

A Comparative Study of Financial Performance of Maruti Suzuki India Ltd & Tata Motors Ltd

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Abstract- Finance is regarded as lifeblood of any business organization, thus it is very much essential to evaluate the financial performance business organization. The purpose of financial analysis is to diagnose the current & past financial condition of a company & to give some picture about its future condition. Financial performance analysis is vital for the triumph of an enterprise. Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. Financial performance analysis is an appraisal of the feasibility, solidity and fertility of a Business. The main objective of this research paper is to analyze the financial position of the selected automobile companies for last five years. The present study is based on secondary data. Financial position is analyzed by using different ratios. From the study, position of Maruti Suzuki & Tata Motors is ascertained.

Keywords: Financial performance, Automobile companies, Financial Statement analysis.

I. INTRODUCTION

Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports.

Tata Motors Ltd is part of Tata group company was established in 1945 as a Locomotive manufacturing unit. It tied up with Dimler Benz & entered commercial vehicle segment in 1954. In 1986, the company created & sold first light Commercial vehicle (LCV) called Tata 407. In 1992, it entered small vehicle segment. Cummins Engine Co. Inc., was the first company to jointly venture with Tata in 1993. Maruti Suzuki was established in February 1981, though the actual production commenced in 1983 with the Maruti 800, based on Suzuki Alto kei. Maruti Udyog limited was renamed as Maruti Suzuki India Limited (7 Sep, 2007). Maruti Suzuki is India and Nepal's leading automobile manufacturer and the market leader in the car

segment both in terms of volume of vehicle sold and revenue earned. It was the market leader in commercial vehicles segment with about 44 per cent market share in FY18-19. Tata Motors is present in about 175 countries with Research and development (R&D) centers in UK, Italy, India and South Korea. Consolidated Total Turnover of Rs 357,738.38 crore during April-March 2018

Maruti Suzuki India Limited, formerly known as Maruti Udyog Limited, is an automobile manufacturer in India. It is a subsidiary of Japanese automobile and motorcycle manufacturer Suzuki. As of November 2012, it had a market share of 50% of the Indian passenger car markets. Maruti Suzuki manufactures and sells popular cars such as Alto, Ritz, Celerio, Swift, WagonR, Zen ZenEstilo, SwiftDZire, Ciaz, Kizashi, SX4, Eeco, Omni, Ertiga, S-Cross and the Grand Vitara. 'Maruti Suzuki' is a subsidiary of Japanese automobile and motorcycle manufacturer 'Suzuki'. In India, 'Maruti Suzuki' had started its business in 1982 by establishing a manufacturing unit at Gurgaon, Haryana. The company's headquarter is situated at Nelson Mandela Road, New Delhi. 'Maruti Suzuki 800' was the first model to hit Indian roads in 1983. Today, the company manufactures 1.5 million family cars every year that is equivalent to one car in every 12 seconds and moreover it has a team of 12500 professionals who turned out in manufacturing 14 family cars with over 150 variants successfully. In addition, the sales network of the company is spread over 1097 cities with service network in more than 1454 cities. The company also owns a diesel engine

plant with a capacity to manufacture 7 lakh diesel cars every year. 'Maruti Suzuki' also exports cars to more than 125 countries including European market like Netherlands, Germany, France, Italy and UK. The company recorded its highest ever sale in FY18 of about 1,779,574 units. During April-March 2018, the company recorded revenue of Rs 81,994.4 crore (US\$11.82 billion).

II. REVIEW OF LITERATURE

Sneh Lata, & Dr. Robin Anand,(2017) , The Indian automobile industry is one of the largest in the world with an annual production of 25.3 million vehicles in FY 2016-17. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP) [1]. The study examines the liquidity and profitability position of selected companies of automobile industry for the past five years. It involves in-depth analysis of performance of the selected companies with the help of key ratios, statistical analysis and Anova. The results show that there is significant difference in liquidity and profitability position of selected companies.

Dr. S. Jyothirmaye Reddy, Dr. B. Venkateswara Reddy & S. Durga Rao (2017): The automobile sector plays a vital role in the development of a nation. India is one of the largest and fastest growing countries in automobile sector. The research covered customer satisfaction towards Maruti and Tata Motors. The present study was carried to identify the relationship between demographic factors and customer satisfaction. The positive influence of customer satisfaction made the customers to be loyal to the company. The population of the study comprised the total population of five cities in Andhra Pradesh. Random sample was carried on 1000 customers out of which 500 were Maruti users and 500 were Tata Motor car users. A well designed questionnaire was administered for the study. Chi-square, ANOVA, Regression, F-test & Z-test were used to analyze the data. The analysis helped in providing improvements in the pertinent areas of Maruti and Tata Motor cars.

Dr. K. Jothi & A. Geethalakshmi (2016), The Indian auto industry is one of the largest in the world with an annual production of 23.37 million vehicles in FY 2014-15. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP). The study was based on development of industries depends on several factors such of financial personal, technology, quality of the product and marketing. Statistical tools were used, Ratio analysis, summary of statistics, correlation. It was found that there higher level of consistency (Liquidity position) is noticed in TVS motors. It was suggested that Tata motors and TVS motors should maintain ideal current ratio & quick ratio. It was found that there higher level of consistency (profitability position) was noticed in TVS motors & Tata motors. There was a positive relationship

between the profitability, Short term and Long term capital. It revealed that capital impact on profitability.

P.Kalaivani, C.V.Umamaheswari, Dr.K.Joth (2016). The performance of the firm can be measured by its financial results. Financial decisions which increase risks will decrease the value of the firm. On the other hand, financial decisions which increase the profitability will increase value of the firm. Risk and profitability were two essential ingredients of a business concern. The objectives of the study were to analyze the short-term and long-term solvency position of the companies. To analyze the profitability position of the companies. To compare the profitability and liquidity position of the two companies (tata motors, mahindra and mahindra motors).

Vineet Singh (2015), This study aims to highlight the debt and equity position of two major car manufacturing companies in India i.e. Tata Motors and Maruti Suzuki. In order to enhance the quality of study, a comparison was made between debt equity ratios of both the companies and further t- test was applied to find out that whether there was a significant difference between debt equity ratio of Maruti Suzuki and Tata Motors or not.

III. OBJECTIVES OF THE STUDY

1. To ascertain financial position of Maruti and Tata Motors on the basis key ratios / parameters.
2. To compare the financial performance of both the companies through inter firm and intra firm analysis.

IV. RESEARCH METHODOLOGY

Research Design: The present study is descriptive cum analytical in nature.

Data collection: The data required for the study has been collected from secondary sources and the relevant information were taken from annual report of companies, journals, internet etc. for the period of 5 year from 2013-14 to 2017-18.

Statistical tool: The secondary data collected from various sources were analyzed with the help of suitable statistical tools and techniques as ratio analysis, Mean, SD etc. Ratio analysis is widely used tools of financial analysis.

Sample Size: Two industries are taken into consideration ie Tata Motors & Maruti

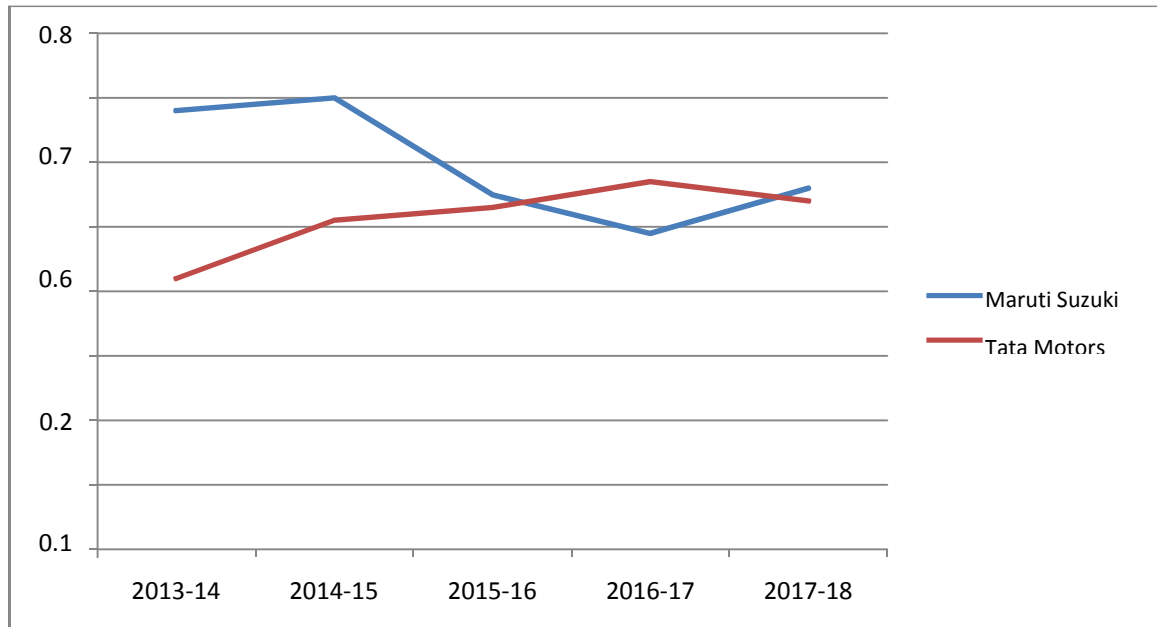
Tools for Data Analysis

The financial ratios were used for the data analysis which includes Liquidity Ratio, Debt coverage Ratio, Profitability Ratio and Efficiency Ratios.

Data analysis and interpretation

1. Current Ratio

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	0.68	0.7	0.55	0.49	0.56
Tata Motors	0.42	0.51	0.53	0.57	0.54



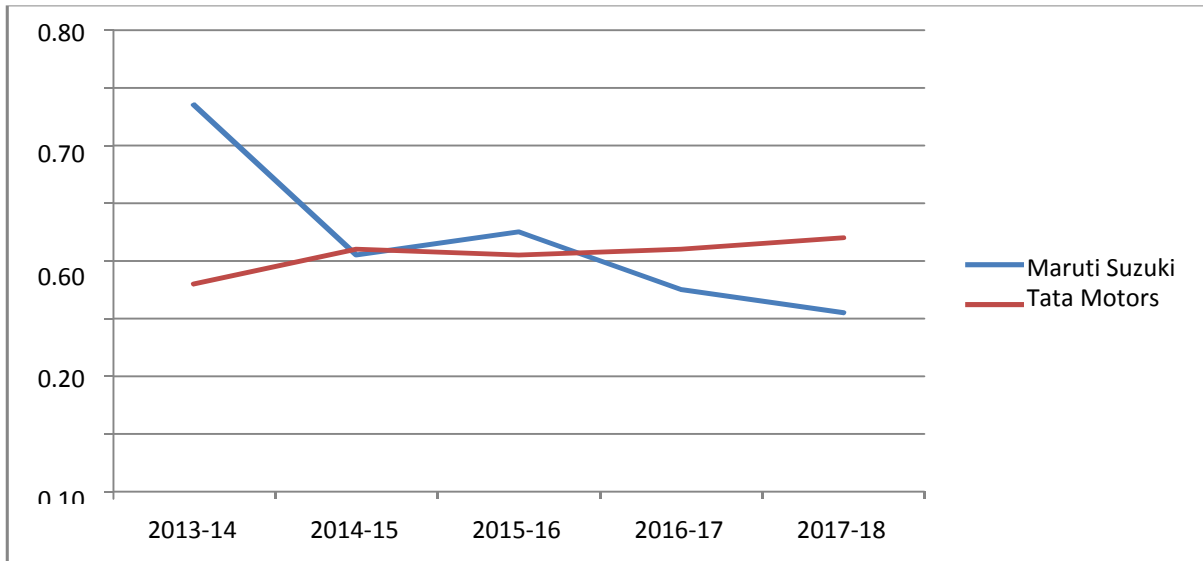
Graph 1

Interpretation

This ratio is used to assess the firm’s ability to meet its short term liabilities on time. In the above graph current ratio of Tata Motor in 14 to 18 was respectively 0.68 0.7 0.55 0.49 and 0.56 and Maruti Suzuki in 14 to 18 was respectively 0.42 0.51 0.53 0.57 and 0.54. In 2018, Tata Motors was more than Maruti Suzuki ability to meet its short term liabilities.

2. Quick Ratio

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	0.67	0.41	0.45	0.35	0.31
Tata Motors	0.36	0.42	0.41	0.42	0.44



Graph 2

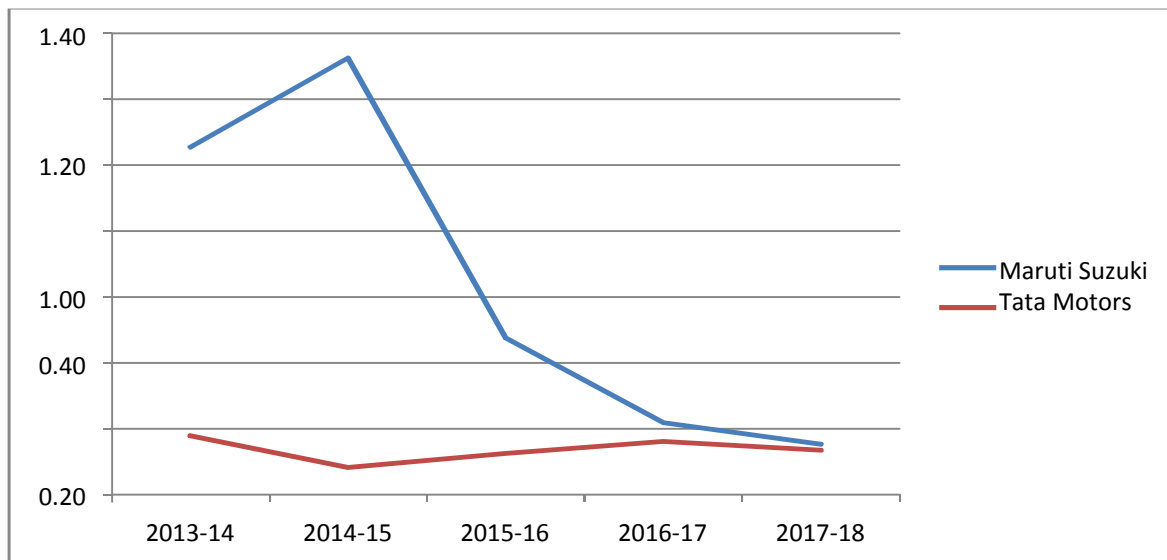
Interpretation.

The quick ratio of Tata Motors in the year 2013-2014 was very low at 0.36. Thereafter it Increases to 0.42 in the year 2014-2015. In the year 2015-2016 it quite similar to 0.41 and it again increases to 0.42 and 0.44 in the year 2016-2017 and 2017-2018.

The Quick ratio of Maruti Suzuki declines steeply from the year 2014-2018 whereas the Quick Ratio of Tata motors shows a considerably less movement toward up between 0 to 0.8 from the year 2014-2018.

3. Cash Ratio

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	1.05	1.32	0.47	0.22	0.15
Tata Motors	0.18	0.08	0.12	0.16	0.13



Graph 3

Interpretation:

The cash ratio of Maruti Suzuki was 1.05 in the year 2013-2014.it increased to 1.32 in the year 2014-2015.It declined to 0.47 in the 2015-2016.It further decreased to

0.22 in the year 2016-2017.in 2017-2018 it observed the lowest among all the stated years.

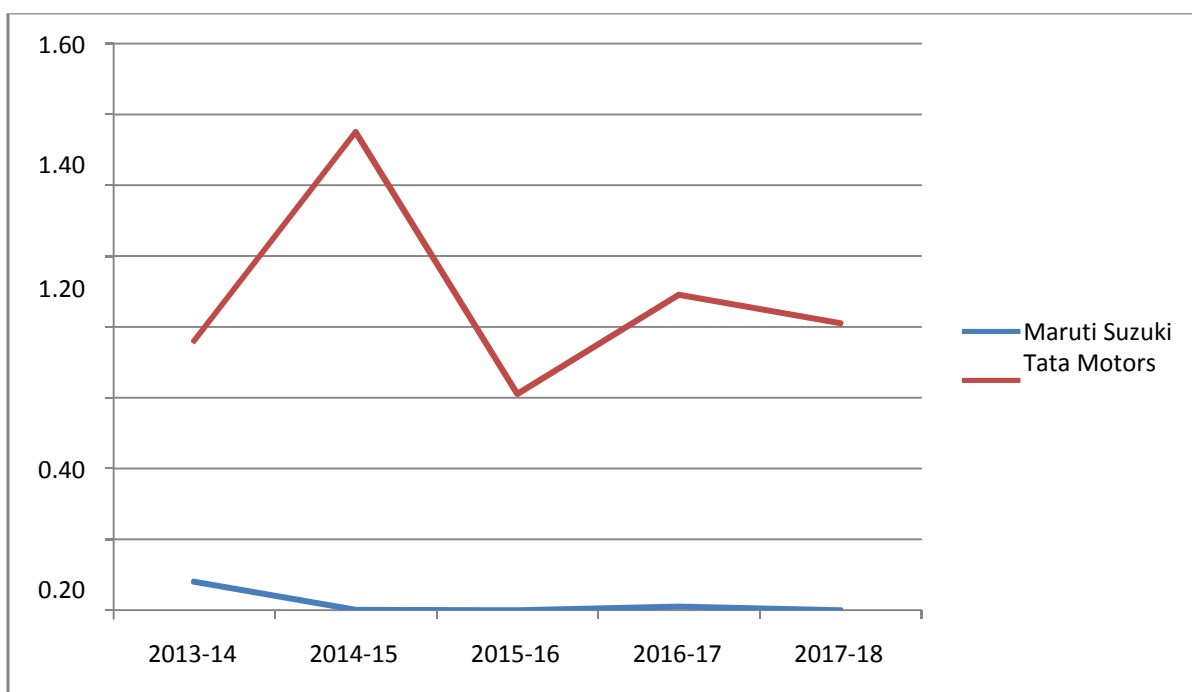
The cash ratio of Tata Motors in the year 2013-2014 was 0.18.it declined in 2014- 2015 to 0.08.in the next year it observed a increase to 0.12 .It further increased to

0.16 in the year 2016-2017.And in the year 2017-2018 it declined to 0.13.

The Cash ratio of Maruti Suzuki declines steeply from the year 2014-2016 and then has a stable movement whereas the Cash Ratio of Tata motors shows a considerably less movement between 0 to 0.2 from the year 2012-2016 and then becomes stable.

4. Debt-to-equity ratio

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	0.08	0.01	0.00	0.01	0.00
Tata Motors	0.76	1.35	0.61	0.89	0.81



Graph 4

Interpretation:

The Debt Equity Ratio of Maruti Suzuki was 0.08 in the year 2013-2014.It declined to 0.01 in the year 2014-2015.It stood at nil in the next year. It again increased to

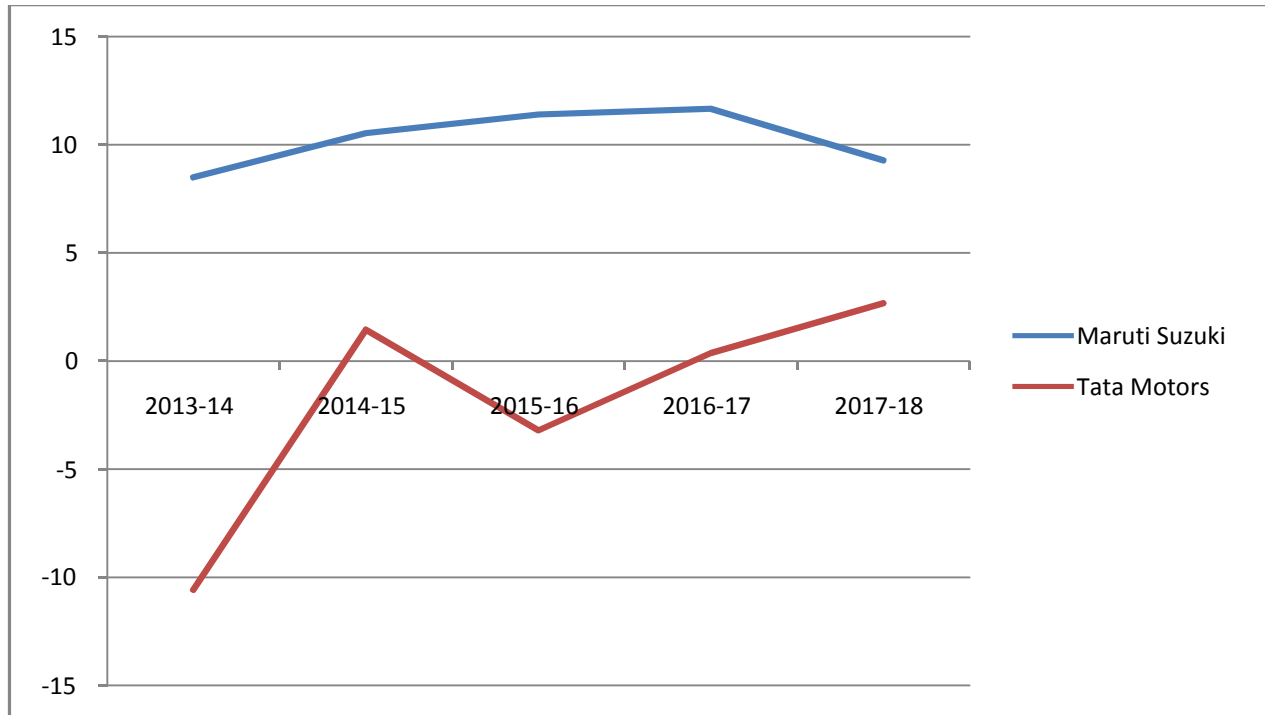
0.01 in the year 2016-2017 and It stood at nil in the year 2017-18.

The debt equity ratio of Tata Motors of the year 2013-14 was that is 0.76. it increased to 1.35 in the year 2014-2015. In the year 2015-2016 it declined to 0.61. It increased to 0.89 in 2016- 17. In the year 2017-2018 it declined to 0.81.

The Debt-to-Equity ratio of Maruti Suzuki decline steeply for the year 2014-2015 and then has a maintain until 2018 whereas the Debt-to-Equity ratio of Tata motors shows a considerably good movement between 0.7 to 0.1 from the year 2014-2018 and then becomes likely stable.

5. Gross profit Ratio

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	8.49	10.53	11.39	11.66	9.27
Tata Motors	-10.58	1.44	-3.21	0.35	2.66



Graph 5

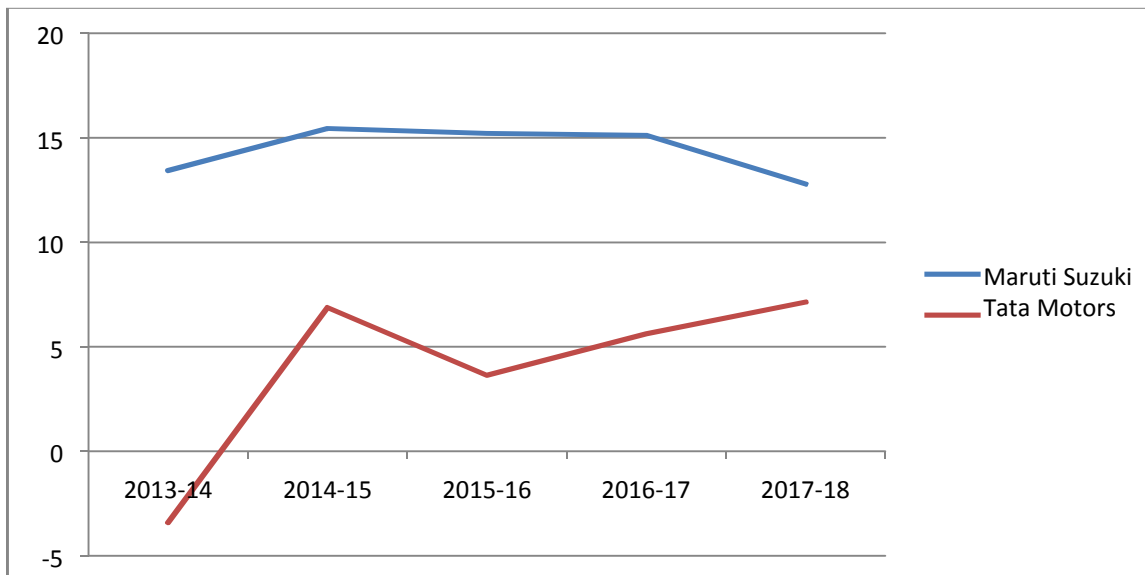
Interpretation:

The gross profit ratio of Maruti Suzuki is 6.86 in the year 2012-2013.it increased to 8.37 in the year 2013-2014. It observed increment in the further years .it was 9.74 in 2014-2015.in the year 2015-2016 and 2016-2017 was 11.32 and 14.61 respectively. The gross profit ratio of Tata motors is 1.32 in the year 2012-2013.it declined to 1.42 in the year 2013-2014.it observed a further decline to -9.84 in the year 2014- 2015.it increased slightly to 1 in the year 2015-2016.it again declined to -5.26 in the year 2016-2017.

The Gross Profit ratio of Maruti Suzuki increases continuously from the year 2012-2017 whereas the Gross Profit ratio of Tata motors fluctuates between 1 to - 10.

6. Operating profit margin

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	13.43	15.44	15.21	15.12	12.78
Tata Motors	-3.4	6.87	3.63	5.62	7.13



Graph 6

Interpretation:

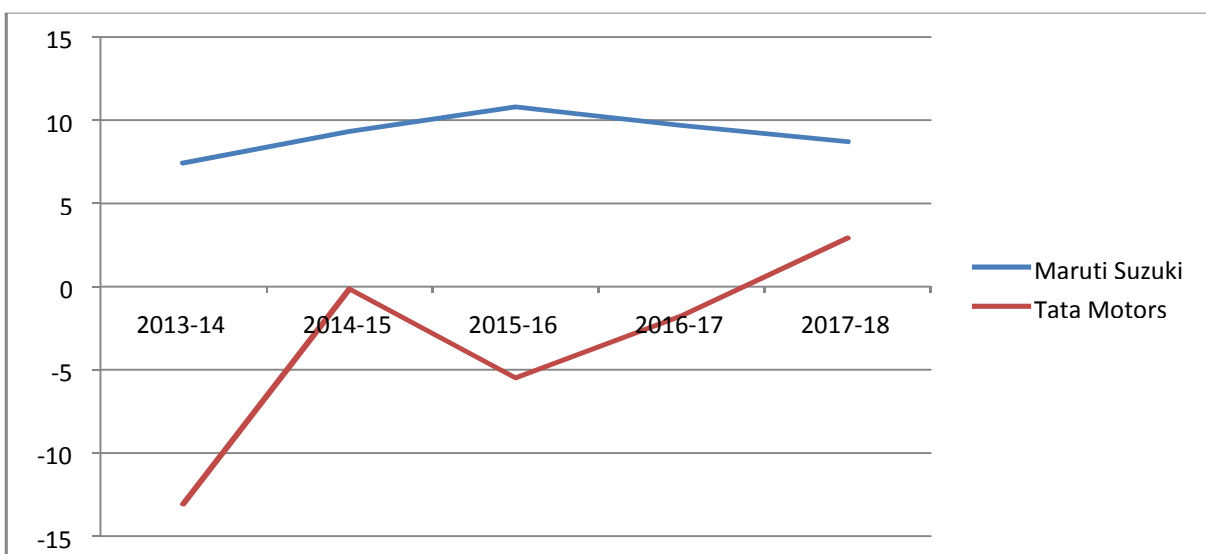
The operating profit ratio of Maruti Suzuki is 6.86 in the year 2012-2013.it increased to 8.37 in the year 2013-2014. It observed increment in the further years. It was 9.74 in 2014-2015.in the year 2015-2016 and 2016-2017 was 11.32 and 14.61 respectively.

The operating profit ratio of Tata motors is 1.32 in the year 2012-2013.it declined to -1.42 in the year 2013-2014.it observed a further decline to -9.84 in the year 2014-2015.it increased slightly to 1 in the year 2015-2016.it again declined to -5.26 in the year 2016-2017

The Operating Profit ratio of Maruti Suzuki increases continuously from the year 2012-2017 whereas the Operating Profit ratio of Tata motors fluctuates between 1 to -10.

7. Net profit margin

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	7.42	9.32	10.8	9.68	8.71
Tata Motors	-13.05	-0.14	-5.48	-1.75	2.91



Graph 7

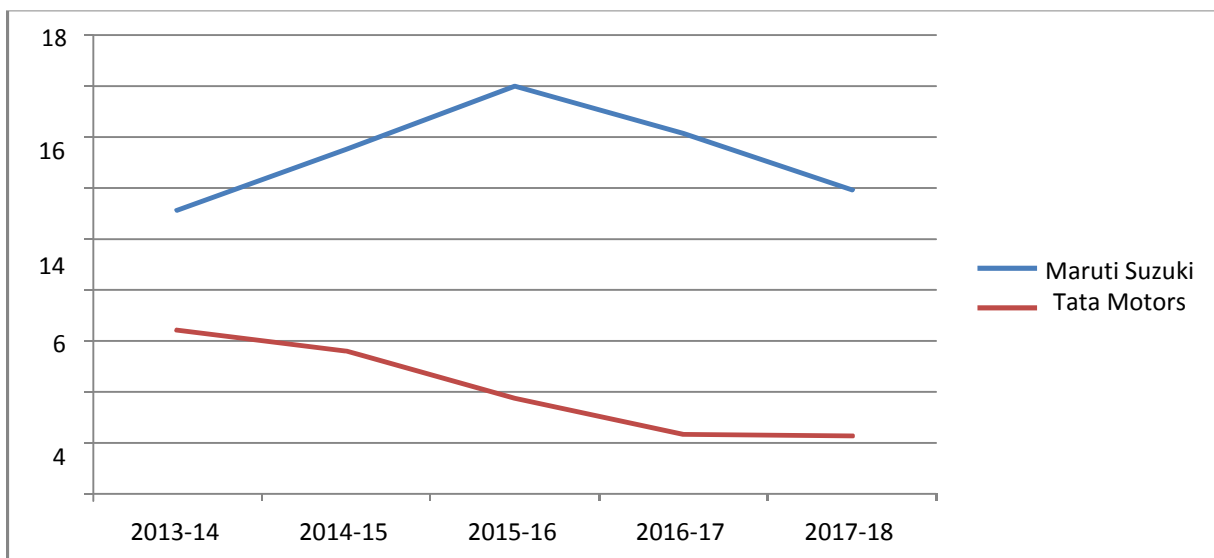
Interpretation:

The net profit ratio of Maruti Suzuki is increasing in all the years successively .It is 5.49 in the year 2012-2013.it increased to 6.37, 7.43, 7.92, 10.79 in the years 2013-2014, 2014-2015, 2015-2016, 2016-2017 respectively. The net profit ratio of Tata motors is increasing in the year 2012-2013 and 2013- 2014 that is 0.67 and 0.98 respectively. It observed a downfall in the year 2014- 2015 to -13.06. It moved up to -0.15 in the year 2015-2016.in the next year it stood to -5.59.

The Net Profit Margin ratio of Maruti Suzuki increases continuously from the year 2012-2017 whereas the Net Profit Margin ratio of Tata motors fluctuates between 1 to -14.

8. ROA.

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	11.12	13.5	15.98	14.12	11.92
Tata Motors	6.42	5.60	3.74	2.33	2.27



Graph 8

Interpretation:

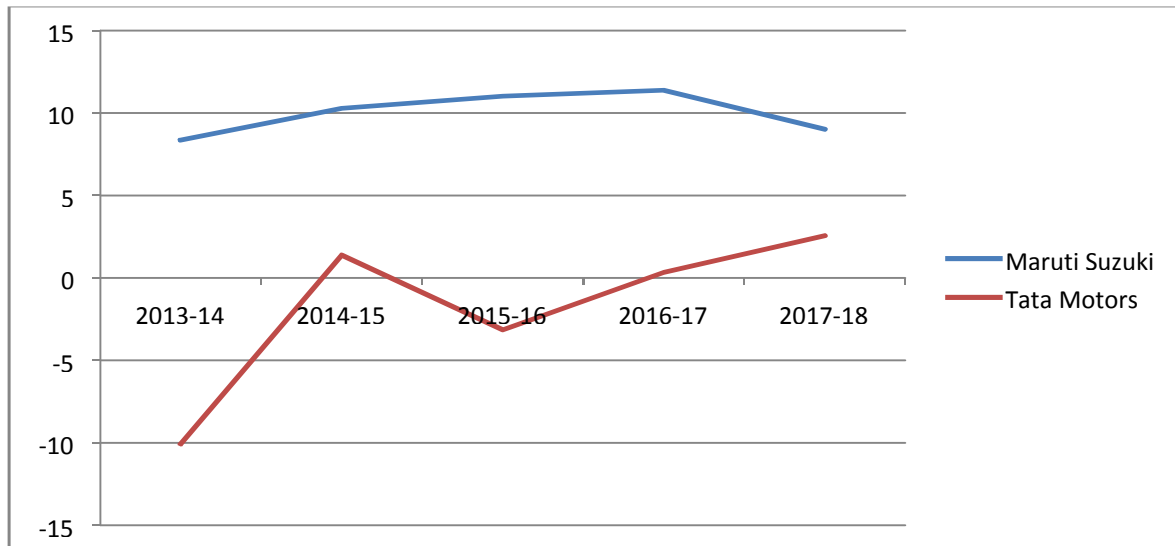
The ROA of Maruti Suzuki is same for two years that is 0.09 in 2012-13 and 2013- 2014.it increased to 0.11 in the year 2014-2015.It increased to 0.12 in 2015-2016.It stood to 0.14 in the 2016-2017.

The ROA of Tata motors is same in the year 2012-13 and 2013-14 that is 0.01.it declined to -0.09 in the year 2014-2015.it is nil in the year 2015-2016.it showed a negative growth in 2016-2017 with -0.04.

The Return on assets ratio of Maruti Suzuki increases continuously from the year 2012-2017 whereas the Return on assets ratio of Tata motors fluctuates between 0.01 to -0.01.

9. Return on sales.

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	8.35	10.27	11.01	11.37	9
Tata Motors	-10.06	1.39	-3.14	0.34	2.56



Graph 9

Interpretation:

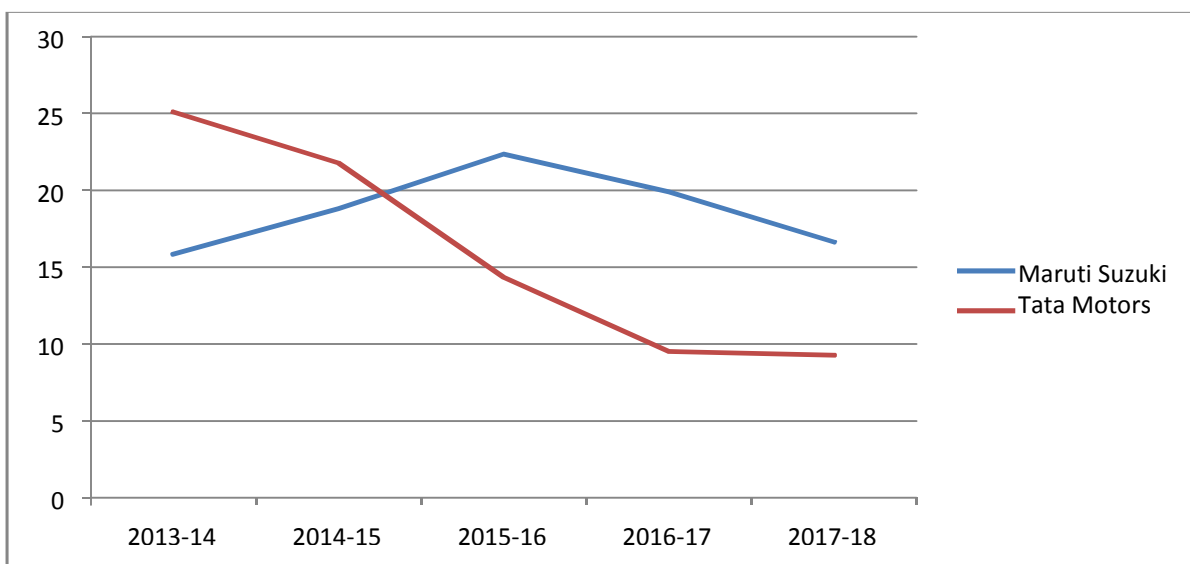
The ROS of Maruti Suzuki is almost same for all five years. it stood to 0.05 in 2012-2013.in the year 2013-2014 it became 0.06.In the year 2014-2015 it increased a bit to 0.07.in the year 2015-2016 and 2016-2017 it increased to 0.08 and 0.11 respectively.

The ROS of Tata motors is same for 2012-2013 and 2013-2014 at 0.01.it declined to - 0.13.in the year 2014-2015.the ratio is nil in the year 2015-2016.the 2016-2017 it again declined to -0.06.

The Return on sales ratio of Maruti Suzuki increases continuously from the year 2012-2017 whereas the Return on sales ratio of Tata motors fluctuates between 0.01 to -0.14.

10. ROE.

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	15.84	18.80	22.35	19.90	16.63
Tata Motors	25.09	21.78	14.35	9.52	9.28



Graph 10

Interpretation:

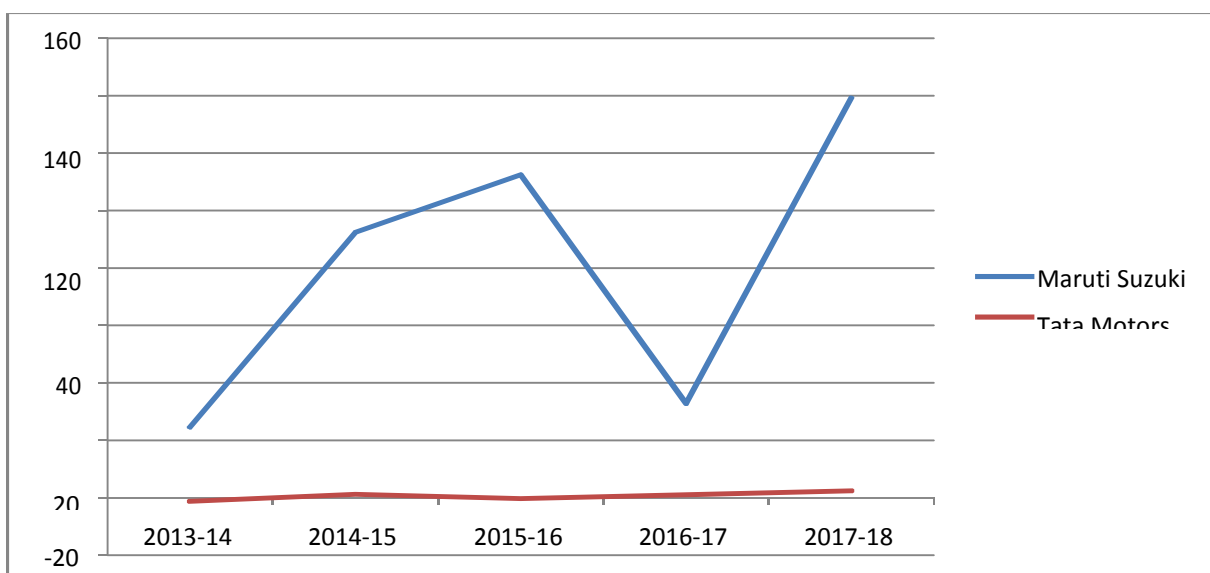
The ROE In the year 2012-2013 and 2013-2014 is same at 0.13.it increased to 0.16 in the year 2014-2015.it increased to 0.17 in 2015-2016.in the year 2016-2017 it stood at 0.2.

The ROE in the year 2012-13 and 2013-14 is same at 0.02.it declined to -0.32 in the year 2014-2015.it became nil in the year 2015-2016.it became -0.12. in the year 2016- 2017.

The Return on Equity ratio of Maruti Suzuki increases continuously from the year 2012-2017 whereas the Return on Equity ratio of Tata motors fluctuates between 0.01 to -0.03.

11. Interest coverage Ratio

YEAR	2013-14	2014-15	2015-16	2016-17	2017-18
Maruti Suzuki India	24.63	92.33	112.41	32.83	139.07
Tata Motors	-1.22	1.27	-0.28	1.01	2.45



Graph 11

Interpretation:

The interest coverage ratio of Maruti Suzuki increased in the coming years. it stood at 15.76 in the year 2012-2013.it further increased to 20.8, 23.63, 80.18, 111.2 in the year 2013-2014,2014-2015,,2015-2016, 2016-2017 respectively.

The interest coverage ratio of Tata motors is almost same over the years. It is 0.43 in the year 2012-2013.it declined to -0.36,-2.22 in the years 2013-2014 and 2014- 2015.it increased to 0.27 in the year 2015-2016.It again declined to -1.47 in 2016- 2017.

The Interest coverage ratio of Maruti Suzuki increases steeply from the year 2014- 2017 whereas the Net Profit Margin ratio of Tata motors fluctuates between 0 to - 1.

V. CONCLUSION

The study of financial performance of automobile companies (Tata and Maruti) would reflect the company’s performance on the basis of its financial ratios and statistical tools involved. It is concluded that financial

ratios are the basic and most important part of any business. It describes the firm’s financial position. As the data indicates that automobile company has expanded its business on the large geographical area and also offers the large range of products. After applying all the ratios the study concludes that Maruti Suzuki ltd. is profitable company in year 2012-13 to 2016-17 because we found that the company is getting profitable return on short term and long term investment the ratio are increases every year and they are in position to pay their debts with their resources. Further study revealed that Tata Motors ltd. is not profitable company in year 2013 to 2018 because the company is not getting profitable return on short term and long term investment the ratio decreases every year and they are not in a position to pay their debts with their resources. In short, the net sales of Maruti Suzuki are higher than net sales of Tata motors. It is good for Maruti Suzuki. The gross profit of Maruti Suzuki is higher than Tata Motors. This means Maruti has more sales. In Maruti Suzuki the proportion of debt is lower as compared to Tata Motors. The earnings per share of Maruti Suzuki are more

than Tata Motors which shows Maruti Suzuki is earning more. After analyzing all the aspects, concern with this research, the study concludes that Maruti Suzuki is better than Tata Motors.

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Authors Profile

Dr. Megha Jain is an Assistant Professor in the area of finance. She is associated with Shri Vaishnav Institute of Management, Indore (M.P) since 2009. She has completed MBA (Financial Administration) from D.A.V.V, Indore in 2007 and Ph.D from Vikram University in 2016. She is having 10 years of teaching experience along with two years of corporate experience. She has more than fifteen publications to her credit and her research articles and case studies have been published in journals of International and National repute. She has taken part in various National and International conferences, workshops,



seminars and faculty development programs and presented papers in various National and International conferences.

Dr. Abhikrati Shukla is currently working as an Asst. Prof at Shri Vaishnav Institute of Management, Indore. Dr. Abhikrati Shukla is a **Gold Medalist in M.A. (Economics) Vikram University, Ujjain for the year 2005**. She is Ph.D in Economics (Social Science).



She has presented research papers in National and International conferences. She has also attended Faculty Development Programmes and Workshops to sharpen research and teaching skills as well.

PROFILE- SWATI GUPTA [Pursuing Ph.d, MBA (Finance & Marketing), BBA] Presently, I have been working with Shri Vaishnav Institute of Management, Indore as Assistant Professor of Finance and Marketing. I have 6 years of teaching experience. In my tenure at SVIM I have attended various national and international conferences as well as Faculty Development Programs and Workshops on case writing, research methodology, entrepreneurship etc. and have eight publications to my credit. I have also been the coordinator of various committees of the institute.

