

## GREEN SUPPLY CHAIN

The company has a large supply chain. As on 31st March, 2014, it had a base of 326 suppliers, including 18 joint venture companies where it has equity stake.

It has laid down robust sourcing processes and procedures that include competitive bidding and evaluation of new supplier by all concerned departments (Engineering, Quality & Supply Chain) before inclusion in the company's supplier list.

In recent years, the supply chain risk exposure of the company has increased due to higher complexity of suppliers' network, increasing labour expectation, highly volatile markets and unpredictable events in various parts of the world. Maruti Suzuki felt the need for developing a structured approach to assess risk arising from various suppliers in order to plan actions proactively and mitigate negative impacts on the company.

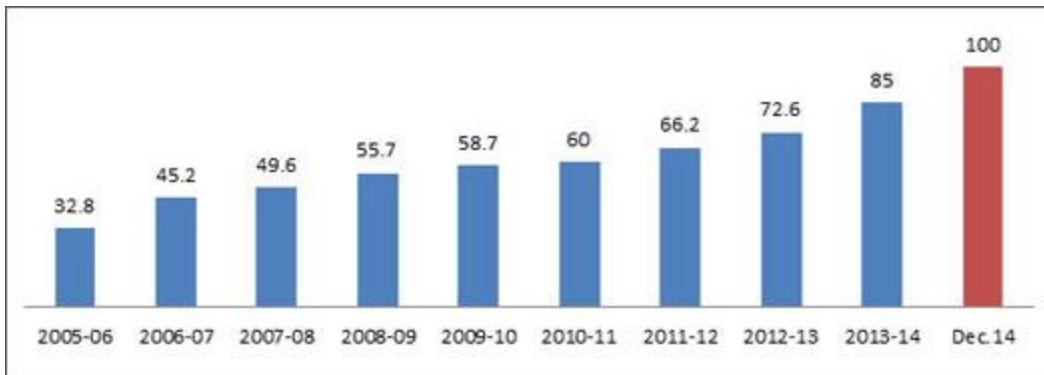
In 2013-14, supplier risk management was initiated in supply chain to assess suppliers' risks in operational and financial areas. The operational risks are assessed in the area of labour, quality, delivery performance, management response, safety, tier-II management etc. The financial risks are assessed in profitability, liquidity and funding management. Locational risks are based on the risks associated with the location of the supplier's manufacturing facility.

Some initiatives taken by the company with its suppliers in 2013-14 include:

- Since inception, the company has laid stress on local suppliers. Both the Gurgaon and Manesar plants, have adjacent Suppliers' Parks where select suppliers have established manufacturing units.
- The company places great focus on local sourcing of parts. Nearly 78% of the supplier base by value is located within a 100 km radius of the company. As compared to last year, there is a reduction in the percentage of supplier base located within 100 km radius due to merger of Suzuki Powertrain with the company.
- An important function of the Supply Chain is the localization of components. Localization has many benefits. It develops a reliable local source for all future requirements, reduces exposure of the company to foreign exchange movement and builds capability of local suppliers and boosts local economy. In the reporting year, localization of KD parts, especially those that hadn't been localized due to unavailability of technology in India or lack of volumes, was undertaken.
- The company formulated Green Procurement Guidelines in the year 2012-13. These were rolled out in 2013-14 for tier-I suppliers. As per the guidelines, the tier-I suppliers are required to submit the Green Procurement Agreement, Environment Compliance Sheet and a copy of ISO 14001 certificate to the Company. So far, 150 agreements have been received by the Company.
- Maruti Suzuki has been working closely with the tier-I suppliers to encourage and support them to go for ISO 14001 certification. As on March 2014, 85% suppliers were

ISO 14001 certified.

### Supplier plants certified for ISO 14001 Certifications (%)



- With a focus to reduce time, cost and emissions during transportation, the Company has made improvements in logistics.
  - » The company changed port for KD and non-SMC imported parts from Nhava Sheva to Pipavav Port during the year. This reduced transit time from six days to four days and reduced distance from 1,500 kms to 1,200 kms. As Pipavav is a less crowded port, there was also reduction in delays and waiting time.
  - » The company has developed container for transporting steel coils. This has helped in optimum rake utilization, reduction in truck movement and lesser damages to steel coils during transits.