

DIRECTORS' REPORT

Your directors have pleasure in presenting the 28th annual report together with the audited accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

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

	2008-09	2007-08
Gross total income	241,807	218,623
Profit before tax	16,758	25,030
Provision for taxation (including previous year)	4,571	7,722
Profit after tax	12,187	17,308
Balance brought forward	70,257	56,373
Profit available for appropriation	82,444	73,681
Appropriations:		
General reserve	1,219	1,731
Proposed dividend	1,011	1,445
Corporate dividend tax	172	248
Balance carried forward to balance sheet	80,042	70,257

FINANCIAL HIGHLIGHTS

The gross revenue (net of excise) of the Company for the year was Rs. 214,538 million as against Rs. 187,733 million in the previous year showing growth of 14.3%. Sales of vehicles in the domestic market increased to 722,144 as compared to 711,818 in the previous year showing a growth of 1.5%. Exports of vehicles grew at an impressive rate of 32% from 53,024 to 70,023 in the current year. The overall growth was 3.6% which was achieved in spite of the difficult economic and market conditions prevailing particularly in the later half of the year due to the global financial and economic crisis which did not spare the Indian economy.

The increase in the material cost on account of substantial increase in commodity prices and adverse foreign exchange fluctuations adversely affected the profits of the Company. The Company made all out efforts to mitigate this impact undertaking measures to curtail cost in various areas of its business operations.

Earnings before depreciation, interest, tax and amortization (EBDITA) stood at Rs. 24,333 million against Rs. 31,308 million in the previous year.



Profit before tax (PBT) stood at Rs. 16,758 million against Rs. 25,030 million in the previous year and profit after tax (PAT) stood at Rs. 12,187 million against Rs. 17,308 million in the previous year.

DIVIDEND

The board recommends a dividend of Rs. 3.50 per equity share of Rs. 5 each for the year ended 31st March 2009 amounting to Rs.1011 million.

SHIFTING OF REGISTERED OFFICE

The registered office of the Company was shifted from 11th Floor, Jeevan Prakash, 25, Kasturba Gandhi Marg, New Delhi - 110 001 to Company's owned premises at 1, Nelson Mandela Road, Vasant Kunj, New Delhi- 110 070 with effect from 15th December 2008.

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 (Standardization, 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 once again on re-assessment by AIB-Vincotte International Ltd., Brussels, Belgium.

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 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 part of this annual report.

AWARDS/RECOGNITION

The Company is featured at 49th rank among the world's most reputed companies in the annual World's Most Reputed Company Survey - 2009. In the passenger car sector, the Company is ranked 3rd.

Some of the other awards/recognition won by the Company during the year under review are:

- The Company stands 5th in all India ratings in the TNS Corporate Reputation Index and tops the ratings in the auto sector, at first position.
- JD Power Customer Satisfaction Award for the 9th time in a row.
- Zigwheels "Car of the year award" for "A-star".
- "A-star" rated as the best small car of the year by Autocar-UTVI.
- CNBC TV18 Overdrive awards for:
 - a. Automotive technology of the year for newly launched K10B Engine;
 - b. Manufacturer of the year;
 - c. Special commendation to the Company for its contribution to the Indian auto industry, a tribute to the Company's silver jubilee.
- ? CNBC AWAAZ Consumer Award 2008 in the automobiles category for the most preferred brand of cars.
- ? National award for best value engineering organization in India at the INVEST (Indian Value Engineering Society).

SUBSIDIARY COMPANIES AND THEIR ACCOUNTS

The Company's six subsidiaries i.e. 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 are engaged in the business to sell motor insurance policies to owners of Maruti Suzuki vehicles.

In 2008-09, the insurance business generated a total income of Rs. 1152.82 million which includes dividend income of





Rs. 37.35 million earned from investments in mutual funds. Profit before tax (PBT) for 2008-09 was Rs. 498.80 million. The total new policies issued during the year were 662,606 while 1,459,328 policies were renewed.

The seventh subsidiary namely 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 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 subsidiary companies 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 include the financial information of its subsidiaries.

HUMAN RESOURCE DEVELOPMENT

The Company has always focussed on employees' development. A total of 38000 man-days of training were conducted for employees across all levels with an average training of 5 days per employee during the year. The Company has spent about Rs. 95 million on training of its employees during 2008-09.

The training programmes vary for employees at different levels. With the aim of encouraging a competitive spirit and a winning attitude to take on future challenges among the employees in the technical and supervisory band, programmes such as "Winning Strategy", "Chunauti" and "Ahead Forever" are held. Similarly, for employees at executive and senior executive levels, programmes based on six sigma, lean manufacturing, negotiation skills, MS-project, finance management and vehicle financing, value stream mapping, project management, quality control tools, neuro linguistic skills, innovation and creativity, corporate business etiquette, communication and presentation skills, etc. are held. For employees at top management level, programmes based on leadership, business strategy, etc. are held.

The Company also has higher education schemes for its employees.

DIRECTORS

Mr. R.C. Bhargava, Ms. Pallavi Shroff and Mr. Shuji Oishi, directors of the Company, retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for re-appointment. Mr. Shuji Oishi was re-appointed as a whole-time director designated as Director and Managing Executive Officer (Marketing & Sales) for a further period of 3 years effective 13th April 2009.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that there were no material departures in the applicable accounting standards followed while preparing the annual accounts;
- 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 AS-21 on consolidated financial statements read with Accounting Standards AS -23 on accounting for investments in associates and 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 and the stipulated certificate of compliance is contained in this annual 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. 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 ended 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. 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
29th May 2009



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 2009.

A. ENERGY CONSERVATION

In pursuit of continual improvement in energy conservation and to comply fully with environmental regulations, many initiatives have been taken and implemented in the year 2008-09.

ISO:14001 certification was extended for three more years (2011), after an exhaustive audit by an external auditing agency to check the demonstration of continual improvement in the Environment Management System (EMS). The Manesar plant has been certified for the ISO:14001 system for the first time after its inclusion in the scope of EMS.

Major investments made/initiatives taken for reduction of consumption of energy/improving environment during 2008-09 are:

- A green belt has been planned and its development was kicked off during the "Environment Month". Around 7000 trees have been planted in the Manesar plant.
- New gas turbines were set up for the Manesar plant with dry low NOx burners.
- The capacity of the effluent treatment plant has been increased in line with capacity expansion at Manesar and water re-cycling for re-use in various processes has started resulting in reduction of water consumption per vehicle by 44% in Manesar.
- The hazardous waste storage pit in Manesar plant has been expanded.
- Energy efficient pumps and motors for new air washers have been installed resulting in power saving.
- The installation of energy efficient air dryers of compressors has resulted in power saving of 35%.
- Environment friendly refrigerant is in use for water coolers and air dryers.
- A design change namely a circular duct in place of the previous design of a rectangular duct in new projects has reduced pressure drop losses.
- Installation of in-let air cooling system equipment in gas turbine-no. 2 at Gurgaon plant.
- Installation of magnetic fuel saver in natural gas pipeline at Gurgaon plant.

Various energy efficiency measures initiated for the new head office at Vasant Kunj are as follows:

- Building envelope
 - Autoclaved aerated concrete blocks for construction;
 - Thermal insulation of roof deck;
 - Double glass for fenestration area.





- Heating, ventilation and air conditioning system
 - Building management system;
 - Backward curved blowers;
 - Variable frequency drive in blower and pump motor.
- Lighting
 - 28 W lighting with electronic ballast for office area;
 - Low height lighting;
 - Solar lighting for basements and landscaping.

For the Manesar plant, the consumption per vehicle of electricity (kWH/veh), compressed air (Nm³/veh), process gas (m³/veh), steam (kg/veh) and water (m³/veh) have reduced by 20 %, 35%, 36%, 43% and 44% respectively. For the Gurgaon plant, a new facility for the manufacture of KB engines for "A-star" and casting of the cylinder head and block in-house has been commissioned resulting in an increase in the consumption per vehicle of electricity (kWH/veh), compressed air (Nm³/veh) and process gas (m³/veh) and water (m³/veh) by 18%, 20%, 34% and 12% respectively though there are reductions in the variable component of the consumption of these inputs per vehicle. Steam consumption (kg/veh) has remained the same as in the last year.

B. RESEARCH & DEVELOPMENT (R&D)

I SPECIFIC AREAS IN WHICH R&D HAS BEEN CARRIED OUT BY THE COMPANY

A Building full model change capability

A1) Vehicle design and development

Vehicle planning and design

- Capability in new model planning right from the concept stage has been enhanced by establishing an advance planning and lay out section, which tracks the market, its changing requirements, technology trends, future regulatory requirements and competitor activity in order to plan India specific models effectively.

- Capability enhancement in design of the complete exterior of a car has been carried out starting with a detailed study of the Indian market to arrive at a right styling design language for the Indian market.
- For interior design, the Company enhanced its capability in the areas of complete interior concept image generation, interior CAD based computer graphics (CG), full interior buck design and lay outing of components based on engineering layouts and occupant packaging.

Engineering design

- Capability in the field of engine development was enhanced with the design and development of the new KB series engine which is a result of enormous R&D efforts and thousands of man-hours of design, validation and testing.
- Capability in the area of body in white design (BIW) has taken the next leap in its journey of achieving the 'Full Body Change (FBC) Capability' in coming years. This will envisage capability to engineer the BIW, interior trims, instrument panel, noise vibration and harshness, lighting system & seats for the vehicle.
- Research in the area of development of electronic systems and controllers for new generation vehicles was carried out in-house during the year, an example of which is the keyless alarm system for the new model "A-star".
- Research in the area of new materials i.e. steel & polymer for BIW/interior applications has helped in evaluating and using stronger, lighter & safer materials which has contributed towards unmatched safety, fuel efficiency and performance for the new model "A-star".
- Capability in the area of brake design and development has been enhanced with the introduction of the latest global technologies in the new model "A-star". These were supported by advanced technologies in the field of testing and



DIRECTORS' REPORT - ANNEXURE A (CONTD.)

manufacture of parts to provide high performance and quality parts to meet growing expectations and rigorous demands of brake systems in India's rigorous traffic conditions.

- Capability enhancement in areas such as instrument panel, door, fuel tank & seating systems was done for carrying out full body change.
- Skills have been upgraded for evaluation of customer perception/feedback for ergonomics, seating comfort and other parameters of interior design for incorporating them in our design right from concept stage.
- The capability in the field of design and development of storage vessels and structural frames for alternate fuel vehicles has been enhanced.
- Presentation of engineering design studies at international platforms like the Society of Automobile Engineers International, the Society of Indian Automobile Manufacturers and others during the last few years, has given a global outlook to the engineers of the Company.

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.

Digital engineering

- The Company has been carrying out crash, noise vibration and harshness, strength and computational fluid dynamics simulations for new model develop-

ment activity as well as up-gradation of existing models using various simulation tools.

- The computer aided engineering simulations are carried out for full vehicles and the component levels.

Engineering information management

- The increased focus on R&D requires a knowledge management process to ensure that the knowledge gained is harnessed effectively for future needs. Knowledge based engineering techniques have been employed to maintain a knowledge data base of various design processes. This has reduced the time taken by a designer/engineer for iterative design processes and enables him to capture expertise knowledge and come up with accurate results in the minimum span of time.
- The Product Life Cycle Management (PLM) System has been optimally utilized with the increase of "Teamcenter Community Usage" for information exchange with suppliers.
- Tear down data management software was developed to manage the component level benchmark data and that has resulted in carrying out VAVE (Value Analysis Value Engineering) effectively during the year.
- To streamline the process of maintaining a technical specification repository, a web based document lifecycle management system is under implementation.

Development and testing

- ? Research in the specific areas of emission reduction and emission testing was carried out along with the





engine development for Bharat Stage IV counter-measure. Electronic control unit calibration and engine performance improvements were done in order to optimize the performance of the engine.

- Fatigue analysis and endurance testing of vehicles, vehicle systems & engines was conducted. Exterior and interior parts safety & strength testing was also carried out for new model development.
- Passive homologation testing of domestic and export models was conducted in-house. Omni Cargo was successfully up-graded for compliance with survival space regulation. All new models are being developed to meet the latest safety and emission norms applicable in future.
- As part of consciousness towards the environment, the "A-star" has been made free from hazardous material (end life of vehicle compliant). The Company shares the honour of being the second company in world to comply with RRR (Reuse-Recycle-Recovery) norms.
- An ambitious plan has been drawn up to make all models free from hexavalent chromium and other hazardous materials by 2010 (first automobile company in India). In order to achieve this, the Company has undertaken a major initiative of up-grading tier 2 and tier 3 suppliers for supplying parts free of Cr⁶.

A2) Facility set up for R&D

Body design & fatigue testing

- Bumper crash facility: An in-house fabrication of bumpers test facility has been set up for compliance with the homologation testing standard.
- Wheel force transducer: For simulating actual test track conditions on a bench setup, a facility has been set up in-house for accelerator fatigue testing.

Engine and transmission testing

- Upgradation of AC dyno lab: The facility for AC dyno lab has been upgraded for carrying out engine calibration to meet future emission norms and Indian fuel requirements.
- New mass emission lab: Another facility for testing vehicle exhaust emission levels has been set up in addition to the four existing mass emission labs. The new lab will improve the testing capability and help in gearing up to satisfy future emission norms.
- Synchromesh tester for transmission testing: The setting up of a synchromesh tester for endurance testing of various transmission parts was another major achievement which has enabled carrying out of all transmission related development activities in-house.

Vehicle performance

- ? A brake noise chassis dynamometer with environment chamber has been set up for improving performance as regards noise vibration and harshness of brake systems by laboratory simulation of braking situations under varied driving and environmental conditions. This will help in refined braking performance and at the same time significantly reduce development cost and time.

NVH

- ? Noise and vibration analyzer: The facility has been set up in-house for capturing the basic body modes / critical frequency for computer aided engineering inputs ranging from in-vehicle tracking to MIMO (Multi Input Multi Output) analysis. This has resulted in early prediction of problem sources and implementation of necessary counter measures.



DIRECTORS' REPORT - ANNEXURE A (CONTD.)

End life of vehicle (ELV) compliance evaluation

- ? Energy dispersive X-ray fluorescence analyzer and salt spray chamber: To improve quality of incoming parts, the metallurgy lab has been upgraded with new devices to check the quality of the coating material of various components to ensure ELV compliance.

New design softwares and licenses

- ? 40 softwares and licenses for computer aided designing have been procured to enhance the designing and testing capability of engineering division engineers.

II BENEFITS DERIVED AS A RESULT OF ABOVE R&D

- Launch of "A-star" (domestic and export).
- Launch of next generation K10B engine.
- Omni cargo regulation compliance.
- M800 & Zen Estilo limited editions.
- Focussed model cost down.
- Future new model & engine development.
- End life of vehicle compliance evaluation.

III FUTURE PLAN OF ACTION

- ? Develop capability for full model change in all aspects planning, design, development and testing.
- ? Develop more products with alternative fuel option(s).
- ? Compliance with Bharat Stage IV emission norms and other new regulations.
- ? Carry out continuous up-gradation of existing models.
- ? Build a knowledge base and Company image in tune with the times by working on technology and design showcase projects for auto exhibitions.

- ? Emphasis on value analysis / value engineering & innovative cost reduction ideas to cut down costs.
- ? Developing costing knowledge of various automotive technologies through standard cost tables and cost benchmarking.
- ? Cost planning of new products right at the new product planning stage to put cost in the right perspective during the concept stage and give target costs to designers.
- ? Emphasis on focussed cost down models for competitiveness.

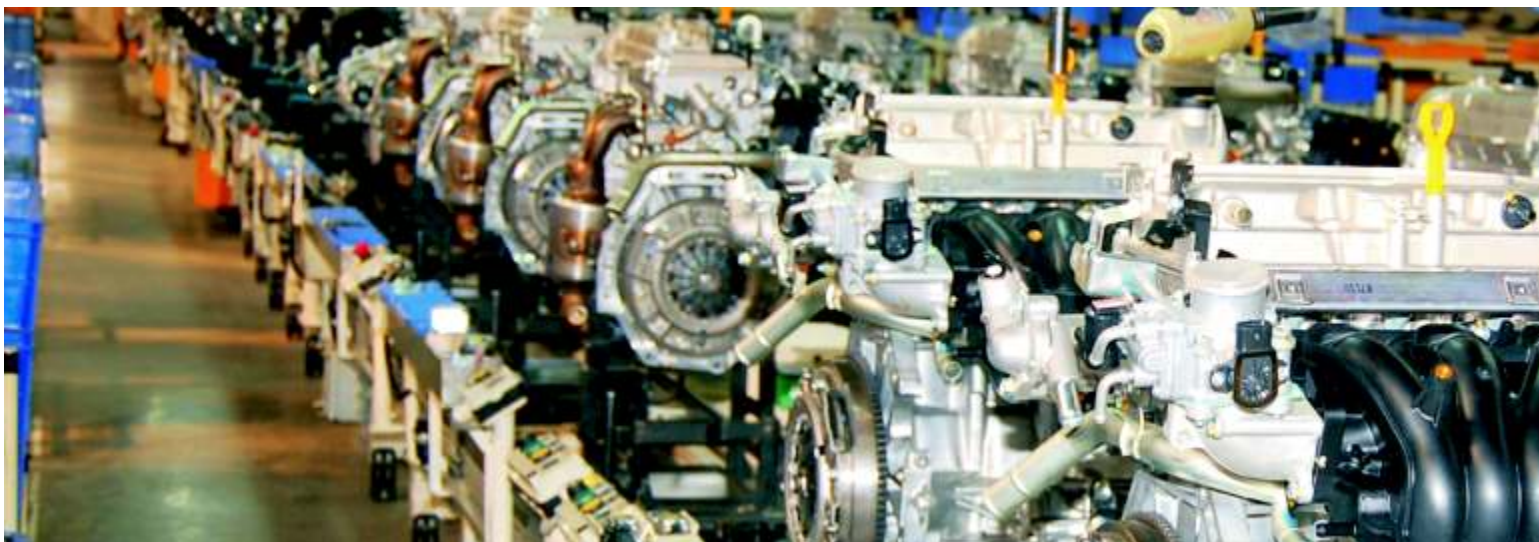
IV EXPENDITURE INCURRED ON R&D

Particulars	(Rs. in Million)	
	2008-09	2007-08
A Capital expenditure	244	259
B Recurring expenditure	666	379
Total	910	638
Total R&D expenditure as a percentage of total income	0.42%	0.34%

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.
- ? Localization including child part localization, development and testing of parts for existing & new models.



- ? Capabilities strengthened in component and vehicle evaluation, benchmarking and design optimization.
- ? Capabilities being further strengthened in the area of alternative fuels.
- ? Value engineering at the time of design and localization to minimize cost.
- ? Acquiring design and cost knowledge through teardown and benchmarking and using it in future designs and cost reduction. Setting up of a state of art "i Value" lab for strengthening benchmarking and innovation.

Benefits derived as a result of above efforts

- Indigenization 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 Value Analysis/ Value Engineering.
- Significant cost reduction of new model parts compared to existing models, ensuring that the new models are profitable from day one.
- Continuous quality upgradation and weight reduction in products.

Imported technology

The Company has been a pioneer in offering latest technologies at affordable prices. As a market leader, the Company intends to keep this momentum in future.

Technology imported

- ESP (Electronic Stability Program).
- ELV (End-of-life vehicles) compliance for ensuring a high degree of re-cycling of raw material.
- Double overhead cam with offset crank shaft in new K10B engine - resulting in better volumetric efficiency, improved power and fuel efficiency.
- Introduction of advanced DLI (Distributor Less Ignition) system for better reliability.
- Anti-vibration mechanism for dual horn to improve sound quality and reduce echo noise.
- Year of Import: 2008-09
- Status of absorption: The above technologies have been used in products introduced during the year.

D. FOREIGN EXCHANGE EARNINGS & OUTGO (CASH BASIS)

Particulars	(Rs. in million)	
	2008-09	2007-08
Foreign exchange used: equivalent		
Raw materials and components	16,842	13,355
Capital goods	10,817	10,542
Dies & moulds, maintenance		
spares & other items	720	711
Royalty, interest, dividend		
and others	8,604	6,027
Foreign exchange earned: equivalent	12,648	7,812

Activities relating to exports

- Initiatives taken to increase exports: Please refer to Management Discussion and Analysis Report.
- Development of new export markets for products and services - Please refer to Management Discussion & Analysis Report.
- Exports plans
- The Company will continue to export "A-star" and other models. 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
29th May 2009

