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A Comparative Study On Financial Analysis Of Maruti Suzuki And Mahindra.

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Abstract

The Indian automobile industry plays a vital role in economic growth, with Maruti Suzuki and Mahindra being dominant players. This study presents a comparative financial analysis, focusing on profitability, liquidity, and trend analysis to assess their financial performance. Using key financial ratios such as net profit margin, return on assets, inventory turnover, current ratio, and debt-equity ratio, the study evaluates the companies' earning capacity, short-term solvency, and financial stability. Trend analysis further examines their growth patterns and market adaptability over time. Additionally, the study incorporates automobile industry ratios and share performance to understand investor confidence and market positioning. The study incorporates automobile industry ratios and share performance to understand company postions , growth of company, and market positioning. This study is based on past financial data, and future performance may change due to market conditions and economic factors.

Keywords:

Financial Analysis, Profitability, Liquidity, Trend Analysis, Automobile Industry Ratios, Share Performance, Market Growth, Maruti Suzuki, Mahindra

INTRODUCTION

Profit is the main and ultimate aim of every business. In accounting, profit is difference between total revenue and total expenses over a period of time. It is the barometer of the success of the business. Lord Keynes remarked 'profit is the engine that drives the business enterprise'. If it is used in a general sense then it is responsible for all economic activities in the society. The survival of business depends upon its earning capacity. The Indian automobile industry is a significant contributor to the country's GDP, with Maruti Suzuki and Mahindra being leading players.

India is a favorable market for small cars, leading in production, sales, and exports. India is Asia's fourth-largest automobile exporter, following Japan, South Korea, and Thailand. In 2017, Indian automobile exports grew by 22.30% with specific growth rates: Two-wheelers: 32.31%Commercial vehicles: 19.10%Passenger cars: -19.10%In FY 2023-24, automobile exports in India increased by 15% compared to the previous year. The study aims to compare the financial performance of Maruti Suzuki and Mahindra over recent years to evaluate their profitability, liquidity, and overall market standing. India is a very favorable market for small cars be it production, sales or export. Since the Indian automobile industry is the largest manufacturer of small

STATEMENT OF THE PROBLEM

The automobile industry is a crucial contributor to the Indian economy, with companies like Maruti Suzuki and Mahindra & Mahindra playing significant roles in shaping the market. While Maruti Suzuki dominates the passenger vehicle segment, Mahindra has a stronghold in utility vehicles and SUVs.

This study aims to conduct a comparative financial analysis of Maruti Suzuki and Mahindra & Mahindra, focusing on key financial parameters such as profitability, liquidity, solvency, efficiency, and market valuation. The objective is to identify financial strengths, weaknesses, and trends that impact their market performance and investment potential. By examining financial statements and key ratios, the study seeks to provide insights into which company exhibits better financial health and stability in the long run.

OBJECTIVES OF THE STUDY

- To compare the financial performance of Maruti Suzuki and Mahindra.
- To know the profitability position of the automobile industry in India.
- To examine the liquidity of position of companies.

SOURCES OF DATA

The selected Indian Automobile companies are used for the study. The required amount of data were collected from capital line database. Other data are getting from the Annual Reports, Journals etc. The Secondary data also made available through trade magazines, books, Internet etc. The aim of data collection is to gain familiarity and to achieve new insights into the financial performance of the Selected Automobile sector (Maruti suzuki and Mahindra).

RESEARCH METHODOLOGY

To achieve the above mentioned objectives of the study, the following tools and methodology have been adopted.

TOOLS USED

Tools used for this study are:

- Profitability Ratio
- Liquidity Ratio
- Trend Analysis

REVIEW OF LITERATURE

Dr W. Saranya and V. Jegath Guru (2022), "A Study on Financial Performance on Mahindra And Mahindra Company" focuses on determining the overall performance of Mahindra and Mahindra Company, assessing its assets, liabilities, income, and expenditure. The core business of Mahindra & Mahindra is manufacturing and selling automobile-related services. Financial analysis helps the firm make decisions and understand its financial aspects, with ratio analysis being the primary tool used. The study reveals insights into profitability, liquidity, operational efficiency, and solvency. The company's net profit position is satisfactory each year, while short-term solvency is measured using the current and quick ratios.

Nithya Sri. M and Mrs. L. Priya (2024), "A Study on Financial Performance Analysis of Selected Automobile Companies in India" aims to identify and evaluate financial risks faced by automobile companies. The research utilizes tools such as trend analysis, ratio analysis, and ANOVA for hypothesis testing. The financial performance study of the chosen automotive industry enhances the understanding of the sector's economic environment while providing a framework for fostering competitiveness and sustainable growth in a rapidly evolving global market.

Dr. S. Uma Maheswari and Mr. J. Ajel Sanyu (2024), "A Study on Financial Performance and Analysis of Maruti Suzuki India Limited Using Ratio and Trend Analysis" examines Maruti Suzuki India Ltd's financial performance over five years (2018-2019 to 2022-2023). The study relies on internal and annual records of the company, offering insights into its operational dynamics, financial health, and areas for improvement. It evaluates financial performance based on profit and loss accounts, using secondary data from the five-year period. Suggestions are provided for improving asset utilization, maintaining profitability, enhancing liquidity management, and strengthening financial structure. Positive net profit and net sales estimates indicate good growth potential in the coming years.

Buvaneshwari. R and Kanimozhi. P (2015) conducted a comparative analysis of liquidity and profitability in the Indian car industry, focusing on Tiruchy. The study utilized financial ratios such as liquidity, profitability, leverage, and efficiency ratios, along with the z-score analysis technique. Findings revealed that Maruti Suzuki India Ltd performed better financially than Hindustan Motors Ltd, maintaining optimal cost positioning and demonstrating superior financial performance.

ANALYSIS OF MARUTI SUZUKI & MAHINDRA

PROFITABILITY RATIO

Year	2020		2021		2022		2023		2024	
Company/ Ratio	Maruti	Mahindra	Maruti	Mahindra	Maruti	Mahindra	Maruti	Mahindra	Maruti	Mahindra
Gross Profit	9.37	6.71	7.79	9.87	6.48	9.22	2.77	9.45	6.17	9.96
Net Profit	0.35	0.06	0.08	0.06	0.20	0.05	0.22	0.04	0.13	0.04
Return On Asset	19.03	25.66	17.57	29.18	13.82	30.37	8.02	33.88	14.65	33.26

LIQUIDITY RATIO

Year	2020		2021		2022		2023		2024	
Company/ Ratio	Maruti	Mahindra	Maruti	Mahindra	Maruti	Mahindra	Maruti	Mahindra	Maruti	Mahindra
Inventory Turnover Ratio	10.25	29.02	11.79	29.19	13.81	25.32	17.89	28.4	19.99	22.40
Current Ratio	1.12	1.42	1.07	1.96	1.16	1.69	0.98	1.33	1.01	1.40
Debt Equity Ratio	0.97	0.68	1.07	0.65	1.38	0.60	1.43	0.50	0.82	0.38

INTERPRETATION

PROFITABILITY RATIO

- Mahindra shows consistent growth, peaking at 9.96% in 2024, while Maruti's fluctuating trend indicates cost pressures, with a dip to 2.77% in 2023 but recovering to 6.17% in 2024.
- Both companies have low but stable net profits, with Maruti peaking at 0.35% in 2020 and Mahindra maintaining a steady 0.04%-0.06% range.
- Mahindra demonstrates stronger asset efficiency, peaking at 33.88% in 2023, while Maruti struggles with volatility, dropping to 8.02% in 2023 but recovering to 14.65% in 2024.

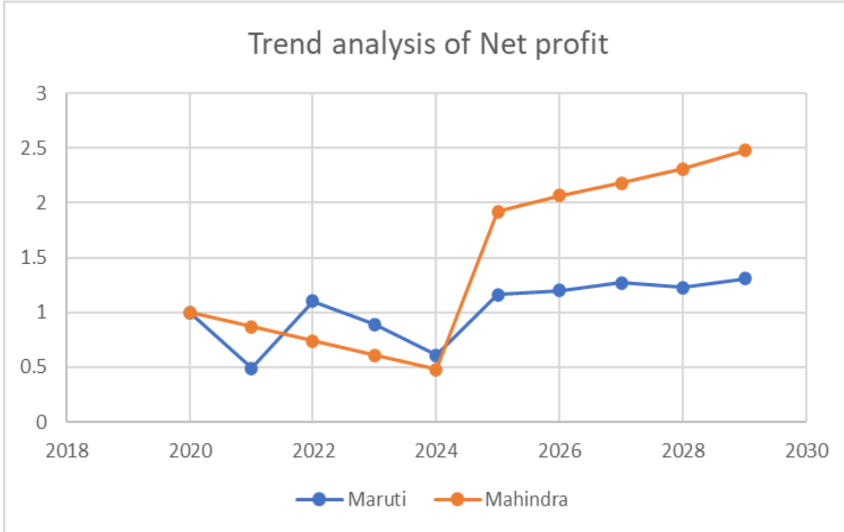
Liquidity Ratios:

- Mahindra consistently outperforms Maruti, indicating better inventory management. However, it declines from 29.19 in 2021 to 22.40 in 2024, while Maruti steadily improves, reaching 19.99 in 2024.
- Mahindra maintains better short-term liquidity, peaking at 1.96 in 2021, while Maruti remains near 1.00, indicating tight liquidity conditions.
- Mahindra follows a declining trend (0.68 in 2020 to 0.38 in 2024), indicating reduced reliance on debt, while Maruti's fluctuating ratio suggests inconsistent capital structuring, peaking at 1.43 in 2023 before dropping to 0.82 in 2024.

TREND ANALYSIS

Trend Analysis Ratio For Net Profit

Year/Company	Maruti	Mahindra
2020	1	1
2021	0.49	0.87
2022	1.10	0.74
2023	0.89	0.61
2024	0.61	0.48
2025	1.16	1.92
2026	1.2	2.07
2027	1.27	2.18
2028	1.23	2.31
2029	1.31	2.48



The trend analysis of net profit shows that both Maruti and Mahindra had fluctuations from 2020 to 2024, with Mahindra experiencing a decline before a sharp increase Post-2025, Mahindra's profitability rises significantly, reaching 2.48 in 2029, while Maruti grows steadily to 1.31, indicating Mahindra's stronger financial recovery and growth momentum. Mahindra's rapid growth suggests better strategic execution and stronger market positioning, while Maruti's steady but slower growth indicates a more stable approach with gradual improvements in profitability.

FINDINGS

Profitability Ratio:

- Mahindra shows steady growth, reaching 9.96% in 2024, whereas Maruti faces fluctuations, hitting a low of 2.77% in 2023 but recovering to 6.17% in 2024.
- Maruti's net profit is higher but inconsistent, peaking at 0.35% in 2020, while Mahindra maintains a low but stable range (0.04%-0.06%).
- Mahindra maintains a strong and growing ROA, peaking at 33.88% in 2023, whereas Maruti struggles with volatility but recovers to 14.65% in 2024.

Liquidity Ratio:

- Mahindra leads in inventory management, despite a decline from 29.19 in 2021 to 22.40 in 2024, while Maruti shows consistent improvement, reaching 19.99 in 2024.
- Mahindra maintains stronger short-term liquidity, peaking at 1.96 in 2021, while Maruti remains around 1.00, indicating tighter liquidity conditions.
- Mahindra steadily reduces debt dependence (0.68 in 2020 to 0.38 in 2024), while Maruti's fluctuating trend suggests inconsistent financial structuring, peaking at 1.43 in 2023 before stabilizing at 0.82 in 2024.

Trend Analysis of Net Profit:

2020-2024: Both companies experience fluctuations, with Mahindra showing a sharper decline before hitting its lowest point (0.48) in 2024, while Maruti remains more stable but relatively lower. 2025-2029: Mahindra exhibits rapid and sustained growth, reaching 2.48 in 2029, indicating strong strategic execution and financial improvements. Maruti follows a steady but slower growth, reaching 1.31 in 2029, reflecting a more gradual financial recovery.

SUGGESTIONS

- Proper composition of net current assets should be sustained by means of the indexes of the companies.
- Proper administration of net current assets should be indispensable for smooth running of business at the same time maximization of assets as well as minimization of liabilities should be preserved.
- Cash management performance should be progressed to improve liquidity position by way of accurate forecasting and scheming of cash.
- To reduce the cost of raw materials Government should supply basic materials at subsidised prices.
- To make more coustomer Study how customer choices and demand for eco-friendly cars influence company growth.

CONCLUSION

Automobile sector reforms have significantly transformed the Indian automobile industry, boosting resource productivity, deposits, credits, and profitability. However, profitability, a key measure of performance, has faced pressure due to the changing business environment. Efficient management of operations is essential to sustain growth and profitability, requiring up-to-date knowledge of the factors influencing company profits.

In recent years, pressures on profitability have increased. Lower profitability may result from inadequate expense control, urging companies to generate sufficient revenue to meet rising costs. Profitability is crucial for survival, and companies must focus on improving performance, delivering quality products and services, and ensuring long-term sustainability.

The study highlights the importance of financial management, market adaptability, and strategic planning for sustaining long-term growth. Future performance will depend on technological advancements, evolving consumer preferences, government policies, and global market conditions. By addressing financial challenges and leveraging industry opportunities, both companies can enhance their competitive positioning in India's evolving automobile sector.

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