

Press Release

Information on Gujarat Project

**New Delhi, 26<sup>th</sup> Feb 2014:** Maruti Suzuki India Limited made an announcement on 28<sup>th</sup> Jan, 2014 regarding its Board decision on Gujarat project. Following the announcement, there have been queries and request for clarification from investors and media related to pricing and funding of capacity expansion in the proposed contract manufacturing arrangement.

The Company hereby clarifies the following to stock exchanges and investors.

1. The Suzuki Motor Corporation's subsidiary in Gujarat (Sub) would operate on the basis that while it would not make any losses, it would also not accumulate any cash surpluses.
2. The cost of production of vehicles, produced by the Sub, would be calculated in an identical manner to that followed by Maruti Suzuki India Limited (MSIL) in Haryana, and as would have been done if the Gujarat project had been executed by a 100% subsidiary of MSIL. This cost may be called 'C', and would not include return on investment and profits.
3. In Haryana, MSIL marks up 'C', to generate profits, which includes the return on capital employed, to arrive at the ex-factory sale price to its dealers. The amount of the mark up is determined, at all times, by market conditions. The amount of this mark up may be called 'P'. The sale price to dealers is thus C+P.
4. The Capex needs of the Gujarat Sub would be met by i) the depreciation amount available with the Sub ii) by an amount generated as net surplus from the car pricing and iii) by SMC infusing fresh equity, to the extent necessary. The amount of surplus added to 'C' would be such as would ensure that the total ex-factory price of cars made available to MSIL remains less than C+P. MSIL would sell the cars to dealers at C+P.
5. The Capex needs of the Sub would be determined jointly by MSIL and the Sub, consistent with the production needs of MSIL from the Gujarat project.
6. If the contract manufacturing agreement expires, and in case is not extended by mutual consent, the assets of the Gujarat Sub would be transferred to MSIL at a fair value to be determined by independent valuation.

The above is also being communicated to investors who had written to the company seeking more details.