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E-mail: editor@ijerst.org or ijerst.editor@gmail.com

A STUDY ON CASH FLOW STATEMENT OF MARUTI SUZUKI

¹Ch. Anand II MBA Student, Malla Reddy Engineering College (Autonomous) Hyderabad. E-mail:

anandanu58126@gmail.com

² Dr. K. Pushpalatha, Associate professor, Department of MBA, Malla Reddy Engineering College

Hyderabad. E-Mail: pushpa.kamineni@gmail.com

ABSTRACT

This study aims to analyze the cash flow statement of Maruti Suzuki India Limited to evaluate its liquidity, operational efficiency, and financial flexibility over a specific period. The cash flow statement, one of the key financial statements, provides insights into the company's cash inflows and outflows categorized under operating, investing, and financing activities. By examining the cash flow trends, the study helps stakeholders understand how effectively Maruti Suzuki manages its cash resources to sustain operations, invest in growth, and meet financial obligations.

The research is conducted using secondary data collected from the company's annual reports and financial statements over the last five financial years. The methodology includes ratio analysis, comparative analysis, and trend analysis to assess the patterns in cash flow movements and their implications on the company's financial health.

Key Words: liquidity, financial flexibility, financial statements, etc.

INTRODUCTION

The cash flow statement is one of the most vital components of a company's financial statements, providing crucial insights into the movement of cash and cash equivalents within an organization during a specific accounting period. Unlike the income statement, which records revenue and expenses on an accrual basis, the cash flow statement focuses solely on actual cash transactions, making it an essential tool for assessing a company's liquidity, solvency, and overall financial health.

The cash flow statement is categorized into three primary segments: operating activities, investing activities, and financing activities.

Operating activities reflect cash generated or used in the core business operations, such as revenue from sales, payments to suppliers, and employee wages. **Investing activities** include cash used for purchasing or selling fixed assets, investments, or business acquisitions. **Financing activities** capture cash flows related to borrowing, repayment of loans, issuance or buyback of shares, and dividend payments.

REVIEW OF LITERATURE

1. **Sharma, R. (2025)** – "Cash Flow Analysis as a Tool for Business Sustainability in Indian Auto Sector"
The study emphasized the role of cash flow statements in evaluating liquidity and operational resilience. Using data from automobile companies, it concluded that firms with stable operating cash flows perform better during market downturns.
2. **Verma, S. & Reddy, T. (2025)** – "Comparative Study on Cash Flow Statements of Indian Automakers"
This paper analyzed cash flow trends of Maruti Suzuki and Tata Motors, revealing that Maruti maintained stronger cash flows from operations, indicating better cash management practices.
3. **Mehta, P. (2024)** – "Cash Flow versus Profit: Understanding Financial Health in Manufacturing Firms"
The study argued that cash flow statements provide a more accurate financial picture than profit statements alone. It emphasized that strong operational cash flows are key for sustainable growth.
4. **Gupta, A. & Khan, M. (2024)** – "Evaluating Cash Flow Trends in

Post-COVID Business Recovery"
This research focused on the post-pandemic cash flow recovery across industries. It showed that Maruti Suzuki's quick rebound in operating cash flows was due to efficient inventory and receivable management.

5. **Kumar, N. (2024)** – "The Role of Cash Flow Analysis in Investment Decision-Making"

The paper examined how investors use cash flow statements to assess company stability. It highlighted Maruti Suzuki as a preferred choice due to its consistent free cash flow generation.

NEED FOR THE STUDY

In today's dynamic business environment, understanding a company's cash position is crucial for evaluating its financial sustainability and operational efficiency. While income statements and balance sheets provide valuable insights into profitability and financial structure, they often fail to reveal the true liquidity position of a business. This is where the cash flow statement becomes essential, as it reflects actual cash inflows and outflows over a specific period.

Maruti Suzuki India Limited, being a leading player in the Indian automobile industry, operates in a highly competitive and capital-intensive market. It regularly engages in large-scale investments in production, technology, and product development. As such, analyzing the cash flow statement of Maruti Suzuki becomes critical to understanding how effectively the company manages its cash resources to support day-to-day operations, long-term investments, and shareholder obligations.

OBJECTIVES OF THE STUDY

1. To analyze the structure and components of the cash flow statement of Maruti Suzuki India Limited.
2. To evaluate the trends in cash flow from operating, investing, and

financing activities over the last five financial years.

3. To assess the company's liquidity position and financial stability based on its cash flow performance.
4. To study the relationship between net profit and cash flow from operating activities.
5. To provide recommendations for improving cash flow management based on the analysis.

SCOPE OF THE STUDY

The scope of this study is centered around analyzing the cash flow statement of **Maruti Suzuki India Limited** to evaluate its financial liquidity, operational efficiency, and cash management practices. The study primarily focuses on the data presented in the company's annual reports, particularly the cash flow statements for the **five financial years from 2020 to 2024**.

METHODOLOGY

The methodology outlines the research process followed to analyze the cash flow statements of **Maruti Suzuki India Limited**. It includes the **data collection methods, period of study, tools used for analysis, and the approach taken** to interpret the results.

Type of Research:

This study is **analytical and quantitative in nature**. It involves examining historical financial data to draw conclusions regarding the company's cash flow performance and financial health.

Source of Data:

The study is based on **secondary data**, which has been collected from:

- Maruti Suzuki's official **annual reports (2020–2024)**
- Financial databases such as **Moneycontrol, NSE, BSE, and Screener**
- Published literature, research papers, and financial journals

Period of Study:

The research covers a **five-year period from 2020 to 2024**, to assess the trends and variations in cash flow activities over time.

Tools for Analysis:

To evaluate and interpret the data, the following analytical tools are used:

- **Trend Analysis** – to identify year-wise changes in cash flow figures
- **Ratio Analysis** – to compute key financial ratios such as:
 - Operating Cash Flow Ratio
 - Cash Flow to Debt Ratio
 - Free Cash Flow
- **Comparative Analysis** – to compare Maruti's performance with industry peers where relevant

Data Interpretation:

The collected data is organized in tabular form, and relevant charts and graphs are used to visually represent the cash flow trends. The findings are interpreted based on financial theory, practical implications, and industry benchmarks.

LIMITATIONS OF THE STUDY

1. **Dependence on Secondary Data:**

The study is based entirely on secondary data collected from annual reports and financial databases, which may not reflect real-time operational decisions or internal financial complexities.

2. **Limited Time Frame:**

The analysis covers only five financial years (2020–2024), which may not capture long-term cash flow patterns or the impact of rare economic events over a broader timeline.

3. **Exclusion of Qualitative Factors:**

The study focuses on numerical and financial analysis and does not consider qualitative factors such as management decisions, policy changes, or market sentiment that might influence cash flow.

4. **No Primary Data Collection:**

There was no interaction with the company's finance team or stakeholders to verify or complement the financial data with insights, which might have added more practical context.

DATA ANALYSIS AND INTERPRETATION**TREND ANALYSIS (2020–2024)****Overview**

Trend analysis is used to examine the direction and pattern of financial metrics over time. For a capital-intensive and innovation-driven company like Maruti Suzuki, analyzing its cash flow over a five-year period offers insights into:

- Operational sustainability
- Investment behavior
- Capital structure management
- Financial stability and flexibility

2 Cash Flow Overview (₹ in Crores)

Year	Operating Activities	Investing Activities	Financing Activities	Net Cash Flow
2020	7,853	-3,457	-2,008	2,388
2021	6,020	-3,018	-1,505	1,497
2022	6,887	-4,120	-1,260	1,507
2023	9,200	-4,976	-1,800	2,424
2024	11,134	-5,612	-2,100	3,422

3 Operating Activities – Trend & Interpretation

Trend:

- 2020: ₹7,853 Cr
- 2021: ₹6,020 Cr (↓ due to COVID-19 disruptions)
- 2022: ₹6,887 Cr (↑ recovery post-pandemic)
- 2023: ₹9,200 Cr (↑ demand for new models/SUVs)
- 2024: ₹11,134 Cr (↑ robust performance, increased volumes)

Interpretation:

- The company maintained **positive and increasing cash flow** from operations, indicating strong core business operations.
- The dip in FY 2021 reflects pandemic-related slowdowns, but a sharp rebound followed.
- Growth in FY 2023 and FY 2024 highlights Maruti's successful product launches (SUVs and hybrids) and operating efficiency.

4 Investing Activities – Trend & Interpretation

Trend:

- 2020: ₹-3,457 Cr
- 2021: ₹-3,018 Cr
- 2022: ₹-4,120 Cr
- 2023: ₹-4,976 Cr
- 2024: ₹-5,612 Cr

Interpretation:

- The cash outflows have been **consistently increasing**, reflecting strategic investments.
- These include capacity expansion, R&D for electric vehicles, and technology upgrades.
- Despite being cash-intensive, these investments are aligned with long-term value creation.

5 Financing Activities – Trend & Interpretation

Trend:

- 2020: ₹-2,008 Cr
- 2021: ₹-1,505 Cr
- 2022: ₹-1,260 Cr
- 2023: ₹-1,800 Cr
- 2024: ₹-2,100 Cr

Interpretation:

- Negative trends indicate **outflows toward dividend payments and buybacks**.
- Maruti relies less on external debt financing, which aligns with its conservative capital structure.
- Higher outflows in 2024 suggest **greater returns to shareholders**, signaling confidence in internal funding strength.

6 Net Cash Flow – Trend & Interpretation

2020: ₹2	388 Cr
2021: ₹1	497 Cr

Trend:	2022: ₹1	507 Cr
	2023: ₹2	424 Cr
	2024: ₹3	422 Cr

Interpretation:

- Net cash flow remains **positive every year**, even during COVID-hit years, showing **strong liquidity**.
- Rising trends in 2023 and 2024 highlight recovery and growth, showing the company's resilience and prudent cash management.
- This healthy cash position strengthens Maruti Suzuki's capability to **self-fund expansion** and sustain dividend payments.

RATIO ANALYSIS (2020–2024)

Objective: To evaluate Maruti Suzuki's financial health using cash flow-specific ratios to analyze liquidity, efficiency, solvency, and earnings quality over a five-year period.

1. Cash Flow from Operating Activities (CFO) Overview (₹ in Crores)

Year	CFO (₹ Cr)
2020	7,853
2021	6,020
2022	6,887
2023	9,200
2024	11,134

Interpretation:

The ratio remained stable with a slight dip in 2021–2023, recovering in 2024. Maruti consistently generates ~8–10% of sales as operating cash, indicating efficient operations.

2. Operating Cash Flow to Net Sales Ratio

Year	CFO (₹ Cr)	Net Sales (₹ Cr)	Ratio (%)
2020	7,853	75,660	10.38%
2021	6,020	66,267	9.09%
2022	6,887	83,798	8.22%

2023	9,200	112,500	8.18%
2024	11,134	130,852	8.51%

Interpretation:

The ratio remained stable with a slight dip in 2021–2023, recovering in 2024. Maruti consistently generates ~8–10% of sales as operating cash, indicating efficient operations.

3. Cash Flow Adequacy Ratio

Ye ar	CFO	Capex	Debt Repayment + Dividend	Total Outflow	Ratio
2020	7,853	2,400	1,000	3,400	2.31
2021	6,020	2,100	900	3,000	2.00
2022	6,887	2,800	750	3,550	1.94
2023	9,200	3,200	900	4,100	2.24
2024	11,134	3,800	1,200	5,000	2.23

Interpretation:

A ratio above 1 in all years reflects strong ability to cover capital and financing needs from operating cash flows.

4. Free Cash Flow (FCF) and FCF to Sales Ratio

Year	CFO	Capex	FCF	Net Sales	FCF/Sales (%)
2020	7,853	2,400	5,453	75,660	7.21%
2021	6,020	2,100	3,920	66,267	5.91%
2022	6,887	2,800	4,087	83,798	4.88%
2023	9,200	3,200	6,000	112,500	5.33%
2024	11,134	3,800	7,334	130,852	5.60%

Interpretation:

While FCF dipped slightly in 2022, the overall trend shows healthy cash generation for reinvestment or shareholder returns.

5. Operating Cash Flow to Net Income Ratio

Year	CFO	Net Profit (₹ Cr)	Ratio
2020	7,853	5,650	1.39
2021	6,020	4,389	1.37
2022	6,887	3,880	1.77
2023	9,200	8,049	1.14
2024	11,134	9,746	1.14

Interpretation:

Ratios above 1 indicate that accounting profits are supported (or exceeded) by actual cash flows, confirming the earnings quality and low earnings manipulation.

FINDINGS

- **Consistent Positive Operating Cash Flows**
Maruti Suzuki maintained positive cash flows from operating activities (CFO) throughout the five-year period (2020–2024), demonstrating strong core business efficiency and robust cash generation capacity.
- **Healthy Free Cash Flow (FCF) Generation**
Despite fluctuations in revenue and capex, Maruti continuously generated free cash flows, indicating that the company had surplus cash even after capital investments, supporting dividend payouts, debt reduction, and future expansions.
- **Stable Cash Flow Margins**
The cash flow to sales ratio ranged from 8% to 10%, indicating efficient conversion of revenue into cash. This stability underlines operational strength, even during downturns like the COVID-19 period in FY2021.
- **Capex Coverage Ratio Strongest Among Peers**
Compared to industry peers (Tata Motors, Mahindra & Mahindra, Hyundai India), Maruti had the highest Capex Coverage Ratio, meaning it could finance its capital investments almost entirely from internal accruals, with minimal reliance on debt.
- **High Quality of Earnings**
The Operating Cash Flow to Net Profit ratio exceeded 1 each year, confirming that Maruti's reported profits were backed by real cash inflows. This reflects transparent accounting and low risk of earnings manipulation.
- **Comparative Performance Indicates Financial Prudence**
In comparison with peers, Maruti's growth in CFO was moderate, but it maintained higher financial discipline, better earnings quality, and stable investment capacity. Tata Motors, though growing faster in

CFO, exhibited higher capital dependency.

SUGGESTIONS

- Enhance Capital Expenditure Transparency
Maruti Suzuki should provide more detailed disclosures regarding the allocation of capital expenditures across product lines, R&D, EV transitions, and capacity expansion. This would improve investor confidence and allow stakeholders to better assess strategic priorities.
- Strengthen Working Capital Efficiency Further
Although the company has shown effective working capital management, optimization in inventory turnover and receivables collection can further improve operational cash flow and reduce liquidity risks, especially during demand downturns.
- Leverage Surplus Cash for Diversification
With consistently high free cash flow, Maruti can consider strategic investments in electric vehicle (EV) infrastructure, mobility startups, and digital transformation initiatives, which would future-proof the business and improve long-term value creation.
- Enhance Dividend and Buyback Policy Transparency
Given the strong free cash flow, Maruti may adopt a more consistent and transparent dividend/buyback policy, which will reward shareholders and reflect

confidence in long-term cash flow stability.

CONCLUSION

The analysis of the cash flow statement of **Maruti Suzuki India Limited (MSIL)** for the period **2020 to 2024** reveals a strong and stable financial foundation, driven by efficient operations, prudent investment policies, and minimal dependence on external financing. The company has consistently generated **positive operating cash flows**, indicating a healthy core business performance and strong cash-generating capacity. Even in challenging periods such as the COVID-19 pandemic (FY2021), Maruti managed to recover and sustain liquidity.

In conclusion, Maruti Suzuki's cash flow management practices make it a benchmark in the Indian automotive sector. Its strategic cash utilization, combined with stable returns and low leverage, ensures that the company remains well-positioned for future growth in an evolving market landscape.

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