

**SWARAJ
MAZDA**



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ANNUAL REPORT 2004

Swaraj Mazda Limited

Swaraj Mazda Limited

BOARD OF DIRECTORS

S.K. TUTEJA
HARKIRAT SINGH
K. MACHIDA
T.YOSHIMOTO
Y.TATSUTA
DONALD PECK
MALCOM D. GOUGH
YASH MAHAJAN - Vice Chairman & Managing Director
H. NAGAOKA - Alternate Director to K. MACHIDA
N. YAMADA - Alternate Director to Y. TATSUTA

MEMBERS OF THE EXECUTIVE BOARD

B.S. DEVGUN
P. SIVARAM

VICE PRESIDENT - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS

PRICE WATERHOUSE

BANKERS

CANARA BANK
INDIAN OVERSEAS BANK

REGISTERED OFFICE & WORKS

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

CORPORATE OFFICE

SCO : 204-205,
SECTOR 34-A,
CHANDIGARH-160 022



SHAREHOLDERS' INFORMATION

1. **Annual General Meeting** : **28th August, 2004 at 11.30 AM**
Venue : **Swaraj Mazda Limited**
Village Asron, Distt. Nawanshahar, Punjab
2. Financial Calendar (tentative)
Financial reporting for
Quarter ended 30th June, 2004 : Taken on record on 24th July, 2004
Quarter ending 30th Sept., 2004 : 3rd / 4th week of October, 2004
Quarter ending 31st Dec., 2004 : 3rd / 4th week of January, 2005
Year ending 31st March, 2005 : May / June, 2005
3. Book Closure : 16th August, 2004 to 25th August, 2004 (both days inclusive)
4. Dividend Payment : On or after 28th August, 2004, but within the statutory time limit.
5. Listing on Stock Exchanges : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE)
Listing fee for 2004-05 for both stock exchanges has been paid.
6. Stock Market Data

High and Low quotations for Company's equity share of Rs.10 each at BSE & NSE are as under:

Month	Bombay Stock Exchange		National Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2003				
April	86	63	86	66
May	100	82	100	82
June	132	91	135	87
July	145	117	146	125
August	195	135	197	133
September	204	164	204	165
October	212	170	224	172
November	210	180	205	163
December	258	190	265	197
2004				
January	275	210	274	202
February	290	187	245	205
March	295	225	288	235
April	285	225	280	237
May	269	190	270	153
June	232	190	241	190

7. **Stock Code: BSE - 505192 & NSE - SWARAJMAZD**

International Securities Identification Number : INE294B01019

(with NSDL and CDSL)

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

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 2003-04 was 141421 (Previous Year 65352)

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

Shares Department,
Swaraj Mazda Limited,
SCO : 204-205,
Sector 34-A,
Chandigarh-160 022
Phone : 0172-2647700
Fax : 0172-2615111

OR

MCS Limited,
Sri Venkatesh Bhawan,
W-40, Okhla Industrial Area,
Phase-II,
New Delhi-110 020
Phone : 011-26384909
Fax : 011-26384907

11. Shareholding pattern as on June, 2004

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	3	55.07	5775000
Mutual Funds & UTI	14	11.04	1158070
Other Bodies Corporate	152	3.36	352349
FII's/NRI's/OCB's	1420	8.11	850029
Individuals	13081	22.42	2351252

12. Distribution of Shareholdings as on June, 2004.

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holdings
1-100	12255	938915	8.95
101-200	1120	205823	1.96
201-500	748	261646	2.50
501-1000	251	196510	1.87
1001-5000	239	537892	5.13
5001-above	57	8345914	79.59

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:

Mr. Gopal Bansal

Vice President - Finance & Company Secretary

Swaraj Mazda Limited
SCO: 204-205, Sector 34-A
Chandigarh – 160 022
Phone : 0172-2647700
Fax: 0172-2615111

16. Website Address :

www.swarajenterprise.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held at its Registered office at village Asron, Distt. Nawanshahar - 140 001 (Punjab) on 28th August, 2004 at 11.30 A.M. 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, 2004, together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend.
3. To appoint Mr. Malcom D. Gough as a Director of the Company in respect of whom the Company has received a notice in writing from a shareholder under Section 257 of the Companies Act, 1956 proposing Mr. Malcom D. Gough as a candidate for the office of Director in place of Mr. T. Matsubara who retires by rotation.
4. To appoint a Director in place of Mr. Harkirat Singh who retires by rotation and, being eligible, offers himself for reappointment.
5. 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:

6. 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 the period commencing from 15th November, 2003 to 5th April, 2007 on the terms & conditions as may be approved by the shareholders and accepted by Mr. Yash Mahajan."

7. As an Ordinary Resolution:

"RESOLVED THAT Mr. Donald Peck, 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 a Special Resolution:

"RESOLVED THAT subject to requisite approvals, if any, under the Foreign Exchange Management Act, 1999 ("FEMA") read with FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("Regulations") and all other applicable Laws and Regulations (including any statutory modification or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the Board of Directors of the Company and / or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board") to permit Foreign Institutional Investors including their sub-accounts (hereinafter referred to as the "FIIs") to acquire Equity Shares of the Company, provided however, that the aggregate shareholding of these FIIs shall not at any time exceed 49% of the paid-up Equity Share Capital of the Company."

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such 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:
Village Asron,
Distt. Nawanshahar (Punjab)

Dated: 24th July, 2004

By Order of the Board

(GOPAL BANSAL)
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 16th August, 2004 to 25th August, 2004 (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 28th August, 2004 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 25th August, 2004. In respect of shares held in electronic form, the Dividend will be payable to the beneficial owners of the shares as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. for the purpose.
5. Payment of Dividend through ECS:
 - a) Members holding shares in demat form may please note that, the bank details as furnished by the respective Depositories to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in demat form must give instructions regarding bank account in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
 - b) Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 25th August, 2004, to the Company's Registrar and Share Transfer Agents, M/s MCS Ltd., Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi – 110 020.
6. 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, W-40, Okhla Industrial Area, Phase - II, New Delhi- 110 020.
In case of dematerialised shares, the change of address requests, bank mandates etc. should be directly sent to the concerned Depository Participant.
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 / Reappointment of Directors:

Information / details as required under the Corporate Governance Code in respect of persons being appointed as Directors at the forthcoming Annual General Meeting is given below :

- a) Mr. Malcom D. Gough is a Director nominated by Mazda Motor Corporation, Japan in place of Mr. T. Matsubara.
Mr. Gough is a graduate from The Swinburne College (in Melbourne, Australia) with Diploma of Business Studies. He is also Member of the Institute of Chartered Accountants and Australian Society of Accountants. Mr. Gough is General Manager, Overseas Sales Division, Mazda Motor Corporation.
- b) Mr. Harkirat Singh holds a Master's degree in Economics and retired as Executive Director of Life Insurance Corporation of India. He has been a Director of the Company since 1990 and is Chairman of Shareholder / Investor Relations Committee of the Board and is also Member of the Audit Committee.
- c) Mr. Yash Mahajan is a UK qualified Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of England and Wales. He has been associated with the Swaraj Enterprise since April 1973.

Mr. Mahajan, Vice Chairman & Managing Director of the Company, completed his fourth tenure of office as wholetime Director on 14th November, 2003. He has been Swaraj Mazda's Managing Director from the very inception of the Company. Mr. Mahajan is presently the Group Chief Executive of Swaraj Group of Companies. He is also Vice Chairman & Managing Director of Punjab Tractors Ltd., Chairman of Swaraj Engines Ltd. & Swaraj Automotives Ltd. and Director in UTI bank Ltd., Hindustan Aeronautics Ltd. and Pidilite Industries Ltd.

Mr. Mahajan's achievements were nationally recognised in 2000 when he was selected as one of the outstanding entrepreneurs and included in the list of thirty finalists for the Ernst and Young entrepreneur award.

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

Name of Company	Name of Committee
1. Punjab Tractors Ltd.	Shareholder / Investor Relations Committee Capital Expenditure Committee
2. Swaraj Mazda Ltd.	Shareholder / Investor Relations Committee
3. Swaraj Engines Ltd.	Shareholder / Investor Relations Committee Remuneration / Compensation Committee
4. UTI Bank Ltd.	Audit Committee of the Board Risk Management Committee
5. Hindustan Aeronautics Ltd.	Audit Committee of the Board

- d) Mr. Donald Peck is based in Delhi and is currently the Chief Executive of Actis (formerly CDC Capital Partners).
Mr. Peck holds a Ph.D. in Economic History from Oxford University. He worked for thirteen years in Merchant Banking at Lloyds Bank, Morgan Grenfell and then in Equity Investment / Fund Management at IFC (Washington) before joining the CDC Group at its London headquarters in 1991.
Mr. Peck is also on the Board of Alumnus Software Ltd., CICO Technologies Ltd., Ortel Communications Ltd., International Auto Ltd., Punjab Tractors Ltd., Swaraj Engines Ltd. and is an Alternate Director in Infrastructure Development Finance Co. Ltd.

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

Name of Company	Name of Committee
1. Punjab Tractors Ltd.	Remuneration / Compensation Committee
2. Infrastructure Development Finance Co. Ltd.	Executive Committee

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

Item No. 6

Mr. Yash Mahajan, Vice Chairman and Managing Director, completed his fourth tenure of office as wholtime Director on 14th November, 2003.

Members are aware that since the setting up of the light commercial vehicle project in 1983, Mr. Mahajan has been associated with the Company as its Managing Director. It is widely recognised that his strong and purposeful leadership and invaluable contributions have brought Swaraj Mazda to its present position of eminence. In these endeavours and results, Mr. Yash Mahajan's leadership to the team has been a crucial factor, more visible beginning 1998 when he became Group Chief Executive.

Members may also note that in addition to his wholtime responsibility as Vice Chairman & Managing Director in Swaraj Mazda Limited, Mr. Mahajan has also been working as Vice Chairman & Managing Director in Punjab Tractors Limited.

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 decided to reappoint Mr. Yash Mahajan as Vice Chairman & Managing Director for another tenure from 15th November, 2003 upto 5th April, 2007 on terms & conditions as may be decided by the shareholders and accepted by Mr. Mahajan.

The Directors commend acceptance of the resolution set out in Item No. 6 of the convening Notice.

Mr. Yash Mahajan is interested and concerned in the item.

Item No. 7

Mr. Donald Peck was appointed as an Additional Director with effect from 29th May, 2004 and he holds office upto the date of the forthcoming Annual General Meeting.

Mr. Peck is based in Delhi and is currently the Chief Executive of Actis (formerly CDC Capital Partners). Mr. Peck possesses vast experience in financial services.

The Board is of the considered view that Mr. Donald Peck's association as Director would be of value to the Company and recommends the resolution for approval.

A notice under Section 257 of the Companies Act, 1956, has been received proposing the appointment of Mr. Donald Peck as a Director. Hence, the resolution is proposed.

Mr. Donald Peck is interested and concerned in the item.

Item No. 8

Members may note that with India's industry, trade and commerce steadily moving towards global integration, awareness of and interest in the Company from Foreign Institutional Investors (FIIs) has lately started surfacing. As a result, FII holding in the Company has crossed 10% of the paid-up equity. The Directors feel that it would be in the overall interest of Company / Shareholders to enhance the limit applicable to FII holding in the Company to 49% in line with the prevailing practice with many leading corporates. For facilitating this, it is necessary for individual companies to obtain approval of shareholders at the General Meeting by means of a Special Resolution.

The Board therefore recommends the Resolution for approval of the Shareholders.

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



REPORT OF THE DIRECTORS

The Directors are pleased to present their Twentieth Report along with Audited Accounts for the year ended 31st March, 2004.

ANNUAL REVIEW

Continuing its business momentum of recent years, sale of Swaraj Mazda vehicles crossed the 10,000 mark for the first time, reaching 10,279 for fiscal 2003-04 against 8,101 vehicles sold during 2002-03. This rise of 27% was well spread across product range and territories. In the comparable 5 to 9 ton GVW range, industry volumes grew some 18% to reach 81,800. Strong economic growth, progress in infrastructure projects and easy availability of credit at lower rates were factors pushing customer demand.

OPERATING RESULTS AND DIVIDEND

Driven by rising vehicle sales, total revenue for the year (net of excise) went up 29% over 2002-03 moving to Rs. 478.5 crores. Volume increase, favourable product-mix and better spread of overheads raised operating profit for the year to Rs. 36.1 crores (margin 7.5%) from previous year level of Rs. 27.7 crores (margin 7.4%). Directors wish to share that improvement in profit and margin was severely constrained by the run-away increase in steel prices since mid last year, most of which had to be absorbed by the Company. Pre-tax Profit rose to Rs. 32.4 crores from 2002-03's actual of Rs. 22.5 crores (up 44%). Profit after tax at Rs. 21 crores represents an earning of Rs. 20 per share.

In the context of better performance and portents, the Directors have recommended enhanced dividend @ 70% for year 2003-04 against 45% declared and paid for 2002-03. With Dividend absorbing Rs. 8.28 crores, an amount of Rs.10 crores has been transferred to General Reserve, leaving Rs. 7.31 crores to be carried forward in the Profit and Loss Account.

CURRENT PERFORMANCE

Members would be happy to learn that first quarter volumes have grown 36% to cross 2,900 vehicles. As would have been noted from the un-audited first quarter results, revenue for April-June 2004 period improved to Rs. 134.3 crores (up 40%), while Profit before Tax rose to Rs. 9.1 crores (up 44%). Expectations of continued growth in industrial and service sectors, further progress in infrastructure projects and enhanced Government thrust towards the farm sector, encourage the Directors to believe that demand conditions would stay buoyant over rest of the year. However, dip in the GDP rate, likely decline in agri-output arising from poor monsoon in July plus apprehensions of further rise in steel and fuel prices are matters of concern.

INVESTMENT BY FOREIGN INSTITUTIONAL INVESTORS

Members may note that with India's industry, trade and commerce steadily moving towards global integration, awareness of and interest in the Company from Foreign Institutional Investors (FIIs) has lately started surfacing. As a result, FII holding in the Company has crossed 10% of the paid up equity.

Taking note of Company's financial performance and growth plans on the anvil, it is expected that interest of quality foreign investors would rise in line with the trend shown in other auto companies including Punjab Tractors Ltd. The Directors consider it appropriate to raise the ceiling for such investment in Swaraj Mazda to 49% excluding the existing holding of Mazda Motor Corporation and Sumitomo Corporation, the Joint Venture Partners. Requisite resolution in this regard have been proposed at the forthcoming Annual General Meeting.

EXPANSION PROGRAMME

Members would be pleased that having regard to increasing demand for vehicles against existing production capacities, the Company has firmed up an ambitious capital investment programme. This programme would address expansion of annual capacity to 36,000 vehicles, setting up of manufacturing facilities for transmission gears and for manufacture of bus bodies / cargo boxes, besides tooling needs for localisation of sheet metal components and R&D resources for accelerating product development and meeting emission norms. Envisaged outlays of Rs.160 crores would be spread over 3-4 years commencing fiscal 2004-05.

CORPORATE GOVERNANCE

As required by provisions of the Listing Agreement with Stock Exchanges, reports on Management Discussion and Analysis, Corporate Governance as well as the Auditors' Certificate regarding compliance of conditions of Corporate Governance are contained in the report.

DELISTING

It may be noted that after approval in the last Annual General Meeting, shares of the Company have been delisted from Ludhiana and Delhi Stock Exchanges. However, Company's shares continue to be listed and traded at Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). It is a matter of satisfaction that of late trading volumes in the two exchanges have steadily risen.

HUMAN RESOURCES

Industrial Relations and work atmosphere remained stable throughout the year. There are no employees falling under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, ETC.

Particulars in respect of the above activity under the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is annexed to this report.

DIRECTORS

Consequent upon the completion of process initiated by Punjab State Industrial Development Corporation Ltd. in 2002 for disinvestment of its entire equity of 23.49% in Punjab Tractors Limited, Mr. S.C.Agrawal and Mr. K.R.Lakhanpal resigned from Directorship of the Company in October, 2003. The Directors place on record their deep appreciation to Mr. Agrawal and Mr. Lakhanpal for the contributions made by them during their association with the Company.

Mr. K.Nakajima, Director since September 1998, resigned from the Directorship of the Company in September 2003. The Directors wish to record their sincere appreciation to Mr. Nakajima for the large contributions made by him during his association with the Company.

Mr. Yash Mahajan, Vice Chairman & Managing Director completed his last tenure on 14th November, 2003. As Members are aware, Mr. Mahajan has provided outstanding leadership to the Company, both during Swaraj Mazda's formative years and the extra-ordinarily difficult period that followed when the Company became sick under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. Swaraj Mazda's subsequent recovery from the brink of financial bankruptcy to the current dimensions of growth, expansion of product range and low cost operations owe a great deal to the strong leadership, commercial thrust and direction provided by Mr. Mahajan. Upon consideration of Mr. Yash Mahajan's purposeful leadership and invaluable contributions to the Company as aforesaid and guided by the imperatives of Company's future growth plans, the Board of Directors have reappointed Mr. Mahajan as Vice Chairman & Managing Director for a fresh tenure from 15th November, 2003 to 5th April, 2007. Appropriate resolution for Mr. Mahajan's reappointment has been proposed at the forthcoming Annual General Meeting.

Mr. Donald Peck co-opted as an Additional Director joined the Board on 29th May, 2004. Appropriate resolution for his appointment as a Director has been proposed at the forthcoming Annual General Meeting.

Mr. T.K.A. Nair who would have retired by rotation at the forthcoming Annual General Meeting has communicated his decision to resign from the directorship of the Company due to personal reasons. The Board has accepted his decision with much regret. On behalf of the operating team and the Company's shareholder fraternity as well as on their own, the Directors acknowledge with a profound sense of appreciation and gratitude Mr. Nair's vision and pioneering role in the setting up of the Swaraj Mazda