

SWARAJ MAZDA LIMITED

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman
HARKIRAT SINGH
A.K. THAKUR
P.K. NANDA
STEVEN ENDERBY
M. TABUCHI
T. HASHIMOTO
H. YAMAGUCHI
PANKAJ BAJAJ
Y. WATANABE - Whole-time Director
YASH MAHAJAN - Managing Director

Sr. VICE PRESIDENT - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS

PRICE WATERHOUSE

LISTING OF SHARES

BOMBAY STOCK EXCHANGE LTD.
THE NATIONAL STOCK EXCHANGE
OF INDIA LTD.

BANKERS

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

REGISTERED OFFICE & WORKS

VILLAGE : ASRON,
DISTT. NAWANSHAHAR-144 533
PUNJAB

CORPORATE OFFICE

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

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25TH ANNUAL GENERAL MEETING
on Wednesday, 30th September, 2009
at 1.00 P.M. at Village Asron,
Distt. Nawanshahar, Punjab.

REPORT OF THE DIRECTORS

The Directors present hereunder their Twenty Fifth Annual Report together with Audited Accounts for the Financial Year ended 31st March, 2009.

PERFORMANCE REVIEW

In the Directors Report of May 2008, shareholders were given a perspective of the deteriorating economic indicators and their likely adverse effect on the automotive industry and the business of the Company, both for demand of its products and profitability margins. In the event, the economic situation turned much worse, in particular following the unprecedented global financial turmoil when banks and non-banking financial companies in India virtually withdrew credit from the automotive financing market. The impact on the commercial vehicle industry was indeed disastrous.

After achieving impressive growth during the six years to 2007-08, industry sales fell to 4,27,000 from the previous year's 5,49,000, the entire fall being in the second half. Sales of the Company also replicated that and volume declined from 11,272 vehicles in 2007-08 to 8,020 vehicles, the drop being suffered mainly in the second half of the year under review, which was most unfortunate, but totally unavoidable. Any decline in business would be unpleasant, but such a sudden and sharp drop in such short period severely impacted revenue. That caused extreme stress on the ways and means position of the Company. However, it was able to receive timely assistance from a Bank in the form of a short-term accommodation of Rs. 25 crores (since repaid) which enabled the Company to discharge its financial responsibilities.

The inevitable consequence of the sharp drop in volume of business and revenue was a huge pre-tax loss of Rs.15.5 crores in the third quarter against pre-tax profit of Rs. 9.5 crores and Rs. 9.2 crores in the preceding two quarters.

Fortunately, the intensive plan by the Management already in progress, involving production cuts, tight inventory control, reduction in manpower and realignment of marketing focus on high margin and higher cash generative business, together with rigorous containment of administrative expenditure further kept the situation under control. Some of these measures had immediate ameliorative effect as witnessed by pre-tax profit of Rs. 0.9 crores in the fourth quarter; furthermore these measures have provided strong foundations for the recovery that is already in evidence. Members would have noticed from the April-June' 09 first quarter published results that corporate operations have generated a pre-tax profit of Rs. 3.3 crores.

It is in the above background that the Directors report the following summary of results for the year 2008-09:

	Year Ended 31 st March, 2009	(Rs. in Crores) Year ended 31 st March, 2008
Net Operating Revenue	546.95	671.42
Operating Profit	28.06	53.74
Profit Before Tax	4.14	38.70
Tax Expense	(0.65)	13.50
Profit After Tax	4.79	25.20
Balance of Profit from Prior Years	14.58	13.13
Surplus available for Appropriation :	19.37	38.33
Appropriations :		
Transfer to General Reserve	0.25	17.00
Proposed Dividend	1.57	5.77
Tax on Dividend	0.27	0.98
Amount carried to Balance Sheet	17.28	14.58

In their report of May 2008, the Directors expressed their confidence that the ongoing expansion plans for capacity and new products should be vigorously pursued. They have maintained that resolve and the Management has made considerable progress with several objectives it had set. In fiscal 2008-09, of the total capital expenditure of Rs. 34.0 crores the new manufacturing facilities under the Expansion Project accounted for Rs. 18.0 crores and the new R&D Centre Rs.14.0 crores.

DIVIDEND

Having regard to the sharp dip in net earnings, the Directors have decided to recommend payment of dividend for the Financial Year 2008-09 at the rate of 15% against 55% for the previous year.

EXPANSION PROJECT

Members will recall that after establishing technical alliance with Isuzu, the Company commenced its Expansion Project on 128 acres of its land at its existing Nawanshahar plant in Punjab under a two phase programme of setting up a second vehicle manufacturing facility and a new in-house bus body making plant.

The first two products – the 41 seater air conditioned bus and the 12 seater executive coach made their commercial debut in July, 2008 after completion of testing by government authorities followed by exhaustive field trials. Unfortunately, the financial crisis that hit the country referred to earlier in the Report led to suspension of deliveries to many customers who suddenly withdrew their orders or interest in the new vehicles. The Directors believe that benefiting from the expected economic turn around and easing of lending norms, demand for these passenger carriers will pick up in a significant manner.

Furthermore, based upon actual experience since the project was set up in fiscal 2007 and considering the changes necessary in the product portfolio, the Company has reviewed the Expansion Project under implementation. The revised estimate for the capital outlay of the Project is Rs. 260 crores against the earlier plan of Rs. 300 crores, of which Rs. 150 crores is for phase-I and Rs. 110 crores for phase-II. Until the end of August, 2009, under phase-I, a sum of Rs. 114 crores has already been spent for setting up the new vehicle manufacturing facility and the new bus body plant. The funding for the revised capital outlay of Rs. 260 crores for the Expansion Project will now be through issue of equity shares on rights basis for a value of Rs. 80 crores and long term borrowings of Rs. 180 crores. The Directors wish to convey that the Company has already tied up arrangements for the requisite borrowings.

The shareholders have already approved at the Extra-ordinary General Meeting (EGM) held on 2nd July, 2009 an increase in the Authorized Share Capital from Rs. 20 crores to Rs. 40 crores divided into 4 crores equity shares of Rs. 10/- each together with alterations to the related clauses contained in the Memorandum of Association and Articles of Association of the Company.

In that EGM, Members also gave their consent to offer, issue and allot to the equity shareholders of the Company, equity shares of the face value of Rs.10/- each at a premium, for an aggregate amount of Rs. 80 crores on such terms and conditions as may be fixed by the Board.

The Directors wish to inform Members that the Company expects to submit shortly its draft letter of offer to Securities and Exchange Board of India (SEBI) for its approval as required by its Regulations.

SIGNIFICANT DEVELOPMENTS

The shareholders will recall that at the EGM held on 16th February, 2009 matters relating to promoter shareholders, Punjab Tractors Ltd. (PTL) and Sumitomo Corporation (Sumitomo) were discussed when the necessary shareholder approvals were given. A brief summary of these matters is given hereunder:

All cases which had caused litigation involving the Company as well as the two promoter groups, PTL and Sumitomo, were satisfactorily resolved in January, 2009 and related legal cases withdrawn. PTL, on sale of all its shares to Sumitomo, also withdrew its nominee from the Board of the Company effective 6th January, 2009 and it ceased to be a Promoter leaving Sumitomo as the sole promoter shareholder with an equity holding of 53.52% of the paid-up capital of the Company. Mazda had ceased to be a promoter in 2006. The Joint Venture Agreement (JVA) between promoter shareholders became infructuous with only one promoter left. Consequential amendments to the Company's Memorandum of Association and Articles of Association were duly approved by the shareholders at the EGM of the Company held on 16th February, 2009.

MANAGEMENT DISCUSSION & ANALYSIS, CORPORATE GOVERNANCE

A Management Discussion and Analysis Report is annexed to this report. A report on Corporate Governance together with the Auditors' Certificate confirming compliance of Corporate Governance norms also forms part of this Annual Report.

INDUSTRIAL RELATIONS

Industrial Relations and work atmosphere remained harmonious throughout the year.

PARTICULARS OF EMPLOYEES

The Company had 7 employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2009 or not less than Rs. 2,00,000 per month during any part of the said year.

A statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with 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.

SAFETY, HEALTH AND ENVIRONMENT

The Company has always attached utmost importance to safety, health and environment related issues and has put in place systems, procedures, tools, equipment etc. to ensure safety of employees, plant & machinery as also for compliance with safety statutory rules and the regulations applicable in respect of environment. Furthermore, desired measures are taken from time to time to improve working conditions.

Employees are regularly made aware of hazards / risks associated with their jobs and appropriate training is imparted to them to improve their skills with a view to efficiently meet emergency situations. Periodic safety audits are undertaken to confirm proper functioning of the systems, procedures and functioning of the tools, equipments etc. and to make corrections, if required. Mock drills under emergency conditions are also conducted to test employees' alertness and response time.

The Company is committed to ensure the well being of its employees. All employees undergo periodic medical check-up and wherever necessary, suitable medical assistance is provided. At the occupational health centre, which caters to the medical needs of the employees, a doctor assisted by a qualified pharmacist is available.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

A report required under the Companies (Disclosure of particulars in the Report of Directors) Rules 1988 is annexed to this Report.

CURRENT BUSINESS ENVIRONMENT

Although the Government of India had given a stimulus package to boost industrial demand, its effect on the commercial vehicle industry has been minimal, if at all. April-July, 2009 sales of vehicles by the industry have remained static and not much improvement is seen for the coming months. Liquidity and continuing poor market sentiment remain the depressing factors for demand for commercial vehicles.

Through further changes in marketing emphasis and with special efforts with banks and finance companies, the Company has been able to mitigate the above adverse effects by assisting customers in financing vehicle purchase. It improved sale volumes in April-June'09 first quarter (2186 vehicles) as compared to the preceding two quarters (1902 and 664 vehicles) and recorded a net profit of Rs. 3.3 crores against the second half loss of Rs. 14.6 crores in fiscal 2008-09. July'09 sales were also higher than July'08 numbers.

Going forward, the Directors believe that on the strength of concrete steps put in place, some of which described above, and indications of easing of credit arising from measures taken by the Government and RBI, it may be possible to sustain a steady improvement in the remaining months of the year.

DIRECTORS

Consequent upon withdrawal of nomination by PTL, Mr. Donald Peck resigned from the Board effective 6th January, 2009.

Mr. M. Sato tendered his resignation as Director of the Company effective 15th May, 2009. The Board, at its Meeting held on 28th May, 2009, placed on record its deep appreciation for the immense contributions made by Mr. Sato during his association of six eventful years that witnessed significant developments and changed course of the Company.

Mr. K. Machida tendered his resignation as Director of the Company effective 15th May, 2009. The Board, at its Meeting held on 28th May, 2009, placed on record its deep appreciation for his contributions to the Company.

Mr. M. Tabuchi was co-opted as a Director of the Company on 28th May, 2009 and holds office upto the forthcoming Annual General Meeting. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr. Tabuchi's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

Mr. T. Hashimoto was co-opted as a Director of the Company on 28th May, 2009 and holds office upto the forthcoming Annual General Meeting. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr.Hashimoto's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

Mr. H. Yamaguchi was co-opted as a Director of the Company on 28th May, 2009 and holds office upto the forthcoming Annual General Meeting. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr.Yamaguchi's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

The Board accepted with much regret the resignation from the Board and the Company from Mr. Keiji Nakajima, Whole-time Director with effect from 1st July, 2009, at its Meeting held on 28th May, 2009, It recorded its sincere appreciation of the valuable services rendered by him in the operations and at the Board during his association with the Company.

Recognising that Mr. Yutaka Watanabe has been a Director on the Board of the Company since September, 2005 and the needs of the Company's future growth plans, the Board at its Meeting held on 28th May, 2009, appointed him as a Whole-time Director of the Company for a period of five years commencing from 1st July, 2009. Appropriate resolution for Mr. Yutaka Watanabe's appointment as Whole-time Director of the Company has been proposed at the forthcoming Annual General Meeting.

Mr. P. K. Nanda, Mr. Pankaj Bajaj, Mr. Steven Enderby and Mr. A. K. Thakur retire by rotation and, being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared annual accounts on a 'going concern' basis.

COST AUDIT

On the stipulation of the Central Government, Cost Audit of the Company for financial year 2008-09 was conducted by Messers Avtar Singh & Company, Cost Auditors. The Cost Auditors have given a clean report.

AUDITORS

Observations made by the Auditors, when read with the relevant notes under schedule 'N' to the Accounts, are self-explanatory. As such, in the opinion of the Directors, they do not call for a specific reply.

Messers Price Waterhouse, Chartered Accountants, retire as Auditors of the Company and have given their consent for reappointment. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has received a written certificate from the above Auditors that their reappointment, if made, would be in conformity with the limits specified in the said Section.

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA
Chairman

YASH MAHAJAN
Managing Director

Dated : 4th September, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

1. STATE OF THE ECONOMY

The world wide financial crisis triggered by the banking meltdown in USA since late 2007, with its consequential effects on most economies, particularly in the West, causing what appeared to be the worst slump since the depression of the 1930's inevitably affected the Indian economy. After four consecutive years of dream run for the economy, with GDP rising from 7.5% in fiscal 2004-05 to 9.0% in 2007-08, its fall to 6.7% in 2008-09 was a shock to the growth curve. Mercifully, the severe impact that might have ensued from the global crisis as in most other countries was substantially contained despite some immediate inflationary pressures but the impact on export earnings, a credit crunch caused more by the fears of the banking industry than the reality of the Indian situation, took their toll on many industries. The commercial vehicle industry, so dependent on bank financing has been severely hit.

Global actions led by USA and Europe in preventing a long period of depression as followed in the 1930's, appear to be paying off. The remedial measures of the Government in India and the Reserve Bank through fiscal stimulus packages, monetary measures and credit relaxation have shown results which augur well for the growth rates moving up again. Growth in industrial output for three straight months and the increase in GDP of 7.8% in June, 2009 the fastest rates since February, 2008 are evidence that recovery is under way. However, the risk to such recovery from the weakest monsoons in the last five years cannot be ignored.

2. COMMERCIAL VEHICLE INDUSTRY

Sale of commercial vehicles is dependent, more than many other industries, upon availability of finance from Banks / NBFCs. That availability is the first to be affected in an economic downturn and consequently, commercial vehicles industry is one of the first to suffer in such downturn. That was seen in the five year period when from 2.58 lakhs vehicles sales in 1996-97 sales had fallen to 1.58 lakhs in 2001-02, but with subsequent economic recovery, aggressive road building activities and with greater credit availability sales went back up reaching 5.49 lakhs in 2007-08. Again the sharp decline in the country's economy and lack of credit from Banks / NBFCs adversely impacted volumes in 2008-09. Subsequent support by the Government through a stimulus package resulting in better economic numbers have not yet restored demand because financing has still not followed through with banks being extremely cautious so far and industry volume for April-July'09 at 1.45 lakhs continue to lag behind same period last year which saw volume at 1.62 lakhs. The Company did relatively better than the industry during this period even if marginally so.

Government's recent initiatives under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Bus Rapid Transit System (BRTS) towards purchase of modern buses for major cities by various State Transport Undertakings are expected to enhance demand for passenger carriers.

3. COMPANY UPDATE

Since its maiden dividend in 2000, despite suffering from downturn in economic activity in certain periods, the Company has maintained steady growth. Its continuing efforts in research and development to indigenize technologies, localize imported parts and introduce quality standards that meet evolving emission norms in India, such as Bharat Stage – II and Bharat Stage – III have paid off well. It has a well equipped centre for research and development which has enabled the Company to widen its vehicle portfolio both for passenger and goods carriers. In the passenger carrier category, the Company offers non-air conditioned and air conditioned bus models with capacity ranging from 10 to 41 seats. In the goods carrier category, it has eight core truck models with a GVW range of 6.1 tons to 7.5 tons in the LCV segment and 8.0 tons to 12.0 tons in the medium and heavy commercial vehicle segment with several variants. In addition, the Company manufactures special application vehicles in the passenger and goods carrier categories which include a variety of ambulances, troop carriers, dumper/garbage removal vehicles, water tankers, recovery vans and police vans.

The Company's recent entry into the manufacture of air-conditioned buses in the M&HCV segment is on Isuzu chassis and designs and technical know-how for bus bodies is from Malaysia. Design and technology for the body of air-conditioned executive coach is also from Malaysia.

The Company has three manufacturing facilities located at its Nawanshahar plant in Punjab with installed capacity in fiscal 2009 stood increased to 18,000 vehicles.

4. OPERATIONAL PERFORMANCE

Sales crash in the second half year severely impacted working of the Company for the year as a whole, resulting in a sharp revenue drop as summarized below:

	(Rs. in Crores)	
	<u>2008-09</u>	<u>2007-08</u>
Sale of Vehicles	499.49	626.87
Sale of Spare Parts	41.36	38.56
Sale of Scrap etc.	6.10	5.99
Total Revenue	<u>546.95</u>	<u>671.42</u>

Performance data needs to be seen in relation to the comments on economic downturn and credit availability earlier mentioned.

Whilst a marginal decline was achieved in Material cost to 81.8% (82.0%), the drop in revenue explained earlier led to Employees' cost increasing to 6.5% of revenue from 4.3% - Rs. 35.5 crores (Rs. 29.1 crores). It was possible to contain Marketing costs - Rs. 17.3 crores, at 3.2% (Rs. 22.5 crores, 3.4%) in line with drop in sales revenue. Consequently, Operating profit and margin fell sharply, Rs. 28.0 crores against Rs. 53.7 crores and margin from 8.0% to 5.1%.

Interest cost (Rs. 18.1 crores against Rs. 11.7 crores) increased on account of hike in rates post June 2008 as well as the larger borrowings relating to the expansion activities.

The investment in the expansion project also led to increase in depreciation from Rs. 3.3 crores to Rs. 5.8 crores.

Resultantly, Profit Before Tax and PBT margin nosedived to Rs. 4.14 crores from Rs. 38.7 crores and margin to 0.7% from 5.8%. Net profit after tax at Rs. 4.8 crores (Rs. 25.2 crores) translates to an earning of Rs. 4.6 per share (Rs. 24.0).

Outgo on dividend account inclusive of tax at Rs. 1.84 crores would translate to a payout ratio of 38% (27%).

Company's net worth on 31st March 2009 stood at Rs. 96.5 crores comprising Equity component of Rs.10.5 crores and Reserves of Rs. 86.0 crores. Year-end borrowings from Banks stood at Rs. 220.3 crores (Rs. 142.6 crores) because of the expansion project but debtors were down from Rs.185.6 crores to Rs. 146.3 crores as on 31st March, 2009. Whilst Inventories went up to Rs. 149.3 crores from Rs. 123.5 crores because of the sales fall in the second half year earlier reported, vendor dues declined to Rs. 114.0 crores from Rs. 173.0 crores of the year earlier. Gross Block and Net Block of assets respectively stood at Rs.135.0 crores (Rs. 48.6 crores) and Rs. 99.5 crores (Rs. 18.7 crores). These assets represent annual production capacity of 18,000 (12,000) vehicles on double shift basis.

5. INTERNAL CONTROL SYSTEM AND ADEQUACY

Finance & Accounts function is adequately staffed by professionally qualified and experienced personnel. Established systems and procedures for internal control are in place. Prior to the commencement of every financial year, Annual Business Plan (ABP) is formulated on the basis of well-defined processes and the ABP is subsequently approved by the Board of Directors. The reporting and monitoring system is elaborate and the same is reviewed at the meetings of the Audit committee and the Board while considering quarterly business performance. Policies and procedures have been laid down to provide reasonable assurance that assets are safeguarded from risks of unauthorised use/disposition and transactions are recorded and reported with propriety, accuracy and speed. These aspects of operations are regularly reviewed and verified by the Internal Audit department and by the Company's Statutory Auditors. The same are subsequently submitted to the Audit Committee of the Board for consideration.

6. HUMAN RESOURCES

Industrial relations were harmonious throughout the year under review. The total employees' strength as on 31st March, 2009 was 878 (881).

The Company has a lean structure of organisation and has conducted its affairs within the framework of well-defined business plans which have provided appropriate guidance and direction to its employees. It has always been the goal to attract the best talent, provide invigorative work environment, retain achievers and out-performers and inculcate in the employees life-long loyalty for the organisation. Raising employees' involvement in the decision making process and grooming them for leadership has been an ongoing process. After the conclusion of the four year wage agreement (2006), further improvement in work culture has taken place.

7. BUSINESS RISKS AND CONCERNS

Demand for commercial vehicles is dependent upon overall economic growth, infrastructure development and smooth availability of retail finance. India is heavily reliant on imported oil, thus oil prices have a bearing on transport sector. Performance of railways and movement in freight rates are also key factors that have a bearing on demand for cargo carriers.

Higher emission standards under Bharat Stage IV norms and Bharat Stage III norms will become applicable in 11 mega cities and throughout the country effective April, 2010. Since steel, steel-based components and other materials represent 80% of input costs, any steep rise in steel prices & other materials plus the additional burden arising from new emission norms would lead to higher production cost of cvs, not necessarily neutralized by revision in selling prices, in view of intensely competitive operating environment.

CV industry has 12 active players. Many of them have already increased capacities, concluded new tie-ups and are also widening their product portfolios. Further, two more global CV players are reported to be entering the Indian market. Thus, competition will further intensify.

Measures to meet the new emission norms, reduce costs through value engineering, process improvement / product up-gradation / product-mix / price restructuring are constantly reviewed by management. R&D efforts and activities are geared to design and develop new products / variants to meet new challenges and take advantage of emerging opportunities. Additionally, technical alliance with Isuzu Motors, the R&D centre, the new vehicle manufacturing facility for introduction of medium and heavy cargo carriers and the new bus body facility for in-house manufacture of passenger carriers are some of the major initiatives and concrete steps taken by the Company to minimize its vulnerability against business risks. By establishing a wider product base, in turn, expected to improve efficiencies and productivity, the Company has increased its capabilities to offset business risks.

8. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE REPORT

Swaraj Mazda Ltd. (SML) practices a culture built on the principles of good corporate governance, disclosure and transparency in all its activities and processes. SML gives high priority to core values and ethics. SML identifies and aligns its activities with national interest. SML believes that for a Company to be successful, it must consider itself the custodian and trustee of all its stake-holders. SML seeks corporate excellence and profits by offering quality vehicles and services to its esteemed customers. SML fosters team spirit amongst employees by continuously raising their involvement & participation in decision making. SML places high emphasis on integrity and lifetime loyalty to the Company. SML recognizes it is rewarding to be a better managed enterprise, focuses on good corporate governance and considers it a key driver of sustainable corporate growth and stake-holder value creation.

1. BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. As on 31st March, 2009, the Board had strength of eleven Directors; nine being Non-executive Directors and two Whole-time Directors. Out of nine Non-executive Directors, four including the Chairman are independent Directors which is one-third of the total strength of the Board; five are Non-executive Directors, out of which four, though belonging to the promoter group, are professional executives and one represents a significant shareholder. All the Non-executive Directors are highly qualified, possess vast knowledge and professional expertise in administration, accounts, finance, management, banking, insurance and other allied corporate disciplines. They bring independent judgement to the Board's deliberations and decision making. None of the Non-executive Directors has any material pecuniary relationship with the Company, which in their judgement would affect their independence.

The Managing Director, in his individual capacity, is a professional Director and the other Whole-time Director, though in his individual capacity is a professional Director, belongs to the Company's promoter group.

None of the Directors of the Company are inter-se related to each other.

The Board periodically reviews and approves overall strategy, gives guidelines, directions and oversees the functioning of the management to ensure that the core values and objectives of the Company are met.

Composition of the Board

The names and categories of Directors, the number of Directorships and Committee positions held by them in other companies are given below. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the companies in which he is a Director.

The details of attendance of the Directors at the Board Meetings during financial year 2008-09 and the last Annual General Meeting held on 10th July, 2008 and also the number of other Directorships and Committee Memberships/ Chairmanship as on 31st March, 2009 is as follows:

Name of Director	Category	Financial Year 2008-09		Attendance at the last AGM	Number of Directorships in other Public Companies incorporated in India*	Committee Position held in other Companies	
		Board Meetings held	Board Meetings attended			**C	#M
Directors							
Mr. S.K.Tuteja (Chairman)	Non Executive Independent	8	8	Yes	14	4	4
Mr. Harkirat Singh	Non Executive Independent	8	8	Yes	NIL	NIL	NIL
Mr. A. K. Thakur	Non Executive Independent	8	8	No	3	NIL	3
Mr. P. K. Nanda	Non Executive Independent	8	7	No	2	2	1
Mr. Steven Enderby	Non Executive	8	6	No	4	1	2
Mr. Pankaj Bajaj	Non Executive	8	7	No	NIL	NIL	NIL
Mr. M. Tabuchi (Co-opted w.e.f. 28.05.09) as Additional Director	Non Executive	N.A	N.A	N.A	N.A	N.A	N.A
Mr. T. Hashimoto (Co-opted w.e.f. 28.05.09) as Additional Director	Non Executive	N.A	N.A	N.A	N.A	N.A	N.A
Mr. H. Yamaguchi (Co-opted w.e.f. 28.05.09) as Additional Director	Non Executive	N.A	N.A	N.A	N.A	N.A	N.A
Mr. Y. Watanabe (Whole-time Director)	Non Executive till 30.06.09 Executive Director w.e.f. 01.07.09	N.A	N.A	N.A	N.A	N.A	N.A
Mr. Yash Mahajan (Managing Director)	Executive	8	8	Yes	3	NIL	3
Alternate Directors							
Mr. T.Kato	Alternate Director to Mr. M. Tabuchi w.e.f. 04.09.2009	N.A	N.A	N.A	N.A	N.A	N.A
Mr. T.Nanko	Alternate Director to Mr.T. Hashimoto w.e.f. 04.09.2009	N.A	N.A	N.A	N.A	N.A	N.A
Ex-Directors							
Mr. Donald Peck (ceased effective 06.01.09)	Non Executive	6	Nil	No			
Mr. K. Machida (ceased effective 28.05.09)	Non Executive	8	Nil	No	NIL	NIL	NIL
Mr. M. Sato (ceased effective 28.05.09)	Non Executive	8	2	No	NIL	NIL	NIL
Mr. Keiji Nakajima (ceased effective 01.07.09)	Executive	8	8	Yes	NIL	NIL	NIL
Ex-Alternate Directors							
Mr. T. Hashimoto	Alternate Director to Mr. K. Machida till 28.05.2009	8	5	No	NIL	NIL	NIL
Mr. M. Tabuchi	Alternate Director to Mr. Y. Watanabe till 28.05.2009	1	1	N.A	NIL	NIL	NIL
Mr. T.Kato	Alternate Director to Mr. M. Sato till 28.05.2009	8	4	No	NIL	NIL	NIL

* Excluding foreign company and companies registered under Section 25 of the Companies Act, 1956.

** C : Chairman # M : Member

N.A : Not Applicable

Code of Conduct

Company's Board has laid down a well-defined Code of Ethics & Conduct (the "Code") to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company www.swarajmazda.net.

All the members of the Board and senior management personnel have affirmed compliance to the Code of Conduct as on 31st March, 2009 and a declaration to that effect signed by the Managing Director and CEO is attached and forms a part of this report.

2. COMMITTEES OF THE BOARD**(a) Audit Committee**

The Audit Committee of the Board comprises of three Non-Executive and independent Directors - Mr. S.K. Tuteja, Chairman, Mr. Harkirat Singh and Mr. A.K. Thakur. All the Members of the committee possess vast experience in and knowledge of Corporate Affairs & Finance. The quorum of the committee is two Members. The Company Secretary is the secretary to the Committee.

The role, terms of reference and the authority and powers of this committee are in conformity with the requirements of the Companies Act, 1956 and the Listing Agreements.

The Audit Committee of the Board performs the following functions:

- Overseeing the Company's financial reporting process and disclosure of Financial information to ensure that the Financial Statements are correct, sufficient and credible;
- Recommending the appointment of Statutory Auditors and their remuneration.
- Reviewing with management the Annual Financial Statements before submission to the Board;
- Reviewing with management and External & Internal Auditors, the adequacy of internal control systems;
- Reviewing the adequacy of Internal Audit function;
- Discussing with Internal Auditors and Statutory Auditors any significant finding and follow up on such issues;
- Reviewing the findings of any internal investigations by the Internal Auditors in matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and then reporting such matters to the Board;
- Discussing with Statutory Auditors the nature and scope of audit, as well as any area of concern;
- Reviewing the Company's financial and risk management policies.

At the meeting of the Audit Committee of the Board, Senior Management is invited to participate in the deliberations along with Internal Auditors. Statutory Auditors also attend these meetings and offer their observations on the operations.

During the Financial Year under review, 5 meetings of the Audit Committee of the Board were held on 29th May, 2008, 10th July, 2008, 30th July, 2008, 23rd October, 2008 and 29th January, 2009. The gap between two meetings did not exceed four months. The Chairman of the Audit Committee was present at the Annual General meeting held on 10th July, 2008.

The Audit Committee of the Board also met on 28th May, 2009 prior to the finalization of the Accounts for the Financial Year ended 31st March, 2009.

In addition to the quarterly meeting for consideration of financial results, the Audit Committee met on 10th July, 2008 to review functioning of other disciplines.

The details of attendance of the members of the Audit Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S.K.Tuteja, Chairman	5	5
Mr. Harkirat Singh	5	5
Mr. A.K. Thakur	5	4

(b) Shareholder / Investor Relations Committee

This Committee meets at frequent intervals, to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificates and review status of investors' grievances and the functioning of Company's Registrar and Transfer Agents to render effective and quality services to investors.

The Shareholder / Investor Relations Committee of the Board comprises of three Directors with Mr. Harkirat Singh as Chairman and Mr. S. K. Tuteja and Mr. Yash Mahajan as Member Directors. The quorum of the meeting is two directors.

Mr. Gopal Bansal, Sr. Vice President-Finance & Company Secretary, is the Compliance Officer of the Company.

The Company received 30 shareholders' complaints from Stock Exchanges / SEBI / Department of Company Affairs / Registrar of Companies which inter-alia include non-receipt of dividend, annual report, transfer of shares, etc. The complaints were duly attended to and the Company has furnished necessary documents / information to the shareholders. As of date, there are no pending share transfers pertaining to the year under review.

During the financial year ended 31st March, 2009, 13 meetings of the committee were held.

(c) Remuneration Committee

This Committee earlier comprised of Mr. S.K.Tuteja, Chairman, Mr. P. K. Nanda and Mr. M. Sato. The remuneration committee was reconstituted on 19th March, 2009 with Mr. M. Tabuchi replacing Mr. M. Sato. All the Members of the Remuneration Committee of the Board are Non-Executive Directors.

This Committee had been set up by the Board to review, assess and recommend to the Board the compensation package for the Whole-time Directors.

During fiscal 2008-09 three meetings were held on 29th May, 2008, 31st July, 2008 and 6th January, 2009.

The details of attendance of the members of the Remuneration Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S.K.Tuteja, Chairman	3	3
Mr. P.K.Nanda	3	3
Mr. M. Sato	3	1

Remuneration of Directors

Remuneration paid to Whole-time Directors is decided by the Board of Directors on the recommendation of the Remuneration Committee and approved by the shareholders at the Annual General Meeting. Non-Executive Independent Directors are paid sitting fee for attending the meetings of the Board of Directors and committees thereof within the prescribed limits as decided by the Board.

Following are the details of Directors remuneration for 2008-09.

Whole-time Directors

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident & other Funds	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Mr. Yash Mahajan Managing Director	1,02,20,000*	10,61,000*	26,76,150*	45,30,906*	Nil	1,84,88,056*	Upto 31.05.2011
Mr. Keiji Nakajima Whole-time Director	48,00,000	7,95,000	2,40,000	-	Nil	58,35,000	Ceased w.e.f. 01.07.2009

* Includes arrears Rs. 88.27 lacs for the period 1st June, 2006 to 31st March, 2008.

Non-Executive Directors

Name of Director	Sitting Fees (Rs.)	Commission(Rs.)
Mr. S.K.Tuteja	4,20,000	Nil
Mr. Harkirat Singh	3,90,000	Nil
Mr. A.K.Thakur	1,80,000	Nil
Mr. P.K.Nanda	1,50,000	Nil

(d) Rights Issue Committee

The Rights Issue Committee comprises of five Directors, Mr. S.K.Tuteja, as Chairman, Mr. P.K.Nanda, Mr. Pankaj Bajaj, Mr. Yash Mahajan and Mr. T.Hashimoto.

The role, terms of reference of this committee are to negotiate and appoint Lead Managers/Merchant Bankers, Registrars, Bankers and such other agencies and professionals as may be required, to give effect to requirements including allotment of Right Equity Shares or remove any difficulty or doubt that may arise in this regard.

During the year one meeting was held on 19th March, 2009 and was attended by Mr. S.K.Tuteja, Mr. Pankaj Bajaj, Mr. Yash Mahajan and Mr. T. Hashimoto.

3. GENERAL BODY MEETINGS

Details of last three Annual General Meetings of the Company are given below:

Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2005-06	9 th September, 2006	2.00 PM	Swaraj Mazda Limited, Village Asron, Distt. Nawanshahar, Punjab	Nil
2006-07	29 th September, 2007	3.00 PM	Swaraj Mazda Limited, Village Asron, Distt. Nawanshahar, Punjab	Nil
2007-08	10 th July, 2008	2.00 PM	Swaraj Mazda Limited, Village Asron, Distt. Nawanshahar, Punjab	Nil

Pursuant to the provisions of Section 192A of the Companies Act, 1956, there was no matter required to be dealt by the Company to be passed through postal ballot.

4. DISCLOSURES
a) Disclosure of transactions with related parties

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management that may have any potential conflict with the interest of the Company. The Company has no subsidiary. Details of related parties and transaction with them are furnished under para 6 of Schedule N of the Annual Accounts.

b) Disclosure of Accounting Treatment in preparation of Financial Statements

In preparation of the financial statements, the Company has followed the Accounting Standards issued by The Institute of Chartered Accountants of India. The significant accounting policies which are consistently applied are set out under Schedule M of the Annual Accounts.

c) Risk Management

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are subject to review to ensure that management controls risks through means of properly defined framework.

d) Code of prevention of Insider Practices

In compliance with SEBI's Regulations on prevention of Insider trading, the Company has instituted a comprehensive Code of Conduct for prevention of Insider trading. The code lays down guidelines and procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning all concerned of the consequences of violations.

e) Instances of non-compliance

There has neither been any non-compliance of any legal provision of applicable law nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other authorities, on any matters related to capital market during the last three years.

f) Compliance with Mandatory Requirements

The Company has complied with the mandatory requirement of the Code of Corporate Governance as stipulated under clause 49 of the listing agreement with the Stock Exchanges.

g) Adoption of non-mandatory requirements

- i) The Board :** The Company does not maintain the office of the Non-Executive Chairman. No specific tenure has been specified for the Independent Directors.
- ii) Remuneration Committee :** The Company has set up a Remuneration Committee to review, assess and recommend to the Board the compensation package for the Whole-time Directors.
- iii) Shareholder Rights :** Company regularly publishes its quarterly results in the leading national / regional newspapers as per clause 41 of the listing agreement. These results are also available on Company's website www.swarajmazda.net and SEBI website www.sebiedifar.nic.in.
- iv) Audit Qualifications :** During the financial year under review, there is no fresh audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.
- v) Training of Board Members :** All Non-Executive Directors are given presentations by Whole-time Director / Management Team from time to time for an overview of Company operations. The Company's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with the trends in economy and changes in the legislation.
- vi) Whistle Blower Policy :** Company encourages employees and business associates to raise their concerns relating to any unethical business practice at work place with protection against victimisation.

5. MEANS OF COMMUNICATION

- a) In compliance with the requirements of Listing Agreement, the un-audited/audited financial results are filed with the Stock Exchanges immediately after they are taken on record by the Board, published in Newspapers and are also displayed on the website of the Company www.swarajmazda.net. Results are not sent individually to the shareholders;
- b) The official news releases are displayed on the Company's website;
- c) During the year ended 31st March, 2009, no presentations were made to institutional investors or analysts;
- d) Management Discussion and Analysis Report forms part of the Directors' Report.

6. GENERAL SHAREHOLDERS INFORMATION

Covered under separate section in this Annual Report.

SHAREHOLDERS' INFORMATION

1. Annual General Meeting

Date	: 30 th September, 2009
Time	: 1.00 PM
Venue	: Swaraj Mazda Limited Village Asron, Distt. Nawanshahar, Punjab

2. Financial Calendar (tentative)

Financial reporting for	
Quarter ended 30 th June, 2009	: Taken on record on 23 rd July, 2009
Quarter ending 30 th Sept., 2009	: 3 rd / 4 th week of October, 2009
Quarter ending 31 st Dec, 2009	: 3 rd / 4 th week of January, 2010
Year ending 31 st March, 2010	: May/June, 2010

3. Book Closure : 15th September, 2009 to 22nd September, 2009 (both days inclusive)
4. Dividend Payment : On or after 30th September, 2009, but within the Statutory time limit.
5. Listing on Stock Exchanges : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).
Listing fee for 2009-10 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 (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2008				
April	360	271	335	301
May	355	284	335	295
June	340	271	336	287
July	334	271	338	270
August	335	220	285	241
September	320	200	295	234
October	300	163	295	171
November	295	196	269	184
December	251	172	236	172
2009				
January	217	141	218	146
February	175	103	177	112
March	134	102	144	100
April	172	113	172	113
May	218	128	219	123
June	255	193	270	183
July	250	206	247	209

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 94% of the company's shares are now held in electronic form.

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

For 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 2008-09 was 13051 (Previous Year 15950)

10. Share Transfer & other Communication : Swaraj Mazda Limited OR M/s MCS Limited
 regarding Share Certificate, Dividends SCO 204-205, Sector 34-A, Sri Venkatesh Bhawan,
 and Change of Address etc. may be Chandigarh- 160 022 F - 65, Okhla Industrial Area,
 addressed to Tele: 0172-2647700-10, Phase - I, New Delhi - 110 020
 Fax: 0172-2615111 Tele: 011-41404149
 Fax: 011- 41709881

11. Shareholding Pattern as on 31st July, 2009

12. Distribution of Shareholding as on 31st July, 2009

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	1	53.52	5,612,953
Mutual Funds & UTI	9	8.49	890,170
Other Bodies Corporate	166	2.75	287,886
FII's/NRI's/OCB's	1,068	21.42	2,246,181
Individuals	9,467	13.82	1,449,510
Total	10,711	100.00	10,486,700

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holding
1-100	9,131	656,115	6.26
101-200	748	136,276	1.30
201-500	517	180,726	1.72
501-1000	145	110,564	1.05
1001-5000	132	283,202	2.70
5001-above	38	9,119,817	86.97
Total	10,711	10,486,700	100.00

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

Sr. Vice President – Finance & Company Secretary
 Swaraj Mazda Limited
 SCO: 204-205
 Sector 34 – A
 Chandigarh – 160 022
 Tele: 0172-2647700-10
 Fax: 0172-2615111

16. Website Address : www.swarajmazda.net

ANNEXURE TO DIRECTORS' REPORT

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

1. CONSERVATION OF ENERGY

The company has taken following initiatives for conservation of energy:

- Improvement of Power factor to 0.99.
- Modification in production shed roofs for more day light.
- Installation of energy saving CFL lamps in offices.
- Installation of thermocouples on cooling towers.
- Installation of timers on water coolers.
- Rationalisation of lights in offices and shop floors.
- Switching off lights, fans, air conditioners and desert coolers when not required. Formed Special Project Team for "Energy Saving".
- Stopping compressed air wastage by plugging all leakages.

2. TECHNOLOGICAL DEVELOPMENT

2.1 After conclusion of Technical Assistance Agreement with Isuzu Motors Ltd., Japan in 2006 and necessary technical know-how for manufacturing bus bodies from two overseas parties, SML has set up state of art new facilities for manufacturing ultra luxury buses.

2.2 Expenditure on Research & Development during 2008-09:

	(Rs. in Lacs)
(a) Capital	1,463.03
(b) Recurring	434.74
(c) Total	1,897.77
(d) R&D expenditure as a %age of total turnover	3.16%

Major R&D achievements have been:

- Gas injection type CNG engine with higher power and better fuel consumption developed and homologated.
- Super 12 truck of 12 ton GVW prototype completed and homologated.
- Executive bus productionised and homologated.
- 27 seater air conditioned luxury bus on NQR model chassis of Isuzu developed, tested and homologated.
- LT bus new model (12 meter long and 2.6 meter wide) prototype produced & homologated.
- Modern engine testing and emission test lab set up with a capability of developing and testing to BS-IV standards.

3. FOREIGN EXCHANGE EARNING AND OUTGO

	(Rs. in Lacs)
Earnings in foreign currency	2,361.70
Expenditure in foreign currency	4,602.32

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE**To the Members of Swaraj Mazda Limited**

We have examined the compliance of conditions of Corporate Governance by Swaraj Mazda Limited, for the year ended March 31, 2009, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by The Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : New Delhi
Dated : July 23, 2009

V. Nijhawan
Partner
M. No. F87228
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

**DECLARATION BY THE MANAGING DIRECTOR UNDER
CLAUSE 49 OF THE LISTING AGREEMENT**

I, Yash Mahajan, Managing Director of Swaraj Mazda Limited declare that all the Directors and Senior Management Personnel of the Company have affirmed compliance with Company's code of conduct for the financial year ended 31st March, 2009.

Dated : 28th May, 2009

(Yash Mahajan)
Managing Director

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in lacs)

	Schedule	2009		2008
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	1,049.38	1,049.38	
Reserves and Surplus	B	<u>8,603.40</u>	<u>9,652.78</u>	<u>8,308.67</u>
				9,358.05
Loan Funds				
Secured Loans	C		15,128.69	1,356.87
Unsecured Loans	D		<u>6,900.00</u>	<u>12,900.00</u>
			<u>31,681.47</u>	<u>23,614.92</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	E	13,499.46	4,863.88	
Less : Depreciation		<u>3,553.92</u>	<u>2,991.12</u>	
Net Block			9,945.54	1,872.76
Capital Work-in-Progress			2,839.72	8,090.59
Capital Spares			—	3.21
Deferred Tax Assets (Net)	F		279.96	164.96
Current Assets, Loans & Advances				
Inventories	G	14,929.19	12,349.80	
Sundry Debtors		14,633.32	18,560.06	
Cash and Bank Balances		700.89	914.28	
Other Current Assets		189.17	457.95	
Loans and Advances		<u>3,032.54</u>	<u>2,521.15</u>	
		<u>33,485.11</u>	<u>34,803.24</u>	
Less :				
Current Liabilities and Provisions				
Current Liabilities	H	13,349.00	19,285.26	
Provisions		<u>1,519.86</u>	<u>2,034.58</u>	
		<u>14,868.86</u>	<u>21,319.84</u>	
Net Current Assets			<u>18,616.25</u>	<u>13,483.40</u>
			<u>31,681.47</u>	<u>23,614.92</u>
Significant Accounting Policies				
Notes to Accounts				
M				
N				

This is the Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Balance Sheet.

FOR AND ON BEHALF OF THE BOARD

 For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

 S.K. TUTEJA
Chairman

 V. NIJHAWAN
Partner
M.No. : F87228

 GOPAL BANSAL
Sr. Vice President - Finance
& Company Secretary

 YASH MAHAJAN
Managing Director

New Delhi, 28th May, 2009

New Delhi, 28th May, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in lacs)

	Schedule	2009	2008
INCOME			
Sales		59,983.81	75,882.81
(Refer Note 2 on Schedule M and 10 (b) on Schedule N)			
Less : Excise Duty		5,898.58	9,339.36
Net Sales Revenue		54,085.23	66,543.45
Other Operating Income	I	610.01	598.75
		<u>54,695.24</u>	<u>67,142.20</u>
EXPENDITURE			
Manufacturing and Other Expenses	J	51,888.94	61,768.44
Finance Charges (Net)	L	1,808.77	1,173.42
Depreciation/Amortisation	E	583.92	330.07
		<u>54,281.63</u>	<u>63,271.93</u>
Profit for the year before Tax Expense		413.61	3,870.27
Tax Expense/(Saving) (Refer Note 10 on Schedule M)			
- Current Tax		41.22	1,380.00
- Deferred Tax (Refer Note 8 on Schedule N)		(115.00)	(90.00)
- Fringe Benefit Tax		49.85	60.00
- Mat Credit Entitlement (Refer Note 22 on Schedule N)		(41.22)	—
Profit for the year after Tax Expense		478.76	2,520.27
Balance brought forward from previous year		1,458.22	1,312.74
Profit available for Appropriation		<u>1,936.98</u>	<u>3,833.01</u>
APPROPRIATIONS			
Proposed Dividend		157.30	576.77
Dividend Tax and Surcharge		26.73	98.02
General Reserve		25.00	1,700.00
Balance Carried to Balance Sheet		<u>1,727.95</u>	<u>1,458.22</u>
		<u>1,936.98</u>	<u>3,833.01</u>
Earning Per Share (Refer Note 7 on Schedule N)			
Basic/Diluted Earning Per Share (Rs.)		4.57	24.03

Significant Accounting Policies M
Notes to Accounts N

This is the Profit and Loss Account referred to in our report of even date.

The Schedules referred to above form an integral part of the Profit and Loss Account.

FOR AND ON BEHALF OF THE BOARD

 For and on behalf of
 PRICE WATERHOUSE
 Chartered Accountants

 S.K. TUTEJA
 Chairman

 V. NIJHAWAN
 Partner
 M.No. : F87228

 GOPAL BANSAL
 Sr. Vice President - Finance
 & Company Secretary

 YASH MAHAJAN
 Managing Director

New Delhi, 28th May, 2009

New Delhi, 28th May, 2009

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE A

(Rs. in lacs)

	2009	2008
SHARE CAPITAL		
Authorised		
2,00,00,000 Equity Shares (Previous year 2,00,00,000) of Rs. 10/- each	<u>2,000.00</u>	<u>2,000.00</u>
Issued, Subscribed and Paid-up		
1,04,86,700* Equity Shares (Previous year 1,04,86,700) of Rs. 10/- each fully paid-up	1,048.67	1,048.67
Add : Forfeited Shares [Amount paid-up on 13,300 Equity Shares (Previous year 13,300) of Rs.10/- each]	0.71	0.71
	<u>1,049.38</u>	<u>1,049.38</u>

*Includes 100 Equity Shares (Previous year 100) of Rs.10/- each fully paid-up and held by a NRI but not allotted pending clearance from the Reserve Bank of India.

Of the above, 5,612,953 (Previous year 4,140,953) equity shares are held by Sumitomo Corporation, Japan, the holding Company.

SCHEDULE B

(Rs. in lacs)

	2009	2008
RESERVES AND SURPLUS		
Capital Reserve	15.00	15.00
(Refer Note 11 on Schedule M)		
General Reserve		
Balance brought forward	6,835.45	5,188.85
Less : Adjustment for change in Accounting Policies	-	53.40
(Refer Note 20 on Schedule N)		
Add : Transferred from Profit and Loss Account	<u>25.00</u>	<u>1,700.00</u>
	6,860.45	6,835.45
Profit and Loss Account	<u>1,727.95</u>	<u>1,458.22</u>
	<u>8,603.40</u>	<u>8,308.67</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE C

(Rs. in lacs)

	2009	2008
SECURED LOANS		
From Banks		
– Long Term Loan*	6,000.00	–
– Short Term Loan**	2,500.00	–
– Cash Credit **	6,628.69	1,356.87
	<u>15,128.69</u>	<u>1,356.87</u>

Notes :

- * The loan is secured by subservient equitable mortgage/hypothecation charge over the entire fixed assets of the Company. Repayable within one year Rs. 2,000 lacs (Previous year Rs. Nil).
- ** The limits sanctioned by the bankers are secured by a first charge by way of hypothecation of the Company's Current Assets i.e. Stocks, Bills Receivable, Book Debts and other movables of the Company and also by way of a second mortgage and charge on the Company's immovable property. The said second charge is yet to be created by the Company.
- The Company had in an earlier year taken loans from Financial Institutions against first charge on its movable and immovable property. The said loans have since been repaid. However the charges in respect of these loans are in the process of being vacated.

SCHEDULE D

(Rs. in lacs)

	2009	2008
UNSECURED LOANS		
From Banks		
- Long Term Loan*	–	6,000.00
- Short Term Loan	6,900.00	6,900.00
	<u>6,900.00</u>	<u>12,900.00</u>

- * During the year, the Company has converted its unsecured long term loan into secured long term loan taken from bank. Repayable within one year Rs. Nil (Previous year Rs. 6,000 lacs).

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE E
FIXED ASSETS

(Refer Notes 3, 4, 12 and 14 on Schedule M)

(Rs. in lacs)

Description	GROSS BLOCK			DEPRECIATION/AMORTISATION				NET BLOCK		
	As at 01.04.2008	Additions during the year	Adjust- ments	As at 31.03.2009	As at 01.04.2008	For the year	Adjust- ments	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
Tangible Assets										
Freehold Land	48.74	-	-	48.74	-	-	-	-	48.74	48.74
Building	899.91	4,782.94	-	5,682.85	479.78	136.18	-	615.96	5,066.89	420.13
Plant and Machinery	2,499.10	2,951.31	-	5,450.41	1,648.74	242.48	-	1,891.22	3,559.19	850.36
Jigs and Fixtures	387.47	321.00	-	708.47	337.31	38.10	-	375.41	333.06	50.16
Furniture, Fixtures & Office Equipments	248.48	20.65	-	269.13	155.79	13.49	-	169.28	99.85	92.69
Computers	234.04	84.84	10.28	308.60	166.49	51.45	10.28	207.66	100.94	67.55
Vehicles	546.14	222.83	10.84	758.13	203.01	83.62	10.84	275.79	482.34	343.13
Intangible Assets										
Technical Know-How	-	273.13	-	273.13	-	18.60	-	18.60	254.53	-
Total	4,863.88	8,656.70	21.12	13,499.46	2,991.12	583.92	21.12	3,553.92	9,945.54	1,872.76
Previous Year	4,590.58	274.55	1.25	4,863.88	2,662.30	330.07	1.25	2,991.12	1,872.76	

CAPITAL WORK-IN-PROGRESS (CWIP)

Capital Advance										88.97
Direct Capital Expenditure									2,289.62	6,024.72
Indirect expenditure pending allocation :										
- Interest Cost									130.25	361.03
- Other Expenditure									419.85	1,615.87
Total CWIP									<u>2,839.72</u>	<u>8,090.59</u>

Notes :

- Indirect other expenditure pending allocation includes salary, power charges, travelling, foreign technician expenses, testing expenses & other administrative expenses and is net of amount recovered from sale [(net of excise Rs. 10.26 lacs (Previous year Rs. 13.23 lacs)] of vehicle produced during test run Rs. 81.38 lacs (Previous year Rs. 81.57 lacs).
- Interest capitalised during the year Rs. 532.08 lacs (Previous year Rs. Nil) as per AS-16 notified under Section 211(3C) of the Companies Act, 1956.

SCHEDULE F

(Rs. in lacs)

	2009	2008
DEFERRED TAX (LIABILITIES) / ASSETS		
(Refer Note 10 on Schedule M & Note 8 on Schedule N)		
Deferred Tax (Liability) / Assets		
- At the beginning of the year	164.96	47.46
Add : Adjustment for change in Accounting Policies	-	27.50
(Refer Note 20 on Schedule N)		
- Adjustment during the year	<u>115.00</u>	<u>90.00</u>
	<u>279.96</u>	<u>164.96</u>
	<u>279.96</u>	<u>164.96</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE G

(Rs. in lacs)

	2009	2008
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
INVENTORIES		
(Refer Note 5 on Schedule M)		
Raw Materials & Components	6,446.43	5,552.63
Raw Material - Goods in Transit	638.17	700.52
Stores and Spare Parts	90.74	78.74
Loose Tools	32.56	49.09
Work-in-Progress *	1,562.45	1,289.93
Finished Goods		
– Vehicles **	5,655.03	4,258.86
– Spares	503.81	420.03
	<u>6,158.84</u>	<u>4,678.89</u>
	<u>14,929.19</u>	<u>12,349.80</u>
* - Includes Work-in-Progress during test run production amounting to Rs. 83.03 lacs (Previous year Rs. 651.58 lacs).		
** - Includes Finished goods of vehicles produced during test run production amounting to Rs. 1132.16 lacs (Previous year Rs. 896.15 lacs) valued at material cost.		
SUNDRY DEBTORS		
(Considered good unless otherwise stated)		
Debts outstanding for more than six months :		
– Secured	12.00	10.14
– Unsecured [Including Rs. 605.40 lacs considered doubtful (Previous year Rs. 503.12 lacs)]	953.49	761.92
Less : Provision for doubtful debts	605.40	503.12
	<u>348.09</u>	<u>258.80</u>
	<u>360.09</u>	<u>268.94</u>
Other Debts :		
– Secured	495.49	328.28
– Unsecured [including Rs. 26.60 lacs considered doubtful (Previous year Rs. 30.16 lacs)]	13,804.34	17,993.00
Less : Provision for doubtful debts	26.60	30.16
	<u>13,777.74</u>	<u>17,962.84</u>
	<u>14,633.32</u>	<u>18,560.06</u>
CASH AND BANK BALANCES		
Cash-in-Hand	29.58	27.27
[Includes Stamps in Hand Rs. 1.35 lacs (Previous year Rs. 1.35 lacs)]		
Balances with Scheduled Banks on :		
– Current Accounts	421.35	661.65
– Cash Credit Accounts	–	9.06
– Unpaid/Unclaimed Dividend Accounts	122.97	114.03
– Fixed Deposits	126.99	102.27
(Pledged as Margin Money with banks against issue of Letters of Credit & Bank Guarantees)	<u>671.31</u>	<u>887.01</u>
	<u>700.89</u>	<u>914.28</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE G (Continued)

(Rs. in lacs)

	2009		2008
OTHER CURRENT ASSETS			
(Unsecured considered good unless otherwise stated)			
Prepaid Expenses	10.24		13.33
Export Incentives Receivables	178.93		444.62
(Refer Note 2 on Schedule M)	<u>189.17</u>		<u>457.95</u>
LOANS AND ADVANCES			
(Unsecured considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received	1,745.19	1,708.76	
[Including Rs. 10.45 lacs considered doubtful (Previous year Rs.10.45 lacs)]			
Less : Provision for doubtful advances	<u>10.45</u>	<u>1,734.74</u>	10.45
Security Deposits	138.57		130.97
[Including Rs. 0.36 lacs considered doubtful (Previous year Rs. 0.36 lacs)]			
Less : Provision for doubtful deposits	<u>0.36</u>	<u>138.21</u>	<u>0.36</u>
Balance with Excise Authorities	884.13		692.23
(Refer Note 2 on Schedule N)			
MAT Credit Entitlement (Refer Note 22 on Schedule N)	41.22		–
Advance Tax	234.24		–
[Net of Provision Rs. 7,099.48 lacs]	<u>3,032.54</u>		<u>2,521.15</u>

SCHEDULE H

(Rs. in lacs)

	2009		2008
CURRENT LIABILITIES AND PROVISIONS			
CURRENT LIABILITIES			
Acceptances*	1,767.87		5,104.64
Sundry Creditors	9,620.83		12,200.61
(Refer Note 16 on Schedule N)			
Customer Advances	992.81		640.22
Unclaimed Dividends	122.97		114.03
Other Liabilities	812.12		1,225.76
Interest accrued but not due on short term loan	<u>32.40</u>		–
	<u>13,349.00</u>		<u>19,285.26</u>
PROVISIONS			
Provision for Taxation (Net of Advance Tax Rs. 7025.65 lacs)	–		32.61
Fringe Benefit Tax	7.20		15.00
Wealth Tax	0.65		0.60
Proposed Dividend	157.30		576.77
Tax on Proposed Dividend	26.73		98.02
Retirement Benefits (Refer Note 6 on Schedule M & Note 20 on Schedule N)	1,025.32		848.58
Warranty [Refer Note 8 on Schedule M & Note 4(b) on Schedule N]	<u>302.66</u>		<u>463.00</u>
	<u>1,519.86</u>		<u>2,034.58</u>
	<u>14,868.86</u>		<u>21,319.84</u>

* Secured to the extent of Rs. 781.61 lacs (Previous year Rs. 1,740.37 lacs) against hypothecation of Raw Material & Components.

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE I

(Rs. in lacs)

	2009	2008
OTHER OPERATING INCOME		
Sale of Scrap	224.11	208.29
Export Incentives (Refer Note 2 on Schedule M)	196.00	241.94
Liabilities/Provisions no longer required written back	115.51	78.71
Royalty	61.25	63.33
Miscellaneous Income	13.14	6.48
	<u>610.01</u>	<u>598.75</u>

SCHEDULE J

(Rs. in lacs)

	2009	2008
MANUFACTURING AND OTHER EXPENSES		
Materials Consumed		
Raw Materials and Components consumed* (Refer Note 11 on Schedule N)	44,053.74	53,886.49
Movement of Finished Goods and Work-in-Progress		
Opening Stock		
– Finished Goods	4,678.89	3,914.77
– Work-in-Progress	1,289.93	605.54
	<u>5,968.82</u>	<u>4,520.31</u>
Add : Purchases of Finished Goods	2,510.63	2,566.11
	<u>8,479.45</u>	<u>7,086.42</u>
Less : Closing Stock		
– Finished Goods	6,158.84	4,678.89
– Work-in-Progress	1,562.45	1,289.93
	<u>7,721.29</u>	<u>5,968.82</u>
	<u>758.16</u>	<u>1,117.60</u>
Total Consumption	44,811.90	55,004.09
Less : Vehicles Capitalised	89.19	17.17
Add : Increase in excise duty on finished goods	34.23	36.78
Net Consumption	44,756.94	55,023.70
Operating, Administrative and Other Expenses (as per Schedule K)	<u>7,132.00</u>	<u>6,744.74</u>
	<u>51,888.94</u>	<u>61,768.44</u>

* Includes Exchange loss on Foreign Currency transactions Rs 381.46 lacs (Previous year Rs. 179.89 lacs)

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE K

(Rs. in lacs)

	2009	2008
OPERATING, ADMINISTRATIVE & OTHER EXPENSES		
Salaries, Wages and Bonus (Refer Note 6 on Schedule M and 19 & 20 on Schedule N)	2,867.02	2,369.36
Contribution to Provident and Other Funds (Refer Note 6 on Schedule M & 20 on Schedule N)	464.70	348.79
Workmen and Staff Welfare	214.47	195.96
Consumption of Stores, Spares and Tools (Refer Note 12 (b) on Schedule N)	114.81	136.64
Repair and Maintenance :		
– Machinery	15.58	22.67
– Building	21.76	30.62
– Others	20.49	11.94
Power and Fuel	333.62	354.66
Rent (Refer Note 13 on Schedule M & 18 on Schedule N)	156.38	122.84
Rates and Taxes	63.03	23.05
Legal and Professional (Refer Note 9 on Schedule N)	138.09	118.22
Insurance	40.79	65.72
Printing, Stationery, Postage and Telephone	112.16	105.72
Travelling and Conveyance	489.05	382.77
Provision for Doubtful Debts	128.06	395.38
Marketing, Sales and Promotion Expenses (Refer Note 4 on Schedule N)	1,575.06	1,858.09
Royalty	1.80	–
Research and Development (Refer Note 7 on Schedule M & 21 on Schedule N)	106.30	93.20
Directors' Sitting Fees	11.40	9.90
Exchange loss / (gain) on Foreign Currency	85.97	(17.09)
Transactions (Refer Note 9 on Schedule M)		
Miscellaneous Expenses	171.96	132.25
	<u>7,132.50</u>	<u>6,760.69</u>
Less : Expenditure Transferred to Fixed Assets (Refer Note 3 on Schedule M)	0.50	15.95
	<u>7,132.00</u>	<u>6,744.74</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE L

(Rs. in lacs)

	2009	2008
FINANCE CHARGES / INCOME		
(Refer Note 12 on Schedule M)		
Interest on Loans*	1,744.48	1,036.79
Interest Others	55.56	63.33
Bank Charges	101.69	95.91
	<u>1,901.73</u>	<u>1,196.03</u>
LESS :		
Interest on Fixed Deposits (Gross)	10.33	4.49
[Tax deducted at source Rs. 1.97 lacs (Previous year Rs. 0.91 lacs)]		
Interest on Excise Duty Refund	79.74	-
Interest on Income Tax Refund	-	12.37
Interest Others	2.89	5.75
	<u>92.96</u>	<u>22.61</u>
	<u>1,808.77</u>	<u>1,173.42</u>

* Net of interest recovered from customers Rs. Nil (Previous year Rs. 10.11 lacs).

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE M****SIGNIFICANT ACCOUNTING POLICIES****1) ACCOUNTING CONVENTION**

The Financial Statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

2) REVENUE RECOGNITION

Sales are recognized on transfer of significant risks and rewards to the customer that usually takes place on dispatch of goods to the customer from the factory/ stockyard/ storage area. In case of export sales, revenue is recognized as on the date of bill of lading, being the effective date of transfer of significant risks and rewards to the customer. Export benefits are accounted for on accrual basis.

3) FIXED ASSETS / INTANGIBLE ASSETS

Fixed assets are recorded at cost of acquisition. Cost includes freight, duties, taxes and expenses incidental to acquisition and installation of fixed assets. In case of self-constructed fixed assets, appropriate overheads including salaries & wages are allocated to the cost of the asset. The cost of capital spares is capitalized along with the cost of the related asset.

Intangible assets comprising of Technical know how, product designs, prototypes etc. either acquired or internally developed are stated at cost. In case of internally generated intangible assets, appropriate overheads including salary and wages are allocated to the cost of the asset.

Capital work in Progress includes cost of assets at site, direct and indirect expenditure incidental to construction, advances made for acquisition of capital assets and interest on the funds deployed for construction.

4) DEPRECIATION / AMORTISATION

Depreciation on tangible fixed assets is provided on a Straight-Line Method on a monthly pro-rata basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except on following assets which are being depreciated at the rates mentioned below:

Motor cars and air conditioners – 25.00%

Computers – 33.33%

All assets costing up to Rs. 5,000/- are being fully depreciated in the year of purchase.

Capital spares are amortized in a systematic manner over a period not exceeding the useful life of the asset to which they relate.

Intangible assets are amortised on a Straight-Line Method on a monthly pro-rata basis over a period of three to ten years based on the estimated useful life of the assets.

5) INVENTORIES

Inventories are valued at lower of cost or net realizable value. Cost for the purpose of valuation is calculated on a quarterly weighted average method. In respect of Finished Goods & Work-in-Progress, applicable manufacturing overheads and other costs incurred in bringing the items of inventory to their present location and condition are also included. Excise duty is included in finished goods valuation.

6) EMPLOYEE BENEFITS

(a) Post-employment benefit plans

- i. Defined Contribution Plans - The Company contributes to the appropriate authorities its share of the Employees' Provident & Pension Fund and Employee State Insurance, which is charged to Profit and Loss Account every year. The Company has created trust which has taken Master policy with the Life Insurance Corporation of India to cover its liability towards employees' Superannuation. Annual contribution of Superannuation is charged to Profit and Loss Account every year.
- ii. Defined Benefit Plans - The estimated liability towards Gratuity and Leave Encashment is being provided for based on the actuarial valuation carried out at the year-end using Projected Unit Credit Method. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur.

The Company has created a trust which has taken Master policy with the Life Insurance Corporation of India to cover its liability towards employees' Gratuity. The Gratuity obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of Gratuity Fund.

(b) Short term employment benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the services. These benefits include compensated absences and performance incentives.

7) RESEARCH & DEVELOPMENT

Revenue expenditure on Research and Development is charged to the Profit and Loss Account in the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to fixed assets and depreciated at the rate as applicable to respective assets.

8) WARRANTY EXPENSES

Provision for warranty is made in the accounts on the basis of past experience and technical evaluation in respect of vehicles sold.

9) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at exchange rates prevailing at the date of transaction. Exchange differences, if any, arising on settlement of transactions are recognized as income or expense in the year in which they arise.

At the Balance Sheet date all monetary assets and monetary liabilities denominated in foreign currency are reported at the exchange rates prevailing at the Balance Sheet date and the resultant exchange difference, if any, is recognized in the Profit & Loss Account.

10) TAXATION

Tax Expense, comprising current tax, deferred tax & fringe benefit tax is included in determining the net profit for the year. The current tax & fringe benefit tax has been computed in accordance with relevant tax rates and tax laws. Minimum Alternate Tax (MAT) paid in excess of normal income tax is recognised as asset (MAT Credit entitlement) only to the extent, there is reasonable certainty that company shall be liable to pay tax as per the normal provisions of the Income Tax Act, 1961 in future.

In accordance with Accounting Standard – 22 'Accounting for Taxes on Income', notified under Section 211(3C) of the Companies Act, 1956, the deferred tax for timing differences between the book and the tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet date. However, in the year of transition, the accumulated deferred tax (liabilities) / assets at the beginning of the year has been recognized with a corresponding charge to the General Reserve.

Deferred tax assets arising from temporary timing differences are recognized to the extent there is a reasonable / virtual certainty that the assets can be realised in the future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

11) GOVERNMENT GRANTS

Grants in the form of Capital/Investment subsidy are treated as Capital Reserve.

12) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

13) LEASES

As lessee:

Lease rental in respect of assets taken on "Operating Lease" are charged to Profit & Loss account on straight-line basis over the lease term.

14) IMPAIRMENT OF ASSETS

In accordance with Accounting Standard – 28 on 'Impairment of Assets', notified under Section 211(3C) of the Companies Act, 1956, recoverable amount of relevant assets is computed and compared with the carrying amount for determining impairment loss, if any at the Balance Sheet date in case there is an indication that any asset may be impaired.

15) PROVISIONS AND CONTINGENCIES

Provisions are recognized when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions required to settle are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain. Contingent liabilities are disclosed after an evaluation of the facts and legal aspects of the matters involved.

SCHEDULE N
NOTES TO ACCOUNTS

1. There are Contingent Liabilities in respect of :
- a) Claims against the Company not acknowledged as debts :

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum-where the dispute is pending
Central Sales Tax Act, 1956	Demand raised for difference in the rate of tax.	Rs.218.23 lacs (Rs.87.30 lacs deposited by the Company)	1 st April 2000 to 30 th September 2000	Sales Tax Appellate Tribunal, Chandigarh.
Central Sales Tax Act, 1956	Vehicles impounded & demand raised due to discrepancy in / inadequacy of documents.	Rs.9.65 lacs (Surety bond and Rs. 2.42 lacs deposited by the Company)	May, 2001	High Court of Punjab & Haryana (Appeal filed by the Company).
Punjab VAT Act, 2005	Vehicles impounded & demand raised due to discrepancy in / inadequacy of documents.	Rs.2.10 lacs (Surety bond and Rs. 0.53 lacs deposited by the Company)	March, 2008	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Punjab VAT Act, 2005	Vehicles impounded & demand raised due to discrepancy in / inadequacy of documents.	Rs. 1.57 Lacs (Surety bond and Rs. 0.39 lacs deposited by the company)	August, 2007	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Karnataka Value Added Tax, 2003	Demand raised by Sales tax Authorities for late submission of Return.	Rs. 1.97 lacs (Rs. 0.99 lacs deposited by the company)	December, 2007	Assistant Commissioner of Commercial Taxes, Hubli.
Gujarat Sales Tax Act	Demand raised due to discrepancy in documents.	Rs. 11.78 lacs (Rs. 2.37 lacs deposited & Rs. 9.25 lacs has been given as bank guarantee by the company)	2001-02	Deputy Commissioner of Sales Tax, Gujarat.
Haryana Value Added Tax Act, 2003	Demand raised by Sales Tax Authority, Panchkula against non submission of Form D & D1.	Rs. 4.22 Lacs	2005-06	Excise & Taxation Officer cum Assessing Authority, Panchkula.
Central Sales Tax Act, 1956	Demand raised by Sales Tax Authority, Panchkula against Non submission of C forms.	Rs. 3.37 Lacs	2005-06	Excise & Taxation Officer cum Assessing Authority, Panchkula.
Central Excise Act, 1944	Denial of benefit of notification for fuel efficiency to chassis for Motor Vehicles.	Rs147.66 lacs (already deposited by the Company)	1995-96 to 96-97	The case has been referred back by Supreme Court of India to Customs Excise and Service Tax Appellate Tribunal (CESTAT).

Central Excise Act, 1944	Demand raised to re-determine the assessable value of components supplied to spare parts division under Rule 7 of Valuation Rules.	Rs 4.25 lacs (Includes penalty Rs. 2.12 lacs)	1 st April, 2000 to 31 st March, 2004	The case has been referred back by Customs Excise and Service Tax Appellate Tribunal (CESTAT) to Commissioner (Appeals).
Central Excise Act, 1944	Demand raised on non-receipt of material sent to job workers within 180 days under Rule 4(5a) of Cenvat Credit rules.	Rs. 1.76 lacs (amount of penalty)	1 st April, 2003 to 31 st October, 2003	Custom Excise and Service Tax Appellate Tribunal (CESTAT).
Central Excise Act, 1944	Demand raised in context with Service tax on royalty received on account of use of brand name of SML.	Rs. 9.92 lacs(Rs. 1.30 lacs deposited by the Company, includes penalty of Rs 6.62 lacs)	April, 2002 to March, 2005.	Custom Excise and Service Tax Appellate Tribunal (CESTAT).
Central Excise Act, 1944	Demand raised for non-inclusion of cost of publicity items sold to dealers on trading basis as part of Transaction Value.	Rs. 3.19 lacs (includes penalty amounting to Rs 0.30 lacs)	1 st January, 2004 to 30 th September, 2004	Custom Excise and Service Tax Appellate Tribunal (CESTAT).
Central Excise Act, 1944	Denial of utilization of service tax credit for the payment of service tax liability on behalf of foreign collaborator.	Rs. 5.70 lacs (inclusive of penalty Rs. 2.85 lacs)	2005-06	Custom Excise and Service Tax Appellate Tribunal (CESTAT).
Central Excise Act, 1944	Inadmissible Service tax credit utilized for payment of service tax liability resulting in short payment of service tax liability.	Rs. 5.70 lacs (inclusive of penalty Rs. 2.85 lacs)	2005-06	Appeal by the Company to be filed before Custom Excise and Service Tax Appellate Tribunal (CESTAT).
Income Tax Act, 1961	Disallowance of provision for bad and doubtful debts.	Rs.36.74 lacs for the Assessment Year 1992-93 (representing the amount of provision)	1991-92	High Court of Punjab & Haryana (Appeal filed by the Department).
Income Tax Act, 1961	Demand raised under section 234 B & C by assessing authority.	Rs.22.02 lacs for the Assessment Year 1998-99 (Rs.22.02 lacs deposited by the Company)	1997-98	High Court of Punjab & Haryana (Appeal filed by the Company).
Income Tax Act, 1961	Demand raised for excess deduction claimed u/s 80HHC on account of DEPB .	Rs. 3.43 lacs for the Assessment Year 2004-05.	2003-04	Appeal filed by the Company before ITAT, Chandigarh.
Income Tax Act, 1961	Demand raised for non deduction of TDS on payment of Fee for Technical Services/ Royalty .	Rs. 28.51 lacs for the Assessment Year 1987-88	1986-87	Appeal filed by the Department before Punjab & Haryana High Court.

Income Tax Act, 1961	Demand raised on disallowance of expenses, loading of statutory dues on Work-in-Progress u/s 145(A) and weighted R&D deduction.	Rs. 101.55 lacs Assessment Year 2005-06 (Rs. 62.00 lacs deposited by the Company)	2004-05	Major relief granted by CIT(A). Appeal against partial disallowances filed before ITAT both by the Company and the Department.
Civil Recovery suit	Claim filed by finance company for non supply of vehicles by the dealer even after receiving money.	Rs. 12.70 lacs claimed by Luxmi General Finance	1997	Appeal filed by the Company before High Court at Chennai.
Civil Recovery suit	Suit filed by the bank for recovery of amount sanctioned to one of the customer for purchase of a Swaraj Mazda vehicle.	Rs. 4.16 lacs	2008	Civil Judge Senior Division, Gurgaon.
District Consumer Forum	Award given by the District Consumer Forum, Bilaspur, against complaint filed by the customer for replacement of defective engine.	Rs. 2.0 lacs	2008	Appeal filed by the Company before State Commission, Himachal Pradesh against the order of District Consumer Forum, Bilaspur.

- b) Bank Guarantees given by the Company and outstanding as on 31.03.2009 amounting to Rs.1,006.38 lacs (Previous Year Rs. 331.94 lacs).
- c) Letters of Credit issued on behalf of the Company by its bankers and outstanding as on 31.03.2009 amounting to Rs. 1,358.31 lacs (Previous Year Rs. 2,681.07 lacs).
2. Through issue of excise notification no. 11/95 dated March 16, 1995 Government sought to lapse Rs. 488 lacs out of Modvat Credit Receivable balance as on March 16, 1995. Petition by the Company and others with the Delhi High Court challenging the said notification on grounds of law and equity was allowed by the Supreme Court vide order dated January 28, 1999. The Finance Act, 1999 has, however, brought in retrospective amendment w.e.f. March 16, 1995 in the Central Excise Act, empowering the Central Government to lapse such modvat. On legal advice obtained by the Company to seek redressal against the action of the Government, the Company has filed writ petition before the Delhi High Court on the ground that the Government action violates the doctrine of promissory estoppel/expectation principle beside other grounds. The Court has already admitted the petition. Accordingly, pending Company's petition and decision thereupon, the amount of Rs. 488 lacs though adjusted in excise records has not been provided in the books of account.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 443.71 lacs (Previous Year Rs. 240.00 lacs).
4. (a) Market promotion expenses (Schedule K) includes Commission on sales amounting to Rs. 98.70 lacs (Previous Year Rs. 84.15 lacs).

(b) Provision For Warranty*	<u>2008-09</u>	<u>2007-08</u>
	<u>(Rs. in Lacs)</u>	<u>(Rs. in Lacs)</u>
Opening Balance	463.00	423.00
Additions during the year	226.00	303.00
Utilized during the year	386.34	263.00
Closing Balance	<u>302.66</u>	<u>463.00</u>

*As per warranty policy, the Company is required to provide free repair and replacement of parts required due to manufacturing defects which appear during the warranty period.

5. As the Company's business activities fall within a single primary business segment, viz., "Commercial Vehicles and Spares", the disclosure requirement of Accounting Standard (AS) – 17 "Segment Reporting" is not applicable.
6. In accordance with Accounting Standard (AS) - 18 on "Related Party Disclosures", the disclosure in respect of transactions with the company's related parties are as follows:

- i) Holding / Associate Company Sumitomo Corporation, Japan
(Holding w.e.f. January 06, 2009)*
- ii) Key Management Personnel* Mr. Yash Mahajan - Managing Director
Mr. K. Nakajima - Whole-time Director

* As identified and certified by the Management.

- iii) Transactions with Sumitomo Corporation :-

	<u>2008-2009</u> <u>(Rs. in lacs)</u>	<u>2007-2008</u> <u>(Rs. in lacs)</u>
a. Purchase of components/spares	1,516.31	3,222.50
b. Purchase of fixed assets	252.36	29.66
c. Discounting charges	10.98	22.41
d. Dividend paid (Gross)	236.67	236.67
Balance outstanding at year end – Payable	736.70	1,712.55

- iv) Payments to Key Management Personnel:

	<u>2008-2009</u> <u>(Rs. in lacs)</u>	<u>2007-2008</u> <u>(Rs. in lacs)</u>
a. Remuneration (Refer Note 19 on Schedule N):		
Mr. Yash Mahajan	184.88*	87.13
Mr. K. Nakajima	58.35	92.41
b. Other Payments		
Rent paid to Mr. Yash Mahajan	9.69	Nil
Aggregate balances outstanding at year end – Payables	11.95	82.21

*Includes arrears Rs. 88.27 lacs for the period 1st June, 2006 to 31st March, 2008.

7. Earning Per Share (EPS) :

	<u>31.03.2009</u>	<u>31.03.2008</u>
Profit attributable to equity shareholders (Rs. in lacs)	478.76	2,520.27
Weighted average number of equity shares outstanding during the year [excluding 13,300 forfeited equity shares (Previous Year 13,300)]	10,486,700	10,486,700
Basic / Diluted Earning Per Share (Rs.)	4.57	24.03
Face value per share (Rs.)	10.00	10.00

8. In view of Accounting Standard (AS) – 22 “Accounting for Taxes on Income”, the Company has accounted for deferred tax as follows:

Particulars	Balance as at 01.04.2008	Amount (Rs. in lacs)	
		Expense/ (Saving) during the year	Balance as at 31.03.2009
(A) Deferred Tax Liabilities			
(i) Tax impact of difference between carrying amount of fixed assets in the financial statements and income tax returns	275.39	871.93	1147.32
	[196.70]	[78.69]	[275.39]
Sub Total	275.39	871.93	1147.32
	[196.70]	[78.69]	[275.39]
(B) Deferred Tax Assets			
(i) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax.	175.64	(42.85)	218.49
	[114.81]	[(60.83)]	[175.64]
(ii) Tax impact of expenditure disallowed under section 40(a)(ia) and 43B of the Income Tax Act.	264.71	(84.11)	348.82
	[129.35]	[(135.36)]	[264.71]
(iii) Tax impact of loss as per normal provisions of Income Tax Act, 1961	–	(859.97)	859.97
	[–]	[–]	[–]
(iv) Adjustment on account of change in accounting policy (Refer Note 20 on Schedule N)	–	–	–
	[27.50]	[27.50]	[–]
Sub Total	440.35	(986.93)	1427.28
	[271.66]	[(168.69)]	[440.35]
Deferred Tax Assets (B-A)	164.96	(115.00)	279.96
	[74.96]	[(90.00)]	[164.96]

The Deferred Tax Saving (net) for the current year aggregating to Rs. 115 lacs (Previous Year Rs. 90 lacs) has been credited to the Profit & Loss Account.

Note : Figures shown in parenthesis [] relate to previous year.

9. **Auditors’ Remuneration:**

	2008-2009 Rs. in lacs	2007-2008 Rs. in lacs
Statutory Audit Fee	18.50	18.50
Tax Audit Fee	5.00	5.00
Other Audit Services/Certification	8.50	8.50
Reimbursement of Out of Pocket Expenses	1.04	1.28
	<u>33.04</u>	<u>33.28</u>

10. Information with regard to Licensed Capacity, Installed Capacity*, Production, Sales and Stocks:
a) Capacities:

	Unit of Measurement	Installed Capacity (Per annum)	
		31.3.2009	31.3.2008
On-road automobiles (having four or more wheels such as light, medium and heavy commercial vehicles)	Nos.	18,000*	12,000*

* On single shift basis as certified by the management and relied upon by auditors being technical matter.

* Includes production for Internal use.

Licensed Capacity : Not applicable.

b) Production, Sales and Stocks of Finished Goods:

	2008-2009		2007-2008	
	Qty. (Nos.)	Rs. in lacs	Qty. (Nos.)	Rs. in lacs
VEHICLES				
Opening Stock	670	4,258.86	708	3,541.14
Production	8,164*	—	11,241*	—
Sales	8,022**	55,240.40	11,274**	71,328.46
Vehicles capitalised	6	—	5	—
Vehicles scrapped	5	—	—	—
Closing Stock	801***	5,655.03	670***	4,258.86

* Includes 17 buses (Previous Year 27) produced during test run.

** Includes 2 buses (Previous Year 2) sold during test run which is netted off from assets capitalised.

*** Includes 35 buses (Previous Year 25) produced during test run.

	2008-2009	2007-2008
	Rs. in Lacs	Rs. in Lacs
SPARES		
Opening Stock	420.04	373.63
Purchases	2,510.63	2,566.11
Sales	4,743.41	4,554.35
Closing Stock	503.81	420.04

Note: It is not possible to furnish quantitative information in respect of spares in view of large number of items of varied nature.

11. Raw Material & Components Consumed :

	2008-2009		2007-2008	
	Qty. (Nos.)	Rs. in lacs	Qty. (Nos.)	Rs. in lacs
CKD Kits	8,164	1,447.94	11,241	1,759.18
Tyres, Tubes & Rims	164,882	3,045.13	228,075	3,820.58
Cargo Boxes	1,664	775.16	2,226	840.01
Batteries	8,335	220.05	11,528	306.40
Others	–	38,565.46	–	47,160.32
		<u>44,053.74</u>		<u>53,886.49</u>

- i) In view of varied nature of large number of items, it is not possible to furnish quantitative information of components.
- ii) The figure of others is a balancing figure based on total consumption shown in Schedule J and includes adjustments for excess/shortage found on physical verification.
- iii) Quantities and values of all items except CKD kits (where actuals are taken) represent issues from stores made during the period.

12. Value of imported and indigenous Raw Material & Components, Stores & Spares consumed and percentage of each to total consumption:

	2008-2009		2007-2008	
	%	Rs. in lacs	%	Rs. in lacs
a) Raw Material & Components:				
Imported	4.38	1,930.24	5.15	2,774.20
Indigenous	95.62	42,123.50	94.85	51,112.29
	<u>100.00</u>	<u>44,053.74</u>	<u>100.00</u>	<u>53,886.49</u>
b) Stores & Spares:				
Imported	6.61	7.59	7.22	9.87
Indigenous	93.39	107.22	92.78	126.77
	<u>100.00</u>	<u>114.81</u>	<u>100.00</u>	<u>136.64</u>

13. C.I.F. Value of Imports :

	2008-2009	2007-2008
	Rs. in lacs	Rs. in lacs
Raw Material & Components	2,168.29	3,906.87
Spares & Stores (including Capital Spares)	76.22	8.84
Capital Goods	794.17	122.47
	<u>3,038.68</u>	<u>4,038.18</u>

14. Earnings in Foreign Currency:

	2008-2009		2007-2008	
	Nos.	Rs. in lacs	Nos.	Rs. in lacs
Exports including Deemed Exports of Vehicles at FOB Value	409	2,266.94	585	3,242.21
Export of Spare Parts		94.76		91.84
		<u>2,361.70</u>		<u>3,334.05</u>

15. **Expenditure in Foreign Currency (on payment basis - net of tax):**

	<u>2008-2009</u> <u>Rs. in lacs</u>	<u>2007-2008</u> <u>Rs. in lacs</u>
Travelling	21.49	21.79
Know-how	41.66	37.56
Discounting Charges	15.19	11.56
Technician Fees	65.29	76.56
	<u>143.63</u>	<u>147.47</u>

16. There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2009 and 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of information available with the Company.

17. The Company has a system for maintenance of information and documents as required by the transfer pricing regulation under Sections 92-92F of the Income Tax Act, 1961, as applicable. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company also updates its information and documentation for international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arms length so the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

18. The Company has taken certain premises under operating lease arrangements. The lease period varies from 3 to 15 years with the option to extend the same with mutual consent. The total lease rental recognized as expense aggregate to Rs. 156.38 lacs (Previous Year Rs. 122.84 lacs).

Future minimum lease payments under non-cancellable operating leases:

	<u>2008-2009</u> <u>Rs. in lacs</u>	<u>2007-2008</u> <u>Rs. in lacs</u>
Not later than one year	5.35	7.17

19. **Managerial Remuneration *(Refer Note 6 on Schedule N) :**

	<u>2008-2009</u> <u>Rs. in lacs</u>	<u>2007-2008</u> <u>Rs. in lacs</u>
1. Remuneration :		
i) Salaries and Allowances	120.00	85.80
ii) Commission	11.95	82.21
iii) Contribution to Provident & Other Funds	18.60	10.14
iv) Other Perquisites	4.41	1.39
	<u>154.96</u>	<u>179.54</u>
2. Computation of net profit in accordance with Sec. 309(5) of the Companies Act, 1956 for the calculation of commission:		
Profit Before Tax	413.61	3,870.27
Add: Depreciation charged in accounts	583.92	330.07
Provision for doubtful debts	128.06	395.38
Director's remuneration	243.23	179.54
Director's sitting fee	11.40	9.90
	<u>1,380.22</u>	<u>4,785.16</u>
Less: Depreciation as per Section 350 of the Companies Act, 1956	555.68	293.85
Provision for doubtful debts written back	29.35	50.33
	<u>795.19</u>	<u>4,440.98</u>

Maximum Commission to Managing Director @ 1% (as approved by Members. Restricted to Rs. 4.00 lacs as total remuneration approved by Ministry of Corporate Affairs, Government of India is Rs. 96.72 lacs).	4.00	37.80
Maximum Commission to Whole-time Director @ 1% (Within the overall limit of Rs. 48.00 lacs being 100% of annual salary as approved by Members).	7.95	44.21

***Notes:**

- i. Contribution to Provident and other funds does not include contribution towards gratuity & leave encashment, as the separate figures for the directors are not available.
- ii. Other Perquisites does not include premium in respect of personal accident insurance, as the separate figures for the directors are not available.
- iii. Remuneration of Whole-time Director is subject to approval of Ministry of Corporate Affairs, Government of India.
- iv. Arrears of Remuneration paid to Managing Director during the year for the period 1st June, 2006 to 31st March, 2008 as approved by members is as below:

Particulars	(Rs. in lacs)
Salaries and Allowances	64.20
Commission	6.61
Contribution to Provident & Other Funds	10.56
Other Perquisites	6.90
Total	88.27

20. The Company had adopted in the previous year Accounting Standard (AS)-15 'Employee Benefits' (Revised 2005) notified under Section 211(3C) of the Companies Act, 1956. Consequent upon its adoption, in accordance with the transitional provisions contained in the Accounting Standard, the net difference of Rs. 53.40 lacs (after adjustment for deferred tax of Rs. 27.50 lacs) between the liability in respect of Gratuity and Leave Encashment existing on the date of adoption and the liability that would have been recognized at the same date under the previous Accounting Standard, was adjusted in the previous year against the opening balance of General Reserve. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended March 31, 2009:

I Defined Contribution Plans:

Provident Fund & Superannuation

During the year the company has recognised the following amounts in the Profit and Loss Account –

	<u>2008-09</u>	Rs. in Lacs <u>2007-08</u>
Employers Contribution to Provident Fund & Pension Fund*	220.47	158.26
Superannuation*	53.01	45.60

II. State Plans :

Employees State Insurance Scheme

During the year the company has recognised the following amounts in the Profit and Loss Account –

	<u>2008-09</u>	Rs. in Lacs <u>2007-08</u>
Employees State Insurance Scheme*	7.73	3.18

*Included in Contribution to Provident and Other Funds in Schedule K.

III. Defined Benefit Plans

- (a) Contribution to Gratuity Fund – Life Insurance Corporation of India
(b) Leave Encashment

	2008-2009		2007-2008	
	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)
Mortality Table	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate
Attrition Rate	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.
Imputed Rate of Interest	7.50% p.a.	7.50% p.a.	8.00% p.a.	8.00% p.a.
Salary Rise	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.
Return on Plan Assets	N.A.	9.30% p.a.	N.A.	9.25% p.a.
Remaining Working Life	20.69 Years	20.26 Years	21.31 Years	19.32 Years
Change in the Present value of obligation				Rs. in lacs
Defined benefit obligation as at April 1, 2008	254.20	560.65	203.57	442.43
Service cost	73.78	47.36	59.52	37.85
Interest cost	14.74	38.84	15.00	33.67
Actuarial loss/(gain)	53.96	116.12	8.33	89.81
Benefits paid	(115.34)	(85.61)	(32.22)	(43.11)
Defined benefit obligation as at March 31, 2009	281.34	677.36	254.20	560.65
Change in fair value of plan				
Fair value of plan assets as at April 1, 2008		222.84		208.77
Expected return on plan assets		19.37		19.06
Contributions by employer		56.41		37.61
Actuarial (loss)/gain		(0.55)		0.52
Benefits paid		(85.61)		(43.11)
Fair value of plan assets as at March 31, 2009		212.46		222.84
Reconciliation of present value of defined benefit obligation and the fair value of assets				
Present value of obligation as at March 31, 2009		677.36		560.65
Fair value of Plan Assets as at the end of period funded status		212.46		222.84
Present value of unfunded obligation as at March 31, 2009		464.90		337.81
Expenses recognised in the Profit and Loss Account *				
Current Service Cost	73.78	47.36	59.52	37.85
Interest Cost	14.74	38.84	15.00	33.67
Expected return on plan assets	-	(19.37)	-	(19.06)
Net actuarial loss/ (gain) recognized	53.96	116.67	8.33	89.29
Total Expenses recognised in the Profit & Loss Account	142.48	183.50	82.85	141.75

* Included in Salaries, Wages and Bonus & Contribution to Provident and Other Funds in Schedule K.

The major categories of plan assets as a percentage of total plan assets as at March 31, 2009 are as follows:

Government of India Securities	Nil
Insurer Managed Funds	100%

Note: The estimates of future salary increase, considered in actuarial variation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Short term employment benefits

The undiscounted amount of short term employment benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the services. These benefits include compensated absences and performance incentives.

21. Research and Development Costs:

	<u>2008-09</u> <u>Rs. in lacs</u>	<u>2007-08</u> <u>Rs. in lacs</u>
a. Revenue Expenditure		
Salaries & Wages	132.12	98.94
Contribution to Provident and other funds	6.61	6.25
Materials	138.75	55.94
Testing & Analytical	100.01	81.19
Traveling	33.35	31.16
Membership & Subscription	14.59	12.34
Software	-	5.61
Telephone, Insurance, AMC, Magazines & General Utilities	9.31	6.56
Total	<u>434.74</u>	<u>297.99</u>
b. Capital Expenditure		
- Capitalised	109.09	64.13
- Work-in-Progress	1,353.94	181.61

22. Current tax expense comprise of Rs. 41.22 lacs (Previous year Rs. Nil), being charge for Minimum Alternate Tax under section 115JB of the Income Tax Act, 1961. The Company has recognized MAT Credit Entitlement of Rs. 41.22 lacs (Previous year Rs. Nil) grouped under Loans and Advances (Schedule G), in accordance with Guidance Note issued by The Institute of Chartered Accountants of India.

23. Detail in respect of dividend remitted during the year in foreign currency :

- Number of Non-resident Shareholders: 1 (Previous Year Nil)
- Number of Shares held: 209,000 (Previous Year Nil)
- Amount remitted during the year: Rs. 1,149,500 (Previous Year Nil)

24. Previous year figures have been regrouped / reclassified wherever considered necessary to conform to current year's classification.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in lacs)

	Year ended March 31, 2009	Year ended March 31, 2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax Expense	413.61	3,870.27
Adjustments For :		
Depreciation	583.92	330.07
Foreign Exchange Fluctuation	12.24	63.74
Interest Expense	1,744.48	1,036.79
Interest Income	(92.96)	(22.61)
Provision for Doubtful Debts & Advances	128.06	395.38
Provision for Retirement Benefits	176.74	240.85
Provision for Warranty	(160.34)	40.00
Provision for Wealth Tax	0.69	(0.40)
Liabilities/Provisions no longer required written back	(115.51)	(78.71)
	<u>2,277.32</u>	<u>2,005.11</u>
Operating Profit Before Working Capital Changes	2,690.93	5,875.38
Adjustments for :		
Decrease/(Increase) in Sundry Debtors	3,828.02	249.68
Decrease/(Increase) in Other Current Assets	268.78	258.69
Decrease/(Increase) in Loans and Advances	(235.93)	(48.38)
Decrease/(Increase) in Inventories	(2,579.39)	(3,616.77)
(Decrease)/Increase in Current Liabilities	(6,222.04)	1,285.59
	<u>(4,940.56)</u>	<u>(1,871.19)</u>
Cash Generated From / (Used in) Operations	(2,249.63)	4,004.19
Less: Direct Tax Paid (net of refunds)	306.10	1,163.69
Wealth Tax Paid	0.64	0.60
Fringe Benefit Tax Paid	57.65	50.92
Net Cash Generated from / (Used in) Operating Activities	(2,614.02)	<u>2,788.98</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,783.21)	(5,393.57)
Interest Received	90.99	21.70
Net Cash Used In Investing Activities	(2,692.22)	<u>(5,371.87)</u>

C. CASH FLOW FROM FINANCING ACTIVITIES

Unsecured Loans taken during the year	7,131.13		13,331.42	
Unsecured Loans repaid during the year	<u>7,131.13</u>	–	<u>8,460.04</u>	4,871.38
Secured Loans taken / (repaid) during the year		7,780.88		(1,602.33)
Dividend Paid		(567.82)		(563.28)
Dividend Tax		(98.02)		(98.02)
Interest Paid		<u>(2,013.38)</u>		<u>(1,392.24)</u>
Net Cash Inflow from Financing Activities		<u>5,101.66</u>		<u>1,215.51</u>
Net Increase in Cash and Cash Equivalents		(204.58)		(1,367.38)
Cash and Cash Equivalents as at 01.04.2008 (#1)		905.22		2,272.81
Cash and Cash Equivalents as at 31.03.2009 (#2)		<u>700.64</u>		<u>905.43</u>

Notes :

# 1 Cash and Bank Balances as at 01.04.2008	914.28	2,272.81
Less : Cash Credit Accounts (being treated as financing activity)	<u>(9.06)</u>	–
	905.22	<u>2,272.81</u>
# 2 Cash and Bank Balances as at 31.03.2009	700.89*	914.28*
Less : Cash Credit Accounts (being treated as financing activity)	–	(9.06)
Cash and Cash Equivalents as at 31.03.2009	<u>700.89</u>	<u>905.22</u>

* Net of unrealised foreign exchange gain of Rs. 0.25 lacs (Previous year Rs. 0.21 lacs unrealised foreign exchange loss).

Notes :

- The above "Cash Flow Statement" has been prepared under the Indirect method as set out in the Accounting Standard (AS) - 3 on Cash Flow Statements.
- Figures in bracket indicate cash outflows.
- Previous year figures have been regrouped and recasted, wherever necessary to conform to the current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

FOR AND ON BEHALF OF THE BOARD

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

S.K. TUTEJA
Chairman

V. NIJHAWAN
Partner
M.No. : F87228

GOPAL BANSAL
Sr. Vice President - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, 28th May, 2009

New Delhi, 28th May, 2009

AUDITORS' REPORT TO THE MEMBERS OF SWARAJ MAZDA LIMITED

1. We have audited the attached Balance Sheet of Swaraj Mazda Limited, as at March 31, 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) *Attention is invited to non provision of Rs.488 lacs in respect of MODVAT credit receivable as explained in Note 2 on Schedule N. Had the said amount been provided, the net current assets and profit for the year would have been lower by the corresponding amount.*
 - (g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act *and subject to our comments in para (f) above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

V. Nijhawan
Partner
Membership No : F87228
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Swaraj Mazda Limited on the financial statements for the year ended March 31, 2009]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, value added tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, value added tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2009 which have not been deposited on account of a dispute are stated in Note 1(a) on Schedule N.
10. The company has no accumulated losses as at March 31, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund /nidhi /mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

V. Nijhawan
Partner
Membership No : F87228
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

New Delhi, 28th May, 2009

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held at its Registered office at village Asron, Distt. Nawanshahar – 144 533 (Punjab) on 30th September, 2009 at 1:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account for the year ended 31st March, 2009 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. P. K. Nanda who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pankaj Bajaj 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. M. Tabuchi, 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. T. Hashimoto, 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. H. Yamaguchi, 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 pursuant to the provisions of Section 198, 269, 309, 310 and 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. Yutaka Watanabe as the Whole-time Director of the Company for a period of 5 years commencing from 1st July, 2009 on the following terms and conditions:

A. SALARY

Rs. 4,00,000/- per month with effect from 1st July, 2009.

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 ALLOWANCES

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

D. RETIRAL BENEFITS

Contribution to provident fund as applicable to Senior Management from time to time.

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

E. MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Y. Watanabe, 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 be same as mentioned herein in Part A, Part B and Part C in addition to those mentioned in Part D.

FURTHER RESOLVED THAT for the purpose of giving effect to the forgoing 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 question, difficulties or doubts that may arise in this regard, or as may be otherwise considered by it to be in the best interest of the Company.

Regd. Office:
Village Asron
Distt. Nawanshahar (Punjab)
Dated: 4th September, 2009

By Order of the Board

(GOPAL BANSAL)
Sr. 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 less than 48 hours before the commencement of the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from 15th September, 2009 to 22nd September, 2009 (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 30th September, 2009 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 22nd September, 2009. 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, 2002 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., holding shares in dematerialized form directly to the concerned Depository Participant. And in case of shares held in physical form, to the Company's Registrar and Share Transfer Agents, M/s MCS Limited, Sri Venkatesh Bhawan, F – 65, Okhla Industrial Area, Phase – I, New Delhi – 110 020.
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 22nd September, 2009 to the Company or the Registrar M/s MCS Limited, Sri Venkatesh Bhawan, F - 65, Okhla Industrial Area, Phase-I, 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. 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 / Reappointment of Directors:

Information / details as required under the Corporate Governance Code in respect of persons being appointed as Directors at the forthcoming Annual General Meeting is given below:

- a) Mr. P. K. Nanda holds a degree in Commerce and is a Qualified Chartered Accountant. He has held several key managerial positions with multi national companies, both in India and abroad such as Remington Rand, Philips Electronics and Metal Box. Mr. Nanda was appointed as the Chairman and Managing Director of Metal Box India in 1970.

Mr. Nanda was the founder president of the Confederation of Indian Industry and has also served as a member of committees of Confederation of British Industry and United Kingdom South Africa Trade Association. He has been a guest lecturer at the International Management Institute, Geneva. Mr. Nanda currently heads a consultancy firm focusing on international business strategy. Mr. Nanda has over 50 years of experience in diverse business arenas and is widely acknowledged as an expert on finance, corporate affairs, industry, trade & commerce, international business strategy etc.

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

Mr. Nanda is Chairman of JMG Corporation Limited and Vascular Concepts Limited and Director of GE Capital Investment Pvt. Ltd.

Details of Mr. Nanda's Membership in Committees are given Below:

<u>Name of the Company</u>	<u>Name of Committee</u>
JMG Corporation Ltd.	Shareholders Matters – Chairman
JMG Corporation Ltd.	Remuneration - Chairman
JMG Corporation Ltd.	Audit – Member
Swaraj Mazda Ltd.	Remuneration Committee - Member

Mr. Nanda's appointment would be as an Independent Director.

- b) Mr. Pankaj Bajaj holds a Bachelor's degree in Law from HNBG University and pursued an Executive Management Programme from University of Maryland. Mr. Bajaj is a fellow member of The Institute of Chartered Accountants of India (FCA), Associate Member of The Institute of Company Secretaries of India (ACS) and Associate Member of The Institute of Cost and Works Accountants of India (AICWA). Mr. Bajaj started his career in 1995 with Deloitte Haskins and Sells. He joined Sumitomo Corporation India Private Limited in 1997 as Company Secretary and currently holds the post of Corporate Officer and Company Secretary. Mr. Bajaj has over 14 years of experience in areas such as corporate planning and finance, internal controls, legal, secretarial and taxation matters and risk management.

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

Mr. Bajaj's appointment would be as a Non-executive Director belonging to the promoter group.

- c) Mr. Steven Enderby holds a degree in Economics and is a qualified Chartered Accountant. Mr. Enderby joined Actis Advisers Private Limited in 1990 and has more than 18 years of experience.

Mr. Enderby is also on the Board of Halonix Limited, Avtec Limited, Actis Advisers Private Limited, Tema India Limited and MFE India Limited.

Details of Mr. Enderby's Membership in Committees are given Below:

<u>Name of the Company</u>	<u>Name of Committee</u>
Halonix Ltd.	Share Committee – Chairman
Halonix Ltd.	Audit Committee – Member
Tema India Ltd.	Audit Committee – Member

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

Mr. Enderby's appointment would be as a Non-executive Director.

- d) Mr. A. K. Thakur holds a Bachelor's degree in Commerce and is a Chartered Accountant by qualification. Mr. Thakur joined Unit Trust of India in 1978 and retired as an Executive Director after 23 years of service. Mr. Thakur has over 40 years of vast experience in finance, accounting, investment and corporate affairs. He is currently a practicing Chartered Accountant and is also an advisor to Ray and Ray Consultants Private Limited.

Mr. Thakur is also on the Board of Rama Industries Limited, Peerless Securities Limited and SVIL Mines Limited.

Details of Mr. Thakur's Membership in Committees are given Below:

<u>Name of the Company</u>	<u>Name of Committee</u>
Rama Industries Ltd	Audit Committee – Member
Peerless Securities Ltd.	Audit Committee – Member
SVIL Mines Ltd.	Audit Committee – Member

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

Mr. A. K. Thakur's appointment would be as an Independent Director.

- e) Mr. M. Tabuchi was co-opted on 28th May, 2009 as a Non Executive Director on our Board. He holds a graduate degree in Economics from Kyoto University, Japan. Mr. Tabuchi joined Sumitomo Corporation in 1980 and over the years has worked in many departments such as railway products, forging and casting, transportation equipment and ship, aerospace and transportation systems. He currently holds the post of General Manager, Automotive Division 1 of Sumitomo Corporation in Tokyo, Japan. Mr. Tabuchi has over 28 years of experience in the Automobile and manufacturing industry.
- Mr. Tabuchi does not hold any shares in the Company.
- Mr. M. Tabuchi's appointment would be as a Non-executive Director belonging to the promoter group.
- f) Mr. T. Hashimoto was co-opted on 28th May, 2009 as a Non Executive Director on our Board. Mr. Hashimoto holds a graduate degree in Arts and Science from University of Tokyo. He has also pursued education programmes from Columbia University, New York and Harvard University, Boston. Mr. Hashimoto joined Sumitomo Corporation in 1982 and has several years of experience in the motor vehicles department and automotive components and equipments section of Sumitomo Corporation. In 1997, Mr. Hashimoto was appointed as the Manager of the Automotive Components and Equipment Section of Sumitomo Corporation, America and is currently Assistant to General Manager, Automotive Division 1 of Sumitomo Corporation in Tokyo, Japan. Mr. Hashimoto has over 26 years of experience in the automobile industry.
- Mr. Hashimoto does not hold any shares in the Company.
- Mr. T. Hashimoto's appointment would be as a Non-executive Director belonging to the promoter group.
- g) Mr. H. Yamaguchi was co-opted on 28th May, 2009 as a Non Executive Director on our Board. He holds a graduate degree in Economics. Mr. Yamaguchi joined Sumitomo Corporation in 1977 in the Motor Vehicles Department and has vast work experience in Sumitomo's overseas operations in Singapore, Myanmar & Vietnam. Mr. Yamaguchi is currently the Chairman & Managing Director of Sumitomo Corporation India Private Limited. Mr. Yamaguchi has over 30 years of experience in areas such as motor vehicles, development of industrial parks, logistics, insurance etc.
- Mr. Yamaguchi does not hold any shares in the Company.
- Mr. H. Yamaguchi's appointment would be as a Non-executive Director belonging to the promoter group.
- h) Mr. Y. Watanabe holds a degree in Foreign Study from Sophia University, Japan. Mr. Watanabe joined Sumitomo Corporation in 1975 and since then has held several overseas assignments in Kenya and France. Mr. Watanabe has been a key member of Sumitomo Corporation's core team in Tokyo for the India project since May, 2005. He joined Swaraj Mazda Board as Non Executive Director in September, 2005. Mr. Watanabe has several years of experience in overseas marketing and management functions.
- Mr. Watanabe does not hold any shares in the Company.

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

Item No.8

Taking note of Mr. M. Tabuchi's vast experience in corporate affairs and business development and guided by the imperatives of Company's future growth plans, the Board had co-opted Mr. M. Tabuchi as an Additional Director on 28th May, 2009 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. Tabuchi's association as Director would be of immense value to the Company and recommends the resolution for approval.

A notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Tabuchi as a Director. Hence, the resolution for approval.

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

Item No. 9

Recognising the immense contribution that Mr. T. Hashimoto has made since 2004 and taking note of the imperatives of Company's future growth plans, the Board had co-opted Mr. T. Hashimoto as an Additional Director on 28th May, 2009 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. Hashimoto's association as Director would immensely benefit 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. Hashimoto as a Director. Hence, the resolution for approval.

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

Item No. 10

With a view to further consolidate Company's core business interest and taking note of the imperatives of Company's future growth plans, the Board had co-opted Mr. H. Yamaguchi as an Additional Director on 28th May, 2009 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. Yamaguchi's association as Director would be of immense value to the Company and recommends the resolution for approval.

A notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Yamaguchi as a Director. Hence, the resolution for approval.

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

Item No. 11

Upon Mr. K. Nakajima's resignation as Whole-time Director of the Company with effect from 1st July, 2009, the Directors felt that having regard to the imperatives of SML's future growth plans, it would be in the interest of the Company that the vacancy caused by Mr. Nakajima's resignation be filled.

Accordingly the Directors in their Board Meeting held on 28th May, 2009 decided to appoint Mr. Watanabe, already a Director on the Board, as Whole-time Director of the Company with effect from 1st July, 2009 for a period of 5 years. Subsequently, in the Board Meeting held on 23rd July, 2009, the directors, on the recommendation of Remuneration Committee of the Board, approved remuneration package for Mr. Watanabe, subject to the approval of the Shareholders and the Central Government.

Mr. Y. Watanabe, who holds a degree in Foreign Study from Sophia University, Japan, joined Sumitomo Corporation in 1975. He has vast experience spread over 34 years career in Sumitomo Corporation. He has been a Director of the Company since 2005 and though based in Tokyo has made significant contribution in the progress of the Company's Expansion Project as a key member of Sumitomo's core team for the India Project.

Having regard to the above the Board commends passing of resolution in respect of Mr. Watanabe's appointment.

None of the directors of the Company except Mr. Y. Watanabe is in any way concerned or interested in the resolution.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :
1. REGISTRATION DETAILS :

Registration No.	5516	State Code	16
Balance Sheet Date	31 03 09		

2. CAPITAL RAISED DURING THE YEAR (Rs. in lacs) :

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placements	NIL

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in lacs) :

Total Liabilities	31681.47	Total Assets	31681.47
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SOURCES OF FUNDS

Paid-up Capital	1049.38	Reserves and Surplus	8603.40
Secured Loans	15128.69	Unsecured Loans	6900.00

APPLICATION OF FUNDS

Net Fixed Assets	12785.26	Deferred Tax Assets	279.96
Net Current Assets	18616.25	Investments	NIL

4. PERFORMANCE OF COMPANY (Rs. in lacs) :

Turnover	54695.24	Total Expenditure	54281.63
Profit / Loss before Tax	413.61	Profit / Loss after Tax	478.76
Earning Per Share (Rs.)	04.57	Dividend Rate (%)	15

5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY (As per monetary terms) :

Item Code No. (ITC CODE)	374201000
Product Description	COMMERCIAL VEHICLES

ATTENDANCE SLIP

SWARAJ MAZDA LIMITED

Village Asron, Distt. Nawanshahar-144 533 (Punjab)

25th Annual General Meeting - 30th September, 2009

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

NAME OF THE SHAREHOLDER/PROXY
ADDRESS

Folio No.

DP ID*

No. of Shares held :

Client ID*

I hereby record my presence at the 25th ANNUAL GENERAL MEETING of the Company at its Regd. Office & Works at Village Asron, Distt. Nawanshahar-144 533 (Punjab) on Wednesday, 30th September, 2009 at 1.00 P.M.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY

PROXY

SWARAJ MAZDA LIMITED

Village Asron, Distt. Nawanshahar-144 533 (Punjab)

Folio No. DP ID* Client ID*

I/We

of being a member/members

of SWARAJ MAZDA LIMITED hereby appoint

of

or failing him

of

as my/our proxy to vote for me/us and on my/our behalf at the 25th ANNUAL GENERAL MEETING of the Company to be held on Wednesday, 30th September, 2009 at 1.00 P.M. and at any adjournment thereof.

Signed this day of 2009 by the said.

*To be used for shares held in
electronic form.

Affix
Revenue
Stamp

Signature

Note : This proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the commencement of the meeting. The Proxy need not be a member of the Company.