Journal Homepage: - www.journalijar.com

INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR)

ISSN NO. 2320-5407

Article DOI: 10.21474/IJAR01/21193
DOI URL: http://dx.doi.org/10.21474/IJAR01/21193

RESEARCH ARTICLE

FINANCIAL REPORTS ANALYSIS OF MARUTI SUZUKI INDIA LTD THROUGH MEANS OF RATIOS

V. Sailesh[1] and S. Emalda Rani[2]

1. Student, Department of Commerce, Loyola College, Chennai.
2. Assistant Professor, Loyola College, Chennai.

Manuscript Info

Manuscript History
Received: 16 April 2025
Final Accepted: 19 May 2025
Published: June 2025

Key words:-
Analysis, Ratio, Trend, Financial tools, Investment, Maruti Suzuki

Abstract

\Investment avenues play a critical role in developing the wealth of an individual as well as an organization, such investments must be thoroughly researched to attain the required future value of money. Financial analysis of companies are done with financial tools such as ratios thus giving us a numerical value interpreting the position of the company and declare it as a worthy investment option for investors and helps the management to find out where they lack so that they could work for betterment of the same. Ratio analysis are done with the financial statements disclosed by Maruti Suzuki India Limited. Ratios are usefulin interpretation and tofind out the trend in which the company is moving by comparing their performance year wise and to provide solutions for the betterment of the company to make them work towards their desired goal. The exact reason for their downward trend cannot be concluded with the help of just numerical ratios, internal decisions and external factors must also be taken into consideration.The research methodology has its limitations and benefits. Such limitations and scope for further research are discussed.

Introduction:-

Financial Management and investment opportunities have been talk of the town over theperiod of past few months ever since people have attained the awareness to beat the inflation andidle money is going to lose its value over the years. Stock market have been a long told investment avenue. Investing in stock market requires basic analysis to be done, ratio analysis of financial statements help in assessing the position and future of a particular company.

Maruti Suzuki India Limited is one of the biggest automobile manufacturing Industry of India, it was started as Maruti Udyog as a government company with Suzuki being their minorpartner, where the goals of the company has changed over the course of time thus changing hands of ownership and now standing as MarutiSuzuki India Ltd. As of Aug 2020, they were working with 75,000 staff and 1,820 outlets over the geographical area of India alone. Maruti Suzuki is working on its export quantities to get a hold on the foreign markets but facing the challenge of unserviceability due to lack of proper tie-ups with the companies of the particular foreign country who have considerable amount of market share.((Dhingra, 2020)

Corresponding Author:- V. Sailesh
Address:- Student, Department of Commerce, Loyola College, Chennai.

Need for Study:-

- ✓ Analyzing the working of the company, finding out slips and providing solution for the same
- ✓ Comparison of financial performance of the company over the past 5 years throughofficial datapublished
- ✓ Assessing and prediction of the company's current state and future and concludingwhether it is aproper investment avenue

Objective of the Study:-

- ✓ To analyse the variation in levels of returns of the company, dividend paid by the company,earning for the shareholder etc.
- ✓ To furnish data in an encrypted method through charts, bars and many more
- ✓ To have a fair and true financial standing position of the company through ratioanalysis.

Review of the Literature:-

Among Federal bank, HDFC Bank, ICICI Bank and Axis bank, Federal bankhas had the highest liquidity ratio, comparing few other ratios among the above mentioned 4 ratios, Federal bank stays at top with HDFC also showingsome stability along with federal bank. Hence, Federal bank is cited the mostfinancially stable among the four above mentioned banks in a comparison done for the period of 2011-2014. (Bansal, 2014)
Ashok Leyland has shown a declining trend in sales in 2016, so an analysis on various positions were done on the company to assess and provide suggestions for the same. The company was suggested to improve their liquidity so as to surf over the tide at crucial positions and start working more with equity capital rather than with long term debt borrowed (Limited, 2016)

Financial statement analysis is a set of techniques for comparing financial data and assessing a company's position. Ratio analysis, common-size analysis, cross-company comparisons, trend analysis, and year-to- year analysis are some of the techniques used. It's important to note that ratios differ by industry. For instance, a business in the furniture industry should only compare itself to its own industry's benchmarks.
(Davidson, 2020)
Various techniques are used to investigate the relationship between various proclamations. The financial announcements will provide relevant and strong realities to both internal and external clients such as traders and business owners. (Podile & Raju, 2020)

Research Methodology:-

Research Design:-

Annual financial statements are collected, financial statements are fit into ratios and an analysis of those ratios are done.

Data Collection:-

Data are collected from the official annual financial statements published by the company on the website of Bombay Stock Exchange (BSEIndia.com) where required data are picked out from financial statements namely Balance sheet, Statement of Profit and Loss Account, Changes in equity andCash flow statement.

Tools Used:-

For the purpose of Ratio Analysis, Analytical tools of Microsoft Excel are taken for help.

Analysis and Interpretation:-

The ratios calculated for the purpose of analysis calculated earlier of **MARUTISUZUKI INDIA LIMITED** are as follows for the years 2017 to 2021

Name of the Ratio	2017	2018	2019	2020	2021
Current Ratio	0.650722151	0.512974272	0.873592786	0.746130963	1.150248033
Debt to Equity Ratio	0.043982627	0.059167956	0.057215305	0.058226149	0.050497598
Debt to Total Asset turnover Ratio	0.02669152	0.036716376	0.035062834	0.039734008	0.029278473
Fixed asset turnover Ratio	1.796476923	1.561487462	1.641806835	1.324541291	1.291447342
2Total Assets turnover Ratio	1.277461613	1.193858065	1.102706213	1.010015568	0.751315268

Inventory Turnover Ratio	23.81521042	25.01525767	25.59978417	21.92165856	21.24921387
Trade Receivables Turnover Ratio	60.39565321	60.38068395	44.02020041	33.45875435	40.94239582
Operating Profit Ratio	13.66941246	14.97974146	13.31574859	10.46639438	8.309533503
Net Profit Ratio	9.637014584	9.611820281	9.033983126	7.881947932	6.35451706
Return on Capital Employed	21.43819856	21.22184635	17.11656753	11.83686942	7.117650792
Return on Shareholder's Equity	20.28608475	18.49205171	16.25564839	11.66587526	8.234306984
Dividend Pay-out Ratio	14.40914728	29.34030925	32.21875583	42.76713977	42.85173889
Earnings Per Share	242.9058045	255.6209768	248.2984147	187.0563717	140.0191724
Price Earning Per Share	24.80097177	35.24378208	26.86968424	22.92196711	48.98757708
Working Capital Turnover Ratio	-16.4757	-10.68205087	-46.41723039	-25.00188324	27.505

Current Ratio:-
The ideal ratio for Current ratio is 2:1 whereas in the above mentioned table, the company has failed to even come closer to the ideal ratio which means that the company does not have enough current assets to pay off their current liabilities which is not a good sign to the company but on the other hand, since Maruti Suzuki India Ltd. is a large scale automobile manufacturing company, they usually deal with fixed assets rather than currentassets, this reason could nullify the ideal ratio theory on current ratio.

Debt to Equity Ratio:-
Debt to Equity Ratio generally means the level of connection between long term debts borrowed by the company to their equity share capital. Ideal Ratio for this ratio is 1.5:1 where this company has lesser than 1.5:1 which states that the company runs theirshow relying on equity funds than on debts borrowed which is a good sign of the company and also minimally states that there are less chances of the company going bankrupt.

Debt to Total Asset Turnover Ratio:-
A company with lower debt to total asset turnover ratio than the ideal states the company has an adequate amount of total assets if there are any financial obligations of the company arising from the debt. The above table fulfils this criteriasince the ideal ratio is 0.4:1 while the company operates with lesser than ideal ratiowhich works well for the company. As said earlier, since it is an automobile company, it deals with more of fixed assets rather than current assets and this ratio satisfies thepoint mentioned.

Fixed Asset Turnover Ratio:-
The higher the ratio, the more effectively the company manages to generate sales from the existing fixed assets. This company has a Fixed Assets Turnover Ratio around 1.5:1 which is almost 3 times to the ideal Ratio of 0.5:1 which means that the management has efficiently managed their Fixed Assets in generating the sales while ithas considerably reduced over the period of years starting from 2017 to 2021.

Total Asset Turnover Ratio:-
There isn't much difference between the above mentioned Fixed Asset Turnover Ratio and this particular Ratio, both means the same management of their assets to generate sales but the only difference in this caseis that, this ratio has the total assets of the company as their base for calculation and this company also satisfies the criteria of Ideal Ratio of 1:1 even for the Total Assets Turnover Ratio while this also follows thesame pattern of Total Asset Turnover Ratio of reducing the efficiency of their asset management over periodof Time.

Inventory Turnover Ratio:-
This company holds a turnover Ratio of around 24:1 in the year of 2017 which is almost double to the ideal ratio of 12:1 which means that the company has a verylikeable demand in the commodity market for their products which is a very good sign for the company that they are running their show successfully despite the automobile market being filled with worthy competitors. They have had a likeable demand in the market but there has been an inconsistent pattern shown in the table above where it has increased in the period of 2018 and 2019 and dropped during the period of 2020 and 2021. The pandemic situation of thelast 2 years which has significantly dropped the need of automobiles could be a prime reason for the drop in Inventory Turnover Ratio in the last 2 years.

Trade Receivables Turnover Ratio:-
This company handles a high trade receivables turnover ratio compared to the ideal ratio of 2:1 where also this has shown an inconsistent pattern where there have been drops and rises the ratio of the period of last 5 years.

Operating Profit Ratio:-
Higher the Operating Profit Ratio, better the management of the company. The company has managed to maintain the ratio at ideal level of around 10% until 2019 butit has dropped below the ideal level since 2020 and it has kept declining over the research period which states that the management of the company are lagging behind where not being updated to the latest technological improvements, pandemic situation in the world could be few of the reasons that could be stated for the decline of their operating profit.

Net Profit Ratio:-
Even though, the company has managed to maintain their level of net profit Ratio above the ideal percentageof six in numerical, the level of the company has been constantly decreasing over the research period of 5 years and it is almost at the verge offalling lower than the ideal ratio of 6%. This states that the company has adopted unlikely pricing strategy and they have been reluctant to change their strategy even though it has been evident that the net profit margin of the company has been constantlyfalling.

Return on Capital Employed:-
The ideal ratio of Capital Employed is 15% (or) a general thumb rule states that the Return on capital employed should be at least the double of the interest rate in longterm funds. This company falls under both the category of having a lower as well as company that they are running their show successfully despite the automobile market being filled with worthy competitors. They have had a likeable demand in the market but there has been an inconsistent pattern shown in the table above where it has increased in the period of 2018 and 2019 and dropped during the period of 2020 and 2021. The pandemic situation of thelast 2 years which has significantly dropped the need of automobiles could be a prime reason for the drop in Inventory Turnover Ratio in the last 2 years.

Trade Receivables Turnover Ratio:-
This company handles a high trade receivables turnover ratio compared to the ideal ratio of 2:1 where also this has shown an inconsistent pattern where there have been drops and rises the ratio of the period of last 5 years.

Operating Profit Ratio:-
Higher the Operating Profit Ratio, better the management of the company. The company has managed to maintain the ratio at ideal level of around 10% until 2019 butit has dropped below the ideal level since 2020 and it has kept declining over the research period which states that the management of the company are lagging behind where not being updated to the latest technological improvements, pandemic situation in the world could be few of the reasons that could be stated for the decline of their operating profit.

Net Profit Ratio:-
Even though, the company has managed to maintain their level of net profit Ratio above the ideal percentageof six in numerical, the level of the company has been constantly decreasing over the research period of 5 years and it is almost at the verge offalling lower than the ideal ratio of 6%. This states that the company has adopted unlikely pricing strategy and they have been reluctant to change their strategy even though it has been evident that the net profit margin of the company has been constantlyfalling.

Return on Capital Employed:-
The ideal ratio of Capital Employed is 15% (or) a general thumb rule states that the Return on capital employed should be at least the double of the interest rate in longterm funds. This company falls under both the category of having a lower as well as higher return on capital employed. The company has made good as well as bad utilization of their capital. It has been evident that the company's performance has been declining constantly and this particular ratio also affirms the same. They have had a return well above the mark of 15% and has been constantly decreasing and has now fallen to the mark of 7% which is less than half of the ideal ratio.

Return on shareholder's equity:-
The unlikely performance of the company keeps getting stronger with the unveiling of ratio analysis as the return on shareholder's equity also states the same as the previous ratios that the company has failed to utilized the best to the

resources available to them and have been constantly falling over period of time which are dangerous signs to the company and they must take immediate action to survive over the tide.

Dividend pay-out Ratio:-

A clear-cut picture cannot be taken from the dividend pay-out ratio since it has its own reasons to take the decisions of paying out to the shareholders or retaining the earnings to expand their business operations. Thecompany have re-invested most of their profit during the beginning period of research whereas later on they have went onto pay-out about 42% of their profit available to the shareholders and retained a large yet still comparatively lesser to the previous years. It can go either way, it could eitherbe beneficial by paying out to the shareholders or they could retain the profit, expand their business in the process of earning a larger profitso I leave it in a subjective pointof view.

Earnings per share:-

Investors generally wants their Earnings per share as higher as possible as it yields them more amount of money proportionally. The earnings per share has tend to decrease over the period of time which again comes back to questioning the inefficientmanagement of the company which seems to be evident from the statements disclosed.

Price Earnings Ratio:-

The PE ratio generally links with the market value of the share price which means that the PE ratio lower than the ideal ratio of 40:1, the share is undervalued and overvalued in the case of Vice-versa. The company’s stock has been constantly valued correctly except for the year of 2021 where it has seen a significant jump in the PE ratio from 22 of previous year to 48 which is considered as a very unlikely move for the company questioning the valuation of the shares and the company and also says that the investors are losing confidence on this particular company’s share and feel that it is overvalued considering their performance for the year.

Working capital turnover Ratio:-

A working capital turnover ratio should be 2:1 ideally, but surprisingly this company has had a negative working capital which in turn gave us a negative ratio where itmeans that the current assets are lesser than the current liabilities. One notable thing is that theyhave worked on this issue and continued to match their current assets and liabilities as yearspassed on and posed a positive ratio in the year of 2021.

Findings and Discussion:-

From the analysis of the ratio done above using the financial statements published by the company themselves, forming a table has eased out the job of analysis. Most of the ratiosmentioned above have alwayscome down to the working of the company has consistently declined over the period of years. Though the pandemic situation could be stated as a reason for the decline in profits, returns, earnings, valuation of sharesetc., in the last 2 years, the company has seen consistent decline in the above mentioned properties even during the years of 2017, 2018 and 2019 where there has been no effect by the pandemic and brings about a question mark over the inefficient management of the company.

Conclusion:-

The above mentioned objectives have been fulfilled to the best of my knowledge and have had a clear image over the company’s management which stands as a bigger picture of the article, whichever ratios taken into account always comes down to drawing a question overthe company’s performance, investors’ confidenceon the company. Changes should be made to the pricing strategy, inner relations of the company and certain hindsight issues which couldbe cleared with the help of a point of view from a personnel not related to the company but provided with the exact working and issues of the company since hindsight problems are solved better by the person outside of the organizations.

Limitation of the Study:-

Ratio analysis only provide a numerical view on the financial position of the business leaving out the internal and externals factors disturbing (or) providing boost to the company thus making it a major limitation to present a true and fair position of a company. Another limitation is that, the research article is lagging behind 1 financial year, the financial year of 2021-22 has ended and there could have been changes in various departments of an organization and would have completely changed the working, face of the company.Thus, the exact position of the company at this very moment cannot be calculated which stands as another limitation.

Scope for Further Research:-

This article paves the way for further research by providing limitations so that such limitations could be mitigated in the future and as long as the year goes on, data could becollected from the financial statements disclosed thus making it a longer duration scope helpingto find out the financial standing of the company andkeenly looking into the probable futurethat may or may not come true but prediction is done.

References:-

1. Bansal, R. (2014). A Comparative Analysis of the Financial Ratios of Selected Banks in the India for the period of 2011-2014. Research Journal of Finance and Accounting, 5(19), 153–168.
2. Limited, L. (2016). Financial Statement Analysis of Ashok. 05(01), 1–9.
3. Davidson, W. (2020). Analysis of Financial Statements Using Causal Ratios. Financial Statement Analysis, 1–16. https://doi.org/10.1002/9781119743217.ch4
4. Dhingra, A. (2020). Maruti Suzuki : A Journey so far. August.
5. Narayanan, R., & Sharma, S. (2020). Financial Performance in Maruti Suzuki Financial Performance in Maruti Suzuki. August 2019.
6. Podile, V., & Raju, M. (2020). Finacial Analysis of Selected IT Companies in India. TESTEngineering and Management, 83(April), 13356–13364.