

Annual Report 1999



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SWARAJ
MAZDA

Swaraj Mazda Limited

Swaraj Mazda Limited

Executive Director - Finance

P. SIVARAM

Auditors

PRICE WATERHOUSE

Bankers

CANARA BANK

INDIAN OVERSEAS BANK

Registered OfficeVILLAGE ASRON,
DISTT. NAWANSHAHAR-140 001
(PUNJAB)**BOARD OF DIRECTORS**

RAMESH INDER SINGH - Chairman

T.K.A. NAIR

S.K. TUTEJA

T. MATSUBARA

M. YAMAKI

H. YUKIMOTO

HARKIRAT SINGH

YASH MAHAJAN - Vice Chairman &
Managing Director

T. OSHIMA - Alternate Director to T. MATSUBARA

K. FUJIMOTO - Alternate Director to M. YAMAKI

M. FUKUYAMA - Alternate Director to H. YUKIMOTO



SHAREHOLDER INFORMATION

Annual General Meeting

Time : 12.00 Noon

Date : June 30th, 1999

Venue :

Swaraj Mazda Limited,
Village Asron,
Distt. Nawanshahar,
Punjab.

Book Closure Dates

16th June, 1999 to 26th June, 1999

Listing

Company's shares are listed and traded on Mumbai, Delhi, Ludhiana and National Stock Exchanges.

Shareholder Assistance

For any assistance regarding share transfers and transmission, change of address, duplicate/missing share certificates and other matters, please write to :

MCS Limited,
Sri Venkatesh Bhawan,
Shahpur Jat,
New Delhi-110 049
Tele. : 011-6494830
Fax : 011-6494152

OR

Swaraj Mazda Limited,
SCO 204-205,
Sector 34-A,
Chandigarh-160022
Tele. : 0172-647700-10
Fax : 0172-615111

Registered Office

Swaraj Mazda Limited,
Village Asron,
Distt. Nawanshahar.

Share Transfer System

Share transfers would be registered and returned within a period of 30 days from the date of receipt, if the documents are in order in all respects. The Share Transfer Committee generally meets twice in a month.

Stock Market Data

High & low quotations for one SML equity share of Rs. 10 each (Public Issue - 1985) at Bombay Stock Exchange are :

April '98 - May '99

	H/L		H/L
April '98	49 / 30	May '98	43 / 36
June '98	39 / 30	July '98	36 / 30
Aug '98	32 / 28	Sep '98	41 / 29
Oct '98	37 / 30	Nov '98	52 / 32
Dec '98	52 / 42	Jan '99	54 / 42
Feb '99	48 / 37	Mar '99	40 / 31
Apr '99	38 / 31	May '99	43 / 32

Categories of shareholders as on May '99

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	3	55.00	5775000
FII's/NRI's/QCB's	1970	3.64	382400
Mutual Funds	6	0.04	4050
Other Bodies Corporate	140	7.75	813201
Individuals	21092	33.57	3524949

Distribution of share holding as on May '99

No. of Equity Shares held	No. of Shareholders	No. of Shares	%age of Shareholding
1 - 100	18661	1470700	14.01
101-200	2127	393400	3.75
201-500	1558	572550	5.45
501-1000	498	396000	3.77
1001-5000	309	648700	6.18
5001 - above	59	7018650	66.84
	<u>23212</u>	<u>10500000</u>	<u>100.00</u>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth Annual General Meeting of the Company will be held at its Registered Office at Village Asron, Distt. Nawanshahar-140001 (Punjab) on 30th June, 1999 at 12.00 Noon to transact the following business :

1. To consider to adopt the Directors' Report and Audited Statement of Accounts for the year ended 31.3.1999.
2. To appoint a Director in place of Mr. T. Matsubara who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.K. Tuteja who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

As Special Business

5. To consider and, if thought fit, to pass the following resolution, with or without modification, as an ordinary resolution :
 "Resolved that pursuant to the provisions of Section 269, 316 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such sanctions as may be required, Mr. Yash Mahajan be and is hereby reappointed as Vice Chairman and Managing Director of the Company for another tenure of five years with effect from 15.11.1998 without any remuneration being payable to him."
6. To consider and, if thought fit, to pass the following resolution, with or without modification, as an ordinary resolution :
 "Resolved that Mr. M. Yamaki, who was appointed as an additional Director of the Company on 28th May 1999, and who in terms of Section 260 of the Companies Act, 1956 holds such office until this Annual General Meeting be and is hereby appointed as a Director of the Company."
7. To consider and, if thought fit, to pass the following resolution, with or without modification, as an ordinary resolution :
 "Resolved that Mr. H. Yukimoto, who was appointed as an additional Director of the Company on 28th May 1999, and who in terms of Section 260 of the Companies Act, 1956 holds such office until this Annual General Meeting be and is hereby appointed as a Director of the company."

Regd. Office :
 Village Asron,
 Distt. Nawanshahar (Punjab).
 Dated : 28.05.1999

By Order of the Board

(YASH MAHAJAN)
 Vice Chairman &
 Managing Director

NOTES :

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed hereto and forms part of the Notice.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend instead of himself. Such proxy need not be a member of the Company. In order to be effective, PROXY in the form annexed hereto must be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from Wednesday the 16th day of June 1999 to Saturday the 26th day of June 1999 (both days inclusive).
4. Members are requested to bring their copy of Annual Report to the Meeting.
5. In case a member intend to raise any query at the forthcoming Annual General Meeting, the same may please be forwarded at least 7 days before the date of the Meeting of the Company so that it is attended to appropriately to the members' entire satisfaction.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Yash Mahajan, Vice Chairman and Managing Director, completed his third tenure of office as whole-time Director on 14.11.1998.

Members may kindly note that in addition to his wholetime responsibility in Punjab Tractors Limited, Mr. Mahajan has been functioning as the Company's Managing Director from inception.

Having regard to the role played by Mr. Mahajan in the Company's difficult formative years, the leadership provided by him during the recovery phase, the need for continuity in top management and the imperatives of future challenges, the Directors have elevated Mr. Yash Mahajan as Vice Chairman and Managing Director, and re-appointed him for another term of five years w.e.f. 15.11.1998. As in the past, this appointment is without any remuneration to him.

The Directors commend acceptance of the re-appointment in terms of resolution set out in item 5.

Mr. Yash Mahajan is interested in item No. 5 as the resolution relates to his appointment.

ITEM NOS. 6 & 7

In terms of Joint Venture Agreement dated 5.10.1984, Mazda Motor Corporation (MC) and Sumitomo Corporation (SC) are entitled to appoint upto three Directors on Company's Board. Arising from organisational changes in Mazda Motor Corporation Japan and Sumitomo Corporation Japan, MC and SC had proposed Mr. M. Yamaki as Director in place of Mr. K. Takebayashi and Mr. H. Yukimoto as Director in place of Mr. K. Kobayashi. Accordingly Mr. M. Yamaki and Mr. H. Yukimoto had been appointed as additional Directors on 28th May, 1999 and they hold office till forthcoming Annual General Meeting.

Mr. M. Yamaki is presently Director and General Manager of Production Engineering Division at Mazda Motor Corporation while Mr. H. Yukimoto is presently General Manager at Sumitomo Corporation. Directors feel that their association at the Board level will be of large value to the company and hence recommend the resolution for their appointments.

Mr. M. Yamaki is interested in item No. 6 and Mr. H. Yukimoto is interested in item No. 7 as the resolutions relates to their respective appointments.

INSPECTION

All the material documents referred to in the Explanatory Statement will be open for inspection at the Registered Office of the Company at Village Asron, Distt. Nawanshahar (Punjab) on any working day during office hours.

REPORT OF THE DIRECTORS

The Directors submit their Annual Report alongwith Audited Accounts for the year ended 31.3.1999.

YEAR IN REVIEW

Members would recall that in the last report, Directors had cautioned that market conditions for 1998-99 as a whole were likely to remain severe. Absence of industrial growth across major segments was then seen as the main reason for the expected shrinkage of market demand, second year in a row.

Regrettably, the above scenario came to be fully realised, with the year witnessing continuous slow-down in industrial growth and key-sectors showing moderate to negative rate of growth. The commercial vehicle segment of the auto industry was inevitably the worst affected. With LCV demand staying extremely sluggish, industry aggregates dropped some 13% to 56,300 vehicles from 1997-98 level of 63,800 and 1996-97 level of 84,600.

Against the above background, the Company took several initiatives and continued its thrust and focus on sale of high value variants, particularly the bulk segment, entailing large additional costs. Despite all these efforts and costs, sale volumes dropped to 2975 vehicles against 3303 sold during 1997-98. The upshot was that Total Revenue (net of excise) at Rs. 137.2 crores was down 9% from 1997-98.

As if reduced volumes were not enough, the Company was burdened with extra costs in the form of 4% additional import duty, 5% modvat disallowance and a weakening Rupee against the Yen. Understandably, because of tough market conditions, these additional costs could not be passed on to customers but had to be absorbed by the Company. These aspects had their adverse impact on the profit and margin at the operating level.

As members are aware, the Financial Institutions/Banks have a right to convert rupee loans upto Rs. 199 lacs into fully paid up equity shares at par. While accepting Company's request not to exercise the conversion option, the institutions have stipulated payment of additional interest on term loans with retrospective effect from October, 1995. Accordingly, the Company has made provision in the Accounts towards additional, one time interest liability of Rs. 91 lacs.

In the result, PBT dropped sharply to Rs. 3.1 crores (last year Rs. 6.8 crores)

FINANCE

While company's liquidity stayed tight throughout the year, close monitoring of current assets helped mitigate the impact. During the year, Company paid over Rs. 5.5 crores to Financial Institutions/Banks towards funded interest and principal loans. Capital spending for the year was Rs. 0.8 crores, mainly towards tooling for indigenisation and on testing & inspection equipments. The Directors acknowledge with gratitude timely injection of funds by Punjab Tractors which helped to meet these outflows.



HUMAN RESOURCES

Industrial Relations and work atmosphere remained steady throughout the year. Event of significance was the conclusion of the 4 year wage agreement with our work force. Information in accordance with Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975 is given in the Annexure to this Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

Particulars to be given in respect of the above activities under the Companies (Disclosure of particulars in the Report of Directors) Rule 1988 are given in the Annexure to this report.

YEAR 2000 (Y2K)

Directors wish to inform members that the Company has initiated appropriate steps to ensure that computer hardware and software and computer-aided equipments become Y2K compliant by Sept '99. Related costs have been estimated as not material in the context of Company's operations and size. The Company does not anticipate any disruption in its activities. However, Company is in the process of firming up a contingency plan to meet uncertainties that may arise.

CURRENT PERFORMANCE

The Directors report with concern the continuation of bleak market conditions during the current financial year. LCV industry offtakes for April '99 have stagnated at 2800 vehicles. There are little signs of industrial/trade pick up in the near term. However, following a bumper Rabi crop and the prospects for a good monsoon, it is widely believed that the economy would show some recovery after October.

The Company's thrust and priority on maximising sale in the bulk and high value segments would continue. It has also initiated plans for making its service and spare parts activity more effective. Efforts to strengthen dealership network is also underway.

Having regard to the forgoing, the directors believe that sale volumes during 1999-2000 should see a visible improvement.

DIRECTORS

Members may note that Mr. Yash Mahajan, Managing Director, completed his last tenure on 14th November, 1998. Taking note of his large contributions during the difficult years, the leadership provided by him since inception, and the imperatives of future challenges, the Directors have been pleased to elevate him to the position of Vice Chairman & Managing Director and re-appointed him for another tenure from 15th November, 1998, without any remuneration.

Mazda Motor Corporation, Japan have nominated Mr. M. Yamaki as a Director of the Company in place of Mr. K. Takebayashi and Sumitomo Corporation, Japan have nominated Mr. H. Yukimoto as a Director of the Company in place of Mr. K. Kobayashi. Appropriate resolutions for their appointment as Directors have been proposed at the forthcoming Annual General Meeting. The Directors place on record their appreciation to the role of Mr. Takebayashi & Mr. Kobayashi during their tenure as Directors.

Mr. T. Matsubara and Mr. S.K. Tuteja retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

Observations made by the Auditors when read with the relevant notes under Schedule 'M' to the Accounts, are self explanatory. As such, in the opinion of the Directors, they do not call for a specific reply.

M/s. Price Waterhouse, Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them that their re-appointment, if made, would be within the limits under Section 224(1)(B) of the Companies Act. 1956.

BY ORDER OF THE BOARD

Place : Chandigarh

Date : 28.05.1999

S.K. TUTEJA

Director

YASH MAHAJAN

Vice Chairman &
Managing Director

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ANNEXURE TO DIRECTORS' REPORT

(Year ended 31st March, 1999)

Information in accordance with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

Company's manufacturing operations are not energy intensive. Nevertheless, in the areas of high energy consumption such as compressed air and painting, steps have been taken towards energy conservation by systematic reduction of leakages. Discipline to switch off lights and machine tools when not working, has also been introduced.

2. TECHNOLOGY ABSORPTION

2.1 The Company is a Joint Venture of two companies with a distinguished track record in R&D - Mazda Motor Corporation, Japan and Punjab Tractors Limited, India. In this backdrop, the Company has from the very inception laid strong emphasis on Research & Development. It is this thrust that has made the range of Company's product variants the widest amongst all new LCV manufacturers & makes it lead the indigenisation of hi-tech components.

2.2 Expenditure on Research & Development during 1998-99.

	(Rs. lacs)
(a) Capital	—
(b) Recurring	77.97
(c) Total	77.97
(d) Total R&D expenditure as a percentage of total turnover	0.51%

2.3 As is known, the Company's products are based on a technical collaboration with Mazda Motor Corporation, Japan. The Company has absorbed advanced Japanese technology both through in-house activity as well as through vendors and its products are in the last stages of indigenisation.

3. FOREIGN EXCHANGE EARNING AND OUTGO

Export earnings were Rs. 8.22 crores. Usages of fuel efficient Swaraj Mazda Vehicles also results in saving of foreign exchange indirectly through conservation of diesel. Being difficult to quantify, same is not included in the above figure.

Total foreign exchange utilised during the year amounted to Rs. 17.35 crores : on business travel, royalty, export commission etc. Rs. 0.62 crores and on import of raw materials, spares and capital goods Rs. 16.73 crores.

AUDITOR'S REPORT TO THE MEMBERS OF SWARAJ MAZDA LIMITED

1. We report that we have audited the Balance Sheet of Swaraj Mazda Limited as at 31st March, 1999 signed by us under reference to this report, and the relative Profit & Loss Account for the year ended on that date, which are in agreement with the books of account.
2. We draw attention to note in Schedule M regarding Company's progress relating to Year 2000 issues. It is the management's and not the auditor's responsibility to ensure that the Company is prepared for the Year 2000 date change and accordingly the audit is not intended, designed nor performed to identify or detect problems that may result from the computer hardware, software or other automated process inability to properly process date which includes issues, internal and/or external, related to Year 2000. In the opinion of the management, the problem of year 2000 will not vitiate the assumption of going concern in view of the plans to make the organisation Year 2000 compliant as drawn by the management.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Statement of Significant Accounting Policies and the Notes thereon and attached thereto give, in the prescribed manner, the information required by the Companies Act, 1956 and subject to the comment in paragraph 3.1 below and read with Note 3 on Schedule L regarding valuation of inventories, and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March, 1999 and its Profit for the year ended on that date.
 - 3.1 Non provision of Rs. 4.88 Crores being lapse of Modvat Credit receivable balance as explained in Note 3 in Schedule M.
4. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appear from our examination of the books. In our opinion the Balance Sheet and the Profit and Loss Account comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :
 - (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company are physically verified by the management in a phased manner designed to cover all assets in a period of three years which we consider to be reasonable. Pursuant to the programme, a physical verification was carried out during the year and this revealed no material discrepancies.
 - (ii) The fixed assets of the Company have not been revalued during the year.
 - (iii) The stock of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the Management during the year.
 - (iv) In our opinion, the procedures for physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (v) The discrepancies between the physical stocks and the book stocks which have been properly dealt with, were not material.