

Chapter 12

Impact of COVID-19 on Capital Structure Towards Maruti Suzuki India Limited

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ABSTRACT

The purpose of the study is to analyse the change in capital structure of Maruti Suzuki India Limited during the time of COVID-19. The main objective of the study is to analyse the key determinants of capital structure of a company before and during pandemic period. In order to analyse the capital structure of Maruti Suzuki India Limited, the ratio analysis has been used. The ratio includes capital gearing ratio, leverage, debt equity ratio, total investment to long-term liabilities, ratio of fixed assets to funded debt, ratio of current liabilities to proprietors' funds, ratio of reserve to equity capital, and interest coverage ratio. The study covers the period of five years, and it is based on secondary data obtained from the published annual report of Maruti Suzuki India Limited. From the analysis, it shows that the overall capital structure of the company is satisfactory during the study period. However, the company performance in the pandemic period is good.

INTRODUCTION

The finance is considered as a lifeline of every business enterprise. It is important for

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a business man to manage the finance efficiently. The capital acts as the substance for starting up a new business. The major types of capital sources are debt capital, equity capital and retained earnings. The capital structure has been defined as the combination of debt and equity used by the company in order to finance the overall operations and growth of the company. The capital structure of the company is helpful in understanding the current financial health, risk profile and compatibility with specific investment.

In December 2019, the number of unidentified pneumonia cases were reported in the Wuhan, China. The centers for disease control has declared the unknown pneumonia as novel coronavirus pneumonia on 7th January 2020. The international committee on taxonomy of viruses later changed the name of novel coronavirus pneumonia to severe acute respiratory syndrome coronavirus 2. On 11th February 2020, the disease was declared as COVID 19 by the world health organization. More than 220 countries have been affected by the coronavirus and every country has been gone to a lockdown in the year 2020. In India, first COVID 19 cases filed on 27th January 2020 in Kerala. The coronavirus has not only affected the standard of living but also affected many industrial sectors in the country. The industrial sectors like automobiles, educations, electronics, travel, tourism, transportation and agriculture are affected by the coronavirus. In this pandemic situation, many sectors have been shut down their business and know many companies has been trying to overcome their losses. In this regard, the purpose of the study has been an attempt to analyse the capital structure of Maruti Suzuki India Limited before and during the pandemic period.

The Maruti Suzuki India Limited (MSIL) is formerly known as Maruti Udyog Limited. The company is a subsidiary of Suzuki Motor Corporation of Japan. The Maruti Suzuki India Limited company is the largest car passenger company in India. During the year 2020, the company has registered an overall sales volume decline of 16.1% in both the domestic and export markets because of pandemic situation. Therefore, the main purpose of the study is to find out the impact on capital structure during the pandemic situation.

REVIEW OF LITERATURE

For purpose of the study the researcher has reviewed many national and international research articles relating to capital structure of the company. It has been presented as follows:

Aishwarya, Sudharani R., and Dr. N. Suresh (2020) made a study on the impact of capital structure on profitability of companies listed on the Indian stock exchange with respect to the automobile industry. The research helped in understanding both

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