



Annual Report 2008

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.

BOARD OF DIRECTORS

ANJANIKUMAR CHOUDHARI
(Chairman)

M. RAGHAVENDRA

K. SAHAY

S.K. CHANANA

HARDEEP SINGH

DALJIT MIRCHANDANI

CHANDRA MOHAN

V.S.PARTHASARATHY

NARAYAN SHANKAR

BISHWAMBHAR MISHRA
(Managing Director & Chief Executive Officer)

A.M. SAWHNEY
(Deputy Managing Director)

**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 Monday, 16th June, 2008

at 3.00 P.M. at Swaraj Engines Limited,

Plot No. 2, Industrial Phase - IX,

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

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REPORT OF THE DIRECTORS

Your Directors are pleased to present their 37th Annual Report together with Audited Accounts for the financial year ended 31st March, 2008.

FINANCIAL RESULTS :

	Year ended 31 st March, 2008	Rs. Crores Year ended 31 st March, 2007
Net Operating Revenue	969.6	958.9
Other Income	2.4	4.3
Total Revenue	972.0	963.2
Gross Profit	99.4	114.9
Net Finance Charges / (Income)	(14.6)	0.9
Depreciation	16.9	15.5
Profit Before Tax	97.1	98.5
Extraordinary Income	—	11.0
Total Profit Before Tax	97.1	109.5
Tax Provisions		
— Current	37.2	34.1
— Deferred	(5.3)	(2.6)
Profit After Tax	65.2	78.0
Balance of Profit from Prior Years	25.0	14.0
Surplus available for Appropriation :	90.2	92.0
Appropriations :		
Proposed Dividend	30.4	—
Tax on Proposed Dividend	5.2	—
Transfer to General Reserve	24.6	67.0
Balance carried to Balance Sheet	30.0	25.0

DIVIDEND

Your Directors are pleased to recommend a dividend @ 50 per cent (Rs. 5 per Equity Share) compared to Nil for the previous year, payable to those Members whose names appear in the Register of Members as on Book Closure date. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 35.6 crores.

REVIEW OF OPERATIONS

During the year, your Company has made special efforts to reduce dealer outstandings by focusing attention on increasing retail sales and reducing dealer stocks and thereby increase in collection from dealers. This has helped substantial reduction in pipeline stocks and dealer outstandings.

PUNJAB TRACTORS LIMITED

Your Company took a bold step by curtailing billing of tractors to the dealers during the first half of the financial year to create a fine balance between product sales and the cash receivables by the Company. Even though this measure taken by your Company contributed to a temporary drop in sales, this created an excellent platform for sound business growth in the second half of the financial year.

Your Directors are happy to report that the impact of the above measures was visible in the second half leading to higher tractor sales during October 2007 – March 2008. Swaraj is one of the few brands which have shown significant growth in the second half despite a de-growth in the domestic tractor industry.

As a result of the above initiatives, trade receivables during the year came down by Rs. 222.3 crores. On 31st March, 2008, the total trade receivables were Rs. 281.3 crores.

Despite high pressure on prices of steel related items, material cost for the current fiscal was a shade better than last year. This became possible due to cost reduction exercises, value engineering efforts, sourcing synergy with Mahindra & Mahindra Ltd., the holding company, and better buying practices.

The positive impact of the strategies undertaken by the Company is summarized below:

Parameters	First Half 2007-08	Second half 2007-08	Growth over First Half
Tractor Sales (Nos.)	10974	17071	56%
Total Revenue (Rs. Crores)	380.8	591.2	55%
Pre-Tax Profit (Rs. Crores)	19.3	77.8	303%

The total revenue for the year 2007-08 was Rs. 972.0 crores against Rs. 963.2 crores for the previous year. Profit for the year before interest, depreciation, extraordinary income and taxes was Rs. 99.4 crores against Rs. 114.9 crores posted in the previous year. The net interest for this period was an income of Rs. 14.6 crores against an expense of Rs.0.9 crores for the previous year. The cash profit at Rs. 114.0 crores was same as of the previous year.

The Profit before tax for the year was Rs. 97.1 crores against Rs. 98.5 crores (excluding extraordinary income) for 2006-07.

FINANCE

Improved dealer collections and internal generations have led to additional cash inflows resulting in a net income of Rs. 14.6 crores on interest account against an expense of Rs. 0.9 crores for the last year.

As at 31st March, 2008, the amount of outstanding unsecured public deposits was Rs. 4.0 crores as compared to Rs. 10.7 crores last year.

The Consortium of Bankers rates the Company as a prime customer and continues to 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 0.01 as on 31st March, 2008.

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.

INDUSTRIAL RELATIONS

Industrial relations were cordial in all the divisions throughout the year under review. The Management Discussion and Analysis Report gives an overview of the developments in Human Resources during the year.

PARTICULARS OF EMPLOYEES

The Company had 10 employees who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2008 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 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 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, conducts regular medical check-up of its employees and promotes eco-friendly activities. The three plants of the Company at Mohali, Chappercheri and Majri have been certified with ISO 9000 and the process for ISO 14000 and 18000 certification for all these plants is in progress.

DIRECTORS

Shri S.Durgashankar who was appointed as an Additional Director at the meeting of the Board of Directors held on 14th July, 2007, resigned on 30th November, 2007. The Directors record their appreciation of the contribution made by Shri Durgashankar during his brief tenure as Director of the Company.

General Insurers' (Public Sector) Association of India (GIPSA) on behalf of GIPSA Member Companies and General Insurance Corporation of India (GIC) withdrew the nomination of Shri M. Raghavendra as a Nominee Director and nominated Shri S.K.Chanana as their representative on the Board of the Company. Shri Chanana was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 23rd October, 2007. He 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 Chanana as candidate for the office of Director.

Shri M. Raghavendra whose nomination was withdrawn by General Insurers' (Public Sector) Association of India (GIPSA) on behalf of GIPSA Member Companies and General Insurance Corporation of India (GIC) was re-inducted on the Company's Board as an Independent Director with effect from 23rd October, 2007 in view of his long association and invaluable contribution to the Company. Shri Raghavendra who was appointed as an Additional Director 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 Raghavendra as candidate for the office of Director.

Shri V.S.Parthasarathy and Shri Narayan Shankar, who were appointed as Additional Directors at the meeting of the Board of Directors of the Company held on 23rd October, 2007, hold office upto the date of the forthcoming Annual General Meeting. The Company has received notices under section 257 of the Companies Act, 1956 from Members signifying their intention to propose Shri Parthasarathy and Shri Shankar as candidates for the office of Directors.

Shri Hardeep Singh and Shri Daljit Mirchandani retire by rotation, and being eligible, offer themselves for reappointment.

PUNJAB TRACTORS LIMITED**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 judgement 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, 2008 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.

AUDITORS

The Company's Statutory Auditors, M/s. S.Tandon & Associates, 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 that their reappointment, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956.

DEPOSITS

Your Directors report that as on 31st March, 2008, 49 deposits aggregating Rs. 27.4 lacs matured but were not claimed. Subsequently, out of the above, 14 deposits aggregating Rs. 7.2 lacs have been repaid or renewed. The particulars of loans/ advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., were required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement and are furnished separately.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Date : 7th May, 2008

ANJANIKUMAR CHOUDHARI
Chairman

ANNEXURE TO DIRECTORS' REPORT(Year ended 31st March, 2008)

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

CONSERVATION OF ENERGY

1. Automatic power factor installed to bring power factor to 0.99.
2. CFL replaced in place of incandescent lamps.
3. Cold washing system introduced in washing machines using improved chemicals.
4. Installation of variable frequency drive.
5. Reconditioning of sealed quench furnaces (3 nos.) to reduce heat loss.
6. Coating on four furnaces to reduce heat loss.

Total annual expected savings - Rs.12.0 lacs.

RESEARCH & DEVELOPMENT

Expenditure on R&D during 2007-08 :	(Rs. in Crores)
Capital	0.45
Recurring	8.85
Total	9.30
Total R&D Expenditure as %age to Total Turnover	0.96

Major research and development activities have been :

1. Swaraj-855 tractor engine improved for fuel efficiency and introduced on regular basis.
2. Swaraj-744 tractor engine improved for fuel efficiency and pilot lot introduced.
3. New Tamil Nadu Special variant of Swaraj-735 tractor model was commercially launched.
4. Swaraj track type combine, designed & developed by in-house R&D was commercially launched.
5. Swaraj 3 tonne battery forklift, designed & developed by in-house R&D was commercially launched.
6. On-going product improvement projects 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, 2008, the Company was able to generate export earnings of Rs.16.94 crores. Foreign exchange utilised during the year amounted to Rs.4.52 crores. Details relating to earnings/utilisation are contained in Note Nos. 22 to 24 of the Notes on Accounts (Schedule L).

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 Agreement.

Investment in shares of the Associate Companies

Name of Company	Balances as on 31 st March, 2008	Rs. in Crores 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**

Your Company is in the business of manufacturing and selling tractors with a view to satisfy customers having farm mechanization and other commercial applications needs. Besides this, forklifts are manufactured and sold to industrial customers, to meet their material handling equipment requirements.

Your Company endeavors to achieve a high level of Customer Satisfaction by also providing prompt and reliable after sales service.

1. THE SWARAJ JOURNEY**1.1. Tractors:**

The Government of Punjab founded Punjab Tractors Limited (PTL) in 1970. In April 1974, the Company successfully launched its first commercial tractor under the brand **Swaraj**. Swaraj 724 (26.5 HP) was the first tractor model launched by the Company.

In the last thirty four years, ending March 2008, the Company has sold more than six and half lakh tractors. The Company has developed nine tractor models with more than a hundred variants, during this period.

Commencing its journey from northern India, Swaraj now has a pan-India presence. It has an extensive dealership network with more than five hundred and fifty dealers. During the fiscal year 2007-08, the Company added forty three dealers and eight spare parts distributors. The sales volume achieved during this period was 28,045 tractors. (30,045 tractors in 2006-07).

Swaraj has also expanded its presence in the overseas markets including select African and SAARC nations. This fiscal, the revenue from exports was Rs. 29.0 crores. (Rs. 26.2 crores in 2006-07).

1.2. Combines & Forklifts:

Punjab Tractors is the largest producer of Harvester Combines in the organised sector of India. Over the past 28 years, the Company has sold nearly 3,150 combines.

Due to the subdued demand conditions, 65 combines were sold in 2007-08 (105 combines in 2006-07).

Total sale of forklifts units till 31st March, 2008 has been around 2,000 including 140 in 2007-08 (147 forklifts in 2006-07)

1.3. Castings:

Company's Foundry Division caters primarily to the Swaraj group. Production of castings in financial year 2007-08 was 9,600 Metric Tonnes (MT) valued at Rs. 50.5 crores (10,700 MTs in 2006-07).

2. FINANCIAL ANALYSIS (2007-08)

The details of financial position and performance are available in the Balance Sheet, Profit and Loss Account along with related schedules and notes. The key aspects are highlighted in the following paragraphs: