



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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COMPARATIVE FINANCIAL PERFORMANCE EVALUATION OF MARUTI AND HYUNDAI

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ABSTRACT

The research paper focuses on the financial performance evaluation of Maruti and Hyundai. Financial Performance evaluation has been done on the basis of some selected parameters like Liquidity, Profitability, Efficiency, Leverage ratios and Market Value Ratios for the period from 2000 to 2009. The idea of this article is to know the short term as well as long term financial position of selected companies and to give suitable suggestions for improvement in their financial position. The comparison of the financial performance of Maruti and Hyundai reveals that Maruti is better company in market valuation in comparison to Hyundai.

KEY WORDS

MSIL, HMIL, Financial Ratios, Financial Parameters

INTRODUCTION

MSIL is the no. one car maker company in India and Hyundai is at no. 2. On this basis sample has been selected for this paper. **Maruti Udyog Ltd.** is the first automobile company in the World to be honored with an ISO 9000:2000 certificate. The company has a joint venture with Suzuki Motor Corporation of Japan. It was established in 1981. **Hyundai Motor India Ltd.** is South Korea's largest car maker and 6th largest car maker in the World. Hyundai Motor India Ltd. (HMIL) is the Second largest and fastest growing car manufacturer in India. The co. is an ISO 14001 for its sustainable environment management practices.

Popular Brands of MSIL: Maruti-800, Alto, Zen, Zen Estlio, Baleno, Wagon-R, Swift, Swift-Dzire, Esteem, A-Star, Versa, SX4.

Popular Brands of HMIL: Santro, Getz, i-10, i-20, Accent, Elantra, Verna and Sonata Embera and Tuscon

OBJECTIVES OF THE STUDY

1. To know the financial performance evaluation of Maruti and Hyundai
2. To give suggestion on the basis of Liquidity, Profitability, Efficiency and Leverage analysis
3. To know the Market Position of Maruti and Hyundai by taking Market Value Ratios

DATA SOURCE

Data has been taken from the year 2000 to 2009. It has been collected from the CMIE, Capitaline.Com and from the Annual Reports of the Companies. Various Tools and Techniques like Average, S.D., COV has been used to arrive at any conclusion.

LIQUIDITY ANALYSIS

There are two aspects of the financial situation of any business the short term & the long term. Short term financial position is not only important for banks, creditors but also valuable for the management in finding out the efficiency with which working capital is being employed in the business. It is also important for shareholders & long term creditors in determining to some extent, at least the prospects of dividend & interest payment.

FINANCIAL PERFORMANCE ON THE BASIS OF LIQUIDITY ANALYSIS OF THE TWO COMPANIES IS APPENDED BELOW:

Table:1 Liquidity Ratios of Companies (Times)

CR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	1.46	1.78	1.48	1.94	1.36	1.92	1.99	1.50	1.16	1.67	1.62	0.68	41.98
HMIL	2.02	1.87	1.90	2.08	1.31	1.35	1.54	1.44	1.72	1.79	1.70	0.68	40.00

LR													
MSIL	0.74	1.09	1.00	1.60	1.06	1.49	1.52	1.26	0.77	1.39	1.19	0.72	60.50
HMIL	1.08	1.06	1.31	1.50	0.83	0.71	0.58	0.49	0.93	1.03	0.95	0.70	73.51

Source: - Computed with the help of Statistics
Data taken from the CMIE database PROWESS from 2000 to 2009

Table: 1(A) Comparison on the basis of Mean Value of Ratios

S.no.	Liquidity Analysis	MSIL	HMIL
1	CR	1.62	1.70
2	LR	1.19	0.95
	Sum of Mean Value	2.81	2.65
	Avg. Score	1.41	1.33
	Ranking	1	2

It is evident from the table that MSIL leads in the liquidity analysis as compared to HMIL. MSIL's liquidity score is 1.41 whereas HMIL's liquidity score is 1.05.

Current Ratio of MSIL during the reference period was lower than the standard norms of 2:1 and in the case of HMIL it was also lower except 2000 and 2003 in all the years during the study period than the standard norms of 2:1. Low Current Ratio indicates that both the companies faced difficulties in handling short term obligations on time. **Liquidity Ratio** of MSIL during the study period except in 2002 and 2008 was less than the standard norms of 1:1 and in the case of HMIL except in 2000, 2002 and 2003 the liquidity ratio was lower than the standard ratio of 1:1. Like Current Ratio, low Liquidity Ratio also signals that both the companies were not able to meet their short term liabilities. It can be concluded that both the companies are not in good position to meet their short term obligation on time during the reference period, because in most of the years during the study period ratios are below than the recommended value.

PROFITABILITY ANALYSIS

The main purpose of business unit is to make profit. The profitability ratios are computed to throw light on the current operating performance and efficiency of the business firm when they are related to some other figures such as sales, cost of goods sold, operating expenses, capital invested etc.

FINANCIAL PERFORMANCE ON THE BASIS OF PROFITABILITY ANALYSIS IS APPENDED BELOW:

Table: 2 (i) Profitability Ratios of Companies (Percentage) (In relation to Sales)

GPR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	9.27	0.79	6.52	8.41	13.89	16.15	16.94	17.36	17.17	11.60	11.81	2.99	25.32
HMIL	10.84	14.99	18.96	13.78	15.64	13.66	14.99	12.25	11.67	6.31	13.31	2.20	16.53
NPR													
MSIL	35.81	33.25	32.09	32.53	30.29	31.51	36.57	38.36	39.27	38.99	34.87	2.42	6.94
HMIL	0.00	0.00	0.00	0.00	0.00	10.39	16.08	18.79	21.32	14.18	16.15	1.76	10.90
OPR													
MSIL	105.55	113.37	109.13	106.39	98.28	93.48	93.32	93.71	93.99	101.95	100.92	3.56	3.53
HMIL	100.46	96.86	93.23	102.95	98.67	100.47	99.01	102.28	102.02	106.38	100.23	2.25	2.24

Source: - Computed with the help of Statistics
Data taken from the CMIE database PROWESS from 2000 to 2009

Table:2(A) Comparison on the basis of Mean Value of Ratios

Sr. No.	Profitability Analysis	MSIL	HMIL
1	GPR	11.81	13.31
2	NPR	34.87	16.15
3	OPR	100.92	101.79
	Sum of Mean Value	147.59	131.25
	Avg. Score	49.20	43.75
	Ranking	1	2

The MSIL leads in profitability analysis as compared to HMIL. MSIL's Profitability score in relation to sales was 49.20 whereas HMIL's score was 43.75.

Gross Profit Ratio of MSIL was less than the standard norms of 20-30 percent in all the years during the reference period. HMIL's gross profit ratio was also not satisfactory in all the years as it was also less than the standard norms of 20-30 percent. Low Gross Profit Ratio indicates that the profit was not sufficient to cover the operating expenses of both the companies during the reference period. **Net Profit Ratio** of MSIL varied in a range of 35 percent from 2000 to 2009, which can be said satisfactory because usually 5 to 10 percent net profit ratio is considered as good for the company. In the case of HMIL the profit was almost NIL from the year 2000 to 2004 because company used all the profit in appropriation, after that it varied in a range of 16 percent during the study period. High Net Profit Ratio indicates that both the companies didn't face any difficulty in maintaining its reserves and they had sufficient amount to cover the operating and non operating expenses.

Operating Profit Ratio of MSIL varied in a range of 100.92 percent throughout the period whereas HMIL's operating ratio varied in a range of 100.23 percent, usually operating ratio is considered good between 75-80 percent. In both the companies this ratio was higher than this standard which means that the both the companies might have faced difficulty in covering its non operating expenses.

OVERALL WE CAN CONCLUDE THAT PROFITABILITY IN RELATION TO SALES WAS BETTER OF MSIL IN COMPARISON TO HMIL.

FINANCIAL PERFORMANCE ON THE BASIS OF PROFITABILITY ANALYSIS IS APPENDED BELOW:

Table: 2 (ii) Profitability Ratios of Companies (Percentage) (In relation to Investment)

ROI	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	0.16	0.00	0.06	0.09	0.35	0.41	0.51	0.58	0.72	0.28	0.35	0.57	161.65
HMIL	0.09	0.16	0.21	0.16	0.29	0.29	0.31	0.27	0.16	0.07	0.20	0.38	190.47
ROE													
MSIL	224.49	0.00	48.98	71.76	345.19	550.73	752.94	991.00	1097.79	773.43	539.59	24.23	4.49
HMIL	0.07	0.21	0.19	0.05	0.32	0.35	0.65	0.57	0.63	0.09	31.37	0.61	1.94
ROA													
MSIL	72.37	59.48	67.49	65.73	70.65	73.45	79.54	75.32	75.42	79.69	71.91	3.01	1.88
HMIL	0.00	0.00	0.00	0.00	0.00	0.34	0.46	0.37	0.35	0.30	36.43	1.88	5.16

Source: - Computed with the help of Statistics

Data taken from the CMIE database PROWESS from 2000 to 2009

Table:2(B) Comparison on the basis of Mean Value of Ratios

Sr. No.	Profitability Analysis	MSIL	HMIL
1	ROI	0.35	0.20
2	ROE	539.59	31.37
3	ROA	71.91	36.43
	Sum of Mean Value	611.86	68.00
	Avg. Score	203.95	22.67
	Ranking	1	2

It is evident from the table that MSIL leads in the profitability analysis in relation to investment as compared to HMIL. MSIL's score of profitability in relation to investment is 203.95 whereas HMIL's score is 22.67 only.

Return on Investment of MSIL varied in a range of 0.35 during the reference period and ROI of HMIL varied in a range of 0.20. It shows that MSIL has used its funds received from owners as well as from long term lenders in a better way in comparison to HMIL's ROI. MSIL's ROI was NIL in the year 2001 that means that the company has not used its funds in proper way in this year due to non availability of funds. In the year 2009 ROI of both the companies was low as compared to its previous year 2008. **Return on Equity** of MSIL varied in a range of 539.59 and of HMIL varied in a range of 31.37. ROE indicates that how much profit has been earned by the company and how much is available to the equity shareholders for the distribution of dividend. Higher ROE means more profit for the equity shareholders and low ROE means vice versa. MSIL's ROE except 2001 where it was almost NIL which shows non availability of profit for the equity shareholders in that year was much better in comparison to the ROE of HMIL. **Return on Assets** of MSIL varied in a range of 71.91 and of HMIL varied in a range of 36.43 during the study period. HMIL profit was almost NIL from 2000 to 2004 so ROA was also NIL in this period. ROA indicates how efficiently the company has used its assets in making profit. It is clear from the table 6.10 (ii) (b) that the MSIL is better in managing its assets in comparison to HMIL.

Overall we can say that profitability in relation to investment was better of MSIL than HMIL.

Efficiency Analysis: Efficiency analysis shows how assets are being utilized in the company. For this purpose various ratios i.e. FATR, STR, DTR & WCTR can be calculated.

FINANCIAL PERFORMANCE ON THE BASIS OF EFFICIENCY ANALYSIS IS APPENDED BELOW:

Table:3 Efficiency Ratios of Companies (Times)

FATR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	3.21	2.99	2.91	3.18	4.97	5.83	7.09	5.53	5.43	5.04	4.62	1.57	33.99
HMIL	10.45	7.36	5.25	4.66	5.72	5.84	5.35	5.09	4.64	3.29	5.77	1.59	27.58
STR													
MSIL	7.06	7.76	10.39	14.74	20.70	16.39	13.64	20.95	17.24	22.75	15.16	2.98	19.65
HMIL	8.54	11.25	10.24	12.15	10.28	9.94	9.90	6.84	6.60	7.30	9.30	1.78	19.13
DTR													
MSIL	14.99	9.94	8.43	10.70	13.21	18.22	18.60	19.66	27.29	22.34	16.34	3.12	19.10
HMIL	811.40	111.74	25.77	56.31	14.83	20.58	32.64	20.33	12.00	8.11	114.07	16.70	14.64
WCTR													
MSIL	11.68	6.82	10.97	5.51	18.69	8.01	6.81	11.03	65.73	9.81	15.51	4.62	29.80

HMIL	7.71	9.24	6.66	6.31	15.72	13.10	8.53	8.84	6.19	6.12	8.84	2.14	24.20
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Source: - Computed with the help of Statistics
Data taken from the CMIE database PROWESS from 2000 to 2009

Table:3(A) Comparison on the basis of Mean Value of Ratios

Sr. No.	Efficiency Analysis	MSIL	HMIL
1	FATR	4.62	5.77
2	STR	15.16	9.30
3	DTR	16.34	114.07
4	WCTR	15.51	8.84
	Sum of Mean Value	51.62	137.98
	Avg. Score	12.91	34.50
	Ranking	2	1

It can be observed from the table that HMIL leads in the efficiency analysis as compared to the MSIL efficiency analysis.

Fixed Assets Turnover Ratio of MSIL varied in a range of 4.62 and of HMIL varied in a range of 5.77. Usually a 5-6 times FATR is considered good for any company. MSIL's FATR was less than this standard during 2000 to 2004 and HMIL's FATR was less than this in 2008, 2009 and in 2002. In these years where it was less than the standard it shows insufficient utilization of fixed assets in both the companies. Overall it can be concluded that HMIL's FATR was better than the FATR of MSIL. **Stock Turnover Ratio** of MSIL varied in a range of 15.16 and of HMIL varied in a range of 9.30 during the study period. Higher STR shows efficient management of inventory and lower STR indicates inefficient management of inventory, stock accumulation and slow moving of goods. In all the year except 2000 and 2001 MSIL has proved efficient company in managing its inventory in comparison to HMIL. Overall we can say that MSIL's STR was better than the STR of HMIL. **Debtors Turnover Ratio** of MSIL varied in a range of 16.34 and of HMIL varied in a range of 114.07. Higher DTR indicates more efficiency in recovering the debtors and low DTR is a signal of inefficient management of debtors. Except 2008 and 2009 HMIL has proved a better managing company in recovering its debtors in comparison to MSIL.

Working Capital Turnover Ratio of MSIL varied in a range of 15.51 and of HMIL varied in a range of 8.84. Higher WCTR indicates efficient management of working capital and low indicates otherwise. In all the years except 2001, 2003, 2005 and 2006 WCTR of MSIL was more than the WCTR of HMIL. It indicates that MSIL was better working capital managing company as compared to HMIL.

Overall HMIL's efficiency analysis can be said satisfactory in comparison to MSIL.

LEVERAGE ANALYSIS

Leverage analysis means to know the long term solvency position of the company. It means that is company able to pay off its long term creditors or not on time. For this CGR, DER & ICR ratios can be taken to arrive at definite conclusion.

Financial Performance on the basis of Leverage Analysis is appended below:

Table:4 Leverage Ratios of Companies (Times)

CGR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	5.33	2.38	4.13	6.79	11.51	14.24	76.05	10.87	9.35	13.37	15.40	4.92	31.95
HMIL	1.05	1.45	1.85	1.79	2.12	3.66	3.94	1.33	0.98	0.72	1.89	1.27	67.20
DER													
MSIL	0.06	0.30	0.20	0.13	0.08	0.07	0.01	0.08	0.10	0.07	0.14	0.41	284.34
HMIL	0.49	1.41	0.35	0.36	0.32	0.21	0.20	0.43	0.51	0.58	0.69	0.73	105.79
ICR													
MSIL	7.40	-2.55	2.54	6.35	18.74	37.25	86.78	61.63	43.00	33.86	33.06	6.78	20.51
HMIL	1.99	4.17	10.04	16.29	39.89	47.26	241.26	51.84	10.48	2.35	42.56	9.22	21.66

Source: - Computed with the help of Statistics
Data taken from the CMIE database PROWESS from 2000 to 2009

Table:4(A) Comparison on the basis of Mean Value of Ratios

S. No.	Leverage Analysis	MSIL	HMIL
1	CGR	15.40	1.89
2	DER	0.14	0.69
3	ICR	33.06	42.56
	Sum of Mean Value	48.61	45.14
	Avg. Score	16.20	15.05
	Ranking	1	2

It can be observed from the table that MSIL leads in leverage analysis as its score is 15.01 and HMIL's score is 14.95.

Capital Gearing Ratio of MSIL varied in a range of 15.40 and of HMIL varied in a range of 1.89. High geared capital structure may be signal of under capitalization and low geared capital structure may be of over capitalization. In all the year during the study period CGR of MSIL was better than the CGR of HMIL. It means the company was highly geared in all the years. **Debt Equity Ratio** of MSIL varied in a range of 0.14 and of HMIL in a range of 0.39 during the study period. In all the years DER was less than the 2:1 in both the companies during the reference period which signals good situation for the company because it means that the company is not dependent on the debt for its capital requirements. Overall MSIL's DER can be said satisfactory in comparison to HMIL. **Interest Coverage Ratio** of MSIL varied in a range of 29.50 and of HMIL varied in a range of 42.56. Higher ICR indicates company's efficiency to pay interest on loans on times, low indicates otherwise. MSIL's ICR in 2001 recorded a negative trend which shows company's inefficiency to pay interest on loan on times in this year. Overall HMIL's ICR can be said well in all the years during the study period in comparison to the ICR of MSIL.

Overall MSIL can be said better company in Leverage Analysis as compared to HMIL.

MARKET VALUE ANALYSIS

The six ratios of EPS, P/ER, BVPS, EVA, MVA and TQ were taken as indicators of market valuation.

FINANCIAL PERFORMANCE ON THE BASIS OF MARKET VALUE ANALYSIS IS APPENDED BELOW:

Table: 5 (i) Market Value Ratios of companies

EPS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	11.22	0.00	2.45	3.59	17.27	27.55	37.66	49.57	54.91	38.68	26.99	5.46	20.23
HMIL	73.26	212.30	188.56	52.93	317.25	351.90	648.27	576.22	634.72	91.05	314.64	19.54	6.21
PER													
MSIL	0.00	0.00	0.00	0.00	26.78	14.39	21.51	15.38	14.05	18.65	11.08	2.97	26.81
HMIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS													
MSIL	130.70	141.90	127.11	123.02	135.10	162.22	191.22	259.08	322.45	347.66	194.04	11.73	6.05
HMIL	1968.01	2062.74	2172.08	1966.01	2294.20	2404.95	3181.44	5446.21	7576.68	8980.98	3805.40	65.07	1.71

Source: - Computed with the help of Statistics

Data taken from the CMIE database PROWESS from 2000 to 2009

Table:5(A) Comparison on the basis of Mean Value of Ratios

Sr. No.	Market Value Analysis	MSIL	HMIL
1	EPS	26.99	314.64
2	PER	11.08	0.00
3	BVPS	194.04	3805.40
	Sum of Mean Value	232.11	4120.04
	Avg. Score	77.07	1373.35
	Ranking	2	1

It can be evident from the table HMIL leads in the market valuation as compared to MSIL.

Earning per Share of MSIL varied in a range of 26.99 and of HMIL varied in a range of 314.64 during the study period. MSIL's EPS in 2001 was NIL because in this year profit was negative and due to non availability of profit EPS was also NIL. EPS indicates the amount available for the distribution of dividend to equity shareholders. Overall in all the years during the reference period EPS of HMIL was higher than the EPS of MSIL. **Price Earning Ratio** of MSIL varied in a range of 11.08 and it was zero from 2000 to 2003, it means shareholders were not optimistic about the future growth of the company in this period. PER signals the market price of the company, it helps in deciding the investors whether to buy or not the shares of a particular company. To conclude MSIL's PER can be said well in comparison to the PER of HMIL because HMIL's PER was almost NIL in every year during the study period. **Book Value per Share** of MSIL varied in a range of 194.04 and of HMIL varied in a range of 3805.40. BVPS indicates the net assets available for the distribution of equity shareholders. HMIL's BVPS was more than in all the years during the reference period than the MSIL's BVPS.

Overall it can be concluded that HMIL was better company in market valuation in comparison to MSIL.

Financial Performance on the basis of Market Value Analysis

Table:5 (ii) Market Value Ratios of Companies

EVA	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.	SD	COV
MSIL	0.10	0.00	0.03	0.04	0.14	0.18	0.22	0.21	0.19	0.12	0.14	0.31	221.43
HMIL	0.04	0.10	0.16	0.10	0.20	0.21	0.20	0.11	0.08	0.03	0.12	0.33	267.72
MVA													
MSIL	0.00	0.00	0.00	0.00	3.68	2.59	4.57	3.16	2.57	2.23	3.14	0.89	28.34
HMIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TQ													
MSIL	0.00	0.00	0.00	0.00	4.07	2.94	4.93	3.57	2.88	2.57	3.49	0.91	26.07
HMIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: - Computed with the help of Statistics
Data taken from the CMIE database PROWESS from 2000 to 2009

Table:5 (B) Comparison on the basis of Mean Value of Ratios

Sr. No.	Market Value Analysis	MSIL	HMIL
1	EVA	0.31	0.33
2	MVA	0.89	0.00
3	TQ	0.91	0.00
	Sum of Mean Value	2.11	0.33
	Avg. Score	0.70	0.11
	Ranking	1	2

It can be evident from the table MSIL leads in the market valuation as compared to HMIL.

EVA of MSIL varied in a range of 0.14 and of HMIL varied in a range of 0.12 during the study period in all the years. In 2001 EVA of MSIL is NIL due to non availability of profit in this year. MSIL's EVA can be said satisfactory in comparison to HMIL's EVA. MVA of MSIL was almost NIL from 2000 to 2003 during the reference period and it varied in a range of 3.14 in rest of the years. In the case of HMIL, MVA was NIL in all the years. Tobin's Q of MSIL was almost NIL from 2000 to 2003 during the reference period and varied in a range of 3.49 in rest of the years. In the case of HMIL, MVA was NIL in all the years.

CONCLUSION

Overall it can be said that MSIL was better company in market valuation in comparison to HMIL.

Points based on Ranking

Particulars	Points	
	MSIL	HMIL
Liquidity Analysis	2	1
Profitability Analysis (sales)	2	1
Profitability Analysis (investment)	2	1
Efficiency Analysis	1	2
Leverage Analysis	2	1
Market Valuation (old ratios)	2	1
Market Valuation (new ratios)	2	1
Total Points	13	9

It is clear from the above table that on the basis of rank got by each company points have been given. If a company has got 1st rank, according to this 2 marks have been given to that company for every analysis and if company has got 2nd rank, only 1 mark has been given to that company. MSIL has got 13 points in comparison to the 9 points of HMIL so it can be concluded that MSIL is satisfactory in most of the analysis.

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