

ANNUAL REPORT 2005



Swaraj Mazda Limited

Swaraj Mazda Limited

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman
 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
 T. NAGASHIMA - 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** : **30th September, 2005 at 11.00 AM**
Venue : **Swaraj Mazda Limited**
Village Asron, Distt. Nawanshahar, Punjab
2. **Financial Calendar (tentative)**
Financial reporting for
Quarter ended 30th June, 2005 : Taken on record on 24th July, 2005
Quarter ending 30th September, 2005 : 3rd / 4th week of October, 2005
Quarter ending 31st December, 2005 : 3rd / 4th week of January, 2006
Year ending 31st March, 2006 : May / June, 2006
3. **Book Closure** : 16th September, 2005 to 23rd September, 2005 (both days inclusive)
4. **Dividend Payment** : On or after 30th September, 2005, but within the statutory time limit.
5. **Listing on Stock Exchanges** : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE)
Listing fee for 2005-06 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.) |
| 2004 | | | | |
| April | 285 | 225 | 280 | 235 |
| May | 269 | 190 | 270 | 153 |
| June | 232 | 190 | 241 | 190 |
| July | 289 | 220 | 272 | 213 |
| August | 266 | 231 | 269 | 223 |
| September | 337 | 210 | 347 | 255 |
| October | 330 | 291 | 335 | 290 |
| November | 333 | 261 | 375 | 301 |
| December | 340 | 285 | 336 | 290 |
| 2005 | | | | |
| January | 398 | 311 | 400 | 315 |
| February | 380 | 337 | 400 | 347 |
| March | 384 | 309 | 378 | 302 |
| April | 380 | 293 | 388 | 288 |
| May | 370 | 300 | 374 | 310 |
| June | 390 | 330 | 390 | 331 |
| July | 405 | 363 | 405 | 362 |
| August | 460 | 359 | 423 | 352 |

7. **Stock Code:** **BSE - 505192 & NSE - SWARAJMAZD**
International Securities Identification Number : INE294B01019 (with NSDL and CDSL)

8. **Shares held in electronic form :**

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

9. Shares held in physical form :

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 2004-05 was 51,156 (Previous Year 141,421)

10. Share Transfer & other Communication : Shares Department, MCS Limited,
regarding Share Certificates, Dividends Swaraj Mazda Limited, Sri Venkatesh Bhawan,
and Change of Address etc. may be SCO : 204-205, OR W-40, Okhla Industrial Area,
addressed to Sector 34-A, Phase-II,
Chandigarh-160 022 New Delhi-110 020
Tele : 0172-2647700-10 Tele : 011-26384909
Fax : 0172-2615111 Fax : 011-26384907

11. Shareholding pattern as on August, 2005

12. Distribution of Shareholdings as on August, 2005

| Category | No. of Share-holders | Voting Strength % | No. of Shares held |
|------------------------|----------------------|-------------------|--------------------|
| Promoters | 2 | 55.07 | 5,775,000 |
| Mutual Funds & UTI | 9 | 6.79 | 711,816 |
| Other Bodies Corporate | 159 | 1.32 | 138,696 |
| FII's/NRI's/OCB's | 1253 | 20.06 | 2,104,045 |
| Individuals | 10701 | 16.76 | 1,757,143 |

| No. of Equity Shares held | No. of Share-holders | No. of Shares | %age of Share-holdings |
|---------------------------|----------------------|---------------|------------------------|
| 1-100 | 10223 | 766,030 | 7.30 |
| 101-200 | 895 | 164,136 | 1.57 |
| 201-500 | 603 | 211,523 | 2.02 |
| 501-1000 | 194 | 151,883 | 1.45 |
| 1001-5000 | 168 | 345,223 | 3.29 |
| 5001-above | 41 | 8,847,905 | 84.37 |

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 : 0172-2647700-10

Fax: 0172-2615111

16. Website Address : www.swarajenterprise.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of the Company will be held at its Registered office at village Asron, Distt. Nawanshahar - 140 001 (Punjab) on 30th September, 2005 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2005 together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. T. Yoshimoto who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Mr. Y. Watanabe 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. Watanabe as a candidate for the office of Director in place of Mr. Y. Tatsuta who retires by rotation but has not offered himself for re-election.
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 resolution:

6. "RESOLVED THAT Mr. M. Sato be and is hereby appointed as a Director of the Company".

By Order of the Board

Regd. Office:
Village Asron,
Distt. Nawanshahar (Punjab)
Dated: 2nd September, 2005

(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 September, 2005 to 23rd September, 2005. (both days inclusive)
4. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information

concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary of the Company at least 7 days before the date of the Meeting so that information required may be made available at the Meeting.

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, 2005 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 23rd September, 2005. In respect of shares held in electronic form, the Dividend will be payable to the beneficial owner of shares as on the closing hours of business on 15th September, 2005 as per details furnished by the depositories for this purpose.

Members who have not encashed their Dividend warrant(s) for the financial year ended 31st March, 2000 and onward are requested to make their claims to the Company, without any delay. **It may also be noted that once the unclaimed dividend is transferred to the Central Government, no claim shall lie in respect thereof with the Company.**

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.

Members holding shares in Demat form may please note that the bank account details given by them to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants of the concerned members. However, if any Member wants to receive dividend in any other bank account, such Member should change / correct the bank account details with their concerned DPs. The Company would not entertain any request from such shareholders directly for deletion / change in the bank account details printed on the dividend warrants on the basis of information furnished by the DPs to the Company.

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 23rd September, 2005 to the Company or the Registrar, M/s MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi - 110020.

1. Members who hold shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail nomination facility by filling Form 2B in their own interest. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective depository participants for recording of nomination.
0. 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.
1. Members / Proxy holders are requested to produce the attached Attendance Slip duly completed and signed, for admission to the Meeting Hall.



12. 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. Toshio Yoshimoto has been a Director of the Company since 2002.

Mr. Yoshimoto is graduate from Nagoya Institute of Technology, Japan. He joined Sumitomo Corporation in 1971 and has held various key positions. He has vast experience in Overseas Marketing and Management.

- b) Mr. Yutaka Watanabe, after graduating in 1975 from Sophia University, Japan, joined Sumitomo Corporation, Japan. Over the years, he has held several overseas assignments in Kenya, Spain & France. After return from France early this year, Mr. Watanabe has been handling key overseas business operations on behalf of Sumitomo Corporation. He has vast experience in Overseas Marketing and Management.

- c) Mr. Makoto Sato is a graduate in Economics from Aoyama Gakuin University, Japan. He joined Sumitomo Corporation, Japan in 1972 and over the years, has held several key overseas assignments. He was based in the US - at Chicago, Los Angeles and Detroit. He was General Manager, Sumitomo Corporation of America from December 1999 to March 2002.

In April, 2002, Mr. Sato was appointed Corporate Officer and in April, 2003 elevated as Executive Officer, General Manager, Incharge of Motor Vehicles Business Division of Sumitomo Corporation.

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

Item No. 6

Consequent upon the resignation of Mr. Malcom D. Gough, the Company has received intimation for the appointment of Mr. Makoto Sato as Director in place of Mr. Gough. Mr. Sato possesses varied experience in management & financial matters.

The Board is of the considered view that Mr. Sato's association as Director would be of immense 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. Sato as a Director. Hence, the resolution is proposed.

None of the Directors of the Company except Mr. Sato is in any way concerned or interested in the resolution.

REPORT OF THE DIRECTORS

Directors are pleased to present their Twenty First Annual Report together with Audited Accounts for Financial Year ended 31st March, 2005.

FINANCIAL RESULTS 2004-05

| | Year ended 31 st March, 2005 Rs. Crores | Year ended 31 st March, 2004 Rs. Crores |
|--|--|--|
| Net Operating Revenue | 589.93 | 477.75 |
| Operating Profit | 44.30 | 36.12 |
| Profit Before Tax | 37.80 | 32.40 |
| Tax Provisions | | |
| — Current | 14.30 | 11.80 |
| — Deferred | (0.75) | (0.40) |
| Profit After Tax | 24.25 | 21.00 |
| Balance of Profit from Prior Years | 7.31 | 4.59 |
| Surplus available for Appropriation | 31.56 | 25.59 |
| Appropriations : | | |
| Proposed Dividend | 7.86 | 7.34 |
| Tax on Dividend | 1.12 | 0.94 |
| Transfer to General Reserve | 13.00 | 10.00 |
| Balance carried to Balance Sheet | 9.58 | 7.31 |

DIVIDEND

Having regard to the above performance, the Directors have decided to recommend Dividend @ 75% against 70% declared and paid for 2003-04.

CHANGES IN SHAREHOLDING STRUCTURE

Swaraj Mazda Ltd. (SML) was set up as a Joint Venture between Punjab Tractors Ltd. (PTL), Mazda Motor Corporation (Mazda) and Sumitomo Corporation of Japan (Sumitomo) under a Joint Venture Agreement (October, 1984). Members are aware that SML has been the lone surviving joint venture out of the 4 Indo-Jap LCV units that came to India in the 80s, primarily on account of excellent relations that have existed between the partners over 20 years of their association. During this period, all partners have made significant contributions including financial sacrifices which enabled SML to come out of the BIFR regime arising from financial crisis of the early 90s and become a dividend-paying Company from 1999-2000.

During interactions on Company's growth plans for the future, Mazda had conveyed that their focus had shifted completely towards passenger car segment of the automobile industry, away from SML's core business of commercial vehicles. Parallely, SML's Technical Assistance Agreement with Mazda also ended in October, 2004. In this background and to meet with more stringent Bharat Stage IV emission norms specified by the Government, going forward, as also to widen its product range to sustain future growth and sharpen competitive edges in the commercial vehicle business, SML operating team and Sumitomo Corporation, Japan have taken concrete steps which will remove Company's vulnerability on the aforesaid counts and lead to value generation for all the constituencies of the business.

Recognising that Sumitomo's larger involvement in SML's equity capital was crucial to the forging of a new technical alliance considered essential for SML's future growth and prosperity and in response to Sumitomo's request, PTL has in end-June this year sold to Sumitomo 1,573,000 equity shares of SML out of PTL's equity holding of 3,045,000 shares in SML.



After taking a formal decision to discontinue commercial vehicle business, Mazda has communicated to the Company that—
"We are left with no option but to withdraw from Swaraj Mazda as the joint venture partner.

At the same time, we are happy that Sumitomo Corporation has come forward to acquire Mazda's entire equity holding (1,638,000 shares). Accordingly, we inform you that Mazda Motor Corporation has decided to sell its entire equity holding in Swaraj Mazda Limited to Sumitomo Corporation with effect from the 18th of August, 2005.

We wish to convey that over the last 24 years, Mazda has had a rewarding experience in Swaraj Mazda as the joint venture partner.

We take this opportunity to assure that Mazda Motor Corporation would continue to support Swaraj Mazda operations through supply of CKD parts as long as it is mutually beneficial.

In the end, we wish Swaraj Mazda a continuing success in its operations in the coming years".

Subsequently, on 18th August, 2005, Mazda sold to Sumitomo Corporation, Japan its entire holding in SML of 1,638,000 equity shares representing 15.62% of the equity capital of SML.

In the wake of the above, Sumitomo Corporation's equity holding in the Company has gone up to 41.03%.

The Directors believe that these developments augur well for SML's future.

CURRENT PERFORMANCE

Members would have noted from the unaudited first quarter results that revenue for April-June 2005 period improved to Rs. 148 crores (last year Rs.134 crores), while Profit before Tax rose to Rs. 10.1 crores up 11% over last year (Rs.9.1 crores). While current growth in Industrial & service sectors and envisaged rise in agricultural output would continue to drive demand for commercial vehicles, slowdown in road construction, introduction of new emission regulations and sharp uptrend in Diesel prices are expected to impact growth momentum for the year. It deserves mention here that on the strength of own R&D backed up by technical inputs & guidance from Mazda, the Company has achieved compliance with Bharat Stage III emission norms.

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.

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

Mr. S.K. Tuteja's formal association with the Company as Director began in 1988 when he was Managing Director of PSIDC. He was Chairman of the Company from February 1995 to August, 1996. He rejoined the SML Board in 1998. Eversince PSIDC's exit, Mr. Tuteja had been chairing SML's Board Meetings. All through these years, Mr. Tuteja had made invaluable contributions to the growth of the Company by lending support and providing strategic guidance. Keeping these aspects in mind, the Board, at its meeting held on 29th June, 2005, has appointed Mr. S.K. Tuteja as non-executive Chairman of the Company.

Mr. T. Yoshimoto retires by rotation and, being eligible, offers himself for reappointment.

Mr. Y. Tatsuta who would have retired by rotation at the forthcoming Annual General Meeting has conveyed that he would not like to be considered for reappointment as Director.

Mr. Malcom D. Gough has conveyed his inability to continue as Director of the Company.

The Company has received intimation to appoint Mr. Y. Watanabe and Mr. M. Sato as Directors at the forthcoming Annual General Meeting, vice Mr. Tatsuta and Mr. Gough.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provision of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that :

- i) in the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the Company for the year under review;
- iii) 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 safe guarding the assets of the Company and preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared annual accounts 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, retires at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them that their reappointment, if made, would be within the limits prescribed under Section 224(1)(B) of the Companies Act, 1956.

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA
Chairman

YASH MAHAJAN
Vice Chairman &
Managing Director

Chandigarh, 2nd September, 2005