

A Project Report on
"A Study of working capital of Maruti Suzuki India Limited ",

Submitted to
Department of Management Sciences & Research (DMSR)
G.S. College of Commerce and Economics, Nagpur
(An Autonomous Institution)

Affiliated to:
Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfilment for the award of the degree of
Master of Business Administration

Submitted by
Bushra Mirza

Under the Guidance of
Dr.Madhuri V. Purohit

Department of Management Sciences and Research,
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NAAC Accredited "A" Grade Institution



Academic Year 2023-24

**Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited "A" Grade Institution**



Academic Year 2023-24

CERTIFICATE

This is to certify that **Miss. Bushra Mirza** has submitted the project report titled, "**A Study of working capital of Maruti Suzuki India Limited**", under the guidance of **Dr.Madhuri.V.Purohit** towards the partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination.

It is certified that he/she has ingeniously completed his/her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to **Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.**

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Dr.Madhuri.V.Purohit

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Place: Nagpur

Date:

**Department of Management Sciences and Research,
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Academic Year 2023-24

DECLARATION

I, **Bushra Mirza** here-by declare that the project with title ""**A Study Of Working Capital Management Of Maruti Suzuki India Limited**", has been completed by me under the guidance of **Dr. Madhuri V. Purohit** in partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR, G. S.College of Commerce and Economics, Nagpur, (NAAC Re-accredited "A" Grade Autonomous Institution)** affiliated to **Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.**

This project was undertaken as a part of academic curriculum and has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Bushra Mirza

Place: Nagpur

Date:

**Department of Management Sciences and Research,
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Academic Year 2023-24

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr. Praveen J. Mustoor**, Principal , G. S. College of Commerce & Economics, Nagpur.

I tender my sincere regards to the Coordinator, **Dr. Madhuri V. Purohit** for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project.

I am extremely thankful to my Project Guide **Dr. Madhuri V. Purohit** for her guidance throughout the project.

I would like to thank **Prof. Uday Dhomne** for his constant support & guidance throughout the project.

Last but not the least, I am very much thankful to all those who helped me directly and indirectly in successful completion of my project.

Bushra Mirza

Place: Nagpur

Date:

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INTRODUCTION

The working capital (WC) measures the operating liquidity accessible to a company, organization, or other body, including governmental agencies. Working capital is a component of operational capital and fixed assets like plant and equipment. Current assets are equal to gross working capital. Existing assets less Current Liabilities equals Working Capital. An entity has a functional capital deficiency, also known as an operating capital deficit and negative working capital if current assets are fewer than current liabilities. Suzuki Motor Corporation of Japan's affiliate, Maruti Suzuki India Limited (MSIL, originally Maruti Udyog Limited), was founded in India. India's top producer of passenger vehicles is Maruti Suzuki. Maruti Suzuki, affectionately known as the "people's car maker," has transformed how Indians commute and travel over the past three decades. The company has two manufacturing sites in India's south at Gurgaon and Manesar. Together, the two plants have the capacity to produce more than 1.5 million automobiles per year. One vehicle every 12 seconds, then. head and shoulders above the competition, which includes all significant international automakers. By 2013, the company wants to increase its production capacity to 1.75 million (17,50,000).

Index Terms - Net Working capital, Liquidity, Profitability, Current asset, and Current Liabilities
Formula: Working Capital = Current Asset – Current Liabilities

WORKING CAPITAL MANAGEMENT

Working capital management is significant in Financial Management due to the fact that it plays a pivotal role in keeping the wheels of a business enterprise running. Working capital management is concerned with short-term financial decisions.

Shortage of funds for working capital has caused many businesses to fail and in many cases, has retarded their growth. Lack of efficient and effective utilization of working capital leads to earn low rate of return on capital employed or even compels to sustain losses.

The need for skilled working capital management has thus become greater in recent years. A firm invests a part of its permanent capital in fixed assets and keeps a part of it for working capital i.e., for meeting the day to day requirements. We will hardly find a firm which does not require any amount of working capital for its normal operations.

The requirement of working capital varies from firm to firm depending upon the nature of business, production policy, market conditions, seasonality of operations, conditions of supply etc. Working capital to a company is like the blood to human body. It is the most vital ingredient of a business.

Working capital management is concerned with the problems arise in attempting to manage the current assets, the current liabilities and the inter relationship that exist between them. The term current assets refers to those assets which in ordinary course of business can be, or, will be, turned in to cash within one year without undergoing a diminution in value and without disrupting the operation of the firm. The major current assets are cash, marketable securities, account receivable and inventory. Current liabilities were those liabilities which intended at their inception to be paid in ordinary course of business, within a year, out of the current assets or earnings of the concern. The basic current liabilities are account payable, bill payable, bank over-draft, and outstanding expenses. The goal of working capital management is to manage the firm's current assets and current liabilities in such way that the satisfactory level of working capital is mentioned. The current should be large enough to cover its current liabilities in order to ensure a reasonable margin of the safety.

NEED OF WORKING CAPITAL MANAGEMENT

The need for working capital gross or current assets cannot be over emphasized. As already observed, the objective of financial decision making is to maximize the to shareholders wealth. Achieve this, it is necessary to generate sufficient profits can be earned will naturally depend upon the magnitude of the sales among other things but sales cannot convert into cash. There is a need for working capital in the form of current assets to deal with the problem arising out of lack of immediate realization of cash against goods sold. Therefore sufficient working capital is necessary to sustain sales activity. Technically this is refers to operating or cash cycle. If the company has certain amount of cash, it will be required for purchasing the raw material may be available on credit basis. Then the company has to spend some amount for labor and factory overhead to convert the raw material in work in progress, and ultimately finished goods. These finished goods convert in to sales on credit basis in the form of sundry debtors. Sundry debtors are converting into cash after expiry of credit period. Thus some amount of cash is blocked in raw materials, WIP, finished goods, and sundry debtors and day to day cash requirements. However some part of current assets may be financed by the current liabilities also. The amount required to be invested in this current assets is always higher than the funds available from current liabilities. This is the precise reason why the needs for working capital arise

DETERMINANTS OF WORKING CAPITAL

Working capital requirements of a concern depends on a number of factors, each of which should be considered carefully for determining the proper amount of working capital. It may be however be added that these factors affect differently to the different units and these keeps varying from time to time. In general, the determinants of working capital which re common to all organization's can be summarized as under:

1. Nature of Business

Working capital requirement of a firm are basically influenced by nature of business. Trading and financial firms require a large sum of money to be invested in working capital to carry large stocks of a variety of goods to satisfy varied and continuous demands of their customers. Manufacturing and construction firms have to invest substantially in working capital. In contrast, Public utilities may have limited need for working capital because they may have only cash sales and supply services, not product. So such concern have to make adequate investment in current assets depending upon the total assets structure and other variables.

2. Size and growth of business

In very small company the working capital requirement is quit high due to high overhead, higher buying and selling cost etc. as such medium size business positively has edge over the small companies. But if the business start growing

after certain limit, the working capital requirements may adversely affect by the increasing size.

3. Business/ Trade cycle

If the company is the operating in the time of boom, the working capital requirement may be more as the company may like to buy more raw material, may increase the production and sales to take the benefit of favorable market, due to increase in the sales, there may more and more amount of funds blocked in stock and debtors etc. similarly in the case of depressions also, working capital may be high as the sales terms of value and quantity may be reducing, there may be unnecessary piling up of stock without getting sold, the receivable may not be recovered in time etc.

4. Length of production cycle

In some business like machine tools industry, the time gap between the acquisition of raw material till the end of final production of finished products itself is quit high. As such amount may be blocked either in raw material or work in progress or finished goods or even in debtors. Naturally there need of working capital is high.

5. Fluctuations of supply and seasonal variations

Some companies need to keep large amount of working capital due to their irregular sales and intermittent supply. Similarly companies using bulky materials also maintain large reserves' of raw material inventories. This

increases the need of working capital. Some companies manufacture and sell goods only during certain seasons. Working capital requirements of such industries will be higher during certain season of such industries period.

6. Production policies

Production policies of the organization effect working capital requirements very highly. Seasonal industries, which produces only in specific season requires more working capital. Some industries which produces round the year but sale mainly done in some special seasons are also need to keep more working capital.

7. Operating efficiency

If the business is carried on more efficiently, it can operate in profits which may reduce the strain on working capital; it may ensure proper utilization of existing resources by eliminating the waste and improved coordination etc.

8. Terms of purchase and sales

Some time due to competition or custom, it may be necessary for the company to extend more and more credit to customers, as result which more and more amount is locked up in debtors or bills receivables which increase the working capital requirement. On the other hand, in the case of purchase, if the credit is offered by suppliers of goods and services, a part of working capital requirement may be financed by them, but it is necessary to purchase on cash basis, the working capital requirement will be higher.

9. Profitability

The profitability of the business may be vary in each and every individual case,

which in turn depends on numerous factors, but high profitability will positively reduce the strain on working capital requirement of the company, because the profits to the extent that they earned in cash may be used to meet the working capital requirement of the company.

10. Current asset policies

The quantum of working capital of a company is significantly determined by its current assets policies. A company with conservative assets policy may operate with relatively high level of working capital than its sales volume. A company pursuing an aggressive amount assets policy operates with a relatively lower level of working capital.

11. Other factors

Effective co ordination between production and distribution can reduce the need for working capital. Transportation and communication means. If developed helps to reduce the working capital requirement.

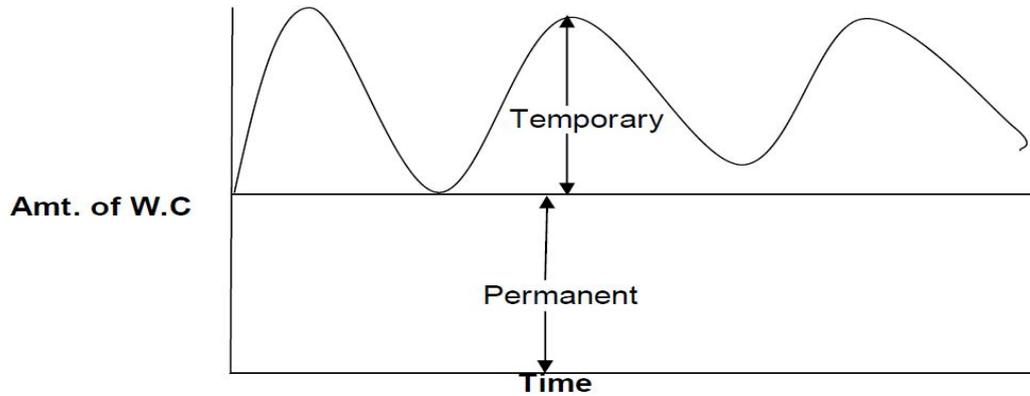
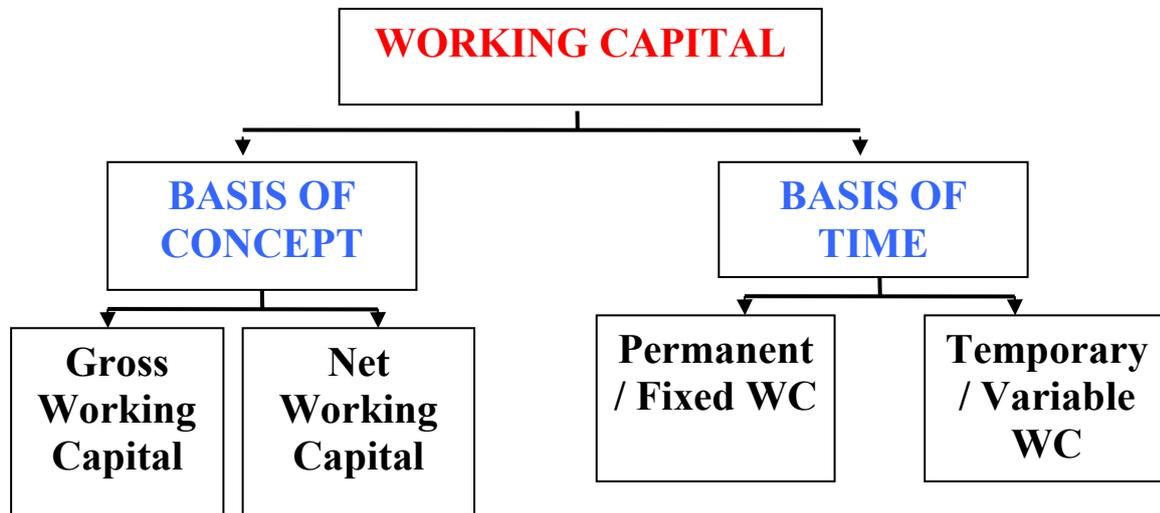
MEANING OF WORKING CAPITAL MANAGEMENT

Decisions relating to working capital and short term financing are referred to as *working capital management*. These involve managing the relationship between a firm's short-term assets and its short-term liabilities.

The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

Efficient management of working capital is one of the pre-conditions for the success of an enterprise. Efficient management of working capital means management of various components of working capital in such a way that an adequate amount of working capital is maintained for smooth running of a firm and for fulfillment of twin objectives of liquidity and profitability. While inadequate amount of working capital impairs the firm's liquidity. Holding of excess working capital results in the reduction of profitability. But the proper estimation of working capital actually required, is a difficult task for the management because the amount of working capital varies across firms over the periods depending upon the nature of business, production cycle, credit policy, availability of raw material, etc.

TYPES OF WORKING CAPITAL

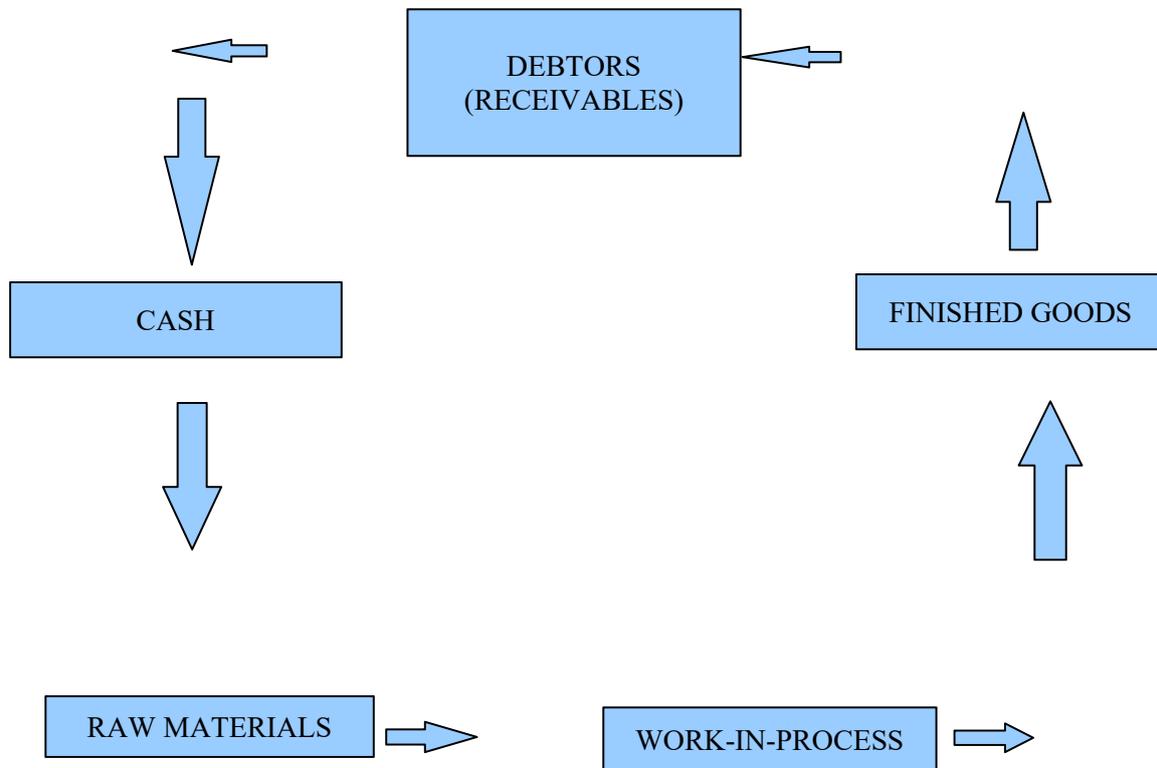


OPERATING CYCLE OF WORKING CAPITAL

The need of working capital arises because of the time gap between production of goods and their actual realization after sale. This time gap is called Operating Cycle or Working Capital Cycle. The operating cycle of a company consists of the time period between procurement of inventory and the collection of cash from receivables. The operating cycle is the length of time between the company's outlay on raw materials, wages and other expenses and inflow of cash from sales of goods. Operating cycle is an important concept in management of cash and management of working capital. The operating cycle reveals the time that elapses between outlays of cash and inflow of cash. Quicker the operating cycle, less amount of investment in working capital is needed

and it improves profitability. The duration of the operating cycle depends on the nature of industries and efficiency in working capital management.

In manufacturing concerns, the working capital cycle/operating cycle starts with the purchase of raw material and ends with the realization of cash from the sale of finished products. This cycle involves purchase of raw material and stores, its conversion through into stocks of finished goods through work-in-progress with progressive increment of labor and service costs, conversion of finished stock into sales, debtors and receivables and ultimately realization of cash and this cycle continues again from cash to purchase



(WORKING CAPITAL CYCLE/OPERATING CYCLE)

The speed with which the working capital completes one cycle determines the requirements of working capital-longer the period of the cycle larger is the requirement of working capital

COMPANY PROFILE



Maruti Suzuki India limited, a subsidiary of SMC, Japan, is the leader in passenger cars and multipurpose vehicle (MPVs) in India, accounting for almost 55% of the total industry sales.

The company formerly known as **Maruti Udyog limited** was incorporated as a joint venture (JV) between government of India and SMC, Japan on 24th February,

1981. The first car was rolled out from its Gurgaon facility on 14 Dec 1983. Since

then; it has sustained its leadership position in the Indian car market.

Maruti Suzuki has a strong balance sheet with Reserves and Surplus of Rs.92,004 million & debt equity ratio of 0.07 as on 31st March, 2010.

DOMESTIC SALES AND SERVICE NETWORK

TOTAL SERVICE NETWORK-----2767

TOTAL SALES NETWORK-----681

REGIONAL OFFICES-----16

AREA OFFICES-----09

ZONAL OFFICES-----04

The company has the largest sales and service network amongst car manufacture in India .It had 681 sales outlets in 454 cities as on 31st March, 2009. The car park of the company is in excess of seven million vehicles and to service this car park ,the company has 2,767 service workshops in 1,314 cities .The service network of Maruti Suzuki includes Dealer workshop, Maruti Authorized services stations (MASs),Maruti service masters (MSM)and Maruti service Zones (MSZ).

Besides selling and servicing vehicles, the company provides its customers with “one stop-shop” experience such as automobile Finance, Automobile insurance, Maruti Genuine Parts and Accessories, Extended warranty and Maruti Certified pre-owned car outlets in 181 cities as on 31st March, 2009.

EXPORTS

Maruti Suzuki exported the first lot of 500 car to Hungary in September, 1987.Presently, we are exporting to over 100 markets in Europe, Asia, Latin America, Africa and Oceania.In2008-09, the company launched a new model A-Star that meets stringent European safety and emission regulation. The company has exported over 500,000 cars so far.

PORT FACILITIES FOR EXPORT

In 2009-10, in association with Mundra Port SEZ Limited, the company had set up the company had set up the state-of -the art facilities at Mundra Port ,Gujarat for Export terminal offers a “Roll On, Roll Off”(RORO) berth ,which speeds up the loading process and minimizes the chance of damage to cars. The company also has a Pre-Delivery Inspection (PDI) Centre at Mundra.

In a first of its kind initiative, the company, in partnership with Indian Railways, has developed double Decker rail wagons for transporting export cars Mundra.

MARUTI AND CRM:- Maruti created a land-mark in CRM by launching a website for the customers in the year 1998.

SWOT ANALYSIS OF MARUTI SUZUKI

STRENGTHS

- Bigger name in the market
- Trust of People
- Maruti Udyog Ltd. is the market leader for more than two decade.
- Has a great dealership chain in the market.
- Better after sales service
- Low maintenance cost of vehicle

WEAKNESSES

- Exports are not that good.
- Lesser diesel models in the market compare to others
- Global image is not that big

OPPORTUNITIES

- Great opportunities to go global with success of Swift and SX4All over
- Introduction of more diesel models. The diesel car segment is growing.
- Opportunity to grow bigger by entering into bigger car markets
- Already a market leader so great opportunity to be the king of market in every stage of industry

THREATS

- Foreign companies entering market; so a bigger threat from MNCs.
- To the market share, as many big names are coming in the industry
- There is hardly any diesel models
- Rs. 1 lakh – Rs. 1.5 lakh car

COMPANY PRODUCT

The company offers a portfolio of 13 brands, ranging from the people's car Maruti 800 to the stylish hatch – back, Swift, SX4 sedan and luxury sport utility vehicle (SUV), Grand Vitara. More than half the cars sold in India wear a Maruti Suzuki badge. As per the classification by the society of Indian Automobile manufacturers (SIAM), Maruti Suzuki models are categorized under the following heads:

A1 Segment (up to 3400 mm) : Maruti 800

A2 Segment (3400 mm to 4000 mm): Alto, Estilo, WagonR, A-star, Ritz, Swift

A3 Segment (4000mm to 4500 mm): Dzire & SX4

Multy utility Vehicle (MUA) Segment: Gypsy & Grand Vitara

Multi Purpose vehicle (MPV) Segment: Omni & Versa

(1) **Maruti 800 -*change your life***: - Maruti 800 has gone beyond just being a



car ; It has transformed the lives of countless people, by bringing the joy of motoring to million across the length and breadth of the country.

(2)**Alto-Let's go:-** Alto is a great combination of economy, practicality & styling, It



exemplifies the benchmark in build ,quality & reliability in a compact car. These a attributes make it the largest selling car in Indian

automobile market .This is testified by the 24 hr endurance record set by covering 3,082 kms in 24 hrs at an average speed of 128 kmph.

(2) **Dzire-*The heart car:*** - A car that has everything you ever desired;



striking looks, 1 luxurious interiors & enough power to capture your heart just slide in the DZire & take it for a spin, it's sure to steal many a heart, beginning with yours.

(3) **SX4- *Men are back:***- Revolutionary European design ,world class “drive



by wire” technology, most spacious in its class, steering mounted audio controls, maximum ground clearance in its class ,high on safety with dual airbags, Anti-lock Brake system (ABS) & Electronic rack force Distribution (EBD) feature.

(4) **GRAND VITARA*-2.4-Reloaded:**- Distinctively styled, the third



generation Grand Vitara takes three decades of Suzuki SUV heritage to the next level. The Vitara model first hit the road in Japan in 1988 as a 3-door part –time four wheel drive (4WD). In its second avatar, the Vitara came armed with a stylish design, superior engineering and a new name, the Grand Vitara. *Launched in India on 1st July, 2009*

(5) **VERSA –The joy of travelling together:-** Experience the joy of



travelling together. Equipped with twin –ACs, large sliding doors and flexible seating, the Versa encourages family and friend to enjoy long drives and getaways together. In spite of being so spacious, its design allows for easy maneuverability in the city.

(7) **SWIFT –You are the fuel:** A new kind of computer car ,one that's based on



a fresh approach to design and development, Swift delivers the kind of driver and passenger experience that places it in a class of its own and has true worldwide appeal.

(8) **OMNI –Ab Kamyabi se hai sirf Omni bhar ka faasla**

Omni is truly India's original MPA .Today it as available in five variants-5



seater, 8 seater, Cargo, Ambulance & liquefied petroleum Gas (LPG).It meets diverse needs across different user segments & can double up both as a people carrier and a goods carrier .it is easy on the pocket, yet tough on the job.

(9) **WAGONR-For the smarter race:-** Drive with complete peace of mind .The



world class safety features of the WagonR keeps you safe and secure, always. Wearing new vibrant colors, the new WagonR is full of freshness and energy to keep you charged up and always ready to go.

(10) **GYPSY KING –There is a Gypsy in everyone:-** With superb



maneuverability, maneuverability, smooth handling and raw energy packed in to a sleek yet rugged frame, the Gypsy King is the real adventure MUV ,whether ploughing through the dirt tracks, climbing formidable terrain or making way through the city traffic .Maruti Suzuki is proud to support the operations of our country’s defense services with the tailor made Gypsy King .Gypsy has proved its mettle during defense operation in the Himalayas and Thar desert.

(11)**ESTILO*-Take a fresh view of life:-** The all new ESTILO is a new



landmark in terms of design and technology, with its all new aerodynamic design , Estilo sets the benchmark and makes each drive a fresh new experience .Complementing its stylish looks are new ,classy and elegant interiors that redefine comfort .What’s more ,the all new Estilo with its

advance K-series engine gives you incredible power each time you turn on the ignition.**Launched in August,2009*

(11) A-STAR- Stop @ Nothing:- Designed to perfection ,driven only to succeed ,A-Star has taken over the world. Made in India to meet European



standards, the car symbolizes the beginning of a revolution with its unique aerodynamic stylish ,Powered by the latest state –of-art ,light weight K-series petrol engine, it has the best in class pick-up and segment beating mileage of 19.59 kmpl. It is expected to many European and Non-European countries under the brand name of Suzuki alto and Suzuki Celerio respectively. *As tested by Automotive Research Association of India (ARAI),Pune ,India’s premier automotive research agency.*

(13) RITZ*-live the moment:- The Ritz combines modern European design, the



sportiness of the swift, the latest in engine technology and Suzuki’s globally acclaimed expertise in compact cars, Ritz is an exceptional blend of modern design & practicality .The interior of the car are smartly styled providing a very comfortable space to all the people in the cabin .The K12M petrol engine and 1.3 liter DDiS diesel engine powering the Ritz are supremely refined & silent with best in class fuel efficiency.**launched on 15th May,2009.*

LITERATURE
REVIEW

- Author: Jain, V., & Pandey, A.
- Year: 2015
- Journal: International Journal of Scientific Research
- Summary: This paper compares the working capital management practices of Maruti Suzuki within the Indian automobile industry, analyzing their respective strategies, efficiency, and financial performance.
- "Determinants of Working Capital Management: A Study of Maruti Suzuki India Ltd."

- Author: Sharma, A., & Kharb, A.
- Year: 2016
- Journal: International Journal of Engineering and Management Research
- Summary: The study investigates the determinants influencing the working capital management of Maruti Suzuki India Ltd., exploring factors such as cash conversion cycle, inventory turnover, and accounts receivable turnover.
- "Working Capital Management of Maruti Suzuki India Limited"

- Author: Gopinathan, A.
- Year: 2017
- Journal: International Journal of Management Studies
- Summary: This paper provides an overview of Maruti Suzuki's working capital management practices, assessing its efficiency and impact on the company's financial performance and liquidity position.
- "A Study on Working Capital Management of Maruti Suzuki India Limited"

- Author: Gupta, P., & Kumar, A.
- Year: 2018
- Journal: International Journal of Research in Finance and Marketing
- Summary: The study examines the working capital management strategies employed by Maruti Suzuki India Ltd., analyzing factors affecting its working capital requirements and evaluating their effectiveness.
- "Efficiency of Working Capital Management: A Case Study of Maruti Suzuki India Ltd."

- Author: Verma, R., & Yadav, S.
- Year: 2019
- Journal: International Journal of Finance & Banking Studies
- Summary: This case study evaluates the efficiency of Maruti Suzuki's working capital management practices, assessing its ability to optimize liquidity while minimizing costs and risks.
- "Impact of Working Capital Management on Profitability: A Study of Maruti Suzuki India Ltd."

- Author: Singh, N., & Singh, R.
- Year: 2020
- Journal: Journal of Commerce & Accounting Research
- Summary: The research investigates the relationship between working capital management and profitability in the context of Maruti Suzuki India Ltd., analyzing how variations in working capital affect the company's financial performance.
- "Working Capital Management Practices in the Indian Automobile Industry: A Case Study of Maruti Suzuki India Limited"

- Author: Mishra, S., & Sharma, R.
- Year: 2021
- Journal: International Journal of Business Management and Commerce
- Summary: This case study examines the working capital management practices of Maruti Suzuki India Ltd. within the broader context of the Indian automobile industry, identifying key trends, challenges, and strategies.
- "An Empirical Analysis of Working Capital Management Efficiency: Evidence from Maruti Suzuki India Limited"

- Author: Chauhan, S., & Gupta, M.
- Year: 2022
- Journal: Journal of Accounting and Finance Management
- Summary: The study empirically analyzes the efficiency of Maruti Suzuki's working capital management, employing quantitative techniques to measure its effectiveness in optimizing liquidity and maximizing profitability.
- "Financial Performance Evaluation through Working Capital Management: A Study of Maruti Suzuki India Ltd."

- Author: Das, S., & Mishra, A.
- Year: 2015
- Journal: Journal of Financial Management and Analysis
- Summary: This study assesses Maruti Suzuki's financial performance from the perspective of working capital management, analyzing key indicators such as liquidity, profitability, and efficiency.
- "Working Capital Management in Indian Automobile Industry: A Study of Maruti Suzuki India Limited"

RESEARCH

METHODOLOGY

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done systematically. In that various steps, those are generally adopted by a researcher in studying his problem along with the logic behind them. It is important for research to know not only the research method but also know methodology. "The procedures by which researcher go about their work of describing, explaining and predicting phenomenon are called methodology."

Methods comprise the procedures used for generating, collecting and evaluating data. All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem.

Data collection is important step in any project and success of any project will be largely depend upon how much accurate you will be able to collect and how much time, money and effort will be required to collect that necessary data, this is also important steps. Data collection plays an important role in research work. Without proper data available for analysis you cannot do the research work accurately.

RESEARCH DESIGN

Research design refers to the overall strategy utilized to carry out research that defines a logical plan to tackle established research questions through the collection, interpretation, analysis, and discussion of data.

Collection of Data:

● Sources of Data: -

To fulfil the information, need of study. The data is collected from secondary sources.

● Secondary Data:-

Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all.

PROBLEM STATEMENT:

- Working capital is the portion of a company's resources that are essential to its operation.
- It may be challenging to achieve the goals of the business enterprise without adequate capital management
- The problem that arises from trying to manage current assets, current liabilities and the relationships between them is addressed by effective financial management

Funds available for period of one year or less is called short term finance. In India short term finance is used as working capital finance. Two most significant short term sources of finance for working capital are trade credit and bank borrowing. Trade credit ratio of current assets is about 40%, it is indicated by Reserve Bank of India data that trade credit has grown faster than the growth in sales. Bank borrowing is the next source of working capital finance. The relative importance of this varies from time to time depending on the prevailing environment. In India the primary source of working capital financing are trade credit and short term bank credit. After determine the level of working capital, a firm has to consider how it will finance. Following are sources of working capital finance.

Sources of working Capital Finance

- 1) Trade credit
- 2) Bank Finance
- 3) Letter of credit

1) Trade credit

Trade credit refers to the credit that a customer gets from suppliers of goods in the normal course of business. The buying firms do not have to pay cash immediately for the purchase made. This deferral of payments is a short term financing called trade credit. It is major source of financing for firm. Particularly small firms are heavily depend on trade credit as a source of finance since they find it difficult to raised funds from banks or other sources in the capital market. Trade credit is mostly an informal arrangement, and it granted on an open account basis. A supplier sends goods to the buyers accept, and thus, in effect, agrees to pay the amount due as per sales terms in the invoice. Trade credit may take the form of bills payable. Credit terms refer to the condition under which the supplier sells on credit to the buyer, and the buyer required repaying the credit. Trade credit is the spontaneous source of the financing. As the volume of the firm's purchase increase trade credit also expand. It appears to be cost free since it does not involve explicit interest charges, but in practice, it involves implicit cost. The cost of credit may be transferred to the buyer via the increased price of goods supplied by him.

2) Bank finance for working capital

Banks are main institutional source of working capital finance in India. After trade credit, bank credit is the most important source of financing working capital in India. A bank considers a firms sales and production plane and desirable levels of current assets in determining its working capital requirements. The amount approved by bank for the firm's working capital is called credit limit. Credit limit is the maximum funds which a firm can obtain from the banking system. In practice banks do not lend 100% credit limit; they deduct margin money.

Forms of bank finance:-

- Term Loan
- Overdraft
- Cash credit
- Purchase or discounting of bills

- **Term Loan**

In this case, the entire amount of assistance is disbursed at one time only, either in cash or the company's account. The loan may be paid repaid in installments will charged on outstanding balance.

- **Overdraft**

In this case, the company is allowed to withdraw in excess of the balance standing in its Bank account. However, a fixed limit is stipulated by the Bank beyond which the company will not able to overdraw the account. Legally, overdraft is a demand assistance given by the bank i.e. bank can ask repayment at any point of time.

- **Cash credit**

In practice, the operations in cash credit facility are similar to those of those of overdraft facility except the fact that the company need not have a formal current account. Here also a fixed limit is stipulated beyond which the company is not able to withdraw the amount.

- **Bills purchased / discounted**

This form of assistance is comparatively of recent origin. This facility enables the company to get the immediate payment against the credit bills / invoice

raised by the company. The banks hold the bills as a security till the payment is made by the customer. The entire amount of bill is not paid to the company. The company gets only the present worth of amount of bill from of discount charges. On maturity, bank collects the full amount of bill from the customer.

3) Letter of credit

In this case the exporter and the importer are unknown to each other. Under these circumstances, exporter is worried about getting the payment from the importer and importer is worried as to whether he will get goods or not. In this case, the importer applies to his bank in his country to open a letter of credit in favor of the exporter whereby the importers bank undertakes to pay the exporter or accept the bills or draft drawn by the exporter on the exporter fulfilling the terms and conditions specified in the letter of credit. Banks have been certain norms in granting working capital finance to companies. These norms have been greatly influenced by the recommendation of various committees appointed by the Reserve Bank of India from time to time. The norms of working capital finance followed by bank since mid-70 were mainly based on the recommendations of the Tendon committee. The Chore committee made further recommendations to strengthen the procedure and norms for working capital finance by banks.

NEED OF STUDY

- The primary focus of the study is the working capital management of MARUTI SUZUKI LIMITED OF INDIA
- The primary purpose of working capital management is also to enable the company to maintain sufficient cash flow to meet its short term operating costs and short term debt obligations

OBJECTIVES OF STUDY

Study of the working capital management is important because unless the working capital is managed effectively, monitored efficiently planned properly and reviewed periodically at regular intervals to remove bottlenecks if any the company cannot earn profits and increase its turnover. With this primary objective of the study, the following further objectives are framed for a depth analysis.

- To study the working capital management of **Maruti Suzuki India Limited**
- To study the optimum level of current assets and current liabilities of the Company
- To study the ways and means of working capital finance of the **Maruti Suzuki India Limited**
- To estimate the working capital requirement of Maruti Suzuki India Ltd
- To study the operating and cash cycle of the **Maruti Suzuki India Limited**

HYPOTHESIS

H0: There is no significant relationship between Maruti Suzuki's working capital management and its financial performance.

H1: There is a significant relationship between Maruti Suzuki's working capital management and its financial performance.

LIMITATIONS OF THE STUDY

The analysis is restricted to 5 years for the period of 2018 - 2022.

Limited data provided by the company "Maruti Suzuki."

Limited area as it was difficult to collect the data regarding the competitors and their financial information.

**DATA ANALYSIS &
INTERPRETATION**

DATA ANALYSIS & INTERPRETATION

Table 1: For the years 2017 to 2018:

DATA ANALYSIS-

Schedule of changes in Working Capital for the year financial year 2017 - 2018 (In Crores)				
Particulars	As on 31st March 2017	As on 31st March 2018	Increase	Decrease
Current Assets: Current Investments	2178.80	1217.30		961.50
Inventories	3262.20	3160.80		101.40
Trade Receivables	1199.20	1461.80	262.60	
Cash And Cash Equivalents	13.80	71.10	57.30	
Short Term Loans and Advances	2.50	3.00	0.50	
Other Current Assets	2119.70	2007.40		112.30
Total Current Assets	8776.20	7921.40		
Current Liabilities: Short-Term Borrowings	483.60	110.80	372.80	
Trade Payables	8367.30	10497.00		2129.70
Other Current Liabilities	3926.50	4274.30		347.80
Short Term Provisions	449.00	560.00		111.00
Total Current Liabilities	13226.40	15442.10		
Net Working capital	-4450.20	-7520.70	693.20	3763.70
Net increasing working capital	-3070.50		3070.50	
Total	-7520.70	-7520.70	3763.70	3763.70

INTERPRETATION -

Overall, the data suggests for the period of 2017 to 2018 that the company's working capital position deteriorated during the year, with a decrease in current assets and an increase in current liabilities. However, the net increasing working capital indicates that the company was able to generate additional working capital during the year, which is a positive sign. The company may need to closely monitor and manage its working capital position to ensure smooth operations and profitability in the future.

Table 2: For the year 2018 to 2018:

DATA ANALYSIS-

Schedule of changes in Working Capital for the year Financial year 2018 - 2019 (In Crores)				
Particulars	As on 31st March 2018	As on 31st March 2019	Increase	Decrease
Current Assets: Current Investments	1217.30	5045.50	3828.20	
Inventories	3160.80	3325.70	164.90	
Trade Receivables	1461.80	2310.40	848.60	
Cash And Cash Equivalents	71.10	178.90	107.80	
Short-Term Loans And Advances	3.00	16.00	13.00	
Other Current Assets	2007.40	1485.10		522.30
Total Current Assets	7921.40	12361.60		
Current Liabilities: Short Term Borrowings	110.80	149.60		38.80
Trade Payables	10497.00	9633.00	864.00	
Other Current Liabilities	4274.30	3743.30	531.00	
Short Term Provisions	560.00	624.40		64.40
Total Current Liabilities	15442.10	14150.30		
Net Working capital	-7520.70	-1788.70	6357.50	625.50
Net increasing working capital		-5732.00		5732.00
Total	-7520.70	-7520.70	6357.50	6357.50

INTERPRETATION -

Overall, the data suggest for the period of 2018 to 2019 that the company's working capital position significantly improved during the year, with a considerable increase in current assets and a decrease in current liabilities. The net increasing working capital indicates that the company was able to generate a substantial amount of additional working capital during the year, which is a positive sign. The company may have efficiently managed its working capital position, which may have helped improve its operations and profitability

Table 3: For the year 2019 to 2020:

DATA ANALYSIS-

Schedule of changes in Working Capital for the year Financial year 2019 - 2020 (In Crores)

Particulars	As on 31st March 2019	As on 31st March 2020	Increase	Decrease
Current Assets: Current Investments	5045.50	1218.80		3826.70
Inventories	3325.70	3214.90		110.80
Trade Receivables	2310.40	1974.90		335.50
Cash And Cash Equivalents	178.90	21.10		157.80
Short-Term Loans And Advances	16.00	16.90	0.90	
Other Current Assets	1485.10	1980.80	495.70	
Total Current Assets	12361.60	8427.40		
Current Liabilities: Short-Term Borrowings	149.60	106.30	43.30	
Trade Payables	9633.00	7494.10	2138.90	
Other Current Liabilities	3743.30	3014.80	728.50	
Short Term Provisions	624.40	679.60		55.20
Total Current Liabilities	14150.30	11294.80		
Net Working capital	-1788.70	-2867.40	3407.30	4486.00
Net increasing working capital	-1078.70		1078.70	
Total	-2867.40	-2867.40	4486.00	4486.00

INTERPRETATION –

Overall, the data suggests for the period of 2019 to 2020 that the company's working capital position deteriorated during the year, with a significant decrease in current assets and a decrease in current liabilities. However, the net increasing working capital indicates that the company was able to generate additional working capital during the year, which is a positive sign. The company may need to focus on efficiently managing its working capital position to ensure smooth operations and profitability in the future.

Table 4: For the year 2020 to 2021

Schedule of changes in Working Capital for the year financial year 2020 - 2021 (In Crores)				
Particulars	As on 31st March 2020	As on 31st March 2021	Increase	Decrease
Current Assets: Current Investments	1218.80	8415.70	7196.90	
Inventories	3214.90	3050.00		164.90
Trade Receivables	1974.90	1276.60		698.30
Cash And Cash Equivalents	21.10	3036.40	3015.30	
Short-Term Loans And Advances	16.90	23.00	6.10	
Other Current Assets	1980.80	2725.00	744.20	
Total Current Assets	8427.40	18526.70		
Current Liabilities: Short Term Borrowings	106.30	488.80		382.50
Trade Payables	7494.10	10161.70		2667.60
Other Current Liabilities	3014.80	4714.60		1699.80
Short Term Provisions	679.60	741.60		62.00
Total Current Liabilities	11294.80	16106.70		
Net Working capital	-2867.40	2420.00	10962.50	5675.10
Net increasing working capital		-5287.40		5287.40
Total	-2867.40	-2867.40	10962.50	10962.50

INTERPRETATION –

Overall, the data suggests for the year 2020 to 2021 that the company's working capital position significantly improved during the year, with a considerable increase in current assets and an increase in current liabilities. The net increasing working capital indicates that the company was able to generate a substantial amount of additional working capital during the year, which is a positive sign. The company may have efficiently managed its working capital position, which may have helped improve its operations and profitability.

Table 5: For the years 2021 to 2022:

Schedule of changes in Working Capital for the year Financial year 2021 - 2022 (In Crores)				
Particulars	As on 31st March 2021	As on 31st March 2022	Increase	Decrease
Current Assets				
Current Assets: Current Investments	8415.70	4100.10		4315.60
Inventories	3050.00	3533.10	483.10	
Trade Receivables	1276.60	2030.10	753.50	
Cash And Cash Equivalents	3036.40	3036.20		0.20
Short Term Loans And Advances	23.00	30.50	7.50	
Other Current SAssets	2725.00	4051.20	1326.20	
Total Current Assets	18526.70	16781.20		
Current Liabilities				
Current Liabilities: Short Term Borrowings	488.80	381.90	106.90	
Trade Payables	10161.70	9761.00	400.70	
Other Current Liabilities	4714.60	6009.50		1294.90
Short Term Provisions	741.60	861.30		119.70
Total Current Liabilities	16106.70	17013.70		
Net Working capital	2420.00	-232.50	3077.90	5730.40
Net increasing working capital		-2652.50	2652.50	
Total	2420.00	2420.00	5730.40	5730.40

INTERPRETATION –

Overall, the data suggests for the year 2021 to 2022 that the company's working capital position deteriorated during the year, with a significant decrease in current assets and an increase in current liabilities. The net increasing working capital indicates that the company was able to generate additional working capital during the year, but the overall trend suggests a decline in the company's working capital position. The company may need to focus on efficiently managing its working capital position to ensure smooth operations and profitability in the future.

FINDINGS & SUGGESTIONS

FINDINGS

- Table 1 shows changes in a company's working capital from March 31, 2017, to March 31, 2018. Current assets decreased, mainly due to lower current investments, while current liabilities increased, mainly due to higher trade payables. The net working capital decreased, but net increasing working capital was positive.

- The table 2 shows the changes in working capital. Current assets increased by Rs. 4,440.20 crores, led by current investments. Current liabilities decreased by Rs. 1,291.80 crores due to a decrease in trade payables. The net working capital improved by Rs. 5,732 crores, indicating an efficient management of the company's working capital.

- The table 3 shows changes in working. Current assets decreased by Rs. 3,934.20 crores, led by a decrease in current investments. Current liabilities also decreased by Rs. 2,855.50 crores due to a decrease in trade payables.

- The table 4 shows changes in working capital. Current assets increased by Rs. 10,099.30 crores, led by an increase in current investments. Current liabilities also increased by Rs. 4,811.90 crores due to an increase in trade payables and other current liabilities. The net working capital improved by Rs. 5,287.40 crores, indicating an efficient management of the company's working capital.

- The table 5 shows changes in working capital. Current assets decreased by Rs. 1,745.50 crores, led by a decrease in current investments. The net working capital deteriorated by Rs. 2,652.50 crores, indicating a need for the company to improve its working capital management

SUGGESTIONS

- Develop a robust working capital management strategy to monitor and manage the company's working capital effectively, taking into account the trends observed in the Schedule of Changes in Working Capital.
- Conduct a detailed analysis of the company's cash flow cycle to identify opportunities to optimize working capital, such as reducing inventory levels or improving collections from customers.
- Evaluate the company's supplier management practices to identify areas for improvement, such as negotiating better payment terms or reducing reliance on a single supplier.

CONCLUSION

In conclusion, the financial analysis of Maruti Suzuki India Limited provides valuable insights into the company's financial performance over the past five years. The analysis highlights the need for the company to improve its liquidity position, profitability, and working capital management to ensure long-term sustainability and growth. The suggestions provided in this study offer a starting point for the company to address the areas of concern identified in the analysis.

Based on the given hypotheses:

In conclusion of hypothesis the **(H0) null hypothesis is rejected** as there is no significant relationship between Maruti Suzuki's working capital management and its financial performance, Whereas **(H1) Alternative hypothesis is Accepted** as there's a significant relationship between Maruti Suzuki's working capital management and its financial performance.

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