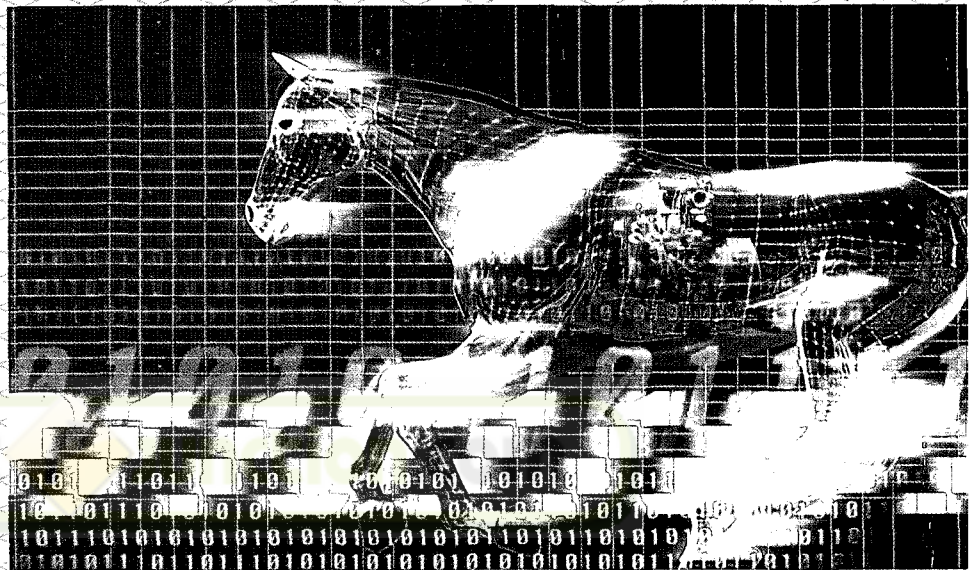


## ANNUAL REPORT 2007



SWARAJ ENGINES LIMITED

## Swaraj Engines Limited

**Senior Manager – Finance  
& 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 (Mohali)  
Punjab 160 055**Works**PLOT NO. 2, INDUSTRIAL PHASE IX,  
S.A.S. NAGAR (Mohali)  
Punjab 160 059**BOARD OF DIRECTORS**

G.P. GUPTA – Chairman

Dr. T.N. KAPOOR

ATUL C. KIRLOSKAR

GAUTAM KULKARNI

D.R. SWAR

S.C. BHARGAVA

ANJANIKUMAR CHOUDHARI

BISHWAMBHAR MISHRA

HARDEEP SINGH

S. DURGASHANKAR

A.M. SAWHNEY

G.S. RIHAL – Managing Director

**SWARAJ ENGINES LIMITED****ANNUAL GENERAL MEETING**

on Saturday, 22nd September, 2007

at 11.30 a.m. at Swaraj Engines Limited,

Plot No. 2, Industrial Phase IX,

S.A.S. Nagar (Mohali)

Punjab 160 059.

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

(Rs. in Crores)

Fiscal Year →	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	CARG (1996-2007)
<b>Engines Sold (Nos.)</b>	12498	15921	17382	24705	27532	22168	21013	13578	14844	18225	17631	17702	3.2%
<b>Total Revenue (Net)</b>	51.33	72.59	83.74	124.57	139.75	118.91	114.60	77.86	89.79	123.52	128.18	129.32	8.8%
<b>PBIDT</b>	9.65	13.75	16.75	26.09	32.75	30.04	29.79	18.10	20.21	27.73	25.81	26.58	9.6%
Finance Charges (Net)	0.02	0.06	1.23	1.78	1.35	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	
Depreciation	0.42	0.56	1.38	2.56	3.12	3.70	3.85	3.77	3.79	3.96	4.26	4.40	
<b>Profit Before Tax</b>	9.21	13.13	14.14	21.75	28.28	25.19	25.34	14.09	16.21	23.62	21.41	22.63	8.5%
Income Tax	3.20	3.86	3.35	6.10	9.35	9.15	9.08	5.05	5.86	8.19	7.43	7.76	
<b>Profit After Tax</b>	6.01	9.27	10.79	15.65	18.93	16.04	16.26	9.04	10.35	15.43	13.99	14.86	8.6%
Dividend %	100	65*	100	200	225	225	225	125	150	225	75**	Nil	
Dividend Payout	2.07	2.69	4.14	8.28	9.31	9.31	9.31	5.17	6.21	9.31	9.31	Nil	
Equity Share Capital	2.07	4.14*	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	12.42**	12.42	
<b>Net worth</b>	12.89	19.19	25.43	31.88	40.21	45.98	46.30	49.50	52.85	57.64	61.01	75.87	17.5%
Capital Employed	13.78	29.12	45.64	43.45	51.48	47.68	57.11	57.88	61.90	65.80	67.29	81.41	
Market Capitalisation	69.35	161.46	200.37	349.82	169.32	110.12	98.94	71.62	97.70	144.07	183.20	176.36	
<b>PBIDT/Total Revenue %</b>	18.8	18.9	20.0	20.9	23.4	25.3	26.0	23.2	22.5	22.4	20.1	20.6	
<b>Return on Net worth %</b>	46.6	48.3	42.4	49.1	47.1	34.9	35.1	18.3	19.6	26.8	22.9	19.6	
<b>Earning Per Share (Rs.)</b>	29.0	22.4*	26.1	37.8	45.7	38.7	39.3	21.8	25.0	37.3	11.3**	12.0	
<b>Book Value Per Share (Rs.)</b>	62.3	46.4*	61.4	77.0	97.1	111.1	111.8	119.6	127.7	139.2	49.1**	61.1	

\*On Post Bonus (1:1) Equity

\*\* On Post Bonus (2:1) Equity

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

Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of the Company will be held on Saturday, the 22<sup>nd</sup> September, 2007 at 11.30 A.M. at Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab to transact the following business:

**ORDINARY BUSINESS**

1. To receive and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2007 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 appoint a Director in place of Dr. T.N.Kapoor who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint a Director in place of Shri Gautam Kulkarni who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri D.R.Swar who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint Messrs. Davinder S. Jaaj & Co., Chartered Accountants, 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 plus Service Tax and out of pocket expenses.

**SPECIAL BUSINESS**

6. **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 Anjanikumar Choudhari, 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 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."
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, Shri Bishwambhar Mishra, 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 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 S.Durgashankar, 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 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 in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Hardeep Singh, 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 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."



**SWARAJ ENGINES LIMITED****NOTES :**

1. An 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 10<sup>th</sup> September, 2007 to 15<sup>th</sup> September, 2007 (both days inclusive).
5. 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.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for and upto the third Interim for the financial year ended 31<sup>st</sup> March, 2000 to the **Investor Education and Protection Fund (IEPF)**.

All unclaimed fourth and final dividends for the financial year ended 31<sup>st</sup> March, 2000 will be transferred to IEPF in September, 2007. 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.**

7. 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 our Registrar and Transfer Agents, M/s MCS Ltd.
8. Members holding shares in physical form are requested to notify any change in their address, mandate 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 Depository Participant concerned.**

9. 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.

By Order of the Board

Regd. Office:  
Phase-IV, Industrial Area,  
S.A.S. Nagar (Mohali), Punjab-160 055  
Dated : 27th July, 2007

(M.S. GREWAL)  
Senior Manager - Finance  
& Company Secretary

**SWARAJ ENGINES LIMITED****ANNEXURE TO NOTICE**

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the items of Special Business.

**Item No. 6**

Shri Anjanikumar Choudhari was appointed by the Board as an Additional Director from 27<sup>th</sup> July, 2007. 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 Choudhari as a Director of the Company.

Shri Anjanikumar Choudhari, nominated by Punjab Tractors Ltd., is currently Chairman of Punjab Tractors and also the President – Farm Equipment Sector, Mahindra & Mahindra Ltd. The Board is of the view that the rich and varied experience of Shri Choudhari and his association at the Board level would be of immense value to the Company and hence recommend his appointment in terms of Resolution set out in Item No.6 of the Notice.

Shri Anjanikumar Choudhari does not hold any shares in the Company.

Apart from Shri Anjanikumar Choudhari who would be interested in his appointment, no other Director is interested and concerned in this item of business.

**Item No. 7**

Shri Bishwambhar Mishra was appointed by the Board as an Additional Director from 27<sup>th</sup> July, 2007. 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 Mishra as a Director of the Company.

Shri Bishwambhar Mishra, nominated by Punjab Tractors Ltd., is currently Managing Director & Chief Executive Officer of Punjab Tractors. He possesses vast experience in Automobile Sector. The Board is of the view that his association would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in Item No. 7 of the Notice.

Shri Bishwambhar Mishra does not hold any shares in the Company.

Apart from Shri Bishwambhar Mishra who would be interested in his appointment, no other Director is interested and concerned in this item of business.

**Item No. 8**

Shri S.Durgashankar was appointed by the Board as an Additional Director from 27<sup>th</sup> July, 2007. 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 Durgashankar as a Director of the Company.

Shri S.Durgashankar, nominated by Punjab Tractors Ltd., is currently Senior Vice President – Mergers & Acquisitions, Mahindra & Mahindra Ltd. He possesses rich experience in Corporate Finance including Mergers & Acquisitions and Joint Ventures etc. The Board is of the view that his association would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in Item No. 8 of the Notice.

Shri S.Durgashankar does not hold any shares in the Company.

Apart from Shri S.Durgashankar who would be interested in his appointment, no other Director is interested and concerned in this item of business.

**Item No. 9**

Shri Hardeep Singh was appointed by the Board as an Additional Director from 27<sup>th</sup> July, 2007. 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 Singh as a Director of the Company.

Shri Hardeep Singh, retired as President-Cargill India Pvt. Ltd., has vast experience in agro related businesses. The Board is of the view that his association would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in Item No. 9 of the Notice.

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

Apart from Shri Hardeep Singh who would be interested in his appointment, no other Director is interested and 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  
Dated : 27th July, 2007

(M.S. GREWAL)  
Senior Manager - Finance  
& Company Secretary

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**SWARAJ ENGINES LIMITED****REPORT OF THE DIRECTORS TO THE MEMBERS**

Your Directors present their Twenty First Annual Report together with Audited Accounts for the financial year ended 31<sup>st</sup> March, 2007.

**FINANCIAL RESULTS 2006-07**

	<b>Year ended 31<sup>st</sup> March, 2007 Rs. Crores</b>	<b>Year ended 31<sup>st</sup> March, 2006 Rs. Crores</b>
Net Revenue	129.32	128.18
Operating Profit	26.58	25.81
Finance Charges (Net)	(0.45)	0.14
Depreciation	4.40	4.26
Profit Before Tax	22.63	21.41
Tax Provision		
— Current	8.51	7.89
— Deferred	(0.74)	(0.47)
Profit After Tax	14.86	13.99
Balance of Profit from Prior Years	10.43	9.07
<b>Surplus available for Appropriation :</b>	<b>25.29</b>	<b>23.06</b>
<b>Appropriations :</b>		
Transfer to General Reserve	12.00	2.00
Proposed Dividend	—	9.32
Tax on Proposed Dividend	—	1.31
Balance carried to Balance Sheet	13.29	10.43

**DIVIDEND**

Having regard to the public offer for Company's equity shares which remained open from 28.05.2007 to 16.06.2007 (triggered by divestment of major shareholders in Punjab Tractors Ltd. - Company's main promoter), the Board decided not to recommend any dividend on equity shares for FY 2006-07. For previous financial year, dividend of 75% on post 2:1 bonus equity was declared and paid.

**REVIEW OF OPERATIONS**

Supply of engines to Punjab Tractors Ltd. (PTL) during the year reached 17,702 as against 17,631 engines sold in the previous year. Supply of hi-tech engine components to Swaraj Mazda during the year was Rs. 17.04 crores against Rs. 19.22 crores in the previous year. Total revenue for the year was Rs. 129.32 crores as against Rs. 128.18 crores in the previous year. Profit for the year before interest, depreciation and taxes was Rs. 26.58 crores against Rs. 25.81 crores posted in the previous year. PBT for the year was Rs.22.63 crores against Rs.21.41 crores in the previous year 2005-06. PAT of Rs. 14.86 crores translates to an earning of Rs. 12.0 per share (last year Rs. 11.3 per share).

**FINANCE**

The Directors report that fund position of the Company stayed comfortable throughout 2006-07. As a result, after meeting routine capital expenditure of Rs. 1.97 crores and working capital requirements to support operations, a net interest income of Rs. 0.45 crores was generated on surplus funds (last year- expense of Rs. 0.14 crores).

**DIVESTMENT BY MAJOR SHAREHOLDERS IN PTL**

As members are probably aware, two major Shareholders of Punjab Tractors Ltd. (PTL) namely CDC/Actis Group and Burman family had entered into a Share Purchase Agreement (SPA) on 8th March, 2007 with Mahindra & Mahindra Ltd. (M&M) and Mahindra Holdings & Finance Ltd. (MHFL) for sale of their aggregate equity stake of 43.3% in PTL at Rs. 360/- per share. Thereafter, pursuant to Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, M&M and MHFL had also made an open offer to the Shareholders of PTL for acquiring another 20% equity of PTL. The entire process was successfully completed in early July 2007, taking Mahindra Group's total equity holding in PTL to 64.64%.

Pursuant to applicable SEBI guidelines, M&M & MHFL had also made an open offer in end May 2007 to buy upto 20% of SEL's total paid up equity @ Rs. 151/- per share. In response to their open offer, they have acquired some 7,000 shares of the Company.

The Mahindra Group is among the top industrial houses in India and a leading manufacturer of tractors and multi-utility vehicles with significant presence in key sectors like infrastructure, information technology, automotive components and financial services.

The 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 and its Group Companies.

**CORPORATE GOVERNANCE**

As required by provisions of Listing Agreement(s) with Stock Exchange(s), reports on Management Discussion and Analysis, Corporate Governance as well as the Auditors' Certificate regarding compliance of conditions of Corporate Governance are contained in this Report.

**HUMAN RESOURCES**

Industrial Relations and work atmosphere remained stable throughout the year under review. The Company concluded new 4 year wage agreement with the workers. The Company had 1 employee who was 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. 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.

**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 and promoting eco-friendly activities.

**DIRECTORS**

Upon his resignation, Shri Donald Peck ceased to be a Director of the Company w.e.f. 6th July, 2007. The Directors place on record their sincere appreciation to the valuable contributions of Shri Peck during his association with the Company.

Shri P.Sivaram resigned as a Director w.e.f. 14th July, 2007. This move followed his decision to step down as Chief Operating Officer and Wholtime Director from Punjab Tractors from same date to pursue his own aspirations. While Shri Sivaram was a Director of the Company from May 2006, his association and involvement with SEL dates back to its inception. The Directors place on record their deep appreciation of the notable contributions made by Shri Sivaram during his 2 decade long association with the Company.

Punjab Tractors Ltd. (PTL) has nominated S/Shri Anjanikumar Choudhari, Bishwambhar Mishra and S.Durgashankar as Directors of the Company. Appointed on the Company's Board on 27th July, 2007 as Additional Directors, they hold office upto the date of forthcoming Annual General Meeting and are eligible for re-appointment. Notices u/s 257 of the Companies Act, 1956 have been received from members proposing the appointments of Shri Choudhari, Shri Mishra and Shri Durgashankar as Directors of the Company.