

The snapshot of maruti suzuki in india



Maruti Suzuki India Limited MSIL, formerly known as Maruti Udyog Limited is a subsidiary of Suzuki Motor Corporation, Japan. It is a leading manufacturer of passenger vehicles in India. MSIL has been producing cars in India since 1983. Maruti's revenues totaled approximately 73.3 billion rupees in 2009-2010. Its operating profit as of 2009-2010 is 75 billion rupees while its net profit comes to 6.8 billion rupees.

Maruti Suzuki is the market leader in India and is known for its hatchback cars, especially the Maruti 800. Other popular hatchback models include the Maruti Zen and the Alto. (Maruti Suzuki, 2012)

Snapshot of Maruti Suzuki in India

The company offers fifteen brands and over 100 and fifty variants. The portfolio includes Maruti 800, Omni, Eeco, Alto, Alto-K10, A-star, WagonR, Swift, Ritz and Estilo, Gypsy, SUV Grand Vitara, sedans SX4 and Swift DZire. In an eco-friendly initiative, in August 2010 Maruti Suzuki introduced industrial plant fitted CNG possibility on five models across vehicle segments. These embody Eeco, Alto, Estilo, Wagon R and SX4.

In terms of variety of cars created and sold-out, the corporate is that the largest subsidiary of Suzuki Motor Corporation. Cumulatively, the corporate has created over ten million vehicles since the roll out of its initial vehicle on fourteenth December, 1983. It's the sole Indian company to own crossed the ten million sales mark since its origination.

In 2011-12, the corporate sold-out a record over one.13 million together with one, 27, 379 units of exports primarily to Europe, the remaining 870, 790 sold-out in Republic of India. Thus, in March 2010, Maruti Suzuki

had associate Republic of India market share of fifty three. 3 p. c of the Indian railroad car market of 1633752 railroad car units.

Maruti Suzuki are going to be finance around Rs. 1250 large integer (Rs. 12.5 billion) on capability enlargement of the K-series engines between 2010 and 2012. The dilated annual capability are going to be over seven large integer units from this five large integer units of K-series engine cars. this can be a progressive investment to be completed by 2012. it's a sales network is 802 centers in 555 cities and cities across Republic of India. The clientservice support network contains of two, 740 workshops in over one, 335 cities and cities.

In 2008, Maruti Suzuki Republic of India restricted, unveiled a National Road Safety Mission underneath that it might train five hundred, 000 folks in safe driving in three years at sixty one Maruti Driving colleges and four Institutes of Driving coaching and analysis (IDTR) in Old Delhi, Dehradun and Vadodara.

Maruti Suzuki's revenue over the years:

(Rs. in Million)

Year

Net Sales

Year

Net Sales

2006-07

2007-08

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2008-09

1, 45, 922

1, 78, 603

2, 03, 583

2009-10

2010-11

2011-12

3, 01, 198

3, 58, 490

3, 47, 059

The company is listed on Bombay Stock Exchange and National Stock Exchange. (Maruti Suzuki)

Micro – Economic Factor

Every customer wants to buy a product at a cheaper price. As the price increases the demand of that product gradually decreases. This is called Law of Demand. According to this law, the quantity of goods or services demanded arises inversely with its price, ceteris paribus.

Till some extent Law of Demand applies to the case of Maruti Suzuki, as the price of some of its cars increases their demand decreases. But, there are also some exceptions where we find that price increases and the demand for that car also increases. Indian economy is growing and unemployment rate

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is decreasing which results in increase in disposable income and now more people wants to buy cars even at higher prices.

Consumer Surplus

Maruti Suzuki provides its customers with lower prices, good features and best quality and service which a general human being desires for. Consumer Surplus is defined as the excess satisfaction that the consumer gets when he might be willing to pay more for a product than he actually has to pay.

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Producers Surplus

Producer surplus is the amount that the producer would be willing to sell rather than let go a sale. Some units can be produced at a cost that is lower than the market price, the seller receives a surplus, or net benefit from producing those units.

Complements

Complements are goods / products that “ go together,” often consumed and used simultaneously. An increase (decrease) in the price of one product shifts the demand curve for another product to the left (right). Fuel / steel are complement products for Maruti Suzuki cars. If the price of fuel / steel goes up, demand for Maruti Suzuki cars decreases and vice-versa.

Source: www.mypetrolprices.com

Substitute

<http://www.motorbeam.com/wp-content/uploads/Oct2012-CarSalesFigures-Main.jpg>

There are many other car makers / manufacturers in Indian market which are threat to Maruti Suzuki and close substitutes as well. If Maruti compromises with quality and price, then the customers would prefer substitute of Maruti cars like Hyundai, Mahindra, Tata, etc.

ELASTICITY OF DEMAND:

Elasticity of demand refers to the relative responsiveness of the changes in demand to the changes in the price or income or price of substitutes and complementary goods.

Price Elasticity:

In the case of Maruti Suzuki, price elasticity of demand is relatively elastic ($e > 1$) because a little increase in its price will lead to a greater decline in the quantity demanded.

Income Elasticity:

When there is an increase in income of consumers, purchasing power increases and demand for Maruti cars increases.

Maruti Cars are now a necessity product, i. e. a product that increases in demand when consumer income rises. Consumers now are willing to have their own cars, but due to their lower earnings they can't afford to buy their desired car. But if there is increment in their income they would surely prefer Maruti for its best quality and price. Income elasticity of Maruti Suzuki cars are always elastic in nature. ($e > 0$)

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Cross Price Elasticity:

Substitute:

The price of Maruti Suzuki deliberately makes it a close substitute to other products in the market. If the price of other substitutes increases with no change in price of Maruti cars, consumers will definitely opt for a Maruti Suzuki.

Type of Market:

The small car segment comprises of a few competing car manufacturers (Hyundai, Tata and General Motors). The car products offered are homogeneous / differentiated. Given the scale of production and the investment needed, barrier entry is high and costly. Hence, this market is a Monopolistic Market. Maruti Suzuki created a totally new market segment supplying to the middle class i. e. the lower income sector.

The Maruti Suzuki, India is a monopolistic market which is shown using the H-Index (The Herfindahl-Hirschman Index) which is a way of measuring the concentration of a market share held by a particular supplier in a market. The H index is the sum of squares of the percentages of the market shares held by the firms in a market. Maruti Suzuki can be called a monopolistic firm because it has around 40% of the total market share. Few years back it was an oligopoly because its share was more than 50% and according to H-Index (0.5-0.75) such firm can be called oligopoly.

VALUE

IMPLICATION

1

Absolute Monopoly

0

Perfect Competition

0-0.5

Monopolistic

0.5-0.75

Oligopoly

0.75-1

Monopoly

Profit and Loss in Short – Run:

Company's annual sales report and balance sheet shows that it is earning good profit. It is also shown by the following figure of Profit maximizing where Marginal Cost (MC) meets with Marginal Revenue (MR). It clears company is charging higher price than cost and thus making good money on every unit of sales.

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In Long Run:

Long Run Equilibrium will occur when demand is equal to average total cost for each firm at a level of output at which each firm's demand curve is just

tangent to its ATC curve. Thus the tangency will always occur at the same level of output as where $MR = MC$.

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Political/Government Stability

India has been during a political turmoil which has been a significant barrier for the expansion of Asian nation economy. The high level of corruption and lack of moral behavior amongst the politicians has distracted plenty of FDI's in Asian nation. This was even moon-faced by Tata cluster to line up their producing unit in Singur, West Bengal attributable to the political complications that couldn't be successful. Attributable to that Tata had shifted to Gujarat.

An investor's worst nightmare isn't any doubt, political instability. It interrupts the flow of Foreign Direct Investment plans within the public sectors further as within the personal sectors units and this definitely upsets economic process.

There area unit totally different opinions on the political stability of Asian nation, counting on however one appearance at it. It might collapse or prosper, counting on however the govt. works at the side of the folks for the interest of the country.

Even though corruption is current within the Indian government, it's a political stable because the economic boom has created higher customary of living and stability among the region. The govt. isn't appeared to collapse within the close to future.

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Inflation Rate in India

Inflation continually contains a harmful impact on the car market sort of an ambiguous weapon system; it affects the manufacturer or provider and also the shopper. Presently the rate in Asian country is concerning seven. 24 percent. The most reason of inflation in Asian country is increase within the worth levels of the commodities. A rise in material price (steel, rubber, iron, etc.) will increase cost for Maruti Suzuki. at the side of increase in fuel price, these factors render the income of the patron lean for the acquisition and maintenance of automotive. Thus this leads to a slower rate of market development for Maruti Suzuki.

In a country like Asia where cyber web income of individuals isn't terribly high, it's semiconductor diode to the lapse in determinant the availability and demand equilibrium.

India Inflation Rate

The above graph when combined with Maruti Suzuki sales graph shown previously gives a clear indication of how Maruti Suzuki sales are affected by inflation rate fluctuations. A decrease in inflation rate implies a potential increase in demand of cars. (Inflation Rate)

Unemployment:

Unemployment Rate in Asian nation bated to three. 80 % in 2011 from nine. 40 % in 2010. traditionally, from 1983 till 2011, Asian nation per centum averaged seven. 6 % reaching associate all time high of nine. 4 % in December of 2009 and a record low of three. 8 % in December of 2011. Low state rates area unit smart for each firm as a result of these end

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in increasing income as a lot of individual's area unit operating. Currently individuals can have the money to shop for cars. so demand for Maruti Suzuki cars expected to extend because the lower and middle financial gain families have higher disposable incomes.

India Unemployment Rate (Unemployment Rate)

Interest Rates:

In India, interest rate decisions are taken by the Reserve Bank of India's Central Board of Directors. The official interest rate is the benchmark repurchase rate. The current interest rate in India has recorded 8% which has drastically decreased since past 7-8 years. Rise in interest rate affects both customers and manufacturers. Due to the rise in interest rate in India the borrowing rates from bank has increased and the company is not willing to borrow money from bank. It has forced the company to stop investing further and because of that the investment has decreased resulting in decrease in real GDP.

India Interest Rate (trade Economics)

GDP Growth Rate

GDP is an important factor as it allows the company to estimate purchasing power in the wake of the global crisis. Following GDP usually means smaller purchasing power. The current GDP growth rate of India is 5.3% in the third quarter of 2012-2013 which is decreasing since 2010. The decrease in GDP has resulted in a decrease in the aggregate demand for goods and services which means consumption has decreased. Currently India's GDP growth rate is decreasing and this could affect Maruti Suzuki sales.

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India GDP Annual Growth Rate (GDP Growth Rate, 2012)

There is a healthy sign when we see the growth of the GDP per capita adjusted by the purchasing power parity. According to the World Bank, currently the GDP per capita PPP is at a level of US\$3649. 53 which has increased from US\$3372. 66 last year.

India GDP per capita PPP (GDP Per capita)

There has been an increasing trend in the GDP per capita of the country with the current level being at US\$837. 75 which has increased from US\$822. 76 last year.

India GDP per capita (Trade Economics)

India consumer confidence:

There has been a positive trend in the consumer confidence of the people of India which shows that they are likely to spend more. This is the good indicator for Maruti Suzuki and it will give them good confidence for further growth of company. A High level of consumer confidence doesn't have very profound effect on consumer expenditure.

India Consumer Confidence (consumer confidence)

India Business Confidence:

There has been a decline in the business confidence index of India. The level of optimism has gone down recently because of decline in overall economic condition of India.

India Business Confidence (Business Confidence)

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Overall Economic Conditions – Recession or Boom?

The performance of Indian economy has developed significantly in previous couple of years. The world wide economic delay in 2008-09 had crystal rectifier to contraction within the real gross domestic product. The state rates had gone high and there was a delay within the pace investment and saving. The Indian Economy has been ready to retrieve from the low levels and shown s important growth within the levels of gross domestic product, per capita financial gain and buying power. Some social scientist feels that Indian economy is however to realize the steadiness and continues to be unsure. The FDI has inflated and reports say that India is presently seventh largest business person and eleventh largest businessperson within the world.

There is no science of recession within the economy as of currently and it's developing at a slow rate however is taken into account the ' White Elephant" growing at a gentle rate. The recent growth is primarily attributable to increase within the class population that has inflated cyberspace income of the folks of the India and that they're willing to pay a lot of currently. There's conjointly a decent rise within the education normal of India that has cause an outsized migration of personnel from unskilled to adept employees.

Conclusion:

The company has 2 producing facilities placed at Gurgaon and Manesar, south of latest metropolis, India, that have associate degree annual combined capability to provide over a twelve large integer (12, 00,

000) car units. The corporate is reaching to invest seventeen billion rupees within the Manesar plant.

The company employs over 9000 folks (as on thirty first March, 2012) Maruti Suzuki's sales and repair network is that the largest among automotive makers in India. The corporate has been rated 1st in client satisfaction within the JD Power survey for twelve consecutive years. Besides serving the Indian market, Maruti Suzuki conjointly exports cars to many countries in Europe, Asia, geographical region, continent and Oceania.

In recent years, the corporate has dilated its presence within the overseas markets. it's not uncommon to seek out Suzuki badge automotive in countries as totally different as Democratic and Popular Republic of Algeria, The Netherlands, Chile, Sri Lanka, France and Italian Republic.

This report shows careful analysis of all small and macro factors of Maruti Suzuki. The reports talks concerning the client base, range of competitors and market share of Maruti. It conjointly indicates the shut substitutes of the business and factors of production of the corporate. Market structure and competitive environment of Maruti Suzuki has conjointly been mentioned. The macro economic analysis covers the political setting of the country, General rate of inflation, per centum, Interest Rates, value rate of growth, Business Confidence.