Integrated Reporting: A Case Study of Maruti Suzuki India Ltd.

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I. Introduction

Integrated Reporting (IR) is a paradigm shift in corporate reporting which integrates financial and non-financial information of an organisation under six capitals, viz., financial, manufactured, intellectual, human, social and relationship, and natural capital. The report shows the interaction and relationship between these six capitals and brings greater transparency. It is a precise and concise communication by a company about these six capitals for creating value in short, medium and long-run. The companies have to create an IR system for these disclosures and their risk management by the help of digital technology. This reporting helps all stakeholders in their decision-making.

II. Background

The regulator of capital market, SEBI, after consulting industry bodies and stock exchanges, asked the top 500 listed companies to adopt Integrated Reporting framework of International Integrated Reporting Council (IIRC) from the financial year 2017-18 and prepare integrated reports. As it was voluntary, very few companies prepared this report. The content analysis of annual reports of Nifty 50 companies revealed that only 18 companies prepared integrated reports during the financial year 2018-19. This shows the poor IR practices in India. KPMG Report (2018) reveals that over 1,600 companies in 62 countries have adopted IR. The regulators of South Africa, Japan, UK and many EU nations have taken a lot of initiatives to adopt IR. The Government of South Africa has made IR mandatory for all companies listed on the Johannesburg Stock Exchange, the largest stock exchange in that country.

MSIL:

Maruti Suzuki India Ltd (MSIL) is the market leader in automobile industry and its passenger vehicles have dominated the Indian market during the last two decades. The company was established in 1981. The company has two manufacturing facilities located in Gururgram and Manesar in Haryana with a combined annual production capacity of 1.58 million units per annum. It was able to maximise shareholders wealth and create customer delight.The blend of Japanese technology and Indian human resources makes the company distinct and unique in the way it creates value. It was able to utilise its resources optimally for value creation. The environment-friendly products of the company have helped in reducing carbon footprints in India. Its vehicle Swift has received 'Indian Car of the Year' award and 'premium hatchback of the year' tag at the Car India Awards, 2019. MSIL also received 'Company of the Year, 2018' award for excellent business performance from Business Standard. It received 'Greentech Safety Platinum Award, 2019' for outstanding achievements in safety management in the automobile sector. The analysis of six capitals of MSIL for the period 2018-19 is presented below:

Financial capital:

In the financial year 2018-19, the capital employed at the beginning of the year was Rs. 4,17,573 million. The company's growth strategy along with proper allocation of capital has led to good financial returns such as return on capital employed at 23.8%, return on equity at 17.1%, operating earnings before interest and tax at 9.6% and profit after tax margin at 9%. The capital employed increased to Rs. 4,61,415 million at the end of the year.

Manufactured capital:

The company uses state-of-the-art facilities and efficient manufacturing processes to manufacture quality vehicles. Its production capacity is 20,76,000 units and vehicles sold during the year under study are 18,62,449 units. Key raw materials are steel coils, ferrous castings, non-ferrous castings and paints.

Intellectual capital:

In this competitive market, the company has gone for innovation and research. During 2018-19, two new models and two facelift models have been introduced in the Indian market. Rs. 7,128 million has been spent on research and development employing 1600 engineers. During the year, 100 patents have been filed out of which 12 have been granted. The R&D effort by the company has led to improved vehicle-fuel economy, lower emission and enhanced safety.

Human capital:

The company has 15,892 regular employees. It has focused on developing its human resources, their skills, competencies, health, safety and well-being. They are optimally leveraged for creation of value across other capitals. The company was able to achieve zero fatalities and zero loss-time injuries. During the year, there is a 16% increase in total training person-hours amounting 11,96,822 hours. Rs. 32,549 million has been spent on employee benefit expenses. The company has maintained cordial industrial relations. 8,80,000 sugestions were received from the employees leading to savings of Rs. 742 million.

Social and relationship capital:

The company has maintained excellent relationship with its stakeholders such as customers, value chain partners, local communities and government. This has created a favourable environment for its business. During the year 2018-19, 316 sales outlets and 211 service centres have been added. More than 50,000 sales staff and 1,30,000 service staff have been trained. More than 20 million customers have been touched through sales and service connect activities. Rs. 1,541 million were spent on CSR activities. The company has undertaken social development programmes in 26 villages. 3,91,761 persons were trained at the Institute of Driving Training and Research. The company has undertaken training and capacity building of value chain partners.

Natural capital:

The company follows responsible waste, waste water and emission management practices. It is able to reduce the impact of its products and services on the environment through sustainable use of natural resources. The company has set up a 5 MW solar plant to enhance renewable energy initiative. 62% of the water demand was met through recycled water. 996 litres of water per workshop per day was saved through dry wash systems at service workshops. Carbon dioxide emission was reduced substantially in new and facelift models. During the year under study, 1,22,439 MT metallic scrap was recycled and 15,082 MT hazardous wastes were co-processed. Rs 44.76 million was spent on energy efficient measures.

III. Concluding remarks:

This case study of MSIL reveals many things about the management of these six capitals, their value creation and their inter-relationships. The company has prepared separate IR incorporating the details on six capitals following the guidelines of IIRC. It has tried to integrate and manage environmental, social and financial considerations while taking business decisions. It has tries its best to take a holistic view of the inter-relatedness of the six capitals described in this case study. It has an effective system to collect information and disclose them for the benefit of the stakeholders. But it has to present and disclose the analysis regarding these six capitals to provide information to all stakeholders on key inputs, their outputs and the resulting outcomes in simple language. The report is not able to provide clearly the strategy and governance of these six capitals. But, overall, the MSIL has disclosed a good integrated report.