

ANNUAL REPORT 2005



SWARAJ ENGINES LIMITED

Swaraj Engines Limited

Executive Director - Finance
P. SIVARAM

Company Secretary
M.S. GREWAL

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

Bankers
CANARA BANK

Registered Office
PHASE-IV, S.A.S. NAGAR,
DISTT. ROPAR-160 055 (Punjab).

Works
PLOT NO. 2, INDUSTRIAL PHASE IX,
S.A.S. NAGAR,
DISTT. ROPAR-160 059 (Punjab).

BOARD OF DIRECTORS

YASH MAHAJAN - Chairman

S.K. TUTEJA

G.P. GUPTA

Dr. T.N. KAPOOR

ATUL C. KIRLOSKAR

GAUTAM KULKARNI

D.R. SWAR

DONALD PECK

G.S. RIHAL - Managing Director

SWARAJ ENGINES LIMITED**ANNUAL GENERAL MEETING**

on Monday, 18th July, 2005

at 11.00 A.M. at Swaraj Engines Limited,

Plot No. 2, Industrial Phase IX, S.A.S. Nagar,

Distt. Ropar-160 059 (Punjab).

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SWARAJ ENGINES LIMITED**KEY PERFORMANCE INDICATORS - LAST TWELVE YEARS**

(Rs. in Crores)

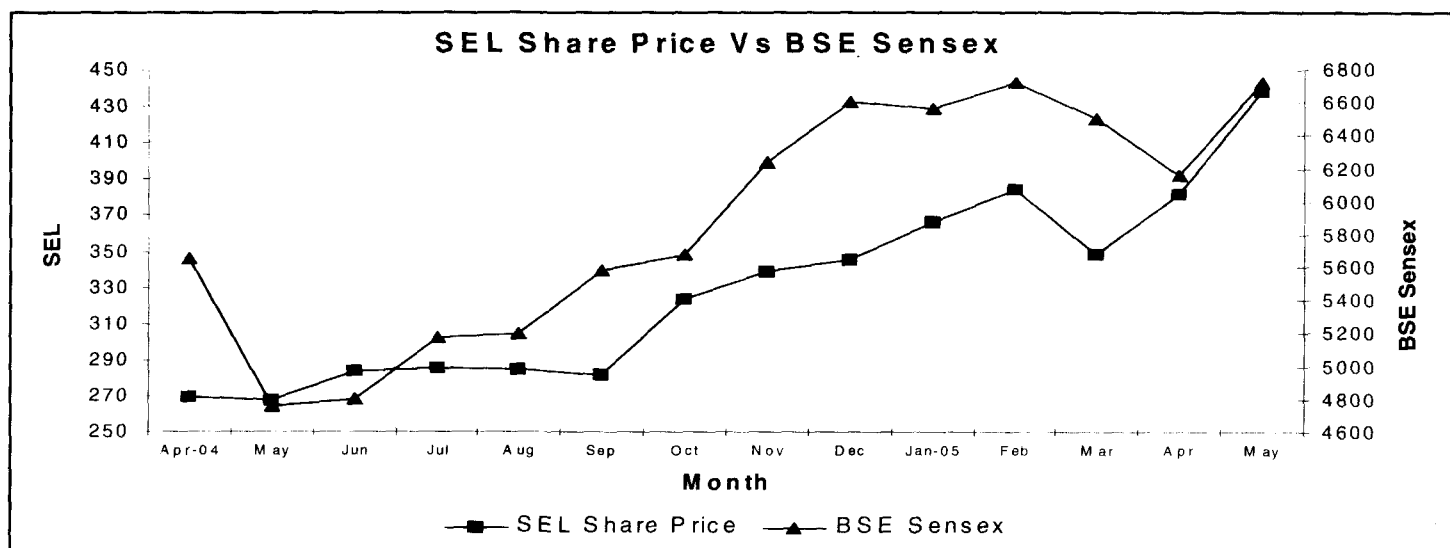
Fiscal Year →	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	CARG (1994-2005)
Engines Sold (Nos.)	8875	10851	12498	15921	17382	24705	27532	22168	21013	13578	14844	18225	6.8%
Total Revenue (Net)	29.26	39.85	51.33	72.59	83.74	124.57	139.75	118.91	114.60	77.86	89.79	123.52	14.0%
PBIDT	4.21	6.57	9.65	13.75	16.75	26.09	32.75	30.04	29.79	18.10	20.21	27.73	18.7%
Finance Charges (Net)	0.38	0.04	0.02	0.06	1.23	1.78	1.35	1.15	0.60	0.24	0.21	0.15	
Depreciation	0.30	0.35	0.42	0.56	1.38	2.56	3.12	3.70	3.85	3.77	3.79	3.96	
Profit Before Tax	3.53	6.18	9.21	13.13	14.14	21.75	28.28	25.19	25.34	14.09	16.21	23.62	18.9%
Income Tax	1.12	2.01	3.20	3.86	3.35	6.10	9.35	9.15	9.08	5.05	5.86	8.19	
Profit After Tax	2.41	4.17	6.01	9.27	10.79	15.65	18.93	16.04	16.26	9.04	10.35	15.43	18.4%
Dividend %	50	80	100	*65	100	200	225	225	225	125	150	225	
Dividend Payout	1.04	1.66	2.07	2.69	4.14	8.28	9.31	9.31	9.31	5.17	6.21	9.31	
Equity Share Capital	2.07	2.07	2.07	+4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	
Net worth	6.43	8.94	12.89	19.19	25.43	31.88	40.21	45.98	46.30	49.50	52.85	57.64	22.1%
Capital Employed	9.89	12.69	13.78	29.12	45.64	43.45	51.48	47.68	57.11	57.88	61.90	65.80	
Market Capitalisation	39.33	51.75	69.35	161.46	200.37	349.82	169.32	110.12	98.94	71.62	97.70	144.07	
PBIDT/Total Revenue %	14.4	16.5	18.8	18.9	20.0	20.9	23.4	25.3	26.0	23.2	22.5	22.4	
Return on Net worth %	37.5	46.6	46.6	48.3	42.4	49.1	47.1	34.9	35.1	18.3	19.6	26.8	
Earning Per Share (Rs.)	11.6	20.1	29.0	*22.4	26.1	37.8	45.7	38.7	39.3	21.8	25.0	37.3	
Book Value Per Share (Rs.)	31.1	43.2	62.3	+46.4	61.4	77.0	97.1	111.1	111.8	119.6	127.7	139.2	

*On Expanded Capital
+After 1 : 1 Bonus Issue

SWARAJ ENGINES LIMITED**SHAREHOLDERS' INFORMATION**

1. **Annual General Meeting** : 18th July, 2005 at 11.00 A.M.
2. **Financial reporting Calender (tentative)**
 - Quarter ending 30th June, 2005 : 3rd/4th week of July, 2005
 - Quarter ending 30th September, 2005 : 3rd/4th week of October, 2005
 - Quarter ending 31st December, 2005 : 3rd/4th week of January, 2006
 - Year ending 31st March, 2006 : May/June, 2006
3. **Book Closure Dates** : 8th July, 2005 to 15th July, 2005 (both days inclusive)
4. **Dividend Payment** : On or after 18th July, 2005, but within the statutory time limit
5. **Listing on Stock Exchanges** : Bombay (BSE) & National Stock Exchange (NSE)
6. **Listing Fees** : Paid for both the Stock Exchanges for 2005-06
7. **Monthly High - Low quotations for one SEL Equity Share of Rs.10 each at BSE & NSE are as under :**

Month		Bombay Stock Exchange		National Stock Exchange	
		High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2004	April	285	222	285	220
	May	288	223	298	215
	June	309	251	309	252
	July	321	274	322	276
	August	325	270	317	250
	September	308	262	304	273
	October	328	277	328	281
	November	374	316	390	315
	December	360	327	360	326
	2005	January	380	340	390
February		392	345	393	320
March		416	337	424	337
April		395	349	400	342
May		445	365	444	361



SWARAJ ENGINES LIMITED

8. Stock Code : BSE – 500407 & NSE – SWARAJENG

9. Shares held in electronic form :

For shares held in electronic form, all instructions regarding change of address, nomination, power of attorney, etc., should be given directly to the Depository Participants and the Company will not entertain any such requests directly from shareholders. On date, over 90% of Non Promoters' Equity is held in electronic form.

International Securities Identification Number with NSDL and CDSL : INE277A01016

10. Shares held in physical form :

Share transfers would be registered & returned within a period of 30 days from the date of receipt, if the documents are in order in all respects. Total number of physical shares transferred during 2004-05 were 2,550 (Previous Year – 15,650)

11. Share Transfer & other Communication regarding Share Certificates, Dividends and Change of Address, etc. may be addressed to

Shares Department, Swaraj Engines Limited, SCO : 204-205, Sector 34-A, Chandigarh-160 022. e-mail : gbansal@swarajenterprise.com	MCS Limited, Sri Venkatesh Bhawan, OR W-40, Okhla Ind. Area, Phase-II, New Delhi-110 020. Tele : 011-26384909 Fax : 011-26384907
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12. Categories of Shareholders as on May, 2005

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	2	50.56	20,93,000
UTI	1	0.03	1,050
Banks, Financial Institutions & Insurance Co's	4	4.37	1,80,981
FII's / NRI's / OCB's	42	6.66	2,75,752
Other Bodies Corporate	183	3.94	1,63,239
Individuals	5580	34.44	14,25,918

13. Distribution of Shareholdings as on May, 2005

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holdings
1-100	3404	2,12,128	5.12
101-200	1399	2,67,338	6.46
201-500	557	2,07,871	5.02
501-1000	244	1,91,616	4.63
1001-5000	169	3,46,241	8.36
5001-above	39	29,14,746	70.41

14. The Company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.

15. Plant Location : Swaraj Engines Limited,
Plot No. 2, Industrial Phase IX,
S.A.S. Nagar, Distt. Ropar, Punjab

16. Investor queries etc. may be addressed to :

Mr. P. Sivaram, Executive Director- Finance,
Swaraj Engines Limited,
SCO : 204-205, Sector 34-A,
Chandigarh – 160 022.
Phone : 0172-2647700-10
Fax : 0172-2615111 & 2647802

17. Website Address : www.swarajenterprise.com

SWARAJ ENGINES LIMITED**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held at works of the Company at Plot no. 2, Industrial Phase-IX, S.A.S. Nagar, Distt. Ropar (Punjab) on 18th July, 2005 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2005, together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Dr. T. N. Kapoor who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri Gautam Kulkarni who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri D.R.Swar who retires by rotation and, being eligible, offers himself for re-election.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s) the following resolutions :

7. As an Ordinary Resolution:
"RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased to Rs.25,00,00,000 (Rupees twenty five crores only) divided into 250,00,000 Equity Shares of Rs.10/- each."
8. As an Ordinary Resolution:
"RESOLVED THAT the Company's Memorandum of Association be and is hereby altered by substituting the following clause VI for the present clause VI thereof:
VI. "The Authorised Share Capital of the Company is Rs.25,00,00,000/- (Rupees twenty five crores only) divided into 250,00,000 (Two crore fifty lacs) Equity Shares of Rs.10/- each."
9. As a Special Resolution:
"RESOLVED THAT the Company's Articles of Association be and are hereby altered by substituting the following Article 3 for the present Article thereof:
3. "The Authorised Share Capital of the Company is Rs.25,00,00,000/- (Rupees twenty five crores only) divided into 250,00,000 (Two crore fifty lacs) Equity Shares of Rs.10/- each."
10. As an Ordinary Resolution:
"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and the Articles of Association of the Company and subject to the Guidelines issued by the Securities and Exchange Board of India (SEBI) and such other approvals, permissions and sanctions as may be necessary and subject further to such terms, conditions, changes as may be specified while according such approvals which the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof) be and is hereby authorised to accept, if it thinks fit, a sum not exceeding Rs.8,27,98,800 (Rupees eight crores twenty seven lacs ninety eight thousand eight hundred) be capitalised out of the amounts standing to the credit of the General Reserve and transferred to Share Capital Account for appropriation towards issue and allotment of 82,79,880 Equity Shares of Rs.10/- each as Bonus Shares, to be credited as

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fully paid-up, to and amongst the Members of the Company, whose names shall stand on the Register of the Members of the Company or whose names shall appear as the beneficial owner(s) of the Equity Shares of the Company in the records of the Depositories at the close of business hours on such date ("Record Date") as the Board may determine, in the proportion of Two new fully paid up Equity Shares of Rs.10/- for every One Equity Share of Rs.10/- held by them respectively as on the Record Date and that the new Bonus Shares so issued and allotted be treated for all purposes as an increase of nominal amount of the Equity Capital of the Company held by each such member/person and not as income and that the said Equity Shares be issued and allotted, inter-alia, on the following terms and conditions:

- a) The new Equity Shares of Rs.10/- each to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects and carry the same rights as the then existing Equity Shares of the Company, notwithstanding the date or dates of allotment thereof, including entitlement to payment of full dividend, if declared, for the financial year in which the same are allotted.
- b) That the Members to whom the new Equity Shares are allotted in accordance with paragraph (a) above, shall accept the same in full and final satisfaction of their respective rights and interests in the capitalised sum of Rs. 8,27,98,800 (Rupees eight crores twenty seven lacs ninety eight thousand eight hundred).
- c) No letter of allotment shall be issued to the Members entitled to the aforesaid new Equity Shares but Share Certificates/Electronic Credit in respect of new Equity Shares to be allotted as fully paid Bonus Shares as aforesaid shall be ready for delivery/credit within the time prescribed or within such extended time as may be allowed by appropriate authorities.
- d) The issue and allotment of said Bonus Shares to the extent they relate to non-resident members, shall be subject to such approvals as may be applicable.

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its sole and absolute discretion, deem necessary, expedient, usual or proper and to settle any question, doubt or difficulty that may arise with regard to issue, allotment and distribution of Bonus Shares as aforesaid or any other matter incidental or consequential thereto and its decision shall be final and binding on all Members and other interested persons."

Regd. Office:

Phase-IV, Sahibzada Ajit Singh Nagar,
Distt. Ropar-160 055 (Punjab)
Chandigarh, 23rd June, 2005

By Order of the Board

(M.S. GREWAL)
Company Secretary

NOTES:

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed hereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in the Form annexed hereto must be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Register of Members and Transfer Books of the Company shall remain closed from 8th July, 2005 to 15th July, 2005 (both days inclusive).

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4. 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 may be made available at the Meeting.
5. Subject to the provisions of Section 206A of the Companies Act, 1956, Dividend, as recommended by the Board of Directors, if approved at the Meeting, will be payable on or after 18th July, 2005, but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 15th July, 2005. In respect of shares held in electronic form, the Dividend will be payable to the beneficial owner of shares as on the closing hours of business on 7th July, 2005 as per details furnished by the depositories for this purpose.
6. The Company has already transferred all unclaimed Dividend for and upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Members who have not encashed Dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, (Punjab, Chandigarh and Himachal Pradesh), 286, Defence Colony, Jalandhar (Punjab) – 144 001.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of Dividend for the Financial Year ended 31st March, 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the **Investor Education and Protection Fund (IEPF)** set up by the Government of India. Accordingly, the Company has transferred to IEPF all unclaimed/unpaid Dividend in respect of financial year ended 31st March, 1997.

Members who have not encashed their Dividend warrant(s) for the financial year ended 31st March, 1998 and onward are requested to make their claims to the Company accordingly, without any delay. **It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof with the Company.**

7. Payment of Dividend through ECS:

- a) Members holding shares in demat form may please note that, the bank details as furnished by the respective Depositories to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in demat 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 15th July, 2005 to the Company's Registrar and Share Transfer Agents, M/s MCS Ltd., Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi – 110 020.
8. Members are requested to notify any change in their address, mandates etc., to the Company's Registrar and Share Transfer Agents, M/s MCS Ltd., Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi – 110 020.

In case of dematerialised shares, the change of address requests, bank mandates etc. should be directly sent to the concerned Depository Participant.

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9. Members who hold shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail nomination facility by filling Form 2B in their own interest. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective depository participants for recording of nomination.
10. Members / Proxy holders are requested to produce the attached Attendance Slip duly completed and signed, for admission to the Meeting Hall.
11. Appointment / Re-appointment of Directors:

At the ensuing Annual General Meeting, Dr. T.N. Kapoor, Shri D.R.Swar and Shri Gautam Kulkarni retire by rotation and being eligible offer themselves for re-election. Information or details to be provided for the aforesaid Directors under Corporate Governance code are as under :

- a) Dr.T.N.Kapoor has been a Director of the Company since 1998. He possesses a Master's degree in Commerce, a Bachelor's degree in Law and a Doctorate in Philosophy. He is an eminent Educationist and has been Professor and Dean, Faculty of Business Management & Commerce in Panjab University, Chandigarh for many years and retired as Vice - Chancellor of the University in 1997. He is a Management Advisor & Educationist and is associated with several Public Limited Companies. He is also a Director of Mahavir Spinning Mills Limited, Omax Autos Limited, Sterling Tools Limited, Haryana Telecoms Limited, Kamla Dials and Devices Limited and Modern Steels Limited.

Details of Dr. T.N. Kapoor's Membership in Committees are given below:

Name of Company	Name of Committee
1. Mahavir Spinning Mills Ltd.	Audit Committee - Chairman Shareholder Grievances Committee
2. Omax Autos Ltd.	Shareholder Grievances Committee - Chairman Audit Committee
3. Sterling Tools Ltd.	Shareholder Grievances Committee - Chairman Audit Committee
4. Kamla Dials & Devices Ltd.	Audit Committee - Chairman
5. Modern Steels Ltd.	Audit Committee
6. Swaraj Engines Ltd.	Shareholder / Investor Relations Committee - Chairman Audit Committee

- b) Shri Gautam Kulkarni, has been on the Board since June, 2000. Shri Kulkarni Joint Managing Director, Kirloskar Oil Engines Limited has 27 years experience in Management and Industry. He is also Vice Chairman of Kirloskar Brothers Limited.

Details of Shri Gautam Kulkarni' s Membership in Committees are given below:

Name of Company	Name of Committee
1. Kirloskar Brothers Limited	Audit & Finance Committee
2. Kirloskar Oil Engines Limited	Investor/ Shareholder Grievances Committee

- c) Shri D.R. Swar is BE(Mech.), Dip. in Production & Material Management, EDP-IIMA. He has been a Director of the Company since 2000. He is Whole-time Director in Kirloskar Oil Engines Limited.