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A STUDY ON LIQUIDITY ANALYSIS OF SUZUKI MOTORS

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ABSTRACT
This study examines the liquidity position of Suzuki Motors through an analysis of key liquidity ratios, including the current ratio, quick ratio, and cash ratio. Liquidity ratios are essential indicators of a company's short-term financial health and its ability to meet immediate obligations. The analysis utilizes financial data from Suzuki Motors over a selected period to evaluate trends, assess risk, and understand how effectively the company manages its liquid assets. The findings highlight Suzuki Motors' efficiency in maintaining a stable liquidity position amidst changing market conditions. This study also compares Suzuki's liquidity performance with industry benchmarks, providing insights into its competitive standing. Overall, the research offers valuable information for investors, financial analysts, and management for strategic decision-making and financial planning.
KEYWORDS: *Liquidity Ratios, Current Ratio, Quick Ratio and Cash Ratio*

2.INTRODUCTION

Liquidity is a crucial aspect of financial management that reflects a company's ability to meet its short-term obligations without relying on external financing. In the highly competitive and capital-intensive automotive industry, maintaining adequate liquidity is essential for sustaining operations, managing supply chains, and investing in innovation. This study focuses on Suzuki Motors, a global automobile manufacturer known for its strong market presence and diverse vehicle portfolio. Given the dynamic nature of the industry, Suzuki's ability to manage its liquid assets efficiently plays a vital role in ensuring financial stability and operational continuity. The objective of this study is to analyze key liquidity ratios namely the current ratio, quick ratio, and cash ratio over a specific period to evaluate the company's short-term financial health. By comparing these ratios with industry standards, the study aims to provide insights into Suzuki Motors' liquidity management practices and its overall financial resilience.

3.REVIEW OF LITERATURE

Pandey, I.M. (2015) In his book "Financial Management," Pandey emphasized the significance of liquidity ratios as essential indicators of a firm's short-term solvency. He highlighted that the current and quick ratios are critical tools for stakeholders to assess the company's ability to meet short-term liabilities.

Khan and Jain (2014) According to "Financial Management – Text, Problems and Cases," Khan and Jain discussed that an ideal current ratio is 2:1, and a quick ratio of 1:1 is generally considered satisfactory. Their work underscores how deviations from these benchmarks may indicate liquidity concerns.

Sharma & Gupta (2017) In their research on Indian automobile companies, the authors found a direct correlation between efficient working capital management and strong liquidity positions. They suggested that liquidity analysis is crucial for understanding a company's operational resilience.

Reddy, Y.V. (2018) In his study "Liquidity and Profitability Analysis of Selected Automobile Companies in India," Reddy concluded that while a high liquidity ratio ensures solvency, excessively high ratios may indicate underutilized resources, which can affect profitability.

Das, P. (2020) Das conducted a study on liquidity trends in multinational automobile companies and noted that global firms like Suzuki need to maintain optimal liquidity to handle market volatility and supply chain disruptions.

4.OBJECTIVE OF THE STUDY

- To analyse the Liquidity position of Suzuki Motors period of (2015 to 2024)

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5.RESEARCH METHODOLOGY

Research Design

- The study is analytical in nature, based on quantitative data derived from the company's financial statements.
- It involves ratio analysis to assess the short-term financial strength of Suzuki Motors.

Data Collection:
Type of Data: Secondary data
Sources of Data

- Suzuki Motors' audited financial statements (balance sheet and income statement)
- Annual reports of the company
- Stock exchange filings (BSE and NSE)
- Industry reports and benchmarking data

Period of Study
The study covers a 10-year period (e.g., from FY 2015 to FY 2024) to identify trends in liquidity performance.

Tools and Techniques Used
Liquidity Ratios Calculated

- Current Ratio = Current Assets / Current Liabilities
- Quick Ratio = (Current Assets – Inventories) / Current Liabilities
- Cash Ratio = Cash & Cash Equivalents / Current Liabilities

6.DATA ANALYSIS AND DISCUSSION

1. LIQUIDITY RATIO

Liquidity is crucial for a company's day-to-day operations. A strong liquidity position indicates financial health and reduces the risk of insolvency, while poor liquidity may signal trouble in covering short-term debts.

I. Current Ratio

The Current Ratio is a financial metric that shows a company's ability to pay its short-term liabilities with its short-term assets. It helps investors and creditors understand the liquidity position of a business.

Formula

Current Ratio = Current Assets\Current Liabilities

TABLE 1
CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2015	1,632,630	1,145,956	1.42
2016	1,955,973	1,188,121	1.65
2017	1,941,081	1,242,270	1.56
2018	1,622,317	1,339,662	1.21
2019	1,539,722	1,225,506	1.26
2020	2,158,793	1,688,462	1.28
2021	2,051,219	1,256,517	1.63
2022	2,188,517	1,487,436	1.47
2023	2,437,638	1,741,046	1.40
2024	2,443,257	1,543,495	1.58
AVERAGE	1,997,115	1,385,847	1.45
S. D	324237.3321	214668.1009	0.16
COEFFICIENT OF VARIANCE	0.162352884	0.154900278	0.11

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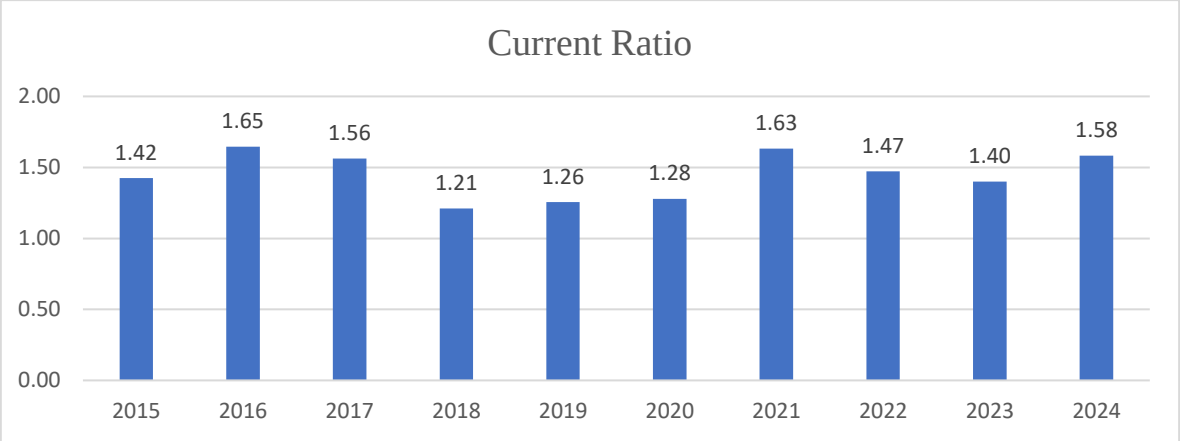


The company's average current ratio over the past decade is 1.45, indicating strong short-term financial health, with a peak of 1.65 in 2016 and a low of 1.21 in 2018. From 2020 to 2024, the ratio has stabilized between 1.28 and 1.63, reflecting consistent liquidity management. With a low coefficient of variation of 0.11, the company demonstrates stable financial health and effectively manages its short-term obligations.

II. Quick Ratio

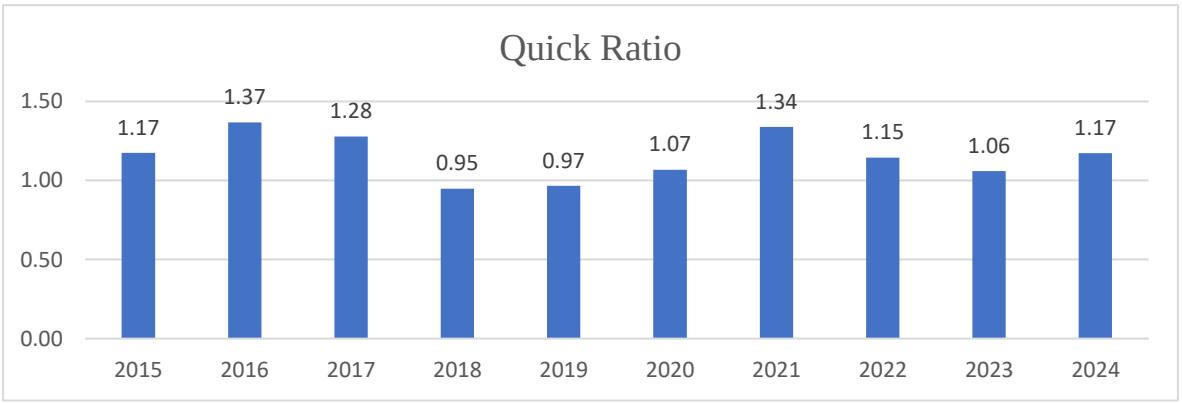
The Quick Ratio, also known as the Acid-Test Ratio, is a financial metric that measures a company's ability to pay its short-term liabilities using its most liquid assets (excluding inventory).

Formula

Quick Ratio = Current Assets - Inventory\Current Liabilities

TABLE 2
QUICK RATIO

YEAR	CURRENT ASSET	INVENTORY	CURRENT LIABILITIES	QUICK RATIO
2015	1,632,630	286,300	1,145,956	1.17
2016	1,955,973	332,114	1,188,121	1.37
2017	1,941,081	352,915	1,242,270	1.28
2018	1,622,317	351,896	1,339,662	0.95
2019	1,539,722	355,491	1,225,506	0.97
2020	2,158,793	355,910	1,688,462	1.07
2021	2,051,219	369,448	1,256,517	1.34
2022	2,188,517	485,313	1,487,436	1.15
2023	2,437,638	591,761	1,741,046	1.06
2024	2,443,257	631,917	1,543,495	1.17
AVERAGE	1,997,115	411,307	1,385,847	1.15
S. D	324237.3321	117133.9734	214668.1009	0.15
COEFFICIENT OF VARIANCE	0.162352884	0.284785126	0.154900278	0.13



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The average quick ratio over the past decade is 1.15, slightly lower than the current ratio, indicating a conservative liquidity position that excludes inventory. The ratio peaked at 1.37 in 2016 and fell to 0.95 in 2018, reflecting some reliance on inventory. Since 2020, the quick ratio has stabilized, demonstrating consistent financial management and minimal risk of cash shortfalls.

iii.Cash Ratio

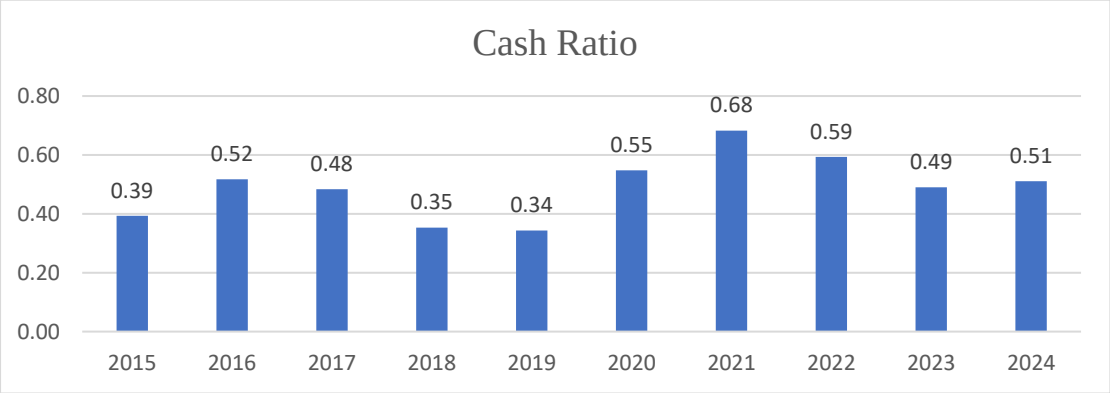
It shows how well a company can cover its current debts immediately, without having to sell inventory or collect receivables.

Formula:

Cash Ratio = (Cash + Cash Equivalents) \Current Liabilities

TABLE 3
CASH RATIO

YEAR	CASH+CASH EQUIVALENTS	CURRENT LIABILITIES	CASH RATIO
2015	450,088	1,145,956	0.39
2016	614,031	1,188,121	0.52
2017	600,846	1,242,270	0.48
2018	473,097	1,339,662	0.35
2019	420,392	1,225,506	0.34
2020	924,392	1,688,462	0.55
2021	857,996	1,256,517	0.68
2022	882,146	1,487,436	0.59
2023	853,637	1,741,046	0.49
2024	788,487	1,543,495	0.51
AVERAGE	686,511	1,385,847	0.49
S. D	196483.0409	214668.1009	0.11
COEFFICIENT OF VARIANCE	0.28620515	0.154900278	0.22



The average cash ratio over the past decade is 0.49, indicating a moderate ability to cover current liabilities with cash reserves, with a peak of 0.68 in 2021 reflecting strong liquidity. The ratio was mostly below 0.5 from 2015 to 2019, showing moderate liquidity pressure, but improved significantly post-2020, maintaining adequate coverage around 0.5. However, the higher volatility in cash holdings, with a coefficient of variation of 0.22, suggests the company may be adjusting its cash strategy based on operational needs, warranting close monitoring.

7.FINDINGS OF THE STUDY

1. The average Current Ratio over the past 10 years is 1.45, indicating the company had ₹1.45 in current assets for every ₹1 of current liabilities. The highest Current Ratio was 1.65 in 2016 and the lowest was 1.21 in 2018.
2. The average Quick Ratio is 1.15, showing the company's ability to meet short-term obligations without selling inventory. It peaked at 1.37 in 2016 and dropped to a low of 0.95 in 2018.
3. The average Cash Ratio stands at 0.49, meaning the company maintained ₹0.49 in immediate cash for every ₹1 of liabilities. The highest Cash Ratio was 0.68 in 2021 and the lowest was 0.34 in 2019.

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8.SUGGESTIONS

1. The company should maintain a Current Ratio above 1.5 consistently to further strengthen its short-term financial health and investor confidence.
2. Since the Quick Ratio sometimes dropped close to 1, the company should focus on reducing dependency on inventory and maintaining more cash and receivables.
3. Given the moderate Cash Ratio of 0.49, the company should build a stronger cash buffer to handle unexpected short-term obligations or market disruptions.

9.CONCLUSION

The liquidity ratio analysis of Suzuki Motors indicates that the company has maintained a stable and satisfactory short-term financial position over the study period. The evaluation of key ratios such as the current ratio, quick ratio, and cash ratio shows that Suzuki is generally capable of meeting its immediate liabilities. The current ratio reflects a comfortable level of current assets over current liabilities, while the quick ratio demonstrates that the company can meet obligations even without relying heavily on inventory. Although the cash ratio was slightly lower, it remained within acceptable limits, suggesting efficient cash management. Throughout the analysis, minor fluctuations were observed, which can be attributed to external factors like market changes, economic conditions, and operational dynamics. Compared to industry benchmarks, Suzuki's liquidity performance is competitive and indicates prudent financial practices. The company appears to manage its working capital efficiently, balancing liquidity and profitability. However, maintaining excess liquidity may lead to underutilization of resources, while insufficient liquidity could pose financial risks. Therefore, regular monitoring of these ratios is essential. Proactive financial planning can help Suzuki Motors remain resilient in the face of market uncertainties. The study also emphasizes the importance of liquidity analysis as a decision-making tool for investors and management. Overall, Suzuki Motors demonstrates a sound liquidity position, though continuous assessment is necessary. With effective management strategies, the company is well-positioned to maintain its short-term financial health.

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