

34<sup>th</sup>

ANNUAL REPORT 2020

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**SWARAJ ENGINES LIMITED**

## Swaraj Engines Limited

### Chief Executive Officer

M.S. GREWAL

### Chief Financial Officer

RAJINDER ARORA

### Company Secretary

RAJESH K. KAPILA

### Auditors

M/s B.K. KHARE & CO.  
Chartered Accountants

### Bankers

CANARA BANK  
HDFC BANK LIMITED  
AXIS BANK LIMITED

### Registered Office

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

CIN: L50210PB1985PLC006473

Tel: 0172-2271620-27, Fax: 0172-2272731

Email: selinvestor@swarajenterprise.com

### Works

Plot No. 2, Industrial Phase IX  
S.A.S. Nagar (Mohali)  
Punjab 160 062

### Website

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

### Registrar and Transfer Agent

M/s MCS Share Transfer Agent Limited  
Unit: Swaraj Engines Ltd.  
F-65, 1st Floor, Okhla Industrial Area, Phase - I  
New Delhi - 110020  
Tel: 011-41406149  
Fax: 011-41709881  
Email: helpdeskdelhi@mcsregistrars.com

### BOARD OF DIRECTORS

SUDHIR MANKAD  
*Chairman*

DR. PAWAN GOENKA

R.R. DESHPANDE

VIJAY VARMA

RAJESH JEJURIKAR

S. DURGASHANKAR

DILEEP C. CHOKSI

NEERA SAGGI

HARISH CHAVAN

**ANNUAL GENERAL MEETING**

on Monday, 20th July, 2020

at 2:30 P.M. through

Video Conferencing / Other Audio Visual Means

<b>CONTENTS</b>	<b>PAGE NO.</b>
Key Performance Indicators – Last Ten Years	3
Notice of Annual General Meeting	4
Report of the Directors	15
Management Discussion and Analysis	22
Corporate Governance Report	26
Corporate Governance Compliance Certificate	44
Annexure to Directors' Report	46
Balance Sheet	70
Statement of Profit and Loss	71
Significant Accounting Policies	74
Notes on Accounts	80
Cash Flow Statement	101
Auditors' Report	103

**KEY PERFORMANCE INDICATORS - LAST TEN YEARS**
**(Rs. in Crores)**

Fiscal Year →	Indian GAAP					Ind AS*				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Engines Sold (Nos.)</b>	<b>47413</b>	<b>55239</b>	<b>57377</b>	<b>74062</b>	<b>64595</b>	<b>64088</b>	<b>82297</b>	<b>92022</b>	<b>99638</b>	<b>89928</b>
<b>Net Operating Revenue</b>	<b>360.63</b>	<b>448.58</b>	<b>479.03</b>	<b>608.28</b>	<b>539.70</b>	<b>525.91</b>	<b>666.14</b>	<b>771.16</b>	<b>871.74</b>	<b>773.30</b>
<b>PBIDT</b>	<b>60.71</b>	<b>69.37</b>	<b>71.49</b>	<b>90.63</b>	<b>74.71</b>	<b>73.76</b>	<b>104.54</b>	<b>121.59</b>	<b>131.65</b>	<b>100.43</b>
Finance Cost	0.04	0.08	0.15	0.04	0.01	0.05	0.01	1.01	0.09	0.01
Depreciation	4.46	4.26	7.16	9.12	13.20	13.80	16.28	16.82	19.54	20.13
<b>Profit Before Other Income &amp; Tax</b>	<b>56.21</b>	<b>65.03</b>	<b>64.18</b>	<b>81.47</b>	<b>61.50</b>	<b>59.91</b>	<b>88.25</b>	<b>103.76</b>	<b>112.02</b>	<b>80.29</b>
Other Income	8.14	12.24	15.32	17.49	16.32	16.30	17.21	18.96	15.38	12.78
<b>Profit Before Exceptional Items &amp; Tax</b>	<b>64.35</b>	<b>77.27</b>	<b>79.50</b>	<b>98.96</b>	<b>77.82</b>	<b>76.21</b>	<b>105.46</b>	<b>122.72</b>	<b>127.40</b>	<b>93.07</b>
Exceptional Items	–	–	–	1.15	–	–	–	–	–	–
<b>Profit Before Tax</b>	<b>64.35</b>	<b>77.27</b>	<b>79.50</b>	<b>97.81</b>	<b>77.82</b>	<b>76.21</b>	<b>105.46</b>	<b>122.72</b>	<b>127.40</b>	<b>93.07</b>
Income Tax	20.44	24.45	24.10	30.81	25.98	24.90	36.63	42.62	44.98	22.03
<b>Profit After Tax</b>	<b>43.91</b>	<b>52.82</b>	<b>55.40</b>	<b>67.00</b>	<b>51.84</b>	<b>51.31</b>	<b>68.83</b>	<b>80.10</b>	<b>82.42</b>	<b>71.04</b>
Other Comprehensive Income (Net of Tax)	–	–	–	–	–	(0.11)	0.20	(0.29)	(0.14)	(0.43)
<b>Total Comprehensive Income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>51.20</b>	<b>69.03</b>	<b>79.81</b>	<b>82.28</b>	<b>70.61</b>
Dividend %	100	130	330#	350#	330#	330#	430#	500#	500#	400#
Dividend Payout	12.42	16.15	40.99	43.47	40.99	40.99	53.40	60.63	60.64	48.53
Equity Share Capital	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.13	12.13	12.13
<b>Net Worth</b>	<b>152.22</b>	<b>186.28</b>	<b>193.73</b>	<b>209.88</b>	<b>261.47</b>	<b>263.44</b>	<b>283.37</b>	<b>228.50</b>	<b>237.98</b>	<b>235.89</b>
Capital Employed	154.14	189.48	200.06	216.82	267.78	271.04	289.64	234.29	245.14	240.49
Market Capitalisation	532.93	498.10	490.58	859.20	1003.83	1063.88	1842.48	2431.04	1708.78	1098.08
<b>Return on Net Worth</b>	<b>28.9%</b>	<b>28.4%</b>	<b>28.6%</b>	<b>31.9%</b>	<b>19.8%</b>	<b>19.5%</b>	<b>24.3%</b>	<b>35.1%</b>	<b>34.6%</b>	<b>30.1%</b>
<b>Earning per Share (Rs.)</b>	<b>35.4</b>	<b>42.5</b>	<b>44.6</b>	<b>53.9</b>	<b>41.7</b>	<b>41.3</b>	<b>55.4</b>	<b>64.6</b>	<b>68.0</b>	<b>58.57</b>
<b>Book Value per Share (Rs.)</b>	<b>122.6</b>	<b>150.0</b>	<b>156.0</b>	<b>169.0</b>	<b>210.5</b>	<b>212.1</b>	<b>228.2</b>	<b>188.4</b>	<b>196.2</b>	<b>194.4</b>

# include Special Dividend of 200% in 2013 & 2014 and 180% in 2015 & 2016 and 250% in 2017, 2018 & 2019 and 150% in 2020.

\* The Company transitioned into Ind AS from April 1, 2016

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 34th Annual General Meeting of Swaraj Engines Limited will be held on **Monday, the 20th day of July, 2020 at 2.30 P.M.** through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), to transact the following business. The venue of the meeting shall be deemed to be the Works of the Company i.e. Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab - 160 062.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Financial Statement of the Company for the Financial Year ended 31st March, 2020 and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Mr. Rajesh Jejurikar (DIN: 00046823), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.R.Deshpande (DIN: 00007439), who retires by rotation and, being eligible, offers himself for re-appointment.

**SPECIAL BUSINESS****5. Appointment of Mr. Harish Chavan as Director**

**To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:**

"RESOLVED that pursuant to the provisions of Section 152 and all other applicable provisions of the Companies Act, 2013 and Rules framed thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Harish Chavan (DIN : 06890989), who was appointed by the Board of Directors as an Additional Director of the Company with effect from 1st April, 2020 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

**6. Ratification of Remuneration to Cost Auditors**

**To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:**

"RESOLVED that pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof, for the time being in force] and pursuant to the recommendation of the Audit Committee, the remuneration payable to M/s V.Kumar & Associates, Cost Accountants having Firm Registration No. 100137, appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of the cost records of the Company for the Financial Year ending 31st March, 2021, amounting to Rs. 1,20,000/- (Rupees One Lakh Twenty Thousand only) (plus all applicable taxes and reimbursement of out of pocket expenses), be ratified.

FURTHER RESOLVED that approval of the Company be accorded to the Board of Directors of the Company (including any Committee thereof) to do all such acts, deeds, matters and things and to take all such steps as may be required in this connection including seeking all necessary approvals to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard."

**NOTES**

1. The Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 is annexed hereto. The Board of Directors have considered and decided to include the Item Nos. 5 and 6 given above as Special Business in the forthcoming Annual General Meeting ("AGM"), as they are unavoidable in nature.
2. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its General Circular No. 20/2020 dated 5th May, 2020 read with General Circular No. 14/2020 dated 8th April, 2020 and General Circular No. 17/2020 dated 13th April, 2020 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM. The procedure for participating in the meeting through VC/OAVM is explained at Note No. 24.

3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
4. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
5. Messrs B.K. Khare & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company at the 31st Annual General Meeting held on 24th July, 2017, to hold office from the conclusion of that Annual General Meeting ("AGM"), until the conclusion of the fifth consecutive AGM of the Company to be held in year 2022 (subject to ratification of the appointment by the Members at every AGM held after that AGM). Pursuant to Notification issued by the Ministry of Corporate Affairs on 7th May, 2018 amending section 139 of the Act and the Rules framed thereunder, the mandatory requirement for ratification of appointment of Auditors by the Members at every Annual General Meeting ("AGM") has been omitted, and hence the Company is not proposing an item on ratification of appointment of Auditors at this AGM.
6. The Company's Registrar and Share Transfer Agent for its Share Registry Work (Physical and Electronic) are M/s MCS Share Transfer Agent Limited having their office at F-65, First Floor, Okhla Industrial Area, Phase I, New Delhi - 110 020.
7. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, 4th July, 2020 to Friday, 10th July, 2020 (both days inclusive).
8. The dividend, if declared at the Annual General Meeting, would be paid / despatched on or after 21st July, 2020 to those shareholders or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on Friday, 3rd July, 2020 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid request(s) received for transmission / transposition of shares lodged with the Company / its Registrar and Share Transfer Agent on or before Friday, 3rd July, 2020.
9. 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 by 15th July, 2020.

Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at selinvestor@swarajenterprise.com from 16th July, 2020 (9:00 a.m. IST) to 18th July, 2020 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
10. Pursuant to the provisions of Section 124 of the Companies Act, 2013, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 read with the relevant circulars and amendments thereto ("IEPF Rules"), the amount of dividend remaining unclaimed or unpaid for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund ("IEPF"), constituted by the Central Government. Accordingly, an amount of Rs. 10,98,422/- being unclaimed/unpaid dividend of the Company for the financial year ended 31st March, 2012 was transferred on 25th September, 2019.

The Company has been sending reminders to those members having unclaimed/ unpaid dividend(s) before transfer of such dividend(s) to IEPF. Details of the unclaimed/unpaid dividend(s) as on 31st March, 2019 are also uploaded as per the requirements, on the Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com). The details of unclaimed/unpaid dividend(s) lying with the Company as on 31st March, 2020 shall be updated in due course. Members, who have not encashed their dividend(s) pertaining to financial year ended on 31st March, 2013 and onwards are advised to write to the Company immediately for claiming dividend(s) declared by the Company.

The due date for transfer of unclaimed/unpaid dividend(s) declared by the Company for FY 2012-13 and thereafter to IEPF is as under :

<b>Financial year ended</b>	<b>Date of Declaration of Dividend</b>	<b>Due for Transfer to IEPF</b>
31st March, 2013	30th July, 2013	4th September, 2020
31st March, 2014	31st July, 2014	5th September, 2021
31st March, 2015	28th July, 2015	2nd September, 2022
31st March, 2016	26th July, 2016	31st August, 2023
31st March, 2017	24th July, 2017	29th August, 2024
31st March, 2018	30th July, 2018	4th September, 2025
31st March, 2019	30th July, 2019	4th September, 2026

11. Pursuant to the provisions of Section 124 of the Companies Act, 2013 read with IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated Demat Account of the IEPF Authority ("IEPF Account") within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, in compliance with said requirements, the Company has transferred the aforesaid shares to the IEPF Account and details of the same are uploaded on the website of the IEPF viz. [www.iepf.gov.in](http://www.iepf.gov.in) and on the website of the Company [www.swarajenterprise.com](http://www.swarajenterprise.com).

Further, all the Members who have not claimed / encashed their dividend(s) in the last seven consecutive years from 2013 are requested to claim the same by 20th August, 2020. In case valid claim is not received by that date, the Company will proceed to transfer the respective shares to the IEPF Account in terms of the IEPF Rules.

The Member(s) whose dividend / shares as transferred to the IEPF Authority can now claim their shares from the IEPF Authority by following the Refund Procedure as detailed on the website of IEPF Authority <http://iepf.gov.in/IEPF/refund.html>.

12. The Securities and Exchange Board of India (SEBI) has directed for the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Registrar.
13. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form SH-13 duly filled in to the Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent Limited at their abovementioned address. Members holding shares in electronic mode may contact their respective Depository Participants for availing this facility.
14. Payment of Dividend through ECS:

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the Depositories and the bank account details maintained by the Registrar and Transfer Agents for payment of dividend to Members electronically. The Company has extended the facility of electronic credit of dividend directly to the respective bank accounts of the Member(s) through the Electronic Clearing Service (ECS)/National Electronic Clearing Service (NECS)/Real Time Gross Settlement (RTGS)/Direct Credit, etc.

As directed by SEBI, the Members holding shares in physical form are requested to submit particulars of their bank account alongwith self-attested copy of PAN and the original cancelled cheque bearing the name of the Member to the Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent Limited at their abovementioned address/Company to update their Bank Account details.

Members holding shares in demat form are requested to update their Bank Account details with their respective Depository Participant. The Company or its Registrar and Share Transfer Agent cannot act on any request received directly from the Members holding shares in demat form for any change of bank particulars. Such changes are to be intimated only to the Depository Participants of the Members. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode.

In case, the Company is unable to pay the dividend to any shareholder by the electronic mode due to non-availability of the details of the bank account, the Company shall upon normalisation of the postal services, dispatch the dividend warrant to such shareholder by post.

15. In compliance with the aforesaid MCA circulars, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively.
16. In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, securities of listed companies can only be transferred in dematerialized form with effect from 1st April, 2019. Accordingly, Members are advised to dematerialize shares held by them in physical form.
17. Members holding shares in physical mode and who have not registered/updated their email addresses with the Company are requested to register/update their email addresses by writing to the Company at [selinvestor@swarajenterprise.com](mailto:selinvestor@swarajenterprise.com) along with the copy of the signed request letter mentioning the name and address of the Member, self-attested copy of the PAN card, and self-attested copy of any document (e.g.: Driving License, Election Identity Card, Passport) in support of the address of the Member. Members holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participants.
18. Members are requested to:
  - Intimate to the Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent Limited at their abovementioned address, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
  - Intimate directly to the respective Depository Participant, changes, if any, in their registered addresses, nomination, power of attorney etc. at an early date, in case of shares held in dematerialised form. The Company will not take cognizance of any such requests directly from Members.
  - Quote their folio numbers/Client ID/ DP ID in all correspondence.
  - Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
19. Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of shareholders w.e.f. 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/ Registrar and Share Transfer Agent (in case of shares held in physical mode) and depositories (in case of shares held in demat mode).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by email to [selinvestor@swarajenterprise.com](mailto:selinvestor@swarajenterprise.com) by 6th July, 2020. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%. Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to [selinvestor@swarajenterprise.com](mailto:selinvestor@swarajenterprise.com). The aforesaid declarations and documents need to be submitted by the shareholders by 6th July, 2020.

Please note that the Company is not obligated to apply the beneficial Double Tax Avoidance Agreement (DTAA) rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial DTAA Rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by Non- Resident shareholder.

20. Relevant documents referred to in the accompanying Notice shall be available for inspection by the Members through electronic mode, basis the request being sent on [selinvestor@swarajenterprise.com](mailto:selinvestor@swarajenterprise.com).



21. Voting through electronic means

- I. In compliance of provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by National Securities Depository Limited (NSDL) on all resolutions set forth in this Notice, through remote e-voting.
- II. Members are requested to note that the Company is providing facility for remote e-voting and the business may be transacted through electronic voting system. It is hereby clarified that it is not mandatory for a Member to vote using the remote e-voting facility. A Member may avail of the facility at his/her/its discretion, as per the instructions provided herein.

The details of the process and manner for remote e-voting are explained here below:

Step 1 : Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2 : Cast your vote electronically on NSDL e-Voting system.

**Details on Step 1 is mentioned below:**

How to Log-in to NSDL e-Voting website?

- 1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- 2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
- 3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
- 4. Your User ID details are given below :

<b>Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical</b>	<b>Your User ID is:</b>
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID  For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 123456 then user ID is 123456001***

- 5. Your password details are given below:
  - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
  - c) How to retrieve your 'initial password'?

- (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - (ii) If your email ID is not registered, please follow steps mentioned in Note No. 17 above.
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
- a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) "Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
7. After entering your password, click on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 is given below:**

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the company.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. Institutional / Corporate Shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to [ajaykcs@gmail.com](mailto:ajaykcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
  - III. The remote e-voting period will commence at 9.00 a.m. (IST) on Thursday, 16th July, 2020 and will end at 5.00 p.m. (IST) on Sunday, 19th July, 2020. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, the 13th July, 2020, may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently or cast the vote again.
  - IV. The instructions for Members for e-voting on the day of the AGM are as under:
    - a) The procedure for e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
    - b) Only those Members, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.
    - c) The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again.
  - V. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date, the 13th July, 2020.
  - VI. Any person, who acquires shares of the Company and become a Member of the Company after sending of the Notice and holding shares as on the cut-off date i.e. 13th July, 2020, may obtain the Login ID and password by sending an e-mail to NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or to the Registrar and Share Transfer Agent of the Company at [helpdeskdelhi@mcsregistrars.com](mailto:helpdeskdelhi@mcsregistrars.com) or to the Company at [selinvestor@swarajenterprise.com](mailto:selinvestor@swarajenterprise.com). However, if they are already registered with NSDL for remote e-voting, then they can use their existing User ID and password for casting the vote through remote e-voting. If they forget the password, they can reset the password by using "Forget User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - VII. Mr. Ajay K Arora, Practicing Company Secretary (Membership No.2191), Proprietor - M/s. A.Arora & Co., Company Secretaries, has been appointed as the Scrutinizer to scrutinize the entire e-voting process in a fair and transparent manner.
  - VIII. The Scrutinizer shall immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.
  - IX. As per Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the results of e-voting are to be communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed, within 48 hours of the conclusion of the Annual General Meeting. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com) and on the website of NSDL.
  - X. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. 20th July, 2020.
22. Re-appointment of Directors
- Mr. Rajesh Jejurikar and Mr. R.R.Deshpande shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Additional information, pursuant to Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings issued by The Institute of Company Secretaries of India, in respect of the Directors seeking re-appointment at this AGM, forms part of the Notice.
- None of the Directors of the Company are inter-se related to each other.

23. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
24. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:
1. Members will be provided with a facility to attend the AGM through VC / OAVM through the NSDL e-voting system. Members may access the same at <https://www.evoting.nsdl.com> under Members login by using the remote e-voting credentials. The link for VC / OAVM will be available in Members login where the EVEN of Company will be displayed. Please note that the Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.
  2. Facility of joining the AGM through VC / OAVM shall open 30 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis.
  3. Members who need assistance before or during the AGM, can contact NSDL on [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or use Toll Free No. 1800-222-990 or contact Mr. Amit Vishal, Senior Manager - NSDL at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in) / 022-24994360 / +91 9920264780 or Ms. Pallavi Mhatre, Manager - NSDL at [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in) / 022-24994545 / +91 7506682281.

Registered Office :  
Phase IV, Industrial Area  
S.A.S. Nagar (Mohali)  
Punjab - 160 055  
Tel: 0172-2271620-27, Fax: 0172-2272731  
Email: [selinvestor@swarajenterprise.com](mailto:selinvestor@swarajenterprise.com)  
Website: [www.swarajenterprise.com](http://www.swarajenterprise.com)  
CIN: L50210PB1985PLC006473  
8th May, 2020

BY ORDER OF THE BOARD

(RAJESH KUMAR KAPILA)  
Company Secretary

**Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the items of the Special Business**

**Item No. 5**

Mr. Harish Chavan was appointed by the Board as an Additional Director with effect from 1st April, 2020. He holds office upto the date of the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 ("the Act"). The Company has received a notice in writing from a member under Section 160 of the Act proposing the appointment of Mr. Chavan as a Director of the Company.

Mr. Harish Chavan is a graduate in Mechanical Engineering and has MBA degree in Finance. He has over 29 years of experience in diverse functions and multicultural business environments in India as well as in the overseas markets. In his career spanning over 23 years with Mahindra, he has been involved in various assignments in domestic and international business.

Mr. Chavan is currently the Chief Executive Officer of Swaraj Division, Farm Equipment Sector of Mahindra & Mahindra Ltd. Prior to his current role, he was Chief of International Operations, Farm Equipment Sector of Mahindra & Mahindra Ltd. He was responsible for international sales of Tractors and other Farm Machinery. He also looked after oversees international subsidiaries involved in tractors and farm implements business, by providing oversight as a board member. During his stint at International Operations of M&M, he was also involved in various business development activities in different parts of the world.

Before moving as Chief of International Operations, he was responsible for domestic tractor business of Mahindra in capacity of Chief Operating Officer, Swaraj Division and Chief Operating Officer of Farm Division. He has also served as President & CEO of M&M's China Operations based in China for more than 5 years. Prior to joining Mahindra, he has also worked with Crompton Greaves Ltd. in Power Systems Group during the initial years of his career.

He has also been actively associated and held positions with Industry associations Confederation of Indian Industry (CII) and Tractor Manufacturers Association (TMA).

Mr. Chavan, currently is also on the Board of Gromax Agri Equipment Limited.

Mr. Harish Chavan is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as Director.

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

The Board, upon recommendation of the Nomination and Remuneration Committee, is of the view that Mr. Chavan's wide and varied experience will be of immense value to the Company and, therefore, recommends his appointment to the members in terms of Resolution set out in Item No. 5 of the Notice.

The Company has received notice in writing from a Member under Section 160 of the Companies Act, 2013 proposing the candidature of Mr. Harish Chavan for the office of Director of the Company.

Save and except Mr. Harish Chavan and his relatives to the extent of their shareholding interest, if any, in the Company, none of the other Directors, Key Managerial Personnel (KMP) of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 5 of the Notice. None of the Directors and KMP of the Company are inter-se related to each other.

The Board recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the Members.

**Item No. 6**

The Board of the Directors, at its meeting held on 8th May, 2020, upon recommendation of the Audit Committee, approved the appointment of M/s V.Kumar & Associates, Cost Accountants, having Firm Registration No. 100137, as Cost Auditors of the Company for conducting the audit of the cost records of the Company for the financial year ending 31st March, 2021, at a remuneration of Rs. 1,20,000/- (Rupees One Lakh Twenty Thousand only) plus applicable taxes and reimbursement of such other out of pocket expenses as may be incurred by the said Cost Auditors during the course of the audit. In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of a Company are required to ratify the remuneration to be paid to the Cost Auditors of the Company. Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No. 6 of the Notice for ratification of the remuneration payable to the Cost Auditors for conducting the audit of the cost records of the Company for the financial year ending 31st March, 2021.

None of the Directors, key managerial personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the Members.

Registered Office :  
Phase IV, Industrial Area  
S.A.S. Nagar (Mohali)  
Punjab - 160 055  
Tel: 0172-2271620-27, Fax: 0172-2272731  
Email: selinvestor@swarajenterprise.com  
Website: www.swarajenterprise.com  
CIN: L50210PB1985PLC006473  
8th May, 2020

BY ORDER OF THE BOARD

(RAJESH KUMAR KAPILA)  
Company Secretary

**Additional Information on Directors seeking Re-appointment at the 34th Annual General Meeting [Pursuant To Regulation 36(3) of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015] and (SS - 2 Secretarial Standards on General Meetings)**

<b>Name of Director</b>	<b>Mr. Rajesh Jejurikar</b>	<b>Mr. R.R. Deshpande</b>
Director Identification Number (DIN)	00046823	00007439
Date of appointment	25-04-2017	22-01-2008
Age	55 Years	66 Years
Expertise in specific functional areas	<p>Mr. Rajesh Jejurikar is currently Executive Director (Auto &amp; Farm Sectors) of Mahindra &amp; Mahindra Limited.</p> <p>Mr. Jejurikar has diverse experience across Packaged Goods, Advertising, Media, Automotive and Farm Equipment. He joined Mahindra in 2000 as Vice President - Marketing for Automotive Sector. In 2003, he was appointed Executive Vice President - Sales &amp; Marketing. In 2005, he was given additional responsibility as the Managing Director of Mahindra Renault. In 2008, he became Chief of Operations of the Automotive Sector and when Automotive &amp; Farm Equipment Sector (AFS) was formed in 2010, he was appointed Chief Executive for the Automotive Division and Member of the Group Executive Board. In 2013, he joined the Farm Equipment Sector as Chief Executive - Tractor &amp; Farm Mechanisation and became the Sector President in 2015.</p>	<p>Mr. Mr. R.R.Deshpande has recently retired as Managing Director and CEO of Kirloskar Oil Engines Limited (KOEL).</p> <p>Mr. Deshpande was working with Kirloskar Group since 1977 and has vast experience in Projects, Production and Material Services. He has worked for the Small, Medium and Large Engines Business Groups of Kirloskar. He started its Ancillary Development Department and during his tenure as a Business Unit Head, Medium Engines Business Group became the largest Strategic Business Unit amongst the Kirloskar Group.</p>
Qualification	MBA from SP Jain Institute of Management, attended the Advanced Management Program at The Wharton School, University of Pennsylvania and was awarded the British Chevening Scholarship to study at the Manchester Business School, UK. He also holds degree in Economics and Statistics from Mumbai University.	Mechanical Engineer
Directorship in Listed Companies	Swaraj Engines Limited	Swaraj Engines Limited

## SWARAJ ENGINES LIMITED

Committee Membership	Swaraj Engines Limited: Stakeholders Relationship Committee (Chairman) Nomination and Remuneration Committee (Member) Corporate Social Responsibility Committee (Member)	–
No. of Board Meetings of Swaraj Engines Limited attended during FY 2019-20	Board Meetings held - 5 Board Meetings attended - 4	Board Meetings held - 5 Board Meetings attended - 5
Disclosure of inter-se relationships between Directors and Key Managerial Personnel	Nil	Nil
Shareholding in Swaraj Engines Limited	Nil	Nil

**Note:** No sitting fees and commission was paid to Mr. Rajesh Jejuriar during FY 2019-20. Details of sitting fees and commission paid to Mr. R.R. Deshpande during FY 2019-20 are provided in Corporate Governance Report Section of Annual report 2019-20.

## REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their 34th Annual Report together with Audited Accounts for the financial year ended 31st March, 2020.

### A. FINANCIAL RESULTS AND OPERATIONAL REVIEW :

	Year Ended 31 <sup>st</sup> March, 2020	(Rs. in Crores) Year Ended 31 <sup>st</sup> March, 2019
Net Operating Revenue	773.30	871.74
Profit before Other Income, Depreciation, Finance Charges, Exceptional items and Tax Other Income	100.43	131.65
Profit before Depreciation, Finance Cost, Exceptional items and Tax	12.78	15.38
Finance Cost	113.21	147.03
Depreciation and Amortisation Expense	0.01	0.09
Profit before Exceptional Items & Tax	20.13	19.54
Exceptional Items	93.07	127.40
Profit Before Tax	-	-
Tax Provision	93.07	127.40
- Current	24.67	43.61
- Deferred	(2.64)	1.37
Profit After Tax	71.04	82.42
Other Comprehensive Income (net of Tax)	(0.43)	(0.14)
Total Comprehensive Income	70.61	82.28

#### Performance Review

Fiscal 2020 was a challenging year for the tractor industry as after posting growth for consecutive 3 years, it witnessed slowdown in demand during the year. Nationwide lockdown imposed by the Government from 25th March, 2020 to curtail the spread of COVID-19 had further impacted the business segments towards the year end. However, the Company's operations remained suspended from 23rd March, 2020 in view of the lockdown announced by Punjab Govt. and accordingly, the estimated engine sale loss for the month of March was of 3,000 units. In this backdrop, tractor industry degrew by 10% and your Company could post a sale of 89,928 units during FY 2019-20 against 99,638 units sold during previous year.

Impacted by lower engine sales volume, the net operating revenue for FY 2019-20 stood at Rs. 773.30 crores as against Rs. 871.74 crores of previous year. With continued focus on cost front, the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) reached to Rs. 100.43 crores as against previous year's Rs. 131.65 crores. While profit before tax for the year stood at Rs. 93.07 crores (previous year - Rs. 127.40 crores), profit after tax (before other comprehensive income) at Rs. 71.04 crores (previous year - Rs. 82.42 crores) translated into Basic Earning Per Share of Rs. 58.57 (previous year - Rs. 67.96). Total comprehensive income (net of tax) for the year stood at Rs. 70.61 crores as against Rs. 82.28 crores of previous year.

No material changes and commitments which could affect your Company's financial position for FY 2019-20 have occurred between the end of the financial year of your Company and date of this report.

#### Finance

The fund position of the Company remained comfortable throughout the year under review. The Company, after meeting the capital expenditure & working capital requirements to support operations, has earned an income of Rs. 12.68 crores (previous year - Rs. 15.02 crores) on its surplus funds.

#### Dividend

Your Directors are pleased to recommend an equity dividend of Rs. 25.00 per share of the face value of Rs. 10.00 for the financial year ended 31st March, 2020. Further, the Board, over and above the said normal dividend, has also recommended a special dividend of Rs. 15.00 per share, taking the total dividend to Rs. 40.00 per share for the financial year 2019-20 (previous year - Rs. 50.00 per share).



If approved by the Shareholders at the ensuing Annual General Meeting, the above equity dividend will be paid to those shareholders whose names shall appear in the Register of Members as on the Book Closure date. The total equity dividend outgo for the financial year 2019-20 will absorb a sum of Rs. 48.53 crores (previous year - Rs. 73.11 crores including dividend distribution tax and surcharge). Further, the Board of your Company has decided not to transfer any amount to the General Reserves for the year under review.

### **Current Year's Review**

The initial period of current financial year 2020-21 is going to be challenging as the nation is currently going through a tough phase in view of COVID-19 pandemic. With the Government's focus on rural development, good rabi crop and prediction of normal monsoon, it is expected that the tractor demand will be slowly resorted once interim restrictions currently imposed by the Government get removed/eased out.

The Company's operations, which were suspended since 23rd March, 2020, have now resumed from 5th May, 2020 after obtaining the necessary permissions from the local authorities and will increase its activity level gradually.

### **B. INTERNAL FINANCIAL CONTROL SYSTEMS**

The Company has laid down adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Based on the results of such assessments carried out by Management, no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed. Nonetheless your Company recognizes that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audits and review processes ensure that such systems are reinforced on an ongoing basis.

Your Company has migrated to SAP ERP system as a business enabler during FY19. The transactional controls built into the SAP ERP system has helped to further strengthen the processes related to segregation of duties, appropriate level of approval mechanisms and maintenance of supporting records.

### **C. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report for the year under review, as stipulated under the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 forms part of this Annual Report.

### **D. RELATED PARTY TRANSACTIONS**

All related party transactions that were entered during the financial year 2019-20 were in the ordinary course of the business and were on arm's length basis. All such related party transactions are placed before the Audit Committee for approval, wherever applicable. Prior omnibus approval for normal transactions is also obtained from the Audit Committee for the related party transactions which are of repetitive nature as well as for the transactions which cannot be foreseen and the same are subsequently shared with Audit Committee on quarterly basis. The policy on materiality of and dealing with related party transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Company and the link for the same is <http://www.swarajenterprise.com/policies>. The disclosure of material related party transactions pursuant to Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is annexed herewith as "Annexure-A".

### **E. BOARD AND COMMITTEES**

#### **Directors**

Mr. Subhash Mago, upon completion of his current tenure as Whole-Time Director & Chief Executive Officer on 31st March, 2020, ceased to be a Director of the Company with effect from 1st April, 2020. Your Board has placed on record its sincere appreciation of the valuable contributions made by Mr. Mago during his tenure as Director of the Company.

Mr. Harish Chavan has been appointed as Additional Director of the Company with effect from 1st April, 2020. Mr. Chavan holds office upto the date of the forthcoming Annual General Meeting. The Company has received notice under Section 160 of the Companies Act, 2013 from Member signifying intention to propose Mr. Harish Chavan for the office of Director at the forthcoming Annual General Meeting.

In terms of Section 152 of the Companies Act, 2013, Mr. Rajesh Jejurikar and Mr. R.R. Deshpande shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a system has been put in place to carry out an annual performance evaluation of the Board, its Committees and individual Directors. Criteria for performance evaluation is covered in the Corporate Governance Report.

**Remuneration Policy**

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy on appointment of Directors and Senior Management and their remuneration. The Remuneration Policy is covered in the Corporate Governance Report.

**Board Meetings and Annual General Meeting**

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, five Meetings of Board and five meetings of the Audit Committee were convened and held. The details are covered in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

The Independent Directors of the Company meet at least once in every financial year without the presence of Non-Independent Directors, Executive Director and any other management personnel. The meeting(s) is conducted in a manner to enable the Independent Directors to discuss matter pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties. During the year, one meeting of Independent Directors was held on 28th January, 2020.

The 33rd Annual General Meeting of the Company was held on 30th July, 2019.

**Directors' Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representations received from the Operating Management, and after due enquiry, confirm that:

- a) in the preparation of Annual Accounts for the financial year ended 31st March, 2020, the applicable accounting standards have been followed;
- b) in the selection of accounting policies, consulted the Statutory Auditors and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2020 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- d) the Annual Accounts have been prepared on a going concern basis;
- e) adequate Internal Financial Controls to be followed by the Company have been laid down and such Internal Financial Controls were operating effectively during the Financial Year ended 31st March, 2020;
- f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively throughout the Financial Year ended 31st March, 2020.

**Audit Committee**

During the year ended 31st March, 2020, the Audit Committee comprised of the following Directors viz. Mr. Dileep C. Choksi (Chairman of the Committee), Mr. Sudhir Mankad, Mr. S. Durgashankar and Mrs. Neera Saggi. Consequent to the resignation of Dr. T.N. Kapoor as Independent Director with effect from the close of business hours on 31st March, 2019, the Board reconstituted the Audit Committee by inducting Mr. Sudhir Mankad as Member of the Audit Committee in place of Dr. T.N. Kapoor with effect from 1st April, 2019. Except Mr. S. Durgashankar, all the Members are Independent Directors. All the Members of the Committee possess strong accounting and financial management knowledge. The Company Secretary of the Company is the Secretary of the Committee.

All the recommendations of the Audit Committee were accepted by the Board.

**F. CORPORATE GOVERNANCE****Corporate Governance**

A Report on Corporate Governance along with a Certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

**Vigil Mechanism / Whistle Blower Policy**

The Company has a vigil mechanism through Whistle Blower Policy to deal with instance of fraud and mismanagement, if any. The details of the Policy is explained in the Corporate Governance Report and also posted on the website of the Company.

**The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has put in place anti sexual harassment policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The policy is gender neutral. Internal Complaints Committee has been set up to redress the complaints received, if any, regarding sexual harassment. During the year, no complaint was received.

**Risk Management**

Pursuant to the requirement of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is having Risk Management framework covering identification, evaluation and control measures to mitigate the identified business risks.

**G. EMPLOYEES****Key Managerial Personnel (KMP)**

During the year under review, the following were designated as the Key Managerial Personnel (KMP) of the Company pursuant to Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Mr. Subhash Mago, Whole-Time Director & Chief Executive Officer

Mr. M.S. Grewal, Company Secretary

Mr. Rajinder Arora, Chief Financial Officer

While there was no change in the KMPs during the year under review, consequent to completion of his current tenure as Whole-Time Director and Chief Executive Officer on 31st March, 2020, Mr. Subhash Mago ceased to be a Director of the Company with effect from 1st April, 2020. Further, Mr. M.S. Grewal has been appointed as Chief Executive Officer of the Company with effect from 1st April, 2020 and in his place, Mr. Rajesh Kumar Kapila has been appointed as Company Secretary of the Company with effect from 1st April, 2020. Accordingly, with effect from 1st April, 2020, following are designated as the KMPs of the Company:

Mr. M.S. Grewal, Chief Executive Officer

Mr. Rajinder Arora, Chief Financial Officer

Mr. Rajesh Kumar Kapila, Company Secretary

**Employees' Stock Option Scheme**

The Nomination and Remuneration Committee of the Board of the Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme-2015 ("the Scheme") of the Company. The Scheme is in compliance of SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations"). Pursuant to the said Scheme, the Nomination and Remuneration Committee during FY 2019-20 have granted 7979 options to eligible employees and allotted 3295 equity shares against the vesting. No employee has been issued stock options during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant. Information as required under the SBEB Regulations is provided in the Annual Accounts which has been uploaded on the Company's website and can be accessed at the web-link [www.swarajenterprise.com/annualreports](http://www.swarajenterprise.com/annualreports).

## Industrial Relations

Industrial relations remained cordial throughout the year under review.

## Particulars of Employees

The statement of Disclosure of Remuneration under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as "Annexure-B". The Company had one employee who was in receipt of remuneration of not less than Rs. 1,02,00,000 during the year ended 31st March, 2020 or not less than Rs. 8,50,000 per month during any part of the year. Details of employee remuneration as required under provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are available at the Registered Office of the Company during working hours, 21 days before the Annual General Meeting and shall be made available to any Shareholder on request.

## Safety, Health and Environmental Performance

Your Company's commitment towards Safety, Occupational Health and Environment is being continuously enhanced. The Company encourages involvement of all its employees in activities related to safety, including promotion of safety standards. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational Health and Environmental Policy which inter alia ensures safety of public, employees, plant and equipment by ensuring compliance with all statutory rules and regulations on regular basis. During the year, no major accident has occurred. Your Company also imparts training to its employees as per the predefined training calendar, carries out statutory safety audits of its facilities as per legal requirement and promotes eco-friendly activities.

The Company's plant is certified under OHSAS 45001:2018 and EMS ISO 14001:2015.

## H. AUDITORS

### Statutory Auditors and Auditors' Report

M/s B.K. Khare & Co., Chartered Accountants (ICAI Firm Registration Number 105102W), were appointed as the Statutory Auditors of the Company to hold office for a term of 5 years from the conclusion of the 31st Annual General Meeting ("AGM") held on 24th July, 2017 until the conclusion of the 36th AGM of the Company to be held in the year 2022.

Pursuant to the Notification issued by the Ministry of Corporate Affairs on 7th May, 2018, amending Section 139 of the Companies Act, 2013, the mandatory requirement for ratification of appointment of Auditors by the Members at every AGM has been omitted and hence your Company has not proposed ratification of appointment of M/s B.K. Khare & Co., Chartered Accountants, at the forthcoming AGM.

The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer given by the Auditors in their Report.

### Secretarial Auditors

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s A. Arora & Co., Company Secretaries in practice (CP No. 993) to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as "Annexure C". The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer.

### Cost Records and Cost Audit

The Company is maintaining cost records as prescribed under the provisions of Section 148(1) of the Companies Act, 2013. The Board had appointed M/s V. Kumar & Associates, Cost Accountants (Firm Registration Number 100137), as Cost Auditor for conducting the audit of cost records of the Company for the Financial Year 2019-20.

The Board of Directors on the recommendation of the Audit Committee, appointed M/s V. Kumar & Associates, Cost Accountants (Firm Registration Number 100137), as the Cost Auditors of the Company for the Financial Year 2020-21 under Section 148 of the Companies Act, 2013. M/s V. Kumar & Associates have confirmed that their appointment is within the limits of Section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from any disqualifications specified under Section 141(3) and proviso to Section 148(3) read with Section 141(4) of the Companies Act, 2013.

The Audit Committee has also received a Certificate from the Cost Auditors certifying their independence and arms length relationship with the Company.

As per the provisions of the Companies Act, 2013, the remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a Resolution seeking Members' ratification for the remuneration payable to M/s V. Kumar & Associates, Cost Auditors is included in the Notice convening the Annual General Meeting.

### I. CORPORATE SOCIAL RESPONSIBILITY AND RELATED MATTERS

#### Corporate Social Responsibility (CSR)

Keeping with Company's core value of Good Corporate Citizenship, your Company is committed to its social responsibility by taking various initiatives which would benefit the society at large. In line with the Company's CSR Policy and CSR thrust areas, your Company's CSR efforts continue to be directed towards community welfare, education, vocational skills training, public health and environmental conservation. Your Company continued its CSR initiative by providing medical equipment / upgraded infrastructure at Paediatric Intensive Care Centre at PGIMER, Chandigarh and at General Medical College Hospital, Chandigarh. Skill Development Centre started in the adopted villages (Kambala & Kambali) in collaboration with Govt. Industrial Training Institute, Patiala has supported the local youth for starting own venture or getting suitable placement. The Mobile Medical Care initiative in collaboration with GVK EMRI (MMU) during the year reached to 7 villages covering more than 22000 people. The new initiative of providing engines to Govt. ITIs (Diesel & Tractor Mechanic) has helped in enhancing the skill of the students. Under the Company's initiative called "Prerna", various trainings were organized to empower rural agriculture farming women through integrated rural development programme to provide and promote innovative farm practice knowledge & technology. Besides this, your Company also provided medical equipment and material to Govt. Hospitals to fight COVID-19 pandemic. The Company also continued its efforts towards Swachh Bharat in adopted villages, trees plantation, organizing medical and blood donation camps, celebration of festivals with under-privileged, public awareness camps for road safety and pollution etc.

Further, in compliance of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company's Corporate Social Responsibility (CSR) Committee currently comprises of Mr. Sudhir Mankad (Chairman) and Mr. Vijay Varma, Mr. Rajesh Jejurikar and Mr. Harish Chavan as other members. Consequent to completion of his current tenure as Whole-Time Director and Chief Executive Officer of the Company on 31st March, 2020, Mr. Subhash Mago ceased to be Director of the Company and Member of CSR Committee with effect from 1st April, 2020. In his place, Mr. Harish Chavan has been inducted as Member of CSR Committee with effect from 1st April, 2020. The Annual Report on CSR activities is annexed herewith as "Annexure-D".

#### Sustainability Initiative

Your Company is conscious of its responsibility towards preservation of natural resources and continuously taking various initiatives to reduce the consumption of electricity and water. As required under Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report of your Company in the prescribed format is available as a separate section as "Annexure E" and forms part of this Annual Report.

#### Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars in respect of the above activities stipulated under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed herewith as "Annexure-F".

### J. SECRETARIAL

#### Share Capital

Consequent to allotment of 3,295 equity shares of Rs. 10/- each to eligible employees during the year against the exercise of the options vested to them under the Company's Employees' Stock Option Scheme-2015, the Paid-up Equity Share Capital of the Company as on 31st March, 2020 stood at 1,21,32,181 equity shares of Rs. 10/- fully paid up (previous year - 1,21,28,886).

**Extract of Annual Return**

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as "Annexure-G". The same is available on <http://www.swarajenterprise.com/annualreports>.

**Particulars of Loans, Guarantees and Investments**

During the year under review, the Company has not extended any loans, given guarantees or provided securities and made investments except placing corporate deposits as shown in Note 2.9 to the Financial Statements.

**Deposits**

The Company has not accepted deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

The Company has not made any loans / advances and investment in its own shares, associates, etc. during the year.

**Compliance with Secretarial Standards on Board and General Meetings**

During the Financial Year, your Company has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

**Change in the Nature of Business**

There has been no change in the nature of business of the Company during the year.

**General**

The Company is not paying any commission to the Whole-Time Director(s). However, Whole-Time Director(s) is eligible for grant of Stock Options of the Company, subject to approval of the Nomination and Remuneration Committee.

The Company has no holding / subsidiary company.

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events happened on these items during the year under review:

1. issue of equity shares with differential voting rights or sweat equity.
2. significant or material orders passed by the Regulators / Courts / Tribunal which impact the going concern status of the Company and its future operations.
3. voting rights which are not directly exercised by the employees in respect of shares for the subscription / purchase for which loan was given by the Company (as there is no scheme pursuant to which such person can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013).
4. fraud reporting by the auditors.

**ACKNOWLEDGEMENTS**

Your Directors take this opportunity to acknowledge the contributions of all the stakeholders and are grateful for the co-operation of various Government Authorities, excellent support received from the Shareholders, Banks and other Business Associates. The Directors also recognise and appreciate the hard work and efforts put in by all the employees and their continued contribution to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)  
Date : 8th May, 2020

(SUDHIR MANKAD)  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPANY PROFILE

Swaraj Engines Ltd. ("SEL") is primarily manufacturing diesel engines for fitment into "Swaraj" tractors being manufactured by Mahindra & Mahindra Ltd. ("M&M"). SEL is supplying diesel Engines in the range of 20 HP to 60 HP. Since the start of commercial operations in 1989-90, your Company has supplied close to one million engines for fitment into "Swaraj" tractors.

### FINANCIAL ANALYSIS (2019-20)

The Company's operations have been characterised by a lean organisation structure, continuous improvement in process efficiencies and optimised resource utilisation. While details of financial position and performance are available in the Balance Sheet, Statement of Profit & Loss, alongwith related notes, key aspects are highlighted in the following paragraphs:

#### (A) Statement of Profit & Loss

##### Income:

Total revenue for the year was Rs. 786.08 crores (previous year - Rs. 887.12 crores) with the following breakdown:

	<u>2019-20</u>	<u>(Rs. in Crores)</u> <u>2018-19</u>
Engines	750.45	844.97
Engine Spares/Parts	20.11	22.78
Scrap etc.	<u>2.74</u>	<u>3.99</u>
<b>Net Revenue from Operations</b>	<b>773.30</b>	871.74
Other Income - Mainly Interest & Dividend	<u>12.78</u>	<u>15.38</u>
<b>Net Total Revenue</b>	<b><u>786.08</u></b>	<b><u>887.12</u></b>

The domestic tractor industry after registering growth for three consecutive years, witnessed slowdown in demand during FY 2019-20 and degrew by around 10% over previous year. In line with industry demand scenario, the Company's engines supplies to its customer during fiscal 2020 was 89,928 units against 99,638 units sold in previous year.

With comfortable fund position during the year, other income through interest and dividend etc. on the surplus funds was Rs. 12.68 crores (previous year - Rs. 15.02 crores). Other miscellaneous income for the year stood at Rs. 0.10 crore (previous year - Rs. 0.36 crore).

##### Expenditure:

- **Material Cost**

Material cost as a percentage of net revenue from operations was 76.6% against previous year's 75.3%.

- **Personnel Cost**

Personnel cost for the year was Rs. 41.78 crores against Rs. 39.28 crores of previous year. The change in the cost was primarily due to annual increments etc.

- **Other Expenses**

Other expenses (consisting manufacturing, administrative & marketing expenses etc.) at 5.0% as percentage of net operating revenue was marginally lower than previous year's 5.1%.

- **Depreciation and Amortisation**

The increase in depreciation and amortisation for the year to Rs. 20.13 crores from previous year's Rs. 19.54 crores was due to additional depreciation on fresh capex made during the year and the full year impact of capital investments made during the previous year.

Reflecting the above, the Operating Profit (EBITDA) margin stood at 13.0% against 15.1% of previous year. Profit

before tax for the year stood at Rs. 93.07 crores (previous year - Rs. 127.40 crores). While profit after tax (excluding other comprehensive income) was Rs. 71.04 crores (previous year - Rs. 82.42 crores), the total comprehensive income (net of tax) stood at Rs. 70.61 crores against previous year's Rs. 82.28 crores.

**(B) Balance Sheet**
**Equity**

The Company's net worth on 31st March, 2020 stood at Rs. 235.89 crores (previous year - Rs. 237.98 crores) comprising of an Equity Share Capital component of Rs. 12.13 crores and Other Equity of Rs. 223.76 crores - a book value of Rs. 194 per share. The total equity is inclusive of two Bonus Issues made in 1997 (1:1) and 2005 (2:1) and net of buy-back of 2,94,746 equity shares during FY 2017-18. In the backdrop of decrease in net profit by 14%, Return on Net Worth for FY 2019-20 stood at 29.9% against 34.6% of previous year.

**Non-Current Assets**

Out of the total non-current assets of Rs. 112.21 crores (previous year - Rs. 119.77 crores), 95% is represented by property, plant and equipment (including capital work in progress).

**Inventories**

With focus on inventory control, total inventory including work-in-progress and finished stock at the end of the financial year at Rs. 37.01 crores was lower than previous year's Rs. 47.44 crores representing 17 days of net operating revenue (previous year - 20 days).

**Trade Receivables**

The year-end trade receivables of Rs. 4.14 crores (previous year - Rs. 18.74 crores) in terms of number of days stood at 2 days of net operating revenue (previous year - 8 days).

**Trade Payables**

The year-end total trade payables stood at Rs. 99.15 crores (previous year - Rs. 104.15 crores).

**(C) Key Ratios**

The key financial ratios are given below :

	Unit	2019-20	2018-19	Change over previous year
Debtors Turnover	Times	<b>67.6</b>	51.3	31.8%
Inventory Turnover	Times	<b>18.3</b>	22.0	-16.8%
Current Ratio	Times	<b>2.2</b>	2.1	4.8%
Debt Equity Ratio	Times	-	-	-
Interest Coverage Ratio	Times	-	-	-
Operating Profit (EBIDTA) Margin	%	<b>13.0</b>	15.1	-13.9%
Net Profit Margin	%	<b>9.0</b>	9.3	-3.2%

Notes:

1. Debtors Turnover Ratio - This ratio is used to quantify a Company's effectiveness in collecting its receivables. It is calculated by dividing turnover by average trade receivables.
2. Inventory Turnover Ratio - Inventory Turnover is the number of times a Company sells and replaces its inventory during a period. It is calculated by dividing turnover by average inventory.
3. Current Ratio - Current Ratio is a liquidity ratio that measures a Company's ability to pay short-term obligations, due within one year. It is calculated by dividing the current assets by current liabilities.
4. Debt Equity Ratio & Interest Coverage Ratio - Not applicable in view of NIL borrowings.



## SWARAJ ENGINES LIMITED

5. Operating Profit (EBIDTA) Margin - Operating Profit Margin is a profitability or performance ratio used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing the EBIDTA by turnover.
6. Net Profit Margin - Net Profit margin is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing the profit for the year by total turnover.
7. There is no significant change (> 25%) in the above ratios over previous year except debtors turnover ratio because of Nil billing during last week of March'20 due to lockdown.

### INTERNAL CONTROL SYSTEM AND ADEQUACY

There are established procedures for internal control on a Company-wide basis. Policies and procedures have been laid down to provide reasonable assurances that assets are safeguarded from risks of unauthorised use / disposition and transactions are recorded and reported with proprietary, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audits. The Company has also laid down adequate internal controls for financial reporting. During the year, such controls were tested and no material weakness in their operating effectiveness was observed. Finance and Accounts function is well-staffed with experienced and qualified personnel. This team participates in the preparation & monitoring of budgets. Internal Audit Reports are reviewed by the Audit Committee of the Board from time to time. The implementation of SAP ERP system in FY19 has helped to further strengthen the existing controls.

### HUMAN RESOURCES

The Company continued with its practice of a lean organisation manned by involved and motivated employees with team orientation. The atmosphere encourages learning and informal communication.

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

To further increase the competency level of the employees, systematic and structured training is provided at different levels. Such trainings cover aspects related to leadership development, communication effectiveness and team building etc. This has made a significant contribution to the Company's business.

Industrial relations remained cordial throughout the year under review.

Regular employee strength (excluding apprentice) as on 31st March, 2020 stood at 360 (31st March, 2019 - 366).

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Since Company's principal business is sale of diesel engines for tractors being manufactured by M&M-Swaraj Division, it would be appropriate to take note of developments in the tractor industry.

Indian tractor industry (the world's largest by volume) has a mix of Indian origin and international manufacturers and is traditionally segmented by horsepower broadly - the low horsepower upto 30 HP segment, the mid segment of 30 HP - 50 HP and the higher segment of above 50 HP. While most of the major players cater to all the three segments, their relative strengths and market positions differ from segment to segment. Over a period of time, the medium and higher HP segments have become the most popular and fastest growing segments in the country owing to increased affordability, tractor versatility and evolution of farming practices especially in case of farmers with large land holdings. Further, to increase the tractor penetration in the lower segment of the market and to serve the growing horticulture segment with cost effective product, industry players are also focusing on this segment.

The domestic tractor industry started witnessing downtrend in last quarter of fiscal 2019 and the same had continued during first three quarters of FY 2019-20 as well. While signs of improvement in demand were visible in the fourth quarter, the sudden announcement of countrywide lockdown from 25th March, 2020 to prevent spread of COVID-19 impacted the recovery made in first two months of Q4 FY20. As a result, the domestic tractor industry after recording growth in three successive years dropped by 10% during FY 2019-20 to reach the total volume of around 7,09,000 units (previous year - 7,87,000 units).

## OUTLOOK AND OPPORTUNITIES

The lockdown imposed by the Government to curb COVID-19 pandemic is currently impacting the sale of tractors. However, with the relaxation of curbs imposed in a phased manner, it is expected that the demand for tractors will start slowly picking up in view of good rabi crop, prediction of normal monsoon and acute shortage of labour. Further, with Government's continued thrust on enhancing farmers' income through various initiatives like improving irrigation facilities, crop insurance, hike in minimum support price (MSP), monetary support to marginal farmers, promoting rural development besides other industry growth drivers such as agri mechanisation, scarcity of farm labour especially during the sowing season and momentum in infrastructural projects etc., the tractor industry is expected to continue its growth journey in medium to long term. In this backdrop, engine business of the Company is likely to move in tandem with industry.

## THREATS, RISKS & CONCERNS

As a supplier to M&M, your Company would be directly affected by factors impacting tractor industry. These would include issues like the rain-dependent nature of our agriculture, Government policy on procurement, credit availability, commodity price trends, new regulations for tractors etc.

## CAUTIONARY STATEMENT

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

**CORPORATE GOVERNANCE REPORT****I. Company's philosophy on Code of Governance**

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

A report on compliance with the Code of Corporate Governance as prescribed in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") is given below:

**II. Board of Directors**

The composition of the Board of your Company is in conformity with the Listing Regulations. The Company has Independent Director as its Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors including a Woman Director. During the year under review, the Board of your Company comprises of eight Non-Executive Directors including three Independent Directors and one Executive Director designated as Whole-Time Director and Chief Executive Director. The Board of your Company represents an optimal mix of professionalism, knowledge and experience that enables the Board to discharge its responsibilities efficiently and provide effective leadership to the business. Mr. Subhash Mago, Whole Time Director & Chief Executive Officer of the Company, upon completion of his tenure on 31st March, 2020, ceased to be Director of the Company with effect from 1st April, 2020.

Dr. Pawan Goenka, Mr. Rajesh Jejurikar and Mr. S. Durgashankar, Non-Executive Directors, are in the whole-time employment of Mahindra & Mahindra Ltd. Mr. R.R. Deshpande, Non-Executive Director, was in the whole-time employment of Kirloskar Oil Engines Ltd. during the year under review. These Non-Executive Directors draw remuneration from their respective companies. Mr. Vijay Varma, Non-Executive Director, is also associated with Kirloskar Group. Mahindra & Mahindra Ltd. and Kirloskar Industries Ltd. are the promoters of the Company.

Apart from the above and the reimbursement of expenses incurred in discharge of their duties and the remuneration that some of the Non-Executive Directors would be entitled to under the Companies Act, 2013 ("the Act"), none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management and associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

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

**A. Composition of the Board**

During the Financial Year 2019-20, the Company's Board comprised of 9 members. The names and categories of the Directors on the Board, names of other listed entities in which the Director is a director and the number of Directorships and Committee Chairmanships / Memberships held by them in other public limited companies as on 31st March, 2020 are given herein below:

Name of Director	Category	Total No. of Directorships <sup>^</sup> in public companies#	Committee+ Position held in Public Companies#		Directorship in other listed entity (Category of Directorship)
			Chairman	Member	
<b>Non-Executive</b>					
Mr. Sudhir Mankad, Chairman DIN: 00086077	Independent	6	2	1	1. Deepak Nitrite Ltd. (Independent Director) 2. Navin Fluorine International Ltd. (Independent Director)
Dr. Pawan Goenka DIN: 00254502	Non-Independent	7	–	1	1. Mahindra & Mahindra Ltd. (Managing Director)
Mr. R.R. Deshpande DIN: 00007439	Non-Independent	2	–	1	1. Kirloskar Oil Engines Ltd. (Managing Director & CEO)
Mr. Vijay Varma DIN: 00011352	Non-Independent	2	–	–	1. Kirloskar Ferrous Industries Ltd. (Additional Director)
Mr. Rajesh Jejurikar DIN: 00046823	Non-Independent	2	1	–	–
Mr. S. Durgashankar DIN: 00044713	Non-Independent	7	–	6	1. Mahindra EPC Irrigation Ltd. (Non-Executive Non-Independent Director) 2. Mahindra Logistics Ltd. (Non-Executive Non-Independent Director)
Mr. Dileep C. Choksi DIN: 00016322	Independent	8	4	5	1. Lupin Ltd. (Independent Director) 2. AIA Engineering Ltd. (Independent Director) 3. Arvind Ltd. (Independent Director) 4. ICICI Prudential Life Insurance Co. Ltd. (Independent Director)
Mrs. Neera Saggi DIN: 00501029	Independent	8	–	8	1. TRF Ltd. (Independent Director) 2. GE Power India Ltd. (Independent Director) 3. GE T&D India Ltd. (Independent Director) 4. Tata Steel BSL Ltd. (Independent Director) 5. Honeywell Automation India Ltd. (Independent Director)
<b>Executive</b>					
Mr. Subhash Mago, Whole-Time Director & Chief Executive Officer DIN: 07797207 (ceased w.e.f. 01.04.2020)	Non-Independent	1	–	1	N.A.

# Excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013.

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

+ Committees considered are Audit Committee and Stakeholders Relationship Committee, including that of Swaraj Engines Ltd.

## SWARAJ ENGINES LIMITED

- a) None of the Directors is a Director in more than 10 public limited companies (as specified in Section 165 of the Act) or Acts as an Independent Director in more than 7 listed companies or 3 listed companies in case he/she serves as a Whole-Time Director in any listed company (as specified in Regulation 25 of the Listing Regulations). Further, none of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Regulation 26 of the Listing Regulations), across all the public companies in which he is a Director.
- b) The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

Based on the disclosures received from all the independent directors and also in the opinion of the Board, the independent directors fulfil the conditions specified in the Companies Act, 2013 and the Listing Regulations and are independent of the management.

### B. Board Procedure

The Board meets at regular intervals and a detailed Agenda is sent to each Director prior to Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Board is apprised at every Meeting regarding the overall performance of the Company. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any, adoption of quarterly/half-yearly/annual results, significant labour issues, and Minutes of Meetings of the Audit and other Committees of the Board. Details of the familiarization programme of the independent directors are available on the website of the Company ([www.swarajenterprise.com](http://www.swarajenterprise.com)).

The Board has identified strategy and planning, understanding of industry and global trends, knowledge with regard to the company's business/activities, driving corporate ethics and values as the key skills/expertise/competencies fundamental for the effective functioning of the Company and the same are currently available with all the Board Members.

During the financial year 2019-20, 5 Board Meetings were held on 22nd April, 2019, 30th July, 2019, 22nd October, 2019, 28th January, 2020 and 17th March, 2020. The gap between two Meetings did not exceed one hundred and twenty days. The 33rd Annual General Meeting (AGM) was held on 30th July, 2019.

The attendance of the Directors at these Board Meetings and Annual General Meeting is given below :

Name of Director	Number of Board Meetings attended	Attendance at the AGM
Mr. Sudhir Mankad, Chairman	5	Yes
Dr. Pawan Goenka	5	Yes
Mr. R.R. Deshpande	5	Yes
Mr. Vijay Varma	5	No
Mr. Rajesh Jejurikar	4	Yes
Mr. S. Durgashankar	4	Yes
Mr. Dileep C. Choksi	5	Yes
Mrs. Neera Saggi	5	Yes
Mr. Subhash Mago, Whole-Time Director & Chief Executive Officer*	5	Yes

\* Upon completion of his current tenure as Whole Time Director & Chief Executive Officer on 31st March, 2020, ceased to be a Director of the Company with effect from 01.04.2020

**C. Meeting(s) of Independent Directors**

The Independent Directors of the Company meet at least once in every financial year without the presence of Non-Independent Directors, Executive Director and any other management personnel. The meeting(s) is conducted in a manner to enable the Independent Directors to discuss matter pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During the year, one meeting of Independent Directors was held on 28th January, 2020.

**D. Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, a system has been put in place to carry out performance evaluation of the Board, its Committees and individual directors. An appraisal format has been devised covering various aspects of the Board's functioning such as adequacy of composition of the Board and its Committees, Board process, culture and accountability etc. Similarly, a separate format is also formulated for carrying out evaluation of the performance of individual Directors including the Chairman of the Board, which interalia include parameters such as level of engagement and contribution, understanding of industry and global trends, and independence of judgement etc.

**E. Directors seeking re-appointment**

The brief profiles of the Directors being re-appointed in the forthcoming Annual General Meeting of the Company are given below:

**Mr. Rajesh Jejurikar**

Mr. Rajesh Jejurikar is on the Board of the Company since April 2017.

Mr. Rajesh Jejurikar is currently Executive Director (Auto & Farm Sectors) of Mahindra & Mahindra Limited. Mr. Jejurikar has diverse experience across Packaged Goods, Advertising, Media, Automotive and Farm Equipment. He joined Mahindra in 2000 as Vice-President - Marketing for Automotive Sector. In 2003, he was appointed Executive Vice-President - Sales & Marketing. In 2005, he was given additional responsibility as the Managing Director of Mahindra Renault. In 2008, he became Chief of Operations of the Automotive Sector and when Automotive & Farm Equipment Sector (AFS) was formed in 2010, he was appointed Chief Executive for the Automotive Division and Member of the Group Executive Board. In 2013, he joined the Farm Equipment Sector as Chief Executive - Tractor & Farm Mechanisation and became the Sector President in 2015.

Mr. Jejurikar holds degree in Economics and Statistics from Mumbai University. He is an MBA from SP Jain Institute of Management and attended the Advanced Management Program at The Wharton School, University of Pennsylvania and was awarded the British Chevening Scholarship to study at the Manchester Business School, UK.

Mr. Jejurikar is also Chairman of Peugeot Motorcycle SAS, Mahindra USA Inc. and Mitsubishi Mahindra Agricultural Machinery Co. Limited and Director of Mahindra First Choice Wheels Limited, Mahindra Two Wheelers Europe Holdings S.a.r.l., Aliaxis S A Belgium and Classic Legends Private Limited.

The details of Mr. Jejurikar's current Membership in Committees are given below :

S.No.	Name of the Company	Name of Committee	Position Held
1.	Peugeot Motorcycle SAS	Nomination and Compensation Committee	Member
		Strategy and Synergies Committee	Chairman
		Audit and Finance Committee	Member
2.	Swaraj Engines Ltd.	Stakeholders Relationship Committee	Chairman
		Corporate Social Responsibility Committee	Member
		Nomination and Remuneration Committee	Member
3.	Mahindra & Mahindra Ltd.	Risk Management Committee	Member
4.	Classic Legends Private Ltd.	Nomination and Compensation Committee	Chairman

Mr. Rajesh Jejurikar does not hold any shares in the Company.

**Mr. R.R. Deshpande**

Mr. R.R. Deshpande is on the Board of the Company since January, 2008.

Mr. R.R. Deshpande has recently retired as Managing Director and CEO of Kirloskar Oil Engines Limited (KOEL). Mr. Deshpande, a Mechanical Engineer, was working with Kirloskar Group since 1977 and has vast experience in Projects, Production and Material Services. He has worked for the Small, Medium and Large Engines Business Groups of Kirloskar. He started its Ancillary Development Department and during his tenure as a Business Unit Head, Medium Engines Business Group became the largest Strategic Business Unit amongst the Kirloskar Group.

Mr. Deshpande is also Director of Kirloskar Americas Corp. and Kirloskar Kenya Ltd.

Mr. R.R. Deshpande does not hold any shares in the Company.

**F. Certificate from a Company Secretary in Practice**

Pursuant to the Listing Regulations, a certificate has been received from M/s A. Arora & Co., Practicing Company Secretaries, that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such statutory authority.

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

The Audit Committee currently comprises of following Non-Executive Directors of which three are Independent, including the Chairman of the Committee:

- Mr. Dileep C. Choksi, Chairman
- Mr. Sudhir Mankad  
(co-opted w.e.f. 01.04.2019)
- Mr. S. Durgashankar
- Mrs. Neera Saggi

Consequent upon his resignation from the Directorship of the Company, Dr. T.N. Kapoor ceased to be a Member of the Committee with effect from the close of business hours on 31.03.2019 and in his place, Mr. Sudhir Mankad was co-opted as a Member of the Committee with effect from 01.04.2019.

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

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 2013 and the Listing Regulations. The functions of the Audit Committee inter alia include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of internal controls and regulatory compliances. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment of statutory auditors, their fees and reviews quarterly / annual financial statements before submission to the Board. It is also empowered to inter alia review Management Discussion and Analysis of financial condition, results of operations and related party transactions. Generally, all items listed in Regulation 18(3) of the Listing Regulations are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Regulation 18(2)(c) of the Listing Regulations. The meetings of the Audit Committee are also attended by the Whole-Time Director & Chief Executive Officer, Chief Financial Officer, the Statutory Auditors and the Internal Auditor besides some other Non-Executive Directors as permanent invitees. The Cost Auditors attend the Audit Committee Meeting where cost audit report is discussed.

The Company Secretary acts as the Secretary to the Committee.

Mr. Dileep C. Choksi, the Chairman of the Audit Committee, attended the last Annual General Meeting held on 30th July, 2019.

During the financial year under review, 5 meetings of Audit Committee of the Board were held on 22nd April, 2019, 30th July, 2019, 22nd October, 2019, 28th January, 2020 and 17th March, 2020. The gap between the two meetings did not exceed one hundred and twenty days.

Attendance record of the Members of the Audit Committee for FY 2019-20 is as under :

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Mr. Dileep C. Choksi	5	5
Mr. Sudhir Mankad	5	5
Mr. S. Durgashankar	5	4
Mrs. Neera Saggi	5	5

**B. Stakeholders Relationship Committee**

The Stakeholders Relationship Committee functions under the Chairmanship of Mr. Rajesh Jejurikar, Non-Executive Director and presently comprises of following Directors:

- Mr. Rajesh Jejurikar, Chairman
- Mr. Dileep C. Choksi  
(co-opted w.e.f. 01.04.2019)
- Mr. Harish Chavan  
(co-opted w.e.f. 01.04.2020)

Consequent upon his resignation from the Directorship of the Company, Dr. T.N. Kapoor ceased to be a Chairman and Member of the Committee with effect from the close of business hours on 31.03.2019 and in his place, Mr. Dileep C. Choksi was co-opted as a Member of the Committee with effect from 01.04.2019. Mr. Rajesh Jejurikar became Chairman of the Committee in place of Dr. T.N. Kapoor with effect from 01.04.2019. Further, upon completion of his current tenure as Whole-Time Director & Chief Executive Officer on 31.03.2020, Mr. Subhash Mago ceased to be a Director of the Company and also Member of the Stakeholders Relationship Committee with effect from 01.04.2020 and in his place, Mr. Harish Chavan was co-opted as a Member of the Committee with effect from 01.04.2020.

Mr. M.S. Grewal, Company Secretary, was the Compliance Officer of the Company during the year. Consequent to appointment of Mr. M.S. Grewal as Chief Executive Officer (CEO) of the Company with effect from 1st April, 2020, he ceased to be the Company Secretary of the Company and in his place, Mr. Rajesh Kumar Kapila has been appointed as Company Secretary and Compliance Officer of the Company with effect from 1st April, 2020.

The Committee meets at periodic intervals, to approve inter alia, transfer / transmission of shares, issue of duplicate share certificates and review status of investors' grievances and the functioning of the Share Department / Registrar & Share Transfer Agents in order to render effective and quality services to investors. The charter of the Stakeholders Relationship Committee is aligned with the amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective from 1st April, 2019.

During the financial year under review, 3 meetings of Stakeholders Relationship Committee were held on 22nd April, 2019, 22nd October, 2019 and 28th January, 2020.

Attendance record of the Members of the Stakeholders Relationship Committee for FY 2019-20 is as under :

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Mr. Rajesh Jejurikar	3	2
Mr. Dileep C. Choksi	3	3
Mr. Subhash Mago*	3	3

\* Upon completion of his current tenure as Whole-Time Director & Chief Executive Officer on 31.03.2020, also ceased to be a Member of the Stakeholders Relationship Committee with effect from 01.04.2020.



The Company had received 207 enquiries/complaints from the shareholders and all of them have been attended / resolved.

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

**C. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee presently comprises of following three Non-Executive Directors of which two are Independent, including the Chairman of the Committee:

- Mr. Dileep C. Choksi, Chairman  
(co-opted w.e.f. 01.04.2019)
- Mr. Sudhir Mankad
- Mr. Rajesh Jejurikar  
(co-opted w.e.f. 01.04.2019)

Consequent upon his resignation from the Directorship of the Company, Dr. T.N. Kapoor ceased to be a Chairman and Member of the Committee with effect from the close of business hours on 31.03.2019 and in his place, Mr. Dileep C. Choksi was co-opted as Member and Chairman of the Committee with effect from 01.04.2019. Further, Mr. Rajesh Jejurikar was also co-opted as a Member of the Committee in place of Dr. Pawan Goenka with effect from 01.04.2019.

The purpose of the Committee inter alia include identification and selection of persons who may be appointed as directors / independent director(s) or as key managerial personnel or in senior management based on certain laid down criteria, formulate policy relating to the remuneration for the directors, key managerial personnel and other employees, to decide on the stock options to be granted, if any, to the eligible employees, directors including non-executive directors; formulation of process for evaluation of directors performance; and to deal with such other matters and functions as may be prescribed from time to time. The charter of the Nomination and Remuneration Committee is aligned with the amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective from 1st April, 2019.

During the financial year, 3 meetings of Nomination and Remuneration Committee of the Board were held on 22nd April, 2019, 30th July, 2019 and 28th January, 2020.

Attendance record of the Members of the Nomination and Remuneration Committee for FY 2019-20 is as under :

<b>Name of the Member Director</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mr. Dileep C. Choksi	3	3
Mr. Sudhir Mankad	3	3
Mr. Rajesh Jejurikar	3	2

**D. Corporate Social Responsibility Committee**

The Corporate Social Responsibility (CSR) Committee currently comprises of following four Directors with Non-Executive Independent Director as its Chairman:

- Mr. Sudhir Mankad, Chairman
- Mr. Vijay Varma
- Mr. Rajesh Jejurikar
- Mr. Harish Chavan  
(co-opted w.e.f. 01.04.2020)

Upon completion of his current tenure as Whole Time Director & Chief Executive Officer on 31.03.2020, Mr. Subhash Mago ceased to be a Director of the Company and also Member of the Corporate Social Responsibility Committee with effect from 01.04.2020 and in his place, Mr. Harish Chavan was co-opted as a Member of the Committee with effect from 01.04.2020.

The role of the CSR Committee, inter alia, is to:

- formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;
- recommend the amount of expenditure to be incurred on the CSR activities;
- monitor the CSR Policy of the Company from time to time.

During the financial year, one meeting of Corporate Social Responsibility Committee of the Board was held on 22nd April, 2019.

Attendance record of the Members of the Corporate Social Responsibility Committee for FY 2019-20 is as under :

<b>Name of the Member Director</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mr. Sudhir Mankad	1	1
Mr. Vijay Varma	1	1
Mr. Rajesh Jejurikar	1	1
Mr. Subhash Mago*	1	1

\*Upon completion of his current tenure as Whole Time Director & Chief Executive Officer on 31.03.2020, also ceased to be a Member of the Corporate Social Responsibility Committee with effect from 01.04.2020.

#### **IV. Remuneration to Directors**

##### **Remuneration Policy**

The key provisions of the policies related to selection and appointment of Directors and their remuneration are given below:

##### **a) Policy for Selection and appointment of Directors**

##### **i) Appointment of Directors**

- The Nomination and Remuneration Committee (NRC) reviews and assesses Board composition and recommends the appointment of new Directors as and when required. In evaluating the suitability of individual Board member with regard to qualifications, positive attributes and independence of director, the NRC takes into account the following criteria that:
  1. All Board appointments are based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board evaluates the candidature and decide on the selection of the appropriate member. Upon receipt of the consent, the new Director is co-opted by the Board in accordance with the applicable provisions of the Act and Rules made thereunder.

**ii) Removal of Directors**

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

**iii) Succession Planning**

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successor(s) for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit. The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**b) Policy for Remuneration to Directors****i) Non-Executive Directors including Independent Directors:**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and Variable, payable to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as Director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act, 2013 ("the Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and such other factors as the NRC may deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

**ii) Whole-Time Director(s) / Executive Director(s):**

The remuneration to Whole-Time Director(s) / Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. The revision in compensation, if any, will be determined annually by the NRC based on their performance.

The policies for appointment and remuneration of Directors are available at <http://www.swarajenterprise.com/policies>.

**Remuneration Details**

Non-Executive Directors, other than representative directors of M&M, are paid sitting fees for attending the meetings of the Board of Directors and Committees thereof within the prescribed limits as decided by the Board and reimbursement of expenses incurred for attending the Board and Committee Meetings. The existing sitting fees paid to Non-Executive Directors is as under:

- Rs. 50,000 for every Board Meeting
- Rs. 30,000 for every Committee(s) Meeting (other than Stakeholders Relationship Committee)
- Rs. 5,000 for every Stakeholders Relationship Committee Meeting

From the financial year 2011-12, the Board had also approved the payment of commission to Directors who are neither in the Whole-Time employment of the Company nor the Whole-Time Director, Managing Director, Executive Director(s) and such of the remainder as may not desire to participate, upto one per cent per annum of the net profits of the Company distributed in such proportions as the Board of Directors may decide from time to time, subject to a limit of one quarter per cent of the net profits of the financial year for each such Director.

The details of Directors' remuneration for FY 2019-20 is as follows :

**Independent Non-Executive Directors**

(Rs. in Lakhs)

Names of the Directors who were in receipt of sitting fees / commission during FY 2019-20	Sitting Fees for Board and Committee Meetings paid during FY 2019-20	Commission payable for FY 2019-20	Total
Mr. Sudhir Mankad	5.20	5.00	10.20
Mr. R.R. Deshpande	2.50	5.00	7.50
Mr. Vijay Varma	2.80	5.00	7.80
Mr. Dileep C. Choksi	5.05	5.00	10.05
Mrs. Neera Saggi	4.00	5.00	9.00

Note: Consequent upon his resignation from the Directorship of the Company, Dr. T.N. Kapoor, Independent Director, ceased to Director of the Company with effect from the close of business hours on 31.03.2019 and a commission of Rs. 6.00 lakhs related to FY 2018-19 was paid to him in FY 2019-20.

**Executive - Whole-Time Director**

(Rs. in Lakhs)

Name of Director	Salary (Basic and Allowances)	Commission	Contribution to Provident Fund	Value of Perquisites	Stock Option	Total	Service Contract (Tenure)
Mr. Subhash Mago (Whole Time Director & Chief Executive Officer)*	146.07	Nil	3.37	1.60	7.91	158.95	25th April, 2017 to 31st March, 2020

\*Upon completion of his current tenure as Whole Time Director & Chief Executive Officer on 31st March, 2020, ceased to be a Director of the Company with effect from 01.04.2020.

**Note:** Above excludes:

- 2143 stock options granted by the Company which will be vested and become due for exercise in the subsequent period.
- Stock options from Associate Company - Mahindra & Mahindra Limited.

**V. General Body Meetings**

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

Year	Date	Time	Special Resolutions passed
2017	24th July, 2017	3.00 P.M.	1. Approval of appointment of Mr. Subhash Mago as Whole-Time Director & Chief Executive Officer of the Company with effect from 25th April, 2017 and approval of remuneration payable to him.
2018	30th July, 2018	3.00 P.M.	–
2019	30th July, 2019	2.30 P.M.	1. Re-appointment of Mr. Sudhir Mankad as an Independent Director. 2. Re-appointment of Mr. Dileep C. Choksi as an Independent Director. 3. Re-appointment of Mrs. Neera Saggi as an Independent Director.

The above meetings were held at Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab. No Extraordinary General Meeting was held during the past three years.

No Special Resolution(s) requiring a Postal Ballot was passed last year or is being proposed at the ensuing Annual General Meeting.

## **VI. Means of Communication**

- a) In compliance with the requirements of the Listing Regulations, the Company regularly intimates quarterly unaudited as well as audited financial results to the Stock Exchanges within the statutory time period from the conclusion of the Board Meeting(s) at which these were considered and approved. These financial results are normally published in the leading financial / national / regional newspapers (Financial Express and Punjabi Tribune) and are also displayed on the website of the Company [www.swarajenterprise.com](http://www.swarajenterprise.com);
- b) The official news releases are displayed on the Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com);
- c) During the year ended 31st March, 2020, no presentations were made to institutional investors or analysts.

## **VII. Shareholder Information**

### **1. 34th Annual General Meeting**

Date	:	20th July, 2020
Time	:	2.30 P.M.
Venue	:	Annual General Meeting through Video Conferencing/Other Audio Visual Means facility. (Deemed venue for the Meeting : Works of the Company i.e. Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab - 160 062)

### **2. Financial Calendar (tentative)**

The Financial year covers the period from 1st April to 31st March.

Calendar for the Board Meetings to be held to review / approve the financial results of the Company for FY 2020-21 is given below:

• Quarter ending 30th June, 2020	Last week of July, 2020
• Half year ending 30th September, 2020	Last week of October, 2020
• Quarter ending 31st December, 2020	Last week of January, 2021
• Year ending 31st March, 2021	Last week of April, 2021

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

### **3. Dividend Payment**

The dividend, if declared, shall be paid on or after 21st July, 2020.

### **4. Date of Book Closure**

4th July, 2020 to 10th July, 2020 (both days inclusive)

### **5. Listing on Stock Exchanges**

- (i) BSE Ltd. (BSE)  
25th Floor, P.J. Towers, Dalal Street, Mumbai - 400001
- (ii) National Stock Exchange of India Ltd. (NSE)  
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,  
Bandra (East), Mumbai - 400051

Listing Fee for FY 2020-21 for both these stock exchanges has been paid.

### **6. Stock Code**

- |  |   |           |
|--|---|-----------|
| (i) BSE Ltd. (BSE)                               | : | 500407    |
| (ii) National Stock Exchange of India Ltd. (NSE) | : | SWARAJENG |

7. **CIN** : L50210PB1985PLC006473

**8. Stock Price Data**

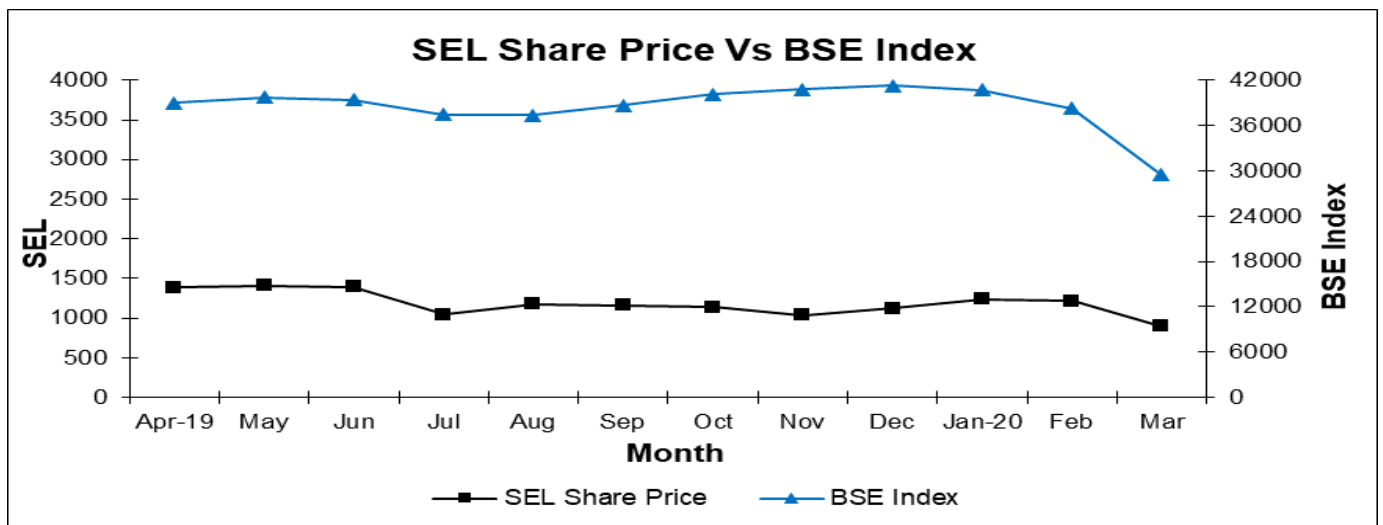
Monthly (April 2019 - March 2020) High - Low Quotations of shares traded at BSE & National Stock Exchange are as under:

Month	BSE		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2019	1450.00	1371.00	1448.50	1368.25
May 2019	1449.95	1300.00	1425.00	1295.00
June 2019	1455.45	1340.00	1469.10	1340.00
July 2019	1415.00	1038.00	1416.55	1034.00
August 2019	1210.00	1031.20	1218.00	1030.00
September 2019	1237.25	1120.00	1269.00	1114.00
October 2019	1198.00	1080.00	1185.00	1083.05
November 2019	1163.00	1032.15	1169.80	1033.00
December 2019	1124.00	1010.00	1124.00	1015.10
January 2020	1367.25	1123.10	1362.05	1120.00
February 2020	1309.55	1125.00	1307.90	1120.00
March 2020	1327.35	807.35	1308.45	802.75

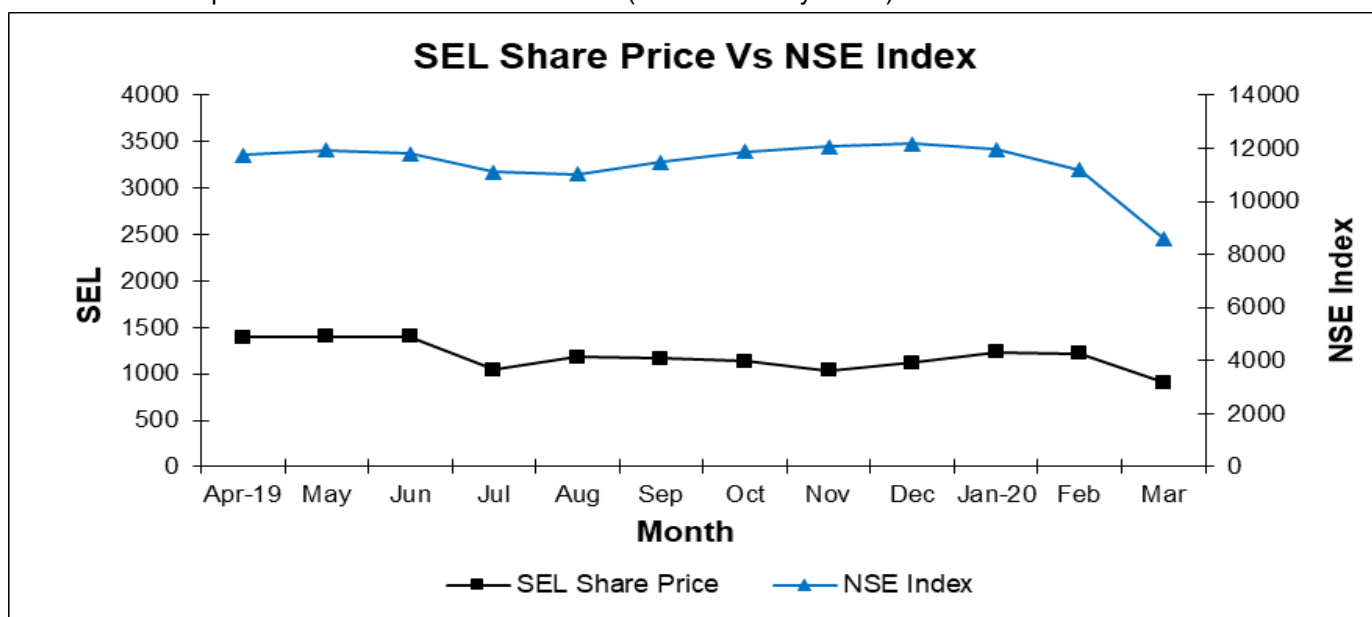
During the financial year ended 31st March, 2020, securities (equity shares) of the Company have not been suspended from trading on any of the stock exchanges where they are listed.

**9. Stock Price Performance**

SEL Share Price performance relative to BSE Sensitive Index



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



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

**10. Registrar and Transfer Agents**

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

Tel No. : 011 - 41406149

Fax No. : 011 - 41709881

Email address : helpdeskdelhi@mcsregistrars.com

Contact Person: Mr. Amar Jit

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

**11. Transfer/Transmission System for physical shares**

Trading in Equity Shares of the Company through recognized Stock Exchanges is permitted only in dematerialized form.

SEBI effective from 1st April, 2019, has barred physical transfer of shares of listed companies and mandated transfer only through demat. However, investors are not barred from holding shares in physical form. Share sent for transfer/transmission in physical form eligible under new SEBI guidelines effective from 1st April, 2019, were registered & returned within the stipulated timeline from the date of receipt, if the documents were valid in all respects. Total number of shares transferred/transmissioned during FY 2019-20 was 2200 (Previous Year 6200). Against the opening balance of 1500 shares (6 folios) lying in Unclaimed Suspense Account, 400 shares (1 folio) were transferred to claimant beneficiary and 600 shares (2 folios) were transferred during the year to Demat account of Investor Education and Protection Fund ("IEPF") Authority pursuant to the applicable IEPF rules. The voting rights on the shares outstanding in the Unclaimed Suspense Account as on 31st March, 2020 shall remain frozen till the rightful owner of such shares claims the shares.

**12. Shareholding Pattern as on 31st March, 2020**

Category of Shareholders	No. of Shares held	% of Holding
1 Promoters	63,31,141	52.19
2 Mutual Funds	12,47,367	10.28
3 Alternate Investment Funds	2,500	0.02
4 Insurance Companies	10,437	0.09
5 Govt. (IEPF)	59,583	0.49
6 Foreign Portfolio Investors	1,42,500	1.17
7 Bodies Corporate - Indian	6,77,368	5.58
8 NRIs	2,67,368	2.20
9 OCB	600	0.01
10 Indian Public	33,93,317	27.97
<b>Total</b>	<b>1,21,32,181</b>	<b>100.00</b>

**13. Distribution Pattern of Shareholding as on 31st March, 2020**

No. of Equity Shares held	No. of Shareholders*		No. of Shares Held	
	Numbers	% Total	Numbers	% Total
1 - 500	18,876	93.63	11,42,294	9.41
501 - 1000	817	4.05	5,66,766	4.67
1001 - 5000	391	1.94	8,34,889	6.88
5001 - 10000	37	0.18	2,55,671	2.11
10001 - 50000	19	0.10	3,86,579	3.19
50001 & above	20	0.10	89,45,982	73.74
<b>Total</b>	<b>20,160</b>	<b>100.00</b>	<b>1,21,32,181</b>	<b>100.00</b>

\*Without consolidating the folios on the basis of Permanent Account Number (PAN)

**14. Dematerialisation of Shares and Liquidity**

The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the trading. As on 31st March, 2020, 99.48% of the equity capital is held in electronic form. The market lot of the Share of your Company is one Share, as the trading in the Equity Share of your Company is permitted only in dematerialised form. The Non-Promoters' holding as on 31st March, 2020 is around 47.81% and the stock is highly liquid.

**International Securities Identification Number (ISIN): INE277A01016**  
(with NSDL and CDSL)

**15. Unclaimed Dividend and shares transferred to Investor Education and Protection Fund ("IEPF")**

In accordance with the provisions of Sections 124 and 125 of the Act and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") dividends which remain unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account shall be transferred by the company to the Investor Education and Protection Fund ("IEPF").

The IEPF Rules mandate companies to transfer all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more in the name of IEPF. The Members whose dividend/shares are transferred to the IEPF Authority can claim their shares/dividend from the IEPF Authority following the procedure prescribed in the Rules.



## SWARAJ ENGINES LIMITED

In accordance with the said IEPF Rules and its amendments, the Company had sent notices to all the Shareholders whose shares were due for transfer to the IEPF Authority and simultaneously published newspaper advertisement.

### Dividend remitted to IEPF during the year:

Financial year ended	Date of Declaration of Dividend	Amount transferred to IEPF (in Rs.)	Date of transfer to IEPF
31st March, 2012	31st July, 2012	10,98,422	25th September, 2019

### Shares transferred/credited to IEPF:

Pursuant to IEPF Rules, during the year, the Company has transferred 2,877 Equity Shares to IEPF Authority.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March, 2019 on the Company's website <http://www.swarajenterprise.com/unclaimed.aspx>.

The following table provides dates on which unclaimed dividend and their corresponding shares would become liable to be transferred to the IEPF:

Financial year ended	Date of Declaration of Dividend	Due for Transfer to IEPF	Amount (Rs.) (As on 31st March, 2020)
31st March, 2013	30th July, 2013	4th September, 2020	26,26,701
31st March, 2014	31st July, 2014	5th September, 2021	28,00,630
31st March, 2015	28th July, 2015	2nd September, 2022	25,59,579
31st March, 2016	26th July, 2016	31st August, 2023	26,69,106
31st March, 2017	24th July, 2017	29th August, 2024	36,27,953
31st March, 2018	30th July, 2018	4th September, 2025	39,25,800
31st March, 2019	30th July, 2019	4th September, 2026	13,10,450

#### 16. Outstanding GDR's / ADR's / Warrants / Convertible Instruments

Not Applicable.

#### 17. Details of utilization of funds raised through preferential allotment or qualified institutions placement under Regulation 32 (7A)

Not Applicable.

#### 18. Credit Ratings

The Company has not obtained credit rating from any of the credit rating agencies.

#### 19. Commodity price risk or Foreign Exchange Risk & hedging activities

The Company continues to focus on mitigating the inflationary impact of commodity prices, if any, through various cost reduction measures. As the nature of business of the Company does not involve any significant foreign exchange exposure, no hedging activity was done during the year. The details of foreign currency exposure are disclosed in Annexure F of the Directors Report.

**20. Registered Office**

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

**21. Plant Location**

Swaraj Engines Limited  
Plot No. 2, Industrial Phase IX,  
S.A.S. Nagar (Mohali), Punjab - 160 062

**22. Address for correspondence**

**Registrar and Share Transfer Agent**

M/s MCS Share Transfer Agent Limited  
Unit: Swaraj Engines Ltd.  
F-65, 1st Floor,  
Okhla Industrial Area, Phase - I  
New Delhi - 110 020  
Email: helpdeskdelhi@mcsregistrars.com

Phone : 011 - 41406149  
Fax : 011 - 41709881

**Compliance Officer & Company Secretary**

Mr. Rajesh Kumar Kapila

**Registered Office:**

Swaraj Engines Ltd.  
Phase-IV, Industrial Area  
S.A.S. Nagar (Mohali), Punjab - 160 055.  
Email: selinvestor@swarajenterprise.com

Phone : 0172- 2271620-27  
Fax : 0172- 2272731

**23. Website Address : [www.swarajenterprise.com](http://www.swarajenterprise.com)**

**VIII. Other Disclosures**

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

During FY 2019-20, all transactions entered into with related parties were in the ordinary course of business and on arms length basis. The Company has not entered into any transaction of material nature with the promoters, the directors or the management or their relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are covered at Note 2.29 of the Annual Accounts. Mahindra & Mahindra Limited ("M&M") and Kirloskar Industries Limited ("KIL") are the promoters of the Company and holding 34.76% and 17.43% respectively in the Company. While details of transactions with M&M are available at the aforesaid Note of the Annual Accounts, there was no transaction with KIL other than the payment of dividend of Rs. 1057.17 lakhs during FY 2019-20. The Policy on Materiality of and Dealing with Related Party Transactions approved by the Board of Directors of the Company is available at Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com)

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

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

**C. Whistle Blower Policy**

The Company is committed to conduct its business in accordance with applicable laws, rules and regulations and the

highest standards of business ethics, honesty, integrity and ethical conduct. Towards this end, the Company has adopted a Code of Ethics & Conduct for its employees including Members of the Board of Directors referred to as "the Code" and other Policies as may be applicable from time to time which lays down the principles and standards that should govern the actions of the Company and its Employees. Any actual or potential violation of the Code/Policies, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the Employees in pointing out such violations of the Code/Policies cannot be undermined. Accordingly, the Whistle Blower Policy ("the Policy") has been formulated with a view to provide a mechanism for employees of the Company to approach the Chairman of the Audit Committee of the Company or Chairman of the Company.

All Employees of the Company are eligible to make Protected Disclosures under the Policy. Protected Disclosures may be in relation to matters concerning the Company. Protected Disclosures should be reported in writing and addressed to the Chairman of the Audit Committee of the Company or Chairman of the Company for investigation. During the year under review, no employee has approached the Audit Committee. The details of Whistle Blower Policy are available at the Company's website [www.swarajenterprise.com](http://www.swarajenterprise.com)

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

The Company adopted Indian Accounting Standards (Ind AS) from 1st April, 2016. Accordingly, the financial statements have been prepared in accordance with Ind AS as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Act and other relevant provisions of the Act. The significant accounting policies which are consistently applied are set out under Note 1 of the Annual Accounts.

**E. CEO / CFO Certification**

As required under Regulation 17(8) of the Listing Regulations, Chief Executive Officer and Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2020.

**F. Management Discussion and Analysis Report**

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

**G. Risk Management**

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

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

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

The Company has formulated and adopted the 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' and 'Code of Conduct for Prevention of Insider Trading in Securities of Swaraj Engines Limited' ("SEL Code of Conduct") in compliance with the Listing Regulations.

SEL Code of Conduct has been formulated to regulate, monitor and ensure reporting of trading by the Employees and Connected Persons designated on the basis of their functional role in the Company towards achieving compliance with the Listing Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is applicable. SEL Code of Conduct lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with securities of the Company and cautions them of the consequences of violations.

- I B.K. Khare & Co., Chartered Accountants (Firm Registration No. 105102W) have been appointed as the Statutory Auditors of the Company. The particulars of payment of Statutory Auditors' fees during FY 2019-20 is given below :

(Rs. in Lakhs)

<b>Particulars</b>	<b>Amount</b>
Services as Statutory Auditors (including quarterly limited reviews)	15.00
Tax Audit	2.00
Reimbursement of expenses	0.58

**J. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2018**

Pursuant to the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has set up Internal Complaints Committee to redress the complaints received, if any, regarding sexual harassment.

During the year, no complaint was received.

**IX. Compliance with Mandatory requirements**

The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under the Listing Regulations.

**X. Adoption of the non-mandatory requirements**

**a) Audit Qualifications**

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

**b) Separate Posts of Chairman and CEO**

The Company has separate persons to the post of Chairman and Chief Executive Officer.

**c) Internal Auditor**

The internal auditor reports directly to the Audit Committee.

The Company has not adopted the other non-mandatory requirements as specified in Part E of Schedule II of the Listing Regulations during the year.

**XI. Code of Conduct**

The Company's Board has laid down a well-defined Code of Ethics & Conduct ("the Code") to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company ([www.swarajenterprise.com](http://www.swarajenterprise.com)). All Board Members and Senior Management Personnel have affirmed compliance with this Code. A declaration signed by the Chief Executive Officer to this effect is enclosed at the end of this Report.

S.A.S. Nagar (Mohali), 8th May, 2020

### DECLARATION BY THE CHIEF EXECUTIVE OFFICER UNDER SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To

#### The Members of Swaraj Engines Limited

I, M.S.Grewal, Chief Executive Officer of Swaraj Engines Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2020.

S.A.S. Nagar (Mohali), 8th May, 2020

**M.S. Grewal**  
Chief Executive Officer

### INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

#### To the Members of Swaraj Engines Limited

1. This certificate is issued in accordance with the terms of our engagement with Swaraj Engines Limited ('the Company').
2. We have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2020, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

#### MANAGEMENTS' RESPONSIBILITY

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

#### AUDITOR'S RESPONSIBILITY

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

**OPINION**

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2020.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For B.K. KHARE & CO.**

Chartered Accountants  
Firm Registration No. 105102W

**SHIRISH RAHALKAR**

Partner  
Membership No. 111212

UDIN : 20111212AAAAHY7309

S.A.S. Nagar (Mohali), May 08,2020

[Pursuant to Clause (h) of Sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL

a)	Name(s) of the related party and nature of relationship	Not applicable
b)	Nature of contracts/arrangements/transactions	Not applicable
c)	Duration of the contracts/ arrangements/transactions	Not applicable
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Not applicable
e)	Justification for entering into such contracts or arrangements or transactions	Not applicable
f)	Date(s) of approval by the Board	Not applicable
g)	Amount paid as advances, if any	Not applicable
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	Not applicable

2. Details of material contracts or arrangements or transactions at arm's length basis:

a)	Name(s) of the related party and nature of relationship	Mahindra & Mahindra Limited, Associate Company
b)	Nature of contracts/arrangements/transactions	Sale, purchase, service or supply of goods or materials; availing or rendering of services; leasing of property of any kind, selling or otherwise disposing of or buying property of any kind; or any other transaction in the ordinary course of business and at arm's length.
c)	Duration of contracts/arrangements/transactions	FY 2019-20
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Total value of transactions during FY 2019-20 was Rs. 921.52 crores (excluding dividend paid - Rs.21.08 crores).
e)	Date(s) of approval by the Board, if any	Not applicable
f)	Amount paid as advances, if any	NIL

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)  
Date : 8th May, 2020

(SUDHIR MANKAD)  
Chairman

ANNEXURE – B TO DIRECTORS' REPORT

**DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Sr. No.	Requirements	Disclosure
1	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year.	WTD & CEO - 19.1 Times
2	The percentage increase in remuneration of each Director, CEO, CFO & CS.	WTD & CEO - 6.3% CFO - 8.3% CS - 7.6%
3	The percentage increase in the median remuneration of employees in the financial year.	6.0%
4	The number of permanent employees on the rolls of the company.	There were 360 permanent employees as on 31st March, 2020.
5	Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	Average percentage increase made in the salaries of employees other than the managerial personnel in the financial year 2019-20 was 7.6% whereas the increase in the managerial remuneration for the financial year 2019-20 was 6.9%.
6	Affirmation that the remuneration is as per the remuneration policy of the company	Yes, it is affirmed.

**Notes:**

1. The Independent Directors and two Non-Executive Directors of the Company are entitled to sitting fees and commission as per the statutory provisions and within the limits approved by the Board of Directors and Members. The details of their remuneration are provided in the Corporate Governance Report.
2. Percentage increase in remuneration excludes the perquisite value of ESOP exercised, if any, and production linked incentive, wherever applicable.



**ANNEXURE – C TO DIRECTORS' REPORT**

**Form No. MR-3  
SECRETARIAL AUDIT REPORT  
(FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020)**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
Swaraj Engines Limited,  
Phase IV, SAS Nagar,  
Punjab

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SWARAJ ENGINES LIMITED (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by SWARAJ ENGINES LIMITED ("the Company") for the financial year ended on March 31, 2020, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013.
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
  - c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
  - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018- Not Applicable to the company during the financial year under review.

- e) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018: Not Applicable as there was no instance of Buy-Back during the financial year.
  - f) The erstwhile Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Chapter V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015- Not applicable as the company has not issued any debt securities during the financial year under review.
  - g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client- Not applicable as the company is not registered as Registrar to an Issue and Share Transfer Agent during the financial year under review.
  - h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 including the amendments thereof- Not applicable as the company has not delisted any securities from any stock exchange during the financial year under review.
- (vi) The major provisions and requirements have also been complied with as prescribed under all applicable Labour laws viz. The Factories Act, 1948, The Payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment of Bonus Act, 1965, The Employees Compensation Act, 1923 etc. and rules framed thereunder.
- (vii) Environment Protection Act, 1986 and other environmental laws.
- (viii) Hazardous Waste (Management and Handling) Rules, 1989 and the Amendments Rules, 2003.
- (ix) The Air (Prevention and Control of Pollution) Act, 1981
- (x) The Water (Prevention and Control of Pollution) Act, 1974

I have also examined compliance with the applicable clauses of the following:

- a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- b) The SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 being listed on the National Stock Exchange of India Limited and BSE Limited;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

Based on our examination and the information received and records maintained, I further report that:

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors of the company during the financial year. Upon completion of his current tenure as Whole Time Director and Chief Executive Officer of the Company on 31.03.2020, Mr. Subhash Mago (DIN: 07797207) ceased to be a Director of the company with effect from 01.04.2020.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
3. All decisions are carried through majority, while the dissenting members' views, if any, are captured and recorded as part of the minutes.
4. The company has proper board processes.

## SWARAJ ENGINES LIMITED

Based on the compliance mechanism established by the company and on the basis of the compliance certificate(s) issued by the Company Secretary/ Officers, I am of an opinion that:

1. There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
2. Based on the examination of the relevant documents and records on test check basis the company has complied with the following laws specifically applicable to the company:
  - a) The Gas Cylinder Rules, 1981, Amended 2004
  - b) The Petroleum Act, 1934 and Petroleum Rules, 1976

I further report that during the audit period:

1. The company has allotted 3,295 equity shares of face value of Rs. 10 each pursuant to exercise of stock options by employees under the company's Employee Stock Option Scheme, 2015.
2. Pursuant to Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the company has transferred 2,877 equity shares to the Investor Education and Protection Fund.

I further report that, there were no instances of

- (i) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- (ii) Major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013.
- (iii) Merger / amalgamation / reconstruction etc.
- (iv) Foreign technical collaborations.

For **A. ARORA & CO.**  
Company Secretaries  
AJAY K. ARORA  
(Proprietor)

Place : Chandigarh  
Date : 30.04.2020  
UDIN:F002191B000190808

FCS No. 2191  
C P No.: 993

## ANNEXURE – D TO DIRECTORS' REPORT

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.**

The brief outline of Company's CSR Policy is given below:

a) **CSR Philosophy**

The Company recognises that basic purpose of the business is not only to deliver Commercial Objectives but also to act as a "Socially Responsible Corporate Citizen". Therefore, the Company is committed to improve the quality of life for the Community and Society at large.

The Company strongly believes that Economic, Environmental & Social Performance hang together and blending passion for Corporate performance with compassion for Communities is central to the Company's corporate philosophy and to pursue this, the Company endeavours to make CSR (Corporate Social Responsibility) a key Business Process for sustainable development.

b) **Objective of the CSR Policy**

The objective of this policy is to -

- Promote a unified and strategic approach to CSR across the Company by incorporating under one 'Rise for Good' umbrella the diverse range of its philanthropic giving, identifying select constituencies and causes to work with, thereby ensuring a high social impact.
- Ensure an increased commitment at all levels in the organisation by encouraging employees to participate in the Company's CSR initiatives through employee volunteering programme called Employee Social Options (ESOPs).

c) **CSR Thrust Areas**

The Company will focus its efforts within the constituencies of girls, youth & rural people through programs designed in the domains of education, health and environment. The Company may also make contributions to its Associate Companies' Corporate Foundations/Trusts towards its corpus for projects approved by the Board.

The Company's commitment to CSR will be manifested by investing resources within the broad framework of Schedule VII of the Companies Act, 2013.

The CSR Policy is available at Company's following Web-link :<http://www.swarajenterprise.com/policies>

2. **Composition of the CSR Committee:**

The CSR Committee currently comprises of following Directors:

1. Mr. Sudhir Mankad, Chairman (Independent Director)
2. Mr. Vijay Varma (Non-Independent Director)
3. Mr. Rajesh Jejurikar (Non-Independent Director)
4. Mr. Harish Chavan (Non-Independent Director)

3. **Average net profit of the Company for last three financial years : Rs. 11852.46 Lakhs**4. **Prescribed CSR Expenditure (two per cent of the amount mentioned in item 3 above) : Rs.237.05 Lakhs**5. **Details of the CSR spend for the financial year:**

- a. Total amount to be spent for the financial year: Rs.237.05Lakhs
- b. Amount unspent/unpaid: Nil
- c. Manner in which the amount spent during the financial year is detailed below :

**SWARAJ ENGINES LIMITED**

Sr. No.	Projects / Activities	Sector	Locations	Amount Outlay (Budget) Project or Program-wise	Amount spent on the project or programs	Cumulative Expenditure upto reporting period	Amount spent: Direct or through implementing Agency
			State(s)	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
1.	Contribution to Health Care by providing Equipment/ Infra to PGIMER - APC (Advance Paediatric Centre)/ PICU (Paediatric Intensive Care Unit) and GMCH	Promoting Healthcare	Chandigarh	59.82	59.82	59.82	Direct
2.	Skill Development Centre (in the adopted villages - Kambala & Kambali) in collaboration with Technical Education and Industrial Training Punjab	Promoting Employment Through vocational Skill enhancement	Punjab	27.84	27.84	27.84	Direct
3.	GVK - EMRI medical mobile unit (MMU) - Supporting nearby societies in health care matters by routine diagnosis and distributing medicines	Promoting Healthcare	Punjab	40.18	40.18	40.18	GVK -EMRI
4.	Skill Enhancement at Govt. ITIs (Diesel & Tractor Mechanic) by providing Engines / Infra	Education	Punjab/ Himachal Pradesh/ Haryana	15.94	15.94	15.94	Direct
5.	Misc. Activities/ Initiatives including Support for Covid-19	Covid-19 Support by providing Masks, PPE Kits and related essential items, routine activities comprising of awareness campaigns towards Environment Sustainability/Safety, Blood Donation Camps and other Social Activities for overall goodness of the Society at Large including Women Empowerment	Punjab/ Chandigarh	93.27	95.39	95.39	Direct
		<b>Total</b>		<b>237.05</b>	<b>239.17</b>	<b>239.17</b>	

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance of CSR objectives and Policy of the Company.

M.S. Grewal  
Chief Executive Officer  
8th May, 2020

Sudhir Mankad  
Chairman

**ANNEXURE – E TO DIRECTORS' REPORT**

**BUSINESS RESPONSIBILITY REPORT**

**Section A: General Information about the Company**

1.	Corporate Identity Number (CIN) of the Company	:	L50210PB1985PLC006473
2.	Name of the Company	:	Swaraj Engines Limited
3.	Registered address	:	Phase IV, Industrial Area, S.A.S.Nagar (Mohali), Punjab-160055
4.	Website	:	www.swarajenterprise.com
5.	E-mail id	:	selinvestor@swarajenterprise.com
6.	Financial Year reported	:	2019-20
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	:	Engines & its parts - 29104
8.	List three key products /services that the Company manufactures / provides (as in balance sheet)	:	The Company is engaged in the business of manufacturing Diesel Engines & its components.
9.	Total number of locations where business activity is undertaken by the Company		
	a. Number of International Locations	:	Nil
	b. Number of National Locations	:	1
10.	Markets served by the Company - Local / State / National / International	:	National

**Section B : Financial Details of the Company**

1.	Paid-up Capital (INR)	:	Rs. 12.13 crores
2.	Total Turnover (INR)	:	Rs. 786.08 crores
3.	Total profit after taxes (INR)	:	Rs. 71.04 crores
4.	Total Spending on Corporate Social Responsibility (CSR) in INR and as percentage of profit after tax (%)	:	Rs. 2.39 crores. As per Section 135 of the Companies Act, 2013, the CSR spend is 2.00% of average net profits of the preceding three financial years.
5.	List of activities in which expenditure in 4 above has been incurred	:	a) Promoting employment enhancement vocational skills b) Healthcare c) Environment

**Section C : Other Details**

1. Does the Company have any Subsidiary Company / Companies?

No

2. Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).

Not Applicable

3. Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%].

The Company has long lasting relationships with its suppliers. During the course of their association with the Company, necessary awareness is provided to enable them to adopt sustainable practices. The Company engages its major supplier base (more than 60%) through supplier meet and also appraises them on sustainability.

**Section D : BR Information**

**1. Details of Director / Directors responsible for BR**

- a. Details of Director / Directors responsible for implementation of the BR policy / policies

DIN Number	06890989
Name	Mr. Harish Chavan (w.e.f. 01-04-2020*)
Designation	Director

\*For FY 2019-20: Mr. Subhash Mago (DIN 07797207), Whole-Time Director & Chief Executive Officer.

- b. Details of BR Head

DIN Number (if applicable)	Not Applicable
Name	Mr. Ajay Ghai
Designation	Sr. General Manager
Telephone number	+91 172 2234941-47
e-mail id	ghai.ajay@mahindrasel.com

**2. Principle-wise (as per NVGs) BR Policy / policies**

The Company's Business Responsibility is addressing the following 9 principles as per the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) and the same is supported by the Company's various policies, guidelines & manuals.

Principle 1 ("P1"): Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2 ("P2"): Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3 ("P3"): Businesses should promote the well-being of all employees.

Principle 4 ("P4"): Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5 ("P5"): Businesses should respect and promote human rights.

Principle 6 ("P6"): Business should respect, protect, and make efforts to restore the environment.

Principle 7 ("P7"): Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8 ("P8"): Businesses should support inclusive growth and equitable development.

Principle 9 ("P9"): Businesses should engage with and provide value to their customers and consumers in a responsible manner.

**a. Details of compliance (Reply in Y/N)**

Sr. No.	Questions	P1: Ethics and Transparency	P2: Product Responsibility	P3: Well-being of employees	P4: Responsiveness to stakeholder	P5: Respect Human Rights	P6: Environmental responsibility	P7: Public policy advocacy	P8: Support inclusive growth	P9: Engagement with customers
1.	Do you have a policy / policies for BRR	Y	Y Note 1	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?	N Note 2	N Note 2	N Note 2	N Note 2	N Note 2	N Note 2	N Note 2	N Note 2	N Note 2
3.	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	NA Note 3	Y	Y
4.	Has the policy been approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y Note 4	N Note 4	N Note 4	N Note 4	N Note 4	N Note 4	N Note 4	N Note 4	N Note 4
5.	Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online ?	Y Note 5	Y Note 5	Y Note 5	Y Note 5	Y Note 5	Y Note 5	Y Note 5	Y Note 5	Y Note 5
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy / policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Y	Y	Y	Y	Y Note 6	Y	NA Note 3	Y	Y
10.	Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Y Note 7	Y Note 7	Y Note 7	Y Note 7	Y Note 7	Y Note 7	Y Note 7	Y Note 7	Y Note 7

Note 1: The Company complies with consumers' awareness through appropriate product labelling and operator manual & instructions supplied along with the final product (tractor) which ensure safe usage by the customer. However, Company's current control is limited till warranty period.

Note 2: While there is no formal consultation with all stakeholders, the relevant policies have evolved over a period of time by taking inputs from concerned internal stakeholders.

Note 3: This question is not applicable for influencing public and regulatory policy.

Note 4: The Code of Conduct for Directors & Employees of the Company is approved by the Board and the other relevant policies are issued by Director/CEO or being the group company of Mahindra & Mahindra Ltd., related policies for the group are referred.



Note 5: While the Code of Conduct for Directors & Employees of the Company, the Whistle Blower Policy and the Corporate Social Responsibility ("CSR") Policy are uploaded on the Company's website at <http://www.swarajenterprise.com/> policies, being a group company of Mahindra & Mahindra Ltd., other related policies for the group are available through its intranet site for information and implementation by respective internal stakeholders.

Note 6: The Company has a Whistle Blower Policy to address grievances.

Note 7: The execution of BR policies is overseen through internal processes, and Management/ Board oversight.

b. If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options) - Not Applicable

### 3. Governance related to BR:

a. **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO meet to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year:**

The Director/CEO reviews BR performance of the Company periodically during a period of 3-6 months.

b. **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company is publishing the BR Report for the first time and the same will be available on the website of the Company at [www.swarajenterprise.com](http://www.swarajenterprise.com).

## Section E : Principle-wise Performance

### Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

The Company has a Code of Conduct for Directors and all employees of the Company that covers issues, inter alia, related to ethics and bribery. It also covers all dealings with business associates. Affirmation on compliance with the Code of Conduct is taken from the Board and the Senior Management on an annual basis.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

During the reporting year, 31 complaints were received from the shareholders, all of which were attended to/resolved till date. These complaints pertain to non-receipt of dividend warrants, non-receipt of share certificates, non-receipt of Annual Report, etc.

### Principle 2: Businesses should provide goods & services that are safe and contribute to sustainability throughout their life cycle.

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.**

The Company is primarily manufacturing diesel engines for fitment into "Swaraj" tractors being manufactured by Mahindra & Mahindra Ltd. ("M&M") and is currently supplying diesel engines in the range of 20 HP to 60 HP. The Company believes in developing sustainable products with optimum use of resources over the life-cycle of the product. The Company is committed to provide quality products having highest level of safety and environment friendliness. The Company's products are designed by giving due consideration to various environmental norms including emissions/noise regulations. The Company is having ISO 9001 : 2015 (Quality Management System), ISO 14001 : 2015 (Environment Management System), ISO 50001 : 2011 (Energy Management System) and ISO 45001 : 2018 (OHSAS) certifications.

2. **For each such product / service, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

- i. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

The resource use is monitored per unit of equivalent engine manufactured. Performance for current and previous year on Specific Energy Consumption and Specific Water Consumption during production is appended below:

Resource Use	Unit of Measurement	Current Year 2019-20	Previous Year 2018-19
Specific Energy Consumption	Engines per GJ (Giga Joule)	2.505	2.524
Specific Water Consumption	KL/Engines	0.477	0.480

- ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Due to constant focus on fuel efficiency, there would be a reduction of energy by consumers. However, tracking of such reduction is not feasible as it is highly dependent on individual customers driving habits/usage of the end product i.e. tractor.

- 3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably ? Also, provide details thereof, in about 50 words or so.**

The Company's sourcing practices are focussed towards optimizing logistics, returnable packaging to minimize waste and maximize re-use. The Company takes steps to ensure that its sourcing methods are sustainable. The Company's material procurement, majority of parts, is done within the country itself and majority of suppliers are located near to the Company's manufacturing location (within a radius of around 250 KMs) apart from Proprietary Part Suppliers which are common across industry. For any New Part Introduction, Production Part Approval Process (PPAP) is in place before start of the volume production (SOVP). Also supplier audits are conducted on selective basis every year to assess health check of supplier base. Supplier evaluation system is in place for inducting any new supplier. Continuous engagement with suppliers is ensured through supplier meets, business reviews etc.

- 4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

The Company has a practice of purchasing goods and services from local suppliers. The material sourcing, for majority of parts, is done within the country. The major factors influencing selection of Local Suppliers are price competitiveness & inventory management. The purchasing group shares its annual production plans with suppliers. The suppliers are provided need based, managerial and technical assistance to train them on practices and procedures that will ensure improvements in Productivity, Quality, Cost, Delivery, Safety and Moral (PQCDSM). Necessary assessments and technical support for special processes is provided during new product developments & VAVE activities.

- 5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

It is the Company's ongoing endeavour to have a mechanism to recycle products and limit the waste arising out of production of engines. Majority of the Company's suppliers are supplying material into returnable packaging. The waste generated during machining of components is recycled by supplying the same to the Foundry of Mahindra & Mahindra Ltd.-Swaraj Division. Other scrap generated is disposed off through authorised scrap dealers.

**Principle 3: Businesses should provide well-being of employees.**

- Total number of employees: 762
- Total number of employees hired on temporary/third party contractual / casual basis: 419
- Number of permanent woman employees: 4

4. Number of permanent employees with disabilities: 3
5. Do you have an employee association that is recognized by management: Yes
6. What percentage of your permanent employees is members of this recognized employee association (Total Unionized Permanent Workmen/Total Permanent Workmen): 36.08%
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, and sexual harassment in the last financial year and pending, as on the end of the financial year.

Sr. No.	Category	No. of complaints filed during the financial year 2019-20	No. of complaints pending as on end of the financial year 2019-20
1.	Child labour/forced labour/involuntary labour	Nil	NA
2.	Sexual harassment	Nil	NA
3.	Discriminatory employment	Nil	NA

8. What percentage of your undermentioned employees were given safety & skill upgradation training in the last year?
  - (a) Permanent Employees: 92%
  - (b) Permanent Women Employees: 100%
  - (c) Casual / Temporary / Contractual Employees: 100%
  - (d) Employees with Disabilities: 100%

**Note:** Employees related data is as on 31-03-2020.

**Principle 4: Businesses should respect the interest of, and be responsive towards all stakeholders, especially those that are disadvantaged, vulnerable and marginalized.**

1. Has the Company mapped its internal and external stakeholders? Yes / No  
Yes
2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?  
The Company identifies such sections, if any, amongst the stakeholders and takes efforts to address their concerns.
3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.  
The Company has identified avenues to be meaningfully engaged with the communities through structured projects for improving their livelihood through education, skill based trainings as well as health awareness programs. Under its Corporate Social Responsibility (CSR), the Company has been driving various projects to uplift the marginalized and vulnerable community. Details of key CSR initiatives have been elaborated under Principle 8.

**Principle 5: Businesses should respect and promote Human Rights.**

1. Does the policy of the Company on human rights cover only the Company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?  
The Company respects human rights value and its efforts are directed towards adherence to applicable laws and to uphold the spirit of human right. The Company's policies inter alia Code of Conduct, Whistle Blower Policy and Policy on Prevention of Sexual Harassment at Workplace ensures that any of its violations are addressed objectively. The Company also engages its suppliers to adhere applicable regulations related to human rights.

2. How many stakeholder complaints have been received in the past financial year and what per cent was satisfactorily resolved by the management?

No complaint was received during FY 2019-20.

**Principle 6: Business should respect, protect and make efforts to restore the environment.**

1. Does the policy related to Principle 6 cover only the Company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others.

The Company has a Sustainability Policy which covers responsibility to the environment.

2. Does the Company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc.? Y / N. If yes, please give hyperlink for webpage etc.

The Company's endeavour is to reduce carbon emissions, water consumption and increase in the use of renewable energy and enhance recycling of waste. The indicative list of various projects implemented in this regard is as under:

Energy Savings:

- Water cooled air dryer is replaced with air cooled dryer. Accordingly, now there is no need to run cooling towers while running of dryer, thereby saving in power consumption and carbon footprints.
- Energy efficient cooling tower has been installed for upcoming CRDI engine testing.

Water Savings:

- Ultra filtration of ETP discharge and its usage in lavatories leading to reduction in ground water extraction.

Waste Reduction:

- Introduction of online cleaning process of hydraulic oil resulting into reduction of its replenishment frequency.

3. Does the Company identify and assess potential environmental risks? Y / N

Yes

4. Does the Company have any project related to Clean Development Mechanism (CDM)? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

The Company does not have any CDM project at present.

5. Has the Company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc.? Y / N. If yes, please give hyperlink for web page etc.

Yes and the same are as stated under Sr. No. 2 above mentioned under Principle 6.

6. Are the Emissions / Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?

Yes

7. Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

Nil

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.**

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

While the Company is not having any direct membership of any trade/chamber/ association, as a group company of Mahindra & Mahindra Limited (M&M), its interests are represented through M&M who is holding membership in various trade associations including The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII), Employers' Federation of India (EFI), FICCI, Society of Indian Automobile Manufacturers (SIAM) and Tractor Manufacturer's Association (TMA).

2. Have you advocated / lobbied through above associations for the advancement or improvement of public good? Yes / No; if yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others).

The Company contributes through M&M when views are solicited on the related matters.

**Principle 8: Businesses should support inclusive growth and equitable development.**

1. Does the company have specified programs / initiatives/ projects in pursuit of the policy related to Principle 8? If yes, details thereof.

The Company has initiated various programs for inclusive growth and equitable development which include promoting employment enhancement vocational skills, health and environment. In accordance with the Companies Act, 2013, the Company has committed 2% (PBT), towards CSR initiatives and the major initiatives undertaken by the Company during FY 2019-20 are as under:

- (i) Skill Development Centre in collaboration with Technical Education and Industrial Training, Punjab
  - (ii) Medical Mobile Unit (MMU) in collaboration with GVK-EMRI to support nearby societies in health care matters by routine diagnosis and distributing medicines
  - (iii) Swachh Bharat Program in two nearby adopted villages in association with respective Gram Panchayats
  - (iv) Contribution to Health Care by providing Equipment/Infra to PGIMER - APC (Advance Paediatric Centre)/ PICU (Paediatric Intensive Care Unit) and GMCH, Chandigarh
  - (v) Skill Enhancement at Govt. ITIs (Diesel & Tractor Mechanic) by providing Engines / Infra
  - (vi) Covid-19 support by providing Masks, PPE Kits and related essential items
  - (vii) Other activities comprising of awareness campaigns towards Environment Sustainability / Safety, Blood Donation Camps etc.
2. Are the programs / projects undertaken through in-house team / own foundation / external NGO/ government structures / any other organization?

CSR initiatives are implemented either directly by the Company or through implementing partners which include NGOs having an established track record in carrying on the specific activity.

3. Have you done any impact assessment of your initiative?

The Company is carrying impact assessment of major projects every year.

4. What is your company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?

The Company's contribution to community development projects amounts to approximately Rs. 2.39 crores during the Financial Year 2019-20. Details of some of the major initiatives by the Company in FY 20 are given in Point 1 above.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

While implementing CSR projects, it is Company's endeavour that the initiative is successfully adopted and owned by the community. Below are few examples of the same:

Skill Development Centre: Out of 262 youth trained, about 60% also got placements

Medical Mobile Unit (MMU): Medical examination of 22397 people carried out

Swachh Bharat Program: Door-to-door garbage collection, maintenance of drainage, cleaning of roads, maintenance of public toilets etc. for over 15000 households in two adopted villages

Medical Equipments to Govt. Hospitals: For the treatment of public at large

Providing engines to Govt. ITIs: Approx. 250-300 students being imparted practical training through working models in each ITI

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

1. What percentage of customer complaints / consumer cases are pending as on the end of financial year.

The Company manufactures engines with highest standards of inbuilt quality for fitment into various Swaraj brand tractors models manufactured by Mahindra & Mahindra Ltd. (M&M). In case any customer complaint related to engines fitted in these tractors is received by M&M, details of the same are shared with the Company for its suitable redressal. During FY 2019-20, 171 complaints were received and all were duly resolved.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes / No / N.A. / Remarks (additional information)

Product information as per mandatory requirements is displayed on product label.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

Nil

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

No

**ANNEXURE – F TO DIRECTORS' REPORT**

**Particulars as per the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2020**

**A. CONSERVATION OF ENERGY:**

(a) Steps taken for conservation of energy:

Although the activities of the Company are not energy-intensive, necessary measures are taken to contain and bring about savings in energy consumption through improved operational methods.

The following projects towards energy conservation were taken during the year:

- Water cooled air dryer is replaced with air cooled dryer. Accordingly, now there is no need to run cooling towers while running of dryer, thereby saving in power consumption and carbon footprints.
- Energy efficient cooling tower has been installed for upcoming CRDI engine testing.

(b) Steps taken by the company for utilising alternate sources of energy: The Company is exploring potential of using alternate source of energy which may be considered for implementation in future.

(c) Capital investment on energy conservation equipments: Rs. 19 lakhs on various energy conservation projects.

Above initiatives besides being energy efficient are also environment friendly.

Overall annualized savings for the year - Rs. 2.5 lakhs.

**B. TECHNOLOGY ABSORPTION:**

(a) The efforts made towards technology absorption:

- Upgradation of engines to meet upcoming TREM IV emission norms for >50 HP engines is under progress and is currently at extended field testing stage. Certificate obtained from appropriate Authority.
- Successful development and commercialization of 4WD variants of 20-30 HP engines.
- Successful development and commercialization of 4WD version of remaining variants of 40-50 HP engines.
- Successful development of upgraded 40-50 HP engine series.
- Successful development of 65 HP Turbocharged engine.

During the year under review, the Company is also constantly working on value engineering with focused efforts towards reducing the cost of ownership for customers.

(b) Benefits derived as a result of the above efforts: Expansion of product range, increased fuel efficiency and getting ready for upcoming regulatory requirements.

(c) While no technology has been imported in the recent past, the Company has gone for high technology imported machines which helped to enhance the overall productivity and reduction in rework / rejection.

(d) Expenditure on R&D: The Company spent revenue expenditure of Rs. 3.16 crores on Research & Development work during the year, which was 0.4% of the total turnover.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

During the year, while there were no exports/foreign exchange earnings, foreign exchange outgo during the year stands at Rs.0.24 crores (previous year - Rs.18.55 crores).

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)

Date : 8th May, 2020

(SUDHIR MANKAD)

Chairman

**ANNEXURE – G TO DIRECTORS' REPORT**

**EXTRACT OF ANNUAL RETURN**

**as on the financial year ended on 31.03.2020**

[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**FORM NO. MGT - 9**

**I. Registration and Other Details**

CIN	L50210PB1985PLC006473
Registration Date	24-09-1985
Name of the Company	Swaraj Engines Limited
Category / Sub-Category of the Company	Public Limited Company
Address of the Registered Office and contact details	Phase IV, Industrial Area, S.A.S. Nagar (Mohali) Punjab - 160055 Tel. No. 0172-2271620-27
Whether listed company	Yes
Name, address and contact details of Registrar and Transfer Agent, if any	M/s MCS Share Transfer Agent Limited F-65, 1st Floor, Okhla Industrial Area, Phase I, New Delhi - 110020 Tel No. 011-41406149

**II. Principal Business Activities of the Company**

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated:

Name and Description of main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
Engines & its parts	29104	100%

**III. Particulars of Holding, Subsidiary and Associate Companies**

Name and address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
Mahindra & Mahindra Limited	L65990MH1945PLC004558	Associate	34.76	2(6)



**IV. Share Holding Pattern (Equity Share Capital Break-up as percentage of Total Equity)**
**(i) Category-wise Share Holding**

Category of Shareholders	No. of shares held at the beginning of the year (as on 01-04-2019)				No. of shares held at the end of the year (as on 31-03-2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individuals/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	6153555	-	6153555	50.73	6331141	-	6331141	52.19	1.46
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other...	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(1):</b>	<b>6153555</b>	<b>-</b>	<b>6153555</b>	<b>50.73</b>	<b>6331141</b>	<b>-</b>	<b>6331141</b>	<b>52.19</b>	<b>1.46</b>
<b>(2) Foreign</b>									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(2):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Shareholding of Promoters (A)=(A)(1)+(A)(2)</b>	<b>6153555</b>	<b>-</b>	<b>6153555</b>	<b>50.73</b>	<b>6331141</b>	<b>-</b>	<b>6331141</b>	<b>52.19</b>	<b>1.46</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Fund	1346226	-	1346226	11.10	1247367	-	1247367	10.28	-0.82
b) Banks / FI	5372	-	5372	0.04	-	-	-	-	-0.04
c) Central Govt. (IEPF)	56706	-	56706	0.47	59583	-	59583	0.49	0.02
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	9290	-	9290	0.08	10437	-	10437	0.09	0.01
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
- Foreign Portfolio Investors	317568	-	317568	2.62	142500	-	142500	1.17	-1.45
- Alternate Investment Funds	-	-	-	-	2500	-	2500	0.02	0.02
<b>Sub-Total (B)(1):</b>	<b>1735162</b>	<b>-</b>	<b>1735162</b>	<b>14.31</b>	<b>1462387</b>	<b>-</b>	<b>1462387</b>	<b>12.05</b>	<b>-2.26</b>

Category of Shareholders	No. of shares held at the beginning of the year (as on 01-04-2019)				No. of shares held at the end of the year (as on 31-03-2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	617504	–	617504	5.09	677368	–	677368	5.58	0.49
ii) Overseas	600	–	600	0.01	600	–	600	0.01	–
b) Individuals									
i) Individual Shareholders holding nominal share capital upto Rs.1 lakh	2417891	75232	2493123	20.56	2422295	62832	2485127	20.48	-0.08
ii) Individual Shareholders holding nominal share capital in excess of Rs.1 lakh	852710	–	852710	7.03	854940	–	854940	7.05	0.02
c) Others (specify)									
i) Trusts & Foundations	54900	–	54900	0.45	53250	–	53250	0.44	-0.01
ii) NRIs	221332	–	221332	1.82	267368	–	267368	2.20	0.38
<b>Sub-Total (B)(2):</b>	<b>4164937</b>	<b>75232</b>	<b>4240169</b>	<b>34.96</b>	<b>4275821</b>	<b>62832</b>	<b>4338653</b>	<b>35.76</b>	<b>0.80</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>5900099</b>	<b>75232</b>	<b>5975331</b>	<b>49.27</b>	<b>5738208</b>	<b>62832</b>	<b>5801040</b>	<b>47.81</b>	<b>-1.46</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	–	–	–	–	–	–	–	–	–
<b>Grand Total(A+B+C)</b>	<b>12053654</b>	<b>75232</b>	<b>12128886</b>	<b>100.00</b>	<b>12069349</b>	<b>62832</b>	<b>12132181</b>	<b>100.00</b>	<b>–</b>

**(ii) Shareholding of Promoters**

Shareholder's Name	Shareholding at the beginning of the year (as on 01-04-2019)			Shareholding at the end of the year (as on 31-03-2020)			% change in shareholding during the year
	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	
Mahindra & Mahindra Ltd.	4039206	33.30	–	4216792	34.76	–	1.46
Kirloskar Industries Ltd.	2114349	17.43	–	2114349	17.43	–	–
<b>Total</b>	<b>6153555</b>	<b>50.73</b>	<b>–</b>	<b>6331141</b>	<b>52.19</b>	<b>–</b>	<b>1.46</b>

**(iii) Change in Promoters Shareholding**

Particulars	Shareholding at the beginning of the year (as on 01-04-2019)		Increase/Decrease in No. of shares	Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
	No. of shares	% of total shares of the Company		No. of shares	% of total shares of the Company
At the beginning of the year – As on 01-04-2019	6153555	50.73			
Purchase			177586	6331141	52.19
At the end of the year - As on 31-03-2020			177586	6331141	52.19

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

Name of Shareholder	Shareholding at the beginning of the year (as on 01-04-2019)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
1. DSP Small Cap Fund	415171	3.42	60000 82911 104284 1541 13888 12511 29025	05-04-2019 11-10-2019 25-10-2019 28-02-2020 06-03-2020 13-03-2020 20-03-2020	719331	5.93
2. ICICI Lombard General Insurance Company Ltd.	149982	1.24	14807 25000	22-11-2019 29-11-2019	189789	1.56
3. L&T Mutual Fund Trustee Limited -L&T Emerging Businesses Fund	226715	1.87	(43042)	22-11-2019	183673	1.51
4. Vikram Chinubhai Shah & Rashmi Vikram Shah	176000	1.45	1000 800	08-11-2019 27-03-2020	177800	1.47
5. Reeta Keyur Parikh	172610	1.42	1	31-12-2019	172611	1.42
6. SBI Magnum Midcap Fund	156075	1.29	-	-	156075	1.29
7. Nihar Nandan Nilekani	-	-	115444	10-01-2020	115444	0.95
8. Keyur H Parikh	112417	0.93	1	31-12-2019	112418	0.93

Name of Shareholder	Shareholding at the beginning of the year (as on 01-04-2019)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
9. HDFC Trustee Company Ltd A/C - HDFC Children's Gift Fund - I	108669	0.90	-	-	108669	0.90
10. Vikram Advisory Services Private Limited	103500	0.85	1500 2000 1175	15-11-2019 06-12-2019 13-12-2019	108175	0.89

\* Reason for Change in Shareholding is Transfer.

**Notes:**

- Shareholding is consolidated based on Permanent Account Number (PAN) of the shareholder.
- Top ten shareholders of the Company as on 31st March, 2020 has been considered for the above disclosure.

**(v) Shareholding of Directors and Key Managerial Personnel**

Name of Director and KMP	Shareholding at the beginning of the year (as on 01-04-2019)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
<b>Directors</b>						
1. Mr. Subhash Mago, Whole-Time Director and Chief Executive Officer	714	0.006	(300) (246) 714	10-05-2019 17-05-2019 13-12-2019 ^	882	0.007
<b>KMPs</b>						
1. Mr. Rajinder Arora, CFO	249	0.002	(57)	31-05-2019	192	0.002

\* Reason for Change in Shareholding is Transfer.

^ Allotment of shares under the Company's Employee Stock Option Scheme.

## SWARAJ ENGINES LIMITED

### V. Indebtedness

The Company has not availed any loan during the year and is debt free Company.

### VI. Remuneration of Directors and Key Managerial Personnel

#### A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:

(Rs. in Lakhs)

S. No.	Particulars of Remuneration	Mr. Subhash Mago Whole Time Director & Chief Executive Officer	Total Amount
1	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	146.07	146.07
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	1.60	1.60
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2	Stock Option*	7.91	7.91
3	Sweat Equity	–	–
4	Commission		
	- as % of profit	–	–
	- others	–	–
5	Others (Contribution to Provident Fund)	3.37	3.37
	<b>Total (A)</b>	<b>158.95</b>	<b>158.95</b>

\*Excludes:

- 2143 stock options granted by the Company which will be vested and become due for exercise in the subsequent period.
- Stock options from Associate Company - Mahindra & Mahindra Limited.

#### B. Remuneration to other Directors:

##### 1. Independent Directors

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors			Total Amount
	Mr. Sudhir Mankad	Mr. Dileep C. Choksi	Mrs. Neera Saggi	
- Fee for attending Board/ Committee Meetings	5.20	5.05	4.00	14.25
- Commission	5.00	5.00	5.00	15.00
- Others	–	–	–	–
<b>Total (B)(1)</b>	<b>10.20</b>	<b>10.05</b>	<b>9.00</b>	<b>29.25</b>

**2. Other Non-Executive Directors**

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors		Total Amount
	Mr. R.R. Deshpande	Mr. Vijay Varma	
- Fee for attending Board/Committee Meetings	2.50	2.80	5.30
- Commission	5.00	5.00	10.00
- Others	-	-	-
<b>Total (B)(2)</b>	<b>7.50</b>	<b>7.80</b>	<b>15.30</b>
<b>Total (B)= (B)(1)+ (B)(2)</b>			<b>44.55</b>

**Note:** Remuneration paid to the directors is well within the limit prescribed in the Companies Act, 2013.

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

(Rs. in Lakhs)

S. No.	Particulars of Remuneration	Mr. M.S. Grewal Company Secretary	Mr. Rajinder Arora CFO	Total Amount
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	8.63	42.94	51.57
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	0.20	0.97	1.17
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option*	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others	-	-	-
5	Others (Contribution to Provident Fund)	0.28	1.59	1.87
	<b>Total (C)</b>	<b>9.11</b>	<b>45.50</b>	<b>54.61</b>

\*Excludes stock options from Associate Company – Mahindra & Mahindra Limited.

**VII. Penalties / Punishment / Compounding of Offences**

There were no penalties / punishment / compounding of offences for the year ended 31st March, 2020.

# SWARAJ ENGINES LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2020

(Rs. in Lakhs)

Particulars	Note	2020	2019
<b>I ASSETS</b>			
<b>Non-Current Assets</b>			
(a) Property, Plant and Equipment	2.1	10232.82	10836.81
(b) Capital Work-in-Progress	-	401.86	200.60
(c) Investment Property	2.2	23.12	23.64
(d) Intangible Assets	2.3	92.96	139.37
(e) Other Non-current Assets	2.4	469.79	777.02
<b>Total Non-Current Assets</b>		<b>11220.55</b>	<b>11977.44</b>
<b>Current Assets</b>			
(a) Inventories	2.5	3700.98	4743.97
(b) Financial Assets			
(i) Investments	2.6	11108.00	8382.70
(ii) Trade Receivables	2.7	414.25	1873.98
(iii) Cash and Cash Equivalents	2.8	224.22	271.39
(iv) Other Bank Balances	2.8	1595.20	2922.58
(v) Other Financial Assets	2.9	5319.50	4592.28
(c) Other Current Assets	2.10	1920.88	1863.91
<b>Total Current Assets</b>		<b>24283.03</b>	<b>24650.81</b>
<b>TOTAL ASSETS</b>		<b>35503.58</b>	<b>36628.25</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity Share Capital	2.11	1213.22	1212.89
(b) Other Equity (Refer SOCE)		22376.23	22585.36
<b>Total Equity</b>		<b>23589.45</b>	<b>23798.25</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
(a) Long Term Provisions	2.12	428.64	397.63
(b) Deferred Tax Liabilities (Net)	2.13	459.76	716.17
<b>Total Non-Current Liabilities</b>		<b>888.40</b>	<b>1113.80</b>
<b>Current Liabilities</b>			
(a) Financial Liabilities			
(i) Trade Payables	2.14		
– Total Outstanding dues of micro and small enterprises		1867.82	1721.39
– Total Outstanding dues of other than micro and small enterprises		8047.27	8693.73
(ii) Other Financial Liabilities	2.15	519.81	762.70
(b) Short term Provisions	2.16	483.51	416.68
(c) Other Current Liabilities	2.17	107.32	121.70
<b>Total Current Liabilities</b>		<b>11025.73</b>	<b>11716.20</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35503.58</b>	<b>36628.25</b>
<b>Significant Accounting Policies</b>	1		
<b>Notes on Accounts</b>	2		

As per our report of even date attached

The Notes referred to above form an integral part of these financial statements

For B.K. KHARE & CO.  
Chartered Accountants  
Firm Registration No.105102W

FOR AND ON BEHALF OF THE BOARD

SHIRISH RAHALKAR  
Partner  
Membership No. 111212

RAJINDER ARORA  
Chief Financial Officer

M.S. GREWAL  
Chief Executive Officer

SUDHIR MANKAD  
Chairman

RAJESH K. KAPILA  
Company Secretary

S.A.S. Nagar (Mohali), 8th May, 2020

S.A.S. Nagar (Mohali), 8th May, 2020

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2020**

(Rs. in Lakhs)

Particulars	Note	2020	2019
<b>Revenue from Operations</b>	2.18	<b>77329.57</b>	87173.72
Other Income	2.19	<b>1277.99</b>	1538.11
<b>Total Income</b>		<b>78607.56</b>	88711.83
<b>EXPENSES</b>			
Cost of Raw Materials Consumed	2.20	<b>58315.61</b>	66522.63
Changes in stock of Finished Goods and Work-in-Progress	2.21	<b>930.57</b>	(865.42)
Employee Benefits Expense	2.22	<b>4178.14</b>	3927.97
Finance Costs	2.23	<b>1.42</b>	9.09
Depreciation and Amortisation Expense	2.1, 2.2 & 2.3	<b>2013.22</b>	1953.83
Other Expenses	2.24	<b>3861.35</b>	4423.91
<b>Total Expenses</b>		<b>69300.31</b>	75972.01
<b>Profit Before Exceptional Items and Tax</b>		<b>9307.25</b>	12739.82
Exceptional Items		<b>-</b>	-
<b>Profit Before Tax</b>		<b>9307.25</b>	12739.82
<b>Tax Expense</b>			
(1) Current tax	2.13	<b>2466.82</b>	4360.74
(2) Deferred tax	2.13	<b>(263.79)</b>	137.00
<b>Total Tax Expense</b>		<b>2203.03</b>	4497.74
<b>Profit After Tax</b>		<b>7104.22</b>	8242.08
<b>Other Comprehensive Income</b>		<b>(43.45)</b>	(14.42)
A (i) Items that will not be reclassified to profit and loss		<b>(58.06)</b>	(22.16)
(ii) Income tax related to above		<b>14.61</b>	7.74
B (i) Items that may be reclassified to profit and loss		<b>-</b>	-
(ii) Income tax related to above		<b>-</b>	-
<b>Total Comprehensive Income for the period</b>		<b>7060.77</b>	8227.66
<b>Earning per Equity Share :</b>			
(1) Basic Earning Per Share	2.25	<b>58.57</b>	67.96
(2) Diluted Earning Per Share	2.25	<b>58.53</b>	67.91
<b>Significant Accounting Policies</b>	1		
<b>Notes on Accounts</b>	2		

As per our report of even date attached

 For B.K. KHARE & CO.  
 Chartered Accountants  
 Firm Registration No.105102W

 SHIRISH RAHALKAR  
 Partner  
 Membership No. 111212

 RAJINDER ARORA  
 Chief Financial Officer

 M.S. GREWAL  
 Chief Executive Officer

 RAJESH K. KAPILA  
 Company Secretary

The Notes referred to above form an integral part of these financial statements

FOR AND ON BEHALF OF THE BOARD

 SUDHIR MANKAD  
 Chairman

S.A.S. Nagar (Mohali), 8th May, 2020

S.A.S. Nagar (Mohali), 8th May, 2020



**STATEMENT OF CHANGES IN EQUITY (SOCE) FOR THE YEAR ENDED 31ST MARCH, 2020**
**A. Changes in Equity Share Capital**

(Rs. in Lakhs)

Particulars	2020	2019
Outstanding at the beginning	1212.89	1212.67
Add : Shares issued on exercise of employee stock options	0.33	0.22
Outstanding at the end	1213.22	1212.89

**B. Changes in Other Equity**

For the year ended 31st March, 2020

(Rs. in Lakhs)

Particulars	Reserves and Surplus							Total
	Retained Earnings	General Reserve	Securities Premium	Capital Reserve	Capital Redemption Reserve	Other Reserve- Employee Stock Option Outstanding Reserve	Other Comprehensive Income- Actuarial Gain/(Loss)	
As at 1st April 2019	13571.59	8922.86	35.66	0.05	29.47	60.60	(34.87)	22585.36
Profit / (Loss) for the Year	7104.22	-	-	-	-	-	(43.45)	7060.77
Dividend paid on Equity Shares	(6064.44)	-	-	-	-	-	-	(6064.44)
Dividend Distribution Tax	(1246.56)	-	-	-	-	-	-	(1246.56)
Options exercised during the period	-	-	34.59	-	-	(34.59)	-	-
Options forfeited/lapsed during the year	-	-	-	-	-	(1.12)	-	(1.12)
Options expensed during the period	-	-	-	-	-	42.22	-	42.22
As at 31st March, 2020	13364.81	8922.86	70.25	0.05	29.47	67.11	(78.32)	22376.23

## SWARAJ ENGINES LIMITED

For the year ended 31st March, 2019

(Rs. in Lakhs)

Particulars	Reserves and Surplus							Total
	Retained Earnings	General Reserve	Securities Premium	Capital Reserve	Capital Redemption Reserve	Other Reserve- Employee Stock Option Outstanding Reserve	Other Comprehensive Income- Actuarial Gain/(Loss)	
As at 1st April, 2018	12639.19	8922.86	13.25	0.05	29.47	52.91	(20.45)	21637.28
Profit / (Loss) for the Year	8242.08	–	–	–	–	–	(14.42)	8227.66
Dividend paid on Equity Shares	(6063.34)	–	–	–	–	–	–	(6063.34)
Dividend Distribution Tax	(1246.34)	–	–	–	–	–	–	(1246.34)
Options exercised during the period	–	–	22.41	–	–	(22.41)	–	–
Options forfeited/lapsed during the year	–	–	–	–	–	(4.01)	–	(4.01)
Options expensed during the period	–	–	–	–	–	34.11	–	34.11
<b>As at 31st March, 2019</b>	<b>13571.59</b>	<b>8922.86</b>	<b>35.66</b>	<b>0.05</b>	<b>29.47</b>	<b>60.60</b>	<b>(34.87)</b>	<b>22585.36</b>

As per our report of even date attached

For B.K. KHARE & CO.  
Chartered Accountants  
Firm Registration No.105102W

SHIRISH RAHALKAR  
Partner  
Membership No. 111212

S.A.S. Nagar (Mohali), 8th May, 2020

FOR AND ON BEHALF OF THE BOARD

RAJINDER ARORA  
Chief Financial Officer

M.S. GREWAL  
Chief Executive Officer

RAJESH K. KAPILA  
Company Secretary

SUDHIR MANKAD  
Chairman

S.A.S. Nagar (Mohali), 8th May, 2020

## **1. COMPANY'S OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES**

### **1.1 Company's Overview**

Swaraj Engines Limited (SEL) is a public limited company incorporated and domiciled in India. SEL has its works / principal place of business at Plot No. 2, Phase-IX, Industrial Area, S.A.S. Nagar (Mohali), Punjab, India and registered office at Phase-IV, Industrial Area, S.A.S. Nagar (Mohali), Punjab, India.

SEL is in the business of manufacturing diesel engines and hi-tech engine components. Diesel Engines are specifically designed for tractor application.

The Shares of the Company are listed on both BSE Limited and National Stock Exchange of India Limited.

### **1.2 Basis of Preparation and Presentation**

These financial statements are prepared in accordance with Indian Accounting Standards ('Ind AS') under the historical cost convention on the accrual basis except for certain financial instruments, which are measured at fair values. The financial statements of the Company have been prepared to comply with the Indian Accounting Standards ('Ind AS'), including the rules notified under the relevant provisions of the Companies Act, 2013.

The financial statements are approved by the Company's Board of Directors and authorised for issue on 8th May, 2020.

### **1.3 Current and Non-Current Classification**

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- i) expected to be realised or intended to be sold or consumed in normal operating cycle,
- ii) held primarily for the purpose of trading,
- iii) expected to be realised within twelve months after the reporting period,
- iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, or
- v) carrying current portion of non-current financial assets.

All other assets are classified as non-current.

A liability is current when:

- i) it is expected to be settled in normal operating cycle,
- ii) it is held primarily for the purpose of trading,
- iii) it is due to be settled within twelve months after the reporting period,
- iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period, or
- v) it includes current portion of non-current financial liabilities. All other liabilities are classified as non-current.

### **1.4 Property, Plant and Equipment**

- i) Property, plant and equipment are stated at cost of construction or acquisition, less accumulated depreciation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.
- ii) 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.

- iii) Depreciation on Tangible Assets (except Land) is provided on Straight Line Method, pro-rata monthly rests, as per the life prescribed in Schedule II of the Companies Act, 2013 except for fixed assets mentioned in para (iv) below, based on the Company's expected usage Pattern supported by technical assessment

<u>Nature of Assets</u>	<u>Life adopted in Accounts</u>
a) Patterns, Blocks and Dies	4 Years
b) Vehicles	4 Years

- iv) The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end, and adjustment if any, is made prospectively.

### 1.5 Investment Properties

Investment Properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured at cost and the same is derecognized upon disposal or when it is permanently withdrawn from use with no future economic benefits are expected from the disposal.

Depreciation is provided on Straight Line Method, pro-rata monthly rests, as per the life prescribed for Building in Schedule II of the Companies Act, 2013.

### 1.6 Inventories

Inventories are valued at cost or net realizable value, whichever is lower. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads and is ascertained on weighted average basis, net of recoverable taxes incurred in bringing them to their respective present location and condition. Cost of raw materials and stores and spares are determined on weighted average basis.

### 1.7 Foreign Currency Transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of transaction. Monetary foreign currency assets and liabilities outstanding at the close of the financial year are revalued at the exchange rates prevailing on the balance sheet date. Exchange differences arising on account of fluctuation in the rate of exchange is recognised in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### 1.8 Employee Benefit

Company's contributions paid/payable during the year to Employee State Insurance Corporation and Labour Welfare Fund are recognized in the Statement of Profit and Loss.

Company contributes to the appropriate authorities its share of the Members Provident Fund Account as per the Employees' Provident Fund Act, 1952.

Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. Provisions in respect of liabilities of gratuity and leave encashment are made based on actuarial valuation made by an independent actuary as at the balance sheet date. Gains and Losses through re-measurements of the net defined benefit liability are recognized in other comprehensive income. The actual return of the plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income.

In respect of Employee Stock Option Scheme:

The compensation cost of stock options granted to employees is measured by the Fair Value Method. The fair value, determined at the grant date of the underlying equity shares, is recognized and amortised on straight line basis over the vesting period.

**1.9 Revenue Recognition**

The Company's revenue recognition policy is aligned to the principles enunciated in Ind AS 115 which is effective from April 1, 2018.

The company recognises revenue from contracts with customers when it satisfies a performance obligation by transferring a promised good or service to a customer. The revenue is recognised to the extent of transaction price allocated to the performance obligation satisfied.

Transaction price is the amount of a consideration to which the Company expects to be entitled in exchange for transferring good or service to a customer. Payment terms agreed with a customer are as per business practice and there is no financing component involved in the transaction price.

**Sale of goods**

Revenue from sale of goods is recognised when the control of the same is transferred to the customer and it is probable that the Company will collect the consideration to which it is entitled in exchange of goods.

**Rendering of services**

Revenue from rendering services is recognised when performance obligation is satisfied and customer obtains the control of the transferred services. Following criteria is required to be met for transfer of control of services:

- i) the customer simultaneously receives and consumes the benefits from the services transferred.
- ii) the Company has an enforceable right to payment for services transferred.

**Other Operational Revenue**

Other operational revenue represents income earned from the activities incidental to the business and is recognized when the right to receive the income is established as per the terms of the contract.

**Other Income**

Dividend income from investments is recognised when the right to receive payment has been established.

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the deposits and at the interest rate settled with the Banks/Financial Institutions.

**1.10 Intangible Assets**

Intangible assets are carried at cost and amortized on Straight line method, so as to reflect the pattern in which the assets economic benefits are consumed.

**Intangible Asset under Development**

The expenses incurred on development phase are initially recognized as Intangible assets under development until the development phase is complete, upon which the amount is capitalized as intangible asset.

**Other Intangible Assets**

- i) Development expenditure:

Development Expenditure incurred on technical services and other project/product related expenses are amortized over the estimated period of benefit, not exceeding five years. Amortization commences as and when the asset is available for use.

- ii) Software Expenditure:

Software Expenditure incurred is amortized on pro-rata basis over a period not exceeding four years, commencing from the year in which the expenditure is incurred.

### 1.11 Taxes on Income

Current tax is determined as the amount of tax payable in respect of the taxable income for the year.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### 1.12 Financial Instruments

#### Financial Assets

##### Initial recognition and measurement

All financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.

##### Subsequent measurement

##### Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For trade receivables and other financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

##### Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

#### Financial liabilities

##### Initial recognition and measurement

All financial liabilities are recognized at fair value.

##### Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

##### Derecognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

**1.13 Impairment of Assets**

The carrying value of assets at each balance sheet date are reviewed for Impairment. If any indication exists, the recoverable amount of such assets is estimated and impairment is recognized if the carrying amount of these assets exceeds their recoverable amount.

**1.14 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In respect of warranty on sale of engines, the estimated cost of warranty is accrued at the time of sale. The estimate for accounting of warranty is periodically reviewed and revisions are made as and when required.

**1.15 Use of estimates and judgments**

The preparation of the Company's financial statements requires management to make judgement, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Depreciation / amortisation and useful lives of property plant and equipment/ intangible assets:**

Property, plant and equipment / intangible assets are depreciated / amortised over their estimated useful lives, after taking into account estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation / amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and take into account anticipated technological changes. The depreciation / amortisation for future periods is revised if there are significant changes from previous estimates.

**Fair value measurement of financial instruments**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Provision for product warranty**

The Company recognizes provision for product warranties in respect of its products that it sells. Provisions are discounted, where necessary to its present value based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjust to reflect the current best estimates.

**Estimation of uncertainties relating to the global health pandemic from COVID-19**

Spread of COVID -19 has affected the economic activity across the Globe including India. This event could affect the business of the Company and the impact of the same will depend on future developments that cannot be predicted reliably at this stage.

Further, the Company will closely monitor any material changes to future economic conditions impacting its business.

**1.16 Earnings per share**

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year.

**1.17 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months from the date of acquisition and which are subject to an insignificant risk of change in value.

**1.18** Accounting Policies not specifically referred above are consistent with generally accepted Accounting practices.



## SWARAJ ENGINES LIMITED

### 2.1 PROPERTY, PLANT AND EQUIPMENT

(Refer Note 1.4)

Following are the changes in the carrying value of Property, Plant and Equipment for the year ended 31st March, 2020:

(Rs. in Lakhs)

Description of Assets		Land	Buildings	Plant and Equipment	Office Equipments	Furniture and Fixtures	Electrical Installations	Vehicles	Total
Gross Carrying Value as at 1st April, 2019		124.80	1595.43	20979.98	244.25	124.75	534.15	120.01	23723.37
Additions during the year		–	57.55	1175.91	15.80	25.75	25.20	75.21	1375.42
Disposals/Adjustments during the year		–	–	184.88	4.71	–	–	9.98	199.57
<b>Gross Carrying Value as at 31st March, 2020</b>	<b>(A)</b>	<b>124.80</b>	<b>1652.98</b>	<b>21971.01</b>	<b>255.34</b>	<b>150.50</b>	<b>559.35</b>	<b>185.24</b>	<b>24899.22</b>
Accumulated depreciation as at 1st April, 2019		–	655.95	11659.93	145.76	75.52	298.24	51.16	12886.56
Depreciation expense for the year		–	46.49	1812.44	26.81	10.12	36.53	33.90	1966.29
Accumulated depreciation on disposals/adjustments during the year		–	–	173.56	4.48	–	–	8.41	186.45
<b>Accumulated depreciation as at 31st March, 2020</b>	<b>(B)</b>	<b>–</b>	<b>702.44</b>	<b>13298.81</b>	<b>168.09</b>	<b>85.64</b>	<b>334.77</b>	<b>76.65</b>	<b>14666.40</b>
<b>Carrying Value as at 31st March, 2020</b>	<b>(A - B)</b>	<b>124.80</b>	<b>950.54</b>	<b>8672.20</b>	<b>87.25</b>	<b>64.86</b>	<b>224.58</b>	<b>108.59</b>	<b>10232.82</b>

Following are the changes in the carrying value of Property, Plant and Equipment for the year ended 31st March, 2019:

(Rs. in Lakhs)

Description of Assets		Land	Buildings	Plant and Equipment	Office Equipments	Furniture and Fixtures	Electrical Installations	Vehicles	Total
Gross Carrying Value as at 1st April, 2018		124.80	1548.02	17970.95	175.03	104.67	536.55	125.61	20585.63
Additions during the year		–	47.41	3435.37	69.32	29.37	8.63	28.13	3618.23
Disposals/Adjustments during the year		–	–	426.34	0.10	9.29	11.03	33.73	480.49
Gross Carrying Value as at 31st March, 2019	<b>(A)</b>	<b>124.80</b>	<b>1595.43</b>	<b>20979.98</b>	<b>244.25</b>	<b>124.75</b>	<b>534.15</b>	<b>120.01</b>	<b>23723.37</b>
Accumulated depreciation as at 1st April, 2018		–	611.87	10285.36	127.41	77.55	274.16	46.66	11423.01
Depreciation expense for the year		–	44.08	1779.03	18.44	7.05	34.80	22.55	1905.95
Accumulated depreciation on disposals/adjustments during the year		–	–	404.46	0.09	9.08	10.72	18.05	442.40
<b>Accumulated depreciation as at 31st March, 2019</b>	<b>(B)</b>	<b>–</b>	<b>655.95</b>	<b>11659.93</b>	<b>145.76</b>	<b>75.52</b>	<b>298.24</b>	<b>51.16</b>	<b>12886.56</b>
<b>Carrying Value as at 31st March, 2019</b>	<b>(A-B)</b>	<b>124.80</b>	<b>939.48</b>	<b>9320.05</b>	<b>98.49</b>	<b>49.23</b>	<b>235.91</b>	<b>68.85</b>	<b>10836.81</b>

**2.2 INVESTMENT PROPERTY**

(Refer Note 1.5)

Following are the changes in the carrying value of Investment Property for the year ended 31st March, 2020:

(Rs. in Lakhs)

Description of Assets		Investment Property
Gross Carrying Value as at 1st April, 2019		33.35
Additions during the year		-
Disposals/Adjustments during the year		-
<b>Gross Carrying Value as at 31st March, 2020</b>	<b>(A)</b>	<b>33.35</b>
Accumulated depreciation as at 1st April, 2019		9.71
Depreciation expense for the year		0.52
Accumulated depreciation on disposals/adjustments during the year		-
<b>Accumulated depreciation as at 31st March, 2020</b>	<b>(B)</b>	<b>10.23</b>
<b>Carrying Value as at 31st March, 2020</b>	<b>(A-B)</b>	<b>23.12</b>

Following are the changes in the carrying value of Investment Property for the year ended 31st March, 2019:

(Rs. in Lakhs)

Description of Assets		Investment Property
Gross Carrying Value as at 1st April, 2018		33.35
Additions during the year		-
Disposals/Adjustments during the year		-
Gross Carrying Value as at 31st March, 2019	(A)	33.35
Accumulated depreciation as at 1st April, 2018		9.18
Depreciation expense for the year		0.53
Accumulated depreciation on disposals/adjustments during the year		-
Accumulated depreciation as at 31st March, 2019	(B)	9.71
Carrying Value as at 31st March, 2019	(A-B)	23.64

**Fair value disclosure on Company's Investment Properties**

Part of Company's administrative building/block is letted out and the same is classified as Investment Property based on the nature, characteristics and risks.

As at 31st March, 2020, the Fair Value of the property is Rs. 100.51 Lakhs. This valuation is performed by accredited independent valuer, which is based on Land & Building method (considering replacement cost) and same is categorised at Level 2.

## SWARAJ ENGINES LIMITED

### 2.3 INTANGIBLE ASSETS

(Refer Note 1.10)

Following are the changes in the carrying value of Intangible Assets for the year ended 31st March, 2020:

(Rs. in Lakhs)			
Description of Assets	Computer Software	Development Expenditure	Total
Gross Carrying Value as at 1st April, 2019	69.47	178.42	247.89
Additions during the year	–	–	–
Disposals/Adjustments during the year	–	–	–
<b>Gross Carrying Value as at 31st March, 2020</b>	<b>(A) 69.47</b>	<b>178.42</b>	<b>247.89</b>
Accumulated Amortisation as at 1st April, 2019	63.91	44.61	108.52
Amortisation expense for the year	1.81	44.60	46.41
Accumulated Amortisation on disposals/adjustments during the year	–	–	–
<b>Accumulated Amortisation as at 31st March, 2020</b>	<b>(B) 65.72</b>	<b>89.21</b>	<b>154.93</b>
<b>Carrying Value as at 31st March, 2020</b>	<b>(A-B) 3.75</b>	<b>89.21</b>	<b>92.96</b>

Following are the changes in the carrying value of Intangible Assets for the year ended 31st March, 2019:

(Rs. in Lakhs)			
Description of Assets	Computer Software	Development Expenditure	Total
Gross Carrying Value as at 1st April, 2018	76.40	–	76.40
Additions during the year	–	178.42	178.42
Disposals/Adjustments during the year	6.93	–	6.93
Gross Carrying Value as at 31st March, 2019	(A) 69.47	178.42	247.89
Accumulated Amortisation as at 1st April, 2018	68.07	–	68.07
Amortisation expense for the year	2.74	44.61	47.35
Accumulated Amortisation on disposals/adjustments during the year	6.90	–	6.90
Accumulated Amortisation as at 31st March, 2019	(B) 63.91	44.61	108.52
Carrying Value as at 31st March, 2019	(A-B) 5.56	133.81	139.37

**2.4 OTHER NON-CURRENT ASSETS**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Capital advances - Considered Good</b>		
Secured	—	—
Unsecured	16.02	374.07
<b>Security Deposits-Considered Good</b>		
Unsecured	51.69	29.93
<b>Other advances -Considered Good</b>		
Income Tax (Net of Provisions)	324.14	297.52
Others	77.94	75.50
<b>Total</b>	<b>469.79</b>	<b>777.02</b>

**2.5 INVENTORIES**

(Refer Note 1.6)

(Rs. in Lakhs)

Particulars	2020	2019
Raw Materials & Components*	2320.10	2539.74
Work-in-Progress	56.38	93.59
Finished Goods	754.68	1648.04
Stores and Spares	379.98	296.85
Loose Tools	189.84	165.75
<b>Total</b>	<b>3700.98</b>	<b>4743.97</b>

\* Including Goods-in-transit Rs. 14.00 Lakhs (2019 - Rs.173.98 Lakhs)

**2.6 INVESTMENTS - CURRENT**

(Rs. in Lakhs)

Particulars	Face Value Per Unit (Rs.)	2020 Number	Amounts	2019 Number	Amounts
<b>Quoted Investments</b>					
<b>Carried at Fair Value through Profit and Loss</b>					
<b>Investments in Mutual Funds</b>					
Aditya Birla Sun Life Money Manager Fund - Growth Regular Plan	100	866964	2333.46	866964	2169.80
ICICI Prudential Money Market Fund- Growth	100	840526	2332.55	840526	2175.56
Mahindra Liquid Fund- Direct- Growth	1000	159925	2060.93	167192	2025.39
HDFC Liquid Fund- Regular Plan - Growth	1000	51695	2007.65	–	–
SBI Liquid Fund Regular- Growth	1000	65401	2023.26	–	–
UTI Liquid Cash Plan- Regular Plan Growth	1000	10816	350.15	65967	2011.95
<b>Total</b>			<b>11108.00</b>		<b>8382.70</b>

**2.7 TRADE RECEIVABLES**

(Refer Note 2.29)

(Rs. in Lakhs)

Particulars	2020	2019
<b>Unsecured, considered good</b>	<b>414.25</b>	<b>1873.98</b>
<b>Of the above, Trade Receivables from:</b>		
– Related Parties	<b>393.36</b>	1721.94
– Others	<b>20.89</b>	152.04

**2.8 CASH AND BANK BALANCES**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Cash and Cash Equivalents</b>		
Balances with Banks	<b>223.44</b>	270.36
Cash on hand	<b>0.78</b>	1.03
<b>Total</b>	<b>224.22</b>	<b>271.39</b>
<b>Other Bank Balances</b>		
Balances with Bank held as Margin Money & Deposit against Guarantees.	<b>400.00</b>	696.00
Fixed Deposits with Banks	<b>1000.00</b>	2030.00
Earmarked balances with Banks - Unpaid/Unclaimed Dividend	<b>195.20</b>	196.58
<b>Total</b>	<b>1595.20</b>	<b>2922.58</b>

**2.9 OTHER FINANCIAL ASSETS**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Financial assets at carrying value</b>		
Interest Accrued on Deposits	186.40	256.30
Other Corporate Deposits	5000.00	4000.00
Trade Advances	74.55	301.44
Advances to Suppliers	55.87	33.64
Advances to Employees	2.68	0.90
<b>Total</b>	<b>5319.50</b>	<b>4592.28</b>

**2.10 OTHER CURRENT ASSETS**

(Rs. in Lakhs)

Particulars	2020	2019
Balance with Government Authorities	1831.74	1809.56
Prepaid Expenses	29.29	23.18
Other Advances	59.85	31.17
<b>Total</b>	<b>1920.88</b>	<b>1863.91</b>

**2.11 EQUITY SHARE CAPITAL**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Authorised:</b>		
Equity Shares, Rs. 10/- par value 2,50,00,000 (2019 : 2,50,00,000) Equity Shares	2500.00	2500.00
<b>Issued, Subscribed and Paid-Up:</b>		
Equity Shares, Rs. 10/- par value 1,21,32,181 (2019 : 1,21,28,886) Equity Shares fully paid-up	1213.22	1212.89
	<b>1213.22</b>	<b>1212.89</b>

The Company has issued only one class of shares referred to as Equity Shares having a par value of Rs. 10/-. Each Equity Shareholder is entitled to one vote per share.

The Board of Directors, in their meeting held on 22nd April, 2019, proposed a total dividend of Rs. 50/- per equity share (including Rs. 25/- per share as special dividend) and the same was approved by the shareholders at the Annual General Meeting held on 30th July, 2019, this has resulted in a cash outflow of Rs. 7311.01 lakhs, including corporate dividend tax of Rs. 1246.56 lakhs during 2019-20.

**Proposed Dividend**

The Board of Directors, in their meeting held on 8th May, 2020, proposed a total dividend of Rs. 40/- per equity share (including Rs.15 per share as special dividend) for the financial year ended on 31st March, 2020, subject to the approval of shareholders at the Annual General Meeting and if approved, would result in a cash outflow of Rs.4852.87 lakhs.

**(i) Equity Shareholders holding more than 5% shares:**

Name	As at 31st March, 2020		As at 31st March, 2019	
	Number of Shares held	% of Shareholding	Number of Shares held	% of Shareholding
Mahindra & Mahindra Limited (M&M)	42,16,792	34.76%	40,39,206	33.30%
Kirloskar Industries Limited (KIL)	21,14,349	17.43%	21,14,349	17.43%
DSP Small Cap Fund	7,19,331	5.93%	4,15,171	3.42%

**(ii) Reconciliation of the number of shares outstanding and the amount of share capital :**

Description	As at 31st March, 2020		As at 31st March, 2019	
	Number of Shares held	Share Capital (Rs. in Lakhs)	Number of Shares held	Share Capital (Rs. in Lakhs)
Number of equity shares at the beginning	1,21,28,886	1212.89	1,21,26,684	1212.67
Movement in equity during the year				
Add : Equity shares issued pursuant to Employee Stock Option Plan	3,295	0.33	2,202	0.22
Number of equity shares at the closing	1,21,32,181	1213.22	1,21,28,886	1212.89

In the last 5 years, the Company has not :

- allotted any shares as fully paid-up pursuant to contract(s) without payment being received in cash,
- allotted any bonus shares.

**(iii) Employee Stock Option**

Under the Employee Stock Option Scheme - 2015 (ESOS-2015), 31,000 Equity Shares of the face value of Rs. 10/- are available for being granted to eligible employees on the recommendation of the Nomination and Remuneration Committee. Under the first cycle (Dec. 2015 - Dec. 2019), options granted were vested in four instalments on the expiry of 18 months, 30 months, 42 months and 54 months respectively. During second cycle effective January 2020, options granted are 25% each year of 4 yearly grant vested in 3 instalments on the expiry of 12 months, 24 months and 36 months. These options may be exercised on any day over a period of 5 years from the date of vesting. Numbers of vested options are exercisable subject to minimum of 50 or number of options vested whichever is lower.

Further to grant given till previous financial years, the Company during the current financial year has given two grants of 2901 and 5078 Equity Shares under the first & second cycle respectively at face value to the eligible employee(s).

**Activity in ESOS-2015 is as follows :**

Particulars	No. of shares	
	2020	2019
Options Outstanding at the beginning	8812	10000
Options Granted during the year	7979	1501
Options Forfeited/Lapsed during the year	(151)	(487)
Options Exercised during the year	(3295)	(2202)
Options outstanding at the end	13,345	8812

**Information in respect of options outstanding as at 31st March 2020**

Exercise Price	No. of Options	Weighted Average Remaining Life for vesting
Rs. 10	13345	14 Months

**The fair value of options granted during the year, calculated using the Black-Scholes option pricing model with the following assumptions :**

Grant date	28th January 2020	30th July, 2019
Vesting Period	12 – 36 Months	18 Months
Share price in market at the time of "option grant (Rs.)"	1340.90	1099.25
Exercise price (Rs.)	10.00	10.00
Expected volatility (%)	27.36	27.66
Expected life of the option (years)	4.53	4.02
Expected dividends (%)	3.73	4.55
Risk-free interest rate (%)	6.32	6.21
Weighted average fair value as on grant date (Rs.)	1125.86	907.71

**2.12 LONG-TERM PROVISIONS**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Provision for Employee Benefits (Refer Note 1.8)</b>		
– Provision for Leave Encashment	394.57	361.16
<b>Others</b>		
– Provision for Warranty (Refer Note 2.36)	34.07	36.47
<b>Total</b>	<b>428.64</b>	<b>397.63</b>



**2.13 INCOME TAXES**

(Refer Note 1.11)

<b>(a) Deferred Tax</b>		(Rs. in Lakhs)	
Particulars	2020	2019	
<b>Deferred Tax Liabilities</b>			
– On Property, Plant & Equipment	408.83	750.49	
– On Financial Assets carried at Fair Value through Profit and Loss	243.22	204.00	
<b>Deferred Tax Assets</b>			
– On Employee benefits	192.29	238.32	
Deferred Tax Liabilities / (Assets)	459.76	716.17	
<b>(b) Income Tax recognised in Profit and Loss</b>		(Rs. in Lakhs)	
Particulars	2020	2019	
Current Tax	2466.82	4360.74	
Deferred Tax			
– In respect of current year origination and reversal of temporary difference	(61.38)	137.00	
– In respect of changes in tax rate	(202.41)	–	
Total Income Tax expense	2203.03	4497.74	
<b>(c) Reconciliation of income tax provision to the amount computed by applying the statutory income tax rate to the income before income tax is summarised below :</b>		(Rs. in Lakhs)	
Particulars	2020	2019	
Profit before tax	9307.25	12739.82	
Income tax expense calculated at 25.17% (2019: 34.94 % incl. Sur & Cess)	2342.63	4451.80	
Income not considered for tax purposes	(1.11)	(32.40)	
Effect of estimated non-deductible expenses	66.50	73.50	
Change in tax rate	(202.41)	–	
Others (including temporary difference)	(2.58)	4.84	
Income Tax expense recognised in profit and loss	2203.03	4497.74	

The Company has opted to exercise the option permitted under Section 115BAA of the Income-Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, Current Tax & Deferred Tax Assets/Liabilities have been re-measured and impact of this has been recognised in Financial Statements for the year ending 31st March, 2020.

**2.14 TRADE PAYABLES**

(Rs. in Lakhs)

Particulars	2020	2019
Trade payable - Micro, Small and Medium enterprises (Refer Note 2.35)	1867.82	1721.39
Trade payable - Other than Micro, Small and Medium enterprises	7031.19	7719.13
Accruals	1016.08	974.60
<b>Total</b>	<b>9915.09</b>	<b>10415.12</b>

**2.15 OTHER FINANCIAL LIABILITIES**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Current Liabilities at Carrying Value</b>		
Capital Purchases	272.68	503.19
Others	27.95	33.24
Deposits & Retention Money	23.98	29.69
Unpaid / Unclaimed Dividend*	195.20	196.58
<b>Total</b>	<b>519.81</b>	<b>762.70</b>

\* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2020.

**2.16 SHORT-TERM PROVISIONS**

(Rs. in Lakhs)

Particulars	2020	2019
Provision for Employee Benefits (Refer Note 1.8)		
– Provision for Gratuity (Refer Note 2.28)	117.26	77.87
– Provision for Leave Encashment	186.22	162.14
Others		
– Provision for Warranty (Refer Note 2.36)	180.03	176.67
<b>Total</b>	<b>483.51</b>	<b>416.68</b>

**2.17 OTHER CURRENT LIABILITIES**

(Rs. in Lakhs)

Particulars	2020	2019
Advances received from customers	0.30	3.07
Statutory dues	107.02	118.63
<b>Total</b>	<b>107.32</b>	<b>121.70</b>

**2.18 REVENUE FROM OPERATIONS**

(Refer Note 2.33)

(Rs. in Lakhs)

Particulars	2020	2019
Revenue from sale of products	77055.12	86774.55
Revenue from rendering of services	0.58	0.17
Other operating revenue	273.87	399.00
<b>Total</b>	<b>77329.57</b>	<b>87173.72</b>

## SWARAJ ENGINES LIMITED

### 2.19 OTHER INCOME

(Rs. in Lakhs)

Particulars	2020	2019
Interest Income	666.97	947.90
Dividend Income from Investments carried at fair value through profit or loss account	–	67.96
Rental income from Investment property	14.71	13.98
Profit/ (Loss) on Sale of Financial Instruments	180.37	120.85
Fair Value Gain / (Loss) on Investments carried at fair value through profit or loss	420.94	365.40
Profit / (Loss) on disposal of Property, Plant and Equipment	(1.33)	20.80
Misc Income / (Expenses)	(3.67)	1.22
<b>Total</b>	<b>1277.99</b>	<b>1538.11</b>

### 2.20 COST OF MATERIALS CONSUMED

(Rs. in Lakhs)

Particulars	2020	2019
Opening stock	2365.76	1747.29
Add: Purchases	58255.95	67141.10
	60621.71	68888.39
Less:		
Closing Stock	2306.10	2365.76
<b>Total</b>	<b>58315.61</b>	<b>66522.63</b>

### 2.21 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

(Rs. in Lakhs)

Particulars	2020	2019
<b>Inventories at the end of the year:</b>		
Finished Goods	754.68	1648.04
Work-in-Progress	56.38	93.59
	811.06	1741.63
<b>Inventories at the beginning of the year:</b>		
Finished goods	1648.04	700.89
Work-in-progress	93.59	175.32
	1741.63	876.21
<b>Net (Increase) / Decrease</b>	<b>930.57</b>	<b>(865.42)</b>

### 2.22 EMPLOYEE BENEFITS EXPENSE (Refer Note 1.8)

(Rs. in Lakhs)

Particulars	2020	2019
Salaries and Wages	3397.69	3229.12
Contribution to provident and other funds	249.53	207.78
Employee Stock Compensation	44.63	38.73
Staff welfare expenses	486.29	452.34
<b>Total</b>	<b>4178.14</b>	<b>3927.97</b>

**2.23 FINANCE COST**

(Rs. in Lakhs)

Particulars	2020	2019
Bank Charges	0.26	0.10
Interest Expense	1.16	8.99
<b>Total</b>	<b>1.42</b>	<b>9.09</b>

**2.24 OTHER EXPENSES**

(Rs. in Lakhs)

Particulars	2020	2019
Power, Fuel & Water Charges	451.61	504.62
Consumption of Stores & Spares	1051.52	1333.41
Hire & Service Charges	612.14	709.54
Rates and Taxes	16.19	11.49
Insurance	24.03	19.20
Repairs and Maintenance		
– Buildings	97.00	112.27
– Machinery	487.87	507.92
– Others	38.03	41.66
Postage & Telephone	4.34	7.10
Printing & Stationery	4.92	10.24
Travelling & Conveyance Expenses	110.60	110.24
Auditors' Remuneration		
– Statutory Auditor's		
Audit Fee	9.00	7.50
Tax Audit Fee	2.00	2.00
Other Services	6.00	5.10
Expenses Reimbursed	0.58	0.37
– Cost Auditor		
Audit Fee	1.20	1.00
CSR Expenses	239.17	204.73
Research & Development Expenses	316.03	249.85
Other Marketing Expenses	87.36	93.36
Miscellaneous Expenses	301.76	492.31
<b>Total</b>	<b>3861.35</b>	<b>4423.91</b>

**2.25 EARNING PER SHARE** (Refer Note 1.16)

(Rs. in Lakhs)

Particulars	2020	2019
Profit for the year	7104.22	8242.08
Profit for the year for diluted earning per share	7104.22	8242.08
Weighted average number of Ordinary Equity Shares used in Computing basic earning per share	1,21,30,416	1,21,27,790
Effect of potential Ordinary Equity Shares on employee stock options	8078	9584
Weighted average number of Ordinary Equity Shares used in Computing diluted earning per share	1,21,38,494	1,21,37,374
Basic earning per share (Rs.) (Face Value of Rs. 10 per share)	58.57	67.96
Diluted earning per share (Rs.)	58.53	67.91

**2.26 Financial Instruments**

(Refer Note 1.12)

**Capital management**

Company's capital management objectives are to:

- ensure the company's ability to continue as a going concern
- provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

For the purposes of the Company's Capital Management, capital includes issued capital and all other equity reserves. Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

(Rs. in Lakhs)

Particulars	2020	2019
Equity Share Capital	1213.22	1212.89
Other Equity Reserves	22376.23	22585.36
<b>Total</b>	<b>23589.45</b>	<b>23798.25</b>

**Categories of Financial Assets and Financial Liabilities**
**As at 31st March, 2020**

(Rs. in Lakhs)

Particulars	Amortised Costs	Fair Value through Profit or Loss	Fair Value through OCI	Total Carrying Value	Total Fair Value
<b>Current Assets</b>					
Investments	–	11108.00	–	11108.00	11108.00
Trade Receivables	414.25	–	–	414.25	414.25
Cash and Cash Equivalents	224.22	–	–	224.22	224.22
Other Bank Balances	1595.20	–	–	1595.20	1595.20
Other Financial Assets	5319.50	–	–	5319.50	5319.50
<b>Total Financial Assets</b>	<b>7553.17</b>	<b>11108.00</b>	<b>–</b>	<b>18661.17</b>	<b>18661.17</b>
<b>Current Liabilities</b>					
Trade Payables	9915.09	–	–	9915.09	9915.09
Other Financial Liabilities	519.81	–	–	519.81	519.81
<b>Total Financial Liabilities</b>	<b>10434.90</b>	<b>–</b>	<b>–</b>	<b>10434.90</b>	<b>10434.90</b>

**As at 31st March, 2019**

(Rs. in Lakhs)

Particulars	Amortised Costs	Fair Value through Profit or Loss	Fair Value through OCI	Total Carrying Value	Total Fair Value
<b>Current Assets</b>					
Investments	–	8382.70	–	8382.70	8382.70
Trade Receivables	1873.98	–	–	1873.98	1873.98
Cash and Cash Equivalents	271.39	–	–	271.39	271.39
Other Bank Balances	2922.58	–	–	2922.58	2922.58
Other Financial Assets	4592.28	–	–	4592.28	4592.28
<b>Total Financial Assets</b>	<b>9660.23</b>	<b>8382.70</b>	<b>–</b>	<b>18042.93</b>	<b>18042.93</b>
<b>Current Liabilities</b>					
Trade Payables	10415.12	–	–	10415.12	10415.12
Other Financial Liabilities	762.70	–	–	762.70	762.70
<b>Total Financial Liabilities</b>	<b>11177.82</b>	<b>–</b>	<b>–</b>	<b>11177.82</b>	<b>11177.82</b>

### Financial Risk Management Framework

Company's activities expose it to financial risks viz credit risk and liquidity risk.

#### Credit Risk

Majority of Company's Receivables pertain to Mahindra & Mahindra Limited, an Associate Company. Based on the overall creditworthiness of Receivables, coupled with their past track record, Company expect No / Minimum Risk with regard to its outstanding receivables. Also, there is mechanism in place to periodically track the outstanding amount and assess the same with regard to its realisation. Company expect all the debtors to be realised in full, accordingly no provision has been made in the books of account.

Credit risk on cash and cash equivalents is limited as Company generally invest in deposits with banks, high rating financial institutions & debt based Mutual Funds.

Ratings are monitored periodically for re-adjustment of Portfolio, if any required. Investment as on date of financial statement are as per latest available ratings.

#### Liquidity Risk

##### (i) Liquidity Risk Management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast & actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

##### (ii) Maturities of Financial Liabilities

The following table specifies the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the earliest date on which the Company can be required to pay. Financial Liabilities includes Trade Payables, Capital Purchases, Unpaid/Unclaimed Dividend etc. which are in the normal course of business having maturity plan of less than 1 year and non-interest bearing.

## SWARAJ ENGINES LIMITED

(Rs. in Lakhs)

Particulars	Less than 1 Year	1-3 Years	3 Years to 5 Years	5 years and above
<b>31st March, 2020</b>				
Trade Payables	9915.09	–	–	–
Other Financial Liabilities	519.81	–	–	–
<b>Total</b>	<b>10434.90</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>31st March, 2019</b>				
Trade Payables	10415.12	–	–	–
Other Financial Liabilities	762.70	–	–	–
<b>Total</b>	<b>11177.82</b>	<b>–</b>	<b>–</b>	<b>–</b>

As at 31st March, 2020, the Company had a working capital of Rs. 13257.30 lakhs including cash and bank balance & bank deposits of Rs. 1624.22 lakhs and investment of Rs. 11108.00 lakhs and other corporate deposits of Rs. 5000.00 lakhs.

As at 31st March, 2019, the Company had a working capital of Rs. 12934.61 lakhs including cash and bank balance & bank deposits of Rs. 2997.39 lakhs and investment of Rs. 8382.70 lakhs and other corporate deposits of Rs. 4000.00 lakhs.

Accordingly, company do not perceive any liquidity risk.

### (iii) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

(Rs. in Lakhs)

Particulars	2020	2019
<b>Secured Bank Overdraft facility</b>		
– Expiring within one year	350	350
– Expiring beyond one year	–	–

### 2.27 Fair Value Measurement

The fair values of the Financial Assets and Liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1 - Quoted (unadjusted prices) in active markets for identical assets or liabilities.

Level 2 - Other Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

### Fair Valuation Techniques and Inputs used - recurring Items

#### a) Financial Instrument measured at Fair Value

(Rs. in Lakhs)

Particulars	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2020	2019			
<b>Financial Assets</b>					
Investments in Mutual Fund	11108.00	8382.70	Level 1	As on Date NAV of the Quoted Fund	–
<b>Total Financial Assets</b>	<b>11108.00</b>	<b>8382.70</b>			

**b) Financial Instrument measured at Amortised Cost**
**As at 31st March, 2020**

(Rs. in Lakhs)

Particulars	Carrying Value	Fair Value	Fair Value		
			Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Trade Receivables	414.25	414.25	–	414.25	–
Cash and Cash Equivalents	224.22	224.22	–	224.22	–
Other Bank Balances	1595.20	1595.20	–	1595.20	–
Other Financial Assets	5319.50	5319.50	–	5319.50	–
Total Financial Assets	7553.17	7553.17	–	7553.17	–
<b>Financial Liabilities</b>					
Trade Payables	9915.09	9915.09	–	9915.09	–
Other Financial Liabilities	519.81	519.81	–	519.81	–
Total Financial Liabilities	10434.90	10434.90	–	10434.90	–

**As at 31st March, 2019**

(Rs. in Lakhs)

Particulars	Carrying Value	Fair Value	Fair Value		
			Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Trade Receivables	1873.98	1873.98	–	1873.98	–
Cash and Cash Equivalents	271.39	271.39	–	271.39	–
Other Bank Balances	2922.58	2922.58	–	2922.58	–
Other Financial Assets	4592.28	4592.28	–	4592.28	–
Total Financial Assets	9660.23	9660.23	–	9660.23	–
<b>Financial Liabilities</b>					
Trade Payables	10415.12	10415.12	–	10415.12	–
Other Financial Liabilities	762.70	762.70	–	762.70	–
Total Financial Liabilities	11177.82	11177.82	–	11177.82	–



**2.28 Employee benefits**

(Refer Note 1.8)

**Defined benefit plans – as per Actuarial Valuation on 31st March, 2020**

(Rs. in Lakhs)

Particulars	Gratuity - Funded	
	2020	2019
<b>I. Expenses Recognised in the Statement of Profit &amp; Loss Account</b>		
1. Current Service Cost	57.20	51.93
2. Past Service Cost	–	–
3. Interest	71.93	64.54
4. Expected Return on plan assets	(68.99)	(59.75)
5. Total Expense	60.14	56.72
<b>II. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March</b>		
1. Present value of defined benefit obligation as at 31st March	1104.31	968.58
2. Fair value of plan assets as at 31st March	987.05	890.71
3. Surplus/(Deficit)	(117.26)	(77.87)
<b>III. Change in the obligation during the year ended 31st March</b>		
1. Present value of defined benefit obligation at the beginning of the year	968.58	852.06
2. Expenses Recognised in Profit and Loss Account		
– Past Service Cost	–	–
– Current Service Cost	57.20	51.93
– Interest Expense/ (Income)	71.93	64.54
3. Recognised in Other Comprehensive Income		
<b>Re-measurement gains / (losses)</b>		
– Actuarial Gain/ (Loss) arising from:		
i. Demographic Assumptions	–	–
ii. Financial Assumptions	53.13	3.07
iii. Experience Adjustments	10.14	24.77
4. Benefit payments	(56.67)	(27.79)
5. Present value of defined benefit obligation at the end of the year	1104.31	968.58
<b>IV. Change in fair value of assets during the year ended 31st March</b>		
1. Fair value of plan assets at the beginning of the year	890.71	688.92
2. Expected return on plan assets	68.99	59.75
3. Recognised in Other Comprehensive Income		
<b>Re-measurement gains / (losses)</b>		
– Actual Return on plan assets in excess of the expected return	5.20	5.68
4. Contributions by employer (including benefit payments recoverable)	78.82	164.14
5. Benefit payments	(56.67)	(27.78)
6. Fair value of plan assets at the end of the year	987.05	890.71

(Rs. in Lakhs)

Particulars	Gratuity - Funded	
	2020	2019
<b>V. The Major categories of plan assets</b>		
– Funded with LIC	100.00%	100.00%
<b>VI. Actuarial assumptions</b>		
1. Discount rate	6.75%	7.65%
2. Expected Return	7.65%	7.70%
3. In Service Mortality	IAL 2012-14 Ultimate	IAL 2012-14 Ultimate
4. Turnover Rate	5.00%	5.00%
5. Salary Rise - Officers	8.00%	8.00%
6. Salary Rise - Workers	5.00%	5.00%
7. Remaining Working Life	15.83 Years	16.89 Years

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: (Rs. in Lakhs)

Principal assumption		Changes in assumption	Increase/(Decrease) impact on defined benefit obligation	
			Increase in assumption	Decrease in assumption
Discount rate	2020	0.50%	(30.14)	31.79
	2019	0.50%	(27.17)	28.62
Salary growth rate	2020	0.50%	31.78	(30.41)
	2019	0.50%	28.88	(27.66)

## 2.29 Related Party Transactions

Names of the Related Parties	Relationship
- Mahindra & Mahindra Limited (M&M)	Associate Company
- Mahindra Agri Solutions Ltd. (MASL)	
- Mahindra Retails Ltd. (MRL)	Subsidiary of M&M
- Mahindra Summit Agriscience Ltd. (MSAL)	
- Mahindra Heavy Engines Ltd. (MHEL)	
- Mahindra Rural Housing Finance Ltd.(MRHFL)	
- Mahindra Integrated Business Solutions Pvt. Ltd. (MIBS)	
- Mahindra & Mahindra Financial Services Ltd.(MMFSL)	
- Mahindra Logistics Ltd (MLL)	
- Bristlecone India Limited (BIL)	
Shri Subhash Mago (Whole Time Director & CEO)	Key Management Personnel

## SWARAJ ENGINES LIMITED

Details of transactions between the Company and its related parties are disclosed below:

(Rs. in Lakhs)

Particulars	2020	2019
<b>i) Associates</b>		
a. Purchase of raw materials and components & others	195.61	1644.98
M&M	194.59	1639.70
MRL	1.02	5.28
b. Sale of Goods (net of warranty & incentive)	91303.17	102349.28
M&M	91303.17	102349.28
c. Purchases of Vehicle	45.21	15.73
M&M	38.93	15.73
MRL	6.28	–
d. Receiving of services	611.63	696.38
M&M	592.70	655.97
MLL	12.94	16.98
MIBS	2.06	–
BIL	3.93	23.43
e. Rendering of services	23.47	81.52
M&M	22.17	79.86
MASL	–	1.30
MHEL	–	0.27
MSAL	1.30	0.09
f. Dividend paid	2108.40	2019.60
M&M	2108.40	2019.60
g. Inter Corporate Deposit (ICD)	2000.00	2000.00
MRHFL	1000.00	1000.00
MMFSL	1000.00	1000.00
h. Interest Income	140.75	87.77
MRHFL	74.78	42.15
MMFSL	65.97	45.62
Aggregate balances outstanding as at the year end		
– Receivables	393.36	1721.94
M&M	393.16	1721.85
MSAL	0.20	0.09
– Payables	91.44	149.94
M&M	89.98	132.28
BIL	–	1.01
MLL	–	16.65
MIBS	1.46	–
– Investments (ICD)	2000.00	1000.00
MMFSL	1000.00	1000.00
MRHFL	1000.00	–
– Accrued Interest Receivable	96.61	45.62
MMFSL	21.83	45.62
MRHFL	74.78	–
<b>ii) Key Management Personnel</b>		
a. Remuneration*	157.35	156.57
Shri Subhash Mago	157.35	156.57
*excludes stock option from Associate Company - Mahindra & Mahindra Limited.		

**2.30 Contingent Liabilities and Commitments**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Contingent Liabilities</b>		
Claims against the Company not acknowledged as debt		
– Excise matters in dispute	131.02	233.86
– Income Tax matters in dispute*	35.11	477.42
<b>Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and deposits)	817.16	1391.86

\*Assessment of Income Tax is complete upto Assessment Year 2017-18. There is no demand which is disputed in Appeal and not provided for. For earlier Assessment Years, tax authorities have filed appeals / references which involve an estimated liability of Rs. 35.11 Lakhs (31.03.2019 - Rs. 477.42 Lakhs)

**2.31 Segment Reporting**

The Company is primarily engaged in the business of diesel engines, diesel engine components and spare parts. As the basic nature of these activities are governed by the same set of risk, returns and internal business reporting system, accordingly these have been grouped as single segment in above disclosures as per Ind AS- 108 dealing with " Operating Segment".

**2.32 Particulars in respect of goods manufactured :**

Class of goods	Unit of Qty.	2020	2019
<b>Production</b>			
Engines	Nos.	89,144	1,00,167
<b>Despatches</b>			
Engines	Nos.	89,928	99,638

**2.33 Particulars in respect of Revenue from Operations :**

(Rs. in Lakhs)

Class of goods	2020	2019
<b>Sale of Products</b>		
Engines	75044.06	84496.80
Engine Components	142.02	311.48
Spares	1869.04	1966.27
Total	77055.12	86774.55
<b>Other operating revenue</b>		
Scrap & Others	274.45	399.17
Total	77329.57	87173.72

**2.34 Particulars in respect of Finished Goods:**

Class of Goods	Unit of Qty	Opening Balance		Closing Balance	
		Qty.	Rs. in Lakhs	Qty.	Rs. in Lakhs
Engines	Nos.	1531 (1080)	1085.09 (700.90)	647 (1531)	459.09 (1085.09)
Engine Parts	–	–	562.95	–	295.59
		–	–	–	(562.95)

**2.35 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**  
 (hereinafter referred to as "the Act")

Micro, Small and Medium Enterprises have been identified by the Company on the basis of the information available. Total outstanding dues of Micro and small enterprises, which are outstanding for more than the stipulated period, are given below :- (Rs. in Lakhs)

Particulars	2020	2019
(a) Dues remaining unpaid as at 31st March		
– Principal	16.42	–
– Interest on the above	0.62	–
(b) Interest paid in terms of Section 16 of the Act along with the amount of payment made to the supplier beyond the appointed date during the year		
– Principal paid beyond the appointed date	204.71	254.38
– Interest paid in terms of Section 16 of the Act	1.08	0.68
(c) Amount of interest due and payable for the period of delay in payments made beyond the appointed date during the year	–	–
(d) Further interest due and payable even in succeeding year, until such date when the interest due as above are actually paid to the small enterprises	–	–
(e) Amount of interest accrued and remaining unpaid as at 31st March	–	–

**2.36 Provision for warranty relates to sale of engine, the estimated cost of which is accrued at the time of sale.**

(Rs. in Lakhs)

Particulars	2020	2019
<b>Balance as at 1st April</b>	<b>213.14</b>	189.24
Add : Provision made during the year	71.60	108.73
Less : Utilisation during the year	74.31	83.61
Less : Unwinding of Discount and effect of changes in the discount rate	(3.67)	1.22
<b>Balance as at 31st March</b>	<b>214.10</b>	213.14
<b>Out of the above :-</b>		
Classified as Non-Current	34.07	36.47
Classified as Current	180.03	176.67
	<b>214.10</b>	213.14

2.37 Previous year's figures have been regrouped, wherever necessary, so as to correspond with those of the current year.

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2020**

(Rs. in Lakhs)

Particulars	2020	2019
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Exceptional items and Tax	9307.25	12739.82
Adjustments for:		
Depreciation and Amortisation	2013.22	1953.83
Employee Stock Compensation	41.10	30.10
Interest (Received) / Paid ( Net )	(665.55)	(938.81)
Return on Mutual Fund Investment (Net)	(180.37)	(188.81)
(Profit)/Loss on disposal of Property, Plant and Equipment	1.33	(20.80)
(Gain)/Loss on Investments carried at fair value through Profit and Loss	(420.94)	(365.40)
<b>Operating Profit Before Working Capital Changes</b>	<b>10096.04</b>	<b>13209.93</b>
<b>Movements in working capital:</b>		
(Increase)/Decrease in Trade and Other Receivables (Non-Current/Current)	2009.39	(1066.21)
(Increase)/Decrease in Inventories	1042.99	(1551.97)
(Decrease)/Increase in Trade and Other Payables (Non-Current/Current)	(716.14)	740.27
Cash generated from Operations	12432.28	11332.02
Income taxes paid	(2471.45)	(4455.25)
<b>Net cash generated from Operating Activities</b>	<b>9960.83</b>	<b>6876.77</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments Sales / (Purchase) - Net	(2304.36)	(407.67)
Bank Deposit (Placed) / Matured - Net	1326.00	5022.00
Other Corporate Deposits (Placed)/Matured - Net	(1000.00)	(2000.00)
Interest received	666.97	947.90
Return on Mutual Fund Investment - Net	180.37	188.81
Purchase of Property, Plant and Equipment <sup>^</sup>	(1576.68)	(3401.50)
Increase in Earmarked Balances	1.38	(30.61)
Proceeds from disposal of Property, Plant and Equipment	11.79	58.89
<b>Net cash (used in) / generated from Investing Activities</b>	<b>(2694.53)</b>	<b>377.82</b>
( <sup>^</sup> excludes Capital Advances)		

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Dividends paid to Shareholders of the Company (including DDT)	<b>(7312.38)</b>	(7279.07)
Equity Shares issued under ESOP	<b>0.33</b>	0.22
Interest and Finance Charges paid	<b>(1.42)</b>	(9.09)
<b>Net cash used in Financing Activities</b>	<b>(7313.47)</b>	(7287.94)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(47.17)</b>	(33.35)
Cash and Cash Equivalents at the beginning of the year	<b>271.39</b>	304.74
<b>Cash and Cash equivalents at the end of the year</b>	<b>224.22</b>	271.39

Note : Previous year figures have been regrouped wherever found necessary.

As per our report of even date attached

For B.K. KHARE & CO.  
Chartered Accountants  
Firm Registration No.105102W

SHIRISH RAHALKAR  
Partner  
Membership No. 111212

S.A.S. Nagar (Mohali), 8th May, 2020

FOR AND ON BEHALF OF THE BOARD

RAJINDER ARORA      M.S. GREWAL  
Chief Financial Officer      Chief Executive Officer

SUDHIR MANKAD  
Chairman

RAJESH K. KAPILA  
Company Secretary

S.A.S. Nagar (Mohali), 8th May, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Members of,

**Swaraj Engines Limited**

**Report on the Audit of the Financial Statements**

### Opinion

We have audited the financial statements of Swaraj Engines Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of Profit and Loss, (statement of changes in equity) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and profit (changes in equity) and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

### KAM on Related Party Transactions

Key Audit Matter	<p>As a part of the business activity, the Company deals with entities which are related parties and significant revenue sources are from related parties only.</p> <p>The Arm's length pricing of the transactions with Related Parties, risks of material misstatement associated with related party relationships and transactions may have significant impact on the interest of the Company and true and fair presentation of related party relationships and transactions in the financial statements of the Company.</p>
Principal Audit Procedures	<p>We performed following audit procedures relating to related party relationships and transactions.</p> <p>We inquired of management regarding:</p> <p>The identity of the Company's related parties, including changes from the prior period;</p> <p>The nature of the relationships between the Company and related parties; and the type and purpose of the transactions with related parties;</p> <p>Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework;</p> <p>Confirmations obtained from related parties for an outstanding balances as part of our audit procedures;</p>



	<p>Performed appropriate substantive audit procedures relating to identified related parties and related party transactions;</p> <p>Evaluate the terms of the related party transactions that these are consistent with management's explanations;</p> <p>Ensured that all Related Party Transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature;</p> <p>Inquired that the Company has adopted a Related Party Transactions Policy approved by the Board and transactions are as per the policy.</p>
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**Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, (changes in equity) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standard on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standard on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the "Annexure-A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure-B".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended:  
In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 2.30 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There was no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company during the year.

**For B.K. KHARE & CO.**  
Chartered Accountants  
Firm Registration No. 105102W

**SHIRISH RAHALKAR**  
Partner  
Membership No. 111212  
UDIN : 20111212AAAAHX7348  
S.A.S. Nagar (Mohali), May 08,2020

**ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**(i) In respect of its Fixed Assets:**

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year based on the Company's system of periodic verification of fixed assets. In our opinion, the frequency of verification is at reasonable intervals considering the size of the Company.
- c) In our opinion and according to the information and explanations given to us and on the examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

**(ii) In respect of Inventory:**

- a) The stocks of finished goods, stores, spare parts and raw materials of the Company in its possession have been physically verified by the management at reasonable period. Stock-in-transit as on March 31, 2020 has been verified by the management on subsequent receipt of the goods.
  - b) In our opinion, the procedures of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) The company is maintaining proper records for inventory and discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
- (v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- (vi) On the basis of information given to us, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under sub Section (1) of section 148 of the Companies Act, 2013, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Custom Duty, Goods and Service Tax and other material statutory dues applicable to it to the appropriate authorities.
  - b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Customs Duty, Goods and Service Tax and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
  - c) The details of dues of Income Tax & Excise Duty which have not been deposited as on March 31, 2020 on account of disputes are given below :

(Rs. in Lakhs)

Statute	Nature	Forum where dispute is pending	Period to which the amount relates	Amount involved
Central Excise Act, 1944	Excise Duty	Appellate Authority- Tribunal Level	F.Y. 2004-05 to F.Y. 2008-09	86.02
Income Tax Act, 1961	Income Tax	Assessing Officer	A.Y. 2003-04	35.11

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in there payment of dues to Banks, Financial Institutions, and Government. The Company has not issued debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under Clause 3 (ix) of the Order are not applicable to the Company and not commented upon.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act.
- (xii) The Company is not a Nidhi Company and hence reporting under Clause 3 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under Clause 3 (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company and hence not commented upon.
- (xvi) In our opinion, the Company is not required to be registered under Section 45-1 of the Reserve Bank of India Act, 1934 and accordingly, the provisions of Clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

**For B.K. KHARE & CO.**

Chartered Accountants  
(Firm Registration No. – 105102W)

**SHIRISH RAHALKAR**

Partner  
Membership No. 111212  
UDIN : 20111212AAAAHX7348

S.A.S. Nagar (Mohali), May 08,2020

## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph “f” under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub–section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **Swaraj Engines Limited** (“the Company”) as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor’s Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing whether the risk of a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

**For B.K. KHARE & CO.**

Chartered Accountants  
(Firm Registration No. – 105102W)

**SHIRISH RAHALKAR**

Partner  
Membership No. 111212  
UDIN : 20111212AAAAHX7348

S.A.S. Nagar (Mohali), May 08,2020

