

A STUDY ON WORKING CAPITAL MANAGEMENT AND PROFITABILITY ANALYSIS OF MOTOR COMPANY IN INDIA

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

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SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade "A" by NAAC

JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119

MAY 2022



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **C.Mohammed Rafi,40410101** who carried out the project entitled "**A Study on Working Capital Management and Profitability analysis of Motor company in India**" under my supervision from January 2022 to March 2022.

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I **Mohammed Rafi.C (40410101)** hereby declare that the Project Report entitled “**A Study on working capital management and profitability analysis of selected steel company in india**” done by me under the guidance of **Dr.Princy. A.S** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

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ABSTRACT

Working capital may be regarded as the lifeblood of a business. Its effective provision can do much to ensure the success of business. Its inefficient management can lead not only to loss of profits but also to the downfall of a business. A study of working capital is of major importance to internal and external analysis because of its close relationship with the current day-to-day operations of a business. Every business needs funds for two purposes for its establishment and to carry out its day-to-day operations. Long-term funds are required to create production facilities through purchase of fixed assets such as plant and machinery, land, building, furniture. Funds are also needed for short-term purpose for the purchase of raw materials, payment of wages and other day to-day expenses. Easy availability of low cost manpower and preference of abundant referrers make India competitive in the global set up. Finance is needed for day to day operation. It can be considered as a life blood for business. Profitability is the profit earning capacity which is a crucial factor contributing for the survival of the firms. The profitability level should maintain at increasing level in order to overcome this problem. The data is purely based on secondary Profitability position is major determined by the direct and indirect expenses. It is the drawback to get lost position in their analysis.

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CHAPTER 1

1.1 INTRODUCTION

Every business needs funds for two purposes-for its establishment and to carry out its day –to –day operations. Long – term funds are required to create production facilities through purchase of fixed assets. investments in these assets represent that part of firm's capital which is blocked on a permanent fixed basis and is called fixed capital. Funds are also needed for short – term purposes for the purchases of raw materials, payment of wages and other day- to- day expenses, etc. these funds are known as working capital. In simple words, working capital refers or that part of the firm's capital which is required for financing short term or current assets such as cash, marketable securities, debtors and inventories. Funds, thus, invested in current assets keep revolving fast and are being constantly converted into cash and this cash flow out again in exchange for other current assets. The networking capital of a firm may be positive or negative.

Hence, it is also known as revolving or circulating capital. The circular flow concept of working capital is based upon this operating or working capital cycle of a firm. The cycle starts with the purchase of raw material and other resources and ends with the realization of cash from the sales of finished goods. The speed/time duration required to complete one cycle determines the requirements of working capital - longer the period of cycle, larger is the requirement of working capital.

1.2 HISTORY

2 TATAMOTORS

Tata Motors Limited (TML) is one of India's largest Original Equipment Manufacturers (OEMs) offering an extensive range of integrated, smart and e-mobility solutions.

- 3 Tata Motors Group is a leading global automobile manufacturer. Part of the illustrious multi-national conglomerate, the Tata group, we offer to the world a wide and diverse portfolio of cars, sports utility vehicles, trucks, buses and defence vehicles.
- 4 We have operations in India, the UK, South Korea, South Africa, China, Brazil, Austria and Slovakia through a strong global network of subsidiaries, associate companies and Joint Ventures (JVs), including Jaguar Land Rover in the UK and Tata Daewoo in South Korea.

MARUTI SUZUKI

- Maruti Suzuki India Limited, formerly known as Maruti Udyog Limited, is an Indian automobile manufacturer headquartered in New Delhi. It is a subsidiary of the Japanese automotive manufacturer Suzuki Motor Corporation.
- Maruti Suzuki has 3,598 sales outlets across 1,861 cities in India. The Brand Trust Report published by Trust Research Advisory, a brand analytics company, has ranked Maruti Suzuki in the thirty-seventh position in 2013 and ninth position in 2019 among the most trusted brands of India.

ASHOK LEYLAND

- Ashok Leyland is an Indian automobile company headquartered in Chennai, India. It is owned by the Hinduja Group. It was founded in 1948 as Ashok Motors and became Ashok Leyland in the year 1955. Ashok Leyland, flagship of the Hinduja group, is the 2nd largest manufacturer of commercial vehicles in India, the 3rd largest manufacturer of buses in the world, and the 10th largest manufacturers of trucks.

Ashok Leyland has recently been ranked as 34th best brand in India

1.3 Industry Profile

■ TATA MOTORS:

It is a leading global automobile manufacturing company. Its diverse portfolio includes an extensive range of cars, sports utility vehicles, trucks, buses and defence vehicles. ... Part of the USD110 billion Tata group founded by Jamsetji Tata in 1868, Tata Motors is among the world's leading manufacturers of automobiles

- Maruti Suzuki India Limited, formerly known as Maruti Udyog Limited, is an Indian automobile manufacturer, based in New Delhi. It was founded in 2001 and owned by the Government of India until 2003, when it was sold to the Japanese automaker Suzuki Motor Corporation. As of September 2021 Maruti Suzuki has a market share of 49 percent in the Indian passenger car market.

■ ASHOL LEYLAND

Ashok Leyland is the second-largest manufacturer of commercial vehicles in India, the third-largest manufacturer of buses in the world, and the tenth-largest manufacturers of trucks

1.4TATA MOTOR COMPANY HISTORY

Tata Motors Limited is a leading global automobile manufacturer of cars utility vehicles buses trucks and defence vehicles. As India's largest automobile company and part of the USD 113 billion Tata group Tata Motors has operations in the UK South Korea Thailand South Africa and Indonesia through a strong global network of 76 subsidiary and associate companies including Jaguar Land Rover in the UK and Tata Daewoo in South Korea. In India Tata Motors is a market leader in commercial vehicles and among the top passenger vehicles manufacturers with 9 million vehicles on Indian roads. With design and R&D centres located in India the UK Italy and Korea Tata Motors strives to pioneer new products that fire the imagination of GenNext

customers. Abroad Tata cars buses and trucks are being marketed in Europe Africa the Middle East South Asia South East Asia South America Australia CIS and Russia. Tata Motors has a portfolio of automotive products ranging from sub-1 ton to 49 ton gross vehicle weight (GVW) trucks (including pickup trucks) and from small medium and large buses and coaches to passenger cars. The company's segments include automotive and others which include information technology (IT) services construction equipment manufacturing machine tools and factory automation solutions high-precision tooling and plastic and electronic components for certain applications and investment business.

Maruti Suzuki

Maruti Suzuki India Ltd (formerly Maruti Udyog Ltd) is India's largest passenger car company accounting for over 50% of the domestic car market. The company offers full range of cars from entry level Maruti Alto to stylish hatchback Ritz A-star Swift Wagon R Estilo and sedans DZire SX4 and Sports Utility vehicle Grand Vitara. The company is a subsidiary of Suzuki Motor Corporation of Japan. The Japanese car major held 56.21% stake in Maruti Suzuki as on 31 December 2017. The company is engaged in the business of manufacturing purchase and sale of motor vehicles and spare parts (automobiles). The other activities of the company include facilitation of pre-owned car sales fleet management and car financing. They have four plants three located at Palam Gurgaon Road Gurgaon Haryana and one located at Manesar Industrial Town Gurgaon Haryana. The company has nine subsidiary companies namely Maruti Insurance Business Agency Ltd Maruti Insurance Distribution Services Ltd Maruti Insurance Agency Solutions Ltd Maruti Insurance Agency Network Ltd Maruti Insurance Agency Services Ltd Maruti Insurance Agency Logistics Ltd True Value Solutions Ltd Maruti Insurance Broker Ltd and J J Impex (Delhi) Pvt Ltd. Maruti Suzuki India Ltd was incorporated on February 24 1981 with the name Maruti Udyog Ltd. The company was formed as a government company with Suzuki as a minor partner to make a people's car for middle class India. Over the years the company's product range has widened ownership has changed hands and the customer has

evolved. In October 2 1982 the company signed the license and joint venture agreement with Suzuki Motor Corporation Japan. In the year 1983 the company started their productions and launched Maruti 800. In the year 1984 they introduced Maruti Omni and during the next year they launched Maruti Gypsy in the market.

ASHOK LEYLAND

Ashok Leyland Ltd is the 2nd largest manufacturer of commercial vehicles in India the 4th largest manufacturer of buses in the world and the 12th largest manufacturer of trucks globally. The company's products include buses trucks engines defense and special vehicles. From 18 seater to 82 seater double-decker buses from 7.5 ton to 49 ton in haulage vehicles from numerous special application vehicles to diesel engines for industrial marine and genset applications Ashok Leyland offers a range of products. The company is the flagship of the Hinduja Group. Headquartered in Chennai India Ashok Leyland's manufacturing footprint spreads across the globe with 9 plants; including one each at Great Britain and Ras Al Khaimah (UAE). The company's Joint Venture partners include John Deere (USA) for Construction Equipment Continental AG (Germany) for Automotive Infotronics and the Alteams Group for the manufacture of high-pressure die-casting extruded aluminum components for the automotive and telecommunications sectors. Ashok Leyland Ltd was incorporated in the year 1948 with the name Ashok Motors. The company was set up in collaboration with Austin Motor Company England for the assembly of Austin cars. In The year 1949 they commenced production at the factory situated at Ennore south of Madras. Also they rolled out the first indigenously assembled A40 Austin car. In the year 1950 the company made an agreement with Leyland UK in which Ashok Motors got sole rights to import assemble and progressively manufacture Leyland trucks for seven years.

CHAPTER 2

REVIEW OF LITERATURE

1. L.Moorthy and R.Rajavathana (2013) they found that both the companies had insignificant relationship with profitability. Although cash conversion cycle of both the company had positive relationship with profitability but average collection period and average payment period of both the companies proved to be in negative relationship with the profitability.
2. Bhagchi, Kamrui (2012) they studied that the impact of working capital management on profitability. After conduct familiarity tests, Pearson's Correlation and panel data regression, it revealed that there is a significant negative relation between the working capital management and firm profitability
3. Kulkanya napompech(2012) he shows a negative relationship between the gross operating profits and inventory conversion period and receivable collection period by limitations of the cash conversion cycle.
4. Shin and Soenen (1998) they highlight the efficient Working Capital Management. They identifies that there is a tough pessimistic relationship between extent of the firm's net trading cycle and its Profitability.
5. Vijaykumar and Venkatachalam (1995) they conclude over correlation and regression analysis that liquid ratio inventory turnover ratio, receivables turnover ratio and cash turnover ratio influence the profitability.

CHAPTER 3

RESEARCH METHODOLOGY

SCOPE OF STUDY

- In this study an attempt of choosing the sources of funds, dividend policy, capital budgeting, cost of volume profit analysis of the Indian selected motors companies for the period of 2017-2021 as relevant from annual reports and balance sheets of the companies.
- The goal of working capital management is to manage the current assets and current liabilities in such a way that a satisfactory level of working capital is maintained the record may be given the best idea to investors, profitability also know the investor in future

OBJECTIVE OF STUDY

- To study the financial position of the Motor companies.
- To review the profitability position of the Indian Motor companies.
- To compare the financial performance and find the growth trend of the Motor companies.
- To evaluate profitability related to sales of Motor companies.

Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It constitutes the blueprint for the collection, measurement and analysis of data.

Secondary Data

Main source of secondary data was Annual report of the selected motor companies, standard text books, relevant journals, reports, magazines and motor companies' websites

3.5 Period of Study:

This research study covers a period of 5 years from 2017 to 2021.

3.6 Tools Used for the Analysis

The following tools were adapted to analysis the working capital management.

3.7 Statistical Tools Used

Annual Growth Rate of Selected Steel Companies

The changes in working capital are concerned with the Gross profit, Net profit, operating profit, EBIT and sales alone, as they are shown in the balance sheet of the last 5 years.

3.8 Accounting Tools and Techniques used Financial Ratio

1. Current ratio
2. Quick ratio
3. Cash position ratio
4. Reserve to Capital ratio
5. Proprietary ratio

3.9 Select Companies

- ❖ TATA Motors
- ❖ Maruthi Suzuki
- ❖ Ashok Leyland

CHAPTER 4

Data Analysis and Interpretation

CURRENT RATIO

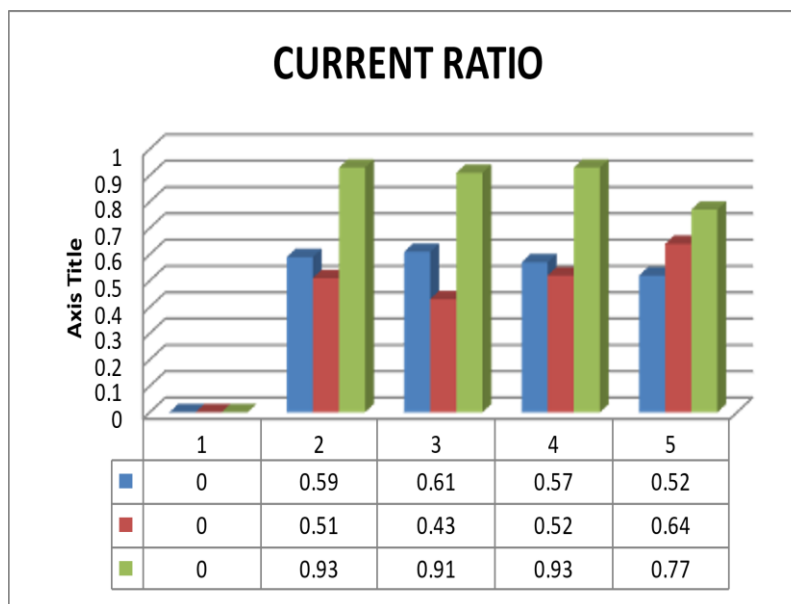
Table No 1

Financial Ratio for Select Motors Companies.

1.Current Ratio :

YEAR	TATA MOTOR	MARUTHI SUZUKI	ASHOK LEYLAND
2017	0.59	0.51	0.93
2018	0.61	0.43	0.91
2019	0.57	0.52	0.93
2020	0.52	0.64	0.77

CHART NO:1.1



Interpretation:

In Current Ratio, comparison between Tata Motor; Maruthi Suzuki and Ashok Leyland in 2017 – 2021 Ashok Leyland is top in 5 yrs in this 3 company.

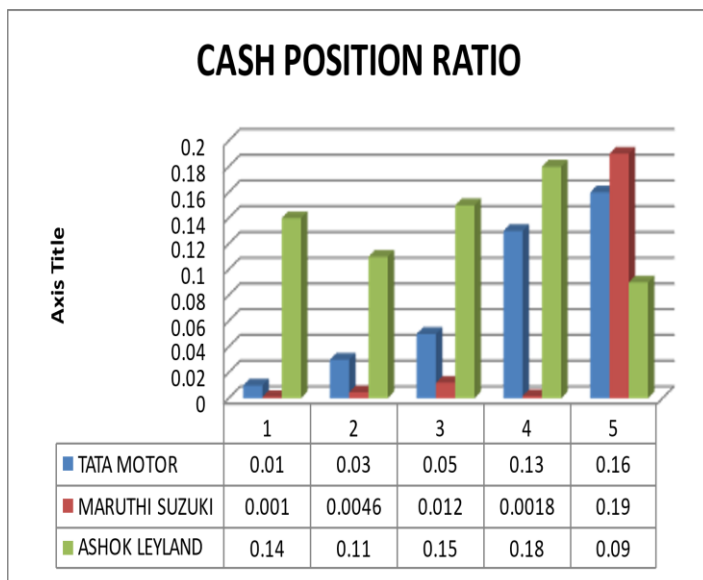
Cash Position Ratio

TABLE NO: 1.2

Financial Ratio for Select Motors Companies

2. Cash position Ratio :

YEAR	TATA MOTOR	MARUTHI SUZUKI	ASHOK LEYLAND
2017	0.01	0.001	0.14
2018	0.03	0.0046	0.11
2019	0.05	0.012	0.15
2020	0.13	0.0018	0.18
2021	0.16	0.19	0.09



Interpretation:

In Cash Position Ratio in 2017-2018 Maruthi Suzuki is greater than other 2 company.;
2019-2021 Ashok Leyland is Higher than two company

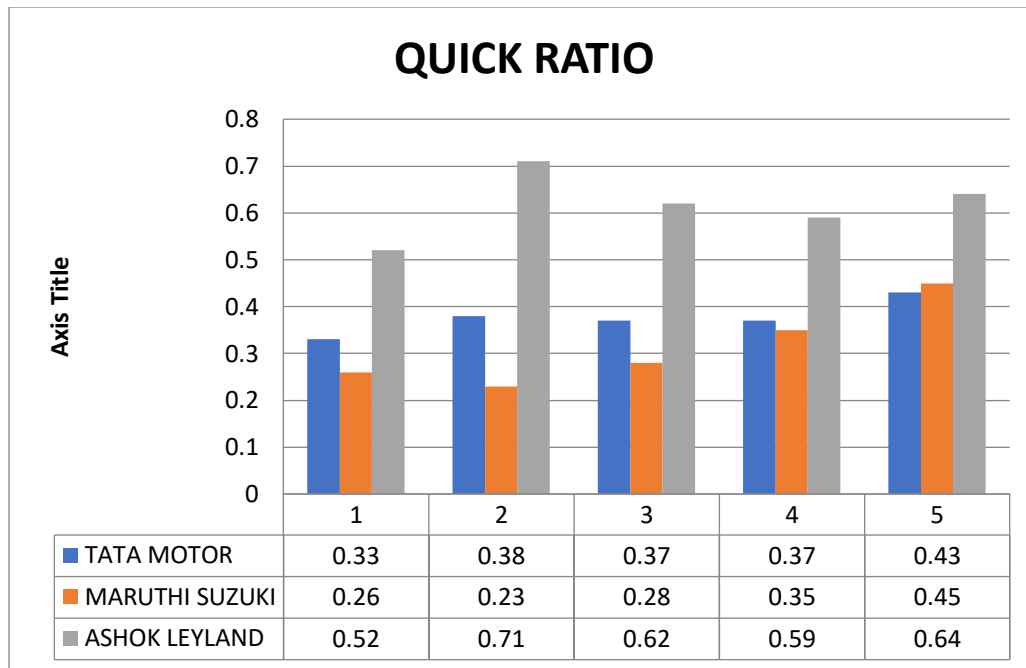
QUICK RATIO

TABLE NO: 1.3

Financial Ratio for Select Motors Companies

3. Quick Ratio :			
YEAR	TATA MOTOR	MARUTHI SUZUKI	ASHOK LEYLAND
2017	0.33	0.26	0.52
2018	0.38	0.23	0.71
2019	0.37	0.28	0.62
2020	0.37	0.35	0.59
2021	0.43	0.45	0.64

CHART NO:1.3



Interpretation

In Quick Ratio 2017-2018 Ashok Leyland is higher than two companies; 2019-2020 Still Ashok Leyland is higher than other company; 2021 Tata Motors and Maruthi Suzuki more are less same ratio.

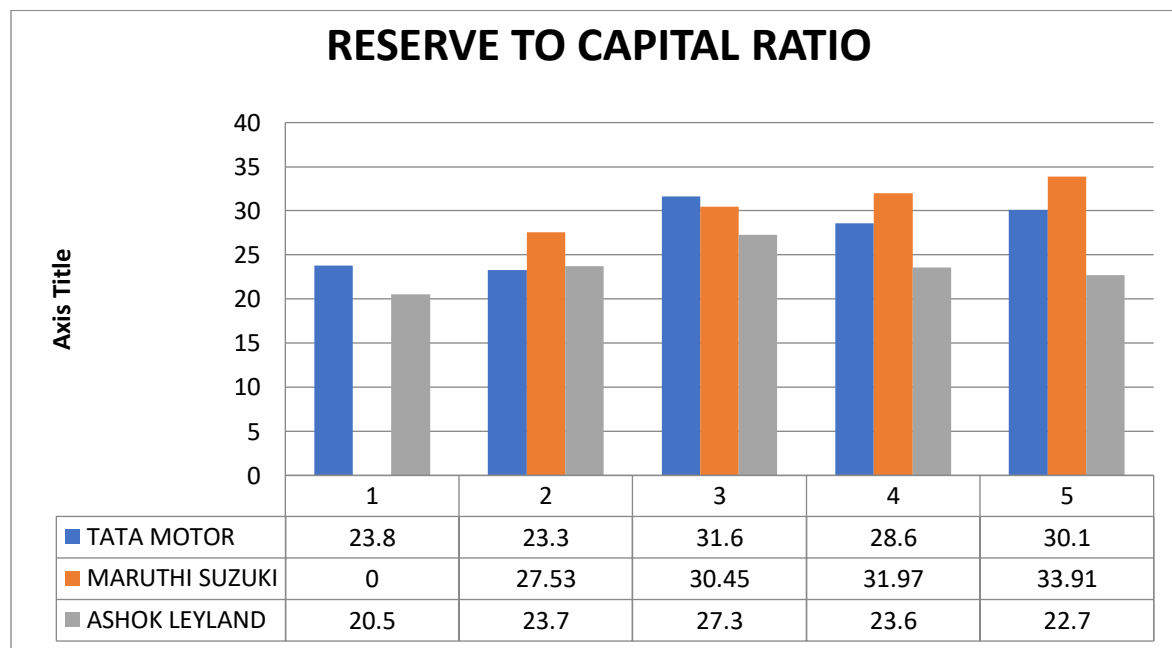
RESERVE TO CAPITAL RATIO

TABLE NO: 1.4

Financial Ratio for Select Motors Companies.

YEAR	TATA MOTOR	MARUTHI SUZUKI	ASHOK LEYLAND
2017	23.8	24.20	20.5
2018	23.3	27.55	23.7
2019	31.6	30.45	27.3
2020	28.6	31.97	23.6
2021	30.1	33.9	22.7

CHART NO:1.4



Interpretation

In Reserve to Capital Ratio 2017 -2021 Tata Motors is the highest Ratio compare between Maruthi Suzuki and Ashok leyland.

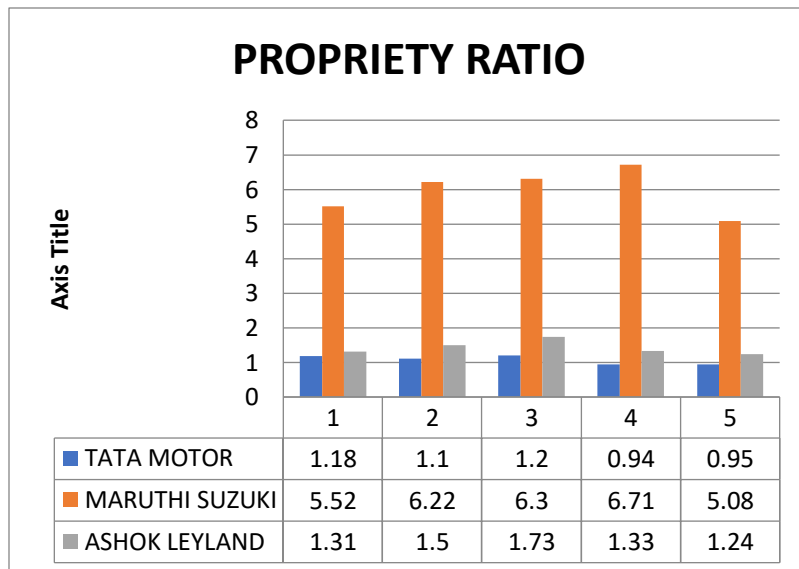
PROPRIETARY RATIO

Table No 1.5

Financial Ratio for Select Motors Companies

5. Propriety Ratio :			
YEAR	TATA MOTOR	MARUTHI SUZUKI	ASHOK LEYLAND
2017	1.18	5.52	1.31
2018	1.1	6.22	1.5
2019	1.2	6.3	1.73
2020	0.94	6.71	1.33
2021	0.95	5.08	1.24

CHART NO:1.5



Interpretation

In Propriety Ratio Maruthi Suzuki highest in 2020 (6.71); in 2017-2021 Maruthi Suzuki is the highest ratio compare between Tata Motors and Ashok Leyland.

CHAPTER 5

SUMMARY OF FINDINGS, SUGGESTIONS & CONCLUSION

5.1 FINDINGS

1. In Current Ratio, comparison between Tata Motor; Maruthi Suzuki and Ashok Leyland in 2017 – 2021 Ashok Leyland is top in 5 yrs in this 3 company.
2. In Cash Position Ratio in 2017-2018 Maruthi Suzuki is greater than other 2 company.; 2019-2021 Ashok Leyland is Higher than two company.
3. In Quick Ratio 2017-2018 Ashok Leyland is higher than two companies; 2019-2020 Still Ashok Leyland is higher than other company; 2021 Tata Motors and Maruthi Suzuki more are less same ratio.
4. In Reserve to Capital Ratio 2017 -2021 Tata Motors is the highest Ratio compare between Maruthi Suzuki and Ashok leyland.
5. In Propriety Ratio Maruthi Suzuki highest in 2020 (6.71); in 2017-2021 Maruthi Suzuki is the highest ratio compare between Tata Motors and Ashok Leyland.

5.2 LIMITATIONS OF THE STUDY

- This study mainly depends on the secondary data i.e., balance sheet of Motors companies (Tata Motors, Maruti Suzuki, Ashok Leyland).
- Operating and financial performance of the companies is analysed using 5 years data alone. The study does not consider the time value of money.
- The validity of analysis and suggestion depends on the financial statements and reports alone, provided by the company

5.2 SUGGESTION

1. Maruti Suzuki Motor company may sustain their market share and goodwill due to cutthroat competition and arrivals of new entry in the Motors companies and also the reason to increase in input cost. Their better financial performances are compared with sample, so give attention to it.

2. Tata Motors may give concentration to make optimum utilization of available resources. Because it has passed high level financial assistance but it fails to make more earnings compared with Maruti Suzuki. But the TATA has lowest financial position compared with Ashok LEYLAND however it can earn more profit or achieve high profit volume

5.3 CONCLUSION

- After the analysis of various data, related to selected Motors companies in India founded in theoretical statement, it is clear that working capital and profitability more or less depends upon the better utilization of resources, cut-off expenses and quality of management function in the products, customer services and to manpower and goodwill and market share.
- It is worthwhile to increase production capacity and use advance technology to cut down cost of production and wage cost in order to increase profitability, not only against the investment, but also for investor's return point of view. These programs are helpful to increase profitability of selected Motors companies in India in future prospects.
- If the management or government does not look into it seriously, it can result in loss of jobs and the company will become a sick unit

5.4 REFERENCE

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