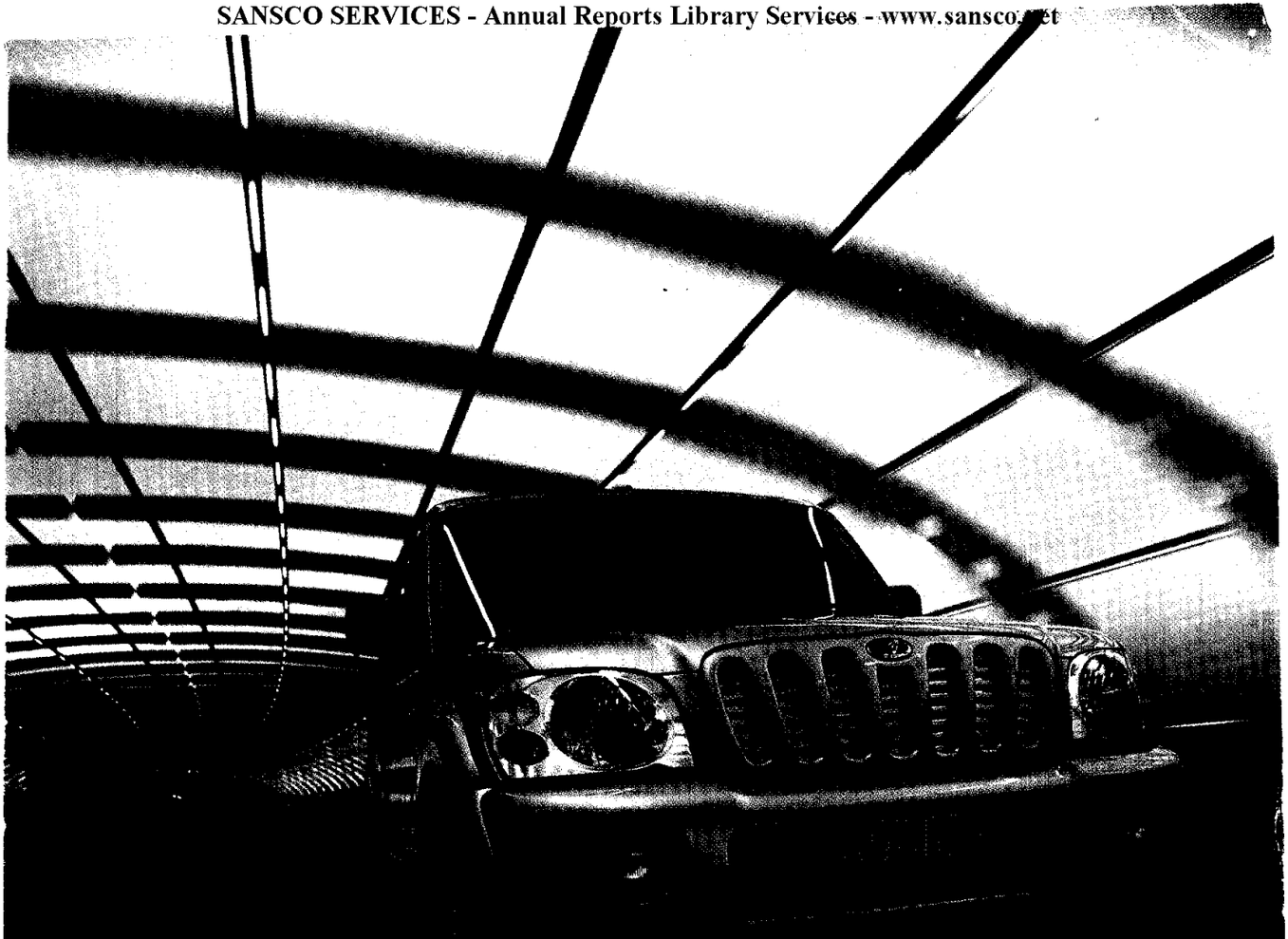
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Excellence is not

just a product or a process.

It is an attitude that

says "Nothing else will do".

MAHINDRA & MAHINDRA LIMITED

56TH ANNUAL REPORT 2001-2002

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Excellence is not just a product or a process....
It is an attitude that says "Nothing else will do".

It is an attitude that has shaped the Scorpio....
It is an attitude that will shape M&M's future.

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COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Deepak S. Parekh
Chairman

Nadir B. Godrej
R. K. Kulkarni
B. R. Gupta

REMUNERATION/COMPENSATION COMMITTEE

Narayanan Vaghul
Chairman

Keshub Mahindra
Nadir B. Godrej
M. M. Murugappan

SHARE TRANSFER AND SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

Keshub Mahindra
Chairman

Anand G. Mahindra
R. K. Pitamber
Bharat Doshi
A. K. Nanda
R. K. Kulkarni

LOANS & INVESTMENT COMMITTEE

Anand G. Mahindra
K. J. Davasia
Bharat Doshi
Alan E. Durante
A. K. Nanda
R. K. Kulkarni

RESEARCH & DEVELOPMENT COMMITTEE

A. S. Ganguly
Chairman

Anand G. Mahindra
K. J. Davasia
Bharat Doshi
Alan E. Durante

MANAGEMENT BOARD

Anand G. Mahindra
Vice-Chairman & Managing Director

K. J. Davasia
President-Farm Equipment Sector

Bharat Doshi
President-Trade & Financial Services Sector

Alan E. Durante
President - Automotive Sector

A. K. Nanda
President - Infrastructure Development Sector

B. M. Kataria
President - Automotive Components Sector

Ulhas N. Yargop
President - Telecom & Software Sector

Uday Y. Phadke
Executive Vice President - Finance, Accounts & Legal Affairs

Anjanikumar Choudhari
Executive Vice President - Human Resources & Corporate Services

Hemant Luthra
Executive Vice President - Corporate Strategy

R. R. Krishnan
Managing Director, Mahindra Intertrade Limited

BOARD OF DIRECTORS

Keshub Mahindra
Chairman

Anand G. Mahindra
Vice-Chairman & Managing Director

R. K. Pitamber
Deepak S. Parekh
Nadir B. Godrej
M. M. Murugappan
Lewis W. K. Booth
David Friedman
Alternate Director to Lewis W. K. Booth

Sanjiv Kapoor
Nominee of Unit Trust of India

B. R. Gupta
Nominee of Life Insurance Corporation of India

Narayanan Vaghul
A. S. Ganguly
R. K. Kulkarni
I. C. Jain
Nominee of ICICI Bank Limited

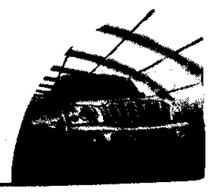
Anupam Puri
K. J. Davasia
Executive Director

Bharat Doshi
Executive Director

Alan E. Durante
Executive Director

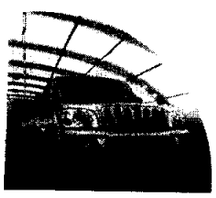
A. K. Nanda
Executive Director & Secretary

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NOTHING ELSE WILL DO

The Scorpio has been launched. It is a vehicle we are proud to have created. M&M's (and India's) first indigenously developed Sports Utility Vehicle. An off road vehicle with car like comforts. International quality inside and sophisticated styling on the outside. The best that Indian brains and international collaboration can offer, in one gleaming package.

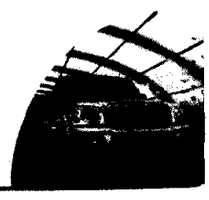
For us, the Scorpio is more than a new product. The Scorpio is a journey to find the best in ourselves. Yes, the Scorpio is not just about a new product. The Scorpio is about changing the way we do things. It started with a dream that became a driving vision - to produce a vehicle that would take M&M into the ranks of top class auto manufacturers. It meant jettisoning the past. Past platforms, past techniques, past approaches. Instead of the end point, the customer became the beginning. It was the customer's needs, dreams and aspirations that dictated the conceptualisation of the Scorpio.

Instead of the platforms and methods of the last fifty years, we started from the ground up. We imposed new design and manufacturing systems upon ourselves, that demanded total validation and quality before the process could move from one stage to the next. At every stage we subjected our efforts to ruthless criticism from internal and external panels. Every bit of feedback was studied and assimilated and used to make improvements. No detail was too insignificant to deserve our attention. We changed our manufacturing facilities, making them state-of-the-art. And we offered the Scorpio to the world.

Post sale, the change continues. We are changing the way we sell vehicles, so as to give each customer an unforgettable experience. We are changing the way we deal with the customer at every stage. We are encouraging our dealers to see the customer not as a one time sale but as a life long partner. Most importantly, we are changing the way we think about ourselves and about our products.

In the process of making these changes, we have discovered the best in ourselves. We have discovered that we have the skills and the competence and the talent to design a top class vehicle from scratch. We have discovered that we can live up to the core belief of our founding fathers that Indians are second to none. We have discovered that the more we demand of ourselves, the more we achieve. And we have discovered that, like a magic lamp, the spirit of the Scorpio has rubbed off on everything we undertake. The same quest for excellence drives the Farm Equipment Sector whose tractor sales have grown 77% in the heart of Tractor Land - the USA. The same spirit of excellence has driven Mahindra Holidays to re-invent itself to emerge as the largest player in the domestic time share industry. The same spirit of excellence has driven Mahindra Financial Services to rural areas where no other financial services company has gone before. The same spirit has propelled Mahindra Gesco into the leadership position among corporate construction houses.

The Scorpio has taken us on a voyage of discovery. And it has become a symbol. A symbol that the journey never ends. A symbol of the quest to continuously become better than we are. A symbol of the determination to demand more and more from ourselves. A symbol of the imperative to be leaders in whatever businesses we undertake. Because, for us, as the Scorpio advertisement emphasizes "Nothing else will do".



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BANKERS:

Bank of America N.T. & S.A

Bank of Baroda

Bank of India

Canara Bank

Central Bank of India

HDFC Bank Ltd.

Standard Chartered Bank

State Bank of India

Union Bank of India

AUDITORS:

A. F. Ferguson & Co., Allahabad Bank Buildings,

Bombay Samachar Marg, Mumbai 400 001.

ADVOCATES:

Little & Co., Central Bank Building, Mahatma Gandhi Road, Mumbai 400 023.

REGISTERED OFFICE:

Gateway Building, Apollo Bunder, Mumbai 400 001.

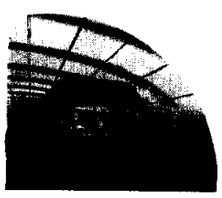
BRANCHES:

7, Dr. Ishaque Road (Old KYD Street), Kolkata 700 016.

Jeevan Deep Building, No. 8, Parliament Street, New Delhi 110 001.

Dhun Bldg., 827, Anna Salai, Chennai 600 002.

Jagtap Park, 6E, Ramabai Ambedkar Road, Pune 411 001.



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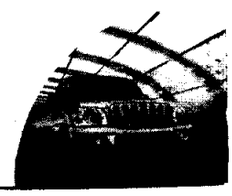
DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

	2002	2001
Income	**399675**	435290
Profit before Depreciation, Interest, Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years	**32523**	35248
Less: Depreciation	**13938**	14009
Profit before Interest, Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years	**18585**	21239
Less: Interest (Net)	**8267**	6216
Profit before Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years	**10318**	15023
Less: Provision for Contingencies	**480**	646
Profit before Exceptional item, Taxation and adjustments pertaining to previous years	**9838**	14377
Less: Exceptional item	**1729**	1522
Profit before Taxation and adjustments pertaining to previous years	**8109**	12855
Less: Provision for Tax - Current tax	**360**	800
Add: Provision for Tax - Deferred tax (Net)	**2520**	-
Profit for the year	**10269**	12055
Less: Adjustments pertaining to previous years	**578**	-
Balance of profit	**9691**	12055
Balance of profit for earlier years	**33410**	30663
Add: Investment Allowance Reserve Account written back	**-**	315
Profit available for appropriation	**43101**	43033
Less: Debenture Redemption Reserve	**3175**	1426
General Reserve	**1000**	1500
Dividend paid for the previous year (**Rs. 0.28 lakhs**; *previous year: Rs. 0.18 lakhs*)		
Income-tax on dividend paid (**Rs. 0.03 lakhs**; *previous year: Rs. 0.02 lakhs*)		
Proposed Dividend	**5621**	6077
Income-tax on Proposed Dividend	**-**	620
Balance carried forward	**33305**	33410



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Performance Review

In a year that saw some deceleration in the Utility Vehicles Industry, your Company outperformed the Industry, supported by a strong demand for its new product offerings. The Tractor Industry as a whole was adversely affected by several factors, and, in keeping with this trend, the sales numbers of your Company were also lower. Nevertheless, the Automotive and Farm Equipment Sectors maintained their market leadership, and increased their retail presence through several new offerings, continuous product refinements and customer relations programmes. Both the Sectors have effected a reduction in the pipeline inventory and aligned stocks with market demand. Exports of both vehicles and tractors have significantly increased. Your Company has also started making its presence felt in the three wheeler market; it sold 2,950 three wheelers in F-2002 as against 191 in F-2001. A relentless focus on cost re-engineering and right sizing initiatives have impacted your Company's operating margins favourably.

The profit for the year before Depreciation, Interest, Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years was Rs. 325.23 crores as against Rs. 352.48 crores in the previous year. Profit after tax was Rs. 102.69 crores as against Rs. 120.55 crores in the previous year.

A detailed analysis of the Company's performance is contained in the Management Discussion and Analysis Report, which forms part of this Annual Report.

Dividend

Your Directors have recommended a dividend at 50% (Rs. 5 per share). A pro-rata dividend will be paid on 55,24,219 shares allotted during the year. The dividend will absorb a sum of Rs. 56.21 crores (previous year Rs. 66.97 crores, including tax on dividend) and will be paid to those shareholders whose names stand registered in the books of the Company as on the book closure date.

Finance

During the year the Company raised a net amount of Rs. 300 crores by way of long term Debentures and foreign currency loans. The amounts were raised at competitive rates for Capital expenditure, long term working capital, repayment of high cost debt and general corporate purposes, including payments under voluntary retirement scheme of the Company.

The Company, taking advantage of the lower interest rate scenario, repaid high cost loans/debentures, and also re-negotiated with debenture holders/ term lenders, interest rates on high cost debentures and loans aggregating Rs. 140 crores.

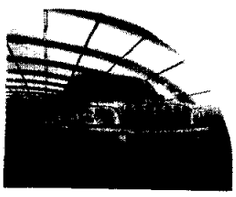
Continuing its initiatives, during the period under review, the Company saved on input cost by negotiating, with certain companies that have set up wind mills, for transfer of sales tax incentives in line with Government of Maharashtra's guidelines in this regard.

Credit Rating Information Services of India Ltd. has revised the credit rating assigned to the Company's outstanding debentures to "AA" from "AA+". The revised rating indicates high safety on timely payment of interest and principal. Fitch Ratings India Private Limited has recently revised the rating assigned by it to the Company's outstanding debentures from "AAA" to "AA+". This rating indicates high credit quality. The risk factors are negligible. The rating revision was on account of a sharper than anticipated decline in the tractor sales volumes and continuing sluggishness of utility vehicle volumes.

The Consortium of bankers continues to rate the Company as a Prime customer and extends facilities at prime lending rates. The Company further expanded its IT based payments solutions and has also widened the various initiatives in channel management by making available structured finance products and web enabled payment system through banks.

Scheme Of Arrangement

During the year, as a part of a comprehensive review by the Company of the operations and businesses of its subsidiaries, and with a view to rationalising the structure of the group holdings in a manner that would result in greater shareholder value through elimination of administrative and financial inefficiencies, three wholly owned subsidiaries, viz. e-Mahindra Solutions Limited, Mahindra Auto Specialities Limited and Mahindra Alternative Technologies Limited were amalgamated with the Company with effect from 31st March, 2002. The amalgamation was approved by the High Court of Judicature at Bombay. In the process of amalgamation, investments held by the amalgamating companies have been restated at their respective net asset values. The surplus of Rs. 103.57 crores that has arisen on restatement of investments has been utilised to provide for diminution in value of certain



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long term investments and related assets of the Company, the balance of surplus being retained as "Investment Fluctuation Reserve". As an integral part of the Scheme, the Company has netted off Deferred Revenue Expenditure of Rs. 469.97 crores incurred by the Company mainly on account of Special payments/pensions under voluntary retirement schemes, Development Expenditure, Fee for use of Technology etc. against Share Premium Account of the Company.

Stock Options

Pursuant to the approval of the shareholders at the Annual General Meeting of the Company held on 31st July, 2000, the Company has allotted 55,24,219 Equity Shares of Rs. 10 each for cash at a premium of Rs. 49 per share to the Mahindra & Mahindra Employees' Stock Option Trust, to be held for the benefit of the Eligible Employees under the Mahindra & Mahindra Limited Employees' Stock Option Scheme. On the recommendation of the Remuneration/Compensation Committee, the Trustees of the Mahindra & Mahindra Employees' Stock Option Trust have granted 5,60,000 Options to Senior Managerial Personnel and 14,18,016 Options to other Eligible Employees during the year under review. Details required to be provided under the Securities and Exchange Board of India (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure I to this Report.

Industrial Relations

Industrial Relations have generally remained cordial throughout the year. The Management Discussion and Analysis gives an overview of the developments in Human Resources/Industrial Relations during the year.

In a major restructuring exercise to rightsize the workforce, the Company has, during the year under review, successfully implemented Voluntary Retirement Schemes covering Officers, workmen and staff. 2,788 employees have opted for voluntary retirement during the year under review. These measures will enable the Company obtain optimum utilisation of the existing labour force and increase the level of their productivity.

Directors

Your Directors regret to inform the members of the sad demise of Mr. S. K. Bhatnagar on 4th August, 2001. Mr. Bhatnagar was the Nominee Director of ICICI Limited from 29th June, 1992 to 29th January, 1999 and thereafter continued as an Independent Director on the Board. He was also a member of the Audit Committee. The Board has placed on record its sincere appreciation of Mr. Bhatnagar's services and contribution to the Company. Mr. Nadir B. Godrej has been appointed to the Audit Committee of the Board in place of Mr. Bhatnagar.

Mr. Keshub Mahindra, Mr. Anand G. Mahindra, Mr. Nadir B. Godrej, Mr. M. M. Murugappan and Mr. Lewis W. K. Booth retire by rotation and, being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

i) in the preparation of the annual accounts, the applicable accounting standards have been followed, including Accounting Standard 22 on Accounting for taxes on Income, which has become effective from 1st April, 2001;

ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and, read with paragraph (i) above, these have been applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and of the profit of the Company for the year ended on that date;

iii) proper and sufficient care has been taken 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;

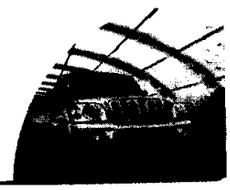
iv) the annual accounts have been prepared on a going concern basis.

Subsidiary Companies

During the year under review:

Kota Farm Services Limited, Mahindra Infrastructure Developers Limited and MBT Gmbh became subsidiaries of your Company;

Pursuant to the demerger of the realty and infrastructure businesses of Mahindra Realty & Infrastructure Developers Limited to GESCO Corporation Limited, and the allotment of shares as part of the Scheme to Mahindra Holdings & Finance Limited, GESCO Corporation Limited became a subsidiary of your Company with effect 14th December, 2001;



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Gesco Corporation South Limited, a subsidiary of GESCO Corporation Limited as on 14th December, 2001, ceased to be a subsidiary of your Company with effect 27th March, 2002;

Rathna Bhoomi Enterprises Private Limited was a subsidiary of your Company from 5th September, 2001 to 28th March, 2002.

As mentioned elsewhere in this Report, Mahindra Alternative Technologies Limited, Mahindra Auto Specialities Limited and e-Mahindra Solutions Limited, subsidiaries of your Company, were merged with the Company with effect 31st March, 2002, pursuant to the approval of the shareholders of the respective companies and of the High Court of Judicature at Bombay. Mahindra Entertainment Corporation Limited merged with Mahindra Holidays and Resorts India Limited with effect 1st April, 2001, pursuant to the approval of the shareholders of the respective companies and of the High Court of Judicature at Madras. The necessary formalities having been concluded, these companies have ceased to be subsidiaries of your Company.

Subsequent to the year-end, MBT Software Technologies Pte Limited has become a subsidiary of your Company.

The audited statements of account of the Company's subsidiaries for the year ended 31st March, 2002 together with the Reports of the Directors and the Auditors and the Statement pursuant to section 212 of the Companies Act, 1956 are attached.

Auditors

Messrs. A. F. Ferguson & Co., Chartered Accountants, retire as auditors of the Company and have given their consent for re-appointment. The shareholders will be required to elect auditors for the current year and fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the above auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

Since more than 25 per cent of the subscribed capital of the Company is held by the public financial institutions, the nationalised banks and the general insurance companies, the appointment or re-appointment of auditors is required to be made by a Special Resolution.

Fixed Deposits

Out of the total deposits of Rs.3322.20 lakhs from the public and shareholders as at 31st March, 2002, 746 deposits amounting to Rs. 66.46 lakhs, which had matured, had not been claimed as at the end of the financial year. Since then, 385 of these deposits of the value of Rs. 38.58 lakhs have been claimed.

Current Year

The Company believes that with the introduction of the Scorpio and other new products, and the initiatives being taken to excel in every area of operations, the Company should continue to maintain its leadership in a year that is expected to be a tough one.

During the period 1st April, 2002 to 16th June, 2002, 13,548 vehicles were produced as against 13,489 vehicles, and 13,246 vehicles were despatched as against 12,830 vehicles during the corresponding period last year. 11,411 tractors were produced and 11,666 tractors despatched during the same period as against 8,857 tractors produced and 9,412 tractors despatched during the corresponding period in the previous year.

Energy Conservation, Technology Absorption And Foreign Exchange Earnings And Outgo

Particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure II to this Report.

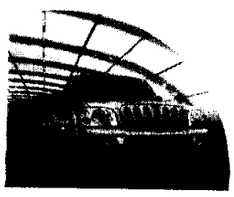
Particulars Of Employees

The Company had 1,813 employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2002 or not less than Rs. 2,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report being sent to the shareholders does not include this Annexure. Any shareholder interested in obtaining a copy of the Annexure may write to the Assistant Company Secretary at the registered office of the Company.

For and on behalf of the Board

Keshub Mahindra
Chairman

Mumbai, 17th June, 2002



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