



20 years of  
delighting India.

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Maruti Udyog Limited  
Annual Report  
2002-2003

## Message from the Managing Director



I write this at a time when Maruti is ready to go public. Many new people and institutions are set to join the Maruti family in the role of shareholders.

Our public listing is yet another chapter in the momentous Maruti story. This time, the goal is to discharge well the responsibilities of a listed company.

Indeed, as Maruti and as a market leader, we are always conscious of our special role in this country and the need for us to regularly deliver on diverse parameters.

### **Leadership at birth**

This company was born so that middle class India could own a car that was of contemporary design and quality and affordable to own and run.

I have always believed that Maruti was never meant to be a small company. Size and spread were implied in its lofty objectives. Leadership was intrinsic to its Vision. In a sector that was reconciled to 40,000 passenger car units per year, Maruti alone aspired to reach 100,000 cars per year in under five years.

This Vision required path-breaking work. Maruti set about nurturing a component industry in India. We did that by supporting promising local entrepreneurs with investment and long term contracts. With Suzuki's help, we secured Japanese collaborators, Japanese technology and Japanese management practices for them.

Our partners have since partnered in Maruti's growth and prosperity. Today, when sections as diverse as global car manufacturers and stock market analysts speak of the growing stature of the Indian component industry, we listen with pride.

### **Growing up in the nineties**

Even as Maruti worked on "back end" supply and manufacturing issues, customers voted with long wait lists. That did not make us complacent. Through the 1990s we regularly brought new models and created new product categories with the Zen, Gypsy and the Esteem. Despite the overwhelming demand at home, Maruti has been exporting consistently since 1988 to keep our connection with global levels of quality and cost.

That period also saw Maruti establish a massive network of sales and service centres across the country. As I said earlier, big ambition needed more than small steps. To get the Indian people to own a car, you had to reach out to the farthest corners of this vast and wonderful country. We did it at the right time.

Economic reform and Opening Up brought new opportunities in the mid-nineties. Unfortunately, despite a strong base and a large fund of customer goodwill, we were not able to fully utilise those opportunities.

Global players entering with new products presented a challenge by itself. Reasons beyond our control delayed our investments and new models. We were forced to concede a toehold to some of the new players.

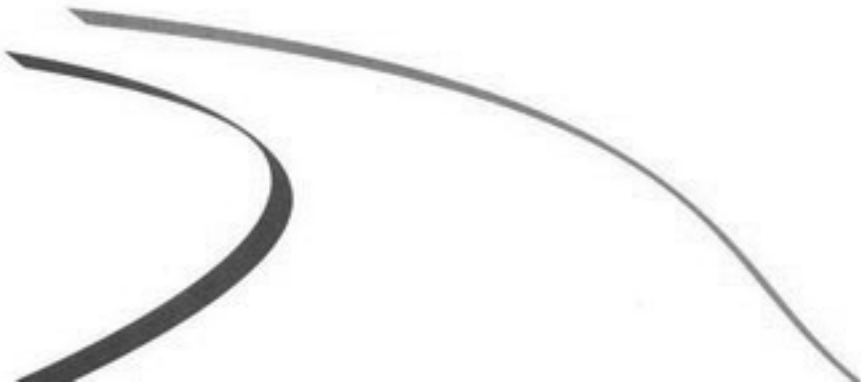
### **Regaining ground**

Fortunately, we were back on track and by the late 1990s, Maruti was ready to roll. A new plant raised capacity to 3,50,000 units per annum. Between December 1999 and September 2000, we launched four new brands in the market and upgraded the engines of all the existing ones.

That caused a temporary setback to our bottomline and in 2000-01, we went into the red for the first time in our history. But as far as the market and customers were concerned, our new models had cleared our backlog, as it were.

Around this time, we also improved the quality of the Maruti service network. It was no easy task. Here was a network acknowledged for its size, quality and competence - and we were asking for a revamp. But Maruti and its dealerships worked as one to introduce new practices and internalise new attitudes.

To me, Maruti's top position in Customer Satisfaction for three years in a row in the J D Power Customer Survey is only short-hand for one of the great transformation stories in corporate India.







The other big story from Maruti in recent years is the turnaround from a Loss of Rs 2690 million in 2001-02 to a Net Profit of Rs 1045 million, in a year of flat growth. That year saw sharp improvements in quality and productivity, both inhouse and at the vendors end.

After 1,050 employees opted for a voluntary retirement scheme in 2001-02, the Production Volume Per Employee in fiscal 2002 was 79 percent higher than that in 1995.

The improvements of that year are now the foundation for our Challenge 50 initiative, under which we are committed to improving productivity by 50 percent and reducing cost by 30 percent by 2004-05.

#### **A base for tomorrow**

Increasingly, meeting the Indian people's aspiration for four wheels goes much beyond the act of manufacturing and selling a car. It has to do with the quality of the total "car ownership experience" offered to the customer.

In all the hype today to persuade customers to go in for a new car, little attention has been paid to addressing a basic concern of the Indian customer: resale of his existing car.

With very few organized players in the pre-owned car market, a car customer is at the mercy of the unorganized market where he must eventually conclude his "ownership experience" with the vehicle.

Again, while the role of consumer finance in boosting the car industry is widely acknowledged, the customer has to grapple with a maze of interest rates, schemes and ambiguous terms and conditions before he can hope to arrive at an informed choice.

Similarly, the car insurance experience is often associated with claim settlement procedures that may be irksome, time consuming and arbitrary.

Finally, even as corporates emerge as major customers for car companies, the car industry has few solutions to offer them to escape the hassle of servicing and maintaining their fleet of vehicles.

We understand these needs of the Indian customer and have, therefore, embarked on offering car insurance, car finance, leasing and fleet management services, extended warranty options and sale and exchange of pre-owned cars.

We believe that these areas will bring us closer to the customer, enhance the ownership experience of Maruti vehicle owners, and be a source of competitive advantage for us in the Indian market. They will also encourage repeat purchase of cars by customers while directly enhancing revenue opportunities for our channel partners.

Maruti is uniquely positioned for this role. Brand Maruti, more than any other car brand, naturally evokes trust and reliability among the Indian people.

I believe that after the first flush of excitement coinciding with the entry of global players, the Indian car customer is now increasingly able to appreciate the value of reliability, trust and assurance that Maruti stands for. Our initiatives in improving customer service, enhancing productivity, lowering cost and introducing new products and services have doubtlessly contributed to this reverse trend.

#### **Count on us**

Our acute sense of India persuades us to believe that there is a vast market out there, waiting to be tapped. The penetration rate of cars in the country is an abysmal six per thousand, half of Pakistan and Sri Lanka. That presents itself as a huge opportunity.

Now, roads are finally happening in this country. Whether it is the Golden Quadrilateral connecting the metros or the rural pathways, there is visible improvement on the ground.

Income growth is becoming more widely dispersed. Organised finance has become cheaper and more convenient. All this will foster demand for cars.

Yet there are large parts of India where while economic prosperity has reached, organised private sector finance has not. We are reaching out to those areas as well in close collaboration with State Bank of India (SBI), the country's largest bank.

SBI offers car finance at lowest rates, with the longest duration and in more areas when compared to any other bank in the country. Maruti, on the other hand, has the best entry-level car brands. Together, this alliance looks set to drive the motorisation of India.

On April 19, 2003, we rolled out our four millionth vehicle. Even as we did that, we were aware that our first customer, who bought his white Maruti 800 way back on December 14, 1983, continues to drive it today. From such enduring relationships does leadership evolve.

Jagdish Khattar  
Managing Director



*All India Dealers Conference... launch of the "Customers for Life" theme: At the 2002 Dealers Conference, the entire Maruti family pledged to work towards knowing the consumer better. It was the perfect platform to put our new credo into practice.*



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Maruti

Our world



**The 4 millionth vehicle rolls out:** The 4 millionth vehicle rolling out of the Maruti plant has far greater significance than just being a number. It symbolises the trust the customer has in our brand and the ever-growing demand for our cars across India.



**Maruti 800:** In its 20th year and after innumerable evolutions, the Maruti 800 continues to be India's favourite set of four wheels. In fact, we sold over 21,000 units in March 2003 alone. We expect it to help us reach out to more and more customers in the years to come.





*The Grand Vitara XL-7... Live the grand life: The flagship of the Maruti Suzuki brand was launched in India in April 2003. Housing a V6 powerplant, the vehicle has redefined the growing SUV segment in India with new age styling and luxurious interiors.*

# Suzuki in pictures

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*World-class production techniques: We have set benchmarks against the best Suzuki production facility to peg our production facilities, techniques and systems at international levels. Today, we're the 19th largest automobile manufacturer in the world and our commitment to innovation and quality takes us even closer to our goals.*



**Customer Events:** Local-level events are a key tool in coming closer to more than 3.5 million Maruti Suzuki customers: rural 'melas', carnivals, mileage challenges, treasure hunts, we do them all. We also maintain the Children's Park in New Delhi, where regular events are organized for the next generation of car owners!



**Maruti Suzuki Call Centre:** Adoption of the latest and most India-relevant technology and systems has always been our competitive edge. The Maruti Suzuki Call Centre is an excellent example of our dedicated customer-centric approach.



**Omni Cargo:** The multipurpose van in Maruti's stable continues to reinvent itself. The Cargo version of the Omni has been specially designed to meet the demands of both courier and delivery companies. It comes with an unbeatable combination of versatility and an extremely low cost of ownership.



No. 1 Nameplate in  
Customer Satisfaction  
2000  
(in a tie)



No. 1 Nameplate in  
Customer Satisfaction  
2001



No. 1 Nameplate in  
Customer Satisfaction  
2002



*The JD Power\* Asia Pacific and NFO Automotive-Autocar India TCS Study\*\* accolades: At Maruti Suzuki we believe the customer is king. And results prove that our customers agree. No other car market leader has been awarded the No.1 Nameplate in Customer Satisfaction by JD Power Asia Pacific. Maruti Suzuki has now done it thrice in a row in 2000, 2001, and 2002. In the NFO Automotive-Autocar India TCS Study 2002, customers voted the Maruti 800, the Zen petrol and the Esteem as leaders in their respective categories.*

\* No.1 Nameplate in Customer Satisfaction Three Years in a Row. J. D. Power Asia Pacific 2000-2002 India Customer Satisfaction Index Studies.<sup>SM</sup> 2002 Study based on a total of 3,181 consumer responses. [www.jdpower.co.jp](http://www.jdpower.co.jp). \*\* NFO Automotive is a leading specialist in worldwide automotive research. The results of NFO Automotive-Autocar 2002 India TCS are based on the evaluations of 5,143 car owners at 1 to 36 months of ownership.



A better way to buy a car.



The only no-tension option



The sign to trust



The freedom to mind your own business

#### The 360 degree ownership experience

Maruti Finance. Maruti Insurance. Maruti True Value. Maruti N2N. Maruti Genuine Parts. Maruti Genuine Accessories. A range of products and services to cater to every facet and phase of car ownership. It offers something really valuable: Maruti Peace of Mind.



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### Change your Life

In an intensely competitive scenario where consumer promotions were the order of the day, Maruti Suzuki set another benchmark. We announced the Change your Life Offer with high value gifts and prizes. The cash offer and the subsequent enthusiastic response from consumers once again raised the bar for everyone else in the industry.

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### Toy Story

Maruti Suzuki vehicles are renowned for offering the lowest total cost of ownership to customers. This fact has been expressed effectively in our latest corporate communication using a child playing with his miniature Maruti Suzuki car. He goes on and on all day and night because, as he says, it does not run out of petrol! The campaign has won hearts while driving the point home effectively and continues to make people smile across the country.