

Annual Report 2012

Swaraj Engines Limited

Swaraj Engines Limited

Company Secretary

M.S. GREWAL

Auditors

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

Bankers

CANARA BANK
HDFC BANK LIMITED

Registered Office

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

Works

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

BOARD OF DIRECTORS

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA

BISHWAMBHAR MISHRA
Vice Chairman

Dr. T.N. KAPOOR

D.R. SWAR

S.C. BHARGAVA

HARDEEP SINGH

V.S. PARTHASARATHY

R.R. DESHPANDE

VIJAY VARMA

M.N. KAUSHAL
Whole-time Director

ANNUAL GENERAL MEETING

on Tuesday, 31st July, 2012
at 2:00 P.M. at Swaraj Engines Limited
Plot No. 2, Industrial Phase IX
S.A.S. Nagar (Mohali)
Punjab 160 062.

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KEY PERFORMANCE INDICATORS - LAST TWELVE YEARS

(Rs. in Crores)

Fiscal Year →	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	CARG (2001-2012)
Engines Sold (Nos.)	22168	21013	13578	14844	18225	17631	17702	16408	28539	39143	47413	55239	8.65%
Total Revenue (Net)	118.91	114.60	77.86	89.79	123.52	128.18	129.32	125.54	208.34	286.62	363.45[^]	452.64[^]	12.92%
PBIDT	30.04	29.79	18.10	20.21	27.73	25.81	26.58	23.36	32.04	53.75	63.08	73.43	8.47%
Finance Charges (Net)	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	(3.27)	(4.87)	(5.80)	(5.73)	(8.10)	
Depreciation	3.70	3.85	3.77	3.79	3.96	4.26	4.40	4.59	4.69	4.84	4.46	4.26	
Profit Before Tax	25.19	25.34	14.09	16.21	23.62	21.41	22.63	22.04	32.22	54.71	64.35	77.27	10.73%
Income Tax	9.15	9.08	5.05	5.86	8.19	7.42	7.77	7.68	10.95	17.36	20.44	24.45	
Profit After Tax	16.04	16.26	9.04	10.35	15.43	13.99	14.86	14.36	21.27	37.35	43.91	52.82	11.44%
Dividend %	225	225	125	150	225	75*	Nil	50	50	80	100	130	
Dividend Payout	9.31	9.31	5.17	6.21	9.31	9.31	Nil	6.21	6.21	9.94	12.42	16.15	
Equity Share Capital	4.14	4.14	4.14	4.14	4.14	12.42*	12.42	12.42	12.42	12.42	12.42	12.42	
Net Worth	45.98	46.30	49.50	52.85	57.64	61.01	75.87	82.96	96.97	122.74	152.22	186.28	13.56%
Capital Employed	47.68	57.11	57.88	61.90	65.80	67.29	81.41	88.04	100.84	125.42	154.14	189.48	
Market Capitalisation	110.12	98.94	71.62	97.70	144.07	183.20	176.36	265.78	118.05	360.36	532.93	498.10	
PBIDT/Total Revenue %	25.3	26.0	23.2	22.5	22.4	20.1	20.6	18.6	15.4	18.8	17.4	16.2	
Return on Net Worth %	34.9	35.1	18.3	19.6	26.8	22.9	19.6	17.3	21.9	30.4	28.9	28.4	
Earning Per Share (Rs.)	38.7	39.3	21.8	25.0	37.3	11.3*	12.0	11.6	17.1	30.1	35.4	42.5	
Book Value Per Share (Rs.)	111.1	111.8	119.6	127.7	139.2	49.1*	61.1	66.8	78.1	98.8	122.6	150.0	

*On Post Bonus (2:1) Equity

^ Exclude interest income of Rs. 8.18 Crores (2011 – Rs. 5.77 Crores)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday, the 31st day of July, 2012 at 2.00 P.M.** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab - 160 062 to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To note the retirement by rotation of Shri D.R. Swar, Director. Shri Swar has expressed his desire not to seek re-appointment. It is not intended to fill the vacancy caused by the retirement of Shri Swar.
4. To appoint a Director in place of Shri Vijay Varma who retires by rotation and, being eligible, offers himself for re-appointment.
5. To note the retirement by rotation of Shri Hardeep Singh, Director. Shri Hardeep Singh has expressed his desire not to seek re-appointment. It is not intended to fill the vacancy caused by the retirement of Shri Hardeep Singh.
6. To appoint a Director in place of Shri G.P.Gupta who retires by rotation and, being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 224 of the Companies Act, 1956, Messrs Davinder S. Jaaj & Co., Chartered Accountants (ICAI Registration No. 000969N), the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors of the Company in addition to out of pocket expenses as may be incurred by them during the course of the Audit."

SPECIAL BUSINESS

8. **To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:**

"RESOLVED that pursuant to the provisions of Sections 269, 198, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 (the Act) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the appointment of Shri M.N.Kaushal as Whole-time Director of the Company for a period of 5 years with effect from 1st April, 2012 on a remuneration of Rs.1,00,000/- per month in the scale of Rs. 1,00,000/- to Rs. 1,25,000/- per month.

Provided that the remuneration payable to Whole-time Director (including the salary, commission, perquisites, benefits and amenities) does not exceed the limits laid down in Sections 198 and 309 of the Act, including any statutory modifications or re-enactment thereof.

FURTHER RESOLVED that where in any financial year during the currency of the tenure of Whole-time Director, the Company has no profits or its profits are inadequate, the Company may pay to Whole-time Director the above remuneration as the minimum remuneration for a period not exceeding 3 years from the date of appointment by way of salary, perquisites and other allowances and benefits as specified above, subject to receipt of the requisite approvals, if any.

FURTHER RESOLVED that the terms and conditions of the appointment of and the remuneration payable to Whole-time Director may be varied, altered, increased, enhanced or widened from time to time by the Remuneration cum Compensation Committee and the Board as it may in its discretion deem fit within the above limits and subject to the limits laid down in Sections 198, 269, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 and the Rules framed thereunder read with Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, and subject to the requisite approvals, if any, being obtained.

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

9. **To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution :**

"RESOLVED that the 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, shall for a period of five years with effect from 1st April, 2011, be paid remuneration by way of commission upto one per cent of the net profits of the Company, computed in the manner referred to in Section 198, 309 and all other applicable provisions of the Companies Act, 1956, and such commission to be distributed amongst and paid to the aforesaid Directors concerned in such proportions as the Board of Directors may decide from time to time; PROVIDED that none of such Directors shall in any financial year of the Company receive a portion of such commission equal to more than one quarter per cent of the net profits of the company."

10. **To consider and if thought fit, to pass, with or without modification(s), the following as a Special Resolution :**

"RESOLVED that pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and Rules framed thereunder and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the existing Articles of Association of the Company be amended as under:

- i) The following Article be inserted after the existing Article 67(2) as Article 67(3):

Participation through Electronic Mode

67(3): Notwithstanding anything contrary contained in the Articles of Association, the Company may provide Video Conference facility and/or other permissible electronic or virtual facilities for communication to enable the Shareholders of the Company to participate in General Meetings of the Company. Such participation by the Shareholders at General Meetings of the Company through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

- ii) The following Article be inserted after the existing Article 109 as Article 109A:

Participation through Electronic Mode

109A: Notwithstanding anything contrary contained in the Articles of Association, the Director(s) may participate in Meetings of the Board and Committees thereof, through Video Conference facility and/or other permissible electronic or virtual facilities for communication. Such participation by the Director(s) at Meetings of the Board and Committees thereof, through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

- iii) The following proviso be inserted after the existing Article 110:

Provided further that a Director participating in a Meeting through use of Video Conference or any other permissible electronic mode of communication shall be counted for the purpose of quorum, notwithstanding anything contrary contained in the Articles of Association.

- iv) The following Article be inserted after the existing Article 134 as Article 134A:

Service of Documents on Members

134A: Notwithstanding anything contrary contained in the Articles of Association, a document may be served by the Company on any Member by any electronic mode of communication and in such manner as is/ may be permitted by any law. Where a document is served by any such electronic mode, the service thereof shall be deemed to be effected in the manner as is/may be provided by any law.

FURTHER RESOLVED that the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee or any person which the Board may constitute/ nominate to exercise its powers, including the powers by this Resolution) be authorised to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

NOTES

1. Explanatory statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
3. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
4. The Register of Members and Transfer Books of the Company will be closed from 14th July, 2012 to 20th July, 2012 (both days inclusive).
5. The dividend, if declared at the Annual General Meeting, will be paid / dispatched on or after 1st August, 2012 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 13th July, 2012 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 13th July, 2012.
6. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required can be compiled and made available at the Meeting.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for and upto the financial year ended 31st March, 2004 to the Investor Education and Protection Fund (IEPF). All unclaimed dividends for the financial year ended 31st March, 2005 will become due for transfer to IEPF in August 2012. Members who have not encashed the dividend warrant(s) so far for the said period or any subsequent financial years are requested to make their claims to the Company. It may be noted that once the amounts in the unpaid dividend accounts are transferred to the IEPF, no claim shall lie against the Fund or the Company in respect thereof.

8. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, Messrs MCS Ltd.
9. Payment of Dividend through ECS:
- a) Members holding shares in electronic form may please note that bank details as furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Securities and Exchange Board of India. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in electronic form must give instructions regarding bank account in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
 - b) Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 20th July, 2012, to Company's Registrar and Share Transfer Agent, MCS Ltd.
10. Members are requested to:
- Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhawan, F-65, First Floor, Okhla Industrial Area, Phase I, New Delhi - 110 020, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
 - 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 shareholders.
 - Quote their folio numbers/Client ID/ DP ID in all correspondence.
 - consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
11. Appointment /Re-appointment of Directors

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

None of the Directors of the Company are inter se related to each other.

Regd. Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Email: grewal.maninder@mahindraswaraj.com
Dated: 26th June, 2012

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

ANNEXURE TO NOTICE

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

Item No. 8

The Board of Directors at its Meeting held on 27th January, 2012 has, subject to approval of the Members, approved the appointment and remuneration payable to Shri M.N.Kaushal as Whole-time Director of the Company for a period of 5 years with effect from 1st April, 2012.

In compliance with the requirements of Section 302 of the Companies Act, 1956, an Abstract of terms of the appointment and remuneration payable to the Whole-time Director together with the Memorandum of Concern or Interest was sent to the Members on 15th February, 2012.

Terms of remuneration of Shri M.N.Kaushal are set out in the Special Resolution under Item No. 8.

Pursuant to Sections 269,198, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 ("the Act"), including Schedule XIII of the Act, the appointment of and remuneration payable to Shri M.N.Kaushal is now being placed before the Members in the Annual General Meeting for their approval as Special Resolution.

Your Directors recommend these Resolutions as Special Resolutions for approval of the Members.

Apart from Shri M.N.Kaushal, who would be interested in his appointment and remuneration, none of the other Directors is concerned or interested in this item of business.

The following additional information as required by Schedule XIII to the Act is given below :

I. General Information

(i) Nature of Industry

The Company is in the business of manufacture of Diesel engines and its components.

(ii) Date or expected date of commencement of commercial production

The Company was incorporated on 24th September, 1985 and started commercial production of diesel engines in the year 1989.

(iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable

(iv) Financial performance based on given indicators - as per audited financial results for the year ended 31st March, 2012

Particulars	(Rs. in crores)
Turnover & Other Income	460.82
Net profit as per Statement of Profit & Loss (After Tax)	52.82
Profit as computed under Section 309(5) read with Section 198 of the Act.	77.58
Net Worth	186.28

(v) Export performance and net foreign exchange collaborations

The company is presently not engaged in export business and it has no foreign collaboration.

(vi) Foreign investments or collaborators, if any

Nil

II. Information about the appointee**(i) Background details****Shri M.N.Kaushal**

Shri M.N.Kaushal joined the Company's Board in December, 2009. He is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. Having joined the erstwhile Punjab Tractors Limited (since merged with Mahindra & Mahindra Limited) in 1981, he is currently Chief Financial Officer of Swaraj Division of Mahindra & Mahindra Limited and has made significant contributions in business planning, cost control and management & judicious allocation of financial resources.

(ii) Past remuneration during the financial year ended 31st March, 2012

Not applicable, fresh appointment with effect from 1st April, 2012.

(iii) Recognition or awards

Career profile already covered in the section "Background details".

(iv) Job Profile and his suitability

Shri M.N.Kaushal, Whole-time Director, will be responsible for operations and the affairs of Company.

Taking into consideration his qualifications and expertise in relevant fields, he is best suited for the responsibilities currently assigned to him by the Board of Directors.

(v) Remuneration proposed

Remuneration of Rs.1,00,000/- per month in the scale of Rs. 1,00,000/- to Rs. 1,25,000/- per month.

(vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)

Taking into consideration the size of the Company, the profile of Shri M.N.Kaushal, the responsibilities assigned, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

(vii) Pecuniary relationship(s) directly or indirectly with the Company, or relationship with the managerial personnel, if any

Besides the remuneration proposed to be paid to him, he does not has any other pecuniary relationship with the Company or relationship with any of its managerial personnel.

III. Other Information**(i) Reasons of loss or inadequate profits**

Not applicable, as the Company has posted a net profit after tax of Rs.52.82 crores for the year ended 31st March, 2012.

(ii) Steps taken or proposed to be taken for improvement and

(iii) Expected increase in productivity and profits in the measurable terms

Not applicable as the Company has adequate profits. The Company posted an operating profit of Rs. 69.37 crores for the year ended 31st March, 2012.

IV. Disclosures

The information and disclosures for remuneration criteria of the managerial personnel have been mentioned in the Annual Report for the year ended 31st March, 2012 in the Corporate Governance Report Section under the Heading "Remuneration to Directors".

Item No. 9

The Directors guide the policies and supervise the affairs and the working of the Company. Various Statutes and Rules have cast enormous duties, responsibilities and liabilities on the Directors. In the light of services rendered and the responsibilities shouldered by the Non-executive Directors for the business of the Company and considering the remuneration drawn by Non-executive Directors in other companies / industries, it is considered desirable that they be paid remuneration upto the scale laid down in Section 309 (4) and other provisions contained in the Companies Act, 1956.

Revised Clause 49 of the Listing Agreement as well as the provisions of the Companies Act, 1956 require that compensation payable to Non-executive Directors, including the Independent Directors shall be fixed by the Board of Directors and shall require previous approval of Members in general meeting and of the Central Government as may be necessary.

Article No. 90(2) of the Articles of Association of the Company, states that the Directors may be paid such further remuneration (beside sitting fees) as the Company in general meeting may by special resolution from time to time determine and sanction and such further remuneration shall be divided amongst the Directors in such proportion and manner as the Board of Directors may from time to time determine.

Presently the Company pays sitting fees of Rs. 20,000/- to the Independent Directors of the Company for attending each meeting of the Board of Directors and the Committees thereof. No sitting fee is paid to the Whole-time Director and Non-executive Directors representing Promoters.

It is now proposed subject to requisite approvals, to authorize the payment of commission upto one per cent per annum of the net profits of the Company of that financial year to the Directors of the Company, other than the Directors who are in the whole-time employment of the Company, the Whole-time Director, Managing Director, Executive Director(s) and such other Directors as may not desire to participate, for each of five years commencing from 1st April, 2011. Such commission may be distributed amongst and paid to the aforesaid Directors 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 any such Director.

The Directors recommend passing of the Resolution at item no. 9 as a Special Resolution.

The Non-executive Directors of the Company, may be deemed to be concerned or interested in this resolution to the extent of commission that may be payable to them from time to time.

Item No. 10

The Ministry of Corporate Affairs ("MCA"), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated 20th May, 2011 and Circular No.35/2011 dated 6th June, 2011 has permitted companies to hold Board Meetings and Shareholders Meetings through Video Conference facility, as part of the Green Initiatives under Corporate Governance. Further, MCA vide Circular No. 72/2011 dated 27th December, 2011 made the Video Conference facility at the Shareholders Meetings optional to the listed companies.

Section 53 of the Companies Act, 1956 provide for modes of service of documents on a Member of the Company. The MCA has vide Circular No. 17/2011 dated 21st April, 2011 stated that a company would have complied with Section 53 if the service of a document has been made through electronic mode, provided the company has obtained e-mail addresses of its Members for sending Notices/Documents through e-mail by giving an advance opportunity to every Shareholder to register their e-mail addresses with the company. Clause 32 of the Listing Agreement of the Stock Exchanges also permits a company to send soft copies of full Annual Reports, Balance Sheet, Profit and Loss Account and Directors' Report to all Shareholders who have registered their e-mail addresses for the purpose.

It is proposed to carry out necessary amendments in the existing Articles of Association of the Company by inserting appropriate enabling provisions as set out in the Special Resolution under Item No.10 to give effect to the above Circulars of MCA.

In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company. A copy of the existing Memorandum and Articles of Association of the Company alongwith the proposed draft amendments to the Articles of Association is available for inspection by any Member at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on all working days (except Saturdays, Sundays and Public Holidays).

The Directors recommend the passing of the Resolution at Item No.10 as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in this item of business.

Regd.Office:
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Email: grewal.maninder@mahindraswaraj.com
Dated: 26th June, 2012

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their Twenty Sixth Annual Report together with Audited Accounts for the financial year ended 31st March, 2012.

FINANCIAL RESULTS :

	(Rs. in Crores)	
	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
Net Operating Revenue	448.58	361.03
Other Income	12.24	8.19
Profit before Depreciation, Finance Charges and Tax	81.61	68.85
Finance Costs	0.08	0.04
Depreciation	4.26	4.46
Profit Before Tax	77.27	64.35
Tax Provision		
– Current	23.17	21.20
– Deferred	1.28	(0.76)
Profit After Tax	52.82	43.91
Surplus - Opening Balance	23.64	20.17
Surplus available for Appropriation :	76.46	64.08
Appropriations :		
Proposed Dividend	16.14	12.42
Tax on Proposed Dividend	2.62	2.02
Transfer to General Reserve	31.00	26.00
Surplus - Closing Balance	26.70	23.64

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.13.00 per Equity Share for the financial year 2011-12 as against Rs. 10.00 per share declared and paid for previous year, payable to those members whose names appear in the Register of Members as on Book Closure date. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs.18.76 crores.

REVIEW OF OPERATIONS

Financial year 2011-12 was yet another year of achieving new highs. Taking the full advantage of enhanced engine demand from Mahindra & Mahindra Limited - Swaraj Division, your Company for the first time has crossed the **50,000** mark - both for production and sale of engines. Timely increase of production capacities coupled with productivity improvement initiatives enabled the Company to achieve this milestone.

Based on stepped up demand, the engine sales volume posted a growth of 17% during the year under review and reached 55,239 units as compared to previous year's sale of 47,413 units. Accordingly, Company's net operating revenue moved to Rs.448.58 crores from previous year's revenue of Rs. 361.03 crores - a growth of 24%. While Profit Before Tax for the year reached Rs. 77.27 crores (previous year Rs. 64.35 crores), Profit After Tax of Rs. 52.82 crores (previous year Rs. 43.91 crores) translates into an Earning Per Share of Rs. 42.53 (previous year Rs. 35.35).

As Members are aware, the Company had undertaken an expansion project to increase its annual capacity to 75,000 engines in two phases. While the first phase of expansion to increase the capacity to 60,000 engines per annum is near completion barring some equipments which are still under installation, the second phase which will take the total capacity to 75,000 engines per annum is progressing well and is expected to be completed by the end of current calendar year.

FINANCE

The fund position of the Company was comfortable throughout the year under review. As a result, after meeting routine capital expenditure and working capital requirements to support operations, a total income of Rs. 12.08 crores was generated on surplus funds.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

INDUSTRIAL RELATIONS

Industrial Relations remained cordial throughout the year under review.

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

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

CORPORATE SOCIAL RESPONSIBILITY

Keeping with Company's core value of Good Corporate Citizenship, your company is committed to display its social responsibility by taking various initiatives which would benefit the society at large. These initiatives includes tree plantation at various locations, organizing medical camps, celebration of festivals with under privileged.

DIRECTORS

Consequent upon his resignation, Shri A.M.Sawhney ceased to be a Director of the Company with effect from 26th March, 2012. Your Board has placed on record its deep appreciation of notable contributions of Shri Sawhney as Director of the Company.

Upon completion of his current tenure as Executive Director on 31st March, 2012, the Board of Directors at its meeting held on 27th January, 2012 has approved continuation of Shri Bishwambhar Mishra as Non-Executive Director of the Company with effect from 1st April, 2012 and will continue to be the Vice Chairman of the Board of the Company.

Taking note of emerging needs, the Board of Directors at its meeting held on 27th January, 2012 has approved the appointment of Shri M.N.Kaushal as Whole-time Director for a period of 5 years with effect from 1st April, 2012. Appropriate resolution for his appointment has been proposed for the approval of the Shareholders at the forthcoming Annual General Meeting.

Shri Vijay Varma and Shri G.P. Gupta retire by rotation, and being eligible, offer themselves for re-appointment. Shri D.R. Swar and Shri Hardeep Singh also retire by rotation at the ensuing Annual General Meeting and have expressed their desire not to seek re-appointment. The Company does not intend to fill the vacancies caused by the retirement of Shri D.R. Swar and Shri Hardeep Singh.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) in the preparation of Annual Accounts, applicable accounting standards have been followed;
- b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended on that date;

SWARAJ ENGINES LIMITED

- c) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Annual Accounts have been prepared on a going concern basis.

AUDITORS

The Company's Statutory Auditors, Messrs Davinder S. Jaaj & Company, Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits specified under Section 224(1B) of the Companies Act, 1956. Members are requested to appoint Auditors and fix their remuneration.

COST AUDITORS

As per the Order of the Central Government and in pursuance of Section 233B of the Companies Act, 1956, your Company's cost records are subject to Cost Audit. The due date for filing of the Cost Audit Report with the Ministry of Corporate Affairs for the financial year ended 31st March, 2011 was 30th September, 2011. This Report was filed on 2nd September, 2011. The Board of Directors has upon recommendation of the Audit Committee appointed Messrs V. Kumar & Associates, Cost Accountants to audit the cost accounts of the Company for the financial year ending 31st March, 2013, subject to the approval of the Central Government. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written confirmation from Messrs V. Kumar & Associates to the effect that they are eligible for appointment as Cost Auditors under Section 233B of the Companies Act, 1956. The Board of Directors of the Company has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company.

DEPOSITS

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

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

CURRENT YEAR

As the operations of the Company are directly linked to tractor industry, taking note of recent tractor industry scenario, the demand during fiscal 2013 is expected to remain moderate. In this backdrop, engines sale during April - May 2012 period was 9,218 units against 9,447 units sold during the corresponding period of the previous year.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

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

PARTICULARS OF EMPLOYEES

In accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975 as amended, the Company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000 per annum and was employed throughout the year ended 31st March, 2012 or not less than Rs.5,00,000 per month and was employed for a part of the financial year 2011-12.

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)
Date : 26th June, 2012

G.P.GUPTA
Chairman

ANNEXURE TO DIRECTORS' REPORT

Particulars as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2012

A. CONSERVATION OF ENERGY:

- (a) Energy Conservation measures taken:

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

- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Additional investments of Rs.11.45 lacs had been made to provide zero energy exhaust fans (250 nos).

- (c) Impact of the measures taken / to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Above initiatives besides being energy free are also environmental friendly.

Overall savings during the year is Rs. 5.0 lacs

- (d) Total energy consumption and energy consumption per unit of production as per Form-A to the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable.

B. TECHNOLOGY ABSORPTION:**Research & Development:**

1. a) Areas in which Research & Development is carried out:

To further improve the fuel efficiency in RB series engines, necessary design changes were carried out successfully.

- b) Development of new 23 HP single cylinder engine.

2. Benefits derived as a result of the above efforts :

- a) Improvement in fuel efficiency

- b) Expansion of product range.

3. Future Plan of Action

Development of 50 HP+ engine.

4. Expenditure on R & D

The Company spent revenue expenditure of Rs. 1.84 crores on Research & Development work during the year, which was 0.40% of the total turnover.

Technology absorption, adaptation and innovation:

On-going programmes on product improvement for performance, reliability and up-gradation of products with customer as focus continued with vigor.

While no technology has been imported during the last 5 years, Company has gone for high technology imported machines which helped:-

- to reduce engine noise level
- better lub oil pressure
- consistency in combustion parameters of engines

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year, there were no exports. Foreign Exchange Outgo is contained in Note No. 2.32 of Notes on Accounts in the annual report.

FOR AND ON BEHALF OF THE BOARD

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

Date : 26th June, 2012

G.P.GUPTA

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Swaraj Engines Ltd. (SEL) was set up to manufacture engines for fitment into "Swaraj" tractors for Punjab Tractors Ltd. (PTL), which has since been merged with Mahindra & Mahindra Ltd. (M&M). Subsequently, SEL has also become supplier of hi-tech engine components to SML Isuzu Ltd., the erstwhile Swaraj Mazda Ltd.

Since start of commercial operations in 1989-90, SEL has supplied around 4,60,000 engines for fitment into "Swaraj" tractors. SEL's engine business currently constitutes around 95% of Company's product revenue. Balance 5% represents value of hi-tech engine components being supplied to SML Isuzu for assembly of commercial vehicle engines.

PERFORMANCE APPRAISAL

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

FINANCIAL ANALYSIS (2011-12)

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

Total revenue for the year was Rs. 460.82 crores (previous year Rs. 369.22 crores) with the following breakdown:

(Rs. in Crores)

	<u>2011-12</u>	<u>2010-11</u>
Engines	414.42	330.27
Engine components	23.08	22.68
Spares etc.	11.08	8.08
Total Product Revenue	448.58	361.03
Other Income - Mainly Interest & Dividend	12.24	8.19
Total Revenue	460.82	369.22

With the enhanced demand from "Swaraj", engine supplies during the year moved to 55,239 engines (previous year 47,413 engines).

Due to increase in commodity prices, Material cost, excluding stores & spares, as a percentage of total product revenue increased to 75.9% from previous year's 74.4%.

Personnel cost at Rs. 19.17 crores (previous year Rs. 16.96 crores), represented 4.3% of total product revenue (previous year 4.7%).

With increased level of production during the year, manufacturing, administrative and marketing expenses including consumption of stores & spares of Rs. 19.55 crores (previous year Rs. 14.87 crores) as percentage to total product revenue were 4.4% (previous year 4.1%).

Comfortable fund position throughout the year resulted into a total income of Rs 12.08 crores (previous year Rs. 8.15 crores) on surplus funds. Other miscellaneous income for the year stood at Rs. 0.16 crore (previous year Rs. 0.04 crore).

Finance cost of Rs. 0.08 crore was mainly on account of bank charges (previous year Rs.0.04 crore).

Depreciation for the year was Rs. 4.26 crores (previous year Rs.4.46 crores).

Reflecting above, Profit Before Tax reached Rs. 77.27 crores (previous year Rs. 64.35 crores).

Corporate tax at Rs. 24.45 crores (previous year Rs. 20.44 crores) translates to an effective rate of 31.6% (previous year 31.8%). Deferred tax for the current year was Rs. 1.28 crore.

B) Balance Sheet

Company's net worth on 31st March, 2012 stood at Rs. 186.28 crores comprising of an Equity component of Rs. 12.42 crores and Reserves & Surplus of Rs. 173.86 crores - a book value of Rs.149.98 per share (previous year Rs. 122.56 per share). Out of the total equity of Rs. 12.42 crores, some 83% (Rs.10.35 crores) represents two Bonus Issues made in 1997 (1:1) and 2005 (2:1).

Gross Block and Net Block of fixed assets on 31st March, 2012 stood at Rs. 96.04 crores (previous year Rs.77.63 crores) and Rs. 41.80 crores (previous year Rs. 23.96 crores) respectively. Capital work in progress / capital spares moved up to Rs. 8.72 crores (previous year Rs. 0.49 crore). These assets represent an installed capacity of 60,000 engines on double shift basis.

With continuous focus, year-end inventories restricted at Rs. 33.44 crores compared to previous year's level of Rs. 35.11 crores.

Year-end Trade Receivables stood at Rs. 11.91 crores (previous year Rs. 8.05 crores).

Due to increased level of production, year-end Trade Payables moved to Rs. 43.49 crores (previous year Rs. 35.85 crores).

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 propriety, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audits. Finance and Accounts function is well staffed with experienced and qualified personnel. This team participates in the preparation & monitoring of budgets. Internal Audit Reports to the top management are also reviewed by the Audit Committee of the Board from time to time.

HUMAN RESOURCES

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

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

Industrial relations were cordial throughout the year under review.

Employee strength as on 31st March, 2012 stood at 547 (31st March, 2011 - 515).

INDUSTRY STRUCTURE AND DEVELOPMENTS

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

Despite a low penetration level of tractors in many states, Indian tractor market is one of the largest markets in the world in terms of sales volume. The domestic tractor market is traditionally segmented by horsepower into the low horsepower 20 HP - 30 HP segment, the mid segment of 30 HP - 40 HP and the higher segment of above 40 HP. Most of the major players cater to all the three segments. However, their relative strengths and market positions differ from segment to segment.

The tractor industry started on a positive note and witnessed a growth of 17% during April - December 2011 period. However, the industry started showing signs of weakness during remaining period of last fiscal. As a result, the overall growth for the financial year 2011-12 restricted to 11% and domestic tractor sales for F12 reached 5,36,000 tractors. The factors such as higher minimum support price for crops, availability of credit, increased need for mechanization due to shortage of farm labour, replacement demand besides government support for farm mechanization continued to support the industry.

M&M, which designs, develops, manufactures and markets tractors for Indian and overseas markets is the largest manufacturer of tractors in India and has sustained its market leadership in the Indian tractor market for over 29 years. The consolidated market share of the Farm Equipment Sector of M&M is now around 41% of the domestic market.

OUTLOOK AND OPPORTUNITIES

Keeping in view of the current tractor industry trends, while the near term outlook seems to be challenging but in view of the various domestic macro economic indicators, supported by increasing farm income, need for mechanization and enhanced usage of tractors for non agricultural activities, it is expected that the Indian tractor industry would maintain a growth trend in the medium - long term. Further, with Government's thrust on development of urban and rural infrastructure including roads, ports, power etc., coupled with on going growth trends in industry, global trade and tourism are expected to drive future demand for commercial vehicles. As the industry outlook for the Company's prime customers seems promising, SEL's business prospects appear to remain positive.

THREATS, RISKS & CONCERNS

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

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

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

I Board of Directors

The Composition of the Board is in accordance with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors. The number of Non-Executive Directors is more than one half of the total number of Directors. The Non-Executive Directors bring wide range of experience and independent judgement to the Board's deliberations and decisions. Shri Bishwambhar Mishra was the Executive Director of the Company designated as Vice Chairman till 31st March, 2012 and being in employment of Mahindra & Mahindra Ltd. (M&M), draws his remuneration from M&M only. Upon completion of his tenure on 31st March, 2012, Shri Mishra continues on the Board as Non-Executive Director and Vice Chairman and in his place, Shri M.N.Kaushal is appointed as the Whole-time Director at a remuneration as approved by the Members.

Dr. Pawan Goenka and Shri V.S. Parthasarathy, Non-Executive Directors are in the whole-time employment of Mahindra & Mahindra Ltd. Shri R.R.Deshpande, Non-Executive Director, is in whole-time employment of Kirloskar Oil Engines Ltd. (KOEL). Shri Vijay Varma, Non-Executive Director, is in the whole-time employment of Kirloskar Proprietary Ltd. The above four Non-Executive Directors draw remuneration from their respective companies. Apart from the above and the re-imbursment 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, 1956, none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management and associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

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

A. Composition of the Board

The Company's Board of Directors currently comprises eleven members. While six members are Non Independent Non-Executive Directors, the Whole-time Director is the Executive Director of the Company and remaining four (including the Chairman of the Board) are Independent Directors.

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

SWARAJ ENGINES LIMITED

Name of Director	Category	Financial Year 2011-12		Attendance at the last AGM	Total No. of Directorships [^] in public companies [#]	Committee* Position held in public companies [#]	
		Board Meetings held*	Board Meetings attended			Chairman	Member
Non-Executive							
Shri G.P.Gupta, Chairman	Independent	4	4	Yes	10	4	3
Dr. Pawan Goenka	Non Independent	4	4	Yes	9	-	4
Shri Bishwambhar Mishra, Vice Chairman (Executive Director till 31.03.2012)	Non Independent	4	4	Yes	3	-	3
Dr. T.N.Kapoor	Independent	4	4	No	5	5	4
Shri D.R.Swar	Non Independent	4	2	No	5	1	1
Shri S.C.Bhargava	Independent	4	4	Yes	11	-	4
Shri Hardeep Singh	Independent	4	4	Yes	4	-	1
Shri V.S.Parthasarathy	Non Independent	4	2	Yes	3	-	2
Shri R.R.Deshpande	Non Independent	4	2	Yes	3	-	1
Shri Vijay Varma	Non Independent	4	3	Yes	2	-	-
Shri A.M.Sawhney (Ceased w.e.f 26.03.2012)	Non Independent	4	2	Yes	N.A.	N.A.	N.A.
Executive							
Shri M.N.Kaushal (appointed as Whole-time Director w.e.f. 01.04.2012)	Non Independent	4	4	Yes	1	-	1

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

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

[^] Excludes Alternate Directorships but includes Additional Directorships and Directorship in Swaraj Engines Ltd.

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

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

B. Board Procedure

The Board meets at regular intervals and a detailed Agenda 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, adoption of quarterly/half-yearly/annual results, significant labour issues, and Minutes of Meetings of the Audit and other Committees of the Board.

During the financial year 2011-12, 4 Board Meetings were held on 26th April, 2011, 3rd August, 2011, 20th October, 2011 and 27th January, 2012. The gap between two Meetings did not exceed four months.

The 25th Annual General Meeting (AGM) was held on 3rd August, 2011.

C. Directors seeking appointment / re-appointment

At the ensuing Annual General Meeting, S/Shri D.R.Swar, Vijay Varma, Hardeep Singh and G.P.Gupta retire by rotation. While Shri Vijay Varma and Shri G.P.Gupta, being eligible, offer themselves for re-election, Shri D.R. Swar and Shri Hardeep are not seeking the re-appointment.

The Directors have appointed Shri M.N.Kaushal as Whole-time Director, subject to the approval of the Members, for a period of five years with effect from 1st April, 2012.

A brief resume of the above Directors is presented below:

Shri Vijay Varma

Shri Vijay Varma has been a Director of the Company since January, 2009.

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

Shri Vijay Varma is also a director of Kothrud Power Equipment Limited.

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

Shri Varma does not hold any shares in the Company.

Sh. G.P. Gupta

Shri G.P.Gupta is on the Board of the Company as Independent Director since September 2001 and was appointed as the Chairman of the Board in July 2007.

Shri Gupta served as Chairman of Unit Trust of India and Chairman & Managing Director of Industrial Development Bank of India. He holds Masters degree in Commerce and has vast and varied experience in the fields of Financial Management, Banking, Industrial & Financial Restructuring.

Shri G.P.Gupta is also a Director of Emkay Global Financial Services Limited, Emkay Investment Managers Limited, SIDBI Venture Capital Limited, Birla Sun Life Insurance Co. Limited, Aditya Birla Nuvo Limited, Landmark Property Development Co. Limited, Idea Cellular Limited, Aditya Birla Retail Limited, Dighi Port Limited, Avam Technologies Pvt. Limited, Aditya Birla Capital Advisors Pvt. Limited and Trinethra Superretail Pvt. Limited.

The details of Sh.Gupta's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Emkay Global Financial Services Ltd.	Audit Committee	Member
2.	Swaraj Engines Ltd.	Audit Committee	Chairman
3.	Idea Cellular Ltd.	Audit Committee	Chairman
4.	Aditya Birla Capital Advisors Pvt Ltd.	Audit Committee	Chairman
5.	Birla Sun Life Insurance Co. Ltd.	Audit Committee	Chairman
6.	Aditya Birla Nuvo Ltd.	Audit Committee	Member
7.	Landmark Property Development Co. Ltd.	Audit Committee	Chairman
8.	Aditya Birla Retail Ltd.	Audit Committee	Member
9.	Trinethra Superretail Pvt. Ltd.	Audit Committee	Member

Shri Gupta does not hold shares in the Company.

Shri M.N.Kaushal

Shri M.N.Kaushal has joined the Company's Board in December, 2009 and has been appointed as Whole-time Director for a period of 5 years with effect from 1st April, 2012, subject to approval of the Members in the Annual General Meeting.

Shri Kaushal is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. Having joined the erstwhile Punjab Tractors (since merged with Mahindra & Mahindra Limited) in 1981, he is currently Chief Financial Officer of Swaraj Division of Mahindra & Mahindra Ltd. and has made significant contributions in business planning, cost control and management & judicious allocation of financial resources.

The details of Shri Kaushal's Membership in Committee are given below:

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

Shri Kaushal holds 1307 shares in the Company.

D. Code of Conduct

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

E. CEO / CFO Certification

As required under Clause 49 V of the Listing Agreement with Stock Exchanges, the Whole-time Director and the Deputy General Manager-Finance of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2012.

II Remuneration to Directors

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

Independent Non-Executive Directors are paid sitting fees of Rs. 20,000/- per meeting 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.

From the financial year 2011-12, the Board had also approved the payment of commission to Non-executive Directors 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 Directors.

The details of Directors' remuneration for 2011-12 is as follows;

Independent Non-Executive Directors

Name of the Directors who were in receipt of sitting fees during FY 2011-12	Sitting Fees for Board and Committee Meetings paid during the year ended 31st March, 2012 (Rs.)	Commission payable+ (Rs.)	Total (Rs.)
Shri G.P.Gupta	1,60,000	3,00,000	4,60,000
Dr. T.N.Kapoor	2,60,000	3,00,000	5,60,000
Shri S.C.Bhargava	1,60,000	3,00,000	4,60,000
Shri Hardeep Singh	1,00,000	3,00,000	4,00,000

+ subject to approval of the Members in the Annual General Meeting

None of the Non-executive Directors hold any shares in the Company.

III Risk Management

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

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

IV Committees of the Board

A. Audit Committee

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

The Committee comprises the following Non-Executive Directors:

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

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

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

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 1956 and the Listing Agreements. The functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of internal controls and regulatory compliances. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment of statutory auditors, their fees and reviews quarterly / annual financial statements before submission to the Board. It is also empowered to inter alia review Financial Statements and investments of unlisted subsidiary companies, if any, Management Discussion and Analysis of financial condition and results of

SWARAJ ENGINES LIMITED

operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C. The meetings of the Audit Committee are also attended by the Vice Chairman, the Whole-time Director, the Statutory Auditors by invitation, the Internal Auditor and the Company Secretary.

Shri G.P.Gupta, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 3rd August, 2011.

During the financial year under review, 4 meetings of Audit Committee of the Board were held on 26th April, 2011, 3rd August, 2011, 20th October, 2011 and 27th January, 2012. The gap between the two meetings did not exceed four months.

Attendance record of the Members of the Audit Committee for FY 2011-12 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri G.P.Gupta	4	4
Dr. T.N.Kapoor	4	4
Shri S.C.Bhargava	4	4
Shri V.S.Parthasarathy	4	2

B. Shareholder / Investor Relations Committee

The Shareholder / Investor Relations Committee of the Company functions under the Chairmanship of Dr. T.N.Kapoor, Independent Non-Executive Director and comprises following Directors as on 31st March, 2012:

- Dr. T.N.Kapoor, Chairman
- Shri Bishwambhar Mishra
- Shri M.N.Kaushal

Shri A.M.Sawhney, who was the member of the Committee, ceased to be a Director w.e.f. 26.03.2012.

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

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

During the financial year under review, 4 meetings of Shareholder / Investor Relations Committee were held.

Attendance record of the members of the Shareholder / Investor Relations Committee for FY 2011-12 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Dr. T.N.Kapoor	4	4
Shri Bishwambhar Mishra	4	3
Shri A.M.Sawhney#	4	2
Shri M.N.Kaushal	4	4

Ceased to a Director and Member of the Committee w.e.f. 26.03.2012

The Company had received 85 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. Remuneration cum Compensation Committee

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

The Committee comprises following three Non-Executive Directors of which two are Independent, including the Chairman of the Committee as on 31st March, 2012:

- Shri Hardeep Singh, Chairman
- Dr. Pawan Goenka
- Dr. T.N.Kapoor

During the year ended 31st March, 2012, one meeting of the Committee was held on 27th January, 2012 where all the Members were present.

V Disclosures

A. Disclosure of transactions with Related Parties

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management or relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are furnished under Note 2.24 of the Annual Accounts.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Code for prevention of Insider Trading Practices

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

VI Shareholder Information

1. 26th Annual General Meeting

- Date : 31st July, 2012
- Time : 2.00 P.M.
- Venue : 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

Financial reporting for

- Quarter ending 30th June, 2012 Last week of July, 2012
- Half year ending 30th September, 2012 Last week of October, 2012
- Quarter ending 31st December, 2012 Last week of January, 2013
- Year ending 31st March, 2013 May, 2013

Note: The above schedules are indicative.

3. Registered Office

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

4. Date of Book Closure

14th July,2012 to 20th July,2012 (both days inclusive)

5. Dividend Payment

Will be paid/dispatched on or after 1st August, 2012.

6. Listing on Stock Exchanges

(i) Bombay Stock Exchange Ltd. (BSE)

(ii) National Stock Exchange of India Ltd. (NSE)

Listing Fee for 2012-13 for both these stock exchanges has been paid.

7. Stock Code

BSE 500407

NSE SWARAJENG

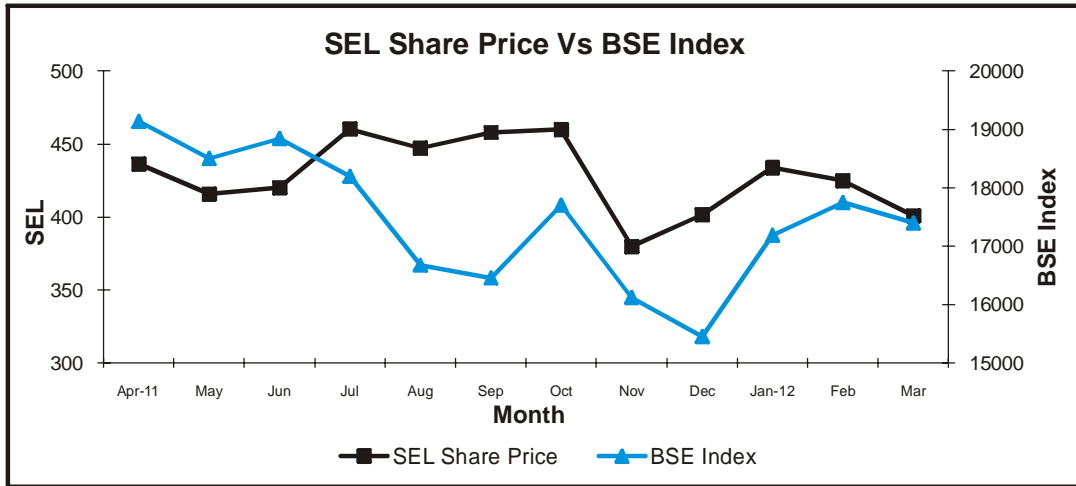
8. Stock Price Data

Monthly (April 2011 - March 2012) High - Low Quotations of shares traded at Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) are as under:

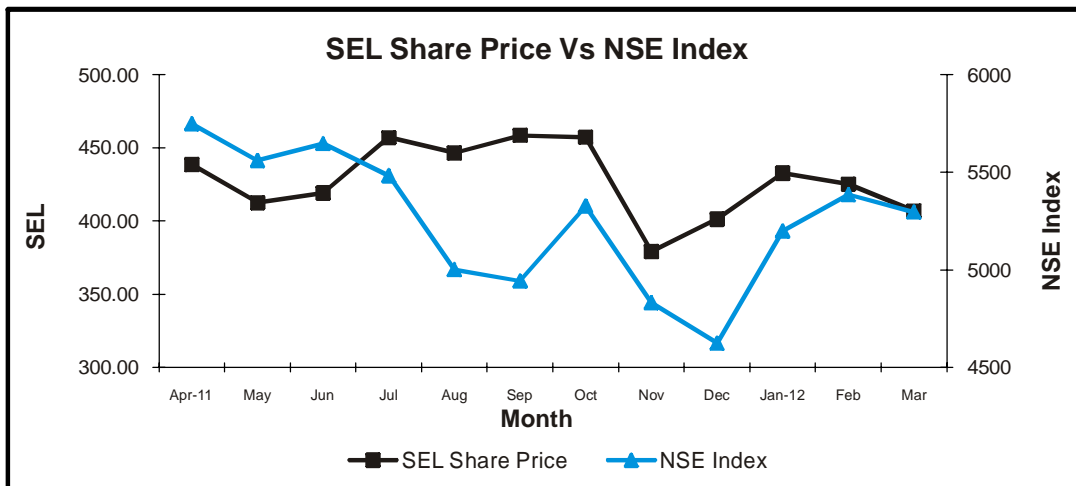
Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2011	503.70	430.75	503.95	430.50
May 2011	464.00	376.60	443.85	400.25
June 2011	439.00	406.25	438.95	405.50
July 2011	474.90	419.00	475.00	415.00
August 2011	473.00	430.10	473.95	430.25
September 2011	496.00	445.10	498.00	441.55
October 2011	474.00	443.05	475.00	440.00
November 2011	474.00	375.00	476.80	372.30
December 2011	470.00	349.00	417.00	350.25
January 2012	449.00	382.05	442.00	394.05
February 2012	465.00	422.00	466.70	410.50
March 2012	439.00	382.50	446.80	380.10

9. Stock Price Performance

SEL Share Price performance relative to BSE Sensitive Index



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



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

10. Registrar and Transfer Agents

M/s MCS Ltd. (MCS), Sri Venkatesh Bhavan, F-65, 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 : admin@mcsdel.com

Contact Person: Shri Priya Darshan Waila

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

11. Transfer System for physical shares

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

Total number of shares transferred during 2011-12 was 5,500 (Previous Year 21,71,400).

As per Clause 5A of the Listing Agreement, three reminders were sent to respective Shareholders for the shares issued in physical form, which remain unclaimed. These shares will be transferred into one folio in the name of "Unclaimed Suspense Account" in due course. As on 31st March, 2012, share certificates for 22 folios aggregating to 5,750 shares of Rs. 10/- each were unclaimed.

12. Shareholding Pattern as on 31st March, 2012

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds / UTI	4	15,65,891	12.61
3 Insurance Companies	1	45,600	0.37
4 Financial Institutions / Banks	2	1,00,002	0.80
5 Foreign Institutional Investors	6	1,43,849	1.16
6 Bodies Corporate - Indian	294	3,86,756	3.11
7 NRIs	232	1,23,588	1.00
8 Indian Public	8729	37,67,717	30.33
Total	9270	1,24,19,820	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2012

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	7768	83.80	8,75,379	7.05
501 - 1000	971	10.47	6,58,290	5.30
1001 - 5000	444	4.79	9,50,880	7.66
5001 - 10000	48	0.52	3,38,076	2.72
10001 - 50000	26	0.28	7,55,527	6.08
50001 & above	13	0.14	88,41,668	71.19
Total	9270	100.00	1,24,19,820	100.00

14. Dematerialisation of Shares

The trading in Equity Shares of Swaraj Engines Limited is permitted only in dematerialised form. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the trading. As on 31st March, 2012, 97.76% of the equity capital is held in electronic form.

International Securities Identification Number (ISIN): INE277A01016

(with NSDL and CDSL)

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

Not Applicable.

16. Plant Location

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

17. Address for correspondence

Registrar and Transfer Agent

M/s MCS Ltd.
Unit: Swaraj Engines Ltd.
Sri Venkatesh Bhavan, F-65, 1st Floor,
Okhla Industrial Area, Phase - I
New Delhi - 110 020
Email: admin@mcsdel.com

Phone : 011 - 41406149
Fax : 011- 41709881

Compliance Officer & Company Secretary

Shri M.S.Grewal, Company Secretary
Registered Office:
Swaraj Engines Ltd.
Phase-IV, Industrial Area
S.A.S.Nagar (Mohali), Punjab - 160 055.
Email:
grewal.maninder@mahindraswaraj.com or
selinvestor@swarajenterprise.com

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

18. Website Address

www.swarajenterprise.com

VII Other Disclosures

1. Details of General Meetings and Special Resolutions passed

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

Year	Date	Time	Venue
2009	18th June, 2009	9.15 A.M.	Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab
2010	3rd August, 2010	12.00 Noon	
2011	3rd August, 2011	2.00 P.M.	

No Special Resolution was proposed in the last three AGMs.

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

Pursuant to the provisions of Section 192A of the Companies Act, 1956, there was no matter which required to be passed through postal ballot during the year and the Company does not propose any special resolution to be conducted through postal ballot.

2. Details of non-compliance etc.

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

3. Means of Communication

- a) In compliance with the requirements of Listing Agreement, the Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. These financial results are published in the leading financial / national / regional newspapers (Financial Express, Business Line and Punjabi Tribune) and are also displayed on the website of the Company www.swarajenterprise.com;
- b) The official news releases are displayed on the Company's website www.swarajenterprise.com;
- c) During the year ended 31st March, 2012, no presentations were made to institutional investors or analysts.

4. Management Discussion and Analysis Report

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

5. Compliance with Mandatory requirements

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

6. Adoption of the non-mandatory requirements**i) Remuneration Committee**

The Company has set up the Remuneration cum Compensation Committee.

ii) 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.

The Company has not adopted the other non-mandatory requirements as specified in Annexure I D of Clause 49.

7. Compliance with the Corporate Governance - Voluntary Guidelines 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance.

The Company has been a strong believer in good corporate governance and has been adopting the best practices that have evolved over the last two decades.

The Company is in substantial compliance with the requirements of the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance.

S.A.S.Nagar (Mohali), 26th June, 2012

**DECLARATION BY THE WHOLE-TIME DIRECTOR UNDER
CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of Swaraj Engines Limited

I, M.N.Kaushal, Whole-time Director of Swaraj Engines Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2012.

S.A.S.Nagar (Mohali), 26th June, 2012

M.N.Kaushal
Whole-time Director

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

To

The Members of Swaraj Engines Limited

We have examined the compliance of conditions of Corporate Governance by Swaraj Engines Limited ("the Company"), for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(Registration No. 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Chandigarh, 26th June, 2012

SWARAJ ENGINES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2012

(Rs. in lacs)

Particulars	Note	2012		2011	
EQUITY & LIABILITIES					
Shareholders' Funds					
Share Capital	2.1	1241.98		1241.98	
Reserves and Surplus	2.2	<u>17385.82</u>	18627.80	<u>13979.94</u>	15221.92
Non-Current Liabilities					
Deferred Tax Liabilities (Net)	2.3	320.35		192.16	
Long-Term Provisions	2.4	<u>125.99</u>	446.34	<u>145.61</u>	337.77
Current Liabilities					
Trade Payables	2.5	4349.06		3585.03	
Other Current Liabilities	2.6	904.68		511.93	
Short-Term Provisions	2.7	<u>2009.01</u>	7262.75	<u>1543.62</u>	5640.58
Total			<u>26336.89</u>		<u>21200.27</u>
ASSETS					
Non-Current Assets					
Fixed Assets	2.8				
– Tangible Assets		4176.91		2390.77	
– Intangible Assets		2.79		4.83	
– Capital Work-in-Progress/Capital Spares		872.31		49.49	
Non Current Investment	2.9	1183.67		–	
Long Term Loans & Advances	2.10	<u>842.15</u>	7077.83	<u>594.97</u>	3040.06
Current Assets					
Current Investments	2.9	6927.97		5778.54	
Inventories	2.11	3343.97		3511.56	
Trade Receivables	2.12	1191.42		805.52	
Cash & Cash Equivalents	2.13	6969.65		7619.68	
Short-Term Loans & Advances	2.14	<u>826.05</u>	19259.06	<u>444.91</u>	18160.21
Total			<u>26336.89</u>		<u>21200.27</u>
Significant Accounting Policies	1				
Notes on Accounts	2				

This is the Balance Sheet referred to in our report of even date.

For DAVINDER S. JAAJ & CO.
Chartered Accountants (FRN000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

Mumbai, 25th April, 2012

The Notes referred to above form an integral part of the Balance Sheet

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

BISHWAMBHAR MISHRA
Vice Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 25th April, 2012

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in lacs)

Particulars	Note	2012	2011
Revenue from Operations	2.15	49561.11	39804.08
Less : Excise Duty		<u>4702.81</u>	<u>3700.78</u>
Net Revenue from Operations		44858.30	36103.30
Other Income	2.16	<u>1223.94</u>	818.55
Total Revenue		46082.24	<u>36921.85</u>
EXPENSES			
Cost of Raw Materials Consumed	2.17	33871.29	27324.47
Change in Inventories of Finished Goods and Work in Progress	2.18	178.16	(470.65)
Employee Benefit Expenses	2.19	1916.88	1695.81
Finance Costs	2.20	7.60	3.83
Depreciation	2.8	426.21	446.17
Other Expenses	2.21	<u>1954.53</u>	<u>1486.88</u>
Total Expenses		38354.67	<u>30486.51</u>
Profit Before Exceptional and Extraordinary items and Tax		7727.57	6435.34
Exceptional and Extraordinary items		—	—
Profit Before Tax		7727.57	6435.34
Tax Expense			
– Current Tax		2317.00	2120.00
– Deferred Tax (Net)		<u>128.19</u>	<u>(75.85)</u>
Profit After Tax		5282.38	4391.19
Earning per Equity Share	2.26		
Basic / Diluted Earning Per Share (Rs.)		42.53	35.35
Significant Accounting Policies	1		
Notes on Accounts	2		

This is the Profit & Loss Statement referred to in our report of even date.

For DAVINDER S. JAAJ & CO.
Chartered Accountants (FRN000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

Mumbai, 25th April, 2012

The Notes referred to above form an integral part of the Profit & Loss Statement.

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

BISHWAMBHAR MISHRA
Vice Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 25th April, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Convention

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

1.2 Fixed Assets and Depreciation

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

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

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

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

- iv) Assets individually costing up to Rs.5000/- are depreciated at 100% in the year of purchase.
- v) Capital spares are amortized in a systematic manner over the useful life of the asset to which it relates.

1.3 Investments

Non Current / Long-Term Investments are valued at cost. Current Investments are valued at lower of cost or fair market value, wherever applicable. The classification of investments into Current or Non Current is based on the holding period remaining as on the Balance Sheet date. Dividends are accounted for as and when received.

1.4 Inventories

Inventories are valued at cost (excluding cenvat credit) or net realizable value, whichever is lower. Cost of inventories includes appropriate portion of allocable overheads, wherever applicable, and is ascertained on monthly weighted average basis. Finished Goods includes Excise Duty payable.

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

- 1.5 Foreign currency transactions are recorded at rates of exchange prevailing on the date of transaction. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement is recognized as income or expense, as the case may be.

1.6 Retirement Benefits

The Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. The Company contributes to the appropriate authorities its share of the Members Provident Fund Account as per the Employees' Provident Fund Act, 1952. Provisions in respect of liabilities of gratuity and leave encashment are made based on actuarial valuation made by an independent actuary as at the balance sheet date.

1.7 Sales are recognized at the time of despatches to customers and include excise duty.

1.8 Development expenditure incurred on technical services and other project/product related expenses are amortized over the estimated period of benefit, not exceeding three years.

1.9 Taxes on Income

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

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

1.10 Product Warranty

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 reviewed and revisions are made as required.

1.11 Accounting policies not specifically referred above are consistent with generally accepted accounting practices.

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012
2.1 SHARE CAPITAL

(Rs. in lacs)

Particulars	2012	2011
Authorised		
Equity Share, Rs. 10/- par value		
2,50,00,000 (2011 – 2,50,00,000) Equity Shares	<u>2500.00</u>	<u>2500.00</u>
Issued, Subscribed & Paid-Up		
Equity Share, Rs. 10/- par value		
1,24,19,820 (2011 – 1,24,19,820) Equity Shares fully paid-up	<u>1241.98</u>	<u>1241.98</u>

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 Company declares and pays dividend in Indian Rupees. The Board of Directors, in their meeting held on 25th April, 2012 proposed a dividend of Rs. 13.00 per equity share. Dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The total dividend appropriation for the year ended 31st March, 2012 amounted to Rs. 1876.50 lacs including corporate dividend tax of Rs. 261.92 lacs (2011 – Rs. 1443.46 lacs including corporate dividend tax of Rs. 201.48 lacs).

Equity Shareholders holding more than 5% shares :

Name	31.03.2012		31.03.2011	
	No. of Shares Held	% of Shareholding	No. of Shares Held	% of Shareholding
Mahindra & Mahindra Limited (M&M)	41,26,417	33.22%	41,26,417	33.22%
Kirloskar Industries Limited (KIL)	21,60,000	17.39%	21,60,000	17.39%
Reliance Capital Trustees Co. Ltd. A/c - Reliance Tax Saver	11,65,050	9.38%	12,10,550	9.75%

Reconciliation of number of Equity Shares outstanding and the amount of Share Capital :

Description	31.03.2012		31.03.2011	
	No. of Shares	Share Capital (Rs. in lacs)	No. of Shares	Share Capital (Rs. in lacs)
Number of equity shares at the beginning	1,24,19,820	1241.98	1,24,19,820	1241.98
Movement in equity during the year	–	–	–	–
Number of equity shares at the closing	1,24,19,820	1241.98	1,24,19,820	1241.98

In the last 5 years, the Company has not :

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

2.2 RESERVES AND SURPLUS

(Rs. in lacs)

Particulars	2012		2011	
Capital Reserve – Brought Forward		18.71		18.71
General Reserve – Opening Balance	11596.76		8996.76	
Add : Transferred from Surplus	<u>3100.00</u>	14696.76	<u>2600.00</u>	11596.76
Surplus – Opening Balance	2364.47		2016.74	
Add : Profit for the Year	<u>5282.38</u>		<u>4391.19</u>	
	7646.85		6407.93	
Less : Appropriations				
Proposed Dividend	1614.58		1241.98	
Tax on Proposed Dividend	261.92		201.48	
Transfer to General Reserve	<u>3100.00</u>	2670.35	<u>2600.00</u>	2364.47
		<u>17385.82</u>		<u>13979.94</u>

2.3 DEFERRED TAX

(Refer Note 1.9)

(Rs. in lacs)

Particulars	2012		2011	
Deferred Tax Liabilities				
– On Depreciation		388.08		325.90
Deferred Tax Assets				
– On Expenses		<u>67.73</u>		<u>133.74</u>
Deferred Tax Liabilities / (Assets)		<u>320.35</u>		<u>192.16</u>

2.4 LONG-TERM PROVISIONS

(Rs. in lacs)

Particulars	2012		2011	
Provisions for Employee Benefits (Refer Note 1.6)				
– Provision for Gratuity (Refer Note 2.35)	–		–	
– Provision for Leave Encashment	<u>107.99</u>	107.99	<u>134.61</u>	134.61
Others				
– Provision for Warranty		<u>18.00</u>		<u>11.00</u>
		<u>125.99</u>		<u>145.61</u>

2.5 TRADE PAYABLES

(Refer Note 2.34)

(Rs. in lacs)

Particulars	2012	2011
Trade Payables	4349.06	3585.03
	<u>4349.06</u>	<u>3585.03</u>

2.6 OTHER CURRENT LIABILITIES

(Rs. in lacs)

Particulars	2012	2011
Payables		
– Salary & Wages	136.00	116.74
– Statutory Dues	300.09	283.58
– Capital Purchases	283.84	30.98
– Expenses	97.49	30.86
– Others	42.20	9.57
Deposits & Retention Money	2.37	3.72
Unpaid / Unclaimed Dividend*	42.69	36.48
	<u>904.68</u>	<u>511.93</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2012.

2.7 SHORT TERM PROVISIONS

(Rs. in lacs)

Particulars	2012	2011
Provisions for Employee Benefits (Refer Note 1.6)		
– Provision for Gratuity (Refer Note 2.35)	14.89	19.91
– Provision for Leave Encashment	<u>75.62</u>	<u>55.28</u>
Others		
– Proposed Dividend	1614.58	1241.98
– Tax on Proposed Dividend	261.92	201.48
– Provision for Warranty	<u>42.00</u>	<u>24.97</u>
	<u>2009.01</u>	<u>1543.62</u>

2.8 FIXED ASSETS

(Refer Note 1.2)

(Rs. in lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2011	Additions during the year	Sale/ Adjustments during the year	Cost as at 31.03.2012	As at 01.04.2011	Provided during the year	Deletions/ Adjustments during the year	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
TANGIBLE ASSETS										
Land	50.68	-	-	50.68	-	-	-	-	50.68	50.68
Buildings	849.44	45.48	-	894.92	361.97	25.85	-	387.82	507.10	487.47
Plant & Machinery	6470.09	2227.56	403.78	8293.87	4676.51	385.88	346.33	4716.06	3577.81	1793.58
Electrical Installations	177.59	-	1.69	175.90	163.18	2.91	1.58	164.51	11.39	14.41
Furniture & Fixtures	64.36	2.15	0.50	66.01	55.02	3.06	0.48	57.60	8.41	9.34
Office Equipments	62.39	0.64	1.94	61.09	35.60	5.51	1.20	39.91	21.18	26.79
Vehicles	35.23	-	27.61	7.62	26.73	0.96	20.41	7.28	0.34	8.50
TOTAL (A)	7709.78	2275.83	435.52	9550.09	5319.01	424.17	370.00	5373.18	4176.91	2390.77
INTANGIBLE ASSETS										
Software	53.64	-	-	53.64	48.81	2.04	-	50.85	2.79	4.83
TOTAL (B)	53.64	-	-	53.64	48.81	2.04	-	50.85	2.79	4.83
GRAND TOTAL (A+B)	7763.42	2275.83	435.52	9603.73	5367.82	426.21	370.00	5424.03	4179.70	2395.60
Capital Work-in-Progress									870.23	46.17
Capital Spares									2.08	3.32
									872.31	49.49
Previous Year	7193.41	570.01	-	7763.42	4921.65	446.17	-	5367.82		

2.9 INVESTMENTS

(Rs. in lacs)

Particulars	2012	2011
Mutual Funds		
Non Current / Long Term Investments - Non Trade (unquoted) (at cost)		
ICICI Prudential Regular Saving Fund - Growth	800.00	—
SBI DFS - 13 Months -12 - Growth	200.00	—
Kotak FMP Series 77 - Growth	183.67	—
	<u>1183.67</u>	<u>—</u>
Current Investments - Non Trade (Unquoted) (at cost)		
Tata Short Term Bond Fund - Growth	600.00	—
UTI Floating Rate Fund STP- Daily Dividend Plan	304.92	—
HDFC Cash Management Fund- Growth	200.00	—
BSL Dynamic Bond Fund - Retail - Growth	1000.00	—
SBI Dynamic Bond Fund - Growth	500.00	—
LIC Nomura MF Based Fund - Growth	400.00	—
Kotak FMP Series 46 - Dividend	252.10	—
Kotak FMP Series 56 - Growth	500.00	—
LIC Nomura MF FMP Series 49-18m- Growth	500.00	—
Kotak FMP Series 66 - Growth	300.00	—
Tata FMP Series 38 Scheme D - Growth	200.00	—
Kotak FMP Series 70 - Growth	700.00	—
BSL FTP Series EM - Growth	637.72	—
ICICI Prudential Short Term Plan - Cumulative Option	400.00	—
ICICI Prudential LTP - Quarterly Dividend	433.23	405.58
Kotak FMP 15 M Series 6-Dividend	—	183.68
BSL FTP Series CH - Dividend	—	637.72
DWS Fixed Term Fund Series 73 -Dividend	—	600.00
DWS Fixed Term Fund Series 77 -Dividend	—	500.00
ICICI Prudential Regular Saving Fund - Growth	—	500.00
Kotak FMP 13M Series 6 -Dividend	—	250.00
Kotak FMP 370 Days Series 6 -Dividend	—	1000.00
Kotak FMP 370 Days Series 7 -Dividend	—	101.56
Kotak FMP 370 Days Series 9 -Dividend	—	300.00
SBI Debt Fund Series - 370 Days - 7 - Dividend	—	200.00
SBI Debt Fund Series 370 Days - 8- Dividend	—	300.00
SBI Debt Fund Series -370 Days -10 - Growth	—	200.00
Religare FMP-13M - Series V- Dividend	—	600.00
	<u>6927.97</u>	<u>5778.54</u>
Aggregate amount of unquoted investments	<u>8111.64</u>	<u>5778.54</u>

2.10 LONG-TERM LOANS & ADVANCES

(Rs. in lacs)

Particulars	2012	2011
Capital Advances - Considered Good		
Secured	183.40	115.03
Unsecured	290.15	82.64
Security Deposits- Considered Good		
Unsecured	30.07	24.17
Others		
Unsecured -Considered Good	338.53	373.13
	<u>842.15</u>	<u>594.97</u>

2.11 INVENTORIES

(Refer Note 1.4)

(Rs. in lacs)

Particulars	2012	2011
Raw Materials & Components (including goods-in-transit Rs. 270.57 lacs (2011- Rs.152.37 lacs)	2279.34	2254.82
Work-in-Progress	236.50	373.86
Finished Goods	549.14	589.94
Stores and Spares (including goods-in-transit Rs. 1.99 lacs (2011 - Rs. NIL)	154.13	142.61
Loose Tools	124.86	150.33
	<u>3343.97</u>	<u>3511.56</u>

Inventory has been physically verified and certified by the Management.

2.12 TRADE RECEIVABLES

(Unsecured-considered good unless otherwise stated)

(Refer Note No. 2.24)

(Rs. in lacs)

Particulars	2012	2011
Outstanding for more than six months from the date they are due for payment	—	—
Others	1191.42	805.52
	<u>1191.42</u>	<u>805.52</u>

SWARAJ ENGINES LIMITED

2.13 CASH & CASH EQUIVALENTS

(Rs. in lacs)

Particulars	2012	2011
Cash on hand	7.43	5.58
Balances with Banks		
– On Current Accounts	278.13	950.49
Balance with Banks held as Margin Money and Deposit against Guarantees	1879.93	2000.00
Other Bank Balances		
– Deposit Account with less than 12 months maturities	4484.10	4435.04
– Interest Accrued on Fixed Deposits	277.37	192.09
Unpaid/Unclaimed Dividend Accounts	42.69	36.48
	<u>6969.65</u>	<u>7619.68</u>

2.14 SHORT TERM LOANS & ADVANCES

(Unsecured-considered good unless otherwise stated)

(Rs. in lacs)

Particulars	2012	2011
Balance with Excise Authorities	18.54	8.41
Income Tax (Net of Provisions)	29.40	84.77
Advances to Suppliers	203.99	73.07
Advances to Employees	21.46	31.00
Prepaid Expenses	125.10	68.20
Other Advances recoverable in cash or kind		
– CENVAT	301.60	139.55
– Value Added Tax	19.90	28.53
– Others	106.06	11.38
	<u>826.05</u>	<u>444.91</u>

2.15 REVENUE FROM OPERATIONS

(Refer Note 2.28)

(Rs. in lacs)

Particulars	2012	2011
Sale of Products	49140.30	39516.60
Other Operating Revenue	420.81	287.48
Gross Revenue from Operations	49561.11	39804.08
Less : Excise Duty	4702.81	3700.78
Net Revenue from Operations	<u>44858.30</u>	<u>36103.30</u>

2.16 OTHER INCOME

(Rs. in lacs)

Particulars	2012	2011
Interest Income	818.35	577.09
Profit on Sale of Fixed Assets	13.01	–
Net Gain on Sale of Investment	81.27	6.51
Dividend	308.09	230.93
Miscellaneous Income	3.22	4.02
	<u>1223.94</u>	<u>818.55</u>

2.17 COST OF RAW MATERIALS CONSUMED

(Refer Note 2.30)

(Rs. in lacs)

Particulars	2012	2011
Opening Stock	2102.45	1125.10
Add : Purchases	33803.12	28313.70
	<u>35905.57</u>	<u>29438.80</u>
Less :		
Closing Stock	2008.77	2102.45
Other Jobs	<u>25.51</u>	<u>11.88</u>
	<u>33871.29</u>	<u>27324.47</u>

2.18 CHANGE IN INVENTORIES OF FINISHED GOODS & WORK-IN-PROGRESS

(Rs. in lacs)

Particulars	2012	2011
Opening Stock	963.80	493.15
Less : Closing Stock	785.64	963.80
	<u>178.16</u>	<u>(470.65)</u>

2.19 EMPLOYEE BENEFIT EXPENSES

(Rs. in lacs)

Particulars	2012	2011
Salaries & Wages	1630.60	1453.70
Contribution to Provident & Other Funds	74.77	64.30
Gratuity & Superannuation (Refer Note 1.6)	22.08	29.06
Workmen & Staff Welfare	189.43	148.75
	<u>1916.88</u>	<u>1695.81</u>

2.20 FINANCE COSTS

(Rs. in lacs)

Particulars	2012	2011
Interest on Overdraft	0.21	2.74
Bank Charges	3.26	1.09
Other Interest Cost	4.13	–
	<u>7.60</u>	<u>3.83</u>

2.21 OTHER EXPENSES

(Rs. in lacs)

Particulars	2012	2011
Power, Fuel & Water Charges	332.38	249.74
Consumption of Stores & Spares	734.69	476.30
Rates and Taxes	1.91	0.41
Insurance	7.49	3.87
Repairs and Maintenance		
– Buildings	23.24	7.52
– Machinery	290.03	187.64
– Others	9.17	5.01
Postage & Telephone	5.92	5.33
Printing & Stationery	11.58	14.05
Travelling & Conveyance Expenses	53.46	40.89
Auditors' Remuneration		
– Statutory Auditor's		
Audit Fee	2.25	2.25
Tax Audit Fee	0.38	0.37
Other Services	1.35	1.24
Expenses Reimbursed	0.80	0.57
– Cost Auditor's Fee	0.55	0.40
– Others	0.20	0.20
Research & Development Expenses	183.55	228.94
Other Marketing Expenses	102.50	67.89
Commission to Non-wholetime Directors	24.00	–
Miscellaneous Expenses	169.08	194.26
	<u>1954.53</u>	<u>1486.88</u>

2.22 Contingent Liabilities and Commitments (To the extent not provided for)

Particulars	2012 Rs. in lacs	2011 Rs. in lacs
Contingent Liabilities :		
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	126.42	140.83
– Income Tax matters in dispute	214.94*	214.94
– Others	241.67**	241.67
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	3283.05	1257.70

* Assessment of Income Tax is complete upto assessment year 2009-10. There is no demand which is disputed in Appeal and not provided for (2011 - Rs. Nil). For earlier Assessment Years, tax authorities have filed appeal / references which involves an estimated liability of Rs. 214.94 lacs.

** Represents demand for enhanced compensation for land allotted to Company in 1988. Company is in appeal with Hon'ble Supreme Court of India. Pending judgment, Rs. 100.00 lacs was deposited with the court during the financial year 2008-09 and the same forms part of Long-Term Loans & Advances under Note 2.10.

2.23 While letters for confirmation of balance of sundry creditors, sundry debtors and material lying with vendors have been sent, only few responded. Rests are subject to confirmation.

2.24 Related party disclosures as required under Accounting Standard -18 are given below :

- a) Names of related parties and description of relationships having transactions during the year :
- | | |
|------------------------------|---|
| i) Associate Companies | Mahindra & Mahindra Limited (M&M)
Kirloskar Industries Limited (KIL)
Swaraj Automotives Limited (SAL) |
| ii) Key Management Personnel | Whole-time Director
Shri Bishwambhar Mishra (Vice Chairman) |
- b) Volume of Transactions with related parties

i) Associates	2012 Rs. in lacs	2011 Rs.in lacs
a. Purchase of raw materials and components	457.53	544.36
M&M	71.72	186.84
SAL	385.81	357.52
b. Sale of finished goods	49420.80	39093.52
M&M	49420.80	39093.52
c. Purchase of fixed assets	5.42	–
M&M	5.42	–
d. Sale of fixed assets	0.42	–
SAL	0.42	–

SWARAJ ENGINES LIMITED

	2012 Rs. in lacs	2011 Rs. in lacs
e. Receiving of services	370.88	375.89
M&M	370.88	375.89
f. Rendering of services	110.02	74.94
M&M	102.84	68.83
SAL	7.18	6.11
g. Dividend paid	628.64	502.91
M&M	412.64	330.11
KIL	216.00	172.80
Aggregate balances outstanding as at the year end		
– Receivables	773.16	429.54
M&M	773.16	429.54
– Payables	76.77	85.59
SAL	76.77	85.59
ii) Key Management Personnel		
Remuneration	–	–

2.25 Segment Reporting

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

2.26 Earnings per Share (EPS)

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

2.27 Particulars in respect of goods manufactured:

Class of Goods	Unit of Qty.	Production	
		2012	2011
Engines	Nos.	55,099	48,015

2.28 Particulars in respect of Revenue from Operations (Gross):

Class of Goods	Unit of Qty.	Qty.	2012		2011	
			Rs. in lacs	Qty.	Rs. in lacs	Qty.
Sale of Products						
Engines	Nos.	55,239	45782.06	47,413	36413.07	
Engine Components	–	–	2549.49		2494.77	
Spares	–	–	808.75		608.76	
Total			49140.30		39516.60	
Other operating revenue						
Scrap Sale	–		420.81		287.48	
Revenue from operations			49561.11		39804.08	

2.29 Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty	Opening Balance		Closing Balance	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
Engines	Nos.	887 (292)	589.70 (170.07)	747 (887)	548.18 (589.70)
Engine Parts	–		1.91 (0.03)		0.97 (1.91)

2.30 Analysis of Raw Materials consumed:

Class of Goods	2012 Rs. in lacs	2011 Rs. in lacs
Crank Shaft Assy	2849.22	2245.30
Crank Case Assy	3578.03	2706.44
Flywheel	1688.47	1344.75
Fuel Pump Assy	3726.41	3232.84
Others (including components)	22029.16	17795.14
	<u>33871.29</u>	<u>27324.47</u>

Note:

- i) The amounts of all the items in Analysis of Raw Materials consumed represent the issues during the year. The figure of others (including components) is a balancing figure based on total consumption shown in Note no. 2.17 and includes adjustments for excess/shortage/ damages/obsolete found on physical verification.

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

	%age	2012 Rs. in lacs	%age	2011 Rs. in lacs
a) Raw Material & Components				
Imported	–	–	–	–
Indigenous	100.00	33871.29	100.00	27324.47
		<u>33871.29</u>		<u>27324.47</u>
b) Stores, Consumables, Spares & Loose Tools				
Imported	–	–	0.67	3.19
Indigenous	100.00	734.69	99.33	473.11
		<u>734.69</u>		<u>476.30</u>

2.32 Value of Imports on CIF Basis:

	2012 Rs. in lacs	2011 Rs. in lacs
Raw Material & Components	–	–
Stores & Spares	–	3.30
Capital Goods	1704.89	18.58
	<u>1704.89</u>	<u>21.88</u>

- 2.33 Research & Development Expenses includes an amount of Rs.119.02 lacs (2011- Rs.151.98 lacs) amortized during the year being the expense towards upgradation of engine and improvement in fuel efficiency.

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2.34 Based on the information available with the company, the balance due to Micro & Small enterprises as defined under the MSMED Act, 2006 are Rs. 410.21 lacs (2011-Rs.186.24 lacs). Further, while no interest is paid during the year, interest amounting to Rs. 0.54 lacs (2011 - Nil) is payable under the terms of the MSMED Act, 2006.

2.35 Employee Defined Benefits:

Particulars	Rs. in lacs	
	2012	2011
Defined benefit plans as per Actuarial Valuation		
I. Expense Recognized in the Statement of Profit & Loss Account		
1. Current Service Cost	19.43	16.57
2. Interest	19.58	16.78
3. Expected Return on plan assets	(19.78)	(16.12)
4. Actuarial (Gain)/Loss	(4.32)	2.76
5. Total Expense	14.91	19.98
II. Net Asset/(Liability) recognized in the Balance Sheet		
1. Present value of Defined Benefit Obligation	255.77	226.85
2. Fair Value of plan assets	240.88	206.94
3. Funded Status [Surplus/(Deficit)]	(14.89)	(19.91)
4. Net Asset/(Liability)	(14.89)	(19.91)
III. Change in the obligation during the year		
1. Present value of Defined Benefit Obligation as at the beginning of the year	226.85	205.43
2. Current service cost	19.43	16.57
3. Interest Cost	19.58	16.78
4. Benefit payments	(6.08)	(16.09)
5. Actuarial (Gain)/Loss	(4.02)	4.16
6. Present value of Defined Benefit Obligation as at the end of the year	255.77	226.85
IV. Change in Fair Value of Assets during the Year		
1. Fair Value of plan assets at the beginning of the year	206.94	159.10
2. Expected return on plan assets	19.78	16.12
3. Contributions by employer	19.93	46.40
4. Actual Benefits paid	(6.08)	(16.09)
5. Actuarial (Gain)/Loss on Plan assets	0.30	1.40
6. Fair Value of plan assets at the end of the Year	240.88	206.94
7. Actual return on plan assets	20.08	17.52
V. The major categories of plan assets as a percentage of total plan		
Funded with LIC	100%	100%
VI. Actuarial Assumptions		
1. Discount Rate	8.75%	8.50%
2. Expected rate of return on plan assets	9.25%	9.25%
3. In-service Mortality	LIC 1994-96 Ultimate	LIC 1994-96 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	26.50 Yrs	27.36 Yrs

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in lacs)

	2012	2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	7727.57	6435.34
Adjustments for:		
Depreciation	426.21	446.17
Profit on disposal of Fixed Assets (Net)	(10.66)	–
Dividend Received & Gain on Sale of Investment	(389.36)	(237.44)
Interest (Received)/Paid (Net)	(810.75)	(573.26)
Operating Profit Before Working Capital Changes	6943.01	6070.81
Adjustments for:		
Trade and Other Receivables (Long Term / Short Term) *	(1025.38)	(727.91)
Inventories	167.59	(1520.12)
Trade and Other Payables (Long Term / Short Term)	1163.30	1267.26
Cash Generated From Operations	7248.52	5090.04
Direct Taxes Paid (Net of refund)	(2261.63)	(2148.53)
Cash Flow Before Extraordinary Items	4986.89	2941.51
Extraordinary Items	–	–
Net Cash From Operating Activities	4986.89	2941.51
(* includes Capital Advances)		
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (inclusive of capital WIP) ^	(3098.65)	(607.85)
Purchase of Investments (Net)	(2333.10)	(7.03)
Sale of Fixed Assets	31.97	–
Interest Received	818.35	577.09
Dividend Received & Gain on Sale of Investment	389.36	237.44
Net Cash (used in) / from Investing Activities	(4192.07)	199.65
(^ excludes Capital Advances)		

(Rs. in lacs)

	2012	2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in bank borrowings for working capital	—	—
Dividend Paid (including CDT)	(1437.25)	(1156.31)
Interest Paid	(7.60)	(3.83)
Net Cash Used in Financing Activities	(1444.85)	(1160.14)
Net Increase/(Decrease) in Cash and Cash Equivalents	(650.03)	1981.02
Opening Cash and Cash Equivalents (Note 1)	7619.68	5638.66
Closing Cash and Cash Equivalents (Note 1)	6969.65	7619.68

- Note :**
1. Includes restricted cash of Rs. 42.69 lacs (2011-Rs 36.48 lacs) on account of Dividend pending encashment and deposits of Rs. 1879.93 lacs (2011-Rs. 2000.00 lacs) against guarantees given by bank on our behalf.
 2. Previous year figures have been regrouped, wherever found necessary.

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

For DAVINDER S. JAAJ & CO.
Chartered Accountants (FRN000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

Mumbai, 25th April, 2012

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

BISHWAMBHAR MISHRA
Vice Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 25th April, 2012

AUDITORS' REPORT

To the Members of Swaraj Engines Limited

We have audited the attached Balance Sheet of Swaraj Engines Limited as at March 31, 2012, the annexed Statement of Profit and Loss and the Cash Flow Statement for the Year Ended on that date, which are in agreement with the books of account. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto and the Statement on Significant Accounting policies, given in the prescribed manner the information required by the Companies Act, 1956 of India (the 'Act') and also give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - b. in the case of the Statement of Profit and Loss of the Profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet, Statement of Profit and Loss and Cash Flow Statement are in agreement therewith.
4. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
5. On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

- (i) Regarding Fixed Assets:
 - a. The Company has maintained proper records to show full particulars, including quantitative details and situation of Fixed Assets.
 - b. During the year verification of the Fixed Assets was carried out. To the best of our knowledge no material discrepancies have been noticed on verification.
 - c. Moreover, no substantial part of the Fixed Assets was disposed off during the year.
- (ii) Regarding Inventory Controls:
 - a. The stocks of finished goods, stores, spare parts and raw materials of the Company in its possession have been physically verified by the management at reasonable period. Stock-in-transit as on 31st March, 2012 has been verified by the management on subsequent receipt of the goods.
 - b. In our opinion, the procedures of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.

- c. The company is maintaining proper records for inventory and discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
- (iii) Company neither took nor granted any loan, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase and sale of stores, raw materials including components, plant and machinery, equipment and similar assets.
- (v) On the basis of documents produced before us, the company has not entered in any transactions required to be recorded in register mentioned under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Section 209 (1) (d) of the Act, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) Regarding Statutory Dues:
 - a) The Company has been regular during the year in depositing undisputed dues with Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise & Custom Duty and other statutory dues with the appropriate authorities.
 - b) According to the information given to us, there were no undisputed unpaid dues with Sales Tax, Income Tax, Wealth Tax, Excise and Custom Duty were outstanding as at 31st March, 2012 for a period of more than six months from the date they became payable.
 - c) Details of dues of Income Tax and Excise Duty which have not been deposited as on 31st March, 2012 on account of disputes are given below :

(Rs. in lacs)

Statute	Nature	Forum where dispute is pending	Amount Involved	Amount Pre Deposited	Amount in Arrear
Excise Duty Law	Excise Duty	Tribunal Level	122.57	81.87	40.70
	Excise Duty	Appeals	3.85	–	3.85
Income Tax Law	Income Tax	Supreme Court	13.35	–	13.35
	Income Tax	High Court	59.58	–	59.58
	Income Tax	Tribunal Level	106.90	–	106.90
	Income Tax	Assessing Officer	35.11	–	35.11

- (x) The company neither has accumulated losses at the end of the financial year nor any cash losses for this financial year as well as for financial year immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks, financial institutions.
- (xii) To the best of our knowledge and information provided to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a Chit fund, Nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the company.
- (xiv) Company has no transactions regarding contracts in shares, securities, debentures or other investments.

- (xv) On the basis of records produced before us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any long-term loans.
- (xvii) According to the Cash Flow Statement and other records examined by us and explanations given to us, funds raised on short term basis have, prima facie, not been used for long term investment and vice versa.
- (xviii) On the basis of information provided to us, the company has not made any preferential allotment during the year.
- (xix) The Company has not issued any secured debentures. Hence the requirement of the clause (xix) of paragraph 4 of the Order is not applicable to the company.
- (xx) No money was raised by the company through Public Issue during the year.
- (xxi) To the best of our knowledge, no fraud was noticed or reported on or by the company.

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(Registration No. 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 25th April, 2012

SWARAJ ENGINES LIMITED

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

26th Annual General Meeting - 31st July, 2012

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

NAME OF THE SHAREHOLDER/PROXY
ADDRESS

Folio No.
DP ID*
Client ID*

No. of Shares held :

I hereby record my presence at the 26th ANNUAL GENERAL MEETING of the Company at its Works at Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab -160 062 on Tuesday, the 31st July, 2012 at 2:00 p.m.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY

PROXY

SWARAJ ENGINES LIMITED

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

Folio No.DP ID*Client ID*

I/We
of being a member/members
of SWARAJ ENGINES LIMITED hereby appoint
of
for failing him
of
as my/our proxy to vote for me/us on my/our behalf at the 26th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, the 31st July, 2012 at 2:00 p.m. and at any adjournment thereof.

Signed this day of 2012.



*To be used for shares held in
electronic form

Signature

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

