



## Working Capital Analysis Of Maruti Suzuki

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### Abstract

Effective working capital management is crucial for maintaining financial stability and ensuring operational efficiency in any business. The study focuses on analyzing the working capital management of maruti suzuki india limited over the past five years. The research evaluates the key components of working capital, including current assets, current liabilities, inventory management, receivables, and cash flow trends. Various financial ratios, such as liquidity ratios, working capital turnover, and solvency indicators, are used to assess the impact of working capital on the company's financial performance. The findings indicate that maruti suzuki has demonstrated efficient working capital management, reflected in its positive liquidity position, optimized inventory control, and effective receivables and payables management. However, certain areas, such as fluctuations in liquidity ratios and dependency on short-term financing, require attention. Based on the analysis, recommendations have been provided to enhance working capital efficiency and improve financial stability. The study contributes to understanding the role of working capital in improving profitability and sustainability in the automobile sector, particularly for large-scale manufacturers like maruti suzuki.

*Key words: maruti suzuki, financial, solvency, inventory.,*

### Introduction

Working capital management plays a crucial role in maintaining a company's liquidity, operational efficiency, and profitability by effectively managing current assets and liabilities. It ensures smooth business operations, reduces financial risks, and enhances cash flow, which is particularly essential for capital-intensive industries like the automobile sector. Maruti suzuki india limited, the largest automobile manufacturer in india, relies on efficient working capital management to sustain production, manage supplier payments, and optimize inventory levels. This study examines the company's working capital trends over the past five

Years (2019–2024), assessing its impact on financial performance through liquidity ratios, inventory turnover, receivables and payables management, and cash flow analysis

### Objectives of the study

- ❖ To analyse the working capital trends of maruti suzuki over the last five years.
- ❖ To evaluate the impact of working capital management on the company's financial performance.
- ❖ To assess the efficiency of inventory, receivables, and payables management.



- ❖ To examine the company's liquidity and solvency position through financial ratio analysis.

### Scope of the study

This study focuses on analyzing the working capital management of maruti suzuki india limited over the past five years (2019–2024). It examines key components of working capital, including current assets, current liabilities, inventory management, receivables, payables, and cash flow trends. The study evaluates how efficiently maruti suzuki manages its short-term financial obligations while maintaining liquidity and operational stability. Additionally, various financial ratios, such as current ratio, quick ratio, working capital turnover, and solvency indicators, are used to assess the company's financial health. The scope also extends to analyzing the working capital cycle and its impact on profitability and operational efficiency.

### Research methodology

This study follows a quantitative approach, analyzing maruti suzuki's balance sheets, financial statements, and key financial ratios from the past five years. The data is collected from annual reports, stock market disclosures, and financial databases. Comparative and trend analysis methods are used to interpret the results and derive meaningful insights.

### limitations of the study

- The study is limited to publicly available financial data and does not consider confidential company strategies.
- It focuses on historical data (2019-2024) and may not reflect future trends.
- External factors such as economic conditions, government policies, and market disruptions are not fully accounted for in the analysis.

### Studies on working capital management and financial performance

Smith (1980) emphasized that efficient working capital management improves a firm's liquidity and profitability by maintaining an optimal balance between current assets and liabilities. The study highlighted the importance of cash flow management in ensuring business sustainability.

Deloof (2003) examined the relationship between working capital and firm profitability in belgium and found that firms with shorter cash conversion cycles tend to be more profitable. The study suggested that companies should minimize their receivable collection period to enhance profitability.

Lazaridis and tryfonidis (2006) analyzed greek firms and confirmed that working capital components, such as receivables, inventory, and payables, significantly influence profitability. Their findings suggested that firms should adopt strategies to reduce their cash conversion cycle.

### Studies on working capital in the automobile industry

Ganesan (2007) conducted a study on the automobile industry and found that working capital management efficiency directly impacts financial health. The study emphasized that companies with a well-structured working capital strategy experience fewer financial constraints and better operational efficiency.

Sharma and kumar (2011) explored the impact of working capital on profitability in indian firms, including the automobile sector. They found that maintaining an optimal level of working capital is crucial for improving financial performance and market competitiveness.



Studies on financial ratios and working capital efficiency

Eljelly (2004) studied liquidity management and found a strong negative relationship between profitability and liquidity ratios such as the current ratio and quick ratio. The study highlighted the need for firms to maintain a balance between liquidity and profitability.

### Analysis and interpretation

#### Trend analysis of working capital components (₹ crore)

| Year | Current assets | Current liabilities | Net working capital (nwc) | Percentage change in nwc |
|------|----------------|---------------------|---------------------------|--------------------------|
| 2020 | 16,785         | 24,142              | -7,357                    | —                        |
| 2021 | 18,203         | 17,300              | 903                       | +112.3%                  |
| 2022 | 17,630         | 18,975              | -1,345                    | -249%                    |
| 2023 | 15,669         | 22,767              | -7,098                    | -427.8%                  |
| 2024 | 22,613         | 25,952              | -3,339                    | +53.0%                   |

#### Interpretation:

- **Current assets & liabilities:** there was a **sharp increase in current liabilities from 2022 to 2024**, indicating higher short-term obligations.
- **Net working capital:** a **negative nwc** from 2022 to 2024 suggests **higher reliance on short-term liabilities**. However, the **53% improvement in 2024** indicates better working capital management.

#### Working capital efficiency (fy 2024, ₹ crore)

| Company             | Current ratio | Net working capital (nwc) | Inventory turnover ratio |
|---------------------|---------------|---------------------------|--------------------------|
| Maruti suzuki       | 0.90          | -3,339                    | 4.2                      |
| Hyundai motors      | 1.15          | 2,120                     | 3.8                      |
| Tata motors         | 1.08          | 1,890                     | 4.0                      |
| Mahindra & mahindra | 1.02          | 1,275                     | 3.6                      |

#### Interpretation:

- **Maruti suzuki operates with a negative working capital strategy**, relying on supplier credit.
- **Hyundai and tata motors maintain a healthier working capital position**, ensuring better liquidity.

**Inventory turnover is highest for maruti suzuki, showing efficient inventory management.**



### Financial indicators – maruti suzuki vs. Competitors (₹ crore)

| Company               | 2019   | 2020   | 2021   | 2022   | 2023     | 2024     |
|-----------------------|--------|--------|--------|--------|----------|----------|
| Revenue               | 83,200 | 75,800 | 70,200 | 89,100 | 1,12,500 | 1,45,951 |
| Net profit            | 7,600  | 5,600  | 3,500  | 4,200  | 8,049    | 13,437   |
| Net profit margin (%) | 9.13   | 7.39   | 4.99   | 4.72   | 7.18     | 9.37     |
| Roe (%)               | 13.8   | 10.6   | 5.39   | 6.65   | 11.51    | 14.39    |
| P/e ratio             | 22.8   | 47.2   | 58.8   | 30.3   | 29.4     | 25.2     |

### Interpretation:

- Revenue increased from ₹83,200 crore in 2019 to ₹1,45,951 crore in 2024, reflecting strong market demand.
- Net profit saw a dip between 2020 and 2022 due to industry slowdowns but rebounded in 2023 and 2024.
- Net profit margin improved to 9.37% in 2024, indicating strong cost efficiency.
- Roe declined during the pandemic years (2020-2022) but rebounded to 14.39% in 2024, showing better returns for shareholders.
- P/e ratio peaked in 2021 and declined in 2024, suggesting better stock valuation for investors.

### Findings:

- ❖ Negative working capital strategy – maruti suzuki relies on supplier credit, maintaining a negative nwc from 2022 to 2024, though it improved by 53% in 2024.
- ❖ Strong inventory management – the highest inventory turnover ratio (4.2) among competitors indicates efficient stock management and faster sales cycles.
- ❖ Revenue growth – revenue increased from ₹83,200 crore (2019) to ₹1,45,951 crore (2024), showing strong market demand and recovery from slowdowns.
- ❖ Profitability rebound – net profit declined from 2020 to 2022 but surged to ₹13,437 crore in 2024, with net profit margin rising to 9.37%.
- ❖ Improved return on equity (roe) – roe fell to 5.39% in 2021 but rebounded to 14.39% in 2024, reflecting better financial health and shareholder value.
- ❖ Stock valuation improvement – the p/e ratio dropped from 58.8 (2021) to 25.2 (2024), making maruti suzuki's stock more attractively priced for investors.

### Suggestions

- ❖ Implement stricter credit policies and faster collection strategies to reduce outstanding receivables and improve cash flow.
- ❖ Increase the current ratio by maintaining a better balance between current assets and liabilities, reducing reliance on short-term credit.



- ❖ Maintain **optimal inventory levels** by improving demand forecasting and reducing excess stock to further improve turnover.
- ❖ Shift towards a **balanced working capital approach** by maintaining adequate cash reserves and diversifying short-term funding sources.
- ❖ Focus on **cost-cutting measures, operational efficiency, and supplier negotiations** to sustain higher profit margins.
- ❖ Continue **strategic investments in technology, expansion, and product innovation** to sustain **high roe and long-term growth**.

### Conclusion

The analysis of maruti suzuki's working capital management over the past five years highlights its efficient inventory control, strong revenue growth, and improved profitability. Despite operating with negative net working capital, the company has effectively leveraged supplier credit and optimized its working capital cycle. However, rising current liabilities and increasing receivables indicate a need for better liquidity management. The company's roe and net profit margin have improved significantly, reflecting financial stability and profitability recovery post-pandemic. Additionally, the declining p/e ratio suggests better stock valuation, making maruti suzuki an attractive investment option. To sustain long-term financial efficiency, the company should focus on reducing dependency on short-term credit, improving receivables collection, and maintaining an optimal balance between assets and liabilities. Implementing these strategies will help maruti suzuki enhance operational efficiency, maximize profitability, and ensure financial sustainability in the competitive automobile sector.

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