

# COMPARATIVE SHORT TERM RATIO ANALYSIS BETWEEN MARUTI SUZUKI AND HYUNDAI

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**Abstract:** The two leading giants from the automobile sector in the Indian economy are fighting for the market share and profitability and the following paper gives a financial study of the short term ratio analysis of both the companies and comparing their financial performances and to conclude whether the market share is doing it for the companies or there is any impact on the performance of the companies

**Index Terms -** Quick Ratio, Current Ratio, Financial Analysis, Financial Comparison

## OBJECTIVES OF THE STUDY

1. To make the short term financial analysis of Maruti Suzuki
2. To make short term financial analysis of Hyundai
3. To make comparative short term ratio analysis between Maruti Suzuki and Hyundai

## I. INTRODUCTION

Maruti Suzuki and Hyundai are the two leading automobile giants in the Indian economy but for Hyundai it looks bit difficult to overtake Maruti Suzuki as Hyundai only cover approximately 20% market and Maruti covers more than 50% of market in India and that adds to the flavor that every 2<sup>nd</sup> car sold in India is manufactured by Maruti Suzuki but the fascinating thing is both the companies have manufactured cars for the middle-middle class and upper-middle class but yet still to capture the elite class in India and the most loved car in Europe is Hyundai so both the cars have their loyal customers but in two different part of the world. But coming on to the lifeline of the business that is finance both the companies are doing really good they both have stabilized sources of earnings and the improved profitability has added to the value of both the companies signifying that they are not out of the competition at any point of the time.

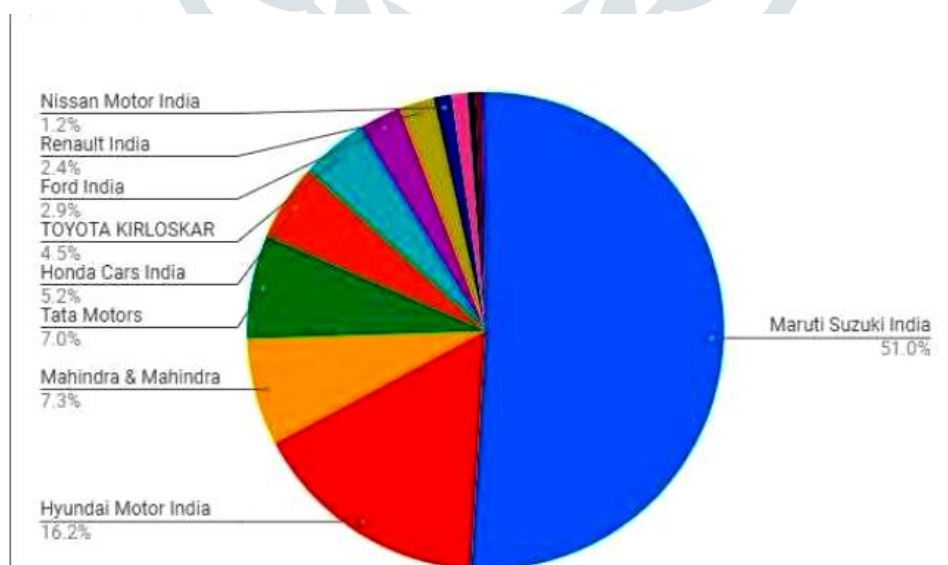


Fig. 1: Comparative Short Term Ratio Analysis

The inter company and intra company analysis is done on the basis of liquidity ratios and the ratios considered under liquidity analysis are a) Current ratio b) Quick ratio

Table-2 Consolidated Balance sheet of Maruti Suzuki

<b>Maruti Suzuki India</b>						
<b>Consolidated Balance Sheet</b>		<b>----- in Rs.</b>				
		<b>Mar 18</b>	<b>Mar 17</b>			
		<b>12 mths</b>	<b>12 mths</b>			
<b>EQUITIES AND LIABILITIES</b>						
<b>SHAREHOLDER'S FUNDS</b>						
Equity Share Capital		151.00	151.00			
Total Share Capital		151.00	151.00			
Reserves and Surplus		42,408.40	36,924.10			
Total Reserves and Surplus		42,408.40	36,924.10			
Total Shareholders Funds		42,559.40	37,075.10			
Minority Interest		16.10	15.40			
<b>NON-CURRENT LIABILITIES</b>						
Long Term Borrowings		10.00	0.00			
Deferred Tax Liabilities [Net]		602.00	505.80			
Other Long Term Liabilities		1,585.90	1,105.50			
Long Term Provisions		26.50	21.90			
Total Non-Current Liabilities		2,224.40	1,633.20			
<b>CURRENT LIABILITIES</b>						
Short Term Borrowings		110.80	483.60			
Trade Payables		10,499.30	8,369.20			
Other Current Liabilities		4,277.50	3,934.20			
Short Term Provisions		560.90	449.80			
Total Current Liabilities		15,448.50	13,236.80			
Total Capital And Liabilities		60,248.40	51,960.50			
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Tangible Assets		13,077.10	12,937.70			
Intangible Assets		311.70	373.00			
Capital Work-In-Progress		2,132.10	1,252.30			
Fixed Assets		15,520.90	14,563.00			
Non-Current Investments		34,905.80	26,971.80			
Long Term Loans And Advances		0.20	0.30			
Other Non-Current Assets		1,891.50	1,627.40			
Total Non-Current Assets		52,318.40	43,162.50			
<b>CURRENT ASSETS</b>						
Current Investments		1,217.30	2,178.80			
Inventories		3,160.20	3,263.70			
Trade Receivables		1,465.40	1,202.60			
Cash And Cash Equivalents		74.00	23.50			
Short Term Loans And Advances		3.00	2.50			
OtherCurrentAssets		2,010.10	2,126.90			
Total Current Assets	<b>7,930.00</b>	<b>8,798.00</b>	<b>7,951.10</b>			
Total Assets	<b>60,248.40</b>	<b>51,960.50</b>	<b>42,725.50</b>			
<b>OTHER ADDITIONAL INFORMATION</b>						
<b>CONTINGENT LIABILITIES, COMMITMENTS</b>						
Contingent Liabilities		6,743.60	9,516.60			
Non-Current Investments Quoted Market		1,027.40	0.00			
Non-Current Investments Unquoted Book		26,170.30	0.00			
<b>CURRENT INVESTMENTS</b>						
Current Investments Unquoted Book		2,178.80	1,141.30			

**Liquidity Analysis of Maruti Suzuki****On the basis of Current Ratio and Quick Ratio**

Current Ratio=Current Assets/Current Liabilities

Quick Ratio=Current Assets-Inventories

**For 2018**

Current Ratio=8798/15448.50

=0.57:1

Quick Ratio=5637.8/15448.50

=0.36:1

**For 2017**

Current Ratio=7951.1/13236.8

=0.60:1

Quick Ratio=4687.4/13236.80

=0.35:1

**Observations for Maruti Suzuki**

- 1) Inventory holds a major portion in current assets
- 2) There is constant rise in short term liabilities and at the end of Financial Year 2018 the short term liabilities have risen up by 16.7%
- 3) There is rise of 10.65% of current assets at the end of Financial Year 2018
- 4) In comparing financial year 2017 and 2018 there is fall in current ratio because the rise in current liabilities is much more higher in %age than current assets
- 5) But on the other hand there is rise in quick ratio because there is fall in value of inventories and rise in trade receivables and hence there is rise in quick ratio



**Table-3: Consolidated Balance sheet of Hyunda**  
 HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018 AND 2017

ASSETS	NOTES	December 31, 2018	December 31, 2017		
			(In millions of Korean Won)		
Current assets:					
Cash and cash equivalents	19	₩	9113625	₩	8821529
Short-term financial instruments	19		7936319		7745829
Other financial assets	5,19		9755725		12886769
Trade notes and accounts receivable	3,19		3595993		3838043
Other receivables	4,19		3291847		3007869
Inventories	6		10714858		10279904
Current tax assets			97271		91263
Financial services receivables	13,19		25864589		25536188
Non-current assets classified as held for sale	8		867192		29068
Other assets	7,19	1770682		1739452	
Total current assets		73008101		73975914	
Non-current assets:					
Long-term financial instruments	19		112394		145277
Other financial assets	5,19		2223358		2512409
Long-term trade notes and accounts receivable	3,19		136777		123933
Other receivables	4,19		755088		1227602
Property, plant and equipment	9		30545608		29827142
Investment property	10		189334		199498
Intangible assets	11		4921383		4809336
Investments in joint ventures and associates	12		17143239		17252338
Deferred tax assets	33		1846330		1123902
Financial services receivables	13,19		28637075		25631830
Operating lease assets	14		20425766		20727950
Other assets	7,19	711299		642323	
Total non-current assets		107647651		104223540	
Total assets		₩	180655752	₩	178199454
LIABILITIES AND EQUITY	NOTES	December 31, 2018	December 31, 2017		
			(In millions of Korean Won)		
Current liabilities:					
Trade notes and accounts payable	19	₩	7655630	₩	6483875
Other payables	19		5425460		5040057
Short-term borrowings	15,19		12249850		9959654
Current portion of long-term debt and debentures	15,19		14104927		13098547
Income tax payable			150802		151525
Provisions	16		3291868		1809978
Other financial liabilities	17,19		44288		25652
Non-current liabilities classified as held for sale	8		719396		-
Other liabilities	18,19	5796193		6591421	
Total current liabilities		49438414		43160709	
Non-current liabilities:					
Long-term other payables	19		20319		19189
Debentures	15,19		36956114		36454192
Long-term debt	15,19		9985250		12488137
Net defined benefit liabilities	34		433247		157213
Provisions	16		3508036		4844463
Other financial liabilities	17,19		297506		438070
Deferred tax liabilities	33		3320346		3234707
Other liabilities	18,19	2800510		2645420	
Total non-current liabilities		57321328		60281391	
Total liabilities		106759742		103442100	
Equity:					
Capital stock	20		1488993		1488993
Capital surplus	21		4201214		4201214
Other capital items	22		-1155244		-1640096
Accumulated other comprehensive loss	23		-3052198		-2278955
Retained earnings	24		66490082		67332328
Equity related to assets classified as held for sale	8,23	1122			-
Equity attributable to the owners of the Company		67973969		69103484	
Non-controlling interests		5922041		5653870	
Total equity		73896010		74757354	
Total liabilities and equity		₩	180655752	₩	178199454
(Concluded)					

(All the calculations are done in INR for the easy comparisons and conversion rate is considered at 0.058 INR)

### Liquidity Analysis for Hyundai

#### On the basis of Current Ratio and Quick Ratio

#### For 2017

Current Ratio=4290603.012/2503321.122  
 =1.71:1

Quick Ratio=3494368.58/2503321.122

=1.47:1

#### For 2018

Current Ratio=4234469.858/2867428.012

=1.47:1

Quick Ratio=3613008.094/2867428.012

= 1.26:1

#### Observations for Hyundai

- 1) There is fall in current assets by 1.31 % (Approx) and rise in current liabilities by 14.54% (Approx.)
- 2) There is rise in inventory by 4.23% (Approx)
- 3) Share of inventory in Financial Year 2018 in total CA is 14.67%
- 4) Fall in CR due to rise in CL in higher %age
- 5) Fall in QR due to rise in CL in higher %age

Table-4: Comparison between Maruti Suzuki and Hyundai

Financial Comparison between Maruti Suzuki and Hyundai				
	2017		2018	
Basis of Comparison	Maruti Suzuki	Hyundai	Maruti Suzuki	Hyundai
Current Ratio Analysis	0.60:1	1.71:1	0.57:1	1.47:1
Quick Ratio Analysis	0.35:1	1.47:1	0.36:1	1.26:1
Inventory Analysis	35.91%	13.89%	41.04%	14.67%
Current Assets Analysis	7951.1	4290603.012	8798	4234469.858
Current Liabilities Analysis	13236.8	2503321.122	15448.5	2867428.012

#### Observations

- 1) On the comparison with current ratio both the companies are not able to meet the theoretical benchmark of 2:1 but still the Hyundai company is in good position than Maruti Suzuki
- 2) Same is the situation is in quick ratio and Hyundai has the upper hand in matching the theoretical bench mark of 1:1
- 3) Both the companies are not able to manage the contribution of inventory in the current assets
- 4) Fall in the current assets and rise in current liabilities has been trend for both the companies
- 5) But in the comparison of short term solvency amongst the two giants Hyundai has the upper hand

## II. CONCLUSION

It can be concluded that both the automobile giants have done and are doing best to their potential in maintaining their market and the comparison chart of the short term ratios have even clarified so far that Hyundai is having the upper hand but yes the observations have been provided and the thing is to be notified that Maruti Suzuki is the one of the oldest companies in India providing best quality goods at affordable prices in comparison to Hyundai and on the other hand Hyundai is also putting the effort to provide good quality products at affordable prices and hence trying to penetrate the market with its customer base but all in all with this 2 year small COMPARISON IS CAN BE CONCLUDED THAT HYUNDAI IS HAVING UPPER HAND IN THE BATTLE OF FINANCIAL COMPARISON

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## ABBREVIATIONS

CR-Current Ratio

QR-Quick Ratio

CA-Current Assets

CL-Current Liabilities

FY-Financial Year

## ANNEXURES

Table-1 Passenger vehicles market share 2018

Table-2 Consolidated Balance sheet of Maruti Suzuki

Table-3 Consolidated Balance sheet of Hyundai

Table-4 Comparison between Maruti Suzuki and Hyundai