

OUR VISION

The Leader in the Indian Automobile Industry, Creating Customer Delight and Shareholder's Wealth; A pride of India.

We believe our core values drive us in every endeavour.

- CUSTOMER OBSESSION
- FAST, FLEXIBLE & FIRST MOVER
- INNOVATION & CREATIVITY
- NETWORKING & PARTNERSHIP
- OPENNESS & LEARNING





QUEST UNLIMITED

The Company completed 25 years on December 14, 2008. We acknowledge the milestone by expressing gratitude to all our partners and stakeholders.

This quarter century has been one of profound transformation for India, and for our industry. From a nation priding on self reliance and tentative about facing the world, India is now a vibrant, self-assured economic entity with abundant promise for the future...



...India's car industry has evolved from next-to-nothing to a sector that now fulfils a wide variety of customer needs, plays a critical role in growing incomes and employment and nurtures a global aspiration.

Maruti Suzuki is privileged to have lived through this change and, on occasion, contributed to it. While remaining focused on our business, we tried never to lose sight of our larger social agenda: build the foundation for India's modern auto manufacturing industry, promote fuel efficiency and environment friendliness and disseminate the best of Japanese management practices across corporate India.



SUCCESS IN THIS
BUSINESS, WE SAID,
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PROPORTION."

Our Quest has led us constantly to look beyond the near and immediate, explore frontiers, forge partnerships and connect with India in all her richness and diversity. We may have met expectations in certain areas, fallen short in others.

Through our theme for last year, A Million Promises, we sought to convey that we would strive to excel in all the multiple facets of our business. While our business is about offering a range of quality products, it also demands a robust sales and service network and the ability to partner and nurture a supplier base over long periods of time. Success in this business, we said, asks for "stamina and patience, order and creativity, skills hard and soft and it needs all of them to co-exist in the right proportion."

During the past year, in the midst of a market downturn, we have taken decisive steps forward in enhancing our R & D capability, unveiled a national road safety mission, expanded capacity to a million cars, got our new K-series engine programme on stream and launched the A-star in India and Europe and kept focus on recruitment and people development. We have not allowed the short term to interfere and cloud our vision for the future.

In the past few months, we have often been asked: "After 25 years of leadership, what next?" It is not for us to predict the future. Other than to say that the Quest is unceasing. We continue on our journey, uninterrupted and without distraction, avoiding complacency and flamboyance, to explore newer frontiers, strengthen and expand partnerships, connect with the layers and layers of a still larger world and embed ourselves deeper in the lives of people.



COMPANY AT A GLANCE

Maruti Suzuki's
SILVER JUBILEE YEAR
in India

722,144 DOMESTIC SALES
in 2008-09, a growth of 1.5%

OVER 7 MILLION CARS
produced & sold cumulatively

70,023 EXPORTS SALES
in 2008-09, a growth of 32.1%

OVER 500,000 CARS
exported cumulatively

Rs. 214,538 MILLION
total income in 2008-09,
a growth of 14.28%

ABOVE 50% MARKET SHARE
in passenger cars and van type
vehicles for all 25 years

Rs. 12,187 MILLION
recorded profit after tax in 2008-09





1st IN CUSTOMER SATISFACTION
for 9 consecutive years
- JD Power CSI Survey

ONE MILLION UNITS/ ANNUM
total capacity

681 SALES OUTLETS
in 454 cities

GURGAON FACILITY
capacity 700,000 units/ annum

2767 WORKSHOPS
in 1314 cities

MANESAR FACILITY
capacity 300,000 units/ annum

315 PRE-OWNED CAR OUTLETS
in 181 cities

7159 EMPLOYEES
in March 2009



CHAIRMAN'S MESSAGE

Our continuous efforts at cost cutting and improving productivity, even in good times, have helped us in making reasonable profits despite the impact of higher commodity prices and a weaker rupee.

A land mark was achieved in 2008-09. Your company completed 25 years of the start of sale of its first car in India. It was on 14th December 1983 that the then Prime Minister, the late Smt. Indira Gandhi, released the first Maruti 800 car. Maruti Udyog Limited has had a very eventful and successful journey since then. From a company which was started to produce 100,000 cars a year, we have reached a production rate of a million cars a year. Thanks to the support and confidence shown by our customers, we have a market share in excess of 55% in cars and vans. Maruti cars are exported to over 100 countries and the volume of exports is likely to cross 100,000 units in 2009-10. Export of small cars will be one of the major elements of our future growth strategy.

The world wide recession which started in 2008 has taught us many lessons and also confirmed the validity of our strategies. As a consequence, we have weathered the recession much better than those who are highly leveraged. We are practically debt free and have a healthy cash balance. We have financed all growth from internal resources. Our continuous efforts at cost cutting and improving productivity, even in good times, have helped us in making reasonable profits despite the impact of

WHAT WE HAVE ACHIEVED TILL NOW IS BECAUSE WE HAVE AN OUTSTANDING SET OF EMPLOYEES IN THE COMPANY. THE WORKERS, SUPERVISORS, ENGINEERS AND MANAGERS ALL WORK AS A SINGLE TEAM FOR THE GROWTH AND PROSPERITY OF THE COMPANY.

higher commodity prices and a weaker rupee. Even in 2008-09 we had a small growth in sale volumes. We do not have idle capacity and have not had to lay off our employees.

The financial crisis has shown the danger of having incentive schemes which distort values and prudent decision making, and give scope for the greed factor to dominate top management actions. Fortunately, we have followed policies which have been based on a good value system. We expect that by the time this recession ends, MSIL will emerge as an even stronger company.

Maruti was listed in 2003, and has been a consistent and strong performer on the stock exchange, giving handsome returns to investors. The company is now a totally private company, with government having exited. The company is now Maruti Suzuki India Limited.

Thus there is much to be satisfied about. However, Maruti has never been a company which has rested on its laurels. We have learned that continuous improvements have to be made. A company needs to keep its eyes on the future and what it should be doing to bring greater delight to its customers and higher rewards to those who have invested in the equity of the company. The automobile industry in India is just coming of age and the potential for growth is huge. We have to find, and implement, ways by which we can be major participants in realising this potential.

To do this, we have to rapidly develop our ability to design and manufacture small cars. Suzuki Japan is giving full support in this effort. We are in the process of acquiring land for building a modern research facility, complete with a test track of international standards. The engineering manpower is being rapidly increased. At the same time, we are persuading our suppliers to establish their own engineering capabilities to design and test products, as otherwise our own efforts cannot be fully successful. To the extent necessary, we will support our vendors in this task.



The continuous upgrading of component quality is, in fact, a necessary condition for MSIL to become a large supplier of small cars to the world markets. We have been working with our vendors in this area since the last 25 years. We are now extending our scope of activity to ensure that tier 2 vendors also adopt modern systems which will increase productivity and reduce costs. The small and mini scale industry would stand to benefit enormously from this effort.

What we have achieved till now is because we have an outstanding set of employees in the company. The workers, supervisors, engineers and managers all work as a single team for the growth and prosperity of the company. They are partners in the growth and prosperity of Maruti Suzuki. Continued success in the future requires that we keep on finding ways to making them even more creative. At the same time, we recognize that we should continue to help our

vendors and dealers, so that they can share the experiences of Maruti Suzuki in developing the potential of their employees. Strong dealers and vendors means a strong Maruti Suzuki.

The future is exciting, and full of promise. The Indian economy will be amongst the two having the highest rates of growth. We expect that this government will accelerate the reform process and build good infrastructure. As a consequence, companies with strong fundamentals will also grow rapidly. We are prepared to take advantage of the opportunities which we see coming, and this will benefit our shareholders, customers and employees. The next 25 years should be no less successful than the period which has elapsed.

R.C. Bhargava
Chairman



INTERVIEW WITH MR. S. NAKANISHI,
MANAGING DIRECTOR AND CEO

FLEXIBILITY AND CAPABILITY FOR A VOLATILE ECONOMY

Planning for uncertainty for us would mean building flexibility and agility throughout our value chain. It means speed. Lower response times. Faster decision making. A positive approach to change.

Last year was a year of challenges for the auto industry. In the past few months there has been good growth. What do you see as the way forward?

Last year, we had issues like limited retail finance availability and a low consumer sentiment. The scope for reviving the domestic market through discounts was limited by commodity inflation and the adverse foreign exchange movement. The market picked up in the fourth quarter with manufacturers' efforts and positive government intervention. For the first five months of the calendar year 2009, the domestic passenger vehicle market has grown by 1.6% and Maruti Suzuki has grown by 11.6%.

We are optimistic, but given the dynamic market situation, both in India and all over the world, we think we have to accept uncertainty and consciously plan for it. Planning for uncertainty for us would mean building flexibility and agility throughout our value chain. It means speed. Lower response times. Faster decision making. A positive approach to change. We are realigning our thinking and our dealers and vendors' thinking on these lines. We have about 15,000 sales people to feel the pulse of the customer. We are relying on them and will watch the market quarter to quarter, month to month.

How do you see the growth potential of the Indian car market in the medium to long term?

Our parent Company, Suzuki Motor Corporation (Suzuki), has been optimistic on the potential of this country much before the high economic growth witnessed in this decade. And today, India occupies a much larger role in the Suzuki frame of things than ever before. It has a big and growing middle class. It has a huge young population. The people are intelligent,

progressive and have high aspirations. The governments are sensitive and balanced and the economy is resilient and stable. All this will help it to grow steadily for a long time. However, there are infrastructure and talent availability issues. If these are overcome, perhaps the Indian market will grow at quite a fast pace. In our case, thanks to our engineers, capacity expansion lead times are generally short, between one to two years, and this gives us room to calibrate our expansion and at the same time stretch our existing capacities.

India is gradually becoming a small car hub for exports with Maruti and Hyundai new export-dedicated models. What are your long term plans in this regard?

India is gradually achieving global economies of scale in compact car manufacturing both with auto manufacturers and auto component manufacturers. Over the years, we have worked with our component manufacturers in technology, quality and reliability. This has enabled the industry to reach a level of quality in manufacturing that we can hope to export respectable volumes. The infrastructure in the country is also improving and while we have commissioned a Roll-on Roll-off terminal at Mundra port, we are also working on a direct railway link from our Manesar assembly line to this terminal. Our world strategic model, A-star has been launched in many countries and customer feedback is positive. Nissan is buying the same product from us and retailing it under the "Pixo" badge. In a stable year in the future, our total exports should reach significant levels. If there is further opportunity beyond that also we can consider scaling up further but at the same time, we should strengthen our back end. Which means build quality and reliability in India's second tier and third tier vendors. It also means strengthening the logistics link from our factory to the port.



What roles are you planning for Maruti and Suzuki, Japan in technology and R&D for future models of Maruti Suzuki?

The rapid growth of the Indian market and the promise of Indian talent have given a lot of confidence to Suzuki. The view is that though Suzuki models have been embraced very well by the Indian customer, the growth in the Indian market deserves and needs an additional local R&D capability to help keep refreshing our model portfolio. At the same time, the success of Indian engineers and managers encourages us to think of larger global roles for them.

Suzuki will continue providing technology to Maruti for global platforms. Indian engineers will focus on the Indian market and come out with India specific models apart from bringing customized versions of global models to India. In addition, they will try to develop new models on existing platforms and powertrains with alternate fuel technologies.

How is Maruti Suzuki preparing for intensified competition in the next few years?

I would like to think in terms of what Maruti Suzuki is doing to prepare for the evolving customer in the next few years. That for us, takes care of competition also.

Our biggest area of focus is the Product. We would continue to offer models with newer technologies, with more fuel efficiency and economy, models which are cleaner and safer and more exciting, models that meet more and more mobility needs. For this, we are scaling up our R&D capability. We have to strengthen our back end, which means institutionalizing quality and manufacturing excellence at the 2nd tier and 3rd tier vendors. We have to ensure regular training of our dealer sales people and service technicians, so that their actions and interactions are in step with the changes in customer profile and expectations. We are also complementing their efforts by opening cars and spare





parts stockyards in the country for serving the customers faster and better. We are opening brand centers in a number of cities in India to engage with the customer.

All such efforts are actually driven by the zeal, the ingenuity and the capability of people. So, it all starts with people development. My effort is to empower them and they will take care of the rest.

How do you think will profit margins move in the future for Maruti Suzuki? Is it possible to go to March '07 levels (Net Profit margins above 10%)?

Barring last year, Maruti Suzuki has been able to generate good margins till now. In the short term, some reversal of commodity price increases and better forex management may help improve margins. In the long term, a more competitive environment will ask for faster product refreshment, more investment in quality, technology and brand, which may put a downward pressure on margins. While we will try to generate more profits through exciting products, work on more productivity, cost reduction and economies of scale, the levels you have mentioned were unusual and we are not targeting those at present.

What are your plans on alternate powertrains like Diesel, LPG, CNG and Hybrids?

Maruti Suzuki is conscious that it has to work on all technologies that help reduce the fuel cost for customers. So, the foremost is bringing to India, high performance, high fuel efficiency gasoline engine technology, like the K-series engines. Next, our diesel engine performance has been received well by the market and though we do not have more options currently than the 1.3 litre diesel engine, we have expanded our manufacturing capacity to 200,000 units per year. We were the first Company to launch cars with inhouse LPG assembly. CNG availability is expected to see a major boost in the country in the next few years and if the city gas distribution expands can help see more CNG proliferation in cars. We are working on next generation technologies in this area.

Though hybrids in compact cars are yet to prove their commercial attractiveness to the customer, Maruti Suzuki is working on a project "National Hybrid Propulsion Platform" in partnership with the government and other industry players. At an appropriate time in the future, we may also ask Suzuki for support.

Maruti Suzuki has a very healthy cash position and is also generating net cash every year even after investment. What is your plan for this cash?

We cannot afford to be complacent looking at our cash position. Organisations that start with their available cash or their potential of leveraging may tend to make investments that are not in the best interest of their business. In fact our starting point should not be our cash position; it should be the market and technology dynamics and the investment needs that they may call for. This may be tomorrow; this may be five years hence.

We do not know what future has in store for us. For instance, five years ago we thought investment is all about plant capacity expansion; we did not know that we would need to invest in a big way in non-production areas like brand centers and stockyards for our marketing and a test track and crash test facility for our R&D. We need to stay prepared for any such requirement. There are many such companies who faced major problems, because they did not have cash when they needed it most. Though we will not shy away from making whatever investments the market and technology environment would need, we will largely try to stay within our area of core competence. In our operations, we try to work within minimum budgets. With our shareholders, we try to maintain a dividend pay-out ratio and keep striving to generate long term capital appreciation to honour the trust they have put in us.

What are your biggest concerns about the business? What kind of issues takes most of your time?

Interesting. Maruti Suzuki is a big family now with four plants, nineteen related companies, several hundred vendors, dealers, authorized service stations and other business associates. I am concerned that the dealer salesman should treat our customer well; I am concerned that our vendors should have a good relationship with their workforce; I am concerned that our Tier 2 and 3 vendor technicians should be trained on the station they work on; I am concerned that the person who drives our export cars into the ship at Mundra, should learn safe professional driving. Similarly I am cautious of the stock levels in the value chain; I am cautious that we always maintain the balance between profitability and growth; I am cautious that we should not be missing any opportunity in the Indian and export markets.

The only way this is possible in such a large family is by training, developing and empowering people. By motivating people. How do we do that? I think it starts from the top. I want to consciously give a lot of operating freedom to our managing executive officers in the hope that they will feel like treating their team in the same way and vendors and dealers also copy the example.

Suzuki is pursuing Sustainability as a way of doing business in Japan. What is your approach to Sustainability for Maruti Suzuki?

Sustainability is a concept that describes our core philosophy of growth very well. Suzuki wants to be a Company loved and trusted in the world for spearheading environment friendly technology and processes. Similarly Maruti's genesis had been for a larger purpose; to raise the level of manufacturing industry in India. While we are conscious of this starting aspiration, we are sensitive everyday that in the conduct of our business, we take care of all our stakeholders' interests and well being. In their sustained well-being lies our longevity. This year we want to take it to a different level. We are adopting a professional methodology to map our engagement with our stakeholders and share information of the economic, environmental and social impact of our business in a transparent manner.