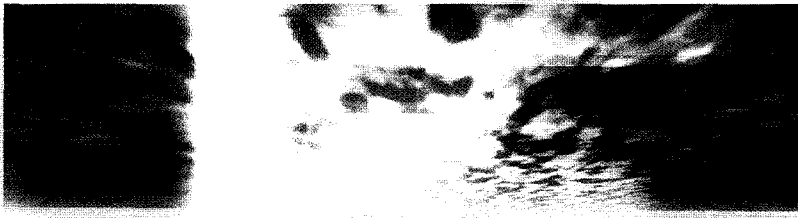


The future is calling





As both individuals and the nation sail forth boldly into the swirling currents of globalisation, India's biggest car manufacturer, Maruti Udyog Limited, is a hub of unceasing activity.

While the mammoth task of producing and selling over 30,000 cars a month rolls on, there is another kind of dynamic that is at work within our company. A ferment of ideas. Driven by the vision of being the most dominant player by far in the car market of today - and of the future.

It's a process that has already begun to catalyse a host of notable developments: The advanced 16 x 4 Hypertech engines that turned our cars into the best performers on the road. A spate of new model launches that shook the market out of its complacency. Investments in information technology that will make us more responsive and quicker on our feet than anyone will expect. An enhanced range of customer-focused services like Anytime Maruti Call Centres, Maruti On-road Service and Express Highways. The expansion of our nationwide service network to over 700 cities. Indigenisation of many high-cost components. And the growing availability of Maruti genuine spares and accessories in almost every corner.

The fruits of this process can be seen in our performance in the marketplace, nearly two-thirds of which we can claim for ourselves today. And in the No. 1 nameplate we won in the J. D. Power India customer satisfaction study. But this has only made us expand the scope of our vision for the future. We have already invested in our third plant and a new paint shop. And will leverage both our resources and our reputation to venture into new areas like the pre-owned car business, finance, insurance and fleet management.

So Join us in this exciting ride into the future. We are a company that has believed and proven that it's never enough to own today. Tomorrow must be ours.

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Board of Directors

Yoshio Saito	Chairman
Jagdish Khattar	Managing Director
T. Kobayashi	Joint Managing Director (Upto 15th September, 2001)
Yuichi Nakamura	Joint Managing Director (From 21st September, 2001)
A.R. Halasyam	Director (Finance) (Upto 7th September, 2001)
J. Sugimori	Director (Marketing & Sales)
Dr. Krishan Kumar	Director (Engineering) (Upto 8th June, 2001)
Shinichi Takeuchi	Director (Production) (From 27th September, 2001)
Hirofumi Nagao	Alternate Director to Y. Saito (From 28th September, 2001)
O. Suzuki	Director
K.K. Jaswal	Director
Pradeep Kumar	Director

Company Secretary and Chief Legal Officer

S. Ravi Aiyar

Auditors

Price Waterhouse, Chartered Accountants

Bankers

State Bank of Travancore	Corporation Bank
Standard Chartered Grindlays Bank	ABN Amro Bank
Citibank N.A.	Bank of Tokyo-Mitsubishi
Punjab National Bank	American Express Bank
BNP Paribas	State Bank of India
Sanwa Bank	Union Bank of India
Bank of America	Credit Lyonnais Bank
Standard Chartered Bank	HDFC Bank
UTI Bank	

Directors' Report



Launch of Alto

The Directors have pleasure in presenting the 20th Annual Report together with audited accounts of the company for the year ended 31st March, 2001.

Year of the Customer

At the start of the year, your company had declared 2000-01 as the Year of the Customer. It resolved to focus on total customer satisfaction and delight by constantly upgrading quality, reducing cost and providing the best value for money products and services.

Towards that end, the company widened the choice set for customers by introducing new products such as Alto LX and VX and Baleno Altura. It also offered upgraded versions of WagonR (Lxi, Vxi), Maruti 800 Standard and launched the CNG-powered Omni.

Besides, the quality of products improved sharply across existing models. Customers rated Esteem as the best entry mid size car in the Initial Quality Survey conducted by J D Power Asia Pacific Inc. Three of the top seven models were Maruti brands with the Zen improving 50 per cent and Maruti 800 by 28.75 per cent over last year.

Strong customer endorsement came through also in the J D Power Survey on Customer Satisfaction where your company was ranked first. J D Power noted that this was the only instance anywhere in the world of a market leader being ranked number one in customer satisfaction as well.

In the major initiatives that the company undertook during the year, whether it was new people practices, finalising plans for new businesses, leveraging Information Technology or introducing an array of car accessories, the underlying theme always was "customer delight".



Financial Performance

Your company ended the year with a net loss of Rs. 2,694 million, against the previous year's profit of Rs. 3,301 million. Turnover was Rs. 89,287 million (Rs. 93,151 million in 1999-2000). Total income touched Rs. 92,533 million (Rs. 96,725 million in 1999-2000).

The company made an operating profit of Rs. 931 million (previous year Rs. 6,645 million). This was the first time that the company ended a year with a net loss. Some of the reasons were:

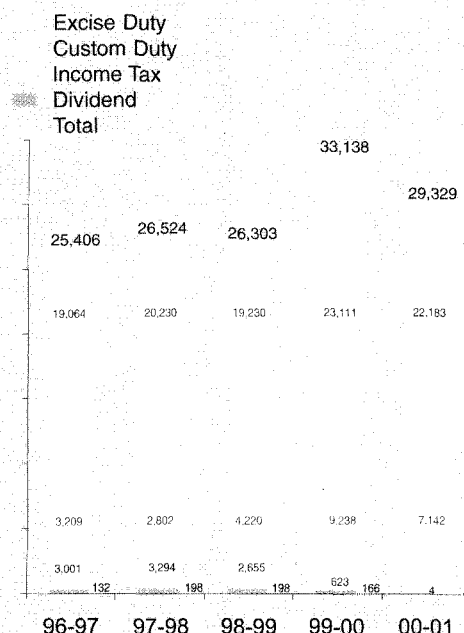
- Sales volume was lower as the domestic car industry suffered a fall in demand owing to an overall depressed sentiment in the economy.
- Intense competition in a dull market forced all car manufacturers, including your company, to resort to strategic pricing and incur losses. As such, your company had to absorb a major portion of the cost incurred to upgrade its engines and meet the new emission norms.
- The introduction of uniform sales tax in May 2000, which increased incidence of tax by upto eight percentage points in key markets, forced the company to lower prices of its price-sensitive entry level models in end June.
- The launch of three new models (five since December 1999), with a relatively high import content, affected the bottomline in a year when the rupee turned weak.
- The burden of depreciation and interest on investments of over Rs. 20,000 million undertaken in the past three years, contributed to the loss.

Market Leadership

The year under review was a difficult one for the Indian passenger car industry. After a booming 60 per cent growth in 1999-2000, the industry witnessed a 7 per cent fall in sales in 2000-01. It was down to 5.69 lakh units. The overall automobile market, comprising of passenger cars and utility vehicles, witnessed a drop of 2% to reach a total market size of 6.90 lakh.

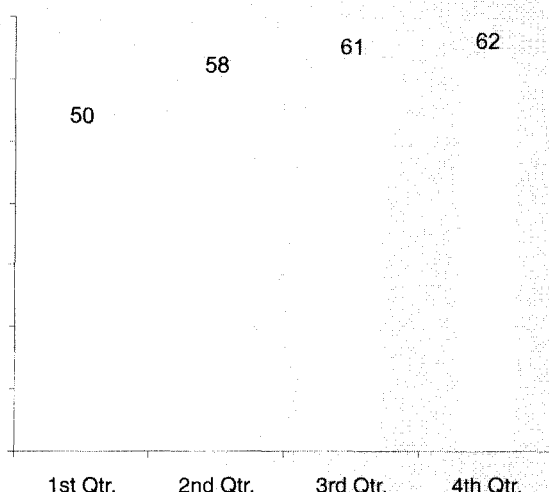
This was in keeping with the overall depressed sentiment in the domestic economy. Throughout the year, there was a lack of "feel

Contribution to Central Exchequer
(Rs. in Million)



The Maruti Range

**Growing Market Share
During 2000-01 (in %)**



good” factor in the market, which resulted in subdued demand for automobiles. In the latter part of the year, the co-operative bank crisis, bearish sentiments in the stock markets, Gujarat earthquake, etc. all contributed to the drop in demand for automobiles.

Besides, the flurry of new models and the advancement of car purchase in anticipation of a sales tax hike had also boosted car sales in 1999-2000. As such, 2000-01 was a “cooling off” year.

Your company experienced a nearly 12 per cent fall in unit sales compared to 1999-2000 and ended the year 2000-01 with a sales volume of 3.35 lakh units in the domestic market. The decline was notable in the entry level models – Maruti 800 and Omni. But in the competitive B segment, comprising premium small cars, your company grew nearly 20 per cent on the strength of new models even as overall volumes in this segment were flat. The success of the company’s premium small cars contributed to recovering its marketshare from a low of 50 per cent in the first quarter to 62 per cent in the last quarter of the fiscal.

REPORT

In an overall depressed scenario, your company continued to lead the expansion of the domestic car market by penetrating deeper through new retail outlets. The number of dealers increased from 163 in the past year to 185 while sales outlets went up from 199 to 221 in 2000-01. The sales network now covers 135 cities.

Pride of India

Your company exported 15,300 vehicles at an FOB value of Rs. 2,069 million. Export of Zen vehicles complying with stringent emission norms of Europe started during the year. Zen exports (cumulative) crossed the milestone of 100,000 units.

Spares

Maruti customers have always drawn reassurance from the availability of quality spares at an affordable price through a nationwide network. During the year, the company undertook sales promotion and customer education activities to persuade more and more customers to choose company branded genuine parts over cheap and unreliable substitutes offered by the unorganised sector.



Globe Trotting

Sales of Maruti Genuine Parts (MGP) grew 18 per cent in an otherwise sluggish automobile market.

The success of the MGP is sought to be replicated by providing customers a whole range of branded, quality assured accessories designed to suit Maruti models. During the year, the number of Maruti Genuine Accessories (MGA) crossed 100. While providing Maruti car owners the option to customise their cars, MGA will also boost the company's revenue from non-manufacturing businesses.



Service

The effort to reach out to customers and also widen the car market was carried forward through service operations as well. The service network expanded with 52 new dealer workshops and 267 authorised service stations added during the year. With this, the company's service network, comprising 302 dealer workshops and 1381 authorised service stations, covered 695 cities and towns at the end of the year. The top position achieved by the company in the J D Power Customer Satisfaction Survey endorsed the quality of this massive network.

Your company also started an initiative to provide Express Highway service stations every 25-30 kilometres on prominent highways. During the year, 12 highways were covered.



On the Highway to Success

People Practices

Your company's commitment to delight the customer would remain unfulfilled without HR practices that encourage employees to continuously upgrade and innovate. In keeping with this, the company formulated a new incentive scheme for workers which, while retaining its focus on productivity, incorporated quality and cost consciousness as performance parameters.

This led to an unfortunate industrial relations problem from October 12, 2000 to January 8, 2001 at the end of which the workers' union accepted the incentive scheme, gave an undertaking on behalf of the workmen in adhering to the disciplinary norms of the company and agreed in extending full co-operation in improving production and the competitiveness of the company. After the first few days of



Quality - Our Top Priority

agitation, the company was able to restore production to normal with the help of supervisors, managers and a section of workers.

Your company also introduced new HR practices for managers, including linking manager compensation entirely to performance, a rigorous appraisal system and reshuffle of manager portfolios. Together with noted consultant M B Athreya, the company devised a Performance Management and Development System that evaluates employee performance through an interactive process of goal setting and review. While improving competency level and retaining talent, these measures will groom leadership for the future, effectively align the objectives of the individual with those of the organisation and equip your company better for the competitive marketplace.

Corporate Citizen

The Institute of Driving Training and Research (IDTR) in New Delhi, taken over by Maruti late last fiscal, is making immense contribution to safe driving in the Capital. Owing to its rigorous systems and practices, the city government relied increasingly on IDTR to train, test and certify drivers.

The company continued to promote safe and responsible behaviour on roads through traffic interceptors, safe driving booklets for licence seekers and traffic updates on radio.

In its continuing commitment to the environment, your company launched a programme on Greening the Supply Chain management to help suppliers and dealers to ensure environment-friendly methods for operations.

The company's employees, dealers and vendors came together to support victims of the Gujarat earthquake.

Information Technology

Your company has accorded importance to IT from inception, and that paid dividends in 2000-01. IT was leveraged for a whole range of activities, including:



- Scaling up of the dealer extranet facility enabling them to send orders in real time
- Introduction of vendor extranet for transactions and information exchange
- Delivery Instruction system for better inventory management
- Customer call centre, starting with a pilot in New Delhi and Gurgaon, to interact with customers on products and services through a toll free telephone
- Introduction of CRM-oriented web sites of the company and dealership network
- Systematic compilation of customer information

New Business Initiatives

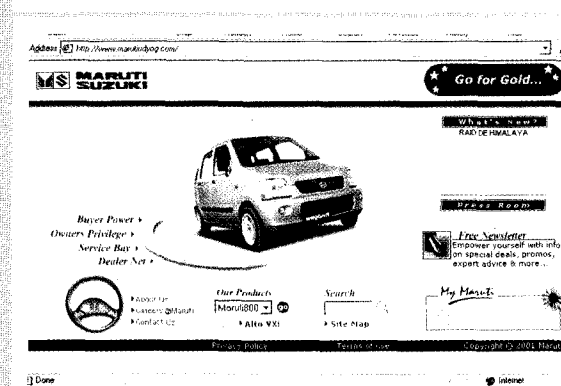
Your company has identified business opportunity in auto-related service areas. While generating revenue and profits for the company, these businesses will enhance customer experience.

Following a global benchmark exercise, your company drew up business plans for entry into auto finance, auto insurance, corporate lease and fleet management and pre-owned cars. This initiative will leverage certain existing advantages built by the company such as a large customer base, a network of dealerships linked through IT, a massive service network, brand equity and expertise in engineering and service.

Outlook for 2001-02

As customer choice and expectations in the domestic market mount, and rival companies plan fresh product launches from their global portfolios, competitive pressures will intensify in the near future. As such, your company is taking a close look at cost and efficiency parameters as also product development.

The net loss, though contributed by macro factors like a weak rupee, has created a conducive atmosphere for hard decisions within the company, such as introduction of new HR practices. The company is on the verge of a major increase in productivity through innovative production practices and stringent quality control.



The Maruti Website



Versa - India's First MPV