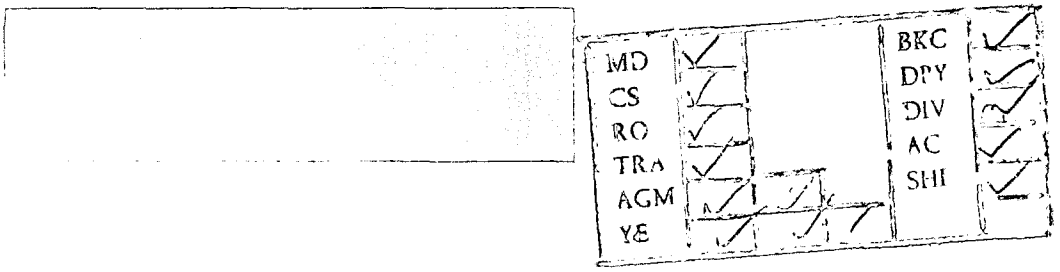
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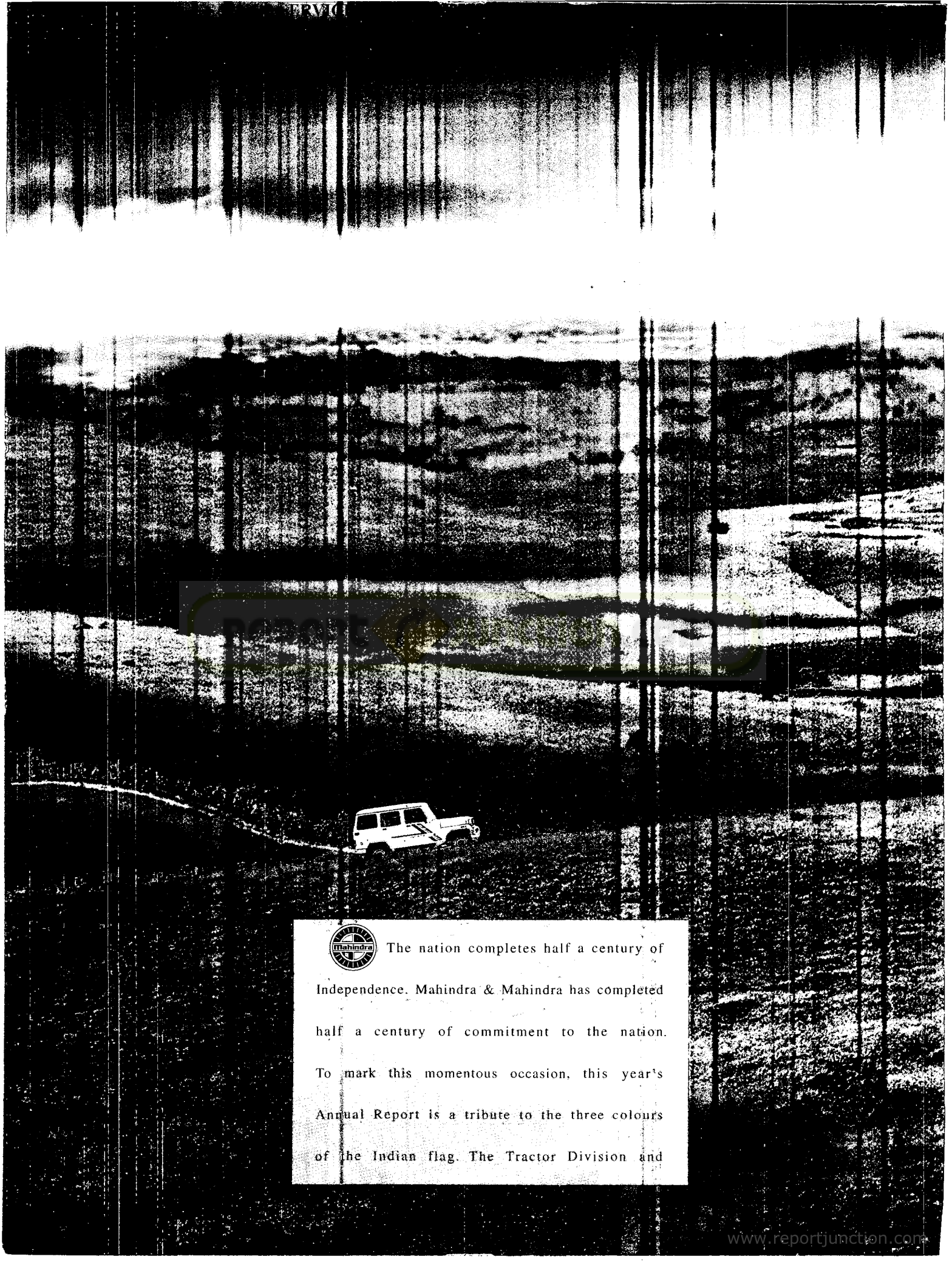
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51st ANNUAL REPORT 1996-97

MAHINDRA & MAHINDRA LTD.

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The nation completes half a century of Independence. Mahindra & Mahindra has completed half a century of commitment to the nation. To mark this momentous occasion, this year's Annual Report is a tribute to the three colours of the Indian flag. The Tractor Division and

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Notice

THE FIFTYFIRST 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 Thursday, the 21st day of August, 1997 at 3.00 p.m. to transact the following business:

1. To receive and adopt the Directors' Report and audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1997;

2. To declare a dividend on ordinary shares;

3. To appoint a Director in place of Mr. Deepak S. Parekh who retires by rotation and, being eligible, offers himself for re-election;

4. To appoint a Director in place of Mr. A. K. Nanda who retires by rotation and, being eligible, offers himself for re-election;

5. To appoint a Director in place of Mr. K. J. Davasia who retires by rotation and, being eligible, offers himself for re-election;

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

"RESOLVED that Messrs A. F. Ferguson & Company be appointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that Messrs Price Waterhouse be appointed Auditors of the Intertrade Division and the Instrumentation Division of the Company for the current year on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors."

SPECIAL BUSINESS

7. To appoint a Director in place of Mr. Narayanan Vaghul who holds office only upto this Annual General Meeting and in respect of whom a notice has been received by the Company from a member signifying his intention to propose Mr. Vaghul as a candidate for the office of Director.

8. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

"RESOLVED that approval be accorded to the revised remuneration payable as follows to Mr. R. K. Pitamber, as the Managing Director, Mr. Anand G. Mahindra as the Deputy Managing Director and Mr. K. J. Davasia, Mr. Bharat Doshi, Mr. Alan E. Durante and Mr. A. K. Nanda as Executive Directors (hereinafter collectively referred to as the Directors) of the Company from 1st September, 1996 for the remainder of their respective terms of Office, the other terms of remuneration including commission and perquisites remaining the same as approved by the Annual General Meeting held on 26th August, 1994:

Mr. R. K. Pitamber Managing Director (Upto 31st March, 1997)	—	Rs. 65,000 in the scale of Rs. 60,000 to Rs. 1,00,000 per month.
Mr. Anand G. Mahindra Deputy Managing Director (upto 3rd April, 1997)	—	Rs. 60,000 in the scale of Rs. 55,000 to Rs. 85,000 per month.
Each of the Executive Directors viz Mr. K. J. Davasia, Mr. Bharat Doshi, Mr. Alan E. Durante and Mr. A. K. Nanda	—	Rs. 55,000 in the scale of Rs. 50,000 to Rs. 80,000 per month."

9. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

"RESOLVED that approval be accorded to the appointment and remuneration payable to Mr. Anand G. Mahindra as Managing Director of the Company for a term of five years from 4th April, 1997, as follows:

I. Salary:

Rs. 65,000 per month in the scale of Rs. 60,000 to Rs. 1,00,000 per month.

II. Commission:

In addition to the salary and perquisites, the Managing Director will 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

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the Compensation Committee/Board of Directors shall decide, having regard to the performance of the Company.

III. Perquisites as may be provided in Part II, Section I of Schedule XIII to the Companies Act, 1956 for the time being in force or any statutory modification or re-enactment thereof.

FURTHER RESOLVED that the perquisites (including allowances) payable or allowable as follows:

i) Housing: Furnished/unfurnished residential accommodation or house rent allowance of 60% of salary in lieu thereof;

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income-tax Rules, 1962.;

ii) Medical Reimbursement: Expenses incurred for the Managing Director and his family;

iii) Leave Travel Concession: For the Managing Director and his family, once in a year, incurred in accordance with the Company's rules;

iv) Club Fees: Fees of clubs, subject to a maximum of two clubs. This will not include admission and life membership fees;

v) Personal Accident Insurance: Premium as per the Company's rules;

vi) Contribution to provident fund, superannuation fund, annuity fund and gratuity/contribution to gratuity fund under the Company's rules;

vii) Encashment of leave not availed of by the Managing Director as per the Company's rules;

viii) Provision of a car and telephone at the Managing Director's residence for his use; and

ix) Such other benefits, amenities and facilities as per the Company's rules;

Provided that the remuneration payable to the Managing Director (including the salaries, commission, perquisites, benefits and amenities) does not exceed the limits laid down in Sections 198 and 309 of the Companies Act, 1956, or any statutory modification or re-enactment thereof.

FURTHER RESOLVED that in the event of absence or inadequacy of profits in any financial year, the remuneration by way of salary, allowances and perquisites payable to the Managing Director shall not exceed the limits prescribed under the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof."

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED that approval be accorded to the re-appointment and remuneration payable to Mr. K. J. Davasia, Mr. Bharat Doshi, Mr. Alan E. Durante and Mr. A. K. Nanda as Executive Directors of the Company (collectively referred to as the EDs) of the Company, each for a further term of five years from 28th August, 1997 on a salary of Rs. 55,000 in the scale of Rs. 50,000 to Rs. 80,000 per month for each of them, the other terms of their remuneration including commission and perquisites remaining the same as approved by the Company at the Annual General Meeting held on 26th August, 1994."

11. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED that consent of the Company be accorded to the Board of Directors of the Company to purchase, subject to the approval of the Central Government, not more than 26,31,616 ordinary shares of Rs. 10/- each of Mahindra & Mahindra Financial Services Limited at a price not exceeding Rs. 22 per share notwithstanding that such investment after the said purchase shall be in excess of the limits prescribed under Section 372 of the Companies Act, 1956.

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FURTHER RESOLVED that the Board of Directors be authorised to accept any modifications or conditions as may be imposed, directed or prescribed by the Central Government at the time of granting its approval to the proposed investment.

FURTHER RESOLVED that the Board of Directors of the Company be authorised to take all such steps as may be necessary or desirable to give effect to this resolution."

12. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

"RESOLVED that consent be accorded to the Board of Directors from time to time on behalf of the Company borrowing moneys and, if they think fit, mortgaging or charging the Company's undertaking and any property or any part thereof to secure such borrowings upto a continuous limit for the time being remaining undischarged of Rupees two thousand five hundred crores (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) even though the moneys to be borrowed together with the moneys already borrowed by the Company may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

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

"RESOLVED that in terms of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed, and subject to the consent of all concerned authorities and departments if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), at its sole discretion, the consent of the Company be accorded to the Board to create, offer and issue, to or for the benefit of such person or persons (including Managing/Wholetime Directors) as are at the time of issue in the permanent employment of the Company, such number of ordinary shares of the Company of the face value of Rupees ten each, not exceeding in number at any time, in the aggregate, 5% of the issued ordinary shares of the Company at that time, as the Board may deem fit, for subscription for cash, in one or more tranches, on terms as may be fixed and determined by the Board prior to the issue and offer thereof in consultation with such authorities as may be prescribed or in accordance with such guidelines or other provisions of law as may be prevailing at that time and otherwise ranking *pari passu* with the ordinary shares of the Company as then issued and in existence and on such other terms and conditions and at such time or times as the Board may in its absolute discretion deem fit; provided that the aforesaid issue of ordinary shares may instead be in the form of fully or partly convertible debentures, bonds, share warrants or other securities as may be permitted in law, from time to time and which are generally regarded as an Employee Stock Option Instrument by the Board and the issuance of such securities in the aggregate will result in not more than 5% of the issued ordinary shares of the Company at that time; provided also that the Board may in this behalf also make or formulate a scheme for the provision of monies by the Company for the purchase or subscription of the shares or other securities as above in such manner as may be permitted under law.

FURTHER RESOLVED that for the purpose of giving effect to any issue or allotment of ordinary shares and/or fully or partly convertible debentures, bonds, share warrants or other securities contemplated above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may in its discretion deem fit or necessary or desirable for such purpose and to settle any questions, difficulties, or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit."

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Nota Bene:

A. A statement of material facts in respect of the special business under Item Nos. 7 to 13 above 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 Register of Members and Transfer Books of the Company will be closed from 11th July, 1997 to 8th August, 1997 both days inclusive.

D. The dividend on ordinary shares for the year ended 31st March, 1997 if sanctioned at the Meeting, will be payable to those holders of ordinary shares whose names are on the Company's Register of Members on 8th August, 1997. The dividend warrants will be sent to them on or before 15th September, 1997.

E. In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends up to the financial year ended 31st March, 1993 to the General Revenue Account of the Central Government. The members concerned may, therefore, submit their claims in the prescribed form to the Registrar of Companies, Maharashtra, 2nd Floor, Hakoba Compound, Dattaram Lad Marg, Mumbai - 400 033.

F. Members are requested to:

(a) intimate to the Company changes, if any, in their registered addresses at an early date.

(b) quote folio numbers in all their correspondence.

G. In order to provide protection against fradulent encashment of dividend warrants, members are requested to provide, if not provided earlier their bank account numbers, names and addresses of the bank branches, quoting their folio numbers, so as to reach the Company by 2nd August, 1997 to enable the Company to incorporate the same in the dividend warrants.

H. Members who have multiple folios in the same order of names are requested to consolidate their folios.

By order of the Board,

A. K. NANDA
Executive Director & Secretary

Registered Office:
Gateway Building,
Apollo Bunder,
Mumbai 400 001.
10th June, 1997.

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Statement of material facts annexed to the Notice dated 10th June, 1997

Item No. 7

Mr. Narayanan Vaghul was appointed as an additional Director of the Company by the Board of Directors on 31st October, 1996. He therefore holds office upto this Annual General Meeting.

Mr. Vaghul is the Chairman of The Industrial Credit & Investment Corporation of India Ltd. (ICICI). The Board feels that his knowledge and experience will be of benefit and value to the Company and, therefore recommends his appointment to the shareholders.

Apart from Mr. Narayanan Vaghul and Mr. S. K. Bhatnagar who is a nominee of ICICI, no other Director is interested or concerned in this item of business.

Item No. 9

Mr. Anand G. Mahindra was appointed Deputy Managing Director on 8th April, 1991 for a term of five years and was subsequently re-appointed from 8th April, 1996 for a further term of 5 years.

Consequent on the retirement of Mr. R. K. Pitamber as Managing Director of the Company on 31st March, 1997, the Board of Directors appointed Mr. Anand G. Mahindra as the Managing Director of the Company for a term of 5 years from 4th April, 1997 on a salary of Rs. 65,000 in the scale of Rs. 60,000/- to Rs. 1,00,000/- per month, and other terms of remuneration including commission being as set out in the resolution under this item. The members may note that the commission and perquisites remain the same as approved by the Company at the Annual General Meeting of the Company held on 26th August, 1994.

Mr. Anand G. Mahindra holds a Bachelor of Arts degree Magna Cum Laude from Harvard College, Cambridge, Massachussetts. He is MBA from Harvard Business School, Boston. He joined Mahindra Ugine Steel Co. Ltd. (MUSCO) in 1981 and had held responsible positions in that Company. Since 1989 he was President and Deputy Managing Director of MUSCO. He relinquished this position in MUSCO with effect from 4th April, 1991.

Mr. Anand G. Mahindra is the son of Mr. Harish Mahindra. Apart from Mr. Anand G. Mahindra and Mr. Harish Mahindra, none of the other Directors is interested or concerned in this item of business.

Item No. 8 & 10

Mr. R. K. Pitamber, Managing Director (MD), Mr. Anand G. Mahindra (DMD) and four Executive Directors (EDs), Mr. K. J. Davasia, Mr. Bharat Doshi, Mr. Alan E. Durante and Mr. A. K. Nanda were entitled to the following remuneration as approved at the Annual General Meeting held on 26th August, 1994:

I. Salary :

Managing Director : Rs. 35,000 per month in the scale of Rs. 35,000 to Rs. 50,000 per month.

Deputy Managing Director : Rs. 30,000 per month in the scale of Rs. 30,000 to Rs. 45,000 per month.

Executive Directors : Rs. 25,000 per month in the scale of Rs. 25,000 to Rs. 40,000 per month, for each such Director.

II. Commission :

In addition to the salary and perquisites, each of the Directors will 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 Compensation Committee/Board of Directors shall decide, having regard to the performance of the Company.

III. Perquisites :

i. Housing : Furnished/unfurnished residential accommodation or house rent allowance of 60% of salary in lieu thereof.

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income-tax Rules, 1962;

ii. Medical Reimbursement : Expenses incurred for the Director and his family;

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iii. Leave Travel Concession : For the Director and his family, once in a year, incurred in accordance with the Company's rules;

iv. Club Fees : Fees of clubs, subject to a maximum of two clubs. This will not include admission and life membership fees;

v. Personal Accident Insurance : Premium as per the Company's rules;

vi. Contribution to provident fund, superannuation fund, annuity fund and gratuity/contribution to gratuity fund under the Company's rules;

vii. Encashment of leave not availed of by the Director as per the Company's rules;

viii. Provision of a car and telephone at the Director's residence for his use; and

ix. Such other benefits, amenities and facilities as per the Company's rules;

The salaries of Mr. R. K. Pitamber, Managing Director (MD), Mr. Anand G. Mahindra (DMD) and four Executive Directors (EDs), Mr. K. J. Davasia, Mr. Bharat Doshi, Mr. Alan E. Durante and Mr. A. K. Nanda were revised by the Board of Directors as mentioned in Item No. 8 of the Notice with effect from 1st September, 1996.

The term of the EDs will expire on 27th August, 1997 and the Board has reappointed them for a further period of five years w.e.f. 28th August, 1997, on the revised remuneration as mentioned in Item No. 10 of the Notice.

Mr. Anand G. Mahindra is the son of Mr. Harish Mahindra. Apart from Mr. Harish Mahindra, Mr. R. K. Pitamber, Mr. Anand G. Mahindra, Mr. K. J. Davasia, Mr. Bharat Doshi, Mr. Alan E. Durante and Mr. A. K. Nanda, none of the other Directors is interested or concerned in this item of business.

Item No. 11

Mahindra & Mahindra Financial Services Limited (MMFSL) was incorporated in 1991 under the name of Maxi Motors Financial Services Limited for the purpose of conducting leasing, hire purchase and other financial operations. Your Company was one of the promoters of this company. The name of this company was changed to the present one in 1993. The subscribed share capital of MMFSL is Rs. 19.90 crores consisting of 1,99,00,000 ordinary shares of Rs. 10/- each of which your Company presently holds 59,70,000 ordinary shares being 30% of the subscribed and paid up capital investment in MMFSL and acquire the shares on offer at a price not exceeding Rs. 22 per share. After acquisition of the said shares, your Company's holding in the capital of MMFSL would be 43.22%.

Your Directors commend the resolution as set out in this item to the shareholders for their approval as it will be beneficial to the Company.

Mr. Anand G. Mahindra, Mr. Bharat Doshi and Mr. Alan E. Durante are Directors of MMFSL. None of the other Directors has any interest or concern in this item of business.

Item No. 12

The activities of the Company have considerably increased over the last few years. The Company is exploring new avenues of business which are open to it under the liberalised economy. Besides this, in order to effectively meet the challenges of global competition and maintain its dominant position in the domestic market and enlarge its overseas markets, the Company is continuously striving to improve its products and facilities and expand its product range. All these activities need substantial investment by the Company necessitating long term borrowings both from domestic and overseas sources. The Company's borrowings as on 31st March, 1997 amounted to Rs. 1,028 crores.

In view of this your Directors feel that it would be desirable to increase the borrowing limit beyond the present limit of Rs. 1500 crores to Rs. 2500 crores.

Item No. 13

The business environment in our country is becoming increasingly competitive; thanks to abolition of various controls, liberalisation and opening of the economy. It is, therefore, necessary that the Company adopts requisite measures for attracting and retaining qualified, talented and competent personnel. Stock Option Schemes, designed to foster a sense of ownership and

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belonging amongst personnel, are a well accepted approach to employee motivation. It is, therefore, appropriate to consider introducing a Stock Option Scheme for the employees of the Company. The shares may be allotted directly to employees or in accordance with a scheme framed in that behalf, through a special trust, which may be set up in that behalf in accordance with the provisions of law. The scheme may also envisage the provision of monies by the Company to enable the Employees/Trust to acquire, purchase or subscribe for the shares of the Company.

Section 81 of the Companies Act, 1956, provides, *inter alia* that when it is proposed to increase the issued capital of a company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in that Section unless the shareholders in general meeting decide otherwise by a special resolution. The listing agreement with the Bombay Stock Exchange provides, *inter alia*, that the Company in the first instance should offer all the securities to be issued by the Company for subscription *pro-rata* to the ordinary shareholders unless the shareholders decide otherwise in a general meeting.

Your Directors recommend the resolution as set out in Item No. 13 of the Notice for adoption by the shareholders.

The Directors who would be eligible/qualified to join the scheme may be deemed to be concerned or interested in this item to the extent of offer of securities which may be issued to them and benefit which may accrue to them.

By order of the Board,

A. K. NANDA
Executive Director & Secretary

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

10th June, 1997.

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