



## COMPARATIVE STUDY OF WORKING CAPITAL OF MARUTI UDYOG LTD. & HYUNDAI MOTORS INDIA LTD.

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### ABSTRACT:

Working capital is an important issue that must be taken into account when it comes to investing in an asset. Unfortunately, it has been neglected in most financial decisions. This is mainly due to its short duration and how its impact on financial performance can be significant. Liquidity is a vital factor that any company should consider as it enables them to meet their financial obligations and operate smoothly. It can be very challenging to keep a company running smoothly and profitably. An organization's financial health can also be affected by various factors. These include the mismatch of its assets and liabilities. This issue could cause financial distress and even lead to the liquidation of companies.

In order for a company to succeed, it must have the proper capital management. This process can help enhance the organization's efficiency and prevent it from collapsing. Having the required resources for meeting its needs can also help safeguard financial mismanagement. The management of a company's working capital and liquidity are two vital factors that can determine its fate. Working capital management plays a vital role in any business' operations, and it is responsible for maintaining a company's solvency.

### KEYWORDS:

**WORKING CAPITAL, MARUTI UDYOG, HYUNDAI MOTORS, AUTOMOBILE.**

### INTRODUCTION

The history of automobiles can be traced back to the invention of wheels around 4,000 years ago. In Italy, some people built structures that can be used for air-powered vehicles, such as the windmill that was constructed by Guido da Vigevano in 1335. In a series of pilot projects, Leonardo da Vinci experimented with different movement systems and propulsion methods. Some of these were powered by a windmill, but these were unsuccessful.

The initial background of automobiles dates back to the timetable until 1769. During this period, the development of steam engines for transportation was considered a feasible option. The first automobile was created during the mid-80s using gas combustion. In 1885, an internal combustion engine made its debut on the road. This type of vehicle was commonly used for transportation and was powered by either petrol or gasoline. Various improvements were made to this type of engine over time to make it easier to operate and comfortable to drive.

### REASONS FOR GROWTH OF INDIAN AUTOMOBILE MARKET

There are various reasons for the growth of the Indian automobile market, such as:

- People have more disposable income as the economy is growing.
- There is an increase in the need for mobility due to urbanization and leisure travel.
- Various financial institutions offer car insurance

- policies that can be customized to suit your needs.
- There are service stations and spare parts readily available all across the nation within easy reach of customers' homes.
- The highway infrastructure has improved, which has resulted in reduced travel time and service costs.

### WORKING CAPITAL:

Working capital is a type of financial resource that a business needs to ensure that its operations are running smoothly. It typically refers to the surplus of its assets over its liabilities. The goal of managing working capital is to ensure that it is neither excessive nor insufficient.

Working capital refers to a company's total current assets, which are gross, and its excess liabilities, which are net. This difference should be noted, as a working capital deficit can occur if the company has current liabilities that exceed its assets. According to L.J. Gitman, net working capital is a portion of a firm's assets that is derived from its long-term funds. The gross and net concepts are helpful when determining an organization's assets and liabilities. The former is preferable when looking into an organization's financial position, while the latter is beneficial when determining the group's growth.

### NEED OF COMPARATIVE WORKING CAPITAL

Working capital analysis is a tool utilized by companies to evaluate their financial health. It helps us determine the

amount of capital that each firm requires. It enables us to identify the areas of weakness and strengths of the company and make informed decisions.

### OBJECTIVES OF THE STUDY

The proposed research study aims to conduct a comparative analysis of the working capital of Maruti India Ltd. and Hyundai India Ltd. The study aims to focus on the following:

- To become familiar with the profiles of the sample units under study.
- To assess the working capital requirements and analyze them for both companies.
- To analyze the liquidity and profitability of the sample units under study using ratio analysis.
- To compare the working capital management of Maruti India Ltd. and Hyundai India Ltd.
- To examine the growth rate, market capitalization, and cash flow position of the companies under study.

### MARUTI UDYOG LTD. [MUL]

India's largest car manufacturer Maruti Suzuki India was established on February 24, 1981. It's a joint venture between the government and Suzuki Motor Corporation. The company was initially established with a manufacturing facility in Gurugram, Haryana.

In 1982, a joint venture agreement was signed between Suzuki Motors of Japan and India's Maruti Udyog. The first vehicle to be launched under this agreement was the Maruti Suzuki 800, which was launched in 1983. It is regarded as the second-largest car in the country. In 1985, another vehicle based on the Suzuki SJ 410 engine was launched, the Gypsy.

The Maruti 1000, which was India's first modern sedan, was launched in 1989. It featured a 970cc engine and a three-box design. By 1991, about 65 percent of the parts used in the company's vehicles were indigenous. After the country's economy was liberalized in 1991, Suzuki's ownership of Maruti increased to 50 percent. The company then became a joint venture of the government.

### HYUNDAI MOTORS INDIA LIMITED. [HMIL]

Hyundai Motor India, a subsidiary of South Korea's Hyundai Motor, is one of the largest car manufacturers in India. It has a market share of 16.2% and a turnover of about \$5.5 billion. It was founded in 1996 and is one of the first major automobile companies in the country. At the time of its entry, there were only five major manufacturers in the country: Maruti, Tata, Mahindra, Premier, and Hindustan.

The first car made by Hyundai India was the Hyundai Santro, which was launched on September 23, 1998. Within a couple of months, it had become one of the country's largest car manufacturers. Its South Korean parent company, Hyundai Motor, is also one of the largest car manufacturers in the world. For the eighth year in a

row, Hyundai Motor India has been named as the country's top exporter of passenger cars.

### REVIEW LITERATURE

**Sarbapriya Ray (2012)** in her study attempted to estimate the economic performance of Indian industry in terms of capacity utilisation at an aggregate level. The study econometrically estimated the speed of capacity utilisation in the industry at aggregate level and analysed its trend during the post liberalisation period, 1991-92 to 2005-06. The study also assessed the impact of assorted factors influencing capacity utilisation. The results obtained showed that capacity utilisation has improved after the trail breaking economic reforms initiated in 1991 at the speed of around 5 percent every year but capacity grew faster than output growth. Visible of identifying several factors that influence capacity utilisation, the results suggested that co-efficient of export-intensity variable and import penetration ratio were negative which indicate that capacity utilisation was relatively lower in firms belonging to industry characterised by high export-intensity and import penetration. The study also revealed that a positive relationship is found between size and capacity utilisation and similarly between market share and capacity utilisation.

**V S Ramaswamy (2010)** CRM isn't merely the response of the days, but the requirement of the time yet it's the effective CRM which converts buyers into profitable customers so builds relations and retains them as a customer for all times."

### RESEARCH HYPOTHESIS

- 1] Null Hypothesis [Ho] - There is no difference between sample units i.e cost effective and efficient in both companies in terms of resources utilization
- 2] Alternate Hypothesis [H1] The working capital position of both the companies is adequate.
- 3] The management of earnings is being done to maximize shareholder's wealth.

### RESEARCH METHODOLOGY

**Sample Design:** Maruti Udyog Ltd. (MUL) is the no. one car maker company in India and Hyundai Motors India Ltd. (HMIL) takes place second position. On the basis of this sample will be selected for the proposed research.

**Period of the study:** In order to study the comparative working capital performance of both the companies reasonably a longer period is required which will help to find out the consistency and stability over a period of time. Therefore the period of study will be taken for five [5] years i.e financial year from 2015-16 to 2019-20.

### RESULTS AND DISCUSSION:

#### BASED ON WORKING CAPITAL

The working capital ratio indicates that the company is using its working capital effectively. It establishes a link between the net revenue from operations and the working

capital.

Revenue from operations = Total Sales – Sales Return

$$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue From Operations}}{\text{Working Capital}}$$

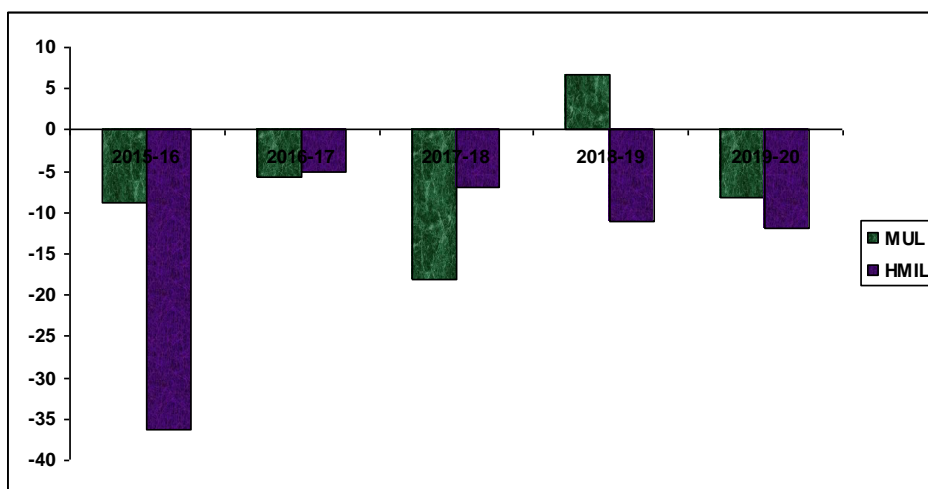
Working Capital = Current Assets – Current Liabilities

**WORKING CAPITAL TURNOVER RATIO OF THE AUTOMOBILE INDUSTRIES UNDER STUDY**  
(From 2015-16 to 2019-20)

(Ratio in times)

Year	MUL	HMIL
2015-16	-8.75	-36.32
2016-17	-5.73	-5.085
2017-18	-18	-6.86
2018-19	6.7	-11.12
2019-20	-8.25	-12
Average	-6.81	-14.28
S.D.(σ)	8.87	12.65
C.V.(%)	-130.33	-88.64

Source: Annual reports and Accounts of the Industries under study



**MUL:**

Working capital turnover ratio of MUL registered a fluctuating trend during the whole period of study and varied within the range of -18 times in 2017-18 to 6.70

times in 2018-19. The working capital turnover ratio of MUL showing company has not sufficient short term funds for fulfilling the sales done for that period .The average working capital turnover ratio during the period of study was -6.81 times.

**HMIL:**

Working capital turnover ratio of HMIL registered a fluctuating trend during the whole period of study and varied within the range of -36.32 times in 2015-16 to times in -5.085 times in 2016-17. The working capital turnover ratio of HMIL showing company has not sufficient short term funds for fulfilling the sales done for that period. The average working capital turnover ratio during the period of study was -14.28 times show is very dissatisfactory level.

**Comparison on the basis of Liquidity Analysis****Liquidity Ratios of Companies (Times)**

Years	2015-16	2016-17	2017-18	2018-19	2019-20	Avg.	SD	C.V
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**CR**

MUL	0.71	0.68	0.87	1.35	0.67	0.86	0.29	33.62
HMIL	0.93	0.63	0.68	0.76	0.81	0.76	0.12	15.35

**QR**

MUL	0.23	0.35	0.43	0.92	0.23	0.43	0.29	66.13
HMIL	0.51	0.32	0.33	0.36	0.51	0.41	0.09	23.67

**ALR**

MUL	0.69	0.76	0.50	0.15	0.62	0.54	0.24	44.17
HMIL	0.11	0.36	0.12	0.32	0.20	0.22	0.10	46.04

**Comparison on the basis of Mean Value of Ratios**

S.No.	Liquidity Analysis	MUL	HMIL
1	CR	0.86	0.76
2	LR	0.43	0.41
3	ALR	0.54	0.22
	<b>Sum of Mean Value</b>	<b>1.83</b>	<b>1.39</b>
	<b>Avg. Score</b>	<b>0.62</b>	<b>0.46</b>
	<b>Ranking</b>	<b>1</b>	<b>2</b>

It is evident from the table that MUL leads in the liquidity analysis as compared to HMIL. MUL's liquidity score is 0.62 whereas HMIL's liquidity score is 0.46.

**CONCLUSION AND IMPLICATIONS**

1. The highest sales growth rate was experienced by the MUL.
2. MUL earned the most in terms of profitability. The company's score of 613.61 was higher than that of HMIL, which had a share of only 54.75.
3. According to the stock market's wealth creation objective, MUL was the most desirable company from 2015-16 to 2019-20.
4. So it is found that MUL has a superior market valuation than HMIL.

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