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ANNUAL REPORT 2006-07

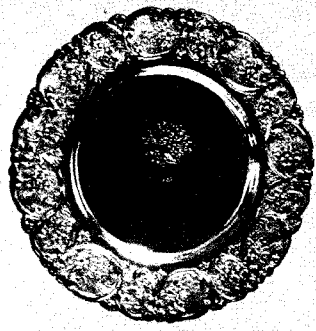
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**GOLDEN PEACOCK AWARD FOR EXCELLENCE
IN CORPORATE GOVERNANCE 2006**

Notice

THE SIXTY-FIRST ANNUAL GENERAL MEETING OF MAHINDRA & MAHINDRA LIMITED will be held at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg (New Marine Lines), Mumbai - 400 020 on Monday, the 30th day of July, 2007, at 3.30 p.m. to transact the following business:

1. To receive and adopt the audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To note the payment of Interim Dividend on Ordinary Shares.
3. To declare a Final Dividend on Ordinary Shares.
4. To appoint a Director in place of Mr. Keshub Mahindra who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Mr. Anupam Puri who retires by rotation and, being eligible, offers himself for re-election.
6. To appoint a Director in place of Dr. A. S. Ganguly who retires by rotation and, being eligible, offers himself for re-election.
7. To appoint a Director in place of Mr. R. K. Kulkarni who retires by rotation and, being eligible, offers himself for re-election.

SPECIAL BUSINESS

8. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**

"RESOLVED that subject to the provisions of sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Deloitte Haskins & Sells, Chartered Accountants be appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring Auditors Messrs. A. F. Ferguson & Co., Chartered Accountants, to conduct the audit of the Accounts of the Company for the Financial Year 2007-08, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus service tax and out of pocket expenses."

9. **To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:**

"RESOLVED that pursuant to the provisions of sections 269, 198, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the re-appointment of Mr. Anand G. Mahindra as the Managing Director of the Company designated as Vice-Chairman & Managing Director for a period of five years with effect from 4th April, 2007 on a salary of Rs.4,68,250 per month in the scale of Rs.4,68,000 to Rs.8,00,000 per month.

FURTHER RESOLVED that the perquisites (including allowances) payable or allowable and commission to Mr. Anand G. Mahindra, Vice-Chairman & Managing Director (hereinafter referred to as "the Appointee") be as follows:

Perquisites:

1. In addition to the salary, the Appointee shall also be entitled to perquisites which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, use of Company cars, medical and personal accident insurance and other benefits, amenities and facilities including those under the Company's Special Post Retirement Benefits Scheme in accordance with the Rules of the Company.

The value of the perquisites would be evaluated as per Income-tax Rules, 1962 wherever applicable and at cost in the absence of any such Rule.

2. Contribution to Provident Fund, Superannuation Fund, Annuity Fund and Gratuity would not be included in the computation of ceiling on remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
3. Encashment of earned leave at the end of the tenure as per Rules of the Company shall not be included in the computation of ceiling on remuneration.
4. Provision of car for use on Company's business, telephone and other communication facilities at residence would not be considered as perquisites.

Commission:

In addition to the salary and perquisites, the Appointee would be entitled to such commission based on the net profits of the Company in any financial year not exceeding one per cent of such profits as the Remuneration/Compensation Committee shall decide, having regard to the performance of the Company.

Provided that the remuneration payable to the Appointee (including the salary, commission, perquisites, benefits and amenities) does not exceed the limits laid down in sections 198 and 309 of the Act, including any statutory modifications or re-enactment thereof.

FURTHER RESOLVED that where in any financial year during the currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company may pay to the Appointee, the above remuneration as the minimum remuneration for a period not exceeding 3 years from the date of appointment by way of salary, perquisites and other allowances and benefits as specified above subject to receipt of the requisite approvals, if any.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise

in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

10. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED that pursuant to the provisions of sections 269, 198, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the re-appointment of each of the following as Executive Director (hereinafter collectively referred to as "the Executive Directors") for a period and on terms indicated against their respective names:

Name of Directors	Period	Salary
Mr. Bharat Doshi	28 th August, 2007 to 27 th August, 2012	Rs.4,21,200 per month in the scale of Rs.4,00,000 to Rs.6,50,000 per month
Mr. A. K. Nanda	28 th August, 2007 to 27 th August, 2012	Rs.4,21,200 per month in the scale of Rs.4,00,000 to Rs.6,50,000 per month

FURTHER RESOLVED that the perquisites (including allowances) payable or allowable and commission to each of the Executive Director be as follows:

Perquisites:

- In addition to the salaries, the Executive Directors shall also be entitled to perquisites which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, use of Company cars, medical and personal accident insurance and other benefits, amenities and facilities including those under the Company's Special Post Retirement Benefits Scheme in accordance with the Rules of the Company.

The value of the perquisites would be evaluated as per Income-tax Rules, 1962 wherever applicable and at cost in the absence of any such Rule.

- Contribution to Provident Fund, Superannuation Fund, Annuity Fund and Gratuity would not be included in the computation of ceiling on remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- Encashment of earned leave at the end of their respective tenures as per Rules of the Company shall not be included in the computation of ceiling on remuneration.

- Provision of car for use on Company's business, telephone and other communication facilities at residence would not be considered as perquisites.

Commission:

In addition to the salaries and perquisites, the Executive Directors would be entitled to such commission based on the net profits of the Company in any financial year not exceeding one per cent of such profits to each of them as the Remuneration/Compensation Committee shall decide, having regard to the performance of the Company.

Provided that the remuneration payable to the Executive Directors (including the salaries, commission, perquisites, benefits and amenities) does not exceed the limits laid down in sections 198 and 309 of the Act, including any statutory modifications or re-enactment thereof.

FURTHER RESOLVED that where in any financial year during the currency of the tenure of the Executive Directors, the Company has no profits or its profits are inadequate, the Company may pay to the Executive Directors, the above remuneration as the minimum remuneration for a period not exceeding 3 years from the date of appointment by way of salaries, perquisites and other allowances and benefits as specified above subject to receipt of the requisite approvals, if any.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

11. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED that pursuant to section 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs.300,00,00,000 (Rupees Three Hundred Crores) divided into 27,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each to Rs.400,00,00,000 (Rupees Four Hundred Crores) divided into 37,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each by the creation of additional 10,00,00,000 Ordinary (Equity) Shares of Rs.10 each."

12. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED that pursuant to section 16 and all other applicable provisions, if any, of the Companies Act, 1956, Clause 5 of the Memorandum of Association of the Company be altered by substituting in its place and stead the following:

5. The Authorised Share Capital of the Company is Rs.400,00,00,000 (Rupees Four Hundred Crores) divided into 37,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each, with such ordinary preferential or deferred rights, privileges and other conditions attaching thereto as may be provided by the regulations of the Company for the time being in force and operation with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being original or increased into different classes and to consolidate or sub-divide such Shares and to convert Shares into Stock and reconvert the Stock into Shares and to attach to such Shares or Stock such ordinary preferential or deferred rights, privileges and other conditions as may be provided by the regulations of the Company for the time being in force and operation.' "

13. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED that pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956, Article 3 of the Articles of Association of the Company be substituted by the following:

'3. The Authorised Share Capital of the Company is Rs.400,00,00,000 (Rupees Four Hundred Crores) divided into 37,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each.' "

14. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED that pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and notwithstanding anything to the contrary stated in this regard in the existing Mahindra & Mahindra Limited Employees Stock Option Scheme ("the Scheme"), consent of the Company be accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted or to be constituted by the Board as the Remuneration/ Compensation Committee) to vary, as authorised by the provisions of section 115WKA of the Income-tax Act, 1961, certain terms of the Scheme approved by the Shareholders at the 54th Annual General Meeting of the Company held on 31st July, 2000 as Special Resolutions at Item Nos. 11 and 12 of the Notice dated 30th May, 2000 read with Special Resolution at Item No. 9 at the 58th Annual General Meeting of the Company held on 28th July, 2004, to provide for the recovery from the eligible employees, the fringe benefit tax in respect of options which are granted to or vested or exercised by, the eligible employee on or after the 1st day of April, 2007.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring to secure any further consent or approval of the Shareholders of the Company."

Notes:

- A. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
- B. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- C. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
- D. The Company's Registrar and Transfer Agents for its Share Registry Work (Physical and Electronic) are Sharepro Services (India) Private Limited having their office premises at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099.
- E. The Register of Members and Transfer Books of the Company will be closed from 7th July, 2007 to 30th July, 2007 (both days inclusive).
- F. The dividend, if declared at the Annual General Meeting, will be paid on or after 30th July, 2007 to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 6th July, 2007 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/its Registrar and Transfer Agents on or before 6th July, 2007.
- G. Pursuant to the provisions of section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for the financial year ended 31st March, 1999 to the Investor Education and Protection Fund.

All unclaimed dividends for the financial year ended 31st March, 2000 will be transferred to the Investor Education and Protection Fund in July, 2007. Members who have not encashed the dividend warrants so far for the said period or any subsequent financial years are requested to make their claim to Sharepro Services (India) Private Limited at the above mentioned address. It may be noted that once the amounts in the unpaid dividend accounts are transferred to the Investor Education and Protection Fund, no claim shall lie against the Fund or the Company in respect thereof and the Members would lose their right to claim such dividend.
- H. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Sharepro Services (India) Private Limited at the above mentioned address.
- I. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the Depositories for depositing Dividend through Electronic Clearing Service (ECS) to investors

wherever ECS and Bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend. The Company will not entertain any direct request from shareholders holding shares in electronic form for deletion of/change in such Bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

J. The Company has extended the facility of electronic credit of Dividend directly to the respective Bank Account(s) of the Member(s) through the Electronic Clearing Service (ECS) of the Reserve Bank of India. The ECS facility is presently available at Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna, Pune and Thiruvananthapuram. Members wishing to avail of this facility are requested to intimate the Company's Registrar and Transfer Agents, Sharepro Services (India) Private Limited, in the prescribed form and with the prescribed details. Members located in places where ECS facility is not available may submit their Bank details. This will enable the Company to incorporate this information on the Dividend Warrants and thus prevent fraudulent encashment.

K. Members are requested to:

- a) intimate to the Company's Registrar and Transfer Agents, Sharepro Services (India) Private Limited at the above mentioned address, changes, if any, in their

registered addresses at an early date, in case of shares held in physical form;

- b) intimate to the respective Depository Participant, changes, if any, in their registered addresses at an early date, in case of shares held in dematerialised form;
- c) quote their folio numbers/Client ID/DP ID in all correspondence;
- d) consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

L. Appointment/Re-appointment of Directors

In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being appointed/re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

By order of the Board

NARAYAN SHANKAR
Company Secretary

Registered Office:
Gateway Building,
Apollo Bunder,
Mumbai-400 001.

email : investors@mahindra.com

28th May, 2007

Annexure to Notice

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956

Item No. 8

The Company's Auditors Messrs. A. F. Ferguson & Co., Chartered Accountants, retire at this Annual General Meeting ('AGM') of the Company. However Messrs. A. F. Ferguson & Co., have not offered themselves for re-appointment at this AGM.

Further, the Company has received a Special Notice from a Member of the Company under sections 190 and 225 of the Companies Act, 1956 ('the Act') signifying the Member's intention to propose the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. Messrs. Deloitte Haskins & Sells, Chartered Accountants have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment, if made, would be in conformity with the provisions of section 224(1B) of the Act.

In view of the above and based on the recommendations of the Audit Committee, the Board of Directors has at its Meeting held on 28th May, 2007 proposed the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors in place of Messrs. A. F. Ferguson & Co., for the Financial Year 2007-08.

The Members approval is being sought to the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors and to authorise the Board of Directors, on the recommendation of the Audit Committee to determine the remuneration payable to the Auditors.

The Directors recommend the Resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in this Resolution.

Item Nos. 9 and 10

The Board of Directors at its Meeting held on 26th March, 2007 has, subject to the approval of the Members, approved of the re-appointment of and the remuneration payable to Mr. Anand G. Mahindra, Managing Director designated as Vice-Chairman & Managing Director of the Company for a period of five years with effect from 4th April, 2007. Further, the Board at its Meeting held on 28th May, 2007 has, subject to the approval of the Members, approved of the re-appointment of and the remuneration payable to Mr. Bharat Doshi and Mr. A. K. Nanda, Executive Directors of the Company for a period of five years with effect from 28th August, 2007.

In compliance with the requirements of section 302 of the Companies Act, 1956, an Abstract of the terms of the re-appointment of and remuneration payable to the Vice-Chairman & Managing Director together with the Memorandum of Concern or Interest was sent to the Members in March, 2007. In respect of the Executive Directors of the Company, the said Abstract would be sent to the Members in June, 2007. The other terms of remuneration of the Vice-Chairman & Managing Director and the Executive Directors of the Company including commission are as set out in the Special Resolutions under Item Nos.9 and 10.

Pursuant to sections 269, 198, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 ('the Act'), including Schedule XIII to the Act, the re-appointment of and remuneration payable to Mr. Anand G. Mahindra, Vice-Chairman & Managing Director and the two Executive Directors viz. Mr. Bharat Doshi and Mr. A. K. Nanda are now being placed before the Members in the Annual General Meeting for their approval by way of Special Resolutions.

Your Directors recommend these Resolutions as Special Resolutions for approval of the Members.

Apart from Mr. Anand G. Mahindra, Mr. Bharat Doshi and Mr. A. K. Nanda, who would be interested in their respective re-appointments and remuneration, none of the other Directors is concerned or interested in these items of business.

The following additional information as required by Schedule XIII to the Act is given below.

I. General Information:

(i) Nature of Industry:

The Company is in the business of manufacture of different range of automotive vehicles, agricultural tractors, implements, industrial engines and is dealing in property development/construction activities.

(ii) Date or expected date of commencement of commercial production:

The Company was incorporated on 2nd October, 1945 and started assembly of jeep type vehicles in the year 1949.

(iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable.

(iv) Financial performance based on given indicators - as per audited financial results for the year ended 31st March, 2007:

Particulars	(Rupees in crores)
Turnover & Other Income	11,558.02
Net profit as per Profit & Loss A/c (After Tax)	1,068.39
Profit as computed under section 309(5) read with section 198 of the Act	1,332.82
Net Worth	3,522.49

(v) Export performance and net foreign exchange collaborations:

During the year ended 31st March, 2007, the Company exported 8,021 vehicles and 7,525 tractors. The FOB value of exports at Rs.614.96 crores was 32.22% higher in value terms as compared to the preceding year. The Company's earnings in foreign exchange were Rs.712.87 crores for the financial year ended 31st March, 2007. The Company has no significant foreign exchange earnings or outgo in relation to any foreign collaborations.

(vi) Foreign investments or collaborators, if any:

Not Applicable.

II. Information about the appointee(s):

(i) Background details:

Mr. Anand G. Mahindra

Mr. Anand Mahindra is Vice-Chairman & Managing Director of Mahindra & Mahindra Limited. After graduating from Harvard College and earning a MBA degree from the Harvard Business School, he returned to India and joined Mahindra Ugine Steel Company Limited (MUSCO), the country's foremost producer of speciality steels, as Executive Assistant to the Finance Director. He rose to become President and Deputy Managing Director of MUSCO in 1989. During his stint at MUSCO, he initiated the Mahindra Group's

diversification into the new business areas of real estate development and hospitality management. In 1991, he was appointed Deputy Managing Director of the Company. In April, 1997, he was appointed Managing Director of the Company and in January, 2001 he was given the additional responsibility of Vice-Chairmanship. His focus in the Company has been to drive a comprehensive change programme that has transformed the Company and the Group into an efficient and aggressive competitor in the new liberalised economic environment in India.

Mr. Anand Mahindra is a Past President of the Confederation of Indian Industry, and of the Automotive Research Association of India (ARAI). He is also on the Board of the National Stock Exchange of India Limited. Mr. Anand Mahindra is the Co-Chairman of the International Council of the Asia Society, New York, and a Member of the 2nd India Advisory Panel of International Enterprise Singapore. He is a Member of the Board of Dean's Advisors of Harvard Business School, and also serves on the Advisory Committee of the Harvard University Asia Centre. Mr. Mahindra takes a keen interest in education in India and is on the Governing Board of several educational institutions.

Mr. Anand Mahindra is the recipient of numerous National and International Awards, including the 'Knight of the Order of Merit' by the President of the French Republic, the Rajiv Gandhi Award for outstanding contribution in the business field, the 2005 Leadership Award from the American India Foundation, Person of the Year 2005 by Auto Monitor, CEO of the Year from India Brand Summit 2006, and CNBC Asia Business Leader Award and India Business Leader Award for the year 2006.

Mr. Bharat Doshi

Mr. Bharat Doshi joined the Company in 1973 as an Executive. He is a Fellow Member of both The Institute of Chartered Accountants of India and The Institute of Company Secretaries of India and has a Master's Degree in Law from the University of Bombay. He has participated in the Program for Management Development at the Harvard Business School.

In August, 1992, he joined the Board as an Executive Director in charge of Finance and Accounts, Corporate Affairs and Information Technology. He has been the President of the Trade and Financial Services Sector since December, 1994. Mr. Doshi serves on the Boards of several subsidiaries and associate companies in the Mahindra Group and also as an Independent Director in certain companies outside the Mahindra Group.

Mr. Bharat Doshi is on the Board of Governors of the Mahindra United World College of India and Indian Institute of Management, Kozhikode. He was a Member of the Managing Committee of Bombay Chamber of Commerce and Industry from May, 2005 to May, 2007 and is a founding Member and Member of the Governing Council of Indian Association of Corporate CFOs and Treasurers (InAct).

Mr. Doshi was a Member of the High Powered Expert Committee constituted by the Ministry of Finance, Government of India, on making Mumbai an International Financial Centre and is a Member of the SEBI (Securities and Exchange Board of India) Committee on Disclosures and Accounting Standards (SCODA).

Mr. Doshi is a Fellow of the Salzburg Seminar on "Asian Economies: Regional and Global Relationships", held in December, 2000.

Mr. Doshi was adjudged "India's Best CFO" by the leading business fortnightly 'Business Today' in April, 2005. He was also conferred the "CFO of the Year" Award, honouring financial excellence, instituted by IMA India, an associate of The Economist Group, in December, 2005.

Mr. A. K. Nanda

Mr. A. K. Nanda holds a Degree in Law from the University of Calcutta. He is a Fellow Member of The Institute of Chartered Accountants of India (FCA) and a Fellow Member of The Institute of Company Secretaries of India (FCS). He has also participated in a Senior Executive Programme at the London Business School.

He joined the Group in 1973. He has held several important positions within the Group and was also the Company Secretary of the Company from 1987 to 2006. He joined the Board in August, 1992 and is currently the Executive Director and President, Infrastructure Development Sector which includes areas such as property development, construction, leisure and lifetime holidays, infrastructure privatisation projects and engineering consultancy. He has played a pioneering role in building Mahindra World Cities. Mr. Nanda is on the Boards of several subsidiaries and associate companies in the Mahindra Group. He is also on the Board of ABN AMRO Asset Management (India) Limited and is a Member of the Advisory Board for Asia Pacific in Barco Company Limited.

Mr. Nanda is a Member of various Committees of the Bombay Chamber of Commerce and Industry and Confederation of Indian Industry. He is the President of the Indo-French Chamber of Commerce and a Member of the Council of EU Chambers of Commerce in India and a Member of the Governing Board of Bombay First. He has chaired and spoken at various international conferences organised by the World Bank and UN sponsored agencies. He is the Chairman of "CII National Committee on Water" for 2007-08, which he has also chaired in 2006-07.

(ii) Past remuneration during the financial year ended 31st March, 2007:

Name of Directors	Amount (Rs. in lakhs)
Mr. Anand G. Mahindra	214.39
Mr. Bharat Doshi	144.06
Mr. A. K. Nanda	144.77

(iii) Recognition or Awards:

The information is already covered in the section "Background details".

(iv) Job Profile and their suitability:

Mr. Anand G. Mahindra is the Managing Director of the Company since April, 1997 and Vice-Chairman & Managing Director of the Company since January, 2001.

Mr. Bharat Doshi is the Executive Director in charge of Finance & Accounts, Corporate Affairs and Information Technology since August, 1992 and is also the President of the Trade & Financial Services Sector since December, 1994.

Mr. A. K. Nanda is the Executive Director of the Company since August, 1992 and is the President of the Infrastructure Development Sector since December, 1994.

The Vice-Chairman & Managing Director and the two Executive Directors are responsible for the operations and the affairs of the Company pertaining to their respective areas. Taking into consideration their qualifications and expertise in relevant fields, the Vice-Chairman & Managing Director and the two Executive Directors are best suited for the responsibilities currently assigned to them by the Board of Directors.

(v) Remuneration proposed:

Vice-Chairman & Managing Director - Salary of Rs.4,68,250 per month in the scale of Rs.4,68,000 to Rs.8,00,000 per month and other perquisites, allowances and commission as fully set out in Item No.9 of the Notice.
Mr. Anand G. Mahindra

Executive Directors - Salary of Rs.4,21,200 per month in the scale of Rs.4,00,000 to Rs.6,50,000 per month and other perquisites, allowances and commission as fully set out in Item No.10 of the Notice.
Mr. Bharat Doshi and
Mr. A. K. Nanda

(vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):

Taking into consideration the size of the Company, the profile of Mr. Anand G. Mahindra, Mr. Bharat Doshi and Mr. A. K. Nanda, the responsibilities shouldered by them and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

(vii) Pecuniary relationship(s) directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Besides the remuneration proposed to be paid to them, the Vice-Chairman & Managing Director and the two Executive Directors do not have any other pecuniary relationship with the Company or relationship with the managerial personnel.

III. Other Information:

(i) Reasons of loss or inadequate profits:

Not applicable, as the Company has posted a net profit after tax of Rs.1,068.39 crores during the year ended 31st March, 2007.

(ii) Steps taken or proposed to be taken for improvement and

(iii) Expected increase in productivity and profits in measurable terms:

Not applicable as the Company has adequate profits. The Company posted an operating profit of Rs.1,262.85 crores for the year ended 31st March, 2007.

IV. Disclosures:

The information and Disclosures of the remuneration package of the managerial personnel have been mentioned in the Annual Report in the Corporate Governance Report Section under the Heading "Remuneration paid/ payable to Managing/ Executive Director(s) (Whole-time Directors) for the year ended 31st March, 2007".

Item Nos. 11, 12 and 13

The Company has been examining various growth opportunities from time to time in line with its objective of becoming globally competitive. As a part of its future growth strategy, the Company proposes to expand its capacity substantially. The Company, in order to meet its growth objectives and to strengthen its financial position, may be required to generate long term resources by issuing securities. In the event the securities to be issued are in the form of Global Depository Receipts / Foreign Currency Convertible Bonds / bonds with share warrants attached or linked to equity shares or in any other manner, the Company would be required to issue and allot Equity Shares.

Presently, the Authorised Share Capital of the Company is Rs.300 crores divided into 27,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each. The issued and subscribed Share Capital is Rs.245,49,47,810 divided into 24,54,94,781 Equity Shares of Rs.10 each.

Depending upon the future plans of the Company, the Authorised Share Capital of the Company is being increased from Rs.300,00,00,000 divided into 27,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each to Rs.400,00,00,000 divided into 37,50,00,000 Ordinary (Equity) Shares of Rs.10 each and 25,00,000 Unclassified Shares of Rs.100 each as set forth in the Resolution at Item No. 11 of the Notice.

Consequent upon the increase in the Authorised Share Capital, Clause 5 of the Memorandum of Association and Article 3 of the Articles of Association of the Company would have to be altered in the manner as set out in Item Nos. 12 and 13 of the Notice respectively.

Accordingly, the Resolutions at Item Nos. 11 to 13 seek the approval of the Members for increase in the Authorised Share Capital and alteration of the Memorandum and Articles of Association of the Company.

A copy of the existing Memorandum and Articles of Association of the Company alongwith the proposed draft amendments is available for inspection by any Member at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on all working days (except Saturdays, Sundays and Public Holidays) upto the date of this Annual General Meeting.

The Board recommends the passing of the Resolutions at Item Nos. 11 and 12 as Ordinary Resolutions and the Resolution at Item No. 13 as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in these items of business.

Item No. 14

In the Budget for the year 2007-08, the Finance Minister had proposed the levy of fringe benefit tax ("FBT") on employee stock options ("ESOPs"). In pursuance of this proposal, section 115WB of the Income-tax Act, 1961 ("the IT Act") has been amended by the Finance Act, 2007 such that a sweat equity share or other specified security which has been allotted or transferred, directly or indirectly, by an employer free of cost or

at a concessional rate to his employees (including former employee or employees), will be treated as a fringe benefit and taxed accordingly.

The aforesaid provision comes into effect from 1st April, 2007 and is applicable from the assessment year 2008-09. The fair market value of the specified security or sweat equity shares referred to above, on the date of vesting of the options, as reduced by the amount actually paid by or recovered from the employee in respect of such security or shares will be liable to FBT in the hands of the employer company.

The Finance Act, 2007 has also inserted a new section 115WKA in the IT Act, which makes it lawful for companies to vary the agreement or scheme under which options have been granted and under which shares have been allotted or transferred by the employer on or after 1st April, 2007, to enable the employer to recover from the employee FBT to the extent to which such employer is liable to pay FBT in relation to the value of fringe benefits provided to the employee.

As per Clause 7 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), the company cannot vary the terms of an employee stock option scheme in any manner, which may be detrimental to the interest of the employees. However, the Finance Act, 2007 specifically authorises / permits companies to vary the contracts/schemes of ESOPs to provide for the recovery of the FBT from the employees. The Company has been advised that in view of the specific statutory authority conferred by section 115WKA of the IT Act, it would be lawful for the Company to amend the Mahindra & Mahindra Limited Employees Stock Option Scheme ("the Scheme") to recover FBT from the Employees in respect of Stock Options which have been granted to or vested in or exercised by the eligible Employees on or after 1st April, 2007 notwithstanding the provisions of SEBI ESOP Guidelines.

The Remuneration/Compensation Committee and the Board of Directors of the Company have proposed to vary/modify the Scheme approved by the Shareholders of the Company at the 54th Annual General Meeting of the Company held on 31st July, 2000 as Special Resolutions at Item Nos. 11 and 12 of the Notice dated 30th May, 2000 read with Special Resolution at Item No. 9 passed at the 58th Annual General Meeting of the Company held on 28th July, 2004, so as to enable the Company to recover FBT from the Employees to whom the options have been granted and outstanding under the Scheme, to the extent to which the Company is liable to pay FBT in relation to the value of fringe benefits provided to the Employee and determined under section 115WC(1)(ba) of the IT Act relating to or in connection with shares allotted or transferred, directly or indirectly, by the Company, on or after 1st April, 2007. Out of the total options granted, 28,31,176 options are in force and

are not exercised (including options which would vest in future) as on 31st March, 2007.

In terms of Clause 7 of the SEBI ESOP Guidelines, it is also necessary to provide the details of the employees who are the beneficiaries of such variation. In the present case, the said variation is a burden on the Employees as the Employees would now have to pay in addition to the exercise price an amount equivalent to the FBT payable by the Company. Hence, there are no beneficiaries of the proposed variation.

Clause 7.2 of the SEBI ESOP Guidelines inter alia requires the Company to pass a Special Resolution to vary the terms of the employee stock option scheme offered pursuant to an earlier Resolution of a general body but not yet exercised by the employee.

Accordingly, it is proposed to obtain the approval of the Shareholders by way of a Special Resolution to vary/amend the Scheme to provide for the recovery from the Employees, the amount of FBT payable by the Company in respect of any grant or vesting or exercise of Stock Options under the Scheme on or after 1st April, 2007.

A copy of the Scheme duly modified is available for inspection at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on all working days (except Saturdays, Sundays and Public Holidays) upto the date of this Annual General Meeting.

The proposal outlined above is in the interest of the Company and the Board recommends the passing of the Resolution at Item No. 14 of the Notice as a Special Resolution.

Except Mr. Keshub Mahindra, Mr. Anand G. Mahindra and Mr. Thomas Mathew T., who have not been granted options under the Scheme, all the other Directors of the Company have been granted options and would be eligible/qualify for further options under the Scheme and may be deemed to be concerned or interested in this item of business.

By order of the Board

NARAYAN SHANKAR
Company Secretary

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28th May, 2007