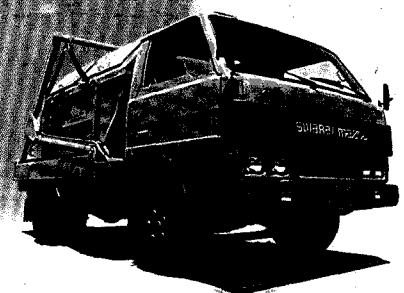


**SWARAJ
mazda**

A N N U A L R E P O R T 2 0 0 3

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Swaraj Mazda Limited

Swaraj Mazda Limited

BOARD OF DIRECTORS

S.C. AGRAWAL – Chairman

T.K.A. NAIR

HARKIRAT SINGH

S.K. TUTEJA

K.R. LAKHANPAL

K. NAKAJIMA

T. MATSUBARA

K. MACHIDA

Y. TATSUTA

T. YOSHIMOTO

YASH MAHAJAN - Vice Chairman & Managing Director

A. OKAMOTO - Alternate Director to T. MATSUBARA

T. YOSHIMOTO - Alternate Director to K. MACHIDA

MEMBERS OF THE EXECUTIVE BOARD

B.S. DEVGUN

P.K. VERMA

P. SIVARAM

ASSOCIATE VICE PRESIDENT - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS

PRICE WATERHOUSE

BANKERS

CANARA BANK

INDIAN OVERSEAS BANK

REGISTERED OFFICE

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



SHAREHOLDERS' INFORMATION

1. **Annual General Meeting** : **30th September, 2003 at 11.30 AM**
Venue : **Swaraj Mazda Limited**
Village Asron, Distt. Nawanshahar, Punjab
2. **Financial Calendar (tentative)**
Financial reporting for
Quarter ended 30th June, 2003 : Taken on record on 31st July, 2003
Quarter ending 30th Sept., 2003 : Last week of October, 2003
Quarter ending 31st Dec., 2003 : Last week of January, 2004
Quarter ending 31st March 2003 : June, 2004
3. **Book Closure** : 16th Sept., 2003 to 23rd Sept., 2003 (both days inclusive)
4. **Dividend Payment** : On or after 30th September, 2003, but within the statutory time limit.
5. **Listing on Stock Exchanges** : Ludhiana, Delhi, Mumbai & National Stock Exchanges.
Listing fee for 2003-04 for all these stock exchanges has been paid.
Due to lack of trading, the Company proposes to de-list from Ludhiana & Delhi stock exchanges.
6. **Stock Market Data**
High and Low quotations for one SML equity share of Rs.10 each (Public Issue – 1985) at Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) are as under:

| Month | Bombay Stock Exchange (BSE) | | National Stock Exchange (NSE) | |
|-------------|-----------------------------|-----------|-------------------------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| 2002 | | | | |
| April | 69 | 46 | 69 | 47 |
| May | 69 | 49 | 70 | 47 |
| June | 89 | 50 | 90 | 50 |
| July | 98 | 67 | 99 | 63 |
| August | 79 | 63 | 77 | 60 |
| September | 72 | 60 | 71 | 62 |
| October | 73 | 60 | 78 | 64 |
| November | 73 | 67 | 73 | 68 |
| December | 79 | 62 | 79 | 64 |
| 2003 | | | | |
| January | 73 | 64 | 75 | 62 |
| February | 78 | 68 | 78 | 67 |
| March | 81 | 66 | 78 | 66 |
| April | 86 | 63 | 86 | 66 |
| May | 100 | 82 | 100 | 82 |
| June | 132 | 91 | 135 | 88 |
| July | 145 | 117 | 146 | 125 |
| August | 195 | 135 | 197 | 133 |

7. **Stock Code:** BSE 505192 & NSE SWARAJ MAZD

8. **Dematerialisation of Shares:**

The Securities & Exchange Board of India (SEBI), with effect from 28th August, 2000 has included the shares of Swaraj Mazda Limited in the compulsory demat list for all categories of investors. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) to avail this facility. On date, over 36 % of the Company's shares are now held in electronic form.

International Securities Identifications Number : INE294B01019

(with NSDL and CDSL)

For Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to their Depository Participants and the Company will not entertain any such requests directly from shareholders.

9. Transfer System for physical shares

Share transfer would be registered & returned within a period of 30 days from the date of receipt, if the documents are clear in all respect.

Total no. of shares transferred during 2002-03 was 65352 (Previous Year 70901)

10. Share Transfer & other Communication regarding Share Certificate, Dividends and Change of Address etc. may be addressed to

Shares Department,
Swaraj Mazda Limited,
SCO : 204-205,
Sector 34-A,
Chandigarh-160 022.
Tel. : 0172-647700-10,
Fax : 0172-615111

OR

MCS Limited,
Sri Venkatesh Bhawan,
212-A, Shahpur Jat,
Behind Panchsheel Club,
New Delhi-110 049.
Tele : 011-26494830
Fax : 011-26494152

11. Shareholding pattern as on August, 2003

| Category | No. of Share-holders | Voting Strength % | No. of Shares held |
|------------------------|----------------------|-------------------|--------------------|
| Promoters | 3 | 55.07 | 5775000 |
| Mutual Funds & UTI | 11 | 7.57 | 793370 |
| Other Bodies Corporate | 182 | 4.45 | 467109 |
| FII's/NRI's/OCB's | 1600 | 6.63 | 695151 |
| Individuals | 15479 | 26.28 | 2756070 |

12. Distribution of Shareholdings as on August, 2003

| No. of Equity Shares held | No. of Share-holders | No. of Shares | %age of Share-holdings |
|---------------------------|----------------------|---------------|------------------------|
| 1-100 | 14373 | 1114903 | 10.63 |
| 101-200 | 1326 | 246042 | 2.35 |
| 201-500 | 947 | 340634 | 3.25 |
| 501-1000 | 285 | 225617 | 2.15 |
| 1001-5000 | 280 | 639830 | 6.10 |
| 5001-above | 61 | 7919674 | 75.52 |

13. The Company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.
14. Plant Location :

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

15. Investor queries etc. may be addressed to:

With respect to the financial statements of the Company

Mr. P. Sivaram, Executive Director
(Marketing & Finance)

With respect to shares and secretarial matters

Mr. Gopal Bansal, Associate Vice President-Finance
& Company Secretary

Swaraj Mazda Limited
SCO: 204-205, Sector 34 – A
Chandigarh – 160 022
Tele: 0172-647700
Fax: 0172-615111

16. Website Address :

www.swarajenterprise.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held at its Registered office at village Asron, Distt. Nawanshahar - 140 001 (Punjab) on 30th September, 2003 at 11.30 AM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2003 together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend.
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 a Director in place of Mr.K. Machida who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. K. Nakajima who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s) the following resolutions:

7. As an Ordinary Resolution:

"RESOLVED THAT Mr. S.C Agrawal, who was co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds such office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company."

8. As an Ordinary Resolution

"RESOLVED THAT Mr. K.R.Lakhanpal, who was co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds such office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company."

9. As an Ordinary Resolution:

"RESOLVED THAT Mr. Y. Tatsuta, who was co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds such office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company."

10. As a Special Resolution:

"RESOLVED THAT subject to provisions of the Securities Contracts (Regulation) Act, 1956, Listing Agreements with the Stock Exchanges and Guidelines / Rules of the Securities Exchange Board of India and all other applicable laws, rules, regulations and guidelines and subject further to such approvals and sanctions as may be required, the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) be and is hereby authorised to de-list the Equity Shares of the Company from the Stock Exchanges at Ludhiana and Delhi at one time or from time to time".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents, deeds and writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

Regd. Office:

By Order of the Board

Village Asron

Distt. Nawanshahar (Punjab)

Dated : September 3rd, 2003

(GOPAL BANSAL)

Associate Vice President-Finance
& Company Secretary

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 16.09.2003 to 23.09.2003. (both days inclusive)
4. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend, as recommended by the Board of Directors, if approved at the Meeting, will be payable on or after 30th September, 2003, but within the Statutory time limit, to those Members whose names appear in the Register of Members as on September 23, 2003. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of the business on September 15, 2003 as per details furnished by the depositories for this purpose.
5. Members are requested to notify any change in their address, mandates etc., to the Company's Registrar and Share Transfer Agents, M/s MCS Ltd., Sri Venkatesh Bhawan, 212-A, Shahpur Jat, Behind Panchsheel Club, New Delhi- 110 049. In case of dematerialised shares, the change of address requests, bank mandates, etc. should be directly sent to the Depository Participant concerned.
6. As per the regulations of National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) the Company is obliged to print the bank details of beneficial owners on the dividend warrants as furnished by these Depositories to the Company and the Company can not entertain any request for deletion /change of bank details already printed on the dividend warrants as per information received from the concerned Depositories. In this regard members are advised to contact their Depository Participant (DP) and furnish the particulars of any changes desired by them.
7. 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.
8. Members having multiple folios are requested to intimate to the registrar MCS Limited, New Delhi such folios to enable the Company to consolidate all shareholdings into one folio.
9. Members are requested to bring their copy of Annual Report to the Meeting.
10. Appointment / Re-appointment of Directors:

At the ensuing Annual General Meeting, Mr. S.K Tuteja, K. Machida & K. Nakajima, retire by rotation and being eligible offer themselves for re-election.



Mr. S.C Agrawal, Mr. K.R. Lakhanpal and Mr. Y. Tatsuta are being appointed as Directors of the Company. Information or details to be provided for the aforesaid Directors under Corporate Governance code is as under:

- a) Mr. S.K. Tuteja holds a Master's degree in Commerce from Delhi University besides being a founder Member of the Institute of Company Secretaries of India.

Mr. Tuteja belongs to the Indian Administrative Service and possesses vast experience in finance, commerce, industry and management. Prior to his current assignment as Secretary, Small Scale & Agro Industries, Government of India, Mr. Tuteja has held various key positions in the Government including that of Additional Secretary & Development Commissioner - Small Scale Industries, Government of India, Chairman, Punjab State Electricity Board, Principal Secretary to Government of Punjab, Deptt. of Finance, Principal Secretary to Government of Punjab, Deptt. of Industries & Commerce and Managing Director, Punjab State Industrial Development Corporation Ltd. (PSIDC).

Mr. Tuteja has been associated with Swaraj Mazda Limited for several years during his tenure as Additional Managing Director of PSIDC and later as Managing Director. As Principal Secretary to the Deptt. of Industries & Commerce, he was Company's Chairman from February 1995 to July 1996.

In addition to Swaraj Mazda Limited, Mr. Tuteja is also a Director of Punjab State Industrial Development Corpn.Ltd., Punjab Tractors Ltd., Swaraj Engines Ltd., and Abhishek Industries Ltd.

Details of Mr. Tuteja's Membership in Committees are given below:

Name of the Company

Name of Committee

1. Punjab Tractors Ltd.

Audit Committee - Chairman

Shareholder/Investor Relations Committee - Chairman

2. Swaraj Mazda Ltd.

Audit Committee - Chairman

Shareholder/Investor Relations Committee

3. Swaraj Engines Ltd.

Audit Committee - Chairman

Remuneration/Compensation Committee - Chairman

Shareholder/Investor Relations Committee

- b) Mr. K. Machida is a nominee director of Sumitomo Corporation (SC) Japan and has been a Director of the Company since June 2001.

Mr. Machida is graduate with Economics from KEIO University, Tokyo. Mr. K.Machida joined SC in 1975 and has held various key positions. Presently he is the General Manager. He has vast and varied experience in Marketing and Management.

- c) Mr. K. Nakajima has been a director of the Company since September 1998. He is a graduate from KEIO University, Tokyo. Joining Sumitomo Corporation in 1968, he has held variety of responsibilities during his 35 years association. He was twice posted in India, first during 1989-1994 period and later as Chairman and Managing Director of Sumitomo Corporation India Pvt. Ltd. during 1998-2001 period. Currently, he is posted in Tokyo as General Manager of Sumitomo's Public Relations Department. He has wide experience in Marketing and Management,

- d) Mr. S.C. Agrawal, on becoming the Chairman of Punjab Tractors Ltd. was inducted to the Board in July 2003 and became Chairman of the Company.

Mr. S.C. Agrawal belongs to the Indian Administrative Services and holds M.Sc. in Physics from the Indian Institute of Technology, Kanpur.

He possesses vast experience in administration. Prior to his current assignment as principal Secretary to Government of Punjab, Department of Industries and Commerce, Mr. Agrawal has held various key positions in the Government including that of Secretary Punjab State Electricity Board, Deputy Commissioner Jalandhar, Excise & Taxation Commissioner, Managing Director, Punjab State Industrial Development Corporation Ltd., Chief Administrator Punjab Urban Development Authority and Principal Secretary to the Governor, Punjab.

Mr. S.C Agrawal is the Chairman of Punjab Tractors Ltd., Punjab Alkalies & Chemicals Ltd., Punjab Communications Ltd., Dy. Chairman in Punjab State Industrial Dev. Corpn. Ltd., Vice Chairman in Punjab Information & Communication Technology Corpn. Ltd. and Director in Electronic Systems Punjab Ltd., Punjab Agro Industries Corp. Ltd. and Punjab Small Industries & Export Corporation.

- e) Mr. K.R. Lakhanpal's association with Swaraj Mazda Limited first began as Chairman of the Company from August 1996 to November 1996. Mr. K.R. Lakhanpal has been a Director of the Company since 31st January, 2003.

Mr. Lakhanpal belongs to the Indian Administrative Service, holds a Master's degree in Economics and is also a Commerce Graduate.

He possesses vast experience in finance, commerce and industry. Prior to his current assignment as Principal Secretary to Government of Punjab, Department of Finance and Directorate of Disinvestment, Mr. Lakhanpal has held various key positions in the Government including that of Additional Principal Secretary to Chief Minister of Punjab, Secretary to Government of Punjab, Deptt. of industries & Commerce, Director, Ministry of Industry, Government of India and Member Finance, Punjab State Electricity Board.

Mr. Lakhanpal is a Director in Punjab Tractors Limited and also a Chairman of the following Sub-Committees of Punjab Tractors Limited;

Remuneration / Compensation Committee
Appointment of Dealers / Vendors Committee

- f) Mr. Y. Tatsuta is a nominee Director of Mazda Motor Corporation (MC) Japan and has been a Director of the Company since July 2003.

He is a graduate from Osaka University with Master in Precision Engineering. Presently he is a Executive officer and General Manager of Production Engineering division. Joining MC in 1972. Mr. Tatsuta has acquired vast and varied experience in production and Management functions.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 7

On his appointment as Principal Secretary Industries and Commerce, Government of Punjab, Mr. S.C. Agrawal became the Chairman of PTL vice Mr. Mukul Joshi. Taking note of this development, Swaraj Mazda's Board has co-opted him as an Additional Director and elected him as the Chairman of the Company in place of Mr. Mukul Joshi. He holds office upto the date of this Annual General Meeting. Notice u/s 257 of the Companies Act, 1956 has been received from Punjab Tractors Limited signifying their intention to propose the appointment of Mr. S.C. Agrawal as Director of the Company.

Mr. S.C. Agrawal is a Senior Officer of the Indian Administrative Services. He has vast experience in Administration, Commerce and Industry.

The Board is of the considered view that Mr. S.C. Agrawal's association, guidance and counsel as Director and Chairman would be of immense value to the Company and recommends the resolution for his appointment.

Mr. S.C Agrawal is interested in item No.7 as the resolution relates to his appointment.



Item No.8

Mr. K.R. Lakhanpal, co-opted as an Additional Director, vacates office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Mr. Lakhanpal as a Director of the Company.

Mr. K.R. Lakhanpal is presently Principal Secretary to Government of Punjab, Department of Finance and Directorate of Disinvestment. He possesses vast and varied experience in finance, commerce and industry, the Directors feel that his association at the Board level would immensely benefit the Company and hence recommends the resolution for his appointment.

Mr. K.R. Lakhanpal is interested in item No. 8 as the resolution relates to his appointment.

Item No. 9

In the context of organisational changes at their end, Mazda Motor Corporation have proposed Mr. Y. Tatsuta as Director in place of Mr. N. Inamoto. Accordingly, Mr. Y. Tatsuta was appointed as Additional Director in July, 2003 and he holds office till forthcoming Annual General Meeting.

Mr. Y. Tatsuta is presently Executive officer and General Manager Production Engineering Division in MC. Directors feel that his association at the Board level will be of large value to the Company and hence recommends the resolution for his appointment.

Mr. Y. Tatsuta is interested in item no. 9 as the resolution relates to his appointment.

Item No.10

Equity Shares of the Company are presently listed at Stock Exchanges at Ludhiana, Delhi, Mumbai and National Stock Exchange.

The Securities and Exchange Board of India (SEBI) had notified "Delisting of Securities Guidelines – 2003" ("The Guidelines"). As per the Guidelines, a company may seek voluntary delisting of its securities from all or some of the Stock Exchanges and further that an exit opportunity is not required to be provided in cases where such securities continue to be listed at a Stock Exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai (BSE), the National Stock Exchange (NSE) and any other stock exchange(s) that may be specified by SEBI in this regard.

With the extensive network of BSE and NSE, the members of the Company have access to online dealing in the Company's securities across the Country. The Company's equity shares are specified by the SEBI for settlement only in dematerialised form by all the investors. Furthermore, the bulk of dealings in the Company's securities take place on BSE and NSE and as per the information provided by the stock exchanges there is no trading in the Company's securities on the Stock Exchanges at Ludhiana and Delhi during recent past. It is felt that continued listing with Regional Stock Exchanges does not provide any significant tangible advantage to the members of the Company. Therefore, it is proposed to get SML shares delisted from the Stock Exchanges at Ludhiana and Delhi.

The Directors commend acceptance of the resolution set out in item No. 10 of the convening notice.

None of the Directors of the Company is interested or concerned in the proposed resolution.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their 19th Report alongwith Audited Accounts for the year ended 31st March, 2003.

ANNUAL REVIEW

Sustaining its business momentum of recent years, Swaraj Mazda posted a sale of 8101 vehicles in fiscal 2002-03 against 6222 sold during 2001-02. This improvement of 30% over previous year was broad-based in terms of both product range and territories. At the industry level, breaking a 3 year downtrend, volumes for the year in the comparable range (5-10 T GVW) grew 25% to reach 65,000. Progress in infrastructure projects, better growth rates in industry and easy availability of credit helped sustain strength in customer demand.

OPERATING RESULTS AND DIVIDEND

Riding on volume growth in vehicles, total revenue for the year (net of excise) went up 25% over 2001-02 to Rs. 372 crores. Volume increase and better spread of overheads raised Operating Profit to Rs. 27.7 crores (margin 7.4%) from previous year level of Rs. 17.9 crores (margin 6%). With interest costs coming down, Pre-tax profit rose to Rs. 22.5 crores from 2001-02's actual of Rs. 10.4 crores (up 115%). Profit after tax of Rs. 14.6 crores represents an earning of Rs. 13.9 per share.

Taking note of the improved performance and current trends, Directors have recommended an increased Dividend of 45% for the year 2002-03 against 25% declared and paid for 2001-02. With Dividend absorbing Rs. 5.3 crores, an amount of Rs. 8.0 crores has been transferred to General Reserve, leaving Rs.1.3 crores to be carried forward in the Profit and Loss Account which now stands at Rs.4.6 crores.

CURRENT PERFORMANCE

It is a matter of satisfaction that Company's vehicle sales have continued to grow during current fiscal 2003-04. First quarter unaudited results show a profit before tax of Rs.6.35 crores (up 98%) on a total revenue of Rs. 96 crores (up.16%).

April-July volumes at 2885 vehicles are up 21% over corresponding 4 months of previous year. The order book position remains healthy. Members would be pleased to note that the Company achieved a major breakthrough when it received its first large business order from Karnataka State Road Transport Corporation (KSRTC) in the face of stiff competition.

Expectations of a rebound in farm output and income following good monsoons, growth trends in industrial and trade sectors, further progress in infrastructure projects and continued availability of credit, encourage the Directors to believe that the growth momentum would be sustained for fiscal 2003-04 as a whole. However, a matter of some concern has been the sharp increase in steel prices over past 12 months.

PSIDC DISINVESTMENT IN PTL

As members are probably aware, Punjab State Industrial Development Corporation (PSIDC) had initiated last year a disinvestment process covering entire equity stake of 23.49% held by it in Punjab Tractors Ltd. (promoters of the Company with 29% stake). At the conclusion of the international bidding process, CDC Financial Services (Mauritius) Ltd. (CDCFS) was declared the successful bidder for acquiring PSIDC's entire stake of 1,42,74,000 shares @ Rs.153/- per share. CDCFS and their Special Purpose Vehicle - CDC-PTL Holdings Ltd. (CDC-PTL) - have signed a Share Purchase Agreement with PSIDC. CDC is one of the World's leading private equity investors with 5 decades of experience in several emerging markets. Their investment in more than 50 companies in India is around US\$ 300 Million.

In the context of applicable SEBI guidelines, CDCFS & CDC-PTL have also made a public announcement regarding an offer to the public to buy upto 20% of SML's total paid up equity i.e. 20,97,340 shares @ Rs.140/- per share. This offer would be open from 18.09.2003 to 17.10.2003.