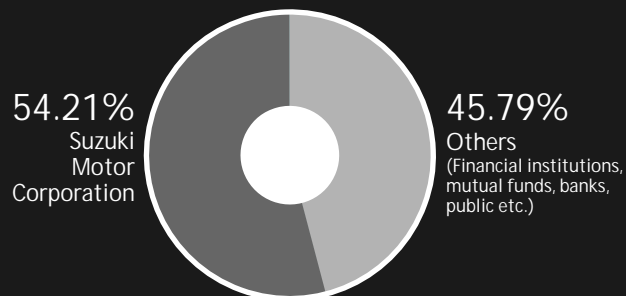


## Company at a Glance

### EQUITY STRUCTURE



Maruti Suzuki India Limited (formerly Maruti Udyog Limited), a subsidiary of Suzuki Motor Corporation of Japan, is India's largest passenger car company, accounting for over 50% of the domestic car market.

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From its very inception, Maruti Suzuki has brought to India, a simple yet powerful Japanese philosophy – smaller, fewer, lighter and more beautiful.

The benefits of product quality, safety and cost consciousness have been fused and filliped in order to present the Indian populace with cars high on the style and design quotient. The extreme relevance of our brands in the Indian car arena, in beat with the lifestyles and desires of our changing nation has made us the market favourites, for over two decades. Gaining ground from strength to strength, we are inspired now more than ever, to push boundaries and conquer new horizons.



**7,000,000**

Cars produced and sold cumulatively

**711,818**

Our domestic car sales for 2007-08.

**53,024**

Our car exports for 2007-08.

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**INR 17,308 Mn**

Recorded Profit after Tax in 2007-08.



**MARUTI  
SUZUKI**

**INR 188,238 Mn**

Total income in 2007-08.

**600**

The number of Maruti Suzuki sales outlets in 393 towns and cities.

**2,628**

The number of workshops that provide customers with maintenance support in 1220 cities.

**7,090**

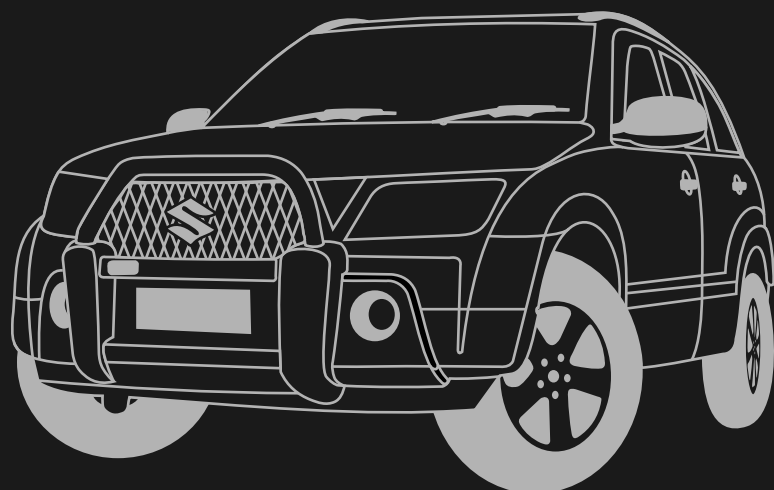
Our employee strength (March 2008).

## Chairman's Message

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Mr. R. C. Bhargava  
Chairman



"One of Maruti's great strengths is that we have internal resources to finance both R&D expansion as well as capital investments. The higher interest rates, and the risk of making large borrowings to finance capital costs, will not affect us."

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Maruti Suzuki is now very much on the global map, recently being rated as the fourth most reputed automobile company in the world. This has happened because of the contribution of all the stake holders of Maruti.

Dear Shareholder,

It gives me great pleasure to reach you through this Annual Report. My association with Maruti goes back 27 years, with a break of only a few years when I was not directly connected with the Company.

Suzuki Motor Corporation has been a pillar of strength and has unstintingly supported the Company ever since we signed the Joint Venture and License Agreements on 2<sup>nd</sup> October 1982. The Government of India recognized this and awarded Chairman O. Suzuki with the Padma Bhushan. The role of the Government in the growth of Maruti was no less important. A partnership flourishes only when both partners add value. The Government also showed great

wisdom and foresight by gradually diluting its shareholding in the Company and listing Maruti on the stock exchange. This has created conditions for the Company to compete on equal terms with the best in the world.

The employees of Maruti, whether they are technicians, engineers or sales persons, have fully imbibed the Japanese work culture of making constant improvements, and placing the prosperity of the Company as the means of their own advancement. I believe there are very few companies in India where this kind of employee involvement, commitment and performance can be found. This should be a source of great comfort to you, because it assures the future success of the Company.

"The employees of Maruti, whether they are technicians, engineers or sales persons, have fully imbibed the Japanese work culture of making constant improvement, and placing the prosperity of the Company as the means of their own advancement."

The Indian automobile component industry has come of age. We now have some world class manufacturers in India and Indian companies are acquiring manufacturing companies abroad. The growth of the Indian automobile industry and of Maruti has been possible because of the support from our suppliers. We look forward to all of them growing with us.

Maruti Suzuki dealers of cars and spare parts are our interface with customers. It is through their efforts that Maruti remains by far the biggest car company in India, with a market share of 54%. I am sure that they will continue to do all that is required to maintain the leadership position of the Company.



## REPORT

The authorised service stations of Maruti should not be forgotten. They are spread all over India and give huge comfort to owners of Maruti vehicles because of the assurance of service support, whenever and where ever needed.

"Maruti is working at developing vehicles which will use cheaper alternative fuels like CNG. The R&D effort will also have to enable our vehicles to meet the new emission and safety regulations, which are to come into force in 2010."

The Indian economy has grown at a compound rate of about 9% annually for the last 4 years. The automobile industry has correspondingly grown rapidly. This year, there are concerns about a slow down. The sub prime crisis in the USA, accompanied by the huge rise in crude oil prices have triggered inflationary pressures in most parts of the world, particularly the developing countries. Interest rates have gone up, and money supply is being tightened by the Central Banks. The general expectation is that industrial growth, including the sale of automobiles, will be adversely affected. So far, during the first three months of this year, the Company has done quite well recording a sale of 180,093 vehicles in the domestic market - a growth rate of 12%. The Company will continue to make all efforts to maintain a reasonable rate of growth.

Personally, I expect the GDP growth to still exceed 8% this year and, because of the excellent models which the Company has launched, to continue to do well.



Maruti Suzuki started exports in the late eighties and has since then exported cars to more than a hundred countries of the world. This year, it will re-enter the European market with a highly fuel efficient and environment friendly compact car. This car will also be sold in India and other global markets.

The car market in India is growing increasingly competitive. This is not surprising, as global manufacturers are bound to come where they see a growing market. Maruti has a strategy for the future. With Suzuki's support, an ambitious plan of building R&D capabilities has been launched. The intention is that we should be able to design small cars in India, which are best suited for the Indian market.

I do believe that with the rising price of petrol and diesel, the market for smaller cars will grow faster. This trend is already visible in the world. Maruti is working at developing vehicles which will use cheaper

alternative fuels like the CNG. The R&D effort will also have to enable our vehicles to meet the new emission and safety regulations which are to come into force in 2010.

At the same time, Suzuki's unmatched expertise will continue to help us expand and modernize our manufacturing facilities. This is essential to meet competition. One of Maruti's great strengths is that we have internal resources to finance both R&D expansion as well as capital investments. The higher interest rates, and the risk of making large borrowings to finance capital costs, will not affect us. Being somewhat conservative in financial matters does have its advantages.

The Company recognises that its real strength is its employees. All efforts will continue to keep them motivated and happy.

Long term sustained growth of a Company requires that not only

should all stake holder interests be well protected, but the environmental impact of operations recognized and properly safeguarded. This is very much a part of the Company's corporate social responsibility approach.

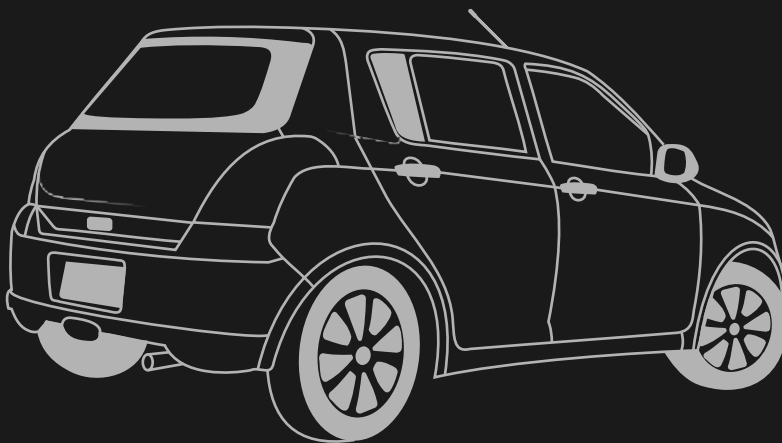
I thank you for the confidence and trust you have placed in the Company.

With best wishes and warm regards,

R. C. Bhargava  
Chairman



## Interview with Mr. S. Nakanishi, Managing Director & CEO



Report Junction.com

I am pleasantly struck by what I have found here: high quality people, with an amazing ability to work in a team, supported by sound systems and processes.

Dear Shareholder,

You will be happy to know that Maruti Suzuki achieved its highest ever sales, both in the domestic and export markets, during 2007-08. It was our best year also in terms of financial performance.

Our parent company, Suzuki Motor Corporation, achieved its medium term turnover target of 3.5 trillion Yen two years ahead of schedule. It has taken a more aggressive target in its revised medium term plan. New capacities have come up in Japan and in certain overseas operations.

We have enjoyed a 25-year relationship with customers in India, and we continue to be very positive about the future of this country. We are aware that there will be

challenges from time to time, especially if macro economic factors cease to be conducive over the next year or so. But we will use our strengths, such as successful new models, a wide and reputed network, acknowledged product quality and strong customer connect, to counter these challenges.

We have laid down a clear road map to achieve an annual sale of one million cars in the domestic market and 200,000 exports by 2010-11. In addition, the management team at Maruti Suzuki has identified specific initiatives to serve customers better and ensure our leadership in the future. We have shared our thoughts in detail in the following pages.

On a personal note, I am delighted to take the role of the Managing Director

at Maruti Suzuki. I was associated with the *Maruti Project*, before this company was set up 25 years ago. In all, I have been directly involved with Maruti Suzuki and India for over 17 years, and followed its fortunes closely as non executive Chairman since 2002.

Yet, I am pleasantly struck by what I have found here: high quality people, with an amazing ability to work in a team, supported by sound systems and processes. I believe, the credit for Maruti Suzuki's success should go to its people, led by my predecessor Mr. Jagdish Khattar. This, together with supportive dealers, suppliers and business partners, gives me the confidence that we will excel in diverse areas of our business and fulfill our *million promises*.

"My idea is: Let us start thinking at the next level. While strengthening our leadership in the Indian market, we have to see how we can enhance our global role and contribution in different areas."

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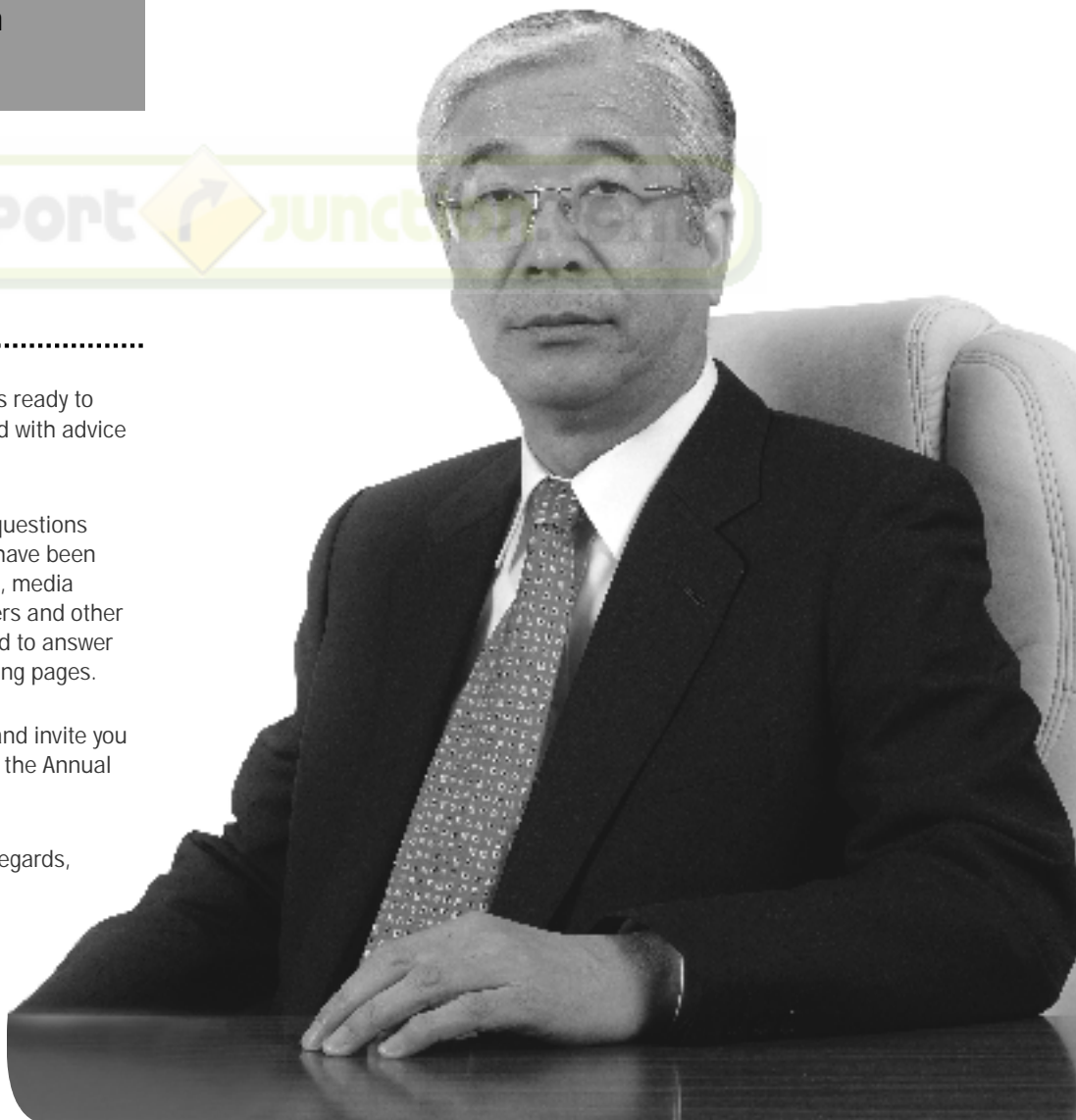
Our parent company is always ready to support us whenever required with advice as well as practical help.

I have identified certain key questions about Maruti Suzuki which I have been asked frequently by investors, media persons, our business partners and other well wishers. I have attempted to answer those questions in the following pages.

I thank you for your support and invite you to go through the contents of the Annual Report.

With best wishes and warm regards,

Shinzo Nakanishi





Q. You have said that Maruti Suzuki is ready to play a much bigger role in Suzuki's global operations. What did you have in mind?

A. It is quite simple. Maruti Suzuki has been the leader of the Indian car market for over two decades. By focusing on India alone, it has become a major contributor to Suzuki's global turnover and profit. My idea is: Let us start thinking at the next level. While strengthening our leadership in the Indian market, we have to see how we can enhance our global role and contribution in different areas. For example, quality and productivity have improved manifold in Maruti Suzuki in the last few years. Let us now channelise it to the next level, where we become the exclusive base to manufacture small cars for Europe. The A-Star model will become a reality. Similarly, Maruti Suzuki's R & D capability has evolved. Its contribution to global design projects has been recognised, first with the Swift and now the Concept A-Star. Let us do more.

Further, Maruti Suzuki has been rated first in customer satisfaction for eight years in a row. We are sharing our experience on this with Suzuki operations worldwide. The same applies to our dealer practices, supply chain, quality processes, information technology, parts operations and so on. In each of these, we have attained a certain standard and should look to contribute to global thinking. That will enhance our capability and enable us to serve Indian customers better. While Europe is important, we need not be confined to it. Suzuki operations in South Asia, South East Asia, the Middle East and Africa can also gain from the experience and expertise of Maruti Suzuki.

Q. The year 2007-08 has been the best for Maruti Suzuki in terms of domestic sales, exports and turnover. What do you see as the way forward?

A. Our target is to achieve annual sales of one million cars in the domestic market in 2010-11. We also want to export 200,000 cars annually by that time. We are preparing ourselves by expanding capacity to one million per annum, by October 2008. We will also encourage our suppliers and dealers to invest in new capacity. The number of our sales points will increase from about 600 now to 1,000 in three years. The workshop network will go up by 45% to service more cars on the road.

Maruti Suzuki will launch World Strategic Models like A-Star and Splash in India, so that Indian customers can continue to get global quality and design at the same time as customers in Europe and Japan. In addition, our growing inhouse capability in R & D will enable us to refresh models

and launch special editions to create excitement for the customer. Our programs to improve productivity and quality as well as reduce cost, have yielded excellent results in recent years, will continue in-house and at our suppliers.

Q. Why is Maruti Suzuki keeping out of the *ultra low cost car* or the so called *1-lakh car* segment?

A. Quite a few companies have indicated that they will launch cars well below Maruti 800. I commend their effort. But we have decided not to follow them, taking into account the trend of the Indian customer and Maruti Suzuki's specific position.

Let me explain. For over 20 years, millions of Indian people have bought Maruti Suzuki cars. Most of them, I believe, have been very happy with the overall experience and would like to continue their relationship with Maruti Suzuki. They are happy with the reliability of our cars, performance and fuel efficiency, our service support, the overall cost of ownership and so on. But these customers and their children would not like to buy the same cars from us now. Their incomes have grown. Their lifestyles have changed. They have exposure to global design, not just in cars but also in other products. Their expectations of service have gone up. Most of them would still want compact cars for practicality, but they would want these cars to be more stylish, loaded with features and superior engines and at least as reliable and fuel efficient as their earlier cars. We have decided to devote our resources and energy in meeting the needs of these customers and others like them who will upgrade from lower segment cars in the future.

Q. But competition will intensify in the compact and premium compact segment as well...

A. Yes, there are reports that more companies will enter the premium compact and entry sedan segment. While Maruti Suzuki enjoys a strong connect with the Indian customer, we are taking specific steps to strengthen our leadership over the next 5-10 years, as well. After investing in manufacturing facilities, we are now ready to invest in marketing infrastructure and brand building. We will set up display showrooms, more like brand centres, where customers can see the entire range of Maruti Suzuki models, experience our technology, and connect better with us. Similarly, we will invest in stockyards for cars and spares in different parts of the country so that customers' needs can be served faster and better. Over the next three to five years, we will also introduce next generation engines, which will be even more fuel efficient and environment friendly.

We will also expand our diesel programme. We are scaling up capability in R & D and setting up a centre that will be at par with Suzuki, Japan.

Q. Will you choose growth and market share over profitability?

A. I do not think such a trade-off between growth and profitability is essential. We are investing in new capacity and models. We would obviously like to grow our volumes. Will it necessarily mean sacrificing profits? Perhaps not. We have had several models in the last few years that continue to show strong sales growth. They have scored on account of their bold design, top-end features and attractive price, made possible by aggressive cost targets. At the same time, there are models in the Indian car market which, despite heavy discounts, are being shunned by customers. Both growth and profitability are important and can co-exist. If you were to look at Suzuki Motor Corporation's medium term plan, for instance, you would find targets for both volume as well as profitability.

Q. You also have an ambitious export plan for the future...

A. Yes, when we exported about 53,000 cars in 2007-08, that was the highest ever in our history. But we now want to take it to 200,000 cars annually by 2010-11. Our export effort will be led by Suzuki's fifth World Strategic Model, A-Star, which will be manufactured exclusively in Maruti Suzuki. It will be exported mainly to Europe, but also to other markets in the world. Maruti Suzuki has been exporting cars for more than a decade, and we find customers draw reassurance from the fact that cars manufactured by Maruti Suzuki have a place in the most demanding markets. Our immediate challenge is to create infrastructure to transport such a large number of cars and have forged partnerships for this.

Q. In your other role as director on the Board of Suzuki Motor Corporation, are you able to make any additional contribution to the growth of Maruti Suzuki?

A. Maruti Suzuki and India are obviously in focus at Suzuki headquarters. With or without me, there is a great deal of attention towards India and the interesting dynamics of customer behaviour here. Suzuki is ploughing back a large chunk of its profits from Maruti Suzuki, rather than repatriate them as dividend, which is a good indication of its positive outlook for India and Maruti.

Suzuki is well known for its technology strength, especially in mini and compact cars. In recent years, it has also evolved a new design philosophy

that is more bold and aggressive, as evident in cars like Swift and SX4. This new design philosophy has been appreciated in markets across the globe, including India. Suzuki's major contribution will continue to be in terms of providing a pipeline of new models. That is important. Unless a company has a range of models in any segment, it cannot be a serious player in that segment. Besides, together with us, Suzuki is building R & D capability within Maruti Suzuki. Suzuki's support in terms of superior manufacturing benchmarks and processes will, of course, continue. I am in a very good position to understand the capabilities, constraints and opportunities for mutual cooperation in both Suzuki and Maruti, and that should hopefully bring additional value to both companies.

Q. Finally, you have been associated with Maruti since before its inception. How does it feel to be now Managing Director?

A. I have been directly associated with Maruti Suzuki for 17 years in all, and India is almost second home. Maruti Suzuki has excellent people, and enjoys a close relationship with its partners including dealers and suppliers. These aspects are not easily visible to an outsider. Under the leadership of my predecessor, Mr. Jagdish Khattar, and with the support of Suzuki Motor Corporation, Maruti Suzuki has overcome difficult challenges over the last decade. That has made our people more confident, and also skilful and capable. I am struck by the quality of people and their ability to work as a team to deliver on promised objectives. The challenge is to not turn complacent and continue to strengthen the culture of improvement.

One of the important thing we have done is to create a clear second line of leadership which is in-charge of five critical verticals of the organisation. Each of these verticals is headed by two Managing Executive Officers, one of whom is generally a Director on the Board. These Managing Executive Officers will together lead the Company towards achieving the goals and targets we have set for ourselves. While I, as the MD & CEO remain accountable for the performance of the organisation, ownership and decision making is shared among more people. That is in tune with my personal style, and I believe it also brings benefits to the organisation.

