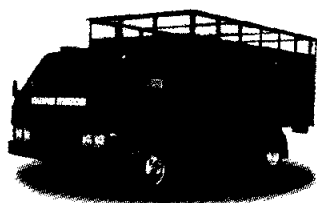
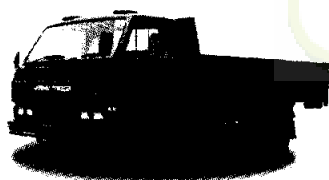
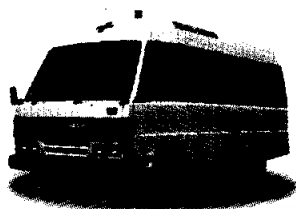
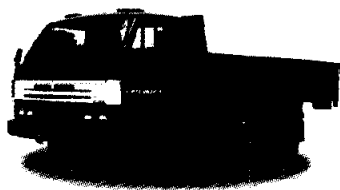
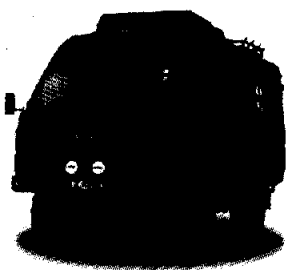


**SWARAJ  
mazda**

# ANNUAL REPORT 2001



**Swaraj Mazda Limited**

## Swaraj Mazda Limited

### BOARD OF DIRECTORS

RAMESH INDER SINGH - Chairman

T.K.A. NAIR

S.K. TUTEJA

T. MATSUBARA

M. YAMAKI

K. MACHIDA

K. NAKAJIMA

HARKIRAT SINGH

YASH MAHAJAN - Vice Chairman & Managing Director

A. OKAMOTO - Alternate Director to T. MATSUBARA

K. FUJIMOTO - Alternate Director to M. YAMAKI

M. FUKUYAMA - Alternate Director to K. MACHIDA

### MEMBERS OF THE EXECUTIVE BOARD

B.S. DEVGUN

P.K. VERMA

P. SIVARAM

### AUDITORS

PRICE WATERHOUSE

### BANKERS

CANARA BANK

INDIAN OVERSEAS BANK

### REGISTERED OFFICE

VILLAGE ASRON,  
DISTT. NAWANSHAHAR-140 001  
(PUNJAB)



## SHAREHOLDERS' INFORMATION

### Annual General Meeting

**Time** : 3.30 P.M.

**Date** : 15th September, 2001

**Venue** : Swaraj Mazda Limited,  
Village Asron, Distt. Nawanshahar, Punjab.

### Book Closure Dates

6th September, 2001 to 15th September, 2001 (both days inclusive)

### Listing

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

### 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, 212 A, Shahpurjat, New Delhi-110 049 Tele. : 011-6494830 Fax : 011-6494152	OR	Swaraj Mazda Limited, SCO 204-205, Sector 34-A, Chandigarh-160 022 Tele. : 0172-647700-10 Fax : 0172-615111
--	----	---

### Registered Office

Swaraj Mazda Limited,  
Village Asron, Distt. Nawanshahar-140 001 (Punjab).

### 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.

### Stock Market Data

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

#### April 2000 - July 2001

H/L		H/L	
Apr '00	37 / 31	May '00	39 / 30
Jun '00	54 / 38	Jul '00	46 / 36
Aug '00	44 / 34	Sep '00	45 / 34
Oct '00	37 / 33	Nov '00	41 / 34
Dec '00	38 / 32	Jan '01	37 / 32
Feb '01	39 / 33	Mar '01	36 / 27
Apr '01	30 / 24	May '01	26 / 24
Jun '01	30 / 26	Jul '01	28 / 25

## Dematerialisation of Shares

Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28th August, 2000. Accordingly, to facilitate Shareholders to trade in demat form, the Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL). About 25% of the Company's shares are now held in electronic form.

### Shares held in electronic form

i) All instructions regarding bank details which shareholders wish to be incorporated in their dividend warrants will have to be submitted to their depository participants. As per regulations of NSDL and CDSL, the Company is obliged to print bank details on dividend warrants as furnished by these Depositories to the Company.

ii) Instructions already given by shareholders in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form and the Company will not entertain any request for deletion/change of bank details already printed on dividend warrants as per information received from the concerned depositories.

iii) All instructions regarding change of address, nomination, power to attorney etc. should be given directly to the depository participants and the Company will not entertain any such requests directly from shareholders.

### Categories of shareholders as on July 2001

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	3	55.07	5775000
Mutual Funds & UTI	12	8.00	838954
Other Bodies Corporate	160	4.75	498111
FII's/NRI's/OCB's	1741	3.32	347850
Individuals	18137	28.86	3026785

### Distribution of share holding as on July 2001

No. of Equity Shares held	No. of Shareholders	No. of Shares	%age of Shareholding
1 - 100	16356	1278099	12.18
101-200	1751	325794	3.11
201-500	1219	445236	4.25
501-1000	378	301223	2.87
1001-5000	291	628294	5.99
5001 - above	58	7508054	71.60
	20053	10486700	100.00

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventeenth Annual General Meeting of the Company will be held at its Registered Office at village Asron, Distt. Nawanshahar - 140 001 (Punjab) on 15th September, 2001 at 3.30. P.M. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March, 2001, Profit and Loss Account for the Year ended on that date together with Directors' Report and Auditors' Report.
2. To declare Dividend.
3. To appoint a Director in place of Mr. K. Nakajima who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. Yamaki who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

### Special Business

6. To consider and, if thought fit, to pass the following resolution, with or without modification, as an ordinary resolution:  
 "RESOLVED THAT Mr. K. Machida, who was appointed as an Additional Director of the Company on 27th June, 2001, 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 : July 31st, 2001

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. Proxies 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 6th September, 2001 to 15th September, 2001 (both days inclusive).



4. If Dividend, as recommended by the Directors is approved at the meeting, payment will be made to those members whose name(s) appear on the Company's Register of Members on 15.09.2001. In respect of shares held in Electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
5. Members are requested to bring their copy of Annual Report to the Meeting.
6. In case a member intends 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.
7. Members who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
8. Members/proxies should bring the attached admission slip duly completed and signed, for the admission to the meeting.
9. Members who are holding shares under more than one folio under name(s) in the same order are hereby requested to send the relative shares certificates to the company for consolidation.

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

##### **Item No.6**

In terms of Joint Venture Agreement dated 05.10.1984, Mazda Motor Corporation (MC) and Sumitomo Corporation (SC) are entitled to appoint upto three Directors on Company's Board. Arising from organisational changes in Sumitomo Corporation, SC has proposed Mr. K. Machida as Director in place of Mr. H. Yukimoto. Accordingly, Mr. K. Machida has been appointed as Additional Director on 27th June, 2001 and he holds office upto the date of forthcoming Annual General Meeting.

Mr. K. Machida is presently General Manager at Sumitomo Corporation, Tokyo. Directors feel that his association at the Board level will be of large value to the Company and hence recommend the resolution for his appointment.

The Company has received a notice in writing from a member, proposing the appointment of Mr. K. Machida as a Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. K. Machida is interested in item no. 6 as the resolution relates to his appointment.

##### **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.

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

Dated : July 31st, 2001

By Order of the Board

(YASH MAHAJAN)  
Vice Chairman &  
Managing Director



## **REPORT OF THE DIRECTORS**

The Directors are happy to present their seventeenth Report alongwith Audited Accounts for the year ended 31<sup>st</sup> March, 2001.

### **YEAR IN REVIEW**

Members would be glad to know that Swaraj Mazda sale volumes crossed the 5000 level mark for the first time, a growth of 27% over previous year. It was satisfying that the volume increase was broad-based, addressing more market segments and geographical confines. The year also saw introduction of one more specialty vehicle, the four wheel drive ambulance.

Improved volumes took the total revenue for the year (net of excise) to Rs. 235 crores, a growth of 27% over 1999-00. Benefitting from this improvement, as also from better product-mix and continued focus on cost structure, pre-tax profit has increased at a faster rate of 75%, moving to Rs. 6.5 crores from previous year level of Rs. 3.7 crores. Profit After Tax of Rs. 4.0 crores translates into an earning of Rs. 3.80 per share.

### **DIVIDEND AND APPROPRIATIONS**

Members would recall that last year was Swaraj Mazda's maiden dividend year when the Company came on the dividend list with a 10% declaration. Having regard to improved performance and trends, the Directors have recommended a dividend of 15% for the year 2000-01. With dividend absorbing Rs. 1.57 crores, tax on proposed dividend absorbing Rs. 0.16 crores, an amount of Rs. 2.0 crores has been transferred to General Reserve, leaving Rs. 0.25 crores to be carried forward in the Profit and Loss Account which now stands at Rs. 1.16 crores.

### **FINANCE**

While cash flows improved steadily during most part of the year, year-end receivables and inventories grew reflecting primarily the sale to Govt. customers where procedural requirements involved longer time span. During the year, the Company repaid Rs. 1.08 crores to Financial Institutions / Banks. The Company's capital spending for the year totalled Rs. 3.78 crores, principally towards tooling for indigenisation and on testing and inspection equipments. The Directors acknowledge with gratitude the help provided by Punjab Tractors and Company's bankers on the working capital front from time to time.

### **HUMAN RESOURCES**

Industrial Relations and work atmosphere remained stable throughout the year. Information in accordance with Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 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) Rules, 1988 is given in the Annexure to this Report.



## CORPORATE GOVERNANCE

Members are probably aware of the increased regulatory thrust on matters of disclosure, transparency and governance for corporate India. Recently, SEBI has announced mandatory guidelines for compliance by 'B' group companies from Financial year 2001-02. These involve creation of Board Sub-committees for specified matters and expanding areas of disclosure and reporting in the Annual Report. Directors convey with a sense of satisfaction that, on its part, the company has always practiced governance, transparency and shareholder communication with a sense of mission. As required under the amended Companies Act, an Audit Sub-Committee of the Board has already been constituted. In the context of the above developments, Directors also propose to constitute Sub-committees for Compensation, Shareholder and Investor Relations.

## CURRENT PERFORMANCE

Members may note that fiscal 2001-02 has begun under the shadow of factors such as declining industrial growth, large reduction in farm income, stagnant freight rates despite increased diesel prices as well as improved railway performance. As a result, aggregate industry demand in the commercial vehicles sector had fallen sharply in the 1<sup>st</sup> quarter from 14,000 to 10,600 in the LCV segment and from 18,100 to 16,600 for HCV segment.

Directors report with a measure of satisfaction that against such industry condition and performance, Swaraj Mazda has achieved a sale of 1,302 vehicles during April-June, 2001, an improvement of 33% over first quarter of previous fiscal. The happier component of this growth has been the improvement in product-mix as also the wider market segment covered. By the time, the members would receive this report in print, the Company would have introduced the CNG bus in the National Capital Region as also the new 'Sartaj' model in the 5 ton range. Members would also be pleased to learn that the Company has achieved a satisfactory progress towards compliance of Bharat State-II emission norms, scheduled for implementation in the National Capital Region and other 3 Metros from end October.

As members might have noted from the first quarter results already published, on the strength of growing volumes, the Company's Profit Before Tax for the first quarter has reached Rs. 1.35 crores compared to Rs. 0.75 crores for the corresponding quarter of 2000-01. To sustain the pace of market momentum and to give more value to customers, the Company is pursuing a plan of adding more dealerships (vehicles & spare parts) and service centres. Frequency and quantum of training of mechanics and drivers has also been stepped up.

## DIRECTORS

Sumitomo Corporation, Japan has nominated Mr. K. Machida as a Director of the Company in place of Mr. H. Yukimoto. Appropriate resolution for the appointment of Mr. Machida as a Director has been proposed at the forthcoming Annual General Meeting. The Directors place on record their appreciation to the role of Mr. Yukimoto during his tenure as Director.

Mr. K. Nakajima and Mr. M. Yamaki retires by rotation and being eligible, offer themselves for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i) That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2001, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care 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) That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2001 on a 'going concern' basis.

**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

S.K. TUTEJA  
Director

YASH MAHAJAN  
Vice Chairman &  
Managing Director

Place : Chandigarh  
Dated : July 31st, 2001





## ANNEXURE TO DIRECTORS' REPORT

### A) 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 between 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 2000-2001 :

	(Rs. in lacs)
(a) Capital	16.78
(b) Recurring	107.22
(c) Total	124.00
(d) Total R&D expenditure as a percentage of total turnover	0.46%

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 EARNINGS AND OUTGO

Export earnings were Rs. 9.43 crores. Usage 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. 20.69 crores : on business travel, royalty, export commission etc. Rs. 1.75 crores and on import of raw materials, spares and capital goods Rs. 18.94 crores.

### B) Particulars of Employees under Section 217(2A) of Companies Act, 1956 and the Rules made thereunder :

Those employed for full year and are in receipt of remuneration of more than Rs. 12,00,000/- lacs. per annum.

Sr. No.	Name/Age	Qualification	Experi-ence (Years)	Date of commence-ment	Designation/ Nature of Duties	Gross Remune-ration (Rs.)	Last Employment held	Designation
1.	Devgun B.S.(59)	F.I.E.	36	22.07.83	Executive Director - R&D	13,38,531	Punjab Tractors Ltd.	Associate Vice President Material Services

#### NOTES :

1. Remuneration includes Salary, Allowances, Bonus, Encashment of earned leave, Company's contribution to Provident fund, Gratuity & Superannuation funds, reimbursement of medical expenses and leave travel assistance, wherever applicable and where it is not possible to ascertain the actual expenditure on a perquisite, valuation has been done on the basis of Income Tax Act, 1961 and Rules made there under.
2. Nature of employment is non-contractual.
3. All the employees have adequate experience to discharge the responsibilities assigned to them.
4. None of the employees is a relative of the Directors of the Company.