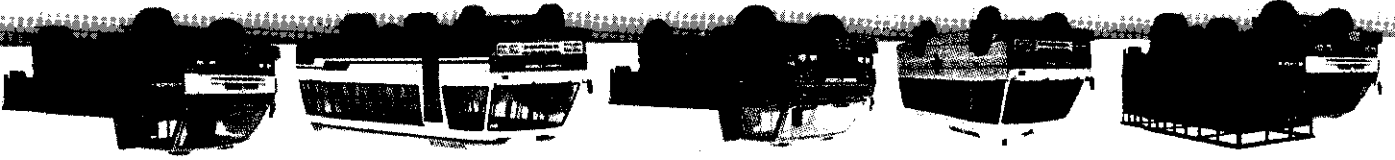


**Swaraj
Mazda**



ANNUAL REPORT 2000

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Swaraj Mazda Limited

BOARD OF DIRECTORS

RAMESH INDER SINGH - Chairman

T.K.A. NAIR

S.K. TUTEJA

T. MATSUBARA

M. YAMAKI

H. YUKIMOTO

K. NAKAJIMA

HARKIRAT SINGH

YASH MAHAJAN - Vice Chairman & Managing Director

T. OSHIMA - Alternate Director to T. MATSUBARA

K. FUJIMOTO - Alternate Director to M. YAMAKI

M. FUKUYAMA - Alternate Director to H. YUKIMOTO

MEMBERS OF THE EXECUTIVE BOARD

B.S. DEVGUN

P.K. VERMA

P. SIVARAM

AUDITORS

PRICE WATERHOUSE

BANKERS

CANARA BANK

INDIAN OVERSEAS BANK

REGISTERED OFFICE

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

SHAREHOLDER INFORMATION

Annual General Meeting

Time : 9.30 A.M.

Date : September 12th, 2000

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

Book Closure Dates

22nd August, 2000 to 31st August, 2000

Listing

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

Shareholder Assistance

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

Swaraj Mazda Limited,
204-205, Sector 34-A,
Chandigarh-160022
Tele. : 0172-647700-10
Fax : 0172-615111

OR

MCS Limited,
Sri Venkatesh Bhawan,
Shahpur Jat,
New Delhi-110 049
Tele. : 011-6494830
Fax : 011-6494152

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 1999 - June 2000

	H/L		H/L
April '99	38 / 31	May '99	44 / 32
June '99	46 / 40	July '99	67 / 42
Aug '99	81 / 50	Sep '99	78 / 65
Oct '99	82 / 57	Nov '99	63 / 52
Dec '99	58 / 43	Jan '00	61 / 46
Feb '00	50 / 40	Mar '00	41 / 30
Apr '00	37 / 31	May '00	39 / 30
June '00	54 / 38		

Dematerialisation of Shares

As per notification issued by SEBI, trading in equity shares of the Company will be permitted only in the dematerialised form with effect from 28th August, 2000. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) to facilitate dematerialisation of Company's Shares.

Shares held in electronic form

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

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

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

Categories of shareholders as on June 2000

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	3	55.00	5775000
FII's/NRI's/OCB's	1865	3.39	355950
Mutual Funds	7	8.11	851700
Other Bodies Corporate	125	4.22	442900
Individuals	19298	29.28	3074450

Distribution of share holding as on June 2000

No. of Equity Shares held	No. of Shareholders	No. of Shares	%age of Shareholding
1 - 100	17398	1365350	13.00
101-200	1839	341000	3.25
201-500	1322	479900	4.57
501-1000	418	331250	3.15
1001-5000	270	565000	5.38
5001 - above	51	7417500	70.65
	21298	10500000	100.00



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixteenth Annual General Meeting of the Company will be held at its Registered office at village Asron, Distt. Nawanshahar - 140 001 (Punjab) on 12th September, 2000 at 9.30 A.M. to transact the following business :

1. To consider to adopt the Directors' Report and Audited Statement of Accounts for the year ended 31.3.2000.
2. To declare dividend.
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 a Director in place of Mr.S.K.Tuteja who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

By Order of the Board

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

Dated : 24.06.2000

(YASH MAHAJAN)
Vice Chairman &
Managing Director

NOTES:

1. 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.
2. The Register of Members and Transfer Books of the Company will remain closed from Tuesday the 22nd day of August 2000 to Thursday the 31st day of August 2000 (both days inclusive).
3. If Dividend, as recommended by the Directors is approved at the meeting, payment will be made to those members whose name(s) appear on the Company's Register of Members on 31st August, 2000.
4. Members are requested to bring their copy of Annual Report to the Meeting.
5. 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.
6. Members who are holding shares under more than one folio under name(s) in the same order are hereby requested to send the relative share certificates to the Company for consolidation.

REPORT OF THE DIRECTORS

The Directors are pleased to present their Annual Report alongwith Audited Accounts for the year ended 31.3.2000.

ANNUAL REVIEW

Members are aware of the company's initiatives over past several years to broadbase its product portfolio as well as to address a wider market segment. On the strength of results from some of these initiatives, sale volumes picked up, particularly during second half of the year. Offtakes for the year reached nearly 4000 vehicles against near 3000 sold during 1998-99. Happily, the increase came from both bulk and the private individual segments which displayed little more strength in the later period of the year. Thrust on buses and specialty vehicles helped push their sales to 1204 from previous year's 985. Reflecting our added emphasis on customer service, sale of spare parts also improved, moving to Rs.12.5 crores against previous year's Rs. 9.5 crores

Members may also note that based on efforts put in by the company's internal R&D team and generous support from Mazda, the company was able to effect modifications in the engine well in time to comply with Bharath -1 emission norms that became applicable from 1st April, 2000.

The upshot of the above volume growth was that total revenue for the year reached Rs. 213.4 crores, an increase of 39% over previous year. However, additional cost burdens from a depreciating rupee, liberalised service policies and modifications relating to emission norms had to be absorbed by the Company. In the event, profit before tax moved to Rs. 3.7 crores against Rs. 3.1 crores for 1998-99.

DIVIDEND AND APPROPRIATIONS

Having regard to overall performance, earnings and current working, the directors recommend with satisfaction a maiden dividend of 10% for the year. With dividend absorbing Rs. 1.05 crores, tax on proposed dividend absorbing Rs. 0.23 crores, an amount of Rs. 1.00 crores has been transferred to General Reserve, leaving Rs. 0.56 crores to be carried forward in the Profit & Loss Account which now stands at Rs. 0.90 crores.



FINANCE

With improved volumes and focused inventory management, the company's liquidity eased somewhat in the later phase of the year. During the year, company repaid Rs.1.2 crores to Financial Institutions / Banks towards principal. Capital spending for the year was Rs. 0.5 crores, mainly towards tooling for indigenisation and on testing and inspection equipments. The Directors acknowledge with gratitude the help provided by Punjab Tractors from time to time on the fund front.

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) Rule 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) Rule 1988 is given in the Annexure to this report.

YEAR 2000 (Y2K)

As envisaged, Company's transition of Year 2000 was smooth. Going forward, Directors see no additional financial impact arising from Year 2000 / related issues.

CURRENT PERFORMANCE

Reflecting improvement in market conditions when compared to the situation that prevailed during end 1996 to end 1999 period, total revenue for the first two months (Apr-May, 2000) at Rs. 24.7 crores is up 26% over corresponding period of fiscal 2000. However, the large retail price increase of vehicles necessitated by the steep uniform sales tax rate regime has introduced a visible element of deferment in customer buying. To cope with this challenge and to strengthen its presence in the market place, the Company is speedily enhancing its net work of dealers and part distributors as well as its service outreach. This apart, systematic training of mechanics and drivers on a countrywide basis has been intensified.

DIRECTORS

Mr. T.K.A. Nair and Mr. S. K. Tuteja 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.

BY ORDER OF THE BOARD

K. NAKAJIMA
Director

YASH MAHAJAN
Vice Chairman &
Managing Director

Place : New Delhi
Date : 24.06.2000

N. YAMADA
Director

S.K. TUTEJA
Director



ANNEXURE TO DIRECTORS' REPORT

(Year ended 31st March, 2000)

Information in accordance with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

Company's manufacturing operations are not energy intensive. Nevertheless, in the areas of high energy consumption such as compressed air and painting, steps have been taken towards energy conservation by systematic reduction of leakages. Discipline to switch off lights and machine tools when not working, has also been introduced.

2. TECHNOLOGY ABSORPTION

2.1 The Company is a Joint Venture of two companies with a distinguished track record in R&D - Mazda Motor Corporation, Japan and Punjab Tractors Limited, India. In this backdrop, the Company has from the very inception laid strong emphasis on Research & Development. It is this thrust that has made the range of Company's product variants the widest amongst all new LCV manufacturers & makes it lead the indigenisation of hi-tech components.

2.2 Expenditure on Research & Development during 1999-2000.

(Rs. lacs)

(a) Capital	—
(b) Recurring	45.67
(c) Total	45.67
(d) Total R&D expenditure as a percentage of total turnover	0.21%

2.3 As is known, the Company's products are based on a technical collaboration with Mazda Motor Corporation, Japan. The Company has absorbed advanced Japanese technology both through in-house activity as well as through vendors and its products are in the last stages of indigenisation.

3. FOREIGN EXCHANGE EARNING AND OUTGO

Export earnings were Rs. 5.44 crores. Usages of fuel efficient Swaraj Mazda Vehicles also results in saving of foreign exchange indirectly through conservation of diesel. Being difficult to quantify, same is not included in the above figure.

Total foreign exchange utilised during the year amounted to Rs. 20.93 crores : on business travel, royalty, export commission etc. Rs. 1.79 crores and on import of raw materials, spares and capital goods Rs. 19.14 crores.

AUDITOR'S 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, 2000 signed by us under reference to this report and the relative Profit & 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 Profit and Loss Account together with the Notes thereon and attached thereto and the Statement of Significant Accounting Policies give in the prescribed manner, the information required by 'The Companies Act, 1956', of India (the 'Act') and subject to paragraph 2.1 below also give respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2000 and its Profit for the year ended on that date.
 - 2.1 Non provision of Rs. 4.88 Crores being lapse of Modvat credit receivable balance as explained in Note 2 on Schedule M. Had the same been provided for the year net profit would have been lower by the above mentioned amount with consequential impact on the net assets of the company.
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 appear from our examination of the books.
4. In our opinion, these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September, 1988 issued by the Central Government of India 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 according to a phased programme designed to cover all the items over a period of three years. 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 stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management at the year end.
 - (iv) In our opinion, the procedures of physical verification of stock 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 the normally accepted accounting principles followed in India and is on the same basis as in preceding year except for a change during the year in the basis of valuation of work in progress to comply with Accounting Standard 2 on 'Valuation of Inventories' issued by the Institute of Chartered Accountants of India, the net impact of which