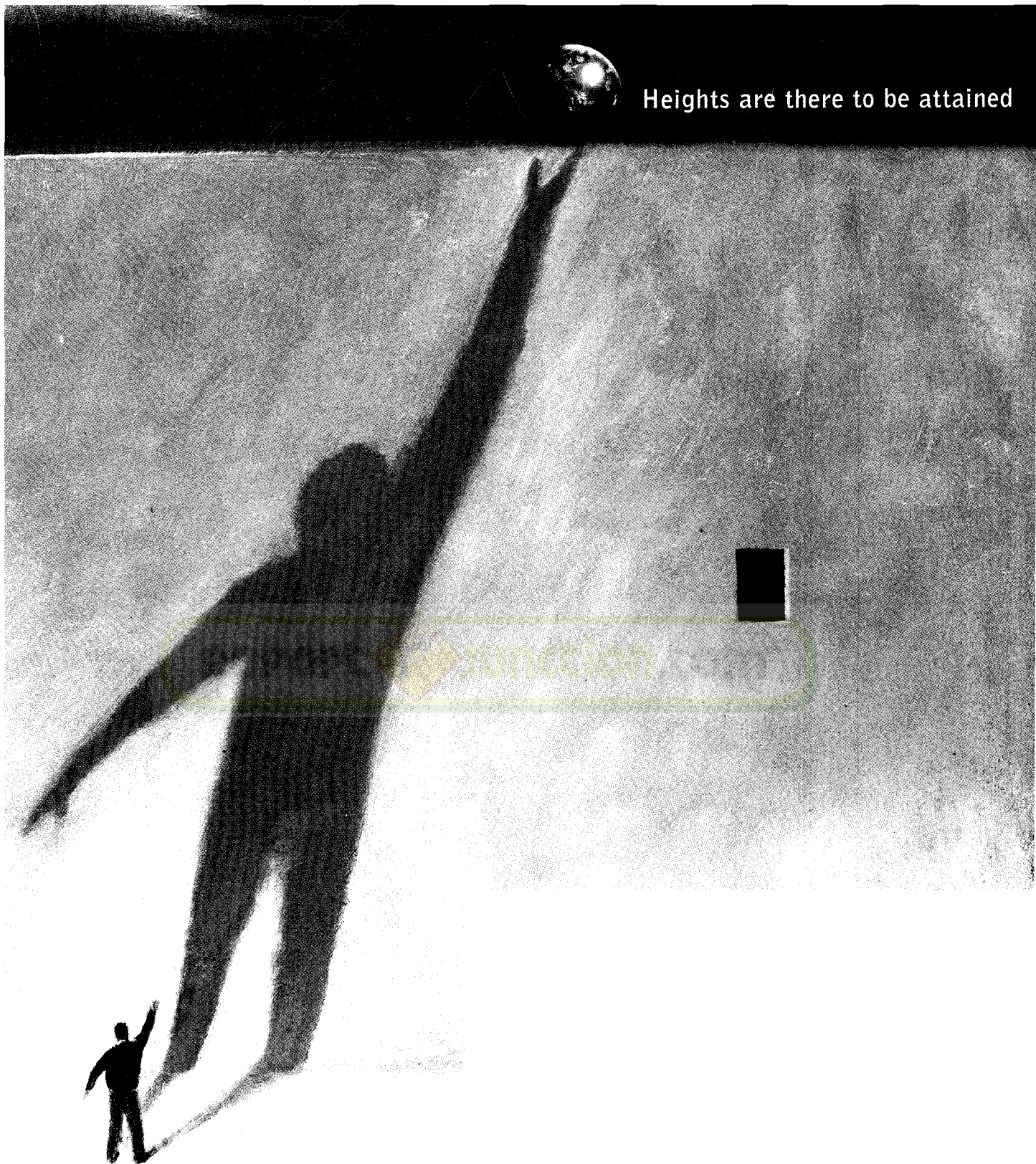




Heights are there to be attained



Challenges redefine us.

They heighten our performance.

Reinforce our belief in ourselves.

And motivate us to excel.

The world is our goal and our challenge.

COMMITTEES OF THE BOARD

Audit Committee

Deepak S. Parekh
Chairman
Nadir B. Godrej
R. K. Kulkarni
B. R. Gupta

Remuneration/Compensation Committee

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

Share Transfer and Shareholders / Investors Grievance Committee

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

Loans & Investment Committee

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

Research & Development Committee

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

MANAGEMENT BOARD

Anand G. Mahindra
Vice-Chairman & Managing Director
K.J. Davasia
President – Farm Equipment Sector
Bharat Doshi
President – Trade & Financial Services Sector
Alan E. Durante
President – Automotive Sector
A.K. Nanda
President – Infrastructure Development Sector
Ulhas N. Yargop
President – Telecom & Software Sector
Uday Y. Phadke
Executive Vice President – Finance, Accounts & Legal Affairs
Anjanikumar Choudhari
Executive Vice President – Human Resources & Corporate Services
Hemant Luthra
Executive Vice President – Corporate Strategy
Raghunath Murti
Executive Vice President – Business Development
R.R. Krishnan
Managing Director – Mahindra Intertrade Ltd.

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
B. R. Gupta
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

THINKING GLOBAL

Calhoun is a little town, nestling on the outskirts of Atlanta in the US state of Georgia. It has a population of a little over 10,000; the per capita income is about 20,000 dollars a year; unemployment runs at a higher than national average of around 5.6%. Mahindra USA has just opened a second facility there, generating 40 new jobs. And the mayor of Calhoun has declared May 12th of each year as "Mahindra USA Day".

The thought of a US town dedicating an annual day to an Indian company as a gesture of thanks for investing in the town would have been unthinkable, even 10 years ago. It symbolises powerfully the quiet change that has been taking place in the way Indian companies perceive themselves, and in how they now think and act. In the years before liberalisation, Indian companies lived in an insular cocoon, isolated from the hurly burly of world markets. The advent of liberalisation prompted a defensive reaction, with companies changing and reinventing themselves only to ensure survival. Today, ten years down the line, survival is no longer the issue. Many Indian companies, like the young Alexander, are hungering for new worlds to conquer.

We, in M&M are proud to be in the vanguard of that thrust. Mahindra USA has made a name for itself in the highly competitive American market. The declaration of Mahindra USA Day in Calhoun, Georgia celebrated the opening of a second assembly and distribution facility to meet the rapidly increasing demand for Mahindra tractors. With a 97% customer satisfaction rating, customers are spreading the word about Mahindra tractors; sales in 2002 were 2 ½ times higher than sales in 2000. Mahindra

is not only competing, but thriving in a market dominated by the largest tractor companies in the world with well-established histories and heritages, by offering US consumers superior performing, high-value tractors.

In the Auto Sector, the success of the Scorpio provides us with another opportunity to tap global markets aggressively. The Scorpio has made waves even in the Mecca of the automotive industry – Detroit — where it was the subject of a cover story in a leading US automotive journal. It won the "Best Concept" Award at the Moscow Auto Show in 2002. When it was displayed without showing the country of origin, most respondents thought it was a Japanese product! Plans are afoot to assemble and distribute the Scorpio from Russia and from other countries. It is the preferred SUV in Nepal, has been bought by many Members of Parliament in Sri Lanka, and will shortly enter developed markets like the Middle East, South Africa, Italy and Spain.

The Mahindra Group's knowledge based companies like MBT, Mahindra Consulting and Mahindra Engineering Services are also operating successfully abroad. Some of them are actively looking at acquisition of US and Europe based companies.

The confidence that we now have products of global quality and acceptability is palpable. In fact, globalisation is on the radar screen of every Mahindra Group Company. All companies have four criteria around which they build their business strategies - Leadership, Innovation, Global Potential and Financial Returns. The Mahindra Companies are not only thinking big, but thinking global too. Their business plans are aligned around this vision. The age of the Indian Multinational may well be nigh.

Contents

Directors' Report	3
Management Discussion and Analysis	13
Corporate Governance	26
Accounts	45
Statement pursuant to Section 212	94
Consolidated Accounts	95

Bankers

Bank of America N. T. & S.A

Bank of Baroda

Bank of India

Canara Bank

Central Bank of India

HDFC Bank Ltd.

Standard Chartered Bank

State Bank of India

Union Bank of India

Auditors

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

Bombay Samachar Marg, Mumbai 400 001.

Advocates

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

Registered Office

Gateway Building, Apollo Bunder, Mumbai 400 001.

Branches

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

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

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

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the year ended 31st March, 2003.

Financial Highlights

	(Rs. in lakhs)	
	2003	2002
Income	459679	399675
Profit before Depreciation, Interest, Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years	39559	32523
Less : Depreciation	16544	13938
Profit before Interest, Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years	23015	18585
Less : Interest (net)	8690	8267
Profit before Provision for Contingencies, Exceptional item, Taxation and adjustments pertaining to previous years	14325	10318
Less : Provision for Contingencies	387	480
Profit before Exceptional item, Taxation and adjustments pertaining to previous years	13938	9838
Add/(Less) : Exceptional item	5765	(1729)
Profit before Taxation and adjustments pertaining to previous years	19703	8109
Less : Provision for Tax – Current tax	1230	360
Less /(Add) : Provision for Tax – Deferred tax (Net)	3920	(2520)
Profit for the year	14553	10269
Less: Adjustments pertaining to previous years	—	578
Balance of profit	14553	9691
Balance of profit for earlier years	33306	33411
Add : Transfer from Debenture Redemption Reserve	3233	—
Profit available for appropriation	51092	43102
Less : Debenture Redemption Reserve	—	3175
General Reserve	1500	1000
Dividend paid for the previous year		
[Rs. Nil (previous year : Rs.0.28 lakhs)]		
Income-tax on dividend paid		
[Rs. Nil (previous year : Rs.0.03 lakhs)]		
Proposed Dividend	6381	5621
Income-tax on Proposed Dividend	817	—
Balance carried forward	42394	33306



Performance Review

The year under review was characterised by a surge in the sales of vehicles fueled by increased industrial growth and the success of the Scorpio, the state of the art vehicle launched during the year. Scorpio has been widely acclaimed and has won several prestigious awards, including the much coveted CNBC Auto Car "Car of the Year" trophy. The Automotive Sector continued to outperform the industry in every segment in which it participates, leading to continued gain in market share. The production of 87,088 vehicles and sales of 86,890 vehicles is a quantum improvement from the previous year's production of 66,256 vehicles and sales of 65,338 vehicles. The Company exported 1,061 vehicles during the year (previous year, 989 vehicles). There was a marginal growth in the sales of Spare parts at Rs.106.71 crores, as against Rs. 99.58 crores in the previous year.

The tractor industry volumes were affected by a lacklustre monsoon and poor farm incomes. The Company sold 47,028 tractors and produced 45,183 tractors during the year, as against 58,006 tractors sold and 54,524 produced in the previous year. Despite the drop in volumes, which are reflective of the industry trend, your Company not only retained its market leadership position, but improved its market share further. The Tractor Division, however, recorded a huge growth in exports, notably to the discerning US markets.

The profit for the year before Depreciation, Interest, Provision for Contingencies, Exceptional item, Taxation and adjustments

pertaining to previous years was Rs. 395.59 crores as against Rs.325.23 crores in the previous year. Profit after tax was Rs. 145.53 crores as against Rs.102.69 crores in the previous year. Your Company continues to attach significant importance to cost re-engineering and reduction, and overall improvement in the working capital cycle.

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 55% (Rs. 5.50 per share). The dividend, together with the tax on distributed profit, will absorb a sum of Rs. 71.98 crores (previous year Rs. 56.21 crores) and will be paid to those shareholders whose names stand registered in the books of the Company as on the book closure date.

Finance

During the year, the Company bought back high cost debentures aggregating about Rs.110 crores and prepaid a foreign currency loan of Rs.25 crores from out of internal accruals and loans borrowed at lower rates. The Company also used new derivative instruments to reduce the cost of its debt portfolio.

During the period under review, the Company continued to avail of sales tax incentives under the Government of Maharashtra's policy for generation of power from non-conventional sources.

Credit Rating Information Services of India Ltd. (CRISIL) 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 Ltd. (FITCH) has also reaffirmed the "AA+" rating assigned by it to the Company's outstanding debentures. This rating indicates high credit quality. The risk factors are negligible. Both CRISIL and FITCH have also assigned the highest rating for the Company's Commercial Paper issues during the financial year 2003 at "P1+" and "F1+" respectively.

The Consortium of bankers continues to rate the Company as a Prime customer and extend facilities/services at prime lending rates. The Company further expanded its IT based cash management solutions and has also widened the various initiatives in channel management by making available structured finance products and web enabled payment system. The Company also entered into tie-ups with commercial banks to finance the end customers under their retail program on preferred terms, on a non-recourse basis.

Stock Options

Details required to be provided under the Securities and Exchange Board of India (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure I to this Report.

Industrial Relations

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

Directors

Mr. I. C. Jain and Mr. Sanjiv Kapoor ceased to be Directors with effect 5th September, 2002 and 30th October, 2002 respectively. Mr. Lewis W. K. Booth resigned from the Board of Directors of the Company with effect 30th October, 2002; Mr. David Friedman ceased to be the Alternate Director to Mr. Booth effective that date.

Unit Trust of India nominated Mr. V. K. Chanana to the Board in place of Mr. Sanjiv Kapoor with effect 30th October, 2002. Mr. David Friedman was appointed as a Director in the vacancy caused by the resignation of Mr. Lewis W. K. Booth, with effect 30th October, 2002.

The Board has placed on record its sincere appreciation of the valuable services rendered by Mr. I. C. Jain, Mr. Sanjiv Kapoor and Mr. Lewis W. K. Booth during their respective tenures as Directors.

Mr. Deepak S. Parekh, Mr. Narayanan Vaghul, Mr. K. J. Davasia, Mr. A. K. Nanda and Mr. Bharat Doshi 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, 2003 and of the profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

Subsidiary Companies

During the year under review, Mahindra Sintered Products Limited, Mahindra Realty & Infrastructure Developers Limited, Mega One Stop Farm Services Limited, Mriyalguda Farm Solution Limited and Kota Farm Services Limited, ceased to be subsidiaries of your Company.

MBT Software Technologies Pte. Limited and Mahindra Consulting (Singapore) Pte. Limited became subsidiaries of your Company.

The Statement pursuant to section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries is attached.

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard 21 prescribed by the Institute of Chartered Accountants of India, form part of the Annual Report and Accounts.

The Company has made an application to the Central Government seeking exemption from attaching the accounts, etc., of its subsidiary companies with the Balance Sheet of the parent company.

If, in terms of the approval granted by the Central Government, the accounts, etc., of the subsidiary companies are not required to be attached with the Balance Sheet of the parent company, these documents will be submitted on request to any member wishing to have a copy, on receipt of such request by the Assistant Company Secretary at the Registered Office of the Company.

Auditors

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

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the above Auditors proposed to be re-appointed to the effect that

their re-appointment, if made, would be in conformity with the limits specified in the said section.

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

Public Deposits and Loans/Advances

Out of the total 24,206 deposits of Rs. 4228.84 lakhs from the public and shareholders as at 31st March, 2003, 289 deposits amounting to Rs. 31.43 lakhs, which had matured, had not been claimed as at the end of the financial year. Since then, 172 of these deposits of the value of Rs.18.54 lakhs have been claimed.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement are furnished separately.

Current Year

During the period 1st April, 2003 to 30th May, 2003, 15,082 vehicles were produced as against 10,176 vehicles, and 14,700 vehicles were despatched as against 10,081 vehicles during the corresponding period last year. 7,596 tractors were produced and 7,153 tractors despatched during the same period as against 8,948 tractors produced and 9,005 tractors despatched during the corresponding period in the previous year.

The current year should augur well for the Company in the light of the prevailing economic scenario, the steps being taken to build capabilities around our core strengths and the expectation of a favourable monsoon.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

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

Particulars of Employees

The Company had 525 employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2003 or not less than Rs. 2,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report being sent to the shareholders does not include this Annexure. Any shareholder interested in obtaining a copy of the Annexure may write to the Assistant Company Secretary at the Registered Office of the Company.

For and on behalf of the Board

KESHUB MAHINDRA
Chairman

Mumbai, 31st May, 2003