

## Core Beliefs

1. We have a long-standing relationship with the farm and farming community - the national heritage as well as the national agenda - which provides us with immense growth opportunities.
2. Our strength is the involvement of our people, team spirit, their high integrity, abiding loyalty and life time commitment to the Swaraj enterprise.
3. We seek corporate excellence and profits through ethics, passion and perseverance.
4. We consider ourselves custodians and trustees of all our constituencies - our customers, employees, business associates, shareholders and society, and pursue the responsibility for creation of wealth for them with missionary zeal.



**BOARD OF DIRECTORS**

P.D. NARANG (Chairman)  
S.K. TUTEJA  
DONALD PECK  
STEVEN ENDERBY  
N. MOHANRAJ  
M. RAGHAVENDRA  
HARDEEP SINGH  
DALJIT MIRCHANDANI  
P. SIVARAM (Chief Operating Officer)  
A.M. SAWHNEY (Director – Marketing)

**MEMBERS OF THE  
EXECUTIVE BOARD**

P.L. SHARMA  
R.K. MANRAO  
P.K. NANDA

**VICE PRESIDENT – FINANCE  
& COMPANY SECRETARY**

M.N. KAUSHAL

**AUDITORS**

M/S. S. TANDON & ASSOCIATES  
CHARTERED ACCOUNTANTS

**BANKERS**

INDIAN OVERSEAS BANK  
CANARA BANK  
STATE BANK OF INDIA

**REGISTERED OFFICE**

PHASE - IV, INDUSTRIAL AREA,  
S.A.S. NAGAR (MOHALI), PUNJAB - 160 055

**ANNUAL GENERAL MEETING**

on Friday, 7<sup>th</sup> July, 2006

at 11.00 A.M. at Swaraj Engines Limited,

Plot No. 2, Industrial Phase - IX,

S.A.S. Nagar (Mohali), Punjab - 160 059

<b>CONTENTS</b>	<b>PAGE NO.</b>
Report of the Directors	5
Management Discussion and Analysis	8
Corporate Governance Report	13
Key Performance Indicators - Last Eleven Years	20
Notice of Annual General Meeting	21
Balance Sheet	26
Profit & Loss Account	27
Schedules to the Accounts	28
Notes forming part of the Accounts	36
Balance Sheet Abstract & Company's General Business Profile	46
Cash Flow Statement	47
Auditors' Report	49
Shareholders' Information	52
Annexure to Directors Report	56

## REPORT OF THE DIRECTORS

Directors are pleased to present their 35<sup>th</sup> Annual Report together with Audited Accounts for financial year ended 31<sup>st</sup> March, 2006.

### FINANCIAL RESULTS 2005-06

	Year ended 31 <sup>st</sup> March, 2006	Rs. Crores Year ended 31 <sup>st</sup> March, 2005
Net Operating Revenue	958.6	855.1
Other Income	4.6	5.0
Total Revenue	963.2	860.1
Operating Profit	130.7	118.9
Profit Before Tax	109.1	97.2
Extraordinary Income	61.3	—
Total Profit Before Tax	170.4	97.2
Tax Provisions		
— Current	44.4	37.7
— Deferred	(3.3)	(3.4)
Profit After Tax	129.3	62.9
Balance of Profit from Prior Years	13.0	12.0
<b>Surplus available for Appropriation :</b>	<b>142.3</b>	<b>74.9</b>
<b>Appropriations :</b>		
Transfer to General Reserve	55.6	23.7
Special Dividend	27.3	—
Tax on Special Dividend	3.8	—
Proposed Final Dividend	36.5	33.4
Tax on Proposed Final Dividend	5.1	4.8
Balance carried to Balance Sheet	14.0	13.0

### DIVIDEND

Having regard to the above improvement in performance, the Directors have decided to recommend a final dividend @ 60% against 55% declared and paid for 2004-05. With special dividend of 45% announced in October 2005, total dividend for the year works out to 105%.

### CURRENT PERFORMANCE

Members may note that fiscal 2006-07 has begun with sale of tractors showing improvement. It is also gratifying that demand for Company's models in the +30 HP range continues to display strength. On the back of positives like availability of enhanced and cheaper rural credit, better food grain prices, commencement of the Bharat Nirman Programme and rapidly rising corporate investment in agriculture and food processing, demand for tractors is expected to grow over the year under normal monsoon conditions. An area of concern is the pressure since January 2006 on cost of input materials arising from general rise in commodity prices.

### SALE OF SHARES OF SWARAJ MAZDA LTD.

Members would recall a reference in the last year's report regarding Company's decision to positively pursue the offer of Sumitomo Corporation, Japan (Sumitomo) to purchase 15,73,000 equity shares of Swaraj Mazda Ltd. (SML) from Punjab Tractors Ltd. (PTL). Subsequent thereto, on 30.06.2005, PTL sold 15,73,000 equity shares of Rs.10/- each (constituting approximately 15% of SML's paid up capital) @ Rs. 400/- per share to Sumitomo. This transaction generated gains of Rs. 61.3 crores to PTL, which has been shared with the Members through a special dividend of 45% paid in November 2005.

### CORPORATE GOVERNANCE

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

### HUMAN RESOURCES

Industrial relations were cordial in all the divisions throughout the year under review. Information in accordance with Section 217(2A) of the Companies (Particulars of employees) Rules, 1975 is annexed to this report.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

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

### OTHER INFORMATION

The Directors report that as at 31<sup>st</sup> March, 2006, 36 deposits aggregating to Rs.10.2 lacs matured but were not claimed. Subsequently, out of the above, 7 deposits aggregating Rs. 2.9 lacs have been repaid or renewed.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies (Amendment) Act, 2000, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a) that in preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2006, the applicable accounting standards have been followed and there have been no material departures;
- b) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2006 on a 'going concern' basis.

### DIRECTORS

Shri Y.P.Mahajan conveyed his decision to step down from the position of Vice Chairman & Managing Director with effect from 1<sup>st</sup> June, 2006. The Board of Directors in their meeting held on 29<sup>th</sup> May, 2006 have accepted Shri Mahajan's decision. On behalf of the Shareholders and the entire Swaraj Team, the Directors take this opportunity to record their deep sense of appreciation to Shri Mahajan for his purposeful leadership and outstanding contributions over last 34 years that have built a culture of corporate excellence and brought eminence and a strong investor reputation to PTL and other group Companies. He leaves behind a team fully committed to SWARAJ's corporate mission of adding value to all the stakeholders of the PTL enterprise and its affiliate companies – our employees, business associates (dealers and vendors) and investors, as well as to the society at large.

In the context of the large contributions during his association of over 28 years with the Company and guided by imperatives of future growth plans, the Directors have elevated Shri P.Sivaram, currently Director – Finance, as Chief Operating Officer and Wholetime Director of the Company.

Following the withdrawal of nomination by Industrial Development Bank of India, Shri C.V. Ramani ceased to be a Director of the Company w.e.f 31.01.2006. The Directors record their appreciation to the contributions of Shri Ramani during his tenure as Director.

Shri Arun Duggal, co-opted to the Company Board in June 2005 vice Shri Donald Peck, resigned from the Board in January 2006. The Directors record their appreciation to the contributions of Shri Duggal during his tenure as Director.

Shri A.K.Thakur, nominee Director of Unit Trust of India since January 2001, resigned from the Board in February 2006. The Directors record their deep appreciation to the invaluable contributions made by Shri Thakur during his long association with the Company.

Shri Donald Peck, nominee of CDC-PTL Holdings Ltd., who had resigned from the Board in June 2005, rejoined the Board on 31<sup>st</sup> January, 2006 in place of Shri Arun Duggal. Shri Peck holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Peck's appointment as a Director of the Company.

A.Cee Enterprises, an Investment Company of Dabur Group, has nominated Shri P.D. Narang as director of the Company. Co-opted to the Company's Board on 31<sup>st</sup> January, 2006, the Board elected Shri Narang as Chairman on 11<sup>th</sup> May. Shri Narang holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Narang's appointment as a Director of the Company.

Shri Hardeep Singh has been co-opted to the Company's Board on 31<sup>st</sup> January, 2006 as an Independent Director. Shri Hardeep Singh holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Hardeep Singh's appointment as a Director of the Company.

Shri Daljit Mirchandani has been co-opted to the Company's Board on 31<sup>st</sup> January, 2006 as an Independent Director. Shri Mirchandani holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Mirchandani's appointment as a Director of the Company.

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri Steven Enderby retires by rotation and is eligible for reappointment.

## **AUDITORS**

Company's Statutory Auditors, M/s. S.Tandon & Associates, Chartered Accountants, hold office upto 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 under Section 224(1)(B) of the Companies Act, 1956.

FOR AND ON BEHALF OF THE BOARD

P.D. NARANG  
Chairman

P. SIVARAM  
Chief Operating Officer &  
Wholetime Director

Place : New Delhi  
Date : 2nd June, 2006

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The corner stone of Company’s business is the manufacture, marketing and servicing of tractors, a product almost entirely for the farming community. The Company also manufactures harvester combines, again addressing the farm sector needs. Forklift is the other product manufactured by the Company, sold to industrial customers.

### **1. THE SWARAJ JOURNEY**

Swaraj’s beginning in April 1974, with the commercial launch of a single 26 HP tractor model, was indeed humble. In the 32 years since then, up until March 2006, the Company has sold more than 594,000 tractors. During this period, the tractor portfolio has expanded to 9 models with more than 100 variants. While journey had commenced in the North, PTL now has an all India presence with a 433 - strong dealer network as on 31<sup>st</sup> March, 2006. For fiscal 2005-06, Swaraj volumes grew to 31396 tractors (last year 30330). All these tractors were supplied with Emission Norm (Trem III) compliant engines.

Swaraj has also been focusing on development of overseas markets and is currently making supplies to African / SAARC countries. A beginning has been made on export of auto components. Exports (inclusive of Nepal) during fiscal year 2005-06 reached Rs.49.9 crores (last year Rs.41.1 crores).

Picture of Swaraj’s domestic territorial market share for 2005-06 and dealer network at the year-end emerges as:

<b>Territory</b>	<b>Swaraj Mkt. Share</b>	<b>No. of Dealers</b>
<b>North</b> (Punjab, Haryana & Uttar Pradesh)	13.5%	169
<b>Central</b> (Madhya Pradesh & Rajasthan)	8.4%	86
<b>East</b> (Bihar, West Bengal, Orissa & Assam)	13.0%	53
<b>West</b> (Gujarat & Maharashtra)	13.8%	60
<b>South</b> (Andhra Pradesh, Tamil Nadu, Karnataka & Kerala)	11.1%	65
	<b>11.8%</b>	<b>433</b>

Segmentwise look for the year develops as:

<b>HP Range</b>	<b>No. of Models</b>	<b>%age of Swaraj Sales</b>	<b>Swaraj Share in Segment</b>
<b>Upto 30 HP</b>	4	25%	15%
<b>31 – 40 HP</b>	2	53%	12%
<b>Above 40 HP</b>	3	22%	7%

### Combines & Forklifts

Punjab Tractors is the largest producer of Harvester Combines in the organised sector. Demand for this product, commercially introduced in 1980, has remained low, widely fluctuating and also displays a narrow regional bias. Over last 26 years, the Company has sold nearly 3000 Combines including 153 in 2005-06.

Forklift is another product line where demand has all along remained subdued, despite several promotional initiatives of the Company over the last two decades. Total sale of Forklifts from beginning till 31<sup>st</sup> March, 2006 has been around 1700 including 135 in 2005-06.

### Castings

Company's Foundry Division caters primarily to the group needs of the Swaraj Enterprise. In financial year 2005-06, production of castings was 10600 MTs, representing a value of nearly Rs. 52 crores.

## 2. FINANCIAL ANALYSIS (2005-06)

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. 963.2 crores (Previous year Rs. 860.1 crores) with the following breakdown:

	(Rs. Crores)	
	<u>2005-06</u>	<u>2004-05</u>
Tractors	876.8	791.8
Harvester Combines	15.0	7.4
Forklifts	7.6	5.0
Components, Spares, Scrap etc.	59.2	50.9
Total Product Revenue	<u>958.6</u>	<u>855.1</u>
Other Income	4.6*	5.0
<b>Total Revenue</b>	<b><u>963.2</u></b>	<b><u>860.1</u></b>

(\*excludes gain of Rs. 61.3 crores on sale of Swaraj Mazda Shares)

Reflecting pressure from uptrend in price of steel and other commodities, material cost as a percentage of total product revenue moved to 73.4% (last year 72.9%).

With growth in volumes and focused control of costs, operating expenditure as a percentage of total product revenue came down to 13.5% from 2004-05's level of 13.8%.

Personnel costs at Rs. 73.5 crores (last year Rs. 69.5 crores), represented 7.7% of total product revenue (last year 8.1%).

Manufacturing, Administrative & Marketing expenses for the year aggregated to Rs. 48.5 crores (last year Rs. 41.7 crores) – some 5.0% of total product revenue (last year 4.9%).

R&D expenses added upto Rs. 7.3 crores (last year Rs. 6.5 crores) – 0.8% of total product revenue (last year 0.8%).

Due upward trend in lending rates because of tight liquidity position in the money market, interest cost for the year aggregated to Rs. 6.4 crores (last year Rs. 5.8 crores).

Improvement in volumes and product-mix plus tight cost management have translated into sound financial performance at all levels. Profit Before Tax (excluding extraordinary income of Rs. 61.3 crores) went up to Rs. 109.1 crores – a rise of 12% over previous year's Rs. 97.2 crores and represented a margin of 11.3% (last year 11.3%). Total Profit before tax for the year inclusive of profit on sale of Swaraj Mazda shares aggregated to Rs. 170.4 crores.

Corporate tax (excluding tax of Rs. 4.4 crores on extraordinary income) at Rs. 40.0 crores works out to an effective rate of 36.7% (last year 38.8%). Deferred tax (Assets) for the current year was Rs. 3.3 crores.

Outgo on dividend account (special and final) inclusive of tax at Rs. 72.7 crores translates to a payout ratio of 56% (last year 61%).

### **B) Balance Sheet**

Company's net worth on 31<sup>st</sup> March, 2006 stood at Rs. 569.0 crores comprising of an Equity component of Rs. 60.8 crores and Reserves of Rs. 508.2 crores – a book value of Rs. 93.7 per share (last year Rs. 84.3). Some 8% of the equity comprises of the IPO of 1972 (Rs. 1.1 crore) and 2 Rights Issues of 1989 (1:1) and 1990 (1:2) – collectively Rs. 3.6 crores. Balance 92% (Rs.56.1 crores) represents 4 Bonus Issues made in 1981 (2:5), 1992 (1:1), 1996 (1:1) and 2000 (2:1).

With repayment of medium term loans during the year, borrowings as on 31<sup>st</sup> March, 2006 came down to Rs. 13.0 crores (last year Rs. 39.4 crores).

Gross Block and Net Block of assets stood at Rs. 288.6 crores (last year Rs. 286.7 crores) and Rs. 100.5 crores (last year Rs. 112.7 crores) respectively. These assets represent a double shift annual production capacity of 60000 tractors.

Improved control on inventory helped bring down year-end value of inventories to Rs. 88.2 crores (last year Rs. 111.9 crores).

On the basis of focused efforts on installations and collections, despite increase in billings of around Rs. 80 crores, trade debtors at the end of fiscal 2005-06 stood at Rs. 527.8 crores (last year Rs. 538.1 crores) equivalent to 193 days of billing (last year 218 days).

Year-end dues to creditors came down to Rs. 94.4 crores (last year Rs.146.2 crores).

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

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

**4. HUMAN RESOURCES**

The strength of Punjab Tractors has always been the involvement of its people, team orientation, their high integrity, abiding loyalty and deep commitment to the Swaraj enterprise. Over the years, a culture has been created in PTL which encourages learning, experimentation & continuous improvement and enhances ownership feeling. Employee strength on 31<sup>st</sup> March, 2006 stood at 2202 (31<sup>st</sup> March, 2005 – 2251).

**5. TRACTOR INDUSTRY TRENDS**

Indian Tractor Industry today comprises of 14 players, 3 of whom are multi national corporations. Given the size of farm holdings and geo-climatic conditions, 31 to 40 HP segment is the largest one, accounting for around 49% of total sales while below 30 HP segment represents some 19% of total sales. Balance 32% comes from the +40 HP range. While the demand pattern during 1970s and 1980s was heavily skewed in favour of Northern states (principally Punjab, Haryana and Western parts of Uttar Pradesh), since late 1990s the pattern has shifted towards Central, Southern, Western and Eastern states.

Table below provides the industry picture for 2005-06, geographically and segmentwise :

<b><u>Territory</u></b>	<b><u>%age of Domestic Sales</u></b>
<b>North</b> (Punjab, Haryana & Uttar Pradesh)	29%
<b>Central</b> (Madhya Pradesh & Rajasthan)	21%
<b>East</b> (Bihar, West Bengal, Orissa & Assam)	9%
<b>West</b> (Gujarat & Maharashtra)	15%
<b>South</b> (Andhra Pradesh, Tamil Nadu, Karnataka & Kerala)	26%
<b><u>HP Range</u></b>	<b><u>%age of Total Sales</u></b>
Upto 30 HP	19%
31 – 40 HP	49%
Above 40 HP	32%

After the de-growth phase which lasted nearly 4 years from September 1999, industry volumes started growing again from October 2003. Overcoming subsequent monsoon hiccups and supported by excise exemption for tractors plus improved flow of credit to the farm sector, domestic Industry as a whole grew to 225000 tractors in 2004-05 and to 261000 in 2005-06. Major markets like Punjab, UP, MP and Bihar witnessed depressed market conditions during 2005-06. In contrast, Western and Southern states showed good growth trends.

**6. PROSPECTS**

Of India’s total geographical area of 329 million-hectares (MHA), as much as 166 MHA is arable (2<sup>nd</sup> highest in the world). While the net sown area stands around 140-142 MHA, with increased cropping intensity, the gross cropped area is higher at 180-189 MHA.

Tractors remain the crucial linkage in the commercialisation of agricultural products. For farming activities, there is no substitute to tractors. Increasing rural prosperity and education levels plus spreading awareness of the benefits from

mechanization would also help speed up tractorisation. It is equally true even when power or transportation needs of the farm are considered. India's current tractor population of 3.1 million tractors is around half of the assessed population potential based on ultimate irrigation potential of 140 MHA discounted to Punjab, Haryana population density.

While India is already the world's No. 1/2 producer in major agri items, its current productivity levels are very low. Recognising this gap, during last few years, successive governments have formulated programmes which address all the key concerns of the farm sector including irrigation, rural roads, farm credit, water technology upgradation covering farming and biotech, value addition and processing, agri business, correcting regional imbalances and improving marketing infrastructure. Initiatives are being targeted towards raising food grain output to 310 million Tons and horticulture production to 300 million Tons over next 7-8 years.

Over time, these efforts are expected to translate into sustained capital formation through creation of rural infrastructure (Rs. 1,74,000 crores for Bharat Nirman Programme), revamped rural banking directed towards providing easier and cheaper fund access to farmers including for land consolidation and faster agri-diversification / processing and take advantage of emerging global opportunities under WTO regime. Widening insurance coverage, activation of commodity exchanges and e-initiatives are also receiving priority attention. All these plurals would impact the entire agricultural value and income chain and help integrate the rural economy with urban and global markets, directly benefiting tractor demand going forward. In the short run, liberal and softer credit policy of Government for farmers, improved farm gate prices and growing exports are expected to drive demand for tractors, subject to availability of average monsoon.

Having regard to the foregoing, Punjab Tractors has enough space for sustained yet disciplined growth in its core tractor business and is well positioned to do so on the basis of its competitive strengths : product range, broad geographical spread of dealer outreach, quality of service support and all India product acceptability. Development of a global product portfolio for meeting specific needs of new geographic market and customer segments would also receive priority attention. Parallel corporate thrust would be towards further enhancement of Company's strong and well-demonstrated commitment towards continuous improvement in asset utilisation, process efficiencies, supply chain and cost management.

### 7. RISKS

While several focus programmes have been conceived for raising area under assured irrigation, in the short term Indian agriculture would continue to be highly monsoon-dependant. Availability of credit and its cost, government policy on procurement and support price and progress of rural infrastructure projects also have an important bearing on farm income and demand sentiments. Matters such as WTO policies, introduction of new fiscal policies like VAT, recent abnormal rise in prices of steel and diesel are other issues of consequence that could adversely impact demand and/or cost of operations of manufacturers. At the industry level, fragmentation and excess capacities too impact tractor demand. Any negative trend or uncertainty or delay in the above areas would spell difficulties for the tractor industry.

### 8. 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

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

Your Company is committed to corporate governance in all its activities and processes and practising the same since inception. It has been a core belief and practice with the Company to consider itself the custodian and trustee of all the constituencies of our business – customers, business associates, shareholders and society, and to pursue the responsibility for creation of wealth for them with missionary zeal. PTL has sought and will continue to seek corporate excellence and profits through ethics, passion and perseverance.

### 2. Board of Directors

The Company's Board currently comprises of 10 Directors of which 2 are Whole-time Directors.

The Non-Executive Directors bring wide ranging experience and independent judgement to the Board's deliberations and decisions.

PTL is a Board-managed Company. The Board meets at regular intervals and in addition to review of operations, formulates corporate policies and sets up goals. The Board has constituted following committees viz;

- Audit Committee
- Shareholder / Investor Relations Committee

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 information on Composition of the Board, Director's Attendance at Board Meetings held during the year and at the last Annual General Meeting, Directorships in other companies and committees of other companies is as under:-

Name of Director	Category	Financial Year 2005-06		Attendance at the last AGM	Number of Directorships in other public companies incorporated in India #	Committee Position held in other companies #+	
		Board Meetings held*	Board Meetings Attended			Chairman	Member
<b>Present Directors</b>							
Shri P.D. Narang (Chairman) (Co-opted w.e.f. 31.01.2006)	Non Executive	–	–	N.A.	10	3	2
Sh. S.K. Tuteja	Independent Non Executive	5	5	Yes	3	3	2
Sh. Donald Peck (ceased w.e.f. 24.06.2005 and rejoined on 31.01.2006)	Non Executive	2	2	No	7	Nil	Nil
Sh. Steven Enderby	Non Executive	5	4	No	3	Nil	1
Sh. N Mohanraj	Independent Non Executive	5	5	No	2	Nil	1
Sh. M. Raghavendra	Independent Non Executive	5	5	No	3	1	2

## PUNJAB TRACTORS LIMITED

Name of Director	Category	Financial Year 2005-06		Attendance at the last AGM	Number of Directorships in other public companies incorporated in India #	Committee Position held in other companies #+	
		Board Meetings held*	Board Meetings Attended			Chairman	Member
<b>Present Directors</b>							
Sh. Hardeep Singh (co-opted w.e.f. 31.01.2006)	Independent Non Executive	–	–	N.A.	Nil	Nil	Nil
Sh. Daljit Mirchandani (co-opted w.e.f. 31.01.2006)	Independent Non Executive	–	–	N.A.	1	Nil	Nil
Sh. P. Sivaram (Chief Operating Officer & Wholetime Director)	Executive	5	5	Yes	2	Nil	1
Sh. A.M. Sawhney (Director – Marketing)	Executive	5	5	Yes	1	Nil	1
<b>Ex-Directors</b>							
Sh. A.K. Thakur (ceased w.e.f. 01.02.2006)	Independent Non Executive	5	5	Yes	N.A.	N.A.	N.A.
Sh. C.V. Ramani (ceased w.e.f. 31.01.2006)	Independent Non Executive	4	3	Yes	N.A.	N.A.	N.A.
Sh. Arun Duggal (co-opted w.e.f. 24.06.2005 & ceased w.e.f. 31.01.2006)	Non Executive	3	2	N.A.	N.A.	N.A.	N.A.
Sh. Y.P. Mahajan (Vice Chairman & Managing Director) (ceased w.e.f. 01.06.2006)	Executive	5	5	Yes	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.

+ Represents Chairmanships/Memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.

There are no pecuniary relationships or transactions of the non-executive Directors vis-a-vis the Company.

During financial year 2005-06, 5 Board Meetings were held on 26<sup>th</sup> April, 2005, 24<sup>th</sup> June, 2005, 12<sup>th</sup> July, 2005, 17<sup>th</sup> October, 2005 and 31<sup>st</sup> January, 2006.

### 3. Audit Committee

#### Terms of Reference

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 essential functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of 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.

### Composition and Attendance

During the year, the Audit Committee comprised of S/Shri S.K.Tuteja, Chairman, A.K.Thakur and Steven Enderby, all being independent Directors with vast experience in and knowledge of corporate affairs & finance.

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

During the financial year under review, 5 meetings of Audit Committee of the Board were held on 26<sup>th</sup> April, 2005, 12<sup>th</sup> July, 2005, 17<sup>th</sup> October, 2005, 12<sup>th</sup> December, 2005 and 31<sup>st</sup> January, 2006.

Attendance record of the members of the Audit Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Shri S.K.Tuteja, Chairman	5	5
Shri A.K.Thakur	5	5
Shri Steven Enderby	5	4

### 4. Shareholder / Investor Relations Committee

#### Terms of Reference

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

#### Composition

During the year, the Shareholder / Investor Relations Committee comprised of S/Shri S.K.Tuteja, Chairman, and Y.P. Mahajan.

Shri M.N. Kaushal, Vice President - Finance & Company Secretary, is the Compliance Officer of the Company.

The Company had received 254 enquiries/complaints from the shareholders and all of them have been resolved by furnishing the requisite information / documents. The Company had Nil shares pending for transfers at the close of the financial year.

During the financial year, 9 meetings of Shareholder / Investor Relations Committee were held.

### 5. Remuneration of Directors

Remuneration paid to the executive directors is decided by the Board of Directors. Non-Executive Directors are paid sitting fee for attending the meetings of the Board of Directors and committees thereof within the prescribed limits as decided by the Board.

Following are the details of Directors remuneration for 2005-06;

#### Executive - Wholtime Directors

(Rs.)

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident & other Funds	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Y.P. Mahajan	34,20,000	34,20,000	12,23,334	97,435	Nil	81,60,769	Upto 06.04.2007*
P. Sivaram	22,80,000	22,80,000	8,15,556	3,532	Nil	53,79,088	Upto 31.03.2009
A.M. Sawhney	22,80,000	22,80,000	8,15,556	20,209	Nil	53,95,765	Upto 31.03.2009

\*Consequent upon his resignation, ceased to be a director of the Company w.e.f. 01.06.2006.

**Non-Executive Directors**

<b>Name of Director</b>	<b>Sitting Fees (Rs.)</b>	<b>Commission (Rs.)</b>
<b><u>Present Directors</u></b>		
Shri S.K.Tuteja	2,10,000	Nil
Shri Donald Peck*	30,000	Nil
Shri Steven Enderby*	1,20,000	Nil
Shri N.Mohanraj*	75,000	Nil
Shri M.Raghavendra	75,000	Nil
<b><u>Ex-Directors</u></b>		
Shri A.K.Thakur	1,50,000	Nil
Shri C.V.Ramani*	45,000	Nil
Shri Arun Duggal	30,000	Nil

\* Paid to Actis, LIC and IDBI respectively.

Shri Daljit Mirchandani holds 600 shares in the Company. No other Non-Executive Director is holding any shares in the Company.

**6. General Body Meetings**

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

<b>Financial Year</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
2002-03	30 <sup>th</sup> September, 2003	9.30 A.M.	Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S.Nagar
2003-04	30 <sup>th</sup> September, 2004	10.00 A.M.	Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S.Nagar
2004-05	4 <sup>th</sup> June, 2005	10.00 A.M.	Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S.Nagar

The following Special Resolutions were taken up in the last three AGMs, and were passed with requisite majority.

2002-03

- i) Appointment of M/s S.Tandon & Associates, Chartered Accountants as the Auditors of the Company pursuant to the provisions of Section 224A of the Companies Act, 1956.
- ii) Amendments in Articles of Association of the Company to alter and substitute article 96(b) and article 114(1).

- iii) Delisting of Company's equity shares from the Stock Exchanges at Ludhiana, Delhi and Ahmedabad.

#### 2003-04

- i) Appointment of M/s S.Tandon & Associates, Chartered Accountants as the Auditors of the Company pursuant to the provisions of Section 224A of the Companies Act, 1956.

#### 2004-05

- i) Appointment of M/s S.Tandon & Associates, Chartered Accountants as the Auditors of the Company pursuant to the provisions of Section 224A of the Companies Act, 1956.

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

### **7. Code of Ethics & Conduct**

Company's Board has laid down a well-defined Code of Ethics & Conduct (the "Code") to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company ([www.swarajenterprise.com](http://www.swarajenterprise.com)). All the Directors and senior management personnel have affirmed compliance with the Code as approved and adopted by the Board of Directors.

### **8. Disclosures**

- a) The Company has not entered into any transaction of material nature with the promoters, the Directors or the management that may have any potential conflict with the interest of the Company. The Company has no subsidiary. Details of related parties and transactions with them are furnished under para 5 of Schedule M of the Annual Accounts.
- b) There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other authorities, on any matters related to capital market during the last three years.
- c) The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under clause 49 of the listing agreement with the Stock Exchanges. The Company has also complied with the requirements of amended Clause 49 after it came into force.
- d) Adoption of non-mandatory requirements
  - i) The Board  

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

No specific tenure has been specified for the Independent Directors.
  - ii) Remuneration Committee  

Remuneration of Wholetime Directors was decided by the Board of Directors in their meeting held on 12<sup>th</sup> January, 2005.

### iii) Shareholder Rights

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.sebiedifar.nic.in](http://www.sebiedifar.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 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 Wholetime Directors / Members of the Executive Board from time to time for an overview of Company operations. The Company's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with the trends in economy and changes in the legislation.

### vi) Whistle Blower Policy

Company encourages employees and business associates to raise their concerns relating to any unethical business practice at work place with protection against victimisation.

## 9. 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 normally published in the leading financial papers and other national / regional newspapers 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 web-site [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in). Results are not sent individually to the shareholders;
- b) The official news releases are displayed on the Company's website;
- c) During the year ended 31<sup>st</sup> March, 2006, no presentations were made to institutional investors or analysts;
- d) Management Discussions and Analysis Report forms part of the Directors' Report.

## 10. General Shareholders' Information

Covered under separate section in this Annual Report.

**Auditors' Certificate on Compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreements with the Stock Exchanges**

**To the Members of Punjab Tractors Limited**

We have examined the compliance of conditions of Corporate Governance by Punjab Tractors Limited for the year ended on 31<sup>st</sup> March, 2006, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance in all material respects as stipulated in the above mentioned Listing Agreements.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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.

for **S.TANDON & ASSOCIATES**  
Chartered Accountants

Chandigarh  
Dated : June 2, 2006

**SANJAY TANDON**  
Partner

**KEY PERFORMANCE INDICATORS - LAST ELEVEN YEARS**

	(Rs. crores)										
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Tractors (Nos.)</b>											
<b>Industry</b>	191000	221000	254000	262000	273000	253000	218000	171000	189000	246000	291000
<b>Swaraj</b>	26317	33034	40425	48336	50705	45712	40100	24200	25607	30330	31396
<b>Market Share</b>	13.8%	14.9%	15.9%	18.5%	18.6%	18.1%	18.4%	14.1%	13.5%	12.3%	10.8%
<b>Rank</b>	4	4	4	2	3	2	2	3	2	4	4
<b>Net Product Revenue</b>	457.8	609.5	782.9	955.6	1016.9	964.5	888.2	546.8	597.3	855.1	958.6
<b>Operating Profit</b>	60.2	87.2	133.5	176.9	195.3	186.0	169.4	89.3	75.6	113.9	126.1
<b>Margin</b>	13.1%	14.3%	17.1%	18.5%	19.2%	19.3%	19.1%	16.3%	12.7%	13.3%	13.2%
<b>Net Interest</b>	0.5	(1.3)	(3.3)	(6.5)	(3.0)	(0.1)	11.9	14.3	9.8	5.8	6.4
<b>Cash Profit</b>	59.7	88.5	136.8	183.4	198.3	186.1	157.5	75.0	65.8	108.1	119.7
<b>Margin</b>	13.0%	14.5%	17.5%	19.2%	19.5%	19.3%	17.7%	13.7%	11.0%	12.6%	12.5%
<b>Depreciation</b>											
– Fixed Assets	6.7	7.8	10.8	13.7	16.0	17.0	17.7	17.1	16.4	15.9	15.2
– Trade Investments	—	—	—	—	—	3.1	0.2	—	—	—	—
<b>PBT – Mainline</b>	53.0	80.7	126.0	169.7	182.3	166.0	139.6	57.9	49.4	92.2	104.5
<b>Margin</b>	11.6%	13.2%	16.1%	17.8%	17.9%	17.2%	15.7%	10.6%	8.3%	10.8%	10.9%
<b>Other Income (Mainly Dividend)</b>	7.2	5.8	6.6	7.1	8.1	2.0	3.9	4.3	6.0	5.0	4.6
<b>PBT – Corporate</b>	60.2	86.5	132.6	176.8	190.4	168.0	143.5	62.2	55.4	97.2	109.1
<b>Margin</b>	12.9%	14.1%	16.8%	18.4%	18.6%	17.4%	16.1%	11.3%	9.2%	11.3%	11.3%
<b>Extraordinary Income</b>	—	—	—	—	—	—	—	—	—	—	61.3
<b>PBT – Total</b>	60.2	86.5	132.6	176.8	190.4	168.0	143.5	62.2	55.4	97.2	170.4
<b>PAT</b>	38.2	56.3	96.6	125.8	133.3	112.5	100.0	43.1	42.0	62.9	129.3
<b>Dividend</b>											
– Rate	125%	80%*	125%	250%	260%	75%**	70%	30%	45%	55%	105%#
– Outflow (Exclud. Dividend Tax)	12.7	16.2	25.3	50.6	52.7	45.6	42.5	18.2	27.3	33.4	63.8
– Payout Ratio	33.2%	28.8%	26.2%	40.2%	39.5%	40.5%	42.5%	42.3%	65.0%	53.1%	49.3%
<b>Retained Earnings</b>	25.5	38.5	68.8	69.6	73.4	62.3	57.5	22.6	11.2	24.7	56.6
<b>EPS (Rs.)</b>	37.74	27.80*	47.71	62.13	65.80	18.52**	16.46	7.10	6.92	10.35	21.29 <sup>®</sup>
<b>Book Value (Rs.)</b>	120.23	79.12*	113.09	147.47	183.69	71.49**	74.72	78.43	80.27	84.34	93.66
<b>Return on Avg. Net worth (ROANW)</b>	35.1%	39.9%	49.6%	47.7%	39.8%	27.9%	22.5%	9.3%	8.7%	12.6%	23.9%

\*On Post Bonus (1:1) Equity  
#Include Special Dividend @ 45%

\*\*On Post Bonus (2:1) Equity  
® Include EPS on Extraordinary Income – Rs. 9.37

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 35<sup>th</sup> Annual General Meeting of the Company will be held on Friday, the 7<sup>th</sup> July, 2006 at 11.00 a.m. at Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali)–160 059 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2006 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Steven Enderby who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint Auditors and fix their remuneration and for the purpose to consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s S. Tandon & Associates, Chartered Accountants, the retiring Auditors of the Company, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration.”

### SPECIAL BUSINESS

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

5. As an Ordinary Resolution:  
“RESOLVED THAT Shri Donald Peck, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company”.
6. As an Ordinary Resolution:  
“RESOLVED THAT Shri P.D.Narang, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company”.
7. As an Ordinary Resolution:  
“RESOLVED THAT Shri Hardeep Singh, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company”.
8. As an Ordinary Resolution:  
“RESOLVED THAT Shri Daljit Mirchandani, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company”.

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

Dated : 2<sup>nd</sup> June, 2006

BY ORDER OF THE BOARD

(M.N. KAUSHAL)  
Vice President – Finance  
& Company Secretary

**NOTES :**

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed hereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in the Form annexed hereto must be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Register of members shall remain closed from 16<sup>th</sup> June, 2006 to 21<sup>st</sup> June, 2006 (both days inclusive).
4. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required may be made available at the Meeting.
5. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend, as recommended by the Board of Directors, if approved at the Meeting, will be payable on or after 7<sup>th</sup> July, 2006, but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 21<sup>st</sup> June, 2006. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of the business on 15<sup>th</sup> June, 2006 as per details furnished by the depositories for this purpose.
6. Members are requested to:
  - Intimate to the Company changes, if any, in their registered address at an early date for the shares held in physical form.
  - Quote ledger folio / beneficiary numbers in all their correspondence.
7. The Company has already transferred all unclaimed dividend for and upto the financial year ended 31<sup>st</sup> March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Members who have not encashed dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Punjab, Chandigarh and Himachal Pradesh, 286, Defence Colony, Jalandhar (Punjab)- 144 001.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the financial year ended 31<sup>st</sup> March, 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the **Investor Education and Protection Fund (IEPF)** set up by the Government of India. Accordingly, the Company has transferred to IEPF all unclaimed/unpaid dividend in respect of financial year ended 31<sup>st</sup> March, 1998.

Members who have not encashed their dividend warrant(s) for the financial year ended 31<sup>st</sup> March, 1999 and onward are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year ended 31<sup>st</sup> March, 1999 is due for transfer to the IEPF on 11<sup>th</sup> August, 2006. **It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof with the Company.**
8. Payment of Dividend through ECS:
  - a) Members holding shares in demat 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 Stock Exchanges. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants.

Members holding shares in demat 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 26<sup>th</sup> June, 2006, to the Company at its registered office.

9. Members/Proxy holders are requested to produce the attached admission slip duly completed and signed, for admission to the Meeting Hall.

10. Members who hold shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail nomination facility by filing Form 2B in their own interest. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective depository participants for recording of nomination.

11. Appointment / Re-appointment of Directors:

At the ensuing Annual General Meeting, Shri Steven Enderby retires by rotation and being eligible offers himself for re-election.

S/Shri Donald Peck, P.D.Narang, Hardeep Singh and Daljit Mirchandani are being appointed as Directors of the Company.

Information or details to be provided for the aforesaid Directors under Corporate Governance Code are as under:

- a) Pursuant to nomination by CDC-PTL Holdings Ltd., Shri Steven Enderby was co-opted on the Board of Punjab Tractors on 30<sup>th</sup> January, 2004.

Shri Enderby is based in Delhi and is currently a Partner in Actis Capital.

Shri Enderby has an economics and accounting background and holds degree in Economics from Queens University, Belfast and is a qualified accountant. He is associated with Actis / CDC since 1990 and has been in investment business during this period.

Shri Enderby does not hold any shares in the Company.

In addition to Punjab Tractors, Shri Enderby is also a Director of Nitrex Chemicals (India) Ltd., TEMA Ltd. and Swaraj Mazda Ltd. and a member of the Audit Committee of Punjab Tractors Ltd. and Nitrex Chemicals (India) Ltd.

- b) Pursuant to nomination by CDC-PTL Holdings Ltd., Shri Donald Peck was co-opted on the Board of Punjab Tractors on 31<sup>st</sup> January, 2006.

Shri Peck is based in Delhi and is currently a Managing Partner of Actis Capital.

Shri Peck holds a Ph.D in Economic History from Oxford University. He worked for thirteen years in Merchant Banking at Lloyds Bank, Morgan Grenfell and then in Equity Investment / Fund Management at IFC (Washington) before joining the Actis / CDC Group at its London headquarters in 1991.

Shri Peck does not hold any shares in the Company.

Shri Peck is also on the Board of Swaraj Mazda Ltd., Swaraj Engines Ltd., Industrial Development Finance Company Ltd., Ortel Communications Ltd., Alumnus Software Ltd., CICO Technologies Ltd. and Avtec Ltd. and a member of the Compensation Committee of Industrial Development Finance Company Ltd.

- c) Pursuant to nomination by A. Cee Enterprises, an investment company of Dabur Group, Shri P.D.Narang was co-opted on the Board of Punjab Tractors on 31<sup>st</sup> January, 2006 and elected as Chairman on 11<sup>th</sup> May, 2006.

Shri P.D.Narang holds a Bachelor’s Degree in Commerce and also a Chartered Accountant, Cost Accountant and Company Secretary. He started his career at Dabur as a Management Accountant and has been with them ever since. He is currently the Group Director for Corporate Affairs for Dabur Group and has a diverse experience in the fields of finance & accounts, mergers & acquisitions, corporate governance and joint ventures in multiple sectors.

Shri Narang does not hold any shares in the Company.

In addition to Punjab Tractors, Shri Narang is also a Director in Dabur Egypt Ltd., Sanat Products Ltd., Welltime Housing & Finance Ltd., Dabur Finance Ltd., Dabur Ayurvedic Specialties Ltd., Dabur Pharma Ltd., Dabur Foods Ltd., Dabur India Ltd., Dabur International Ltd., Balsara Hygiene Products Ltd., Balsara Home Products Ltd., Besta Cosmetics Ltd., Weikefield International (UAE) Ltd. and African Care Ltd.

Details of Shri Narang’s Membership in Committees are given below:

<b>Name of the Company</b>	<b>Name of Committee</b>
1. Dabur India Ltd.	Shareholders Grievances Committee
2. Dabur Foods Ltd.	Audit Committee, Chairman Remuneration cum Compensation Committee, Chairman
3. Dabur Finance Ltd.	Audit Committee, Chairman
4. Dabur Pharma Ltd.	Audit Committee, Chairman Shareholders Grievances Committee

d) Shri Hardeep Singh was co-opted on the Board of Punjab Tractors on 31<sup>st</sup> January, 2006 as an Independent Director.

Shri Hardeep Singh holds a Bachelor’s degree with honours in Arts and Advanced Marketing Practicum from Kellogg School of Management. Presently, he is President, Cargill India Pvt. Ltd. and responsible for Cargill businesses in India & Pakistan.

Shri Hardeep Singh joined Cargill in 1995 and prior to this, he was Director- Rallis India Ltd. He has over 28 years of intimate involvement with managing agricultural businesses, international trade and food processing businesses.

Shri Hardeep Singh does not hold any shares in the Company.

e) Shri Daljit Mirchandani was co-opted on the Board of Punjab Tractors on 31<sup>st</sup> January, 2006 as an Independent Director.

Shri Mirchandani holds a Bachelor’s degree in Electrical Engineering and joined Ingersoll – Rand (India) Ltd. as its President in 1998 and then became its Chairman & President. Prior to this, he worked with Kirloskar Oil Engines Ltd. for 27 years and the last position held by him was that of Executive Director.

Shri Daljit Mirchandani holds 600 shares in the Company.

## ANNEXURE TO NOTICE

Explanatory Statement relating to the Special Business

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned under Item Nos. 5 to 8 of the accompanying Notice dated 2<sup>nd</sup> June, 2006.

### Item No. 5

Shri Donald Peck, co-opted as an Additional Director, vacates office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Shri Peck as a Director of the Company.

Shri Donald Peck, Managing Partner Actis Capital, based in Delhi, is nominated by CDC-PTL Holdings Ltd.. Because of his rich and varied experience, Directors consider that his association at the Board level would be of large value to the Company and hence recommend acceptance of the Resolution set out in Item No. 5 of the convening notice.

Shri Donald Peck is interested and concerned in the Item.

### Item No. 6

Shri P.D.Narang, co-opted as an Additional Director, vacates office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Shri Narang as a Director of the Company.

Shri P.D.Narang, nominated by A.Cee Enterprises (Dabur Group), is currently Group Director - Corporate Affairs of Dabur Group. He has diverse experience in the field of corporate management and finance. The Directors consider that his association at the Board level would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in Item No. 6 of the convening notice.

Shri P.D.Narang is interested and concerned in the Item.

### Item No. 7

Shri Hardeep Singh, co-opted as an Additional Director, vacates office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Shri Hardeep Singh as a Director of the Company.

Shri Hardeep Singh is presently President, Cargill India Pvt. Ltd. and has vast experience in agro related businesses. The Directors consider that his association at the Board level would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in Item No. 7 of the convening notice.

Shri Hardeep Singh is interested and concerned in the Item.

### Item No. 8

Shri Daljit Mirchandani, co-opted as an Additional Director, vacates office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Shri Mirchandani as a Director of the Company.

Shri Daljit Mirchandani is presently Chairman & President, Ingersoll-Rand (India) Ltd. and possesses experience in manufacturing and corporate affairs. The Directors consider that his association at the Board level would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in Item No. 8 of the convening notice.

Shri Daljit Mirchandani is interested and concerned in the Item.

# PUNJAB TRACTORS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2006

(Rs. in lacs)

	Schedule	2006		2005	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	A	60,75.57		60,75.57	
Reserves and Surplus	B	<u>508,26.08</u>	569,01.65	<u>451,66.48</u>	512,42.05
<b>Loan Funds</b>					
Secured Loans	C	—		27,18.03	
Unsecured Loans	D	<u>12,97.95</u>	12,97.95	<u>12,18.21</u>	39,36.24
<b>Deferred Tax Liabilities</b>	E		<u>28,62.01</u>		<u>31,95.77</u>
<b>Total</b>			<u>610,61.61</u>		<u>583,74.06</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	F	288,57.28		286,69.10	
Less : Depreciation		<u>188,06.46</u>		<u>174,01.23</u>	
Net Block		100,50.82		112,67.87	
Capital Work-in-Progress / Advances and Construction Stores in Hand		65.97		50.82	
Capital Spares		<u>8.42</u>	101,25.21	<u>9.95</u>	113,28.64
<b>Investments</b>	G		9,22.68		10,84.92
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	H	88,16.04		111,94.10	
Sundry Debtors		527,75.60		538,14.29	
Cash and Bank Balances		23,98.11		4,62.73	
Other Current Assets		4,74.98		90.18	
Loans & Advances		<u>21,14.45</u>		<u>18,31.12</u>	
		665,79.18		673,92.42	
<b>Less :</b>					
Current Liabilities and Provisions	I	165,65.46		214,31.92	
Net Current Assets			500,13.72		459,60.50
<b>Total</b>			<u>610,61.61</u>		<u>583,74.06</u>
<b>Notes on Accounts</b>	M/N				

Per our separate report of even date attached  
for S. TANDON & ASSOCIATES  
Chartered Accountants

SANJAY TANDON  
Partner

P. SIVARAM  
Director - Finance

M.N. KAUSHAL  
Vice President - Finance  
& Company Secretary

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA  
Director

Y.P. MAHAJAN  
Vice Chairman &  
Managing Director

New Delhi, 11th May, 2006

New Delhi, 11th May, 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rs. in lacs)

	Schedule	2006	2005
<b>INCOME</b>			
Gross Revenue From Operations	M(18)	972,55.13	893,26.67
Less : Excise Duty		<u>14,00.36</u>	<u>38,17.30</u>
Other Income	M(12)	<u>65,94.95</u>	<u>4,99.06</u>
		<b>1,024,49.72</b>	<b>860,08.43</b>
<b>EXPENDITURE</b>			
Materials	J	703,16.78	623,47.58
Operating & Administrative Expenses	K	129,28.32	117,71.80
Finance Charges (Net)	L	6,39.56	5,76.80
Depreciation	F	<u>15,19.66</u>	<u>15,95.13</u>
Profit before Tax		<u>170,45.40</u>	<u>97,17.12</u>
Provision for Tax			
– Current (Including FBT)		44,45.50	37,70.00
– Deferred		<u>(3,33.76)</u>	<u>(3,42.56)</u>
Profit after Tax		<u>129,33.66</u>	<u>62,89.68</u>
<b>AVAILABLE FOR APPROPRIATION</b>			
Special Dividend		27,34.01	–
Proposed Dividend		36,45.34	33,41.56
Tax on Special Dividend		3,83.45	–
Tax on Proposed Dividend		5,11.26	4,68.66
Tax on Dividend (Previous Year)		–	7.01
Transfer to General Reserve		55,59.60	23,72.45
Transfer to Surplus		<u>1,00.00</u>	<u>1,00.00</u>
		<b>129,33.66</b>	<b>62,89.68</b>
<b>Earnings per Share</b>	M(4)	<b>Rs. 21.29</b>	Rs. 10.35
<b>Notes on Accounts</b>	M/N		

Per our separate report of even date attached  
for S. TANDON & ASSOCIATES  
Chartered Accountants

The Schedules referred to above form an integral part of the Profit & Loss Account  
FOR AND ON BEHALF OF THE BOARD

SANJAY TANDON  
Partner

P. SIVARAM  
Director - Finance

S.K. TUTEJA  
Director

M.N. KAUSHAL  
Vice President - Finance  
& Company Secretary

Y.P. MAHAJAN  
Vice Chairman &  
Managing Director

New Delhi, 11th May, 2006

New Delhi, 11th May, 2006

## PUNJAB TRACTORS LIMITED

### SCHEDULE A

(Rs. in lacs)

	2006	2005
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
7,50,00,000 Equity Shares of Rs. 10/- each	75,00.00	75,00.00
	<u>75,00.00</u>	<u>75,00.00</u>
<b>Issued, Subscribed &amp; Paid up</b>		
6,07,55,700 Equity Shares of Rs. 10/- each fully paid	60,75.57	60,75.57
	<u>60,75.57</u>	<u>60,75.57</u>

**Note :**

Paid up Capital includes 5,61,32,725 Equity Shares allotted as fully paid Bonus Shares by Capitalisation of General Reserve and Share Premium.

### SCHEDULE B

(Rs. in lacs)

	2006	2005
<b>RESERVES AND SURPLUS</b>		
Preference Share Redemption Reserve	30.00	30.00
General Reserve :		
Brought Forward	438,36.48	414,64.03
Add : Transferred from Profit & Loss Account	<u>55,59.60</u>	<u>23,72.45</u>
	493,96.08	438,36.48
Surplus :		
Brought Forward	13,00.00	12,00.00
Add : Transferred from Profit & Loss Account	<u>1,00.00</u>	<u>1,00.00</u>
	<u>14,00.00</u>	13,00.00
	<u>508,26.08</u>	<u>451,66.48</u>

**SCHEDULE C**

(Rs. in lacs)

	2006	2005
<b>SECURED LOANS</b>		
<b>Term Loan</b>		
– State Bank of India	–	16,94.05
<b>Other Loans From Banks</b>		
– On Cash Credit / Overdraft Accounts	–	10,23.98
	<u>–</u>	<u>27,18.03</u>

**Notes :**

1. Term loan is secured by first charge on the Company's movable fixed assets, equitable mortgage on immovable properties and second charge on inventory, receivables and other current assets, both present and future.
2. Other Loans from Banks are secured by hypothecation of stock, stores & book debts.

**SCHEDULE D**

(Rs. in lacs)

	2006	2005
<b>UNSECURED LOANS</b>		
Fixed Deposits from Public {Include Interest Accrued and Due Rs. 6.73 lacs (2005 – Rs. 5.59 lacs)}	12,97.95	12,18.21
	<u>12,97.95</u>	<u>12,18.21</u>

**SCHEDULE E**

(Rs. in lacs)

	2006	2005
<b>DEFERRED TAX LIABILITIES</b>		
<b>Deferred Tax Liability</b>		
Adjustment for Earlier Years	31,95.77	35,38.33
Adjustment for Current Year	(3,33.76)	(3,42.56)
	<u>28,62.01</u>	<u>31,95.77</u>

**SCHEDULE F**

(Rs. in lacs)

**FIXED ASSETS**

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 31st March, 2005	Additions	Deletions/ Adjustments	Cost as at 31st March, 2006	As at 31st March, 2005	Provided during the year	Deletions/ Adjustments	Upto 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
Land Freehold	86.90	-	-	86.90	-	-	-	-	86.90	86.90
Building	36,62.94	-	-	36,62.94	13,18.05	1,20.82	-	14,38.87	22,24.07	23,44.89
Plant & Machinery	214,30.29	1,52.57	94.69	214,88.17	136,69.27	11,93.48	89.95	147,72.80	67,15.37	77,61.02
Electrical Installations	16,48.26	3.34	-	16,51.60	9,17.08	1,07.50	-	10,24.58	6,27.02	7,31.18
Furniture, Fixtures & Office Equipments	13,58.58	50.83	9.05	14,00.36	11,21.17	56.55	8.60	11,69.12	2,31.24	2,37.41
Vehicles	4,82.13	1,01.89	16.71	5,67.31	3,75.66	41.31	15.88	4,01.09	1,66.22	1,06.47
<b>Total</b>	<b>286,69.10</b>	<b>3,08.63</b>	<b>1,20.45</b>	<b>288,57.28</b>	<b>174,01.23</b>	<b>15,19.66</b>	<b>1,14.43</b>	<b>188,06.46</b>	<b>100,50.82</b>	<b>112,67.87</b>
Capital Work-in-Progress/Advances									65.64	50.49
Construction Stores in Hand									0.33	0.33
Capital Spares									8.42	9.95
									<b>101,25.21</b>	<b>113,28.64</b>
2005	285,20.10	1,74.73	25.73	286,69.10	158,30.55	15,95.13	24.45	174,01.23		

**Note :**  
Depreciation on all assets has been provided on straight line method and on the basis of double shift.

**SCHEDULE G**

(Rs. in lacs)

	2006	2005
<b>INVESTMENTS</b>		
<b>Long Term</b>		
<b>Trade - Quoted</b>		
Swaraj Automotives Limited		
– 5,80,000 Equity Shares of Rs. 10/- each fully paid	5.83	5.83
Swaraj Mazda Limited (a company under the same management)		
– 14,72,000 (2005 – 30,45,000) Equity Shares of Rs. 10/- each fully paid	1,47.20	3,04.50
Swaraj Engines Limited		
– 41,19,000 (2005 – 13,73,000) Equity Shares of Rs. 10/- each fully paid	68.65	68.65
Industrial Development Bank of India Limited		
– 2,85,440 Equity Shares of Rs. 10/- each fully paid	2,28.44	2,28.44
Less : Provision for diminution in value	<u>4.94</u>	<u>–</u>
	<b>2,23.50</b>	<b>2,28.44</b>
<b>Non Trade - Unquoted</b>		
– 50,00,000 Units of Canfortune–94 Scheme (Formally GIC Fortune - 94) Rs. 10/- each fully paid	4,77.50	4,77.50
	<u>9,22.68</u>	<u>10,84.92</u>

**Notes :**

A. : 27,46,000 (2005 – Nil) Equity Shares of Swaraj Engines Limited of Rs. 10/- each fully paid were received as Bonus Shares.

B. : 15,73,000 (2005 – Nil) Equity Shares of Swaraj Mazda Limited of Rs. 10/- each fully paid were sold during the year.

C. : Aggregate Value

1. Cost of quoted investments	4,50.12	6,07.42
2. Market value of quoted investments	116,02.00	157,99.66
3. Cost of unquoted investments	4,77.50	4,77.50

**SCHEDULE H**

(Rs. in lacs)

	2006		2005	
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>Current Assets</b>				
<b>Inventories</b>				
Raw Materials & Components	48,51.55			61,29.60
Work-in-Progress	11,17.89			10,47.76
Finished Goods				
— Products	7,20.69		21,04.96	
— Spares	13,55.39	20,76.08	10,35.11	31,40.07
Stores & Spares		2,95.58		3,46.20
Loose Tools		2,34.53		2,90.80
Goods-in-Transit	2,40.41	88,16.04		2,39.67
				111,94.10
<b>Sundry Debtors (Refer note 8 Schedule M)</b>				
(Considered good unless otherwise stated)				
Over Six Months				
— Unsecured	159,95.13		169,49.52	
{(Including Rs. 1,08.37 lacs considered doubtful (2005 – Rs. 1,08.37 lacs))}				
Less : Provision for doubtful debts	1,08.37	158,86.76	1,08.37	168,41.15
Other				
— Unsecured	368,88.84	527,75.60		369,73.74
				538,14.29
<b>Cash &amp; Bank Balances</b>				
Cash in Hand	76.07			76.97
Balance with Scheduled Banks				
— Current Accounts	21,00.32		1,80.63	
— Fixed Deposits	1,16.70		1,09.43	
— Interest Accrued on Fixed Deposits	3.24		6.29	
— Unpaid/Unclaimed Dividend Accounts	1,01.78	23,22.04	23,98.11	89.41
				3,85.76
				4,62.73
<b>Other Current Assets</b>				
— Security Deposits	81.02			80.02
— Claims Recoverable	3,93.96	4,74.98		10.16
				90.18
<b>Loans and Advances</b>				
(Unsecured, Considered Good unless otherwise stated)				
Advances Recoverable in cash or in kind or for value to be received	13,93.65			11,66.59
Balance with Excise and Sales Tax Authorities	74.69			2,20.37
Income Tax, FBT & Wealth Tax {Net of Provisions, Rs. 120,53.96 lacs (2005 – Rs. 225,87.45 lacs)}	6,46.11	21,14.45		4,44.16
				18,31.12
		665,79.18		673,92.42

**Notes :**

1. Inventories are at lower of Cost or Net Realisable Value and as certified by the Management.
2. Sundry Debtors include Rs. 5,05.25 lacs (2005 - Rs. 3,91.93 lacs) due from Swaraj Mazda Ltd. – a Company under the same Management. Maximum balance during the year - Rs. 10,49.62 lacs (2005 - Rs. 8,72.55 lacs).

**SCHEDULE I**

(Rs. in lacs)

	2006	2005
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		20,43.72
– Due to Small Scale Industrial Undertakings*	10,35.56	
– Others	<u>84,07.20</u>	<u>125,71.30</u>
	94,42.76	146,15.02
Advance Payments & Deposits Received	4,41.30	5,15.76
Other Liabilities	9,35.16	10,64.84
Interest Accrued but not due	1,20.32	92.10
Items covered by Investor Education and Protection fund**		
– Dividends Pending Encashment	1,01.78	89.41
– Unclaimed matured Public Deposits	10.23	19.17
– Unencashed/Unclaimed Interest on matured Public Deposits	3.14	4.94
<b>Provisions</b>		
Proposed Dividend	36,45.34	33,41.56
Corporate Tax on Proposed Dividend	5,11.26	4,68.66
Others	13,54.17	12,20.46
	<u>165,65.46</u>	<u>214,31.92</u>

\*The amount due to Small Scale Industrial Undertakings is compiled on the basis of information available with the Company.

\*\*There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2006.

**SCHEDULE J**

(Rs. in lacs)

	2006	2005
<b>MATERIALS</b>		
<b>A) Raw Materials &amp; Components</b>		
Opening Stock	61,29.60	37,33.18
Add : Purchases	673,83.32	640,64.28
	735,12.92	677,97.46
Less : Closing Stock	48,51.55	61,29.60
Capital & Other Jobs	<u>2,09.87</u>	<u>1,78.85</u>
	50,61.42	63,08.45
<b>Consumption</b>	684,51.50	614,89.01
<b>B) (Accretion)/Decretion to Stock of Finished Products &amp; Work-in-Progress</b>		
Opening Stock	41,87.83	42,17.60
Less : Closing Stock	<u>31,93.97</u>	<u>41,87.83</u>
	9,93.86	29.77
<b>C) Consumption of Stores &amp; Spares (Including Capital Spares)</b>		
	8,71.42	8,28.80
	<u>703,16.78</u>	<u>623,47.58</u>

**SCHEDULE K**

(Rs. in lacs)

	2006	2005
<b>OPERATING, ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Salaries, Wages & Bonus	58,69.18	55,66.73
Contribution to Provident & Other Funds	4,65.19	4,37.71
Gratuity & Superannuation	3,85.99	3,60.76
Workmen & Staff Welfare	6,31.75	5,88.20
Repairs to Machinery	76.90	84.61
Repairs to Building	39.26	39.79
Other Repairs	30.90	31.99
Power & Fuel Charges	9,82.35	8,92.09
Rent	24.28	22.15
Rates and Taxes	12.49	10.00
Insurance	1,29.73	1,04.72
Printing, Stationery, Postage and Telephone	1,96.97	1,96.33
Travelling & Conveyance (Includes Rs. 6.38 lacs for Directors, 2005 – Rs. 3.36 lacs)	6,53.71	5,93.52
Provision for diminution in value	4.94	–
Market Promotion	6,76.79	5,17.06
Packing, Freight & Forwarding	17,82.54	15,04.46
Export Promotion & Marketing (Includes Rs. Nil for Directors' travelling, 2005 – Rs. 2.14 Lacs)	1,15.07	90.68
Research, Design & Development	7,25.31	6,47.59
Miscellaneous Expenses	1,09.10	73.99
Audit Fees and Expenses	8.71	7.81
Directors' Sitting Fees	7.35	1.99
	<u>129,28.51</u>	<u>117,72.18</u>
Less : Transfer to Capital & other Jobs	0.19	0.38
	<u>129,28.32</u>	<u>117,71.80</u>

**SCHEDULE L**

(Rs. in lacs)

	2006		2005	
<b>FINANCE CHARGES</b>				
Interest on Loans	6,35.97		7,46.86	
Exchange Fluctuation effect of Foreign Currency Loan	1.73		65.19	
Bank Charges	75.11		89.40	
Others	<u>6,03.74</u>	<u>13,16.55</u>	<u>4,60.73</u>	13,62.18
Less :				
Interest Received on				
— Bank Deposits	17.67		13.66	
— Others*	<u>6,59.32</u>	<u>6,76.99</u>	<u>7,71.72</u>	<u>7,85.38</u>
		<u>6,39.56</u>		<u>5,76.80</u>

\* Includes Rs. 18.05 lacs (2005 – Rs. 3,36.38 Lacs) being interest on income tax refunds pertaining to earlier years, determined and received this year.

**SCHEDULE M**

**NOTES FORMING PART OF 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

1) Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalised till the assets are ready to be put to use, except freight & insurance, which are capitalised @ 1% and 0.05% respectively of invoice value exceeding Rs. 1.00 lac. These costs also include financing costs relating to specific borrowing, attributable to fixed assets.

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.

2) Depreciation on all the fixed assets is provided on Straight Line Method, Pro-rata with monthly rests, at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for the fixed assets mentioned in para 3 below.

3) In the following cases the rates are higher than the rates prescribed in Schedule XIV of the Companies Act, 1956 :

<u>Nature of Assets</u>	<u>Rate Adopted in Accounts(%)</u>
a) Building - Non Factory	3.34
b) Electrical Installations	7.42
c) Office Equipments	15.00
d) Vehicles	25.00
e) Hi-Life Tools	30.00
f) Data Processing Equipments	30.00

4) Assets individually costing upto Rs. 5000/- are depreciated at 100% in the year of purchase.

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

(c) Investments are stated at cost. A provision for diminution in value is made to recognise a decline if any, other than temporary in the value of long term investments.

(d) Inventories

Items of inventories are valued at lower of cost or estimated realisable value. Cost of Stores and Spares, Loose Tools, Raw Materials are determined on monthly Weighted Average basis.

Cost of Work-in-Progress and Finished Goods includes material cost, an appropriate portion of production and administrative overheads and excludes interest, research & development and marketing expenses.

Goods-in-Transit are valued at cost.

Finished Goods includes excise duty, where ever applicable.

Scrap, if any, at the year end does not form part of closing inventory.

(e) Sundry Debtors are shown, net of customer's bank drafts and cheques under collection.

(f) Sales are recognised at the time of despatch to customers and include excise duty.

SCHEDULE 'M' Contd.....

(g) Retirement Benefits

Gratuity and Superannuation liabilities have been covered by Master Policies of Life Insurance Corporation of India under irrevocable trusts. Annual premium computed on actuarial basis for gratuity is charged to revenue every year. Leave encashment Liability has been provided on actuarial basis.

(h) Research & Development

All Research & Development expenses including design and production of Proto-types are written off as incurred. All capital expenditure on R&D are shown as additions to Fixed Assets.

(i) Foreign Currency Transactions

Foreign currency transactions during the year are recorded at rates of exchange prevailing on the date of transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing on the date of balance sheet. All exchange differences are dealt with in the statement of profit and loss, except those relating to acquisition of fixed assets, which are adjusted in the cost of the assets. Premium for forward contracts is recognised as income or expenditure over the period of contract.

(j) 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. Pursuant to that, deferred tax Assets of Rs. 3,33.76 lacs (2005 – Rs. 3,42.56 lacs) have been credited to P&L Account.

(k) Accounting policies not specifically referred above are consistent with generally accepted accounting practices.

2. There are contingent liabilities in respect of :

	2006 Rs. lacs	2005 Rs. lacs
i) Claims against the Company not acknowledged as debts.	3,13.54	2,50.91
ii) Excise matters in dispute/under Appeal amounting to Rs. 7,44.23 lacs, out of which Rs. 20.00 lacs have been deposited under protest.	7,44.23	1,46.68
iii) Sales Tax matters in dispute/under Appeal amounting to Rs. 5.89 lacs, out of which Rs. 3.78 lacs have been deposited under protest. (Assessment in respect of Sales Tax is pending from 2001-02 onwards. Additional liability, if any, for pending assessments is not ascertainable).	5.89	6.38
iv) Industrial Relations matters under Appeal.	94.50	1,10.00
v) Counter Guarantees to Banks. (Include guarantees in foreign currency US \$ 73,758, EUR 46,602, 2005 – US \$ 91,728, EUR – 1,75,500).	1,33.02	2,17.73
vi) State Bank of India and ICICI Bank had set up financing limits for Company dealers secured against personal guarantees of promoters / directors / partners of the concerned dealer. However in case of default, if any, concerned banks have a right to recover the amount from the Company. Actual utilisation as on 31st March, 2006 was Rs. 35,97.00 lacs (2005 – Rs. 19,45.00 lacs).		
vii) Assessment of Income Tax is complete upto assessment year 2003-04, demand disputed in appeal being Rs. 1,33.66 lacs (2005 – Rs. 2,53.10 lacs). For several earlier assessment years, tax authorities have filed appeals at the Tribunal level which involves estimated tax liability of Rs.Nil (2005 – Rs.1,50.39 lacs).		

## PUNJAB TRACTORS LIMITED

### SCHEDULE 'M' Contd.....

Pending decision on these appeals and based on Company's opinion, no additional liability is expected on the above accounts.

Payment of Advance Tax / Tax Deducted at Source and other payments for assessment years 1999-00 to 2006-07 has been shown net of provisions under "Advances Recoverable" Schedule 'H'.

3. Working Capital facilities from banks are secured by a first charge on Company's inventory, receivables and other current assets and by a second charge on Company's fixed assets, both present and future.
4. 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. As there is no change in the equity capital during the period, the diluted earnings per share is same as the basic earnings per share.
5. 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 : Swaraj Mazda Limited  
(Enterprises where Company has substantial interest) Swaraj Engines Limited  
Swaraj Automotives Limited
- ii) Significant interest entities : CDC – PTL Holdings Limited and its associate companies
- iii) Key Management Personnel : Whole time Directors  
Mr. Y.P. Mahajan  
Mr. A.M. Sawhney  
Mr. P. Sivaram

(b) Volume of transactions with related parties

	2006 Rs. lacs	2005 Rs. lacs
<b>i) Associates</b>		
Purchase of raw materials and components	135,10.94	128,11.40
Purchase of fixed assets	39.54	–
Sale of finished goods	26,26.56	24,16.17
Receiving of services	10.15	43.34
Rendering of services	5,41.48	2,95.37
Interest income	1,08.70	1,39.34
Dividend received	4,26.28	4,26.06
Balances at the end of the year		
— Receivables	5,05.25	3,91.93
— Payables	32,48.09	50,97.83
<b>ii) Significant interest entities</b>		
Dividend paid	17,35.07	7,79.20
<b>iii) Key Management Personnel</b>		
Remuneration	1,89.36	2,25.97

Note : Details of remuneration to key management personnel are given in note 13.

6. The Company's principal business activity falls within a single primary business segment viz tractors, self propelled harvester combines and rice transplanters. Hence "Segment Reporting", under AS - 17 issued by the Institute of Chartered Accountants of India is not required.
7. Excise Duty shown in Profit & Loss Account includes provision on finished goods lying at plants Rs. 12.36 lacs (2005 – Rs. 9.09 lacs).

SCHEDULE 'M' Contd.....

8. In line with accounting policy, consistently followed by the Company, Sundry debtors are shown net of bank drafts and cheques under collection amounting to Rs.48,74.91 lacs & Nil respectively (2005 – Rs.65,39.65 lacs & Rs. 5,02.26 lacs respectively), against which full value realization had taken place subsequently. Debtors are also net of receivables factored as on 31st March, 2006 amounting to Rs.90,00.00 lacs (2005 – Rs. 90,00.00 lacs) and assigned in favour of factoring institutions.
9. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 45.55 lacs net of advances (2005 – Rs. 17.98 lacs).
10. Fixed Assets Gross Block on 31.3.2006 includes Research & Development Assets as under :

	2006 Rs. lacs	2005 Rs. lacs
Building	7,00.82	7,00.82
Plant & Machinery	13,71.87	13,50.94
Other Assets	1,43.55	1,21.30

Although whole of the expenditure is deductible in computing taxable income, depreciation on these assets has been charged at usual rates only.

11. While letters of confirmation of balance of sundry creditors, sundry debtors and material lying with vendors have been sent, some have been received back, rest are subject to confirmation.

12. Details of Other Income :

	2006 Rs. lacs	2005 Rs. lacs
– Dividend Income		
Long Term Investments – Trade	4,32.71	4,26.06
– Write back of provision for diminution in value of Investments	–	62.60
– Profit on sale of assets	27.54	10.40
– Profit on sale of investments	61,34.70	–
(On sale of 15,73,000 equity shares of Rs. 10 each of Swaraj Mazda Limited)		
	<u>65,94.95</u>	<u>4,99.06</u>

13. Directors' Emoluments :

i) Salaries	79.80	1,00.78
ii) Commission	79.80	1,00.78
iii) Contribution to Provident & Other Funds	28.54	34.80
iv) Other Perquisites (After setting off Rs. Nil (2005 – Rs. 11.53 lacs) arising from restructuring of emoluments)	1.21	(10.39)
	<u>1,89.35</u>	<u>2,25.97</u>
v) Computation of net profit in accordance with Sec. 309(5) of the Companies Act, 1956 for calculation of commission		
Profit before Tax	170,45.40	97,17.12
Add : Depreciation charged in the accounts	15,19.66	15,95.13
Directors' emoluments including sitting fee	1,96.71	2,27.96
	<u>187,61.77</u>	<u>115,40.21</u>
Less : Depreciation charged in the accounts	15,19.66	15,95.13
	<u>172,42.11</u>	<u>99,45.08</u>
Maximum Commission to three whole time Directors @ 1% for each director for the appropriate period	5,17.26	2,98.35
Restricted to a maximum of 100% of Salary	79.80	1,00.78

## PUNJAB TRACTORS LIMITED

### SCHEDULE 'M' Contd.....

	<u>2006</u>	<u>2005</u>			
	<u>Rs. lacs</u>	<u>Rs. lacs</u>			
14. Revenue from operations is net of commission & rebates.	3,00.73	2,91.97			
15. <b>Research, Design &amp; Development expenses include :</b>					
a) Materials	1,66.49	1,33.35			
Salaries & Wages	3,64.00	3,32.17			
Contribution to Provident Fund	24.82	22.46			
b) Depreciation shown in Profit & Loss Account includes Rs. 84.86 lacs (2005 – Rs. 1,24.71 lacs) in respect of Assets for Research & Development activities.					
16. <b>Auditors' Remuneration &amp; Expenses :</b>					
Statutory Auditor					
— Audit Fee*	4.41	4.41			
— Other Services*	2.26	1.64			
Cost Auditor					
— Audit Fee*	1.10	1.10			
Tax Auditor					
— Audit Fee*	0.66	0.66			
*includes service tax					
17. <b>Particulars in respect of Goods Manufactured :</b>					
<u>Class of Goods</u>	<u>Unit of Qty.</u>	<u>Installed Capacity</u>	<u>Actual Production</u>		
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Tractors, Self Propelled Harvester	Nos.	60,000	60,000	31,073*	29,923*
Combines and Rice Transplanters					
Forklifts	Nos.	300	300	137	95
Castings	M.T.	8,000	8,000	10,612	10,261
Tractor drawn Agricultural Implements	Nos.	—	—	426	231

#### Notes:

1. Installed Capacity as certified by the Management.
2. Licensed Capacity - Not applicable.
3. \*Includes 153 (2005 – 76) Self Propelled Harvester Combines.

SCHEDULE 'M' Contd.....

18. Particulars in respect of Revenue From Operations :

Class of Goods	Unit of Qty.	2006		2005	
		Qty.	Rs. lacs	Qty.	Rs. lacs
Agricultural Tractors	Nos.	31,396	877,81.34	30,330	815,95.49
Harvester Combines	Nos.	153	15,00.01	76	7,39.30
Forklifts	Nos.	135	8,81.02	90	5,83.66
Castings	M.T.	10,596	52,00.26	10,241	51,13.54
Tractor drawn Agricultural Implements	Nos.	425	1,66.37	231	88.10
Accessories	-	-	27.06	-	17.77
Spare Parts	-	-	14,25.25	-	11,81.17
Gears	-	-	19,95.77	-	19,21.28
Export - Non Company Products	-	-	23,69.92	-	21,08.67
Others	-	-	7,43.03	-	6,04.64
			1,020,90.03		939,53.62
Less : Captive Consumption - Castings	M.T.	9,843	48,34.90	9,266	46,26.95
			972,55.13		893,26.67

Note :

Sale of Tractors exclude 01 Tractor capitalised at a value of Rs. 9.18 lacs (2005 - 02 Tractors - Rs. 8.20 lacs) and Nil Tractor (2005 - 04 Tractors) as total loss cases fully claimed from Insurance Company.

19. Particulars in respect of Finished Goods :

Class of Goods	Unit of Qty.	Opening Balance		Closing Balance	
		Qty.	Rs. lacs	Qty.	Rs. lacs
Agricultural Tractors	Nos.	752	20,44.45	275	6,43.62
		(1,241)	(26,09.19)	(752)	(20,44.45)
Harvester Combines	Nos.	-	-	-	-
		(-)	(-)	(-)	(-)
Forklifts	Nos.	6	37.86	8	47.52
		(1)	(6.17)	(6)	(37.86)
Castings	M.T.	48	22.65	64	29.30
		(28)	(10.99)	(48)	(22.65)
Agricultural Implements	Nos.	-	-	1	0.25
		(-)	(-)	(-)	(-)
Spares	-	-	10,35.11	-	13,55.39
		(-)	(8,92.02)	(-)	(10,35.11)

Note :

It is not practicable to furnish quantitative detail of spares in view of large number of items varied in size and nature.

**SCHEDULE 'M' Contd.....**

**20. Analysis of Raw Materials Consumed :**

Class of Goods	Unit of Qty.	2006		2005	
		Qty.	Rs. lacs	Qty.	Rs. lacs
Bars, Rounds & Angles	M.T.	55	26.38	74	35.40
Forgings & Castings	M.T.	15,884	55,48.71	11,359	38,29.04
Engines - Tractors	Nos.	30,920	211,21.55	29,847	183,69.83
Engines - Combines	Nos.	153	2,14.85	76	1,04.90
Engines - Forklifts	Nos.	122	80.38	83	52.19
Oil, Paints & Chemicals	Ltrs.Lacs	40	21,01.42	38	17,83.02
Pig Iron	M.T.	6,115	10,73.95	6,240	12,95.42
MS Scrap	M.T.	1,153	1,89.90	1,286	2,20.15
Coke	M.T.	3,109	3,09.83	2,913	3,83.08
Others (including components)	—	—	377,84.53	—	354,15.98
			<u>684,51.50</u>		<u>614,89.01</u>

**Notes :**

1. It is not practicable to furnish quantitative information on components in view of large number of items varied in size and nature.
2. The quantities and amount of all the items in Analysis of Raw Materials Consumed, except for engines (where actuals are taken) represents the issues during the year. Consequently, the figure of others (including components) is a balancing figure, based on total consumption net of cenvat difference, shown in the Schedules and includes adjustments for excess / shortage / damages found on verification.

**21. Value of Imported and Indigenous Raw Materials, Components, Stores and Spares etc. consumed and percentage of each to Total Consumption.**

	2006		2005	
	%age	Rs. lacs	%age	Rs. lacs
<b>Raw Materials &amp; Components :</b>				
Imported	0.15	1,02.52	0.12	75.32
Indigenous	99.85	683,48.98	99.88	614,13.69
		<u>684,51.50</u>		<u>614,89.01</u>
<b>Stores, Consumables, Spares &amp; Loose Tools :</b>				
Imported	0.02	0.16	0.35	2.88
Indigenous	99.98	8,71.26	99.65	8,25.92
		<u>8,71.42</u>		<u>8,28.80</u>

## SCHEDULE 'M' Contd.....

	2006 <u>Rs. lacs</u>	2005 <u>Rs. lacs</u>
<b>22. Earnings in Foreign Exchange :</b>		
Exports (FOB Basis)	45,57.41	37,45.53
{Excludes Rs. 4,33.64 lacs (2005 - Rs. 3,64.85 lacs) Export to Rupee Countries}		
<b>23. Value of Imports on CIF Basis :</b>		
Raw Materials	82.59	93.55
Components, Stores & Machinery Spare Parts	15.06	1.94
	<u>97.65</u>	<u>95.49</u>
<b>24. Expenditure in Foreign Currency :</b>		
Travel	-	1.94
Export Commission	4.83	14.69
	<u>4.83</u>	<u>16.63</u>

25. Previous year figures have been regrouped wherever necessary so as to correspond with those of the current year.

**SCHEDULE N**

List of Small Scale Industrial Undertakings having outstanding balance for more than 30 days.

**S.NO. NAME**

1	A.B. TOOLS PVT. LTD.
2	A.J. ENGINEERS
3	AAR GEE INDUSTRIES
4	ACME FABRICATORS PVT. LTD.
5	AGROMECH
6	AHLUWALIA ASSOCIATES AND ENGG. PRODUCTS
7	AIR-AGRO PRIVATE LIMITED
8	AJIT SINGH & SONS
9	ALLIED FOUNDRY ENGINEERS
10	ALLIED INDUSTRIES
11	ALVIND INDUSTRIES
12	AMARPAL INDUSTRIES
13	ASCOT ENGINEERING PRODUCTS
14	ASIAN ENGINEERING WORKS
15	ATOP FASTNERS PVT. LTD.
16	AVON CONSTRUCTION COMPANY
17	B.K. AGRO-INDUSTRIES
18	B.P.ENGINEERS
19	B.R. ENGINEERS
20	B.T.ENGG. WORKS
21	B.V.M.COMPRESSOR
22	BAJAJ SPRINGS UDHYOG
23	BALJEET ENGINEERING WORKS
24	BEMCO INDIA PVT. LIMITED
25	BHARAJ ENGINEERING WORKS
26	BHARAJ ENTERPRISES
27	BHARAT IRON & BRASS FOUNDRY
28	BHARDWAJ INDUSTRIES
29	BILLCO ENGINEERING WORKS
30	BILLCO ENGINEERS PVT. LTD.
31	BRAR INDUSTRIES
32	BUBBER INDUSTRIES
33	C.J. ENGINEERS CORPN.
34	CERAFLUX INDIA PVT. LTD.
35	CIRCLIPS INDIA P. LTD.
36	CONTINENTAL ENGINEERING WORKS
37	COOPER AUTOMOTIVES PVT. LIMITED
38	D. P. AUTO INDUSTRIES
39	D.B. ENGG. WORKS
40	DALJIT INDUSTRIES
41	DAPHU ENTERPRISES

**S.NO. NAME**

42	DAWN ENGINEERING ENTERPRISES
43	DIAMOND ENGINEERING WORKS
44	DURABLE FASTENERS
45	DURGA AUTO INDUSTRIES
46	DYNAMICS ENG. CORPORATION
47	ELITE INDUSTRIES
48	ENGINEERS AUTO
49	ENN EMM INDUSTRIES
50	ESS PEE INDUSTRIES
51	ESSAR INC.
52	FORGE INDIA PVT. LTD.
53	GDB ENTERPRISES
54	GILARD ELECTRONICS PVT. LTD.
55	GOBIND CO.
56	GOBIND COMPANY
57	GRANS OF INDIA
58	GREWAL ENTERPRISES
59	GURDIP INDUSTRIES
60	H.D. IRON & STEEL WORKS
61	H.M. ENGINEERING WORKS
62	H.S.SONS
63	HALLEY ENTERPRISES
64	HARDROCK ELECTRIC & ENGINEERING CO.
65	HARINDRA INDL. CORPORATION
66	HARNESS INDIA PVT. LTD.
67	HI-LUX AUTOMOTIVE PVT. LTD.
68	HIMACHAL CHEMICAL & SILICATE WORKS
69	HINDUSTAN CLUTCHES & COMPRESSORS
70	IMI ABRASIVES (P) LTD.
71	IMPERIAL AUTO INDUSTRIES LTD.
72	INDER ENTERPRISES PVT. LTD.
73	INDIAN AUTO
74	INDIAN HARNESS INDUSTRIES
75	INDUS CASTINGS PRIVATE LIMITED
76	J.R.ENGINEERS
77	JAINA INSTRUMENTS PVT. LTD.
78	JAMSONS ENTERPRISES
79	JAYCEE STRIPS AND FASTENERS LIMITED
80	JIWAN ENGINEERING WORKS
81	JYOTI RUBBER UDYOG (I) LTD.
82	KANSAL ENGINEERING

SCHEDULE 'N' Contd.....

S.NO.	NAME	S.NO.	NAME
83	KANSAL ENGINEERING LTD.(UNIT-II)	125	SAGAR ENGG. CO.
84	KANSAL INDUSTRIES	126	SAGAR ENGINEERS & CONSULTANTS
85	KAPO PLAST (INDIA)	127	SAM ENGINEERING CO.
86	KAPOOR STEEL INDUSTRIES	128	SAMIR INDUSTRIES
87	KING-WIN CHEMICALS LIMITED	129	SAMRAT FORGINGS LTD.
88	KLIPCO PRIVATE LIMITED	130	SANDEEP INDUSTRIES
89	KRISHNA CERAMIC INDUSTRIES	131	SANTOKH SINGH & SONS
90	KRISHNA INDUSTRIES	132	SARBHA STEELS
91	KUNAL FOUNDERS AND ENGINEERS (P) LTD.	133	SAROOPSONS INDUSTRIES PVT. LIMITED
92	M.K. INDUSTRIES	134	SAWHNEY ELECTRIC WORKS
93	MAHA SRIYAM MECHANICAL PRODUCTS	135	SHARP ENGINEERS
94	MAHAJAN IND. CORPN.	136	SHINE AUTO PVT. LTD.
95	MANMOHAN INDUSTRIES (REGD.)	137	SHIV INDUSTRIES
96	MASTER PROFILES	138	SHIVALIK COATERS
97	MAY STEELS PVT. LIMITED	139	SILENCE AUTO
98	METAL & METALS OF INDIA	140	SOUVENIOR CERAMICS
99	METAL PRESSINGS	141	SPAN METTECH ENTERPRISES PVT. LTD.
100	METLONICS CORPORATION	142	SPRING RAJASTHAN MFG. COMPANY
101	METLONICS INDUSTRIES PVT. LTD.	143	STRUCTO ENGINEERS [REGD]
102	MICRO TURNERS	144	SUJJON ENGG. WORKS
103	MYKODA AUTO INDUSTRIES	145	SUNPAC AUTO (INDIA) PVT. LTD.
104	N.D.SEWING MACHINE WORKS	146	SUPER CRANES & ALLIED INDUSTRIES
105	NAVKETAN FASTENERS PVT. LTD.	147	SUPER PLASTICS
106	NEW KRISHNA METAL ARTS	148	SUPERFLEX AUTO INDUSTRIES
107	NIJHOWNE ENGG. WORKS	149	SUPREME ENGINEERING WORKS
108	NOVASHELL SANDS	150	TECHNO SABHARWAL
109	OHRI INDUSTRIES	151	TECHNOMAC INDIA
110	P.K. ENTERPRISES	152	THEJO ENGINEERING SERVICES (P) LTD.
111	P.K. INDUSTRIES	153	TICA PRODUCTS
112	PARTAP HEAVY ELECTRICAL ENGINEERS	154	U T LIMITED
113	PRECICHECK INDIA	155	UNICO ENGINEERING WORKS
114	PRESS TOOL ENTERPRISES	156	UNITED ENGINEERING WORKS
115	R B FORGINGS PVT. LTD.	157	UNITED INDUSTRIES
116	R.H. INDUSTRIES	158	UNITED STEEL INDUSTRIES
117	RAJ CREATERS	159	UNITEMP REFRIGERATION CORPN.
118	RAJINDER ENGINEERING WORKS	160	UNITY GAUGE AND TOOL COMPANY PVT. LTD.
119	RAJWANT INDUSTRIES	161	V.K. SCIENTIFIC INDUSTRIES
120	REHAL INDUDSTRIES	162	VEECO FABRICATORS
121	REWA-HI-TECK PVT. LTD.	163	VERSATILE EQUIPMENTS (P) LTD.
122	RHINO MACHINES PVT. LIMITED	164	VK SCIENTIFIC INDUSTRIES
123	RINE MACHINE TOOLS	165	WINKEL ENGINEERING WORKS
124	S.A.INDUSTRIES	166	ZETO ENGINEERS & FABRICATORS

# PUNJAB TRACTORS LIMITED

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

### a) Registration Details

Registration No.	2942
State	Punjab
State Code	16
Balance Sheet Date	31st March, 2006

### b) Capital Raised during the year

	<u>2006</u> <u>Rs. lacs</u>	<u>2005</u> <u>Rs. lacs</u>
Public Issue	Nil	Nil
Bonus Issue	Nil	Nil
Right Issue	Nil	Nil
Private Placement	Nil	Nil

### c) Position of Mobilisation and Deployment of Funds

Total Liabilities	610,61.61	583,74.06
Total Assets	610,61.61	583,74.06

#### Sources of Funds

Paid up Capital	60,75.57	60,75.57
Reserves & Surplus	508,26.08	451,66.48
Secured Loans	Nil	27,18.03
Unsecured Loans	12,97.95	12,18.21

#### Application of Funds

Net Fixed Assets	101,25.21	113,28.64
Net Current Assets	500,13.72	459,60.50
Investments	9,22.68	10,84.92
Misc. Expenditure	Nil	Nil
Accumulated Losses	Nil	Nil

### d) Performance of Company

Total Income	1,024,49.72	860,08.43
Total Expenditure	854,04.32	762,91.31
Profit Before Tax	170,45.40	97,17.12
Profit After Tax	129,33.66	62,89.68
Earnings Per Share (Rs.)	21.29	10.35
Dividend Rate	105%*	55%

\*(Includes special dividend @ 45%)

### e) Generic Names of three Principal Products/Services of Company

1. Item Code No. (ITC Code)	87
Product Description	Agricultural Tractor
2. Item Code No. (ITC Code)	84
Product Description	Harvester Combine
3. Item Code No. (ITC Code)	84
Product Description	Forklift

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	2006 <u>Rs. lacs</u>	2005 <u>Rs. lacs</u>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	170,45.40	97,17.12
Adjustments for :		
Depreciation	15,19.66	15,95.13
Profit on sale of assets	(27.54)	(10.40)
Profit on sale of investments	(61,34.70)	-
Change in value of investments	4.94	(62.60)
Dividend income	(4,32.71)	(4,26.06)
Interest income	(6,76.99)	(7,85.38)
Interest paid	<u>13,16.55</u>	<u>13,62.18</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	126,14.61	113,89.99
Adjustments for :		
Trade and other receivables	5,72.51	(15,32.15)
Inventories	23,78.06	(24,09.50)
Trade payables	<u>(52,12.85)</u>	<u>14,01.72</u>
CASH GENERATED FROM OPERATIONS	103,52.33	88,50.06
Interest paid	(13,16.55)	(13,62.18)
Direct taxes paid	<u>(46,47.44)</u>	<u>(37,70.68)</u>
CASH FLOW BEFORE EXTRAORDINARY ITEMS	43,88.34	37,17.20
Extraordinary items	-	-
NET CASH FROM OPERATING ACTIVITIES	<u>43,88.34</u>	<u>37,17.20</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,22.25)	(1,75.75)
Sale of fixed assets	33.56	11.68
Sale of investments	62,92.00	-
Interest received	6,76.99	7,85.38
Dividend received	<u>4,32.71</u>	<u>4,26.06</u>
NET CASH FROM INVESTING ACTIVITIES	71,13.01	10,47.37

# PUNJAB TRACTORS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	2006 <u>Rs. lacs</u>	2005 <u>Rs. lacs</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short / long term borrowings	79.74	12,52.50
Repayment of short / long term borrowings	(27,18.03)	(33,10.08)
Dividend & Dividend Tax paid	<u>(69,27.68)</u>	<u>(30,91.31)</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(95,65.97)</b>	(51,48.89)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,35.38</b>	(3,84.32)
<b>CASH AND CASH EQUIVALENTS AS AT 1ST APRIL</b>	<b>4,62.73</b>	8,47.05
<b>CASH AND CASH EQUIVALENTS AS AT 31ST MARCH</b>	<b>23,98.11</b>	4,62.73

### Notes :

1. The above statement has been prepared under indirect method except in case of Dividends, Purchase of Investments and Taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets and liabilities.
2. Cash and Cash Equivalents represent Cash and Bank Balances only.
3. Additions to Fixed Assets are stated inclusive of movements of Capital Work-in-Progress / Advances, Construction Stores-in-Hand and Capital Spares between beginning and end of the year and treated as part of investing activities.

### AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Punjab Tractors Limited for the year ended 31st March, 2006. The Statement has been prepared by the Company in accordance with the requirements of listing agreement Clause 32 with Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 11th May, 2006 to the members of the Company.

Per our separate report of even date attached

for S. TANDON & ASSOCIATES  
Chartered Accountants

SANJAY TANDON  
Partner

P. SIVARAM  
Director - Finance

M.N. KAUSHAL  
Vice President - Finance  
& Company Secretary

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA  
Director

Y.P. MAHAJAN  
Vice Chairman &  
Managing Director

New Delhi, 11th May, 2006

New Delhi, 11th May, 2006

**AUDITORS' REPORT****TO THE MEMBERS OF  
PUNJAB TRACTORS LTD.**

1. We have audited the attached Balance Sheet of Punjab Tractors Ltd., as at 31<sup>st</sup> March, 2006 and the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatements. 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 as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section 4A of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of these books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet & the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2006 and taken on record, none of the Directors of the Company is prima-facie, as at 31<sup>st</sup> March, 2006 disqualified from being appointed as Director of the Company, under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31<sup>st</sup> March, 2006;
    - ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
    - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **S. TANDON & ASSOCIATES**

Chartered Accountants

New Delhi  
Date : 11th May, 2006

**SANJAY TANDON**  
Partner

**ANNEXURE TO THE AUDITORS' REPORT**

**Statement referred to in Paragraph (3) of our Report of even date to the members of Punjab Tractors Limited on the accounts for the year ended 31<sup>st</sup> March, 2006.**

- (i) a) The Company is maintaining proper records to show full particulars including the quantitative details of Fixed Assets.
- b) As explained to us, the management has physically verified the major fixed assets of the Company in a phased manner, designed to cover all the assets over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of the assets. No material discrepancies were noticed on such verification.
- c) As per the information and explanations given to us, no substantial part of the fixed assets have been disposed off during the year, which affect the ability of the Company to continue as a going concern.
- (ii) a) The stock of Finished Goods, Stores, Spare Parts and Raw Material lying in the factory have been Physically verified by the management during /at the year-end. In our opinion and according to information and explanations given to us, the frequency of physical verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of the physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of its inventories and the discrepancies noticed on such physical verification between the physical and book stock were not material and have been adequately dealt with in the books of accounts.
- (iii) The Company has not taken or granted any loans, secured or unsecured from Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of Inventories, Fixed Assets and for the Sale of goods.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into transactions, which required to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of the Section 58A & 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the Public.
- (vii) In our opinion, the Company has an adequate Internal Audit System commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of accounts as required to be maintained by the Company under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima - facie, the prescribed accounts and the records have been made and maintained. However, we are not required to and have not carried out detailed examination of such accounts and records with a view to determining whether they are accurate or complete.
- (ix) a) The Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and Cess with the appropriate authorities during the year. As explained to us, there were no arrears of the statutory dues for the period more than six months from the date they became payable at the end of the financial year.

ANNEXURE TO THE AUDITORS' REPORT contd....

- b) Disputed Excise Duty and Sales Tax aggregating to Rs. 724.23 lacs and Rs. 2.11 lacs respectively have not been deposited since the matters are pending with Supreme Court / Excise Appellate Authorities. In case of Sales Tax, the matters are pending with High Court and Sales Tax Appellate authorities. As explained to us, there were no disputed unpaid amounts in respect of Income Tax, Custom Duty and Wealth Tax during the year.
- (x) The Company does not have accumulated losses as at the end of the year and the Company has not incurred the cash losses during current and the preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the banks. The Company has not obtained any borrowings from any Financial Institution or by way of Debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of the security by way of pledge of Shares, Debentures and other Securities.
- (xv) In our opinion and according to the information and explanations given to us the terms and conditions of guarantees given by the Company for loans taken by others from banks are not prime facie prejudicial to the interest of the Company.
- (xvi) The Company has not received any Term Loan during the year.
- (xvii) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima-facie, not been used during the year for long term investment and vice-versa, other than temporary deployment pending application.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
- (xxii) In our opinion and according to the information and explanations given to us, the nature of the Company's business/ activities during the year are such that clauses xiii, xiv, xviii, xix, xx of CARO are not applicable to the Company.

For **S. TANDON & ASSOCIATES**

Chartered Accountants

New Delhi

Date : 11th May, 2006

**SANJAY TANDON**

Partner

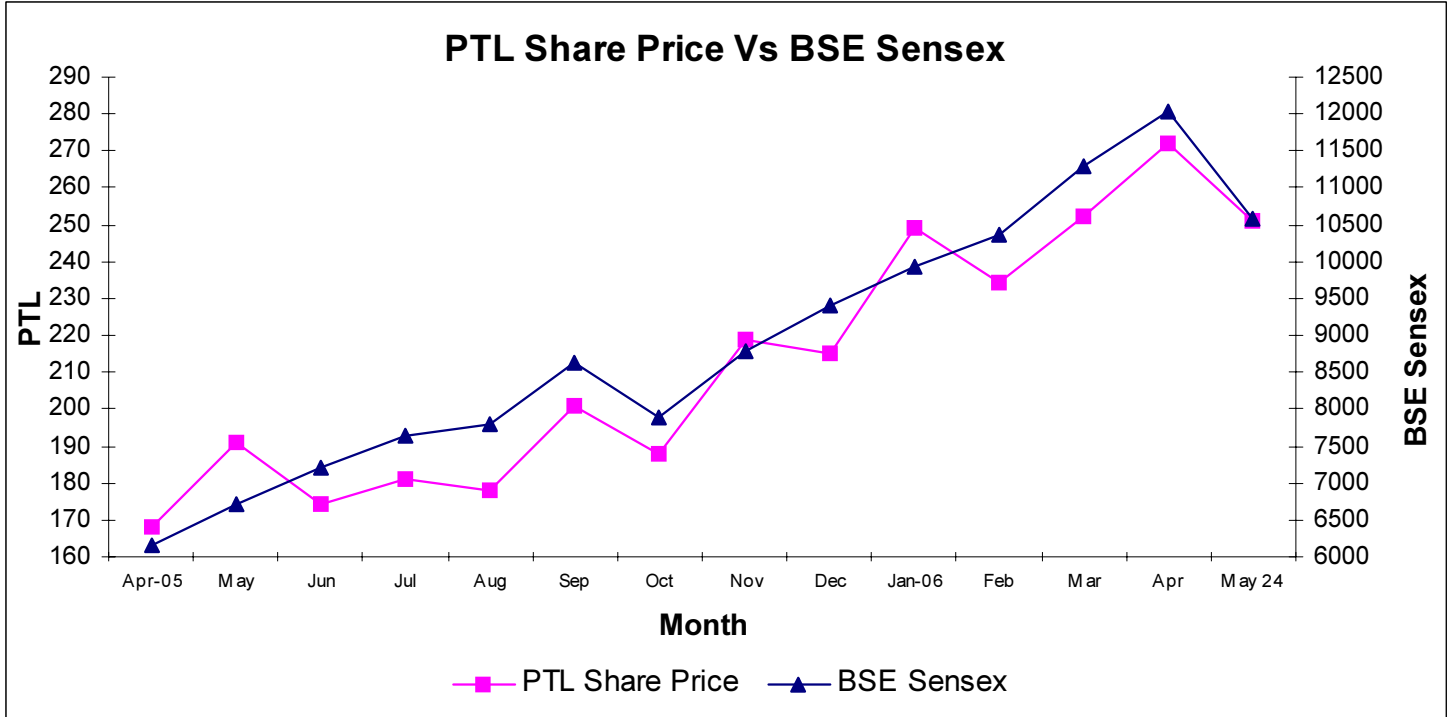
**SHAREHOLDERS' INFORMATION**

1. **Annual General Meeting** : Date : 7<sup>th</sup> July, 2006  
Time : 11.00 A.M.  
Venue : Swaraj Engines Ltd., Plot No. 2,  
Industrial Phase IX, S.A.S.Nagar (Mohali) - 160 059
2. **Financial Calendar (tentative)** :  
Financial reporting for
  - Quarter ending 30<sup>th</sup> June, 2006 Last week of July, 2006
  - Quarter ending 30<sup>th</sup> September, 2006 Last week of October, 2006
  - Quarter ending 31<sup>st</sup> December, 2006 Last week of January, 2007
  - Year ending 31<sup>st</sup> March, 2007 May, 2007
3. **Book Closure** : 16<sup>th</sup> June, 2006 to 21<sup>st</sup> June, 2006 (both days inclusive).
4. **Dividend Payment** : On or after 7<sup>th</sup> July, 2006, but within statutory time limit.
5. **Listing on Stock Exchanges** : Mumbai & National Stock Exchanges.  
Listing Fee for 2006-07 for both these stock exchanges has been paid.
6. **Stock Code** : BSE 500344  
NSE PUNJABTRAC  
Reuters PTR.A.BO
7. **Stock Market Data** :

Monthly (April 2005 – 24<sup>th</sup> May, 2006) 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><u>2005</u></b>						
April	176	160	1048246	177	139	1763492
May	198	166	2326230	197	166	3223899
June	198	174	1410898	198	174	2272964
July	200	172	1993825	197	173	3017900
August	186	173	1675010	185	173	2449372
September	215	178	8538865	215	178	14200060
October	207	185	2182573	207	186	3693790
November	230	188	8641870	230	187	6582263
December	223	204	1404008	223	203	2176107
<b><u>2006</u></b>						
January	255	215	2505258	255	214	2946566
February	252	229	1136963	252	228	1299549
March	265	233	1785617	267	232	2059778
April	279	252	639594	276	250	889462
May (till 24 <sup>th</sup> )	293	213	525383	292	205	755121

8. Stock Price Performance : PTL Share Price performance relative to BSE Sensex



Note: Based on the month end closing share price of PTL and BSE Sensex.

9. Dematerialisation of Shares

The Securities & Exchange Board of India (SEBI), with effect from 17<sup>th</sup> January, 2000 has included the shares of Punjab Tractors Ltd. in the compulsory demat list for all categories of investors. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) to facilitate this facility. **On date, over 98% of the company's shares are held in electronic form.**

**International Securities Identification Number : INE170A01013**  
(with NSDL and CDSL)

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

10. Transfer System for physical shares

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

Total No. of shares transferred during 2005- 06 was 14,188 (Previous Year 38,233).

11. Registrar and Transfer Agents

M/s MCS Ltd., Sri Ventakesh Bhavan, W-40, Okhla Industrial Area, Phase – II, 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.

**However, keeping in view the convenience of shareholders, documents relating to shares will continue to be received by the Company at Phase IV, Industrial Area, S.A.S.Nagar (Mohali), Punjab-160 055.**

Tel. No. 0172 - 2268922 – 33

Fax No. 0172 - 2272731

Email address: [mnk@swarajenterprise.com](mailto:mnk@swarajenterprise.com)

**12. Shareholding Pattern as on 31<sup>st</sup> March, 2006 :**

	<b>Mode of Holding</b>	<b>No. of Shareholders</b>	<b>No. of Shares Held</b>	<b>% of Holding</b>
A. Financial Institutions	Physical	2	6,050	0.01
	Electronic	13	1,88,48,446	31.02
B. Actis / CDC & Associates	Physical	–	–	–
	Electronic	3	1,77,81,145	29.27
C. A.Cee Enterprises & Associates (Dabur Group)	Physical	–	–	–
	Electronic	4	73,31,752	12.07
D. Mutual Funds	Physical	–	–	–
	Electronic	14	56,12,503	9.24
E. FII's/NRI's/OBC's	Physical	5	1,100	–
	Electronic	210	13,04,747	2.15
F. Retail Investors	Physical	1,601	9,90,813	1.63
	Electronic	24,014	88,79,144	14.61
<b>Total</b>	<b>Physical</b>	<b>1,608</b>	<b>9,97,963</b>	<b>1.64</b>
	<b>Electronic</b>	<b>24,258</b>	<b>5,97,57,737</b>	<b>98.36</b>

**13. Distribution Pattern of Shareholding as on 31<sup>st</sup> March, 2006 :**

<b>No. of Equity Shares held</b>	<b>Mode of Holding</b>	<b>No. of Shareholders</b>		<b>No. of Shares Held</b>	
		<b>Numbers</b>	<b>% total</b>	<b>Numbers</b>	<b>% total</b>
1-100	Physical	426	1.65	16,489	0.03
	Electronic	14,510	56.09	8,20,264	1.35
101-200	Physical	287	1.11	44,484	0.07
	Electronic	3,458	13.37	5,94,650	0.98
201-500	Physical	342	1.32	1,07,548	0.18
	Electronic	3,290	12.72	11,96,024	1.97
501-1000	Physical	291	1.13	2,05,006	0.34
	Electronic	1,500	5.80	11,68,405	1.92
1001 - 2500	Physical	194	0.75	2,91,374	0.48
	Electronic	939	3.63	15,23,135	2.51
2501 - 5000	Physical	46	0.18	159,012	0.26
	Electronic	311	1.20	11,45,542	1.89
5001 - 10000	Physical	18	0.07	1,15,830	0.19
	Electronic	131	0.51	9,12,977	1.50
10001 & above	Physical	4	0.01	58,220	0.09
	Electronic	119	0.46	5,23,96,740	86.24
<b>Total</b>	<b>Physical</b>	<b>1,608</b>	<b>6.22</b>	<b>9,97,963</b>	<b>1.64</b>
	<b>Electronic</b>	<b>24,258</b>	<b>93.78</b>	<b>5,97,57,737</b>	<b>98.36</b>

**14. Outstanding GDR's/ADR's/Warrants/Convertible Instruments :**

Not Applicable

**15. Plant Locations :**

Swaraj Tractor Division  
Phase IV, Industrial Area  
S.A.S. Nagar (Mohali), Punjab.

Swaraj Combine Division  
Village Chappercheri, Tehsil Kharar  
Distt. S.A.S. Nagar (Mohali), Punjab.

Swaraj Foundry Division  
Village Sialba Majri  
Distt. S.A.S. Nagar (Mohali), Punjab.

**16. Investor queries etc. may be addressed to:**

**Mr. M.N. Kaushal**  
**Vice President - Finance & Company Secretary**  
Punjab Tractors Ltd.  
Phase - IV, Industrial Area, S.A.S.Nagar (Mohali)  
Punjab - 160 055  
Email : [mnk@swarajenterprise.com](mailto:mnk@swarajenterprise.com)

Tel. No.0172-2268922 – 33  
Fax No.0172-2272731 & 2271307

**17. Website Address :**

[www.swarajenterprise.com](http://www.swarajenterprise.com)

## **ANNEXURE TO DIRECTORS' REPORT**

(Year Ended 31<sup>st</sup> March, 2006)

Information required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

### **CONSERVATION OF ENERGY**

1. Optimised air fuel ratio in diesel fired burners.
2. Improved efficiency of intercoolers and reduced temperature of air intake for better compressor efficiency.
3. Improved power factor for getting rebate from State Electricity Board.
4. Optimised use of heat treatment furnaces.
5. Usage of CFL lamps against GLS lamps.

### **RESEARCH & DEVELOPMENT**

Expenditure on R&D during 2005-06 :	(Rs. in lacs)
Capital	43.19
Recurring	725.31
Total	<u>768.50</u>
Total R&D Expenditure as %age of Total Turnover	0.79

#### **Major research and development activities have been :**

1. Engines meeting Bharat (Trem) Stage III emission standard commercially introduced on all tractor models in April 2005, six months ahead of GOI's enforcement date.
2. Sheet metal with contemporary styling developed and cleared for introduction.
3. Suitable variants of existing tractor models were developed and introduced to meet region/application specific needs of discerning Swaraj customers.
4. Ongoing product improvement projects for performance, reliability & value addition continued with vigour.

### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year ended 31.03.2006, the Company was able to generate export earnings of Rs. 45,57.41 lacs. Foreign exchange utilised during the year amounted to Rs. 1,02.48 lacs. Details relating to earnings/utilisation are contained in Note Nos. 22 to 24 of the Notes on Accounts.