



A STUDY ON WORKING CAPITAL MANAGEMENT OF MARUTI SUZUKI LIMITED WITH REFERENCE TO COIMBATORE

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Abstract: The study is based on the working capital management of the Maruti Suzuki. The working capital indicates the day-to-day expenses and identifies the liquidity of the company. This study is made over a period of five years (2017 to 2022). The company's financial position and profitability are concluded by this study. The source of data used in the study is the Secondary data of Maruti Suzuki and its balance sheet and profit and loss. Through this study, we can determine the company's working capital management, liquidity position, and profitability position.

Index Terms - Net Working capital, Liquidity, Profitability, Current asset, and Current Liabilities

Formula: Working Capital = Current Asset – Current Liabilities

I. INTRODUCTION:

The working capital (WC) measures the operating liquidity accessible to a company, organization, or other body, including governmental agencies. Working capital is a component of operational capital and fixed assets like plant and equipment. Current assets are equal to gross working capital. Existing assets less Current Liabilities equals Working Capital. An entity has a functional capital deficiency, also known as an operating capital deficit and negative working capital if current assets are fewer than current liabilities.

Suzuki Motor Corporation of Japan's affiliate, Maruti Suzuki India Limited (MSIL, originally Maruti Udyog Limited), was founded in India. India's top producer of passenger vehicles is Maruti Suzuki. Maruti Suzuki, affectionately known as the "people's car maker," has transformed how Indians commute and travel over the past three decades. The company has two manufacturing sites in India's south at Gurgaon and Manesar. Together, the two plants have the capacity to produce more than 1.5 million automobiles per year. One vehicle every 12 seconds, then, head and shoulders above the competition, which includes all significant international automakers. By 2013, the company wants to increase its production capacity to 1.75 million (17,50,000).

II. STATEMENT OF PROBLEM:

Working capital is the portion of a company's resources that are essential to its operation. It may be challenging to achieve the goals of the business enterprise without adequate capital management. In order to analyze the efficiency position and dealing capital management of chosen organizations, a study has been conducted. Working capital is characterized as the difference between current assets and liabilities or as a current asset. The problem that arises from trying to manage current assets, current liabilities and the relationships between them is addressed by effective financial management. Operating costs are crucial in any sector because they are crucial from the time materials are purchased until they are transformed into finished assets.

III. OBJECTIVES:

- To study the companies' optimum level of current assets and current liabilities.

- To suggest the findings and conclusions of Maruti Suzuki for effective functioning.

IV. SCOPE OF THE STUDY:

The primary focus of the study is the working capital management of MARUTI SUZUKI LIMITED OF INDIA. Because working capital management decisions are not made in a single instance, the study's objective is to determine the company's financial performance from 2017 to 2018, 2018 to 2019, 2019 to 2020, 2020 to 2021, and 2021 to 2022 (5 years) as well as its growth and profits. We most frequently employ trend analysis, common-size statements, and ratio analysis for financial statement analysis. To ascertain the relative strength and performance of the company under analysis, these procedures may involve computations and comparisons of the results to previous and secondary data of the banks, competitors' annual reports, or industry averages.

V. RESEARCH METHODOLOGY:

DATA USED IN THE STUDY:

Research requires secondary data. Secondary data was obtained from previous records, files, and annual reports of concerns and other financial statements.

TOOLS USED IN THE STUDY:

- Schedule of changes in working capital

PERIOD OF STUDY:

This study was conducted for the five (5) years of the annual report of the company for the years 2017 to 2018, 2018 to 2019, 2019 to 2020, 2020 to 2021, and 2021 to 2022.

VI. LIMITATION OF THE STUDY:

- The analysis is restricted to 5 years for the period of 2018 - 2022.
- Limited data provided by the company "Maruti Suzuki."
- Due to limitations of time, it was unable to go for a deep study.

VII. REVIEW OF LITERATURE:

Zimon Et Al., (2020) studied working capital and quality management in Poland. 102 polish SMEs were taken as a sample under the study during the period of 2017 – 2019. Current financial liquidity ratio, operating cycle, level of working capital, cash conversion period, receivables turnover ratios, and inventory turnover ratios were calculated with the help of financial statements. The study concluded with the cost reduction results of a positive effect on profits. Firms do not use quality management systems while using receivables turnover and all the firms showed positive results of working capital.

Sathyamoorthi C. R. et al, (2018) study the effect of the management of Working Capital on profitability in retail stores in Botswana. A sample of the study was taken from the Botswana stock exchange during the period of 2012-2016. Correlation analysis and regression analysis were done for the data analysis. The results concluded the significant impact of APP, CR, and quick ratio on the WC, and on the other hand ICP, working capital cycle, AC, P, and debt have an insignificant relationship on the profitability and working capital management of the firms.

VIII. SCHEDULE OF CHANGES IN WORKING CAPITAL:

Table 1: For the years 2017 to 2018:

Schedule of changes in Working Capital for the year financial year 2017 - 2018 (In Crores)				
Particulars	As on 31st March 2017	As on 31st March 2018	Increase	Decrease
Current Assets: Current Investments	2178.80	1217.30		961.50
Inventories	3262.20	3160.80		101.40
Trade Receivables	1199.20	1461.80	262.60	
Cash And Cash Equivalent	13.80	71.10	57.30	
Short Term Loans and Advances	2.50	3.00	0.50	
Other Current Assets	2119.70	2007.40		112.30
Total Current Assets	8776.20	7921.40		
Current Liabilities: Short-Term Borrowings	483.60	110.80	372.80	
Trade Payables	8367.30	10497.00		2129.70
Other Current Liabilities	3926.50	4274.30		347.80
Short Term Provisions	449.00	560.00		111.00
Total Current Liabilities	13226.40	15442.10		
Net Working capital	-4450.20	-7520.70	693.20	3763.70
Net increasing working capital	-3070.50		3070.50	
Total	-7520.70	-7520.70	3763.70	3763.70

Overall, the data suggests for the period of 2017 to 2018 that the company's working capital position deteriorated during the year, with a decrease in current assets and an increase in current liabilities. However, the net increasing working capital indicates that the company was able to generate additional working capital during the year, which is a positive sign. The company may need to closely monitor and manage its working capital position to ensure smooth operations and profitability in the future.

Table 2: For the year 2018 to 2019:

Schedule of changes in Working Capital for the year Financial year 2018 - 2019 (In Crores)				
Particulars	As on 31st March 2018	As on 31st March 2019	Increase	Decrease
Current Assets: Current Investments	1217.30	5045.50	3828.20	
Inventories	3160.80	3325.70	164.90	
Trade Receivables	1461.80	2310.40	848.60	
Cash And Cash Equivalent	71.10	178.90	107.80	
Short-Term Loans And Advances	3.00	16.00	13.00	
Other Current Assets	2007.40	1485.10		522.30
Total Current Assets	7921.40	12361.60		
Current Liabilities: Short Term Borrowings	110.80	149.60		38.80
Trade Payables	10497.00	9633.00	864.00	
Other Current Liabilities	4274.30	3743.30	531.00	
Short Term Provisions	560.00	624.40		64.40
Total Current Liabilities	15442.10	14150.30		
Net Working capital	-7520.70	-1788.70	6357.50	625.50
Net increasing working capital		-5732.00		5732.00
Total	-7520.70	-7520.70	6357.50	6357.50

Overall, the data suggest for the period of 2018 to 2019 that the company's working capital position significantly improved during the year, with a considerable increase in current assets and a decrease in current liabilities. The net increasing working capital indicates that the company was able to generate a substantial amount of additional working capital during the year, which is a positive sign. The company may have efficiently managed its working capital position, which may have helped improve its operations and profitability.

Table 3: For the year 2019 to 2020:

Schedule of changes in Working Capital for the year Financial year 2019 - 2020 (In Crores)				
Particulars	As on 31st March 2019	As on 31st March 2020	Increase	Decrease
Current Assets: Current Investments	5045.50	1218.80		3826.70
Inventories	3325.70	3214.90		110.80
Trade Receivables	2310.40	1974.90		335.50
Cash And Cash Equivalents	178.90	21.10		157.80
Short-Term Loans And Advances	16.00	16.90	0.90	
Other Current Assets	1485.10	1980.80	495.70	
Total Current Assets	12361.60	8427.40		
Current Liabilities: Short-Term Borrowings	149.60	106.30	43.30	
Trade Payables	9633.00	7494.10	2138.90	
Other Current Liabilities	3743.30	3014.80	728.50	
Short Term Provisions	624.40	679.60		55.20
Total Current Liabilities	14150.30	11294.80		
Net Working capital	-1788.70	-2867.40	3407.30	4486.00
Net increasing working capital	-1078.70		1078.70	
Total	-2867.40	-2867.40	4486.00	4486.00

Overall, the data suggests for the period of 2019 to 2020 that the company's working capital position deteriorated during the year, with a significant decrease in current assets and a decrease in current liabilities. However, the net increasing working capital indicates that the company was able to generate additional working capital during the year, which is a positive sign. The company may need to focus on efficiently managing its working capital position to ensure smooth operations and profitability in the future.

Table 4: For the year 2020 to 2021:

Schedule of changes in Working Capital for the year financial year 2020 - 2021 (In Crores)				
Particulars	As on 31st March 2020	As on 31st March 2021	Increase	Decrease
Current Assets: Current Investments	1218.80	8415.70	7196.90	
Inventories	3214.90	3050.00		164.90
Trade Receivables	1974.90	1276.60		698.30
Cash And Cash Equivalents	21.10	3036.40	3015.30	
Short-Term Loans And Advances	16.90	23.00	6.10	
Other Current Assets	1980.80	2725.00	744.20	
Total Current Assets	8427.40	18526.70		
Current Liabilities: Short Term Borrowings	106.30	488.80		382.50
Trade Payables	7494.10	10161.70		2667.60
Other Current Liabilities	3014.80	4714.60		1699.80
Short Term Provisions	679.60	741.60		62.00
Total Current Liabilities	11294.80	16106.70		
Net Working capital	-2867.40	2420.00	10962.50	5675.10
Net increasing working capital		-5287.40		5287.40
Total	-2867.40	-2867.40	10962.50	10962.50

Overall, the data suggests for the year 2020 to 2021 that the company's working capital position significantly improved during the year, with a considerable increase in current assets and an increase in current liabilities. The net increasing working capital indicates that the company was able to generate a substantial amount of additional working capital during the year, which is a positive sign. The company may have efficiently managed its working capital position, which may have helped improve its operations and profitability.

Table 5: For the years 2021 to 2022:

Schedule of changes in Working Capital for the year Financial year 2021 - 2022 (In Crores)				
Particulars	As on 31st March 2021	As on 31st March 2022	Increase	Decrease
Current Assets				
Current Assets: Current Investments	8415.70	4100.10		4315.60
Inventories	3050.00	3533.10	483.10	
Trade Receivables	1276.60	2030.10	753.50	
Cash And Cash Equivalents	3036.40	3036.20		0.20
Short Term Loans And Advances	23.00	30.50	7.50	
Other Current Assets	2725.00	4051.20	1326.20	
Total Current Assets	18526.70	16781.20		
Current Liabilities				
Current Liabilities: Short Term Borrowings	488.80	381.90	106.90	
Trade Payables	10161.70	9761.00	400.70	
Other Current Liabilities	4714.60	6009.50		1294.90
Short Term Provisions	741.60	861.30		119.70
Total Current Liabilities	16106.70	17013.70		
Net Working capital	2420.00	-232.50	3077.90	5730.40
Net increasing working capital		-2652.50	2652.50	
Total	2420.00	2420.00	5730.40	5730.40

Overall, the data suggests for the year 2021 to 2022 that the company's working capital position deteriorated during the year, with a significant decrease in current assets and an increase in current liabilities. The net increasing working capital indicates that the company was able to generate additional working capital during the year, but the overall trend suggests a decline in the company's working capital position. The company may need to focus on efficiently managing its working capital position to ensure smooth operations and profitability in the future.

IX. FINDINGS OF THE STUDY:

- Table 1 shows changes in a company's working capital from March 31, 2017, to March 31, 2018. Current assets decreased, mainly due to lower current investments, while current liabilities increased, mainly due to higher trade payables. The net working capital decreased, but net increasing working capital was positive. The company needs to monitor its working capital closely to ensure profitability.
- The table 2 shows the changes in working capital for a company in the FY 2018-2019. Current assets increased by Rs. 4,440.20 crores, led by current investments. Current liabilities decreased by Rs. 1,291.80 crores due to a decrease in trade payables. The net working capital improved by Rs. 5,732 crores, indicating an efficient management of the company's working capital.
- The table 3 shows changes in working capital for a company in the FY 2019-2020. Current assets decreased by Rs. 3,934.20 crores, led by a decrease in current investments. Current liabilities also decreased by Rs. 2,855.50 crores due to a decrease in trade payables.
- The net working capital deteriorated by Rs. 1,078.70 crores, indicating a need for the company to improve its working capital management.
- The table 4 shows changes in working capital for a company in the FY 2020-2021. Current assets increased by Rs. 10,099.30 crores, led by an increase in current investments. Current liabilities also increased by Rs. 4,811.90 crores due to an increase in trade payables and other current liabilities. The net working capital improved by Rs. 5,287.40 crores, indicating an efficient management of the company's working capital.
- The data shows changes in working capital for a company in the FY 2021-2022. Current assets decreased by Rs. 1,745.50 crores, led by a decrease in current investments. Current liabilities increased by Rs. 907 crores due to an increase in other current liabilities. The net working capital deteriorated by Rs. 2,652.50 crores, indicating a need for the company to improve its working capital management.

X. SUGGESTIONS:

- Develop a robust working capital management strategy to monitor and manage the company's working capital effectively, taking into account the trends observed in the Schedule of Changes in Working Capital.
- Conduct a detailed analysis of the company's cash flow cycle to identify opportunities to optimize working capital, such as reducing inventory levels or improving collections from customers.
- Evaluate the company's supplier management practices to identify areas for improvement, such as negotiating better payment terms or reducing reliance on a single supplier.

- Implement technology-driven solutions, such as automated invoicing and payment systems, to improve the efficiency of the company's working capital management processes.
- Develop a framework to monitor and evaluate the impact of working capital management on the company's profitability, liquidity, and cash flow, and make necessary adjustments to the working capital management strategy.

XI. CONCLUSION:

In conclusion, the financial analysis of Maruti Suzuki India Limited provides valuable insights into the company's financial performance over the past five years. The analysis highlights the need for the company to improve its liquidity position, profitability, and working capital management to ensure long-term sustainability and growth. The suggestions provided in this study offer a starting point for the company to address the areas of concern identified in the analysis.

Implementing these recommendations requires a collaborative effort among the various departments within the company and a commitment to continuous improvement. Furthermore, the company can use this analysis as a benchmark to compare its financial performance with industry peers and competitors to gain a better understanding of its market position. Overall, conducting regular financial analysis is crucial for companies to make informed decisions and improve their financial health in today's ever-changing business environment.

XII. REFERENCES:

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