

SWARAJ MAZDA LIMITED

BOARD OF DIRECTORS

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

EXECUTIVE DIRECTOR - 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
MIZUHO CORPORATE BANK LTD.
STANDARD CHARTERED BANK

REGISTERED OFFICE & WORKS

VILLAGE : ASRON,
DISTT. SHAHID BHAGAT SINGH NAGAR
(NAWANSHAHAR) PUNJAB-144 533

CORPORATE OFFICE

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

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26TH ANNUAL GENERAL MEETING
on Thursday, 30th September, 2010
at 1.00 P.M. at Village Asron,
Distt. Shahid Bhagat Singh Nagar,
(Nawanshahar) Punjab.

REPORT OF THE DIRECTORS

The Directors present their Twenty Sixth Annual Report together with Audited Accounts for the financial year ended 31st March, 2010.

PERFORMANCE REVIEW

As anticipated in last year's Report, the fiscal year 2009-10 saw steady improvement in the operations of the Company, particularly from October, 2009, in common with the positive changes in the overall commercial vehicle industry in the country. Happily, the improvement in the money supply situation was even better than expected giving a boost to demand for commercial vehicles (CV). While CV sales in the first half at 2,38,000 were low, the second half saw accelerated demand and sales achieved were at a robust level of 3,38,400. Consequently, total industry sales for the year at 5,76,000 (4,27,000) were an all time high. The Company's performance reflected that growth with sales rising to 10,133 vehicles from 8,020 in 2008-09, giving operating revenue of Rs. 722.23 crores (Rs. 546.95 crores).

Demand for the Company's ultra luxury buses saw only marginal improvement from last year: market penetration has proven difficult even though new products – two air-conditioned buses on Isuzu platform and one on Mazda chassis - were well received. Having regard to the slack demand for new products, capital spending in the year on the Expansion Project was restricted to bare minimum, at Rs. 2.87 crores. The Directors continue to believe that these products will achieve the sale volumes forecast in that Project.

A noteworthy feature of the Year's performance was highly successful efforts on collection of receivables, at Rs 878 crores, the highest in recent years, thereby achieving the stringent targeted levels of dealer dues.

Operating Profit at Rs 57.93 crores (Rs 28.06 crores) was gained from the increase in volume of sales, enhanced by a planned judicious product-mix, timely restructuring of vehicle prices and close vigil on expenditure.

It is in the above background that the Directors report the following summary of results for the year 2009-10.

	Year Ended 31st March, 2010	(Rs. in Crores) Year ended 31st March, 2009
Sales Volume (Nos.)	10,133	8,020
Net Operating Revenue	722.23	546.95
Operating Profit	57.93	28.06
Profit Before Tax	30.43	4.14
Tax Expense	8.97	(0.65)
Profit After Tax	21.46	4.79
Balance of Profit from Prior Years	17.28	14.58
Surplus available for Appropriation :	38.74	19.37
Appropriations :		
Transfer to General Reserve	2.15	0.25
Proposed Dividend	5.79	1.57
Tax on Dividend	0.98	0.27
Amount carried to Balance Sheet	29.82	17.28

RIGHTS ISSUE

The Rights Issue for 39,84,946 shares as earlier approved by Shareholders was made in March 2010 at a premium of Rs 190 per share. It met with reasonable success and all offered shares were taken up and duly allotted, except for unsubscribed 2,17,045 shares, which, under the terms of the Issue were allotted to the Promoters over and above their entitlement. The Issue raised Rs. 79.7 crores out of which issue expenses of Rs 1.19 crores were disbursed and a Bank loan of Rs 50 crores earlier raised to meet the cost of the Expansion Plan was repaid. Rs. 18 crores has been placed as a Fixed Deposit to meet further needs for that Plan. The balance amount was utilized for general corporate purpose.

DIVIDEND

Having regard to the improved financial results, the Directors recommend payment of dividend for Financial Year 2009-10 @ 40% (i.e. Rs 4 per share) against 15% for the previous year.

MANAGEMENT DISCUSSION & ANALYSIS, CORPORATE GOVERNANCE

A Management Discussions 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 cordial 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, 2010 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 continues to demonstrate a strong commitment to safety, health and environment. These aspects have been adopted as core organizational value of the Company.

Employees are continuously made aware of hazards / risks associated with their job and necessary training is imparted to them to update their knowledge and skill to meet any emergency situation.

The Company carries out statutory safety assurance and audits its facilities as per legal requirements. Regular medical and occupational check-up of employees are concluded and eco-friendly activities are promoted.

The Company has installed incinerator plant to safely dispose off hazardous waste. A Sewage Treatment Plant has also been installed to ensure eco-friendly disposal.

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

Despite alarms from certain world events, particularly the financial crises in some European countries, a dexterous balance achieved by the Government between stimulus and other fiscal measures and actions on the worrisome inflation has enabled the momentum in the economy to continue. That has been further bolstered by large spending on infrastructure development and greater availability of credit to industry, including CV industry, which, consequently, has made an extremely good start for the year with CV sale volumes in the first quarter - April-June' 2010 reaching 1,64,000 against 1,03,800 for the same quarter last year. On the back of strong fundamentals, CV volumes are expected to stay on growth path for the rest of the year. However, tough monetary action, if taken by the apex bank during the year to rein inflationary pressures, may act as a dampener. Further, rising prices of petroleum products and metals may exert pressure on margins as it may not be possible for the industry to pass on the entire input cost increases to customers.

Following the industry pattern of the first quarter, demand in the segment relevant for the Company vehicles also rose significantly; unfortunately, due to shortage of critical components, full advantage could not be taken of this increased demand and sales for the first Quarter, which could have crossed 3,100, got restricted to 2,812 (2,186) vehicles. On this improved sales volume, first quarter operations have recorded a net profit of Rs. 7.2 crores (Rs. 3.3 crores). Since vehicle production continues to be hampered by material shortages, sales for the remaining three quarters may lag behind demand for Company products.

Taking note of the aforesaid factors, Directors are optimistically cautious about volume growth in sales for the rest of the year but apprehend that the Company may not be able to protect margins.

DIRECTORS

Mr. T. Hashimoto tendered his resignation as Director of the Company through letter dated 11th May, 2010. The Board, at its Meeting held on 28th May, 2010, placed on record its deep appreciation for his contributions to the Company.

Mr. Eiichi Seto was co-opted as a Director of the Company on 28th May, 2010 and holds office upto the forthcoming Annual General Meeting. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr. Seto's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

Recognising the need to strengthen the Board in view of the Company's growth plans, the Board of Directors at its meeting held on 27th July, 2010 appointed, subject to Shareholders' approval, Mr. R.P. Sehgal as a Whole-time Director with effect from 1st June 2010 for a period of three years. Mr. Sehgal, in his tenure as Executive Director and a member of the Company's core team of management, has made immense contribution to its operations. He is designated as Director - Works. Appropriate resolutions for Mr. Sehgal's appointment as Director and Whole-time Director of the Company have been proposed at the forthcoming Annual General Meeting.

Mr. S.K. Tuteja, Mr. Harkirat Singh and Mr. H. Yamaguchi retire by rotation and, being eligible, offer themselves for re-appointment.

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 explanations relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments 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 2009-10 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

Dated : July 27, 2010

S.K. TUTEJA
Chairman

YASH MAHAJAN
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

The 2008 worldwide financial crisis which gripped most economies also derailed India's GDP growth from 2007-08 level of 9% to 6.7% in 2008-09, after a dream run of four years. With economy reeling under the unprecedented global meltdown at the beginning of 2009, last fiscal had an inauspicious start. However, stimulus package and an accommodative monetary regime put in place earlier, acted as a catalyst and the Indian economy staged a smart recovery in the second half with fiscal 2009-10 registering 7.2% GDP growth.

Sale of commercial vehicles (CV) is dependent to a large extent upon pace of economic activity and availability of credit. Global financial turmoil which manifested in India in September, 2008 and adversely impacted economic fundamentals and created liquidity crisis, dented performance of CV Industry in the second half of fiscal 2008-09 – volumes declining to 1,78,000 (3,09,000) and first half of fiscal 2009-10 – volumes declining to 2,38,000 (2,49,000). Happily the economic recovery from June, 2009, more importantly sharp increase in capital goods production, gave spurt to demand for commercial vehicles during second half of fiscal 2009-10 which saw vehicle sales peaking to 3,38,400 (1,78,000). Out of this, segment applicable to SML (7.5 to 12.0 ton GVW) contributed 45,000 (24,000).

2. COMPANY PERFORMANCE

Following industry trend, while SML volumes for the first half fell to 4,547 (5,454) with net revenue of Rs. 312.3 crores (Rs.368.1 crores), sales in the second half rose to 5,586 (2,566) generating net revenue of Rs. 409.9 crores (Rs. 178.9 crores). Consequently, on sale of 10,133 vehicles (8,020) and on sale of spare parts etc., net revenue for fiscal 2009-10 moved to Rs.722.23 crores (Rs. 546.95 crores) as detailed below :

	(Rs. In Crores)	
	<u>2009-10</u>	<u>2008-09</u>
On sale of Vehicles	669.64	499.49
On sale of Spare Parts etc.	52.59	47.46
Total Net Revenue	<u>722.23</u>	<u>546.95</u>

Mid-year decline in cost of procurement of steel related components and restructuring of product prices combined to bring down material cost to 79.0% for the year from 81.8% for fiscal 2008-09.

Employee costs at Rs. 42.6 crores (Rs.35.5 crores), represented 5.9% of net revenue (last year 6.5%). Marketing costs at Rs. 29.3 crores (Rs. 15.8 crores), represented 4.1% of net revenue (last year 2.9%).

Other operating, administrative & miscellaneous expenses at Rs. 21.6 crores (Rs. 20.0 crores) represented 3% of net revenue (last year 3.7%).

Interest burden for the year under review was Rs. 18.9 crores (Rs. 18.1 crores).

Depreciation charge for the year was Rs. 8.6 crores (last year Rs. 5.8 crores).

Increased volumes and better per vehicle realization have combined together to improve profitability; Operating profit rose to Rs. 57.9 crores (Rs. 28.0 crores) and PBT to Rs.30.4 crores (Rs. 4.1 crores).

Outgo on dividend account inclusive of tax at Rs. 6.77 crores would translate to a payout ratio of 32% (38%).

Consequent upon issue of fresh equity shares on rights basis at premium and with retained earnings of fiscal 2009-10, net worth of the company as on 31st March 2010 rose to Rs. 189.7 crores (Rs. 96.5 crores) comprising of an equity component of Rs.14.5 crores (Rs. 10.5 crores) and reserves Rs.175.2 crores (Rs. 86.0 crores).

As an outcome of improved cash flow from operations and utilization of proceeds from Rights Issue, year-end borrowings from banks declined to Rs. 84.6 crores (Rs. 220.3 crores).

Year-end debtors were Rs. 136.6 crores (Rs 146.3 crores).

Year-end creditors were Rs. 164.4 crores (Rs. 113.9 crores).

Gross Block and Net Block of assets respectively stood at Rs.163.0 crores (Rs. 135.0 crores) and Rs. 119.1 crores (Rs. 99.5 crores).

3. INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has conducted its affairs within the framework of well-defined business plans which have provided appropriate guidance and direction to its employees. 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. Finance & Accounts function is adequately staffed by professionally qualified and experienced personnel. 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.

4. HUMAN RESOURCES

The Company has always strived to attract the best talent, provide invigorative work environment, retain achievers and out-performers and inculcate in the employees loyalty for the organisation. Raising employees' involvement in the decision making process and grooming them for leadership positions has been an ongoing process.

Outcome of this is that the Industrial relations have all along been harmonious and cordial including the year under review. The total employees' strength as on 31st March, 2010 was 916 (878).

5. 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 have become applicable in 11 mega cities with effect from 1st April, 2010 and Bharat Stage III norms will become applicable throughout the country effective October, 2010. Since steel, steel-based components and other materials represent 80% of input costs, abnormal rise in steel prices and extra burden from new emission norms would lead to higher production cost which may not be fully neutralized by revision in selling prices in view of intensely competitive operating environment.

Technical alliance with Isuzu Motors, upgradation of the R&D centre, establishment of new vehicle manufacturing facility and the new bus body facility are some of the major initiatives and concrete steps taken by the Company to minimize its vulnerability against business risks.

6. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the 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 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 that 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. The Board has strength of twelve Directors; nine being 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 and Director-Works, in their individual capacity, are professional Directors 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 2009-10 and the last Annual general Meeting held on 30th September, 2009 and also the number of other Directorships and Committee Memberships/Chairmanship as on 31st March, 2010 is as follows:

Name of Director	Category	Financial Year 2009-10		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	5	5	No	14	3	4
Mr. Harkirat Singh	Non Executive Independent	5	5	Yes	NIL	NIL	NIL
Mr. Steven Enderby	Non Executive	5	4	No	4	NIL	2
Mr. A. K. Thakur	Non Executive Independent	5	5	No	2	NIL	2
Mr. P. K. Nanda	Non Executive Independent	5	5	Yes	2	2	1
Mr. Pankaj Bajaj	Non Executive	5	5	No	NIL	NIL	NIL
Mr. M. Tabuchi	Non Executive	5	1	No	NIL	NIL	NIL
Mr. H. Yamaguchi	Non Executive	5	2	No	NIL	NIL	NIL
Mr. E. Seto (w.e.f. 28.05.2010)	Non Executive	N.A	N.A	N.A	N.A	N.A	N.A
Mr. R.P.Sehgal Director-Works (w.e.f. 27.07.2010)	Executive	N.A	N.A	N.A	N.A	N.A	N.A
Mr. Y. Watanabe Whole-time Director	Executive	5	5	Yes	NIL	NIL	NIL
Mr. Yash Mahajan Managing Director	Executive	5	5	Yes	2	NIL	NIL
Alternate Directors							
Mr. T. Kato	Alternate Director to Mr. M. Tabuchi	3	2	N.A	NIL	NIL	NIL
Ex-Directors							
Mr. T. Hashimoto (Ceased w.e.f. 28.05.2010)	Non Executive	5	4	Yes	NIL	NIL	NIL
Mr. T. Nanko (Ceased w.e.f. 28.05.2010)	Alternate Director to Mr. T. Hashimoto	3	1	N.A	1	NIL	NIL

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

** C : Chairman # M : Member N.A : Not Applicable

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 terms of reference of the Audit Committee include the matters specified under Clause 49 II of the Listing Agreement as amended from time to time entered into with Stock Exchanges as well as those specified in section 292 A of the Companies Act 1956, as amended from time to time and inter-alia, includes the following:-

- Overseeing the Company's financial reporting process and disclosure of Financial information to ensure that the Financial Statements are correct, sufficient and credible;
- Recommending to the Board, the appointment, re-appointment and if required, the replacement of the Statutory Auditors and fixation of 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, 4 meetings of the Audit Committee of the Board were held on 28th May, 2009, 22nd July, 2009, 29th October, 2009, and 29th January, 2010. The gap between two meetings did not exceed four months.

The Audit Committee of the Board also met on 28th May, 2010 prior to the finalization of the Accounts for the Financial Year ended 31st March, 2010.

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	4	4
Mr. Harkirat Singh	4	4
Mr. A.K. Thakur	4	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 2 directors.

Mr. Gopal Bansal, Executive Director - Finance & Company Secretary, is the Compliance Officer of the Company.

The Company received 17 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, 2010, 17 meetings of the committee were held.

(c) Remuneration Committee

This Committee comprised of Mr. S.K.Tuteja, Chairman, Mr. P. K. Nanda and Mr. M. Tabuchi. 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 Director(s).

During the year one meeting was held on 23rd July, 2009 and was attended by Mr. S.K.Tuteja and Mr. P.K.Nanda.

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 2009-10.

Whole-time Directors

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident & other Funds	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Yash Mahajan Managing Director	60,00,000	4,00,000	16,20,000	18,68,579	NIL	98,88,579	Upto 31.05.2011
Y.Watanabe Whole-time Director	36,00,000	NIL	4,32,000	2,45,916	NIL	42,77,916	From 01.07.2009 Upto 30.06.2014
Keiji Nakajima Whole-time Director	12,00,000	7,95,000	1,44,000	-	NIL	21,39,000	Ceased w.e.f. 01.07.2009

Non-Executive Director

Name of Director	Sitting Fees (Rs.)	Commission(Rs.)
Mr. S.K. Tuteja	5,75,000	Nil
Mr. Harkirat Singh	4,80,000	Nil
Mr. A.K.Thakur	1,65,000	Nil
Mr. P.K.Nanda	1,90,000	Nil

(d) Rights Issue Committee

The Rights Issue Committee comprised 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 have been 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 four meetings of Rights Issue Committee were held on 14th September, 2009, 23rd February, 2010, 18th March, 2010 and 26th March, 2010.

The details of attendance of the members of the Rights Issue Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S.K.Tuteja, Chairman	4	4
Mr. P.K.Nanda	4	4
Mr. Pankaj Bajaj	4	1
Mr. Yash Mahajan	4	4
Mr. T. Hashimoto	4	Nil

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
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
2008-09	30 th September, 2009	1.00 PM	Swaraj Mazda Limited Village Asron, Distt. Shahid Bhagat Singh Nagar, (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) 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) Accounting Treatment

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) Code of Conduct for Directors and Senior Management

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, 2010 and a declaration to that effect signed by the Managing Director and CEO is attached and forms a part of this report.

d) 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.

e) Application of the proceeds from the Rights Issue.

During the FY 2009-10, Company raised Rs. 7,969.89 lacs through issue of 3,984,946 equity shares of Rs.10/- each at a premium of Rs. 190 per share to the shareholder of the Company on Rights basis. The net proceeds of the Rights Issue after deducting Rights Issue expenses of Rs. 118.52 lacs were utilized in terms of Letter of Offer dated 24th February, 2010.

As on 31st March, 2010 actual utilisation of Rights Issue funds has been:

(Rupees in lacs)

Particulars	As per Letter of Offer	As on 31 st March, 2010
Financing the Expansion Project	1,800.00	* See note below
Repayment of Loan taken from Allahabad Bank in relation to the Expansion Project	5,000.00	5,000.00
General Corporate purposes	1,047.14	1,047.14

* Pending utilization Rs. 1,800.00 lacs, earmarked for financing the expansion project, have been placed with a commercial bank as fixed deposit as per terms of Letter of Offer.

f) 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.

g) 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.

h) 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.

i) 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 Director(s).

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.

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 / Mechanism for evaluating Non-Executive 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, 2010, 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 : **30th September, 2010**
 Time : **1.00 PM**
 Venue : **Swaraj Mazda Limited**
Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab
2. **Financial Calendar (tentative)**
 Financial reporting for
 Quarter ended 30th June, 2010 : Taken on record on 27th July, 2010
 Quarter ending 30th Sept., 2010 : 3rd / 4th week of October, 2010
 Quarter ending 31st Dec, 2010 : 3rd / 4th week of January, 2011
 Year ending 31st March, 2011 : May/June, 2011
3. Book Closure : 7th September, 2010 to 15th September, 2010 (both days inclusive)
4. Dividend Payment : On or after 30th September, 2010, but within the Statutory time limit.
5. Listing on Stock Exchanges : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).
 Listing fee for 2010-11 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.)
2009				
April	172	113	172	113
May	218	128	219	123
June	255	193	270	183
July	250	206	247	209
August	230	206	230	202
September	230	201	230	207
October	238	206	235	202
November	290	200	298	191
December	336	258	335	265
2010				
January	336	266	345	263
February	317	218	321	218
March	264	211	265	213
April	287	224	289	220
May	321	260	324	262
June	373	300	374	300
July	390	290	390	290

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 95% 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 2009-10 was 11300 (Previous Year 13051)

Income Tax PAN mandatory for Transfer/Transmission/Deletion/Transposition of securities held in physical form.

The Securities and Exchange Board of India (SEBI) vide its Circular Nos. MRD/DOP/Cir-05/2009 dated 20th May, 2009 and SEBI/MRD/DOP/SE/RTA/Cir-03/2010 dated 7th January, 2010 has made it mandatory to furnish a copy of Income Tax PAN Card to the Company / the Registrar and Share Transfer Agent for Transfer / Transmission / Deletion / Transposition of securities held in physical form.

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

11. Shareholding Pattern as on 30th June, 2010

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	1	54.96	7,954,187
Mutual Funds & UTI	10	9.58	1,386,272
Other Bodies Corporate	233	4.20	607,647
FII's/NRI's/OCB's	1,036	18.00	2,605,114
Individuals	9,830	13.26	1,918,426
Total	11,110	100.00	14,471,646

12. Distribution of Shareholding as on 30th June, 2010

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holding
1-100	8,741	608,768	4.21
101-200	1,301	218,791	1.51
201-500	638	219,229	1.51
501-1000	214	164,381	1.14
1001-5000	150	327,170	2.26
5001-above	66	12,933,307	89.37
Total	11,110	14,471,646	100.00

13. The Company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.

14. Rights Issue:

In terms of the Letter of Offer dated 24th February, 2010 the Company had issued and allotted 3,984,946 Equity Shares of Rs. 10/- each at premium of Rs. 190/- to existing Shareholders on rights basis.

15. Plant Location : Swaraj Mazda Limited
Village Asron,
Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab 144533

16. Investor queries etc. with respect to the financial statements and secretarial matters may be addressed to:

Mr. Gopal Bansal

Executive Director – Finance & Company Secretary

Swaraj Mazda Limited

SCO: 204-205, Sector 34 – A

Chandigarh – 160 022

Tele: 0172-2647700-10, Fax: 0172-2615111, Email : gbansal@swarajmazda.net

17. 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:

- Power factor sustained at 0.99.
- Energy saving 28 W TS tube lights installed replacing conventional tube lights in production shops.
- Installation of energy saving 65 W CFL high bay lamps and street lights replacing 250 W mercury vapour lamps.
- Installation of CFL machine lamps in Tool Room.
- Installation of single MCB for switching off entire power in offices.
- Installation of "Auto Timers" for street lights.
- 75 KVA Generator installed for IT Server for providing power on "No Power Day and holidays" eliminating running of 1000KVA Generator.

2. TECHNOLOGICAL DEVELOPMENT

2.1 Absorption of technology for ultra luxury buses from ISUZU Motors Ltd., Japan and two overseas parties by productionising, tooling development and modification of design for indigenous condition.

2.2 Expenditure on Research & Development during 2009-10:

	<u>(Rs. in Lacs)</u>
(a) Capital	188.47
(b) Recurring	<u>537.97</u>
(c) Total	<u>726.44</u>
(d) R&D expenditure as a %age of total turnover	0.94%

Our in-house Research & Development facility has been duly recognised by Department of Scientific & Industrial Research (DSIR), Govt. of India since 1987.

Major R&D achievements have been:

- Semi low floor CNG Bus developed, homologated and productionised on SML Platform.
- Developed IS 12 T truck of 12 ton GVW on ISUZU base, it is under proving trials and homologation.
- 24 berth LT luxury sleeper coach (12 meter long and 2.6meter wide) developed and productionised.
- Reduction of floor height for passenger comfort on 27 seats NQR luxury Bus.
- Sunken gangway introduced on LT bus (12 meter long and 2.6 meter wide) for increased passenger comfort.

3. FOREIGN EXCHANGE EARNING AND OUTGO

	<u>(Rs. in Lacs)</u>
Earnings in foreign currency	2,060.88
Expenditure in foreign currency	1,353.60

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, 2010, 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.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

V. Nijhawan
Partner
Membership Number: F87228

Place: New Delhi
Dated: July 27, 2010

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, 2010.

Place: New Delhi
Dated: July 27, 2010

(Yash Mahajan)
Managing Director

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in lacs)

	Schedule	2010		2009
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	1,447.88		1,049.38
Reserves and Surplus	B	<u>17,525.17</u>	18,973.05	<u>8,603.40</u>
				9,652.78
Loan Funds				
Secured Loans	C	463.37		15,128.69
Unsecured Loans	D	8,000.00		6,900.00
Deferred Tax Liabilities (Net)	F	<u>617.04</u>		—
			<u>28,053.46</u>	<u>31,681.47</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	E	16,296.42		13,499.46
Less : Depreciation		<u>4,386.23</u>		<u>3,553.92</u>
Net Block			11,910.19	9,945.54
Capital Work-in-Progress			598.20	2,839.72
Deferred Tax Assets (Net)	F	—		279.96
Current Assets, Loans & Advances				
Inventories	G	16,000.01		14,929.19
Sundry Debtors		13,655.99		14,633.32
Cash and Bank Balances		3,204.89		700.89
Other Current Assets		162.85		182.22
Loans and Advances		<u>3,377.83</u>		<u>3,039.49</u>
		<u>36,401.57</u>		<u>33,485.11</u>
Less :				
Current Liabilities and Provisions				
Current Liabilities	H	18,496.15		13,349.00
Provisions		<u>2,360.35</u>		<u>1,519.86</u>
		<u>20,856.50</u>		14,868.86
Net Current Assets			<u>15,545.07</u>	<u>18,616.25</u>
			<u>28,053.46</u>	<u>31,681.47</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 Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

Y. WATANABE
Whole-time Director

P.K. NANDA
Director

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 28, 2010

GOPAL BANSAL
Sr. Vice President - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, 28th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in lacs)

Schedule	2010	2009
INCOME		
Sales	77,524.35	59,983.81
(Refer Note 2 on Schedule M and Note 10 (b) on Schedule N)		
Less : Excise Duty	5,848.41	5,898.58
Net Sales Revenue	71,675.94	54,085.23
Other Income	547.01	610.01
Total	72,222.95	54,695.24
EXPENDITURE		
Manufacturing and Other Expenses	66,430.00	51,888.94
Finance Charges (Net)	1,885.67	1,808.77
Depreciation/Amortisation	864.15	583.92
Total	69,179.82	54,281.63
Profit for the year before Tax Expense	3,043.13	413.61
Tax Expense net (Refer Note 10 on Schedule M)		
- Current Tax	526.00	41.22
- Current Tax Earlier Years (Refer Note 22 on Schedule N)	11.18	-
- Deferred Tax (Refer Note 8 on Schedule N)	897.00	(115.00)
- Fringe Benefits Tax	-	49.85
- MAT Credit Entitlement (Refer Note 22 on Schedule N)	(537.18)	(41.22)
Profit for the year after Tax Expense	2,146.13	478.76
Balance brought forward from previous year	1,727.95	1,458.22
Profit available for Appropriation	3,874.08	1,936.98
APPROPRIATIONS		
Proposed Dividend	578.86	157.30
Dividend Tax and Surcharge	98.38	26.73
General Reserve	214.61	25.00
Balance Carried to Balance Sheet	2,982.23	1,727.95
	3,874.08	1,936.98
Earning Per Share (Refer Note 7 on Schedule N)		
Basic/Diluted Earning Per Share (Face Value Rs. 10/-) (Rs.)	19.44	4.39
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 Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

Y. WATANABE
Whole-time Director

P.K. NANDA
Director

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 28, 2010

GOPAL BANSAL
Sr. Vice President - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, 28th May, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in lacs)

	2010	2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax Expense	3,043.13	413.61
Adjustments For :		
Depreciation	864.15	583.92
Foreign Exchange Fluctuation	(61.55)	12.24
Interest Expense	1,693.02	1,744.48
Interest Income	(27.48)	(92.96)
Assets Written off	2.39	–
Gain on disposal of fixed assets	(5.58)	–
Provision for Doubtful Debts & Advances	77.75	128.06
Provision for Retirement Benefits	195.53	176.74
Provision for Warranty	159.27	(160.34)
Provision for Wealth Tax	0.33	0.69
Liabilities/Provisions no longer required written back	(88.24)	(115.51)
	<u>2,809.59</u>	<u>2,277.32</u>
Operating Profit Before Working Capital Changes	5,852.72	2,690.93
Adjustments for :		
Decrease/(Increase) in Sundry Debtors	924.11	3,828.02
Decrease/(Increase) in Other Current Assets	19.37	268.78
Decrease/(Increase) in Loans and Advances	72.10	(235.93)
Decrease/(Increase) in Inventories	(1,070.82)	(2,579.39)
(Decrease)/Increase in Current Liabilities	5,445.05	(6,222.04)
	<u>5,389.81</u>	<u>(4,940.56)</u>
Cash Generated From / (Used in) Operations	11,242.53	(2,249.63)
Less: Direct Tax Paid (net of refunds)	412.00	306.10
Less: Wealth Tax Paid	0.62	0.64
Less: Fringe Benefit Tax Paid (net of refunds)	0.50	57.65
Net Cash Generated From / (Used in) Operating Activities	10,829.41	(2,614.02)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(665.97)	(2,783.21)
Proceeds from sale of Fixed Assets	10.28	–
Interest Received	25.83	90.99
Net Cash Used In Investing Activities	(629.86)	(2,692.22)

(Rs. in lacs)

	2010	2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Rights issue of shares (net of issue expenses)	7,851.38	–
Unsecured Loans taken during the year	10,000.00	7,131.13
Unsecured Loans repaid during the year	8,900.00	7,131.13
Secured Loans taken / (repaid) during the year	(14,746.19)	7,780.88
Dividend Paid	(164.14)	(567.82)
Dividend Tax	(26.73)	(98.02)
Interest Paid	(1,790.61)	(2,013.38)
Net Cash Inflow/(Outflow) from Financing Activities	(7,776.29)	5,101.66
Net Increase in Cash and Cash Equivalents	2,423.26	(204.58)
Cash and Cash Equivalents as at the beginning of the year (#1)	700.89	905.22
Cash and Cash Equivalents as at the end of the year (#2)	3,124.15	700.64

Notes :

# 1 Cash and Bank Balances	700.89	914.28
Less : Cash Credit Accounts (being treated as financing activity)	–	(9.06)
Cash and Cash Equivalents – Opening Balance	700.89	905.22
# 2 Cash and Bank Balances	3,204.89*	700.89*
Less : Cash Credit Accounts (being treated as financing activity)	(80.87)	–
Cash and Cash Equivalents – Closing Balance	3,124.02	700.89

* Net of unrealised foreign exchange loss of Rs. 0.13 lacs (Previous year Rs. 0.25 lacs unrealised foreign exchange gain).

Notes :

- The above “Cash Flow Statement” has been prepared under the Indirect method as set out in the Accounting Standard – 3 on Cash Flow Statements.
- Figures in bracket indicate cash outflows.
- Cash and cash equivalents includes balance in Unpaid Dividend Accounts aggregating to Rs. 116.13 lacs (Previous Year Rs. 122.97 lacs), in Fixed Deposit Accounts Rs. 172.38 lacs (Previous Year Rs. 117.00 lacs) pledged as margin money with banks against issue of letters of credit and bank guarantees and in Current Accounts Rs. 1,800 lacs (Previous Year Nil) being balance proceeds of issue of shares on rights basis pending utilisation, which are not available for use by the Company.
- Previous year figures have been regrouped and recasted wherever necessary to conform to the current year classification.

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

FOR AND ON BEHALF OF THE BOARD

For Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

Y. WATANABE
Whole-time Director

P.K. NANDA
Director

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 28, 2010

GOPAL BANSAL
Sr. Vice President - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, 28th May, 2010

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE A

(Rs. in lacs)

	2010	2009
SHARE CAPITAL		
Authorised		
4,00,00,000 Equity Shares (Previous year 2,00,00,000) of Rs. 10/- each	<u>4,000.00</u>	<u>2,000.00</u>
Issued, Subscribed and Paid-up		
1,44,71,646* Equity Shares (Previous year 1,04,86,700) of Rs. 10/- each fully paid-up	<u>1,447.17</u>	1,048.67
Add : Forfeited Shares [Amount paid-up on 13,300 Equity Shares (Previous year 13,300) of Rs.10/- each]	<u>0.71</u>	0.71
	<u>1,447.88</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, 7,954,187 (Previous year 5,612,953) equity shares are held by Sumitomo Corporation, Japan the holding Company.

SCHEDULE B

(Rs. in lacs)

	2010	2009
RESERVES AND SURPLUS		
Capital Reserve	<u>15.00</u>	15.00
(Refer Note 11 on Schedule M)		
Securities Premium Account		
(Refer Note 25 on Schedule N)		
Premium on Rights issue of shares during the year	<u>7,571.40</u>	-
Less : Rights issue Expenses	<u>118.52</u>	<u>-</u>
	<u>7,452.88</u>	-
General Reserve		
Balance brought forward	<u>6,860.45</u>	6,835.45
Add : Transferred from Profit and Loss Account	<u>214.61</u>	<u>25.00</u>
	<u>7,075.06</u>	6,860.45
Profit and Loss Account	<u>2,982.23</u>	<u>1,727.95</u>
	<u>17,525.17</u>	<u>8,603.40</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE C

(Rs. in lacs)

	2010	2009
SECURED LOANS		
From Banks		
(Refer Note 25 on Schedule N)		
- Long Term Loan*	-	6,000.00
- Short Term Loan**	-	2,500.00
- Cash Credit **	<u>463.37</u>	<u>6,628.69</u>
	<u>463.37</u>	<u>15,128.69</u>

Notes :

* The loan was secured by subservient equitable mortgage / hypothecation charge over the entire fixed assets of the Company. The Charge has been vacated subsequent to the year end. Repayable within one year Rs.Nil (Previous year Rs. 2,000 lacs).

** The limits sanctioned of Cash Credit 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 collateral charge on the Company's immovable and movable property. The charge on immovable property 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)

	2010	2009
UNSECURED LOANS		
From Banks		
- Short Term Loan	5,000.00	6,900.00
From Others		
- Short Term Loan	<u>3,000.00</u>	-
	<u>8,000.00</u>	<u>6,900.00</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE E
FIXED ASSETS

(Refer Notes 3, 4, 12 and 14 on Schedule M and Note 24 on Schedule N)

(Rs. in lacs)

Description	GROSS BLOCK			DEPRECIATION/AMORTISATION				NET BLOCK		
	As at 01.04.2009	Additions during the year	Adjust- ments	As at 31.03.2010	As at 01.04.2009	For the year	Adjust- ments	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Tangible Assets										
Freehold Land	48.74	-	-	48.74	-	-	-	-	48.74	48.74
Building	5,682.85	448.49	-	6,131.34	615.96	199.12	-	815.08	5,316.26	5,066.89
Plant and Machinery	5,450.41	2,210.78	10.03	7,651.16	1,891.22	419.23	7.64	2,302.81	5,348.35	3,559.19
Jigs and Fixtures	708.47	60.61	0.88	768.20	375.41	41.36	0.88	415.89	352.31	333.06
Furniture, Fixtures & Office Equipments	269.13	23.54	14.50	278.17	169.28	20.14	14.33	175.09	103.08	99.85
Computers	308.60	60.79	3.31	366.08	207.66	58.75	3.31	263.10	102.98	100.94
Vehicles	758.13	31.68	10.21	779.60	275.79	94.61	5.68	364.72	414.88	482.34
Intangible Assets										
Technical Know-How	273.13	-	-	273.13	18.60	30.94	-	49.54	223.59	254.53
Total	13,499.46	2,835.89	38.93	16,296.42	3,553.92	864.15	31.84	4386.23	11,910.19	9,945.54
Previous Year	4,863.88	8,656.70	21.12	13,499.46	2,991.12	583.92	21.12	3553.92	9,945.54	

CAPITAL WORK-IN-PROGRESS (CWIP)

Capital Advance								13.76	-
Direct Capital Expenditure								455.40	2,289.62
Indirect expenditure pending allocation :									
- Interest Cost								24.87	130.25
- Other Expenditure								104.17	419.85
Total CWIP								<u>598.20</u>	<u>2,839.72</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 duty Rs. 1.92 lacs (Previous year Rs. 10.26 lacs)] of vehicle produced during test run Rs. 22.97 lacs (Previous year Rs. 81.38 lacs).
- Interest capitalised during the year Rs. 171.17 lacs (Previous year Rs. 532.08 lacs) as per AS-16 notified under Section 211(3C) of the Companies Act, 1956

SCHEDULE F

(Rs. in lacs)

	2010	2009
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	279.96	164.96
- Adjustment during the year	<u>(897.00)</u>	<u>115.00</u>
	<u>(617.04)</u>	<u>279.96</u>
	<u>(617.04)</u>	<u>279.96</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE G

(Rs. in lacs)

	2010	2009
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
INVENTORIES		
(Refer Note 5 on Schedule M)		
Raw Materials & Components	6,635.17	6,446.43
Raw Materials - Goods-in-Transit	862.62	638.17
Stores and Spare Parts	72.93	90.74
Loose Tools	39.07	32.56
Work-in-Progress *	1,161.84	1,562.45
Finished Goods		
– Vehicles **	6,700.61	5,655.03
– Spares	<u>527.77</u>	<u>503.81</u>
	<u>7,228.38</u>	<u>6,158.84</u>
	<u>16,000.01</u>	<u>14,929.19</u>
* - Includes Work-in-Progress during test run production amounting to Rs. Nil (Previous year Rs. 83.03 lacs).		
** - Includes Finished goods of vehicles produced during test run production amounting to Rs. 209.44 lacs (Previous year Rs. 1,132.16 lacs) valued at material cost.		
SUNDRY DEBTORS		
(Considered good unless otherwise stated)		
Debts outstanding for more than six months :		
– Secured	2.00	12.00
– Unsecured [Including Rs. 684.98 lacs considered doubtful (Previous year Rs. 605.40 lacs)]	905.93	953.49
Less : Provision for doubtful debts	<u>684.98</u>	<u>605.40</u>
	<u>220.95</u>	<u>348.09</u>
	<u>222.95</u>	<u>360.09</u>
Other Debts :		
– Secured	531.78	495.49
– Unsecured [including Rs. 0.24 lacs considered doubtful (Previous year Rs. 26.60 lacs)]	12,901.50	13,804.34
Less : Provision for doubtful debts	<u>0.24</u>	<u>26.60</u>
	<u>12,901.26</u>	<u>13,777.74</u>
	<u>13,655.99</u>	<u>14,633.32</u>
CASH AND BANK BALANCES		
Cash-in-Hand	12.52	29.58
[Includes Stamps in Hand Rs. 1.35 lacs (Previous year Rs. 1.35 lacs)]		
Balances with Scheduled Banks on :		
– Current Accounts (Refer Note 25 on Schedule N)	2,812.13	421.35
– Cash Credit Accounts	80.87	–
– Unpaid/Unclaimed Dividend Accounts	116.13	122.97
– Fixed Deposits	183.24	126.99
[Includes Rs. 172.38 lacs (Previous year Rs. 117.00 lacs) Pledged as Margin Money with banks against issue of Letters of Credit & Bank Guarantees]		
	<u>3,192.37</u>	<u>700.89</u>
	<u>3,204.89</u>	<u>700.89</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE G (Continued)

(Rs. in lacs)

	2010	2009
OTHER CURRENT ASSETS		
(Unsecured considered good unless otherwise stated)		
Prepaid Expenses	11.63	10.24
Export Incentives Receivables	158.17	178.93
[Including Rs. 6.95 lacs considered doubtful (Previous Year Rs. 6.95 lacs)]		
(Refer Note 2 on Schedule M)		
Less : Provision for doubtful current assets	<u>6.95</u>	<u>6.95</u>
	<u>151.22</u>	<u>171.98</u>
	<u>162.85</u>	<u>182.22</u>
LOANS AND ADVANCES		
(Unsecured considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,759.76	1,745.19
[Including Rs. Nil considered doubtful (Previous year Rs.3.50 lacs)]		
Less : Provision for doubtful advances	<u>—</u>	<u>3.50</u>
Security Deposits	<u>240.28</u>	<u>138.57</u>
[Including Rs. 0.36 lacs considered doubtful (Previous year Rs. 0.36 lacs)]		
Less : Provision for doubtful deposits	<u>0.36</u>	<u>0.36</u>
Balance with Excise Authorities	<u>695.74</u>	<u>884.13</u>
(Refer Note 2 on Schedule N)		
MAT Credit Entitlement (Refer Note 22 on Schedule N)	<u>578.40</u>	<u>41.22</u>
Advance Tax	<u>104.01</u>	<u>234.24</u>
[Net of Provision Rs. 7,251.00 lacs (Previous Year Rs. 7,099.48 lacs)]		
	<u>3,377.83</u>	<u>3,039.49</u>

SCHEDULE H

(Rs. in lacs)

	2010	2009
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances*	1,768.09	1,767.87
Sundry Creditors	14,670.78	9,620.83
(Refer Note 16 on Schedule N)		
Customer Advances	574.95	992.81
Unclaimed Dividends	116.13	122.97
Other Liabilities	1,365.58	812.12
Interest accrued but not due on short term loan	<u>0.62</u>	<u>32.40</u>
	<u>18,496.15</u>	<u>13,349.00</u>
PROVISIONS		
Fringe Benefits Tax	—	7.20
Wealth Tax	0.33	0.65
Proposed Dividend	578.86	157.30
Tax on Proposed Dividend	98.38	26.73
Employee Benefits (Refer Note 6 on Schedule M & Note 20 on Schedule N)	1,220.85	1,025.32
Warranty [Refer Note 8 on Schedule M & Note 4(b) on Schedule N]	<u>461.93</u>	<u>302.66</u>
	<u>2,360.35</u>	<u>1,519.86</u>
	<u>20,856.50</u>	<u>14,868.86</u>

* Secured to the extent of Rs. 966.45 lacs (Previous year Rs. 781.61 lacs) against hypothecation of Raw Material & Components.

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE I

(Rs. in lacs)

	2010	2009
OTHER INCOME		
Sale of Scrap	207.65	224.11
Export Incentives (Refer Note 2 on Schedule M)	162.36	196.00
Profit on Sales of Fixed Assets	5.58	–
Liabilities/Provisions no longer required written back	88.24	115.51
Royalty	65.84	61.25
Miscellaneous Income	17.34	13.14
	<u>547.01</u>	<u>610.01</u>

SCHEDULE J

(Rs. in lacs)

	2010	2009
MANUFACTURING AND OTHER EXPENSES		
Materials Consumed		
Raw Materials and Components consumed* (Refer Note 11 on Schedule N)	55,006.96	44,053.74
Movement of Finished Goods and Work-in-Progress		
Opening Stock		
– Finished Goods	6,158.84	4,678.89
– Work-in-Progress	1,562.45	1,289.93
	<u>7,721.29</u>	5,968.82
Add : Purchases of Finished Goods	2,662.92	2,510.63
	<u>10,384.21</u>	8,479.45
Less : Closing Stock		
– Finished Goods	7,228.38	6,158.84
– Work-in-Progress	1,161.84	1,562.45
	<u>8,390.22</u>	7,721.29
	<u>1,993.99</u>	758.16
Total Consumption	57,000.95	44,811.90
Less : Vehicles Capitalised	2.47	89.19
Add : Increase in excise duty on finished goods	85.37	34.23
Net Consumption	57,083.85	44,756.94
Operating, Administrative and Other Expenses (as per Schedule K)	9,346.15	7,132.00
	<u>66,430.00</u>	<u>51,888.94</u>

* Includes Exchange gain on Foreign Currency transactions Rs 96.65 lacs (Previous year Exchange Loss Rs. 381.46 lacs)

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE K

(Rs. in lacs)

	2010	2009
OPERATING, ADMINISTRATIVE & OTHER EXPENSES		
Salaries, Wages and Bonus (Refer Note 6 on Schedule M and Notes 19 & 20 on Schedule N)	3,511.15	2,867.02
Contribution to Provident and Other Funds (Refer Note 6 on Schedule M & Note 20 on Schedule N)	480.83	464.70
Workmen and Staff Welfare	263.42	214.47
Consumption of Stores, Spares and Tools (Refer Note 12 (b) on Schedule N)	84.93	114.81
Repair and Maintenance :		
– Machinery	17.33	15.58
– Building	25.11	21.76
– Others	73.43	48.50
Power and Fuel	461.57	333.62
Rent (Refer Note 13 on Schedule M & Note 18 on Schedule N)	151.73	156.38
Rates and Taxes	98.81	63.03
Legal and Professional (Refer Note 9 on Schedule N)	96.10	110.08
Insurance	45.21	40.79
Printing, Stationery, Postage and Telephone	114.94	112.16
Travelling and Conveyance	544.72	489.05
Provision for Doubtful Debts	77.75	128.06
Marketing, Sales and Promotion Expenses (Refer Note 4 on Schedule N)	2,926.01	1,575.06
Royalty	9.30	1.80
Research and Development (Refer Note 7 on Schedule M & Note 21 on Schedule N)	180.41	106.30
Directors' Sitting Fees	14.10	11.40
Exchange loss / (gain) on Foreign Currency	11.58	85.97
Transactions (Refer Note 9 on Schedule M)		
Miscellaneous Expenses (Refer Note 24 on Schedule N)	157.72	171.96
	9,346.15	7,132.50
Less : Expenditure transferred to Fixed Assets (Refer Note 3 on Schedule M)	–	0.50
	9,346.15	7,132.00

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE L

(Rs. in lacs)

	2010	2009
FINANCE CHARGES (Net)		
(Refer Note 12 on Schedule M)		
Interest on Loans	1,693.02	1,744.48
Interest Others	73.94	55.56
Bank Charges	<u>146.19</u>	<u>101.69</u>
	1,913.15	1,901.73
LESS :		
Interest on Fixed Deposits (Gross)	11.70	10.33
[Tax deducted at source Rs. 1.17 lacs (Previous year Rs. 1.97 lacs)]		
Interest on Excise/Custom Duty Refund	8.67	79.74
Interest Others	<u>7.11</u>	<u>2.89</u>
[Tax deducted at source Rs. 0.48 lacs (Previous year Nil)]		
	<u>1,885.67</u>	<u>1,808.77</u>

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 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. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount.

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.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE N

NOTES TO ACCOUNTS

1. There are Contingent Liabilities in respect of:

a) Claims against the Company not acknowledged as debts:

Particulars	<u>2009-10</u> <u>(Rs. in lacs)</u>	<u>2008-09</u> <u>(Rs. in lacs)</u>
Sales Tax Cases	278.95	252.89
Excise Cases	56.54	178.18
Income Tax Cases	265.88	192.25
Civil Cases	31.82	31.52
Total	<u>633.19</u>	<u>654.84</u>

b) Bank Guarantees given by the Company and outstanding as on 31.03.2010 amounting to Rs. 1,814.29 lacs (Previous Year Rs. 1,006.38 lacs).

c) Letters of Credit issued on behalf of the Company by its bankers and outstanding as on 31.03.2010 amounting to Rs. 1,884.82 lacs (Previous Year Rs. 1,358.31 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. 2,144.20 lacs (Previous Year Rs. 443.71 lacs).

4. (a) Market promotion expenses (Schedule K) includes Commission on Sales amounting to Rs. 159.16 lacs (Previous Year Rs. 98.70 lacs).

(b) Provision For Warranty*	<u>2009-10</u> <u>Rs. In lacs</u>	<u>2008-09</u> <u>Rs. In lacs</u>
Opening Balance	302.66	463.00
Additions During the Year	361.47	226.00
Utilized during the year	202.20	386.34
Closing Balance	<u>461.93</u>	<u>302.66</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 on "Related Party Disclosures" (AS 18), the disclosure in respect of transactions with the company's related parties are as follows:

- | | | |
|-----|---|---|
| i. | Holding / Associate Company
(Holding w.e.f January 06, 2009) * | Sumitomo Corporation, Japan |
| ii. | Key Management Personnel * | Mr. Yash Mahajan – Managing Director
Mr. Y. Watanabe – Whole-time Director (w.e.f 1 st July, 2009)
Mr. K. Nakajima – Whole-time Director (up to 30 th June, 2009) |

*As identified and certified by the Management

iii. Transactions with Sumitomo Corporation:

	2009-2010	2008-2009
	Rs. In lacs	Rs. In lacs
a. Purchase of components/spares	1,293.03	1,516.31
b. Purchase of fixed assets	20.44	252.36
c. Discounting charges	5.78	10.98
d. Dividend paid (Gross)	84.19	236.67
e. Issue of 2,341,234 Equity Shares of Rs. 10/- each at a premium of Rs. 190/- each.	4,682.47	Nil
f. Balance outstanding at year end – Payable	955.21	736.70
iv. Payments to Key Management Personnel:		
a. Remuneration (Refer Note 19 on Schedule N):		
Mr. Yash Mahajan	128.44	184.88*
Mr. Y. Watanabe (w.e.f 1 st July, 2009)	67.95	-
Mr. K. Nakajima (up to 30 th June, 2009)	21.83	58.35
b. Other Payments		
Rent paid to Mr. Yash Mahajan	-	9.69
	As at 31.03.2010	As at 31.03.2009
c. Director's Commission Payable	67.12	11.95

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

7. **Earning Per Share (EPS):**

	31-03-2010	31-03-2009
Profit attributable to equity shareholders (Rs. in lacs)	2,146.13	478.76
Weighted average number of equity shares outstanding during the year. [excluding 13,300 forfeited equity shares (Previous Year 13,300)]	11,040,751	10,486,700
Weighted average number of equity shares outstanding during last year [excluding 13,300 forfeited equity shares (Previous Year 13,300)] for Restated Basic/Diluted Earning Per Share	-	10,903,906
Basic/Diluted Earning Per Share (Rs.)	19.44	4.57
Restated Basic/Diluted Earning Per Share (Rs.)	-	4.39
Face Value per share (Rs.)	10.00	10.00

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

Particulars	Amount (Rs. in lacs)		
	Balance as at 01.04.2009	Expense (Saving) during the year	Balance as at 31.03.2010
A) Deferred Tax Liabilities			
(i) Tax impact of difference between carrying amount of fixed assets in the financial statements and income tax returns	1,147.32	309.04	1,456.36
	[275.39]	[871.93]	[1,147.32]
Sub Total (A)	1,147.32	309.04	1,456.36
	[275.39]	[871.93]	[1,147.32]
(B) Deferred Tax Assets			
(i) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax.	218.49	(11.55)	230.04
	[175.64]	[(42.85)]	[218.49]
(ii) Tax impact of expenditure disallowed under section 40(a)(ia) and 43B of the Income Tax Act	348.82	(59.82)	408.64
	[264.71]	[(84.11)]	[348.82]
(iii) Tax impact of loss as per normal provisions of Income Tax Act, 1961	859.97	659.33	200.64
	[-]	[(859.97)]	[859.97]
Sub Total (B)	1,427.28	587.96	839.32
	[440.35]	[(986.93)]	[1,427.28]
Deferred Tax Assets/(Liabilities)(B-A)	279.96	897.00	(617.04)
	[164.96]	[(115.00)]	[279.96]

The Deferred Tax expense (net) for the current year aggregating to Rs. 897 lacs debited to Profit & Loss Account (Previous year Rs. 115 lacs has been credited to the Profit & Loss Account).

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

9. **Auditors' Remuneration * :**

	2009-2010 Rs. In lacs	2008-2009 Rs. in lacs
Statutory Audit Fee	23.50	18.50
Tax Audit Fee	6.00	5.00
Other Audit Services / Certification	40.50	8.50
Reimbursement of Out of Pocket Expenses	1.72	1.04
	<u>71.72</u>	<u>33.04</u>

*Excluding Service Tax

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

	Unit of Measurement	Installed Capacity (per annum)		Licensed Capacity (per annum)	
		<u>31.03.2010</u>	31.03.2009	<u>31.3.2010</u>	31.3.2009
On-road automobiles (having four or more wheels such as light, medium and heavy commercial vehicles)	Nos.	18,000*	18,000*	Not Applicable	Not Applicable

* On double shift basis as certified by the management and relied upon by auditors being technical matter. Includes production for internal use.

b. Production, Sales and Stocks of Finished Goods:

	<u>2009-2010</u>		<u>2008-2009</u>	
	<u>Qty.(Nos.)</u>	<u>Rs. In lacs</u>	<u>Qty.(Nos.)</u>	<u>Rs. In lacs</u>
<u>VEHICLES</u>				
Opening Stock	801	5,655.03	670	4,258.86
Production	10,361*	-	8,164*	-
Sales	10,134**	72,317.20	8,022**	55,240.40
Vehicles Capitalised	1	-	6	-
Vehicle Scrapped	2	-	5	-
Closing Stock	1025***	6,700.61	801***	5,655.03

*Includes 2 buses (Previous Year 17) produced for test run.

**Includes 1 bus (Previous Year 2) sold during test run which is netted off from assets capitalised.

*** Includes 8 buses (Previous Year 35) produced for test run.

	<u>2009-2010</u>		<u>2008-2009</u>
	<u>(Rs. in lacs)</u>		<u>(Rs. in lacs)</u>
<u>SPARES</u>			
Opening Stock		503.81	420.04
Purchases		2,662.92	2,510.63
Sales		5,207.15	4,743.41
Closing Stock		527.77	503.81

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 Materials & Components Consumed:

	<u>2009-2010</u>		<u>2008-2009</u>	
	<u>Qty. (Nos.)</u>	<u>Rs. In lacs</u>	<u>Qty. (Nos.)</u>	<u>Rs. in lacs</u>
Tyres, Tube & Rims	207,887	3,839.11	164,882	3,045.13
Cargo Boxes	2,359	1,071.64	1,664	775.16
Batteries	10,647	253.54	8,335	220.05
Rear Axle	10,338	1,226.29	8,199	914.98
Cylinder Block	10,375	1,523.22	8,347	1,186.60
Others		47,093.16		37,911.82
Total		55,006.96		44,053.74

i) In view of varied nature of large number of items, it is not possible to furnish quantitative information on 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 represent issues from stores made during the year.

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

	2009-2010		2008-2009	
	%	Rs. In lacs	%	Rs. In lacs
a. Raw Materials & Components:				
Imported	4.20	2,312.90	4.38	1,930.24
Indigenous	95.80	52,694.06	95.62	42,123.50
	<u>100.00</u>	<u>55,006.96</u>	<u>100.00</u>	<u>44,053.74</u>
b. Stores & Spares:				
Imported	1.92	1.63	6.61	7.59
Indigenous	98.08	83.30	93.39	107.22
	<u>100.00</u>	<u>84.93</u>	<u>100.00</u>	<u>114.81</u>

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

	2009-2010 (Rs. in lacs)	2008-2009 (Rs. in lacs)
Raw Materials & Components	1,675.15	2,168.29
Spares & Stores (Including Capital Spares)	21.08	76.22
Capital Goods	31.21	794.17
	<u>1,727.44</u>	<u>3,038.68</u>

14. Earnings in Foreign Currency:

	2009-2010		2008-2009	
	Nos.	Rs. In lacs	Nos.	Rs. In lacs
Exports including Deemed Exports of Vehicles at FOB Value	425	1,979.12	409	2,266.94
Export of Spare Parts		81.76		94.76
		<u>2,060.88</u>		<u>2,361.70</u>

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

	2009-2010 Rs. In lacs	2008-2009 Rs. In lacs
Travelling	1.38	21.49
Know-how	11.79	41.66
Discounting Charges	6.01	15.19
Technician Fees	31.96	65.29
	<u>51.14</u>	<u>143.63</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, 2010. 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 that 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 1 to 15 years with the option to extend the same with mutual consent. The total lease rental recognized as expense aggregate to Rs.151.73 lacs (Previous Year Rs.156.38 lacs).

Future minimum lease payments under non-cancellable operating leases:

	<u>2009-2010</u>	<u>2008-2009</u>
	<u>Rs. In lacs</u>	<u>Rs. In lacs</u>
Not later than one year	1.15	5.35

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

	<u>2009-2010</u>	<u>2008-2009</u>
	<u>Rs. In lacs</u>	<u>Rs. In lacs</u>
1. Remuneration:		
i) Salaries and Allowances	120.00	120.00
ii) Commission	67.12	11.95
iii) Contribution to Provident & Other Funds	21.96	18.60
iv) Other Perquisites	9.14	4.41
	<u>218.22</u>	<u>154.96[^]</u>

[^] Includes arrears for the period 1st June, 2006 to 31st March, 2008 amounting to Rs. 88.27 lacs

2. Computation of net profit in accordance with Sec. 309(5) of the Companies Act, 1956 for the calculation of commission

	<u>2009-2010</u>	<u>2008-2009</u>
	<u>Rs. In lacs</u>	<u>Rs. In lacs</u>
Profit Before Tax	3,043.13	413.61
Add Depreciation charged in accounts	864.15	583.92
Provision for doubtful debts	77.75	128.06
Profit on sale of assets computed as per Section 350	4.01	-
Director's remuneration	218.22	243.23
Director's sitting fee	14.10	11.40
Assets written off	2.39	-
	<u>4,223.75</u>	<u>1,380.22</u>
Less Depreciation as per section 350 of the Companies Act, 1956	833.94	555.68
Book profit on sale of fixed assets	5.58	-
Provision for doubtful debts written back	28.04	29.35
	<u>3,356.19</u>	<u>795.19</u>
Maximum Commission to Managing Director @ 1%	33.56	4.00
Maximum Commission to Mr. K. Nakajima, Whole-time Director @ 1% (Within the overall limit of Rs. 12 lacs being 100% of annual salary as approved by Members) (up to 30 th June, 2009).	8.39	7.95
Maximum Commission to Mr. Y. Watanabe, Whole-time Director @ 1% (Within the overall limit of Rs. 36 lacs being 100% of annual salary as approved by Members) (w.e.f 1 st July, 2009)	25.17	Nil

***Notes:**

- i. Contribution to Provident and other funds does not include contribution towards gratuity & leave encashment, as these are actuarially valued for the Company as a whole.
- ii. Other Perquisites does not include premium in respect of personal accident insurance, as the separate figures for the directors are not available.

20. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended March 31, 2010:

I Defined Contribution Plans:

Provident Fund & Superannuation

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

	<u>2009-2010</u>	<u>2008-2009</u>
	<u>Rs. in lacs</u>	<u>Rs. in lacs</u>
Employers Contribution to Provident Fund & Pension Fund*	249.53	220.47
Superannuation*	45.61	53.01

II State Plans

Employees State Insurance Scheme

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

	<u>2009-2010</u>	<u>2008-2009</u>
	<u>Rs. in lacs</u>	<u>Rs. in lacs</u>
Employees State Insurance Scheme*	11.00	7.73

*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

Actuarial Assumptions	<u>2009-2010</u>		<u>2008-2009</u>	
	<u>Leave</u>	<u>Gratuity</u>	<u>Leave</u>	<u>Gratuity</u>
	<u>Encashment</u>	<u>(Unfunded)</u>	<u>Encashment</u>	<u>(Unfunded)</u>
	<u>LIC 1994-96</u>	<u>LIC 1994-96</u>	<u>LIC 1994-96</u>	<u>LIC 1994-96</u>
	<u>Ultimate</u>	<u>Ultimate</u>	<u>Ultimate</u>	<u>Ultimate</u>
Mortality Table	LIC 1994-96	LIC 1994-96	LIC 1994-96	LIC 1994-96
Attrition Rate	5.00% p.a	5.00% p.a	5.00% p.a	5.00% p.a
Imputed Rate of Interest	8.50% p.a	8.50% p.a	7.50% p.a	7.50% p.a
Salary Rise	6.00% p.a	6.00% p.a	5.00% p.a	5.00% p.a
Return on Plan Assets	N.A.	9.25% p.a	N.A.	9.30% p.a
Remaining Working Life	22.05 Years	19.72 Years	20.69 Years	20.26 Years

Expenses recognised in the Profit and Loss Account *

	<u>2009-2010</u>		<u>2008-2009</u>	
	<u>288.17</u>	<u>56.94</u>	<u>73.78</u>	<u>47.36</u>
	<u>20.57</u>	<u>55.60</u>	<u>14.74</u>	<u>38.84</u>
	<u>-</u>	<u>(19.65)</u>	<u>-</u>	<u>(19.37)</u>
	<u>(172.14)</u>	<u>81.79</u>	<u>53.96</u>	<u>116.67</u>
	<u>136.60</u>	<u>174.68</u>	<u>142.48</u>	<u>183.50</u>
Current Service Cost	288.17	56.94	73.78	47.36
Interest Cost	20.57	55.60	14.74	38.84
Expected return on plan assets	-	(19.65)	-	(19.37)
Net actuarial loss/ (gain) recognized	(172.14)	81.79	53.96	116.67
Total Expenses recognised in the Profit & Loss Account	136.60	174.68	142.48	183.50

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

Change in the present value of obligation

Defined benefit obligation as at beginning of year	281.34	677.36	254.20	560.65
Service cost	288.17	56.94	73.78	47.36
Interest cost	20.57	55.60	14.74	38.84
Actuarial loss/(gain)	(172.14)	81.98	53.96	116.12
Benefits paid	(78.59)	(46.40)	(115.34)	(85.61)
Defined benefit obligation as at end of year	339.35	825.48	281.34	677.36

Gratuity (Funded)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Change in fair value of plan			
Fair value of plan assets as at beginning of year	208.77	222.84	212.46
Expected return on plan assets	19.06	19.37	19.65
Contributions by employer	37.60	56.41	46.29
Actuarial (loss)/gain	0.52	(0.55)	0.18
Benefits paid	(43.11)	(85.61)	(46.40)
Fair value of plan assets as at end of year	222.84	212.46	232.18

Reconciliation of present value of defined benefit obligation and the fair value of assets

Present value of defined benefit obligation as at end of year	560.65	677.36	825.48
Fair value of Plan Assets as at end of year funded status	222.84	212.46	232.18
Present value of unfunded obligation as at end of year	337.81	464.90	593.30

Leave Encashment (Unfunded)

Defined benefit obligation as at end of year	254.20	281.34	339.35
The major categories of plan assets as a percentage of total plan assets as at March 31, 2010 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 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.

The Company expects to contribute approximately Rs. 70.92 lacs to the Gratuity Fund during financial year 2010-11.

21. Research and Development Costs :

	<u>2009-2010</u>	<u>2008-2009</u>
	<u>Rs. In lacs</u>	<u>Rs. in lacs</u>
a. Revenue Expenditure		
Salaries & Wages	260.33	132.12
Contribution to Provident and other funds	13.13	6.61
Materials	66.69	138.75
Testing & Analytical	99.72	100.01
Travelling	18.08	33.35
Membership & Subscription	14.16	14.59
Software	43.05	-
Telephone, Insurance, AMC, Magazines & General utilities	22.81	9.31
Total	<u>537.97</u>	<u>434.74</u>
b. Capital Expenditure		
Capitalised	111.56	109.09
Work-in-Progress	76.91	1,353.94

22. Current tax expense comprise of Rs. 537.18 lacs (Previous year Rs. 41.22 lacs), being charge for Minimum Alternate Tax under section 115JB of the Income Tax Act, 1961. The Company has recognized MAT Credit Entitlement of Rs. 537.18 lacs (Previous year Rs. 41.22 lacs) 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 :

- a) Number of Non-resident Shareholders: 1 (Previous Year 1)
- b) Number of Shares held as on record date: 209,000 (Previous Year 209,000)
- c) Amount remitted during the year: Rs. 313,500 (Previous Year Rs. 1,149,500)

24. Miscellaneous expenses include assets written off during the year Rs. 2.39 lacs (Previous year Rs. Nil).

25. During the year the Company has raised Rs. 7,969.89 lacs through issue of 3,984,946 Equity shares on Rights basis. The equity shares of Rs. 10 each were issued at a premium of Rs. 190 per share.

The net proceeds (Net of expenses Rs. 118.52 lacs) of the Rights issue have been utilized as follows:

1. Repayment of Allahabad Bank Term Loan amounting to Rs. 5,000.00 lacs.
2. For general corporate purposes Rs. 1,051.37 lacs.
3. Pending utilization, the balance proceeds of Rs. 1,800.00 lacs, earmarked for the expansion project, have been kept in separate current account (which is included in Current Accounts Balances under Cash and Bank Balances-Schedule G).

26. Pursuant to Clause IX(B) of Section 227 (4A) of the Companies Act, 1956, the details of disputed dues are as follows:

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.
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.
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 (Appeals), 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
Uttar Pradesh Trade Tax Act, 1948	Demand raised against due to sales tax rate difference	Rs.15.94 lacs (Rs.7.19 lacs deposited by the Company)	1993-94	Additional Commissioner (Appeals), Lucknow
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)	01 April, 2000 to 31 March, 2004	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	Inadmissible Service tax credit utilized for payment of service tax liability resulting in short payment of Excise & service tax liability.	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	Wrong utilization of CENVAT credit on service tax on royalty.	Rs. 19.61 lacs (inclusive of penalty Rs. 9.81 lacs)	2007-08	Commissioner (Appeals)
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. 1.94 lacs	October-2004 to March-2005	The Supreme Court
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. 5.79 lacs (includes penalty of Rs 2.90 lacs)	April-2005 to January-2006	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for Service Tax Credit taken on Canteen services provided to employees.	Rs. 4.26 lacs (includes penalty of Rs 2.13 lacs)	April-2006 to December-2008	Commissioner (Appeals)
Central Excise Act, 1944	Demand raised for Service Tax Credit taken on Insurance cover of employees.	Rs. 1.88 lacs (includes penalty of Rs. 0.03 lacs)	September-2004 to December-2008	Commissioner (Appeals)
Income Tax Act, 1961	Disallowance of provision for bad and doubtful debts	Rs.19.01 lacs	1991-92	High Court of Punjab & Haryana
Income Tax Act, 1961	Demand raised for non deduction of TDS on payment of Fee for Technical Services/ Royalty	Rs. 28.51 lacs	1986-87	High Court of Punjab & Haryana

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 (Rs. 62.00 lacs deposited by the Company)	2004-05	Income Tax Appellate Tribunal
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. 94.79 lacs	2005-06	Commissioner of Income Tax (Appeals)

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

For Price Waterhouse
Firm Registration Number: 301112 E
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

V.NIJHAWAN
Partner
Membership Number: F87228
Place of Signature: New Delhi
Date: May 28, 2010

Y.WATANABE
Whole-time Director

GOPAL BANSAL
Sr. Vice President - Finance
& Company Secretary

P.K.NANDA
Director

YASH MAHAJAN
Managing Director

New Delhi, May 28, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAIL:

Registration No.	5516
State Code	16
Balance Sheet Date	31 st March, 2010

	<u>2010</u>	<u>2009</u>
	Rs. In Lacs	Rs. In Lacs
2. CAPITAL RAISED DURING THE YEAR:		
Public Issue	Nil	Nil
Bonus Issue	Nil	Nil
Rights Issue	398.50	Nil
Private Placement	Nil	Nil
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :		
Total Liabilities	28,053.46	31,681.47
Total Assets	28,053.46	31,681.47

SOURCES OF FUNDS

Paid - up Capital	1,447.88	1,049.38
Reserves and Surplus	17,525.17	8,603.40
Secured Loans	463.37	15,128.69
Unsecured Loans	8,000.00	6,900.00
Deferred Tax Liabilities (Net)	617.04	Nil
	<u>28,053.46</u>	<u>31,681.47</u>

APPLICATION OF FUNDS

Net Fixed Assets	12,508.39	12,785.26
Deferred Tax Assets (Net)	Nil	279.96
Net Current Assets	15,545.07	18,616.25
Investments	Nil	Nil
	<u>28,053.46</u>	<u>31,681.47</u>

4. PERFORMANCE OF COMPANY :

Turnover	72,222.95	54,695.24
Total Expenditure	69,179.82	54,281.63
Profit/(Loss) before Tax	3,043.13	413.61
Profit/(Loss) after Tax	2,146.13	478.76
Earning Per Share (Rs.)	19.44	4.39
Dividend Rate	40%	15%

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

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

AUDITORS' REPORT TO THE MEMBERS OF SWARAJ MAZDA LIMITED

1. We have audited the attached Balance Sheet of Swaraj Mazda Limited (the "Company") as at March 31, 2010, 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 (together the "Order"), 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 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, 2010 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, loans and advances and profit for the year would have been lower by the corresponding amount.*
The matter referred above, to the extent covered here above was also the subject matter of qualification in our audit report on the financial statements for the year ended March 31, 2009.
 - (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, 2010;
 - (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.

For Price Waterhouse
Firm Registration Number: 301112 E
Chartered Accountants

V.Nijhawan
Partner
Membership Number: F87228

New Delhi
May 28, 2010

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, 2010

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, 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 and services. 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, except dues in respect of income-tax where there have been delays during the year, though the delay in deposit have not been serious, the Company is regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, wealth tax, service tax, customs duty, excise duty 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, wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2010 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs. lacs)	Amount Deposited under Protest (Rs. Lacs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Sales Tax	221.60	87.30	2000-01 & 2005-06	Sales Tax Appellate Tribunal, Chandigarh/ Excise & Taxation Officer cum Assessing Authority, Panchkula.
Punjab VAT Act, 2005	Penalty	3.67	0.92	2007-08	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Gujrat Sales Tax Act	Penalty	11.78	2.37 (Rs. 9.25 lacs has been given as bank guarantee by the company)	2001-02	Deputy Commissioner (Appeals), Gujarat.
Haryana Value Added Tax Act, 2003	Sales Tax	4.22	Nil	2005-06	Excise & Taxation Officer cum Assessing Authority, Panchkula.
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	15.94	7.19	1993-94	Additional Commissioner (Appeals), Lucknow.
Central Excise Act, 1944	Excise Duty Interest and Penalty	56.54	1.30	2000-01 to 2008-09	Commissioner (Appeals)/ Custom Excise and Service Tax Appellate Tribunal (CESTAT)/ Supreme Court.
Income Tax Act, 1961	Income Tax, Interest and Penalty	243.86	62.00	1986-87, 1991-92 2004-05, 2005-06	High Court of Punjab & Haryana/Income Tax Appellate Tribunal/ Commissioner of Income Tax (Appeals).

For detailed listing, refer Note 26 on Schedule N

10. The Company has no accumulated losses as at March 31, 2010 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. The Company has not obtained any term loans.
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 Management has disclosed the end use of money raised by public issues (Refer Note 25 on Schedule N) which has been verified by us.
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.

New Delhi
May 28, 2010

For Price Waterhouse
Firm Registration Number: 301112 E
Chartered Accountants

V.Nijhawan
Partner
Membership Number: F87228

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held at its Registered office at village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar) – 144533 (Punjab) on 30th September, 2010 – at 1.00 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit & Loss Account for the year ended 31st March, 2010 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. S. K. Tuteja who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Harkirat Singh who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. H. Yamaguchi who retires by rotation and, being eligible, offers himself for re-appointment.
6. 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:

7. As an Ordinary Resolution:

“RESOLVED THAT Mr. E. Seto, who was appointed as an Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting 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”.

8. As an Ordinary Resolution:

“RESOLVED THAT Mr. R. P. Sehgal, who was appointed as Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting 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 pursuant to the provisions of Sections 198, 269, 309, 310 & 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals if any, approval of the Company be and is hereby accorded to the appointment of Mr. R. P. Sehgal as the Whole-time Director of the Company for a period of 3 years commencing from 1st June, 2010 on the following terms and conditions:

A. SALARY

Rs. 4,00,000/- per month with effect from 1st June, 2010.

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

B. COMMISSION

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

C. PERQUISITES AND ALLOWANCES

Perquisites such as House Rent Allowance @ 20% of Salary, reimbursement of expenditure incurred on gas, electricity, water, furnishings, upkeep & maintenance etc., health care for self & wife, fees of two clubs, provision of a car with driver & telephone at residence and leave travel assistance for self and wife subject to a ceiling of one month's salary.

D. RETIRAL BENEFITS

Contribution to provident fund, gratuity fund and encashment of leave as applicable to Senior Management from time to time.

Provided that the remuneration payable to Mr. R.P. Sehgal as Whole-time Director of the Company (including the salary, commission, perquisites, benefits and amenities etc.) shall not exceed the limits laid down in Sections 198 and 309 of the Companies Act, 1956, and the Rules made thereunder or any statutory modification or re-enactment thereof.

E. MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. R. P. Sehgal as 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.

By Order of the Board

Regd. Office:
Village Asron
Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab

(GOPAL BANSAL)
Executive Director – Finance &
Company Secretary
Dated: July 27, 2010

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/HERSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in the Form Annexed hereto must be lodged at the Registered office of the Company not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from 7th September, 2010 to 15th September, 2010 (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, 2010 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 15th September, 2010. 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, 2003 are requested to make their claims to the Company by 30th September, 2010.** 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, F – 65, Okhla Industrial Area, Phase – I, New Delhi – 110020.
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 15th September, 2010 to the Company or the Registrar M/s MCS Limited, F - 65, Okhla Industrial Area, Phase I, New Delhi - 110020.

9. Members who hold shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective depository participants for recording of nomination.
10. Members having multiple folios are requested to intimate to the registrar MCS Limited, New Delhi such folios to enable the Company to consolidate all shareholdings into one folio.
11. Members / Proxy holders are requested to produce the Attendance Slip duly completed and signed, for admission to the Meeting Hall.
12. Appointment / 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. S. K. Tuteja holds a Master's degree in Commerce from Delhi University. He joined the Indian Administrative Service (IAS) in 1968 and retired from the IAS in 2005 as Secretary, Food and Public Distribution, Government of India. Mr. Tuteja's service career with the Government in Punjab and at the Centre covered Key assignments in various Government Departments. He was the Chairman of the Punjab State Electricity Board from July 1997 to December 1998, the Chairman of the Central Warehousing Corporation from July 2005 to January 2008 and the Chairman of the Pay Commission of the Government of Punjab from November 2006 to April 2009. Mr. Tuteja has over 40 years of experience in diverse fields which include district administration, education, industry, trade, commerce, finance and company matters. He joined our Board on June 20, 1998 and was appointed as a non-executive Independent Chairman of the Company on June 29, 2005.

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

In addition to Swaraj Mazda, Mr. Tuteja is also the Chairman of Abhishek Industries Limited, Shree Renuka Infraprojects Ltd., Adani Logistics Ltd., National Bulk Handling Corporation Ltd. and A2Z Maintenance & Engineering Services Ltd. and Director in Shri Renuka Sugars Ltd., Mundra Port & Special Economic Zone Ltd., Small Industries Development Bank of India, Precision Pipes and Profiles Co. Ltd., Indian Energy Exchange Ltd., Adani Power Ltd., SVIL Mines Ltd., Axis Private Equity Ltd. and Havells India Ltd.

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

Name of the Company	Name of Committee
Abhishek Industries Ltd.	Audit Committee – Chairman
Abhishek Industries Ltd.	Investor Grievance Committee - Chairman
Adani Power Ltd.	Audit Committee – Chairman
Axis Private Equity Ltd.	Audit Committee – Chairman
Mundra Port & SEZ Ltd.	Audit Committee – Member
Mundra Port & SEZ Ltd.	Investor Grievance Committee – Member
Precision P&P Ltd.	Investor Grievance Committee – Member
Shri Renuka Sugars Ltd.	Investor Grievance Committee – Member
Swaraj Mazda Ltd.	Audit Committee – Chairman
Swaraj Mazda Ltd.	Shareholder / Investor Relations Committee – Member

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

- b) Mr. Harkirat Singh holds a Master's degree in Economics from Punjab University. He joined the Life Insurance Corporation of India (LIC) in April, 1961, held various positions in LIC such as Divisional Manager, Regional Manager and the Zonal Manager and retired as an Executive Director in 1995 after 34 years of service. He has attended advance courses in Finance and Management in UK and Japan including a three month training course at the Royal Institute of Public Administration in the year 1980. He has served on the Board of Mukund Steel, Shree Cements and the State Financial Corporation of Uttar Pradesh, Jammu & Kashmir, Punjab and Himachal Pradesh. Mr. Harkirat Singh has over 48 years of experience in Insurance, Finance, Business Management and Corporate Affairs. He has been a Director of the Company since 1990 and is Chairman of Shareholders / Investor Relation Committee of the Board and is also Member of the Audit Committee.

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

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

- c) Mr. H. Yamaguchi holds a graduate degree in Economics from Kobe University, Japan (1977). He joined Sumitomo Corporation in 1977. He has also worked for Sumitomo Corporation in Myanmar, Singapore and Vietnam and was appointed the Managing Director of Thang Long Industrial Park Company (Vietnam) in 1977. He is currently the Chairman and Managing Director of Sumitomo Corporation India Private Limited. Mr. Yamaguchi has over 30 years of experience in areas such as Motor Vehicles, Industrial Park, Logistics and Insurance. He joined our Board on May 28, 2009.

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

Mr. H. Yamaguchi's appointment would be in the category of Non-executive Director belonging to the promoter group.

- d) Mr. Seto was appointed as a Non-executive Director of the Company on 28th May, 2010. He holds Bachelor's degree in Law from Waseda University, Tokyo (Japan). Mr. Seto joined Sumitomo Corporation in 1982 and has several years of experience in the motor vehicles department. In 1993 Mr. Seto was appointed as the Manager of the Detroit office of Sumitomo Corporation, America and is currently General Manager, Automotive Manufacturing Business Department.

Mr. Seto has over 28 years of experience in the automobile industry.

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

Mr. Seto appointment would be in the category of Non-executive Director belonging to the promoter group.

- e) Mr. Sehgal was appointed as Director and Whole-time Director of the Company by the Board of Directors at their meeting held on 27th July, 2010. He holds Bachelor's degree in Science and Mechanical Engineering. Mr. Sehgal started his career in 1968 with Hindustan Syringes Pvt. Ltd. and moved to Escorts Ltd in 1969. He joined Punjab Tractors in 1972 and retired as an Executive Director – Manufacturing and R&D. Mr. Sehgal joined Swaraj Mazda Limited as Executive Director - Works in August 2006. Mr. Sehgal has over 42 years of experience in Quality Control, Manufacturing and R&D.

Mr. Sehgal holds 100 shares in the Company.

Mr. Sehgal appointment would be as a Whole-time Director.

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

Item No. 7

Taking note of Mr. E. Seto's global experience in the automobile industry and guided by the imperatives of Company's future growth plans, the Board had co-opted Mr. E. Seto as an Additional Director on 28th May, 2010. 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. Seto'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. Seto as a Director. Hence, the resolution for approval.

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

Item No. 8 & 9

Mr. R. P. Sehgal was appointed as an Additional Director of the Company at the Board Meeting held on 27th July, 2010 and he holds office upto the date of the forthcoming Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Sehgal as a Director. Hence, the resolution for approval.

Mr. R. P. Sehgal joined the Company's core team as Executive Director in August 2006 and upon consideration of his immense contributions in this position during last 4 years and also guided by the imperatives of the Company's growth plans, the Board of Directors at their Meeting held on 27th July, 2010, have appointed Mr. R. P. Sehgal as Whole-time Director of the Company, designated as Director – Works for a period of three years with effect from 1st June, 2010 subject to approval of the shareholders.

It is the considered view of the Board that Mr. Sehgal's appointment as Whole-time Director of the Company would be of immense value to the Company and therefore recommends the resolution for approval.

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