor productivity, labor flexibility, and capital efficiency.

Balakrishnan, Jagathy (2011): Globalisation and liberalization, with the entry of many prominent foreign manufactures, changed the entire automobile scenario in India, since the early 1990s. World Leaders in auto manufacturing companies have set up their manufacturing units in India in a joint venture with their Indian counterpart companies, by making use of the Foreign Direct Investment Policy of the Government of India. These manufacturers started capturing the hearts of Indian customers brilliantly with their choice of technological and innovative product features, with quality and reliability. With the multiplicity of options available to the Indian passenger car buyers, it drastically changed the way the car purchase scenario in India and particularly in the State of Kerala. This transformed the automobile scene significantly from a sellers' market to buyers' market. The prime motive of this paper is to come up with the identification of possible parameters and framework development, that influence the consumer purchase behavior patterns of passenger car owners in the State of Kerala, so that further research could be done, based on the framework and the identified parameters.

Shurveer S. Bhanawat(2011) this study "Impact of Financial Crisis on The Financial Performance of The Indian Automobile Industry" India is a country with diversity in culture and religion, strong in will and manpower, large in size and opportunities has become a highly wooed automobile market. On the analyses of the t-Test and Analysis of Variance, it was evaluated that the impact was not significant which proves that though the global economies are impacted by the recession, the Automobile Sector of India showed resilience and was not affected significantly by the recession.

Dharmaraj and Kathirvel (2013), stated that the Auto Industry of India marked a new journey in 1991 with the financial revolutionary New Industrial Policy Act 1991, opening an automatic route which allowed the 100 percent Foreign Direct Investment (FDI). Here, an attempt is made to find the effect of FDI on the financial performance of the Indian Automobile Industry. For this purpose, 16 companies were selected and analyzed

through various financial ratios. Descriptive statistical tools like Mean, Standard Deviation and Students are paired‘t’ test was used to test the hypothesis. Liquidity analysis showed that little changes and profitability analyses showed an increasing trend during post-FDI when compared to pre-FDI. Efficiency analysis showed the companies are efficiently utilizing the available resources during post-FDI as compared to pre-FDI. It is summarized that foreign direct investment in India makes a positive impact on the financial variables of the Automobile Companies.

Methodology

The study consists of 10 years of data of Maruti Suzuki from 2009-10 to 2018-19. The data collected from secondary sources. The selection of data is from the random sampling method. Important profitability ratios and statistical techniques will be used to analyze the data.

Financial Analysis of Maruti Suzuki

For financial analysis, some profitability ratios are to be calculated to assess the financial position of the company. The objective of this analysis is to reveal the financial position is increasing or decreasing.

EBDIT Ratio

EBDITis an indicator of a company’s financial performance which is calculated in the following EBDIT ratio table. EBDIT margins provide investors a snapshot of short-term operational efficiency. This measures a similar to the other profitability ratios, but it can be especially useful for comparing companies with different capital investment, debt and tax profiles. EBDIT is also important to consider in the case of acquisition targets.

EBDIT = Revenue – Expenses (excluding depreciation, interest, tax)

Table – 1:EBDIT Ratio of Maruti Suzuki (Rs. Crores) (In %)

Years	Net Sales	EBDIT	EBDIT RATIO
2009-10	29,317.70	4,486.60	15.30338328
2010-11	36,618.40	4,147.30	11.32572696
2011-12	35,587.10	3,339.80	9.384861368
2012-13	43,587.90	5,042.00	11.56743041
2013-14	43,700.60	5,918.80	13.5439788
2014-15	49,970.60	7,544.50	15.09787755
2015-16	57,538.10	10,339.30	17.96948457
2016-17	68,034.80	12,641.80	18.58137306
2017-18	79,762.70	14,093.90	17.66978801
2018-19	86,020.30	13,560.30	15.76406964
Average	53,013.82	8,111.43	14.62
Std Deviation	19350.22522	4178.521764	3.108266989
Co-efficient of Variance	36.50	51.51	21.26

Source: Money Control.com published annual reports.

This ratio assumes great importance to money lenders and financiers as it reveals the cash availability of the firm for payment of interest to the creditors. Maruti Suzuki has grown the highest EBDIT in FY 2017-18 at 14,093.90 cr. Compared to 2009 to 2018, 2017 is the best year. 2018-19 earnings are also very good. The average ratio of the company is 14.62%. Standard deviation and Co-efficient of variance are 3.10 and 21.26 respectively, indicating the stability of the performance of the company.

EBIT Ratio

EBIT or Earnings before Interest & Tax is an important measure of a company's profitability. It measures profit the company earns from its operations. EBIT ignores tax and interest expenses, and concentrate primarily on the company's ability to earn from its operations. It is called as operating profit, operating earnings and profit before interest and taxes.

Table – 6: Earnings before interest and tax of Maruti Suzuki (Rs. In Cr.) (In %)

Years	Net Sales	EBIT	EBIT RATIO
2009-10	29,317.70	3,661.60	12.49
2010-11	36,618.40	3,133.80	8.56
2011-12	35,587.10	2,201.40	6.19
2012-13	43,587.90	3,180.80	7.30
2013-14	43,700.60	3,834.40	8.77
2014-15	49,970.60	5,074.20	10.15
2015-16	57,538.10	7,519.10	13.07
2016-17	68,034.80	10,039.70	14.76
2017-18	79,762.70	11,336	14.21
2018-19	86,020.30	10,541.40	12.25
Average	53,013.82	6,052.24	10.78
Std Deviation	19350.22522	3484.954284	2.99091961
Co-efficient of Variance	36.50034127	57.58123082	27.7577382

Source: Money Control.com published annual reports.

This data reveals that the company has performing well enough. The FY 2016-17 was best as it gave the EBIT of 14.76%. From the last 6years, it is continuously giving EBIT above 10%. Standard deviation and coefficient of variance are 2.99 and 27.75 respectively.

EBT Ratio

This ratio measure combines all of the company's earnings before tax, including operating, non –operating, continuing operations. EBT exists because tax expenses are constantly changing and taking it out helps to give an investor a good idea of changes in a company's profit or earnings from year to year.

Table – 2: Earnings before tax Ratio of Maruti Suzuki (Rs. In Crs) (In %)

Years	Net Sales	EBT	EBT RATIO
2009-10	29,317.70	3,628.10	12.3751181
2010-11	36,618.40	3,108.80	8.48972101
2011-12	35,587.10	2,146.20	6.03083702
2012-13	43,587.90	2,991.00	6.8619961
2013-14	43,700.60	3,658.50	8.3717386
2014-15	49,970.60	4,868.20	9.74212837
2015-16	57,538.10	7,437.60	12.9263914
2016-17	68,034.80	9,950.30	14.6253094
2017-18	79,762.70	10,990.30	13.7787462
2018-19	86,020.30	10,465.60	12.1664305
Average	53,013.82	5,924.46	10.54
Std Deviation	19350.22522	3449.856267	3.02377234
Co-efficient of Variance	36.50034127	58.23072933	28.6971413

Source: Money Control.com published annual reports.

The company's EBT ratio is mostly in line with the EBDIT ratio above. The average EBT ratio for the company is 10.54% as against average EBDIT ratio of 14.62%. The difference between these ratios indicates interest and depreciation expenses to that tune. Highest EBT is recorded by the company in FY 2017-18. Next year it is reduced. However, standard deviation and coefficient variance are 3.02 and 28.69 respectively, indicating stability in earnings before tax of the company. A company earning is reduced in FY 2018-19.

PAT Ratio

This ratio represents the relationship between Net Profit of the company and its Net Sales. The difference between net profit ratio (PAT Ratio) and EBT ratio reflects tax provisions made by the company. It may have included items of extraordinary nature. In net profit ratio the net amount earned by the business after all taxation, related expenses have been deducted. The PAT tax is often a better assessment of what a business is really earning and hence can use in its operations than its total revenues.

Table–3: Profit after Tax Ratio of Maruti Suzuki (Rs. In Cr.) (In %)

Years	Net Sales	PAT	PAT RATIO
2009-10	29,317.70	2,497.60	8.51908574
2010-11	36,618.40	2,288.60	6.249863457
2011-12	35,587.10	1,635.20	4.594923441
2012-13	43,587.90	2,392.10	5.487990933
2013-14	43,700.60	2,783.00	6.368333616
2014-15	49,970.60	3,711.20	7.426766939
2015-16	57,538.10	5,364.30	9.323039864
2016-17	68,034.80	7,350.20	10.80358875
2017-18	79,762.70	7,721.80	9.680966166
2018-19	86,020.30	7,500.60	8.719569683
Average	53,013.82	4,324.46	7.72
Std Deviation	19350.22522	2428.227951	2.0106249
Co-efficient of Variance	36.50034127	56.15100962	26.05309496

Source: Money Control.com published annual reports.

We have seen that FY 2017-18 has been the best year for the company as it has recorded the highest EBDIT and EBT in that year. This ratio indicates that the company witnessed its highest net profit in FY 2017-18. 2018-19 is also good. On average, the company's PAT ratio stands at 8.71%. Standard deviation and coefficientnt of variance are at 2.01 and 26.05 respectively.

RONW Ratio

Return on Net Worth is also known as Return on Equity (ROE). The amount of net income returned as a percentage of share holder's equity is called RONW. RONW ratio measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Table – 4: Return on Net worth Ratio of Maruti Suzuki (Rs. In Cr.) (In %)

Years	Net Worth	PAT	RONW RATIO
2009-10	11,835.10	2,497.60	21.1033282
2010-11	13,867.50	2,288.60	16.5033351
2011-12	15,187.40	1,635.20	10.7668199
2012-13	18,578.90	2,392.10	12.8753586
2013-14	20,978.00	2,783.00	13.266279
2014-15	23,704.20	3,711.20	15.6562972
2015-16	29,884.20	5,364.30	17.9502881
2016-17	36,431.10	7,350.20	20.1756192
2017-18	41,757.30	7,721.80	18.492096
2018-19	46,141.50	7,500.60	16.2556484
Average	25,836.52	4,324.46	16.30
Std Deviation	12146.87111	2428.227951	3.29353405
Co-efficient of Variance	47.01434677	56.15100962	20.200145

Source: Money Control.com published annual reports.

Stakeholders of the company are the most concerned with this ratio as it indicates the return on the amount invested by them in the firm. Usually, a return of more than 8% or the rate offered by the bank on deposits is considered to be the minimum benchmark return for any investment. One can safely earn the return without risk. This ratio reveals that an appreciable performance of the company as an average ratio stands at 16.30% which is considerably much higher than the benchmark level. FY 2016-17 emerges as the best year for the company in terms of return on net worth. The company's position is getting better year by year and in FY 2017-18 it gave the best performance. Standard deviation and coefficient of variance are 3.29 and 20.20 respectively.

ROI Ratio

Return on investment, better known as ROI, is a key performance indicator (KPI) that are often used by businesses to determine the profitability of expenditure. It's exceptionally useful for measuring success over time and taking the guesswork out of making future business decisions. The ability to calculate return on investment is extremely valuable for the business, regardless of size or industry.

Table – 5: Return on investment of Maruti Suzuki (Rs. In Cr.) (In %)

Years	ROI RATIO
2009-10	27.89
2010-11	22.32
2011-12	13.53
2012-13	15.92
2013-14	16.91
2014-15	21.24
2015-16	25.11
2016-17	27.22
2017-18	27.1
2018-19	22.77
Average	22.001
Std Deviation	5.093687706
Co-efficient of Variance	23.15207357

Source: Money Control.com published annual reports.

This ratio reveals that the company is performing excellently as it is giving an ROI of more than 10% during the last 5 years. The FY 2016-17 was the best year for the company as it gave an ROI of 27.22%. However, next FY it is reduced. Standard deviation and coefficient of variance are 5.09 and 23.15 respectively.

P/E Ratio: - The price-to-earnings ratio helps investors determine the market value of a stock compared to the company's earnings. The P/E ratio reflects what the market is willing to give today for a stock based on its past or future earnings. A higher P/E could mean that a stock's price is high relative to earnings and possibly overvalued. On the other hand, a lower P/E might indicate that the current stock price is low relative to earnings.

Table – 7: Price to earnings ratio of Maruti Suzuki (Rs. In Cr.) (In %)

Years	MPS	EPS	P/E RATIO
2009-10	1417.95	86.45	16.40
2010-11	1262.15	79.21	15.93
2011-12	1350.5	56.6	23.86
2012-13	1281.2	79.19	16.18
2013-14	1971.75	92.13	21.40
2014-15	3697.35	122.85	30.10
2015-16	3716.3	177.58	20.93
2016-17	6015.7	243.32	24.72
2017-18	8861.1	255.62	34.67
2018-19	6672.55	248.36	26.87
Average	3624.655	144.13	23.11
Std Deviation	2713.903171	79.46250219	6.252294215
Co-efficient of Variance	74.87342026	55.13213826	27.05963011

Source: Money Control.com published annual reports.

This data reveals that investors have higher expectations for future earnings growth and are willing to pay more for them as it indicates a positive future performance. In FY 2017-18, it had the highest P/E ratio. Standard deviation and coefficient of variance are 6.25 and 27.05 respectively.

Percentage increase in profit in proportion to a percentage increase in sales

Table -8: Percentage increase in profit in proportion to the percentage increase in sales

Years	% Increase in Sales	% increase in Profit
2009-10	24.90	-8.36
2010-11	-2.81	-28.55
2011-12	22.48	46.28
2012-13	0.25	16.34
2013-14	14.34	33.35
2014-15	15.14	44.54
2015-16	18.24	37.02
2016-17	17.23	5.05
2017-18	7.84	-2.86
2018-19	-	-

The above table reflects the comparison of an increase in sales with an increase in profits. In FY 2010-11, it faced its worst phase. The reasons for the performance may be due to high taxation, tax borrowed funds, high depreciation cost, etc. In FY2011-12 the percentage in profit is found to be highest when compared to the remaining periods. In FY 2010-11 the percentage decrease in profits is found to be more significant than other financial years.

Results

Table – 9: Profitability ratios of Maruti Suzuki 2009-2019

Years	EBDIT RATIO	EBT RATIO	PAT RATIO	RONW RATIO	EBIT RATIO	ROI RATIO	P/E RATIO
2009-10	15.30	12.37	8.52	21.10	12.49	27.89	16.4
2010-11	11.32	8.48	6.25	16.50	8.56	22.32	15.93
2011-12	9.38	6.03	4.60	10.77	6.19	13.53	23.86
2012-13	11.56	6.86	5.49	12.87	7.30	15.92	16.18
2013-14	13.54	8.37	6.37	13.27	8.77	16.91	21.40
2014-15	15.10	9.74	7.42	15.66	10.15	21.24	30.10
2015-16	17.97	12.92	9.32	17.95	13.07	25.11	20.93
2016-17	18.58	14.62	10.80	20.17	14.76	27.22	24.72
2017-18	17.67	13.78	9.68	18.50	14.21	27.1	34.67
2018-19	15.76	12.17	8.72	16.25	12.25	22.77	26.87
Average	14.62	10.54	7.72	16.30	10.78	22.00	23.11
Std Deviation	3.11	3.02	2.01	3.29	3.00	5.09	6.25
Co-efficient of Variance	21.26	28.70	26.05	20.20	27.76	23.15	27.06

Source: Money Control.com published annual reports.

This table shows remarkable growth attained by the company in the last ten years. FY 2016-17 is the best financial year for the company.

Conclusion

I would like to conclude that the prosperity of Maruti Suzuki is wealthy for the last 10 years period. It was found to be in a gradually increasing manner regarding the Net Sales and Net Profits of the company since 2009 onwards. These changes in the profit might have occurred due to:

1. High Taxation
2. High Cost of borrowed funds
3. High depreciation cost
4. High expenses etc.

It can be modified by implementing proper financial management concepts. Thus it can be concluded that the inner strength of the company is remarkable. The company can further improve its profitability through optimum capital gearing and reduction in administration and financial expenses.

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