

Maruti Udyog Limited



Giving Wings to Your Dreams



Annual Report 1998-99

16 Years ago when the first Maruti rolled off the assembly line, a silent revolution began. For the first time ever, the common person could dream of freedom. Of independence. Of his own space. Of family outings.

The revolution on wheels, slowly began to percolate down to the humblest of homes. In the remotest of places. The familiar wings of blue became a standard of hope and trust. In the coming millennium too we will uphold the same standards by introducing new technology, sleek models and better service for our customers.

Today two and a half million people are members of the Maruti family. A number that is increasing every day. Not surprising, because we at Maruti have stood rock solid in the face of lashing rains, dirt roads, rocky terrain and the shifting sands of the desert.

Wheels to Your Ambitions.

We have had but one vision, to make the impossible possible. To make visions into reality. To give wings to your dreams.

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BOARD OF DIRECTORS

Yoshio Saito	Chairman (From 9.6.1998)
Prabir Sengupta	Chairman (Up to 8.6.1998)
Jagdish Khattar	Managing Director (From 18.8.1999)
R.S.S.L.N. Bhaskarudu	Managing Director (Upto 17.8.1999)
T. Kobayashi	Joint Managing Director
A.R. Halasyam	Director (Finance)
J. Sugimori	Director (Marketing & Sales) (From 28.5.1999)
Kenji Yamamoto	Director (Marketing & Sales) (From 24.12.1998 to 28.5.1999)
Kozo Senga	Director (Marketing & Sales) (Upto 4.12.1998)
Dr. Krishan Kumar	Director (Engineering) (From 22.6.1998)
O. Suzuki	Director
Ajai Vikram Singh	Director
Pradeep Kumar	Director (From 9.6.1998)
Anup Mukerji	Director (Upto 1.6.1998)
Kinji Saito	Director (From 9.6.1998 to 16.6.1998)

AUDITORS

Price Waterhouse, Chartered Accountants

COMPANY SECRETARY AND CHIEF LEGAL OFFICER

A. Mukhopadhyay (Upto 28.6.1999)
S. Ravi Aiyer (From 18.8.1999)

BANKERS

State Bank of Travancore	ANZ Grindlays Bank	Citibank N.A.
Punjab National Bank	Banque Nationale De Paris	Sanwa Bank
Bank of America	Corporation Bank	ABN Amro Bank
Bank of Tokyo - Mitsubishi	American Express Bank	State Bank of India
Union Bank of India	Credit Lyonnais Bank	

ADDRESSES

Registered Office

11th Floor, Jeevan Prakash, 25, Kasturba Gandhi Marg, New Delhi 110 001

Factory

Palam-Gurgaon Road, Gurgaon 122 015, Haryana

Workshop

C-119, Naraina Industrial Area, Phase-I, New Delhi 110 028

Regional Offices

North I

6th Floor, Hansalaya Building, 15, Barakhamba Road, New Delhi 110 001

North II

SCO 39-40, Sector 8-C, Madhya Marg, Chandigarh-160 018.

South

7th Floor, Capital Tower, 180 Kodambakkam High Road, Nungambakkam, Chennai 600 034

East

Apperjay House, 7th Floor, B-Block, 15, Park Street, Calcutta 700 016

West

6th Floor, Madhava Building, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051

HIGHLIGHTS

	(Rupees in Million)	
	1998-99	1997-98
Vehicle Production (Nos.)	333,198	354,336
Vehicle Sales (Nos.)*	333,881	353,470
Sales and Other Income	81,806.4	84,780.1
Cost of Goods Sold	71,969.4	73,043.4
Operating Profit	9,837.0	11,736.7
Depreciation and D.R.F.	1,989.5	1,122.4
Profit Before Interest and Tax	7,847.5	9,814.3
Interest on Long Term Borrowings	6.1	41.2
Profit Before Tax	7,841.4	9,773.1
Provision for Taxation (Net)	2,611.7	3,254.0
Profit After Tax	5,229.7	6,519.1
Proposed Dividend	396.9	396.9
Corporate Dividend Tax	43.7	39.7
Retained Profit	4,789.1	6,082.5
Net Worth	25,960.6	21,227.8
Capital Employed	25,960.6	21,425.3
Return on Average Capital Employed (%)	33.12	52.42
Profit After Tax to Average Net Worth (%)	22.17	35.83
Employees (Nos.)	5,719	5,642

*includes vehicles for own use

DIRECTORS' REPORT

The Directors have pleasure in presenting the 18th Annual Report together with the audited accounts of the Company for the year ended 31st March, 1999.

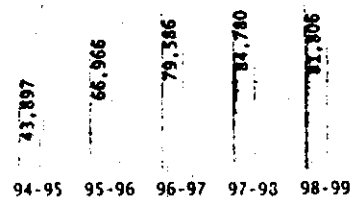
THE YEAR IN RETROSPECT

During the year 1998-99 numerous competitive product offerings were placed in all segments of the market and the level of competitive activity was greatly heightened. The impending launch of models in the economy and mid-price segments in the third quarter of the year and lack of clarity on their price positions led to a pronounced wait-and-watch attitude by customers, who postponed their purchases. This, combined with the general recession in the Indian economy, resulted in a severe slowdown in vehicle sales in the third quarter. Finally, the year 1998-99 saw the overall market, consisting of passenger cars and utility vehicles, shrinking by almost 5% as compared to the previous year to reach a size of 475 thousand units. Consequently, your Company also showed a 5% drop in sales with overall domestic sales reaching almost 310 thousand units.

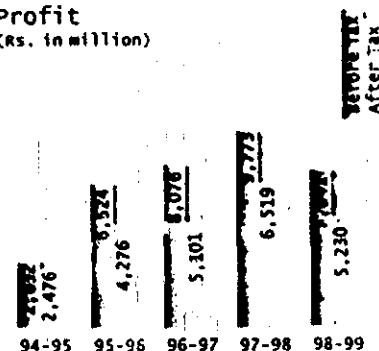
FINANCIAL RESULTS

The profit for the year (before tax) was Rs. 7,841 million (previous year Rs. 9,773 million) after providing depreciation of Rs. 1,912 million (previous year Rs. 1,864 million) and interest of Rs. 481 million (previous year Rs. 491 million). Total income of the year was Rs. 81,806 million as against Rs. 84,780 million in the previous year. With the transfer of Rs. 22 million from Investment Allowance Reserve and Rs. 18,169 million from previous year's Profit and Loss Account, a sum of Rs. 23,421 million is available for appropriation. The Directors recommend a dividend of 30% amounting to Rs. 397 million (previous year 30% amounting to Rs. 397 million) on equity shares. After setting aside a sum

Gross Earnings
(Rs. in million)



Profit
(Rs. in million)

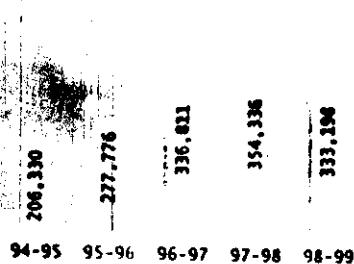


of Rs. 44 million towards Corporate Dividend Tax and transferring a sum of Rs. 530 million (previous year Rs.670 million) to General Reserve the balance amount of Rs. 22,450 million is being carried forward.

PRODUCTION

Production during the year was 333,198 vehicles (previous year 354,336 vehicles).

Production
(No. of vehicles)



DOMESTIC SALE

In order to reverse the slowdown in sales and to comprehensively expand the automobile market so as to take care of enhanced volumes that will be flowing out of our third plant which has been recently commissioned, your Company launched a major price-value redefinition initiative on many of its models at the end of the calendar year 1998. Labeled by the media as the "Second Automobile Revolution", this initiative involved introduction of new models - M800 EX & Zen LX and wide-ranging changes in price-value definitions of all our products in the economy and mid-price range segments. The market response to this move has been tremendous as seen by the surge in demand for our vehicles in the final quarter of 1998-99, and the upswing continues.

During the year, your Company introduced two new products - the Zen D and the Zen VX. In order to get closer to the customer, the sales network was increased from 130 to 146 dealers during the year and now our sales network presence extends to 110 cities.

A large institutional order of over 1,300 Gypsy Kings to the Army was executed, once again reaffirming the faith of armed and paramilitary forces in the Gypsy. Our retail financing thrust continued not only through our two finance joint ventures but also by closer involvement with other finance companies and nationalised banks like SBI. The Omni Cab, launched in the final quarter of the year, is among our efforts to tap



Zen Diesel launch in Delhi

specific market segments and has been well received. In keeping with our endeavor to provide a cleaner environment, the option of fitting the Omni Cabs with CNG kits was provided to the taxi customers and your Company has been actively promoting the use of CNG.

EXPORTS

Your Company achieved total exports of 24,100 vehicles (previous year 25,994 vehicles). The main reason for fall in exports was weak exchange rate situation in export markets causing our products dearer in those markets and increased competition from new models. The FOB exports were valued at Rs. 3,962 million (previous year Rs. 4,363 million). During 1998-99 we started exports to two new countries namely, Cuba & Ghana.

Alto was rated as the most fuel-efficient car in a test conducted by ADAC, a reputed Auto Club in Germany, in 1998. The test was conducted for A segment cars. In another test conducted by Auto Motor Sport, a prestigious automobile magazine, Alto was rated as the most economical amongst the mini segment cars in Germany.

Sales
(No. of vehicles)

		Domestic Export	
94-95	95-96	96-97	97-98
185,123	249,308	303,724	327,476
20,862	26,103	35,031	25,994
			309,781
			24,100

QUALITY ASSURANCE AND AFTER SALES SERVICE

Maruti was awarded the CII-EXIM Business Excellence Award for 1998 for its excellence in manufacturing operations, sound management of supply chain, high degree of employee involvement in the continuous improvement activities and strong visible involvement of senior management in promoting Total Quality Management across the Organisation.

Maruti was also awarded the National Productivity Award for 1996-97 and the JD Power Award, 1998, for Best Small Car, Zen.

Continued thrust was given on improving the satisfaction of our



The MD receiving the
National Export Award
from the Prime Minister of India



MD receiving the
1-EXIM Business Excellence Award

customers with our products and services. This has been facilitated by introducing a CSI monthly tracking system in 75 workshops across the country. Quality System improvements of the dealerships have been strengthened further by ISO certification taking the total number of certified dealers to 55 at the end of the financial year 1998-99.

To provide quality service closer to customers, 30 Dealer workshops and 135 Maruti Authorised Service Stations(MASS) were activated during this year taking the total number of service workshops to 1351 spread over 522 cities across the country.

Long term relationship with suppliers has been maintained by our ISO/QS Assistance program in which 13 more vendors have been certified and 2 more clusters for QS 9000 have been initiated taking the total number of vendors certified under the programme to 54. Totally, till date, 232 MUL vendors have been ISO/QS 9000 Certified. To broaden the understanding regarding systems of Quality Assurance of our bought-out

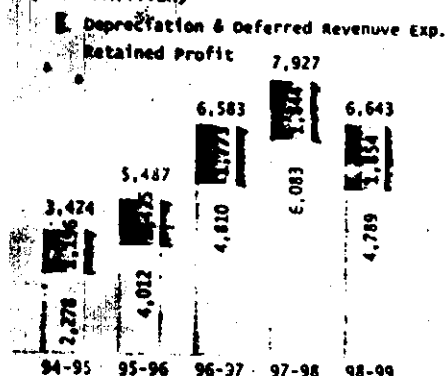
parts and as a reference for establishing Quality Systems, new Vendor Quality Assurance Manual and Guidance Manual on Statistical Process Control(SPC)/Failure Mode and Effect Analysis(FMEA)/Measurement System Analysis(MSA) were provided to all the vendors and more than 200 personnel have been trained in these related areas of QS 9000, SPC, FMEA, TQM etc.

Free Pollution Check-up camps were organised throughout the country, which covered about 225 thousand vehicles. In addition, to increase the customer awareness about preventive maintenance, 356 Free Check-up Camps were organised which covered about 34 thousand vehicles.

MATERIALS

In 1998-99, Materials Division continued its efforts for cost reduction with the support of the vendors and gave a greater impetus to Value Analysis and Value Engineering suggestions, localisation of inner parts,

Internal Resources Generation (Rs. in Million)



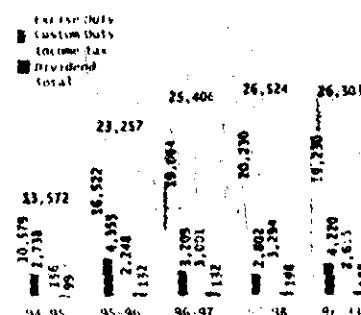
productivity improvement, etc. As on 31st March 1999, the local content of the Esteem was 93.12%, and of the Zen was 93.11%. For Alto, the export version of the Zen, local content reached 78.70%, while for the Gypsy it was 82.78%. The Maruti 800 and Omni are over 95% indigenous.

OUTLOOK FOR 1999-2000

With the commissioning of the new Press, Paint and Assembly shops, the installed capacity of the plant has increased from 250,000 to 350,000 vehicles per annum. Mass production has commenced from March 1999. Commissioning of other facilities for the third plant i.e. engine assembly and machine shops are planned in December 1999. In addition, new facilities and modification of existing facilities have been planned for the introduction of new products.

In line with its dominant leadership position, your Company aims to further consolidate its presence by stimulating market growth through a process of providing greater motorisation opportunities to the market. Your Company's "Second Automobile Revolution", supported by its comprehensive marketing strategies, is expected to create, develop and capture significant volumes in the year ahead.

Contribution to
Central Exchequer
(Rs. in million)



CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed.

Earnings Per Share
Face value Rs. 100/-
(Amount in Rupees)

