



Annual Report 2012

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

V.S. PARTHASARATHY

R.R. DESHPANDE

VIJAY VARMA

M.N. KAUSHAL
Whole-time Director

ANNUAL GENERAL MEETING

on Tuesday, 31st July, 2012
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 → | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | CARG (2001-2012) |
| Engines Sold (Nos.) | 22168 | 21013 | 13578 | 14844 | 18225 | 17631 | 17702 | 16408 | 28539 | 39143 | 47413 | 55239 | 8.65% |
| Total Revenue (Net) | 118.91 | 114.60 | 77.86 | 89.79 | 123.52 | 128.18 | 129.32 | 125.54 | 208.34 | 286.62 | 363.45^ | 452.64^ | 12.92% |
| PBIDT | 30.04 | 29.79 | 18.10 | 20.21 | 27.73 | 25.81 | 26.58 | 23.36 | 32.04 | 53.75 | 63.08 | 73.43 | 8.47% |
| Finance Charges (Net) | 1.15 | 0.60 | 0.24 | 0.21 | 0.15 | 0.14 | (0.45) | (3.27) | (4.87) | (5.80) | (5.73) | (8.10) | |
| Depreciation | 3.70 | 3.85 | 3.77 | 3.79 | 3.96 | 4.26 | 4.40 | 4.59 | 4.69 | 4.84 | 4.46 | 4.26 | |
| Profit Before Tax | 25.19 | 25.34 | 14.09 | 16.21 | 23.62 | 21.41 | 22.63 | 22.04 | 32.22 | 54.71 | 64.35 | 77.27 | 10.73% |
| Income Tax | 9.15 | 9.08 | 5.05 | 5.86 | 8.19 | 7.42 | 7.77 | 7.68 | 10.95 | 17.36 | 20.44 | 24.45 | |
| Profit After Tax | 16.04 | 16.26 | 9.04 | 10.35 | 15.43 | 13.99 | 14.86 | 14.36 | 21.27 | 37.35 | 43.91 | 52.82 | 11.44% |
| Dividend % | 225 | 225 | 125 | 150 | 225 | 75* | Nil | 50 | 50 | 80 | 100 | 130 | |
| Dividend Payout | 9.31 | 9.31 | 5.17 | 6.21 | 9.31 | 9.31 | Nil | 6.21 | 6.21 | 9.94 | 12.42 | 16.15 | |
| Equity Share Capital | 4.14 | 4.14 | 4.14 | 4.14 | 4.14 | 12.42* | 12.42 | 12.42 | 12.42 | 12.42 | 12.42 | 12.42 | |
| Net Worth | 45.98 | 46.30 | 49.50 | 52.85 | 57.64 | 61.01 | 75.87 | 82.96 | 96.97 | 122.74 | 152.22 | 186.28 | 13.56% |
| Capital Employed | 47.68 | 57.11 | 57.88 | 61.90 | 65.80 | 67.29 | 81.41 | 88.04 | 100.84 | 125.42 | 154.14 | 189.48 | |
| Market Capitalisation | 110.12 | 98.94 | 71.62 | 97.70 | 144.07 | 183.20 | 176.36 | 265.78 | 118.05 | 360.36 | 532.93 | 498.10 | |
| PBIDT/Total Revenue % | 25.3 | 26.0 | 23.2 | 22.5 | 22.4 | 20.1 | 20.6 | 18.6 | 15.4 | 18.8 | 17.4 | 16.2 | |
| Return on Net Worth % | 34.9 | 35.1 | 18.3 | 19.6 | 26.8 | 22.9 | 19.6 | 17.3 | 21.9 | 30.4 | 28.9 | 28.4 | |
| Earning Per Share (Rs.) | 38.7 | 39.3 | 21.8 | 25.0 | 37.3 | 11.3* | 12.0 | 11.6 | 17.1 | 30.1 | 35.4 | 42.5 | |
| Book Value Per Share (Rs.) | 111.1 | 111.8 | 119.6 | 127.7 | 139.2 | 49.1* | 61.1 | 66.8 | 78.1 | 98.8 | 122.6 | 150.0 | |

*On Post Bonus (2:1) Equity

^ Exclude interest income of Rs. 8.18 Crores (2011 – Rs. 5.77 Crores)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday, the 31st day of July, 2012 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 and adopt the audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss 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 note the retirement by rotation of Shri D.R. Swar, Director. Shri Swar has expressed his desire not to seek re-appointment. It is not intended to fill the vacancy caused by the retirement of Shri Swar.
4. To appoint a Director in place of Shri Vijay Varma who retires by rotation and, being eligible, offers himself for re-appointment.
5. To note the retirement by rotation of Shri Hardeep Singh, Director. Shri Hardeep Singh has expressed his desire not to seek re-appointment. It is not intended to fill the vacancy caused by the retirement of Shri Hardeep Singh.
6. To appoint a Director in place of Shri G.P.Gupta 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 thought 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."

SPECIAL BUSINESS

8. **To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution:**

"RESOLVED that pursuant to the provisions of Sections 269, 198, 309, 310, 311 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 prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the appointment of Shri M.N.Kaushal as Whole-time Director of the Company for a period of 5 years with effect from 1st April, 2012 on a remuneration of Rs.1,00,000/- per month in the scale of Rs. 1,00,000/- to Rs. 1,25,000/- per month.

Provided that the remuneration payable to Whole-time Director (including the salary, commission, perquisites, benefits and amenities) does not exceed the limits laid down in Sections 198 and 309 of the Act, including any statutory modifications or re-enactment thereof.

FURTHER RESOLVED that where in any financial year during the currency of the tenure of Whole-time Director, the Company has no profits or its profits are inadequate, the Company may pay to Whole-time Director the above remuneration as the minimum remuneration for a period not exceeding 3 years from the date of appointment by way of salary, perquisites and other allowances and benefits as specified above, subject to receipt of the requisite approvals, if any.

FURTHER RESOLVED that the terms and conditions of the appointment of and the remuneration payable to Whole-time Director may be varied, altered, increased, enhanced or widened from time to time by the Remuneration cum Compensation Committee and the Board as it may in its discretion deem fit within the above limits and subject to the limits laid down in Sections 198, 269, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 and the Rules framed thereunder read with Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, and subject to the requisite approvals, if any, being obtained.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

9. To consider and, if thought fit, to pass, with or without modification(s), the following as a Special Resolution :

"RESOLVED that the Directors who are neither in the Whole-time employment of the Company nor the Whole-time Director, Managing Director, Executive Director(s) and such of the remainder as may not desire to participate, shall for a period of five years with effect from 1st April, 2011, be paid remuneration by way of commission upto one per cent of the net profits of the Company, computed in the manner referred to in Section 198, 309 and all other applicable provisions of the Companies Act, 1956, and such commission to be distributed amongst and paid to the aforesaid Directors concerned in such proportions as the Board of Directors may decide from time to time; PROVIDED that none of such Directors shall in any financial year of the Company receive a portion of such commission equal to more than one quarter per cent of the net profits of the company."

10. To consider and if thought fit, to pass, with or without modification(s), the following as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and Rules framed thereunder and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the existing Articles of Association of the Company be amended as under:

- i) The following Article be inserted after the existing Article 67(2) as Article 67(3):

Participation through Electronic Mode

67(3): Notwithstanding anything contrary contained in the Articles of Association, the Company may provide Video Conference facility and/or other permissible electronic or virtual facilities for communication to enable the Shareholders of the Company to participate in General Meetings of the Company. Such participation by the Shareholders at General Meetings of the Company through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

- ii) The following Article be inserted after the existing Article 109 as Article 109A:

Participation through Electronic Mode

109A: Notwithstanding anything contrary contained in the Articles of Association, the Director(s) may participate in Meetings of the Board and Committees thereof, through Video Conference facility and/or other permissible electronic or virtual facilities for communication. Such participation by the Director(s) at Meetings of the Board and Committees thereof, through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

SWARAJ ENGINES LIMITED

- iii) The following proviso be inserted after the existing Article 110:

Provided further that a Director participating in a Meeting through use of Video Conference or any other permissible electronic mode of communication shall be counted for the purpose of quorum, notwithstanding anything contrary contained in the Articles of Association.

- iv) The following Article be inserted after the existing Article 134 as Article 134A:

Service of Documents on Members

134A: Notwithstanding anything contrary contained in the Articles of Association, a document may be served by the Company on any Member by any electronic mode of communication and in such manner as is/ may be permitted by any law. Where a document is served by any such electronic mode, the service thereof shall be deemed to be effected in the manner as is/may be provided by any law.

FURTHER RESOLVED that the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee or any person which the Board may constitute/ nominate to exercise its powers, including the powers by this Resolution) be authorised to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

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 14th July, 2012 to 20th July, 2012 (both days inclusive).
5. The dividend, if declared at the Annual General Meeting, will be paid / dispatched on or after 1st August, 2012 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 13th July, 2012 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 13th July, 2012.
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 and upto the financial year ended 31st March, 2004 to the Investor Education and Protection Fund (IEPF).

All unclaimed dividends for the financial year ended 31st March, 2005 will become due for transfer to IEPF in August 2012. 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.

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, Messrs 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 20th July, 2012, 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.
 - Intimate directly to the respective Depository Participant, changes, if any, in their registered addresses, nomination, power of attorney etc. at an early date, in case of shares held in dematerialised form. The Company will not take cognizance of any such requests directly from shareholders.
 - 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.

None of the Directors of the Company are 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: 26th June, 2012

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 the Special Business

Item No. 8

The Board of Directors at its Meeting held on 27th January, 2012 has, subject to approval of the Members, approved the appointment and remuneration payable to Shri M.N.Kaushal as Whole-time Director of the Company for a period of 5 years with effect from 1st April, 2012.

In compliance with the requirements of Section 302 of the Companies Act, 1956, an Abstract of terms of the appointment and remuneration payable to the Whole-time Director together with the Memorandum of Concern or Interest was sent to the Members on 15th February, 2012.

Terms of remuneration of Shri M.N.Kaushal are set out in the Special Resolution under Item No. 8.

Pursuant to Sections 269,198, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 ("the Act"), including Schedule XIII of the Act, the appointment of and remuneration payable to Shri M.N.Kaushal is now being placed before the Members in the Annual General Meeting for their approval as Special Resolution.

Your Directors recommend these Resolutions as Special Resolutions for approval of the Members.

Apart from Shri M.N.Kaushal, who would be interested in his appointment and remuneration, none of the other Directors is concerned or interested in this item of business.

The following additional information as required by Schedule XIII to the Act is given below :

I. General Information

(i) Nature of Industry

The Company is in the business of manufacture of Diesel engines and its components.

(ii) Date or expected date of commencement of commercial production

The Company was incorporated on 24th September, 1985 and started commercial production of diesel engines in the year 1989.

(iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable

(iv) Financial performance based on given indicators - as per audited financial results for the year ended 31st March, 2012

| Particulars | (Rs. in crores) |
|---|-----------------|
| Turnover & Other Income | 460.82 |
| Net profit as per Statement of Profit & Loss (After Tax) | 52.82 |
| Profit as computed under Section 309(5) read with Section 198 of the Act. | 77.58 |
| Net Worth | 186.28 |

(v) Export performance and net foreign exchange collaborations

The company is presently not engaged in export business and it has no foreign collaboration.

(vi) Foreign investments or collaborators, if any

Nil

II. Information about the appointee

(i) Background details

Shri M.N.Kaushal

Shri M.N.Kaushal joined the Company's Board in December, 2009. He is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. Having joined the erstwhile Punjab Tractors Limited (since merged with Mahindra & Mahindra Limited) in 1981, he is currently Chief Financial Officer of Swaraj Division of Mahindra & Mahindra Limited and has made significant contributions in business planning, cost control and management & judicious allocation of financial resources.

(ii) Past remuneration during the financial year ended 31st March, 2012

Not applicable, fresh appointment with effect from 1st April, 2012.

(iii) Recognition or awards

Career profile already covered in the section "Background details".

(iv) Job Profile and his suitability

Shri M.N.Kaushal, Whole-time Director, will be responsible for operations and the affairs of Company.

Taking into consideration his qualifications and expertise in relevant fields, he is best suited for the responsibilities currently assigned to him by the Board of Directors.

(v) Remuneration proposed

Remuneration of Rs.1,00,000/- per month in the scale of Rs. 1,00,000/- to Rs. 1,25,000/- per month.

(vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)

Taking into consideration the size of the Company, the profile of Shri M.N.Kaushal, the responsibilities assigned, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

(vii) Pecuniary relationship(s) directly or indirectly with the Company, or relationship with the managerial personnel, if any

Besides the remuneration proposed to be paid to him, he does not has any other pecuniary relationship with the Company or relationship with any of its managerial personnel.

III. Other Information

(i) Reasons of loss or inadequate profits

Not applicable, as the Company has posted a net profit after tax of Rs.52.82 crores for the year ended 31st March, 2012.

(ii) Steps taken or proposed to be taken for improvement and