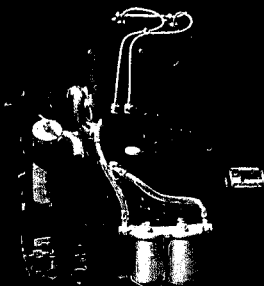


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Annual Report 2008  
**Swaraj Engines Limited**

## Swaraj Engines Limited

### Company Secretary

M.S. GREWAL

### Auditors

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

### Bankers

CANARA BANK

### Registered Office

PHASE-IV, Industrial Area,  
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

ANJANIKUMAR CHOUDHARI

Dr. T.N. KAPOOR

D.R.SWAR

S.C.BHARGAVA

HARDEEP SINGH

BISHWAMBHAR MISHRA

A.M.SAWHNEY

V.S.PARTHASARATHY

R.R.DESHPANDE

KUMAR KANETKAR

G.S.RIHAL – Managing Director

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

on Monday, 16th June, 2008  
 at 12.00 Noon 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 →              | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003  | 2004  | 2005   | 2006    | 2007   | 2008   | CARG<br>(1997-2008) |
|----------------------------|--------|--------|--------|--------|--------|--------|-------|-------|--------|---------|--------|--------|---------------------|
| Engines Sold (Nos.)        | 15921  | 17382  | 24705  | 27532  | 22168  | 21013  | 13578 | 14844 | 18225  | 17631   | 17702  | 16408  | 0.27%               |
| Total Revenue (Net)        | 72.59  | 83.74  | 124.57 | 139.75 | 118.91 | 114.60 | 77.86 | 89.79 | 123.52 | 128.18  | 129.32 | 125.54 | 5.11%               |
| PBIDT                      | 13.75  | 16.75  | 26.09  | 32.75  | 30.04  | 29.79  | 18.10 | 20.21 | 27.73  | 25.81   | 26.58  | 23.90  | 5.15%               |
| Finance Charges (Net)      | 0.06   | 1.23   | 1.78   | 1.35   | 1.15   | 0.60   | 0.24  | 0.21  | 0.15   | 0.14    | (0.45) | (2.73) |                     |
| Depreciation               | 0.56   | 1.38   | 2.56   | 3.12   | 3.70   | 3.85   | 3.77  | 3.79  | 3.96   | 4.26    | 4.40   | 4.59   |                     |
| Profit Before Tax          | 13.13  | 14.14  | 21.75  | 28.28  | 25.19  | 25.34  | 14.09 | 16.21 | 23.62  | 21.41   | 22.63  | 22.04  | 4.82%               |
| Income Tax                 | 3.86   | 3.35   | 6.10   | 9.35   | 9.15   | 9.08   | 5.05  | 5.86  | 8.19   | 7.42    | 7.77   | 7.68   |                     |
| Profit After Tax           | 9.27   | 10.79  | 15.65  | 18.93  | 16.04  | 16.26  | 9.04  | 10.35 | 15.43  | 13.99   | 14.86  | 14.36  | 4.06%               |
| Dividend %                 | 65*    | 100    | 200    | 225    | 225    | 225    | 125   | 150   | 225    | 75**    | Nil    | 50     |                     |
| Dividend Payout            | 2.69   | 4.14   | 8.28   | 9.31   | 9.31   | 9.31   | 5.17  | 6.21  | 9.31   | 9.31    | Nil    | 6.21   |                     |
| Equity Share Capital       | 4.14*  | 4.14   | 4.14   | 4.14   | 4.14   | 4.14   | 4.14  | 4.14  | 4.14   | 12.42** | 12.42  | 12.42  |                     |
| Net worth                  | 19.19  | 25.43  | 31.88  | 40.21  | 45.98  | 46.30  | 49.50 | 52.85 | 57.64  | 61.01   | 75.87  | 82.96  | 14.24%              |
| Capital Employed           | 29.12  | 45.64  | 43.45  | 51.48  | 47.68  | 57.11  | 57.88 | 61.90 | 65.80  | 67.29   | 81.41  | 88.04  |                     |
| Market Capitalisation      | 161.46 | 200.37 | 349.82 | 169.32 | 110.12 | 98.94  | 71.62 | 97.70 | 144.07 | 183.20  | 176.36 | 265.78 |                     |
| PBIDT/Total Revenue%       | 18.9   | 20.0   | 20.9   | 23.4   | 25.3   | 26.0   | 23.2  | 22.5  | 22.4   | 20.1    | 20.6   | 19.0   |                     |
| Return on Net worth%       | 48.3   | 42.4   | 49.1   | 47.1   | 34.9   | 35.1   | 18.3  | 19.6  | 26.8   | 22.9    | 19.6   | 17.3   |                     |
| Earning Per Share (Rs.)    | 22.4*  | 26.1   | 37.8   | 45.7   | 38.7   | 39.3   | 21.8  | 25.0  | 37.3   | 11.3**  | 12.0   | 11.6   |                     |
| Book Value Per Share (Rs.) | 46.4*  | 61.4   | 77.0   | 97.1   | 111.1  | 111.8  | 119.6 | 127.7 | 139.2  | 49.1**  | 61.1   | 66.8   |                     |

\*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 22<sup>nd</sup> Annual General Meeting of Swaraj Engines Limited will be held on **Monday, the 16<sup>th</sup> day of June, 2008 at 12.00 Noon** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab – 160 059 to transact the following business:

**ORDINARY BUSINESS**

1. To receive and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2008 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 declare a Dividend on Equity Shares.
3. To appoint a Director in place of Shri G.P.Gupta who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri S.C.Bhargava who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri A.M.Sawhney who retires by rotation and, being eligible, offers himself for re-election.
6. 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**

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 V.S.Parthasarathy, 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 R.R.Deshpande, 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 Kumar Kanetkar, 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. 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 5<sup>th</sup> June, 2008 to 10<sup>th</sup> June, 2008 (both days inclusive).
5. The dividend, if declared at the Annual General Meeting, will be paid on or after 16<sup>th</sup> June, 2008 to those persons or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on 4<sup>th</sup> June, 2008 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 4<sup>th</sup> June, 2008.
6. 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.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for the financial year ended 31<sup>st</sup> March, 2000 to the Investor Education and Protection Fund (IEPF).  
All unclaimed dividends for the financial year ended 31<sup>st</sup> March, 2001 will be transferred to IEPF in October 2008. 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.
8. 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.
9. Payment of Dividend through ECS:
  - a) Members holding shares in electronic form may please note that bank details as furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Securities and Exchange Board of India. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in electronic 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 10<sup>th</sup> June, 2008, to Company's Registrar and Transfer Agents, MCS Ltd.

**SWARAJ ENGINES LIMITED****10. Members are requested to:**

- Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi – 110 020, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
- Intimate to the respective Depository Participant, changes, if any, in their registered addresses at an early date, in case of shares held in dematerialised form.
- Quote their folio numbers/Client ID/ DP ID in all correspondence.
- Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

**11. 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

Email : grewal.maninder@swarajenterprise.com

Dated : 7th May, 2008

(M.S. GREWAL)

Company Secretary

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

Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 relating to the items of Special Business.

**Item No. 7**

Shri V.S.Parthasarathy was appointed by the Board as an Additional Director with effect from 22<sup>nd</sup> January, 2008. 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 Parthasarathy as a Director of the Company.

Shri V.S.Parthasarathy is currently Executive Vice President-Mergers & Acquisitions of Mahindra & Mahindra Ltd. He possesses vast and varied experience in corporate finance, international operations, mergers & acquisitions and business planning. The Board is of the view that his association would be of immense value to the Company and hence recommends his appointment in terms of Resolution set out in Item No. 7 of the Notice.

Shri V.S.Parthasarathy does not hold shares in the Company.

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

**Item No. 8**

Shri R.R.Deshpande was appointed by the Board as an Additional Director with effect from 22<sup>nd</sup> January, 2008. 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 Deshpande as a Director of the Company.

Shri R.R.Deshpande is currently Director-Operations & Corporate Services of Kirloskar Oil Engines Ltd. He possesses vast experience in projects, production and material services. The Board is of the view that his association would be of immense value to the Company and hence recommends his appointment in terms of Resolution set out in Item No. 8 of the Notice.

Shri R.R.Deshpande does not hold shares in the Company.

Apart from Shri R.R.Deshpande who would be interested in his appointment, no other Director is concerned or interested in this item of business.

**Item No. 9**

Shri Kumar Kanetkar was appointed by the Board as an Additional Director with effect from 22<sup>nd</sup> January, 2008. 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 Kanetkar as a Director of the Company.

Shri Kumar Kanetkar is currently Chief Commercial Officer of Kirloskar Oil Engines Ltd. He possesses rich experience in corporate finance and commercial functions. The Board is of the view that his association would be of immense value to the Company and hence recommends his appointment in terms of Resolution set out in Item No. 9 of the Notice.

Shri Kumar Kanetkar does not hold shares in the Company.

Apart from Shri Kumar Kanetkar who would be interested in his appointment, no other Director is concerned or interested in this item of business.

BY ORDER OF THE BOARD

Regd. Office:

Phase-IV, Industrial Area,

S.A.S. Nagar (Mohali), Punjab-160 055

Email : grewal.maninder@swarajenterprise.com

Dated : 7th May, 2008

(M.S. GREWAL)

Company Secretary



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

Your Directors present their Twenty Second Annual Report together with Audited Accounts for the financial year ended 31<sup>st</sup> March, 2008.

**FINANCIAL RESULTS**

|  | Year ended<br>31 <sup>st</sup> March, 2008 | Rs. Crores<br>Year ended<br>31 <sup>st</sup> March, 2007 |
|--|--|--|
| Net Revenue                                  | 125.54                                     | 129.32   |
| Operating Profit                             | 23.90                                      | 26.58  |
| Finance Charges (Net)                        | (2.73)                                     | (0.45)   |
| Depreciation                                 | 4.59                                       | 4.40   |
| Profit Before Tax                            | 22.04                                      | 22.63  |
| Tax Provision                                |  |  |
| — Current                                    | 8.10                                       | 8.46   |
| — Deferred                                   | (0.47)                                     | (0.74)   |
| — Fringe Benefit                             | 0.05                                       | 0.05   |
| Profit After Tax                             | 14.36                                      | 14.86  |
| Balance of Profit from Prior Years           | 13.29                                      | 10.43  |
| <b>Surplus available for Appropriation :</b> | <b>27.65</b>                               | <b>25.29</b>   |
| <b>Appropriations :</b>                      |  |  |
| Proposed Dividend                            | 6.21                                       | -  |
| Tax on Proposed Dividend                     | 1.05                                       | -  |
| Transfer to General Reserve                  | 6.00                                       | 12.00  |
| Balance carried to Balance Sheet             | 14.39                                      | 13.29  |

**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. 7.26 crores.

**REVIEW OF OPERATIONS**

Fiscal 2007-08 was a year that presented a mixed picture. Engines supplies to Punjab Tractors (PTL) during first half were restricted to 6,219 engines (last year - 8,444 engines) because of low orders from PTL. The adverse trend reversed for better in the second half during which the supplies to the tune of 10,189 engines (last year 9,258 engines) were effected with PTL's increased requirements. For the year as a whole, 16,408 engines were sold to PTL as against 17,702 engines sold in the previous year. Supply of hi-tech engines components to Swaraj Mazda during the year was Rs. 20.03 crores as against Rs. 17.04 crores in the previous year.

In the above background, your Company recorded a total revenue of Rs. 125.54 crores for the year as against Rs. 129.32 crores for the previous year. Profit for the year before interest, depreciation and taxes was Rs. 23.90 crores as against Rs. 26.58 crores posted in the previous year. Profit Before Tax for the year was Rs. 22.04 crores as against Rs. 22.63 crores in the previous year. Profit After Tax of Rs. 14.36 crores (last year Rs. 14.86 crores) translates to an earning of Rs. 11.56 per share (last year Rs. 11.97 per share).

**FINANCE**

Fund position of the Company stayed comfortable throughout 2007-08. As a result, after meeting routine capital expenditure of Rs. 2.21 crores and working capital requirements to support operations, a net interest income of Rs. 2.73 crores was generated on surplus funds as against Rs. 0.45 crores in the previous year.

**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 annexed to this Report.

**INDUSTRIAL RELATIONS**

Industrial Relations and work atmosphere remained stable throughout the year under review.

**PARTICULARS OF EMPLOYEES**

The Company had 1 employee who was in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31<sup>st</sup> March, 2008 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 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 and promotes eco-friendly activities.

**DIRECTORS**

Shri S.Durgashankar who was appointed as an Additional Director at the Meeting of the Board of Directors held on 27<sup>th</sup> July, 2007, resigned on 30<sup>th</sup> November, 2007. The Directors record their appreciation of the contribution made by Shri Durgashankar during his brief tenure as Director of the Company.

Shri Atul C. Kirloskar tendered his resignation from the Board with effect from 22<sup>nd</sup> January, 2008. The Directors place on record their deep appreciation of the invaluable contributions made by Shri Kirloskar during his association of over 2 decades with the Company. During this period he had helped and guided the Company to grow to its present position.

Shri Gautam Kulkarni, Director of the Company since June 2000, resigned from the Board with effect from 22<sup>nd</sup> January, 2008. The Directors place on record their deep appreciation of the invaluable contributions made by Shri Kulkarni during his long association with the Company.

Shri V.S.Parthasarathy who was appointed as Additional Director at the Meeting of the Board of Directors of the Company held on 22<sup>nd</sup> January, 2008, holds office upto the date of forthcoming Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 from a Member signifying his intention to propose Shri Parthasarathy as candidate for the office of Director.

Shri R.R.Deshpande and Shri Kumar Kanetkar who were appointed as Additional Directors at the Meeting of the Board of Directors of the Company held on 22<sup>nd</sup> January, 2008, hold office upto the date of 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 Deshpande and Shri Kanetkar as candidates for the office of Directors.

S/Shri G.P.Gupta, S.C.Bhargava and A.M.Sawhney retire by rotation, and being eligible, offer themselves for reappointment.