

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 160 062

BOARD OF DIRECTORS

G.P.GUPTA
Chairman

Dr. PAWAN GOENKA

BISHWAMBHAR MISHRA
Vice Chairman

Dr. T.N. KAPOOR

D.R.SWAR

S.C.BHARGAVA

HARDEEP SINGH

A.M.SAWHNEY

V.S.PARTHASARATHY

R.R.DESHPANDE

VIJAY VARMA

M.N. KAUSHAL

ANNUAL GENERAL MEETING

on Tuesday, 3rd August, 2010
at 12:00 Noon at Swaraj Engines Limited
Plot No. 2, Industrial Phase IX
S.A.S. Nagar (Mohali)
Punjab 160 062.

CONTENTS	PAGE NO.
Key Performance Indicators – Last Twelve Years	3
Notice of Annual General Meeting	4
Report of the Directors	8
Management Discussion and Analysis	11
Corporate Governance Report	14
Corporate Governance Compliance Certificate	29
Balance Sheet	30
Profit and Loss Account	31
Schedules to the Accounts	32
Notes forming part of the Accounts	39
Cash Flow Statement	45
Balance Sheet Abstract & Company's General Business Profile	47
Auditors' Report	48
Annexure to Directors' Report	50

KEY PERFORMANCE INDICATORS - LAST TWELVE YEARS

(Rs. in Crores)													
Fiscal Year →	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	CARG (1999-2010)
Engines Sold (Nos.)	24705	27532	22168	21013	13578	14844	18225	17631	17702	16408	28539	39143	4.27%
Total Revenue (Net)	124.57	139.75	118.91	114.60	77.86	89.79	123.52	128.18	129.32	125.54	208.34	286.62	7.87%
PBIDT	26.09	32.75	30.04	29.79	18.10	20.21	27.73	25.81	26.58	23.36	32.04	53.75	6.79%
Finance Charges (Net)	1.78	1.35	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	(3.27)	(4.87)	(5.80)	
Depreciation	2.56	3.12	3.70	3.85	3.77	3.79	3.96	4.26	4.40	4.59	4.69	4.84	
Profit Before Tax	21.75	28.28	25.19	25.34	14.09	16.21	23.62	21.41	22.63	22.04	32.22	54.71	8.75%
Income Tax	6.10	9.35	9.15	9.08	5.05	5.86	8.19	7.42	7.77	7.68	10.95	17.36	
Profit After Tax	15.65	18.93	16.04	16.26	9.04	10.35	15.43	13.99	14.86	14.36	21.27	37.35	8.23%
Dividend %	200	225	225	225	125	150	225	75*	Nil	50	50	80	
Dividend Payout	8.28	9.31	9.31	9.31	5.17	6.21	9.31	9.31	Nil	6.21	6.21	9.94	
Equity Share Capital	4.14	4.14	4.14	4.14	4.14	4.14	4.14	12.42*	12.42	12.42	12.42	12.42	
Net Worth	31.88	40.21	45.98	46.30	49.50	52.85	57.64	61.01	75.87	82.96	96.97	122.74	13.04%
Capital Employed	43.45	51.48	47.68	57.11	57.88	61.90	65.80	67.29	81.41	88.04	100.84	125.42	
Market Capitalisation	349.82	169.32	110.12	98.94	71.62	97.70	144.07	183.20	176.36	265.78	118.05	360.36	
PBIDT/Total Revenue %	20.9	23.4	25.3	26.0	23.2	22.5	22.4	20.1	20.6	18.6	15.4	18.8	
Return on Net Worth %	49.1	47.1	34.9	35.1	18.3	19.6	26.8	22.9	19.6	17.3	21.9	30.4	
Earning Per Share (Rs.)	37.8	45.7	38.7	39.3	21.8	25.0	37.3	11.3*	12.0	11.6	17.1	30.1	
Book Value Per Share (Rs.)	77.0	97.1	111.1	111.8	119.6	127.7	139.2	49.1*	61.1	66.8	78.1	98.8	

*On Post Bonus (2:1) Equity

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday**, the **3rd day of August, 2010 at 12.00 Noon** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab – 160 062 to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet as at 31st March, 2010 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 Hardeep Singh who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri G.P.Gupta who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri S.C.Bhargava who retires by rotation and, being eligible, offers himself for re-election.
6. To appoint Messrs Davinder S. Jaaj & Co., Chartered Accountants, bearing ICAI Registration no. 000969N, 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 in addition to out of pocket expenses as may be incurred by the Auditors during the course of the Audit.

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, Dr. Pawan Goenka, 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 in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri M.N.Kaushal, 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.”
9. **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 Sections 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 reappointment of Shri Bishwambhar Mishra as Executive Director of the Company designated as ‘Vice Chairman’ for a period of two years with effect from 1st April, 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 16th July, 2010 to 22nd July, 2010 (both days inclusive).
5. The dividend, if declared at the Annual General Meeting, will be paid on or after 3rd August, 2010 to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 15th July, 2010 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 15th July, 2010.
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, 2002 to the Investor Education and Protection Fund (IEPF).
All unclaimed dividends for the financial year ended 31st March, 2003 will be transferred to IEPF in October 2010. 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, 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 22nd July, 2010, 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.
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.
13. The Directors of the Company are not inter se related to each other.

Regd. Office:
Phase-IV, Industrial Area,
S.A.S. Nagar (Mohali), Punjab-160 055
Email : grewal.maninder@mahindraswaraj.com
Dated : 6th May, 2010

BY ORDER OF THE BOARD

(M.S. GREWAL)
Company Secretary

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

Dr. Pawan Goenka was appointed by the Board as an Additional Director with effect from 6th May, 2010. 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 Dr. Goenka as a Director of the Company.

Dr. Goenka joined Mahindra & Mahindra Ltd. (M&M) in 1993 and was appointed President of its Automotive Sector in September 2005 and from 1st April, 2010, he took charge as President - Automotive & Farm Equipment Sectors of M&M. Prior to joining M&M, he had worked for General Motors R&D Centre at Detroit, U.S.A. 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.

Dr. Goenka does not hold any shares in the Company.

Apart from Dr. Goenka, none of the other Directors is interested or concerned in this item of business.

Item No. 8

Shri M.N.Kaushal was appointed by the Board as an Additional Director with effect from 9th December, 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 Kaushal as a Director of the Company.

Shri Kaushal is currently Chief Financial Officer of Mahindra & Mahindra Ltd. – Swaraj Division. He possesses vast and varied experience in corporate finance, business planning and secretarial related 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. 8 of the Notice.

Shri Kaushal holds 3307 shares in the Company.

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

Item No. 9

Shri Bishwambhar Mishra joined the Company's Board in July, 2007 and was appointed Executive Director of the Company designated as 'Vice Chairman' with effect from 19th January, 2009 to 31st March, 2010.

Shri Mishra is currently Chief Executive Officer of Swaraj Division of Mahindra & Mahindra Ltd. In the context of Shri Mishra's leadership excellence and contributions to the Company and emerging imperatives, the Board of Directors at its Meeting held on 19th January, 2010 has, subject to approval of the Members, approved his reappointment as Executive Director designated as 'Vice Chairman' for a period of 2 years with effect from 1st April, 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 Mishra does not hold any shares in the Company.

Apart from Shri 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@mahindraswaraj.com
Dated : 6th May, 2010

(M.S. GREWAL)
Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their Twenty fourth Annual Report together with Audited Accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

	Year ended 31 st March, 2010	(Rs. in Crores) Year ended 31 st March, 2009
Net Operating Revenue	282.44	208.17
Other Income	4.18	0.17
Profit before Depreciation, Finance Charges and Tax	53.75	32.04
Finance Charges (Net)	(5.80)	(4.87)
Depreciation	4.84	4.69
Profit Before Tax	54.71	32.22
Tax Provision		
— Current	18.54	12.11
— Deferred	(1.18)	(1.21)
— Fringe Benefit	-	0.05
Profit After Tax	37.35	21.27
Balance of Profit from Prior Years	16.40	14.39
Surplus available for Appropriation :	53.75	35.66
Appropriations :		
Proposed Dividend	9.93	6.21
Tax on Proposed Dividend	1.65	1.05
Transfer to General Reserve	22.00	12.00
Balance carried to Balance Sheet	20.17	16.40

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.8.00 per Equity Share as against Rs. 5.00 per share declared and paid for FY 2008-09, 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.11.58 crores.

REVIEW OF OPERATIONS

Members would have noted from the audited accounts that financial year 2009-10 was yet another year of healthy growth and strong financial performance for the Company. During the year under review, taking advantage of stepped up schedules from the Swaraj Division of Mahindra & Mahindra Limited, the Company has registered an impressive growth of 37% in engine supplies to the Swaraj Division and in the process has achieved despatches of 39,143 engines compared to 28,539 engines despatched in the previous year. Concurrently, on the strength of increased demand, out-turn of hi-tech engine components to Swaraj Mazda also witnessed a growth of 34% and the value of supplies touched Rs. 18.95 crores against last year's supplies aggregating Rs. 14.19 crores. These increased volumes could be met due to the productivity improvement measures taken through continuous thrust on detailed planning and effective usage of manufacturing facilities.

Reflecting the good growth in engine sales, net operating revenue for the year grew to Rs. 282.44 crores, up 36% over previous year. Rising volumes of engines and productivity gain have boosted operating profit to reach Rs. 49.57 crores as compared to Rs. 31.87 crores in the previous year accompanied by an improved margin of 17.6% as against previous year's margin of 15.3%. Profit Before Tax for the year stood at Rs. 54.71 crores as against Rs. 32.22 crores registering an increase of 70%. Profit After Tax was Rs. 37.35 crores, up 76% over last year which translates into an earning of Rs. 30.08 per share as against Rs. 17.13 per share in the previous year.

FINANCE

The fund position of the Company was comfortable throughout the year under review. As a result, after meeting routine capital expenditure of Rs. 2.02 crores and working capital requirements to support operations, a total income of Rs. 9.98 crores was generated on surplus funds as against Rs. 5.04 crores in the previous year.

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 along with 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 remained cordial throughout the year under review. The Company entered into a new 4 year wage agreement with the workers.

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. During the year, your Company has also received ISO 9001:2008 certification.

CORPORATE SOCIAL RESPONSIBILITY

Keeping with Company's core value of Good Corporate Citizenship, your company is committed to display its social responsibility by taking various initiatives which would benefit the society at large. These initiatives include tree plantation at various places, organizing medical camps, distribution of study material and refreshments among weaker section of society.

DIRECTORS

Upon completion of his tenure as Managing Director of the Company, Shri G.S.Rihal tendered his resignation from the directorship of the Company and accordingly ceased to be Director of the Company with effect from 21st November, 2009. The Board has placed on record its sincere appreciation of the notable contributions made by Shri Rihal in building the Company to its present position of eminence during his over two decade long association with the Company.

Shri M.N.Kaushal was appointed as Additional Director of the Company with effect from 9th December, 2009 and holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 from a Member signifying his intention to propose Shri Kaushal as candidate for the office of Director.

Shri Bishwambhar Mishra completed his tenure as Vice Chairman on 31st March, 2010. In the context of his outstanding contributions to the Company's growth and taking note of the future needs, the Board at its meeting held on 19th January, 2010 has reappointed Shri Mishra as an Executive Director of the Company designated as Vice Chairman for a period of two years with effect from 1st April, 2010. Appropriate resolution for his appointment has been proposed for the approval of the Shareholders at the forthcoming Annual General Meeting.

Consequent upon his resignation, Shri Anjanikumar Choudhari ceased to be a Director of the Company with effect from 1st April, 2010. The Board has placed on record its sincere appreciation of the valuable guidance and significant contributions made by Shri Choudhari during his association with the Company.

SWARAJ ENGINES LIMITED

Dr. Pawan Goenka was appointed as Additional Director of the Company with effect from 6th May, 2010 and holds office upto the date of forthcoming Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 from a Member signifying his intention to propose Dr. Goenka as candidate for the office of Director.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that :

- a) in the preparation of Annual Accounts, applicable accounting standards have been followed;
- b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Annual Accounts have been prepared on a going concern basis.

AUDITORS

The Company's Statutory Auditors, M/s Davinder S. Jaaj & Company, Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits specified under section 224(1B) of the Companies Act, 1956.

DEPOSITS

The Company has not accepted deposits from the public or its employees during the year under review.

The Company has not made any loans / advances and investment in its own shares, associates, etc. during the year which are required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement.

CURRENT YEAR

In wake of sustained strength in demand for Swaraj tractors and consequently engines, operations for the current financial year have started on a sound note. The total engine despatches for the month of April 2010 have registered a growth of 41% over corresponding month of last financial year. On current reckoning, the Company is expected to post reasonable growth during 2010-11 as well.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

Particulars in respect of the above activities under the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 are given in the Annexure to this Report.

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, 2010 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.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Date : 6th May, 2010

G.P. GUPTA
Chairman