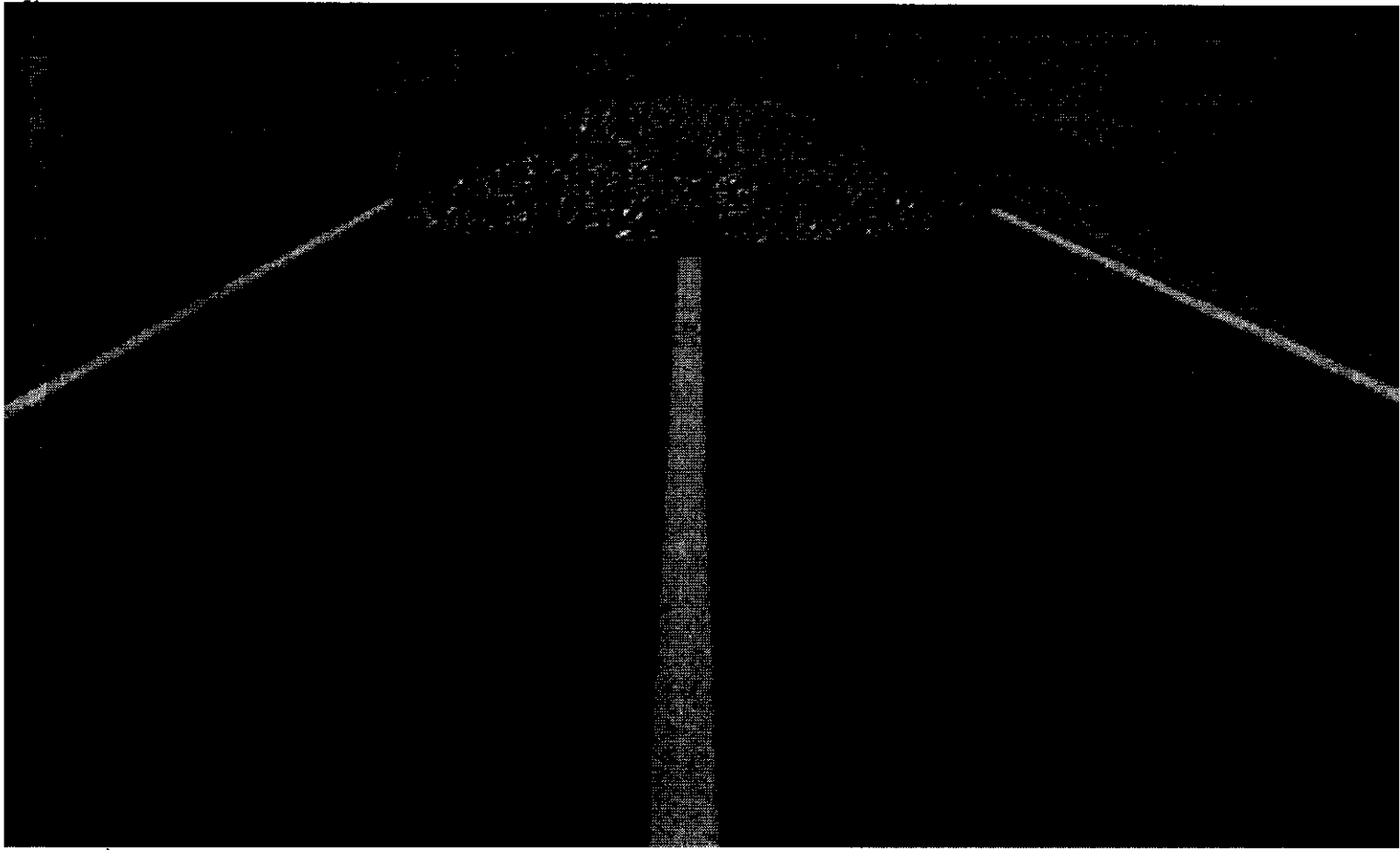


Our core values are influenced by our past, tempered by our present, and will shape our future.



They are an amalgam of what we have been, what we are, and what we want to be.



OUR THEME FOR THE COVER

The past and the future. The road behind and the road ahead. Looking to the future confidently - to an era of prosperity.

The theme encompasses the values we possess. Our core values. Influenced by our past, tempered by our present, shaping our future.

An amalgam of what we have been, what we are and what we want to be.

OUR CORE VALUES

Good Corporate Citizenship: As in the past, we will continue to seek long-term success, which is in alignment with our country's needs. We will do this without compromising ethical business standards.

Professionalism: We have always sought the best people for the job and given them the freedom and the opportunity to grow. We will continue to do so. We will support innovation and well reasoned risk taking, but will demand performance.

Customer First: We exist and prosper only because of the customer. We will respond to the changing needs and expectations of our customers, speedily, courteously and effectively.

Quality Focus: Quality is the key to delivering value for money to our customers. We will make quality a driving value in our work, in our products and in our interactions with others. We will do it "first time right".

Dignity of the Individual: We will value individual dignity, uphold the right to express disagreement and respect the time and efforts of others. Through our actions we will nurture fairness, trust and transparency.

These values are the compass that will guide our actions, both personal and corporate.

BOARD OF DIRECTORS

Keshub Mahindra
Chairman

Harish Mahindra

R.K. Pitamber

Deepak S. Parekh

S.K. Bhatnagar

Nadir B. Godrej

M.M. Murugappan

Sanjiv Kapoor
Nominee of Unit Trust of India

Narayanan Vaghul

Terrall M. de Jonckheere

Philip G. Spender
Alternate Director to Terrall M. de Jonckheere

Baldev R. Gupta
Nominee of Life Insurance Corporation of India

A.S. Ganguly

R.K. Kulkarni

Sanjiv A. Kerkar
Nominee of ICICI Limited

Anand G. Mahindra
Managing Director

K.J. Davasia
Executive Director

Bharat Doshi
Executive Director

Alan E. Durante
Executive Director

A.K. Nanda
Executive Director & Secretary

COMMITTEES OF THE BOARD

Audit Committee

S.K. Bhatnagar
Deepak S. Parekh
R.K. Kulkarni
Sanjiv A. Kerkar

Compensation Committee

Keshub Mahindra
Nadir B. Godrej
M.M. Murugappan
Narayanan Vaghul

Share Transfer Committee

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

Research & Development Committee

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

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Bankers: ANZ Grindlays Bank * Bank of America N.T. & S.A
 * Bank of Baroda * Bank of India * Canara Bank
 * Central Bank of India * HDFC Bank Ltd. * 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.

Branch Offices: Chennai - 827, Anna Salai.
 Calcutta - Hall & Anderson Building, Park Street.
 New Delhi - 8, Parliament Street.
 Pune - Jagtap Park, 6E, Tadiwalla Road.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the year ended 31st March, 1999.

Financial Results:

(Rs. in lakhs)

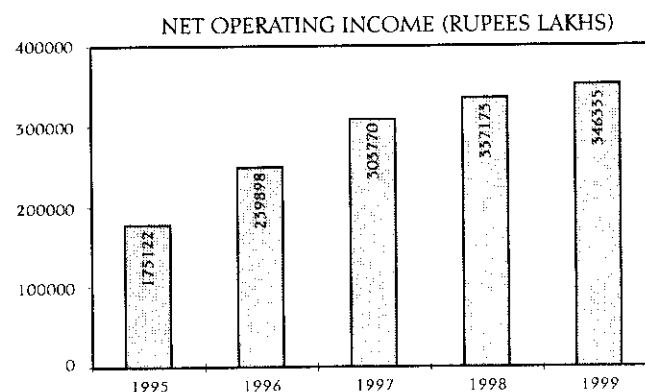
	1999	1998
Income	422499	412795
Profit before Depreciation, Interest, Provision for Contingencies, Taxation and Items pertaining to previous years	54798	55213
Less: Depreciation	11198	9929
Profit before Interest, Provision for Contingencies, Taxation and Items pertaining to previous years	43600	45284
Less: Interest	15186	12288
Profit before Provision for Contingencies, Taxation and Items pertaining to previous years	28414	32996
Less: Provision for Contingencies	406	49
Profit before Taxation and Items pertaining to previous years	28008	32947
Less: Provision for Taxation	5150	7800
Profit for the year	22858	25147
Less: Items pertaining to previous years	267	—
Balance of Profit for 1998-99	22591	25147
Balance of Profit for earlier years	20842	13518
Add: Investment Allowance Reserve		
Account written back	—	241
Profit available for appropriation	43433	38906
Less: Debenture Redemption Reserve	5335	1779
General Reserve	10000	10000
Dividends paid for the previous year		28
Income-tax on Dividends paid		3
Proposed Dividends	5685	5685
Income-tax on Proposed Dividends	626	569
Balance carried forward	21787	20842

AN OVERVIEW

The year under review was a trying one. Weak demand in many sectors of the economy led to a lower rate of industrial production and the automotive industry (four-wheelers), in particular, experienced a negative growth trend throughout the year. Our segment - the Utility Vehicle - showed an industry drop of 17% for the year while in the Light Commercial area, the decline was 11% as compared to the year before. In the case of your Company, however, the adverse impact of the slow-down in respect of utility vehicles was restricted to only 6%. The Company not only maintained its leadership but also increased its market share from 51.74% to 57.52% during the year. While the tractor industry showed a very modest increase (1.8%), your Company raised its market share to 27.2%, thus retaining its position as a market leader in the tractor industry for the 16th consecutive year.

In spite of continuing recession in the automobile industry and a marginal growth in the tractor industry, your Company was able to arrest the fall in the profit after tax for the year under review to a moderate level of 9.1% only. This was possible due to continuing efforts to reduce costs and improve productivity. A number of new models were introduced in the market during the year. There is a hope that with the forecast of a record crop, one expects demand to build up for many

sectors of the economy.



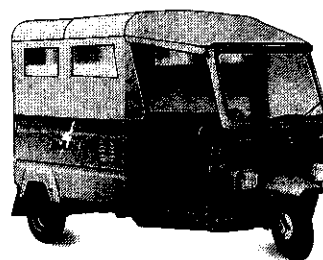
DIVIDEND

Your Directors recommend a dividend of 55% (Rs.5.50 per share) on the ordinary shares of the Company, the same as last year. The dividend will absorb a sum of Rs.63.11 crores including tax on dividend. The dividend will be paid to those shareholders whose names stand registered in the books of the Company as on 30th June, 1999.

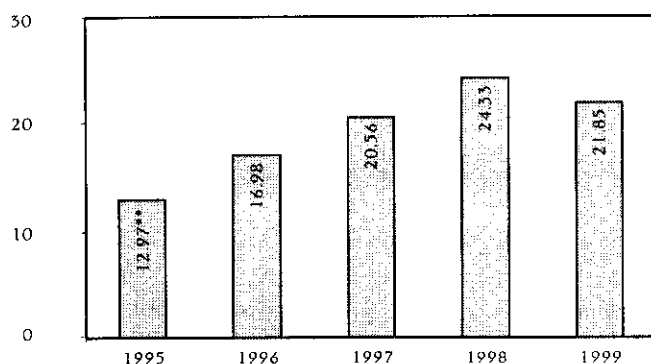
HIGHLIGHTS OF THE YEAR

Your Company has always prided itself on being in the vanguard of meeting the nation's needs. Even before the recent Supreme Court Judgement regarding pollution control in the National Capital Region (NCR), your Company had developed a pioneering, electrically operated 3-wheeler transport solution, appropriately christened BIJLEE, which was specifically designed to address the pressing problems of the NCR.

BIJLEE is a 10-seater people mover, which is powered by electric batteries. It is totally non-polluting. This is the first time that such a vehicle has been developed in India by an Indian Company - another achievement in the M&M tradition of being pioneers in transportation. Although the Bijlee project was conceived as a low-cost developmental project



EARNINGS PER SHARE* (Rs.)



* On effective capital during the year

** Earnings per share for 1995 is shown after giving effect to a 2:3 bonus issue in February, 1996 to make it comparable.

and not a mainstream product, we believe its rapid and successful development is emblematic of M&M's rejuvenated spirit of innovation and commitment to customer needs.

A number of new and innovative products are under development. Your Company will continue to invest in Product Development and in upgrading its existing production facilities. A whole new array of vehicles and tractors are on the way. Major initiatives have also been launched to draw the customers including farmers and dealers into active partnership in the Company's progress. The impact of this on customer satisfaction and improved service is already being felt.

AUTOMOTIVE OPERATIONS

Your Company has successfully contained the impact of the drop in demand in the automotive market. The impact on your Company was just about 8% as compared to the industry drop of 17%. A total of 70,639 vehicles (including 1,546 CKD packs) were produced as against 77,510 vehicles (including 1,500 CKD packs) in the previous year - a drop of 8.86%. Similarly, 70,548 vehicles (including 1,545 CKD packs) were sold as against 76,954 vehicles (including 1,500 CKD packs) in the previous year.

Given the recessionary sales environment, your Company initiated a thrust on increasing its market share of the spare parts business and consequently spare parts sales rose by 27.07% from Rs.80.82 crores in the previous year to Rs.102.70 crores.

New Models Introduced

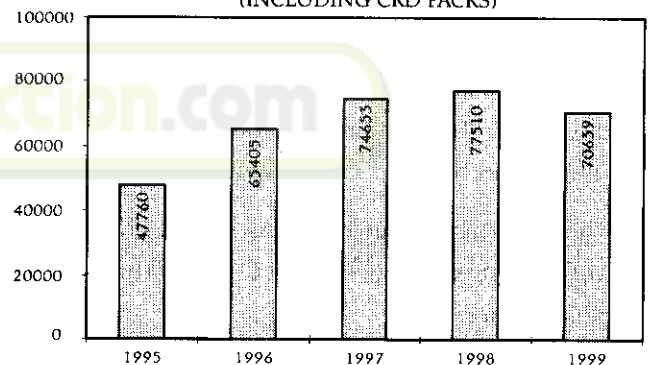
M&M continued to cater to the diverse needs of its consumers by introducing new models for niche markets. This will increasingly be a key strength of your Company.

The new models introduced were:

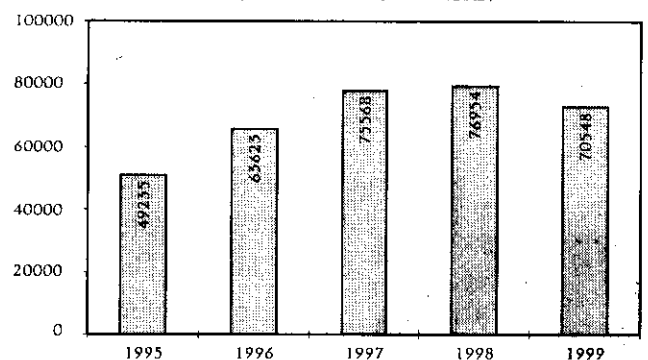
- The Mahindra Single Cab pick-up which combines people & goods transportation for rural and semi-rural markets.
- The Armada Grand - a top of the line variant with a new look and sophisticated features such as power steering, central locking, power windows and upgraded trim level.
- 11-Seater - 775 XDB. This hard top vehicle is one of the first Indian vehicles to meet the India 2000 emission norms.
- Light commercial vehicle model 3150 upgraded with the introduction of a DANA axle.
- The Mahindra Voyager - the range was extended with the introduction of derivatives, viz. Ambulance, Delivery Van and a 7-Seater Van.
- Eight new variants of your Company's vehicles were introduced for the export market.



PRODUCTION - VEHICLES (IN NUMBERS)
(INCLUDING CKD PACKS)



SALES - VEHICLES (IN NUMBERS)
(INCLUDING CKD PACKS)



Quality

QS 9000 was awarded to your Company's manufacturing facility at Igatpuri in May 1998 by TUV India, making it the *first engine plant in Asia* to get this coveted certification.

The Ford Escort cars, produced at your Company's Nashik Plant, continued to achieve highest ratings for customer satisfaction as per the survey conducted by JD Power, the internationally renowned agency certifying quality and customer satisfaction.

New emission norms

A recent ruling of the Supreme Court of India has made vehicle emission norms more stringent. The Company is seized of the matter and in line with the directive of the apex Court, your Company is accelerating the process of meeting these norms ahead of schedule.

Whilst the Company's indirect injection engines already meet the Euro I (India 2000) norms, it is expected that the direct injection engines will be Euro I compliant within the next few months.

Both indirect and direct injection engines are targeted to meet the Euro II norms before the time-limit set by the Supreme Court.

In the meantime, your Directors do not envisage any significant impact on vehicle sales in the National Capital Region.

TRACTOR OPERATIONS

Your Company's Tractor Division continued to lead the industry in the year under review. The industry demand grew 1.8% whereas your Company sales went up by 2.33%. As in the past, your Company's tractor sales were the highest in India.

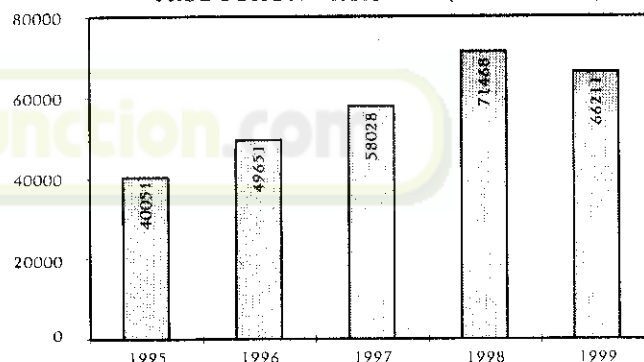
Tractor sales volume grew to 69,362 in 1998-99, from 67,780 during the last year. The Company produced 66,211 tractors during 1998-99,

as compared to 71,468 tractors during the previous year. The production at the Nagpur plant grew to 19,100 tractors during the year 1998-99 from 13,812 tractors previously.

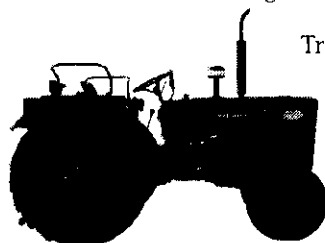
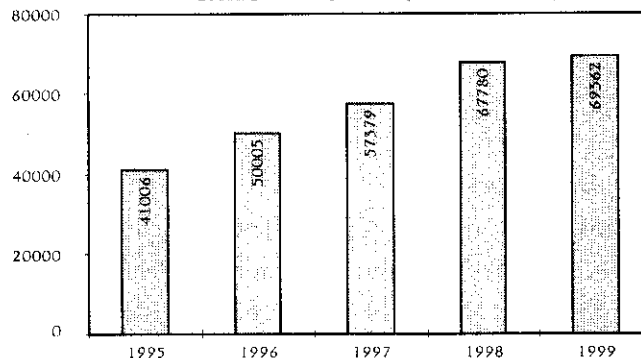
The Farm Equipment Sector's business goal is to become the world's largest tractor manufacturer in terms of volume sales by the year 2005. Initiatives like Business Process Re-engineering (BPR), Total Quality Management (TQM) with focus on enhancing productivity and quality at optimal cost continued throughout the year.

Your Company is also gearing up to take on the challenge posed by the entry of leading global tractor companies in the Indian market. The Company's 3-pronged strategy focuses on new product-development, fulfillment of international quality norms and partnering farmers and dealers to make the Mahindra brand the customer's first choice. Your

PRODUCTION - TRACTORS (IN NUMBERS)



SALES - TRACTORS (IN NUMBERS)



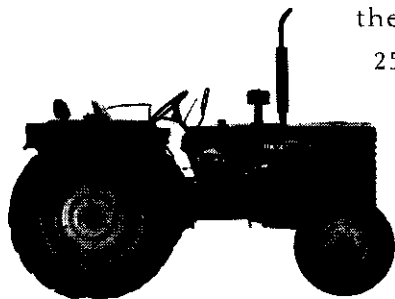
Company welcomes the challenges posed by the advent of competition.

New Models Introduced

During the year under review, the following new models were introduced:

- 475 DI SARPANCH is a new model with improved features such as wider fenders, alternator, electrical type fuel gauge, constant-mesh transmission, adjustable headlamps and optional CRPTO.

- The needs of smaller farmers have been met with the introduction of the 255 DI (25 HP) model, at a value-for-money price.



- Your Company has increased the range of its tractors in the U.S. market with

the introduction of the 5005 DI (51 HP) with constant-mesh transmission, power steering and alternator. Apart from this, the 4005 DI (39.5 HP) and the 4505 DI (43 HP) have been introduced for markets in USA.

NEW PRODUCT DEVELOPMENT

The Company's emphasis on new product development continued during the year. Work on the utility vehicle of the future, code-named "Project Scorpio", is progressing well. Your Company firmly believes that the Scorpio range of vehicles will propel us into the next century and make us a global player in the utility vehicle segment.

The R&D Centre is developing environment friendly variants of current engines with a CNG option for many of our products. CNG fitted versions of the Voyager and Hard Top vehicles have been successfully tested. The Company hopes to introduce these models soon for use as taxis in major cities.

EXPORTS

The FOB value of exports during the year was

Rs.109.15 crores as against Rs.89.15 crores during the previous year. The physical exports of vehicles in FBU and CKD conditions were 2,003 as against 2,222 during the previous year.

During the year, the exports to Iran were higher at 1,544 CKDs as against 1,500 CKDs in the previous year. Deemed exports of 567 vehicles were made to international organisations against payment in foreign currency as compared to 872 vehicles in the previous year.

Automobiles Peugeot, your Company's earlier collaborator for diesel engines, commenced buying engine parts from the Company. This resulted in exports of 2,500 sets of XD3 engine parts to France.

Tractor exports grew by an impressive 146% to 1,621 tractors as against 660 tractors in the previous year. The main thrust was in the sophisticated US market where 1,282 tractors were sold in 1998-99 as compared to 420 tractors in the previous year. Tractors were also exported to Nepal, Sri Lanka, Bangladesh, South Africa and Egypt.

OTHER DIVISIONS

MSL Division - Ash Handling Systems Unit

This Division, which recorded a satisfactory growth in turnover, has earned high appreciation for completing the execution of Units 5 and 6 of the KPCL Raichur Power Plant in record time.

As per previous approval of the shareholders, the Division is being transferred to Mahindra Ashtech Limited, a subsidiary of the Company's wholly-owned subsidiary, Mahindra Holdings & Finance Limited.

Intertrade Division

The Division continues to perform satisfactorily. A strategy is being worked on so as to clearly focus on trading and derive the maximum benefit from opportunities available internationally. The strategy also includes restructuring of the organisation to bring about a synergy with other businesses within the Mahindra

group and enable the Company to concentrate on its core activities i.e. Vehicles and Tractors.

Towards this end, the Management has considered it desirable that the Division be transferred as a going concern, with effect from 1st April, 1999, to Mahindra Exports Limited, a wholly-owned subsidiary of the Company, primarily engaged in the export trade, for a consideration to be determined on the basis of a valuation report from a reputed firm of Valuers/ Chartered Accountants/ Merchant Bankers.

The proposed transfer of the Division is subject to necessary approvals, including the approval of the lead financial institution.

THE IT INITIATIVE AND Y2K COMPLIANCE

The implementation of Enterprise Resource Planning (ERP) Package marketed by M/s. SAP of Germany has been successfully completed in all major business locations.

As a part of the Y2K compliance programme, the Company has set up Y2K task forces in all business units for creating awareness, inventorising and prioritising of relevant systems/ applications (both internal and external), assessing criticalities, taking remedial actions, testing to ensure functionality and Y2K compliance. The Company has also set up a corporate Y2K team to monitor the progress companywide.

The progress of the Y2K project is being reviewed regularly and the Company has achieved significant progress in terms of its milestones as of 31st March, 1999. It is expected that this programme will be completed as per schedule before ushering in of the new millennium.

The Company is dependent upon suppliers of critical materials and services, as also public utility providers like power, telecom, ports, etc. Year 2000 compliance by these agencies is, therefore, critical

to the Company's business. The Company is maintaining a continuous and elaborate follow-up with these agencies as to the status of their Y2K compliance. The Company is developing contingency plans to minimise the risk of disruption to its operations due to Y2K non-compliance by providers of critical materials, services and public utilities.

Having recently implemented a new ERP system, the Company does not expect expenses specifically incurred for Y2K readiness to be very significant. Funds would not be a constraint for making your Company Y2K compliant.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial at all the locations.

Founders' Day celebration at all locations of the Company on 2nd October, 1998 was marked by an overwhelming response from employees and their family members.

During the year, 565 employees have opted for a Voluntary Retirement Scheme.

FINANCE

During the year, the Company raised an aggregate amount of Rs. 200 crores by way of secured/ unsecured non-convertible debentures on a private placement basis, as well as term loans. The amount was raised at competitive rates for tenures ranging from five to ten years to part finance the ongoing capital expenditure programme, for meeting long-term working capital requirements and for general corporate purposes.

During the year, the Company was assigned a credit rating of Ind AAA by Duff & Phelps Credit Rating India (DCR India) indicating highest credit quality for its Rs.150 crore long-term debt programme. CRISIL has reaffirmed, during