

# DRIVING AHEAD



To be in the red can be a tough experience for any company. For Maruti, which grossed huge profits for almost its entire existence of 17 years, to slip into red would have been particularly difficult. That is what many felt when Maruti announced its figures for 2000-01.

But we were convinced that there was a way to cope with it: If we saw this loss as an opportunity to look within and drive the organisation towards improved efficiency, productivity and customer care. Fortunately, Maruti adopted that approach and scripted a turnaround in 2001-02.

To achieve this, we chose to fall back on the company's core values. To sustain **customer obsession** within the organisation is always a tall order. The fact that customers rated Maruti number one in customer satisfaction among all the country's car makers for the second year in a row in the JD Power Survey was indication that we were focussed on our first core value.

The year saw the launch of Versa, India's first Multi Purpose Vehicle. There was also a flurry of new product variants, as also special editions. But it will be for the launch of our new service businesses that 2001-02 will be an important landmark in the Maruti story. By offering an entire gamut of mobility solutions—finance, insurance, lease and fleet management and sale and purchase of pre owned cars—through a one stop shop, we strove to come good on our second value—**fast, flexible and first mover**.

For a company whose manufacturing practices have long been rated as a benchmark for the industry, achieving further improvement in cost, quality and productivity was always going to be a challenge. In surmounting these challenges, Maruti's people decided to review current practices, assume nothing and look for better ways to achieve superior quality. If **innovation and creativity** was their core value, they lived it.

But the turnaround endeavour was not internal to Maruti alone. **Networking and Partnership** is not just a core value, it is intrinsic to Maruti's growth. Our dealerships worked aggressively to maintain volumes in a sluggish market. Experts from Suzuki Motor Corporation provided guidance on localisation, improvement of quality and cost reduction. Component manufacturers were in step, absorbing various ideas for value analysis and value engineering.

All that fell into place because of our belief that the best way remains to be discovered. Some 400 line supervisors gathered in the banquet hall of a 5-star hotel and presenting their ideas to the Maruti top management on the dais, was one of the most moving images of the year gone by. Maruti executives and managers accepted a new performance-linked compensation system. A turnaround of this magnitude demanded **openness and learning** of a high order. It is with that spirit that we step into 2002-03.



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## Board of Directors

Shinzo Nakanishi

Jagdish Khattar

Yuichi Nakamura

Kinji Saito

Shinichi Takeuchi

Motohiro Atsumi

Osamu Suzuki

Hirofumi Nagao

V. K. Malhotra

Chairman

Managing Director

Joint Managing Director

Director (Marketing & Sales)

Director (Production)

Director (Finance)

Director

Director

Director

## Company Secretary and Chief Legal Officer

S. Ravi Aiyar

## Auditors

Price Waterhouse, Chartered Accountants

## Bankers

State Bank of Travancore

ICICI Bank

Citibank N.A.

Punjab National Bank

BNP Paribas

UFJ Bank

Standard Chartered Bank

UTI Bank

Corporation Bank

ABN Amro Bank

Bank of Tokyo-Mitsubishi

American Express Bank

State Bank of India

Union Bank of India

Credit Lyonnais Bank

HDFC Bank

# Highlights

(Rupees in Million)

	2001-02	2000-01
Vehicle Production (Nos.)	358,108	350,376
Vehicle Sales (Nos.)*	352,404	350,814
Sales and Other Income	94,103	92,533
Cost of Goods Sold	88,856	91,602
Operating Profit	5,247	931
Depreciation and D.R.E.	3,753	3,420
Profit/(Loss) before Interest and Tax	1,494	(2,489)
Interest on Long term Borrowings	311	203
Profit/(Loss) before Tax	1,183	(2,692)
Provision for Taxation	138	2
Profit/(Loss) after Tax	1,045	(2,694)
Retained Profit/(Loss)	648	(2,696)
Net Worth	25,881	25,838
Capital Employed	30,345	30,237
Return on Average Capital Employed (%)	4.93	-8.46
Profit after Tax to Average Net worth (%)	4.04	-9.90
Employees (Nos.)	4,627	5,770

\*includes vehicles for own use

# Directors' Report

The Directors have pleasure in presenting the 21<sup>st</sup> Annual Report together with audited accounts of the company for the year ended 31<sup>st</sup> March, 2002.

## Turnaround

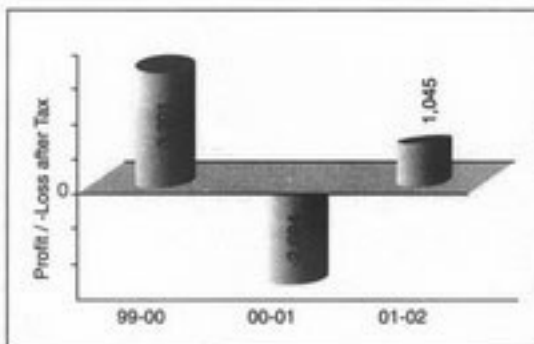
Your company had suffered a net loss in 2000-01. It was the first time ever that it had gone into the red. Although this had been caused by various factors, some beyond our control, yet your company was determined to turn around during 2001-02.

Despite a difficult market and mounting competition, your company has returned to profit. The factors that contributed to this turnaround are, broadly:

1. Retaining sales volume, even improving it somewhat, in a stagnant domestic car market.
2. Reducing the cost of manufacturing through superior practices, enhanced focus on quality and emphasis on 'doing it right first time' on the shop floor.
3. Reducing the cost of components through aggressive localisation, value analysis and value engineering and better inventory management.

## Financial Performance

The comparative financial results are as below:



Turnaround

	<i>Figures in Rs. million</i>	
	2001-02	2000-01
<b>Sales</b>	94,103	92,533
<b>Profit/Loss before Tax</b>	1,183	(2,692)
Provision for taxation	138	2
<b>Profit/Loss after Tax</b>	1,045	(2,694)
Balance brought forward	22,332	25,028
<b>Profit available for appropriation</b>	23,377	22,334
<b>Appropriations:</b>		
Debenture Redemption Reserve	176	-
General Reserve	105	-
Proposed Dividend	397	-
Corporate Dividend tax	-	2
<b>Balance carried forward to Balance Sheet</b>	22,699	22,332

## Dividend

Your Board recommends a dividend of Rs. 30/- per equity share of Rs. 100/- each for the year ended 31<sup>st</sup> March, 2002 amounting to Rs. 397 million as against no dividend paid for the previous year owing to loss.

After considering the developments in the company, rating agency ICRA reaffirmed its highest rating, AAA, for the Rs. 2 billion non convertible debentures issued by Maruti.

## A New Beginning

After the Cabinet Committee on Disinvestment approved the exit of the Government of India (GOI) from the Joint Venture, Suzuki Motor Corporation (SMC), Government of India and the Company executed a Revised Joint Venture Agreement (RJVA). Pursuant to RJVA, the Company made a further issue of 1,219,512 Equity Shares of Rs. 100 each at a premium of Rs. 3,180 Share each. On 30<sup>th</sup> May, 2002, the Board allotted 1,216,341 equity Shares of Rs. 100 each at a premium of Rs. 3,180 per Share aggregating Rs. 3,989,598,480 in favour of SMC, which included the portion fully renounced by GOI besides SMC's own entitlement. 3,171 Equity Shares were duly cancelled as the Maruti Udyog Limited Employees Mutual Benefit Fund decided not to subscribe its right entitlement.

## Global Benchmark

Your company was awarded the prestigious ISO 9001:2000 certification. Maruti's quality systems and practices were rated as a "benchmark for the automobile industry worldwide" by A V Belgium, global auditors for International Standards Organisation.

Your company was also rated number one in customer satisfaction in the annual survey of domestic car customers conducted by J D Power Asia Pacific. Last year, Maruti had become the first market leader ever to be rated number one in customer satisfaction. This year, it became the only car company ever to be rated first for two years in a row.

This customer endorsement broadly reflects satisfaction with the quality of post-purchase service as well as the quality of products offered by your company.



Pay order for Management Control



First in customer satisfaction, again



## Business Environment

For the second year running, the domestic car industry failed to achieve growth. After a 7% fall in volumes in 2000-01 compared to the previous year, a revival was expected. Besides, the reduction in excise duty on passenger cars from 40% to 32% for the fiscal was expected to boost the industry. Unfortunately, passenger cars and utility vehicles failed to grow and Industry sales of passenger vehicles stayed at about 6.9 lakh units.



Reaching out to Customers

While macro economic factors like slow growth of Industry and GDP and a depressed sentiment in the stock market kept demand low for the year as a whole, there was a trend of recovery towards the second half of the fiscal. A series of aggressive consumer promotions, including those by your company, revived sentiment in the latter part of the year. The launch of new models and variants by industry players also contributed to the positive sentiment.

## Vehicles Business

### Domestic:

### Marketing & Sales

Your company recorded domestic sales of 3.4 lakh units, a growth of 1% over the previous year. The volumes in the entry-level segment, comprising Maruti 800 and Omni, declined by about 3%. However, in the competitive premium small car or "B" segment, your company grew 12% and closed the year with sales of 1.16 lakh units. This enabled your company to retain its market share at 58 percent in a market with 12 players.

In its continuing effort to reach out to customers and grow the market, your company activated 32 new sales outlets during the year and covered 21 new cities. At the end of the fiscal, the total number of sales outlets was 253, the number of dealers was 189 and the number of cities covered was 156.



Versa'tile

### New Products and Variants

Several new product variants and upgrades were introduced in response to customer requirements:

- Your company launched Versa, India's first Multi Purpose Vehicle, in October 2001. With this, it brought an international category of products for the Indian customer.

- With the introduction of the Zen LXi, Alto VXi & Esteem LXi during the year, customers were able to get these models with power steering at reasonable prices.
- The Baleno 2002 offered additional features for the "premium segment".
- The WagonR was upgraded towards the end of the fiscal.
- 'Special limited editions' of existing models introduced were:
  - Esteem Limited, which had to be extended beyond the planned period in response to high customer demand.
  - The Maruti 800 Limited edition, targeted at younger audience, sold 4000 units in two months and had a positive rub off on the brand.
  - Zen Deluxe, which helped the company consolidate its leadership in the premium small car segment.



Special Edition

### Exports - A Pride of India

The new Alto model was launched for Europe at the Geneva Motor show in March 2002 and has been received well. Your company has confirmed orders for about 24,000 units for the next fiscal.

Overall, your company exported 12,233 vehicles (15,300 in 2000-01) with an FOB value of Rs. 2,172.16 million (Rs. 2,529.4 million in 2000-01). Cumulative exports of Alto (Zen in the domestic market) to Europe crossed 100,000 units during the year.



Alto 1.1 goes global

### Service

As a measure of assurance, your company has started offering two-year warranty on all new cars. Further, customers have the option of paying a nominal amount securing warranty cover for the third and fourth year of ownership as well.

In an effort to reach out to customers, the service network expanded to 332 dealer workshops (303 in 2000-01) and 1,567 authorised service stations (1,381 in 2000-01). These 1,900 workshops and service outlets now cover 799 towns and cities, far more than any other car manufacturer in the country.

Further, the number one ranking in Customer Satisfaction survey for the second year in a row reinforced customer confidence in the quality of this network.