



Annual Report 2011

25<sup>th</sup>

Swaraj Engines Limited

# Swaraj Engines Limited

## Company Secretary

M.S. GREWAL

## Auditors

M/S DAVINDER S. JAAJ & CO.

Chartered Accountants

## Bankers

CANARA BANK

HDFC BANK LIMITED

## 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 Wednesday, 3rd August, 2011  
at 2:00 P.M. at Swaraj Engines Limited  
Plot No. 2, Industrial Phase IX  
S.A.S. Nagar (Mohali)  
Punjab 160 062.

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## KEY PERFORMANCE INDICATORS - LAST TWELVE YEARS

(Rs. in Crores)

Fiscal Year →	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CARG (2000-2011)
<b>Engines Sold (Nos.)</b>	<b>27532</b>	<b>22168</b>	<b>21013</b>	<b>13578</b>	<b>14844</b>	<b>18225</b>	<b>17631</b>	<b>17702</b>	<b>16408</b>	<b>28539</b>	<b>39143</b>	<b>47413</b>	<b>5.07%</b>
<b>Total Revenue (Net)</b>	<b>139.75</b>	<b>118.91</b>	<b>114.60</b>	<b>77.86</b>	<b>89.79</b>	<b>123.52</b>	<b>128.18</b>	<b>129.32</b>	<b>125.54</b>	<b>208.34</b>	<b>286.62</b>	<b>363.00</b>	<b>9.07%</b>
<b>PBIDT</b>	<b>32.75</b>	<b>30.04</b>	<b>29.79</b>	<b>18.10</b>	<b>20.21</b>	<b>27.73</b>	<b>25.81</b>	<b>26.58</b>	<b>23.36</b>	<b>32.04</b>	<b>53.75</b>	<b>63.08</b>	<b>6.14%</b>
Finance Charges (Net)	1.35	1.15	0.60	0.24	0.21	0.15	0.14	(0.45)	(3.27)	(4.87)	(5.80)	(5.73)	
Depreciation	3.12	3.70	3.85	3.77	3.79	3.96	4.26	4.40	4.59	4.69	4.84	4.46	
<b>Profit Before Tax</b>	<b>28.28</b>	<b>25.19</b>	<b>25.34</b>	<b>14.09</b>	<b>16.21</b>	<b>23.62</b>	<b>21.41</b>	<b>22.63</b>	<b>22.04</b>	<b>32.22</b>	<b>54.71</b>	<b>64.35</b>	<b>7.76%</b>
Income Tax	9.35	9.15	9.08	5.05	5.86	8.19	7.42	7.77	7.68	10.95	17.36	20.44	
<b>Profit After Tax</b>	<b>18.93</b>	<b>16.04</b>	<b>16.26</b>	<b>9.04</b>	<b>10.35</b>	<b>15.43</b>	<b>13.99</b>	<b>14.86</b>	<b>14.36</b>	<b>21.27</b>	<b>37.35</b>	<b>43.91</b>	<b>7.95%</b>
Dividend %	225	225	225	125	150	225	75*	Nil	50	50	80	100	
Dividend Payout	9.31	9.31	9.31	5.17	6.21	9.31	9.31	Nil	6.21	6.21	9.94	12.42	
Equity Share Capital	4.14	4.14	4.14	4.14	4.14	4.14	12.42*	12.42	12.42	12.42	12.42	12.42	
<b>Net Worth</b>	<b>40.21</b>	<b>45.98</b>	<b>46.30</b>	<b>49.50</b>	<b>52.85</b>	<b>57.64</b>	<b>61.01</b>	<b>75.87</b>	<b>82.96</b>	<b>96.97</b>	<b>122.74</b>	<b>152.22</b>	<b>12.86%</b>
Capital Employed	51.48	47.68	57.11	57.88	61.90	65.80	67.29	81.41	88.04	100.84	125.42	154.14	
Market Capitalisation	169.32	110.12	98.94	71.62	97.70	144.07	183.20	176.36	265.78	118.05	360.36	532.93	
<b>PBIDT/Total Revenue %</b>	<b>23.4</b>	<b>25.3</b>	<b>26.0</b>	<b>23.2</b>	<b>22.5</b>	<b>22.4</b>	<b>20.1</b>	<b>20.6</b>	<b>18.6</b>	<b>15.4</b>	<b>18.8</b>	<b>17.4</b>	
<b>Return on Net Worth %</b>	<b>47.1</b>	<b>34.9</b>	<b>35.1</b>	<b>18.3</b>	<b>19.6</b>	<b>26.8</b>	<b>22.9</b>	<b>19.6</b>	<b>17.3</b>	<b>21.9</b>	<b>30.4</b>	<b>28.8</b>	
<b>Earning Per Share (Rs.)</b>	<b>45.7</b>	<b>38.7</b>	<b>39.3</b>	<b>21.8</b>	<b>25.0</b>	<b>37.3</b>	<b>11.3*</b>	<b>12.0</b>	<b>11.6</b>	<b>17.1</b>	<b>30.1</b>	<b>35.4</b>	
<b>Book Value Per Share (Rs.)</b>	<b>97.1</b>	<b>111.1</b>	<b>111.8</b>	<b>119.6</b>	<b>127.7</b>	<b>139.2</b>	<b>49.1*</b>	<b>61.1</b>	<b>66.8</b>	<b>78.1</b>	<b>98.8</b>	<b>122.6</b>	

\*On Post Bonus (2:1) Equity

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of Swaraj Engines Limited will be held on **Wednesday**, the **3<sup>rd</sup> day of August, 2011** at **2.00 P.M.** 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, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2011 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 A.M.Sawhney who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V.S.Parthasarathy who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R.R.Deshpande who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Dr. T.N.Kapoor who retires by rotation and, being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration and in this regard to consider and, if though fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED that pursuant to Section 224 of the Companies Act, 1956, Messrs Davinder S. Jaaj & Co., Chartered Accountants (ICAI Registration No. 000969N), the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors of the Company in addition to out of pocket expenses as may be incurred by them during the course of the Audit."

### NOTES

1. 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.
2. 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.
3. The Register of Members and Transfer Books of the Company will be closed from 16<sup>th</sup> July, 2011 to 22<sup>nd</sup> July, 2011 (both days inclusive).
4. The dividend, if declared at the Annual General Meeting, will be credited / dispatched on or after 3<sup>rd</sup> August, 2011 to those shareholders or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on 15<sup>th</sup> July, 2011 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 15<sup>th</sup> July, 2011.
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 can be compiled and 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 the financial year ended 31<sup>st</sup> March, 2003 to the Investor Education and Protection Fund (IEPF). All unclaimed dividends for the financial year ended 31<sup>st</sup> March, 2004 will become due for transfer to IEPF in September 2011. 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 Company's Registrar and Transfer Agents, Messrs MCS Ltd.
8. 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 21<sup>st</sup> July, 2011, to Company's Registrar and Share Transfer Agent, MCS Ltd.
9. Members are requested to:
  - Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhavan, 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.
10. 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.
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 re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.
12. 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](mailto:grewal.maninder@mahindraswaraj.com)  
Dated: 26<sup>th</sup> April, 2011

BY ORDER OF THE BOARD

(M.S.GREWAL)  
Company Secretary

The Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has issued Circulars inter alia stating that the service of notice/ documents to the Members can be made in electronic mode. In support of the Green Initiative, your Company sent a Circular dated 2<sup>nd</sup> June, 2011 by e-mail to those Members who have registered their e-mail address with their Depository Participant and made available to the Company by the Depositories, informing them about the Company's proposal to send the documents like Notice calling the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, etc. for the Financial Year ended 31<sup>st</sup> March, 2011 onwards and other communication, in electronic mode. These Members were also given an option to continue to receive the documents in Physical Form. Accordingly, the Annual Report for the year 2010-11, Notice for the Annual General Meeting, etc. are being sent in electronic mode to those Members who have not opted to receive the same in physical form.

Members are requested to support this Green Initiative by registering / updating their e-mail addresses, with the Depository Participant (in case of Shares held in dematerialised form) or with MCS Limited (in case of Shares held in physical form).

## REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their Twenty Fifth Annual Report together with Audited Accounts for the financial year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS :

	Year Ended 31 <sup>st</sup> March, 2011	(Rs. In Crores) Year Ended 31 <sup>st</sup> March, 2010
Net Operating Revenue	360.63	282.44
Other Income	2.37	4.18
Profit before Depreciation, Finance Charges and Tax	63.08	53.75
Finance Charges (Net)	(5.73)	(5.80)
Depreciation	4.46	4.84
Profit Before Tax	64.35	54.71
Tax Provision		
— Current	21.20	18.54
— Deferred	(0.76)	(1.18)
Profit After Tax	43.91	37.35
Balance of Profit from Prior Years	20.17	16.40
<b>Surplus available for Appropriation :</b>	<b>64.08</b>	<b>53.75</b>
<b>Appropriations :</b>		
Proposed Dividend	12.42	9.93
Tax on Proposed Dividend	2.02	1.65
Transfer to General Reserve	26.00	22.00
Balance carried to Balance Sheet	23.64	20.17

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.10.00 per Equity Share for the financial year 2010-11 as against Rs. 8.00 per share declared and paid for 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.14.44 crores.

### REVIEW OF OPERATIONS

The financial year 2010-11 was a year of sustained growth for your Company. During the year under review, taking advantage of stepped up schedules from Mahindra & Mahindra Limited – Swaraj Division and backed up by productivity improvement initiatives, your Company raised engine output to 48,015 units, a growth of 22% over 2009-10 production of 39,254 units.

On the strength of increased engine demand scenario, your Company recorded its all time high yearly engine sales volume of 47,413 units compared to 39,143 units during previous fiscal - a growth of 21%. Concurrently, supplies of hi-tech engine components to SML Isuzu also registered a growth of 20% and reached Rs. 22.68 crores against previous year's supplies valuing Rs. 18.95 crores.

Reflecting the above enhanced engine sales coupled with growth in hi-tech engine components business, net operating revenue for the year under review touched Rs. 360.63 crores as against previous year's revenue of Rs. 282.44 crores. While Profit Before Tax for the year reached Rs. 64.35 crores (previous year Rs. 54.71 crores), Profit After Tax of Rs. 43.91 crores (previous year Rs. 37.35 crores) translates into an Earning Per Share of Rs. 35.35 (previous year-Rs. 30.08).

To meet the increased upcoming engine demand, your Company during the year had also approved expansion programmes to increase its total installed capacity to 75,000 engines per annum. Besides capacity augmentation, investment will also be made towards sharpening Company's engineering and quality edges. Expansion programme is progressing well and plant capacity will move upto 60,000 engines per annum by end of fiscal 2012 and full annual capacity of 75,000 engines is expected to be in place by June 2012. The entire capex of Rs. 94 crores on the proposed expansion will be met from internal resources.

## FINANCE

The fund position of the Company was comfortable throughout the year under review. As a result, after meeting routine capital expenditure of Rs. 7.22 crores and working capital requirements to support operations, a total income of Rs. 8.10 crores was generated on surplus funds.

## 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.

## 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 its employees, Medical Check-ups, both curative and preventive have been organized regularly, including educating the employees on Industrial Hygiene at the work place. During the year, your Company has also received Occupational Health and Safety Management System Standard (OHSAS) certification for safety culture improvement.

## 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 includes tree plantation at various locations, organizing medical camps, distribution of study material to students and refreshments among weaker section of society.

## DIRECTORS

Shri A.M.Sawhney, Shri V.S.Parthasarathy, Shri R.R.Deshpande and Dr. T.N.Kapoor retire by rotation, and being eligible, offer themselves for re-appointment.

## 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 31<sup>st</sup> March, 2011 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, Messrs Davinder S. Jaaj & Company, Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits specified under section 224(1B) of the Companies Act, 1956. Members are requested to appoint Auditors and fix their remuneration.

## 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

During the period 1<sup>st</sup> April, 2011 to 31<sup>st</sup> May, 2011, 9,447 engines were despatched as against 7,757 engines during the corresponding period of the previous year – a growth of 22%. Taking note of expected demand from its key customer – Mahindra & Mahindra Limited – Swaraj Division, the prospects for growth in the current fiscal is positive.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

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

## PARTICULARS OF EMPLOYEES

In accordance with section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975 as amended, the Company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000 and was employed throughout the year ended 31<sup>st</sup> March, 2011 or not less than Rs.5,00,000 per month and was employed for a part of the financial year 2010-11.

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)  
Date : 20<sup>th</sup> June, 2011

G.P.GUPTA  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

**Particulars as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011**

**A. CONSERVATION OF ENERGY:**

- (a) Energy Conservation measures taken:

Though the activities of the Company are not energy-intensive, necessary measures are taken to contain and bring about savings in power consumption through improved operational methods and better housekeeping.

- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Nil
- (c) Impact of the measures taken / to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Power savings initiatives and increased production level led to reduction in power consumption per engine to 66.55 KWH in F11 compared to 73.54 KWH in F10 - a saving of 10%.

- (d) Total energy consumption and energy consumption per unit of production as per Form-A to the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable.

**B. TECHNOLOGY ABSORPTION:****Research & Development:**

1. Areas in which Research & Development is carried out:

Design changes in RV series engines have been carried out and implemented to achieve Phase –II improvement in fuel efficiency

2. Benefits derived as a result of the above efforts :

Improvement in fuel efficiency

3. Future plan of action:

Phase-II improvement in fuel efficiency and design upgradation of RB series engines.

4. Expenditure on R & D

The Company spent revenue expenditure of Rs. 2.84 crores on Research & Development work during the year, which was 0.78% of the total turnover.

**Technology absorption, adaptation and innovation:**

On-going programmes on product improvement for performance, reliability and upgradation of products with customer as focus continued with vigour.

No technology has been imported during the last 5 years.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

During the year, there were no exports. Foreign Exchange Outgo is contained in Note No. 17 of Notes on Accounts (Schedule - K) in the annual report.

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)  
Date : 20<sup>th</sup> June, 2011

G.P.GUPTA  
Chairman