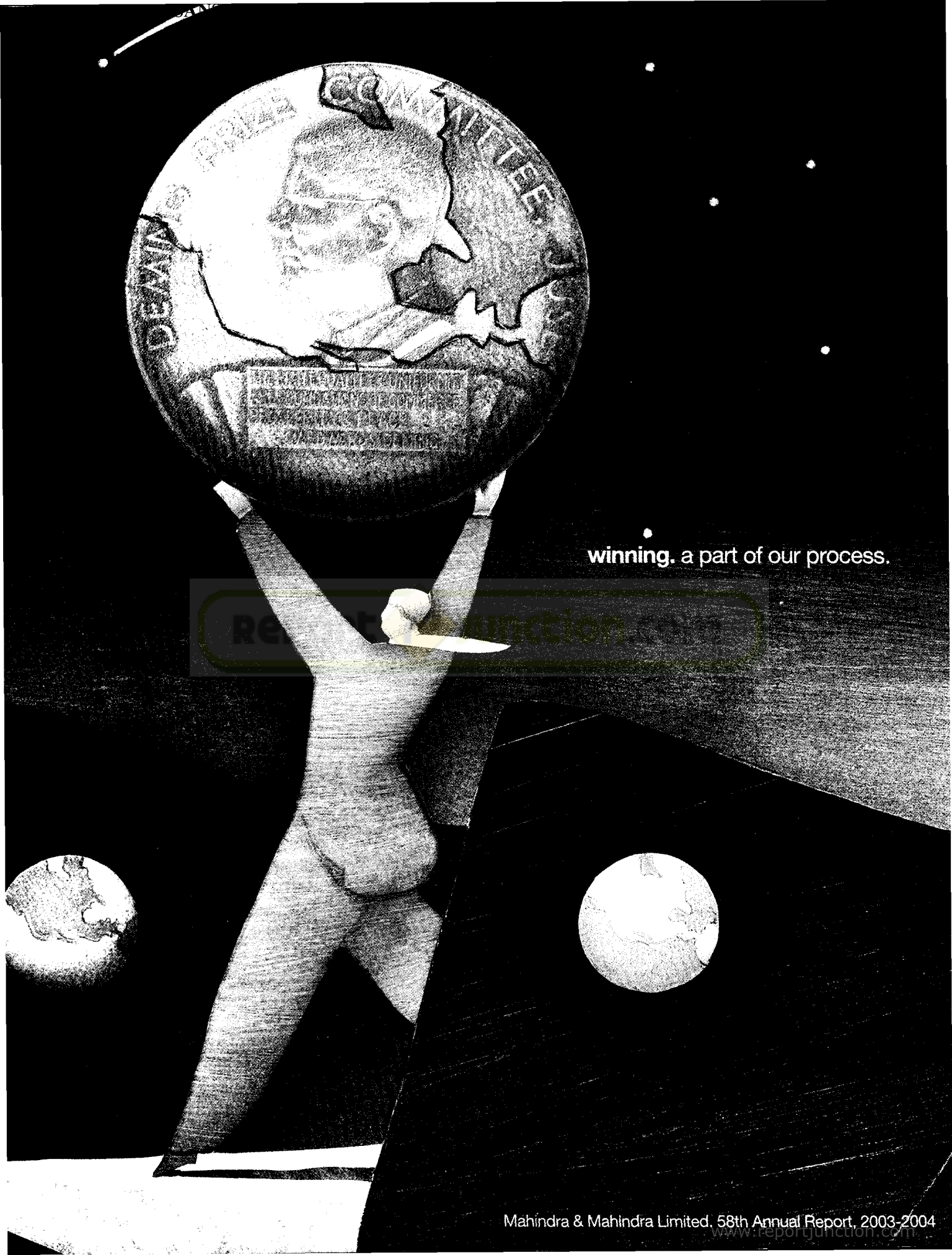


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TO STRIVE FURTHER THAN THE FARTHEST. TO SET NEW STANDARDS IN PERFORMANCE, AND THEN BREAK THEM. TO REACH FOR THE HEIGHTS AND THEN SEEK A NEW SUMMIT.

IT'S ABOUT WINNING, AND BEYOND.



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COMMITTEES OF THE BOARD

Audit Committee
Deepak S. Parekh
Chairman
Nadir B. Godrej
R. K. Kulkarni
V. K. Chanana

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
Ulhas N.Yargop
President – Telecom & Software Sector
Uday Y. Phadke
Executive Vice President – Finance, Accounts & Legal Affairs
Anjanikumar Choudhari
Executive Vice-Chairman – Bristlecone Ltd.
R. R. Krishnan
Managing Director – Mahindra Intertrade Ltd.
Hemant Luthra
Executive Vice President – Corporate Strategy
Raghunath Murti
Executive Vice President – Business Development
Rajeev Dubey
Executive Vice President – Human Resources & Corporate Services

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
David Friedman
V. K. Chanana
Nominee of Unit Trust of India
R. N. Bhardwaj
Nominee of Life Insurance Corporation of India
Narayanan Vaghul
A. S. Ganguly
R. K. Kulkarni
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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THE PROCESS OF WINNING

It is perhaps a slight understatement to say that M&M has had a winning year. 2003- 04 saw the highest ever annual profits. Share prices reached new highs. We became the first tractor company in the world to win the Deming Award. The Kandivili plant was the first automotive OEM plant in India to bag the TPM Excellence Award from the Japanese Institute of Plant Management. The Scorpio continued to garner a slew of accolades, including the Business Standard Brand Derby Award and a BBC "Car of the Year" Award. The highest customer ratings among SUVs in the NFO Customer Satisfaction Survey also went to the Scorpio. The Government of India awarded us the DSIR Award for outstanding in-house R&D. Indeed, we found ourselves uncorking the champagne with almost monotonous regularity this past year.

At M&M, however, we aim not only to win, but to win consistently. We understand that in today's competitive world, a company is only as great as its last balance sheet. It is a sobering thought that out of the 12 companies that originally constituted the Dow Jones average, only General Electric still retains its slot. In M&M therefore, winning is not an end but a process, not a goal but a part of the journey. It is the emphasis on the process of winning across the Mahindra Group that has made us number one in SUVs, number one in tractors, number one in the timeshare business, a leading player in the telecom software business, the leading non-banking finance company in rural financing, and the first listed real estate Company. Our philosophy is that if winning is a part of the process, it will surely be a part of the outcome.

The process of winning is embodied in the four principles that are the foundation of our business strategy. Every business must achieve and maintain Leadership in its area of endeavour. Every business must Think Global to achieve its maximum potential. Every business must stay ahead by Constant Innovation. And, the most important, every business must focus unwaveringly on Financial Returns.

Adherence to this blueprint has, quite literally, paid substantial dividends at the end of the last twelve months. Looking ahead, we are strengthening our winning processes so that M&M can achieve sustainable and profitable growth regardless of ups and downs in a volatile environment. We are institutionalizing ways to anticipate change in the market place, to listen to what our younger people have to say, to constantly review and refresh strategy, to get closer to our stakeholders and to maintain and improve on our cost leadership. At the same time, we continue to stretch our aspirations and our goals each year so that there is always a new horizon to race towards, always a new world to conquer.

We firmly believe that the best is yet to be.



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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

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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.
Raheja Chambers, First Floor, 12, Museum Road, Bangalore 560 001.

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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, 2004.

Financial Highlights

		(Rs. in lakhs)
	2004	2003
Gross Income	**600123**	459679
Less : Excise Duty	**95543**	78501
Net Income	**504580**	381178
Profit before Depreciation, Interest, Provision for Contingencies, Exceptional items and Taxation	**62892**	39559
Less : Depreciation /Amortisation	**16520**	16544
Profit before Interest, Provision for Contingencies, Exceptional items and Taxation	**46372**	23015
Less : Interest (Net)	**5159**	8690
Profit before Provision for Contingencies, Exceptional items and Taxation	**41213**	14325
Less : Provision for Contingencies	**342**	387
Profit before Exceptional items and Taxation	**40871**	13938
Add : Exceptional items	**2948**	5765
Profit before Taxation	**43819**	19703
Less : Provision for tax – Current tax	**6350**	1230
Less : Provision for tax – Deferred tax (Net)	**2615**	3920
Profit for the year	**34854**	14553
Balance of profit for earlier years	**42394**	33306
Add : Transfer from Debenture Redemption Reserve	**12315**	3233
Profit available for appropriation	**89563**	51092
Less : General Reserve	**3500**	1500
Dividend paid for the previous year [Rs.0.21 lakhs (previous year : Rs. Nil)]		
Income-tax on dividend paid [Rs.0.03 lakhs (previous year : Rs. Nil)]		
Proposed Dividend	**10441**	6381
Income-tax on Proposed Dividend	**1338**	817
Balance carried forward	**74284**	42394



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Performance Review

Your Company during the year continued its leadership position in both its major businesses i.e. utility vehicles and tractors.

The Automotive Sector of your Company continued to be the dominant utility vehicle manufacturer in India and also continued to make inroads into the large three wheeler market. During the year under review, your Company produced 99,874 vehicles (i.e. utility vehicles and light commercial vehicles) and 17,796 three wheelers as against 76,809 vehicles and 10,279 three wheelers in the previous year. Sales of vehicles and three wheelers were significantly higher by 30% and 73% respectively as the Company sold 1,00,043 vehicles and 17,356 three wheelers during the year as compared to the sales of 76,861 vehicles and 10,029 three wheelers in the previous year. The Company exported 1,607 vehicles during the year under review (previous year 1,061 vehicles). There was a notable growth in the sales of Spare parts at Rs.172.73 crores (including exports Rs.39.89 crores), as compared to Rs.106.73 crores (including exports Rs.15.36 crores) in the previous year.

The favorable monsoon and credit availability on better terms arrested the decline of tractor industry and set it for recovery. In line with the trends, the Farm Equipment Sector of your Company produced 50,102 tractors as against 45,183 tractors produced in the previous year. Sales of tractors were higher by 5% as the Company sold 49,576 tractors during the year as compared to the sales of 47,028 tractors in the previous year. It continued its thrust on exports and maintained its market leadership position for the 21st consecutive year.

The Tractor Division of your Company won the coveted DEMING PRIZE making it the only tractor manufacturing company in the world to secure this prize recognising the Company's efforts towards establishing world class quality control measures in every sphere of its business.

The profit for the year before Depreciation, Interest, Provision for Contingencies, Exceptional items and Taxation was Rs.628.92 crores as compared to Rs.395.59 crores in the previous year registering an increase of approximately 59%. Profit after tax was Rs.348.54 crores as against Rs.145.53 crores in the previous year recording an increase of approximately 139%. Your Company continues with its rigorous cost restructuring exercises which over a period of time will result in significant savings through value engineering, economizing, optimum plant working and right sizing in almost all areas.

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 90% (Rs.9 per share). The dividend, together with the tax on distributed profit, will absorb a sum of Rs.117.79 crores (previous year Rs.71.98 crores) and will be paid to those shareholders whose names stand registered in the books of the Company as on the book closure date.

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Finance

During the year, the Company bought back high cost debentures, and prepaid rupee loan aggregating about Rs.373 crores. The Company refinanced a part of these debentures/loan by raising about Rs.92 crores through low cost foreign currency loans resulting in savings in interest costs. The Company during the year also prepaid Sales Tax loan of about Rs.46 crores at an attractive discount rate. Further, the Company availed of new derivative instruments to reduce interest cost on the debt portfolio.

CRISIL Limited has reaffirmed the credit rating "AA" assigned to the Company's outstanding debentures. The rating indicates high safety on timely payment of interest and principal. Fitch Ratings India Private Limited (FITCH) has also reaffirmed the "AA+" rating assigned by it to the Company's outstanding debentures. This rating indicates high credit quality and negligible risk factors. The Consortium of bankers continues to rate the Company as Prime customer and extends facilities/services at prime pricing.

During the year the Company further implemented its new initiative in channel management by expanding its co-branded retail finance solutions for its utility vehicles and tractors. This initiative has resulted in affordable credit to its customers, especially to farmers and rural self employed. During the year, your Company has implemented CFM module of SAP in Treasury – one of the first corporates to do so in India – to ensure integration in financial transactions, efficiency in processes and value added MIS for decision making.

In May 2004 of the current financial year your Company successfully completed its USD 100 million Foreign Currency Convertible Bond (FCCB) offering to international investors. The issue was well received by global investors and priced at Zero coupon for a five year tenure with a redemption price of 117.50% to yield 3.25% till maturity. The conversion price was fixed at Rs.647.05, which was at 37% premium to the then prevailing share price of Rs.472.30. The issue proceeds will be used to finance capital expenditure, organic as well as inorganic growth and for such other purposes as may be permitted from time to time under applicable laws.

Scheme of Arrangement

As a part of rationalisation of its multi-tier holding structure, your Company had merged three subsidiaries with itself during the accounting year ended on 31st March, 2002. In furtherance of this process of rationalisation, the Company has, during the year under review, amalgamated two of its wholly owned subsidiaries viz., Mahindra Eco Mobiles Limited (MEML) and Mahindra Information Technology Services Limited (MITS) with itself, with effect from 1st July, 2003. The amalgamation was approved by the High Court of Judicature at Bombay. In the process of amalgamation, investments held by MITS in subsidiaries of the Company have been restated at their respective net asset values. The surplus of around Rs.118



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crores that has arisen on restatement of such investments has been transferred to 'Investment Fluctuation Reserve' Account which will be utilized for providing diminution in value of and /or loss on sale of Investments and certain other assets of the Company. Also, as an integral part of the Scheme, the Company has written off the amount of Investments in the amalgamating companies and loans and/or advances due from the amalgamating companies, amounting to Rs. 35.23 crores, against the Share Premium Account of the Company.

Stock Options

On the recommendation of the Remuneration/Compensation Committee of your Company, the Trustees of the Mahindra & Mahindra Employees' Stock Option Trust have granted 1,15,880 Stock Options to Eligible Employees during the year under review.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee 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.

The Zaheerabad plant in Andhra Pradesh was nominated the "Best Management for outstanding contribution for maintenance of Industrial Relations and Labour Welfare" by the Government of Andhra Pradesh.

Safety, Health and Environmental Performance

The Company pursues its various safety improvement measures and an updated Health & Safety Policy was released during the year. The Safety performance has improved further with a very low accident rate and minimum instances of Man days lost due to reportable accidents. Environment audits were conducted in line with the Policy of good corporate citizenship and to maintain the ecological balance in and around the Company's manufacturing plants. Environmental Improvement Projects are regularly implemented to improve the surroundings. Safety standards were further improved by conducting health awareness program, bi-annual medical checkup for employees and additional lessons in total well being for those working in high risk areas. The statutory requirements specified by the Pollution Control Boards were fully complied. Your Company is accredited with internationally recognised Environment Management System and its Auto and Tractor Divisions location-wise are awarded ISO-14001 and ISO-14000 certification respectively.

Directors

Life Insurance Corporation of India nominated Mr. R. N. Bhardwaj to the Board in place of Mr. Baldev Raj Gupta with effect from 29th April, 2004. Consequently Mr. Gupta

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ceased to be a member of the Audit Committee of the Company. Mr. V. K. Chanana has been appointed to the Audit Committee of the Board in place of Mr. Baldev Raj Gupta.

The Board has placed on record its sincere appreciation of the valuable services rendered by Mr. Baldev Raj Gupta during his tenure as a Director.

Mr. R. K. Pitamber, Dr. A. S. Ganguly, Mr. R. K. Kulkarni, Mr. Anupam Puri and Mr. Alan E. Durante 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;

(ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments 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, 2004 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

With a view to expanding its business footprint in the international IT services business, and particularly in the US, your Company had explored options to strategically merge the operations of some of its IT services subsidiaries with an overseas company having an established brand and client service track record. Bristlecone Inc., USA was identified as a suitable partner which would enable the various IT services subsidiaries of your Company operating under the Mahindra Consulting Group (MC) to significantly expand their business activities at a global level. The consolidation would bring together entities that complement each other's strengths and would offer significant synergy in business development by combining the European and Asia-Pacific market presence of MC with the extensive presence of Bristlecone Inc.

The transaction envisages your Company holding a majority stake in Bristlecone Limited, Cayman Islands, a company established for the consolidation of operations between MC and Bristlecone Inc., for a consideration partly by cash investment not exceeding US$ 7 million and partly

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