

Annual Report



Swaraj Mazda Limited

Swaraj Mazda Limited

BOARD OF DIRECTORS

S.K. TUTEJA	-	Chairman
HARKIRAT SINGH		
A.K. THAKUR		
P.K. NANDA		
DONALD PECK		
STEVEN ENDERBY		
K. MACHIDA		
M. SATO		
Y. WATANABE		
PANKAJ BAJAJ		
K. NAKAJIMA	-	Whole-time Director
YASH PAUL MAHAJAN	-	Managing Director

VICE PRESIDENT - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS

PRICE WATERHOUSE

BANKERS

CANARA BANK
INDIAN OVERSEAS BANK
ALLAHABAD BANK
MIZUHO CORPORATE BANK LTD.

REGISTERED OFFICE & WORKS

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

CORPORATE OFFICE

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



SHAREHOLDERS' INFORMATION

1. **Annual General Meeting** : **29th September, 2007 at 3.00 PM**
Venue : **Swaraj Mazda Limited**
Village Asron, Distt. Nawanshahar, Punjab
2. **Financial Calendar (tentative)**
Financial reporting for
Quarter ended 30th June, 2007 : Taken on record on 27th July, 2007
Quarter ending 30th September, 2007 : 3rd / 4th week of October, 2007
Quarter ending 31st December, 2007 : 3rd / 4th week of January, 2008
Year ending 31st March, 2008 : May / June, 2008
3. **Book Closure** : 18th September, 2007 to 25th September, 2007 (both days inclusive)
4. **Dividend Payment** : On or after 29th September, 2007, but within the statutory time limit.
5. **Listing on Stock Exchanges** : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).
Listing fee for 2007-08 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.)
2006				
April	370	340	384	324
May	362	275	374	282
June	299	207	300	201
July	266	212	274	210
August	236	206	239	210
September	250	218	246	220
October	250	214	250	214
November	385	231	387	231
December	360	302	360	310
2007				
January	345	273	354	270
February	350	270	368	276
March	372	326	350	300
April	358	331	362	320
May	372	326	363	321
June	359	305	349	307
July	389	296	370	298

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 79% 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 2006-07 was 35152 (Previous Year 1730562)

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

11. **Shareholding pattern as on 24th Aug., 2007**

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	2	55.07	5,775,000
Mutual Funds & UTI	6	7.77	814,955
Other Bodies Corporate	179	2.53	265,509
FII's/NRI's/OCB's	1,133	19.71	2,067,107
Individuals	9,835	14.92	1,564,129

12. **Distribution of Shareholding as on 24th Aug., 2007**

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holding
1-100	9,441	692,343	6.60
101-200	809	147,792	1.41
201-500	559	196,077	1.87
501-1000	160	124,505	1.19
1001-5000	144	306,894	2.93
5001-above	42	9,019,089	86.00

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 statements and secretarial matters may be addressed to :

Mr. Gopal Bansal

Vice President – Finance & Company Secretary

Swaraj Mazda Limited

204-205, Sector 34 – A

Chandigarh – 160 022

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 Third Annual General Meeting of the Company will be held at its Registered Office at village Asron, Dist. Nawanshahar – 144 533 (Punjab) on 29th September, 2007 at 3.00 PM to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. M. Sato who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y. Watanabe who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Steven Enderby who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. A.K.Thakur 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. Keiji Nakajima, who was appointed as Additional 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, be and is hereby appointed as a Director of the Company."

9. As an Ordinary Resolution:

"RESOLVED THAT pursuant 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, approval of the Company be and is hereby accorded to the appointment of Mr. Keiji Nakajima as the Whole-time Director of the Company for a period of 5 years commencing from 1st February, 2007 on the following terms and conditions :

A. SALARY

Rs. 4,00,000/- per month

Salary to be increased within the range of Rs. 4,00,000/- per month to Rs. 8,00,000/- per month during the period of appointment, in such increments, as may be decided by the Board of Directors.

B. COMMISSION

1% of net profits subject to a maximum of 100% of annual salary.

C. PERQUISITES AND OTHER ALLOWANCES

- i) Fully furnished accommodation.
- ii) Medical reimbursement for self & family.
- iii) Provision of a car with driver and telephone at residence.

Provided that the remuneration payable to the Whole-time 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 including 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. Keiji Nakajima, Whole-time 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.

Further resolved that for the purpose of giving effect to this Resolution the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorized Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

10. As a Special Resolution:

"RESOLVED THAT subject to requisite statutory approvals in terms of Section 21 of the Companies Act, 1956 and other applicable provisions, if any, the name of the Company be changed from Swaraj Mazda Ltd. to Swaraj Vehicles Ltd. and accordingly the name of Swaraj Mazda Ltd. wherever it appears in the Memorandum and Article of Association of the Company be substituted by the name Swaraj Vehicles Ltd."

Regd. Office:

Village Asron

Distt. Nawanshahar (Punjab)

Dated: 27th August, 2007

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 annexed hereto.
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. The Proxies, to be effective, must be lodged at the Registered Office of the Company in the Form Annexed hereto 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 18th September to 25th September, 2007 (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 so as to reach 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 29th September, 2007 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 25th September, 2007. 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 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 – 110 020. **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 25th September, 2007 to the Company or the Registrar M/s. MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi - 110 020.

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 M/s. 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. 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 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, elevated as Executive Officer in 2003 with appointment as General Manager Incharge of Motor Vehicles Business Division of Sumitomo Corporation and further elevated as Managing Executive Officer in 2005.

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

- b) Mr. Yataka 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, Mr. Watanabe has been handling Key overseas business operations on behalf of Sumitomo Corporation. He has vast experience in Overseas Marketing and Management.

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

- c) Mr. Steven 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 TEMA India Ltd. and Phoenix Lamps Ltd. He is also a member of the Audit Committee of Phoenix Lamps Ltd. He is also a member of the Shareholder Grievances Committee of Phoenix Lamps Ltd.

- d) Mr. A.K. 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 is now a partner with a leading firm of Chartered Accountants.

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

Mr. Thakur is also on the Board of Rama Industries Ltd. He is a Member of the Audit committee of the Rama Industries Ltd. and Swaraj Mazda Ltd.

- e) Mr. Keiji Nakajima is a graduate in Economics from Keio Gijuku University, Japan. He has worked in various capacities in Sumitomo Corporation from 1968 to 2003. Between 1998 to 2002, he worked as Chairman & President of Sumitomo Corporation India Pvt. Ltd., New Delhi. Between 2004 and 2006 he worked as President, Kubota Lease Corporation. In July, 2006, Mr. Keiji Nakajima joined the SML Core Team as Executive Director and was elevated as Whole-time Director of the Company with effect from 1st February, 2007.

Mr. Keiji Nakajima does not hold any shares in the Company.

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

Resolution at Item no. 8 & 9

Mr. Keiji Nakajima was co-opted as an Additional Director of the Company at the Board Meeting held on 31st January, 2007 and he holds office upto the date of the forthcoming Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. K. Nakajima as a Director. Hence, the resolution for approval.

Mr. Nakajima joined the Swaraj Mazda core team in July'06 as Executive Director. During this period, Mr. Nakajima, through his initiatives, deep involvement and active participation, has made significant contributions to the betterment of corporate operations. Prior to his joining the Company SML's management team had excellent working relationship with Mr. Nakajima for more than 15 years when he was based in New Delhi ; first as General Manager in the early nineties and from 1998-2001 as Chairman & President of Sumitomo Corporation India Pvt. Ltd.

Keeping the above aspects in view and taking note of the imperatives of SML's future growth plan, Board of Directors, in their Meeting held on 31st January, 2007 were pleased to appoint Mr. Keiji Nakajima as Whole-time Director of the Company for a period of 5 years commencing from 1st February, 2007.

Having regard to the above, the Board commends passing of Resolutions set out in Item 8 & 9 in respect of Mr. Nakajima's appointment.

It is also brought to the knowledge of Members that Central Government vide their letter no. 12/340/2007-CL VII dated 13th August, 2007 has approved the appointment of Mr. Keiji Nakajima as Whole-time Director for 5 years with effect from 1st February, 2007.

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

Resolution at Item no. 10

Since Mazda Motor Corporation (MC), Japan ceased to be the shareholder of the Company w.e.f August, 2005 and the Technical Assistance Agreement between MC and the Company expired in October, 2004, MC have asked the Company not to use the word "MAZDA" as part of Company's name.

In this background, the Board of Directors after deliberation had decided to change the name of the Company and selected the following names in the order of preference:

- Swaraj Vehicles Limited
- Swaraj Motors Limited
- Swaraj Bus and Truck Limited

Thereafter, on an application moved by the Company, the Registrar of Companies has confirmed that, "Swaraj Vehicles Limited" is available for registration under Section 20 of the Companies Act, 1956. Subject to the resolution being passed, an application will be made to the Central Government for approval to the change of name under Section 21 of this Act.

The Board commends passing of the Special Resolution set out at item no.10.

None of the Directors is concerned or interested in this resolution.



REPORT OF THE DIRECTORS

The Directors present their Twenty Third Annual Report together with Audited Accounts for Financial Year ended 31st March, 2007.

FINANCIALS

(Rs. Crores)

	Year ended 31st March, 2007	Year ended 31st March, 2006
Net Operating Revenue	603.42	613.10
Operating Profit	35.45	35.29
Profit Before Tax	23.22	25.28
Tax Expense	7.13	8.50
Profit After Tax	16.09	16.78
Balance of Profit from Prior Years	11.29	9.58
Surplus available for Appropriation :	27.38	26.36
Appropriations :		
Transfer to General Reserve	7.50	8.50
Proposed Dividend	5.77	5.77
Tax on Dividend	0.98	0.80
Balance carried to Balance Sheet	13.13	11.29

YEAR-END REVIEW

Members may recall that after good showing in the April-June'05 first quarter, operations for the subsequent 9 months period of fiscal 2005-06 were, on one hand, saddled with volume drop, and on the other, burdened with rising material cost which the Company had to absorb due to tough market conditions. This unfavourable trend, as conveyed in the last Annual Report, also adversely impacted April-June'06 first quarter operations of fiscal 2006-07 which were severely dented on both these counts, material costs peaking to 85.5% (81.9%) and volumes dropping to 2201 (3004). Consequently, on a net revenue of Rs.120 crores (Rs. 148 crores), profit before tax for this quarter nose-dived to Rs. 60 lacs from April-June'05 level of Rs.10.1 crores.

Taking stock of the declining trend of operations witnessed from second quarter of financial 2005-06, culminating in the dismal performance for April-June'06 first quarter, a change in marketing focus was undertaken. Emphasis on remittance driven dispatches and thrust on sale of high contribution vehicles was adopted as a **Mantra** by Marketing and appropriate initiatives and steps in line therewith put in place with effect from July'06.

It is with satisfaction that Directors wish to convey that these measures have led to an improvement in the financial performance of the Company beginning second quarter of fiscal 2006-07 and the slide in profitability which had begun a year earlier has been arrested together with a quarter-on-quarter growth in PBT, as shown below :

	2005-06				2006-07			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales (Nos.)	3004	2961	3031	2891	2201	3101	2730	2809
PBT (Rs. In Cr.)	10.1	8.5	5.1	1.6	0.6	6.7	7.4	8.5
Margin	6.8%	5.7%	3.2%	1.0%	0.5%	4.0%	4.9%	5.1%

Another aspect deserving mention relates to the improvement in collections during the year under review - Rs. 836 crores against Rs. 711 crores collected for 2005-06. As a result, the Ways & Means position of the Company eased somewhat towards the fag end of the year from the strain undergone throughout calendar 2006.

DIVIDEND

Having regard to the financial performance and current outlook, the Directors have decided to recommend payment of dividend at the rate of 55% for Financial Year 2006-07.

CURRENT PERFORMANCE

Happily, the favourable trend witnessed from second quarter of financial 2006-07 has also continued in the April-June first quarter of current fiscal. The Directors are pleased to report that **on a net revenue of Rs. 153.0 crores (Rs. 120.3 crores) pre-tax profit for this quarter registered strong growth – Rs. 8.8 crores with a margin of 5.8% against Rs. 60 lacs (margin of 0.5%) for the same period last year.**

EXPANSION PROJECT

Members' kind attention is drawn to the 2006 Annual Report where elaborate information had been given about significant developments till end-July, 2006. Maintaining acceleration thereafter, appropriate facilities etc. have been installed and it gives the Directors immense pleasure to convey that in less than one year, trial production of ultra luxury buses on Isuzu chassis, fitted with rear engine, was kicked-off on 25th July, 2007. Members are informed that a sum of Rs. 50 crores has already been spent on the new facilities, out of capital outlay estimated for the new project at Rs. 300 crores.

The Directors believe that alliance with Isuzu Motors, Japan has enabled the Company to conceive & plan the Expansion Project realistically with a global mindset. In the set-up of new manufacturing facilities and putting in place processes, systems and procedures, the Company has received valuable advice and guidance as also large help and support from Isuzu Motors. Thus, the new facilities adequately reflect global standards but within the Company's capital outlay parameters.

The Directors wish to further add that this alliance with Isuzu Motors would enable SML to offer large & medium size luxury buses on Isuzu platform to discerning customers and the addition of medium & heavy size Isuzu trucks to its vehicle portfolio would augment Company's future revenues and add value to its operations. Parallely, it would further boost Company's corporate image as buses and trucks supporting Isuzu brand are perceived to have a wider acceptance.

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 annexed to this report.

HUMAN RESOURCES

With the conclusion of a Four Year Wage Agreement in a cordial & friendly atmosphere, fiscal 2006-07 witnessed yet another development of significance. Parallely, the Company has further deepened employees' sense of involvement, participation and loyalty by taking several initiatives and putting in place steps of empowerment. Under this environment, a new work culture based on modern concepts, techniques and practices with appropriate thrust on productivity, quality and cost reduction is taking shape, thus making the Company ready for the next lap.

A statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report, together with Accounts, is being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Members desiring to have a copy of the same may write to the Company Secretary at the Registered Office of the Company and they will be provided with the same upon such a request.

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.