ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue VIII, August 2026

Working Capital Management of Indian Automobile Industry with Reference to Maruti Suzuki Ltd.: An Overview

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DOI: https://doi.org/10.51583/IJLTEMAS.2026.150800133

Received: 11 September 2026; Accepted: 16 September 2026; Published: 24 September 2026

ABSTRACT

Working Capital Management (WCM) involves strategically balancing a company's short-term assets and obligations to maintain financial health and operational efficiency. The primary goal is to ensure that a company can fund its operations without facing cash flow interruptions or liquidity crunches, which, in turn, supports sustainable growth. The Automotive Industry in India in 2025 is the world's third-largest by annual production worth US$250 billion, behind the United States (US$880 billion) and China (US$530 billion). The growth of automotive industry in India is fueled by the country's GDP growth (world's 3rd largest in PPP and 4th largest nominally) and rapid highway construction. In 2022, the industry accounted for 8% of the country's total exports and 7.1% of overall GDP. On this backdrop, the present study has been undertaken to overview the policy of Working Capital Management in improving the profitability and sustainability of Indian Automobile Industry, particularly Maruti Suzuki Ltd.

Keywords: Working Capital Management (WCM), Gross Domestic Product (GDP), Profitability, Sustainability, Purchasing Power Parity (PPP) and Cash Conversion Cycle (CCC)

CONCEPTUAL FRAMEWORK

Working Capital Management is the strategy of balancing a company's short-term assets and short-term debts to keep daily business operations running smoothly. Working capital management ensures smooth business operations by preventing liquidity crises. Effective WCM balances short-term resources to avoid idle capital while promoting growth. Short-term financial strategies are vital for long-term business success. Understanding different types of working capital helps adapt to market conditions. Managing inventory, receivables, and payables helps improve cash flow and profitability.

Definition

Working Capital Management involves strategically balancing a company's short-term assets and obligations to maintain financial health and operational efficiency.

Working Capital Management (WCM) comprises the following:

- Liquidity Management: Having enough cash to pay the bills is key, especially during periods of economic stress.
- Inventory Management: Inventory makes up a significant portion of current assets for many companies. Avoiding overstocking or sell outs directly influences cash flow and overall profitability.
- Accounts Receivable and Payable: Managing receivables (money owed by customers) and payables (money owed to suppliers or vendors) helps reduce issues in the cash conversion cycle. Shortening this cycle means that funds are recovered and reinvested faster, which improves liquidity.
- Short-Term Financing: Many times, businesses use short-term financing options such as commercial paper, lines of credit, or short-term loans to bridge temporary gaps in cash flow.

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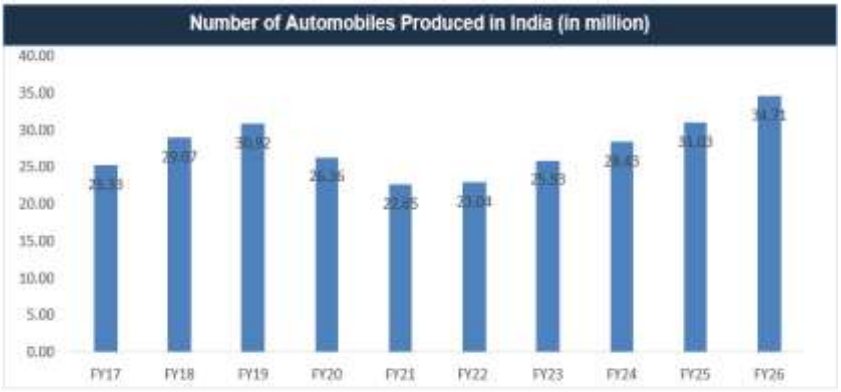
Working Capital Management (WCM) oversees and improves a company's money, inventory, and short-term debt. It involves balancing having enough resources to meet short-term obligations while avoiding having too much idle capital that would be better off invested elsewhere.

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. 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.

The Indian Automobile Industry has long been a reliable barometer of economic performance, given its critical role in both macroeconomic expansion and technological advancement. Within the sector, the two-wheeler segment dominates in terms of volume, driven by a growing middle class, a predominantly young population, and rising demand from rural markets. Demand for commercial vehicles has also strengthened, supported by the expansion of logistics and passenger transportation services. Market growth is expected to be shaped by emerging trends such as vehicle electrification, particularly in three-wheelers and small passenger cars.

India has also established itself as a prominent auto exporter with strong growth prospects in the near future. Automobile exports rose 24% in FY26 to over 6.7 million units, led by robust demand for passenger vehicles, two-wheelers, and commercial vehicles in global markets. Complementing this momentum, government initiatives such as the Automotive Mission Plan 2026, the scrappage policy, and the production-linked incentive (PLI) scheme are expected to position India as a global leader in both the two-wheeler and four-wheeler markets. The Indian automotive industry is the world's third-largest by annual production, valued at over USD 147 billion and producing 34.71 million vehicles in FY2026.

India enjoys a strong position in the global heavy vehicles market as the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. The total production of Passenger Vehicles*, Three Wheelers, Two Wheelers, and Quadricycle in March 2026 was ~2.98 million units and bringing the total production for FY26 to 34.71 million units. Two-wheelers and passenger vehicles dominate the domestic Indian auto market. In FY26, Two-wheelers and passenger cars accounted for 76.79% and 16.43% of market shares respectively. Passenger car sales are dominated by small and midsized cars. The electric vehicle (EV) market in India is emerging as a significant growth driver. In FY26, India's EV sales grew 30% to 2.66 million units, up from 2.05 million in FY25, achieving 8.62% penetration of total automotive sales, with two- and three-wheelers accounting for nearly 87% of EV volumes and penetration rising across major vehicle segments.



Source: SIAM

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The Indian EV market, valued at Rs. 0.31 lakh crore (US$ 3.71 billion) in 2025, is projected to reach Rs. 16.15 lakh crore (US$ 191.04 billion) by 2034, growing at a CAGR of 54.94% during 2026-34. Between 2020 and 2025, the sector attracted approximately Rs. 2.23 lakh crore (US$ 25.6 billion) in investments, while EV financing is projected to reach Rs. 4,00,000 crore (US$ 47.03 billion) by 2030, supporting significant industry expansion and job creation. According to a 2021 National Family Health Survey, only 8% of Indian households own a car, while 54% own motorcycles or scooters. In 2025, India had 44 cars per 1,000 people, markedly lower than in other major economies.

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 analysing its current assets, current liabilities, liquidity ratios, turnover ratios, and operating cycle.

LITERATURE REVIEW

Research work in working capital management provides an overview about the exploration of the topic in various dimensions by different authors.

Anton & Nucu, 2021; Morshed, 2020 viewed that Working Capital Management (WCM) occupies a central position in the financial management of both Large Corporations and Small And Medium-Sized Enterprises (SMEs). WCM concerns the day-to-day financial operations of a business specifically, the management of current assets and current liabilities to ensure sufficient liquidity for ongoing operations while simultaneously maximizing profitability. Kumar, Sawarni, and Narayanasamy (2024) find that shorter inventory days are associated with higher return on equity (ROE), profit margin, and asset turnover. The authors find that firms with inefficient WCM tend to compensate by increasing financial leverage, substituting bank debt for internally generated liquidity - a costly strategy that increases financial risk.

Braimah et al. (2021) report that the inventory conversion period exhibits a significant negative association with profitability, consistent with the hypothesis that capital locked in inventory generates opportunity costs that outweigh the operational benefits of buffer stocks. These findings are corroborated by Morshed (2024a), whose mathematical panel data analysis of MENA-region SMEs demonstrates that inventory optimization is the single largest contributor to WCM-driven profitability improvements in capital-constrained firms. Braimah et al. (2021) document an inverted U-shaped relationship between the trade receivables collection period and profitability in Ghanaian SMEs, suggesting the existence of an optimal receivables period that maximizes profitability.

Mandipa and Sibindi (2022) find that aggressive receivables management-characterized by short collection periods and stringent credit policies-is associated with higher financial performance. However, the authors caution that excessively aggressive credit policies can damage customer relationships and reduce sales volume, underscoring the need for a balanced approach. Seth et al. (2024) further emphasizes that firms with effective receivables management systems gain a competitive advantage by accelerating cash recovery and reducing reliance on costly external financing.

Braimah et al. (2021) report a positive relationship between the trade payable period and profitability, consistent with the hypothesis that extending supplier payment terms reduces financing costs. Kumar et al. (2024) similarly find that efficient payables management-operationalized as maintaining payment terms that maximize the interest-free financing benefit without damaging supplier relationships-contributes significantly to ROE through the equity multiplier channel in DuPont analysis. Karim, Mamun, and Kamruzzaman (2023) find that CCC has a significant negative connection with profitability-measured by both return on assets (ROA) and earnings per share (EPS)-with the CCC-EPS relationship being particularly robust. The authors interpret this finding as evidence that capital tied up in the operating cycle reduces the funds available for value-creating investments, reducing earnings per share.

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(Kalantzis et al., (2025), reports a significant positive correlation between CCC and ROA, which the authors attribute to sector-specific dynamics: firms in education (which collect tuition in advance, generating negative CCCs) achieve the highest profitability, while the positive correlation within sectors reflects that firms with more favorable business models-which generate natural float—tend to be both more profitable and to have shorter CCCs. Karim et al., 2023 views that the Cash Conversion Cycle (CCC), originally conceptualized by Richards and Laughlin (1980) and subsequently expanded by Gitman, has emerged as the primary dynamic measure of WCM efficiency. The CCC quantifies the number of days between a firm's outlay for raw materials and its receipt of cash from customers, integrating the Days Inventory Outstanding (DIO), Days Sales Outstanding (DSO), and Days Payable Outstanding (DPO). A shorter-or ideally negative-CCC indicates that a firm collects cash from customers before it must pay its suppliers, effectively financing operations through trade credit rather than costly bank debt.

Ishikawa et al. (2025), demonstrate that a reduced CCC leads to higher operating profit margins by accelerating cash recovery and facilitating faster reinvestment in core activities. Muhammad et al. (2024), opines that there's a compelling correlation between efficient WCM and improved financial performance, with SCF strategies playing a significant enabling role. Morshed (2023), finds that firms adopting moderately aggressive WCM strategies—characterized by lean inventory, accelerated receivables collection, and extended but not excessively long payables periods—achieve significantly higher profitability than firms at either extreme.

Morshed (2023) finds that firms adopting moderately aggressive WCM strategies-characterized by lean inventory, accelerated receivables collection, and extended but not excessively long payables periods-achieve significantly higher profitability than firms at either extreme. 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) viewed that 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 and concludes inventory control is core to liquidity strength and that operational discipline supports financial efficiency.

OBJECTIVES & METHODOLOGY

Working capital management is central to the effective management of a business as it focuses on balancing a firm's short-term assets and liabilities to maintain daily operating liquidity and maximize profitability. The objective of this study is to examine working capital management in the Indian Automobile Industry, particularly Maruti Suzuki Ltd. by using Ratio Analysis.

- To overview the working capital management policies of the Indian Automobile Industry.
- To analyse the working capital trends of Maruti Suzuki over the last ten years.
- To evaluate the impact of Working Capital Management on the company's financial performance.
- To examine the effectiveness of working capital management policies and the company's liquidity and solvency position through financial Ratio Analysis.
- To suggest measures for improving working capital efficiency, if required.

This study is based upon secondary data, collected through Newspaper, Journals & Periodicals, Annual Reports of the Automobile Companies, Published Books and publicity material of sample automobile companies and Internet Sources.

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Analysis

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, defenses vehicles, two-three wheelers etc. The automobile industry broadly divided into car manufacturing, two-wheeler manufacturing, and heavy vehicale manufacturing units.

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 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.

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. In the 1800s, Gottlieb Daimler, Karl Benz, Nicolaus Otto, and Emile Levassor significantly contributed to the automobile's technological advancement. Benz is credited with building the first gas-powered car with an internal combustion engine in 1885, marking a historic milestone in the automotive industry. Maruti Suzuki India Limited is the Indian subsidiary of Japanese automaker Suzuki Motor Corporation. It is the largest automobile manufacturer in India, specializing in small cars. As of 2025, the company had a market capitalization of approximately US$50-55 billion. The company was established by the Government of India as Maruti Udyog Limited in February 1981 as a joint venture with Suzuki, the latter becoming the first Japanese automaker, as well as the first major foreign automaker, to invest in India. It has emerged as the largest Suzuki subsidiary in terms of production volume and sales. As of September 2022, the company had a leading market share of 42% in the Indian passenger car market.

Maruti Suzuki was established with a dream to provide the 'Joy of Mobility' in the early 1980s. With a humble start of manufacturing about 20,000 cars in a year, the Company has grown leaps and bounds, manufacturing close to 2 million cars a year in FY 2022-23. Over the last four decades, the Company has served over 27 million happy customers in India and around 100 countries of the world. It maintained its market leadership in India throughout–reflecting the Company’s obsession with creating customer delight and demonstrating its agility to adapt to the changing times. This was possible by leveraging the unique ability of Suzuki Motor Corporation (parent company) to design feature-rich, safer, environment-friendly products, delivering world-class quality at an affordable price. In FY 2023-24, Maruti Suzuki embarked on an ambitious path in terms of manufacturing scale, while simultaneously transiting towards a low-carbon path. This marks a new phase for the Company.

Key Ratios in Working Capital Management

Working capital is said to be the lifeblood of a business. Working capital management plays a crucial role in maintaining a company’s liquidity, operational efficiency, and profitability by effectively managing current

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assets and liabilities. It ensures smooth business operations, reduces financial risks, and enhances cash flow, which is particularly essential for capital-intensive industries like the automobile sector. Maruti suzuki india limited, the largest automobile manufacturer in India, relies on efficient working capital management to sustain production, manage supplier payments, and optimize inventory levels. WCM 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.

Working Capital Management (WCM) represents a fundamental pillar of corporate financial strategy, directly influencing a firm's liquidity, operational efficiency, and profitability. The following key numbers show how well a company manages its working capital:

Current Ratio: The current ratio (also called the working capital ratio) is calculated by dividing current assets by current liabilities:

Current Ratio = Current Assets ÷ Current Liabilities

A ratio of up to 2:1 is considered healthy, though this can vary by industry and whether the company is growing. A ratio below 1.0 signals liquidity issues, while an excessively high current ratio could mean the company is using these assets inefficiently.

Table1: Current Assets, Current Liabilities & Current Ratio during 2015-2025

Year	Current Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Current Ratio
2015	81,979	88,230	0.92
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

Source: Annual Reports of Maruti Suzuki Ltd.

The Current Ratio is high in 2015, but slightly reduced and relatively stable between 0.51 and 0.76 from 2016 to 2020, before a notable peak of 1.15 in 2021. Although the ratio remains below the conventional benchmark

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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 (Acid-Test): The quick ratio refines the current ratio by excluding inventory. This ratio is particularly useful for businesses where inventory can't be easily sold for cash when needed. A quick ratio above 1.0 typically signifies a company is in good short-term financial health.

Quick Ratio = (Current Assets - Inventory) ÷ Current Liabilities

Table2: Current Assets, Current Liabilities & Quick Ratio during 2015-2025

Year	Current Assets	Inventory	Current Liabilities	Quick Ratio (CA-Stock/CL)
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	79,214	33,257	1,54,421	0.29
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	2,95,539	69,132	3,05,710	0.74

Source: Annual Reports of Maruti Suzuki Ltd.

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.

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

Debtors Turnover Ratio = Net Credit Sales ÷ Average Trade Receivables

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Table 3: Debtors Turnover Ratio during 2015-2025

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

Source: Annual Reports of Maruti Suzuki Ltd.

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.

Creditors Turnover Ratio = Net Credit Purchases ÷ Average Trade Payables

Table 4: Creditors Turnover Ratio during 2015-25

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

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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

Source: Annual Reports of Maruti Suzuki Ltd.

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 ollection of receivables a hallmark of operational strength in large manufacturing firms.

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.

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

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.

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.

Operating Cycle = Inventory Days + Receivable Days

Table 5: Operating Cycle Ratio during 2015-2025

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

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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

Source: Annual Reports of Maruti Suzuki Ltd.

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 CCC measures the time it takes for a company to convert its investments in inventory and other resources into cash flows from sales. A shorter CCC means it's more efficient, and the business recovers cash more rapidly to invest elsewhere.

CCC = DIO + DSO – DPO

Where,

- Days Inventory Outstanding (DIO) measures how long it takes to sell inventory.
- Days Sales Outstanding (DSO) measures how long it takes to collect receivables.
- Days Payable Outstanding (DPO) measures how long it takes the company to pay its bills.

Table 6: Cash Conversion Ratio during 2015-25

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

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Source: Annual Reports of Maruti Suzuki Ltd.

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.

Working Capital Turnover: The working capital turnover ratio measures how effectively a company uses its working capital to generate revenue. It is calculated by dividing net sales by average working capital or net working capital, the difference is often negligible:

Working Capital Turnover = Net Sales ÷ Average Working Capital

A high turnover ratio implies that the company is efficiently managing its assets and liabilities to produce sales, while a lower ratio might signal underutilization of available resources.

Table 7: Working Capital Ratio during 2015-2025

Year	Net Sales (₹ Lakhs)	Working Capital (₹ Lakhs)	Working Capital Turnover(Times)
2015	5,08,014	-6,251	-81.27
2016	5,75,890	-41,405	-13.91
2017	6,80,850	-46,214	-14.73
2018	7,98,094	-75,207	-10.61
2019	8,60,685	-38,530	-22.34
2020	7,56,600	-28,648	-26.41
2021	7,03,720	24,238	29.03
2022	8,83,298	-2,301	-383.88
2023	11,84,099	-70,975	-16.68
2024	14,18,582	-33,383	-42.49
2025	15,19,001	-10,171	-149.35

Source: Annual Reports of Maruti Suzuki Ltd.

The Study reveals high operational efficiency as its Working Capital Turnover Ratio is negative during the study period except in 2021. It reflects that upfront cash collections, delayed supplier payments and self-funding operations etc. Sometimes the negative ratio shows failing sales, slow collections and finally liquidity crisis.

Days Working Capital (DWC): Days working capital is how many days it takes a company to convert working capital into revenue. A lower DWC typically suggests a more efficient WCM since it means the company needs less working capital to generate sales.

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Days Working Capital = (Average Working Capital ÷ Net Sales) × 365

Table 8: Days Working Capital ratio during 2015-2025

Year	Net Sales (₹ Lakhs)	Working Capital (₹ Lakhs)	Days Working Capital (Days)
2015	5,08,014	-6,251	-4.5
2016	5,75,890	-41,405	-26.2
2017	6,80,850	-46,214	-24.8
2018	7,98,094	-75,207	-34.4
2019	8,60,685	-38,530	-16.3
2020	7,56,600	-28,648	-13.8
2021	7,03,720	24,238	12.6
2022	8,83,298	-2,301	-1.0
2023	11,84,099	-70,975	-21.9
2024	14,18,582	-33,383	-8.6
2025	15,19,001	-10,171	-2.4

Source: Annual Reports of Maruti Suzuki Ltd.

Negative Days Working Capital reflects a company's ability to receive cash from customers before it has to pay its suppliers. In brief, the company is effectively running its daily operations using other people's money rather than tying up its own cash. It is a sign of immense market power and operational efficiency.

Managing working capital is crucial for a company's success. Good management means having enough cash on hand to pay bills while not letting too much money sit idle. Companies that handle working capital well are better equipped to survive tough times and grow when prospects arise.

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 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 Just –in- Time (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

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue VIII, August 2026

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

Working capital is the ability of a business to meet its short-term liabilities as the full due out of its short-term assets. It is therefore necessary that an industry should always maintain a well-articulated and consistent management of its working capital. It was observed that automobile industry had adequate working capital to improve efficiency of its production we observed that automobile industry had adequate and good quality capital position though it has no credit policy for its customers. Based on these we concluded that, automobile industry has effective working capital management.

This study examined the working capital management of Maruti Suzuki India Limited over a period of ten years by using various financial ratios. The study 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. The analysis highlights its efficient inventory control, strong revenue growth, and improved profitability. Despite operating with negative net working capital, the company has effectively leveraged supplier credit and optimized its working capital cycle. The company’s ROE and Net Profit Margin have improved significantly, reflecting financial stability and profitability recovery post-pandemic. To sustain long-term financial efficiency, the company should focus on reducing dependency on short-term credit, improving receivables collection, and maintaining an optimal balance between assets and liabilities. Implementing these strategies will help Maruti Suzuki enhance operational efficiency, maximize profitability, and ensure financial sustainability in the competitive automobile sector.

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