

# Swaraj Engines Limited

## Senior Vice President – Finance

M.N. KAUSHAL

## Company Secretary

M.S. GREWAL

## Auditors

M/S DAVINDER S. JAAJ & CO.  
Chartered Accountants

## Bankers

CANARA BANK

## Registered Office

Phase-IV, Industrial Area  
S.A.S. Nagar (Mohali)  
Punjab 160 055

## Works

Plot No. 2, Industrial Phase IX  
S.A.S. Nagar (Mohali)  
Punjab 160 059

## BOARD OF DIRECTORS

G.P.GUPTA  
*Chairman*

ANJANIKUMAR CHOUDHARI

Dr. T.N. KAPOOR

D.R.SWAR

S.C.BHARGAVA

HARDEEP SINGH

A.M.SAWHNEY

V.S.PARTHASARATHY

R.R.DESHPANDE

VIJAY VARMA

BISHWAMBHAR MISHRA  
*Vice Chairman*

G.S.RIHAL  
*Managing Director*

**ANNUAL GENERAL MEETING**

on Thursday, 18th June, 2009  
at 9.15 A.M. at Swaraj Engines Limited  
Plot No. 2, Industrial Phase IX  
S.A.S. Nagar (Mohali)  
Punjab 160 059.

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**KEY PERFORMANCE INDICATORS - LAST TWELVE YEARS**

(Rs. in Crores)

Fiscal Year →	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	CARG (1998-2009)
<b>Engines Sold (Nos.)</b>	17382	24705	27532	22168	21013	13578	14844	18225	17631	17702	16408	28539	4.61%
<b>Total Revenue (Net)</b>	83.74	124.57	139.75	118.91	114.60	77.86	89.79	123.52	128.18	129.32	125.54	208.34	8.64%
<b>PBIDT</b>	16.75	26.09	32.75	30.04	29.79	18.10	20.21	27.73	25.81	26.58	23.36	32.04	6.07%
Finance Charges (Net)	1.23	1.78	1.35	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	(3.27)	(4.87)	
Depreciation	1.38	2.56	3.12	3.70	3.85	3.77	3.79	3.96	4.26	4.40	4.59	4.69	
<b>Profit Before Tax</b>	14.14	21.75	28.28	25.19	25.34	14.09	16.21	23.62	21.41	22.63	22.04	32.22	7.77%
Income Tax	3.35	6.10	9.35	9.15	9.08	5.05	5.86	8.19	7.42	7.77	7.68	10.95	
<b>Profit After Tax</b>	10.79	15.65	18.93	16.04	16.26	9.04	10.35	15.43	13.99	14.86	14.36	21.27	6.37%
Dividend %	100	200	225	225	225	125	150	225	75*	Nil	50	50	
Dividend Payout	4.14	8.28	9.31	9.31	9.31	5.17	6.21	9.31	9.31	Nil	6.21	6.21	
Equity Share Capital	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	12.42*	12.42	12.42	12.42	
<b>Net Worth</b>	25.43	31.88	40.21	45.98	46.30	49.50	52.85	57.64	61.01	75.87	82.96	96.97	12.94%
Capital Employed	45.64	43.45	51.48	47.68	57.11	57.88	61.90	65.80	67.29	81.41	88.04	100.84	
Market Capitalisation	200.37	349.82	169.32	110.12	98.94	71.62	97.70	144.07	183.20	176.36	265.78	118.05	
<b>PBIDT/Total Revenue %</b>	20.0	20.9	23.4	25.3	26.0	23.2	22.5	22.4	20.1	20.6	18.6	15.4	
<b>Return on Net Worth %</b>	42.4	49.1	47.1	34.9	35.1	18.3	19.6	26.8	22.9	19.6	17.3	21.9	
<b>Earning Per Share (Rs.)</b>	26.1	37.8	45.7	38.7	39.3	21.8	25.0	37.3	11.3 *	12.0	11.6	17.1	
<b>Book Value Per Share (Rs.)</b>	61.4	77.0	97.1	111.1	111.8	119.6	127.7	139.2	49.1 *	61.1	66.8	78.1	

\*On Post Bonus (2:1) Equity

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting of Swaraj Engines Limited will be held on **Thursday**, the **18<sup>th</sup> day of June, 2009** at **9.15 A.M.** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab – 160 059 to transact the following business:

#### ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Dr. T.N.Kapoor who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri D.R.Swar who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri Anjanikumar Choudhari who retires by rotation and, being eligible, offers himself for re-election.
6. To appoint Messrs Davinder S. Jaaj & Co., Chartered Accountants, the retiring Auditors of the Company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors plus service tax and out of pocket expenses.

#### SPECIAL BUSINESS

7. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**  
"RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Vijay Varma, who was appointed as an Additional Director and who ceases to hold office as per the provisions of section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member proposing his candidature for the office of Director as per the provisions of section 257 of the Companies Act, 1956, be appointed a Director of the Company, liable to retire by rotation."
8. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**  
"RESOLVED that pursuant to the provisions of section 269 and all other applicable provisions of the Companies Act, 1956 (the Act) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be imposed or prescribed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the appointment of Shri Bishwambhar Mishra as Executive Director of the Company designated as 'Vice Chairman' from 19<sup>th</sup> January, 2009 to 31<sup>st</sup> March, 2010 without any remuneration being payable to him."

#### NOTES

1. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
3. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
4. The Register of Members and Transfer Books of the Company will be closed from 4<sup>th</sup> June, 2009 to 10<sup>th</sup> June, 2009 (both days inclusive).

5. The dividend, if declared at the Annual General Meeting, will be paid on or after 18<sup>th</sup> June, 2009 to those persons or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on 3<sup>rd</sup> June, 2009 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 3<sup>rd</sup> June, 2009.
6. 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 questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required can be compiled and made available at the Meeting.
7. Pursuant to the provisions of section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for the financial year ended 31<sup>st</sup> March, 2001 to the Investor Education and Protection Fund (IEPF).  
All unclaimed dividends for the financial year ended 31<sup>st</sup> March, 2002 will be transferred to IEPF in October 2009. Members who have not encashed the dividend warrant(s) so far for the said period or any subsequent financial years are requested to make their claims to the Company. It may be noted that once the amounts in the unpaid dividend accounts are transferred to the IEPF, no claim shall lie against the Fund or the Company in respect thereof and the Members would lose their right to claim such dividend.
8. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, MCS Ltd.
9. Payment of Dividend through ECS:
  - a) Members holding shares in electronic form may please note that bank details as furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Securities and Exchange Board of India. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in electronic form must give instructions regarding bank account in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
  - b) 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 10<sup>th</sup> June, 2009, to Company's Registrar and Share Transfer Agent, MCS Ltd.
10. Members are requested to:
  - Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhawan, F-65, First Floor, Okhla Industrial Area, Phase-I, New Delhi – 110 020, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
  - Quote their folio numbers/Client ID/ DP ID in all correspondence.
  - Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
11. For Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to your Depository Participants. The Company will not take cognizance of any such requests directly from shareholders.

12. Appointment /Re-appointment of Directors

In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being appointed / re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

Regd. Office:  
Phase-IV, Industrial Area,  
S.A.S. Nagar (Mohali), Punjab-160 055  
Email : [grewal.maninder@swarajenterprise.com](mailto:grewal.maninder@swarajenterprise.com)  
Dated : 5th May, 2009

BY ORDER OF THE BOARD

(M.S. GREWAL)  
Company Secretary

## ANNEXURE TO NOTICE

Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 relating to the items of Special Business.

**Item No. 7**

Shri Vijay Varma was appointed by the Board as an Additional Director with effect from 19<sup>th</sup> January, 2009. He holds office upto the date of the forthcoming Annual General Meeting pursuant to section 260 of the Companies Act, 1956. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing the appointment of Shri Varma as a Director of the Company.

Shri Vijay Varma is currently Managing Director of Kirloskar Proprietary Ltd. He possesses vast and varied experience in functions relating to marketing & sales and business planning. The Board is of the view that his association would be of immense value to the Company and hence recommends his appointment in terms of Resolution set out in Item No. 7 of the Notice.

Shri Vijay Varma does not hold shares in the Company.

Shri Vijay Varma is not related to any other Director of the Company.

Apart from Shri Vijay Varma, none of the other Directors is interested or concerned in this item of business.

**Item No. 8**

Shri Bishwambhar Mishra joined the Company's Board in July, 2007.

Till recently Shri Mishra was Managing Director & Chief Executive Officer of erstwhile Punjab Tractors Limited (PTL). After the merger of PTL with Mahindra & Mahindra Ltd. (M&M), he is currently Chief Executive Officer of Swaraj Division of M&M. Having regard to Shri Mishra's leadership excellence, rich & varied experience and the imperatives of future challenges, the Board of Directors at its Meeting held on 19<sup>th</sup> January, 2009 has, subject to approval of the Members, approved the appointment of Shri Bishwambhar Mishra as Executive Director of the Company designated as 'Vice Chairman' with effect from 19<sup>th</sup> January, 2009 to 31<sup>st</sup> March, 2010 without any remuneration being payable to him.

It is in the interest of the Company to avail the services of Shri Bishwambhar Mishra as Executive Director of the Company.

Your Directors recommend passing of this Resolution as an Ordinary Resolution by the Members.

Shri Bishwambhar Mishra does not hold shares in the Company.

Shri Bishwambhar Mishra is not related to any other Director of the Company.

Apart from Shri Bishwambhar Mishra, none of the other Directors is interested or concerned in this item of business.

BY ORDER OF THE BOARD

Regd. Office:  
Phase-IV, Industrial Area,  
S.A.S. Nagar (Mohali), Punjab-160 055  
Email : grewal.maninder@swarajenterprise.com  
Dated : 5th May, 2009

(M.S. GREWAL)  
Company Secretary

## REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their Twenty Third Annual Report together with Audited Accounts for the financial year ended 31<sup>st</sup> March, 2009.

### FINANCIAL RESULTS

	Year ended 31 <sup>st</sup> March, 2009	Rs. in Crores Year ended 31 <sup>st</sup> March, 2008
Net Revenue	208.34	125.54
Profit before Depreciation, Finance Charges and Tax	32.04	23.36
Finance Charges (Net)	(4.87)	(3.27)
Depreciation	4.69	4.59
Profit Before Tax	32.22	22.04
Tax Provision		
— Current	12.11	8.10
— Deferred	(1.21)	(0.47)
— Fringe Benefit	0.05	0.05
Profit After Tax	21.27	14.36
Balance of Profit from Prior Years	14.39	13.29
<b>Surplus available for Appropriation :</b>	<b>35.66</b>	<b>27.65</b>
<b>Appropriations :</b>		
Proposed Dividend	6.21	6.21
Tax on Proposed Dividend	1.05	1.05
Transfer to General Reserve	12.00	6.00
Balance carried to Balance Sheet	16.40	14.39

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 5.00 per Equity Share, which is the same as declared and paid in the previous year, payable to those Members whose names appear in the Register of Members as on Book Closure date. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs.7.26 crores.

### REVIEW OF OPERATIONS

From the audited statement of accounts, Members would have observed the new highs achieved by your Company in all aspects of performance. During the year under review, stepped up schedules from erstwhile Punjab Tractors, now Swaraj Division of Mahindra & Mahindra Limited (M&M), helped the Company to record its highest ever despatches of 28,539 engines as compared to 16,408 engines despatched during the previous year. However, reflecting a downturn in the LCV industry, supply of hi-tech engine components to Swaraj Mazda during the year was subdued at Rs. 14.19 crores against Rs. 20.03 crores in the previous year.

The year under review also witnessed unprecedented fluctuation in commodity prices, affecting the material cost and margins. However, powered by solid growth in engine sales, total revenue for the year at Rs. 208.34 crores grew by 66% over the previous year's revenue of Rs. 125.54 crores. Pre Tax Profit at Rs. 32.22 crores has improved by 46% over the previous

year's profit of Rs. 22.04 crores. Net Profit for the year has jumped by 48%, moving to Rs. 21.27 crores from the previous year's net profit of Rs. 14.36 crores, translating to an earning of Rs. 17.13 per share (last year Rs. 11.56 per share).

## **FINANCE**

The fund position of the Company stayed comfortable throughout the year under review. As a result, after meeting routine capital expenditure of Rs. 1.26 crores and working capital requirements to support operations, a net interest and dividend income of Rs. 5.04 crores was generated on surplus funds as against Rs. 3.46 crores in the previous year.

## **MERGER OF PTL WITH M&M**

Consequent upon the approval of the Scheme of Amalgamation by the respective Shareholders of erstwhile Punjab Tractors Limited (PTL) and Mahindra & Mahindra Limited (M&M) and also by the High Court of Punjab & Haryana and High Court of Judicature at Bombay, PTL has been merged with M&M during the year under review. The Appointed date of the merger was 1<sup>st</sup> August, 2008 and the merger became effective from 16<sup>th</sup> February, 2009. On completion of this merger, the shareholding of PTL in the Company (33.2%) stands transferred in favour of M&M. Your Directors believe that transfer of this equity ownership will benefit the Company and going forward can provide new business avenues.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A detailed analysis of the Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

## **CORPORATE GOVERNANCE**

A Report on Corporate Governance alongwith a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

## **INDUSTRIAL RELATIONS**

Industrial Relations and work atmosphere remained cordial throughout the year under review.

## **PARTICULARS OF EMPLOYEES**

The Company had one employee who was in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31<sup>st</sup> March, 2009 or not less than Rs.2,00,000 per month during any part of the said year. Information in accordance with section 217(2A) of the Companies Act 1956, read with Companies (Particulars of employees) Rules, 1975 is annexed to this report.

## **SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE**

Your Company is committed towards excellence in Safety, Occupational Health and Environment. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational and Environmental Policy which inter alia ensures safety of public, employees, plant and equipment by ensuring compliance with all statutory rules and regulations on regular basis. Your Company also imparts training to its employees as per the predefined training calendar, carries out statutory safety audits of its facilities as per legal requirement and promotes eco-friendly activities. Showing its commitment to improve the well being of the employees, Medical Check-ups, both curative and preventive have been organized, including educating the employees on Industrial Hygiene at the work place.

## **DIRECTORS**

Shri Kumar Kanetkar ceased to be a Director of the Company with effect from 19<sup>th</sup> January, 2009 consequent to his resignation from the Board of Directors. The Directors record their appreciation for the contributions made by Shri Kanetkar during his brief tenure as Director of the Company.

Shri Vijay Varma who was appointed as Additional Director at the Meeting of the Board of Directors of the Company held on 19<sup>th</sup> January, 2009, holds office upto the date of forthcoming Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 from a Member signifying his intention to propose Shri Varma as candidate for the office of Director.

## SWARAJ ENGINES LIMITED

At its meeting held on 19<sup>th</sup> January, 2009, the Board appointed Shri Bishwambhar Mishra as an Executive Director of the Company designated as Vice Chairman with effect from 19<sup>th</sup> January, 2009 to 31<sup>st</sup> March, 2010. Appropriate resolution for his appointment has been proposed for the approval of the Shareholders at the forthcoming Annual General Meeting.

S/Shri T.N.Kapoor, D.R.Swar and Anjanikumar Choudhari retire by rotation, and being eligible, offer themselves for reappointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that :

- a) in the preparation of Annual Accounts, applicable accounting standards have been followed;
- b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2009 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Annual Accounts have been prepared on a going concern basis.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

Particulars in respect of the above activities under the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 are given in the Annexure to this Report.

### AUDITORS

The Company's Statutory Auditors, M/s Davinder S. Jaaj & Company, Chartered Accountants, hold office until the conclusion of the forthcoming 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 specified under section 224(1B) of the Companies Act, 1956.

### DEPOSITS

The Company has not accepted deposits from the public or its employees during the year under review.

The Company has not made any loans / advances and investment in its own shares, associates, etc. during the year which are required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi  
Date : 5<sup>th</sup> May, 2009

G.P. GUPTA  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPANY PROFILE

Swaraj Engines Ltd. (SEL) is a joint venture between erstwhile Punjab Tractors Ltd. (PTL), which has since been merged with Mahindra & Mahindra Ltd. (M&M) and Kirloskar Oil Engines Ltd. (KOEL). Originally set up to manufacture engines for PTL, in recent years, SEL has also been a supplier of hi-tech engine components to Swaraj Mazda Ltd. (SML).

Since start of commercial operations in 1989-90, SEL has supplied around 3,18,000 engines for fitment into “Swaraj” tractors. SEL’s engine business currently constitutes some 93% of Company’s product revenue. Balance 7% represents value of hi-tech engine components being supplied to SML for assembly of commercial vehicle engines.

### PERFORMANCE APPRAISAL

SEL’s financial performance has been exceptional right from the beginning. Its operations have been characterised by a lean organisation structure, continuous improvement in process efficiencies and optimised resource utilisation.

### FINANCIAL ANALYSIS (2008-09)

While details of financial position and performance are available in the Balance Sheet, Profit & Loss Account, alongwith related Schedules and Notes, key aspects are highlighted in the following paragraphs:

#### (A) Profit & Loss Account

Total revenue for the year was Rs. 208.34 crores (last year Rs. 125.54 crores) with the following breakdown :

(Rs. in Crores)

Particulars	2008-09	2007-08
Engines	187.87	101.22
Engine components	14.19	20.03
Spares etc.	6.11	4.11
<b>Total Product Revenue</b>	<b>208.17</b>	<b>125.36</b>
Other Income – Mainly Dividend	0.17	0.18
<b>Total Revenue</b>	<b>208.34</b>	<b>125.54</b>

With the enhanced demand from “Swaraj”, engine supplies during the year moved to 28,539 engines (last year 16,408 engines).

Due to unprecedented fluctuation in the commodity prices, material cost as a percentage of total product revenue increased to 76.7% (last year 71.6%).

Personnel cost at Rs. 11.22 crores (last year Rs. 9.16 crores), represented 5.4% of total product revenue (last year 7.3%).

Manufacturing, administrative, marketing and R&D expenses at Rs. 5.47 crores (last year Rs. 3.32 crores) as a percentage to total product revenue remained at last year’s level of 2.6%.

Comfortable fund position throughout the year resulted into a net income of Rs. 4.87 crores (last year Rs. 3.27 crores) under the head ‘Finance Charges’ and Dividend Income of Rs. 0.17 crore (last year Rs. 0.18 crore) under the head of ‘Other Income’. This was further helped by favourable payment terms from a key customer.

Depreciation for the year was Rs. 4.69 crores (last year Rs.4.59 crores).

Profit Before Tax reached Rs. 32.22 crores (last year Rs. 22.04 crores), a growth of 46%.

Corporate tax at Rs. 10.95 crores (last year Rs. 7.68 crores) translates to an effective rate of 34.0% (last year 34.8%). Deferred tax (Assets) for the current year was Rs. 1.21 crores.

### B) Balance Sheet

The Company's net worth on 31<sup>st</sup> March, 2009 stood at Rs. 96.97 crores comprising of an Equity component of Rs. 12.42 crores and Reserves of Rs. 84.55 crores – a book value of Rs. 78.08 per share (last year Rs. 66.80). Out of the total equity capital of Rs. 12.42 crores, some 83% (Rs.10.35 crores) represents 2 Bonus Issues made in 1997 (1:1) and 2005 (2:1).

Gross Block and Net Block of assets as at 31<sup>st</sup> March, 2009 stood at Rs. 71.30 crores (last year Rs.70.11 crores) and Rs. 26.39 crores (last year Rs. 29.83 crores) respectively. These assets represent a capacity of 36000 engines on double shift basis.

Year-end inventories moved to Rs. 12.77 crores from last year's Rs.8.49 crores mainly due to increase in inventory of raw materials to support enhanced production levels.

With improvement in payment terms with M&M - Swaraj Division, Sundry Debtors came down to Rs. 5.22 crores (last year Rs. 16.89 crores).

Year-end dues to creditors were Rs. 12.62 crores (last year Rs. 8.09 crores).

### INTERNAL CONTROL SYSTEM AND ADEQUACY

There are established procedures for internal controls on a Company-wide basis. Policies and Procedures have been laid down to provide reasonable assurances that assets are safeguarded from risks of unauthorised use / disposition and transactions are recorded and reported with propriety, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audit. Finance and Accounts function is well staffed with experienced and qualified personnel. This team participates in the preparation and monitoring of budgets. Internal Audit Reports to the top management are also reviewed by the Audit Committee of the Board from time to time.

### HUMAN RESOURCES

The Swaraj practice of a lean organisation manned by involved and motivated employees with team orientation has been replicated in Swaraj Engines. The atmosphere encourages learning and informal communication.

The Company is having a Performance Management System (PMS) to objectively measure the performance of the individual and the organization. The overall remuneration structure is linked with PMS.

To further increase the competence level of the employees, systematic and structured training is provided at different levels, including training on leadership development, communication effectiveness and team working. This has made a significant contribution to our business.

Industrial relations were cordial throughout the year under review.

Employee strength as on 31<sup>st</sup> March, 2009 stood at 285 (31<sup>st</sup> March, 2008 - 293).

### TRACTOR INDUSTRY

Since the Company's principal business is to supply engines to M&M - Swaraj Division, it would be appropriate to take note of developments in the tractor industry.

Despite a low penetration level of tractors, Indian tractor market is one of the largest markets in the world in terms of sales volume. The domestic tractor industry is fragmented, with about 13 national players and some regional players. In the current year, all the tractor manufacturers in India together sold 303,900 tractors. Additionally, 38,900 tractors were exported.

The domestic tractor market is traditionally segmented by horsepower into the low horsepower 20 HP - 30 HP segment, the mid segment of 30 - 40 HP and the higher segment of above 40 HP. Most of the major players cater to all the three segments. However, their relative strengths and market positions differ from segment to segment.

M&M, which designs, develops, manufactures and markets tractors for Indian and overseas markets is the largest manufacturer of tractors in India and has sustained its market leadership in the Indian tractor market for over 26 years. The consolidated market share of the Farm Equipment Sector of M&M is now 40.9% of the domestic market.

## COMMERCIAL VEHICLES

After showing a positive growth curve during last 4-5 years, India's commercial vehicle industry had witnessed a severe downturn in F09 due to the overall economic slowdown. Consequently, company's business with Swaraj Mazda during the year under review was down by 29%.

## OUTLOOK AND OPPORTUNITIES

Long term prospects of both tractor and commercial vehicle industry are rated good. In view of the various domestic macro economic indicators, it is expected that the Indian tractor industry would maintain a growth trend in the long term. Further, with Government's massive investments planned for urban and rural infrastructure including roads, ports, power etc., coupled with on going growth trends in industry, global trade and tourism are expected to drive future demand for commercial vehicles. As an OEM supplier, SEL's own business prospects based on the above factors appear to be founded on a sustainable basis.

## THREATS, RISKS & CONCERNS

As a component supplier to M&M & SML, SEL would be directly affected by factors impacting tractor industry and commercial vehicle industry. These would include issues like the rain-dependent nature of our agriculture, Government policy on procurement, credit availability, auto regulations, price trends in diesel, steel etc.

## CAUTIONARY STATEMENT

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

## **CORPORATE GOVERNANCE REPORT**

### **Company's philosophy on Code of Governance**

Swaraj Engines Ltd. (SEL) has been practicing the principles of good corporate governance, disclosure and transparency right from its incorporation. It has been a core belief and practice with the Company to consider itself as the custodian and trustee of all the constituencies of its businesses – customers, business associates, shareholders and society. SEL has sought and will continue to seek corporate excellence and profits through ethics, passion and perseverance.

A report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in the Listing Agreement is given below.

### **I Board of Directors**

The Composition of the Board is in accordance with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors. The Non-Executive Directors bring wide range of experience and independent judgement to the Board's deliberations and decisions. Shri Bishwambhar Mishra and Shri G.S.Rihal are the Executive Directors of the Company designated as Vice Chairman and Managing Director respectively. While Shri Mishra is also in employment of Mahindra & Mahindra Ltd. and draws his remuneration from there, Shri Rihal is the executive of the Company.

Shri Anjanikumar Choudhari, Shri A.M.Sawhney and Shri V.S. Parthasarathy, Non-Executive Directors are in the whole-time employment of Mahindra & Mahindra Ltd. Shri R.R.Deshpande, Non-Executive Director, is in whole time employment of Kirloskar Oil Engines Ltd. (KOEL). Shri Vijay Varma, Non Executive Director, is the Managing Director of Kirloskar Proprietary Ltd. The above five Non-Executive Directors draw remuneration from their respective Companies. Apart from the above and the re-imburement of expenses incurred in discharge of their duties and the remuneration that some of the Non-Executive Directors and the Managing Director would be entitled to under the Companies Act, 1956, none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management and associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

The primary role of the Board is that of trusteeship, to protect and enhance shareholders' value through strategic supervision of Company's operations. The Board also provides direction and exercises appropriate control to ensure that the Company fulfills the stakeholders' aspirations and societal expectations.

### **A. Composition of the Board**

As on 31<sup>st</sup> March, 2009, the Company's Board of Directors comprised of twelve members. While six members are Non Independent Non-Executive Directors, the Vice Chairman and the Managing Director are the Executive Directors of the Company and remaining four (including the Chairman of the Board) are Independent Directors.

The information on Composition of the Board, number of Board meetings, attendance of Directors at Board Meetings / Annual General Meeting, Directorships and Committee positions held in Public companies is given below.

Name of Director	Category	Financial Year 2008-09		Attendance at the last AGM	Total No. of Directorships^ in public companies#	Committee* Position held in public companies#	
		Board Meetings held*	Board Meetings attended			Chairman	Member
<b>Present Directors</b>							
Shri G.P.Gupta, Chairman	Independent Non Executive	4	3	Yes	13	3	5
Shri Anjanikumar Choudhari	Non Executive	4	4	Yes	6	-	3
Dr. T.N.Kapoor	Independent Non Executive	4	4	Yes	7	5	5

Name of Director	Category	Financial Year 2008-09		Attendance at the last AGM	Total No. of Directorships <sup>^</sup> in public companies <sup>#</sup>	Committee <sup>+</sup> Position held in public companies <sup>#</sup>	
		Board Meetings held <sup>*</sup>	Board Meetings attended			Chairman	Member
Shri D.R.Swar	Non Executive	4	1	No	3	-	-
Shri S.C.Bhargava	Independent Non Executive	4	4	No	15	1	5
Shri Hardeep Singh	Independent Non Executive	4	4	No	5	3	1
Shri A.M.Sawhney	Non Executive	4	4	Yes	3	-	2
Shri V.S.Parthasarathy	Non Executive	4	4	Yes	6	-	3
Shri R.R.Deshpande	Non Executive	4	2	No	4	-	1
Shri Vijay Varma	Non Executive	1	1	N.A.	3	-	-
Shri Bishwambhar Mishra (appointed Vice Chairman w.e.f. 19.01.2009)	Executive	4	4	Yes	2	-	2
Shri G.S.Rihal (Managing Director)	Executive	4	4	Yes	1	-	1
<b>Ex-Directors</b>							
Shri Kumar Kanetkar (ceased w.e.f. 19.01.2009)	Non Executive	3	2	No	N.A.	N.A.	N.A.

\* Indicates the Board meetings held during the tenure of Director(s).

# Excluding private, foreign and companies registered under section 25 of the Companies Act, 1956.

<sup>^</sup> Excludes Alternate Directorships but includes Additional Directorships and Directorship in Swaraj Engines Ltd.

<sup>+</sup> Committees considered are Audit Committee and Shareholders' / Investors' Grievance Committee, including that of Swaraj Engines Ltd.

- None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director.
- The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

## B. Board Procedure

The Board meets at regular intervals and a detailed Agenda folder is sent to each Director prior to Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprise the Board at every Meeting regarding the overall performance of the Company. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, adoption of quarterly/half-yearly/annual results, significant labour issues, and Minutes of Meetings of the Audit and other Committees of the Board.

During the financial year 2008-09, 4 Board Meetings were held on 7<sup>th</sup> May, 2008, 21<sup>st</sup> July, 2008, 21<sup>st</sup> October, 2008 and 19<sup>th</sup> January, 2009. The gap between two Meetings did not exceed four months.

The 22<sup>nd</sup> Annual General Meeting (AGM) was held on 7<sup>th</sup> July, 2008.

**C. Directors seeking appointment / reappointment**

At the ensuing Annual General Meeting, S/Shri T.N.Kapoor, D.R.Swar and Anjanikumar Choudhari retire by rotation and being eligible offers themselves for re-election.

Shri Vijay Varma has been appointed as an Additional Director of the Company. He holds office upto the date of the forthcoming Annual General Meeting. Notice from a Member has been received proposing his candidature for the office of Director. The Directors have appointed Shri Bishwambhar Mishra as an Executive Director of the Company designated as 'Vice Chairman', subject to the approval of the Members, with effect from 19<sup>th</sup> January, 2009 to 31<sup>st</sup> March, 2010.

A brief resume of the above Directors is presented below:

**Dr. T.N.Kapoor**

Dr.T.N.Kapoor has been a Director of the Company since 1998. He possesses a Master's degree in commerce, a Bachelor's degree in Law and a Doctorate in philosophy. He is an eminent Educationist and has been Professor and Dean, Faculty of Business Management & Commerce in Panjab University, Chandigarh for many years and retired as Vice-Chancellor of the University in 1997. He is a Management Advisor and is associated with several Public Limited Companies. He is also a Director of Vardhman Textiles Ltd., Omax Autos Ltd., Modern Steels Ltd., Sterling Tools Ltd., Haryana Telecoms Ltd., KDDL Ltd.

The details of Dr. Kapoor's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Vardhman Textiles Ltd.	Shareholders / Investors Grievance Committee	Chairman
2.	Modern Steels Ltd.	Audit Committee Shareholders / Investors Grievance Committee	Member Member
3.	Sterling Tools Ltd.	Shareholders / Investors Grievance Committee Audit Committee	Chairman Member
4.	KDDL Ltd.	Audit Committee	Chairman
5.	Omax Autos Ltd.	Shareholders / Investors Grievance Committee Audit Committee	Chairman Member
6.	Swaraj Engines Ltd.	Shareholder / Investor Relations Committee Audit Committee Remuneration cum Compensation Committee	Chairman Member Member

Dr. Kapoor does not hold any shares in the Company.

**Shri D.R.Swar**

Shri D.R Swar is a BE(Mech.), Dip. in Production & Material Management, EDP-IIMA. He has been a Director of the Company since 2000. Shri Swar worked with Kirloskar Oil Engines Limited for 20 years and retired as Director – Corporate Services. He has experience in varied fields such as Purchase, Vendor Development, Materials Management and Manufacturing. He is also a Director of G.G.Dandekar Machine Works Ltd. and Kirloskar Integrated Technologies Ltd.

Shri Swar is not a Member / Chairman of any Committee in any Company.

Shri Swar does not hold any shares in the Company.

**Shri Anjanikumar Choudhari**

Shri Anjanikumar Choudhari has been a Director of the Company since 2007. Shri Choudhari, a graduate in Mathematics and Statistics with Masters in Management Studies, is President - Farm Equipment Sector of Mahindra & Mahindra Ltd. (M&M) since January 2005, having joined M&M in 1999. Before joining Mahindra Group, Shri Choudhari had worked for 30 years with Hindustan Lever / Unilever in various key positions.

Shri Choudhari is also the Chairman of Mahindra USA Inc, Mahindra (China) Tractor Co. Ltd., Swaraj Automotives Ltd., Mahindra Shubhlabh Services Ltd. and Mahindra Logistics Ltd., Vice Chairman of Mahindra Yueda (Yancheng) Tractor Co. Ltd. and Director of Mahindra Gujarat Tractor Ltd., Mahindra & Mahindra Financial Services Ltd. and Mahindra & Mahindra South Africa (Pty) Ltd.

The details of Shri Choudhari's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Mahindra & Mahindra Financial Services Ltd.	Share Transfer & Shareholders / Investors Grievance Committee	Member
		Audit Committee	Member
		Risk Management Committee	Member
2.	Mahindra Shubhlabh Services Ltd.	Remuneration / Compensation Committee	Member
		Loans & Investment Committee	Member
3.	Mahindra Logistics Ltd.	Audit Committee	Member
		Remuneration Committee	Member
4.	Swaraj Engines Ltd.	Remuneration cum Compensation Committee	Member

Shri Choudhari does not hold any shares in the Company.

**Shri Vijay Varma**

Shri Vijay Varma was appointed as an Additional Director on 19<sup>th</sup> January, 2009.

Shri Varma, a Bachelor in Mechanical Engineering, joined Kirloskar Oil Engines Ltd. (KOEL) in 1973 and has held key positions in Marketing & Sales related functions. He was also instrumental in setting up KOEL's owned Power Plant in the State of Karnataka. Having an experience of 36 years, he is currently the Chairman of Kothrud Power Equipment Ltd. and Managing Director of Kirloskar Proprietary Ltd.

Shri Varma is not a Member / Chairman of any Committee in any Company.

Shri Varma does not hold any shares in the Company.

**Shri Bishwambhar Mishra**

Shri Bishwambhar Mishra joined the Company's Board in July 2007.

Shri Bishwambhar Mishra, a Mechanical Engineer with a Postgraduate Diploma in Business Management, till recently was the Managing Director and CEO of Punjab Tractors Limited, which has since been merged with Mahindra & Mahindra Ltd. (M&M). He is currently Chief Executive Officer of Swaraj Division of M&M. Having joined M&M in 1999, Shri Mishra

## SWARAJ ENGINES LIMITED

has held important positions therein including that of Chief Operating Officer of Farm Equipment Sector and President of China Business Operations. Before joining M&M, Shri Mishra has served with Indian Auto majors like Tata Motors, Daewoo Motors and Hindustan Motors.

Shri Mishra is also a Director of Swaraj Automotives Ltd.

The details of Shri Mishra's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Swaraj Automotives Ltd.	Shareholder / Investor Relations Committee	Member
2.	Swaraj Engines Ltd.	Shareholder / Investor Relations Committee	Member

Shri Mishra does not hold any shares in the Company.

### D. Code of Conduct

The 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.swarajenterprise.com](http://www.swarajenterprise.com)). All Board Members and Senior Management Personnel have affirmed compliance with this Code. A declaration signed by the Managing Director to this effect is enclosed at the end of this Report.

### E. CEO/CFO Certification

As required under Clause 49 V of the Listing Agreement with Stock Exchanges, the Managing Director and the Senior Vice President – Finance of the Company have certified to the Board regarding the Financial Statements for the year ended 31<sup>st</sup> March, 2009.

## II Remuneration to Directors

Remuneration paid to the Executive Director(s) is decided by the Board of Directors on the recommendation of Remuneration cum Compensation Committee (Committee) and thereafter approved by the shareholders at a general meeting. While deciding on the remuneration, the Committee considers performance of the Company, current industry trends, the qualification and experience of the appointee(s) and other relevant factors.

Independent Non-Executive Directors are paid sitting fees for attending the meetings of the Board of Directors and Committees thereof within the prescribed limits as decided by the Board (presently Rs. 15000/- per meeting).

The details of Directors' remuneration for 2008-09 is as follows :

### Executive – Managing Director

(Rs.)

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident Fund & Leave encashment	Stock Option	Total	Service Contract (Tenure)
G.S.Rihal (Managing Director)	25,60,000	25,60,000	3,16,650	-	54,36,650	From 21.11.2005 to 20.11.2009

### Notes :

1. Notice period applicable to Executive Director – 3 months
2. The above remuneration paid to the Managing Director was fixed by the Remuneration cum Compensation Committee which was subsequently approved by the Board of Directors and Shareholders.

**Non-Executive Directors**

Name of the Directors who were in receipt of sitting fees during FY 2008-09	Sitting Fees for Board and Committee Meetings paid during the year ended 31 <sup>st</sup> March, 2009 (Rs.)	Commission (Rs.)
Shri G.P.Gupta	1,05,000	Nil
Dr. T.N.Kapoor	2,10,000	Nil
Shri S.C.Bhargava	1,20,000	Nil
Shri Hardeep Singh	60,000	Nil

Shri A.M.Sawhney holds 600 shares in the Company. No other Non-Executive Director is holding any shares in the Company.

**III Risk Management**

Business risk evaluation and management is an ongoing process within the Company. For each function, the impact and probability of various risks are made and necessary control measures are identified to mitigate these risks, thereby reducing the impact and probability of the risk. During the year under review, a detailed exercise on "Risk Assessment" related to Company's main functional areas was carried out.

The Board was apprised on the risk assessment and mitigation process followed by the Company.

**IV Committees of the Board**
**A. Audit Committee**

The Audit Committee of the Company comprises of four Non-Executive Directors out of which three are Independent Directors.

The Committee comprises the following Non-Executive Directors:

- Shri G.P.Gupta, Chairman
- Dr. T.N.Kapoor
- Shri S.C.Bhargava
- Shri V.S.Parthasarathy

All the Members have vast experience in and knowledge of corporate affairs & financial management and possess accounting and financial management expertise.

As and when necessary, senior functionaries are invited to the meeting. The Company Secretary acts as the Secretary to the Committee.

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 1956 and the Listing Agreements. The functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of internal controls and regulatory compliances. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment of statutory auditors, their fees and reviews with management quarterly / annual financial statements before submission to the Board. It is also empowered to inter alia review Financial Statements and investments of unlisted subsidiary companies, if any, Management Discussion and Analysis of financial condition and results of operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C.

Shri G.P.Gupta, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 7<sup>th</sup> July, 2008.

During the financial year under review, 5 meetings of Audit Committee of the Board were held on 7<sup>th</sup> May, 2008, 7<sup>th</sup> July, 2008, 21<sup>st</sup> July, 2008, 21<sup>st</sup> October, 2008 and 19<sup>th</sup> January, 2009. The gap between the two meetings did not exceed four months.

Attendance record of the members of the Audit Committee for FY 2008-09 is as under:

<b>Name of the Member Director</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Shri G.P.Gupta	5	4
Dr. T.N.Kapoor	5	5
Shri S.C.Bhargava	5	4
Shri V.S.Parthasarathy	5	5

**B. Shareholder / Investor Relations Committee**

The Shareholder / Investor Relations Committee of the Company functions under the Chairmanship of Dr. T.N.Kapoor, Independent Non-Executive Director and comprises following Directors:

- Dr. T.N.Kapoor, Chairman
- Shri Bishwambhar Mishra
- Shri A.M.Sawhney
- Shri G.S.Rihal  
(Managing Director)

Shri M.S.Grewal, Company Secretary, is the Compliance Officer of the Company.

The Committee meets at periodic intervals, to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificates and review status of investors' grievances and the functioning of the Share Department / Registrar & Share Transfer Agents to render effective and quality services to investors.

During the financial year, 6 meetings of Shareholder / Investor Relations Committee were held.

Attendance record of the members of the Shareholder / Investor Relations Committee for FY 2008-09 is as under:

<b>Name of the Member Director</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Dr. T.N.Kapoor	6	5
Shri Bishwambhar Mishra	6	6
Shri A.M.Sawhney	6	6
Shri G.S.Rihal	6	6

The Company had received 43 enquiries/complaints from the shareholders and all of them have been attended to / resolved.

As on date, there are no shares pending for transfer received during the year under review.

**C. Remuneration cum Compensation Committee**

The role of the Remuneration cum Compensation Committee is to look into the entire gamut of remuneration package for the Executive Director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956; to decide on the commission payable, if any, to the Directors within the prescribed limits and as approved by the shareholders of the Company; to decide on the stock options to be granted, if any, to the eligible employees, directors including non-executive directors; and to attend to such other matters and functions as may be prescribed from time to time.

The Committee comprises following three Non-Executive Directors of which two are Independent, including the Chairman of the Committee.

- Shri Hardeep Singh, Chairman
- Shri Anjanikumar Choudhari
- Dr. T.N.Kapoor

No meeting of the Committee was held during the year ended 31<sup>st</sup> March, 2009.

**V Disclosures**

**A. Disclosure of transactions with Related Parties**

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management or relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are furnished under para 4 of Schedule K of the Annual Accounts of the Annual Report.

**B. Disclosure of Accounting Treatment in preparation of Financial Statements**

In preparation of the financial statements, the Company has followed the Accounting Standards laid down by the Companies (Accounting Standards) Rules, 2006. The significant accounting policies which are consistently applied are set out under para 1 of Schedule K of the Annual Accounts.

**C. Code for prevention of Insider Trading Practices**

In compliance with SEBI's Regulations on prevention of insider trading, the Company has laid down a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

**VI. Shareholder Information**

**1. 23<sup>rd</sup> Annual General Meeting**

Date	:	18 <sup>th</sup> June, 2009
Time	:	9.15 A.M.
Venue	:	Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab – 160 059

**2. Financial Calendar (tentative)**

The Financial year covers the period from 1<sup>st</sup> April to 31<sup>st</sup> March

Financial reporting for

- Quarter ending 30<sup>th</sup> June, 2009                      Last week of July, 2009
- Half year ending 30<sup>th</sup> September, 2009              Last week of October, 2009
- Quarter ending 31<sup>st</sup> December, 2009              Last week of January, 2010
- Year ending 31<sup>st</sup> March, 2010                      May, 2010

**Note:** The above schedules are indicative.

## SWARAJ ENGINES LIMITED

### 3. Registered Office

Phase IV, Industrial Area,  
S.A.S. Nagar (Mohali), Punjab – 160 055

### 4. Date of Book Closure

4<sup>th</sup> June, 2009 to 10<sup>th</sup> June, 2009 (both days inclusive)

### 5. Dividend Payment

On or after 18<sup>th</sup> June, 2009, but within statutory time limit.

### 6. Listing on Stock Exchanges

- (i) Bombay Stock Exchange Ltd. (BSE)
- (ii) National Stock Exchange of India Ltd. (NSE)

Listing Fee for 2009-10 for both these stock exchanges has been paid.

### 7. Stock Code

BSE 500407

NSE SWARAJENG

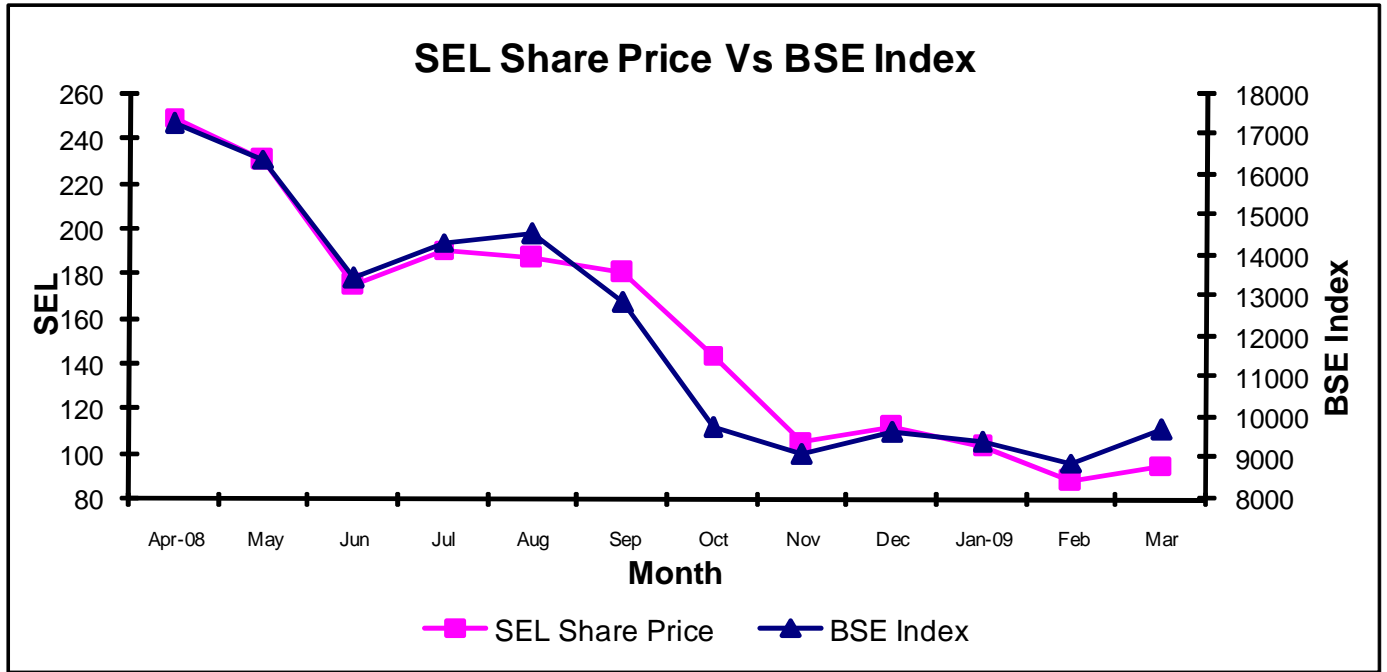
### 8. Stock Price Data

Monthly (April 2008 – March 2009) High - Low Quotations and Volume of shares traded at Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) are as under:

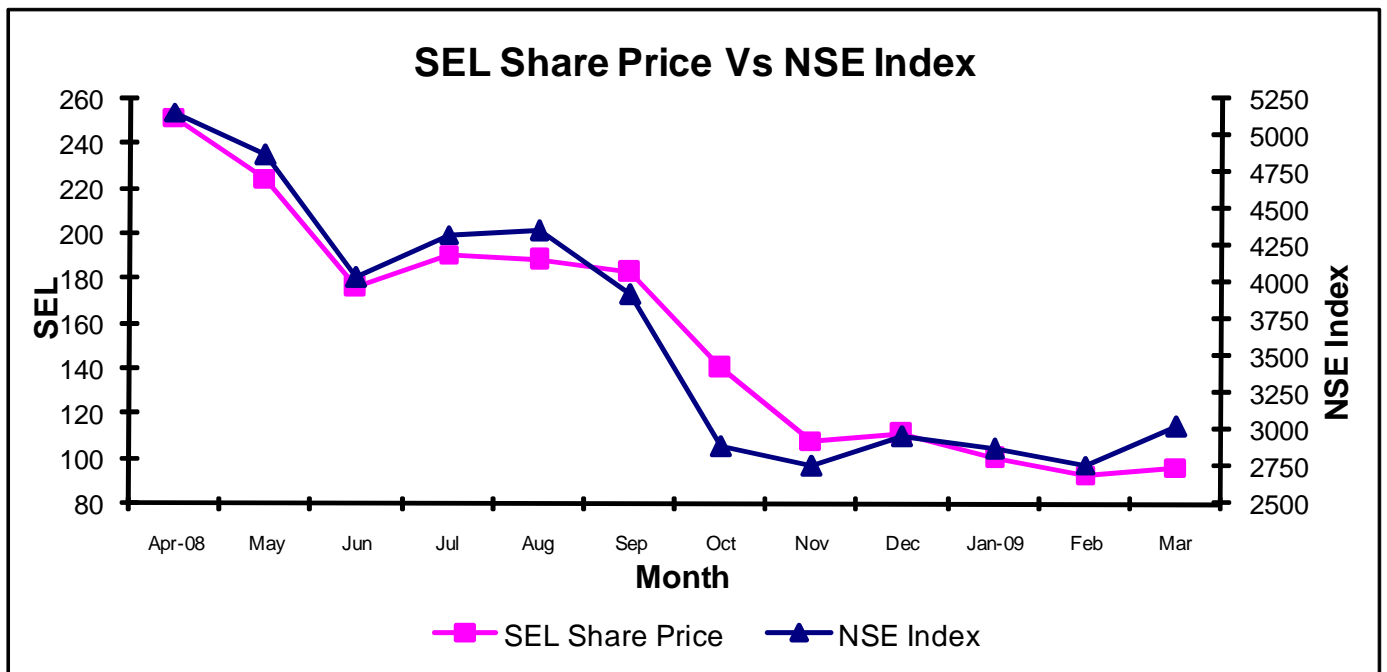
Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)			
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)	
<b>2008</b>	April	262	197	47867	259	195	18243
	May	270	217	23229	273	218	29704
	June	229	172	34113	233	175	14466
	July	209	170	36998	215	170	21903
	August	198	176	19746	199	176	16406
	September	199	159	21227	199	158	13349
	October	189	100	44162	186	100	21074
	November	154	99	43170	150	99	22269
	December	120	96	19082	122	98	36774
<b>2009</b>	January	121	85	30524	117	97	8857
	February	120	88	21858	117	87	7470
	March	105	78	69016	102	80	23656

9. Stock Price Performance

SEL Share Price performance relative to BSE Sensitive Index



SEL Share Price performance relative to NSE Index (S&P CNX Nifty Index)



Note: Based on the month end closing share price of SEL and BSE/NSE Index.

**10. Registrar and Transfer Agents**

M/s MCS Ltd. (MCS), Sri Venkatesh Bhavan, F-65, 1<sup>st</sup> Floor, Okhla Industrial Area, Phase – I, New Delhi - 110 020 are the Registrar and Share Transfer Agent for physical shares of the Company. MCS is also the depository interface of the Company with both NSDL and CDSL.

Tel No. : 011 - 41406149

Fax No. : 011- 41709881

Email address : admin@mcsdel.com

Contact Person: Shri Priya Darshan Waila

Share Transfer & other Communication regarding Share Certificates, Dividends and Change of Address etc. may be addressed to Registrar, MCS Ltd. or to the Share Department of the Company at its Registered Office at Phase IV, Industrial Area, S.A.S.Nagar (Mohali), Punjab – 160 055.

**11. Transfer System for physical shares**

Share transfers are being registered & returned within a period of 30 days from the date of receipt, if the documents are valid in all respects.

Total number of shares transferred during 2008-09 was 4600 (Previous Year 7250) excluding transfer of 4119000 shares held by Punjab Tractors Ltd. (PTL) in favour of Mahindra & Mahindra Ltd. (M&M) consequent upon the merger of PTL with M&M.

**12. Shareholding Pattern as on 31<sup>st</sup> March, 2009**

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds / UTI	2	10,87,632	8.76
3 Insurance Companies	3	4,99,772	4.02
4 Financial Institutions / Banks	1	300	-
5 Foreign Institutional Investors	3	27,732	0.22
6 Bodies Corporate - Indian	221	3,70,749	2.99
7 NRIs	78	1,65,705	1.33
8 Indian Public	6863	39,81,513	32.06
<b>Total</b>	<b>7173</b>	<b>1,24,19,820</b>	<b>100.00</b>

**13. Distribution Pattern of Shareholding as on 31<sup>st</sup> March, 2009**

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	5610	78.21	7,74,062	6.23
501 - 1000	1055	14.71	6,96,220	5.61
1001 - 5000	416	5.80	8,58,664	6.92
5001 - 10000	40	0.56	2,76,188	2.22
10001 - 50000	37	0.51	9,93,945	8.00
50001 & above	15	0.21	88,20,741	71.02
<b>Total</b>	<b>7173</b>	<b>100.00</b>	<b>1,24,19,820</b>	<b>100.00</b>

**14. Dematerialisation of Shares**

The trading in Equity Shares of Swaraj Engines Limited is permitted only in dematerialised form. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the trading. As on 31<sup>st</sup> March, 2009, 46.7 % of the equity capital is held in electronic form.

**International Securities Identification Number (ISIN): INE277A01016**

(with NSDL and CDSL)

**15. Outstanding GDR's / ADR's / Warrants / Convertible Instruments**

Not Applicable.

**16. Plant Location**

Swaraj Engines Limited  
Plot No 2, Industrial Phase IX,  
S.A.S.Nagar (Mohali), Punjab – 160 059

**17. Address for correspondence**

Registrar & Transfer Agent

M/s MCS Ltd.

Unit: Swaraj Engines Ltd.

Sri Venkatesh Bhavan, F-65, 1st Floor,

Okhla Industrial Area, Phase – I

New Delhi - 110 020

Phone : 011 - 41406149

Fax : 011- 41709881

Email : admin@mcsdel.com

Compliance Officer & Company Secretary

Shri M.S.Grewal

Company Secretary

Registered Office:

Swaraj Engines Ltd.

Phase-IV, Industrial Area

S.A.S.Nagar (Mohali), Punjab - 160 055.

Phone : 0172- 2271620-27

Fax : 0172- 2272731 & 2271307

Email: grewal.maninder@swarajenterprise.com or  
selinvestor@swarajenterprise.com

**18. Website Address**

www.swarajenterprise.com

**VII. Other Disclosures**

**1. Details of General Meetings and Special Resolutions passed**

Details of last three Annual General Meetings (AGMs) of the Company are given below.

Year	Date	Time	Venue
2006	20 <sup>th</sup> September, 2006	12.00 Noon	Swaraj Engines Ltd, Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab
2007	22 <sup>nd</sup> September, 2007	11.30 A.M.	Swaraj Engines Ltd, Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab
2008	7 <sup>th</sup> July, 2008	12.00 Noon	Swaraj Engines Limited, Plot No. 2, Industrial Phase-IX, S.A.S. Nagar (Mohali), Punjab

No Special Resolution was proposed in the last three AGMs.

No Extra-ordinary General Meeting was held during the past three years.

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

**2. Details of non-compliance etc.**

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 statutory authorities, on any matters related to capital market during the last three years.

**3. Means of Communication**

- a) In compliance with the requirements of Listing Agreement, the Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. These financial results are published in the leading financial / national / regional newspapers (Financial Express and Punjabi Tribune) and are also displayed on the website of the Company [www.swarajenterprise.com](http://www.swarajenterprise.com). Moreover, pursuant to clause 51 of the listing agreement, financial results and shareholding pattern are also available on SEBI website [www.sebidifan.nic.in](http://www.sebidifan.nic.in). Quarterly results are not sent individually to the shareholders;
- b) The official news releases are displayed on the Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com);
- c) During the year ended 31<sup>st</sup> March, 2009, no presentations were made to institutional investors or analysts;

**4. Management Discussion and Analysis Report**

Management Discussion and Analysis Report has been attached to the Directors' Report and forms part of this Annual Report.

**5. Compliance with Mandatory requirements**

The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges.

**6. Adoption of the non-mandatory requirements****i) Office of the Chairman**

The Company does not maintain the office of the non-executive Chairman.

No specific tenure has been specified for the Independent Directors.

**ii) Remuneration Committee**

The Company has set up the Remuneration cum Compensation Committee.

**iii) Shareholder Rights**

The Company regularly publishes its quarterly results in the leading national / regional newspapers. These results are also available on Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com) and at SEBI website [www.sebidifan.nic.in](http://www.sebidifan.nic.in). A half-yearly declaration of financial performance including summary of significant events is presently not being sent to each household of shareholders.

**iv) Audit Qualifications**

During the financial year under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

**v) Training of Board Members / Mechanism for evaluating non-executive Board Members**

All Non-executive Directors are given presentations by Managing Director from time to time for an overview of Company operations. The Company's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with the trends in economy and changes in the legislation.

**vi) Whistle Blower Policy**

The Company has not adopted a Whistle Blower Policy. However, the Company encourages employees and business associates to raise their concerns relating to any unethical business practice at the work place and offers protection against victimisation.

New Delhi, 5<sup>th</sup> May, 2009

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

**To**

**The Members of Swaraj Engines Limited**

I, G.S.Rihal, Managing Director of Swaraj Engines Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31<sup>st</sup> March, 2009.

New Delhi, 5<sup>th</sup> May, 2009

**G. S. RIHAL**  
Managing Director

**Auditor's Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement.**

**To The Members of Swaraj Engines Limited**

We have examined the compliance of conditions of Corporate Governance by Swaraj Engines Limited ("the Company"), for the year ended on 31<sup>st</sup> March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination 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 the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further 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.

Chandigarh, 5<sup>th</sup> May, 2009

**For DAVINDER S. JAAJ & CO.**  
Chartered Accountants

**SUMEET SINGH DHIR**  
Partner  
Membership No. 94370

# SWARAJ ENGINES LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in lacs)

	Schedule	2009		2008	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	A	1241.98		1241.98	
Reserves and Surplus	B	8455.35	9697.33	7054.37	8296.35
<b>Deferred Tax Liability</b>	C		386.31		507.40
			<b>10083.64</b>		<b>8803.75</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	D	7129.68		7010.58	
Less : Depreciation		4490.22		4027.17	
Net Block		2639.46		2983.41	
Capital Work-in-Progress		13.27	2652.73	18.18	3001.59
<b>Investments</b>	E		2032.14		1670.94
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	F	1276.71		848.82	
Sundry Debtors		521.90		1688.53	
Cash and Bank Balances		5588.45		3050.82	
Loans and Advances		486.11		487.32	
		7873.17		6075.49	
Less :					
Current Liabilities and Provisions	G	2474.40		1944.27	
Net Current Assets			5398.77		4131.22
			<b>10083.64</b>		<b>8803.75</b>
<b>Notes on Accounts</b>	K				

The Schedules referred to above form an integral part of the Balance Sheet in our report of even date

For DAVINDER S. JAAJ & CO.  
Chartered Accountants

M.N. KAUSHAL  
Senior Vice President - Finance

DAVINDER SINGH JAAJ  
Partner

M.S. GREWAL  
Company Secretary

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA  
Chairman

ANJANIKUMAR CHOUDHARI  
Director

G.S. RIHAL  
Managing Director

Chandigarh, 5th May, 2009

New Delhi, 5th May, 2009

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

(Rs. in lacs)

	Schedule	2009		2008	
<b>INCOME</b>					
Gross Revenue from Operations	K (13)	<b>23546.99</b>		14552.94	
Less : Excise Duty		<b>2729.98</b>	<b>20817.01</b>	<u>2017.15</u>	12535.79
Other Income	K (9)		<b>17.32</b>		<u>18.47</u>
			<b>20834.33</b>		<u>12554.26</u>
<b>EXPENDITURE</b>					
Materials	H	<b>15961.57</b>		8969.90	
Operating & Administrative Expenses	I	<b>1668.75</b>		1248.53	
Finance Charges (Net)	J	<b>(487.46)</b>		(327.45)	
Depreciation	D	<b>469.55</b>	<b>17612.41</b>	<u>459.00</u>	<u>10349.98</u>
Profit before Tax			<b>3221.92</b>		2204.28
Provision for Tax					
– Current Tax		<b>1211.00</b>		810.00	
– Deferred Tax		<b>(121.09)</b>		(46.71)	
– Fringe Benefit Tax		<b>4.50</b>	<b>1094.41</b>	<u>5.00</u>	<u>768.29</u>
Profit after Tax			<b>2127.51</b>		<u>1435.99</u>
<b>APPROPRIATIONS</b>					
Proposed Dividend			<b>620.99</b>		620.99
Tax on Proposed Dividend			<b>105.54</b>		105.54
Transfer to General Reserve			<b>1200.00</b>		600.00
Profit carried to Balance Sheet			<b>200.98</b>		<u>109.46</u>
			<b>2127.51</b>		<u>1435.99</u>
<b>Earning per Share (Rs.)</b>	K (6)		<b>17.13</b>		11.56
<b>Nominal Value (Rs.)</b>			<b>10.00</b>		10.00

The Schedules referred to above form an integral part of the Profit &amp; Loss Account in our report of even date

 For DAVINDER S. JAAJ & CO.  
Chartered Accountants

 DAVINDER SINGH JAAJ  
Partner

Chandigarh, 5th May, 2009

 M.N. KAUSHAL  
Senior Vice President - Finance

 M.S. GREWAL  
Company Secretary

FOR AND ON BEHALF OF THE BOARD

 G.P. GUPTA  
Chairman

 ANJANIKUMAR CHOUDHARI  
Director

 G.S. RIHAL  
Managing Director

New Delhi, 5th May, 2009

## SWARAJ ENGINES LIMITED

### SCHEDULE A

(Rs. in lacs)

	2009	2008
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 (2008 – 2,50,00,000) Equity Shares of Rs. 10/- each	<u>2500.00</u>	<u>2500.00</u>
<b>Issued, Subscribed &amp; Paid-Up</b>		
1,24,19,820 (2008 – 1,24,19,820) Equity Shares of Rs. 10/- each fully paid up	<u>1241.98</u>	<u>1241.98</u>

**Note :** Paid up capital includes 1,03,49,850 Equity Shares allotted as fully paid bonus shares by capitalisation of General Reserve.

### SCHEDULE B

(Rs. in lacs)

	2009	2008
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Brought Forward	18.71	18.71
<b>General Reserve</b>		
Brought Forward	5596.76	4996.76
Add : Transferred from Profit and Loss Account	<u>1200.00</u>	<u>600.00</u>
	6796.76	5596.76
<b>Surplus</b>		
Brought Forward	1438.90	1329.44
Add : Transferred from Profit and Loss Account	<u>200.98</u>	<u>109.46</u>
	<u>8455.35</u>	<u>7054.37</u>

### SCHEDULE C

(Rs. in lacs)

	2009	2008
<b>DEFERRED TAX LIABILITY</b>		
(Refer Note 1(i) & 8 on Schedule K)		
– At the beginning of the year	507.40	554.11
– Adjustment during the year	<u>(121.09)</u>	<u>(46.71)</u>
	<u>386.31</u>	<u>507.40</u>

**SCHEDULE D**

(Rs. in lacs)

**FIXED ASSETS**

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NETBLOCK	
	Cost as at 31st March, 2008	Additions	Deletions/ Adjustments	Cost as at 31st March, 2009	As at 31st March, 2008	Provided during the year	Deletions/ Adjustments	Upto 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008
Land	50.68	-	-	50.68	-	-	-	-	50.68	50.68
Building	842.30	-	-	842.30	285.92	25.30	-	311.22	531.08	556.38
Plant & Machinery	5987.46	115.94	7.05	6096.35	3631.46	433.86	6.50	4058.82	2037.53	2356.00
Furniture, Fixtures & Other Equipments	82.41	10.21	-	92.62	71.07	5.66	-	76.73	15.89	11.34
Vehicles	47.73	-	-	47.73	38.72	4.73	-	43.45	4.28	9.01
<b>Total</b>	<b>7010.58</b>	<b>126.15</b>	<b>7.05</b>	<b>7129.68</b>	<b>4027.17</b>	<b>469.55</b>	<b>6.50</b>	<b>4490.22</b>	<b>2639.46</b>	<b>2983.41</b>
Capital Work-in-Progress/Advances									7.89	12.14
Capital Spares									5.38	6.04
									<b>2652.73</b>	<b>3001.59</b>
Previous Year	6753.90	286.32	29.64	7010.58	3589.22	459.00	21.05	4027.17		

**SCHEDULE E**

(Rs. in lacs)

2009 2008

**INVESTMENTS (At Cost, unless otherwise specified) :**
**MUTUAL FUNDS**

Un Quoted Long Term		Face value Per Unit Rupees		Refer Note (b) Below	2009	2008
Numbers						
30,00,000	10	– Birla Mutual Fund - FTP – INSTL – Series AK			300.00	300.00
15,09,402	10	– Kotak Mutual Fund – FMP 14M Series 3 – Institutional Dividend			150.94	150.94
17,00,000	10	– Franklin Mutual Fund – Fixed Horizon Fund Series VII Plan A – Institutional Growth			170.00	170.00
50,00,000	10	– ABN Amro Fixed Term Plan - Series 10-Plan F			500.00	500.00
41,00,000	10	– Kotak Mutual Fund – FMP 13M Series 4 – Institutional Dividend			410.00	410.00
50,11,982	10	– Kotak Mutual Fund – FMP 15M Series 5 – Institutional Dividend	2		501.20	–
<b>Current</b>						
14,00,000	10	– UTI Mutual Fund-Fixed Maturity Plan – HFMP (0308) – Institutional Dividend	1		–	140.00
					<u>2032.14</u>	<u>1670.94</u>
<b>Notes :</b>						
Aggregate Value						
(a) Cost of unquoted Investments					2032.14	1670.94

(b) Movement of Mutual Funds during the Year	Acquired		Sold
	Unit (Nos.)	Rs. Lacs	Unit (Nos.)
1. UTI Mutual Fund - Fixed Maturity Plan – HFMP (0308) – Institutional Dividend	–	–	14,00,000
2. Kotak Mutual Fund – FMP 15M Series 5 – Institutional Dividend	50,11,982	501.20	–
3. BIRLA Sun Life Liquid Plus	50,39,482	500.00	50,39,482
4. Franklin Mutual Fund – Fixed Horizon Fund Series X Plan A – Institutional Dividend	20,00,000	200.00	20,00,000
5. Kotak Quarterly Plan Series 8 – Dividend	20,00,000	200.00	20,00,000

**SCHEDULE F**

(Rs. in lacs)

	2009	2008
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
<b>I. Inventories</b> (refer Note 1(d) Schedule K)		
a) Stores & Spare Parts	91.37	68.42
b) Loose Tools	81.64	99.40
c) Raw Material & Components	716.53	529.66
d) Goods-in-Transit	155.49	72.60
e) Work-in-Progress	131.28	78.30
f) Finished Goods	<u>100.40</u>	<u>0.44</u>
	<b>1276.71</b>	<b>848.82</b>
<b>II. Sundry Debtors</b> (Unsecured-Considered Good)		
Debts Outstanding for a period exceeding six months	—	—
Other Debts	<u>521.90</u>	<u>1688.53</u>
	<b>521.90</b>	<b>1688.53</b>
<b>III. Cash and Bank Balances</b>		
Cash in Hand	4.04	4.24
Balance with Scheduled Banks		
– Cash Credit Account	318.72	251.59
– Current Accounts	20.18	6.65
– Fixed Deposits	5008.00	2649.50
– Interest Accrued on Fixed Deposit	201.35	101.58
– Unpaid/Unclaimed Dividend Accounts	<u>36.16</u>	<u>37.26</u>
	<b>5588.45</b>	<b>3050.82</b>
<b>B. LOANS &amp; ADVANCES</b> (Unsecured-Considered Good)		
Advances recoverable in cash or in kind for value to be received	336.14	190.81
Security Deposits	24.17	24.17
Balance on Current Accounts with Excise Authorities	106.26	195.16
Income Tax, FBT & Wealth Tax (Net of Provisions)	<u>19.54</u>	<u>77.18</u>
	<b>486.11</b>	<b>487.32</b>
	<u><b>7873.17</b></u>	<u><b>6075.49</b></u>

**Note :** Inventories are as certified by the Management.

# SWARAJ ENGINES LIMITED

## SCHEDULE G

(Rs. in lacs)

	2009	2008
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
– Due to Micro & Small Enterprises	60.80	–
– Others	1201.65	809.03
Other Liabilities	268.46	244.55
Dividends pending encashment*	36.16	37.26
<b>Provisions</b>		
Proposed Dividend	620.99	620.99
Taxation	105.54	105.54
Others	180.80	126.90
	<u>2474.40</u>	<u>1944.27</u>

### Note :

\* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2009.

## SCHEDULE H

(Rs. in lacs)

	2009	2008
<b>MATERIALS</b>		
<b>Raw Materials &amp; Components</b>		
Opening Stock	529.66	513.61
Add : Purchases	<u>16005.16</u>	<u>8712.35</u>
	16534.82	9225.96
Less : Closing Stock	716.53	529.66
Other Jobs	<u>10.31</u>	<u>5.85</u>
	726.84	535.51
<b>Consumption</b>	<u>15807.98</u>	<u>8690.45</u>
<b>Accretion/Decretion of Stock of Finished Products &amp; Work-in-Progress</b>		
Opening Stock	78.74	35.16
Less : Closing Stock	<u>231.68</u>	<u>78.74</u>
(Increase)/Decrease	(152.94)	(43.58)
<b>Consumption of Stores &amp; Spares (including capital spares)</b>		
	<u>306.53</u>	<u>323.03</u>
	<u>15961.57</u>	<u>8969.90</u>

**SCHEDULE I**

(Rs. in lacs)

	2009	2008
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Salary, Wages & Bonus	999.88	804.37
Contribution to Provident & Other Funds	59.90	76.71
Workmen & Staff Welfare	62.16	34.97
Repairs to Machinery	95.12	76.82
Repairs to Building	9.40	4.89
Other Repairs	5.29	2.79
Electricity & Water Charges	161.63	120.75
Rates & Taxes	0.67	0.29
Insurance	3.73	9.63
Printing, Stationery, Postage & Telephone	10.73	9.68
Travelling & Conveyance	16.62	13.56
[includes Rs. 4.37 Lacs (2008 – Rs. 3.20 Lacs) for Directors]		
Research, Design & Development	123.37	–
Other Marketing Expenses	46.08	36.53
Auditors' Remuneration	4.14	3.02
Miscellaneous Expenses	70.03	54.52
	<u>1668.75</u>	<u>1248.53</u>

**SCHEDULE J**

(Rs. in lacs)

	2009	2008
<b>FINANCE CHARGES</b>		
Bank & Other Financial Charges	5.41	2.07
Less : Interest received on		
– Fixed Deposit	363.06	224.29
– Others	129.81	105.23
	<u>492.87</u>	<u>329.52</u>
	<u>(487.46)</u>	<u>(327.45)</u>

**SCHEDULE K**

**NOTES FORMING PART OF THE ACCOUNTS**

**1. Accounting Policies**

a) Accounting Convention

These accounts are prepared under the historical cost convention and on the basis of going concern. All expenses and income to the extent considered payable and receivable respectively, unless stated otherwise, have been accounted for on mercantile basis.

b) Fixed Assets and Depreciation

i) All fixed assets are carried at cost of construction or acquisition less depreciation. All expenses including financing costs on borrowed funds upto the date the asset is ready for use and attributable to the construction or acquisition of fixed assets are capitalised.

When an asset is scrapped, or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit (including capital profit) or loss, if any, is reflected in Profit and Loss Account.

ii) Depreciation on all the fixed assets is provided on Straight Line Method, pro-rata monthly rests, at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for fixed assets mentioned in para (iii) below.

iii) In the following cases, depreciation rates are higher than the rates prescribed in Schedule XIV of the Companies Act, 1956.

<u>Nature of Assets</u>	<u>Rates adopted in Accounts (%)</u>
a) Electrical Installations	7.42
b) Furniture & Office Equipments	15.00
c) Patterns, Blocks and Dies	25.00
d) Vehicles	25.00
e) Data Processing Equipments	30.00

iv) Assets individually costing up to Rs.5000/- are depreciated at 100% in the year of purchase.

v) Capital spares are amortised in a systematic manner over the useful life of the asset to which it relates.

c) Investments

All long-term investments are valued at cost. Current Investments are valued at the lower of cost and fair value, determined by category of investment.

d) Inventories

Raw Materials, Stores & Spares, Loose Tools, Goods-in-Transit and Work-in-Progress are valued at material cost excluding cenvat credit. Finished Goods are valued at cost or net realizable value, whichever is lower and includes Excise Duty payable. Cost of inventories includes appropriate portion of allocable overheads, wherever applicable, and is ascertained on monthly weighted average basis.

Excise Duty payable on finished goods is charged to Profit and Loss Account.

e) Foreign currency transactions are recorded at rates of exchange prevailing on the date of transaction. All exchange differences during the year are on account of raw material purchases. These are dealt with in the statement of profit and loss.

f) Retirement Benefits

The Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. The Company contributes to the appropriate authorities its share of the Members Provident Fund Account as per the Employees' Provident Fund Act, 1952. Provisions in respect of

liabilities of gratuity and leave encashment are made based on actuarial valuation made by an independent actuary as at the balance sheet date.

- g) Sales are recognised at the time of despatches to customers and include excise duty.
- h) Development expenditure incurred on technical services and other project/product related expenses are amortised over the estimated period of benefit, not exceeding three years.
- i) Taxes on Income

Current tax is the tax payable for the period determined as per provision of the Income Tax Act, 1961.

The provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

- j) Accounting policies not specifically referred above are consistent with generally accepted accounting practices.

## 2. There are contingent liabilities in respect of

	2009 Rs. in lacs	2008 Rs. in lacs
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	116.46	119.85
– Income Tax matters in dispute	106.90*	150.17
– Others	241.67**	241.67

\* Assessment of Income Tax is complete upto assessment year 2006-07, demand disputed in appeals not provided for, being Rs. Nil (2008 - Rs. 1.23 lacs). For earlier assessment year, tax authorities have filed appeal at the Tribunal level which involves estimated tax liability of Rs. 106.90 Lacs (2008 – Rs. 148.94 lacs).

\*\* As per the order of Hon'ble Supreme Court of India Rs. 1.0 crore was deposited with the court during the current financial year (2008 - Rs. Nil) and the same forms part of Loans & Advances under Schedule 'F'.

- 3. While letters for confirmation of balance of sundry creditors, sundry debtors and material lying with vendors have been sent, only few responded. Rests are subject to confirmation.
- 4. Related party disclosures as required under Accounting Standard –18 are given below :

### a) Names of related parties and description of relationships having transactions during the year :

- i) Associate Companies
  - Mahindra & Mahindra Limited (M&M)
  - Punjab Tractors Limited (PTL)\*
  - Swaraj Automotives Limited (SAL)
  - Kirloskar Oil Engines Limited (KOEL)
- ii) Key Management Personnel : Shri G.S. Rihal - Managing Director

### b) Volume of Transactions with related parties

	2009 Rs. in lacs	2008 Rs. in lacs
<b>i) Associates</b>		
a. Purchase of raw materials and components	566.71	505.44
M&M	95.57	–
PTL	50.04	218.12
SAL	193.77	103.44
KOEL	227.33	183.15
b. Sale of finished goods	22590.93	12574.15
M&M	15063.40	–
PTL	7509.06	12571.51
KOEL	18.47	–

## SWARAJ ENGINES LIMITED

c.	Sale of fixed assets ( PTL)	–	5.12
d.	Purchase of fixed assets (PTL)	–	7.86
e.	Receiving of services	199.56	195.08
	M&M	110.66	–
	PTL	88.90	193.73
f.	Rendering of services	24.97	32.36
	M&M	16.27	–
	PTL	8.70	31.91
g.	Dividend paid	314.32	–
	M&M	0.37	–
	PTL	205.95	–
	KOEL	108.00	–
	Aggregate balances outstanding as at the year end		
–	Receivables	238.84	1450.31
	M&M	238.84	1448.87
–	Payables	43.98	23.68
	SAL	36.56	18.32
	KOEL	7.42	5.36

\*Pursuant to the approval of the scheme of Amalgamation of Punjab Tractors Limited (“PTL”) with Mahindra & Mahindra Limited (“M&M”) by the High Court of Punjab & Haryana, Chandigarh and High Court of Judicature at Bombay, PTL stands merged into M&M with effect from 1<sup>st</sup> August, 2008. Accordingly, PTL was an Associate Company upto 31<sup>st</sup> July, 2008.

### ii) Key Management Personnel

Remuneration	54.36	49.86
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Note: Details of remuneration to key management personnel are given in note 10.

### 5. Segment Reporting

The Company’s business activities relate to diesel engines, diesel engine components & spare parts and fall within a single primary business segment. As such, no separate segment reporting is required under Accounting Standard 17, issued by the Institute of Chartered Accountants of India.

### 6. Earnings per Share (EPS)

Earnings per share are calculated by dividing net profit for the year attributable to equity shareholders by number of equity shares outstanding during the year. The Company has not issued any potential equity shares, and accordingly, the basic earning per share and diluted earning per share are the same.

- Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 7.39 lacs net of advance (2008 –Rs. 55.53 lacs).
- 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 01.04.2008	Amount (Rs. in lacs)	
		Expense/ (Saving) during the year	Balance as at 31.03.2009
<b>A) Deferred Tax Liabilities</b>			
On Depreciation	543.58	(84.75)	458.83
<b>B) Deferred Tax Assets</b>			
On Expenses	(36.18)	(36.34)	(72.52)
<b>Net Deferred Tax Liabilities (A-B)</b>	507.40	(121.09)	386.31

The tax impact for the above purpose has been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961. Gross reduction in Net Deferred Tax Liability amounting Rs. 121.09 lacs has been credited to Profit and Loss Account.

<b>9. Other Income :</b>				<b>2009</b>		<b>2008</b>	
				<b>Rs. in lacs</b>		<b>Rs. in lacs</b>	
– Dividend Income							
Current Investments				<b>17.32</b>		<b>11.07</b>	
– Profit on Sale of Investment							
Current				<b>–</b>		<b>7.40</b>	
				<b>17.32</b>		<b>18.47</b>	
<b>10. Directors' Emoluments :</b>				<b>2009</b>		<b>2008</b>	
				<b>Rs. in lacs</b>		<b>Rs. in lacs</b>	
i) Salaries				<b>25.60</b>		<b>24.40</b>	
ii) Commission				<b>25.60</b>		<b>22.53</b>	
iii) Contribution to Provident Fund				<b>3.07</b>		<b>2.93</b>	
iv) Leave Encashment				<b>0.09</b>		<b>–</b>	
				<b>54.36</b>		<b>49.86</b>	
v) Computation of Net Profit in accordance with Section 309(5) of the Companies Act , 1956: for calculation of Commission							
Profit Before Tax				<b>3221.92</b>		<b>2204.28</b>	
Add : Director's emoluments including sitting fee				<b>59.31</b>		<b>54.96</b>	
				<b>3281.23</b>		<b>2259.24</b>	
Less: Profit on disposal of Fixed Assets				<b>1.12</b>		<b>6.36</b>	
				<b>3280.11</b>		<b>2252.88</b>	
Net Profit in accordance with section 198(1)/349							
Maximum Commission to whole time Director @ 1% for the appropriate period				<b>32.80</b>		<b>22.53</b>	
Restricted to maximum of 100% of Salary or @ 1% of net profit whichever is less				<b>25.60</b>		<b>22.53</b>	
<b>11. Auditors' Remuneration* :</b>				<b>2009</b>		<b>2008</b>	
<b>Statutory Auditor's</b>				<b>Rs. in lacs</b>		<b>Rs. in lacs</b>	
Audit Fee				<b>1.50</b>		<b>1.50</b>	
Tax Audit Fee				<b>0.25</b>		<b>0.25</b>	
Other Services				<b>0.95</b>		<b>0.69</b>	
Out of Pocket Expenses Reimbursed				<b>0.56</b>		<b>0.18</b>	
<b>Cost Auditor's</b>							
Audit Fee				<b>0.40</b>		<b>0.40</b>	
				<b>3.66</b>		<b>3.02</b>	
*excluding Service Tax							
<b>12. Particulars in respect of goods manufactured:</b>							
Class of Goods	Unit of Qty.	Licensed Capacity	Installed Capacity	Actual Production			
		<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008
Engines	Nos.	<b>N.A.</b>	N.A.	<b>36,000</b>	36,000	<b>28,728</b>	16,417
Note: Installed capacity as Certified by the Management and not verified by the Auditors being a technical matter.							

## SWARAJ ENGINES LIMITED

### 13. Particulars in respect of Revenue from Operations (Gross) :

Class of Goods	Unit of Qty.	2009		2008	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
Engines	Nos.	28,539	21236.09	16408	11747.77
Engine Components	–	–	1601.46	–	2311.66
Spares & Others	–	–	709.44	–	493.51
			<u>23546.99</u>		<u>14552.94</u>

### 14. Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty.	Opening Balance		Closing Balance	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
i) Engines	Nos.	1	0.40	182*	100.24
		(1)	(0.40)	(1)	(0.40)
ii) Engine Parts	–		0.18		0.16
			(0.04)		(0.18)

\*excludes 08 engines scrapped during the year.

### 15. Analysis of Raw Materials consumed:

Class of Goods	Unit of Qty.	2009		2008	
		Qty.	Rs.in lacs	Qty.	Rs.in lacs
Crank Shaft Assy	Nos.	28,877	1409.21	16,568	703.75
Crank Case Assy	Nos.	28,905	1577.16	16,443	717.90
Flywheel	Nos.	28,838	721.01	16,512	295.32
Fuel Pump Assy	Nos.	28,861	1867.35	16,503	1079.95
Others (including components)			<u>10233.25</u>		<u>5893.53</u>
			<u>15807.98</u>		<u>8690.45</u>

#### Notes:

- It is not practicable to furnish quantitative information of all the components in view of large number of items varied in size and nature.
- The quantities and amounts of all the items in Analysis of Raw Materials consumed represent the issues during the year. The figure of others (including components) is a balancing figure based on total consumption shown in Schedule "H" and includes adjustments for excess/shortage/ damages/obsolete found on physical verification.

### 16. Value of imported and indigenous Raw Materials, Components, Stores and Spares etc. consumed and percentage of each in Total Consumption:

		2009		2008	
		%age	Rs.in lacs	%age	Rs.in lacs
a) <b>Raw Material &amp; Components</b>					
Imported		0.00	–	0.07	6.18
Indigenous		100.00	<u>15807.98</u>	99.93	<u>8684.27</u>
			<u>15807.98</u>		<u>8690.45</u>
b) <b>Stores, Consumables, Spares &amp; Loose Tools</b>					
Imported		0.70	2.15	1.83	5.90
Indigenous		99.30	<u>304.38</u>	98.17	<u>317.13</u>
			<u>306.53</u>		<u>323.03</u>

### 17. Value of Imports on CIF Basis:

Raw Material & Components		–	–
Stores & Spares		4.70	4.19
Capital Goods		–	–
		<u>4.70</u>	<u>4.19</u>

18. Research & Development Expenses includes an amount of Rs.105.09 lacs amortized during the year being the expense towards upgradation of engine and improvement in fuel efficiency.
19. Based on the information available with the company, the balance due to Micro & Small enterprises as defined under the MSMED Act, 2006 is Rs. 60.80 lacs (2008 Rs. Nil). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.
20. **Employee Defined Benefits:**  
Defined benefit plans as per Actuarial Valuation
- | Particulars   | Rs. in lacs             |                         |
|---|-------------------------|-------------------------|
|   | 2009                    | 2008                    |
| <b>I. Expense recognised in the statement of Profit &amp; Loss Account</b>                  |                         |                         |
| 1. Current Service Cost   | 11.34                   | 8.56                    |
| 2. Interest   | 8.16                    | 7.66                    |
| 3. Expected Return on plan assets   | (9.83)                  | (6.87)                  |
| 4. Actuarial (Gain)/Loss  | 27.91                   | 4.47                    |
| 5. Total Expense  | 37.58                   | 13.82                   |
| <b>II. Net Asset/(Liability) recognized in the Balance Sheet</b>                            |                         |                         |
| 1. Present value of Defined Benefit Obligation  | 151.08                  | 113.96                  |
| 2. Fair Value of plan assets  | 113.65                  | 108.89                  |
| 3. Funded Status [Surplus/(Deficit)]  | (37.43)                 | (5.07)                  |
| 4. Net Asset/(Liability)  | 37.43                   | 5.07                    |
| <b>III. Change in the obligation during the year</b>  |                         |                         |
| 1. Present value of Defined Benefit Obligation as at the beginning of the year              | 113.96                  | 98.28                   |
| 2. Current service cost   | 11.34                   | 8.56                    |
| 3. Interest Cost  | 8.16                    | 7.66                    |
| 4. Benefit payments   | (10.43)                 | (5.09)                  |
| 5. Actuarial (Gain)/Loss  | 28.05                   | 4.56                    |
| 6. Present value of Defined Benefit Obligation as at the end of the year                    | 151.08                  | 113.96                  |
| <b>IV. Change in Fair Value of Assets during the Year</b>                                   |                         |                         |
| 1. Fair Value of plan assets at the beginning of the year                                   | 108.89                  | 48.15                   |
| 2. Expected return on plan assets   | 9.83                    | 6.87                    |
| 3. Contributions by employer  | 5.23                    | 58.87                   |
| 4. Actual Benefits paid   | (10.43)                 | (5.09)                  |
| 5. Actuarial (Gain)/Loss on Plan assets   | 0.14                    | 0.08                    |
| 6. Fair Value of plan assets at the end of the Year   | 113.65                  | 108.89                  |
| 7. Actual return on plan assets   | 9.97                    | 6.95                    |
| <b>V. The major categories of plan assets as a percentage of total plan Funded with LIC</b> |                         |                         |
|   | 100%                    | 100%                    |
| <b>VI. Actuarial Assumptions</b>  |                         |                         |
| 1. Discount Rate  | 7.50%                   | 8.00%                   |
| 2. Expected rate of return on plan assets   | 9.25%                   | 9.15%                   |
| 3. In-service Mortality   | LIC 1994-96<br>Ultimate | LIC 1994-96<br>Ultimate |
| 4. Turnover Rate  | 5.00%                   | 5.00%                   |
| 5. Salary Rise  | 5.00%                   | 5.00%                   |
| 6. Remaining Working life   | 18.55 Yrs               | 19.45 Yrs               |
21. Previous year figures have been regrouped, wherever necessary, so as to correspond with those of the current year.

# SWARAJ ENGINES LIMITED

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

(Rs. in lacs)

	2009	2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax and Extraordinary Items</b>	<b>3221.92</b>	2204.28
Adjustments for :		
Depreciation	469.55	459.00
(Profit)/Loss on disposal of Fixed Assets	(0.75)	(1.59)
Dividend/Interest (Net)	(487.46)	(327.45)
	<hr/>	<hr/>
<b>Operating Profit Before Working Capital Changes</b>	<b>3203.26</b>	2334.24
Adjustments for :		
Trade and Other Receivables	1110.20	2342.78
Inventories	(345.00)	16.59
Trade Payables	448.34	(69.87)
	<hr/>	<hr/>
<b>Cash Generated From Operations</b>	<b>4416.80</b>	4623.74
Direct Taxes Paid	(1263.40)	(692.87)
	<hr/>	<hr/>
<b>Cash Flow Before Extraordinary Items</b>	<b>3153.40</b>	3930.87
Extraordinary Items	-	-
	<hr/>	<hr/>
<b>Net Cash From Operating Activities</b>	<b>3153.40</b>	3930.87
	<hr/>	<hr/>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (inclusive of capital WIP)	(121.24)	(221.01)
Purchase of Investments	(361.20)	(1670.94)
Sale of Fixed Assets	1.30	10.18
Interest Received	492.87	329.52
	<hr/>	<hr/>
<b>Net Cash Used in Investing Activities</b>	<b>11.73</b>	(1552.25)
	<hr/>	<hr/>

(Rs. in lacs)

	2009	2008
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in bank borrowings for working capital	—	—
Dividend Paid	(622.09)	(4.57)
Interest Paid	(5.41)	(2.07)
<b>Net Cash Used in Financing Activities</b>	<b>(627.50)</b>	<b>(6.64)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>2537.63</b>	2371.98
<b>Opening Cash and Cash Equivalents (Note 1)</b>	<b>3050.82</b>	678.84
<b>Closing Cash and Cash Equivalents (Note 1)</b>	<b>5588.45</b>	3050.82

- Note :**
1. Includes unuseable cash of Rs. 36.16 Lacs (2008 – Rs. 37.26 lacs) on account of Dividend pending encashment.
  2. Previous year figures have been regrouped, wherever found necessary.

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

For DAVINDER S. JAAJ & CO.  
Chartered Accountants

DAVINDER SINGH JAAJ  
Partner

Chandigarh, 5th May, 2009

M.N. KAUSHAL  
Senior Vice President - Finance

M.S. GREWAL  
Company Secretary

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA  
Chairman

ANJANIKUMAR CHOUDHARI  
Director

G.S. RIHAL  
Managing Director

New Delhi, 5th May, 2009

# SWARAJ ENGINES LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

### a) Registration details :

Registration No.	6473
State	Punjab
State Code	16
Balance Sheet Date	31st March, 2009

	2009 Rs. in lacs	2008 Rs. in lacs
<b>b) Capital Raised during the year :</b>		
Public Issue	Nil	Nil
Bonus Issue	Nil	Nil
Right Issue	Nil	Nil
Private Placement	Nil	Nil
<b>c) Position of Mobilisation and Deployment of Funds :</b>		
Total Liabilities	12558.04	10748.02
Total Assets	12558.04	10748.02
<b>Sources of Funds</b>		
Paid up Capital	1241.98	1241.98
Reserves & Surplus	8455.35	7054.37
Secured Loans	—	—
Unsecured Loans	—	—
Deferred Tax Liability	386.31	507.40
	<u>10083.64</u>	<u>8803.75</u>
<b>Application of Funds</b>		
Net Fixed Assets	2652.73	3001.59
Net Current Assets	5398.77	4131.22
Investments	2032.14	1670.94
Misc. Expenditure	—	—
Accumulated losses	—	—
	<u>10083.64</u>	<u>8803.75</u>
<b>d) Performance of Company :</b>		
Total Income	23564.31	14571.41
Total Expenditure	20342.39	12367.13
Profit before Tax	3221.92	2204.28
Profit after Tax	2127.51	1435.99
Earning Per Share (Rs.)	17.13	11.56
Dividend Rate	50%	50%
<b>e) Generic Names of three Principal Products/Services of Company</b>		
1. Item Code No. (ITC Code)		84.08
Product Description		Internal Combustion Diesel Engine
2. Item Code No. (ITC Code)		84.09
Product Description		Diesel Engine Parts

## AUDITORS' REPORT

### To the Members of Swaraj Engines Limited

We have examined the attached Balance Sheet of Swaraj Engines Limited as at March 31, 2009, the annexed Profit and Loss Account and the Cash Flow Statement for the Year Ended on that date, which are in agreement with the books of account. 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.

We have conducted our audit in accordance with 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 any material mis-statement. 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 the management, as well evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto and the Statement on Significant Accounting policies, given in the prescribed manner the information required by the Companies Act, 1956 of India (the 'Act') and also give a true and fair view in conformity with the accounting principles generally accepted in India.
  - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
  - b. in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement therewith.
4. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
5. On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

As required by the Companies Auditors' Report Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Act and on basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- (i) Regarding Fixed Assets:
  - a. The Company has maintained proper records to show full particulars, including quantitative details and situation of Fixed Assets.
  - b. During the year verification of the Fixed Assets was carried out. To the best of our knowledge no material discrepancies have been noticed on verification.
  - c. Moreover, no substantial part of the Fixed Assets was disposed off during the year.
- (ii) Regarding Inventory Controls:
  - a. The stocks of finished goods, stores, spare parts and raw materials of the Company in its possession have been physically verified by the management at reasonable period. Stock-in-transit as on 31st March, 2009 has been verified by the management on subsequent receipt of the goods.
  - b. In our opinion, the procedures of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
  - c. The company is maintaining proper records for inventory and discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.

- (iii) Company neither took nor granted any loan, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase and sale of stores, raw materials including components, plant and machinery, equipment and similar assets.
- (v) On the basis of documents produced before us, the company has not entered in any transactions required to be recorded in register mentioned under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Section 209 (1) (d) of the Act, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) Regarding Statutory Dues:
  - a) The Company has been regular during the year in depositing undisputed dues with Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise duty and other statutory dues with the appropriate authorities.
  - b) According to the information given to us, there were no disputed unpaid dues with sales tax, income tax, custom tax, wealth tax. However in case of excise duty / cess there is a disputed unpaid amount of Rs. 116.46 Lacs pending before Commissioner (Appeals) and in case of Income Tax there is disputed unpaid amount of Rs. 106.90 lacs against which Income Tax Department has filed an appeal before Income Tax Appellate Tribunal.
- (x) The company neither has accumulated losses at the end of the financial year nor any cash losses for this financial year as well as for financial year immediately preceding financial year.
- (xi) No, the company has not defaulted in repayment of dues to any financial institution or banks.
- (xii) To the best of our knowledge and information provided to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a Chit fund, Nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the company.
- (xiv) Company has no transactions regarding contracts in shares, securities, debentures or other investments.
- (xv) On the basis of records produced before us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any long-term loans.
- (xvii) According to the Cash Flow Statement and other records examined by us and explanations given to us, funds raised on short term basis have, prima facie, not been used for long term investment and vice versa.
- (xviii) On the basis of information provided to us, the company has not made any preferential allotment during the year.
- (xix) The Company has not issued any secured debentures. Hence the requirement of the clause (xix) of paragraph 4 of the Order is not applicable to the company.
- (xx) No money was raised by the company through Public Issue during the year.
- (xxi) To the best of our knowledge, no fraud was noticed or reported on or by the company.

For DAVINDER S. JAAJ & CO.  
Chartered Accountants

Place : Chandigarh  
Date : 5th May, 2009

DAVINDER SINGH JAAJ  
Partner

**ANNEXURE TO DIRECTORS' REPORT**

**A) Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report :**

**CONSERVATION OF ENERGY:**

1. Company's Production process is not energy-intensive. Discipline to switch off lights and machines when not in use is the practice.
2. To improve power factor
  - Capacitors bank has been installed.
  - High Power Factor is being maintained to reduce power demand.
3. Due to power shutdown on Saturday, weekly off has been changed to save diesel cost for running the generator.

Total annual estimated savings – Rs. 14.0 lacs.

**RESEARCH & DEVELOPMENT:**

1. SEL represents fruition of technological and commercial relationship of 2 decades of two Indian Companies, both pioneers in Indian R&D and Engineering: Kirloskar Oil Engines Ltd. and erstwhile Punjab Tractors Ltd. which has since been merged with Mahindra & Mahindra Limited. In this background, Company has fully absorbed engine manufacturing technology producing five models.
2. The Company has entered into technical assistance with AVL Austria for upgradation of engine design & for further improvement in fuel efficiency.
3. The Company spent revenue expenditure of Rs. 1.23 crores on Research & Development work during the year, which was 0.59% of the total turnover.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

During the year, there were no exports. Foreign Exchange Outgo is contained in Note No. 17 of the Notes on Accounts (Schedule - K).

**B) Information as per section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors' Report :**

Sr. No.	Name/ (Age)	Qualification	Exp. (Years)	Date of comm. of Employment	Designation/ Nature of Duties	Gross Remune- ration (Rs.)	Last Employment Held	Designation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Rihal G.S. (64)	B.E. Mech., M.Tech., FIE, MISAE	43	21.11.95	Managing Director	54,36,650	Punjab Tractors Ltd.	Executive Director- Material Services

**Notes :**

1. Remuneration includes Salary, Allowances, Commission, Encashment of Earned Leave, Company's contribution to Provident Fund and reimbursement of Medical expenses, if any, and where it is not possible to ascertain the actual expenditure on a perquisite, valuation has been done on the basis of Income Tax Act, 1961 and Rules made there under.
2. Nature of employment is contractual.
3. Shri G.S. Rihal is not related to any Director of the Company.
4. Terms & conditions of employment are as per contract.
5. No employee holds by himself or along with his spouse and dependent children 2% or more of the equity shares of the Company.