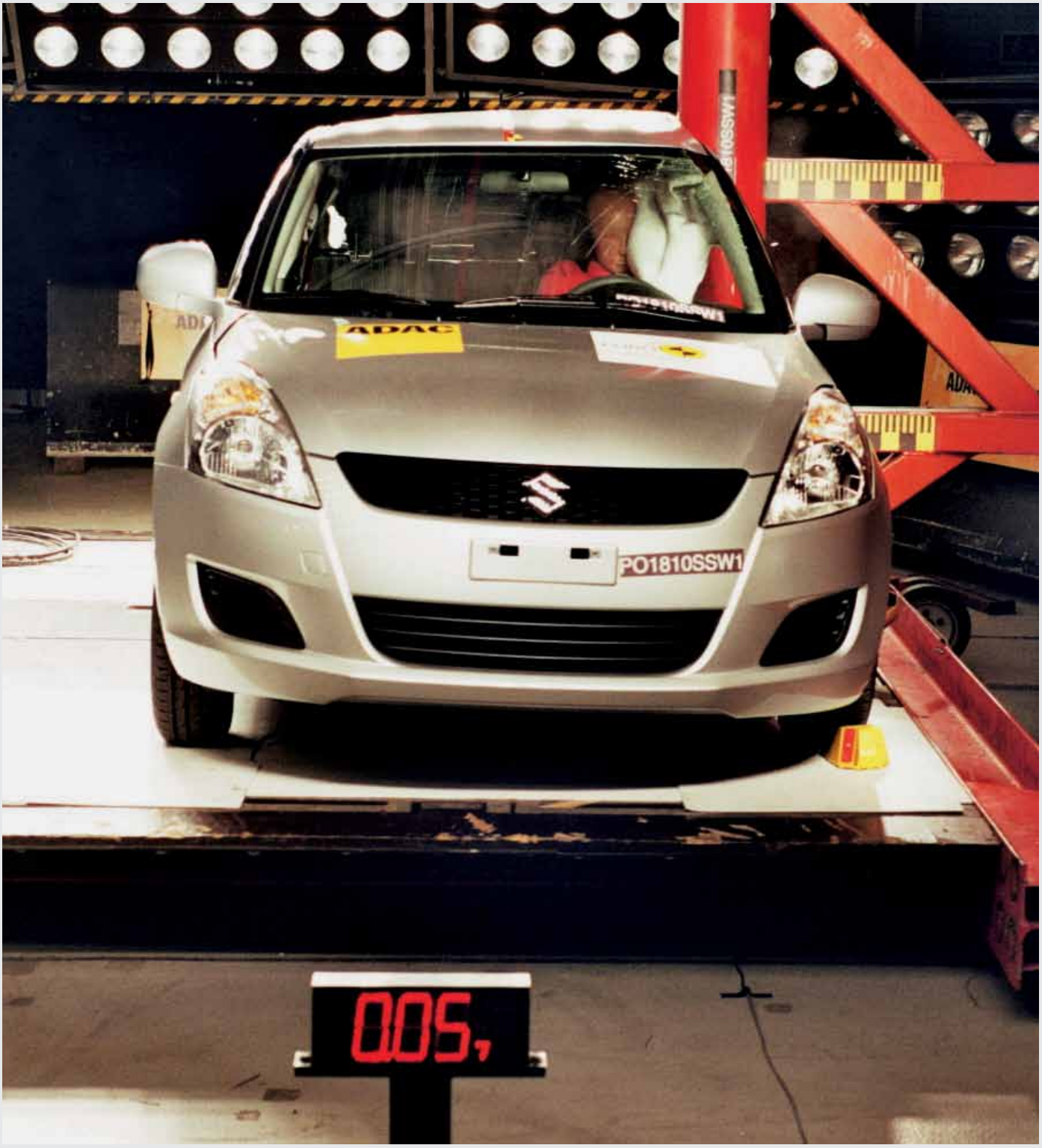


A Swift undergoing side pole crash test as part of the safety performance assessment.

Directors' Report

Your directors have pleasure in presenting the 30th annual report together with the audited accounts for the year ended 31st March 2011.

FINANCIAL RESULTS

The Company's performance during the year is summarised below:

(₹ in Million)

	2010-11	2009-10
Gross total income	375,224	301,232
Profit before tax	31,088	35,925
Tax expense	8,202	10,949
Profit after tax	22,886	24,976
Balance brought forward	100,499	80,042
Profit available for appropriation	123,385	105,018
Appropriations:		
General reserve	2,289	2,498
Proposed dividend	2,167	1,733
Corporate dividend tax	351	288
Balance carried forward to balance sheet	118,578	100,499

FINANCIAL HIGHLIGHTS

The gross revenue (net of excise) of the Company was ₹ 375,224 million as against ₹ 301,232 million in the previous year showing a growth of 24.6 per cent. Sale of vehicles in the domestic market increased to 1,132,739 units as compared to 870,790 units in the previous year showing a growth of 30.1 per cent. Total number of vehicles exported was 138,266 as compared to 147,575 last year.

Earnings before interest, depreciation, tax and amortisation (EBIDTA) was ₹ 41,467 million against ₹ 44,510 million in the previous year.

Profit before tax (PBT) was ₹ 31,088 million against ₹ 35,925 million in the previous year and profit after tax (PAT) stood at ₹ 22,886 million against ₹ 24,976 million in the previous year.

DIVIDEND

The board recommends a dividend of ₹ 7.50 per equity share of ₹ 5 each for the year ended 31st March 2011 amounting to ₹ 2,167 million.

CRISIL RATINGS

The Company has been awarded the highest financial credit rating of AAA/stable (long term) and P1+ (short term) on its bank facilities by CRISIL. The rating underscores the financial strength of the Company in terms of the highest safety with regard to timely fulfillment of its financial obligations.

QUALITY

The Company has again been awarded ISO:27001 certification by STQC Directorate (Standardisation, Testing and Quality Certificate), Ministry of Communications and Information Technology, Government of India after re-assessment. The Company is thus certified to meet international standards for maintaining information security.

The Company's plants at Gurgaon and Manesar are ISO:14001:2004 certified. During the year, AIB-Vincotte International Ltd, Brussels, Belgium conducted surveillance audit and recommended continuation of the certification.

The quality management system of the Company is certified against ISO 9001:2008 standard. Re-assessment of the quality systems are done at regular intervals by an accredited third party agency.

HIGHLIGHTS OF OPERATIONS

The operations during the year are exhaustively discussed in the report on 'Management Discussion and Analysis' which forms part of this annual report.

AWARDS/RECOGNITION HONOURED

+ Business Standard India's Company of the year 2011 award
+ Ranked amongst the top 10 most admired companies by Wall Street Journal
+ 11th time in a row, the Company ranked highest in JD Power Asia Pacific 2010 India Customer Service Index (CSI) study
+ Ranked highest in JD Power Sales Satisfaction Index (SSI)
+ NASSCOM and CNBC TV 18 IT user award
+ CII/ITC Significant Achievement in Sustainability Award
+ Mobile Marketing Association (MMA) Asia Pacific and the Global Awards for its digital campaign – 'Sports Sponsorship goes mobile'. The Company is the first advertiser from India to win this award
+ Ranked one in JD Power Initial Quality Study 2010 for its model - Dzire
+ CNBC-TV18 award 2011 for Manufacturer of the year
+ Autocar awards 2011
    - Compact car of the year 2011 –WagonR
    - Best variant of the year – Alto K10
+ Corporate campaign 'Kitna Deti Hai' rated amongst the best campaigns of the year 2010 by CNBC-TV18's program on advertising and marketing
+ JD Power Automotive Performance Execution and Layout (APEAL) study - 'Dzire' was winner three times in a row
+ Car of the year (COTY) award for 'WagonR' at entry level mini car category.
+ NHRDN (National HRD Network) Trailblazer Award 2010 for HRD Excellence
+ Car India
    - Best automobile manufacturer of the year 2010
    - "Hall of Fame" award for single handedly changing the face of Indian automobile industry
+ Alto ranked no. 1 in TNS four-wheeler Total Customer Satisfaction (TCS) Study

Mr. R. C. Bhargava, Chairman was also conferred with the Economic Times Lifetime Achievement Award for Corporate Excellence.

SUBSIDIARY COMPANIES AND THEIR ACCOUNTS

The Company's subsidiaries - Maruti Insurance Business Agency Limited, Maruti Insurance Distribution Services Limited, Maruti Insurance Agency Solutions Limited, Maruti Insurance Agency Network Limited, Maruti Insurance Agency Services Limited and Maruti Insurance Agency Logistics Limited generated a total income of ₹ 457.7 million which includes dividend income of ₹ 22.2 million earned from investments in mutual funds. Profit before tax (PBT) was ₹ 199.9 million. During 2010-11, total 6.57 lac policies were issued.

The Company's subsidiary 'True Value Solutions Limited' has contributed towards smooth operations of business processes and supported the dealerships in enhancing the sale of certified pre-owned cars under the brand 'Maruti True Value'. It has contributed significantly to the efforts of customer retention by facilitating re-purchase of new cars and has made significant contribution towards enhancing dealers' profitability.

In terms of the general circular dated 8th February 2011 issued by Government of India, Ministry of Corporate Affairs, copy of the balance sheets, profit & loss accounts, reports of the board of directors and auditors of the subsidiary companies have not been attached with the balance sheet of the Company. Annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the Company and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be available for inspection by any shareholder at the head office of the Company and of the subsidiary companies concerned. Hard copy of details of accounts of subsidiaries shall be furnished to any shareholder on demand. Further, pursuant to Accounting Standard AS – 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its subsidiaries.

HUMAN RESOURCE DEVELOPMENT

The Company provides tremendous learning and development opportunities to its employees starting from induction. The Company truly believes that to have a sustainable competitive advantage in the new knowledge economy, learning would be the key catalyst for an organisation's survival and success. The Company's extensive training calendar covers all categories of employees i.e. associates, supervisors, junior, middle, senior and top management. To have a well rounded

development of employees, the calendar comprises of behavioral training, functional training and safety training.

In FY2010-11, total of 52,908 man-days of training was conducted for employees across all the levels. This translates to 6.14 days of training per employee. The training programmes vary according to the need of the employees at various levels and are designed after doing a detailed training need identification process.

Functional and technical trainings form a major part of the Company's annual training calendar as they are directly linked with employees on the job performance. These trainings are imparted both by in-house subject matter experts as well as by external trainers. Some of the functional trainings imparted internally are 3G, 3K, 5S, PFMEA, QC tools. Functional trainings done by external trainers – finance for non-finance, six sigma, project management, inventory and warehouse management, Autocad and MS Excel.

Behavioral trainings also form a chunk of the training calendar and include trainings like – negotiation skills, problem solving and decision making skills, presentation and communications skills, conflict management and resolution, assertiveness and self confidence, time management and multi tasking skills.

A series of leadership training interventions have been carried out to further enhance and develop middle, senior and top management levels. Some of these are department heads training, department heads roundtable, divisional heads training, top management retreat, guest lecture series, training for divisional heads based on the gaps identified in the 360 degree process. The Company also has higher education schemes for its employees. It would help not only to groom and retain high potential young managers but also enable employees to fulfill their career enhancement aspirations. The scheme includes programs like – executive MBA full time and MBA part time. The scheme is applicable for assistant managers to managers and has eligibility and selection criteria.

DIRECTORS

Mr. Tsuneo Ohashi, Mr. Keiichi Asai and Mr. Amal Ganguli, directors of the Company, retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for re-appointment. Mr. Shinzo Nakanishi was re-appointed as Managing Director & CEO for a further period of three years. Mr. Tsuneo Ohashi and Mr. Keiichi Asai were re-appointed as whole-time directors designated

as Director & Managing Executive Officer (Production) and Director & Managing Executive officer (Engineering) respectively for a further period of three years.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your directors confirm:

a) that there were no material departures in the applicable accounting standards followed while preparing the annual accounts

b) having selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period

c) having taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and

d) having prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as **Annexure A**.

PERSONNEL

As required by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in **Annexure B** to the Directors' Report. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the annual report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard - 21 on Consolidated Financial Statements read with Accounting Standard – 23 on Accounting for Investments in Associates and Accounting Standard - 27 on Financial Reporting for interest in Joint Ventures, the audited consolidated financial statements are provided in the annual report.

CORPORATE GOVERNANCE

The Company has complied with the corporate governance requirements, as stipulated under clause 49 of the listing agreement and the stipulated certificate of compliance is contained in this annual report.

AUDITORS

The auditors, M/s Price Waterhouse, Firm Registration Number FRN301112E, Chartered Accountants, hold office until the conclusion of the ensuing annual general meeting and are recommended for re-appointment. A certificate from the auditors has been received to the effect that their re-appointment, if made, would be in accordance with section 224 (1B) of the Companies Act, 1956.

COST AUDITORS

In conformity with the directives of the Central Government, the Company has appointed M/s R. J. Goel & Co., cost accountants, as the cost auditors under section 233B of the Companies Act, 1956 for the audit of the cost accounts for the motor vehicles business for the year ending 31st March 2012. The due date of filing the cost audit report for the financial year 2009-10 was 30th September 2010. This report was filed on 14th September 2010 with the Ministry of Corporate Affairs.

ACKNOWLEDGMENT

The board of directors would like to express its sincere thanks for the co-operation and advice received from the Government of India and the Haryana Government. Your directors also take this opportunity to place on record their gratitude for timely and valuable assistance and support received from Suzuki Motor Corporation, Japan. The board also places on record its appreciation for the enthusiastic co-operation, hard work and dedication of all the employees of the Company including the Japanese staff, dealers, vendors, customers, business associates, auto finance companies, state government authorities and all concerned without which it would not have been possible to achieve all round progress and growth of the Company. The directors are thankful to the shareholders for their continued patronage.

For and on behalf of the board of directors

Shinzo Nakanishi
Managing Director & CEO

R.C. Bhargava
Chairman

New Delhi
31st May 2011

ANNEXURE A

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March 2011.

A. ENERGY CONSERVATION

During the year, the Company continued its thrust towards compliances of environmental regulation and energy conservation to improve upon its past performance. ISO 14001 Surveillance Audit was carried out by M/s AVI, Belgium, and the auditors recommended continuation of the ISO 14001 for the year.

The energy saving initiatives helped the Company in reduction of energy and water consumption for the current year in comparison to the last year. The per vehicle reduction in CO_2, electricity and water in Gurgaon plant was 15 per cent, 16 per cent and 5 per cent, whereas the reduction in Manesar plant was 13 per cent, 1 per cent and 16 per cent respectively as compared to last year.

Some of the activities carried out during the year towards environment, energy and water conservation are as under:

Environment

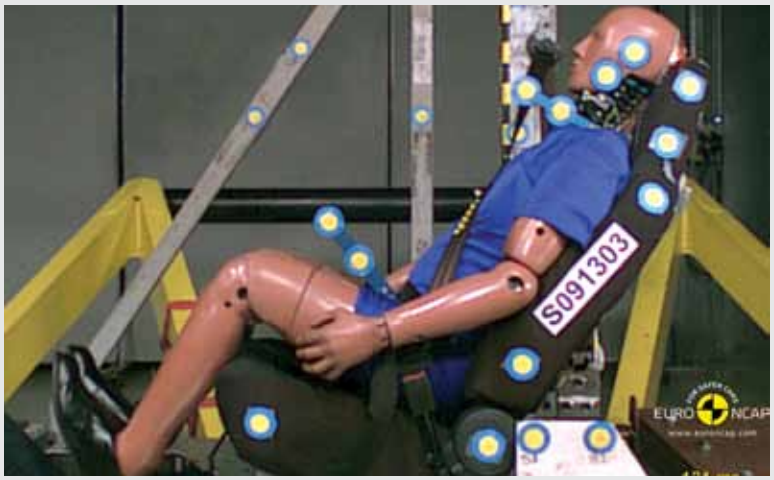
The Company has switched over to cleaner fuel natural gas for power generation and process use in Manesar plant also. The use of canal water for the operations in Manesar plant has lead to conservation of ground water.

Use of hazardous waste for co-processing in cement industry has eliminated the need of incineration and land filling. The present land fills are also being emptied out for efficient use of land within the plants. Fly ash is being also used for the construction of new plant in Manesar. 25,000 trees have been planted in Manesar in FY2010-11.

The Company has registered a clean development project this year with United Nations Framework Convention on Climate Change (UNFCCC) which would generate carbon credits.

Energy Savings

The LEDs are being extensively used in street lighting and meeting rooms. The new stockyard at Bangalore has only LED lighting. Solar energy is used for street lighting in Gurgaon and Manesar plants. Installation of energy efficient air washers has also resulted in energy savings in Gurgaon plant.



Water Conservation

All water cooled cooling towers and air dryers are being replaced by air cooled cooling towers leading to water conservation.

B. RESEARCH & DEVELOPMENT

India is one of the fastest growing automotive markets in the world. Market witnessed a growth of more than 29 per cent last year. Such phenomenal growth had provided enormous opportunities. However, increasing competition from global Original Equipment Manufacturers (OEMs), volatile material cost, stricter regulatory requirements and increasing customer expectation, makes India one of the most competitive automotive markets. To scale newer peaks, Research & Development (R&D) team envisaged its vision in the FY2002-03. With unparalleled dedication and zeal to succeed, the R&D team has been working in line with the Company's vision to retain superiority in the market-place and place itself in the hearts of the Indian customer.

R&D team has been working with the following vision - *"Build on our engineering skills to design and develop cars to delight the Indian consumer and establish Maruti as the R&D hub of Suzuki Motor Corporation (SMC) in Asia outside Japan."*

The strategic objectives set up for achieving the vision are:

+ Product design and development: concept car, new models and minor change introduction
+ Engineering capability development: design and development of full body change followed by development of new platform(s)

+ Cost management: meet target cost for model development
+ Technology development to meet the future requirement

The Company's R&D team already has the capability for carrying out minor changes and co-design with SMC for new models. Company's R&D team is on the path for acquiring capability to make full body changes indigenously. Systematic efforts are on to achieve it through the following:

+ Full vehicle in-house design, development and evaluation
+ Training of engineers (overseas/in-house)
+ Test facilities up-gradation
+ Prototype build capability
+ Experimental projects

Manpower has been increased from 968 numbers in FY2009-10 to 1,070 numbers in FY2010-11. Further, the Company's R&D team has plans of increasing its manpower from 1,070 numbers to more than 1,300 numbers in FY2011-12.

1. Specific areas in which R&D has been carried out

Building full model change capability:

Vehicle Planning, Layout and Styling

For new product development, it is essential to conceptualize and design a product which is in line with the needs of customers and can cater to their rising expectation while meeting all the regulatory requirements. For envisaging future requirements of Indian market, advance planning group was strengthened to track market, its changing requirements, customer voice, technology trends, future regulatory requirements and competitor activity in order to prepare a competitive product roadmap.

Product concept is brought to reality by the design team. Focus on capturing the design trends was enhanced in order to prepare exterior and interior design which depicts a right design language for India and thus a right product for Indian market. Capability in the area of complete interior concept image generation, interior computer aided design (CAD) based computer graphics (CG) and full interior buck design has been enhanced.

In order to obtain the optimum vehicle package and provide adequate vehicle interior space which translates into a competitive product; capability was enhanced in the areas of vehicle lay-outing and packaging of future products during the concept stage. This was achieved by participation in new platform layout projects at Suzuki Motor Corporation (SMC) and independently executing full body change projects at the Company. Benchmarking skills have been upgraded to evaluate customer perception/feedback on ergonomics, seating comfort and other parameters of vehicle design so that customer feedback can be incorporated at the initial design stages.

For effective and efficient product development, product coordination group has been strengthened. The group monitors the product development activities and supports various cells and groups across the Company to achieve the development targets.

Engineering Design

+ **Powertrain design and development**

  Capability has been enhanced in the field of diesel engine and alternative fuel engine with the development of the 1.3 L high power diesel engine and introduction of alternate fuel option of CNG in 5 models (Alto, Estilo, Wagon-R, SX4 and EECO) and LPG in Wagon-R.

  Capability enhancement in the transmission design and development with the implementation of cable type gear shift mechanism.

+ **Vehicle structure design and development**

  Research in the area of new materials i.e. steel and polymer for body in white (BIW)/interior applications has helped in evaluating and using stronger, lighter and safer materials contributing towards unmatched safety, fuel efficiency and performance.

  Capability enhancement in the areas such as instrument panel, door, fuel tank and seating systems was done for carrying out full body change.

+ **Suspension and brake design and development**

  Capability in area of brake design and development has been enhanced with the introduction of latest global technologies in the vehicles. These were supported by advanced technologies in the field of testing and manufacturing of parts to provide high performance and quality parts to meet growing expectations and rigorous demands of brake system in India's rigorous traffic conditions.

+ **Prototype development**
  Prototype development is important for validating the design. Capability enhancement in areas of development of prototype parts, prototype jigs and fixtures and making prototype vehicles for design validation was done.

+ **Experimental Projects / Research Papers**
  Experimental projects in the field of hybrid / electric vehicle was taken up by the Company and SX4 hybrid and EECO electric demonstration vehicles were prepared and showcased at Commonwealth vehicles last year.

  Engineering research papers were presented at various international forums such as SAE (Society of Automotive Engineers) International, SIAT (Symposium on International Automotive Technology) and others during the last year, which has given a global outlook to the Company's engineers.

Virtual design validation

To enhance the virtual validation skills and reduce design cycle time and development cost, digital engineering and engineering information management techniques are being effectively used. The Company has strengthened its capability on virtual engineering by carrying out crash, noise vibration and harshness (NVH), strength and computation fluid dynamics (CFD) simulations for new model development activity as well as up-gradation of existing models by using various simulation tools. Vehicle fuel economy and performance simulation capability has also been added to improve vehicle design process and market problem analysis.

Engineering information and knowledge management

Increased focus on R&D requires knowledge and information management strategy wherein the knowledge gained is harnessed effectively for future needs and important information reaches all concerned timely for effective and efficient implementation.

Knowledge Management techniques have been employed wherein knowledge base of various design processes have been maintained. This has reduced the time taken by a designer/engineer for iterative design processes and capture expertise knowledge to come up with accurate results in the minimum

span of time. Following are the key knowledge management techniques:

+ **Tear down data management software**
  Knowledge gathered from tear down activities is made accessible to our engineers through TMS (Tear down management system).

+ **Benchmarking portal**
  Efforts have been put to compile all the benchmarking information of competitor vehicles in a common portal which is accessible to everyone in R&D, which acts as design inputs for upcoming design projects.

+ **Integrated bill of material**
  Different stages of preparation of bill of material have been reduced by implementation of integrated bill of material that has resulted in efficient and effective management.

+ **Knowledge protection**
  For preventing infringement of technical know-how, patents were filed in the key technology areas such as engine design and body design.

Information Management systems are implemented for effective and efficient flow of information. PLM (Product Life Cycle Management) system has been optimally utilised with the increase of "Team-center Community Usage" for information exchange with suppliers. For improving the process efficiency during product development cycle, project management software implementation is planned in phased manner.

Development and testing
During the vehicle development, detailed testing is carried out for the vehicle as well as its systems to ensure safe and reliable vehicles are offered to the customers.

Fatigue analysis and endurance testing of vehicles, vehicle systems and engines are conducted. Exterior and interior parts safety and strength testing are also carried out for new model development.

The 'State of the Art' vehicle semi-anechoic chamber coupled with advanced application tools has been commissioned to enable higher effectiveness in solving NVH related issues at the model development stages.

New design software and licenses
85 licenses for CAD (Computer Aided Design) and 100 licenses for visualisation have been procured to enhance designing capability of the Company's engineers.

2. Benefits derived as a result of above R&D

+ Launch of Alto K10
+ Launch of SX4 Diesel with D13 high power engine
+ Introduction of CNG in 5 Models – Alto, Estilo, Wagon-R, SX4 and EECO
+ Wagon-R Duo (LPG)
+ SX4 Hybrid Demonstration vehicle
+ EECO electric demonstration vehicle
+ Capability in new model and engine development
+ 23 patents filed by R&D

3. Future plan of action

New product development

+ To develop new products to meet changing requirement of Indian Consumer
+ Carry out continuous upgradation of existing models.
+ To develop more products with alternative fuel option
+ Compliance to safety and emission regulation such as offset, side impact, etc
+ To build the Company's knowledge base and its image on technology by designing and showcasing projects in auto exhibitions
+ Introduction of new technologies
+ Emphasis on design to cost techniques to meet the stringent cost targets

Capability development

+ To develop capability for full model change in all aspects–planning, design, development and testing
+ Knowledge and information management system upgradation.
+ To develop in-house capability to facilitate the patent filing
+ Developing costing knowledge of various automotive technologies through standard cost tables and cost benchmarking

4. Expenditure incurred on R&D

(₹ in Million)

Particulars	2010-11	2009-10
A Capital Expenditure	**2,316**	623
B Recurring Expenditure	**1,847**	1,110
Total	**4,163**	1,733
Total R&D expenditure as a percentage of total income	**1.11%**	0.58%

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts in brief made towards technology absorption, adaptation and innovation

+ Design of components and systems including design review process
+ Component and sub component level localisation, development and testing of parts for existing and new models
+ Capabilities enhanced in component and vehicle evaluation, benchmarking and design optimisation
+ Capabilities being further enhanced in area of alternative fuels
+ VE (Value Engineering) at time of new model design to maximize cost benefit
+ Acquiring design and cost knowledge through teardown and benchmarking and using it in future design and cost reduction

Benefits derived as a result of above efforts

+ Introduction of CNG and LPG fuel options
+ Introduction of Alto K10 and SX4 Diesel variant

+ Existing models are upgraded to meet the stringent emission regulation requirement
+ High localisation content in various vehicles has resulted in lower costs
+ Continuous reduction in product cost through VA/VE (value analysis/value engineering)
+ Significant cost reduction of parts of new models compared to existing models, ensuring that the new models are profitable

Technology inducted

The Company has been a pioneer in offering latest technologies at affordable prices to its customers. As a market leader, the Company intends to keep this momentum in future. Some of the steps taken are as under:

+ Gas Port Injection system introduced in CNG vehicles to ensure better fuel economy, performance and reduced emissions
+ Sequential injection introduced in LPG vehicles to ensure better fuel economy, performance and reduced emissions
+ VGT (Variable Geometry Turbocharger), introduced in diesel engines to improve fuel efficiency and performance

Year of Import: FY2010-11
Status of absorption: Above technologies have been used in products introduced during the year.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO (CASH BASIS)

(₹ in Million)

Particulars	2010-11	2009-10
Foreign exchange used: equivalent		
Raw materials and components	**29,230**	24,626
Capital goods	**8,514**	4,112
Dies & moulds, maintenance spares & other items	**1,200**	427
Royalty, interest, dividend and others	**18,127**	10,466
Foreign exchange earned: equivalent	**35,540**	45,573

Activities relating to exports

+ Initiatives taken to increase exports: The Company exported 138,266 units during the year. The cumulative number of exports exceeded 800,000 units.
+ Development of new export markets for products and services: During the year, Hungary, Malaysia, Laos and Lebanon were added as new export destinations.
+ Export plans: The Company expects that the demand for the Company's fuel efficient vehicles will grow.

For and on behalf of the board of directors

Shinzo Nakanishi
Managing Director & CEO

R.C. Bhargava
Chairman

New Delhi
31st May 2011

A Kizashi at the racing circuit undergoing endurance and performance tests.