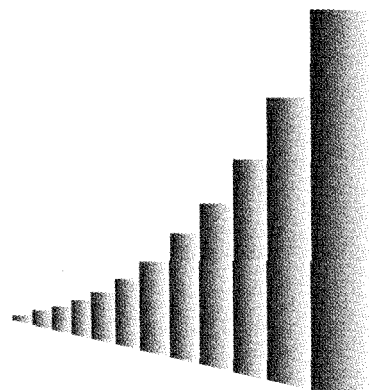
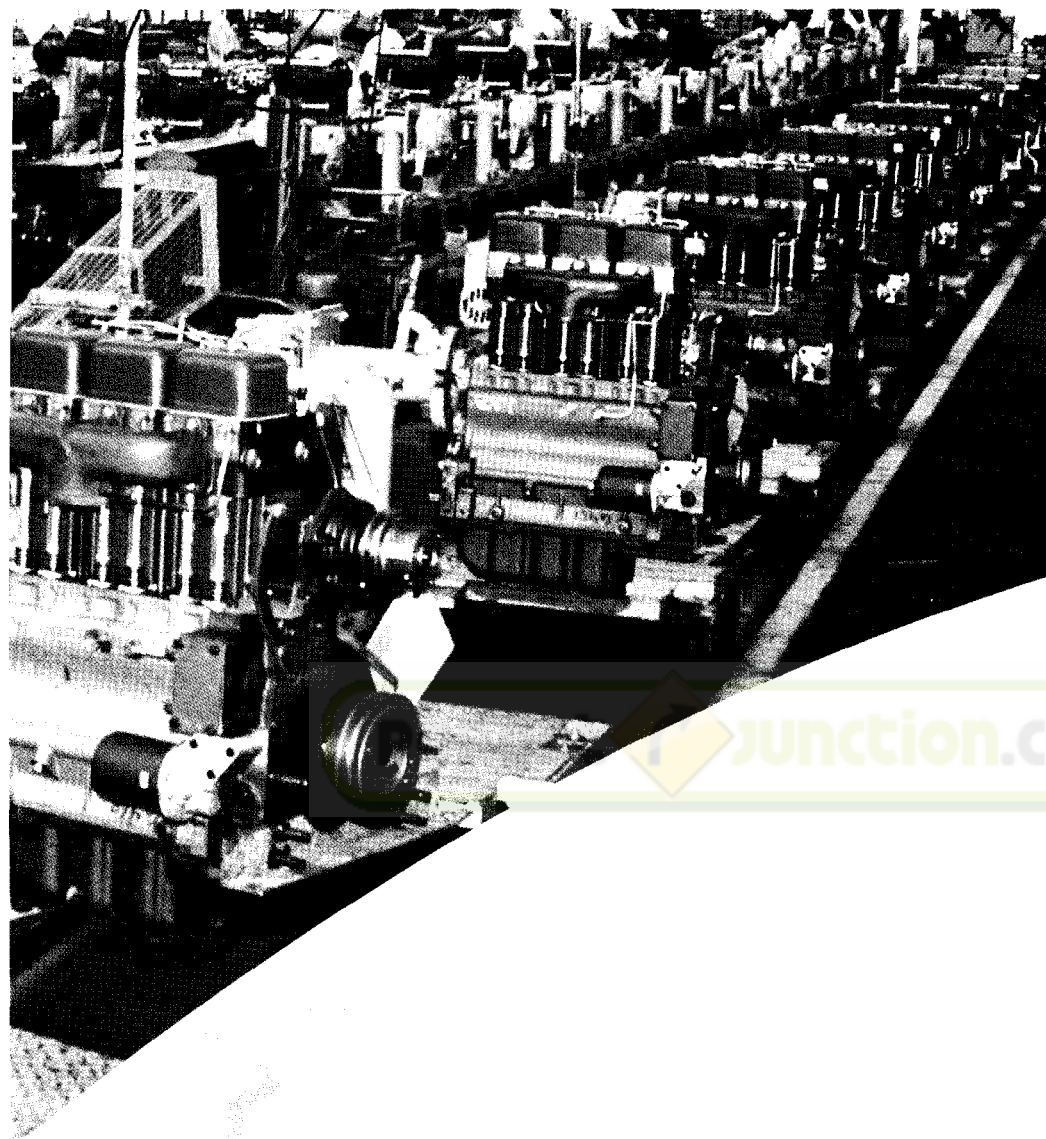


Swaraj Engines Limited

Annual Report 2009



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Swaraj Engines Limited

Senior Vice President – Finance

M.N. KAUSHAL

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

A.M.SAWHNEY

V.S.PARTHASARATHY

R.R.DESHPANDE

VIJAY VARMA

BISHWAMBHAR MISHRA

Vice Chairman

G.S.RIHAL

Managing Director

SWARAJ ENGINES LIMITED**ANNUAL GENERAL MEETING**

on Thursday, 18th June, 2009
 at 9.15 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 →	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	CARG (1998-2009)
Engines Sold (Nos.)	17382	24705	27532	22168	21013	13578	14844	18225	17631	17702	16408	28539	4.61%
Total Revenue (Net)	83.74	124.57	139.75	118.91	114.60	77.86	89.79	123.52	128.18	129.32	125.54	208.34	8.64%
PBIDT	16.75	26.09	32.75	30.04	29.79	18.10	20.21	27.73	25.81	26.58	23.36	32.04	6.07%
Finance Charges (Net)	1.23	1.78	1.35	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	(3.27)	(4.87)	
Depreciation	1.38	2.56	3.12	3.70	3.85	3.77	3.79	3.96	4.26	4.40	4.59	4.69	
Profit Before Tax	14.14	21.75	28.28	25.19	25.34	14.09	16.21	23.62	21.41	22.63	22.04	32.22	7.77%
Income Tax	3.35	6.10	9.35	9.15	9.08	5.05	5.86	8.19	7.42	7.77	7.68	10.95	
Profit After Tax	10.79	15.65	18.93	16.04	16.26	9.04	10.35	15.43	13.99	14.86	14.36	21.27	6.37%
Dividend %	100	200	225	225	225	125	150	225	75*	Nil	50	50	
Dividend Payout	4.14	8.28	9.31	9.31	9.31	5.17	6.21	9.31	9.31	Nil	6.21	6.21	
Equity Share Capital	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	12.42*	12.42	12.42	12.42	
Net Worth	25.43	31.88	40.21	45.98	46.30	49.50	52.85	57.64	61.01	75.87	82.96	96.97	12.94%
Capital Employed	45.64	43.45	51.48	47.68	57.11	57.88	61.90	65.80	67.29	81.41	88.04	100.84	
Market Capitalisation	200.37	349.82	169.32	110.12	98.94	71.62	97.70	144.07	183.20	176.36	265.78	118.05	
PBIDT/Total Revenue %	20.0	20.9	23.4	25.3	26.0	23.2	22.5	22.4	20.1	20.6	18.6	15.4	
Return on Net Worth %	42.4	49.1	47.1	34.9	35.1	18.3	19.6	26.8	22.9	19.6	17.3	21.9	
Earning Per Share (Rs.)	26.1	37.8	45.7	38.7	39.3	21.8	25.0	37.3	11.3 *	12.0	11.6	17.1	
Book Value Per Share (Rs.)	61.4	77.0	97.1	111.1	111.8	119.6	127.7	139.2	49.1 *	61.1	66.8	78.1	

*On Post Bonus (2:1) Equity

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

Notice is hereby given that the 23rd Annual General Meeting of Swaraj Engines Limited will be held on **Thursday, the 18th of June, 2009 at 9.15 A.M.** 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 31st March, 2009 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 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 D.R.Swar who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri Anjanikumar Choudhari 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 Vijay Varma, 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 from a Member 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 pursuant to the provisions of section 269 and all other applicable provisions of the Companies Act, 1956 (the Act) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be imposed or prescribed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the appointment of Shri Bishwambhar Mishra as Executive Director of the Company designated as 'Vice Chairman' from 19th January, 2009 to 31st March, 2010 without any remuneration being payable to him."

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 4th June, 2009 to 10th June, 2009 (both days inclusive).

SWARAJ ENGINES LIMITED

5. The dividend, if declared at the Annual General Meeting, will be paid on or after 18th June, 2009 to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 3rd June, 2009 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 3rd June, 2009.
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 can be compiled and 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 31st March, 2001 to the Investor Education and Protection Fund (IEPF).
All unclaimed dividends for the financial year ended 31st March, 2002 will be transferred to IEPF in October 2009. 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 Company's Registrar and Transfer Agents, 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 10th June, 2009, to Company's Registrar and Share Transfer Agent, MCS Ltd.
10. Members are requested to:
 - Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhawan, F-65, First Floor, Okhla Industrial Area, Phase-I, New Delhi – 110 020, changes, if any, in their registered addresses at an early date, in case of shares held in physical 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. For Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to your Depository Participants. The Company will not take cognizance of any such requests directly from shareholders.

SWARAJ ENGINES LIMITED

12. 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.

Regd. Office:
Phase-IV, Industrial Area,
S.A.S. Nagar (Mohali), Punjab-160 055
Email : grewal.maninder@swarajenterprise.com
Dated : 5th May, 2009

BY ORDER OF THE BOARD

(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 Vijay Varma was appointed by the Board as an Additional Director with effect from 19th January, 2009. 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 Varma as a Director of the Company.

Shri Vijay Varma is currently Managing Director of Kirloskar Proprietary Ltd. He possesses vast and varied experience in functions relating to marketing & sales 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 Vijay Varma does not hold shares in the Company.

Shri Vijay Varma is not related to any other Director of the Company.

Apart from Shri Vijay Varma, none of the other Directors is interested or concerned in this item of business.

Item No. 8

Shri Bishwambhar Mishra joined the Company's Board in July, 2007.

Till recently Shri Mishra was Managing Director & Chief Executive Officer of erstwhile Punjab Tractors Limited (PTL). After the merger of PTL with Mahindra & Mahindra Ltd. (M&M), he is currently Chief Executive Officer of Swaraj Division of M&M. Having regard to Shri Mishra's leadership excellence, rich & varied experience and the imperatives of future challenges, the Board of Directors at its Meeting held on 19th January, 2009 has, subject to approval of the Members, approved the appointment of Shri Bishwambhar Mishra as Executive Director of the Company designated as 'Vice Chairman' with effect from 19th January, 2009 to 31st March, 2010 without any remuneration being payable to him.

It is in the interest of the Company to avail the services of Shri Bishwambhar Mishra as Executive Director of the Company.

Your Directors recommend passing of this Resolution as an Ordinary Resolution by the Members.

Shri Bishwambhar Mishra does not hold shares in the Company.

Shri Bishwambhar Mishra is not related to any other Director of the Company.

Apart from Shri Bishwambhar Mishra, none of the other Directors is interested or 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
Email : grewal.maninder@swarajenterprise.com
Dated : 5th May, 2009

(M.S. GREWAL)
Company Secretary

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

Your Directors present their Twenty Third Annual Report together with Audited Accounts for the financial year end 31st March, 2009.

FINANCIAL RESULTS

	Year ended 31st March, 2009	Rs. in Crores Year ended 31st March, 2008
Net Revenue	208.34	125.54
Profit before Depreciation, Finance Charges and Tax	32.04	23.36
Finance Charges (Net)	(4.87)	(3.27)
Depreciation	4.69	4.59
Profit Before Tax	32.22	22.04
Tax Provision		
— Current	12.11	8.10
— Deferred	(1.21)	(0.47)
— Fringe Benefit	0.05	0.05
Profit After Tax	21.27	14.36
Balance of Profit from Prior Years	14.39	13.29
Surplus available for Appropriation :	35.66	27.65
Appropriations :		
Proposed Dividend	6.21	6.21
Tax on Proposed Dividend	1.05	1.05
Transfer to General Reserve	12.00	6.00
Balance carried to Balance Sheet	16.40	14.39

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 5.00 per Equity Share, which is the same as declared and paid in 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

From the audited statement of accounts, Members would have observed the new highs achieved by your Company in all aspects of performance. During the year under review, stepped up schedules from erstwhile Punjab Tractors, now Swaraj Division of Mahindra & Mahindra Limited (M&M), helped the Company to record its highest ever despatches of 28,539 engines as compared to 16,408 engines despatched during the previous year. However, reflecting a downturn in the LCV industry, supply of hi-tech engine components to Swaraj Mazda during the year was subdued at Rs. 14.19 crores against Rs. 20.03 crores in the previous year.

The year under review also witnessed unprecedented fluctuation in commodity prices, affecting the material cost and margins. However, powered by solid growth in engine sales, total revenue for the year at Rs. 208.34 crores grew by 66% over the previous year's revenue of Rs. 125.54 crores. Pre Tax Profit at Rs. 32.22 crores has improved by 46% over the previous

SWARAJ ENGINES LIMITED

year's profit of Rs. 22.04 crores. Net Profit for the year has jumped by 48%, moving to Rs. 21.27 crores from the previous year's net profit of Rs. 14.36 crores, translating to an earning of Rs. 17.13 per share (last year Rs. 11.56 per share).

FINANCE

The fund position of the Company stayed comfortable throughout the year under review. As a result, after meeting routine capital expenditure of Rs. 1.26 crores and working capital requirements to support operations, a net interest and dividend income of Rs. 5.04 crores was generated on surplus funds as against Rs. 3.46 crores in the previous year.

MERGER OF PTL WITH M&M

Consequent upon the approval of the Scheme of Amalgamation by the respective Shareholders of erstwhile Punjab Tractors Limited (PTL) and Mahindra & Mahindra Limited (M&M) and also by the High Court of Punjab & Haryana and High Court of Judicature at Bombay, PTL has been merged with M&M during the year under review. The Appointed date of the merger was 1st August, 2008 and the merger became effective from 16th February, 2009. On completion of this merger, the shareholding of PTL in the Company (33.2%) stands transferred in favour of M&M. Your Directors believe that transfer of this equity ownership will benefit the Company and going forward can provide new business avenues.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed analysis of the Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

CORPORATE GOVERNANCE

A Report on Corporate Governance alongwith a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

INDUSTRIAL RELATIONS

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

PARTICULARS OF EMPLOYEES

The Company had one employee who was in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2009 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. Showing its commitment to improve the well being of the employees, Medical Check-ups, both curative and preventive have been organized, including educating the employees on Industrial Hygiene at the work place.

DIRECTORS

Shri Kumar Kanetkar ceased to be a Director of the Company with effect from 19th January, 2009 consequent to his resignation from the Board of Directors. The Directors record their appreciation for the contributions made by Shri Kanetkar during his brief tenure as Director of the Company.

Shri Vijay Varma who was appointed as Additional Director at the Meeting of the Board of Directors of the Company held on 19th January, 2009, 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 Varma as candidate for the office of Director.