A STUDY OF FINANCIAL PERFORMANCE OF AUTOMOBILE INDUSTRY WITH SPECIAL REFERENCE TO MAHINDRA & MAHINDRA LTD. AND MARUTI SUZUKI INDIA LTD.

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Abstract
The financial performance of the automobile industry is a critical indicator of its overall health and sustainability. This study examines the financial performance of Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd., two leading automobile companies in India, using financial ratio analysis, profitability trends, and liquidity assessment to evaluate their financial stability and growth trajectory. By analysing key financial metrics such as revenue growth, net profit margins, return on assets, and debt-equity ratios, the research provides insights into the financial strengths and weaknesses of both companies. The findings aim to help investors, stakeholders, and policymakers make informed decisions regarding investment and strategic planning in the automobile sector, concluding with a comparative analysis that highlights the competitive positioning of both firms in India's evolving automotive landscape.
Keywords*: Financial Performance, Automobile Industry, Ratio Analysis.*

Introduction:
Financial performance analysis is a crucial tool for evaluating how effectively a company utilizes its resources, manages liquidity, and maximizes profitability. It plays a vital role in business growth, investor confidence, and maintaining market competitiveness. Various financial metrics, such as profitability ratios, liquidity ratios, and leverage ratios, help assess a company’s financial health. Ratio analysis, in particular, expresses the relationship between two accounting figures, allowing users to draw conclusions regarding a company’s performance, strengths, and weaknesses. Such a study is instrumental for investors in understanding the dynamics of the automotive sector and making informed investment decisions (Priyanka R Gowda, 2017). The Indian automobile industry is a significant contributor to the country's GDP, employment, and technological advancements. With increasing demand, particularly for SUVs, the sector has experienced substantial growth. The Indian automotive industry holds a notable position in the national economy, ranking first globally in the production of three-wheelers, second in two-wheelers, fourth in commercial vehicles, and ninth in passenger vehicles production (M. Jegadeeshwaran, 2018). Furthermore, the Indian automobile sector has witnessed considerable foreign direct investment (FDI) inflows. Between April 2000 and February 2015, the industry attracted FDI worth US $12,232.06 million, as reported by the Department of Industrial Policy and Promotion (DIPP). The Indian government actively supports FDI, allowing 100% foreign investment in the automobile sector. Policies such as reducing excise duty on automobiles from 12% to 8% under the ‘Make in India’ initiative have further propelled industry growth (Manoj Kumara, 2015). This study analyses the financial performance of Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd. using ratio analysis. By examining their financial statements, it assesses profitability, liquidity, and stability, providing insights for investors, policymakers, and industry stakeholders to make informed decisions.

Review of Literature:
The financial performance of the automobile industry is a key indicator of its stability, profitability, and long-term growth. Several studies have explored the financial health of automobile firms using various performance metrics. This research focuses on Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd., aiming to assess industry trends, compare their financial performance, and analyse their stock market movements. Manoj Kumara (2015) examined the financial stability of private automobile companies in India from 2007-08 to 2014-15, focusing on liquidity, profitability, solvency, and overall performance. His study, based on ET 500 rankings and financial reports, identified key strengths and weaknesses, providing insights for investors and industry stakeholders. Similarly, Priyanka R Gowda (2017) assessed the financial performance of nine major Indian automobile companies between 2012 and 2016 using ratio analysis. Her study emphasized risk assessment, return rates, and financial trends, helping understand the sector's financial health and its contribution to industry growth.

Gandhi (2017) conducted a comparative profitability analysis of Tata Motors Ltd. and Mahindra & Mahindra Ltd. from 2005-06 to 2014-15 using ratio analysis and statistical tools. The study revealed declining net profits for Tata Motors, while Mahindra & Mahindra demonstrated strong financial growth. The use of ANOVA confirmed significant differences in key financial indicators like net profit ratio, return on assets (ROA), and earnings per share (EPS). Similarly, M. Jegadeeshwaran (2018) analysed the profitability and solvency of select Indian automobile companies using ratio analysis and statistical regression. His findings pointed to weak short-term solvency, fluctuating debt-equity ratios, and the necessity for improved debt management, recommending strategies such as cost control and enhanced asset utilization.

Further, Diptendu Simlai (2019) explored the financial health of India's top automobile firms over six years, evaluating key financial ratios such as gross profit (GP), net profit (NP), return on capital employed (ROCE), and EPS. His research highlighted the importance of solvency, liquidity, and efficiency in sustaining financial stability, proposing strategies to strengthen financial performance and maintain competitive growth. These studies provide a strong foundation for analysing Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd., offering insights into their financial strengths and areas requiring improvement.

Research Problem and Objectives of the Study:

The automobile industry significantly contributes to economic growth, innovation, and societal development, with Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd. playing key roles. Evaluating their financial stability and operational efficiency is essential to understanding their overall impact. This study assesses their financial health through profitability, liquidity, and solvency indicators, identifying strengths and weaknesses to provide valuable insights for stakeholders. The present research study aims to accomplish the following objectives:

1. To study the financial performance of Indian Automobile Industries (Mahindra and Mahindra Ltd. and Maruti Suzuki India Ltd.)
2. To compare the financial performance of the Mahindra and Mahindra Ltd. and Maruti Suzuki India Ltd.

Research Methodology:

This study follows a descriptive research design to assess the financial performance of Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd. from 2021-22, 2022-23 to 2023-24. It utilizes primary data through interviews and secondary data from financial reports, stock market sources (NSE, BSE), and journals. Ratio analysis and financial tools evaluate profitability, liquidity, solvency, and efficiency. A random sampling technique focuses on these two companies, aiming to provide insights for investors, policymakers, and industry professionals.

Analysis and Interpretation of Data:

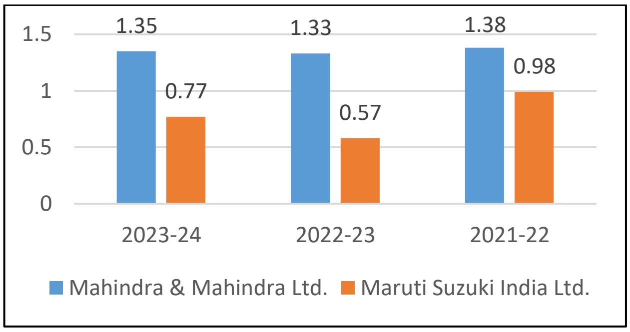
The collected secondary data from the AGM reports of the respective industry under study is analysed to draw the valid results:

1. Financial Analysis based on Current Ratio:

Table No. 1. Table showing Current Ratio of M&M Ltd. and Maruti Suzuki India Ltd.

Years	Current Ratio	
	Mahindra & Mahindra Ltd	Maruti Suzuki India Ltd
2023-24	1.35	0.77
2022-23	1.33	0.57
2021-22	1.38	0.98

(Source: Secondary Data)



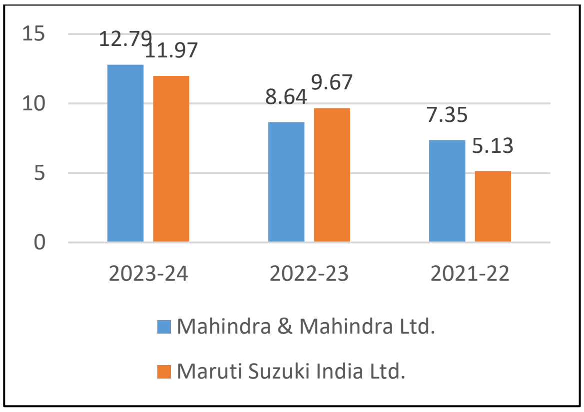
Graph No. 1. Graph Showing Current ratio:

Interpretation: From the above data analysis, Mahindra & Mahindra maintains a strong financial position with a stable current ratio above 1 (1.35 in 2023-24, 1.33 in 2022-23, and 1.38 in 2021-22), ensuring it can meet short-term expenses. In contrast, Maruti Suzuki's liquidity is improving but remains a challenge, with a current ratio below 1 (0.77 in 2023-24, 0.58 in 2022-23, and 0.99 in 2021-22), indicating potential difficulty in covering short-term obligations.

2. Financial Analysis based on Return on Assets Ratio:

Years	Return on Assets Ratio	
	Mahindra & Mahindra Ltd	Maruti Suzuki India Ltd
2023-24	12.79 %	11.97 %
2022-23	8.64 %	9.67 %
2021-22	7.35 %	5.13 %

Table No. 2. Table showing Return on Assets Ratio of M&M Ltd. and Maruti Suzuki India Ltd.
(Source: Secondary Data)



Graph No. 2. Graph Showing Return on Assets Ratio:

Interpretation: From the above data analysis, Mahindra & Mahindra has been consistently improving its profitability, using its assets more efficiently to grow from 7.35% ROA in 2021-22 to 12.79% in 2023-24. Maruti Suzuki has also made big strides, increasing its ROA from 5.13% to 11.97% in the same period. This means both companies are getting better at turning their assets into profits, with Mahindra & Mahindra showing steady growth**,** while Maruti Suzuki has picked up pace more recently.

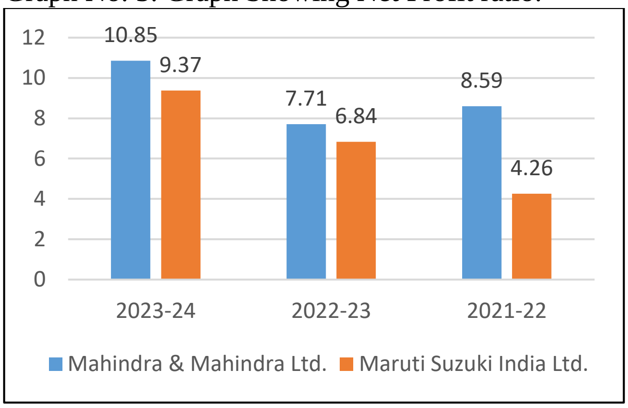
3. Financial Analysis based on Net Profit Ratio:

Table No. 3. Table showing Net Profit Ratio of M&M Ltd. and Maruti Suzuki India Ltd.

Years	Net Profit Ratio	
	Mahindra & Mahindra Ltd	Maruti Suzuki India Ltd
2023-24	10.85 %	9.37 %
2022-23	7.71 %	6.84 %
2021-22	8.59 %	4.26 %

(Source: Secondary Data)

Graph No. 3. Graph Showing Net Profit ratio:

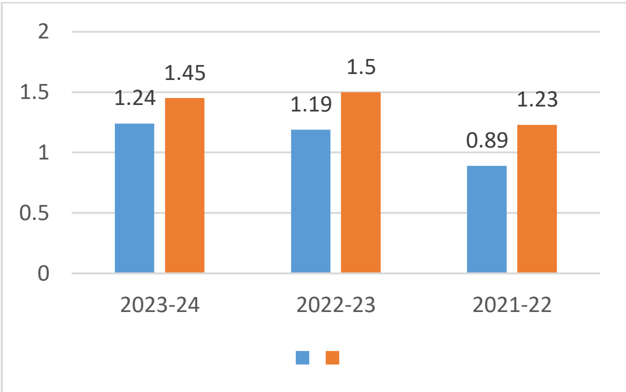


Interpretation: From the above data analysis, Mahindra & Mahindra and Maruti Suzuki have improved their profitability, reflecting stronger financial performance. Mahindra & Mahindra's net profit ratio increased from 7.71% in 2022-23 to 10.85% in 2023-24, showing better revenue-to-profit conversion. Similarly, Maruti Suzuki's ratio rose from 4.26% in 2021-22 to 9.37% in 2023-24, indicating improved cost control and revenue management.

4. Financial Analysis based on Total Asset Turnover Ratio:

Years	Total Asset Turnover Ratio	
	Mahindra & Mahindra Ltd	Maruti Suzuki India Ltd
2023-24	1.24	1.45
2022-23	1.19	1.50
2021-22	0.89	1.23

Table No. 4. Table showing Total Asset Turnover Ratio of M&M Ltd. and Maruti Suzuki India Ltd.
(Source: Secondary Data)



Graph No. 4. Graph Showing Total Asset Turnover ratio:

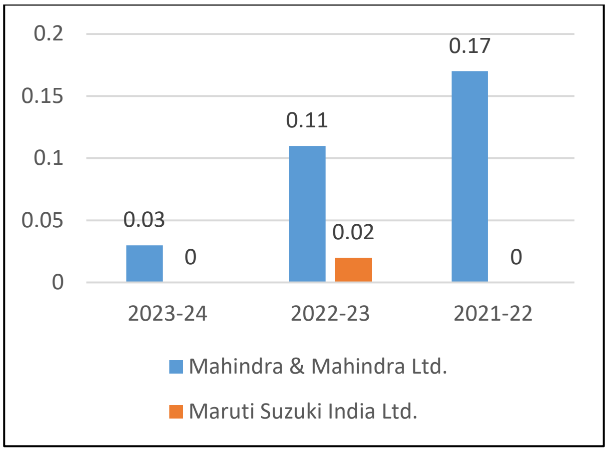
Interpretation: From the above data analysis, Mahindra & Mahindra's Total Asset Turnover Ratio improved from 0.89 in 2021-22 to 1.24 in 2023-24, showing better asset utilization. Maruti Suzuki maintained a higher ratio, rising to 1.50 in 2022-23 before slightly declining to 1.45 in 2023-24. This indicates that both companies have enhanced efficiency, with Maruti continuing to lead in asset utilization.

5. Financial Analysis based on Debt to Equity Ratio:

Table No. 5. Table showing Debt to Equity Ratio of M&M Ltd. and Maruti Suzuki India Ltd.

Years	Debt to Equity Ratio	
	Mahindra & Mahindra Ltd	Maruti Suzuki India Ltd
2023-24	0.03	0.00
2022-23	0.11	0.02
2021-22	0.17	0.00

(Source: Secondary Data)



Graph No. 5. Graph Showing Debt to Equity ratio:

Interpretation: From the above data analysis, Mahindra & Mahindra and Maruti Suzuki have reduced their debt, improving financial stability. Mahindra & Mahindra's ratio dropped from 0.17 to 0.03, showing minimal reliance on debt, while Maruti Suzuki's fell to 0.00, meaning it operates entirely on its own funds.

Conclusions, Suggestions & Recommendations:

After conducting this research data analysis, the following conclusions, suggestions and recommendations were drawn by the researchers:

Mahindra & Mahindra Ltd. maintains stronger liquidity than Maruti Suzuki India Ltd., though the latter has shown gradual improvement. Both companies have enhanced profitability, with Mahindra & Mahindra demonstrating steady growth and Maruti Suzuki making notable recent gains. While Mahindra & Mahindra has improved asset utilization, Maruti Suzuki continues to generate higher revenue from assets. Effective debt management is evident, with Maruti Suzuki achieving a debt-free status. Their strong stock market performance reflects growing investor confidence.

Maruti Suzuki should strengthen its liquidity by improving short-term financial planning and maintaining a current ratio above. Both companies must focus on cost optimization to sustain profitability. Mahindra & Mahindra should enhance asset utilization to match Maruti Suzuki's strong turnover. Additionally, reducing debt reliance while ensuring sustainable growth will further strengthen Mahindra & Mahindra's financial position.

To enhance financial performance, Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd. should focus on improving liquidity, profitability, and innovation. Maruti Suzuki must strengthen its short-term financial planning to maintain a stable current ratio, while Mahindra & Mahindra should optimize asset utilization and reduce debt dependence. Both companies should invest in research and development, particularly in electric vehicles, to stay competitive. Additionally, adopting digital transformation and automation can enhance operational efficiency and financial sustainability. Prioritizing cost optimization and market expansion will further strengthen their long-term growth.

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