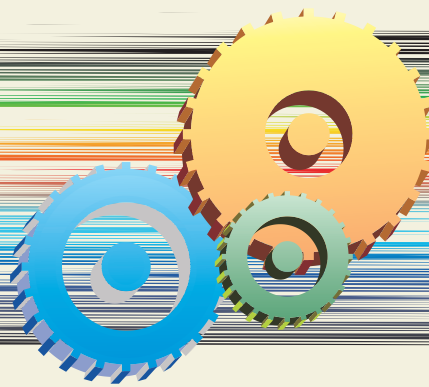


Annual Report 2013



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
AXIS 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

SUDHIR MANKAD

Dr. T.N. KAPOOR

S.C. BHARGAVA

V.S. PARTHASARATHY

R.R. DESHPANDE

VIJAY VARMA

RAJESH JEJURIKAR

M.N. KAUSHAL
Whole-time Director

ANNUAL GENERAL MEETING

on Tuesday, 30th July, 2013
at 2:30 P.M. 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 Ten Years | 3 |
| Notice of Annual General Meeting | 4 |
| Report of the Directors | 8 |
| Annexure to Directors' Report | 12 |
| Management Discussion and Analysis | 13 |
| Corporate Governance Report | 16 |
| Corporate Governance Compliance Certificate | 31 |
| Balance Sheet | 32 |
| Statement of Profit and Loss | 33 |
| Significant Accounting Policies | 34 |
| Notes on Accounts | 36 |
| Cash Flow Statement | 50 |
| Auditors' Report | 52 |

KEY PERFORMANCE INDICATORS - LAST TEN YEARS

| | (Rs. in Crores) | | | | | | | | | |
|-----------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------------|---------------------------|
| Fiscal Year → | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Engines Sold (Nos.) | 14844 | 18225 | 17631 | 17702 | 16408 | 28539 | 39143 | 47413 | 55239 | 57377 |
| Total Revenue (Net) | 89.79 | 123.52 | 128.18 | 129.32 | 125.54 | 208.34 | 286.62 | 363.45 | 452.64[^] | 486.11[^] |
| PBIDT | 20.21 | 27.73 | 25.81 | 26.58 | 23.36 | 32.04 | 53.75 | 63.08 | 73.43 | 78.56 |
| Finance Charges (Net) | 0.21 | 0.15 | 0.14 | (0.45) | (3.27) | (4.87) | (5.80) | (5.73) | (8.10) | (8.10) |
| Depreciation | 3.79 | 3.96 | 4.26 | 4.40 | 4.59 | 4.69 | 4.84 | 4.46 | 4.26 | 7.16 |
| Profit Before Tax | 16.21 | 23.62 | 21.41 | 22.63 | 22.04 | 32.22 | 54.71 | 64.35 | 77.27 | 79.50 |
| Income Tax | 5.86 | 8.19 | 7.42 | 7.77 | 7.68 | 10.95 | 17.36 | 20.44 | 24.45 | 24.10 |
| Profit After Tax | 10.35 | 15.43 | 13.99 | 14.86 | 14.36 | 21.27 | 37.35 | 43.91 | 52.82 | 55.40 |
| Dividend % | 150 | 225 | 75* | Nil | 50 | 50 | 80 | 100 | 130 | 330 # |
| Dividend Payout | 6.21 | 9.31 | 9.31 | Nil | 6.21 | 6.21 | 9.94 | 12.42 | 16.15 | 40.99 |
| Equity Share Capital | 4.14 | 4.14 | 12.42* | 12.42 | 12.42 | 12.42 | 12.42 | 12.42 | 12.42 | 12.42 |
| Net Worth | 52.85 | 57.64 | 61.01 | 75.87 | 82.96 | 96.97 | 122.74 | 152.22 | 186.28 | 193.73 |
| Capital Employed | 61.90 | 65.80 | 67.29 | 81.41 | 88.04 | 100.84 | 125.42 | 154.14 | 189.48 | 200.06 |
| Market Capitalisation | 97.70 | 144.07 | 183.20 | 176.36 | 265.78 | 118.05 | 360.36 | 532.93 | 498.10 | 490.58 |
| PBIDT/Total Revenue % | 22.5 | 22.4 | 20.1 | 20.6 | 18.6 | 15.4 | 18.8 | 17.4 | 16.2 | 16.2 |
| Return on Net Worth % | 19.6 | 26.8 | 22.9 | 19.6 | 17.3 | 21.9 | 30.4 | 28.9 | 28.4 | 28.6 |
| Earning Per Share (Rs.) | 25.0 | 37.3 | 11.3* | 12.0 | 11.6 | 17.1 | 30.1 | 35.4 | 42.5 | 44.6 |
| Book Value Per Share (Rs.) | 127.7 | 139.2 | 49.1* | 61.1 | 66.8 | 78.1 | 98.8 | 122.6 | 150.0 | 156.0 |

*On Post Bonus (2:1) Equity

#Include Special Dividend of 200%

[^] Exclude interest income of Rs. 8.25 Crores (2012 – Rs. 8.18 Crores)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday, the 30th day of July, 2013 at 2.30 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 businesses:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet as at 31st March, 2013 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 appoint a Director in place of Shri S.C.Bhargava who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Pawan Goenka who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri V.S.Parthasarathy who retires by rotation and, being eligible, offers himself for re-appointment.
6. 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, M/s 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

7. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**
"RESOLVED that Shri Sudhir Mankad, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 31st July, 2012 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, 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 Shri Rajesh Jejurikar, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22nd April, 2013 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be appointed a Director of the Company, liable to retire by rotation."

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 Company's Registrar and Transfer Agents for its Share Registry Work (Physical and Electronic) are M/s MCS Limited having their office at Sri Venkatesh Bhawan, F-65, First Floor, Okhla Industrial Area, Phase I, New Delhi - 110 020.
5. The Register of Members and Share Transfer Books of the Company will be closed from 13th July, 2013 to 19th July, 2013 (both days inclusive).
6. The dividend, if declared at the Annual General Meeting, would be paid / despatched on or after 31st July, 2013 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 12th July, 2013 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 mode; 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 12th July, 2013.
7. Members / Proxies are requested to bring their attendance slips and copy of Annual Report to the Meeting.
8. 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 compiled and made available at the Meeting.
9. 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, 2005 to the Investor Education and Protection Fund (IEPF).
 All unclaimed dividends for the financial year ended 31st March, 2006 will become due for transfer to IEPF in October 2013. 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 IEPF or the Company in respect thereof.
10. Members can avail 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 this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, MCS Limited at the above mentioned address. Members holding shares in electronic mode may contact their respective Depository Participants for availing this facility.
11. Payment of Dividend through ECS:
 - a) The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the Depositories for the payment of dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank details, if available, on the payment instrument for distribution of dividend. The Company will not entertain any direct request from Members holding shares in electronic mode for deletion of / change in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such bank account details are therefore requested to advise their Depository Participants about such change, with complete details of bank account.
 - b) Members holding shares in physical form and wishing to avail the facility of electronic credit of dividend directly to their respective bank accounts through the Electronic Clearing Service (ECS) / National Electronic Clearing Service

SWARAJ ENGINES LIMITED

(NECS) are requested to intimate the particulars of their bank account, viz., name and address of the branch of the bank with 9 digit MICR code of the branch & 11 digit IFSC, type of account and account number latest by 20th July, 2013, to Company's Registrar and Share Transfer Agent, MCS Limited. Members located in places where ECS / NECS facility is not available may submit their bank details to enable the Company to incorporate this information on the dividend warrants and thus prevent fraudulent encashment.

12. For receiving all shareholder communications faster, including annual reports, the shareholders are requested to kindly register / update their e-mail address with their respective Depository Participant, where shares are held in electronic mode. If, however, shares are held in physical form, shareholders are advised to register their e-mail address with Company's Registrar and Share Transfer Agent, MCS Limited.
13. Members are requested to:
 - Intimate to the Company's Registrar and Transfer Agents, MCS Limited at the above mentioned address, 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.
14. Appointment / Re-appointment of Directors

S/Shri S.C.Bhargava, Pawan Goenka, V.S.Parthasarathy, Sudhir Mankad and Rajesh Jejurikar do not hold any Equity Shares in the Company.

None of the Directors of the Company are inter-se related to each other.

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@mahindraswaraj.com
Dated: 14th June, 2013

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. 7

Shri Sudhir Mankad was appointed by the Board as an Additional Director with effect from 31st July, 2012. 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 Mankad as a Director of the Company.

Shri Mankad belongs to Indian Administrative Services (IAS) and has served in various capacities, both in Government of India and State of Gujarat. His last assignment was as Chief Secretary, Government of Gujarat. He has served as a Director / Chairman on Board of several Cement, Power, Fertilizer and Finance Companies. He had also worked on the Finance Committee of Central Universities and had been associated with several Educational Institutions & NGOs.

Shri Mankad does not hold any shares in the Company.

The Board is of the view that Shri Mankad's knowledge and experience will be of immense value to the Company and, therefore, recommends his appointment to the Members in terms of Resolution set out in Item No. 7 of the Notice.

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

Item No. 8

Shri Rajesh Jejurikar was appointed by the Board as an Additional Director with effect from 22nd April, 2013. 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 Jejurikar as a Director of the Company.

Shri Jejurikar joined Mahindra & Mahindra Limited (M&M) in 2000 in its Automotive Division and in 2008, he was appointed Chief of Operations of the Automotive Sector and was subsequently named Chief Executive for Automotive Division. After a short stint in the media industry, Shri Jejurikar rejoined M&M in 2013 and is currently Chief Executive - Tractor & Farm Mechanisation. Prior to joining M&M, he had served at senior positions in the packaged goods industry and advertising.

Shri Jejurikar does not hold any shares in the Company.

The Board is of the view that Shri Jejurikar's knowledge and experience will be of immense value to the Company and, therefore, recommends his appointment to the Members in terms of Resolution set out in Item No. 8 of the Notice.

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

Regd.Office:

Phase IV, Industrial Area

S.A.S. Nagar (Mohali)

Punjab - 160 055

Email: grewal.maninder@mahindraswaraj.com

Dated: 14th June, 2013

BY ORDER OF THE BOARD

(M.S.GREWAL)

Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their 27th Annual Report together with Audited Accounts for the financial year ended 31st March, 2013.

FINANCIAL RESULTS :

| | Year Ended 31 st March, 2013 | (Rs. in Crores) Year Ended 31 st March, 2012 |
|---|--|---|
| Net Operating Revenue | 479.03 | 448.58 |
| Other Income | 15.32 | 12.24 |
| Profit before Depreciation, Finance Charges and Tax | 86.81 | 81.61 |
| Finance Costs | 0.15 | 0.08 |
| Depreciation | 7.16 | 4.26 |
| Profit Before Tax | 79.50 | 77.27 |
| Tax Provision | | |
| – Current | 20.97 | 23.17 |
| – Deferred | 3.13 | 1.28 |
| Profit After Tax | 55.40 | 52.82 |
| Surplus - Opening Balance | 26.70 | 23.64 |
| Surplus available for Appropriation | 82.10 | 76.46 |
| Appropriations : | | |
| Proposed Dividend | 40.99 | 16.14 |
| Tax on Proposed Dividend | 6.96 | 2.62 |
| Transfer to General Reserve | 6.00 | 31.00 |
| Surplus - Closing Balance | 28.15 | 26.70 |

DIVIDEND

Your Directors are pleased to recommend an equity dividend of Rs. 13.00 per share of the face value of Rs. 10 each for the financial year ended 31st March, 2013. In addition, following its Investor friendly approach and keeping in view the Company's surplus cash position, the Board, over and above the said normal dividend, has also recommended a special dividend of Rs. 20.00 per share, taking the total dividend to Rs. 33.00 per share for the financial year 2012-13, as against Rs.13.00 per share declared and paid for previous year. This dividend would be payable to those members whose names shall appear in the Register of Members as on Book Closure date. The total equity dividend outgo for the financial year 2012-13, including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 47.95 crores (previous year Rs. 18.76 crores).

REVIEW OF OPERATIONS

Members would be happy to note that your Company's engines sale for the financial year 2012-13 registered a growth of 4% to reach 57,377 units against 55,239 units sold during the previous year. This increase in the sales was achieved despite the fact that the overall domestic tractor industry, which has direct bearing on Company's performance, declined by 2% during the year.

Based on the above performance, Company's net operating revenue for the year stood at Rs. 479.03 crores as compared to Rs.448.58 crores for the previous year - a growth of 7%. During the year, your Company has also completed the phased capacity expansion plan within the projected cost and timelines. Accordingly, enhanced capacity of 75,000 engines per annum

is available from the beginning of current fiscal 2014. The higher depreciation due to said expansion coupled with enhanced spend on R&D related activities impacted the profit for the year under review to some extent, but with continuous focus on cost control and higher returns on surplus funds, Profit Before Tax for the year reached Rs. 79.50 crores as against last year's profit of Rs. 77.27 crores. Profit After Tax of Rs. 55.40 crores (previous year Rs. 52.82 crores) translates into an Earning Per Share of Rs. 44.61 (previous year Rs. 42.53).

FINANCE

The fund position of the Company was comfortable throughout the year under review. As a result, after meeting routine capital expenditure and working capital requirements to support operations, a total income of Rs. 15.22 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. The Company's plant is certified under OHSAS 18001:2007 and EMS ISO 14001:2004.

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, celebration of festivals with under privileged, etc.

SUSTAINABILITY INITIATIVE

Your Company is conscious of its responsibility towards preservation of natural resources and continuously taking various initiatives to reduce the consumption of electricity and water.

DIRECTORS

Shri D.R.Swar and Shri Hardeep Singh who were liable to retire by rotation at the last Annual General Meeting of the Company and expressed their desire not to seek re-appointment, ceased to be the Directors of the Company at the conclusion of the Annual General Meeting held on 31st July, 2012. Your Board has placed on record its sincere appreciation of the valuable guidance and significant contributions made by Shri Swar and Shri Hardeep Singh during their association with the Company.

Consequent upon his resignation, Shri Bishwambhar Mishra, Vice Chairman, ceased to be a Director of the Company with effect from 1st April, 2013. Your Board has placed on record its sincere appreciation of the valuable guidance and significant contributions made by Shri Mishra during his association in building the Company to its present position of eminence.