

- MARUTI UDYOG LTD. -
- ANNUAL REPORT -
- 1999-2000 -

The driving force

Over the last eighteen years, Maruti has come to mean motoring in India. It's an achievement that any car manufacturer would be proud of. But at Maruti, we're driven by the conviction that our responsibility, as a corporate citizen of India, doesn't just stop at making great cars. Which is why you'll find Maruti acting on issues that concern us all. Look back at the year 1999-2000. At the time of the Kargil conflict, we stepped forward to help the families of our martyrs and supported the Veer Jawan Fund. Or visit the Children's Park in Delhi, where we have tied up with NDMC to create a clean, open space for children. We're also trying to make the roads safer, with the Institute of Driving and Training Research, that's equipped with world-class equipment and training tracks to improve driving skills. Our manufacturing processes are environment friendly enough to have earned an ISO 14001 certification. And all this is in addition to our public efforts and schemes for eco-friendly, safe and responsible behaviour and practices on the roads. In recognition of which we received the first IRTE (Institute of Road Traffic Education) National Award from the Hon'ble Chief Minister of Delhi. We believe it all only goes to show that being a responsible car manufacturer means being driven by a lot more than just manufacturing cars.

Contents

| | |
|---|-----------|
| Board of Directors | <u>4</u> |
| Highlights | <u>5</u> |
| Directors' Report | <u>6</u> |
| Ten Years at a Glance | <u>14</u> |
| Sources and Application of Funds | <u>16</u> |
| Auditors' Report | <u>17</u> |
| Balance Sheet | <u>20</u> |
| Profit and Loss Account | <u>21</u> |
| Schedules to the Accounts | <u>22</u> |
| Balance Sheet Abstract and Company's General Business Profile | <u>42</u> |
| Annexure to Directors' Report | <u>43</u> |

Board of Directors

Yoshio Saito
Jagdish Khattar
T. Kobayashi
A. R. Halasyam
J. Sugimori
Dr. Krishan Kumar
O. Suzuki
Ajai Vikram Singh
K. K. Jaswal
Pradeep Kumar

Company Secretary and
Chief Legal Officer

S. Ravi Aiyar

Auditors

Price Waterhouse, Chartered Accountants

Bankers

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

Highlights

| | (Rs. in Million) | |
|---|------------------|---------|
| | 1999-00 | 1998-99 |
| Vehicle Production (Nos.) | 407,589 | 333,198 |
| Vehicle Sales (Nos.)* | 406,574 | 333,881 |
| Sales and Other Income | 96,725 | 81,806 |
| Cost of Goods Sold | 90,080 | 71,968 |
| Operating Profit | 6,645 | 9,838 |
| Depreciation and D.R.E. | 2,794 | 1,990 |
| Profit Before Interest and Tax | 3,851 | 7,848 |
| Interest on Long Term Borrowings | — | 6 |
| Profit Before Tax | 3,851 | 7,842 |
| Provision for Taxation (Net) | 550 | 2,612 |
| Profit After Tax | 3,301 | 5,230 |
| Proposed Dividend | 331 | 397 |
| Corporate Dividend Tax | 73 | 44 |
| Retained Profit | 2,897 | 4,789 |
| Net Worth | 28,598 | 25,961 |
| Capital Employed | 28,598 | 25,961 |
| Return on Average Capital Employed (%) | 14.12 | 33.12 |
| Profit After Tax to Average Net Worth (%) | 12.10 | 22.17 |
| Employees (Nos.) | 5,848 | 5,719 |

*includes vehicles for own use

Directors' Report

The Directors have pleasure in presenting the 19th Annual Report together with audited accounts of the Company for the year ended 31st March, 2000.

The Year in Retrospect

The year 1999-2000 was one of the most eventful years for the Company. Maruti's achievements ranged from enhancing its production capability to about half a million (becoming the largest Asian Car Company outside of Japan and Korea) to launching two new products, the Baleno and the WagonR and upgrading all its products to achieve Euro-II compliance. As if to recognise its performance, MUL was awarded the Niryaat Shree and Best Exporter Award for its export performance and the Samman Patras in appreciation for its contribution to central ex chequer.

MUL crossed another milestone by becoming the first automobile company in India to get ISO 14001 certification for its environment management, which encompasses its processes, products and services. With its concern for environment, MUL took another major initiative in the field of environment protection by introducing CNG driven Omni Cabs in Delhi and organised large number of pollution check up camps across India.

With its commitment for making roads safer, MUL volunteered to manage the Institute for Driving Training and Research at Loni in Delhi. On the social front, MUL together with its employees contributed liberally to Kargil War Heroes, and sponsored the "Veer Jawan" advertisement on TV for fund raising for the Kargil victims.



Financial Results

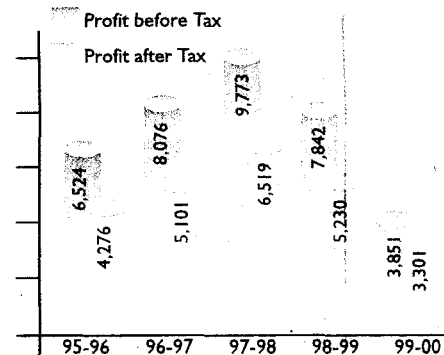
The net profit of the Company before tax for the year was Rs. 3,851 million (previous year Rs. 7,842 million). The decrease in profit was due to adverse fluctuation in the exchange rates, increase in price of inputs, etc. Total income of the year was Rs. 96,725 million against Rs. 81,806 million in the previous year. With the transfer of Rs. 13 million from Investment Allowance Reserve and Rs. 22,450 million from previous year's Profit and Loss Account, a sum of Rs. 25,764 million is available for re-appropriation. Your Board recommends a dividend of 25% amounting to Rs. 331 million (previous year 30% amounting to Rs. 397 million) on equity shares. After setting aside a sum of Rs. 73 million towards corporate dividend tax and transferring a sum of Rs. 332 million (previous year Rs. 530 million) to general reserve, the balance amount of Rs. 25,028 million is being carried forward.

Production

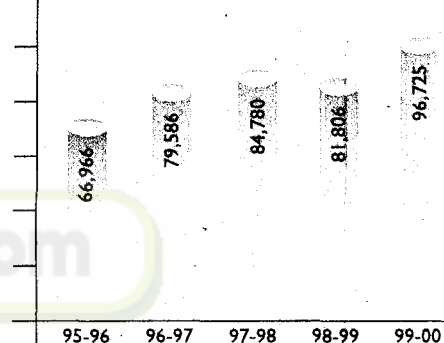
During the year Maruti created another record by crossing the 400,000 units mark in annual production and sales, becoming the first and the only company to achieve this feat. The total vehicle production was 407,589 numbers as compared to 333,198 numbers last year registering a growth of 22.3%. Coming on the heels of all time record production and sales, the Maruti Omni achieved the distinction of becoming the second car in India, after the Maruti 800 to achieve a cumulative sales of 500,000 units, since its introduction in 1984. Another important event during the year was commissioning of a new Engine Assembly Shop and a new Machine Shop. With the commissioning of these shops, the production capacity has increased by 100,000 cars per annum.

In 1999-2000, the Company 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, productivity improvement, etc. The ongoing impetus to VA/VE (Value Analysis/Value Engineering) activities has resulted in generation of over 400 improvement ideas by the Company and vendors, worth Rs. 660

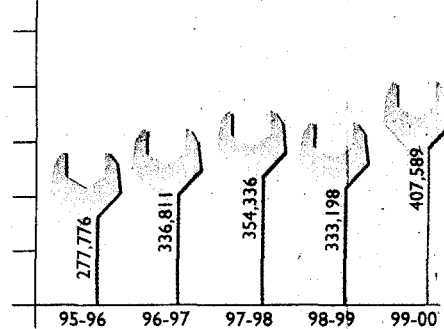
Profitability
(Rs. in Million)



Gross Earnings
(Rs. in Million)



Production
(No. of Vehicles)



million during 1999-2000. During this period, ideas giving savings of Rs. 490 million were implemented.

Kaizen Activity for Vendors

A Vendor Upgradation Cell was formed to take up Kaizen activities with the five Joint Venture Companies within the Maruti complex. These activities were later extended to four other vendors as well. During 1999-2000, the JVs identified nearly 4500 Kaizens in the areas of space saving, weight reduction, movement reduction, energy savings, etc. Of these, nearly 3100 were completed, yielding a saving of Rs. 50 million.

Marketing and Sales - Domestic

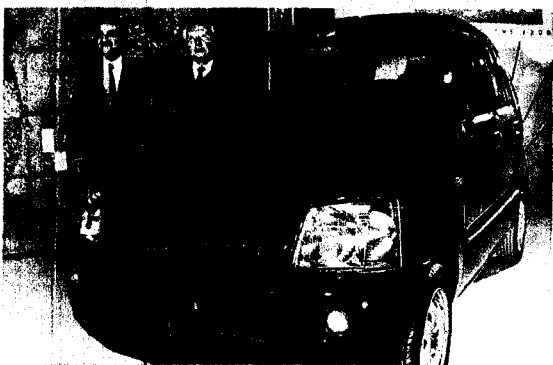
In the year 1999-2000, your Company achieved an all time high sales in its 17 year history with its overall domestic sales reaching a record level of almost 3.85 Lakh units as compared to 3.10 Lakh units in the previous year thus recording an increase of 24.2%. During this period, the overall automobile market, consisting of passenger cars and utility vehicles, witnessed a growth of 48.6% over previous year to reach a size of 7.05 Lakh units. The year was a milestone year for the industry in many ways. Numerous competitive product offerings, which were placed in all segments of the market and the level of competitive activity, which was at peak last year, went through a consolidation process during this year. The year was a major milestone on products front for Maruti. In addition to launching two new models, viz., The Baleno and The WagonR during the course of the year, your Company also introduced several variants like Zen VXi, Zen Classic and Omni High Roof during the course of the year.

The steps taken by MUL in early 1999, labelled by the media as the "Second Automobile Revolution", which among other things involved introduction of new product variants - M800 EX & Zen LX and redefining the price-value equation of all our products in the economy and mid-price range segments, brought about a major surge in demand in the market during 1999-00.

During the year, the Hon'ble Supreme Court issued Directions requiring



Launch of Baleno



Launch of WagonR

all light non-commercial vehicles i.e. private cars (petrol and diesel driven) to comply with Euro-I norms by 1st June, 1999 and Euro-II norms by 1st April, 2000 in the National Capital Region. For the rest of the Country, Euro-I norms were made applicable with effect from 1st April, 2000.

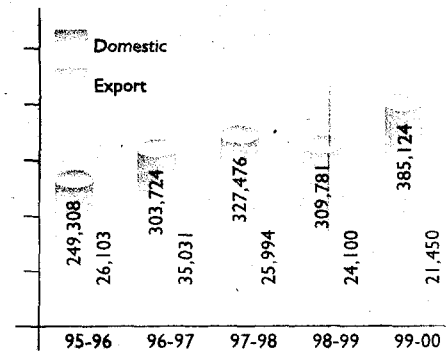
MUL has upgraded each and every product under its stable. Multi Point Fuel Injection (MPFI) has been introduced in M800, Omni, Zen, Esteem and Gypsy King. In M800 (EX & DX) the engine has been changed. These changes have greatly improved the performance of the vehicles and have sharpened their competitive edge in the market place.

In order to get closer to the customer, the sales network was increased from 146 to 163 dealers during the year and now our sales network presence extends to 126 cities. Constant customer interface and excitement in the market was maintained by corporate-level and region-level events throughout the year. Major brand-building initiatives, which included product and corporate advertising, were launched and constant media-presence was ensured to capture both share-of-mind and share-of-heart of the customers.

Exports

Your Company exported 21,450 vehicles (previous year 24,100) at an FOB value of Rs. 3,276 million (previous year Rs. 3,962 million). Beginning its export efforts with a modest 102 units in 1986-87, Maruti during the year crossed another milestone by exporting 200,000th vehicle. Maruti is a tried, tested and trusted name in over 100 countries around the world. In recognition of its long-standing and consistent contribution to exports, Maruti was, during the year, awarded "Niryat Shree Award" (Golden Trophy in Star Trading House category) for export performance in the year 1996-97 by Federation of Indian Export Organisations under Ministry of Commerce, Government of India. The Company commenced export to two new markets, Philippines and Sweden, during the year.

Growth in Sales
(No. of Vehicles)



Distribution of Net Sales and Other Income During 1999-00



| | Rs. in Million | (%) |
|-----------------------------|----------------|---------------|
| Materials | 56,355 | 76.47 |
| Other Operating Expenses | 7,765 | 10.54 |
| Staff Cost | 1,873 | 2.54 |
| Financial Expenses | 668 | 0.91 |
| Provision for Contingencies | 549 | 0.74 |
| Depreciations | 2,631 | 3.57 |
| Income Tax | 623 | 0.85 |
| Dividend | 331 | 0.45 |
| Retained Profit | 2,897 | 3.93 |
| Total | 73,692 | 100.00 |

Service

With an objective of reaching closer to the customers, the widespread service network of Maruti was further expanded. 25 dealers workshops and 123 new Maruti Authorised Service Stations were activated. With this expansion, total number of workshops has reached 1146 spread over 570 cities across the country. Training of service personnel continues to receive serious attention. As the premier automobile manufacturer of India, we are greatly responsive to the customer needs. In the field of after sales service, we have been supplementing and upgrading after sales network and introducing more value added services to customers. During the year, Maruti set up a joint venture company under the trade name of 'Maruti Service Masters'. The first state-of-the-art workshop of this Company, which is expected to be a model workshop, was commissioned during the year in Delhi.

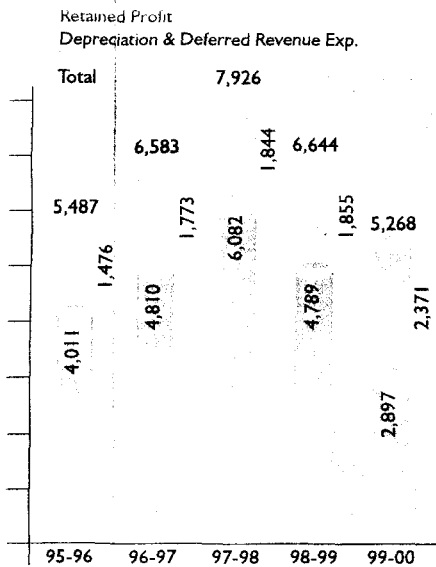
Spare parts sales during the year was Rs. 3688 million (previous year Rs. 3233 million). Ready availability of spare parts at reasonable price plays an important role in the decision making process of a prospect and leads to greater customer satisfaction of existing owners. During the year, spare parts warehouse was expanded substantially and became fully operational. This has considerably enhanced the quality of service. Your Company has also started development and marketing of Maruti Genuine Accessories (MGA) so as to give a customised look to a customer's car, which will further help in promoting customer satisfaction.

Organisation Development

During the year, a number of initiatives have been taken towards employee satisfaction leading to customer satisfaction and improving organisational effectiveness. An organisation restructuring exercise was carried out to strengthen and bring in sharper focus in our functional areas, especially, Quality, Services, Marketing and Sales, Manufacturing, etc.

Organisation's 'Vision' was reviewed and core values of the Company have been identified. To achieve high performance work culture we have

Internal Resources Generation (Rs. in Million)



Contribution to Central Exchequer (Rs. in Million)

