



International Journal of Engineering, Science and Humanities

An international peer reviewed, refereed, open access journal

Impact Factor: 8.3 www.ijesh.com ISSN: 2250 3552

“A Descriptive Study of Profitability Analysis of Automobile Industry in India (Special Reference to Maruti Suzuki Ltd.)

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ABSTRACT:

The present study examines the profitability performance of the Indian automobile industry with special reference to Maruti Suzuki Ltd. The automobile industry plays a significant role in economic growth, industrial development, employment generation, and contribution to India's GDP. This research adopts a descriptive and analytical approach based on secondary data collected from annual reports, journals, books, and internet sources. The study evaluates the financial performance of Maruti Suzuki for the period 2018–19 to 2023–24 by analyzing key profitability indicators such as Gross Revenue, Revenue from Operations (Net), Total Operating Revenue, Other Income, and Total Revenue. The findings reveal fluctuations in the company's profitability, with a decline in revenue during 2019–20 and 2020–21 followed by substantial growth from 2021–22 onwards. The study concludes that although Maruti Suzuki has shown significant improvement in revenue generation in recent years, profitability remains unstable due to changing cost structures and market conditions. The study suggests the adoption of effective cost control measures, budgetary control systems, and strategic management practices to enhance financial performance and sustain long-term growth.

KEYWORDS:

Automobile Industry, Profitability Analysis, Maruti Suzuki Ltd., Financial Performance, Revenue Analysis, Indian Economy, Secondary Data, Cost Structure, Industrial Development.

INTRODUCTION: -

Automobile industry is the key driver of any growing economy and plays a pivotal role in country's rapid economic and industrial development. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipment, logistics, paper, cement, sugar etc. it facilitates the improvement in various infrastructure facilities like power, rail and road transport. The Indian automobile industry has been recording tremendous growth over the years and has emerged as a major contributor to India's Gross Domestic Product. The industry currently accounts for almost



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7 per cent of the country's GDP and employs about 19 million people both directly and indirectly. According to the Automotive Mission Plan 2016-26, with Government's backing and special focus on exports, the automotive sector's contribution to the GDP is expected to reach in double figures up to 2016. It is important to know that how this growing sector is affecting the financial performance of companies under this sector.

Indian Automobile industry is one of the leading automobile industries in the world. The scenario started changing after relicensing of the Indian sector in 1991. The opening up of 100 per cent FDI through the automobile route marked the beginning of a new era for the Indian automotive industry. The automobile industry contributes 7'0 per cent to the country's gross domestic product (GDP) and annual production of

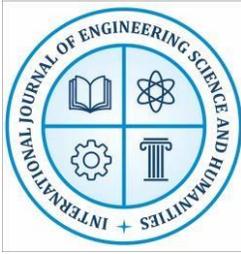
23.96 million vehicles in FY 2020-21. India exported 4.13 million of vehicles in 2021. Indian automobile industry includes the manufacture of trucks, buses, cars, defences vehicles, two-three wheelers etc. The automobile industry broadly divided into car manufacturing, twowheeler manufacturing, and heavy vehicle manufacturing units. The main growth drivers for Indian automobile industry are government policies, new innovations and product launchers, reducing cost to customer exporting outs to other countries. The government of India aims to made automobile manufacturing the main driver of 'Make in India' initiative, as it expects the passenger vehicles market to triple to 9.4 million units by 2026 as highlighted in the Auto Mission Plan (AMP) 2016-26. The technology advancement in Indian Automobile Industry i.e. Eco friendly cars that is CNG based vehicles, hybrid and electric vehicles to protect the environment. Automobile industry has four large manufacturing hubs across the Country.

- Delhi-Gurgaon-Faridabad in the North
- Mumbai-Pune-Nashik-Aurangabad in the West
- Chennai-Bengaluru-Hosur in the South and
- Jamshetpur-Kolkatta in the East

Global car majors have been ramping up investments in India to cater to growing domestic demand. These manufacturers plan to leverage India's competitive advantage to set up export oriented production hub. Electric car able to be increase market segment size in the coming decade. Some important research works undertaken in recent years which are very closely connected with the present study are reviewed.

OBJECTIVES OF THE STUDY: -

1. To Know the Automobile Industry in India.
2. To study the growth of Maruti Suzuki automobile company.
3. To analysis the profitability of Maruti Suzuki automobile company.



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RESEARCH METHODOLOGY: -

This study is based upon secondary data. This study is the Descriptive and analytical type study based upon secondary data. The researcher has therefore used suitable research method for this study.

Sources of Secondary Data

The secondary data was collected with the help of following –

1. Newspaper, Journals & Periodicals
2. Annual Reports of the Sample Automobile Companies
3. Published Books and publicity material of sample automobile companies
4. Internet Sources

Importance of Automobile Industries

For a developing country like India, the real progress lies both in its industrial and agricultural development. While industrialisation on the whole plays a significant role in the development of a country, for countries like ours, development of automobile sector has its special significance as they have a long tradition. They have played a vital role in the overall economic development of our country where millions of people are unemployed or underemployed, where most of the entrepreneurs are capable of making only limited investment and where there is chronic shortage of resources to procure sophisticated machinery and modern technology. They have also played a strategic and significant role in promoting rapid industrial growth by providing greater employment opportunities, bringing about reduction in regional imbalances and removal of economic backwardness of the rural and underdeveloped segments of the country.

The industrial structure of the country has been divided into three parts-Large-scale industries; Medium-scale industries; and Small-scale industries. The categorisation is done on the basis of actual financial investment in a particular unit. The automobile industry included in the large heavy industry sector.

In a developing economy like ours, where capital is scarce and there is regular and sizeable expansion of the labour force, emphasis on automobile sector is inevitable. The place accorded to automobile sector in the process of economic development and particularly in the process of industrialisation by policy makers has been quite significant.

The programme of automobile industry development in India is more than 50 years old, and is perhaps the most established of any developing country. Development of modern automobile industries, in fact, has been one of the most significant and characteristic features of planned industrial development in India.

Over the years, the various Industrial Policy Resolutions and statements have accorded a strategic position to automobile sector. The Industrial Policy Resolution(IPR), 1948 specially stated that “automobile sector has a very important role in the national economy. These industries are



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particularly suited for better utilisation of local resources and for the achievement of local self sufficiency, in respect of certain type of essential consumer goods like food, cloth and agricultural implements”.

The IPR, 1956 visualised integrated growth of both the large and SSSs and recognised the social and economic contribution of the automobile industry. It also proposed a programme of establishing Industrial Estates. The IPR, 1977 emphasised a policy of reservation of items exclusively for automobile industry. The Industrial Policy statement of 1980 gave a predominant place to automobile industry and widened the scope of such industries to include those having an investment from 1 million rupees to 2 million rupees.

Automobile industry sector in India has grown into prominence over the years through its multi- faceted contribution and role. As part of the industrial strategy, it occupies a significant position serving specific purposes. Automobile industry have been steadily enlarging its areas of operation by entering new product lines not produced earlier in the automobile industry, in locations where industry was not that well known, and by promoting entrepreneurs with varied backgrounds. This sector has considerably diversified its production and is manufacturing a wide variety of automobile products including the sophisticated items which are either export-oriented or are import-substitution products. The sector has sizeable share in India’s index of production, employment generation, increase of national income and foreign exchange earning.

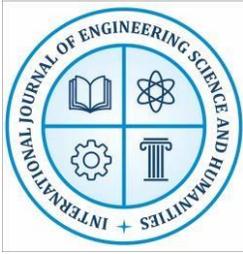
These far reaching developments and the scale and scope of operation of automobile industry have brought to the fore the importance of administrative and institutional assistance provided to automobile industry sector.

Despite comprehensive programme of assistance provided by the Government and a number of facilities available to automobile industry by industrial estates, it is hampered by several problems. A large number of automobile industrial units are still in the paralysed condition suffering from several handicaps like finance, raw material, marketing etc.

Business is a typical economic activity with the object earning an income i.e. profit, and thereby accumulate wealth or purchasing power. The economic activity must be regular and continuous.

1. Production of goods
2. Merely purchase of goods to resell at a profit.

The economic activity always involves an element of risk of loss or uncertainty. Any undertaking involving risk of loss is called an adventure. A business adventure is expected to meet threats and uncertainties, and exploit given opportunities under ever-changing and unpredictable environmental forces. The earning of income or acquiring of wealth is not the sole objective of any business. The real object of any business is to create a customer and to ensure repeat sale which is possible only when the customer can get due service and satisfaction in the market place, where



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exchange of goods and services takes place against price in a monetary economy. Modern business is called upon to serve demand and offer continuous satisfaction of innumerable, varied and ever-changing human wants, so that the community can achieve rising standard of living and enjoy maximum social happiness and welfare. In fine, business aims at profit through service. Automobile industry assumes a significant place in the industrial scenario of India. This industry contributes notable share in GDP of the country. Automobile industry is also an important sector to attract the FDI.

The researcher has in this section analysed the profitability of Maruti Suzuki for the period under study i.e. 2018-19 to 2023-24.

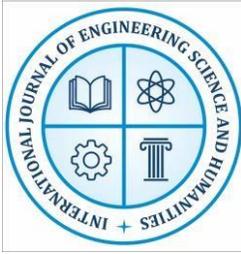
Gross Revenue

The researcher has analysed Gross income of Maruti Suzuki during the period under study i.e. 2018-19 to 2023-24. Base year was considered to 2018-19. The results are shown in the following table.

Table No. 1
Gross Revenue of Maruti Suzuki

Year	Amount (Rs. Cr.)	Increase Decrease /	%
2018-19	83026.50	0.00	0.00
2019-20	71690.40	-11336.10	-13.65
2020-21	66562.10	-5128.30	-7.15
2021-22	83798.10	17236.00	25.89
2022-23	112500.80	28702.70	34.25
2023-24	134937.80	22437.00	19.94
Total	552515.70	51911.30	
Average	92085.95	8651.88	

Source: Annual Reports.

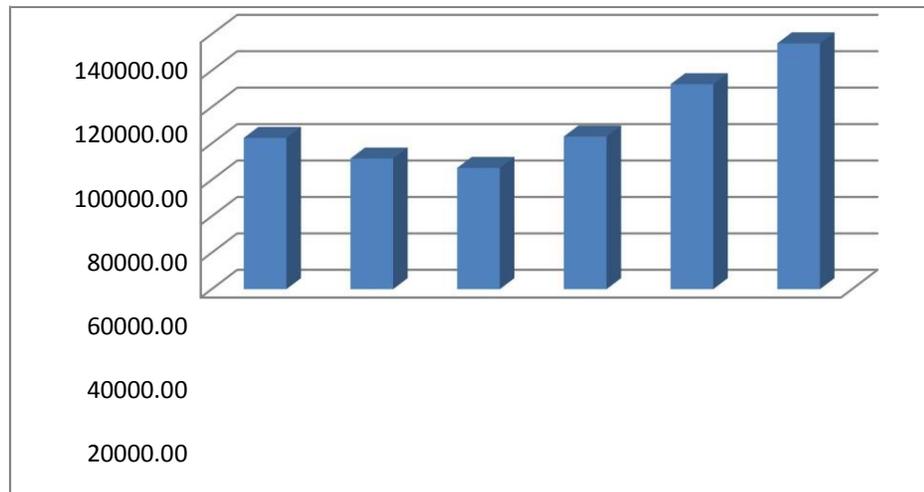


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Graph No. 1
Graph Showing Gross Revenue of Maruti Suzuki



0.00	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
■ Series1	83026.50	71690.40	66562.10	83798.10	112500.8	134937.8

It can be seen from the above table that,

In the year 2018-19 The total gross revenue of Maruti Suzuki was Rs. 83026.50 crore, it was decreased by Rs. 11336.10 crore (13.65%) and reached to Rs. 71690.40 crore in the year 2019-20. Further in the year 2020-21 it was again decreased by Rs. 5128.30 (7.15%) crores and reached to Rs. 66562.10 crores. However in the year 2021-22 it was increased by Rs. 17236.00 crore (25.89%) and reached to Rs. 83798.10 crore. Further in the year 2022-23 it was raised to Rs. 112500.80 crore recording a rise of Rs. 28702.70 (34.25%) crore. Ultimately in the year 2023-24 it exhibited to Rs. 134937.80 crore registering a rise of Rs. 22437.00 (19.94%) crore.

Thus, it can be seen that the average gross revenue of Maruti Suzuki during the period under study was Rs. 92085.95 crore and the average increase was recorded Rs. 8651.88 crore.

Revenue from Operations (NET)

The researcher has analysed net revenue from operations of Maruti Suzuki for the period under study. i.e. 2018-19 to 2023-24. Base year was considered to 2018-19. The results are shown in the following table.



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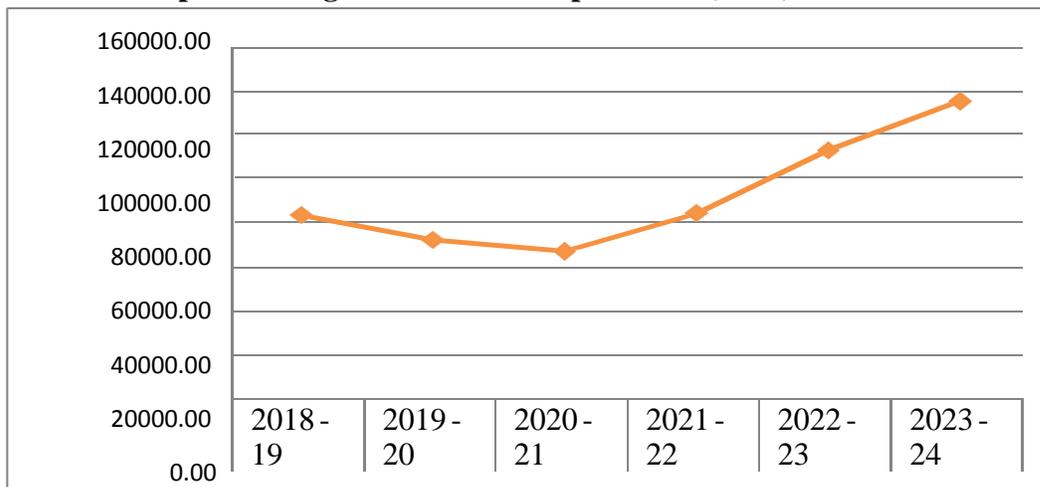
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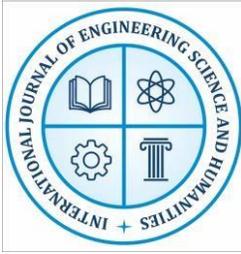
Table No. 2
Revenue from Operations (NET) of Maruti Suzuki

Year	Amount (Rs. Cr.)	Increase / Decrease	%
2018-19	83026.50	0.00	0.00
2019-20	71690.40	-11336.10	-13.65
2020-21	66562.10	-5128.30	-7.15
2021-22	83798.10	17236.00	25.89
2022-23	112500.80	28702.70	34.25
2023-24	134937.80	22437.00	19.94
Total	552515.70	51911.30	
Average	92085.95	8651.88	

Source: Annual Reports.

Graph No. 2
Graph Showing Revenue from Operations (NET) of Maruti Suzuki





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 Amount (Rs. Cr.)	83026.50	71690.40	66562.10	83798.10	112500.80	134937.80
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It can be seen from the above table that,

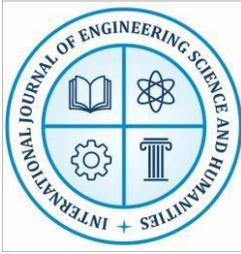
In the year 2018-19 The total Revenue from Operations of Maruti Suzuki was Rs. 83026.50 crore, it was decreased by Rs. 11336.10 crore (13.65%) and reached to Rs. 71690.40 crore in the year 2019-20. Further in the year 2020-21 it was again decreased by Rs. 5128.30 (7.15%) crores and reached to Rs. 6562.10 crores. However in the year 2021-22 it was increased by Rs. 17236.00 crore (25.89%) and reached to Rs. 83798.10 crore. Further in the year 2022-23 it was raised to Rs. 112500.80 crore recording a rise of Rs. 28702.70 (34.25%) crore. Ultimately in the year 2023-24 it exhibited to Rs. 134937.80 crore registering a rise of Rs. 22437.00 (19.94%) crore. Thus, it can be seen that the average Revenue from Operations (NET) of Maruti Suzuki during the period under study was Rs. 92085.95 crore and the average increase was recorded Rs. 8651.88 crore.

Total Operating Revenue the researcher has analysed Total Operating Revenue of Maruti Suzuki for the period under study. i.e. 2018-19 to 2023-24. Base year was considered to 2018-19. The results are shown in the following table.

Table No. 3 Total Operating Revenue of Maruti Suzuki

Year	Amount (Rs. Cr.)	Increase / Decrease	%
2018-19	86020.30	0.00	0.00
2019-20	75610.60	-10409.70	-12.10
2020-21	70332.50	-5278.10	-6.98
2021-22	88295.60	17963.10	25.54
2022-23	117522.90	29227.30	33.10
2023-24	140932.60	23409.70	19.92
Total	578714.50	54912.30	
Average	96452.42	9152.05	

Source: Annual Reports.



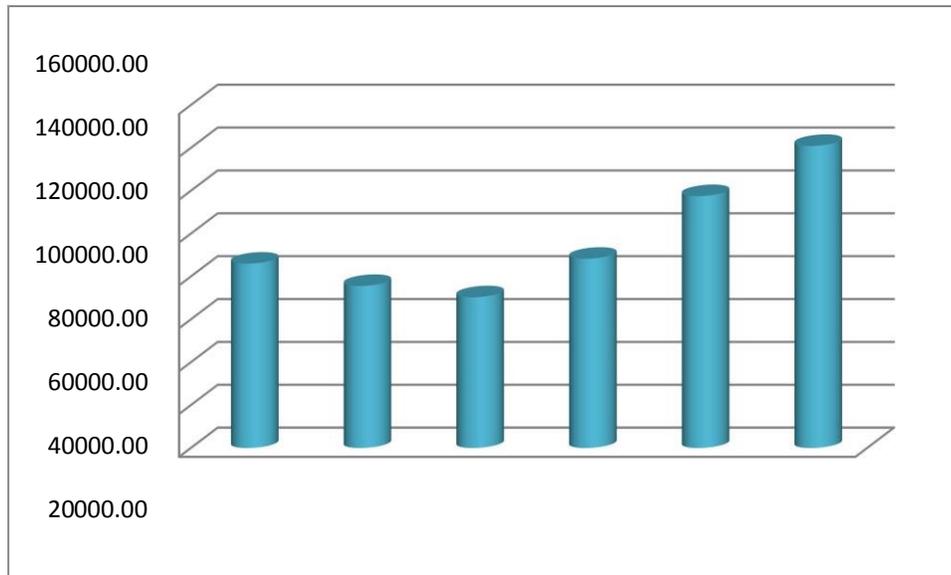
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Graph No. 3

Graph Showing Total Operating Revenue of Maruti Suzuki



0.00	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
■ Amount (Rs. Cr.)	86020.30	75610.60	70332.50	88295.60	117522.90	140932.60

It can be seen from the above table that,

In the year 2018-19 The Total Operating Revenue of Maruti Suzuki was Rs. 86020.30 crore, it was decreased by Rs. 10409.70 crore (12.10%) and reached to Rs. 75610.60 crore in the year 2019-20. Further in the year 2020-21 it was again decreased by Rs. 5278.10 (6.98%) crores and reached to Rs. 70332.50 crores. However in the year 2021-22 it was increased by Rs. 17963.10 crore (25.54%) and reached to Rs. 88295.60 crore. Further in the year 2022-23 it was raised to Rs. 117522.90 crore recording a rise of Rs. 29227.30 (33.10%) crore. Ultimately in the year 2023-24 it exhibited to Rs. 140932.60 crore registering a rise of Rs. 23409.70 (19.92%) crore. Thus, it can be seen that the average Total Operating Revenue of Maruti Suzuki during the period under study was Rs. 96452.42 crore and the average increase was recorded Rs. 9152.05 crore. Other Income The researcher has analysed Other Income of Maruti Suzuki for the period under study. i.e. 2018-19 to 2023-24. Base year was considered to 2018-19. The results are shown in the following table.



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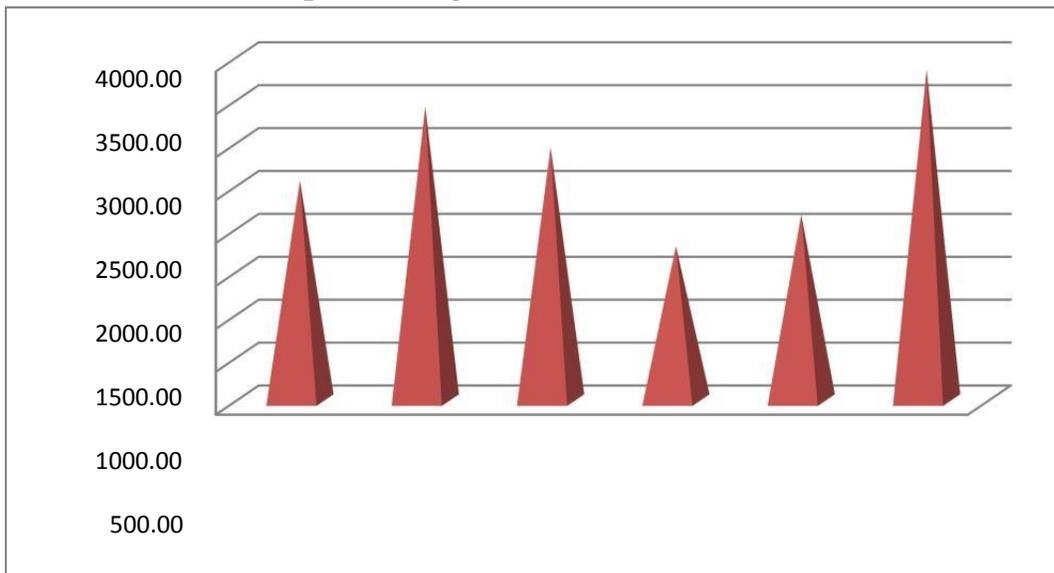
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Table No. 4 Other Income of Maruti Suzuki

Year	Amount (Rs. Cr.)	Increase / Decrease	%
2018-19	2561.00	0.00	0.00
2019-20	3420.80	859.80	33.57
2020-21	2946.40	-474.40	-13.87
2021-22	1793.50	-1152.90	-39.13
2022-23	2161.30	367.80	20.51
2023-24	3854.80	1693.50	78.36
Total	16737.80	1293.80	
Average	2789.63	215.63	

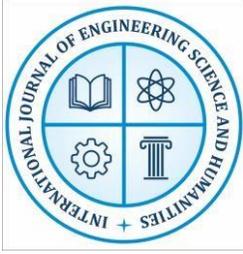
Source: Annual Reports. Graph No. 4

Graph Showing Other Income of Maruti Suzuki



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
■ Amount (Rs. Cr.)	2561.00	3420.80	2946.40	1793.50	2161.30	3854.80

It can be seen from the above table that,



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In the year 2018-19 the Other Income of Maruti Suzuki was Rs. 2561.00 crore, it was increased by Rs. 859.80 crore (33.57%) and reached to Rs. 3420.80 crore in the year 2019-20. Further in the year 2020-21 it was again decreased by Rs. 474.40 (13.87%) crores and reached to Rs. 2946.40 crores. However in the year 2021-22 it was decreased by Rs. 1152.90 crore (39.13%) and reached to Rs. 1793.50 crore. Further in the year 2022-23 it was raised to Rs. 2161.30 crore recording a rise of Rs. 367.80 (20.51%) crore. Ultimately in the year 2023-24 it exhibited to Rs. 3854.80 crore registering a rise of Rs. 1693.50 (78.36%) crore. Thus, it can be seen that the average Other Income of Maruti Suzuki during the period under study was Rs. 2789.63 crore and the average increase was recorded Rs. 215.63 crore.

Total Revenue

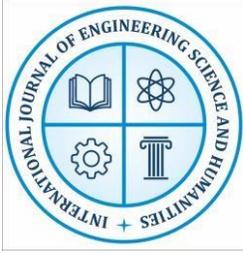
The researcher has analysed Total Revenue of Maruti Suzuki for the period under study.

i.e. 2018-19 to 2023-24. Base year was considered to 2018-19. The results are shown in the following table.

Table No. 5
Total Revenue of Maruti Suzuki

Year	Amount (Rs. Cr.)	Increase / Decrease	%
2018-19	88581.30	0.00	0.00
2019-20	79031.40	-9549.90	-10.78
2020-21	73278.90	-5752.50	-7.28
2021-22	90089.10	16810.20	22.94
2022-23	119684.20	29595.10	32.85
2023-24	144787.40	25103.20	20.97
Total	595452.30	56206.10	
Average	99242.05	9367.68	

Source: Annual Reports.



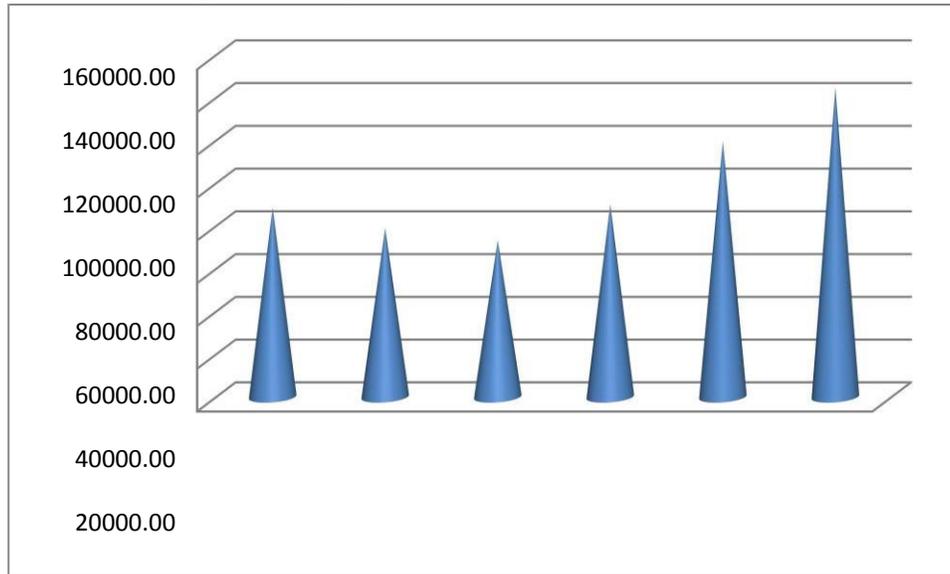
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Graph No. 5

Graph Showing Total Revenue of Maruti Suzuki



0.00	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
■ Amount (Rs.0 Cr.)	88581.30	79031.40	73278.90	90089.10	119684.20	144787.40

It can be seen from the above table that,

In the year 2018-19 the Total Revenue of Maruti Suzuki was Rs. 88581.30 crore, it was decreased by Rs. 9549.90 crore (10.78%) and reached to Rs. 79031.40 crore in the year 2019-20. Further in the year 2020-21 it was again decreased by Rs. 5752.50 (7.28%) crores and reached to Rs. 73278.90 crores. However in the year 2021-22 it was increased by Rs. 16810.20 crore (22.94%) and reached to Rs. 90089.10 crore. Further in the year 2022-23 it was raised to Rs. 119684.20 crore recording a rise of Rs. 29595.10 (32.85%) crore. Ultimately in the year 2023-24 it exhibited to Rs. 144787.40 crore registering a rise of Rs. 25103.20 (20.97%) crore.

Thus, it can be seen that the average Total Revenue of Maruti Suzuki during the period under study was Rs. 99242.05 crore and the average increase was recorded Rs. 9367.68 crore.

CONCLUSIONS

Drawn from Profitability Analysis of Maruti Suzuki

1. It is concluded that, the average gross revenue of Maruti Suzuki during the period under study was Rs. 92085.95 crore and the average increase was recorded Rs. 8651.88 crore.



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It is concluded that, the average Revenue from Operations (NET) of Maruti Suzuki during the period under study was Rs. 92085.95 crore and the average increase was recorded Rs. 8651.88 crore.

2. It is concluded that, the average Total Operating Revenue of Maruti Suzuki during the period under study was Rs. 96452.42 crore and the average increase was recorded Rs. 9152.05 crore.
3. It is concluded that, the average Other Income of Maruti Suzuki during the period under study was Rs. 2789.63 crore and the average increase was recorded Rs. 215.63 crore.
4. It is concluded that, the average Total Revenue of Maruti Suzuki during the period under study was Rs. 99242.05 crore and the average increase was recorded Rs. 9367.68 crore.

SUGGESTION: -

1. As it has been observed that, the profitability of sample automobiles companies is not stable, it is suggested that the companies should find out the reasons behind unstable profitability and take suitable measures for the same.
2. As it has been observed that, increase in cost structure of sample automobiles companies, it is advisable that the companies should find out the reasons behind increase in costs and take suitable measures for reduction of the same.
3. It is suggested that, proper implementation of budgetary control system and variance analysis may improve the performance of the companies.

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