

## Swaraj Mazda Limited

### BOARD OF DIRECTORS

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

### VICE PRESIDENT - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

### AUDITORS

PRICE WATERHOUSE

### BANKERS

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

### REGISTERED OFFICE & WORKS

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

### CORPORATE OFFICE

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

**SHAREHOLDERS' INFORMATION**

1. **Annual General Meeting** : **29th September, 2007 at 3.00 PM**  
**Venue** : **Swaraj Mazda Limited**  
**Village Asron, Distt. Nawanshahar, Punjab**
2. **Financial Calendar (tentative)**  
Financial reporting for  
Quarter ended 30th June, 2007 : Taken on record on 27th July, 2007  
Quarter ending 30th September, 2007 : 3rd / 4th week of October, 2007  
Quarter ending 31st December, 2007 : 3rd / 4th week of January, 2008  
Year ending 31st March, 2008 : May / June, 2008
3. **Book Closure** : 18th September, 2007 to 25th September, 2007 (both days inclusive)
4. **Dividend Payment** : On or after 29th September, 2007, but within the statutory time limit.
5. **Listing on Stock Exchanges** : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).  
Listing fee for 2007-08 for both these stock exchanges has been paid.
6. **Stock Market Data**  
Monthwise high and low price for one equity share of Rs.10 at BSE & NSE is given below :

Month	Bombay Stock Exchange		National Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
<b>2006</b>				
April	370	340	384	324
May	362	275	374	282
June	299	207	300	201
July	266	212	274	210
August	236	206	239	210
September	250	218	246	220
October	250	214	250	214
November	385	231	387	231
December	360	302	360	310
<b>2007</b>				
January	345	273	354	270
February	350	270	368	276
March	372	326	350	300
April	358	331	362	320
May	372	326	363	321
June	359	305	349	307
July	389	296	370	298

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

8. **Dematerialisation of Shares:**

The Securities & Exchange Board of India (SEBI), with effect from 28<sup>th</sup> August, 2000 has included the shares of Swaraj Mazda Limited in the compulsory demat list for all categories of investors. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) to avail this facility. On date, over 79% of the company's shares are now held in electronic form.

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

**Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to their Depository Participants and the Company will not entertain any such requests directly from shareholders.**

9. Transfer System for physical shares

Share transfer would be registered & returned within a period of 30 days from the date of receipt, if the documents are clear in all respect.

Total no. of shares transferred during 2006-07 was 35152 (Previous Year 1730562)

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

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

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

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

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

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

14. Plant Location : Swaraj Mazda Limited,  
Village Asron, Distt. Nawanshahar,  
Punjab.

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

**Mr. Gopal Bansal**

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

16. Website Address : [www.swarajmazda.net](http://www.swarajmazda.net)

## NOTICE OF ANNUAL GENERAL MEETING

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

### ORDINARY BUSINESS

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

### SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s) the following resolutions:

8. As an Ordinary Resolution

“RESOLVED THAT Mr. Keiji Nakajima, who was appointed as Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company.”

9. As an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 & 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals if any, approval of the Company be and is hereby accorded to the appointment of Mr. Keiji Nakajima as the Whole-time Director of the Company for a period of 5 years commencing from 1<sup>st</sup> February, 2007 on the following terms and conditions :

#### A. SALARY

Rs. 4,00,000/- per month

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

#### B. COMMISSION

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

#### C. PERQUISITES AND OTHER ALLOWANCES

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

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

**D. MINIMUM REMUNERATION**

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

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

**10. As a Special Resolution:**

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

Regd. Office:  
Village Asron  
Distt. Nawanshahar (Punjab)  
Dated: 27<sup>th</sup> August, 2007

By Order of the Board  
  
(GOPAL BANSAL)  
Vice President – Finance & Company Secretary

**NOTES:**

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. The Proxies, to be effective, must be lodged at the Registered Office of the Company in the Form Annexed hereto not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from 18th September to 25th September, 2007 (both days inclusive).
4. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their question in writing to the Company Secretary of the Company so as to reach at least 7 days before the date of the Meeting so that information required may be made available at the Meeting.
5. Subject to the provisions of section 206A of the Companies Act, 1956, dividend, as recommended by the Board of Directors, if approved at the Meeting, will be payable on or after 29th September, 2007 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 25th September, 2007. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as per details furnished by the depositories for this purpose.
6. Members who have not encashed their Dividend Warrant(s) for the financial year ended 31<sup>st</sup> March, 2000 and onward are requested to make their claims to the Company, without any delay. **It may also be noted that once the unclaimed dividend is transferred to the Central Government, no claim shall lie in respect thereof with the Company.**
7. Members are requested to notify any change in their address, mandates etc., to the Company's Registrar and Share Transfer Agents, M/s. MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase – II, New Delhi – 110 020. **In case of dematerialised shares, the change of address requests, bank mandates etc. should be directly sent to the concerned Depository Participant.**

8. Members holding shares in Demat form may please note that the bank account details given by them to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants of the concerned members. However, if any Member wants to receive dividend in any other bank account, such Member should change / correct the bank account details with their concerned DPs. The Company would not entertain any request from such shareholders directly for deletion / change in the bank account details printed on the dividend warrants on the basis of information furnished by the DPs to the Company.

Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 25th September, 2007 to the Company or the Registrar M/s. MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi - 110 020.

9. Members who hold shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail nomination facility by filling Form 2B in their own interest. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective depository participants for recording of nomination.
10. Members having multiple folios are requested to intimate to the registrar M/s. MCS Limited, New Delhi such folios to enable the Company to consolidate all shareholdings into one folio.
11. Members / Proxy holders are requested to produce the Attendance Slip duly completed and signed, for admission to the Meeting Hall.
12. Appointment / Re-appointment of Directors:

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

- a) Mr. Makoto Sato is a graduate in Economics from Aoyama Gakuin University, Japan. He joined Sumitomo Corporation, Japan in 1972 and over the years, has held several key overseas assignments. He was based in US – at Chicago, Los Angeles and Detroit. He was General Manager, Sumitomo Corporation of America from December 1999 to March, 2002.

In April, 2002, Mr. Sato was appointed Corporate Officer, elevated as Executive Officer in 2003 with appointment as General Manager Incharge of Motor Vehicles Business Division of Sumitomo Corporation and further elevated as Managing Executive Officer in 2005.

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

- b) Mr. Yatuka Watanabe, after graduating in 1975 from Sophia University, Japan, joined Sumitomo Corporation Japan. Over the years, he has held several overseas assignments in Kenya, Spain & France. After return from France, Mr. Watanabe has been handling Key overseas business operations on behalf of Sumitomo Corporation. He has vast experience in Overseas Marketing and Management.

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

- c) Mr. Steven Enderby is based in Delhi and is currently a Partner in Actis Capital.

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

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

Mr. Enderby is also on the Board of TEMA India Ltd. and Phoenix Lamps Ltd. He is also a member of the Audit Committee of Phoenix Lamps Ltd. He is also a member of the Shareholder Grievances Committee of Phoenix Lamps Ltd.

- d) Mr. A.K. Thakur is a Chartered Accountant by qualification with a Bachelor's degree in Commerce and retired as Executive Director of Unit Trust of India, after 23 years of service. He has vast experience in accounting, finance and corporate affairs. Mr. Thakur is now a partner with a leading firm of Chartered Accountants.

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

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

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

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

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

##### **Resolution at Item no. 8 & 9**

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

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

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

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

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

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

##### **Resolution at Item no. 10**

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

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

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

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

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

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



## REPORT OF THE DIRECTORS

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

### FINANCIALS

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

### YEAR-END REVIEW

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

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

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

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

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



## DIVIDEND

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

## CURRENT PERFORMANCE

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

## EXPANSION PROJECT

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

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

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

## CORPORATE GOVERNANCE

As required by provisions of the Listing Agreement with Stock Exchanges, reports on Management Discussion and Analysis, Corporate Governance as well as the Auditors' Certificate regarding compliance of conditions of Corporate Governance are annexed to this report.

## HUMAN RESOURCES

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

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

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, ETC.

Particulars in respect of the above activity under the Companies (Disclosure of particulars in the Report of Directors) Rules 1988 is annexed to this report.

**DIRECTORS**

Pursuant to letter received from Sumitomo Corporation withdrawing nomination of Mr. T. Yoshimoto, the Directors, at their meeting held on 31<sup>st</sup> January, 2007, after taking a note of it, placed on record their deep appreciation to the contributions made by Mr. Yoshimoto during his tenure as Director of the Company from July, 2002 till January, 2007.

Recognising that Mr. Keiji Nakajima had earlier joined the Swaraj Mazda core team as an Executive Director & upon consideration of his large contributions in this position and also guided by the imperatives of Company's future growth plans, the Board of Directors at their meeting held on 31<sup>st</sup> January, 2007 were pleased to appoint Mr. Keiji Nakajima as Whole-time Director of the Company for a period of 5 years commencing from 1<sup>st</sup> February, 2007. Appropriate resolutions for Mr. Nakajima's appointment as Director and Whole-time Director of the Company have been proposed at the forthcoming Annual General Meeting.

Mr. M. Sato, Mr. Y. Watanabe, Mr. S. Enderby and Mr. A.K. Thakur 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 explanation 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.

**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.

M/s Price Waterhouse, Chartered Accountants, Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a certificate from them that their reappointment, if made, would be within the limits prescribed under Section 224(1)(B) of the Companies Act, 1956.

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA  
Chairman

YASH PAUL MAHAJAN  
Managing Director

Dated : 27<sup>th</sup> August, 2007

## MANAGEMENT DISCUSSION AND ANALYSIS

Swaraj Mazda Limited (SML) is a Company engaged in the manufacture of vehicles for goods and passenger applications.

### 1. COMPANY UPDATE

SML commenced operations in 1985-86, with sale of Swaraj Mazda LCVs in 2 wheel bases – 3.3m and 2.5m and GVW of 6 Ton, based on Mazda T-3500 model vehicles.

Over the years, SML has, on the strength of own R&D initiatives & endeavours, developed a portfolio for regular as well as the niche customers. In the category of trucks, 3 more wheelbases have been added – 2.8m, 3.9m and 4.7m. The GVW range has been raised to 10.25 Ton. Thus, SML's current range of 5.8 – 10.25 Ton GVW has 6 distinct models with several variants.

In the passenger segment, from the original 26 seater version, SML models today span a far wider, 12 – 41 seat range. A host of specialty vehicles like ambulances, dumper placers, water tankers, troop carriers etc. have also been developed through SML's own initiatives and efforts.

In addition to the above product spread, 4 wheel drive & CNG vehicles plus Airbrake versions, entirely outside Mazda's stable, have been developed through Company's own efforts.

SML has also achieved Bharat Stage III compliance (equal to Euro III), and the power of the engine has been raised from 80 to 100 bhp.

Since the commencement of commercial production in 1986, SML has sold 112,650 vehicles till July, 2007 - 74,650 represent trucks and balance 38,000 are for passenger applications.

It is a matter of record that out of twenty years of commercial operations beginning 1986-87, the phase till 1998-99 was the toughest, being dominated, as it were, by year-on-year agonies and anxieties. Drastic economic changes brought in by Government of India in 1991-92 made the Company a sick unit.

It is also a matter of record that in the subsequent years, SML not only tided over the financial crisis and wiped off the accumulated losses but also came on the dividend list from fiscal 1999-2000, with a maiden pay out of 10%. This year's dividend recommendation of 55% adequately reflects business and profit growth which has taken place during the last seven years.

For a perspective, it may be mentioned that from a level of 2,975 in 1998-99, sale volumes in 2006-07 reached 10,841, registering compound annual growth of 18%. In the last fiscal, sale of vehicles for passenger application represented 53%. SML's market share in the comparable 5 to 10 Ton GVW range (market size 73,000 vehicles) was 15%. However, SML's market share in the comparable passenger segment was 21% which reflected the distinct customer preference for Buses supporting brand Swaraj.

During the same period, by fiscal 2006-07, PBT has risen to a level of Rs.23.2 crores from 1998-99 level of Rs. 3.1 crores, thus registering compound annual growth of 29%. Market capitalization as at 31st March, 2007 stood at Rs.367.0 crores, a compound annual growth of 32% based on March, 1999 valuations.

### 2. FINANCIAL ANALYSIS 2006-07

#### A. Profit & Loss Account

Total net revenue for the year was Rs.603.4 crores (Rs.613.1 crores) with the following break down:

	(Rs. Crores)	
	<u>2006-07</u>	<u>2005-06</u>
Sale of Vehicles	566.52	577.30
Sale of Spare Parts	34.06	33.46
Sale of Scrap etc.	2.84	2.34
Total Revenue	<u>603.42</u>	<u>613.10</u>

Material cost as a percentage of net revenue for fiscal 2006-07 declined marginally to 83.3% from previous fiscal's 83.8%

Employees' costs at Rs.26.7 crores (Rs.22.3 crores) were higher on account of additional burden arising from the new Four Years Wage Agreement effective April, 2006 and represent 4.4% of net revenue (3.6%). Manufacturing and Administrative Expenses incurred during the year aggregated Rs. 16.9 crores (Rs. 15.3 crores) representing 2.8% of net revenue (2.5%).

Expenditure on Marketing was however contained to a level of Rs.22.0 crores (Rs. 26.4 crores) and represented 3.7% of net revenue (4.3%).

In the face of rise in borrowing rates, Interest Cost for the year moved to Rs. 9.3 crores (Rs. 7.3 crores).

In the result, Profit Before Tax reached Rs. 23.2 crores (Rs. 25.3 crores) and the PBT margin was 3.8% against 4.1% for the previous year.

Corporate Tax at Rs. 7.34 crores works out to an effective rate of 31.6% (34.0%). Deferred Tax (Assets) for the current year was Rs. 0.7 crores (Rs. 0.8 crores).

Outgo on dividend account inclusive of tax at Rs. 6.75 crores would translate to a payout ratio of 42% (39%).

## **B. Balance Sheet**

Company's net worth as at 31<sup>st</sup> March 2007 stood at Rs. 75.7 crores comprising of an Equity component of Rs.10.5 crores and Reserves of Rs. 65.2 crores.

Year-end borrowings from Banks stood at Rs.109.8 crores (Rs. 113.5 crores).

Gross Block and Net Block of Assets respectively stood at Rs.45.9 crores (Rs. 41.5 crores) and Rs. 19.3 crores (Rs. 17.4 crores). These assets represent a double shift production capacity of 12,000 vehicles p.a. An amount of Rs. 26.3 crores has been incurred during FY 2006-07 on Company's ongoing expansion project which is shown as Capital Work-in-Progress in the Balance Sheet.

Year-end value of Inventories stood at Rs. 87.3 crores against Rs.91.1 crores as on 31<sup>st</sup> March, 2006.

Trade debtors representing dues against supply of vehicles and spares came down to Rs.195.1 crores as on 31<sup>st</sup> March, 2007 from Rs. 255.8 crores as on 31<sup>st</sup> March, 2006.

Year-end dues to Creditors were Rs. 162.7 crores against Rs. 211.3 crores as on 31<sup>st</sup> March, 2006.

## **3. INTERNAL CONTROL SYSTEM AND ADEQUACY**

In Swaraj Mazda, Finance & Accounts function is adequately staffed and manned by professionally qualified and experienced personnel. Established systems and procedures for internal control are in place on a Company-wide basis. 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 Company's Board of Directors. The reporting and monitoring system is elaborate and the same is reviewed at the meetings of the Audit Committee and the Board while considering quarterly business performance. Policies and procedures have been laid down to provide reasonable assurance that assets are safeguarded from risks of unauthorised use/disposition and transactions are recorded and reported with propriety, accuracy and speed. These aspects of operations are regularly reviewed and verified by the Internal Audit department and by the Company's Statutory Auditors. The same are also subsequently put up to the Audit Committee of the Board for consideration.

#### **4. HUMAN RESOURCES**

The Company's thrust from the very beginning has been on a lean organization manned by involved and motivated employees with team orientation as a major focus. The Company encourages learning on the job and pays special attention towards creation of cordial environment at the work place. During 2006-07, Company has concluded a Four Years Wage Agreement which lays platform for a new work culture based on modern concepts, techniques and practices with appropriate thrust on productivity, quality and cost reduction. Employees strength as on 31st March, 2007 stood at 687 (710).

#### **5. INDUSTRY STRUCTURE AND DEVELOPMENT**

In 1985-86 when the new generation Indo-Jap LCVs were commercially introduced including Swaraj Mazda vehicles, the total LCVs market was a size of 34,000 vehicles while the HCV segment was nearly 60,000. By 1996-97, the total LCV segment had grown to 85,000 and HCV segment had crossed 150,000 mark. In fiscal 2006-07, the total Commercial Vehicle industry had jumped to 518,000, out of which 269,000 represented +10 ton GVW, 176,000 below 5 ton GVW and the balance 73,000 represented 5-10 ton GVW (SML range) which has witnessed a declining trend since last fiscal.

The growth of MCV & HCV segments in the last five years has been very strong – up from level of 108,600 in 2002-03 to 269,000 in 2006-07. This has been on account of progress on road construction programmes, easy availability of finance and sharp uptrend in economic activities. During the same period, industry volumes in SML range have moved from 2002-03 level of 51,000 to 73,000 and SML vehicle sales have moved up from 8101 to 10841.

Taking note of the above developments & keeping in view emerging trends, mid-term and long-term outlook for the commercial vehicle industry as a whole appears encouraging.

However, hike in interest rates, fuel costs and rise in material cost would continue to be a cause of concern.

#### **6. INDUSTRY FUTURE & COMPANY RESPONSE**

The ongoing road development programme would improve connectivity to ports, cities and villages through a network of highways and inter-connecting roads by 2012-13. This in turn would help in faster movement of goods and people between villages, towns, cities & Metros. With the continuous rise in travelling population and railways not likely to cope-up adequately, demand for buses is expected to rise in a significant manner in the coming years.

Added to this changing phenomenon is the rising urge of the young to discover India by road. This is giving a boost to tourism industry and with India becoming a focused destination for visitors from overseas both for business & pleasure including the NRIs, demand for luxury buses is expected to rise sharply with every passing year.

Keeping in view these positive indicators, the Company's response has been timely and appropriate steps to broad-base its product portfolio have already been put in place. These include expansion of vehicle production capacity, new assembly line for ISUZU vehicles and setting up of in-house facilities for the manufacture of luxury buses based on Isuzu chassis and existing Mazda platform for which the Company has already procured relevant designs from overseas parties and also concluded Technical Assistance Agreements with Isuzu Motors Limited, Japan.

With trial production of luxury buses on Isuzu platform having already commenced and activities connected with expansion project picking up further pace, Company appears well positioned to take advantage of emerging business opportunities.

#### **7. BUSINESS RISKS AND CONCERNS**

Commercial Vehicle industry has a close linkage with economic growth and infrastructure development.

India is heavily reliant on imported oil, thus oil prices have a bearing on economic development.

Availability of retail finance at low cost and freight rates have a strong bearing on vehicle demand.

Commercial Vehicle Industry has nine active players. Many of them have increased or in the process of increasing capacities, concluded new tie-ups and are also widening their product portfolios. Thus, competition could further hot up.

Since more than 70% of input materials in a commercial vehicle comprises of steel-based components, any abnormal rise in steel prices and other raw materials would inevitably have an adverse impact on cost of production more so when the additional burden might have to be absorbed by manufacturers because of the intensely competitive operating environment.

The Company constantly evaluates cost factors, marketing and environmental trends for evolving appropriate strategies and implementing effective and timely counter measures. Parallely, necessary initiatives and steps towards value engineering, product upgradation are taken. Price rationalization and favourable product-mix would mitigate the negative impact, if any, but some gap may still remain.

SML's plans under implementation to enhance its capacities, strengthen manufacturing and R&D facilities, expand its vehicle range, and offer company produced buses would provide additional cushion as these initiatives and actions are expected to increase SML's growth and market presence in the coming years.

#### **8. CAUTIONARY STATEMENT**

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

## CORPORATE GOVERNANCE REPORT

### 1. Company's philosophy on Code of Governance

Swaraj Mazda Ltd. believes that it is rewarding to be a better managed and governed business entity. The Company has been practicing the principles of good corporate governance, disclosure and transparency in all its activities and processes right from the beginning. It has been a core belief with the Company to consider itself the custodian and trustee of all stakeholders. The Company has sought and will continue to seek corporate profits through ethical conduct of operations. In pursuit of this goal, the Company has always focused on good corporate governance, a key driver for sustaining growth and creating long term value. The Company further believes that it is rewarding to also identify and align its business activities with national interest.

### 2. Board of Directors

The Board of Directors comprises of 12 Directors. Out of these, two are Whole-time Directors and 10 are Non-Executive Directors including 4 Independent Directors.

The Non-Executive Directors possess wealth of experience and expertise and bring independent judgment to the Board's deliberations and decision making.

The meetings of the Directors are held at regular intervals which are also attended by the core management team as a matter of practice. In the Board Meetings, corporate operations are elaborately reviewed in the context of Board approved Business Plan. The core management team's involvement, participation and interaction with Non-Executive Directors during the Board deliberations enables it to obtain their detached views on corporate operations. This exposure also provides to the key personnel an opportunity to receive valuable advice, guidance, direction and motivation from Non-Executive Directors.

In addition, the Directors have set up following Committees of the Board.

- Audit Committee
- Shareholder / Investor Relations Committee

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the Companies in which he is a Director.

The information on Composition of the Board, category of Directors, attendance at Board meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and Committees of other public companies of which the Director/ Chairman is given below:

Name of Director	Category	Financial Year 2006-07		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
<b>Present Directors</b>							
Mr. S.K.Tuteja (Chairman)	Non Executive Independent	4	4	Yes	9	1	2
Mr. Harkirat Singh	Non Executive Independent	4	4	Yes	Nil	Nil	Nil
Mr. A. K. Thakur	Non Executive Independent	4	4	Yes	1	Nil	1



Mr. P. K. Nanda @	Non Executive Independent	3	2	Yes	2	2	1
Mr. K. Machida	Non Executive	4	Nil	No	Nil	Nil	Nil
Mr. M. Sato	Non Executive	4	1	No	Nil	Nil	Nil
Mr. Y. Watanabe	Non Executive	4	4	Yes	Nil	Nil	Nil
Mr. Pankaj Bajaj @	Non Executive	3	3	No	Nil	Nil	Nil
Mr. Donald Peck	Non Executive	4	4	No	6	Nil	1
Mr. Steven Enderby	Non Executive	4	4	No	2	Nil	2
Mr. Yash Paul Mahajan (Managing Director)	Executive	4	4	Yes	3	Nil	Nil
Mr. Keiji Nakajima + (Whole-time Director)	Executive	1	1	N.A	Nil	Nil	Nil
Mr. T. Hashimoto	Alternate Director to Mr. K. Machida	4	3	Yes	Nil	Nil	Nil
Mr. T.Nagashima \$	Alternate Director to Mr. M. Sato	1	1	N.A.	Nil	Nil	Nil
<b>Ex-Directors</b>							
Mr. T. Yoshimoto (ceased w.e.f. 31st January, 2007)	Non Executive	4	Nil	No	Nil	Nil	Nil
Mr. H. Fujimoto (ceased w.e.f. 31st January, 2007)	Alternate Director to Mr. M. Sato	3	2	No	Nil	Nil	Nil

\* excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956.

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

@ Co-opted w.e.f. 29th July, 2006 + Appointed w.e.f. 1st February, 2007 \$ Appointed w.e.f. 31st January, 2007

### Board Meetings and Attendance

During the Financial Year 2006-07, 4 Board Meetings were held on 31<sup>st</sup> May, 2006, 29<sup>th</sup> July 2006, 31<sup>st</sup> October, 2006 and 31<sup>st</sup> January, 2007.

### 3. Audit Committee

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

#### Terms of Reference

The Audit Committee comprises of three Independent Directors - Mr. S.K. Tuteja (Chairman), Mr. Harkirat Singh and Mr. A.K.Thakur.

Mr. S.K.Tuteja & Mr. Harkirat Singh possess vast experience in and knowledge of Corporate Affairs & Finance. Mr.A.K.Thakur is a practicing Chartered Accountant.

The quorum of the committee is two members. The Company Secretary is the secretary to the committee.

The Audit Committee of Swaraj Mazda performs the following functions:

- Overseeing the Company's financial reporting process and disclosure of Financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment of Statutory Auditors and fixation of their remuneration;
- Reviewing with management the Annual Financial Statements before submission to the Board;
- Reviewing with management and External and 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 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 31<sup>st</sup> May, 2006, 28<sup>th</sup> July, 2006, 31<sup>st</sup> October, 2006 and 31<sup>st</sup> January, 2007.

The Audit committee of the Board also met on 31<sup>st</sup> May, 2007 prior to the finalisation of the Accounts for the financial year ended 31<sup>st</sup> March, 2007.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 9<sup>th</sup> September, 2006.

The details of attendance of the members of the Audit Committee are 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. H. Nagaoka	2	Nil
Mr. A.K. Thakur	2	2

#### 4. Remuneration of Directors

Remuneration paid to Executive Directors is decided by the Board of Directors and approved by the Shareholders at the Annual General Meeting. Non-Executive Directors are paid sitting fee for attending the meetings of the Board of Directors and Committees thereof as per limits fixed by the Board.

Following are the details of Directors Remuneration for 2006-07:

##### Executive – Whole-time Directors

(in Rupees)

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident Fund	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Yash Paul Mahajan*	30,00,000	21,30,000	6,75,000	1,32,646	Nil	59,37,646	Upto 31st May, 2011
Keiji Nakajima**	8,00,000	4,26,000	-	-	Nil	12,26,000	Upto 31st January, 2012

\* with effect from 1st June, 2006.

\*\* with effect from 1st February, 2007.

**Non-Executive Directors**

Name of Director	Sitting Fees (Rs.)	Commission (Rs.)
Mr. S.K. Tuteja	3,15,000	Nil
Mr. Harkirat Singh	3,45,000	Nil
Mr. A.K.Thakur	90,000	Nil
Mr. P.K.Nanda	30,000	Nil

**5. Shareholder / Investor Relations Committee**
**Terms of Reference**

The 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.

**Composition**

During the year, the Shareholder / Investor Relation Committee comprised of Mr. Harkirat Singh (Chairman), Mr. S. K. Tuteja and Mr. Yash Paul Mahajan. The quorum of the meeting is 2 Directors.

The Company received 14 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. The company had Nil shares pending for transfers at the close of the financial year.

During the financial year ended 31<sup>st</sup> March, 2007, 15 meetings of the committee were held.

**6. 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
2003-04	28 <sup>th</sup> August, 2004	11.30 AM	Swaraj Mazda Limited, Village Asron, Distt. Nawanshahar, Punjab.	1*
2004-05	30 <sup>th</sup> September, 2005	11.00 AM	Swaraj Mazda Limited, Village Asron, Distt. Nawanshahar, Punjab.	Nil
2005-06	9 <sup>th</sup> September, 2006	2.00.PM	Swaraj Mazda Limited, Village Asron, Distt. Nawanshahar, Punjab.	Nil

\* To increase FII investment ceiling in Company's Equity to 49%.

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.

**7. Code of Ethics & Conduct**

Company's Board has laid down a well-defined Code of Ethics & Conduct (the "Code") to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company ([www.swarajmazda.net](http://www.swarajmazda.net)). All the Directors and senior management personnel of the Company have affirmed compliance with the code. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

## 8. Disclosures

- a) 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) 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.
- c) 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. The Company has also complied with the requirements of amended Clause 49 after it came into force.
- d) 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) Company regularly publishes its quarterly results in the leading national / regional newspapers. These results are also available on Company's website [www.swarajmazda.net](http://www.swarajmazda.net) and at SEBI website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).
  - iii) Audit Qualifications  
During the financial year under review, there is no fresh audit qualification in Company's financial statements.
  - iv) Training of Board Members / Mechanism for evaluating Non-Executive Board Members.  
All Non-Executive Directors are given presentations by Whole-time Directors / 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.
  - v) 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.

## 9. 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](http://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 31<sup>st</sup> March, 2007, no presentations were made to institutional investors or analysts;
- d) Management Discussion and Analysis Report forms part of the Directors' Report.

## 10. General Shareholders Information

Covered under separate section in this Annual Report.

**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, 2007, 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.

Gurgaon, 27th August, 2007

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

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

I, Yash Paul 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 31<sup>st</sup> March, 2007.

New Delhi, 27<sup>th</sup> August, 2007

(Yash Paul Mahajan)  
Managing Director

## ANNEXURE TO DIRECTORS' REPORT

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

### 1. CONSERVATION OF ENERGY

The Company has taken following initiatives for conservation of energy:

- Improvement of Power Factor to 0.97.
- Installation of energy saving CFL Lamps and Reflectors in the Offices.
- Installation of transparent fiber sheets in the roofs to increase natural light in the shops to eliminate usage of electric lights during the day time.
- Installation of most modern power saving light fittings in the Bus Body Plant.
- Installation of natural draft turbine air ventilators instead of electricity driven exhaust fans in the Bus Body Plant to save energy.
- Installation of low GPH nozzles in Thermopacs and Paint Baking Ovens resulting in saving of diesel.
- Installation of energy saving compressed air pipes with transair fitting resulting saving in consumption of compressed air.
- Installation of new welding machines with inverter based Technology which are energy efficient by 45%.

### 2. TECHNOLOGICAL DEVELOPMENT

2.1 SML entered into Technical Assistance Agreement with Isuzu Motors, Japan in 2006 for production of LT1 model vehicle chassis. The technology from Isuzu has been absorbed and trial production has recently commenced.

SML has procured Technical Know-how for manufacturing of Ultra Luxury Bus Bodies from two companies in Malaysia i.e.

- M/s. Gunung Coach
- M/s. SKS Coach

Technology has been fully absorbed and trial production of Bus Bodies has commenced.

2.2 Expenditure on Research & Development during 2006-07 :

	(Rs. in lacs)
(a) Capital	206.21
(b) Recurring	318.23
(c) Total	<u>524.44</u>
(d) R&D expenditure as a %age of total turnover	0.76%

Major R&D achievements have been :

- Based on in-house Know-how a new chassis fabrication line for LT1 Chassis has been set-up.
- All of the Company's vehicles and engines are compliant with prevalent regulatory norms in India.
- SML also manufactures in-house developed vehicles which run on alternate fuel like CNG.

### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in lacs)
Earnings in foreign currency	3193.79
Expenditure in foreign currency	1914.70

**BALANCE SHEET AS AT 31ST MARCH, 2007**

(Rs. in lacs)

	Schedule	2007		2006
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	A	1,049.38	1,049.38	
Reserves and Surplus	B	<u>6,516.59</u>	<u>7,565.97</u>	<u>5,582.44</u>
				6,631.82
<b>Loan Funds</b>				
Secured Loans	C	2,950.14		6,836.00
Unsecured Loans	D	8,028.62		4,512.00
Deferred Tax Liabilities	E	—		24.29
			<u>18,544.73</u>	<u>18,004.11</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	F	4,590.58		4,152.46
Less : Depreciation		<u>2,662.30</u>		<u>2,416.71</u>
Net Block			1,928.28	1,735.75
Capital Work-in-Progress			2,628.82	517.97
Capital Spares			4.62	6.70
Deferred Tax Assets	E		47.46	—
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	G	8,733.03		9,114.46
Sundry Debtors		19,154.79		25,342.01
Cash and Bank Balances		2,272.81		1,903.41
Other Current Assets		716.64		601.03
Loans and Advances		<u>2,654.96</u>		<u>2,704.72</u>
		<u>33,532.23</u>		<u>39,665.63</u>
Less :				
Current Liabilities and Provisions	H	<u>19,596.68</u>		<u>23,921.94</u>
Net Current Assets			<u>13,935.55</u>	<u>15,743.69</u>
			<u>18,544.73</u>	<u>18,004.11</u>
<b>Significant Accounting Policies</b>				
<b>Notes to Accounts</b>				
	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  
PRICE WATERHOUSE  
Chartered Accountants

 K. NAKAJIMA  
Whole-time Director

FOR AND ON BEHALF OF THE BOARD

 S.K. TUTEJA  
Chairman

 V. NIJHAWAN  
Partner  
M.No. : F87228

 GOPAL BANSAL  
Vice President - Finance  
& Company Secretary

 YASH PAUL MAHAJAN  
Managing Director

New Delhi, 31st May, 2007

New Delhi, 31st May, 2007



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

(Rs. in lacs)

Schedule	2007	2006
<b>INCOME</b>		
Sales (Refer Note 2 on Schedule M and 10 (b) on Schedule N)	<b>68,738.39</b>	70,042.48
Less : Excise Duty	<b>8,680.06</b>	8,966.72
Net Sales Revenue	<b>60,058.33</b>	61,075.76
Other Income	<b>283.68</b>	234.31
	<b>60,342.01</b>	61,310.07
<b>EXPENDITURE</b>		
Manufacturing and Other Expenses	<b>56,797.26</b>	57,781.16
Finance Charges (Net)	<b>933.53</b>	729.27
Depreciation	<b>289.11</b>	271.42
	<b>58,019.90</b>	58,781.85
Profit for the year before Tax Expense	<b>2,322.11</b>	2,528.22
Tax Expense/(Saving) (Refer Note 10 on Schedule M)		
- Current Tax	<b>734.00</b>	860.00
- Deferred Tax (Refer Note 8 on Schedule N)	<b>(71.75)</b>	(80.00)
- Fringe Benefit Tax	<b>50.92</b>	70.00
Profit for the year after Tax Expense	<b>1,608.94</b>	1,678.22
Balance brought forward from previous year	<b>1,128.59</b>	958.03
Profit available for Appropriation	<b>2,737.53</b>	2,636.25
<b>APPROPRIATIONS</b>		
Proposed Dividend	<b>576.77</b>	576.77
Dividend Tax and Surcharge	<b>98.02</b>	80.89
General Reserve	<b>750.00</b>	850.00
Balance Carried to Balance Sheet	<b>1,312.74</b>	1,128.59
	<b>2,737.53</b>	2,636.25
<b>Earning Per Share</b> (Refer Note 7 on Schedule N)		
Basic/Diluted Earning Per Share (Rs.)	<b>15.34</b>	16.00
<b>Significant Accounting Policies</b>		
<b>Notes to Accounts</b>		

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

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

FOR AND ON BEHALF OF THE BOARD

 For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants

 K. NAKAJIMA  
Whole-time Director

 S.K. TUTEJA  
Chairman

 V. NIJHAWAN  
Partner  
M.No. : F87228

 GOPAL BANSAL  
Vice President - Finance  
& Company Secretary

 YASH PAUL MAHAJAN  
Managing Director

New Delhi, 31st May, 2007

New Delhi, 31st May, 2007

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE A**

(Rs. in lacs)

	2007	2006
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
2,00,00,000 Equity Shares of Rs. 10/- each	<u>2,000.00</u>	<u>2,000.00</u>
<b>Issued, Subscribed and Paid-Up</b>		
1,04,86,700* Equity Shares (Previous year 1,04,86,700) of Rs. 10/- each fully paid-up	1,048.67	1,048.67
Add : Forfeited Shares [Amount paid up on 13,300 Equity Shares (Previous year 13,300) of Rs. 10/- each]	0.71	0.71
	<u>1,049.38</u>	<u>1,049.38</u>

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

**SCHEDULE B**

(Rs. in lacs)

	2007	2006
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	15.00	15.00
(Refer Note 11 on Schedule M)		
<b>General Reserve</b>		
Balance Brought Forward	4,438.85	3,588.85
Add : Transferred from Profit and Loss Account	<u>750.00</u>	<u>850.00</u>
	5,188.85	4,438.85
<b>Profit and Loss Account</b>	<u>1,312.74</u>	<u>1,128.59</u>
	<u>6,516.59</u>	<u>5,582.44</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE C**

(Rs. in lacs)

	2007	2006
<b>SECURED LOANS</b>		
<b>From Banks</b>		
- Short Term Loans	<u>2,950.14</u>	6,836.00
	<u>2,950.14</u>	<u>6,836.00</u>

**Notes :**

- The limits sanctioned by the bankers are secured by a first charge by way of hypothecation of the Company's Current Assets i.e. Stocks, Bills Receivable, Book Debts and other movables of the Company and also by way of a second mortgage and charge on the Company's immovable property. The said second charge is yet to be created by the Company.
- The Company had in an earlier year taken loans from Financial Institutions against first charge on its movable and immovable property. The said loans have since been repaid. However the charges in respect of these loans are in the process of being vacated.

**SCHEDULE D**

(Rs. in lacs)

	2007	2006
<b>UNSECURED LOANS</b>		
<b>From Banks</b>		
- Short Term Loans	<u>8,028.62</u>	4,512.00
	<u>8,028.62</u>	<u>4,512.00</u>

**SCHEDULE E**

(Rs. in lacs)

	2007	2006
<b>DEFERRED TAX LIABILITIES/(ASSETS)</b>		
(Refer Note 10 on Schedule M & Note 8 on Schedule N)		
Deferred Tax Liability/(Assets)		
- At the beginning of the year	24.29	104.29
- Adjustment during the year	<u>(71.75)</u>	<u>(80.00)</u>
	<u>(47.46)</u>	<u>24.29</u>
	<u>(47.46)</u>	<u>24.29</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE F** (Refer Notes 3, 4, 9, 12 and 14 on Schedule M and Note 20 on Schedule N)

**FIXED ASSETS**

(Rs. in lacs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions during the year	Adjust- ments	As at 31.03.2007	As at 01.04.2006	For the year	Adjust- ments	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Freehold Land	48.74	–	–	<b>48.74</b>	–	–	–	–	<b>48.74</b>	48.74
Factory Building	862.43	7.00	–	<b>869.43</b>	422.22	28.51	–	<b>450.73</b>	<b>418.70</b>	440.21
Plant and Machinery	2,315.62	133.30	15.96	<b>2,432.96</b>	1,377.36	143.37	13.41	<b>1,507.32</b>	<b>925.64</b>	938.26
Jigs and Fixtures	383.88	–	0.35	<b>383.53</b>	299.32	21.56	0.33	<b>320.55</b>	<b>62.98</b>	84.56
Furniture, Fixtures & Office Equipments	342.04	93.92	29.78	<b>406.18</b>	232.95	45.93	29.78	<b>249.10</b>	<b>157.08</b>	109.09
Vehicles	199.75	249.99	–	<b>449.74</b>	84.86	49.74	–	<b>134.60</b>	<b>315.14</b>	114.89
<b>Total</b>	<b>4,152.46</b>	<b>484.21</b>	<b>46.09</b>	<b>4,590.58</b>	<b>2,416.71</b>	<b>289.11</b>	<b>43.52</b>	<b>2,662.30</b>	<b>1,928.28</b>	<b>1,735.75</b>
Previous Year	4,122.50	228.98	199.02	4,152.46	2,333.25	271.42	187.96	2,416.71	<b>1,735.75</b>	
Capital Work-in-Progress [Includes Capital Advances Rs. 484.19 lacs (Previous year Rs. 67.65 lacs)]									<b>2,628.82</b>	517.97

**Notes :**

1. Additions to Plant & Machinery includes Rs. 4.84 lacs (Previous year Rs. 0.07 lacs) loss on account of Foreign Currency transactions.
2. Capital Work-in-Progress includes interest aggregating to Rs. 5.58 lacs (Previous year Nil) on account of borrowing cost attributable to acquisition/construction of qualifying assets.

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE G**

(Rs. in lacs)

	2007	2006
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
(Refer Note 5 on Schedule M)		
Raw Materials & Components	3,475.99	4,252.49
Raw Materials & Components-in-Transit	650.80	546.10
Stores and Spare Parts	58.23	72.51
Loose Tools	27.70	28.00
Work-in-Progress	605.54	604.16
Finished Goods		
– Vehicles	3,541.14	3,198.23
– Spares	<u>373.63</u>	<u>412.97</u>
	<b>3,914.77</b>	<b>3,611.20</b>
	<b>8,733.03</b>	<b>9,114.46</b>
<b>Sundry Debtors</b>		
(Considered good unless otherwise stated)		
Debts outstanding for more than six months :		
– Secured	31.09	39.66
– Unsecured [Including Rs. 353.90 lacs considered doubtful (Previous year Rs. 240.05 lacs)]	942.48	1,243.89
Less : Provision for doubtful debts	<u>353.90</u>	<u>240.05</u>
	<b>619.67</b>	<b>1,003.84</b>
		<b>1,043.50</b>
Other Debts :		
– Secured	210.65	226.80
– Unsecured	<u>18,324.47</u>	<u>24,071.71</u>
	<b>18,535.12</b>	<b>24,298.51</b>
	<b>19,154.79</b>	<b>25,342.01</b>
<b>Cash and Bank Balances</b>		
Cash-in-Hand	34.16	21.99
[Includes Stamps in Hand Rs. 1.35 lacs (Previous Year Rs. 1.35 lacs)]		
Balances with Scheduled Banks on :		
– Current Accounts	2,079.48	1,762.31
– Cash Credit Accounts	–	23.36
– Unpaid/Unclaimed Dividend Accounts	100.54	82.83
– Fixed Deposits	58.63	12.92
(Pledged as Margin Money with banks against issue of Letters of Credit & Bank Guarantees)		
	<u>2,238.65</u>	<u>1,881.42</u>
	<b>2,272.81</b>	<b>1,903.41</b>
<b>Other Current Assets</b>		
(Unsecured considered good unless otherwise stated)		
Prepaid Expenses	3.36	9.54
Export Incentives Receivables	713.28	591.49
(Refer Note 2 on Schedule M)		
	<u>716.64</u>	<u>601.03</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE G (Continued)**

(Rs. in lacs)

	2007		2006	
<b>LOANS &amp; ADVANCES</b>				
(Unsecured considered good unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received	<b>1,537.68</b>		1,830.44	
[Including Rs. 10.89 lacs considered doubtful (Previous year Rs. 0.43 lacs)]				
Less : Provision for doubtful advances	<b>10.89</b>	<b>1,526.79</b>	<u>0.43</u>	1,830.01
Security Deposits	<b>180.02</b>		88.80	
[Including Rs. 0.36 lacs considered doubtful (Previous year Rs. 0.36 lacs)]				
Less : Provision for doubtful advances	<b>0.36</b>	<b>179.66</b>	<u>0.36</u>	88.44
Balance with Excise Authorities (Refer Note 2 on Schedule N)		<b>704.32</b>		614.43
Advance Tax [Net of Provision Rs. 5,678.86 lacs (Previous year Rs. 4,945.86 lacs)]		<b>244.19</b>		171.84
		<b><u>2,654.96</u></b>		<u>2,704.72</u>

**SCHEDULE H**

(Rs. in lacs)

	2007		2006	
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>				
Acceptances*		<b>3,769.70</b>		5,922.74
Sundry Creditors				
– Small scale industrial undertakings# (Refer Note 17 on Schedule N)	<b>1,886.25</b>		2,343.50	
– Others	<b>10,613.64</b>	<b>12,499.89</b>	<u>12,862.33</u>	15,205.83
Customer Advances		<b>485.91</b>		415.84
Unclaimed Dividends		<b>100.54</b>		82.83
Other Liabilities		<b>1,109.10</b>		<u>818.72</u>
		<b><u>17,965.14</u></b>		<u>22,445.96</u>
<b>PROVISIONS</b>				
Fringe Benefit Tax		<b>5.92</b>		8.85
Wealth Tax		<b>1.00</b>		–
Proposed Dividend		<b>576.77</b>		576.77
Tax on Proposed Dividend		<b>98.02</b>		80.89
Retirement Benefits (Refer Note 6 on Schedule M)		<b>526.83</b>		378.47
Warranty [Refer Note 8 on Schedule M & Note 4(b) on Schedule N]		<b>423.00</b>		<u>431.00</u>
		<b><u>19,596.68</u></b>		<u>23,921.94</u>

\* Secured to the extent of Rs. 359.81 lacs (Previous year Rs. 880.58 lacs) against hypothecation of Components.

# As certified by the management.

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE I**

(Rs. in lacs)

	2007	2006
<b>OTHER INCOME</b>		
Sale of Scrap	149.64	159.25
Liabilities/Provisions no longer required written back	71.75	9.97
Miscellaneous Income	62.29	65.09
	<u>283.68</u>	<u>234.31</u>

**SCHEDULE J**

(Rs. in lacs)

	2007	2006
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>Materials Consumed</b>		
Raw Materials and Components consumed*	48,306.75	49,733.13
* Net of Import Duty Benefit of Rs. 206.37 lacs (Previous year Rs. 455.38 Lacs) (Refer Note 11 on Schedule N)		
Movement of Finished Goods and Work-in-Progress		
Opening Stock		
– Finished Goods	3,611.20	2,989.08
– Work-in-Progress	604.16	550.54
	<u>4,215.36</u>	<u>3,539.62</u>
Add : Purchases of Finished Goods	2,135.85	2,352.75
	<u>6,351.21</u>	<u>5,892.37</u>
Less : Closing Stock		
– Finished Goods	3,914.77	3,611.20
– Work-in-Progress	605.54	604.16
	<u>4,520.31</u>	<u>4,215.36</u>
	<u>1,830.90</u>	<u>1,677.01</u>
Total Consumption	50,137.65	51,410.14
Increase / (Decrease) in excise duty on finished goods	74.21	53.50
Net Consumption	<u>50,211.86</u>	<u>51,463.64</u>
Operating, Administrative and Other Expenses (as per Schedule K)	<u>6,585.40</u>	<u>6,317.52</u>
	<u>56,797.26</u>	<u>57,781.16</u>



**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE K**

(Rs. in lacs)

	2007	2006
<b>OPERATING, ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Salaries, Wages and Bonus (Refer Note 21 on Schedule N)	2,217.95	1,886.96
Contribution to Provident and Other Funds (Refer Note 6 on Schedule M)	281.35	196.71
Workmen and Staff Welfare	168.93	142.98
Consumption of Stores, Spares and Tools (including Capital Spares) (Refer Note 12 on Schedule N)	173.92	148.75
Repair and Maintenance :		
– Machinery	33.84	1.86
– Building	14.67	10.37
– Others	13.28	30.74
Power and Fuel	375.79	396.80
Rent (Refer Note 13 on Schedule M & 19 on Schedule N)	122.22	83.69
Rates and Taxes	94.39	199.06
Legal and Professional (Refer Note 9 on Schedule N)	85.98	58.73
Insurance	71.51	59.53
Printing, Stationery, Postage and Telephone	113.26	111.78
Travelling and Conveyance	362.92	349.16
Advances Written off	2.00	–
Provision for Doubtful Debts	136.18	–
Marketing, Sales and Promotion Expenses (Refer Note 4 on Schedule N)	1,983.63	2,451.90
Research and Development (Refer Note 7 on Schedule M)	154.49	89.00
Directors' Sitting Fees	7.80	6.45
Miscellaneous Expenses (Refer Note 20 on Schedule N)	148.41	173.11
Exchange loss/(gain) on Foreign Currency Transactions (Refer Note 9 on Schedule M)	23.26	(77.66)
	<u>6,585.78</u>	<u>6,319.92</u>
Less : Expenditure Transferred to Fixed Assets (Refer Note 3 on Schedule M)	0.38	2.40
	<u>6,585.40</u>	<u>6,317.52</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**SCHEDULE L**

(Rs. in lacs)

	2007	2006
<b>FINANCE CHARGES / INCOME</b>		
(Refer Note 12 on Schedule M)		
Interest on Loans*	822.15	617.64
Interest Others	32.94	41.41
Bank Charges	87.06	77.22
	<u>942.15</u>	<u>736.27</u>
<b>LESS :</b>		
Interest on Fixed Deposits (Gross)	2.67	0.73
[Tax deducted at source Rs. 0.62 lacs (Previous year Rs. 0.06 lacs)]		
Interest Others	<u>5.95</u>	<u>6.27</u>
	<u>933.53</u>	<u>729.27</u>

\* Net of interest recovered from customers Rs. 90.74 lacs (Previous year Rs. Nil).

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

These accounts have been prepared in accordance with historical cost convention, applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**2) REVENUE RECOGNITION**

Domestic Sales are recognized on transfer of significant risks and rewards to the customer which 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 dispatch. Export Benefits are accounted for on accrual basis.

**3) FIXED 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.

Capital Work-in-Progress:

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**

Depreciation on 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 amortised in a systematic manner over a period not exceeding the useful life of the asset to which they relate.

**5) INVENTORIES**

Finished goods, Raw Material and Components, Loose tools, Stores & Spares, Work-in-Progress and Goods-in-Transit are valued at lower of cost and net realisable 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) RETIREMENT BENEFITS**

The Company has various schemes of Retirement Benefits - Superannuation Fund, Gratuity and Leave Encashment. The Company has created trusts which have taken Master policy with the Life Insurance Corporation of India to cover its liability towards employees' superannuation and gratuity.

The Company contributes to the appropriate authorities its share of the Employees' Provident & Pension Fund, which is charged to revenue every year.

The estimated liability towards Gratuity and Leave Encashment is being provided for based on the actuarial valuation carried out at the year-end.

**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 estimate of costs to be incurred 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, except those relating to fixed assets acquired outside India in foreign currency are recognized as income or expense in the year in which they arise. In case of fixed assets acquired outside India in foreign currency, the cost is adjusted for exchange differences arising on repayment of liabilities incurred for the purpose of acquiring such fixed assets.

At the Balance Sheet date all monetary assets, other than fixed assets acquired outside India in foreign currency, and monetary liabilities denominated in foreign currency are reported at the exchange rates prevailing at the Balance Sheet date and the resultant exchange fluctuation, if any, is recognized in the Profit & Loss Account. The cost of the respective fixed assets are adjusted for increase or decrease in liabilities incurred for the purpose of acquiring such fixed assets due to restatement of liabilities at the exchange rates prevailing at the Balance Sheet date.

The difference between the forward rate and the exchange rate at the date of transaction is recognized as income or expense over the life of the forward exchange contract, except in respect of liabilities incurred for acquiring fixed assets outside India, in which case, such difference is adjusted in the carrying amount of the respective fixed assets.

Profit or loss arising on cancellation of a forward contract is recognized as income or expense in the year in which such cancellation or renewal has been made except in the case of a forward contract relating to liabilities incurred for acquiring fixed assets outside India, where the profit or loss is adjusted in the cost of respective fixed assets.

At the Balance Sheet date all monetary assets and liabilities covered by forward contracts are stated at forward contract rates.

**10) TAXATION**

Tax Expense, comprising current tax & deferred tax, is included in determining the net profit for the year.

A provision is made for the current tax and fringe benefit tax based on tax liability computed in accordance with relevant tax rates and tax laws.

In accordance with Accounting Standard - 22 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, 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 of 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 difference 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 the 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', issued by the Institute of Chartered Accountants of India, 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.

**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 :

Details of various cases against which the Company has not deposited the respective demands for which the Company is in appeal are given below.

<b>Name of the statute</b>	<b>Nature of dues</b>	<b>Amount</b>	<b>Period to which the amount relates</b>	<b>Forum-where the dispute is pending</b>
Central Sales Tax Act, 1956	Demand raised by Sales Tax Authorities for difference in the rate of tax.	Rs. 130.93 lacs (Net of Rs.87.30 lacs deposited by the Company)	1 <sup>st</sup> April 2000 to 30 <sup>th</sup> September 2000	Sales Tax Appellate Tribunal, Chandigarh.
Central Sales Tax Act, 1956	Surety bonds for vehicles impounded for inadequacy of papers.	Rs.7.23 lacs (Net of Rs. 2.42 lacs deposited by the Company)	May 2001	Asstt. Excise and Taxation Commissioner, Patiala.
Central Sales Tax Act, 1956	Demand raised by Sales Tax Authority, Panchkula against non-submission of C Forms.	Rs. 1.39 lacs	2003-04	Excise and Taxation Officer.
Central Excise Act, 1944	Denial of benefit of notification for fuel efficient chassis for Motor Vehicles.	Rs 147.66 lacs (already deposited by the Company)	1995-96 to 96-97	Supreme Court of India.
Central Excise Act, 1944	Demand raised by Excise Authorities 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 of Rs. 2.12 lacs)	1.04.2000 to 31.03.2004	The company is in the process of filing appeal before Central Excise and Service Tax Appellate Tribunal (CESTAT).
Central Excise Act, 1944	Demand raised by Excise Authorities on non-receipt of material sent to job workers within 180 days under Rule 4 (5a) of Cenvat Credit Rules.	Rs. 1.76 lacs (amount of penalty)	01.04.2003 to 31.10.2003	The company is in the process of filing appeal before Central Excise and Service Tax Appellate Tribunal (CESTAT).
Central Excise Act, 1944	Demand raised by Excise Authorities 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 of Rs. 0.30 lacs)	01.01.2004 to 30.09.2004	The company is in the process of filing appeal before Central Excise and Service Tax Appellate Tribunal (CESTAT).

Income Tax Act, 1961	Disallowance of expenditure u/s 37(4) read with section 37(5). This case involves substantial questions of law.	Rs. 1.20 lacs	1986-87	High Court of Punjab & Haryana (Appeal filed by Department).
Income Tax Act, 1961	Additions made u/s 143(1) (a) by invoking provisions of section 43B. This case involves substantial questions of law.	Rs. 58.08 lacs	1990-91	High Court of Punjab & Haryana (Appeal filed by Department).
Income Tax Act, 1961	Disallowance of provision for bad and doubtful debts.	Rs. 36.74 lacs for the assessment year 1992-93 (representing the amount of provision)	1991-92	High Court of Punjab & Haryana (Appeal filed by Department).
Income Tax Act, 1961	Demand raised by Income Tax Authority under section 234 B & C.	Rs. 22.02 lacs for the assessment year 1998-99 (Rs. 22.02 lacs deposited by the Company)	1997-98	High Court, Chandigarh.
Income Tax Act, 1961	Demand raised by Income Tax Authority for excess deduction claimed u/s 80HHC.	Rs. 3.43 lacs for the assessment year 2004-05	2003-04	Appeal filed with commissioner of Income Tax (Appeals).

- b) Counter Guarantees given by the Company to its bankers and outstanding as on 31.03.2007 amounting to Rs. 397.48 lacs (Previous year Rs. 85.30 lacs).
  - c) Letters of Credit issued on behalf of the Company by its bankers and outstanding as on 31.03.2007 amounting to Rs.1,626.57 lacs (Previous year Rs. 998.25 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 besides 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.1,219.72 lacs (Previous year Rs.332.49 lacs).
  4. (a) Market promotion expenses (Schedule K) include discounts on sales allowed to customers during the year amounting to Rs. 293.99 lacs (Previous year Rs. 376.12 lacs) and commission on sales amounting to Rs.62.71 lacs (Previous year Rs. 90.38 lacs).

(b) Provision For Warranty*	<u>2006-07</u> <u>(Rs. in Lacs)</u>	<u>2005-06</u> <u>(Rs. in Lacs)</u>
Opening Balance	431.00	350.00
Additions during the Year	272.00	291.00
Utilized during the year	280.00	200.00
Reversed during the year	-	10.00
Closing Balance	423.00	431.00

\*As per Warranty Policy, the company is required to provide free repair and replacement of parts required to be replaced due to manufacturing defects which appears 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", issued by the Institute of Chartered Accountants of India are 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) Associate Companies\*
    - Punjab Tractors Limited
    - Swaraj Engines Limited
    - Swaraj Automotives Limited
    - Sumitomo Corporation, Japan
  - ii) Key Management Personnel\*
    - Mr. Yash Paul Mahajan - Managing Director  
(With effect from June 1, 2006)
    - Mr. K Nakajima - Whole-time Director  
(With effect from February 1, 2007)

\* As identified and certified by the Management.

- iii) Transactions with Associate Companies\*\*

	<u>2006-2007</u> <u>(Rs. in lacs)</u>	<u>2005-2006</u> <u>(Rs. in lacs)</u>	
<b>a. Purchase of components/spares :</b>			
Sumitomo Corporation, Japan	1,002.56	2,404.09	
Punjab Tractors Limited	360.60	2,481.66	
Swaraj Engines Limited	295.46	2,472.71	
Swaraj Automotives Limited	<u>77.59</u>	<u>615.45</u>	7,973.91
	<b>1,736.21</b>		
<b>b. Purchase of fixed assets</b>			
Sumitomo Corporation, Japan	80.37	38.32	
Punjab Tractors Limited	<u>-</u>	<u>7.06</u>	45.38
	<b>80.37</b>		
<b>c. Sale of components</b>			
Punjab Tractors Limited	2.42	30.23	
Swaraj Engines Limited	112.46	974.05	
Swaraj Automotives Limited	<u>2.51</u>	<u>13.55</u>	1,017.83
	<b>117.39</b>		
<b>d. Sale of finished goods</b>			
Punjab Tractors Limited	-	164.46	
Swaraj Automotives Limited	<u>-</u>	<u>14.08</u>	178.54
	<b>-</b>		



<b>e. Expenses reimbursement in respect of services received</b>				
Punjab Tractors Limited	52.35		197.44	
Swaraj Engines Limited	<u>3.81</u>	56.16	<u>18.51</u>	215.95
<b>f. Expenses reimbursement in respect of services rendered</b>				
Punjab Tractors Limited	10.23		12.73	
Swaraj Engines Limited	3.17		10.74	
Swaraj Automotives Limited	<u>1.26</u>	14.66	<u>4.90</u>	28.37
<b>g. Interest expense on Inter corporate borrowings (gross)</b>				
Punjab Tractors Limited	–		108.70	
Swaraj Engines Limited	<u>–</u>	–	<u>25.43</u>	134.13
<b>h. Discounting charges paid</b>				
Sumitomo Corporation, Japan		2.50		5.38
<b>i. Inter Corporate Deposits received</b>				
Punjab Tractors Limited	–		4,050.00	
Swaraj Engines Limited	<u>–</u>	–	<u>1,150.00</u>	5,200.00
<b>j. Inter Corporate Deposits paid</b>				
Punjab Tractors Limited	–		4,050.00	
Swaraj Engines Limited	<u>–</u>	–	<u>1,150.00</u>	5,200.00
<b>k. Dividend paid (Gross)</b>				
Sumitomo Corporation, Japan	236.67		322.73	
Punjab Tractors Limited	<u>80.96</u>	317.63	<u>110.40</u>	433.13
<b>Aggregate balances outstanding at year end – Payables</b>				
Sumitomo Corporation, Japan	306.73		837.33	
Punjab Tractors Limited	–		505.25	
Swaraj Engines Limited	–		711.94	
Swaraj Automotives Limited	<u>–</u>	306.73	<u>116.30</u>	2,170.82

\*\* Transactions with Punjab Tractors Limited, Swaraj Engines Limited & Swaraj Automotives Limited disclosed above are for the period from 1st April, 2006 to 31st May, 2006 in the current year, hence previous year figures are not comparable with current year figures.

iv) Remuneration to Key Management Personnel

	<u>2006-2007</u> (Rs. in lacs)		<u>2005-2006</u> (Rs. in lacs)	
Yash Paul Mahajan	59.38		–	
K. Nakajima	<u>12.26</u>	71.64	<u>–</u>	–

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

	<u>31.03.2007</u>	<u>31.03.2006</u>
Profit attributable to Equity Shareholders (Rs. in lacs)	<b>1,608.94</b>	1,678.22
Basic/Weighted average number of equity shares outstanding during the year [excluding 13,300 forfeited equity shares (Previous year 13,300)].	<b>10,486,700</b>	10,486,700
Basic/Diluted Earning Per Share (Rs.) (Face Value Rs.10 per share)	<b>15.34</b>	16.00

**8. In view of Accounting Standard – 22 “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India, the Company has accounted for deferred tax as follows:**

Particulars	Balance as at 01.04.2006	Amount (Rs. in lacs)	
		Expense/ (Saving) during the year	Balance as at 31.03.2007
<b>(A) Deferred Tax Liabilities</b>			
(i) Tax impact of difference between carrying amount of fixed assets in the financial statements and income tax returns	225.33	<b>(28.63)</b>	<b>196.70</b>
Sub Total	225.33	<b>(28.63)</b>	<b>196.70</b>
<b>(B) Deferred Tax Assets</b>			
(i) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax.	71.86	<b>42.95</b>	<b>114.81</b>
(ii) Tax impact of expenditures disallowed under section 40(a)(ia) and 43B of the Income Tax Act.	129.18	<b>0.17</b>	<b>129.35</b>
Sub Total	201.04	<b>43.12</b>	<b>244.16</b>
<b>Deferred Tax (Assets)/Liabilities (A-B)</b>	24.29	<b>(71.75)</b>	<b>(47.46)</b>

The Deferred Tax Expense (net) for the current year aggregating to Rs. 71.75 lacs has been credited to the Profit and Loss Account.

**9. Auditors' Remuneration:**

	<u>2006-2007</u> <u>Rs. in lacs</u>	<u>2005-2006</u> <u>Rs. in lacs</u>
Statutory Audit Fee	<b>15.00</b>	10.00
Tax Audit Fee	<b>4.00</b>	2.00
Other Audit Services/Certification	<b>7.50</b>	4.50
Reimbursement of Out of Pocket Expenses	<b>1.32</b>	1.14
	<b><u>27.82</u></b>	<u>17.64</u>

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

	Unit of Measurement	Licensed Capacity (Per annum)		Installed Capacity (Per annum)	
		<u>31.3.2007</u>	31.3.2006	<u>31.3.2007</u>	31.3.2006
On-road automobiles (having four or more wheels such as light, medium and heavy commercial vehicles and passenger cars).	Nos.	<u>10,000</u>	10,000	<u>6,000*</u>	6,000

\* On single shift basis as certified by the management being technical matter.

**b) Production, Sales and Stocks of Finished Goods:**

	<u>2006-2007</u>		<u>2005-2006</u>	
	<u>Qty. (Nos.)</u>	<u>Rs. in lacs</u>	<u>Qty. (Nos.)</u>	<u>Rs. in lacs</u>
<b>VEHICLES</b>				
Opening Stock	636	3,198.23	578	2,620.46
Production	10,915	—	11,946	—
Sales*	10,841	64,838.01	11,887	66,696.25
Closing Stock	708	3,541.14	636	3,198.23

\*Excludes 2 vehicles (Previous year - 1) capitalised during the year.

	<u>2006-2007</u>		<u>2005-2006</u>	
	<u>Rs. in Lacs</u>		<u>Rs. in Lacs</u>	
<b>SPARES</b>				
Opening Stock		412.97		368.62
Purchases		2,135.85		2,352.75
Sales		3,900.38		3,346.23
Closing Stock		373.63		412.97

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

**11. Raw Material & Components Consumed :**

	<u>2006-2007</u>		<u>2005-2006</u>	
	<u>Qty. (Nos.)</u>	<u>Rs. in lacs</u>	<u>Qty. (Nos.)</u>	<u>Rs. in lacs</u>
CKD Kits	10,915	1,732.93	11,946	2,078.40
Tyres, Tubes & Rims	217,081	3,504.06	234,165	3,349.21
Cargo Boxes	2,565	957.12	4,649	1,825.00
Batteries	10,976	208.98	12,034	199.77
Others	—	41,903.66	—	42,280.75
		<u>48,306.75</u>		<u>49,733.13</u>

- 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 except CKD kits (where actuals are taken) represent issues from stores made during the period.

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

	2006-2007		2005-2006	
	%	Rs. in lacs	%	Rs. in lacs
a) Raw Material & Components:				
Imported	5.01	2,419.58	4.42	2,199.72
Indigenous	94.99	45,887.17	95.58	47,533.41
	<u>100.00</u>	<u>48,306.75</u>	<u>100.00</u>	<u>49,733.13</u>
b) Stores & Spares:				
Imported	6.77	11.78	—	—
Indigenous	93.23	162.14	100.00	148.75
		<u>173.92</u>	<u>100.00</u>	<u>148.75</u>

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

	2006-2007	2005-2006
	Rs. in lacs	Rs. in lacs
Raw Material & Components	1,307.78	3,015.69
Spares & Stores (including Capital Spares)	50.56	—
Capital Goods	260.68	42.06
	<u>1,619.02</u>	<u>3,057.75</u>

**14. Earnings in Foreign Currency:**

	2006-2007		2005-2006	
	Nos.	Rs. in lacs	Nos.	Rs. in lacs
Exports including Deemed Exports of Vehicles at FOB Value	598	3,106.87	524	2,831.94
Export of Spare Parts		86.92		67.16
		<u>3,193.79</u>		<u>2,899.10</u>

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

	2006-2007	2005-2006
	Rs. in lacs	Rs. in lacs
Travelling	10.03	43.95
Royalty	—	537.89
Know-how	146.16	38.21
Interest	3.18	5.90
Others	2.56	7.65
	<u>161.93</u>	<u>633.60</u>

**16. 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: 43.03 lacs (Previous Year 43.03 lacs)
- c) Amount remitted during the year: Rs.236.67 lacs (Gross) (Previous Year Rs.322.73 lacs)

\* Credited to the NRE Account of the Shareholder.

**17. The names of Small Scale Industrial Undertakings where the balance is outstanding for over 30 days as on March 31, 2007 are as given below:**

A.B. ENTERPRISES	HARKO METALS CHD.	NATIONAL INDUSTRIES
A.R. INDUSTRIES PVT. LTD.	HINDUSTAN TOOLING	NAVKETAN AUTO INDUSTRIES
AARJU PLASTICS	HITECH INNOVATIONS	NEW BOMBAY AUTO & GERNAL INDS.
ACCURATE ENGINEERING INDUSTRIES	HOLDING DEVICE INDIA	NEW SWAN AUTOCOMP PVT. LTD.
ACME FABRICATION P. LTD.	HUNNY STAMPING	PABLA ENGG. WORKS
ACRO POLYMERS & MELLTALICS	INDIAN HARNESS IND.	PARDEEP INDUSTRIES
AHLUWALIA ASSO & ENGG PRODUCTS	INDIAN POLYMER INDUSTRIES	PASHUPATI INDUSTRIES
AJSCO INDUSTRIES	INDIAN PRINTERS	PAULCO FABRICATORS
ANANTVIR AUTO ENGINEER	INDO SEHATTE AUTO PARTS (P) LTD.	P.K. INDUSTRIES
ATOP FASTNERS PVT. LTD.	INDUSTRIAL ELECTRONICS	PLASTIC COMPONENT INDUSTRIES
ATUL FASTNERS LTD.	J.B.ENTERPRISES	POONA SHIM PVT. LTD.
B.K. INDUSTRIES (MOHALI)	J.P.ENGINEERING WORKS, CHD.	PRE MATCH ENGINEERING CORP.
B.S. & COMPANY	J.S AUTOMOTIVE	PRECICHECK INDIA
BHAGWATI INDUSTRIES	JAICO STEEL FASTNERS P LTD.	PREMIER PLASTIC
BHIVANI INDUSTRIES	JAIN INDUSTRIAL PRODUCTS	PN-NJ INDUSTRIES
BONY POLYMERS LIMITED (FBD)	JAMSON ENTERPRISES	PRITIKA IND.PVT. LTD.
BUBBER INDUSTRIES	JASWANT RUBBER PVT. LTD.	PUNEET ENTERPRISE
BUMBRA INDUSTRIES	JAYPEE AUTO PLAST	PUNFAB
BUMRAH ENGINEERS	JMD ENGINEERS	PUNHAR INNOVATIONS PVT. LTD.
C J ACCUFAB	K.C ENTERPRISES	R. ENGG.
CIRCLIPS INDIA PVT. LTD.	K.K.CORPORATION	RAJINDRA ENGG. WORKS
CONDUCTIVE ELEMENTS AND SYSTEM	KAD.ENTERPRISES	RALSON METAL FASTNERS
COOPER GASKETS PVT. LTD.	KANSAL ENGG.	RAVINDERA ENGG. WORKS
DAVINDRA ENGG. WORKS	KANSAL INDUSTRIES	RUBBER UDYOG VIKAS P LTD.
DHANJAL ENGG.WORK(MOHALI)	KARTIK ELECTRONICS	RUMI PLAST
DHIMAN MACHANICAL WORKS	KLIPCO PVT. LTD.	S R ENGINEERS
DHIMAN MACHINE TOOLS	KNIT FAB INDUSTRIES	S.B. ENTERPRISES
ELITE INDUSTRIES	KRISHNA TEXTILES	SAGAR ENGG CO
EMSON INDUSTRIES	LUK INDIA PVT. LTD.	SAGGI PLASTIC
ENGINEERS AUTO	LUTHRA PLASTICS	SAKET FAB PVT. LTD.
ENN ARR PRECISION	M.M.D ENGINEERING CORP.	SANDEEP INDUSTRIES
EXCEL GRAPHIC (P) LTD.	MAGNUS STEEL PVT. LTD.	SELLOWARP MFG CO
EXCEL PACKAGING	MAHAJAN INDUSTRIAL CORPN	SHINE AUTO PVT. LTD.
EXCELLENT ENGG.	MEKO AUTO INDUSTRIES	SINE TECHPOWER SYSTEM
EXOTECH PLASTIC P LTD.	MANDEEP INDUSTRIES	SUN-N-SHADE SUNVISORS P LTD.
FAIR FAB ENGG (DERABASSI)	MAX VALVES & REGULATORS(P) LTD.	SYPD ENTERPRISES
FRIENDS FIBRE MOULDERS	MAZDA AUTO DRUM	TECHNICO INDUSTRIES
G.S.INDUSTRIES	METAL KING	TECHONMAC INDIA
GEE DEE TOOLS & EQUIPMENTS	M.P.PRODUCTS	TIGHT WELL FASTNERS
GILLARD ELECTRONICS PVT. LTD.	METLONICS CORPORATION	TRUDIMET CASTING P LTD.
GOEL ENTERPRISES	MFTAB TECHNOLOGIES	UNIKELLER INDIA P LTD.
GULATI AUTO ELECTRICALS	MILL TEC INDIA	UNIQUE INDUSTRIES
GUTSY ENGG.(P) LTD.	MUSAFIR BROTHERS INDUSTRIES	VIKRANT AUTO INDUSTRIES
HARINDRA INDUSTRIAL CORPORATION	NARINDER GLASS HOUSE	WALIA INDS. ENGG. COMPONENTS
		WALIA INDUSTRIAL CORPN.

18. 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.
19. The Company has taken certain premises under operating lease arrangements. The lease period varies from 3 to 15 years with the option to extend the same with mutual consent. The total lease rental recognized as expense aggregate to Rs 122.22 lacs (Previous year Rs.83.69 lacs).

Future minimum lease payments under non-cancelable operating leases:

	<u>2006-2007</u> <u>Rs. in lacs</u>	<u>2005-2006</u> <u>Rs. in lacs</u>
Not later than one year	9.50	0.89

20. Miscellaneous Expenses include assets written off during the year Rs.2.57 lacs (Previous Year Rs. 11.06 lacs)

21. Managerial Remuneration :

	<u>2006-2007</u> <u>Rs. in lacs</u>
1. Remuneration*:	
i) Salaries and Allowances	38.00
ii) Commission	25.56
iii) Contribution to Provident & Other Funds	6.75
iv) Other Perquisites	1.33
	<u>71.64</u>
2. Computation of net profit in accordance with sec. 309 (5) of the Companies Act, 1956 for the calculation of commission	
Profit Before Tax	2,322.11
Add Depreciation charged in accounts	289.11
Provision for doubtful debts	136.18
Provision for doubtful advances / Advances written off	12.45
Director's remuneration	71.64
Director's sitting fee	7.80
Assets written off	2.57
	<u>2,841.86</u>
Less Depreciation as per section 350 of the Companies Act, 1956	263.94
Less Provision for doubtful debt written back	22.33
	<u>2,555.59</u>
Maximum Commission to Managing Director / Whole-time Director @ 1 % for each director for the appropriate period (Within the overall limit of Rs.38 lacs being 100% of salary and allowance as approved by Members / Board of Directors.	25.56

**\*Notes:**

- i. The above includes emoluments aggregating Rs. 12.26 lacs as approved by the Board of Directors for Whole-time Director, subject to the approval of the Members at the forthcoming Annual General Meeting.
  - ii. Contribution to Provident and other funds does not include contribution towards gratuity & leave encashment, as the separate figures for the directors are not available.
  - iii. Other Perquisites does not include premium in respect of personal accident insurance, as the separate figures for the directors are not available.
22. Previous year figures have been regrouped/reclassified wherever considered necessary to conform to current year's classification.

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

Registration No.	5516	State Code	16
Balance Sheet Date	31 03 07		

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

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

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

Total Liabilities	18545	Total Assets	18545
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**SOURCES OF FUNDS**

Paid-up Capital	1050	Reserves and Surplus	6516
Secured Loans	2950	Unsecured Loans	8029

**APPLICATION OF FUNDS**

Net Fixed Assets	4562	Deferred Tax Assets	47
Net Current Assets	13936	Accumulated Loss	NIL

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

Turnover	60342	Total Expenditure	58020
Profit/Loss before Tax	2322	Profit/Loss after Tax	1609
Earning Per Share (Rs.)	15.34	Dividend Rate (%)	55

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

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

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

(Rs. in lacs)

	Year ended March 31, 2007		Year ended March 31, 2006
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net Profit Before Tax Expense</b>	<b>2322.11</b>		2528.22
Adjustments For :			
Depreciation	289.11	271.42	
Foreign Exchange Fluctuation	(4.98)	(1.75)	
Interest Expense	822.15	617.64	
Interest Income	(8.62)	(7.00)	
Assets Written off	2.57	11.06	
Provision for Doubtful Debts & Advances	138.18	—	
Provision for Retirement Benefits	148.36	53.08	
Provision for Warranty	(8.00)	81.00	
Liabilities/Provisions no longer required written back	<u>(71.75)</u>	<u>(9.97)</u>	<u>1,015.48</u>
<b>Operating Profit Before Working Capital Changes</b>	<b>3,629.13</b>		3,543.70
Adjustments for :			
Decrease/(Increase) in Sundry Debtors	6,073.37	(8,920.89)	
Increase in Other Current Assets	(115.61)	(258.23)	
Decrease/(Increase) in Loans and Advances	120.11	(837.17)	
Decrease/(Increase) in Inventories	381.43	(258.95)	
(Decrease)/Increase in Current Liabilities	<u>(4,430.94)</u>	<u>1,258.06</u>	<u>(9,017.18)</u>
<b>Cash Generated From Operations</b>	<b>5,657.49</b>		(5,473.48)
Less: Direct Tax Paid (net of refunds)	804.73		1,064.37
Fringe Benefit Tax Paid	<u>53.85</u>		<u>61.15</u>
<b>Net Cash From Operating Activities</b>	<b>4,798.91</b>		<u>(6,599.00)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(2,600.59)		(594.76)
Interest Received	<u>8.00</u>		<u>6.94</u>
<b>Net Cash Used In Investing Activities</b>	<b>(2,592.59)</b>		<u>(587.82)</u>



**C. CASH FLOW FROM FINANCING ACTIVITIES**

Loans taken during the year	9,300.00		21,804.26	
Loans repaid during the year	<u>10,283.38</u>	(983.38)	<u>12,794.95</u>	9,009.31
Dividend Paid		(559.06)		(765.04)
Dividend Tax		(80.89)		(110.31)
Interest Paid		<u>(827.73)</u>		<u>(617.64)</u>
<b>Net Cash used in Financing Activities</b>		<b><u>(2,451.06)</u></b>		<b><u>7,516.32</u></b>
Net Increase/(Decrease) in Cash and Cash Equivalents		<u>(244.74)</u>		329.50
Cash and Cash Equivalents as at 01.04.2006 (#1)		<u>(432.59)</u>		(762.09)
Cash and Cash Equivalents as at 31.03.2007 (#2)		<u>(677.33)</u>		(432.59)

**Notes :**

#1 Cash and Bank Balances	1,903.41	1,600.73
Cash Credit Account	<u>(2,336.00)</u>	<u>(2,362.82)</u>
Cash and Cash Equivalents as at 01.04.2006	<u>(432.59)</u>	<u>(762.09)</u>
#2 Cash and Bank Balances	2,272.81	1,903.41
Cash Credit Account	<u>(2,950.14)</u>	<u>(2,336.00)</u>
Cash and Cash Equivalents as at 31.03.2007*	<u>(677.33)</u>	<u>(432.59)</u>

\* Net of unrealised foreign exchange loss of Rs. Nil (Previous year exchange loss of Rs. 0.07 lacs).

**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 issued by the Institute of Chartered Accountants of India.
- Figures in bracket indicates the cash outflows.
- Previous year figures have been regrouped and recasted, wherever necessary to conform to the current year's classification.

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

For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants

K. NAKAJIMA  
Whole-time Director

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA  
Chairman

V. NIJHAWAN  
Partner  
M.No. : F87228

GOPAL BANSAL  
Vice President - Finance  
& Company Secretary

YASH PAUL MAHAJAN  
Managing Director

New Delhi, 31st May, 2007

New Delhi, 31st May, 2007

**AUDITORS' REPORT TO THE MEMBERS OF SWARAJ MAZDA LIMITED**

1. We have audited the attached Balance Sheet of Swaraj Mazda Limited, as at March 31, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) *Attention is invited to non provision of Rs.488 lacs in respect of MODVAT credit receivable as explained in Note 2 on Schedule N. Had the said amount been provided, the net current assets and profit for the year would have been lower by the corresponding amount.*
  - (g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and subject to our comments in para {f} above, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31,2007;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

New Delhi, 31st May, 2007

## 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, 2007]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.  
(b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund,

investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2007 which have not been deposited on account of a dispute are stated in Note 1(a) on Schedule N.

10. The company has no accumulated losses as at March 31, 2007 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. However, the company has obtained a short term loan amounting to Rs 2,000 lacs from one of the banks specifically for the purpose of long term investment relating to expansion activities of the company which has been so applied.
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. There are no debentures outstanding at the year-end.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

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

New Delhi, 31st May, 2007



**SWARAJ MAZDA LIMITED**

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

**23rd Annual General Meeting - 29th September, 2007**

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

NAME OF THE SHAREHOLDER/PROXY  
ADDRESS

Folio No. ....

DP ID\* .....

No. of Shares held :

Client ID\* .....

I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of the Company at its Regd. Office & Works at Village Asron, Distt. Nawanshahar-144 533 (Punjab) on Saturday, the 29th September, 2007 at 3.00 P.M.

\*To be used for shares held in  
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY

**PROXY**

**SWARAJ MAZDA LIMITED**

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



Folio No. .... DP ID\* ..... Client ID\* .....

I/We .....

of ..... being a member/members

of SWARAJ MAZDA LIMITED hereby appoint .....

of .....

for failing him .....

of .....

as my/our proxy to vote for me/us and on my/our behalf at the 23rd ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 29th September, 2007 at 3.00 P.M. and at any adjournment thereof.

Signed this ..... day of ..... 2007 by the said.

\*To be used for shares held in  
electronic form

Signature



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