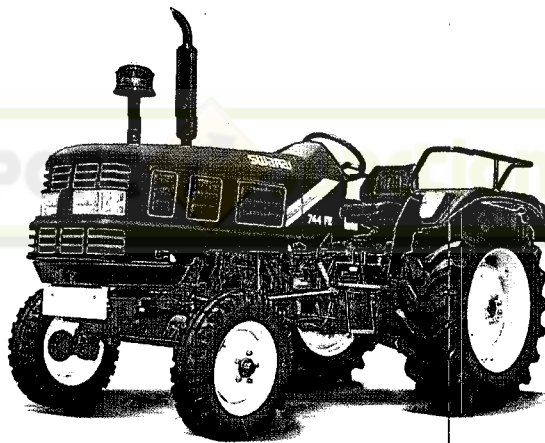




**HAMARA
SWABHIMAAN
SWARAJ**
NAYI DISHA NAYI MANZIL

A N N U A L R E P O R T 2 0 0 7



PUNJAB TRACTORS LIMITED

SWARAJ

Core Beliefs

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

PUNJAB TRACTORS LIMITED**BOARD OF DIRECTORS**

ANJANIKUMAR CHOUDHARI
(Chairman)
 M. RAGHAVENDRA
 K. SAHAY
 HARDEEP SINGH
 DALJIT MIRCHANDANI
 CHANDRA MOHAN
 S. DURGASHANKAR
 BISHWAMBHAR MISHRA
(Managing Director & Chief Executive Officer)
 A.M. SAWHNEY
(Deputy Managing Director)

**MEMBERS OF THE
EXECUTIVE BOARD**

P.L. SHARMA
 P.K. NANDA

**VICE PRESIDENT – FINANCE
& COMPANY SECRETARY**

M.N. KAUSHAL

AUDITORS

M/S. S. TANDON & ASSOCIATES
 CHARTERED ACCOUNTANTS

BANKERS

INDIAN OVERSEAS BANK
 CANARA BANK
 STATE BANK OF INDIA

REGISTERED OFFICE

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

PUNJAB TRACTORS LIMITED**ANNUAL GENERAL MEETING**

on Saturday, 22nd September, 2007
 at 2.30 P.M. at Swaraj Engines Limited,
 Plot No. 2, Industrial Phase - IX,
 S.A.S. Nagar (Mohali), Punjab - 160 059

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PUNJAB TRACTORS LIMITED**REPORT OF THE DIRECTORS**

Your Directors are pleased to present their 36th Annual Report together with Audited Accounts for the financial year ended 31st March, 2007.

FINANCIAL RESULTS 2006-07

	Year ended 31 st March, 2007	Rs. Crores Year ended 31 st March, 2006
Net Operating Revenue	950.4	959.5
Other Income	4.3	4.6
Total Revenue	954.7	964.1
Gross Profit	114.9	130.7
Finance Charges (Net)	0.9	6.4
Depreciation	15.5	15.2
Profit Before Tax	98.5	109.1
Extraordinary Income	11.0	61.3
Total Profit Before Tax	109.5	170.4
Tax Provisions		
— Current	34.1	44.4
— Deferred	(2.6)	(3.3)
Profit After Tax	78.0	129.3
Balance of Profit from Prior Years	14.0	13.0
Surplus available for Appropriation :	92.0	142.3
Appropriations :		
Transfer to General Reserve	67.0	55.6
Special Dividend	—	27.3
Tax on Special Dividend	—	3.8
Proposed Dividend	—	36.5
Tax on Proposed Dividend	—	5.1
Balance carried to Balance Sheet	25.0	14.0

DIVIDEND

Having regard to divestment by major Shareholders and related open offer process, the Directors have decided not to recommend any dividend on equity shares for FY 2006-07. For the previous financial year, a dividend of 105%, including a special dividend of 45%, was declared and paid.

REVIEW OF OPERATIONS

During the year the Company sold 30,045 tractors as against 31,396 tractors sold in the previous year. Total revenue for the year was Rs. 954.7 crores against Rs. 964.1 crores of the previous year. In the context of actual sales volume and capacity utilisation of 50%, the impact of cost savings through various initiatives has not been visible. Profit for the year before interest, depreciation, extraordinary income and taxes was Rs. 114.9 crores against Rs. 130.7 crores posted in the previous

PUNJAB TRACTORS LIMITED

year. With interest burden coming down to Rs.0.9 crores from previous year's Rs.6.4 crores, cash profit reached Rs.114.0 crores against Rs.124.3 crores for the previous year. Profit Before Tax for the year excluding extraordinary income was Rs.98.5 crores against Rs.109.1 crores of 2005-06.

FINANCE

Company financial position remained comfortable during the year. Year-end unsecured loans has come down to Rs. 10.7 crores from last year's level of Rs. 103.0 crores. As a result, finance charges for the year came down sharply to Rs. 0.9 crores (last year Rs.6.4 crores).

The Consortium of Bankers continue to rate the Company as a prime customer and extend facilities / services at or below the prime rates.

Your Company follows a prudent financial policy and aims to maintain optimum financial gearing at all times. The Company's total Debt to Equity Ratio was 0.02 as at 31st March, 2007.

DIVESTMENT BY MAJOR SHAREHOLDERS

As Members may be aware, CDC/Actis Group and Burman family (the Sellers) had entered into a Share Purchase Agreement (SPA) on 8th March, 2007 with Mahindra & Mahindra Ltd. (M&M) and its wholly owned subsidiary Mahindra Holdings & Finance Ltd. (MHFL) (the Acquirers) for sale of their aggregate equity stake of 43.3% in the Company at Rs. 360/- per share. Thereafter, pursuant to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the Acquirers had also made an open offer to the Shareholders of the Company for acquiring another 20% equity of the Company. The entire process was successfully completed on 6th July, 2007, taking the Mahindra Group's equity holding in the Company to 64.64%.

The Mahindra Group is among the well-known Indian conglomerates. Mahindra & Mahindra Ltd. is the only Indian company among the top four tractor manufacturers in the world and is the market leader in multi-utility vehicles in India. The Group has a significant presence in key sectors of the Indian economy, including trade and financial services (Mahindra Intertrade Ltd., Mahindra & Mahindra Financial Services Ltd.), automotive components, information technology & telecom (Tech Mahindra Ltd., Bristlecone Ltd.), and infrastructure development (Mahindra Gesco Developers Ltd., Mahindra Holidays & Resorts India Ltd., Mahindra World City Developers Ltd.). With over 60 years of manufacturing experience, the Mahindra Group has built a strong base in technology, engineering, marketing and distribution which are key to its evolution as a customer-centric organization. The Group employs over 40,000 people and has several state-of-the-art facilities in India and overseas. M&M has one tractor manufacturing plant in China and three assembly plants in the United States. M&M has entered into Joint Ventures (JV) with international companies like Renault SA, France and International Truck and Engine Corporation, USA. The Group recently made a milestone entry into the passenger car segment with Logan, a product of its JV with Renault SA. Forbes has ranked the Mahindra Group in its Top 200 list of the World's Most Reputable Companies and in the Top 10 list of Most Reputable Indian Companies.

Your Directors believe that the acquisition by the Mahindra Group of majority stake in PTL will usher in a new era of growth and progress for all the Stakeholders in PTL.

CORPORATE GOVERNANCE

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

HUMAN RESOURCES

Industrial relations were cordial in all the divisions throughout the year under review. The Company has concluded fresh 4 year wage agreements covering employees in both the tractor plants and the foundry division. The Company had 9 employees who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2007 or not less than Rs.2,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all the Shareholders of the Company excluding the Statement

PUNJAB TRACTORS LIMITED

of particulars of employees. Any Shareholder interested in obtaining a copy of the Statement may write to the Company Secretary of the Company.

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

Your Company's commitment and responsibility towards Safety, Occupational Health and Environment stems from its vision, which enjoins upon the Company to sustain business growth with deep commitment to the environment. The Company has a well-established Safety, Occupational & Environmental Policy which inter alia ensures safety of public, employees, plant and equipment, ensuring compliance with all statutory rules and regulations on regular basis, imparting training to its employees as per Training Calendar, carrying out statutory safety audits of its facilities as per legal requirement, conducting regular medical check-up of its employees and promoting eco-friendly activities. The three plants of the Company at Mohali, Chappercheri and Majri have completed documentation on ISO 9000, 14000 & 18000.

DIRECTORS

Dr. S.Narayan and Shri Sachit Jain, co-opted to the Board on 19th October, 2006, resigned on 10th May, 2007. The Directors record their appreciation to the contributions of Dr. Narayan and Shri Jain during their brief tenure as Directors.

Consequent upon the conclusion of the divestment process initiated jointly by CDC/Actis Group and Burman family for sale of their aggregated equity stake of 43.3% in PTL, Shri P.D.Narang, nominee of A.Cee Enterprises - an Investment Company of Dabur Group, resigned from the Board on 6th July, 2007. Your Directors place on record their deep appreciation to the notable contributions of Shri Narang as Director and Chairman of the Company. S/Shri Donald Peck and Steven Enderby, nominees of CDC-PTL Holdings Ltd., also resigned from the Directorship of the Company on 6th July, 2007. The Board records its sincere appreciation to the immense contributions of S/Shri Peck and Enderby during their association with the Company.

In the meeting of the Board of Directors held on 14th July, 2007, Shri P.Sivaram conveyed his decision to step down from the position of Chief Operating Officer and Wholetime Director of the Company w.e.f. 14th July, 2007 as he wished to pursue other aspirations. The Directors place on record their deep appreciation of the notable contributions of Shri Sivaram during his association of almost last 3 decades with PTL and other Group Companies. In this period, he had played a significant role in cost control, management and allocation of financial resources as also setting up of ethical standards and transparent approach in the Group.

In terms of Regulation 22 (7) of the SEBI Takeover Code, Mahindra and Mahindra Ltd. and Mahindra Holdings & Finance Ltd. have nominated S/Shri Anjanikumar Choudhari and Bishwambhar Mishra as Directors of the Company. Co-opted to the Company's Board on 22nd May, 2007 as Additional Directors, they hold office upto the date of forthcoming Annual General Meeting. Notices have been duly received from Members proposing the candidatures of Shri Choudhari and Shri Mishra for the office of Directors at the said Meeting.

At its meeting held on 14th July, 2007, the Board elected Shri Anjanikumar Choudhari as Chairman of the Company and appointed Shri Bishwambhar Mishra as Managing Director and Chief Executive Officer w.e.f. 14th July, 2007 to 31st March, 2010. The Board also decided to appoint Shri A.M.Sawhney, currently Director-Marketing, as Deputy Managing Director of the Company w.e.f. 14th July, 2007 to 31st March, 2009. Appropriate resolutions for their appointments have been proposed for the approval of the Shareholders at the forthcoming Annual General Meeting.

Life Insurance Corporation of India has nominated Shri K.Sahay in place of Shri N.Mohanraj. Co-opted to the Company's Board on 14th July, 2007 as an Additional Director, Shri Sahay holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Sahay's appointment as a Director of the Company. The Directors record their appreciation to the contributions of Shri Mohanraj during his tenure as Director.

Shri Chandra Mohan, co-opted to the Company's Board on 14th July, 2007 as an Additional Director, holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Chandra Mohan's appointment as a Director of the Company.

Shri S.Durgashankar, co-opted to the Company's Board on 14th July, 2007 as nominee of Mahindra & Mahindra Ltd., holds office upto the date of forthcoming Annual General Meeting and is eligible for reappointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Durgashankar's appointment as a Director of the Company.

PUNJAB TRACTORS LIMITED

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri M. Raghavendra retires by rotation and is eligible 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 the annual accounts, the 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 judgements 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, 2007 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

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

OTHER INFORMATION

Your Directors are happy to share that in October 2006 Forbes had selected Punjab Tractors in Asia's top 200 small & midsize Companies.

AUDITORS

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

DEPOSITS

Your Directors report that as at 31st March, 2007, 62 deposits aggregating to Rs. 26 lacs matured but were not claimed. Subsequently, out of the above, 24 deposits aggregating Rs. 7 lacs have been repaid or renewed. The particulars of loans/ advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreements are furnished separately.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Date : 14th July, 2007

ANJANIKUMAR CHOUDHARI
Chairman

PUNJAB TRACTORS LIMITED**ANNEXURE TO DIRECTORS' REPORT**(Year Ended 31st March, 2007)

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

CONSERVATION OF ENERGY

1. Improvement in power factor to 0.97.
2. Modification in running cycle of Shot Blasting Machine.
3. Switching off of idle transformer in 66KV yard.
4. Installation of transparent fiber sheets at suitable locations to increase daylight in Shop Floors.
5. Heater for use during winter derated from 2000 Watts to 1500 Watts.
6. Introduction of regular de-scaling of PTC Heaters for better efficiency.

Total annual expected savings - Rs.8.0 lacs.

RESEARCH & DEVELOPMENT

Expenditure on R&D during 2006-07 :	(Rs. in Crores)
Capital	2.98
Recurring	8.56
Total	<u>11.54</u>
Total R&D Expenditure as %age of Total Turnover	1.21

Major research and development activities have been :

1. Swaraj 724 FE Orchard Special tractor model commercially launched.
2. Swaraj 978 FE (72 HP) tractor model commercially introduced in domestic market.
3. New sheet metal with contemporary styling introduced on Swaraj 744 FE tractor model.
4. New sheet metal introduced on Swaraj 735 FE tractor model.
5. On-going product improvement for performance, reliability and value addition continued with vigour.

No technology has been imported during the last 5 years.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year ended 31st March, 2007, the Company was able to generate export earnings of Rs.20.77 crores. Foreign exchange utilised during the year amounted to Rs.1.97 crores. Details relating to earnings/utilisation are contained in Note Nos. 22 to 24 of the Notes on Accounts.

Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc. required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreements.

Investment in shares of the Associate Companies

Name of Company	Rs. in Crores	
	Balances as on 31 st March, 2007	Maximum outstanding during the year
Swaraj Engines Ltd.	0.69	0.69
Swaraj Automotives Ltd.	0.06	0.06

PUNJAB TRACTORS LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS**

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

1. THE SWARAJ JOURNEY

Swaraj's beginning in April 1974, with the commercial launch of a single 26 HP tractor model, was indeed humble. In the 33 years since then, up until March 2007, the Company has sold more than 624,000 tractors. During this period, the tractor portfolio has expanded to 9 models with more than 100 variants. While journey had commenced in the North, PTL now has an all India presence with a 523 - strong dealer network as on 31st March, 2007. For fiscal 2006-07, Swaraj volumes reached 30045 tractors (last year 31396).

Swaraj has also been focusing on development of overseas markets and is currently making supplies to African / SAARC countries. A beginning has been made on export of auto components. Exports (inclusive of Nepal) during fiscal year 2006-07 reached Rs.26.2 crores (last year Rs.49.9 crores), the drop coming principally from reduced orders for component supplies.

During the year, strength of dealer network was raised by 90 to reach 523. In addition, 23 separate spare parts distributors were appointed.

Picture of Swaraj's domestic territorial market share for 2006-07 and year-end dealer network emerges as:

Territory	Swaraj Mkt. Share	No. of Dealers
North (Punjab, Haryana & Uttar Pradesh)	10.6%	192
Central (Madhya Pradesh & Rajasthan)	6.0%	113
East (Bihar, West Bengal, Orissa & Assam)	9.6%	61
West (Gujarat & Maharashtra)	11.3%	79
South (Andhra Pradesh, Tamil Nadu, Karnataka & Kerala)	8.9%	78
	9.3%	523

Segmentwise look for the year develops as:

HP Range	No. of Models	%age of Swaraj Sales	Swaraj Share in Segment
Upto 30 HP	4	20%	10%
31 – 40 HP	2	55%	12%
41 – 50 HP	1	15%	4%
Above 50 HP	2	10%	12%

Contemporary styling / looks were introduced in a few models to encourage customer response.