



ANNUAL REPORT 2006



Swaraj Mazda Limited

Swaraj Mazda Limited

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman

HARKIRAT SINGH

T. YOSHIMOTO

A.K. THAKUR

P.K. NANDA

K. MACHIDA

M. SATO

Y. WATANABE

PANKAJ BAJAJ

DONALD PECK

STEVEN ENDERBY

YASH PAUL MAHAJAN - Managing Director

T. HASHIMOTO - Alternate Director to K. Machida

H. FUZIMOTO - Alternate Director to M. Sato

VICE PRESIDENT - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS

PRICE WATERHOUSE

BANKERS

CANARA BANK
INDIAN OVERSEAS BANK

REGISTERED OFFICE & WORKS

VILLAGE ASRON,
DISTT. NAWANSHAHAR-144 533
(PUNJAB)

CORPORATE OFFICE

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

SHAREHOLDERS' INFORMATION

1. **Annual General Meeting** : **9th September, 2006 at 2.00 PM**
Venue : **Swaraj Mazda Limited**
Village Asron, Distt. Nawanshahar, Punjab
2. **Financial Calendar (tentative)**
Financial reporting for
Quarter ended 30th June, 2006 : Taken on record on 29th July, 2006
Quarter ending 30th September, 2006 : 3rd / 4th week of October, 2006
Quarter ending 31st December, 2006 : 3rd / 4th week of January, 2007
Year ending 31st March, 2006 : May / June, 2007
3. **Book Closure** : 22nd August, 2006 to 29th August, 2006 (both days inclusive)
4. **Dividend Payment** : On or after 9th September, 2006, but within the statutory time limit.
5. **Listing on Stock Exchanges** : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).
Listing fee for 2006-07 for both these stock exchanges has been paid.
6. **Stock Market Data**
Monthwise high and low price for one equity share of Rs.10 at BSE & NSE is given below :

Month	Bombay Stock Exchange		National Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2005				
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
September	388	341	389	325
October	380	335	379	342
November	389	349	424	356
December	395	370	400	351
2006				
January	435	375	440	376
February	401	353	402	354
March	390	337	410	345
April	370	340	384	324
May	362	275	374	282
June	299	207	300	201
July	266	212	274	210

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

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 78% of the company's shares are now held in electronic form.

International Securities Identifications Number : INE294B01019 (with NSDL and CDSL)

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 2005-06 was 1730562 (Previous Year 51156)

10. Share Transfer & other Communication : Swaraj Mazda Limited, OR MCS Limited,
 regarding Share Certificates, Dividends SCO : 204-205, Sri Venkatesh Bhawan,
 and Change of Address etc. may be Sector 34-A, W-40, Okhla Industrial Area,
 addressed to Chandigarh-160 022 Phase-II,
 Tele : 0172-2647700-10 New Delhi-110 020
 Fax : 0172-2615111 Tele : 011-41404149
 Fax : 011-41709881

11. Shareholding pattern as on 31st July, 2006

Category	No. of Shareholders	Voting Strength %	No. of Shares held
Promoters	2	55.07	5,775,000
Mutual Funds & UTI	9	7.93	831,403
Other Bodies Corporate	149	1.75	183,267
FII's/NRI's/OCB's	1203	20.03	2,100,582
Individuals	10364	15.22	1,596,448

12. Distribution of Shareholdings as on 31st July, 2006

No. of Equity Shares held	No. of Shareholders	No. of Shares	%age of Shareholdings
1-100	9909	718,594	6.85
101-200	853	156,504	1.49
201-500	599	211,319	2.02
501-1000	175	134,720	1.28
1001-5000	153	312,005	2.98
5001-above	38	8,953,558	85.38

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. with respect to the financial statement and secretarial matters may be addressed to :

Mr. Gopal Bansal

Vice President – Finance & Company Secretary
 Swaraj Mazda Limited
 SCO: 204-205
 Sector 34 – A
 Chandigarh – 160022
 Tele: 0172-2647700-10
 Fax: 0172-2615111

16. Website Address : **www.swarajmazda.net**



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the Company will be held at its Registered Office at Village Asron, Distt. Nawanshahar – 144533 (Punjab) on 9th September, 2006 at 2.00 P.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, 2006 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. Harkirat Singh who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Donald Peck who retires by rotation and, being eligible, offers himself for re-appointment.
7. 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:

8. As an Ordinary Resolution:
"RESOLVED THAT Mr. Steven Enderby, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company".
9. As an Ordinary Resolution:
"RESOLVED THAT Mr. A. K. Thakur, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company".
10. As an Ordinary Resolution:
"RESOLVED THAT Mr. Pankaj Bajaj, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company".
11. As an Ordinary Resolution:
"RESOLVED THAT Mr. P. K. Nanda, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company".
12. As an Ordinary Resolution:
"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310 & 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals if any, consent of the Company be and is hereby accorded to the fresh terms of employment of Mr. Yash Paul Mahajan as Managing Director of the Company for a period of 5 years commencing from 1st June, 2006 on the following terms and conditions :
A. SALARY
I) Rs. 280000/- per month from 01.06.2006 in the scale of Rs.200000-15000-350000.
II) Dearness Allowance of Rs. 20000/- per month.
III) Annual Increment will be effective from 01.04.2007 and the additional increment will be decided by the Board of Directors having regard to corporate profits.

B. COMMISSION

1% of net profits subject to a maximum of 100% of annual salary (Basic + Dearness Allowance).

C. PERQUISITES AND ALLOWANCES

- i) Company contribution to Provident Fund, Superannuation and Gratuity Funds as applicable to Senior Management staff in Swaraj Mazda Limited from time to time.
- ii) Medical reimbursement for self and family.
- iii) Reimbursement of expenditure on gas, water, electricity and furnishings.
- iv) Leave, its accumulation and encashment as applicable to Senior Management staff in Swaraj Mazda Limited from time to time.
- v) Provision of a car and telephone at residence.
- vi) Premium in respect of personal accident insurance.

Provided that the remuneration payable to the Managing Director (including the salaries, commission, perquisites, benefits and amenities) shall not exceed the limits laid down in Sections 198 and 309 of the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof.

D. MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Yash Paul Mahajan, Managing Director, the Company has no profits or profits are inadequate, the remuneration by way of salary, allowances and perquisites payable to him shall not exceed the limits prescribed under the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof.

13. As an Ordinary Resolution:

"RESOLVED THAT in supersession of the resolution passed by the members at the Statutory Meeting held on 12.03.1984, the consent of the Company be and is hereby accorded under the provisions of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and the Articles of Association of the Company, to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which monies may be borrowed by the Board of Directors shall not exceed the sum of Rs. 500 crores and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may think fit."

"Resolved Further that the Board of Directors be and is hereby authorised to take such steps and do such acts, deeds, matters and things as they may deem fit and proper and give/ send such notices/directions as may be necessary for the purpose of giving effect to the above resolution."

By Order of the Board

Regd. Office:
 Village Asron,
 Distt. Nawanshahar (Punjab)
 Dated: 29th July, 2006

(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 22nd August to 29th August, 2006 (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 question 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.
5. 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 9th September, 2006 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 29th August, 2006. 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 business on 21st August, 2006 as per details furnished by the depositories for this purpose.
6. 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.**
7. Members are requested to notify any change in their address, mandates etc., to the Company's Registrar and Share Transfer Agents, M/s MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase – II, New Delhi – 110020.
In case of dematerialised shares, the change of address requests, bank mandates etc. should be directly sent to the concerned Depository Participant.
8. 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 29th August, 2006 to the Company or the Registrar M/s MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi - 110020.
9. 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.
10. 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.
11. Members / Proxy holders are requested to produce the Attendance Slip duly completed and signed, for admission to the Meeting Hall.

12. Appointment / Re-appointment 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. S. K. Tuteja holds a Master's degree in Commerce and is a founder Chairman of the Chandigarh Chapter of the Institute of Company Secretaries of India.

Mr. Tuteja belonged to the Indian Administrative Service and retired as Secretary, Food & Public Distribution, Government of India. During his distinguished service career spanning 38 years, Mr. Tuteja has held several key positions with the State and Central Government. He has, over the years, acquired vast experience in finance, commerce, industry, management and company affairs.

Mr. Tuteja has been associated with the Company for several years and has made invaluable contributions to the growth of the Company by lending crucial support and providing strategic guidance. Keeping these aspects in mind, the Board of Directors of the Company at their meeting held on 29th June, 2005, had appointed Mr. S.K. Tuteja as non-executive Chairman of the Company - an aspect appropriately stated in the Directors Report for Financial Year 2004-05.

Mr. Tuteja does not hold any shares in the Company.

In addition to Swaraj Mazda, Mr. Tuteja is also the Chairman of Central Warehousing Corporation, Chairman of Abhishek Industries Ltd. and Chairman of CWC Cold Chains (Pvt.) Ltd.

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

Name of the Company	Name of committee
Swaraj Mazda Ltd.	Audit Committee – Chairman Shareholder/ Investor Relation Committee
Abhishek Industries Ltd.	Audit Committee – Chairman Investor Relation Committee

Mr. Tuteja's appointment would be in the category of Independent Directors.

- 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.

Mr. Machida does not hold any shares in the Company.

Mr. Machida's appointment would be in the category of Promoter Directors.

- c) 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 Relation Committee of the Board and is also Member of the Audit Committee.

Mr. Singh does not hold any shares in the Company.

Mr. Harkirat Singh's appointment would be in the category of Independent Directors.

- d) Pursuant to nomination by Punjab Tractors Ltd., Mr. Donald Peck was appointed a Director of the Company at the Meeting of the Board held on 29th May, 2004.

Based in Delhi, Mr. Peck is currently Managing Partner of Actis Capital.

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 does not hold any shares in the Company.

Mr. Peck is also on the Board of Punjab Tractors Ltd., Swaraj Engines Ltd., Industrial Development Finance Company Ltd., Alumunus Software Ltd., CICO Technologies Ltd., Avtec Ltd. and Dalmia Cement (Bharat) Ltd. and a member of the Shareholder / Investor Relations Committee of Punjab Tractors Ltd.

Mr. Donald Peck's appointment would be in the category of Promoter Directors.

- e) Pursuant to letter received from Actis Agribusiness Ltd. for appointment of Mr. Steven Enderby as a Director of the Company, the Board had co-opted him as a Director of Swaraj Mazda Ltd. on 31st January, 2006.

Mr. Enderby is based in Delhi and is currently a Partner in Actis Capital.

Mr. Enderby has a degree in Economics and is a qualified accountant. He is associated with CDC / Actis since 1990.

Mr. Enderby does not hold any shares in the Company.

Mr. Enderby is also on the Board of Punjab Tractors Ltd., TEMA Ltd. and Nitrex Chemicals (India) Ltd. He is also a member of the Audit Committee of Punjab Tractors Ltd. and Nitrex Chemicals (India) Ltd.

Mr. Steven Enderby's appointment would be in the category of Independent Directors.

- f) Mr. A. K. Thakur was co-opted on the Board of Swaraj Mazda Ltd. on 31st January, 2006.

Mr. Thakur is a Chartered Accountant by qualification with a Bachelor's degree in Commerce and retired as Executive Director of Unit Trust of India, after 23 years of service. He has vast experience in accounting, finance and corporate affairs.

Mr. Thakur does not hold any shares in the Company.

Mr. Thakur is also on the Board of GPI Textiles Ltd. and Rama Industries Ltd. He is Chairman of the Audit Committee of the GPI Textiles Ltd. and a Member of the Audit committee of Rama Industries Ltd.

Mr. A.K. Thakur's appointment would be in the category of Independent Directors.

- g) Pursuant to letter received from Sumitomo Corporation, Japan for appointment of Mr. Pankaj Bajaj as a Director of the Company, the Board had co-opted him as a Director of Swaraj Mazda Ltd. on 29th July, 2006.

Mr. Bajaj is a Fellow member of Institute of Chartered Accountants of India (FCA), Associate Member of Institute of Company Secretaries of India (ACS) and Associate member of Institute of Cost & Works Accountants of India (AICWA) with a Bachelor's degree in Law and Commerce and Management Development Programme from University of Maryland.

Mr. Bajaj joined Sumitomo Corporation India Pvt. Ltd. in 1997 is currently Company Secretary.

Mr. Bajaj does not hold any shares in the Company.

Mr. Pankaj Bajaj's appointment would be in the category of Promoter Directors.

- h) Mr. P.K. Nanda was co-opted on the Board of Swaraj Mazda Ltd. on 29th July, 2006.

Mr. Nanda is a Chartered Accountant by qualification. His professional career, with a base in India and UK, has covered global corporate scene – India, Europe, U.S.A., South America, Canada, West Indies, Africa, South East Asia and Australia.

In India, Mr. Nanda has held several key managerial positions with Multi-national Corporates – Remington Rand, Imperial Tobacco (now ITC), Philips and Metal Box. In Metal Box India, Mr. Nanda had the distinction of being the first Indian appointed as Chairman and Managing Director. On completion of his tenure, Mr. Nanda was relocated to Metal Box UK as Chief Executive & Chairman, International Operations, excluding Great Britain & Ireland.

Mr. Nanda was the founder president of CII – Confederation of Indian Industry, earlier known as AIEI. He has been a guest lecturer at International Management Institute - Geneva.

Mr. Nanda's expertise in Finance, Trade, Commerce and Corporate Affairs has been utilized from time to time by Government of India as Member of several core groups / committees.

Mr. Nanda has also been the Non-Executive Director of Bata International Shoe Organisation, Member of Committees of Confederation of British Industries and UKSATA.

Mr. Nanda is currently heading a consultancy firm focussing on International Business Strategy.

Mr. Nanda does not hold any shares in the Company.

Mr. Nanda is also on the Board of M/s Irplast Adhesives India Ltd.

Mr. P.K. Nanda's appointment would be in the category of Independent Directors.

- i) Mr. Yash Paul Mahajan is a Commerce Graduate and a Chartered Accountant, qualified in UK (1962). He is a Fellow Member of the Institute of Chartered Accountants (England and Wales) and also a Member of the Institute of Chartered Accountants of India.

Mr. Mahajan has been the Managing Director of the Company since 1983. Virtually since the very beginning, he has nurtured and successfully spearheaded Swaraj Mazda Ltd. to its present position of eminence.

In the last two years, Mr. Mahajan has played the pivotal role in the successful conclusion of the Technical Assistance Agreement with Isuzu Motors Ltd., Japan

Mr. Mahajan's achievements were nationally recognized in 2000 when he was selected as one of the thirty nominees for the prestigious Ernst and Young entrepreneur award of the year.

Mr. Mahajan has 2010 shares in the Company including 10 shares subscribed at the time of incorporation.

Mr. Mahajan is also a Director on the Boards of Pidilite Industries Ltd. and Aptech Ltd.

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

Item No. 8

Pursuant to letter received from Actis Agribusiness Ltd. recommending Mr. Steven Enderby for appointment as a Director of the Company, the Board had co-opted him as a Director on 31st January, 2006 and as Additional Director he holds office upto the date of the forthcoming Annual General Meeting.

It is the considered view of the Board that Mr. Steven Enderby'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. Steven Enderby as a Director. Hence, the resolution for approval.

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

Item No. 9

Mr. A. K. Thakur was co-opted as Director on 31st January, 2006 and as Additional Director he holds office upto the date of the forthcoming Annual General Meeting.

It is the considered view of the Board that Mr. Thakur'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. Thakur as a Director. Hence, the resolution for approval.

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