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INNOVATION CLICKS

MAHINDRA & MAHINDRA LTD. 54TH ANNUAL REPORT 1999-2000

INNOVATION CLICKS.

Innovation. It's what is changing Mahindra, keeping it ahead of times. In Mahindra Automotive, for instance, Innovation gave birth to the sleek Bolero, while in Mahindra Tractors, it resulted in the aerodynamic Arjun - both cutting edge, both ahead of times.

In the year when the Mahindra logo and identity has changed to signal a new dynamism and vibrancy, it's only appropriate that Innovation rules.



COMMITTEES OF THE BOARD

Audit Committee

Deepak S. Parekh
Chairman

S.K. Bhatnagar
R.K. Kulkarni
B.R. Gupta

Remuneration Committee

Keshub Mahindra
Chairman

Narayanan Vaghul
Nadir B. Godrej
M.M. Murugappan

**Share Transfer and Shareholders/
Investors Grievance Committee**

Keshub Mahindra
Chairman

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

BOARD OF DIRECTORS

Keshub Mahindra
Chairman

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

Lewis W. K. Booth

Philip G. Spender

Alternate Director to Lewis W. K. Booth

B. 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

Loans & Investment Committee

Anand G. Mahindra

R.K. Kulkarni

K.J. Davasia

Bharat Doshi

Alan E. Durante

A.K. Nanda

Research & Development Committee

A.S. Ganguly
Chairman

Anand G. Mahindra

K.J. Davasia

Bharat Doshi

Alan E. Durante

MANAGEMENT BOARD

Anand G. Mahindra
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

B. M. Kataria

President-Automotive Components Sector

Ulhas N. Yargop

President-Information Technology Sector

Uday Y. Phadke

Vice President-Finance, Accounts & Legal Affairs



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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-Jaktap Park, 6E, Tadiwalla Road.



M&M's E-INITIATIVES

The new millennium is upon us and the changes sweeping across the globe are dramatic indeed. Mahindra & Mahindra has progressed steadily and surely into the new millennium. The implementation of Business Process Reengineering (BPR) and the ERP implementation in 1997 have prepared the Company to face the challenges posed by the technological revolution.

THE INTERNET CHALLENGE

The single biggest challenge facing every company across countries is that of the Internet. As the Internet becomes a way of life and opens up vistas of enormous growth, more and more companies recognise the need to reconfigure and adapt their business models to the new technology. We, at M&M, see the Internet Revolution as a long-term paradigm shift and are committed to it to enhance our productivity and profitability.

Flexibility and agility are the buzzwords as organisational structures are remodeled to adapt to new technological breakthroughs. 'Brick and mortar' companies increasingly recognize the need to respond expeditiously to this changing environment. From simple communications to sophisticated business deals, from consumer relationships to logistics and networking, from HR management to issues of marketing, electronic business (*e-business*) is taking over every arena of business.

LEVERAGING THE NET FOR VENDORS AND CUSTOMERS

Mahindra & Mahindra is adopting a new business model. It is a model that will bring online connectivity to everyone, including all the stakeholders of the Company. Mahindra & Mahindra's ability to innovate and adapt has played a significant role in the past in meeting various crises and retaining business leadership. The Company is now undertaking technological initiatives for increased connectivity among its community of dealers, vendors and customers.

The Quality Leadership at Dealerships programme has been initiated to transform the old-style dealers into more informed and aware ones who will become the Company's partners in its latest *avatar*. The Customer Satisfaction Index, gauging the level of satisfaction, will help service customers even better. Our own experience with Quadro, the "ORDER ON THE NET" vehicle, shows the immense possibilities that exist for mass customisation.

Among other initiatives that will dramatically alter the Company's business paradigm are SCM (Supply Chain Management) and CRM (Customer Relationship Management). The supply chain is likely to see the greatest changes through the Net technology that will eventually help create substantial value.



The Company's Automotive Sector has initiated the PACE (Performance At Customer Elation) project to enhance customer satisfaction and ensure greater time efficiency in customer service through the Company's network of service engineers. The Company, working with various banks, will soon set up a payment gateway for its customers and dealers that will enable electronic clearing facilities.

KNOWLEDGE MANAGEMENT WITH MAHINDRA INTRANET

Various initiatives are being launched for efficient Knowledge Management that will tap the vast reserves of experience, learning and knowledge that exist within the Company. The Mahindra Intranet is being effectively used to make a repository of information and knowledge accessible to the employees at the click of a button. Moreover, in an effort to connect the workers in the plants as well, the Company is in the process of establishing a chain of online kiosks for swift and effective dissemination of information.

TOWARDS TOMORROW – AN ONGOING JOURNEY

The paramount objective of these various IT initiatives would be to attain global standards of competitive advantage. Whether a prospective customer uses the new technology to actually transact a sale or to mainly prospect for information of the Company's products; whether a distant dealer utilises these tools for improved inventory management or to place new orders online, the "net" result would be an improved business model.

However, this is really the proverbial tip of the iceberg. The Internet has given a new vibrancy to markets the world over. It is challenging and exciting to be living through a real revolution. Focussed efforts are directed towards transforming M&M into an effective e-business organisation in the coming months. The Company is being guided by international organizations, with a successful track record on this front.

With a boom in the worldwide automobile industry, the Indian automobile industry is also on the threshold of promising growth. The process of embracing the New Economy model - while retaining its traditional strengths and transforming itself into an e-business enterprise - will enable the Company to further consolidate its leadership position in both its businesses of utility vehicles and tractors.



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Indian business environment has been changing rapidly and dramatically. It is no longer stable, consistent and predictable. Corporations all over the world are re-engineering processes, optimizing supply chains and using best practice guidelines to enhance profitability. Competitiveness and customer focus are the *mantras*, and only those offering complete customer satisfaction are likely to survive.

A NEW BEGINNING

The Company changed its logo and modified its corporate signature during the year. The new logo depicts the road ahead, which is more than the road to further progress. It is a road that links the Company's past with its future, through which the Company's thoughts, ideas, designs and products will travel. The new logo is also symbolic of the new horizons that beckon the Company. The new millennium gives us an opportunity to reinforce our image as an innovative, dynamic and forward looking company moving towards new horizons. These are visible changes. There are other less apparent changes as technological improvements are adopted to bring in a more efficient work culture.

M&M has outperformed the industry in both its core businesses. Both the Farm Equipment Sector (FES) and the Automotive Sector (AS) have achieved satisfactory growth. We believe that this success is due to our emergence as a market-driven organisation and our speed of response to the rapidly changing external environment. The Company is in the process of transforming its systems and internal processes to consolidate and improve its market position. Simultaneously, it has introduced several new products during the year under review.

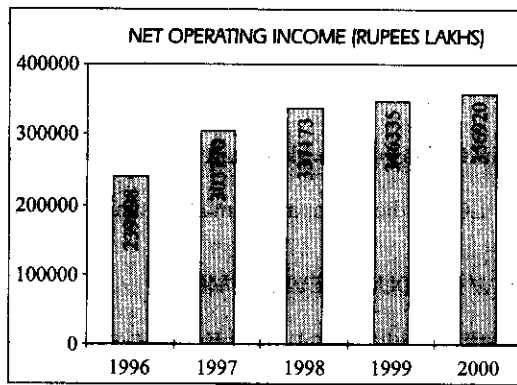
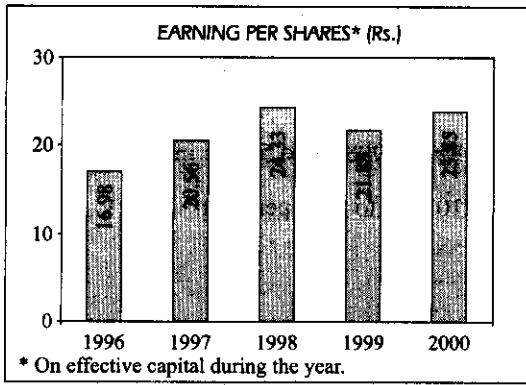


FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

	2000	1999
Income	447600	422499
Profit before Depreciation, Interest, Provision for Contingencies, Extra-ordinary items, Taxation and Items pertaining to previous years	62590	54798
Less: Depreciation	12327	11198
Profit before Interest, Provision for Contingencies, Extra-ordinary items, Taxation and Items pertaining to previous years	50263	43600
Less: Interest	14145	15186
Profit before Provision for Contingencies, Extra-ordinary items, Taxation and Items pertaining to previous years	36118	28414
Less: Provision for Contingencies	1428	406
Profit before Extra-ordinary Items, Taxation and Items pertaining to previous years	34690	28008
Add: Extra-ordinary items	358	-
Profit before Taxation and Items pertaining to previous years	35048	28008
Less: Provision for Taxation	8700	5150
Profit for the year	26348	22858
Less: Items pertaining to previous years	-	267
Balance of profit for 1999-2000	26348	22591
Balance of profit for earlier years	21787	20842
Add: Investment Allowance Reserve Account Written Back	210	-
Profit available for appropriation	48345	43433
Less: Debenture Redemption Reserve	937	5335
General Reserve	10000	10000
Dividend paid for the previous year		
Income-tax on dividend paid		
Interim Dividends	6077	-
Income Tax on Interim Dividend	668	-
Proposed Dividends	-	5685
Income Tax on Proposed Dividend	-	626
Balance carried forward	30663	21787





DIVIDEND

Your Directors at their meeting held on 27 March, 2000 had announced an interim dividend of 55% (1998-99 : Final 55%) on an increased capital base of Rs.110.48 crores. The dividend outgo, including dividend tax, was Rs. 67.45 crores. The dividend payment has already been effected. The Directors have recommended that this be treated as the only dividend for the financial year 99/2000.

SECTOR HIGHLIGHTS

AUTOMOTIVE SECTOR (AS)

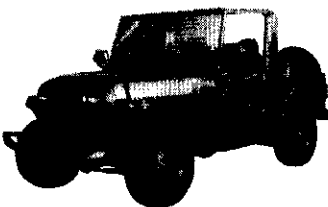
For the year under review, a total of **76,983** vehicles (including 120 CKD packs) were produced as against **70,639** vehicles (including 1,546 CKD packs) in the previous year, registering a growth of 8.98 per cent. Your Company's Automotive

Sector continued to outperform the industry



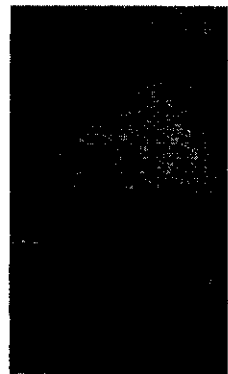
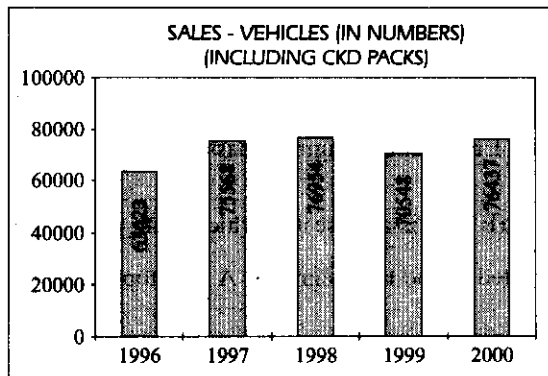
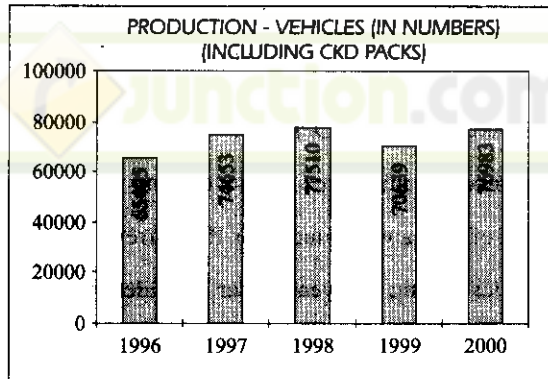
by selling **69,682** Utility Vehicles (UVs) in the domestic

market, a growth of 9.6% over the previous year's sales of 63,582 vehicles. During the



same period, the industry grew by 7.4 per cent.

In the Light Commercial Vehicle (LCV) segment, the Company sold 6,373 LCVs in the domestic



market - a growth of 28.4% over the previous year's sale of 4,963 LCVs, against an industry growth of 11.8 per cent.

Your Company's market share in UVs went up from 57.0% in 1998-99 to 58.2% in 1999- 2000. In the LCVs, the Company's market share increased from 10.2 % to 11.7 per cent.

NEW PRODUCT DEVELOPMENT

Quadro: India's first made to order, customisable Sports Utility Vehicle was launched during the year by your Company. Customers can log on to the Internet Site, 'www.designercars.com' to design and order their Quadro. With this, your Company has become the first Indian company to avail of the opportunities provided by the Internet for personalised customisation.

Mahindra Bijlee: India's first electric three wheeler was launched in New Delhi on 14 August 1999. This vehicle is totally non-polluting and is a prime example of the Company's efforts to reduce vehicular pollution.

Mahindra CNG: In an attempt to further reduce the pollution levels, M&M launched the Mahindra CNG -- a hard top vehicle fuelled by compressed natural gas, an environment friendly fuel.

Mahindra Rakshak: A bulletproof armoured personnel carrier, made in collaboration with Plasan Sasa of Israel, was launched for the Defence Forces.

The Company has also introduced new variants of utility vehicles for the export markets.

RESEARCH & DEVELOPMENT

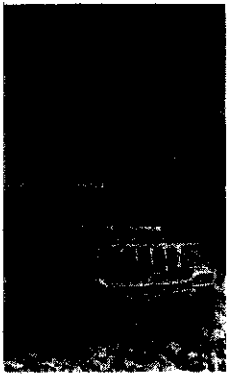
A number of initiatives for developing new products were started during the year under review. Some of the new products for the current year on which work was done at the Company's R&D facilities during the year under consideration are:

Bolero: This is a newly styled Armada-based model, with new front styling, instrumentation panel, brakes, seats and independent front suspension and is expected to be launched in the current year.

Marshal 2000: An upgraded version of the highly successful 1998-99 launch, it has a new Euro I compatible engine, chassis, instrumentation panel, seats, brakes and axle.

Savari: This is a 12 seater vehicle with a New Generation Chassis and an FRP hard top. Savari is targeted at the taxi segment. A soft top version will also be offered later.

MM Isuzu: In an effort to provide increased choice to its consumers, the Company will be offering



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 **Mahindra**