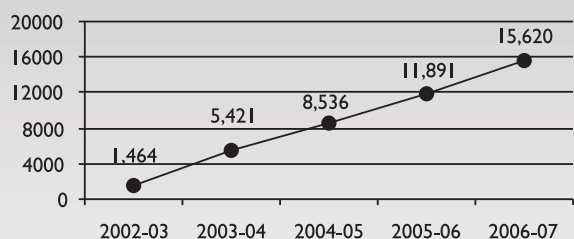
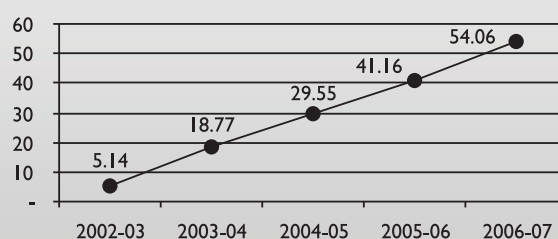


FINANCIAL HIGHLIGHTS

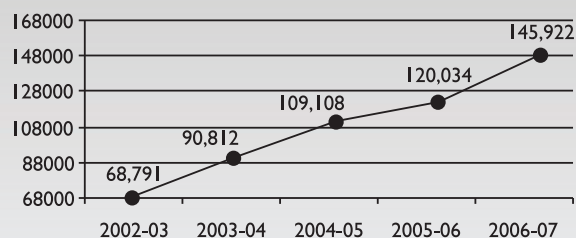
Profit After Tax (Rs. in Millions)



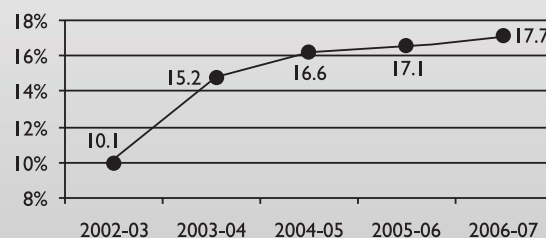
Earning Per Share (Rs.)



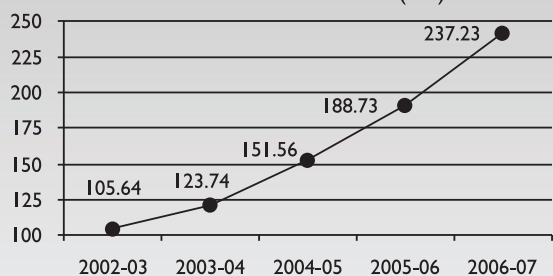
Net Sales (Rs. in Millions)



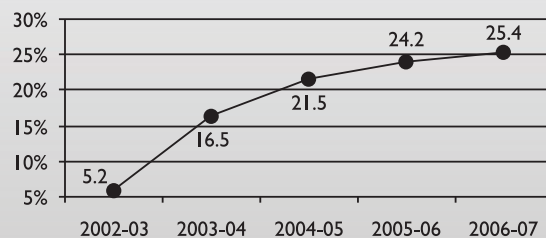
EBIDTA Margin (%)



Book Value Per Share (Rs.)



Return on Average Equity (%)



MARUTI UDYOG LIMITED

Board of Directors

Mr. Shinzo Nakanishi	Chairman
Mr. Jagdish Khattar	Managing Director & CEO
Mr. Tsuneo Kobayashi	Senior Joint Managing Director
Mr. Hirofumi Nagao	Joint Managing Director
Mr. Shuji Oishi	Director (Marketing & Sales)
Mr. Masayuki Osada	Director (Research & Development)
Mr. O. Suzuki	Director
Mr. R.C. Bhargava	Director
Mr. Amal Ganguli	Director
Mr. D.S. Brar	Director
Mr. Manvinder Singh Banga	Director
Mrs. Pallavi Shroff	Director

Board Committees

Audit Committee

Mr. Amal Ganguli	Chairman
Mr. Shinzo Nakanishi	Member
Mrs. Pallavi Shroff	Member
Mr. D.S. Brar	Member

Shareholders'/Investors' Grievance Committee

Mr. Shinzo Nakanishi	Chairman
Mr. Jagdish Khattar	Member
Mr. Hirofumi Nagao	Member
Mr. R.C. Bhargava	Member
Mr. D.S. Brar	Member

Company Secretary & Chief Legal Officer

Mr. Anil Rustgi

Auditors

Price Waterhouse,
Chartered Accountants

Registered Office

11th Floor, Jeevan Prakash Building,
25, Kasturba Gandhi Marg,
New Delhi 110001

Registrar and Transfer Agent

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vittalrao Nagar, Madhapur,
Hyderabad 500081, Andhra Pradesh

MANAGING DIRECTOR'S STATEMENT

Dear Shareholder

The past year, 2006-07, has undoubtedly been the best in the history of the



Company.

Whether in terms of sales, financial performance, launch of new models, customer satisfaction ratings or awards and accolades, we were able to better our performance significantly.

These achievements are obviously not the result

of a single year's work. I believe it is a series of initiatives and efforts by our people and partners over the past few years that have culminated in the all-round success of the Company last year. While outlining some of these initiatives, I also propose to share with you a set of new challenges facing us in the medium term.

Maruti's progress during this decade, in many ways, encapsulates the turnaround and growth story of corporate India.

Changing with India

At the start of the decade (2000-01) the Company had made a loss of Rs. 2.69 billion on a Sales Turnover (net of excise) of Rs. 67.17 billion. Since then, it has consistently been on an uptrend and last year, the Company finished with a Sales Turnover (net of excise) of Rs. 145.92 billion, with a Net Profit of Rs. 15.62 billion.

The number of car models offered by the Company today is more than double, compared to our product portfolio at the turn of the decade. While new models like Alto, WagonR, Zen Estilo and Swift account for the bulk of sales, refreshed versions of our older models like Maruti 800, Omni and Esteem continue to

contribute almost 25 per cent of sales by volume.

Growth has come also from widening and deepening our reach across India. The number of our sales outlets has nearly doubled in four years. Sales manpower at dealerships has gone up four times. Alongside this has grown our network in pre-owned cars, more than five times in four years, and is now larger than the new car network of most of our competitors.

In all this, we have not confined ourselves to how much of the market we can corner each year. Rather, our approach has been to be alive to the total opportunity available, and try and maximize our share of it.

In addition to expanding infrastructure, we have in place several enablers that I believe have powered our growth in recent years. Our dealers are in robust financial health, thanks to our allied businesses such as Maruti Insurance, Maruti Finance, Maruti TrueValue and Maruti Genuine Accessories.

Dealer viability is critical in this business as it is the dealership that interfaces with the customer and invests in sales and service infrastructure. We now have a unique dealer business model with multiple revenue streams, enabling the dealer to fight in the market and enable us to maintain our leadership.

We have now stabilized our TrueValue operations. Sale of pre owned cars by our TrueValue network has touched 10,000 units a month. More than 90 per cent of these result in the sale of a new car in exchange.

Another key enabler has been our ability to attract more and more customers back to our service network for maintenance and repair of their vehicles. More than 80 per cent of customers return to us now for service, against a little over 50 per cent a few years ago.

Along with Maruti Insurance and Extended Warranty,

this serves as a major revenue stream and further de-risks the business. It also gives us opportunity to interact with the customer on a sustained basis and retain him in our fold.

There has also been a significant improvement in service levels at our network over the past few years. The availability of all automobile-related services --- from learning to drive a car at a Maruti Driving School to exchanging the existing car for a new one --- in a convenient and transparent manner has contributed to customer satisfaction.

Further, customers have rated Maruti first in Customer Satisfaction for seven years in a row in surveys conducted by J D Power Asia Pacific. In the Sales Satisfaction Survey, we have been rated first for three years in a row, going against the conventional notion that market leaders have more customers to service and hence cannot top customer satisfaction ratings.

The achievements in the market place have been supported by improved productivity and quality on the shop floor. In one 3-year period (2002-05) we were able to improve shop floor productivity by 46 per cent and bring down cost by nearly 30 per cent.

As a result, at our Gurgaon facilities, where installed capacity is 350,000 cars per year, we were able to make nearly 650,000 cars last year. Many of these good practices have been transferred to key suppliers, which has improved productivity and reduced cost across the value chain.

Besides, costs have come down owing to consolidation of suppliers. Improved productivity, economies of scale, focused Value Analysis and Value Engineering efforts, leaner operations and tight inventory control have contributed to lower costs at our suppliers' end.

The net impact of all these efforts in operations is that many of our models like Alto, Esteem and Maruti 800 cost less today, even in nominal terms, than they did in 2001-02. While being superior in terms of Bharat Stage III technology and more features, they cost less now providing a strong competitive edge to Maruti.

Cars for a new India

In the recent past, Maruti has increasingly been recognized for offering cars with contemporary style and design, with the latest features and technology, and at prices far more aggressive than competitors. This shift in image began with the Swift (Petrol) in 2005, and a new profile of customers who had earlier migrated to competition owing to our conventional design, returned to Maruti.

This trend was reinforced by the Zen Estilo, new WagonR, Swift Diesel and lately, SX4 and Grand Vitara. I believe that while retaining its traditional values of low cost of ownership, reliability and performance, Maruti has been able to change its image to appeal to the rapidly growing segment of young Indian customers.

Credit for this goes, in large part, to the new design philosophy at Suzuki Motor Corporation whereby new models are increasingly inspired by contemporary European design and hence more bold and aggressive.

But this is also an outcome of the growing R & D capability within Maruti. More than 80 Maruti engineers have trained at various R & D projects for between six months to two years at Suzuki, Japan. The fresh new look imparted to models like WagonR, Alto, Maruti800, Omni and Esteem is entirely the creation of these engineers. They demonstrated their capability while collaborating with Suzuki engineers in designing and developing the Swift.

That we have been able to offer these new, feature-packed models at very attractive prices is the result of cohesive effort along the value chain.

For each of these models, we have started with an aggressive market price in mind, and then worked it backwards to arrive at target costs for different components, equipment and for manufacturing operations. Growing design capability in the area of cars, components and dies, both within the Company and among suppliers, has fostered this "target cost" approach.

Maruti's Third Phase

I see Maruti's journey so far in two phases. The first phase, when we were a dominant player with nearly 80 per cent market share and long customer wait lists, ended in the late 1990s with the entry of global players.

The second phase, in my view, has been about improving efficiencies in the value chain, launching new models, enhancing customer service and expanding reach – the kind of initiatives I have outlined above. This phase, which began sometime in the year 2000, is now drawing to an end.

I believe Maruti is entering the third phase of its journey. The macro economic and industry-specific trends will both present new challenges and opportunities.

The macro economic environment will continue to transform, marked by rapid growth, higher purchasing power, greater integration of India with the global economy and rising customer expectations.

At the same time, this phase will be characterized by more intense competition, notably in the compact car segment. Last year, after the Government articulated its vision to make India a global manufacturing hub for small cars and reduced excise duty on them, I had suggested then that this would encourage many new players to enter the small car segment over the next 18-24 months. We can already see this happen. Many global players are developing small cars for India.

I foresee that in the next 3-4 years, India would be in a position to export nearly one million compact cars, almost the same number of units as the total domestic car market in 2006-07. The critical factor will be infrastructure to support this export effort. I hope that it would have developed adequately by then.

Like the rest of corporate India, we currently face the challenge of retaining and motivating employees in the wake of exploding opportunities. People quality and motivation will become even more critical with

competition, and retaining them that much more challenging.

Many of our new models have been launched at high levels of localization. While this has enabled us to price them aggressively at launch, it also means that opportunities for reducing cost in the future are limited.

Besides, as in any fiercely competitive market, we will have to shrink the cycle time in introducing new models and upgrades. We will need to respond faster to changing customer demands. Infrastructure and capability will have to expand at a breath taking pace.

Suzuki and Maruti's 5-year investment plan of Rs. 90 billion up to 2010, our entry into the diesel segment, several new model launches, a new engine series and rapid expansion of sales and service network are all in preparation for Maruti's third phase. Besides, our efforts in the field to come closer to customers and meet all their car-related needs will reinforce the trust in Brand Maruti.

The new set of challenges presented by the next phase will have to be matched with fresh thinking and new approaches. We have to look for new, better and faster ways to work so we are able to cope with scale and growth. We need to nurture certain competencies that may not have been critical in the past, but will be decisive in the new phase. While Maruti has kept focus on the customer, the future may compel us to reinvent ourselves to keep pace with her changing expectations. We will have to build on the success of the past, and yet be careful not to be imprisoned by it.



Jagdish Khattar
Managing Director & CEO

Your Directors have pleasure in presenting the 26th Annual Report of your Company, together with the Audited Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

Maruti's performance during the year as compared with that during the previous year is summarised below:

	Figures in Rs. million	
	2006-07	2005-06
Gross Total Income	178,043	151,823
Profit before Tax	22,798	17,500
Provision for taxation		
(Incl. Prev. Year)	7,178	5,609
Profit after Tax	15,620	11,891
Balance brought forward	43,939	34,421
MSAIL (Maruti Suzuki Automobiles India Limited) Loss: Adjusted On Amalgamation & Transition		
Adjustment for Employee Benefit	88	0
Profit available for appropriation	59,471	46,312
Appropriations:		
Debenture Redemption Reserve	17	31
General Reserve	1,562	1,189
Proposed Dividend	1,300	1,011
Corporate Dividend tax	219	142
Balance carried forward to Balance Sheet	56,373	43,939

FINANCIAL HIGHLIGHTS

The gross revenue (net of excise) of Maruti for the year was Rs.152,523 million as against Rs.124,814 million in the previous year showing an impressive growth of 22.2%. Profit before tax (PBT) stood at Rs.22,798 million against Rs.17,500 million in the previous year recording a jump of 30.3%. Profit after tax (PAT) of Rs.15,620 million showed a growth of 31.4% over the previous year figure of Rs.11,891 million.

DIVIDEND

The Board recommends a dividend of 90% (i.e. Rs. 4.50 per equity share of Rs.5 each) for the year ended 31st

DIRECTORS' REPORT

March 2007 amounting to Rs.1,300 million as against a dividend of 70% amounting to Rs.1,011 million, paid for the year ended 31st March 2006.

HIGHLIGHTS OF OPERATIONS

(A) Vehicle Business

(i) Domestic

For the year 2006-07, Maruti achieved its highest ever sale of 6,35,629 vehicles in passenger cars category (including MPV) and grew by 21% over 2005-06, whereas the passenger car industry growth was 22.2%. In 2006-07, Maruti achieved a market share of 54.6% (including MPV) as compared to 55.1% in 2005-06.

Maruti further strengthened its leadership position in highly competitive A2 segment with the launch of three new models - the Zen Estilo, the Swift Diesel and the new WagonR with major changes in the front, rear and the interiors. Maruti also launched WagonR Duo, with an approved factory fitted LPG kit. All these models received overwhelming response from the customers. In 2006-07, Maruti retained a market share of 58.5% in A2 segment with a growth of 31.4 % over 2005-06.

Maruti achieved 15% market share in A3 segment. In order to reinforce its presence in the A3 segment and enhance its leadership, Maruti launched SX4 sedan in May'07. SX4 is built on a brand new platform and powered by the global high tech M-series engine.

In the MUV segment, Maruti launched the new Grand Vitara - a stylish, muscular, 5-seater SUV in July'07.

Detailed discussion on segment wise business performance is presented in the Management Discussion and Analysis Report.

(ii) Exports

In 2006-07, Maruti exported 39,295 vehicles to 45 countries. The top 5 export markets were Sri Lanka with 9,269 units, Algeria with 8,651 units, Chile with 6,216 units, Egypt with 2,814 units and Saudi Arabia with 2,072 units. Maruti registered a growth of 65% over previous year in non-European markets, and its cumulative exports stood at 454,492 vehicles as on March 2007. New markets developed were Indonesia and Philippines and Maruti recommenced exports to Angola, Caribbean Islands, Jordan, Lebanon, Panama, Peru, Uruguay, West African countries and Yemen. Maruti invited 157 delegates from 24 countries for showcasing its strengths and leadership position in India. Maruti organised their visits to the factory, dealer showrooms, service centers and formal seminars by Sales and Marketing division to share Maruti's unique initiatives in the Indian market for mutual benefit. Maruti's principle of identifying and reaching out to potential customers through a focused approach was well taken and appreciated by its overseas distributors.

(B) Spares and Accessories Business

Sales of Spare Parts and Accessories business continued to show a healthy growth in 2006-07. The major challenge during the year was to ensure comprehensive and timely supplies of spare parts for approximately 5000 flood affected Maruti Cars in Surat (Gujarat). This helped in Maruti being the first among all the car manufacturers of the country to have

repaired all the flood affected cars that reported at its workshops. The range of Maruti Genuine Accessories also increased substantially resulting in approximately 35% growth in the business.

NETWORK

The record sales performance was effected through Maruti's vast dealership network. The new car sales network grew from 375 outlets to 500 during the year. These outlets covered 312 cities across the country.

In addition to this, there are 223 Maruti True Value outlets spread across 148 cities, which are engaged in the sale, purchase and exchange of pre-owned cars. Maruti True Value is the largest organised pre-owned car sales network in India.

The service network had a total of 2445 service outlets, covering 1172 cities.

EXPANSION OF MANUFACTURING FACILITIES

New Car Manufacturing Plant

Your Company's new car manufacturing plant at Manesar started

commercial production during the year. The plant was set up under a subsidiary company, Maruti Suzuki Automobiles India Ltd. (MSAIL),

which was, during the year, amalgamated with your Company under the order of Hon'ble High Court of Delhi dated 10th October 2006. The said order was subsequently registered with





b) Maruti Insurance Distribution Services Limited.

The company is engaged in the business of selling

insurance policies to Maruti car owners in a tie-up with Bajaj Allianz General Insurance Company Ltd. The company recorded total revenue of Rs. 106.29 million, profit before tax of Rs. 32.56 million and profit after tax of Rs. 21.96 million.

c) True Value Solutions Limited.

The company has contributed towards smooth operation of business processes at Maruti True Value outlets and supported the dealerships in enhancing the sale of certified pre-owned cars under the brand Maruti True Value. It has earned an income of Rs. 21.15 million with an expenditure of Rs. 17.50 million and profit before tax of Rs. 3.65 million in the financial year 2006-07. The Board hopes to continue its high standards of service in increasing the network in the financial year 2007-08.

d) Maruti Insurance Agency Solutions Limited.

The Company has recorded a total revenue of Rs. 107.47 million, profit before tax of Rs. 32.25 million and profit after tax of Rs. 21.35 million.

e) Maruti Insurance Agency Network Limited.

The company has recorded a total revenue of Rs. 162.68 million, profit before tax of Rs. 48.82 million and profit after tax of Rs. 32.32 million.

f) Maruti Insurance Agency Services Limited.

The company was incorporated on 17th July 2006. The company shall play an intermediate role under

the Registrar of Companies on 13th November 2006.

New Engine and Transmission Facility

The project was implemented in the existing joint venture company viz Suzuki Powertrain India Limited. The Commercial production was also started during the year.

SERVICE BUSINESSES

Detailed discussion on Company's service businesses such as Maruti True Value, Maruti Finance and Maruti Insurance is presented in the Management Discussion and Analysis Report.

SUBSIDIARY COMPANIES

A brief note on the profile of the subsidiary companies and their financial performance for 2006-07 is provided below:

a) Maruti Insurance Business Agency Limited. (previously Maruti Insurance Brokers Limited).

The name of the company was changed from Maruti Insurance Brokers Limited to Maruti Insurance Business Agency Limited. The company is engaged in the business of selling insurance policies to Maruti car owners in a tie-up with National Insurance Company Ltd. The company recorded total revenue of Rs. 569.24 million, profit before tax of Rs. 162.25 million and profit after tax of Rs. 109.01 million.

changed environment of de-tariffed scenario.

The above companies shall continue to focus on customer retention and enhancing volume through renewals. Along with enhancing volumes, the endeavour to improve the service levels to dealers and customers through a process driven approach and effective use of information technology systems will also continue.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a responsible corporate citizen, Maruti is well aware of its social commitments and believes in partnerships



for pursuing activities related to Corporate Social Responsibility. During the year, Maruti undertook various activities in the field of Institutes of Driving Training and Research (IDTR), Industrial Training Institutes (ITIs), Maruti Driving Schools, Traffic Management in Gurgaon, Children's Park, Truck Drivers Education Centre, Donation of Omni Ambulance to Senior Superintendent of Police (SSP), Gurgaon etc. Detailed discussion on these initiatives is presented in the Management Discussion and Analysis Report.

DIRECTORS

As per Articles of Association of the Company and

relevant provisions of the Companies Act, 1956, Mr R C Bhargava, Mrs Pallavi Shroff and Mr Shuji Oishi are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. During the year, Mr. Tsuneo Kobayashi was elevated as Senior Joint Managing Director with effect from 13th November 2006.

Pursuant to the promotion and transfer to Suzuki Motor Corporation, Japan, Mr Shinichi Takeuchi has resigned with effect from close of hours of 26th May 2007, from the post of Director and Joint Managing Director. The Board records its appreciation for the invaluable contribution made by him during his tenure. Mr Masayuki Osada was appointed as Director and whole-time Director designated as Director (Research & Development) w.e.f. 26th July 2007 to fill the casual vacancy caused by the resignation of Mr Takeuchi.

All the above appointments/re-appointments are subject to the approval of the members in the ensuing Annual General Meeting. The brief resume/details relating to Directors who are to be appointed/re-appointed as stipulated under Listing Agreement executed with the stock exchanges are furnished in the explanatory statement of the notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm having:

