

## MSIL: A Leader in Indian Automobile Sector

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### Abstract

*Maruti Suzuki India Limited (MSIL) is India's leading automobile company having the largest chunk of the market share in the Indian passenger car segment. It is one of the oldest automobile company of the country catering to the needs of all classes of customers. The company has a big fleet of vehicles offering nearly 200 variants to the customers. MSIL has 1619 sale outlets and the strongest network of 3,086 service centres across 1,471 cities. The company has been and is still a leader in customer choice and satisfaction. The present paper intends to evaluate various factors that make MSIL dominate the Indian Automobile Companies and tries to access the factors that have contributed to its number one position retention in automobile sector.*

**Keywords:** MSIL, Passenger Cars, Indian Industry, Automobile Sector, Customer, Market Share.

### Introduction

The first car touched the Indian soil in 1897 during the British rule. Cars were imported in India during those times, therefore buying a car was a costly affair. The Indian automobile industry saw its dawn in 1942 with the launch of Hindustan followed by Premier in 1944. Mahindra & Mahindra was founded in 1945. But not much progress was made in this sector because of the control of Government and strict laws imposed on this sector. But in the late 1970s, the controls were lifted and this gave invitation to the companies over the world to come and invest in India. The liberalisation policy let companies like Suzuki and Toyota from Japan and Hyundai from South Korea to do business in India (Zafar, & Khalid, 2012, p. 8).

Maruti Udyog Limited (MUL) was established to meet the demands of the automobile sector in India. It was enacted through an act passed by the parliament. The company came into being as a joint venture between Suzuki Motor Company of Japan and the Government of India in Oct 1983. Suzuki owned 26% of the equity and the rest of it was of the Government with the agreement that Suzuki will provide the latest technology to the Indian customer. Suzuki had a brilliant history of making the small passenger cars all over the world. In 1987, the share of Suzuki was raised to 40%; on a condition that was already mentioned in the agreement. In 1992, Suzuki still further enhanced its equity to 50%. In 2002, the government handed the management control of Maruti Udyog Ltd (MUL) to Suzuki Motor Corporation (SMC) for a

consideration of Rs 1,000 crore rupees. At the time of complete handing over of the control, the government held 49.76% equity in Maruti while Suzuki Motors Corporation was having 50% equity and the remaining 0.24% was held by the employee's trust. SMC acquired the full control and ownership of the country's leading automobile company by way of the government renouncing its subscription to a Rs 400-crore rights issue of MUL. After the rights issue, SMC acquired 54.20% stake and the Centre's stake falling to 45.54%. The government sold its 27.5% share to the public in June 2003 and the rest of it was done away with in May 10, 2007 (Malhotra & Sinharay, 2013, p. 2). Since its inception to the present day, the company has not looked back. It has been and still is the unchallenged leader in the Indian automobile sector. It has become the favourite destination for the car buying individuals in India. The company has long crossed the landmark of a sale of 10 million units which no other company doing business in India has been able to achieve (Badrinath, Kumar, & Dinesh, 2012, p. 72).

### Methodology

The objective of the study is to analyse the consistent performance of Maruti Suzuki India Ltd. in the changing Global and local environment. The paper tries to access both the qualitative and quantitative performance of the company and how both had the compounded impact on its market share in India. Secondary data from company website, annual reports, research journals, survey reports and automobile websites have been taken to endorse the points. The aim of the paper is to know why MSIL is the leader of Indian automobile sector.

**Table 1:** Showing comparative sales of automobile companies (December 2014 & 15)

Passenger Vehicles	December 2014 (Units)	December 2015 (Units)
Ford India	3754	5924
Honda Cars India	14428	12379
Hyundai Motor India	32504	41861
Mahindra & Mahindra	17980	18197
<b>Maruti Suzuki</b>	<b>98109</b>	<b>111333</b>
Nissan Motor India	3156	3066
Renault India	3956	10292
Skoda Auto India	1361	1453
Tata Motors	13599	9635
Volkswagen India	4070	2577

Source: ("India Sales," 2016, para. 19)

## Review of Literature

India offers a huge market to the automobile companies. The Indian automobile sector has performed reasonably well but still India lags behind most of the developing countries in the ratio of cars per thousand individuals (Dharmaraj, 2013). The current situation of automobile industry in India is encouraging though it is not without challenges. The demands of the consumers are changing fast and so are the efforts of the companies to live upto the expectations (Garg & Jain, 2009). Maruti Suzuki had and has a huge market share in Indian automobile industry and it has left no stone unturned to maintain its position. It has tried its utmost to satisfy its customers and has provided all variants to all classes of customers.

The company stands as much for value as for performance. In spite of the rising prices, the company has tried its utmost to keep its prices down. The performance, price and servicing of the company is unmatched in India. The company has its pointed competitive strategy and this has not compromised its healthy profits. The company has earned its reputation as the one having the most environmental concerns in Indian automobile sector. For the buying customer, it is not paying the price of the car, but rather investing in a better lifestyle (Fatima & Kumari, 2013). The tough competition has not been a barrier in the encouraging growth of MSIL. It has dominated the Indian automobile company ever since its inception. The new companies are ever entering the market but the glorious run of Maruti is unstoppable. The company has provided low cost variants to the customers that are at par with the models of other companies. This is the major cause of its success. The company is now focusing more and more energy on CNG and hybrid engine vehicles and the efforts are crowned with success (Malhotra & Sinharay, 2013). The long term prospects of MSIL are bright as the company wields the leadership position alongwith a strong product pipeline in the days to come. Its revenue is undoubtedly going to grow as its volumes are likely to enhance exponentially with its exports growing at the ever faster rate with the setup of new plant in Gujarat. It is a strong company with an extensive distribution network places that take it miles ahead of its peers ("Maruti Suzuki," FUNDS INDIA, 2015).

## Operational Highlights

MSIL produced a total of 1308446 vehicles in 2015, out of which 1292415 were sold. The company registered a domestic growth of 11.1% and an export growth of 20.1%. The company sold an encouraging 1,00,000+ units in Non-European markets. MSIL has a domestic market share of 45%, which is the largest chunk owned by any company in India. There are 1619 total sale outlet and 1045 smaller format outlet of the company in India. The company is very concerned regarding the pollution created by the automobiles around the world. It has registered an exponential growth of 23% in MSIL CNG vehicle sale. The company has set up a 1MW power plant to reduce the carbon dioxide emission during production. Through this plant it has been able to reduce 1,000+ tonnes of gas emission in the air ("Annual Report," 2015, p. 6).

The above table illustrates MSIL's hold over the market. Where other automobile competitors try to maintain their market share, MSIL is undoubtedly miles ahead of them in market share and its dominance over the sector.

It is because of the fact that MSIL has 3,086 service centres across 1,471 cities ("Annual Report," 2015, p. 14), which is the largest service network of any automobile company in the country. To counter the on-road breakdowns, there is a fleet of service vehicles which has gone up from 1,000 vehicles in FY'14 to over 1,250 vehicles in the end of FY'15. While customers enjoy the convenience, dealers benefit by higher service reach, customer retention and profitability. As more and more customers are becoming aware of the MMS (Maruti Mobile Service) facility; over 60,000 customers are being benefitted by this service every month. To give more convenience to the customers, a 'Maruti Care' Service Mobile app was launched during the year. This app is quite useful to the customers irrespective of their physical location. It includes features like service needs to the maintenance and dealer network details ("Annual Report," 2015, p. 15).

The company has an intention of setting up a car plant in Gujarat, and work has already been done towards this expansion. MSIL has acquired nearly 1,200 acres in

Mehsana district of Gujarat. It has signed an agreement with the State Government of Gujarat to set up the plant by investing approximately Rs. 4,000 crores as an initial investment and the plant will be having a capacity of 250,000 units annually. The expenditure on the plant will be done by Suzuki Motors but the ownership of the land will be of Maruti which will be leased to Suzuki Motors. The plant will become operational from 2017 and the production will start by 2018 (Kulkarni, 2015, p. 16).

MSIL’s domestic sales of passenger vehicle witnessed a growth of 3.7% in FY15. The growth was motivated by the improvement in the sentiment of the consumers as India is expected to witness a faster economic growth during the coming years. This sentiment is mainly led by the various programmes that the new government has launched to invite the investors to invest in India. The industrial sector of the country has shown a recovery of in FY15 and the improvement story is likely to continue in the FY16E, with industry volumes growing 6.2% in H1FY16 and MSIL showing a faster growth outpacing the rest and growing at a rate of 12.7%. Maruti has managed to gain nearly 300 bps market share in FY14 and still another 200 bps in FY15. This is because of the companies initiatives to penetrate the rural markets and its policies to expand the choice of vehicles it offers to its customers. MSIL has successfully launched its new cars like Celerio, Ertiga & Ciaz and the customer’s response towards the vehicles is encouraging (“Maruti Suzuki,” ICICIdirect, 2015, p. 1).

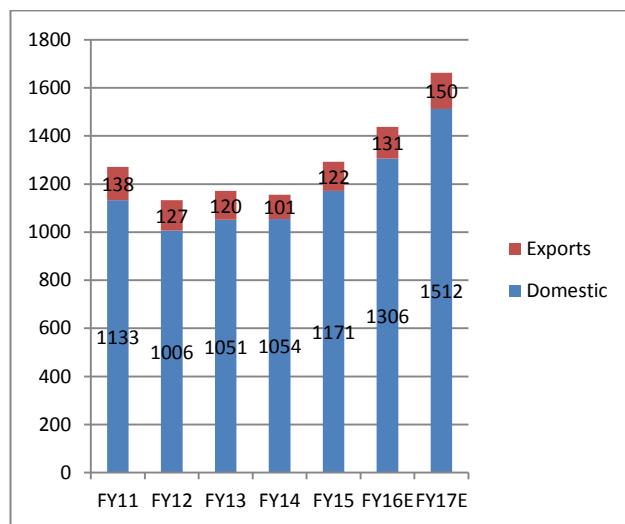
MSIL has an overall industry share of petrol segment of 54%. The company’s petrol vehicles grew by 14.5% YoY (in-line with industry trend) whereas the diesel vehicles grew 8% YoY. The overall diesel vehicle volumes declined 2% YoY. MSIL has currently 80 Nexa showrooms, and the company is intending to increase them to 100 by FY16 end (p. 3).

MSIL has been successful in maintaining its market leadership for the past some time. Though the competition is increasing day by day, yet MSIL is an unmatched leader. There are about 18 companies competing with MSIL fighting for the 2.5 million large market. The company has been successful in holding on to nearly 45% market share which is expected to rise to 47% in the calendar year 2016. The company is hopeful to maintain a 40%+ share of the market despite the growing trend towards utility vehicles in the coming years (p. 5). The company has a strong financial performance over the last few years as it has been successful in maintaining operating margins at decent levels (over 10% in the last 11 quarters). The company expects revenue to grow at 16.4% CAGR in FY15-17E touching nearly 68412 crore in FY17E. The margins are likely to remain on an uptrend in both FY16E & FY17E, as industry demand improves. There is a strong probability that the bottomline will grow at nearly 37% CAGR in FY15-17E and will reach about 6993 crore in FY17E (p. 7).

Maruti Suzuki India Limited is exporting to 98 countries in Europe, Asia, Latin America, Africa and

Oceania. Some leading overseas markets of Maruti include Germany, Netherland, France & UK. Presently the company exports various models like A-Star, Ritz, Estilo and Maruti 800 (Rana & Murlidhar, 2013, p. 120). MSIL is contributing nearly 45% of the Suzuki’s profits globally. The company is intending to make it a global export hub as the cost of production of cars in India is cheaper as compared to anywhere in India.

**Table 2:** Export volumes of MSIL

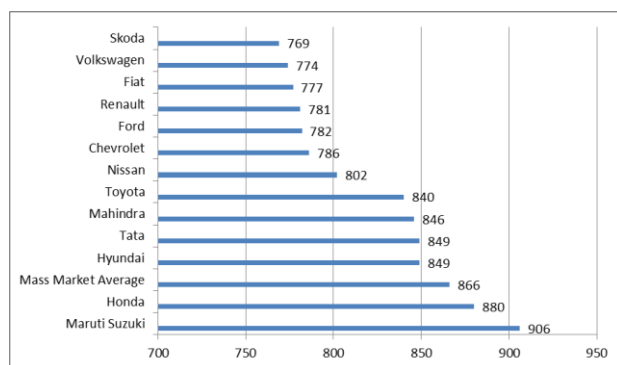


Source: ICICIdirect.com

From the above table it is clear that presently it is exporting nearly 9% of its total sales. The company is aiming to enhance its exports to 10%+ by the end of next year. With Gujarat plant going operational in the next year end, the exports are likely to increase exponentially (“Maruti Suzuki,” ICICIdirect, 2015, p. 7).

**Maruti qualifies ‘JD POWER’Touchstone:**

JD Power Asia Pacific Survey 2015 of the Indian automobile market declares Maruti Suzuki, the largest automaker company of India as the top company, providing the best after-sales service to its customers. MSIL bagged this position for the sixteenth consecutive year. The company has topped the JD Power 2015 Customer Service Index Study (Mass Market Brands) also. Maruti Suzuki, scored 906 points on a 1000 point scale, leading the mass market. The first runner up is Honda Cars India with a score of 880. Both the companies have scored above the industry average of 866. Other companies, including Hyundai Motors at 849 and Tata Motors also at 849, Mahindra& Mahindra at 846, Toyota Kirloskar Motor at 840, Nissan Motor India at 802, GM India at 786, Ford India at 782, Renault India at 781, Fiat Chrysler Auto India at 777, Volkswagen India at 774 and Skoda India at 769, rank below the industry average (“Maruti Suzuki,” JD Power, 2015, p. 1).

**Table 3: Consumer Service Index Ranking****Mass Market Brands (Based on a 1,000-point scale)**

Source: J.D. Power 2015 India Consumer Service Index (CSI) Study

The survey revealed that Maruti Suzuki performed extremely well as compared to the other carmakers in the country over the last one year. The routine servicing and maintenance quality of the car has improved from 79% to 86% over the year (JD Power, 2015, p.1). Overall service satisfaction in the mass market segment improves by 10 points to 866 in 2015 from 856 in 2014. Maruti Suzuki ranks highest in brand influence with a score of 839 (on a 1,000-point scale). Hyundai ranks second (767) and Toyota third (744), Honda (733), Mahindra (722) and Tata (720). Datsun (555) and Mitsubishi (580) are among brands with the lowest influence ("Influence Gap," 2015, p. 2).

MSIL has two models that rank highest in car and MUV segments. Alto ranks highest in the compact car segment while Ertiga ranks highest in a tie in the MUV/MPV segment ("Honda, Maruti," 2015, p.1). In overall dealer satisfaction manufacturers ranking index Maruti Suzuki India scored 885 points on a 1,000-point scale in 2015 ahead of Honda with 884 and Hyundai with 883 ("Toyota Ranks," 2015, p. 1).

This makes it clear that MSIL is not only number one in volume, affordability and market share, but is number one in consumer satisfaction, servicing and approachability also. JD Power surveys are done annually and MSIL has been breasting the tape for the last sixteen consecutive years. This consistency in performance makes the company an uncontested leader of the Indian automobile market.

### Conclusion

MSL has been successfully leading the automobile sector in India for last so many years. It has the strongest network of sale and after-sale services which holds the key to its success. Moreover the company is consumer oriented in its approach as it offers high quality products at par with the other brands at an unmatched low price. The variety in products, the affordability, the sale and servicing costs, the connectivity and the approachability makes MSIL the uncontested leader of Indian automobile industry.

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