



# “Financial Analysis in Context of Profitability of Automobile Companies – A Comparative Study Between Maruti Suzuki and Tata Motors”

Nirali J Kantharia

**Abstract:-** *The automobile industry has continuous growth over past few years. Indian automobile industry plays important role in growth of Indian economy and also in world's automobile industry. In this study, two most profitable automobile companies were selected which listed in BSE. This research shows the comparative study between two automobile companies. The main objective of this study is analysing the financial position of companies and compare with each other. Study is based on secondary data. For analysis, three years data would be collected i.e. 2016-2018. Financial position analysed by using different ratios. From this study position of Maruti Suzuki and Tata Motors is ascertained. This project shows the change in profitability.*

**Keywords:-** Profitability, Financial Position, Automobile Industry, Ratios, Comparative Analysis.

## **Introduction:-**

The automobile industry in India is the 4<sup>th</sup> largest in world with an annual turnover of \$100 billion and employs 32 million people. Automobile industry has vital role in development of Indian economy. Examine the financial statement such as balance sheets and profit and loss statement is process of checking financial stability of company. If company found financial weak than proper steps can be taken to make the company more efficient. Financial analysis refers to financial statement assessment. It check company effectiveness, profitability, liquidity. This project or study will help to investor of company, shareholder, suppliers, creditor, management of company for taking various decisions.

This study examine two most powerful company in field of automobile industry i.e. Tata motors and Maruti Suzuki. Tata motors is known for manufacturing passenger cars, truck, small cars, buses. Maruti is a subsidiary of Japanese automobile and motorcycle manufacturer of Suzuki.

## **Review of literature**

**Shivam Mathur and Krati Agarwal (2016)** “*Financial analysis of automobile industries (A comparative study of Tata Motors and Maruti Suzuki)*” in their research study show that net sales of Maruti Suzuki is higher than the net sales of Tata motors. This means Maruti has more sales. In Maruti Suzuki the proportion of debt is lower as compared to Tata Motors. The earning per share of Maruti Suzuki is more than tata motors which shows Maruti Suzuki is earning more. Study show that Maruti Suzuki is better than Tata Motors.

**Priyanka R Gowda (2017)** “*Financial Performance Analysis as a determinant of Profitability in Indian Automobile Industry*” This study show that ratio analysis helps to compare the financial statements of the firms and comparison of financial performance also investigated over a period of time. The study found the positive strong relationship between current ratio and quick ratio. Many analyst believe that quick ratio indicates an adequate ability to satisfy current obligations but one should aware that such general rule do not apply to all situations. A more significant evaluation is obtained by comparing the current ration and quick ratio.

**Kallu Rao (1993)** “*a study of intercompany financial analysis of tea industry- retrospect and prospect*”. An attempt has been made in this study to analyse the important variables of tea industry and projected future trends regarding sales and profit for next 10 years periods, with a view to help the policy makers to take appropriate decisions. Various financial ratios have been calculated for analysing the financial health of the industry. The recent changes in Indian economic policies will boost up the foreign exchange earnings, which will benefit those companies, which are exporting to hard currency areas.

**Jothi K. & Greethalakshmi, A. (2017)** this study tries to evaluate the profitability and financial position of selected companies of Indian automobile industry using statistical tools like ratio analysis, mean, standard deviation, correlation. The study reveals the positive relationship between profitability, short term and long-term capital.

### **Statement of the problem**

Automobile industry is the key driver of any growing economy and plays a vital role in country's rapid economic growth and industrial development. The automobile industry in India is the 4<sup>th</sup> largest in world with an annual turnover of \$100 billion and employs 32 million people.

In this study an attempt has been made to ascertain the determinants of profitability of automobile industry in India by taking two automobile firms of automobile industry in India. By this study we solve the following problems.

What about the financial performance of both companies and their impact on profitability position of Maruti Suzuki and Tata Motors.

### **Objective**

1. To know the financial position of both companies, in context of profitability.
2. To compare the financial performance of both the companies.

### **Accounting tools and techniques**

#### **A) Statistical tools:**

Liquidity ratio, debt ratio and profitability ratio are used as tools for present study.

#### **B) Presentation:**

Graph and tables.

### **Methodology of study**

#### **Source of Data:**

For this analysis, secondary data has been used. The data collected from the official website of BSE and selected automobile industries. Different website, magazine, journal, research paper was used for data collection.

**Sample Size:** Two companies were selected

1. Maruti Suzuki
2. Bajaj Auto

**Duration:** Three years data collected for study.

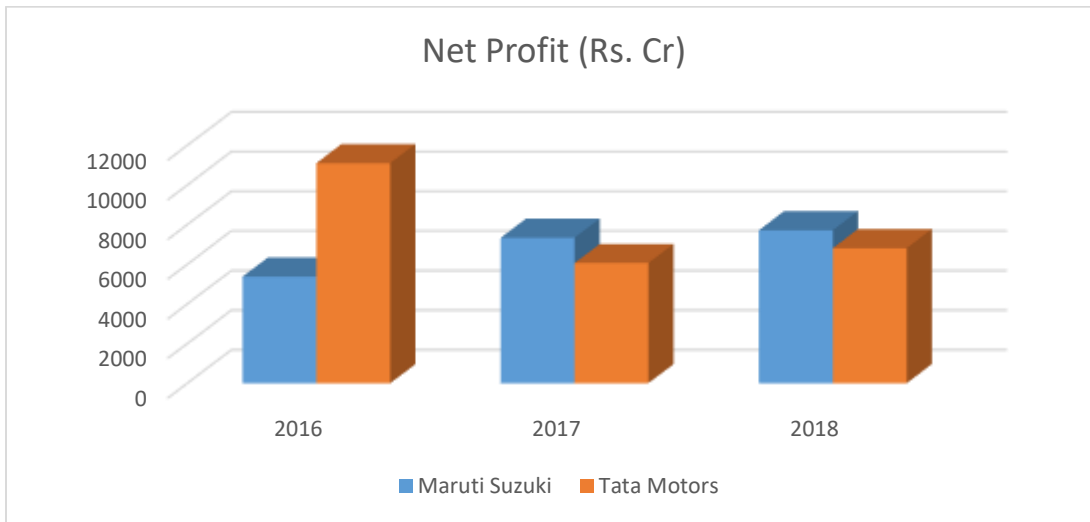
2016, 2017, 2018.

### **Data analysis and Interpretation**

#### **Ratio used for analysis of data:**

##### **1. Net profit (Rs. Cr):**

Companies/year	2016	2017	2018
Maruti Suzuki	5378.30	7338.20	7717.40
Tata motors	11,100.72	6063.56	6813.10



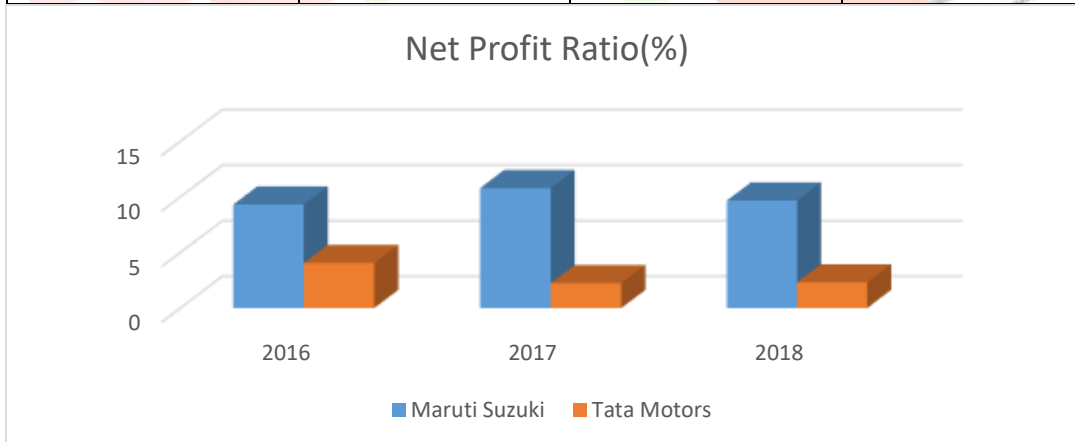
**Interpretation:** in above graph net profit of Tata motors in 2016 was Rs.11,100.72 Cr, in 2017 it was decreased to Rs. 6063.56, in 2018 is was slightly increased to Rs. 6813.10cr. For Maruti Suzuki in 2016 net profit was 5378.30cr, in 2017 it was Rs. 7338.20cr, in 2018 it was Rs. 7717.40cr. The above figure indicate that in 2016 the Net profit of Tata Motors was much higher than Suzuki but in year 2017 and 2018 the Net profit of Suzuki was higher than Tata motors.

The Net profit of Tata motor was not stable, it has mix trend. In 2017 it was decline but in 2018 it was increased again.

For Suzuki, it has increasing trends. Because the Net profit of Suzuki was increasing every year compared to previous year.

#### **Net Profit ratio (%):**

Companies/year	2016	2017	2018
Maruti Suzuki	9.32	10.80	9.68
Tata motors	4.06	2.24	2.31

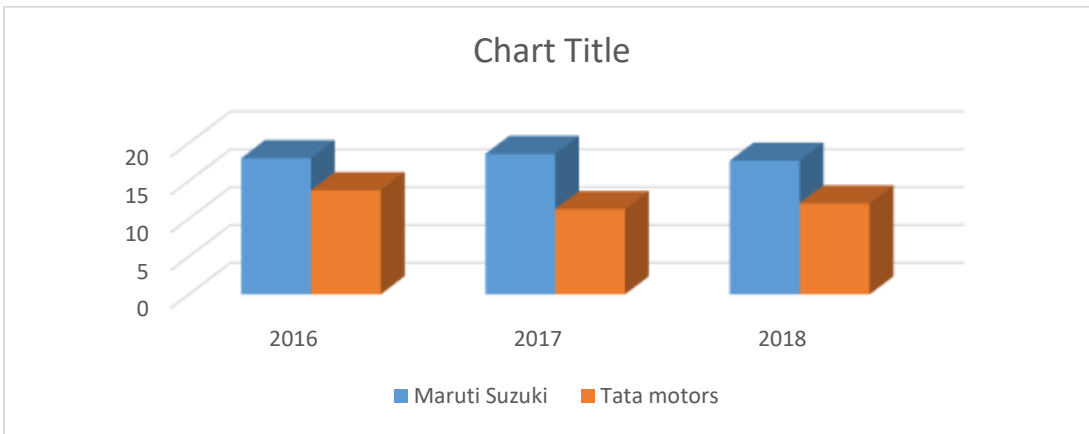


#### **Interpretation:**

In 2016 Net profit ratio of Suzuki was 9.32% and Tata motor was 4.06%. In 2017 it was 10.80% of Suzuki and 2.24% of Tata motor. In 2018, Suzuki net profit ratio was 9.68% and Tata motor ratio was 2.31% Declining net profit ratio of Tata motors shows company is not earning much profit. It has declining trends in Net profit ratio. But net profit ratio of Suzuki has increasing trend which shows that company earn good profit and better performance than Tata motors.

#### **Gross profit Ratio (%):**

Companies/year	2016	2017	2018
Maruti Suzuki	18.00	18.57	17.67
Tata motors	13.76	11.25	12.02



**Interpretation:**

In above graph Gross profit ratio of Suzuki for the year 2016 was 18.00%, in 2017 it was 18.57%, in 2018 it was 17.67%. Gross profit ratio of Tata motors for the year 2016 was 13.76%, in 2017 it was 11.25% and in 2018 it was 12.02%.

The gross profit ratio of Suzuki increase in 2017 but it was decline in 2018. Tata motors gross profit ratio was decline in 2017 but it increased in 2018.

However, when we compare Suzuki with Tata motors Maruti Suzuki has high gross profit ratio than Tata motors. Thus, Maruti Suzuki sounds better financial position than Tata motors.

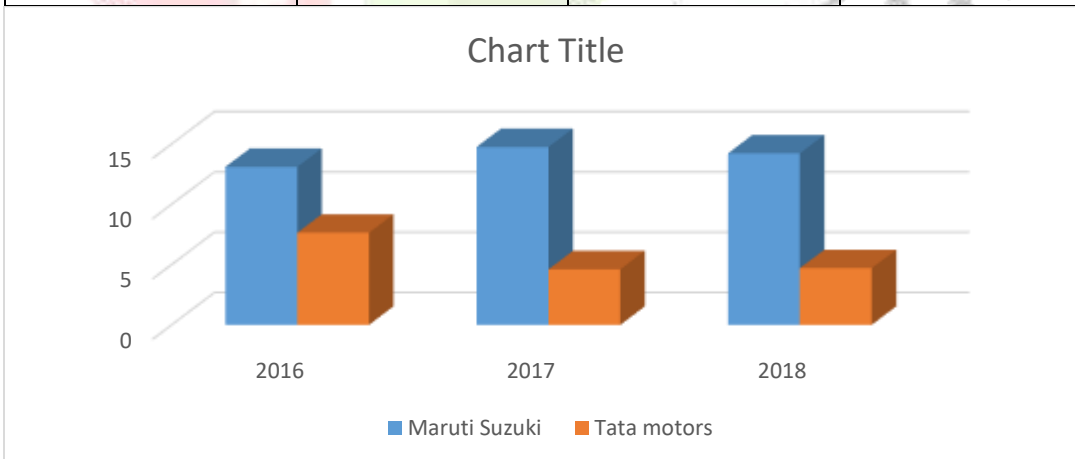
**Operating profit Ratio (%):**

**Interpretation:**

Operating ratio of Maruti Suzuki in 2016 was 13.10%, in 2017 it was 14.75%, in 2018 it was 14.22%. For Tata motors, in 2016 it was 7.64%, in 2017 it was 4.61% and in 2018 it was 4.70%.

Operating profit ratio of Maruti Suzuki was higher than Tata motors. Thus, we can say that Suzuki has better ability to generate revenue than Tata motors.

Companies/year	2016	2017	2018
Maruti Suzuki	13.10	14.75	14.22
Tata motors	7.64	4.61	4.70



**FINDINGS:-**

From Net profit it can be seen that there is continuous decline in net profit of Tata motors. But Suzuki has increasing trends in net profit.

Net profit ratio indicate better financial position. Maruti Suzuki has higher ratio than Tata motors. Thus, we found that Suzuki sound financial strong than Tata motors.



Gross profit ratio indicate percentage increasing or decreasing in gross profit. Maruti Suzuki has higher gross profit ratio than Tata motors for all the years.

The operating profit ratio is a company's operating expenses as a percentage of revenue. Suzuki has higher operating ratio of all the years compare to Tata motors. Thus, we can said that Suzuki has better ability to generate revenue compare to Tata motors.

### **SUGGESTION :-**

From this study it would be clear that Maruti Suzuki has better financial position compare to Tata motors

Tata motors should be more flexible to capture more customer. Use different models and technique which help to increasing sales.

Tata motors should try to decrease its expense and try to increase sales. Maruti Suzuki has also try to increase it sales and maintain the present percentage of sales.

Tata motors has declining trends in Net profit ratio, so Tata motors can increasing by reducing debts.

Operating profit ratio of Tata motor is lower than Maruti Suzuki. Thus, for improving operating profit ratio Tata motors should reduce cost of goods, reduce labour cost, reduce operating expenses and increase efficiencies of manpower and machinery.

### **CONCLUSION:-**

This study shows the profitability of both the companies. In context of profitability study try to examine their financial position. Comparing profitability ratio of both the companies by taking three years of data. The present data was collected from moneycontrol.com and the official website of both the companies. Present study compared net profit, net profit ratio, gross profit ratio and operating profit ratio of both the companies. At the end of the study, shows finding and give appropriate suggestions.

Maruti Suzuki has better Net profit compare to Tata motors. Net profit ratio, Gross profit ratio, operating profit ratio of Maruti Suzuki was better and higher than Tata motors. Thus, it would be cleared that Maruti Suzuki has better financial position than Tata motors. Maruti Suzuki sound financial good than Tata motors.

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