

Swaraj Engines Limited

Company Secretary

M.S. GREWAL

Auditors

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

Bankers

CANARA BANK

Registered Office

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

Works

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

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

A.M.SAWHNEY

V.S.PARTHASARATHY

R.R.DESHPANDE

VIJAY VARMA

M.N. KAUSHAL

ANNUAL GENERAL MEETING

on Tuesday, 3rd August, 2010
at 12:00 Noon 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 →	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	CARG (1999-2010)
Engines Sold (Nos.)	24705	27532	22168	21013	13578	14844	18225	17631	17702	16408	28539	39143	4.27%
Total Revenue (Net)	124.57	139.75	118.91	114.60	77.86	89.79	123.52	128.18	129.32	125.54	208.34	286.62	7.87%
PBIDT	26.09	32.75	30.04	29.79	18.10	20.21	27.73	25.81	26.58	23.36	32.04	53.75	6.79%
Finance Charges (Net)	1.78	1.35	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	(3.27)	(4.87)	(5.80)	
Depreciation	2.56	3.12	3.70	3.85	3.77	3.79	3.96	4.26	4.40	4.59	4.69	4.84	
Profit Before Tax	21.75	28.28	25.19	25.34	14.09	16.21	23.62	21.41	22.63	22.04	32.22	54.71	8.75%
Income Tax	6.10	9.35	9.15	9.08	5.05	5.86	8.19	7.42	7.77	7.68	10.95	17.36	
Profit After Tax	15.65	18.93	16.04	16.26	9.04	10.35	15.43	13.99	14.86	14.36	21.27	37.35	8.23%
Dividend %	200	225	225	225	125	150	225	75*	Nil	50	50	80	
Dividend Payout	8.28	9.31	9.31	9.31	5.17	6.21	9.31	9.31	Nil	6.21	6.21	9.94	
Equity Share Capital	4.14	4.14	4.14	4.14	4.14	4.14	4.14	12.42*	12.42	12.42	12.42	12.42	
Net Worth	31.88	40.21	45.98	46.30	49.50	52.85	57.64	61.01	75.87	82.96	96.97	122.74	13.04%
Capital Employed	43.45	51.48	47.68	57.11	57.88	61.90	65.80	67.29	81.41	88.04	100.84	125.42	
Market Capitalisation	349.82	169.32	110.12	98.94	71.62	97.70	144.07	183.20	176.36	265.78	118.05	360.36	
PBIDT/Total Revenue %	20.9	23.4	25.3	26.0	23.2	22.5	22.4	20.1	20.6	18.6	15.4	18.8	
Return on Net Worth %	49.1	47.1	34.9	35.1	18.3	19.6	26.8	22.9	19.6	17.3	21.9	30.4	
Earning Per Share (Rs.)	37.8	45.7	38.7	39.3	21.8	25.0	37.3	11.3*	12.0	11.6	17.1	30.1	
Book Value Per Share (Rs.)	77.0	97.1	111.1	111.8	119.6	127.7	139.2	49.1*	61.1	66.8	78.1	98.8	

*On Post Bonus (2:1) Equity

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday**, the **3rd day of August, 2010** at **12.00 Noon** 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, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Shri Hardeep Singh who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri G.P.Gupta who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri S.C.Bhargava who retires by rotation and, being eligible, offers himself for re-election.
6. To appoint Messrs Davinder S. Jaaj & Co., Chartered Accountants, bearing ICAI Registration no. 000969N, the retiring Auditors of the Company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors in addition to out of pocket expenses as may be incurred by the Auditors during the course of the Audit.

SPECIAL BUSINESS

7. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**
“RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Dr. Pawan Goenka, who was appointed as an Additional Director and who ceases to hold office as per the provisions of section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member proposing his candidature for the office of Director as per the provisions of section 257 of the Companies Act, 1956, be appointed a Director of the Company, liable to retire by rotation.”
8. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**
“RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri M.N.Kaushal, who was appointed as an Additional Director and who ceases to hold office as per the provisions of section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member proposing his candidature for the office of Director as per the provisions of section 257 of the Companies Act, 1956, be appointed a Director of the Company, liable to retire by rotation.”
9. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**
“RESOLVED that pursuant to the provisions of Sections 269 and all other applicable provisions of the Companies Act, 1956 (“the Act”) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be imposed or prescribed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the reappointment of Shri Bishwambhar Mishra as Executive Director of the Company designated as ‘Vice Chairman’ for a period of two years with effect from 1st April, 2010 without any remuneration being payable to him.”

NOTES

1. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

3. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
4. The Register of Members and Transfer Books of the Company will be closed from 16th July, 2010 to 22nd July, 2010 (both days inclusive).
5. The dividend, if declared at the Annual General Meeting, will be paid on or after 3rd August, 2010 to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 15th July, 2010 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 15th July, 2010.
6. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required can be compiled and made available at the Meeting.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for the financial year ended 31st March, 2002 to the Investor Education and Protection Fund (IEPF).
All unclaimed dividends for the financial year ended 31st March, 2003 will be transferred to IEPF in October 2010. Members who have not encashed the dividend warrant(s) so far for the said period or any subsequent financial years are requested to make their claims to the Company. It may be noted that once the amounts in the unpaid dividend accounts are transferred to the IEPF, no claim shall lie against the Fund or the Company in respect thereof and the Members would lose their right to claim such dividend.
8. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, M/s 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 22nd July, 2010, to Company's Registrar and Share Transfer Agent, MCS Ltd.
10. Members are requested to:
 - Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhawan, F-65, First Floor, Okhla Industrial Area, Phase I, New Delhi – 110 020, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
 - Quote their folio numbers/Client ID/ DP ID in all correspondence.
 - consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

11. For Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to your Depository Participants. The Company will not take cognizance of any such requests directly from shareholders.
12. Appointment /Re-appointment of Directors
In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being appointed / re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.
13. The Directors of the Company are not 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 : 6th May, 2010

BY ORDER OF THE BOARD

(M.S. GREWAL)
Company Secretary

ANNEXURE TO NOTICE

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

Item No. 7

Dr. Pawan Goenka was appointed by the Board as an Additional Director with effect from 6th May, 2010. He holds office upto the date of the forthcoming Annual General Meeting pursuant to section 260 of the Companies Act, 1956. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing the appointment of Dr. Goenka as a Director of the Company.

Dr. Goenka joined Mahindra & Mahindra Ltd. (M&M) in 1993 and was appointed President of its Automotive Sector in September 2005 and from 1st April, 2010, he took charge as President - Automotive & Farm Equipment Sectors of M&M. Prior to joining M&M, he had worked for General Motors R&D Centre at Detroit, U.S.A. The Board is of the view that his association would be of immense value to the Company and hence recommends his appointment in terms of Resolution set out in Item No. 7 of the Notice.

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

Apart from Dr. Goenka, none of the other Directors is interested or concerned in this item of business.

Item No. 8

Shri M.N.Kaushal was appointed by the Board as an Additional Director with effect from 9th December, 2009. He holds office upto the date of the forthcoming Annual General Meeting pursuant to section 260 of the Companies Act, 1956. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing the appointment of Shri Kaushal as a Director of the Company.

Shri Kaushal is currently Chief Financial Officer of Mahindra & Mahindra Ltd. – Swaraj Division. He possesses vast and varied experience in corporate finance, business planning and secretarial related functions. The Board is of the view that his association would be of immense value to the Company and hence recommends his appointment in terms of Resolution set out in Item No. 8 of the Notice.

Shri Kaushal holds 3307 shares in the Company.

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

Item No. 9

Shri Bishwambhar Mishra joined the Company's Board in July, 2007 and was appointed Executive Director of the Company designated as 'Vice Chairman' with effect from 19th January, 2009 to 31st March, 2010.

Shri Mishra is currently Chief Executive Officer of Swaraj Division of Mahindra & Mahindra Ltd. In the context of Shri Mishra's leadership excellence and contributions to the Company and emerging imperatives, the Board of Directors at its Meeting held on 19th January, 2010 has, subject to approval of the Members, approved his reappointment as Executive Director designated as 'Vice Chairman' for a period of 2 years with effect from 1st April, 2010 without any remuneration being payable to him.

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

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

Shri Mishra does not hold any shares in the Company.

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

BY ORDER OF THE BOARD

Regd. Office:
Phase-IV, Industrial Area,
S.A.S. Nagar (Mohali), Punjab-160 055
Email : grewal.maninder@mahindraswaraj.com
Dated : 6th May, 2010

(M.S. GREWAL)
Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their Twenty fourth Annual Report together with Audited Accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

	Year ended 31 st March, 2010	(Rs. in Crores) Year ended 31 st March, 2009
Net Operating Revenue	282.44	208.17
Other Income	4.18	0.17
Profit before Depreciation, Finance Charges and Tax	53.75	32.04
Finance Charges (Net)	(5.80)	(4.87)
Depreciation	4.84	4.69
Profit Before Tax	54.71	32.22
Tax Provision		
— Current	18.54	12.11
— Deferred	(1.18)	(1.21)
— Fringe Benefit	-	0.05
Profit After Tax	37.35	21.27
Balance of Profit from Prior Years	16.40	14.39
Surplus available for Appropriation :	53.75	35.66
Appropriations :		
Proposed Dividend	9.93	6.21
Tax on Proposed Dividend	1.65	1.05
Transfer to General Reserve	22.00	12.00
Balance carried to Balance Sheet	20.17	16.40

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.8.00 per Equity Share as against Rs. 5.00 per share declared and paid for FY 2008-09, 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.11.58 crores.

REVIEW OF OPERATIONS

Members would have noted from the audited accounts that financial year 2009-10 was yet another year of healthy growth and strong financial performance for the Company. During the year under review, taking advantage of stepped up schedules from the Swaraj Division of Mahindra & Mahindra Limited, the Company has registered an impressive growth of 37% in engine supplies to the Swaraj Division and in the process has achieved despatches of 39,143 engines compared to 28,539 engines despatched in the previous year. Concurrently, on the strength of increased demand, out-turn of hi-tech engine components to Swaraj Mazda also witnessed a growth of 34% and the value of supplies touched Rs. 18.95 crores against last year's supplies aggregating Rs. 14.19 crores. These increased volumes could be met due to the productivity improvement measures taken through continuous thrust on detailed planning and effective usage of manufacturing facilities.

Reflecting the good growth in engine sales, net operating revenue for the year grew to Rs. 282.44 crores, up 36% over previous year. Rising volumes of engines and productivity gain have boosted operating profit to reach Rs. 49.57 crores as compared to Rs. 31.87 crores in the previous year accompanied by an improved margin of 17.6% as against previous year's margin of 15.3%. Profit Before Tax for the year stood at Rs. 54.71 crores as against Rs. 32.22 crores registering an increase of 70%. Profit After Tax was Rs. 37.35 crores, up 76% over last year which translates into an earning of Rs. 30.08 per share as against Rs. 17.13 per share in the previous year.

FINANCE

The fund position of the Company was comfortable throughout the year under review. As a result, after meeting routine capital expenditure of Rs. 2.02 crores and working capital requirements to support operations, a total income of Rs. 9.98 crores was generated on surplus funds as against Rs. 5.04 crores in the previous year.

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. The Company entered into a new 4 year wage agreement with the workers.

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

Your Company is committed towards excellence in Safety, Occupational Health and Environment. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational and Environmental Policy which inter alia ensures safety of public, employees, plant and equipment by ensuring compliance with all statutory rules and regulations on regular basis. Your Company also imparts training to its employees as per the predefined training calendar, carries out statutory safety audits of its facilities as per legal requirement and promotes eco-friendly activities. Showing its commitment to improve the well being of the employees, Medical Check-ups, both curative and preventive have been organized, including educating the employees on Industrial Hygiene at the work place. During the year, your Company has also received ISO 9001:2008 certification.

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 include tree plantation at various places, organizing medical camps, distribution of study material and refreshments among weaker section of society.

DIRECTORS

Upon completion of his tenure as Managing Director of the Company, Shri G.S.Rihal tendered his resignation from the directorship of the Company and accordingly ceased to be Director of the Company with effect from 21st November, 2009. The Board has placed on record its sincere appreciation of the notable contributions made by Shri Rihal in building the Company to its present position of eminence during his over two decade long association with the Company.

Shri M.N.Kaushal was appointed as Additional Director of the Company with effect from 9th December, 2009 and holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 from a Member signifying his intention to propose Shri Kaushal as candidate for the office of Director.

Shri Bishwambhar Mishra completed his tenure as Vice Chairman on 31st March, 2010. In the context of his outstanding contributions to the Company's growth and taking note of the future needs, the Board at its meeting held on 19th January, 2010 has reappointed Shri Mishra as an Executive Director of the Company designated as Vice Chairman for a period of two years with effect from 1st April, 2010. Appropriate resolution for his appointment has been proposed for the approval of the Shareholders at the forthcoming Annual General Meeting.

Consequent upon his resignation, Shri Anjanikumar Choudhari ceased to be a Director of the Company with effect from 1st April, 2010. The Board has placed on record its sincere appreciation of the valuable guidance and significant contributions made by Shri Choudhari during his association with the Company.

SWARAJ ENGINES LIMITED

Dr. Pawan Goenka was appointed as Additional Director of the Company with effect from 6th May, 2010 and holds office upto the date of forthcoming Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 from a Member signifying his intention to propose Dr. Goenka as candidate for the office of Director.

S/Shri Hardeep Singh, G.P.Gupta and S.C.Bhargava retire by rotation, and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) in the preparation of Annual Accounts, applicable accounting standards have been followed;
- b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Annual Accounts have been prepared on a going concern basis.

AUDITORS

The Company's Statutory Auditors, M/s Davinder S. Jaaj & Company, Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits specified under section 224(1B) of the Companies Act, 1956.

DEPOSITS

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

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

CURRENT YEAR

In wake of sustained strength in demand for Swaraj tractors and consequently engines, operations for the current financial year have started on a sound note. The total engine despatches for the month of April 2010 have registered a growth of 41% over corresponding month of last financial year. On current reckoning, the Company is expected to post reasonable growth during 2010-11 as well.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

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

PARTICULARS OF EMPLOYEES

The Company had one employee who was in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2010 or not less than Rs.2,00,000 per month during any part of the said year. Information in accordance with section 217(2A) of the Companies Act 1956, read with Companies (Particulars of employees) Rules, 1975 is annexed to this report.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Date : 6th May, 2010

G.P. GUPTA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

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

Since start of commercial operations in 1989-90, SEL has supplied around 3,57,000 engines for fitment into “Swaraj” tractors. SEL’s engine business currently constitutes some 93% of Company’s product revenue. Balance 7% represents value of hi-tech engine components being supplied to SML for assembly of commercial vehicle engines.

PERFORMANCE APPRAISAL

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

FINANCIAL ANALYSIS (2009-10)

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

(A) Profit & Loss Account

Total revenue for the year was Rs. 286.62 crores (last year Rs. 208.34 crores) with the following breakdown :

Particulars	(Rs. in Crores)	
	2009-10	2008-09
Engines	256.38	187.87
Engine components	18.95	14.19
Spares etc.	7.11	6.11
Total Product Revenue	282.44	208.17
Other Income – Mainly Dividend	4.18	0.17
Total Revenue	286.62	208.34

With the enhanced demand from “Swaraj”, engine supplies during the year moved to 39,143 engines (last year 28,539 engines).

With stabilization in commodity prices during the year compared to unprecedented fluctuation during last fiscal coupled with focus on cost reengineering efforts, material cost as a percentage of total product revenue stood at 74.5% (last year’s 76.7%).

Personnel cost at Rs. 14.36 crores (last year Rs. 11.22 crores), represented 5.1% of total product revenue (last year 5.4%).

Due to enhanced production during the year and expenses on development of XM series of engines, improvement in fuel efficiency of other engines and extensive testing of engines to monitor emission norms, manufacturing, administrative and marketing expenses reached Rs. 8.22 crores (last year Rs. 5.47 crores), represented 2.9% as percentage to total product revenue (last year 2.6%).

Comfortable fund position throughout the year resulted into a total income of Rs 9.98 crores (last year Rs. 5.04 crores) on surplus funds – Rs. 5.80 crores under the head ‘Net Finance Charges’ and Rs. 4.18 crores under the head ‘Other Income’.

Depreciation for the year was Rs. 4.84 crores (last year Rs.4.69 crores).

Profit Before Tax reached Rs. 54.71 crores (last year Rs. 32.22 crores), a growth of 70%.

Corporate tax at Rs. 17.36 crores (last year Rs. 10.95 crores) translates to an effective rate of 31.7% (last year 34.0%). Deferred tax (Assets) for the current year was Rs. 1.18 crores.

B) BALANCE SHEET

Company's net worth on 31st March, 2010 stood at Rs. 122.74 crores comprising of an Equity component of Rs. 12.42 crores and Reserves of Rs. 110.32 crores – a book value of Rs. 98.83 per share (last year Rs. 78.08). Out of the total equity of Rs. 12.42 crores, some 83% (Rs.10.35 crores) represents 2 Bonus Issues made in 1997 (1:1) and 2005 (2:1).

Gross Block and Net Block of assets on 31st March, 2010 stood at Rs. 71.93 crores (last year Rs.71.30 crores) and Rs. 22.72 crores (last year Rs. 26.39 crores) respectively. These assets represent an installed capacity of 36000 engines on double shift basis.

Year-end inventories moved to Rs. 19.91 crores from last year's Rs.12.77 crores mainly due to increase in inventory of raw materials to support enhanced production level.

With virtually immediate payment terms with M&M - Swaraj Division, year-end Sundry Debtors stood at Rs. 4.05 crores (last year Rs. 5.22 crores).

Due increased level of production, year-end dues to creditors moved to Rs. 24.83 crores (last year Rs. 12.93 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 and Company has also concluded new 4 year wage agreement with the workers.

Employee strength as on 31st March, 2010 stood at 379 (31st March, 2009 - 285).

TRACTOR INDUSTRY

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

Despite a low penetration level of tractors, Indian tractor market is one of the largest markets in the world in terms of sales volume. The domestic tractor industry is fragmented, with about 13 national players and some regional players. In the current year, all the tractor manufacturers in India together sold 402,600 tractors. Additionally, 37,600 tractors were exported.

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

M&M, which designs, develops, manufactures and markets tractors for Indian and overseas markets is the largest manufacturer of tractors in India and has sustained its market leadership in the Indian tractor market for over 27 years. The consolidated market share of the Farm Equipment Sector of M&M is now 41.1% of the domestic market.

COMMERCIAL VEHICLES

India's commercial vehicle industry after witnessing severe downturn in F09 due overall economic slowdown, had registered an impressive growth in F10. Accordingly, company's business with Swaraj Mazda during the year under review was also up by 34%.

OUTLOOK AND OPPORTUNITIES

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

THREATS, RISKS & CONCERNS

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

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

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

I Board of Directors

The Composition of the Board is in accordance with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors. The number of Non-Executive Directors is more than 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 is the Executive Director of the Company designated as Vice Chairman and being in employment of Mahindra & Mahindra Ltd. (M&M), he draws his remuneration from M&M only.

Dr. Pawan Goenka, Shri A.M.Sawhney, Shri V.S. Parthasarathy and Shri M.N.Kaushal, 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 Engines India Ltd. (KEIL). Shri Vijay Varma, Non-Executive Director, is the Managing Director of Kirloskar Proprietary Ltd. The above six 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 twelve members. While seven members are Non Independent Non-Executive Directors, the Vice Chairman 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.

Name of Director	Category	Financial Year 2009-10		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
Present Directors							
Non-Executive							
Shri G.P.Gupta, Chairman	Independent	4	4	Yes	11	4	4
Dr. Pawan Goenka (appointed w.e.f. 6.5.2010)	Non Independent	–	–	N.A.	7	–	4

Name of Director	Category	Financial Year 2009-10		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
Dr. T.N.Kapoor	Independent	4	4	Yes	6	4	5
Shri D.R.Swar	Non Independent	4	4	No	4	-	-
Shri S.C.Bhargava	Independent	4	4	Yes	12	1	4
Shri Hardeep Singh	Independent	4	4	No	5	3	1
Shri A.M.Sawhney	Non Independent	4	4	Yes	3	-	2
Shri V.S.Parthasarathy	Non Independent	4	3	No	6	-	3
Shri R.R.Deshpande	Non Independent	4	1	No	3	-	1
Shri Vijay Varma	Non Independent	4	3	No	3	-	-
Shri M. N. Kaushal	Non Independent	1	1	N.A.	1	-	1
Executive Shri Bishwambhar Mishra, Vice Chairman	Non Independent	4	4	Yes	2	-	2
Ex-Directors Non Executive Shri Anjanikumar Choudhari (ceased w.e.f. 01.04.2010)	Non Independent	4	4	Yes	N.A.	N.A.	N.A.
Executive Shri G. S. Rihal, Managing Director (ceased w.e.f. 21.11.2009)	Non Independent	3	3	Yes	N.A.	N.A.	N.A.

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

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

[^] 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 folder 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 2009-10, 4 Board Meetings were held on 5th May, 2009, 16th July, 2009, 23rd October, 2009 and 19th January, 2010. The gap between two Meetings did not exceed four months.

The 23rd Annual General Meeting (AGM) was held on 18th June, 2009.

C. Directors seeking appointment / reappointment

At the ensuing Annual General Meeting, S/Shri Hardeep Singh, G.P.Gupta, S.C.Bhargava retire by rotation and being eligible offers themselves for re-election.

Dr. Pawan Goenka and Shri M.N.Kaushal have been appointed as Additional Directors of the Company. They hold office upto the date of the forthcoming Annual General Meeting. Notices from Members have been received proposing their candidature for the office of Directors.

The Directors have reappointed Shri Bishwambhar Mishra as an Executive Director of the Company designated as 'Vice Chairman', subject to the approval of the Members, for a period of two years with effect from 1st April, 2010.

A brief resume of the above Directors is presented below:

Shri Hardeep Singh

Shri Hardeep Singh has been on Company's Board as an Independent Director since July 2007.

Shri Hardeep Singh holds a Bachelor's degree with honours in Economics and Advanced Management Program from Kellogg School of Management. He has served as Chairman, Cargill India Pvt. Ltd. and was responsible for Cargill businesses in India & Pakistan. Prior to this, he was Director- Rallis India Ltd. He has intimate involvement with managing agricultural businesses, international trade and food processing businesses.

Shri Hardeep Singh is also the Chairman of HSBC InvestDirect (India) Limited, Investsmart Financial Services Limited and Amalgamated Plantations Pvt. Limited and Director of Advanta India Limited, HSBC InvestDirect Securities (India) Limited and Agresource Holdings Pvt. Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Advanta India Limited	Audit Committee Remuneration Committee	Member Chairman
2.	HSBC InvestDirect (India) Limited	Audit Committee Compensation Committee Share Transfer and Investor Grievance Redressal Committee	Chairman Chairman Chairman
3.	Investsmart Financial Services Limited	Audit Committee Compensation Committee Nomination Committee	Chairman Chairman Chairman
4.	HSBC InvestDirect Securities (India) Limited	Compensation Committee	Member
5.	Swaraj Engines Limited	Remuneration cum Compensation Committee	Chairman

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

Shri 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 Gupta is also the Chairman of Emkay Global Financial Services Limited and Director of Baroda Pioneer Assets Management Co. Limited, SIDBI Venture Capital Limited, PTC India Limited, Birla Sun Life Insurance Co. Ltd., Aditya Birla Nuvo Limited, Su-Raj Diamonds & Jewellery Limited, Landmark Property Development Co. Limited, Idea Cellular Limited, Lodha Developers Limited, Lodha Elevation Buildcon Pvt. Limited, Aditya Birla Capital Advisors Pvt. Limited and Avam Technologies Pvt. Limited

The details of Shri Gupta’s Membership in Committees are given below:

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

Shri Gupta does not hold any shares in the Company.

Shri S.C.Bhargava

Shri S.C.Bhargava is on the Board of the Company as an Independent Director since January 2006.

Shri Bhargava is a Fellow Member of the Institute of Chartered Accountants of India and also holds a Bachelor’s Degree with Honours in Commerce from Delhi University. He served Life Insurance Corporation of India (LIC) for 38 years and had retired in 2005 as Executive Director (Investment). He has vast experience in Finance / Insurance related matters in LIC and has been deeply involved in the investment portfolio at LIC which virtually covered all segments of Indian Economy.

Shri Bhargava, currently a financial consultant, is also the Chairman of OTC Exchange of India and A.K.Capital Services Limited and Director of Aditya Birla Nuvo Limited, DCM Shriram Consolidated Limited, Escorts Limited, Jaiprakash Associated Limited, Mudra Lifestyles Limited, Cox & Kings India Limited, G.K.Industrial Park Pvt. Limited, Escorts Construction Equipment Limited, Jay Pee Infratech Limited, Max Mobile Communications Limited and Jaiprakash Power Ventures Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Mudra Lifestyles Limited	Audit Committee Shareholders Grievance Committee Remuneration Committee	Chairman Member Member
2.	Cox & Kings India Limited	Audit Committee Shareholders / Investors Grievance Committee Finance Committee	Member Member Member
3.	Swaraj Engines Limited	Audit Committee	Member

Shri Bhargava does not hold any shares in the Company.

Dr. Pawan Goenka

Dr. Pawan Goenka joined the Company's Board as an Additional Director with effect from 6th May, 2010.

Dr. Goenka is a Mechanical Engineer from I.I.T. Kanpur, Ph.D from Cornell University, U.S.A. and Graduate of Advanced Management Programme from Harvard Business School. Having joined Mahindra & Mahindra Ltd. in 1993, Dr. Goenka was appointed President of its Automotive Sector in September 2005 and was appointed President of its Automotive & Farm Equipment Sectors with effect from 1st April, 2010. Prior to joining M&M, he served with General Motors R&D Centre at Detroit, U.S.A. He is also the current President of Society of Indian Automobile Manufacturers (SIAM).

Dr. Goenka is also the Chairman of Mahindra & Mahindra South Africa (Pty.) Limited, Mahindra Vehicle Manufacturers Limited and Mahindra Navistar Engines Pvt. Limited and Director of Mahindra Engineering Services Limited, Sylvan Realty Pvt. Limited, Mahindra Renault Pvt. Limited, Mahindra & Mahindra Financial Services Limited, Mahindra Navistar Automotives Limited, Mahindra First Choice Wheels Limited and Mahindra Two Wheelers Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Mahindra Engineering Services Limited	Audit Committee	Member
2.	Mahindra Renault Pvt. Limited	Audit Committee Remuneration Committee	Member Member
3.	Mahindra & Mahindra Financial Services Limited	Loans & Investment Committee	Member
4.	Mahindra Navistar Automotives Limited	Audit Committee Remuneration Committee	Member Member
5.	Mahindra Vehicle Manufacturers Limited	Audit Committee Remuneration Committee	Member Member
6.	Mahindra Two Wheelers Limited	Audit Committee Remuneration Committee	Member Member
7.	Swaraj Engines Limited	Remuneration cum Compensation Committee	Member

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

Shri M.N.Kaushal

Shri M.N.Kaushal joined the Company’s Board as an Additional Director with effect from 9th December, 2009.

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 3307 shares in the Company.

Shri Bishwambhar Mishra

Shri Bishwambhar Mishra joined the Company’s Board in July 2007 and was appointed Executive Director of the Company designated as Vice Chairman in January 2009.

Shri Bishwambhar Mishra, a Mechanical Engineer with a Postgraduate Diploma in Business Management from XLRI, Jamshedpur, is currently the Chief Executive Officer of Swaraj Division of Mahindra & Mahindra Ltd. (M&M). Having joined M&M in 1999, Shri Mishra has held important positions therein including that of Chief Operating Officer of Farm Equipment Sector and President of China Business Operations. Before joining M&M, Shri Mishra has served Indian Auto majors like Tata Motors, Daewoo Motors and Hindustan Motors.

Shri Mishra is also a Director of Swaraj Automotives Ltd.

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

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

Shri Mishra does not hold any shares in the Company.

D. Code of Conduct

The Company’s Board has laid down a well-defined Code of Ethics & Conduct (the “Code”) to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company (www.swarajenterprise.com). All Board Members and Senior Management Personnel have affirmed compliance with this Code. A declaration signed by the Vice Chairman 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 Vice Chairman and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2010.

II Remuneration to Directors

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

Independent Non-Executive Directors are paid sitting fees for attending the meetings of the Board of Directors and Committees thereof within the prescribed limits as decided by the Board.

The details of Directors' remuneration for 2009-10 is as follows;

Executive - Managing Director

(Rs.)

Name of Director	Salary (Basic)	Commission	Contribution to Provident Fund	Other Perquisites including Leave Encashment	Stock Option	Total	Service Contract (Tenure)
G.S.Rihal (Managing Director)^	16,86,667	16,86,667	2,02,400	15,43,986	Nil	51,19,720	From 21.11.2005 to 20.11.2009

^ ceased to be director w.e.f. 21.11.2009

Note :

The above remuneration paid to the Managing Director was fixed by the Remuneration cum Compensation Committee which was subsequently approved by the Board of Directors and Shareholders at a General Meeting.

Independent Non-Executive Directors

Name of the Directors who were in receipt of sitting fees during FY 2009-10	Sitting Fees for Board and Committee Meetings paid during the year ended 31 st March, 2010 (Rs.)	Commission (Rs.)
Shri G.P.Gupta	1,35,000	Nil
Dr. T.N.Kapoor	2,30,000	Nil
Shri S.C.Bhargava	1,35,000	Nil
Shri Hardeep Singh	60,000	Nil

Shri A.M. Sawhney and Shri M.N. Kaushal are the only two Non-Executive Directors who hold 600 and 3307 shares respectively 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 operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C.

Shri G.P.Gupta, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 18th June, 2009.

During the financial year under review, 5 meetings of Audit Committee of the Board were held on 5th May, 2009, 18th June, 2009, 16th July, 2009, 23rd October, 2009 and 19th January, 2010. The gap between the two meetings did not exceed four months.

Attendance record of the members of the Audit Committee for FY 2009-10 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri G.P.Gupta	5	5
Dr. T.N.Kapoor	5	5
Shri S.C.Bhargava	5	5
Shri V.S.Parthasarathy	5	3

B. Shareholder / Investor Relations Committee

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

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

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, 6 meetings of Shareholder / Investor Relations Committee were held.

Attendance record of the members of the Shareholder / Investor Relations Committee for FY 2009-10 is as under:

Name of the Member Director	No. of Meetings Held*	No. of Meetings Attended
Present Directors		
Dr. T.N.Kapoor	6	6
Shri Bishwambhar Mishra	6	4
Shri A.M.Sawhney	6	6
Shri M.N.Kaushal	1	1
Ex Director		
Shri G.S.Rihal	4	4

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

The Company had received 119 enquiries/complaints from the shareholders and all of them have been attended to / resolved.

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

C. Remuneration cum Compensation Committee

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

The Committee comprised following three Non-Executive Directors of which two are Independent, including the Chairman of the Committee as on 31st March, 2010.

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

The Committee was reconstituted on 6th May, 2010 with the following Directors as its Members:

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

No meeting of the Committee was held during the year ended 31st March, 2010.

V Disclosures

A. Disclosure of transactions with Related Parties

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

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Code for prevention of Insider Trading Practices

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

VI Shareholder Information

1. 24th Annual General Meeting

Date : 3rd August, 2010
 Time : 12.00 Noon
 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, 2010 Last week of July, 2010
- Half year ending 30th September, 2010 Last week of October, 2010
- Quarter ending 31st December, 2010 Last week of January, 2011
- Year ending 31st March, 2011 May, 2011

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

16th July, 2010 to 22nd July, 2010 (both days inclusive)

5. Dividend Payment

On or after 3rd August, 2010, but within statutory time limit.

6. Listing on Stock Exchanges

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

Listing Fee for 2010-11 for both these stock exchanges has been paid.

7. Stock Code

BSE 500407
 NSE SWARAJENG

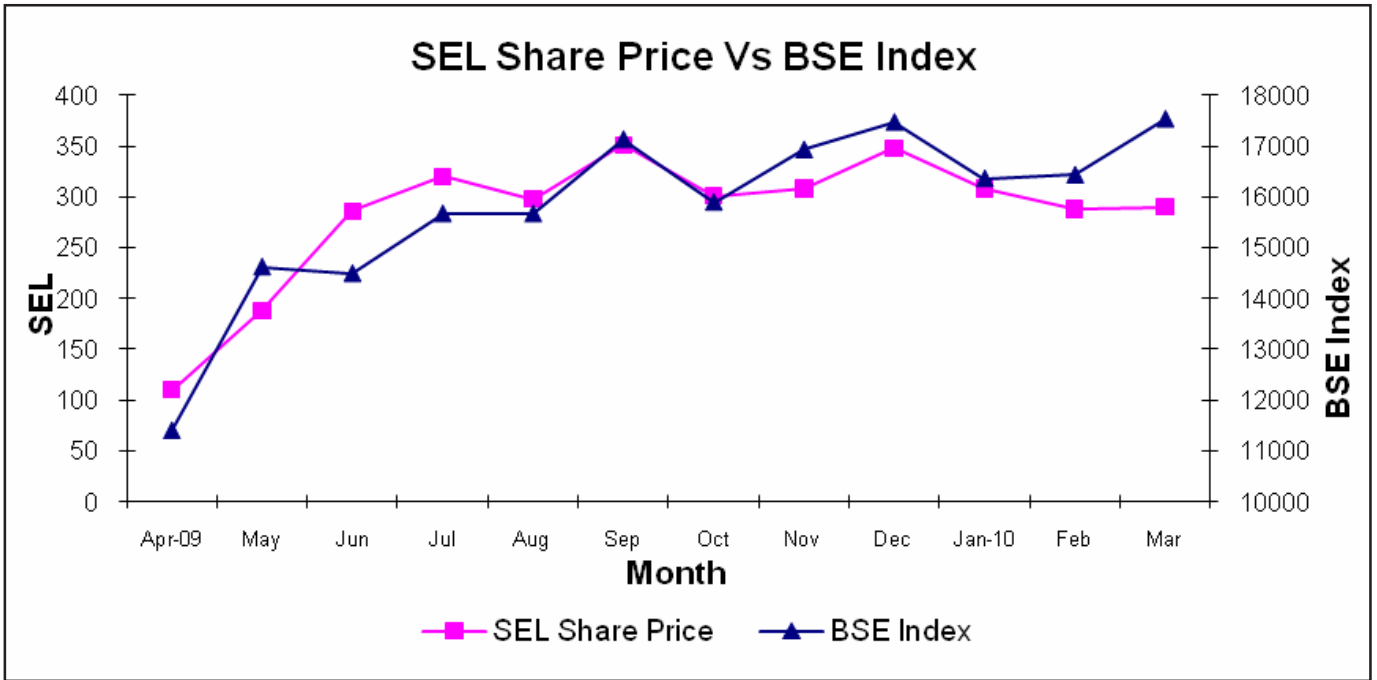
8. Stock Price Data

Monthly (April 2009 – March 2010) High - Low Quotations and Volume of shares traded at Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) are as under:

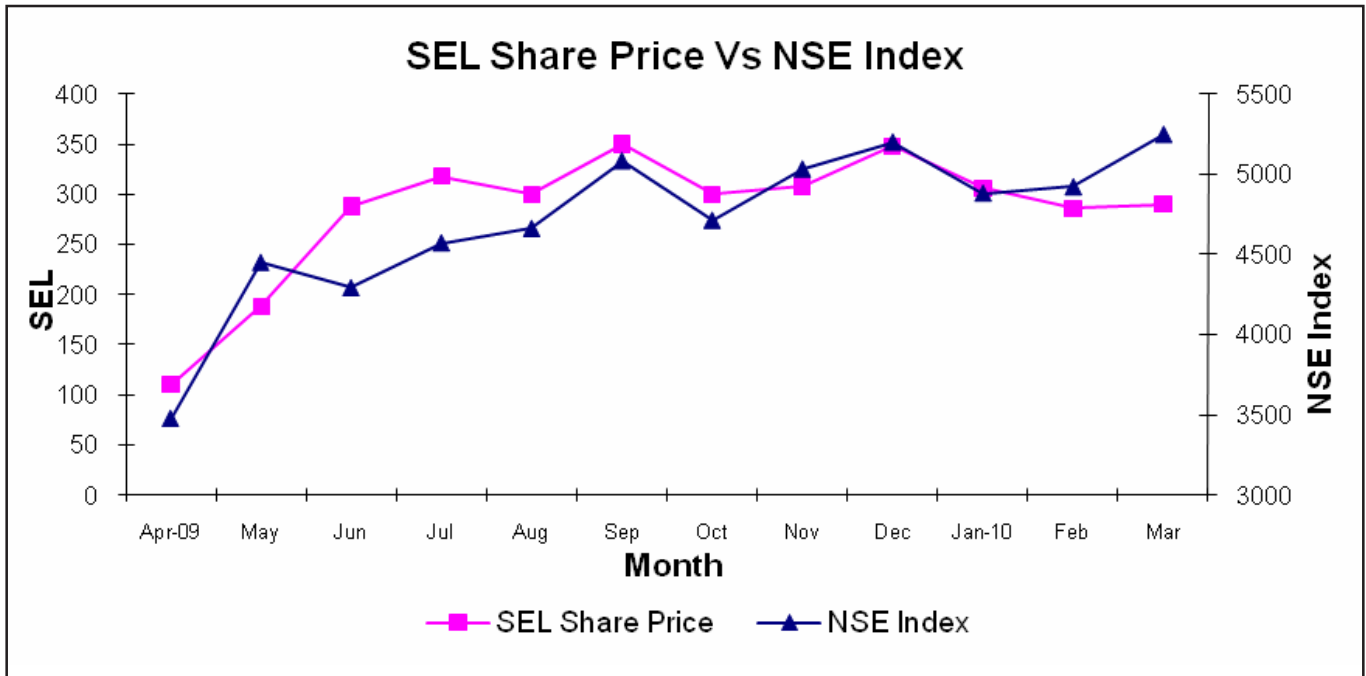
Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April 2009	122	98	21,042	133	92	27,135
May 2009	199	110	1,48,217	200	90	1,91,496
June 2009	293	190	2,23,510	292	189	1,16,201
July 2009	338	249	1,41,202	342	251	1,32,584
August 2009	355	290	98,931	355	285	62,713
September 2009	362	280	6,09,107	362	280	6,73,645
October 2009	354	299	1,39,942	355	294	1,69,862
November 2009	354	285	3,06,878	354	280	4,16,638
December 2009	351	305	2,52,237	350	302	4,02,621
January 2010	365	297	1,26,180	364	286	2,02,245
February 2010	317	281	72,732	337	278	1,26,675
March 2010	306	282	57,000	313	243	62,324

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 2009-10 was 8920 (Previous Year 4600).

12. Shareholding Pattern as on 31st March, 2010

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds / UTI	3	15,16,641	12.21
3 Insurance Companies	3	2,51,046	2.02
4 Financial Institutions / Banks	1	300	-
5 Foreign Institutional Investors	2	4,360	0.04
6 Bodies Corporate - Indian	306	4,47,014	3.60
7 NRIs	118	74,538	0.60
8 Indian Public	7444	38,39,504	30.91
Total	7879	1,24,19,820	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2010

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	6327	80.30	8,26,984	6.66
501 - 1000	1025	13.01	6,90,348	5.56
1001 - 5000	438	5.56	9,26,307	7.46
5001 - 10000	47	0.60	3,38,362	2.72
10001 - 50000	29	0.37	8,05,515	6.49
50001 & above	13	0.16	88,32,304	71.11
Total	7879	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, 2010, 46.8% 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 & Transfer Agent
M/s MCS Ltd.
Unit: Swaraj Engines Ltd.
Sri Venkatesh Bhavan, F-65, 1st Floor,
Okhla Industrial Area, Phase – I
New Delhi - 110 020

Phone : 011 - 41406149

Fax : 011- 41709881

Email : admin@mcsdel.com

Compliance Officer & Company Secretary
Shri M.S.Grewal
Company Secretary
Registered Office:
Swaraj Engines Ltd.
Phase-IV, Industrial Area
S.A.S.Nagar (Mohali), Punjab - 160 055

Phone : 0172- 2271620-27

Fax : 0172- 2272731 & 2271307

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

18. Website Address

www.swarajenterprise.com

VII Other Disclosures

1. Details of General Meetings and Special Resolutions passed

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

Year	Date	Time	Venue
2007	22 nd September, 2007	11.30 A.M.	Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali) Punjab
2008	7 th July, 2008	12.00 Noon	Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali) Punjab
2009	18 th June, 2009	9.15 A.M.	Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab

No Special Resolution was proposed in the last three AGMs.

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

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

2. Details of non-compliance etc.

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

3. Means of Communication

- a) In compliance with the requirements of Listing Agreement, the Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. These financial results are published in the leading financial / national / regional newspapers (Financial Express and Punjabi Tribune) and are also displayed on the website of the Company www.swarajenterprise.com;
- b) The official news releases are displayed on the Company's website www.swarajenterprise.com;
- c) During the year ended 31st March, 2010, 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) Shareholders Right

The Company regularly publishes its quarterly results in the leading national / regional newspapers. These results are also available on Company's website www.swarajenterprise.com.

iii) 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.

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. MCA after taking into account the experience of adoption of these guidelines by Corporates and after consideration of the feedback received from them would review these guidelines for further improvements after a period of one year.

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.

New Delhi, 6th May, 2010

**DECLARATION BY THE VICE CHAIRMAN UNDER
CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of Swaraj Engines Limited

I, Bishwambhar Mishra, Vice Chairman 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, 2010.

New Delhi, 6th May, 2010

Bishwambhar Mishra
Vice Chairman

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, 2010, 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 the explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Chandigarh, 6th May, 2010

For DAVINDER S. JAAJ & CO.
Chartered Accountants

SUMEET SINGH DHIR
Partner
Membership No. 94370

SWARAJ ENGINES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in lacs)

	Schedule	2010	2009
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	1241.98	1241.98
Reserves and Surplus	B	11032.21	8455.35
Deferred Tax Liability	C	268.01	386.31
		12542.20	10083.64
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	7193.41	7129.68
Less : Depreciation		4921.65	4490.22
Net Block		2271.76	2639.46
Capital Work-in-Progress/Capital Spares		95.04	13.27
Investments	E	5771.51	2032.14
Current Assets, Loans & Advances			
Inventories	F	1991.44	1276.71
Sundry Debtors		405.34	521.90
Cash and Bank Balances		5638.66	5588.45
Loans and Advances		600.23	486.11
		8635.67	7873.17
Less : Current Liabilities and Provisions	G		
Current Liabilities		2860.85	1567.07
Provisions		1370.93	907.33
		4231.78	2474.40
Net Current Assets		4403.89	5398.77
		12542.20	10083.64
Notes on Accounts	K		

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

For DAVINDER S. JAAJ & CO.
Chartered Accountants

M.N. KAUSHAL
Chief Financial Officer

DAVINDER SINGH JAAJ
Partner

M.S. GREWAL
Company Secretary

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA
Director

BISHWAMBHAR MISHRA
Vice Chairman

Chandigarh, 6th May, 2010

New Delhi, 6th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in lacs)

	Schedule	2010		2009
INCOME				
Gross Revenue from Operations	K (13)	30643.97		23546.99
Less : Excise Duty		<u>2400.26</u>	28243.71	2729.98
Other Income	K (9)		<u>417.98</u>	17.32
			28661.69	20834.33
EXPENDITURE				
Materials	H	21029.11		15961.57
Operating & Administrative Expenses	I	2257.77		1668.75
Finance Charges (Net)	J	(579.90)		(487.46)
Depreciation	D	<u>483.54</u>	<u>23190.52</u>	<u>469.55</u>
Profit before Tax			5471.17	3221.92
Provision for Tax				
– Current Tax		1854.00		1211.00
– Deferred Tax		(118.30)		(121.09)
– Fringe Benefit Tax		<u>–</u>	<u>1735.70</u>	<u>4.50</u>
Profit after Tax			3735.47	2127.51
APPROPRIATIONS				
Proposed Dividend			993.59	620.99
Tax on Proposed Dividend			165.02	105.54
Transfer to General Reserve			2200.00	1200.00
Profit carried to Balance Sheet			<u>376.86</u>	<u>200.98</u>
			3735.47	2127.51
Earning per Share (Rs.)	K (6)		30.08	17.13
Nominal Value (Rs.)			10.00	10.00

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

For DAVINDER S. JAAJ & CO.
Chartered Accountants

M.N. KAUSHAL
Chief Financial Officer

DAVINDER SINGH JAAJ
Partner

M.S. GREWAL
Company Secretary

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA
Director

BISHWAMBHAR MISHRA
Vice Chairman

Chandigarh, 6th May, 2010

New Delhi, 6th May, 2010

SCHEDULE A

(Rs. in lacs)

	2010	2009
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SHARE CAPITAL
Authorised

2,50,00,000 (2009 – 2,50,00,000) Equity Share of Rs. 10/- each	<u>2500.00</u>	<u>2500.00</u>
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Issued, Subscribed & Paid-Up

1,24,19,820 (2009 – 1,24,19,820) Equity Shares of Rs. 10/- each fully paid up	<u>1241.98</u>	<u>1241.98</u>
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Note : Paid up capital includes 1,03,49,850 Equity Shares allotted as fully paid bonus shares by capitalisation of General Reserve.

SCHEDULE B

(Rs. in lacs)

	2010	2009
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RESERVES AND SURPLUS
Capital Reserve

Brought Forward	18.71	18.71
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General Reserve

Brought Forward	6796.76		5596.76	
Add : Transferred from Profit and Loss Account	<u>2200.00</u>	<u>8996.76</u>	<u>1200.00</u>	6796.76

Surplus

Brought Forward	1639.88		1438.90	
Add : Transferred from Profit and Loss Account	<u>376.86</u>	<u>2016.74</u>	<u>200.98</u>	1639.88

	<u>11032.21</u>	<u>8455.35</u>
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SCHEDULE C

(Rs. in lacs)

	2010	2009
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DEFERRED TAX LIABILITY

(Refer Note 1(i) & 8 on Schedule K)

– At the beginning of the year	386.31		507.40	
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– Adjustment during the year	<u>(118.30)</u>	<u>268.01</u>	<u>(121.09)</u>	<u>386.31</u>
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	<u>268.01</u>	<u>386.31</u>
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SCHEDULE D

(Rs. in lacs)

FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 31st March, 2009	Additions	Deletions/ Adjustments	Cost as at 31st March, 2010	As at 31st March, 2009	Provided during the year	Deletions/ Adjustments	Upto 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009
Land	50.68	-	-	50.68	-	-	-	-	50.68	50.68
Building	842.30	-	-	842.30	311.22	25.30	-	336.52	505.78	531.08
Plant & Machinery	6096.35	103.60	34.33	6165.62	4058.82	449.25	31.47	4476.60	1689.02	2037.53
Furniture, Fixtures & Other Equipments	92.62	16.19	-	108.81	76.73	7.08	-	83.81	25.00	15.89
Vehicles	47.73	-	21.73	26.00	43.45	1.91	20.64	24.72	1.28	4.28
Total	7129.68	119.79	56.06	7193.41	4490.22	483.54	52.11	4921.65	2271.76	2639.46
Capital Work-in-Progress/Advances									83.39	7.89
Capital Spares									11.65	5.38
									2366.80	2652.73
Previous Year	7010.58	126.15	7.05	7129.68	4027.17	469.55	6.50	4490.22		

SCHEDULE E

(Rs. in lacs)

2010

2009

INVESTMENTS (At Cost, unless otherwise specified) :

MUTUAL FUNDS

**Un Quoted
Long Term**

**Refer Note (B)
Below**

Numbers	Face value Per Unit Rupees				
–	10	– Birla Mutual Fund - FTP – Instl – Series AK-Dividend	1	–	300.00
–	10	– Kotak Mutual Fund FMP 14M Series 3 – Institutional – Dividend	2	–	150.94
–	10	– Franklin Mutual Fund – Fixed Horizon Fund Series VII Plan A – Institutional – Growth	3	–	170.00
–	10	– Fortis FTP - Series 10 - Plan F - Institutional – Growth (Formerly known as ABN Amro Fixed Term Plan-Series10 - Plan F)	4	–	500.00
–	10	– Kotak Mutual Fund – FMP 13M Series 4 – Institutional – Growth	5	–	410.00
–	10	– Kotak Mutual Fund – FMP 15M Series 5 – Institutional – Dividend	6	–	501.20
25,00,000	10	– Kotak FMP 13M Series 6 – Dividend	7	250.00	–
Current					
43,976	10	– Kotak Flexi Debt Scheme – Daily Dividend	8	4.42	–
1,54,22,251	10	– Kotak Bond (Short Term) – Monthly Dividend	9	1560.76	–
55,623	1000	– UTI STP – Institution Dividend Plan	10	556.65	–
1,17,045	1000	– Franklin Templeton F R Income Fund – Weekly Dividend	11	1257.92	–
89,81,523	10	– Birla Sun Life Dynamic Bond Fund – Monthly Dividend	12	933.04	–
60,67,292	10	– LIC Saving Plus Fund – Daily Dividend	13	606.73	–
60,10,852	10	– IDFC M M Fund Institutional Plan – Daily Dividend	14	601.99	–
				5771.51	2032.14

Notes :

Aggregate Value

(A) Cost of unquoted Investments

5771.51

2032.14

SCHEDULE E contd.....

INVESTMENTS (At Cost, unless otherwise specified) :

(B) Movement of Mutual Funds during the Year

	Acquired		Sold
	Unit (Nos.)	Rs. in Lacs	Unit (Nos.)
1 – Birla Mutual Fund - FTP -Instl - Series AK - Dividend	2,72,056	27.21	32,72,056
2 – Kotak Mutual Fund FMP 14M Series 3 -Instl-Dividend	1,24,717	12.51	16,34,119
3 – Franklin Mutual Fund-Fixed Horizon Fund Series VII Plan A-Instl-Growth	–	–	17,00,000
4 – Fortis FTP -Series 10 - Plan F - Institutional-Growth	–	–	50,00,000
5 – Kotak Mutual Fund - FMP 13M Series 4 - Institutional -Growth	–	–	41,00,000
6 – Kotak Mutual Fund - FMP 15M Series 5 - Institutional-Dividend	4,87,766	48.83	54,99,748
7 – Kotak FMP 13M Series 6 -Dividend	25,00,000	250.00	–
8 – Kotak Flexi Debt Scheme- Daily Dividend	50,15,208	503.58	49,71,232
9 – Kotak Bond (Short term)- Monthly Dividend	1,54,22,251	1,560.76	–
10 – UTI STP-Institution Dividend Plan	55,623	556.65	–
11 – Franklin Templeton F R Income Fund - Weekly Dividend	1,17,045	1,257.92	–
12 – Birla Sun Life Dynamic Bond Fund -Monthly Dividend	89,81,523	933.04	–
13 – LIC Saving Plus Fund - Daily Dividend	60,67,292	606.73	–
14 – IDFC M M Fund Institutional Plan -Daily Dividend	60,10,852	601.99	–
15 – Franklin Templeton Floating Rate Income Fund LTP -Growth	31,11,184	503.87	31,11,184
16 – UTI Treasury Advantage Fund	1,15,435	1,154.59	1,15,435
17 – Tata Mutual Floater Fund - Daily Dividend	30,33,858	304.47	30,33,858
18 – ICICI Prudential STP - Monthly Dividend	43,43,842	510.63	43,43,842
19 – ICICI Prudential Flexible Income Plan -Daily Dividend	19,19,235	202.93	19,19,235
20 – Birla Sun Life Dynamic Bond Fund -Daily Dividend	29,75,639	297.77	29,75,639
21 – LIC MF Liquid Fund-Dividend Plan	54,64,974	600.06	54,64,974

SCHEDULE F

(Rs. in lacs)

	2010	2009
CURRENT ASSETS, LOANS & ADVANCES		
A. CURRENT ASSETS		
I. Inventories (refer Note 1(d) on Schedule K)		
a) Stores & Spare Parts	142.41	91.37
b) Loose Tools	113.41	81.64
c) Raw Material & Components	1125.10	716.53
d) Goods-in-Transit	117.37	155.49
e) Work-in-Progress	323.05	131.28
f) Finished Goods	<u>170.10</u>	<u>100.40</u>
	1991.44	1276.71
II. Sundry Debtors		
(Unsecured-Considered Good)		
Debts Outstanding for a period exceeding six months		
	–	–
Other Debts	<u>405.34</u>	<u>521.90</u>
	405.34	521.90
III. Cash and Bank Balances		
Cash in Hand	7.63	4.04
Balance with Scheduled Banks		
– Cash Credit Account	175.05	318.72
– Current Accounts	87.46	20.18
– Fixed Deposits	5216.42	5008.00
– Interest Accrued on Fixed Deposit	117.92	201.35
– Unpaid/Unclaimed Dividend Accounts	<u>34.18</u>	<u>36.16</u>
	5638.66	5588.45
B. LOANS & ADVANCES		
(Unsecured-Considered Good)		
Advances recoverable in cash or in kind for value to be received		
	480.25	336.14
Security Deposits	24.17	24.17
Balance on Current Accounts with Excise Authorities		
	39.57	106.26
Income Tax, FBT & Wealth Tax (Net of Provisions)	<u>56.24</u>	<u>19.54</u>
	600.23	486.11
	<u>8635.67</u>	<u>7873.17</u>

Note : Inventories are as certified by the Management.

SCHEDULE G

(Rs. in lacs)

	2010		2009
CURRENT LIABILITIES & PROVISIONS			
Current Liabilities			
Sundry Creditors			
– Due to Micro & Small Enterprises	107.21		60.80
– Others	2375.73		1232.25
Other Liabilities	343.73		237.86
Dividends pending encashment*	<u>34.18</u>	2860.85	<u>36.16</u> 1567.07
Provisions			
Proposed Dividend	993.59		620.99
Corporate Tax on Proposed Dividend	165.02		105.54
Others	<u>212.32</u>	1370.93	<u>180.80</u> 907.33
		4231.78	<u>2474.40</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2010.

SCHEDULE H

(Rs. in lacs)

	2010		2009
MATERIALS			
Raw Materials & Components			
Opening Stock	716.53		529.66
Add : Purchases	<u>21269.98</u>	21986.51	<u>16005.16</u> 16534.82
Less : Closing Stock	1125.10		716.53
Other Jobs	<u>20.62</u>	1145.72	<u>10.31</u> 726.84
Consumption		20840.79	<u>15807.98</u>
Accretion/Decretion of Stock of Finished Products & Work-in-Progress			
Opening Stock	231.68		78.74
Less : Closing Stock	<u>493.15</u>		<u>231.68</u>
(Increase)/Decrease		(261.47)	(152.94)
Consumption of Stores & Spares (including capital spares)		449.79	306.53
		21029.11	<u>15961.57</u>

SWARAJ ENGINES LIMITED**SCHEDULE I**

(Rs. in lacs)

	2010	2009
OPERATING AND ADMINISTRATIVE EXPENSES		
Salary, Wages & Bonus	1247.90	999.88
Contribution to Provident & Other Funds	65.40	59.90
Workmen & Staff Welfare	122.42	62.16
Repairs to Machinery	167.23	95.12
Repairs to Building	16.98	9.40
Other Repairs	9.46	5.29
Electricity & Water Charges	233.74	161.63
Rates & Taxes	0.60	0.67
Insurance	3.57	3.73
Printing, Stationery, Postage & Telephone	14.44	10.73
Travelling & Conveyance	23.87	16.62
[includes Rs. 6.83 Lacs (2009 – Rs. 4.37 Lacs) for Directors]		
Research, Design & Development	215.16	123.37
Other Marketing Expenses	45.74	46.08
Auditors' Remuneration	3.77	4.14
Miscellaneous Expenses	87.49	70.03
	<u>2257.77</u>	<u>1668.75</u>

SCHEDULE J

(Rs. in lacs)

	2010	2009
FINANCE CHARGES		
Bank & Other Financial Charges	2.86	5.41
Less : Interest received on		
– Fixed Deposit	454.96	363.06
– Others	127.80	129.81
	<u>(579.90)</u>	<u>492.87</u>
		<u>(487.46)</u>

SCHEDULE K

NOTES FORMING PART OF THE ACCOUNTS

1. Accounting Policies

a) Accounting Convention

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

b) Fixed Assets and Depreciation

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

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

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

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

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

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

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

c) Investments

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

d) Inventories

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

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

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

f) Retirement Benefits:

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

- g) Sales are recognised at the time of despatches to customers and include excise duty.
- h) Development expenditure incurred on technical services and other project/product related expenses are amortised over the estimated period of benefit, not exceeding three years.
- i) Taxes on Income
Current tax is the tax payable for the period determined as per provision of the Income Tax Act, 1961.
The provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.
- j) Accounting policies not specifically referred above are consistent with generally accepted accounting practices.

2. There are contingent liabilities in respect of

	2010 Rs. in lacs	2009 Rs. in lacs
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	116.60	116.46
– Income Tax matters in dispute	214.94*	106.90
– Others	241.67**	241.67

* Assessment of Income Tax is complete upto assessment year 2007-08. There is no demand which is disputed in Appeal and not provided for (2009 - 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 Loans & Advances under Schedule 'F'.

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

4. Related party disclosures as required under Accounting Standard –18 are given below :

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

- i) Associate Companies Mahindra & Mahindra Limited (M&M)
Swaraj Automotives Limited (SAL)
Kirloskar Oil Engines Limited (KOEL)^
- ii) Key Management Personnel : Whole time Directors
Shri Bishwambhar Mishra (Vice Chairman)
Shri G.S. Rihal - Managing Director (upto 20.11.2009)

b) Volume of Transactions with related parties

	2010 Rs. in lacs	2009 Rs. in lacs
i) Associates		
a. Purchase of raw materials and components	659.17	566.71
M&M	130.98	95.57
PTL*	–	50.04
SAL	281.52	193.77
KOEL	246.67	227.33
b. Sale of finished goods	29463.26	22590.93
M&M	29463.26	15063.40
PTL*	–	7509.06
KOEL	–	18.47

	2010 Rs. in lacs	2009 Rs. in lacs
c. Receiving of services	311.83	199.56
M&M	311.83	110.66
PTL*	—	88.90
d. Rendering of services	36.69	24.97
M&M	36.69	16.27
PTL*	—	8.70
e. Dividend paid	314.32	314.32
M&M	206.32	0.37
PTL*	—	205.95
KOEL	108.00	108.00
Aggregate balances outstanding as at the year end		
– Receivables	125.13	238.84
M&M	125.13	238.84
– Payables	74.50	43.98
SAL	15.79	36.56
KOEL	58.71	7.42

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

^The name of the Company has been changed to Kirloskar Industries Limited with effect from 31st March, 2010.

ii) Key Management Personnel

Remuneration	51.20	54.36
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- Note: 1. The above remuneration was paid to Sh. G.S. Rihal for the period from 1st April 2009 to 20th November, 2009.
 2. Details of remuneration to key management personnel are given in note 10.

5. Segment Reporting

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

6. Earnings per Share (EPS)

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

7. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.304.77 lacs net of advance (2009 –Rs. 7.39 lacs).
8. In view of Accounting Standard – 22 ‘Accounting for Taxes on Income’ issued by the Institute of Chartered Accountants of India, the Company has accounted for deferred tax as follows:

Particulars	Balance as at 01.04.2009	Expense/ (Saving) during the year	(Rs. in lacs) Balance as at 31.03.2010
A) Deferred Tax Liabilities			
On Depreciation	458.83	(92.84)	365.99
B) Deferred Tax Assets			
On Expenses	(72.52)	(25.46)	(97.98)
Net Deferred Tax Liabilities (A-B)	386.31	(118.30)	268.01

SWARAJ ENGINES LIMITED

The tax impact for the above purpose has been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961. Gross reduction in Net Deferred Tax Liability amounting Rs 118.30 Lacs has been credited to Profit and Loss Account.

	2010 Rs. in lacs	2009 Rs. in lacs
9. Other Income :		
– Dividend Income		
Long Term Investment	88.45	–
Current Investments	204.50	17.32
– Profit on Sale of Investment		
Long Term	121.16	–
Current	3.87	–
	<u>417.98</u>	<u>17.32</u>
10. Directors' Emoluments :		
i) Salaries	16.87	25.60
ii) Commission	16.87	25.60
iii) Contribution to Provident Fund	2.02	3.07
iv) Leave Encashment	11.22	0.09
v) Other Perquisites	4.22	–
	<u>51.20</u>	<u>54.36</u>
vi) Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956 for calculation of Commission		
Profit Before Tax	5471.17	3221.92
Add : Director's emoluments including sitting fee	56.80	59.31
	<u>5527.97</u>	<u>3281.23</u>
Less: Profit on disposal of Fixed Assets	9.73	1.12
	<u>5518.24</u>	<u>3280.11</u>
Net Profit in accordance with section 198(1)/349		
Maximum Commission to whole time Director @ 1% for the appropriate period	55.18	32.80
Restricted to maximum of 100% of Salary or @ 1% of net profit whichever is less.	16.87	25.60
11. Auditors' Remuneration* :		
Statutory Auditor's		
Audit Fee	1.50	1.50
Tax Audit Fee	0.25	0.25
Other Services	0.92	0.95
Out of Pocket Expenses Reimbursed	0.49	0.56
Cost Auditor's		
Audit Fee	0.40	0.40
	<u>3.56</u>	<u>3.66</u>

*excluding Service Tax

12. Particulars in respect of goods manufactured:

Class of Goods	Unit of Qty.	Licensed Capacity		Installed Capacity		Actual Production	
		2010	2009	2010	2009	2010	2009
Engines	Nos.	N.A.	N.A.	36,000	36,000	39,254	28,728

Note: Installed capacity as Certified by the Management and not verified by the Auditors being a technical matter.

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

Class of Goods	Unit of Qty.	2010		Qty.	2009
		Qty.	Rs. in lacs		
Engines	Nos.	39,143	27808.82	28539	21236.09
Engine Components	–	–	2047.25	–	1601.46
Spares & Others	–	–	787.90	–	709.44
			<u>30643.97</u>		<u>23546.99</u>

14. Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty.	Opening Balance		Closing Balance	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
i) Engines	Nos.	182	100.24	292*	170.07
		(1)	(0.40)	(182)	(100.24)
ii) Engine Parts	–		0.16		0.03
			(0.18)		(0.16)

*excludes 1 engine consumed for R&D during the year.

15. Analysis of Raw Materials consumed:

Class of Goods	Unit of Qty.	2010		Qty.	2009
		Qty.	Rs.in lacs		
Crank Shaft Assy	Nos.	39,619	1838.54	28,877	1409.21
Crank Case Assy	Nos.	39,430	2018.92	28,905	1577.16
Flywheel	Nos.	39,746	916.07	28,838	721.01
Fuel Pump Assy	Nos.	39,791	2570.02	28,861	1867.35
Others (including components)			13497.24		10233.25
			<u>20840.79</u>		<u>15807.98</u>

Notes:

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

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

		2010		%age	2009
		%age	Rs.in lacs		
a) Raw Material & Components					
Imported		–	–	–	–
Indigenous		100.00	20840.79	100.00	15807.98
			<u>20840.79</u>		<u>15807.98</u>
b) Stores, Consumables, Spares & Loose Tools					
Imported		0.74	3.31	0.70	2.15
Indigenous		99.26	446.48	99.30	304.38
			<u>449.79</u>		<u>306.53</u>

17. Value of Imports on CIF Basis:	2010 Rs. in lacs	2009 Rs. in lacs
Raw Material & Components	-	-
Stores & Spares	3.61	4.70
Capital Goods	-	-
	3.61	4.70
18. Research & Development Expenses includes an amount of Rs.106.77 (2009 Rs.105.09 lacs) amortized during the year being the expense towards upgradation of engine and improvement in fuel efficiency.		
19. Based on the information available with the company, the balance due to Micro & Small enterprises as defined under the MSMED Act, 2006 is Rs. 107.21 lacs (2009 Rs.60.80 lacs). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.		
20. Employee Defined Benefits:		
Defined benefit plans as per Actuarial Valuation		Rs. in lacs
Particulars		Gratuity (Funded)
	2010	2009
I. Expense recognised in the statement of Profit & Loss Account		
1. Current Service Cost	14.81	11.34
2. Interest	12.54	8.16
3. Expected Return on plan assets	(12.00)	(9.83)
4. Actuarial (Gain)/Loss	31.29	27.91
5. Total Expense	46.63	37.58
II. Net Asset/(Liability) recognized in the Balance Sheet		
1. Present value of Defined Benefit Obligation	205.43	151.08
2. Fair Value of plan assets	159.10	113.65
3. Funded Status [Surplus/(Deficit)]	(46.33)	(37.43)
4. Net Asset/(Liability)	46.33	37.43
III. Change in the obligation during the year		
1. Present value of Defined Benefit Obligation as at the beginning of the year	151.08	113.96
2. Current service cost	14.81	11.34
3. Interest Cost	12.54	8.16
4. Benefit payments	(5.47)	(10.43)
5. Actuarial (Gain)/Loss	32.47	28.05
6. Present value of Defined Benefit Obligation as at the end of the year	205.43	151.08
IV. Change in Fair Value of Assets during the Year		
1. Fair Value of plan assets at the beginning of the year	113.65	108.89
2. Expected return on plan assets	12.00	9.83
3. Contributions by employer	37.72	5.23
4. Actual Benefits paid	(5.47)	(10.43)
5. Actuarial (Gain)/Loss on Plan assets	1.19	0.14
6. Fair Value of plan assets at the end of the Year	159.10	113.65
7. Actual return on plan assets	13.19	9.97
V. The major categories of plan assets as a percentage of total plan Funded with LIC	100%	100%
VI. Actuarial Assumptions		
1. Discount Rate	8.45%	7.50%
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%	5.00%
6. Salary Rise - Workers	5.00%	5.00%
7. Remaining Working life	18.17 Yrs	18.55 Yrs
21. 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, 2010

(Rs. in lacs)

	2010	2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	5471.17	3221.92
Adjustments for :		
Depreciation	483.54	469.55
(Profit)/Loss on disposal of Fixed Assets	(8.19)	(0.75)
Dividend/Interest (Net)	(579.90)	(487.46)
Operating Profit Before Working Capital Changes	5366.62	3203.26
Adjustments for :		
Trade and Other Receivables	39.14	1110.20
Inventories	(752.85)	(345.00)
Trade Payables	1365.40	448.34
Cash Generated From Operations	6018.31	4416.80
Direct Taxes Paid	(1996.24)	(1263.40)
Cash Flow Before Extraordinary Items	4022.07	3153.40
Extraordinary Items	-	-
Net Cash From Operating Activities	4022.07	3153.40
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (inclusive of capital WIP)	(201.56)	(121.24)
Purchase of Investments	(3739.37)	(361.20)
Sale of Fixed Assets	12.14	1.30
Interest Received	582.76	492.87
Net Cash Used in Investing Activities	(3346.03)	11.73

2010

2009

C. CASH FLOW FROM FINANCING ACTIVITIES

Increase/(Decrease) in bank borrowings for working capital	–	–
Dividend Paid	(622.97)	(622.09)
Interest Paid	(2.86)	(5.41)
Net Cash Used in Financing Activities	(625.83)	(627.50)
Net Increase/(Decrease) in Cash and Cash Equivalents	50.21	2537.63
Opening Cash and Cash Equivalents (Note 1)	5588.45	3050.82
Closing Cash and Cash Equivalents (Note 1)	5638.66	5588.45

- Note :**
1. Includes unuseable cash of Rs. 34.18 Lacs (2009 – Rs. 36.16 lacs) on account of Dividend pending encashment.
 2. Previous year figures have been regrouped, wherever found necessary.

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

For DAVINDER S. JAAJ & CO.
Chartered Accountants

M.N. KAUSHAL
Chief Financial Officer

DAVINDER SINGH JAAJ
Partner

M.S. GREWAL
Company Secretary

Chandigarh, 6th May, 2010

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA
Director

BISHWAMBHAR MISHRA
Vice Chairman

New Delhi, 6th May, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

a) **Registration details :**

Registration No.	6473
State	Punjab
State Code	16
Balance Sheet Date	31st March, 2010

	2010	2009
	Rs. in lacs	Rs. in lacs

b) **Capital Raised during the year :**

Public Issue	Nil	Nil
Bonus Issue	Nil	Nil
Right Issue	Nil	Nil
Private Placement	Nil	Nil

c) **Position of Mobilisation and Deployment of Funds :**

Total Liabilities	16773.98	12558.04
Total Assets	16773.98	12558.04

Sources of Funds

Paid up Capital	1241.98	1241.98
Reserves & Surplus	11032.21	8455.35
Secured Loans	-	-
Unsecured Loans	-	-
Deferred Tax Liability	268.01	386.31
	<u>12542.20</u>	<u>10083.64</u>

Application of Funds

Net Fixed Assets	2366.80	2652.73
Net Current Assets	4403.89	5398.77
Investments	5771.51	2032.14
Misc. Expenditure	-	-
Accumulated losses	-	-
	<u>12542.20</u>	<u>10083.64</u>

d) **Performance of Company :**

Total Income	31061.95	23564.31
Total Expenditure	25590.78	20342.39
Profit before Tax	5471.17	3221.92
Profit after Tax	3735.47	2127.51
Earning Per Share (Rs.)	30.08	17.13
Dividend Rate	80%	50%

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

1. Item Code No. (ITC Code)	84.08
Product Description	Internal Combustion Diesel Engine
2. Item Code No. (ITC Code)	84.09
Product Description	Diesel Engine Parts

AUDITORS' REPORT**To the Members of Swaraj Engines Limited**

We have examined the attached Balance Sheet of Swaraj Engines Limited as at March 31, 2010, the annexed Profit and Loss Account and the Cash Flow Statement for the Year Ended on that date, which are in agreement with the books of account. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto and the Statement on Significant Accounting policies, given in the prescribed manner the information required by the Companies Act, 1956 of India (the 'Act') and also give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - b. in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement therewith.
4. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
5. On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 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, 2010 has been verified by the management on subsequent receipt of the goods.
 - b. In our opinion, the procedures of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. The company is maintaining proper records for inventory and discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.

- (iii) Company neither took nor granted any loan, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase and sale of stores, raw materials including components, plant and machinery, equipment and similar assets.
- (v) On the basis of documents produced before us, the company has not entered in any transactions required to be recorded in register mentioned under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Section 209 (1) (d) of the Act, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) Regarding Statutory Dues:
 - a) The Company has been regular during the year in depositing undisputed dues with Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise duty and other statutory dues with the appropriate authorities.
 - b) According to the information given to us, there were no disputed unpaid dues with sales tax, income tax, custom tax, wealth tax. However in case of excise duty / cess there is a disputed unpaid amount of Rs. 116.60 Lacs pending before Commissioner (Appeals) and in case of Income Tax there is disputed unpaid amount of Rs. 214.94 lacs against which Income Tax Department has filed an appeal before Income Tax Appellate Tribunal.
- (x) The company neither has accumulated losses at the end of the financial year nor any cash losses for this financial year as well as for financial year immediately preceding financial year.
- (xi) No, the company has not defaulted in repayment of dues to any financial institution or banks.
- (xii) To the best of our knowledge and information provided to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a Chit fund, Nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the company.
- (xiv) Company has no transactions regarding contracts in shares, securities, debentures or other investments.
- (xv) On the basis of records produced before us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any long-term loans.
- (xvii) According to the Cash Flow Statement and other records examined by us and explanations given to us, funds raised on short term basis have, prima facie, not been used for long term investment and vice versa.
- (xviii) On the basis of information provided to us, the company has not made any preferential allotment during the year.
- (xix) The Company has not issued any secured debentures. Hence the requirement of the clause (xix) of paragraph 4 of the Order is not applicable to the company.
- (xx) No money was raised by the company through Public Issue during the year.
- (xxi) To the best of our knowledge, no fraud was noticed or reported on or by the company.

For DAVINDER S. JAAJ & CO.
Chartered Accountants

Place : Chandigarh
Date : 6th May, 2010

DAVINDER SINGH JAAJ
Partner

ANNEXURE TO DIRECTORS' REPORT

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

CONSERVATION OF ENERGY:

1. Company's Production process is not energy-intensive. Discipline to switch off lights and machines when not in use is the practice.
2. To improve power factor
 - Capacitors bank has been installed.
 - High Power factor is being maintained to reduce power demand.
3. Certifications like OHSAS & ISO 14000 for safety & environment focus have been planned in F11.

Total annual estimated savings-Rs. 5.0 lacs.

RESEARCH & DEVELOPMENT:

1. With a view to meet emission norms of TREM-IIIA and to improve Phase-II fuel consumption, the company has made changes in engine design of RV series engines in consultation with AVL Austria. Other models have also been upgraded to meet TREM-IIIA. With this all models are TREM-IIIA compliant.
2. The Company will go for Phase-II improvement in Fuel Consumption and upgrade engine design accordingly.
3. The Company spent revenue expenditure of Rs. 2.15 crores on Research & Development work during the year, which was 0.75% of the total turnover.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

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

Sr. No.	Name/ (Age)	Qualification	Exp. (Years)	Date of comm. of Employment	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Last Employment Held	Designation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Rihal G.S. (65)*	B.E. Mech., M.Tech., FIE, MISAE	43	21.11.95	Managing Director	51,19,720	Punjab Tractors Ltd.	Executive Director-Material Services

*Ceased to be a Managing Director w.e.f. 21st November, 2009

Notes :

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

SWARAJ ENGINES LIMITED

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

24th Annual General Meeting - 3rd August, 2010

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 24th 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 3rd August, 2010 at 12:00 Noon.

*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 24th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, the 3rd August, 2010 at 12:00 Noon and at any adjournment thereof.

Signed this day of 2010.



*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.

