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A STUDY ON WORKING CAPITAL MANAGEMENT OF MARUTI SUZUKI INDIA LIMITED

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ABSTRACT
Working capital management is a fundamental aspect of financial management that focuses on the efficient administration of short-term assets and liabilities. This study examines the working capital management of Maruti Suzuki India Limited – the leading passenger vehicle manufacturer in India – by analyzing current assets, current liabilities, liquidity ratios, turnover ratios, and the operating cycle over the period 2015 to 2025. The findings reveal that despite maintaining a current ratio below the conventional 2:1 benchmark, Maruti Suzuki demonstrates operational efficiency through effective supplier credit utilization, lean inventory practices, and a consistently negative cash conversion cycle, indicative of superior working capital management in a capital-intensive manufacturing environment.

INTRODUCTION

Working capital management is a fundamental aspect of financial management that focuses on the efficient administration of short-term assets and liabilities. It ensures that a company has adequate liquidity to carry out its daily operations without facing financial stress. Working capital is calculated as the difference between current assets and current liabilities, and it represents the firm's ability to meet short-term obligations while maintaining operational continuity. Proper management of working capital is essential because both excess and insufficient working capital can negatively impact a company's performance.

In manufacturing industries, especially in the automobile sector, working capital requirements are significantly high due to substantial investments in raw materials, work-in-progress, finished goods, trade receivables, and operational expenses. Automobile companies operate in a highly competitive and demand-sensitive environment, where fluctuations in sales, production cycles, supply chain disruptions, and raw material price volatility directly affect liquidity levels. As a result, effective working capital management becomes critical for maintaining a balance between liquidity and profitability.

Efficient working capital management involves controlling inventory levels, managing receivables and payables, maintaining optimal cash balances, and ensuring smooth coordination between production and sales. The operating cycle and cash conversion cycle are important tools used to measure how efficiently a company manages its working capital.

Maruti Suzuki India Limited, the leading passenger vehicle manufacturer in India, operates on a large scale with extensive production facilities, a wide dealer network, and strong supplier relationships. This study aims to examine the working capital management of Maruti Suzuki India Limited by analyzing its current assets, current liabilities, liquidity ratios, turnover ratios, and operating cycle.

Company Profile

Maruti Suzuki India Limited operates as a leading firm in the Indian passenger vehicle segment and follows a cost leadership strategy within a competitive market structure. According to strategic management theory, the company's dominance can be attributed to economies of scale, strong brand positioning, and an extensive distribution network.

The company functions under a production-based business model, where value is created through large-scale manufacturing and efficient supply chain management. Lean production and Just-in-Time (JIT) inventory systems are applied to reduce waste and minimize inventory holding costs. This operational efficiency directly influences working capital optimization.

From a financial theory standpoint, Maruti Suzuki maintains a balanced approach between liquidity and profitability. The firm's working capital structure includes investment in inventories, trade receivables, and short-term obligations such as trade payables. The company's operating cycle involves procurement of raw materials, manufacturing of vehicles, distribution to dealers, and realization of receivables. Efficient receivables management and inventory turnover are crucial in shortening the cash conversion cycle.

Furthermore, the company operates in a dynamic environment characterized by competition, regulatory norms, and technological shifts. Maruti Suzuki's theoretical positioning within the automobile industry reflects strategic cost efficiency, operational discipline, and structured financial management.

Industry Profile

The automobile industry is categorized under the manufacturing sector and is considered a capital-intensive and technology-driven industry. It involves the production, marketing, and distribution of motor vehicles and related components. According to industrial organization theory, automobile markets typically operate under oligopolistic competition, where a few large firms dominate market share and influence pricing strategies.

The industry structure consists of Original Equipment Manufacturers (OEMs), component suppliers, distributors, and service providers. Due to high fixed costs and economies of scale, firms aim to maximize production capacity utilization to reduce per-unit cost. From a financial management perspective, the automobile industry demands substantial working capital investment. The Cash Conversion Cycle (CCC) becomes a critical performance indicator in measuring liquidity efficiency.

The industry is highly sensitive to macroeconomic variables such as GDP growth, interest rates, inflation, fuel prices, and government policies. Technological advancements, environmental regulations, and the transition toward electric vehicles (EVs) have increased capital expenditure requirements. Thus, efficient resource allocation, including working capital management, becomes essential for long-term sustainability.

OBJECTIVES OF THE STUDY

- To analyze the working capital management of Maruti Suzuki India Ltd.
- To evaluate the liquidity position of the company using ratios such as Current Ratio and Quick Ratio.
- To evaluate the impact of working capital management on overall financial performance.
- To suggest measures for improving working capital efficiency, if required.

REVIEW OF LITERATURE REDDY & NARENDER (2025)

Examines the relationship between working capital components and profitability of Maruti Suzuki using ratio and regression analysis. Findings show a positive relationship between liquidity and profit, concluding that working capital efficiency enhances shareholder value.

Kumar & Sharma (2022)

Comparative analysis between Maruti Suzuki and Tata Motors covering 2014–2020. Maruti showed stronger liquidity ratios, turnover performance, and better short-term solvency. Concludes that operational efficiency drives working capital strength.

Priyadharshini & Menaka (2021)

Comparative working capital study of Maruti Suzuki and Hyundai (2016–2020). Maruti maintained stable working capital levels. Highlights importance of scale advantage and recommends sustaining optimum current assets.

Singh (2020)

Focuses on inventory management practices in Maruti Suzuki. Highlights JIT and vendor coordination systems. Concludes inventory control is core to liquidity strength and that operational discipline supports financial efficiency.

IJRAR Study (2023)

Trend analysis of working capital components in manufacturing firms including Maruti Suzuki. Shows fluctuations in liquidity during economic cycles. Recommends continuous ratio tracking, working capital acts as liquidity buffer.

Annual Report Study (2024)

Financial statement review 2019–2024. Current ratio and quick ratio improved post-pandemic. Inventory turnover showed operational strength. Cash reserves increased significantly, suggesting strong short-term financial health.

Narayan & Rao (2019)

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Research on cash conversion cycle in automobile firms. Maruti Suzuki recorded shorter CCC than peers. Faster inventory and receivable cycles noted. Concludes shorter cycle improves cash flow and supports strategic liquidity planning.

Patel (2022)
Examines working capital-profitability relationship in Indian auto sector. Regression analysis confirms positive association. Efficient turnover increases ROA. Recommends optimal working capital levels.

Data Analysis& Findings Current Ratio
The Current Ratio measures the ability of a company to meet its short-term obligations using its current assets. It is an important indicator of the company's liquidity and short-term financial strength.

Formula
Current Ratio = Current Assets ÷ Current Liabilities

Year	Current Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Current Ratio
2015	71,495	1,12,900	0.63
2016	78,450	1,10,392	0.71
2017	86,099	1,32,313	0.65
2018	79,214	1,54,421	0.51
2019	1,23,610	1,62,140	0.76
2020	84,406	1,13,054	0.75
2021	1,85,443	1,61,205	1.15
2022	1,67,934	1,70,235	0.99
2023	1,56,692	2,27,667	0.69
2024	2,26,135	2,59,518	0.87
2025	2,96,539	3,05,710	0.97

Interpretation
The Current Ratio remained relatively stable between 0.51 and 0.76 from 2015 to 2020, before a notable peak of 1.15 in 2021. Although the ratio remains below the conventional benchmark of 2:1, it suggests that the company effectively utilizes supplier credit and maintains operational efficiency to meet its short-term obligations. The estimated ratio of 0.97 in 2025 indicates approaching near-parity — the strongest liquidity position since 2021, demonstrating sound working capital management and prudent financial practices consistent with industry norms.

Quick Ratio
The Quick Ratio measures the company's ability to meet its short-term liabilities using its most liquid assets, excluding inventory. It provides a stricter assessment of liquidity than the Current Ratio.
Formula
Quick Ratio = (Current Assets − Inventory) ÷ Current Liabilities

Year	Current Assets	Inventory	Current Liabilities	Quick Ratio
2015	81,979	26,151	88,230	0.63
2016	71,495	31,321	1,12,900	0.36
2017	86,099	32,622	1,32,313	0.40
2018	75,214	33,257	1,54,421	0.27
2019	1,23,610	33,257	1,62,140	0.56
2020	84,406	33,830	1,13,054	0.45
2021	1,85,443	30,500	1,61,205	0.96
2022	1,67,934	35,323	1,70,235	0.78
2023	1,56,692	42,835	2,27,667	0.50
2024	2,26,135	53,181	2,59,518	0.67
2025	2,95,039	69,132	3,05,705	0.74

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Interpretation

The Quick Ratio remained below the conventional benchmark of 1:1 throughout the study period. Despite this, the company maintains a stable liquidity position due to efficient inventory management, rapid turnover of stock, and effective utilization of supplier credit. The gradual improvement from 0.27 in 2018 to 0.74 (estimated) in 2025 suggests a strengthening liquidity profile and better management of quick assets, reflecting a controlled and efficient working capital management strategy consistent with industry practices in the automobile sector.

Inventory Turnover Ratio

The Inventory Turnover Ratio measures how many times a company sells and replaces its inventory during a financial year, reflecting the efficiency of inventory management and its impact on working capital.

Formula

Inventory Turnover Ratio = Cost of Goods Sold (COGS) ÷ Average Inventory Interpretation

The Inventory Turnover Ratio demonstrates effective inventory control throughout the study period, ranging from 13.35 to 20.27 times. The peak ratio of 20.27 in 2022 reflects strong demand recovery and improved inventory management post-pandemic. The company demonstrates effective inventory control through JIT systems, contributing positively to its working capital efficiency and operational performance.

Debtors Turnover Ratio

The Debtors Turnover Ratio measures how efficiently a company collects cash from its credit customers during a financial year.

Formula

Debtors Turnover Ratio = Net Credit Sales ÷ Average Trade Receivables

Year	Net Sales (₹ Lakhs)	Average Receivables	Debtors Turnover Ratio
2015	5,08,014	12,624	40.24
2016	5,75,890	16,846	34.19
2017	6,80,850	11,273	60.40
2018	7,98,094	13,217	60.38
2019	8,60,685	19,552	44.02
2020	7,56,600	22,612	33.46
2021	7,03,720	17,188	40.94
2022	8,83,298	26,050	33.91
2023	11,84,099	35,452	33.40
2024	14,18,582	41,674	34.04
2025	15,19,001	48,122	31.57

Interpretation

The high and stable Debtors Turnover Ratio throughout the study period indicates that the company follows an effective credit policy and collects payments promptly. The peak ratios of 60.40 and 60.38 in 2017 and 2018 reflect a very short collection period, enhancing liquidity. The ratio has stabilized in the 31–34 range in recent years, reflecting consistent and disciplined receivables management practices.

Creditors Turnover Ratio

The Creditors Turnover Ratio measures how quickly a company pays its suppliers for credit purchases, reflecting payment policy and supplier relationships.

Formula

Creditors Turnover Ratio = Net Credit Purchases ÷ Average Trade Payables

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Year	Net Credit Purchases	Average Trade Payables	Creditors Turnover Ratio
2015	3,21,283	52,295	6.14
2016	3,57,131	67,617	5.28
2017	4,25,321	82,345	5.16
2018	4,87,410	95,123	5.12
2019	5,36,211	1,00,500	5.34
2020	4,68,432	92,201	5.08
2021	4,59,397	91,245	5.03
2022	5,51,099	99,665	5.53
2023	8,66,700	1,17,220	7.39
2024	10,25,400	1,53,300	6.69
2025	10,95,200	1,87,450	5.84

Interpretation
A relatively lower and stable Creditors Turnover Ratio indicates that the company takes full advantage of the credit period allowed by its suppliers, conserving cash and improving its working capital position. This practice supports Maruti Suzuki in maintaining a negative working capital cycle, where payments to suppliers are made after the collection of receivables a hallmark of operational strength in large manufacturing firms.

Operating Cycle
The Operating Cycle represents the time taken by a company to convert its investment in inventory into cash, measuring efficiency of working capital management.

Formula
Operating Cycle = Inventory Days + Receivable Days

Year	Inventory Days	Receivable Days	Operating Cycle (Days)
2015	21.53	9.07	30.60
2016	27.34	10.67	38.01
2017	15.32	6.04	21.36
2018	14.59	6.04	20.63
2019	14.26	8.29	22.55
2020	16.65	10.91	27.56
2021	22.26	8.92	31.18
2022	18.01	10.76	28.77
2023	18.92	10.93	29.85
2024	19.44	10.72	30.16
2025	20.48	12.74	33.22

Interpretation
The company maintained a consistently short operating cycle throughout the study period, ranging from approximately 21 to 38 days. The shortest cycle of 20.63 days was recorded in 2018, reflecting peak operational efficiency. A short operating cycle indicates that Maruti Suzuki efficiently converts its inventory investment into cash, reducing the need for external financing and enhancing overall financial efficiency.

Cash Conversion Cycle (CCC)
The Cash Conversion Cycle measures the time taken by a company to convert its investment in inventory into actual cash flow, showing how efficiently working capital is managed.

Formula
CCC = Inventory Days + Receivable Days − Payable Days

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Year	Inventory Days	Receivable Days	Payable Days	CCC (Days)
2015	21.53	9.07	59.45	−28.85
2016	27.34	10.67	69.13	−31.12
2017	15.32	6.04	58.68	−37.32
2018	14.59	6.04	59.25	−38.62
2019	14.26	8.29	53.36	−30.81
2020	16.65	10.91	50.62	−23.06
2021	22.26	8.92	63.44	−32.26
2022	18.01	10.76	55.08	−26.31
2023	18.92	10.93	50.04	−20.19
2024	19.44	10.72	56.11	−25.95
2025	20.48	12.74	63.65	−30.43

Interpretation

Maruti Suzuki maintained a negative Cash Conversion Cycle throughout the entire study period — a strong indicator of superior working capital management. A negative CCC means the company collects cash from customers before paying suppliers, effectively financing operations using supplier credit. The most negative value of −38.62 days in 2018 represents peak efficiency, and the estimated −30.43 days in 2025 confirms the company continues to sustain this financial advantage.

Return on Assets (ROA)

Return on Assets measures how efficiently a company utilizes its total assets to generate profit, indicating the management's effectiveness in converting asset investments into net earnings.

Formula

ROA = (Net Profit After Tax ÷ Total Assets) × 100

Year	Net Profit (PAT) (₹ Lakhs)	Total Assets	ROA (%)
2015	37,112	3,35,456	11.06%
2016	45,714	4,12,654	11.08%
2017	73,377	5,19,610	14.12%
2018	77,218	6,02,480	12.82%
2019	75,006	6,39,690	11.73%
2020	56,506	6,36,280	8.88%
2021	42,297	7,13,760	5.93%
2022	37,663	7,45,140	5.05%
2023	80,492	10,01,060	8.04%
2024	1,32,094	11,53,040	11.46%
2025	1,42,976	13,19,710	10.83%

Interpretation

The ROA fluctuated significantly during the study period, declining to a low of 5.05% in 2022 amid pandemic-related disruptions and semiconductor shortages, before recovering strongly to 11.46% in 2024. The strong recovery and sustained double-digit ROA in recent years demonstrates the company's ability to utilize assets effectively and reflects the positive contribution of efficient working capital management to overall profitability.

Gross Profit & Net Profit Ratios

Peak Gross Profit Ratio
32.81%

Recorded in 2018, reflecting strong cost control and pricing strategy. 2025 Net Profit Ratio
9.35%

Near-decade high, showing strong post-pandemic profitability recovery. Lowest Net Profit
4.26%

In 2022 due to chip shortages and production constraints. Avg. Gross Profit

29.6%
Consistent across the decade, reflecting stable cost management.

MAJOR FINDINGS

- The Current Ratio remained below 1.0 in most years, which is consistent with industry norms for large automobile manufacturers that operate on strong supplier credit.
- The Cash Conversion Cycle was negative throughout the entire study period (2015–2025), indicating that Maruti Suzuki consistently collected receivables before paying suppliers — a sign of exceptional working capital efficiency.
- Inventory Turnover Ratio remained high (13–20 times), reflecting effective lean manufacturing and JIT practices that minimize inventory holding periods.
- The Debtors Turnover Ratio remained consistently high, indicating efficient credit collection policies and minimal bad debt exposure.
- ROA declined sharply during 2020–2022 due to the COVID-19 pandemic and semiconductor shortage but recovered strongly to above 11% by 2024.
- The Working Capital Turnover Ratio was predominantly negative, confirming that Maruti Suzuki operates with negative net working capital — financed primarily through current liabilities — which is a hallmark of companies with strong supplier bargaining power.

SUGGESTIONS

- The company should continue leveraging its JIT inventory system and further reduce inventory holding periods to sustain operational efficiency amidst rising input costs.
- Maintaining strong supplier relationships while strategically extending payable days will help sustain the negative cash conversion cycle advantage.
- As receivable days show a slight increasing trend post-2024, the company should periodically review dealer credit terms to prevent deterioration in collection efficiency.
- Building adequate cash reserves as a liquidity buffer will help the company manage macroeconomic disruptions such as those seen during 2020–2022.
- Integration of ESG factors into supply chain management and working capital planning can enhance long-term sustainability and financial resilience.

CONCLUSION

This study examined the working capital management of Maruti Suzuki India Limited over a period of eleven years from 2015 to 2025. The analysis of various financial ratios — including the current ratio, quick ratio, inventory turnover, debtors turnover, creditors turnover, operating cycle, and cash conversion cycle — reveals that Maruti Suzuki has consistently maintained an efficient working capital management framework despite operating in a highly competitive and capital-intensive industry.

The consistently negative Cash Conversion Cycle is particularly noteworthy, demonstrating that the company effectively finances its operations using supplier credit rather than expensive external debt. The strong Inventory Turnover Ratio reflects the successful implementation of JIT and lean manufacturing principles, while the high Debtors Turnover Ratio indicates disciplined receivables management.

Although the Current Ratio and Quick Ratio remain below conventional benchmarks, this is characteristic of large automobile manufacturers with significant bargaining power over suppliers. The company's financial performance, as reflected in ROA and net profit ratios, has shown a strong recovery trajectory post-2022, affirming the positive relationship between working capital efficiency and overall profitability. Overall, Maruti Suzuki India Limited demonstrates sound working capital management practices that support its sustained market leadership and long-term financial stability.

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