

ANNUAL REPORT 2009-10

SURPASSING SELF



**MARUTI
SUZUKI**

In 2009-10, Maruti Suzuki could make and sell over a million vehicles. This was a first for any automobile company in India. After the slowdown of 2008-09, demand recovered faster than anticipated. The Company, its suppliers and business associates worked on a stretch to meet demand and keep the promise of a million vehicles. During the year, the Company expanded its network as planned, launched a new model, refreshed two existing models, achieved highest ever exports overall and in Europe, took the first steps in setting up a world class R&D centre, worked on cost down initiatives, emphasized sustainability and people development and strengthened its focus on customer satisfaction and new markets.

surpassing self...

While the Company duly celebrated the one million landmark, the focus was quickly back to the challenge at hand. The challenge is to provide the Indian customer best value over the period of vehicle ownership. Better than she receives today. The challenge is also to offer products that are more stylish, more comfortable and endowed with more features than today. Deliver technology that provides more driving pleasure and better fuel efficiency. Supported by a network that is proximate, more caring and more efficient than now.

A market leader does not have the benefit of known paths, clearly laid out ahead. The challenge for us is to better Maruti Suzuki, many times over.





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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 ◀



COMPANY AT A GLANCE

MILESTONE YEAR

Produced & sold **over a million units** in a single year

DOMESTIC

Highest ever sales: 870,790, a **growth of 21%**

EXPORT

Highest ever sales: 147,575, a **growth of 111%**

INCOME

Highest ever Total Income: Rs. 301,198 million, a **growth of 40%**

NET PROFIT

Highest ever PAT: Rs 24,976 million, a **growth of 105%**

NO. 1 IN CUSTOMER SATISFACTION

For **10 consecutive years** in JD Power CSI survey

NO. 1 IN SALES SATISFACTION

In JD Power SSI survey

NETWORK

Sales Outlets: **802**, Cities: **555**

INSURANCE

Sold **10 million insurance policies** cumulatively

R&D CENTER

Procured **700 acres of land** for the upcoming facility in Rohtak





CHAIRMAN'S MESSAGE

At the time of the AGM last year, there was cautious optimism that the Indian economy would recover faster than the rest of the world. This actually happened and the GDP growth in 2009-10 was 7.4%. This year we may see 8.5% growth. I am happy to report that Maruti Suzuki could establish a new record and cross the significant milestone of selling over a million cars in the last financial year. We were helped by the progressive policies of the government which provided stimulus for growth. However, our performance would not have been possible without the unwavering confidence and trust which the market displayed in the products and services offered by the Company. Equally, all our employees, and particularly those in the production and related areas, performed brilliantly and despite the shortage of installed capacity still managed to manufacture 100,000 cars in a month and a million cars in the year. It is this spirit of 'can do, shall do' which has taken Maruti Suzuki to where it is today. The company works as a single team, and there are no distinctions between management and workers when it comes to furthering the interests of the company.

Domestic consumption is what drives the growth of the Indian economy. The events which take place in the rest of the world cannot automatically be applied to India for making investment decisions or policy, though we should not also ignore that input. Exports do get impacted when there is a global recession, but since exports are a small part of total domestic consumption, the impact is not very significant. However, Maruti Suzuki as a company should perhaps deliberately not attempt to export a large part of its production, but keep exports at about 15% of output. We should concentrate more on the domestic market. To keep our market share, not only should we adequately increase manufacturing capacity, but also remain very aware of the changing consumer tastes and demands and be flexible in making quick adjustments. Secondly, sound financial practices both at the national and the company levels are essential for successfully meeting any unexpected developments anywhere in the world. The Company meets this requirement in every possible way, and I look for your continued support for such policies. We will also continue, with the involvement of our employees to look for all possible ways to reduce costs and improve productivity. Thirdly, we need to rapidly develop our own capacity to develop and design products. This is an area of priority for us and with the help of Suzuki we are investing heavily in research and development.

The Indian economy is expected to see very good growth in the next few years. As per capita incomes rise above US\$ 1500, we may reach an inflexion point where the demand for cars becomes significantly higher than in the past. We have to be prepared to expand capacities to meet that demand when it comes. Fortunately, our cash reserves will enable us to do so, without the risk of high leverage. Prudent financial policies have been adopted by us to prepare for such a situation in the future.

An area of concern is infrastructure, particularly urban infrastructure. The highway construction programme has now picked up speed and that is welcome indeed. However, state governments seem almost helpless in improving urban infrastructure. While public transportation is being improved in some cities, it has to be realized that this will never replace the use of private transportation. Those with rising incomes will aspire to own their own means of transportation. Local and state governments have to build this into their plans and display political will in implementing programmes to improve urban infrastructure. The Company is trying to create the infrastructure which will enable drivers to be properly trained before they are given licences. We hope this will increase safety and reduce accidents. However, without substantial improvements in infrastructure, the extent of improvement will remain small. All of us need to put pressure on our political leaders to quickly look at urban infrastructure development, as otherwise cities will descend into chaos.

The rapid growth of the automobile sector is putting pressure on the component industry. Large investments need to be made to keep up with the growing needs of components. In addition, the component manufacturers now need to invest in building engineering and R&D capacities. We cannot remain dependant forever on foreign suppliers for component design as this will greatly handicap us in meeting the needs of our customers in reasonable periods of time. The Tier 2 and Tier 3 vendors will, in particular, pose problems as their capabilities to make investments and improve technology is limited. The Tier 1 vendors have to find a solution to this problem. I believe the component industry now has the opportunity to move to the next level, but to do so it will have to adopt the best corporate governance practices and become totally professional in their management.

The Indian economy, and our industry, is faced with high attrition rates. This is the result of a shortage of well educated and experienced managers, engineers and skilled personnel. The problems of the education sector are immense and will impact the growth of the Indian economy. I believe we need more radical thinking and actions if this vital sector is to support the rising aspirations of our population. Industry needs to recognize the seriousness of the situation and join hands with the government to find workable solutions.

A company can only have sustainable growth if its stakeholders' interests are well looked after. The Company has always adopted business processes that inherently promote the well being of its customers, vendors, dealers, employees, shareholders, community, and the environment.

I look forward to your continued support.

R. C. Bhargava
Chairman

