

# A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF MARUTI SUZUKI AND SKODA CARS

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## ABSTRACT

The Indian automobile industry has a crucial part in the automobile market in the world. Because of rise in income and increasing number of middle income level, the demand for cars is been increasing. customer attraction, sales rise and profit are the main objective of all automobile industry. We have selected two automobile industry Maruti Suzuki and Skoda. We have attempted to analyze the trend situation in sales and profit for five years working capital is also been used in finding the trend. The main focus has been laid on financial performance of Maruti Suzuki and Skoda car company for the five years from 2013-2017.

Key words: automobile industry, customer attraction, financial performance, Maruti Suzuki, Skoda.

## INTRODUCTION

The Indian automotive industry is one of the leading industries in the world, both in sales volume and in production. After 1930, the manufacturing of cars was started in India. After liberalization Maruti and Suzuki became the first joint ventures of India. After that major foreign companies entered the Indian market, like Hyundai and Honda. After some years India became the hub for auto makers to set up their plants for manufacturing vehicles.

India today is well known for manufacturing vehicles and jobs in automotive industry are tremendously rising. India has become major 3 wheeler and 2 wheeler market in the world. Candidates with a bachelor's degree in mechanical, electrical are eligible to get job in automotive industry. Candidates with a diploma course can also get good job opportunities.

Earlier the end consumer used to pay 26.50% to 44% of tax on cars, bikes. But after the implementation of GST, the taxes have reduced to 18% and 28%. Therefore there will be a lesser burden of tax on the end consumer. The importer / dealers can also claim the GST paid on goods sold and imported. Earlier under VAT and excise duty the importer were not able to collect the claim.

The implementation of GST would reduce the manufacturing cost of cars .Under GST the taxes would be charged on consumption state and not on origin state .which would give a boost to the automotive industry.

The government of India has announced about the make in India policy in the year 2014, and automotive industry is one among the key Industry under the scheme. Automotive mission plan 2020 is focused on bringing automotive industry under the top three of the world in engineering, manufacturing exports of vehicles and growth in value to 12% of India GDP during the next decennary. Now the automobile industry contributes 7.1% ,which will soon increase to 12% ,the automobile industry makes an average production of around 24million vehicles annually and employs over 29 million people ( direct and indirect employment) .The Indian automobile industry contributes almost 48 % to nation's manufacturing GDP .

#### **TREND ANALYSIS:**

This is a tool which is useful to evaluate the trend situation of the business. It is also known as Horizontal Analysis. This technique is financial statement analysis and it shows changes in amount of financial statement corresponding over a period of time.

In simple words it is the change in percentage of one account for two or more years. This method allows trader to predict about the stock in future. Financial conditions of the company, market standing are some of the factors, trader should look into while analyzing the trend analysis of the business.

#### **WORKING CAPITAL:**

The term working capital denotes the capital which is required to run the day to day operations of business .Working capital is calculated by deducting current assets and current liabilities. Working capital means the capital needed by the business to fund the current assets .

#### **OBJECTIVES OF THE STUDY:**

- To compare the Skoda car company and Maruti Suzuki car company sales.
- To analyze the trend analysis of Skoda Car Company and Maruti Suzuki Car Company during the year 2013-2017.
- To find the working capital of both the companies and analyze them.

#### **STATEMENT OF THE PROBLEM :**

The method of financial statement analysis is reviewing the financial position of the company to measure its past ,present and projected future performance .Horizontal analysis is used to

evaluate the trend situation of the company .Earnings per share is the portion of company's profit allotted to each share of stock.

### **SCOPE OF THE STUDY:**

The scope of the study is related to financial performance of Skoda Car company and Maruti Suzuki car company. It takes into account the comparison of last five years. Car company is chosen since there is rapid increase in the number of cars now a day. There is growing demand for cars. An attempt is made to examine the company's financial position.

### **RESEARCH METHODOLOGY:**

#### **SOURCE OF DATA:**

Secondary data is used for the study. Many websites, journals and books has been used for collection of information.

#### **PERIOD OF STUDY:**

Five years (2013-2017) has been taken for study of Skoda Car Company and Maruti Suzuki Car Company.

#### **TOOLS USED FOR STUDY:**

The following two tools have been used for application in the study.

- Trend analysis
- Working capital

## **REVIEW OF LITERATURE**

ShriprakashSoni, GovindChandak January (2017) had presented a paper on fundamental analysis of Car Manufacturing Companies in India for 1.4.2005 to 31.3.2016.Their objectives was to analyze the profitability position of Indian Car Manufacturing Companies in the automobile sector and found Maruti Suzuki India has performed better than any automobile company in parameters like DPS, NPM, ROE.

Vandana Singh August (2017) had presented a paper on growth of Automobile industry and its economic impact. An Indian perspective by using tools like average, percentage, Compound Annual Growth Rate (CAGR), Average Annual Growth Rate (AAGR), correlation, trend analysis, line and bar graph etc. and concluded by all the factors such as trends in automobile industry and impact on the economy in terms of GDP, exports, FDI, employment etc. have positively impacted by the growth of Indian Automobile Industry.

Shivammathur and krati Agarwal which was issued in the year 2016 in international journal of applied research .The objective of their study was to decide the idea of financial analysis and to learn the financial position. Of selected companies on the ratios and parameters .They concluded about the financial analysis of automobile industry and analyzed that maruti Suzuki is better than Tata motors in sales , performance .

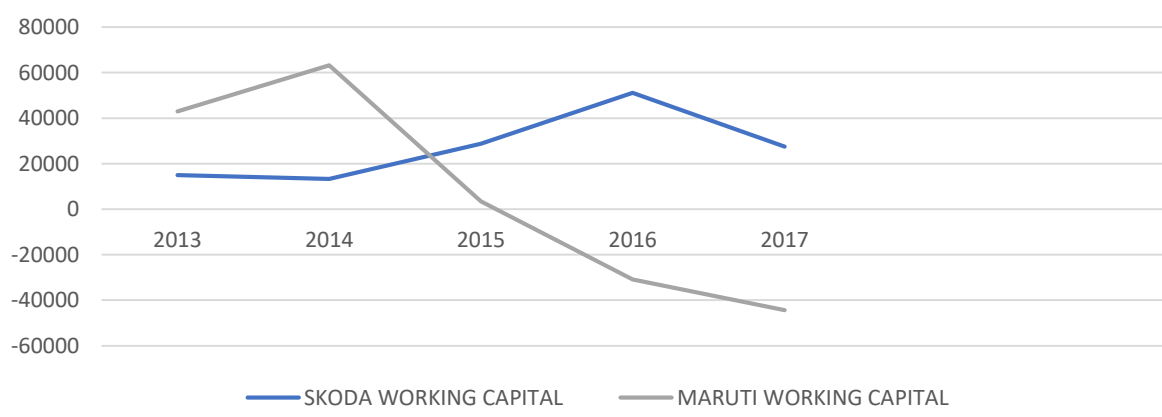
### ANALYSIS AND INTERPRETATION

#### WORKING CAPITAL

| SKODA WORKING CAPITAL |       | MARUTI WORKING CAPITAL |        |
|-----------------------|-------|------------------------|--------|
| 2013                  | 14987 | 2013                   | 43040  |
| 2014                  | 13269 | 2014                   | 63227  |
| 2015                  | 28769 | 2015                   | 3419   |
| 2016                  | 51176 | 2016                   | -30930 |
| 2017                  | 27561 | 2017                   | -44388 |



Chart Title



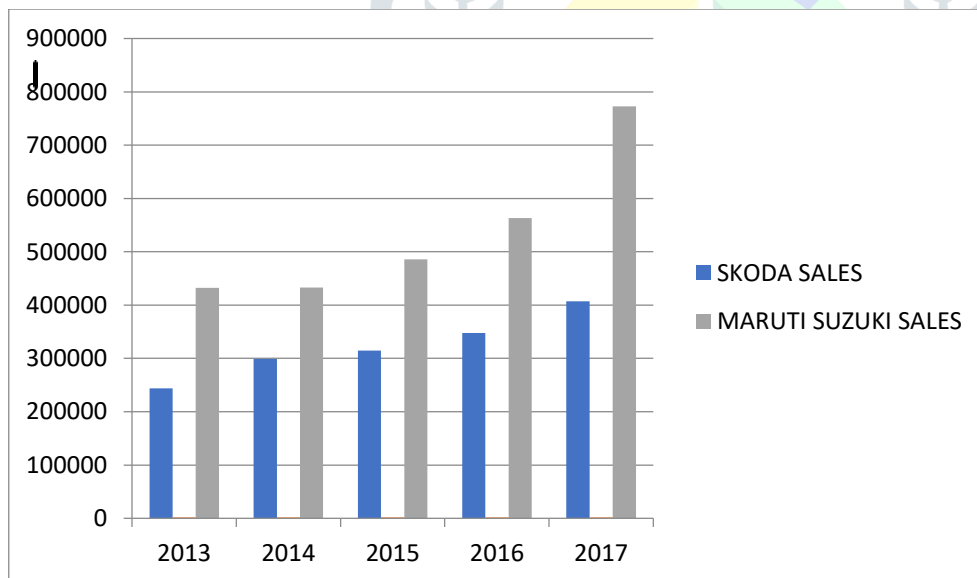
#### INTERPRETATION:

This is required for day to day operations of business . From the above table ,working capital available for skoda cars is positive for five years .In maruti Suzuki ,the cash available for day to day operation is positive

for 3 years .Thus skoda follows a good performance in maintenance of cash when compared to maruti Suzuki

**SALES OF SKODA AND MARUTI SUZUKI CARS**

| YEAR | SKODA SALES | YEAR | MARUTI SUZUKI SALES |
|------|-------------|------|---------------------|
| 2013 | 243,624     | 2013 | 432,159             |
| 2014 | 299,318     | 2014 | 432,718             |
| 2015 | 314,894     | 2015 | 486,055             |
| 2016 | 347,987     | 2016 | 563,504             |
| 2017 | 407,400     | 2017 | 773,164             |

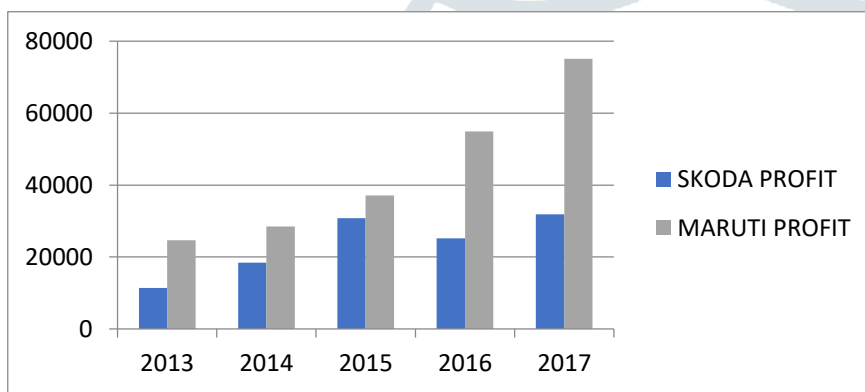


**INTERPRETATION:**

While comparing the sales of maruti Suzuki and skodacars,the sales of maruti has been increasing tremendously when compared to skoda sales .This is due to maruti's better performance in product satisfaction since it is a economical vehicle,the sales of maruti is always in demand

## PROFIT OF MARUTI SUZUKI AND SKODA CARS

| YEAR | SKODA PROFIT | YEAR | MARUTI PROFIT |
|------|--------------|------|---------------|
| 2013 | 11386        | 2013 | 24692         |
| 2014 | 18421        | 2014 | 28529         |
| 2015 | 30816        | 2015 | 37112         |
| 2016 | 25163        | 2016 | 54972         |
| 2017 | 31841        | 2017 | 75110         |



### . INTERPRETATION:

While attempting to compare the profit earned from maruti Suzuki and skoda cars ,it is clearly shown from the above table the profit for both the companies is increasing ,but maruti profit is higher when compared to skoda .The reason is the cost efficient of maruti vehicles

### SUGGSTIONES

- The company should improve the current assets ,which will improve the working capital of the company.
- Both the companies should bring new policies to lead its competitors and to also increase the profit of the company .
- Debt equity ratio of skoda is more as compared to maruti Suzuki so skoda should decrease external financing and try to increase the internal financing
- Ideal quick ratio of maruti Suzuki and skoda has unable to reach the optimum level .
- Maruti Suzuki should try to maintain the level of sales for the upcoming years in order to compete skoda

### FINDINGS

- Maruti Suzuki's working capital is not effectively used in 2016 ,2017 .
- The sales of both the companies are increasing tremendously over the years.
- The comparative balance sheet shows the value of assets have increased for maruti Suzuki when compared to the previous years .
- Debt equity ratio of skoda is higher than Maruti suzuki

## CONCLUSION

From the above figures it is understood that the sales and profit of maruti Suzuki are higher because it is an economic vehicle . Skoda has performed well in maintaining its working capital. Maruti has failed to use working capital effectively for 3 years . Skoda has not paid its debt for 1 year and the current assets of maruti are higher when compared to skdoa .Thus to improve the overall performance of the company the management should implement new policies and plans .

## REFERENCE

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