

## Swaraj Mazda Limited

MID	✓	✓	✓
CS	✓	✓	✓
RO	✓	✓	✓
TRA	✓	✓	✓
AGH	✓	✓	✓
VS	✓	✓	✓

### Board of Directors

**Vice President-Finance**  
P. SIVARAM

**Auditors**  
PRICE WATERHOUSE

**Bankers**  
CANARA BANK  
INDIAN OVERSEAS BANK

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

RAMESH INDER SINGH - Chairman

T.K.A. NAIR

S.K. TUTEJA

T. MATSUBARA

K. TAKEBAYASHI

K. KOBAYASHI

HARKIRAT SINGH

YASH MAHAJAN - Managing Director

H. MITSUNARI - Alternate Director to T. MATSUBARA

K. FUJIMOTO - Alternate Director to K. TAKEBAYASHI

M. FUKUYAMA - Alternate Director to K. KOBAYASHI



## SHAREHOLDER INFORMATION

### Annual General Meeting

Time: 11.30 A.M

Date : Sept. 30th, 1998

Venue:

Swaraj Mazda Limited

Village Asron

Distt., Nawanshahar

Punjab.

### Book Closure Dates

1st Oct., 1998 to 10th Oct., 1998

### Listing

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

### Shareholder Assistance

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

MCS Limited,  
Sri Venkatesh Bhavan,  
Shahpur Jat,  
New Delhi- 110049  
Tele : 011-6494830

OR

Swaraj Mazda Limited  
S.C.O. 156-160  
Sector 8 C  
Chandigarh-160008  
Tel. : 0172-781003, 781929

### 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' 97 - July' 98

	H/L		H/L
April'97	32/26	May'97	27/20
June'97	44/24	July'97	58/40
Aug'97	71/43	Sept.'97	45/34
Oct'97	40/32	Nov'97	33/23
Dec'97	34/27	Jan'98	41/30
Feb'98	31/22	Mar'98	35/26
Apr'98	49/30	May'98	43/36
June'98	39/29	July'98	36/30

### Categories of shareholders as on July'98

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	3	55.00	5775000
Financial Institutions	1	0.02	2100
FII's/NRI's/OCB's	2008	5.61	589050
Indian Mutual Fund	11	0.17	17650
Other Bodies Corporate	124	7.50	788001
Individuals	21186	31.70	3328199

### Distribution of share holding as on July'98

No. of Equity Shares held	No. of Shareholders	No. of Shares	% of Shareholding
1-100	18994	1496100	14.25
101-200	2096	386900	3.68
201-500	1477	537650	5.12
501-1000	465	369750	3.52
1001-5000	250	511450	4.87
5001- above	51	7198150	68.56
	23333	10500000	100.00

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at its Registered Office at village Asron, Distt. Nawanshahar - 140 001 (Punjab) on 30th September, 1998 at 11.30 A.M. to transact the following business:

1. To consider to adopt the Directors' Report and Audited Statement of Accounts for the year ended 31.3.1998.
2. To appoint a Director in place of Mr.K.Kobayashi who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.T.K.A Nair who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to 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 Mr.K. Takebayashi who was appointed as an Additional Director of the Company on 19th Nov.1997, 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".
6. To consider and, if thought fit, to pass the following resolution, with or without modification as an ordinary resolution:  
"Resolved that Mr. S.K. Tuteja, who was appointed as an Additional Director of the Company on 20th June 1998, 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. K. Nakajima be and is hereby appointed as a Director of the Company"

Regd. Office:  
Village Asron  
Distt. Nawanshahar (Punjab)  
Dated: 28.08.1998

By Order of the Board  
  
(YASH MAHAJAN)  
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 Thursday the 1st day of October 1998 to Saturday the 10th day of October 1998 (both days inclusive).
4. Members are requested to bring their copy of Annual Report to the Meeting.
5. In case you intend to raise any query at the forthcoming Annual General Meeting, you are requested to please forward the same at least 7 days before the date of the Meeting of the Company so that the same may be attended to appropriately to your entire satisfaction.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**
**ITEM NO. 5**

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, MC had proposed Mr.K.Takebayashi as Director in place of Mr.T.Deguchi. Accordingly, Mr.K.Takebayashi had been appointed as Additional Director on 19th November, 1997 and he holds office till forth coming Annual General Meeting.

Mr.K.Takebayashi is presently Director at Mazda Motor Corporation. 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.

Mr.K.Takebayashi is interested in item no. 5 as the resolution relates to his appointment.

**ITEM NO. 6**

In terms of Joint Venture Agreement dated 5.10.1984, Punjab Tractors Limited (PTL) is entitled to appoint four Directors on the Company's Board. On the basis of advice received from PTL, Mr.S.K.Tuteja has been appointed as Additional Director with effect from 20th June 1998 and he holds office upto the date of the forthcoming Annual General Meeting.

Mr.S.K.Tuteja is a Senior Officer of the Indian Administrative Services (IAS) and is currently Chairman, Punjab State Electricity Board (PSEB). Prior to his present assignment, he was Principal Secretary, Deptt. of Finance and before that Principal Secretary, Deptt. of Industries, Govt. of Punjab, when he was also the Chairman of PTL & SML (21.2.95 to 19.8.96). Earlier on, Mr.S.K.Tuteja was Managing Director of Punjab State Industrial Development Corporation (PSIDC) and prior to that had also acted as PSIDC's Additional Managing Director. Thus, Mr.S.K.Tuteja possesses vast experience pertaining to Finance, Administration, Trade, Commerce and Industry and has made significant contributions to the promotion of industries in Punjab.

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

Mr.S.K.Tuteja is interested in Item no.6 as the resolution relates to his appointment.

**ITEM NO. 7**

In the capacity of an Alternate Director, Mr. K. Nakajima was actively involved at the Board level during the period March'91 to March' 95. Upon his transfer back to Japan in 1995, he had withdrawn from the SML Board.

Mr. Nakajima has recently returned back to India as Chairman & Managing Director of Sumitomo Corporation India Pvt. Ltd. Apart from his large exposure to India, Mr. Nakajima has wide ranging experience in industry & trade and possesses a strong and visionary drive. His association at the Board level would be invaluable to SML which, after having wiped off its losses, is on the threshold of achieving growth under challenging conditions. The Board accordingly recommends the resolution for his appointment.

Mr. K. Nakajima is interested in Item no.7 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.

## REPORT OF THE DIRECTORS

The Directors present their Annual Report alongwith Audited Accounts for the year ended 31.3.1998.

### ANNUAL REVIEW

The Directors report with a measure of satisfaction that fiscal 1997-98 has emerged as the year of financial turn around. By further consolidating financial gains of recent years, in the face of deteriorating market conditions since September'96, by year end the Company was able to wipe balance of brought forward losses, which at one time had peaked to Rs. 19.3 crores. Gratifyingly the Balance Sheet as on 31st March, 1998 thus reflects a Net Black Asset position for the Company.

As is widely known, demand conditions in 1997-98 stayed severely recessionary. A range of negative factors including total lack of freight, excess trucking capacity, abnormally high inventory in the system, rising operating costs, high interest burden & tight funds leading to loan defaults and falling freight rates etc., virtually choked customer demand for trucks. In the result, the market dropped continuously, quarter over quarter and LCV industry aggregates fell to 64,000, down 24% from 1996-97. The Japanese LCV segment also bore the brunt of sharp decline in demand, with offtakes falling to 8,800 from 1996-97 level of 11,200 and 1989-90 sale of 16,000 vehicles.

In the given situation, the Company's strategy, a reference to which had been made in the last report, was to focus on high value variants (buses, ambulances, standard trucks), and on reducing inventory and receivables. But the inevitable fallout was a drop in volumes, restricting sales to 3303 vehicles against 3726 posted for 1996-97.

Reflecting depressed conditions, total revenue (net of excise) at Rs. 151 crores was down 7% over 1996-97. However, aided by better model mix, avoidance of market buying practices, favourable Rupee-Yen equation and stringent cost controls, despite the decline in revenue, operating profit has improved 4% over 1996-97. With interest burden coming down noticeably (by Rs. 2.0 crores) through better management of working capital, Profit Before Tax jumped 51 % to reach Rs. 7.4 crores.

### FINANCE

Close attention and total focus on management of current assets led to a noticeable improvement in the Company's liquidity position. During the period under review, we were able to draw down both vendor outstandings and loans from PTL.

During the year, Company paid over Rs. 3.87 crores to Financial Institutions / Banks towards funded interest and principal loans.

Capital spending for the year was Rs. 2.45 crores, mainly towards augmentation of painting shop/power generating facilities and on tooling for indigenisation.

### THE BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR)

The Directors are happy to inform that on the basis of better performance and wipe off of losses 3 years ahead of rehabilitation package commitments, the Board for Industrial and Financial Reconstruction (BIFR) ordered on 6.11.1997 that the Company has ceased to be a sick company. This improvement was achieved on the strength of large and timely support from the JV Partners (Mazda Motor Corporation, Sumitomo Corporation and Punjab Tractors Limited), the Punjab Govt., the Financial Institutions and the Banks. The Directors place on record their deep felt appreciation to all for their timely and invaluable contributions.

### HUMAN RESOURCES

Industrial Relations and work atmosphere remained steady 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 are given in the Annexure to this report.

## CURRENT PERFORMANCE

The Directors wish to focus attention of members to the continuing decline in macro economic performance which stands manifested in recessionary trends across major segments. While industrial / export-import growth is barely noticeable, the rate of inflation has picked up dangerously in the first 4-months of current financial year 1998-99. During April-July'98, the Rupee has depreciated 8% against US Dollar. Business confidence and investment plans continue to be very low. These developments have led Economic Pundits to forecast a reduced GDP growth for the year, lower than 5% estimated for 1997-98.

Against the above background, the automobile sector, specially the commercial vehicle segment, has registered a sharp decline in sale volumes during April-July'98. The effect has been more pronounced in case of LCVs. For a perspective, members may note that LCV industry offtakes for April-July'98 dropped to 16700 vehicles against April-July'97 sale level of 18600 and April-July'96 level of 26600. During the same period, the Indo-Jap LCV segment has dropped to 2300 against previous two years' corresponding levels of 2550 and 3370 respectively.

Members would have noted from the published unaudited results for the April-June'98 quarter that SML is the single player in the truck industry to have registered a profit before tax (Rs. 60 lacs) even though volumes ( 641 ) and total revenues ( Rs. 2,945 lacs ) have declined. Other, larger players have posted losses.

With little indication of any meaningful economic recovery in the near term, market conditions for 1998-99 as a whole are expected to remain rough & tough. Introduction of new factors in the form of 4% special additional import duty, Modvat disallowance @ 5% of eligible credit and volatility in the forex market have only added fuel to the fire. Already faced with poor unit realisations, the industry is in no position to pass on or absorb these new burdens. To cope up with the situation, the Company has planned more intense and specific efforts towards the bulk segment and specialty vehicles where it has a distinct customer preference. Customer service would also receive stepped up attention.

## DIRECTORS

Consequent upon withdrawal of nomination by the BIFR, Mr. H.C. Gandhi ceased to be a Director w.e.f. 19.11.1997. The Directors acknowledge with appreciation the contributions of Mr. Gandhi during his tenure as a Director.

Following his retirement as Vice Chairman & Managing Director from Punjab Tractors Limited (PTL) w.e.f. 31st December, 1997, Mr. Chandra Mohan also withdrew from the Board of SML. His contributions to Swaraj Mazda have been monumental. With engineering and enterprise as his forte, Mr. Chandra Mohan had played the key role in pushing SML's product widening activities, localisation, quality improvement etc.

On behalf of the Joint Venture partners and on their own, the Directors place on record their deep appreciation and gratitude to Mr. Chandra Mohan for his unparalleled contributions and role in strengthening SML over past 14 years and placing it in a position to take on future challenges.

Industrial Finance Corporation of India has recently withdrawn the nomination of Mr. Ashok Kumar as a Director. The Directors record their appreciation to the contributions of Mr. Ashok Kumar during his association with the Company.

Mazda Motor Corporation, Japan have nominated Mr. K. Takebayashi in place of Mr. T. Deguchi. Appropriate resolution for his appointment as a Director has been proposed at the forthcoming Annual General Meeting. The Directors place on record their appreciation for the role of Mr. Deguchi during his tenure as a Director.



The Directors are pleased that Mr. S.K. Tuteja who was the Chairman of the Company (1995 ) rejoined the Board on 20.6.98 as an Additional Director and holds office upto the forthcoming Annual General Meeting. Mr. Tuteja has vast experience in industry, trade, commerce, finance and administration and is currently the Chairman of Punjab State Electricity Board. Appropriate resolution for his appointment has been proposed at the forthcoming General Meeting.

Members may note that Mr. K. Nakajima who represented Sumitomo Corporation as an alternate Nominee Director from March'91 to March'95 has recently returned to India and has taken charge as Chairman & Managing Director of Sumitomo Corporation India Pvt. Ltd., New Delhi. In his earlier association with us, Mr. Nakajima had made most significant contributions in all facets of corporate operations, more particularly in further deepening the understanding and bonds between the Joint Venture Partners. He projected to Mazda and Sumitomo, the Indian economic scenario in a sympathetic manner, highlighting to them the extreme difficulties that the Company faced from 1991 to 95 - undoubtedly the most critical phase in the history of the Company. Hence, his association at the Board level would be of immense value to the Company. Appropriate resolution for his appointment has been proposed at the forthcoming Annual General Meeting.

Mr. K. Kobayashi and Mr. T.K.A. Nair 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.

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BY ORDER OF THE BOARD

Place : Chandigarh  
Date : 28.08.1998

YASH MAHAJAN  
Managing Director



## AUDITORS' 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, 1998 signed by us under reference to this report and the relative Profit and Loss Account for the year ended on that date which are in agreement with the books of account.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the Statement on 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 2.1 below also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 1998 and its profit for the year ended on that date.
  - 2.1 Non provision of Rs. 488 Lacs being lapse of Modvat Credit receivable balance as explained in Note 3 on Schedule M.
3. 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 appears from our examination of the books.
4. 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 stocks 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.
  - (vi) In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the earlier years.
  - (vii) In our opinion, the rates of interest and other terms and conditions of unsecured loans taken by the Company during the year, from a Company under the same management as defined under sub-section (IB) of Section 370 of the Companies Act, 1956, are not prima-facie prejudicial to the interests of the Company.
  - (viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 or to companies under the same management as defined under sub-section (IB) of Section 370 of the Companies Act, 1956.
  - (ix) The parties to whom interest free loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated.
  - (x) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.



- (xi) In respect of purchase of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, we have been explained that since the items are as per specific technical requirement of the Company, market quotations for similar goods and materials are not available, and accordingly, the prices paid cannot be compared with the prevailing market prices. The Company has not sold goods, materials and services to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (xii) The Company has a system of determining unserviceable or damaged stores and raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off on such stocks in the accounts.
- (xiii) The Company has not accepted any deposits from the public.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, where applicable and significant. There are no by-products.
- (xv) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (xvi) On the basis of the records produced we are of the opinion that, prima-facie, the cost records and accounts prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (xvii) The Company has regularly deposited during the year Provident Fund and Employees' State Insurance dues with the appropriate authorities.
- (xviii) At the last day of the financial year there was no amount of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations or in accordance with generally accepted business practices nor have we been informed of any such case by the management.
- (xx) As explained in Note 1 on Schedule M the Company has ceased to be a Sick Industrial Company within the meaning of Clause (o) of Section 3 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 in terms of order dated 6.11.97 passed by the Board for Industrial and Financial Reconstruction.
- (xxi) In respect of the services rendered :
- (i) In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials and stores consumed to the relative jobs, commensurate with its size and nature of its business.
  - (ii) Considering the nature of services rendered and the basis of billing, it is not considered necessary to have a system of allocation of man hours utilised to the relative jobs.
  - (iii) In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and allocation of stores and standard labour cost to various jobs and the related system on internal controls of the Company is commensurate with the size of the Company and the nature of its business.
- (xxii) In respect of trading activities :
- There are no damaged goods in the possession of the Company as at 31st March, 1998.

**V. NIJHAWAN**  
 Partner

for and on behalf of  
**PRICE WATERHOUSE**  
 Chartered Accountants

Place : New Delhi  
 Dated : June 20, 1998