

Directors' Report



Your Directors have pleasure in presenting the 27th Annual Report together with the Audited Accounts for the year ended 31st March 2008.

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FINANCIAL RESULTS

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

(Rs. in Million)

	2007-08	2006-07
Gross Total Income	219,128	178,043
Profit before Tax	25,030	22,798
Provision for taxation (Incl. Prev. Year)	7,722	7,178
Profit after Tax	17,308	15,620
Balance brought forward	56,373	43,939
MSAIL (Maruti Suzuki Automobiles India Limited)		
Loss: Adjusted on Amalgamation and		
Transition Adjustment for Employee Benefit	0	88
Profit available for appropriation	73,681	59,471
Appropriations:		
Debenture Redemption Reserve	0	17
General Reserve	1,731	1,562
Proposed Dividend	1,445	1,300
Corporate Dividend Tax	248	219
Balance carried forward to Balance Sheet	70,257	56,373

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FINANCIAL HIGHLIGHTS

The gross revenue (net of excise) of the Company for the year was Rs. 188,238 million as against Rs. 152,523 million in the previous year showing an impressive growth of 23.4%. Earnings before depreciation, interest, tax and amortization (EBDITA) stood at Rs. 31,308 million against Rs. 25,888 million in the previous year, recording a jump of 20.9%.

Based on technical evaluation and market considerations, the Company has, with effect from 1st April 2007, revised the estimated useful life of certain assets which resulted in depreciation being higher by Rs. 2,122 million for the current year with a corresponding reduction in profit for the year and net fixed assets. Profit before tax (PBT) stood at Rs. 25,030 million against Rs. 22,798 million in the previous year showing a growth of 9.8% and Profit after Tax (PAT) stood at Rs. 17,308 million against Rs. 15,620 million in the previous year showing a growth of 10.8%.

DIVIDEND

The Board recommends a dividend of 100% (i.e. Rs. 5 per equity share of Rs. 5 each) for the year ended 31st March 2008 amounting to Rs. 1,445 million as against a dividend of 90% amounting to Rs. 1,300 million, paid for the year ended 31st March 2007.

CHANGE OF NAME

With the requisite approval of the members and of the Central Government, the name of the Company was changed to 'Maruti Suzuki India Limited' with effect from 17th September 2007.

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 strengths 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 & 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 also has an ISO 14001:2004 Certification which has been similarly awarded again on re-assessment by AIB-Vincotte International Ltd., Brussels, Belgium.

Both the Company's plants at Gurgaon and Manesar are ISO: 9001 certified. The Company is subject to re-assessment at regular intervals for re-certification.

The Company's press shop has TS 16949 Certification which is also subject to re-assessment at regular intervals.

HIGHLIGHTS OF OPERATIONS

The operations during the year are exhaustively discussed in the report on Management Discussion and Analysis which forms a part of this Annual Report. Some highlights are mentioned below:

Vehicle Business

Domestic

For the year 2007-08, the Company achieved its highest ever sales of

711,818 vehicles in passenger cars (including MPV) and grew by 12% over 2006-07, whereas the passenger car industry growth was 11.8%.

The Company maintained its leadership position in the A2 segment with the market share remaining above 58%. The Company achieved a new leadership position in A3 segment by launching 2 new models SX4 and DZire during the year, thereby increasing its market share from 15% to 22%.

In the MUV segment, the Company launched the new Grand Vitara - a stylish, muscular and 5-seater SUV in July 2007.

Exports

In 2007-08, the Company exported 53,024 vehicles to 46 countries posting a growth of 35% over last year. The top 5 export markets were Algeria, Chile, Indonesia, Egypt and Sri Lanka. Cumulative exports crossed the landmark figure of 500,000 units.

The Company signed an agreement with the Adani group for exporting 200,000 units annually through the Mundra port in Gujarat. The Company plans to export its new model - 'A-Star' which is scheduled to launch in the last quarter of 2008-09 and also plans to invest Rs. 40 Crores in building a Pre-delivery Inspection (PDI) centre at the port.

Spares and Accessories Business Sales of spare parts & accessories continued to show a healthy growth in 2007-08 and crossed the milestone of Rs. 1,000 crores. It resulted in a growth of 19% over

the previous year. Robust growth of service load at the dealerships, a result of continued focus to achieve higher levels of customer satisfaction and presence of parts distribution network for ensuring easy and widespread availability of genuine parts were the key contributors for this performance.

Network

The record sales performance was affected through the Company's vast dealership network. Including the extension counters, total new car sales outlet increased to 600 covering 393 cities. The Company plans to increase the network size to 1000 outlets in the next three years.

In addition to this, there are 265 'Maruti True Value' outlets spread across 166 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 2,628 service outlets including dealer workshop as well as Maruti Authorised Service Stations, covering 1220 cities. The Company plans to expand it by 45% in the next three years.

EXPANSION OF MANUFACTURING FACILITIES

New Car Manufacturing Plant
The Company's new car manufacturing plant at Manesar started operations in September 2006 with an initial capacity of 100,000 units. At the end of the year, it achieved an expanded installed capacity of 170,000 units.

All the newly launched models namely Swift, SX4 and DZire are being manufactured in Manesar.

The Company plans to produce its new export oriented model- 'A-Star' from the same plant and to increase the capacity to 300,000 units by October 2008.

New Engine Facility

The Company is setting up a new gasoline engine plant in its Gurgaon facilities. The new engines produced will be more fuel efficient and help to serve the customer better. The plant will be commissioned by producing engines for 'A-Star' followed by other models in the coming years.

STRATEGIC ALLIANCES

Joint Venture Projects

During the year under review, your Company has entered into two joint ventures. The first is with 'Magneti Marelli Powertrain S.p.A.' (Magneti Marelli) for manufacture of Electric Control Units (ECUs). Magneti Marelli is a Fiat group company and one of the largest manufacturers of ECUs with operations in several countries. This joint venture will enable the Company to procure ECUs locally which will result not only in reduction in the cost but also ensure a highly reliable and regular supply of ECUs. A Joint Venture Company was incorporated under the name and style of 'Magneti Marelli Powertrain India Private Limited' with equity participation of Magneti Marelli, Suzuki Motor Corporation and the Company in the ratio of 51%, 30% and 19% respectively.

The second joint venture is with

'Futaba Industrial Co., Ltd.' (Futaba) for manufacture of Exhaust Systems Components (ESCs). Futaba is the largest manufacturer of ESCs in Japan and has operations in many countries. This joint venture will ensure supply of high quality ESCs to the Company. A Joint Venture Company was incorporated under the name and style of 'FMI Automotive Components Limited' with equity participation from Futaba and the Company in the ratio of 51% and 49% respectively.

The manufacturing facilities of these Joint Ventures are located at 'Maruti Suzuki Suppliers Park' in IMT Manesar, Gurgaon, Haryana.

Service Arrangement with Mundra Port

The Company intends to make itself a manufacturing and export hub for its various models. This will result in exports of a considerable high volume of products from India. Exports of such high volume of products require a dedicated, modern and high quality port. To meet such specialised requirements, the Company entered into an agreement with Mundra Port and Special Economic Zone Limited (MPSEZL) to develop a mega car terminal at Mundra Port for export of Company's products. This arrangement will ensure availability of requisite infrastructure at the Port and export of products in an efficient manner.

AWARDS/RECOGNITION

The Company is India's most awarded car Company. Some of the awards won by the Company during the year under review are:

- The prestigious Golden Peacock

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Award for excellence in the field of Environment Management in Automobile Sector.

- JD Power Customer Satisfaction Award. This award has been received for the 8th time in a row.
- 2007 India IQS Award for Maruti Swift which has been highest ranked model in the Premium Compact car segment.
- 2007 India APEAL for Maruti Zen Estilo which has been highest ranked model in Compact car segment.
- 2007 India APEAL for Maruti Swift which has been highest ranked model in Premium Compact car segment.
- 2007 India APEAL for Maruti SX4 which has been highest ranked model in Midsize car segment.
- "Car Manufacturer of the Year" Award by NDTV.
- ICICI-NDTV Profit Viewers Choice Award for Maruti SX4 in the Midsize car segment.
- CNBC TV-18 Autocar Midsize Car Award for Maruti SX4.
- CNBC TV-18 Autocar Value for Money for Maruti SX4.
- CNBC TV 18 Autocar Award for Viewers Choice for Maruti SX4.
- CNBC TV-18 Autocar Manufacturer Award.
- "Manufacturer of the Year" Award in the Passenger Car category by Auto Monitor Awards.

SUBSIDIARY COMPANIES

In 2007-08, the insurance business as a whole has earned a Profit Before Tax (PBT) of Rs. 419 million, an increase of 12% as compared to PBT for 2006-07. The insurance business has been able to write more than 1.77 million policies and collect premium of approximately Rs. 12,500 million. Total policies issued since inception crossed the landmark figure of 5 million. In spite of the prevailing competition, Maruti Insurance (MI) has improved on new car penetration by 2% to 88% (out of 100 customer buying new cars, 88 buy MI) and renewal penetration by 11% to 70% (measured on the base of past 3 year retails).

In terms of infrastructure upgradation, the IT application has been upgraded to dot-net platform. This provides greater flexibility to handle business in de-tariffed times and has much faster response time which is highly desirable with the current volumes. An online policy renewal system has been set up by which customers can renew their policies themselves through the internet and pay the premium through credit cards. Claim handling and payment have also been brought online - this will be further advanced in the coming years.

The online systems will help its customers in achieving fast turn around time and will provide improved transparency.

The premium rates were completely de-tariffed with effect from 1st

January 2008. Keeping pace with the market, premiums were reduced by 20%, providing the best value for money to the customers. Innovative and customer friendly products in the MI portfolio will be offered to the customers, once the product change is permitted by Insurance Regulatory and Development Authority (IRDA). The challenges in the de-tariffed regime are welcome with the aim to enhance insurance services to customers, resulting in the better financial performance.

The subsidiary companies are discussed below:

Maruti Insurance Business Agency Limited

This Company sells insurance policies to Maruti car owners in a tie-up with National Insurance Company Ltd. For 2007-08, it recorded total revenue of Rs. 585.65 million and PBT Rs. 258.83 million, an increase of 59.52 % over the previous year.

Maruti Insurance Distribution Services Limited

This Company sells insurance policies to Maruti car owners in a tie-up with Bajaj Allianz General Insurance Company Ltd. For 2007-08, it recorded total revenue of Rs. 76.73 million and PBT Rs. 34.91 million, an increase of 7.24 % over the previous year.

Maruti Insurance Agency Solutions Limited

This Company sells insurance policies to Maruti car owners in a tie-up with New India Assurance Company Ltd.

For 2007-08, total revenues were Rs. 109.41 million and PBT Rs. 48.22 million, an increase of 49.5% over the previous year.

Maruti Insurance Agency Network Limited

This Company sells insurance policies to Maruti car owners in a tie-up with Royal Sundaram Alliance Insurance Company Ltd. For 2007-08, its total revenues were Rs. 166.63 million and PBT Rs. 74.89 million, an increase of 53.4% over the previous year.

Maruti Insurance Agency Services Limited

This Company sells insurance policies to Maruti car owners in a tie-up with Iffco Tokyo General Insurance Company Ltd. In 2007-08, being the first year of its commercial activities, it has generated revenue of Rs. 5.20 million and PBT Rs. 1.99 million.

Maruti Insurance Agency Logistics Limited

This Company sells insurance policies to Maruti car owners in a tie-up with ICICI Lombard General Insurance Company Ltd. The Company was incorporated on 18th October 2007. It has generated revenue of Rs. 0.61 million and earned PBT Rs. 0.10 million.

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'. True Value has contributed significantly to our effort of customer retention by facilitating repurchase of new cars and has made significant contribution towards enhancing dealer profitability.

HUMAN RESOURCE DEVELOPMENT

The Company's key strength is its human capital. The Company has, during 2007-08, spent about Rs. 10 Crores on training of its employees.

The Company conducts programs such as "Bulandi" and "Chunauti" for the workmen and technicians to enhance pride in being an employee of the Company and also to create team synergy. At the middle management level, the focus of the programs is to inculcate leadership qualities while at the Director level, one or more retreats take place so that the Directors can unwind and take a detached view of self development and the organisation.

The Company goes further and trains its dealers' and vendors' workforce. 3200 programs have been conducted covering more than 13000 dealers' sales persons. The Company's "Maruti Centre of Excellence" (MACE) is a team dedicated to the development of vendors' employees.

In programs like "Family Connect" and "Parivar Milan", family members of the employees are invited to interact with top

management to get a feel of the workplace and environment. The idea is to develop better understanding and increase the support and co-operation for the employees from their families.

The outbound training programs (OBT) encourage learning while having fun. The training encourages team work and teams come back fully motivated to face future challenges.

SUSTAINABILITY

The Company believes in long term sustainability initiatives in the interest of its various stakeholders. The detailed description on these activities is presented in a separate section in this Annual Report.

DIRECTORS

Mr. R.C. Bhargava assumed the position of Chairman of the Board on 19th December 2007.

Mr. Manvinder Singh Banga, Mr. Amal Ganguli and Mr. Davinder Singh Brar retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

The Company spent a long time under the leadership of Mr. Jagdish Khattar who always spurred on the employees to achieve milestones and inspired them to work as a team. His contribution in every sphere is enduring, distinct and unique. The Board records its appreciation of his outstanding

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achievements and the goodwill, the Company has been able to earn due to his untiring and selfless efforts, farsightedness and visionary skills. Mr. Khattar retired from the office of Managing Director and CEO in the normal course from the close of business on 18th December 2007.

The position of Managing Director & CEO has been taken by Mr. Shinzo Nakanishi, who has about 37 years of experience with Suzuki Motor Corporation (SMC). The Board, whole heartedly, welcomes Mr. Shinzo Nakanishi as the new Managing Director & CEO of the Company.

Mr. Tsuneo Ohashi, Mr. Keiichi Asai and Mr. Kenichi Ayukawa were appointed as Additional Directors. The Board welcomes all of them and looks forward for their dedicated support. They hold their office up to the date of the ensuing Annual General Meeting and being eligible, offer themselves for appointment. Notices under Section 257 of the Companies Act, 1956 proposing their candidature for appointment have been received.

During the year, Mr. Hirofumi Nagao was re-appointed as Whole-time Director. However, due to withdrawal of his nomination by SMC, Mr. Hirofumi Nagao resigned from his office with effect from the close of business on 10th July 2008. Mr. Tsuneo Kobayashi and Mr. Masayuki Osada also resigned with effect from close of business

on 2nd December 2007 and 1st January 2008 respectively due to withdrawal of nomination by SMC. The Board places on record its sincere appreciation for the services rendered by them during their tenure.

Mr. Toshiaki Hasuike was also appointed as a Director on the Board during the year but due to his promotion at SMC, he could not assume his office.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) followed, in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures;
- b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- c) 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 your Company and

for preventing and detecting fraud and other irregularities; and

- d) 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.

SUBSIDIARY COMPANIES' ACCOUNTS

In terms of approval granted by the

Central Government under Section 212(8) of the Companies Act, 1956, copy of the balance sheets, profit & loss accounts, reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any investor of the Company or subsidiary companies and shall be kept for inspection by any investor at the Registered Office of the Company. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under "Financial Statement of Subsidiary Companies" forming part of the Annual Report. Further, pursuant to Accounting Standard AS - 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS - 21 on Consolidated Financial Statements read with Accounting Standard AS - 23 on Accounting for Investments in

Associates and Accounting Standard AS - 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. A separate section on Corporate Governance alongwith a certificate from the Auditors of the Company confirming the compliance, is annexed and forms part of this Report.

AUDITORS

The Auditors, M/s Price Waterhouse, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. 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 on 31st March 2009.

ACKNOWLEDGMENT

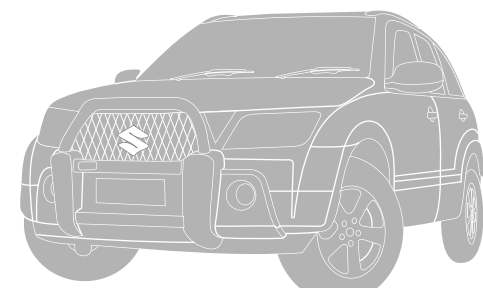
The Board of Directors would like to express its sincere thanks for the co-operation and advice received from the Government of India and the Haryana Government. Your Directors also take this opportunity to place on record their gratitude for timely and valuable assistance and support received from Suzuki Motor Corporation, Japan, as well as from 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. Your 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
21st July 2008



Directors'
Report

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 2008.

A. ENERGY CONSERVATION

In pursuit of continual improvement towards energy conservation and compliance with environmental regulations, many initiatives have been taken and implemented in 2007-08.

Efforts in these areas have been recognised by two awards won by the Company.

World environment foundation has declared the Company as the winner of the Golden Peacock Award for Environment Management 2007.

Renewable Energy Department, Haryana Government has awarded first prize for excellence in implementation of Energy Conservation measures in the industrial sector.

In 2007-08, two important investments have been made to better the environmental performance:

- New incinerator to meet the stringent emission norms as per the CPCB guidelines for safe disposal of hazardous waste.
- Expansion of hazardous waste storage pits.



Some of the activities that contributed to significant reduction in energy consumption are listed below:

- Energy efficient fans in cooling towers;
- Special transformer to minimise the energy losses;
- Energy efficient motors and blowers in the air washer system for shop cooling;
- Energy efficient chillers for air conditioning;
- Building Management System and Variable Air Volume System for optimised cooling in the workplaces and also reduce the energy consumption;
- Energy efficient lighting (T-5 and electronic choke);
- Energy efficient air dryers;
- Increased re-use of waste heat of combustion for running equipment.

In 2007-08, per vehicle consumption of Steam (kg/veh) and compressed air (Nm³/veh) were reduced by 0.08% and 1.93%. However consumption of electricity (kWh/veh), process gas (m³/veh) and water (m³/veh) have gone up by 0.83%, 2.18% and 8.51% respectively. The main reason for increase in the consumption is setting up of new engine plant and trial productions of new engines. The impact of power and fuel cost on manufacturing cost is 13%.

B. RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D has been carried out by the Company.
 - A) Building Full Model Change Capability
 - A-1) Vehicle Design and Development

Vehicle Design

- Skill enhancement in core areas of styling like concept generation, model making and designing

including Class A surfaces, was done. Design development capabilities for front and rear fascia, front and rear underbody and interiors including seats and instrument panel were further strengthened.

- R&D demonstrated its talent and capability by designing the Concept Car "A-Star" for showcasing at Auto Expo'08 and Geneva Motor Show'08.

Virtual Design Validation

- DMU (Virtual Design Review) has been added to R&D activity to enable virtual validation to reduce cycle time and development cost. Also PLM (Product Life Cycle Management) has been inducted to manage CAD, CAM and CAE data for in-house designing and also to collaborate with Suzuki Motor Corporation, Japan and suppliers.
- CMA software was developed for carrying out Target Costing. Also Design capability for components/systems for VA-VE (Value Analysis-Value Engineering) was strengthened during the year.

Development and Testing

- Research in the specific areas of emission reduction and emission testing was carried out along with the Engine development for BSIV countermeasure. ECU calibration and engine performance improvements were done in order to optimise the engine performance.
- Durability testing of vehicles, vehicle components and engines was conducted. Exterior and interior parts safety and strength testing was also carried out for new model development.

New System Development

- In the field of alternate fuel technology, development of LPG system for MPI engine was done.
- Research in the area of Electronic Systems and Controllers Development for new generation vehicles was carried out.

A-2) Facility set up for R&D

Body Design

- Side Door Crush Tester - The setting up of this facility has enabled optimisation of design, reduction in time & cost required for completing the development process. Now development and homologation testing can be done in-house.
- Paint Booth for Styling Design - The facility has enabled painting of the various concept models and taking it to the final realistic stage as per the designed concept.

Engine and Transmission Design

- Durability Tester for transmission testing - The setting up of the durability tester for endurance testing of various transmission parts was another major achievement which has enabled carrying out of all transmission related development activity in-house.
- Thermal Shock Tester set up for engine dyno - With the setting up of this facility, it has been possible to evaluate in-house various parts which are subjected to thermal load/ thermal shock e.g. Cylinder Head gasket, cylinder block, piston train, seals etc. for their durability under extremely cold (-30 deg. C) & normal ambient conditions.
- Up-gradation of Performance Chassis Dynamometer Lab.-With the up-gradation, the testing facility has become more user-friendly and versatile with new software and

Annexure A Contd.

additional thermocouple ports, analog ports, online viewing, data logging and multiple data storage. The upgraded facility is now suitable for carrying out fuel economy tests for three fuels- Petrol, Diesel and LPG.

Suspension and Brakes Design

■ Triaxial Suspension Simulator for designing of suspension parts - The facility has helped in designing of suspension parts for new introductions.

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

- Launch of SX4.
- Launch of Swift Minor.
- Launch of Swift DZire.
- Focused model cost down.

3. Future plan of action

- To develop capability for full model change.
- To upgrade R&D capabilities for total evaluation of products.
- Emphasis on VA-VE & innovative cost reduction ideas to cut down costs.
- Carry out continuous up-gradation of existing models.
- Maximum localisation for achieving cost reduction in existing as well as new models.
- Compliance with Bharat Stage IV emission norm and other new regulations.
- Developing knowledge of costing of various Automotive Technologies through standard cost tables and cost benchmarking.
- Cost planning of new products coinciding with the new Product planning to put cost in the right perspective at the concept stage and give target cost to designers.
- Design in cost reduction to reduce costs from concept stage itself.
- Develop more products with alternative fuel option.

4. Expenditure incurred on R&D

(Rs. in Million)

Particulars	FY'08	FY'07
a. Capital	312	103
b. Recurring	646	536
c. Total	958	639
d. Total R&D expenditure as a Percentage of total turnover	0.44%	0.36%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. EFFORTS IN BRIEF MADE TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Localisation, development and testing of parts for existing and new models.
- Capabilities strengthened in component and vehicle evaluation, benchmarking and design optimisation.
- Capabilities being further strengthened in area of alternative fuels like Diesel, CNG and LPG.
- VA -VE at the time of design and localisation to maximise cost benefit.
- Acquiring design and cost knowledge through teardown and benchmarking and using it in future designs and cost reduction.
- Global sourcing and advanced sourcing to get the advanced technologies into India at lower costs. (Efforts made towards technology absorption, adaptation and innovation by either local vendors and helping world-leading component suppliers to set up shop in India).
- Design and development of electronic speedometers, keyless alarm controllers for enhancing comfort and convenience.

2. BENEFITS DERIVED AS A RESULT OF ABOVE EFFORTS

- Indigenisation of various vehicle aggregates at lower costs.
- Improvement and up-gradation of existing models for improved comfort, style and better value for money.
- Continuous reduction in product cost through VA-VE.
- Compliance to new regulations.
- Significant cost reduction of new model parts compared to existing models, ensuring that the new models are profitable from day one.
- Significant cost reduction obtained in existing models.

3. IMPORTED TECHNOLOGY

Technology Imported	1. Integrated Audio with Audio controls on steering wheel 2. Glass Antennae
Year of Import	2007-08
Status of absorption	Above technologies have been used in product introduced during the year.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO (CASH BASIS)

(Rs. in Million)

	FY'08	FY'07
a) Foreign Exchange used: Equivalent		
(i) Raw materials and Components	13,355	12,256
(ii) Capital goods	10,542	823
(iii) Dies and Moulds, Maintenance spares and other items	711	500
iv) Royalty, interest, dividend and others	5,610	3,865
b) Foreign Exchange earned: Equivalent	7,812	5,015

Activities relating to exports

i) Initiatives taken to increase exports: Please refer to "Highlights of Operations - Exports" in this Report and report on Management Discussion and Analysis.

ii) Development of new export markets for products and services- Please refer to "Highlights of Operations - Exports" in this Report and report on Management Discussion & Analysis.

iii) Exports plans

The Company will resume its exports to Europe with 'A Star' which is expected to start from last quarter of 2008-09. The Company will continue the export of other models to non- European markets. By 2010-11, the Company plans to export 200,000 units.

For and on behalf of the Board of Directors

Shinzo Nakanishi
Managing Director & CEO

R.C.Bhargava
Chairman

New Delhi
21st July 2008