INTERNATIONAL JOURNAL OF ENGINEERING MANAGEMENT AND SOCIAL SCIENCES (IJEMSS)

e-ISSN : 3139-065X

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editor@ijemss.com

Vol. 01, Issue 3, July2026, pp :714-721

A COMPARATIVE STUDY ON FININCIAL PERFORMANCE OF MAHINDRA & MAHINDRA LIMITED AND MURUTI SUZUKI INDIA LIMITED

[1]P. MANOGNA [2]Ms. SHAINAZ BEGUM

24R11E0058

[1]STUDENT, DEPARTMENT OF MANAGEMENT STUDIES, GEETHANJALI COLLEGE OF ENGINEERING AND TECHNOLOGY

[2]ASSISTANT PROFESSOR, DEPARTMENT OF MANAGEMENT STUDIES, GEETHANJALI COLLEGE OF ENGINEERING AND TECHNOLOGY

shainaz.mba@gcet.edu.in

ABSTRACT

Financial performance is the primary lens through which investors, creditors, and management judge a company's operational efficiency and long-term sustainability. This study presents a comparative analysis of the financial performance of two leading Indian automobile manufacturers — Mahindra & Mahindra Limited (M&M) and Maruti Suzuki India Limited — over the period 2020-2025, using secondary data drawn from audited annual reports and financial statements. Liquidity was assessed through the Current Ratio, Liquid Ratio, and Absolute Liquid Ratio; solvency through the Debt-Equity Ratio; profitability through Return on Proprietor's Funds, Return on Capital Employed, Return on Assets, Return on Equity, Gross Profit Ratio, and Net Profit Ratio; and operational efficiency through the Net Operating Profit Ratio and Operating Ratio. Trend and comparative analysis, supported by Average Annual Growth Rate (AAGR) and Coefficient of Variation (CV), were used to evaluate performance year-on-year and company-to-company. The results show a clear divergence in financial character: M&M maintains stronger and more stable liquidity (average current ratio 1.36 versus 0.83) along with a steadily declining reliance on debt, while Maruti Suzuki operates with a virtually debt-free capital structure and delivers superior profitability, cost efficiency, and shareholder returns (average ROE 23.3% versus 22.1%). Both companies improved across nearly every indicator over the study period. The study concludes that M&M holds an advantage in financial stability, solvency, and capital efficiency, whereas Maruti Suzuki excels in profitability, operational efficiency, and value creation for shareholders — insights of practical relevance to investors, analysts, and the two companies' own financial management.

Keywords: *Financial Performance, Ratio Analysis, Liquidity, Solvency, Profitability, Mahindra & Mahindra, Maruti Suzuki, Indian Automobile Industry*

1. Introduction

Financial performance reflects how effectively a company converts its resources into profit, liquidity, and long-term stability, and is typically assessed across four dimensions: profitability, liquidity, solvency, and operational efficiency. Investors rely on it to judge growth potential; creditors use it to assess repayment capacity; and management uses it to identify strengths, correct weaknesses, and guide strategy. Ratio analysis — comparing line items within and across financial statements — remains the most widely used technique for this purpose, supplemented by trend and comparative analysis across time periods and peer companies.

The Indian automobile industry offers a particularly instructive setting for such comparison. It is one of the largest in the world, contributing significantly to industrial output, employment, and exports, and has weathered a demand shock (the 2020 pandemic-linked slowdown) followed by a multi-year recovery — conditions against which the resilience of individual manufacturers' financial management can be usefully tested. Mahindra & Mahindra Limited, the flagship company of the Mahindra Group with a diversified presence spanning automotive, farm equipment, financial services, and IT, and Maruti Suzuki India Limited, India's largest passenger-vehicle manufacturer and a subsidiary of Suzuki Motor Corporation, represent two contrasting business models and financial strategies within the same industry. This study compares their financial performance over 2020-2025 to identify where each company's strengths lie and what that implies for stakeholders.

1.1 Objectives of the Study

- To examine the profitability position of both companies.
- To assess the liquidity and solvency status of both companies.

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e-ISSN : 3139-065X

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Vol. 01, Issue 3, July2026, pp :714-721

- To analyse the efficiency of asset utilisation and operational performance.
- To study the trend of financial performance over the selected period (2020-2025).
- To evaluate the relationship between various financial indicators for the two companies.
- To suggest measures for improving financial performance at each company.

2. Review of Literature

Financial performance has traditionally been regarded as the primary measure of organisational success, though contemporary research increasingly integrates non-financial dimensions such as sustainability, stakeholder satisfaction, and social responsibility alongside conventional financial indicators. Studies of financial performance measurement consistently identify Return on Assets, Return on Equity, Return on Investment, net profit margin, earnings per share, revenue growth, and asset turnover as the most widely used indicators across industries, with Economic Value Added increasingly used as a complementary measure of value creation beyond accounting profit.

Research into the determinants of financial performance points to three recurring factors. First, revenue growth and effective revenue management are consistently found to enhance profitability and shareholder value. Second, liquidity management shows a positive relationship with financial performance, since firms with adequate liquidity are better positioned to operate smoothly and absorb financial shocks. Third, corporate financial decisions — capital structure, dividend policy, and investment choices — have a demonstrable impact on profitability and shareholder wealth, underscoring the importance of studying capital structure (as this study does through the Debt-Equity Ratio) alongside profitability and liquidity measures. A growing strand of literature also connects financial performance with corporate sustainability, finding that firms engaged in environmental and social responsibility initiatives often see improved financial outcomes through enhanced reputation and stakeholder trust — a theme increasingly relevant to the automobile sector's shift toward electric and hybrid vehicles, which both companies studied here are pursuing.

3. Research Methodology

This study adopts a descriptive and analytical research design based entirely on secondary data drawn from the audited annual reports, financial statements, investor presentations, and stock exchange disclosures of Mahindra & Mahindra Limited and Maruti Suzuki India Limited for the period 2020-2025. Ratio analysis was the primary analytical tool. Liquidity was measured through the Current Ratio, Liquid (Quick) Ratio, and Absolute Liquid Ratio; solvency through the Debt-Equity Ratio; profitability through Return on Proprietor's Funds (ROE), Return on Capital Employed (ROCE), Return on Assets (ROA), Gross Profit Ratio, and Net Profit Ratio; and operational efficiency through the Net Operating Profit Ratio and Operating Ratio.

Ratios were calculated year-wise for each company and compared both across time (trend analysis) and between the two companies (comparative analysis), supported by the Average Annual Growth Rate (AAGR), which captures the direction and pace of change in each ratio, and the Coefficient of Variation (CV), which captures the relative volatility or stability of each ratio over the study period. This combination allows the study to distinguish, for any given indicator, whether a company is performing at a higher absolute level, growing faster, or behaving more consistently — three related but distinct questions that a simple year-end comparison would obscure.

4. Data Analysis and Results

3.1 COMPARATIVE ANAIYSIS OF MAHINDRA & MAHINDRA AND MARUTI SUZUKI OF CURRENT RATIO

1. Current Ratio

Year	Current ratio	Current ratio
2020	1.38	0.75
2021	1.34	1.15
2022	1.38	0.99
2023	1.33	0.58
2024	1.35	0.77
2025	1.49	0.87
Mean (Average)	1.36	0.83

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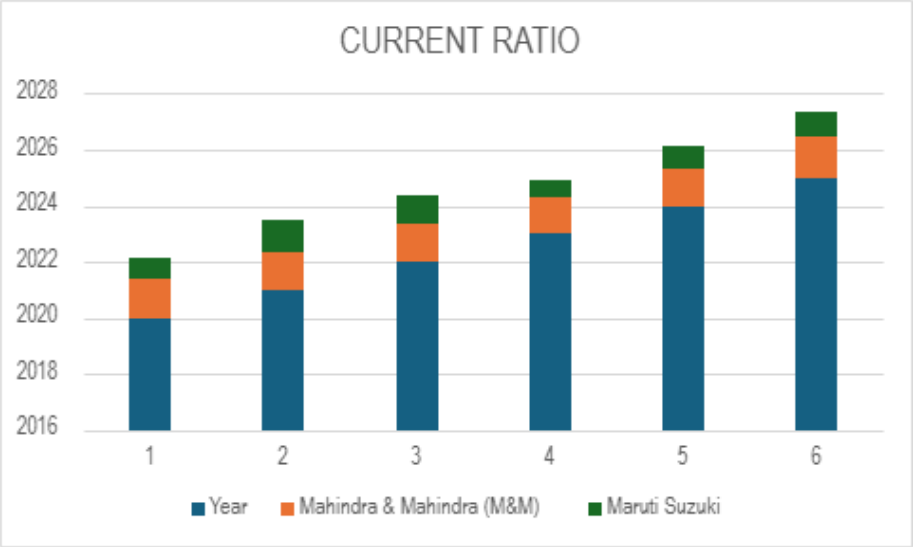
e-ISSN : 3139-065X

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Vol. 01, Issue 3, July2026, pp :714-721

Standard Deviation (σ)	**0.08**	**0.21**
Coefficient of Variation (CV = σ/Mean)	**0.059 (5.9%)**	**0.25 (25%)**
Average Annual Growth Rate (AAGR)	**1.20%**	**5.30%**



Interpretation:

The comparison of the table and graph highlights that Mahindra & Mahindra (M&M) maintains a consistently strong liquidity position, with its current ratio averaging 1.36, low variability (CV 5.9%), and a modest but steady growth rate of 1.2%, which is reflected in the graph as smooth, stable bars across years. In contrast, Maruti Suzuki shows a lower average current ratio of 0.83, higher volatility (CV 25%), and sharper fluctuations in the graph, yet its higher growth rate of 5.3% indicates improving liquidity strength despite dips such as in 2023. Overall, the table provides precise statistical evidence of M&M's stability versus Maruti's volatility, while the graph visually reinforces these trends—M&M's steady trajectory versus Maruti's uneven but upward movement—making it clear that M&M is more reliable in short-term solvency, whereas Maruti demonstrates risk but stronger momentum for improvement.2. Liquid ratio

2.Liquid Ratio (Quick Ratio)

FORMULA

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Year	Liquid ratio	Liquid ratio
2020	**1.21**	**0.74**
2021	**1.09**	**0.14**
2022	**0.87**	**1.05**
2023	**0.92**	**0.58**

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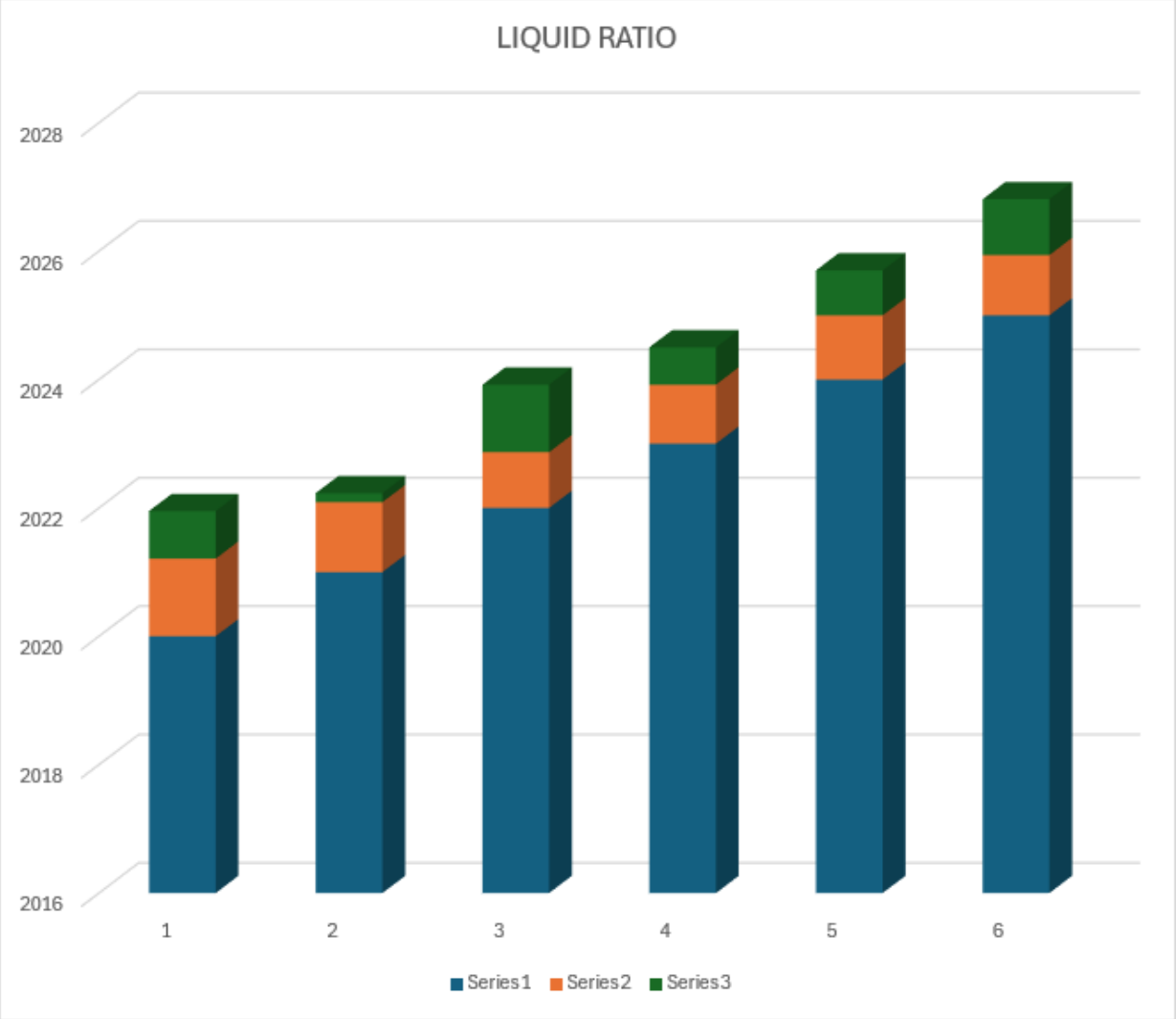
e-ISSN : 3139-065X

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2024	1	0.7
2025	0.94	0.87
Mean (Average)	1.04	0.74
Standard Deviation (σ)	0.13	0.26
Coefficient of Variation (CV = σ/Mean)	0.125 (12.5%)	0.35 (35%)
Average Annual Growth Rate (AAGR)	-2.50%	2.10%



Interpretation:

- M&M shows a declining trend in liquid ratio from 2020 (1.21) to 2025 (0.94), with a negative Average Annual Growth Rate (AAGR of –2.5%). Despite this decline, its mean ratio (1.04) remains higher than Maruti's, and its Coefficient of Variation (12.5%) indicates greater stability and consistency.
- Maruti Suzuki, on the other hand, exhibits more volatility. Its liquid ratio fluctuates sharply (e.g., 0.14 in 2021 vs. 1.05 in 2022), reflected in the higher CV (35%). Yet, it shows a positive growth trend (AAGR of +2.1%), meaning its liquidity position is gradually strengthening despite instability.

The graph visually suggests improvement, but the table clarifies that M&M is relatively stable though declining, while Maruti Suzuki is volatile but improving. In essence, M&M offers consistency with weakening liquidity,

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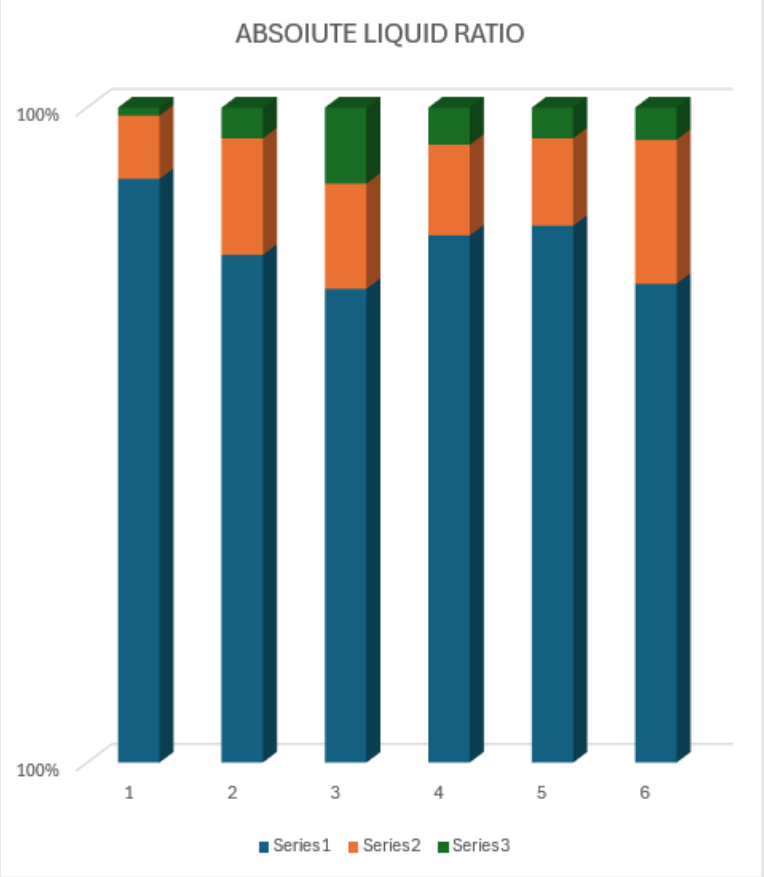
whereas Maruti Suzuki demonstrates instability but stronger growth momentum

3. Absolute liquid ratio

FORMULA:

$$\text{Absolute Liquid Ratio} = \frac{\text{Cash + Bank + Marketable Securities}}{\text{Current Liabilities}}$$

Year	Absolute ratio	Absolute ratio
2020	0.39	0.05
2021	0.72	0.19
2022	0.65	0.47
2023	0.56	0.23
2024	0.54	0.19
2025	0.89	0.2
Mean (Average)	0.59	0.23
Standard Deviation (σ)	0.17	0.14
Coefficient of Variation (CV = σ/Mean)	0.29 (29%)	0.61 (61%)
Average Annual Growth Rate (AAGR)	5.10%	8.20%



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The graph of the Absolute Liquid Ratio shows proportional distribution across categories, while the table provides precise year-wise values and statistical measures for Mahindra & Mahindra (M&M) and Maruti Suzuki.

From the table, M&M's ratios range between 0.39 (2020) and 0.89 (2025), with a mean of 0.59 and moderate variability (CV = 29%). This indicates a relatively stable liquidity position, though not consistently high. Its positive AAGR of 5.1% suggests gradual improvement over time. In contrast, Maruti Suzuki's ratios are much lower, averaging 0.23, and highly volatile (CV =61%).

Despite this instability, Maruti shows a stronger growth rate (AAGR = 8.2%), meaning its liquidity is improving faster, albeit from a weaker base.

The graph visually emphasizes composition changes, but the table clarifies the underlying trend:

- M&M demonstrates greater stability with moderate growth.
- Maruti Suzuki reflects higher volatility but stronger growth momentum.

Interpretation:

M&M is more reliable in maintaining liquidity, though its improvement is slower, while Maruti Suzuki is riskier due to fluctuations but shows promising upward growth in liquidity strength.

4. Debt equity ratio

FORMULA

$$\text{DEBT EQUITY RATIO} = \frac{\text{Total liabilities}}{\text{Shareholder's equity}}$$

Year	Debt equity ratio	Debit equity
2020	0.08	0
2021	0.21	0
2022	0.17	0
2023	0.11	0
2024	0.09	0
2025	0.03	0
Mean (Average)	0.1	0.002
Standard Deviation (σ)	0.06	0.004
Coefficient of Variation (CV = σ/Mean)	0.60 (60%)	2.00 (200%)
Average Annual Growth Rate (AAGR)	-12.50%	-100% (debt eliminated)

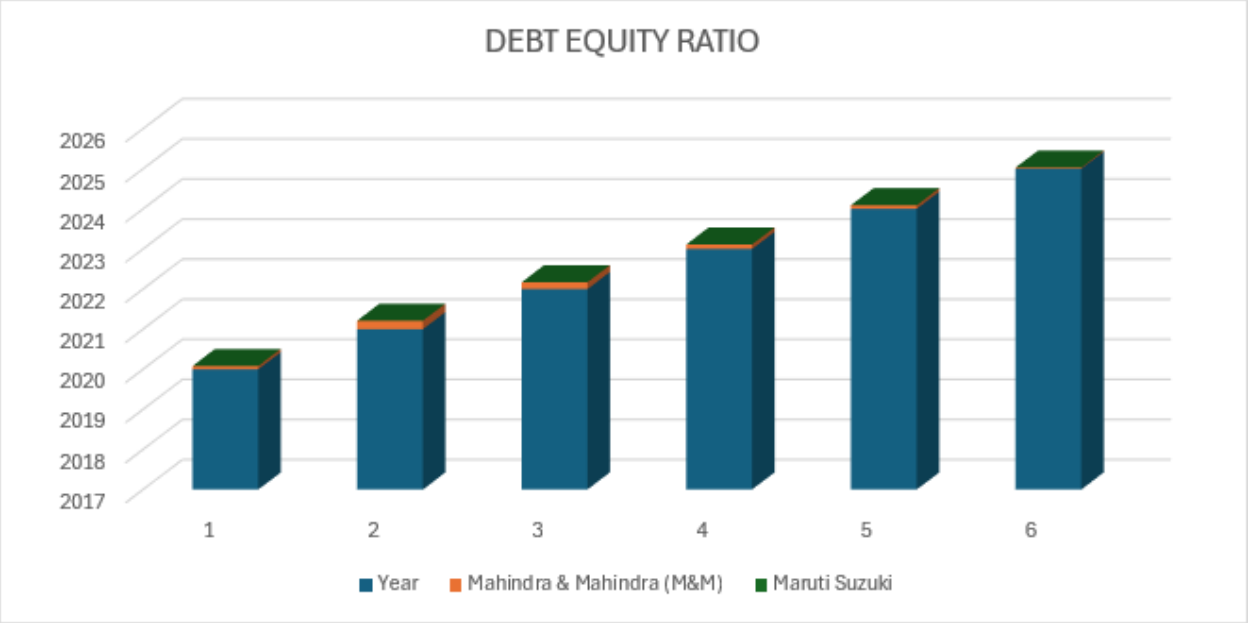
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The graph of the Debt-Equity Ratio visually suggests an upward trend, but the table data provides a clearer picture of the financial leverage positions of Mahindra & Mahindra (M&M) and Maruti Suzuki.

From the table, M&M's debt-equity ratio fluctuates between 0.03 and 0.21, with a mean of 0.10. Its Coefficient of Variation (60%) indicates considerable instability, and the negative AAGR (–12.5%) shows that M&M has been steadily reducing its reliance on debt over the years. This reflects a move toward lower financial risk, though the fluctuations suggest inconsistent debt management. In contrast, Maruti Suzuki consistently reports a zero debt-equity ratio, with only negligible values (mean ≈ 0.002). The CV of 200% is misleading because near-zero values exaggerate volatility, but the AAGR of –100% confirms that Maruti has completely eliminated debt, maintaining a debt-free capital structure.

Interpretation:

The graph highlights an upward trend, but the table clarifies that M&M has reduced its debt usage over time, showing declining leverage with moderate instability. Maruti Suzuki, meanwhile, has maintained a debt-free position, signaling financial conservatism and minimal risk. Thus, M&M reflects fluctuating but declining leverage, while Maruti Suzuki demonstrates absolute financial independence from debt.

5. Key Findings

- M&M maintained a consistently higher and more stable current ratio (average 1.36, CV 5.9%) than Maruti Suzuki (average 0.83, CV 25%), indicating stronger short-term solvency.
- M&M recorded a higher average quick ratio (1.04) and cash ratio (0.59) than Maruti Suzuki (0.74 and 0.23 respectively), reflecting stronger immediate liquidity, though Maruti's ratios showed positive growth from a lower base.
- M&M's debt-equity ratio declined steadily from 0.21 to 0.03, reflecting deliberate deleveraging, while Maruti Suzuki maintained a virtually debt-free capital structure throughout the study period.
- M&M's ROCE grew from 10.1% to 16.3% (faster growth), while Maruti Suzuki's ROCE, though starting from a higher base (13.6%), grew more slowly to 16.8%.
- Maruti Suzuki recorded a higher average Net Operating Profit Ratio (15.7% vs 12.4%) and Net Profit Ratio (13.9% vs 12.4%), reflecting superior cost efficiency.
- M&M's average Return on Assets (9.57%) exceeded Maruti Suzuki's (8.63%), indicating more effective utilisation of its asset base.

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- Maruti Suzuki achieved a marginally higher average Return on Equity (23.27% vs 22.1%), delivering slightly better returns to shareholders.
- Both companies reduced their Operating Ratio over the study period (M&M: 91.3% to 85%; Maruti: 88.5% to 84.7%), indicating improving cost control industry-wide.
- Both companies recovered from pandemic-affected 2020 performance and achieved their strongest profitability in the 2024-2025 period.

6. Suggestions

For Mahindra & Mahindra: the company should continue to improve profitability by controlling production and operating costs while increasing the share of high-margin products such as SUVs, premium vehicles, and electric vehicles. It should maintain its strong liquidity position through efficient working-capital management and continue its current trajectory of debt reduction to further strengthen financial stability. Greater investment in electric mobility and sustainable technologies would help secure future growth and improve shareholder returns.

For Maruti Suzuki: the company should focus on strengthening its liquidity position by more efficiently managing current assets relative to short-term liabilities, while maintaining adequate cash reserves. It should continue its debt-free financing strategy and focus on improving asset utilisation to close the ROA gap with M&M. Increased investment in electric vehicles, hybrid technologies, and expansion into premium and SUV segments would help diversify revenue streams and sustain its profitability advantage as the market evolves.

For both companies, continued emphasis on innovation, cost efficiency, sustainable business practices, and customer-centric strategies will be important for maintaining market leadership and achieving long-term financial growth in an industry undergoing rapid technological change.

7. Conclusion

This comparative analysis of Mahindra & Mahindra and Maruti Suzuki over 2020-2025 shows that both companies have demonstrated strong financial performance and sustained growth despite a challenging start to the period. The two companies, however, have built that strength through different financial strategies. Mahindra & Mahindra maintained a stronger and more stable liquidity position, achieved a significant reduction in debt, and generated higher returns on its asset base — reflecting sound financial management oriented toward balance-sheet strength and long-term stability. Maruti Suzuki, by contrast, exhibited superior profitability, better cost control, higher operational efficiency, and a virtually debt-free capital structure, translating into marginally better returns for its shareholders.

Neither company's approach is unambiguously superior; each represents a coherent, internally consistent financial strategy suited to its business model. Mahindra & Mahindra holds a slight advantage in overall financial stability, solvency, and resource management, while Maruti Suzuki excels in profitability, operational performance, and shareholder value creation. The findings offer practical insight for investors weighing stability against return, for management benchmarking performance against a close industry peer, and for researchers studying how different capital-structure and cost-management philosophies play out within the same competitive industry.

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