

ANNUAL REPORT 1999

REPORT JUNCTION.com

SWARAJ ENGINES LIMITED

Swaraj Engines Limited

Executive Director - Finance

P. SIVARAM

Associate Vice President - Finance

& Company Secretary

GOPAL BANSAL

Auditors

M/S DAVINDER S. JAAJ & CO.

Chartered Accountants

Bankers

CANARA BANK

Registered Office

PHASE-IV, SAS NAGAR,

DISTT. ROPAR-160 055.

Works

PLOT NO. 2, INDUSTRIAL PHASE IX,

SAS NAGAR,

DISTT. ROPAR-160059

BOARD OF DIRECTORS

YASH MAHAJAN - Chairman

S.K. TUTEJA

Dr. T.N. KAPOOR

ATUL C. KIRLOSKAR

D.L. MIRCHANDANI

A.A. TIKEKAR

P.K. VERMA

G.S. RIHAL - Managing Director

Swaraj Engines Limited**SHAREHOLDER INFORMATION****Annual General Meeting**

Time : 10 A.M.

Date : June 25, 1999

Venue :

Swaraj R & D Complex,
A 29 E, Industrial Area,
Phase VII, SAS Nagar,
Distt. Ropar-160 055.

Dividends

Dividend of Rs. 20.00 per share will be paid after 25th June, 1999 subject to the approval of the shareholders at the AGM.

Dividend will be exempt from Income Tax in the hands of the shareholders.

Book Closure Dates

25th May, 1999 to 5th June, 1999

(both days inclusive)

Listing

The Company's shares are listed and traded on Mumbai, Delhi, Ahmedabad, Ludhiana & National Stock Exchanges.

Shareholder Assistance

For any assistance regarding share transfers and transmission, change of address, non-receipt of dividends, duplicate/missing share certificates and other matters, please write to :

MCS Limited,
Sri Venkatesh Bhawan,
212-A, Shahpurjat,
New Delhi-110 049

OR

The Company Secretary,
Swaraj Engines Limited,
Shares Department,
SCO 204-205,
Sector 34-A,
Chandigarh-160022

Dematerialisation of Shares

The Company has joined National Security Depository Ltd. (NSDL). Till date company had received 5,48,100/- shares for dematerialisation representing 13.24% of total equity capital.

Share Transfer System

Share transfers would be registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee generally meets twice in a month.

Stock Market Data

High & low quotations for one SEL equity shares (After 1 : 1 Bonus Issue) of Rs. 10/- each (Public Issue - 1989) at Bombay Stock Exchange are :

April '98 - April '99

	H/L		H/L
April '98	659 / 480	May '98	565 / 460
June '98	474 / 370	July '98	495 / 431
Aug '98	490 / 420	Sep '98	470 / 412
Oct '98	450 / 406	Nov '98	475 / 435
Dec '98	500 / 469	Jan '99	704 / 483
Feb '99	770 / 638	Mar '99	900 / 703
Apr '99	865 / 677		

Categories of shareholders as on May '99

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	2	50.55	20,93,000
Financial Institutions	3	3.42	1,41,850
FII's/NRI's/OCB's	35	6.14	2,54,000
Mutual Funds	11	5.84	2,41,800
Other Bodies Corporate	52	3.13	1,29,450
Individuals	3850	30.92	12,79,840

Distribution of share holdings as on May '99

No. of Equity Shares held	No. of Shareholders	No. of Shares	%age of Shareholdings
1 - 100	1390	1,33,840	3.23
101-200	1860	3,71,900	8.98
201-500	381	1,48,200	3.58
501-1000	184	1,42,600	3.44
1001-5000	101	2,18,250	5.27
5001 - above	37	31,25,150	75.50
	<u>3953</u>	<u>4139940</u>	<u>100.00</u>

Swaraj Engines Limited

10 Years in Retrospect

(Rs. in lacs)

Fiscal Year →	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Engines Sold (No's)	4901	8101	8224	8559	8875	10851	12498	15921	17382	24705
Index	1.0	1.7	1.7	1.8	1.8	2.2	2.6	3.2	3.5	5.0
Total Revenue (Net)	1006	1859	2184	2531	2926	3985	5133	7259	8374	12457
Index	1.0	1.8	2.2	2.5	2.9	4.0	5.1	7.2	8.3	12.4
PBIDT	107	224	277	369	421	657	965	1375	1675	2609
Index	1.0	2.1	2.6	3.4	3.9	6.1	9.0	12.9	15.7	24.4
Finance charges (Net)	31	32	42	55	38	4	2	6	123	178
Depreciation	19	26	30	30	30	35	42	56	138	256
Income Tax	9	5	75	73	112	201	320	386	335	610
Net Profit	48	161	130	211	241	417	601	927	1079	1565
Index	1.0	3.4	2.7	4.4	5.0	8.7	12.5	19.3	22.5	32.6
Dividend %	20	30	35	40	50	80	100	*65	*100	*200
Index	1.0	1.5	1.8	2.0	2.5	4.0	5.0	6.5	10.0	20.0
Dividend payout	25	62	72	83	104	166	207	269	414	828
Equity share capital	207	207	207	207	207	207	207	+414	+414	+414
Net worth	233	320	378	506	643	894	1289	1919	2543	3188
Index	1.0	1.4	1.6	2.2	2.8	3.8	5.5	8.2	10.9	13.7
Capital Employed	479	529	526	605	989	1269	1378	2912	4564	4345
Market Capitalisation	952	1501	2484	1656	3933	5175	6935	16146	20037	34982
PBIDT/Total Revenue %	10.6	12.0	12.7	14.6	14.4	16.5	18.8	18.9	20.0	20.9
Return on Net worth %	21	50	34	42	37	47	47	48	42	49
Earning Per Share (Rs.)	2.3	7.8	6.3	10.2	11.6	20.1	29.0	*22.4	*26.1	*37.8
Book Value per Share (Rs.)	11.3	15.5	18.3	24.4	31.1	43.2	62.3	+46.4	+61.4	+77.0

*On Expanded Capital
+After 1 : 1 Bonus Issue

Swaraj Engines Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Friday, 25th June, 1999 at 10 a.m. at Swaraj R & D Complex, A 29-E, Industrial Area, Phase VII, SAS Nagar, Distt. Ropar-160 055.

ORDINARY BUSINESS

1. To consider and adopt the Director's Report and Audited Statement of Accounts for the year ended 31st March, 1999 together with the Report of Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri D.L. Mirchandani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in Place of Shri Atul C. Kirloskar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution, with or without modifications as an ordinary resolution :
"RESOLVED that Dr. T.N. Kapoor who was appointed as an additional Director of the Company on 31.8.1998, and who in terms of section 260 of the Companies Act, 1956 holds such office until this Annual General Meeting be and is hereby appointed as a Director of the Company".
7. To consider and, if thought fit, to pass the following resolution, with or without modification as an ordinary resolution :
"RESOLVED that Shri A.A. Tikekar who was appointed as an additional Director of the Company on 21.1.1999, and who in terms of Section 260 of the Companies Act, 1956 holds such office until this Annual General Meeting be and is hereby appointed as a Director of the Company".

Regd. Office
Phase-IV, Sahibzada Ajit Singh Nagar,
Distt. Ropar-160 055 (Punjab)
Near Chandigarh
Date : 15.05.99

By Order of the Board

(GOPAL BANSAL)
Company Secretary

NOTES :

1. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is given below and forms part of the notice.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself. Such proxy need not be a member of the Company. A blank form of proxy is enclosed and if intended to be used, should be returned duly completed to the Registered Office of the Company not later than forty-eight hours before the scheduled time of the meeting.

3. The Register of Members and Transfer Books of the Company will remain closed from 25.5.1999 to 05.06.1999 (both days inclusive)
4. If Dividend, as recommended by the Directors is approved at the Meeting, payment will be made to those members whose name(s) appear on the Company's Register of Members on 05.06.1999.
5. Dividend amount remaining unclaimed for and upto the financial year ended 31.3.95 has been transferred to the General Revenue Account of the Central Government as required under sub-section(5) of Section 205(A) of the Companies Act, 1956. Members who have not encashed dividend warrants for the said period may claim the same by submitting an application in the prescribed Form No. 11 to the Registrar of Companies, 286 Defence Colony, Jalandhar City (Punjab).

Cosequent upon amendment in Section 205-A of the Companies Act, 1956, and introduction of Section 205-C, by The Companies (Amendment) Ordinance, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed the dividend warrant(s) so far for the financial year ended March 31, 1996, or any subsequent dividend payment(s) are requested to make their claim to the Company.
6. Members/Proxies should bring the attached admission slip duly completed and signed, for admission to the meeting.
7. Members desiring any information as regards accounts at the forthcoming Annual General Meeting, are requested to write to the Company at least 7 days before the date of Meeting so as to enable the Company to keep the information ready.
8. Members who are holding shares under more than one folio under name(s) in the same order are hereby requested to send the relative share certificates to the Company for consolidation.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6 & 7

Dr. T.N. Kapoor is an eminent scholar with business management as his field of specialisation and had retired as Vice Chancellor, Panjab University, few years back. The Company has received a notice in writing from a member u/s. 257 of the Companies Act, 1956 proposing the appointment of Shri T.N. Kapoor as a Director of the Company.

Shri A.A. Tikekar currently Executive Vice President, KOEL, has over 30 years of experience in engineering, technology and manufacturing. The Company has received a notice in writing from a member u/s. 257 of the Companies Act, 1956 proposing the appointment of Shri A.A. Tikekar as a Director of the Company.

Given the background of Dr. Kapoor and Shri Tikekar, the Board is of the considered opinion that their association as Directors will immensely benefit the Company. Accordingly, they recommend the resolution for their appointment.

S/Shri Kapoor and Tikekar are interested in items No. 6 & 7 respectively, as the resolution relates to their appointment.

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REPORT OF THE DIRECTORS

The Directors are pleased to Report another year of strong performance.

YEAR IN REVIEW

Financial year 1998-99 was a year of sustained growth for the company. During the year under review, taking advantage of increased capacity and stepped up schedules from Punjab Tractors, the Company raised engine output to 24,706 some 42% climb over 1997-98 production of 17,418.

Out-turn of critical, hi-tech engine components like Cylinder Block, Gear Casing etc. also picked up during 1998-99. While 16,603 Gear Casings were produced, Cylinder Blocks crossed 8000.

Powered by solid growth in engine sales, total revenue for the year at Rs. 124.6 crores grew 49% over 1997-98. Rising volumes of Engines and Components and productivity gains have combined to push margin at the gross level to 20.9% (Last year 20.0%). At Rs. 26.1 crores, gross profit (EBIDT) has risen 56% over previous year.

Despite additional interest and depreciation on expansion outlays, pre-tax profit at Rs. 21.8 crores has improved sharply, 54% over fiscal 1997-98. Margin at the PBT level has strengthened to 17.5%. Net profit for FY 99 has jumped 45%, moving to Rs. 15.6 crores - an earning of Rs. 37.8 per share.

It is a matter of satisfaction that the above performance of record sales and operating income has received recognition in the market place. SEL share values gained 88% year on year, reaching Rs. 850 by 14.5.1999, with a 52 week high of Rs. 900/- on 31st March, 1999.

DIVIDEND AND APPROPRIATIONS

Having regard to the quality of growth in earnings, current momentum in operations and other relevant factors, the Directors are pleased to recommend a dividend at 200% for 1998-99 against 100% declared and paid for 1997-98. With dividend absorbing Rs. 8.28 crores, tax on proposed dividend absorbing Rs. 0.91 crores, an amount of Rs. 6.00 crores has been transferred to General Reserve, leaving Rs. 0.46 crores to be carried forward in the Profit & Loss Account.

FINANCE

The Directors report with satisfaction that ways and means position of the Company stayed comfortable throughout financial 1998-99. As a result, internal generations were utilised not only to meet additional outflow of Rs. 7.5 crores on Company's expansion programme but also towards repaying of borrowings from Punjab Tractors to the extent of Rs. 9.0 crores. The aggregate expenditure on expansion till March '99 reached Rs. 43.0 crores. On current reckoning, project outlay and activity would get completed by Sept '99, within original cost estimates.

Capital outlays were met by internal accruals, which were also utilised for repaying borrowings from PTL to the extent of Rs. 9 crores.

HUMAN RESOURCES

As mentioned in the last report, normalcy in operations had been restored from February '98. Overall, relations remained cordial during the year.

Information in accordance with Section 217(2A) of the Companies (Particulars of Employees) Rules, 1975 is given in the annexure to this report.

ADAPTATION TO THE YEAR 2000

Your company has taken reasonable steps to ensure that the entity is prepared for the year 2000 date change. The Company believes, that all the computer based equipments including factory/process systems, telecom systems, and IT hardware as

Swaraj Engines Limited

well as the software used by the company will function properly with respect to dates in the year 2000 and thereafter. The Company has reviewed these systems, using both internal and external resources, and initiated necessary action to gear itself for a smooth changeover into the new Millenium.

CURRENT OPERATIONS

With availability of expanded facilities and increased demand from Swaraj Tractors, operations for current financial year have commenced on a strong note. Engine production touched 2350 in April '99 against 1671 for April '98.

With teething troubles having been ironed out, both production and quality of hi-tech engine components has stabilized to regular levels.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

Particulars to be given in respect of the above activity under the Companies (Disclosure of particulars in the report of Directors) Rule, 1988 is given in the annexure to this report.

DIRECTORS

Dr. T.N. Kapoor joined the Board on 31.10.1998 and holds office upto the date of the forthcoming Annual General Meeting. He is eligible for re-appointment.

Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Kapoor's appointment as a Director of the Company.

Upon taking a new assignment in the KOEL group, Shri A.R. Jamenis relinquished office as a Director. The Directors placed on record their deep appreciation to the contributions of Mr. Jamenis during his association.

Shri A.A. Tikekar, Executive Vice President -KOEL, was co-opted as an Additional Director on 21.01.1999 and holds office upto the date of the forthcoming Annual General Meeting. He is eligible for re-appointment.

Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Tikekar's appointment as a Director of the Company.

S/Shri Atul C. Kirloskar and D.L. Mirchandani retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors M/s Davinder S. Jaaj & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. They have furnished the company with a certificate to the effect that the proposed re-appointment, if made, will be in accordance with Section 224(IB) of the Companies Act, 1956.

By order of the Board

YASH MAHAJAN
Chairman

ATUL C. KIRLOSKAR
Director

Place : Chandigarh
Dated : 15th May, 1999

G.S. RIHAL
Managing Director