



strengthening self
supporting partners
spreading sustainability



economic performance



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economic performance

MANAGEMENT APPROACH

Maruti Suzuki strongly believes in sustained business growth and works towards the well being of its direct stakeholders. It makes far-reaching investment decisions taking into consideration unmet customer needs, market growth potential, upcoming regulations and long term sustainability of the Company and its various stakeholders. These investments generate new opportunities for growth in the upstream and downstream value chain, thus creating employment and contributing to the local economy.

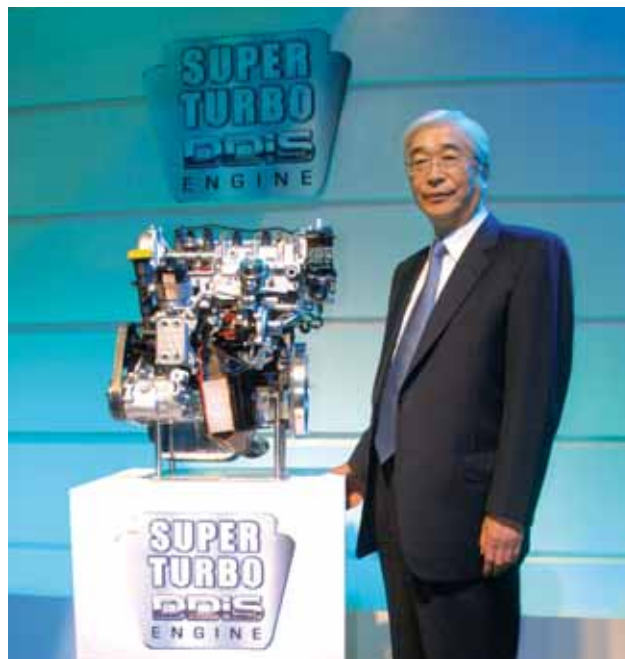
Maruti Suzuki believes in financial prudence and refrains from investments for quick gains. Investments for business expansion projects are met largely from the Company's internal accruals. The Company has a healthy balance sheet and reserves to meet its requirements of funds for future expansion. Maruti Suzuki is investing over Rs. 60,000 million in new manufacturing facilities, expansion of R&D infrastructure and vehicle stockyards.

The risk management activity is reviewed by the Audit Committee through a management subcommittee, namely the Executive Risk Management Committee (ERMC). It reviews risk management activities on a regular basis, in addition to scanning for emerging risks.

The Company has instituted robust internal control systems to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly.

The Company is exposed to the risks associated with fluctuations in foreign exchange mainly on import of components, raw materials, royalty payments and export of vehicles. The Company has a well-structured exchange risk management policy. The Company manages its exchange risk by using appropriate hedge instruments depending on the market conditions and the view on the currency.

To further reduce this risk, the Company has been focusing on localising components. This not only mitigates an important risk for the Company, but also gives a boost to small and medium scale local industries in the country.



MD launching DDiS diesel engine

FINANCIAL PERFORMANCE IN 2010-11

The Indian economy continued on its growth trajectory in 2010-11 on the back of its strong fundamentals, recovering global economy and continuation of fiscal stimulus by the Government of India. The economy grew by around 8.5% in 2010-11*, aided by recovery in agriculture and good performance by the industry and service sectors.

The Company registered its highest ever sales of 1,271,005 vehicles in domestic and export markets in 2010-11. The Company's sales in the domestic market crossed the one million vehicle milestone for the first time in 2010-11 with the sale of 1,132,739 units, a growth of 30.1% over the previous year. The Company's market share in passenger vehicle market increased from 44.6% in 2009-10 to 44.9% in 2010-11**.

While Maruti Suzuki performed well in the domestic market in 2010-11, its export performance was slightly lower. The Company sold 138,266 units in export markets in 2010-11 as compared to 147,575 units in 2009-10, a decline of 6.3%. In 2010-11, due to the expiry of vehicle

Source: * Economic Survey; **SIAM



A skilled technician working on the assembly line

scrapage incentive schemes and economic uncertainty in some European markets, export sales in Europe remained under pressure. However, shifting focus to non-European markets compensated for the drop in export sales to Europe to a large extent.

The net sales in 2010-11 stood at Rs. 361,282 million (Net of Excise), a growth of 24.8 % over 2009-10. However, margins for the Company came under pressure during the year mainly due to higher commodity costs, adverse foreign exchange movements, costs incurred to introduce new models, for meeting new emission norms, and royalty cost.

Continued focus on cost reduction, economies of scale, productivity improvement, commodity and foreign exchange hedging helped the Company in maintaining its operating margins above 10%.

DIRECT AND INDIRECT IMPACTS OF THE COMPANY

In 2010-11, the Company enhanced its own capacities and expanded its sales and service network. This naturally had an indirect impact on the economy in terms of creation of employment and income generation opportunities. The network expansion undertaken in 2010-11 is summarised in Table I.

TABLE I: NETWORK EXPANSION

NETWORK EXPANSION (NOS.)	AS ON 31 ST MARCH, 2010	AS ON 31 ST MARCH, 2011	INCREASE
Sales outlets	802	933	131
Cities covered by sales network	555	668	113
Service stations	2,740	2,946	206
Cities covered by service network	1,335	1,395	60
Maruti Driving Schools	83	166	83

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About five years back, the Company initiated its small format outlets for sales. These outlets cater to the rural markets and account for 40% of the total sales network covering 668 cities through 933 outlets.

CRISIL RATING

The Company was awarded the highest financial rating of AAA/Stability (long term) and P1+ (short term) on its bank facilities by CRISIL. The rating underscores the financial stability and strength of the Company with respect to timely fulfilment of its financial obligations.

FINANCIAL IMPLICATIONS & RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE

Climate change is now a reality that cannot be denied. Taking cognisance of this fact and acting proactively to contribute in whatever way possible to reduce the impact of its operations and products, Maruti Suzuki has taken certain concrete steps.

In order to promote the use of greener fuel among its customers, Maruti Suzuki launched five CNG models, namely the Eco, the WagonR, the SX4, the Alto and the Estilo with state-of-the-art i-GPI technology in 2010-11.

On the manufacturing side, Maruti Suzuki monitors all its emissions and resource consumption such as electricity and water stringently. All emission levels are maintained within permissible levels as per government guidelines.

The Company uses a clean fuel, natural gas, to generate electricity in its captive power plants in both manufacturing facilities. Details of the Company's efforts towards green manufacturing are available in the Environmental Performance section of the Report (page 58).

The large number of vehicles that Maruti Suzuki produces, have been transported by road for several years. To reduce the pollution thus caused, the Company is working on a project to transport cars by rail. Work on the railway siding project at Manesar is currently underway.

EMPLOYEE REMUNERATION AND BENEFITS

The employee remuneration and benefits of the Company increased by 29% from Rs. 5,456 million in 2009-10 to Rs. 7,036 million in 2010-11. This increase was on account of annual increments, increase in the number of employees and variable bonus that was introduced in the Company for the first time.

As a policy, the Company keeps wages of its permanent and contract employees above the standard entry-level minimum wages fixed by the state government.

The Company has the following benefit plans for its employees:

1. Employees' gratuity fund
2. Leave encashment
3. Retirement allowance



Factory fitted CNG cars

MARUTI SUZUKI'S CONTRIBUTION TO EMPLOYEE BENEFIT PLAN OBLIGATION IN 2010-11 (₹ mn)

NETWORK EXPANSION	LEAVE ENCASHMENT / COMPENSATED ABSENCE	EMPLOYEES' GRATUITY FUND	RETIREMENT ALLOWANCE
Present value of obligation as on 31 st March, 2011	752	827	38

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT OF INDIA

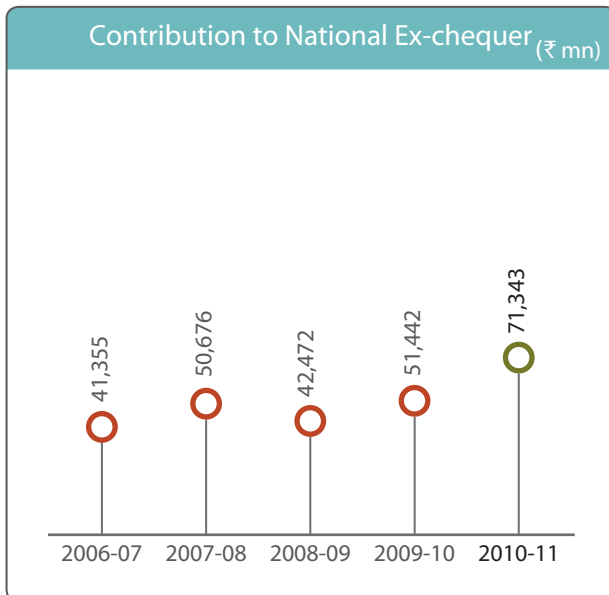
In 2010-11, Maruti Suzuki did not receive any significant financial assistance from the Government of India.

EXPENDITURE ON SOCIAL INITIATIVES

The CSR activities of the Company reached a new scale in 2010-11. The expenditure on CSR activities increased to Rs. 152 million in 2010-11 from Rs. 113 million in 2009-10. The CSR spend of 2010-11 includes an expenditure of Rs. 12.6 million on infrastructure projects undertaken for public benefit.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company makes a substantial contribution to the National Exchequer through taxes and duties. The Company's gross contribution to the National Exchequer over the last 5 years is shown in the graph below.



Please refer to the Annual Report of the Company for further details on operating costs, economic value added and other details. The Annual Report is available at the Company website www.marutisuzuki.com.

SUPPORTING SUPPLIERS

Maruti Suzuki undertook capacity expansion to meet the increasing market demand in the reporting year. The Company also facilitated expansion at the suppliers' end, commensurate with Maruti Suzuki's expansion plans. A focused approach was adopted to identify the bottlenecks in the supply of components and accordingly adequate expansion plans were made with the suppliers. This has helped in reducing the extended working hours for many suppliers.

In order to reduce the quality defects in new models, initiatives like the Low Volume Production Trial (LVPT) was also started in the reporting year.

In 2010-11, an initiative for developing IT capabilities with the suppliers was also started with the process mapping of the capabilities of 12 suppliers in IT. The project will be further expanded in the coming years.



Automated manufacturing line at Manesar

economic performance



M/s Infinity Polyrub (Lumax Cluster) receiving Winner Award of MPS competition held at MACE

MACE: HELPING SUPPLIERS AND DEALERS IN ACHIEVING EXCELLENCE

MACE was formed in April, 2004 by Maruti Suzuki in collaboration with 21 of its suppliers, with a corpus fund of Rs.150 million. The activities of MACE include providing training, support and consultancy to the suppliers (Tier-1 & Tier-2) and its sales network (Dealers/MASS's) to help them achieve world class standards in quality, cost, service and technology orientation.

MACE uses a collaborative approach to help suppliers and dealers know the world's best practices and to assimilate these practices in their day to day operations. The various training programmes conducted by MACE for the capacity building of suppliers and dealers also include training on health, safety and environment management systems.

The entire approach adopted by MACE aims at building a total quality culture at suppliers and dealers. Excellence is built bottoms up, which means the first focus is on getting the basics right and achieve excellence in processes / systems and then focus on making further innovative plans.

In order to share knowledge and learn from each other, MACE uses a cluster approach wherein 5 to 10 suppliers are clubbed into a cluster for upgradation projects.

MACE counsellor visits each cluster of suppliers twice a month to assess the progress and to check the level of understanding of the suppliers' personnel. This is followed by a monthly review meeting where each cluster supplier makes a presentation on the implementation status of improvement projects. This meeting is chaired by Maruti Suzuki and MACE senior officials who give their feedback and share their knowledge with the cluster members.

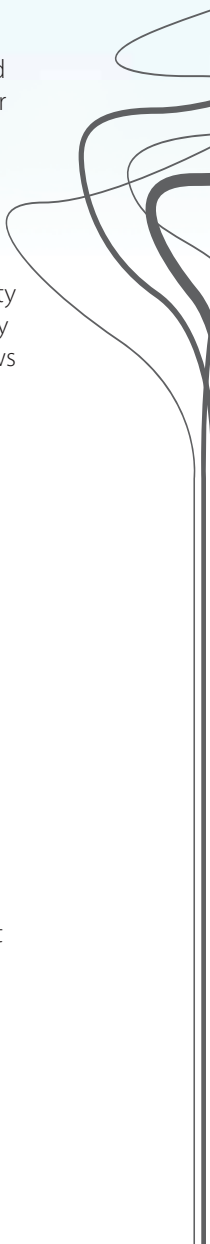
MACE also conducts system audits of suppliers and quality audits of dealers and MASS workshops. The service quality standards are implemented at the MASS's. Periodic reviews are held on service performance parameters.

MACE closely works with vendors on lean manufacturing systems. Inputs are also taken from the supply chain division on concerns faced at MSIL's level. MACE's methodology is of training, hand holding and support through continuous review. MPS projects are taken to improve overall performance at vendors end by monitoring KPIs like

- Quality
- Productivity
- Capacity
- Delivery
- Energy
- Inventory

All the MPS projects are validated by senior management from supply chain and MACE.

The initiatives taken by MACE have given fruitful results in upgrading quality levels at suppliers and at the service workshops of dealers and MASS's.

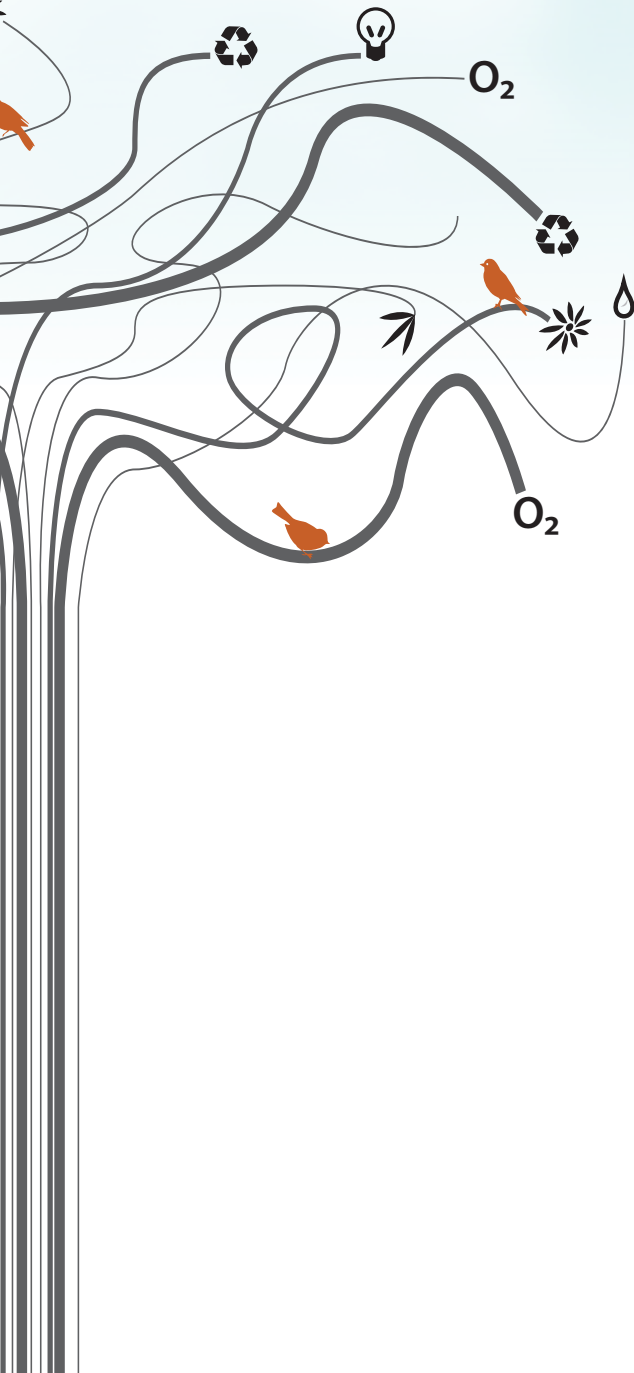




MACE receiving award from CII for initiating cluster movement in India

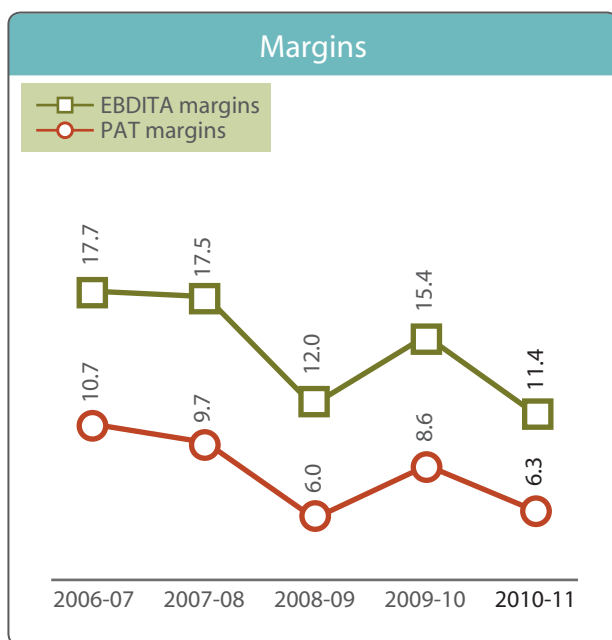
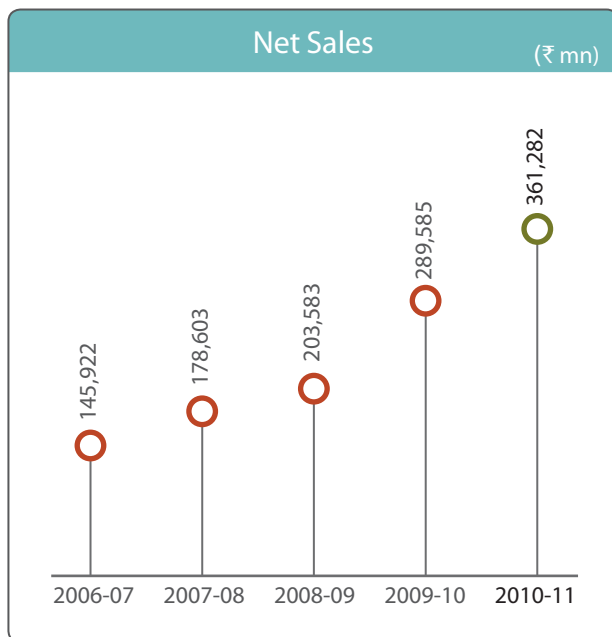
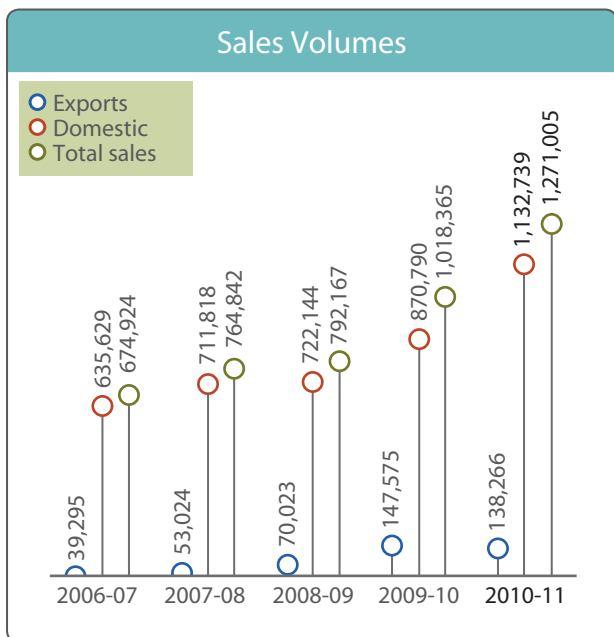
In 2010-11, 65 training programmes covering 26 different topics were conducted for suppliers. A total of 1521 members from vendors participated in these programmes.

	TOPICS		TOPICS
1	3G, 3K, 3R, 5S & Kaizen	2	Low Cost Automation
3	5S, Kaizen & Poka Yoke for Operators in Hindi	4	Maruti Production System
5	7 QC Tools for Supervisors & Above	6	MS Outlook & Power Point
7	Closing the Execution Gap - Franklin Covey	8	Quality Circle & 7-QC Tools for shop floor staff in Hindi
9	Cost of Quality	10	Seven Habits of Effective People - Franklin Covey
11	Daily Work Management	12	Six Sigma Black Belt
13	Design of Experiments (Shainin Way)	14	Statistical Process Control & Measurement System Analysis
15	Energy Management	16	Total Productive Maintainance
17	Failure Mode & Effect Analysis	18	Value Stream Mapping
19	Lean Manufacturing	20	Vendor System Audit
21	Level Up	22	ISO: 14001
23	ISO:9001-2008 & TS:16949-2009	24	Vendor System Audit Ranking Improvement (MACE & Supply Chain)
25	Seven Habits of Effective People in Hindi	26	Value Analysis/Value Engineering



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financial highlights 2010-11





For more details on financial information of the company, please refer to the annual report for the year 2010-11, available on the company website.

