



Annual Report 2014

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

Website

www.swarajenterprise.com

BOARD OF DIRECTORS

G.P. GUPTA
Chairman

DR. PAWAN GOENKA

SUDHIR MANKAD

DR. T.N.KAPOOR

S.C.BHARGAVA

R.R.DESHPANDE

VIJAY VARMA

RAJAN WADHERA

S.DURGASHANKAR

DILEEP C. CHOKSI

M.N.KAUSHAL
Whole-time Director

ANNUAL GENERAL MEETING

on Thursday, 31st July, 2014
at 2:30 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 TEN YEARS
(Rs. in Crores)

Fiscal Year →	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Engines Sold (Nos.)	18225	17631	17702	16408	28539	39143	47413	55239	57377	74062
Total Revenue (Net)^	123.52	128.18	129.32	125.54	208.34	286.62	363.45	452.64	486.11	614.75
PBIDT	27.73	25.81	26.58	23.36	32.04	53.75	63.08	73.43	78.56	97.11
Finance Charges (Net)	0.15	0.14	(0.45)	(3.27)	(4.87)	(5.80)	(5.73)	(8.10)	(8.10)	(10.97)
Depreciation	3.96	4.26	4.40	4.59	4.69	4.84	4.46	4.26	7.16	9.12
Profit Before Exceptional Items	23.62	21.41	22.63	22.04	32.22	54.71	64.35	77.27	79.50	98.96
Exceptional Items [Expenses / (Income)]	-	-	-	-	-	-	-	-	-	1.15
Profit Before Tax	23.62	21.41	22.63	22.04	32.22	54.71	64.35	77.27	79.50	97.81
Income Tax	8.19	7.42	7.77	7.68	10.95	17.36	20.44	24.45	24.10	30.81
Profit After Tax	15.43	13.99	14.86	14.36	21.27	37.35	43.91	52.82	55.40	67.00
Dividend %	225	75*	Nil	50	50	80	100	130	330 #	350#
Dividend Payout	9.31	9.31	Nil	6.21	6.21	9.94	12.42	16.15	40.99	43.47
Equity Share Capital	4.14	12.42*	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42
Net Worth	57.64	61.01	75.87	82.96	96.97	122.74	152.22	186.28	193.73	209.88
Capital Employed	65.80	67.29	81.41	88.04	100.84	125.42	154.14	189.48	200.06	216.82
Market Capitalisation	144.07	183.20	176.36	265.78	118.05	360.36	532.93	498.10	490.58	859.20
PBIDT/Total Revenue %	22.4	20.1	20.6	18.6	15.4	18.8	17.4	16.2	16.2	15.8
Return on Net Worth %	26.8	22.9	19.6	17.3	21.9	30.4	28.9	28.4	28.6	31.9
Earning Per Share (Rs.)	37.3	11.3*	12.0	11.6	17.1	30.1	35.4	42.5	44.6	53.9
Book Value Per Share (Rs.)	139.2	49.1*	61.1	66.8	78.1	98.8	122.6	150.0	156.0	169.0

*On Post Bonus (2:1) Equity

#Include Special Dividend of 200%

^ Total Revenue (Net) from 2012 onwards exclude interest income

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of Swaraj Engines Limited will be held on **Thursday, the 31st day of July, 2014 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, 2014 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 R.R.Deshpande (DIN 00007439) who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vijay Varma (DIN 00011352) who retires by rotation and, being eligible, offers himself for re-appointment.
5. 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 139 of the Companies Act, 2013, 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

6. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**

"RESOLVED that pursuant to the provisions of Section 149,152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force, Dr. T.N.Kapoor (DIN 00017692), Director of the Company who retires by rotation at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 30th July, 2019, not liable to retire by rotation."

7. **To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:**

"RESOLVED that pursuant to the provisions of Section 149,152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force, Shri Sudhir Mankad (DIN 00086077), in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 30th July, 2019, not 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 Rajan Wadhera (DIN 00416429), who was appointed by the Board of Directors as an Additional Director of the Company with effect from 29th April, 2014 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for

the office of Director of the Company, be and is hereby appointed as 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 Shri S.Durgashankar (DIN 00044713), who was appointed by the Board of Directors as an Additional Director of the Company with effect from 18th June, 2014 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED that pursuant to the provisions of Section 149,152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force, Shri Dileep C. Choksi (DIN 00016322), who was appointed by the Board of Directors as an Additional Director of the Company with effect from 18th June, 2014 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 30th July, 2019, not liable to retire by rotation."

11. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 149,152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force, Smt. Neera Saggi (DIN 00501029), who was appointed by the Board of Directors as an Additional Director of the Company with effect from 1st October, 2014 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company with effect from 1st October, 2014 to hold office for five consecutive years for a term up to 30th September, 2019, not liable to retire by rotation."

12. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2015, be paid a remuneration of Rs.55,000/- (Rupees fifty five thousand only) plus taxes as may be applicable and reimbursement of such other out of pocket expenses as may be incurred by the said Cost Auditors during the course of the audit.

RESOLVED further that the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

NOTES

1. Explanatory statement as required under Section 102(1) of the Companies Act, 2013 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. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

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 Share 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 12th July, 2014 to 18th July, 2014 (both days inclusive).
6. The dividend, if declared at the Annual General Meeting, would be paid / despatched on or after 1st August, 2014 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 11th July, 2014 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 Share Transfer Agents on or before 11th July, 2014.
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, 2006 to the Investor Education and Protection Fund (IEPF). The Company has uploaded the information of unclaimed / unpaid dividend lying with the Company as on 30th July, 2013 (date of last Annual General Meeting) on the website of the Company (www.swarajenterprise.com). Members who have not encashed the dividend warrant(s) so far for 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. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Registrar.
11. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form SH13 duly filled in to Company's Registrar and Share Transfer Agents, MCS Limited at their abovementioned address. Members holding shares in electronic mode may contact their respective Depository Participants for availing this facility.
12. 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 (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, 2014, 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.
13. 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.
14. Members are requested to:
- Intimate to the Company's Registrar and Share Transfer Agents, MCS Limited at their abovementioned 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.
15. Voting through electronic means
- I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 28th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL):
- The instructions for e-voting are as under:
- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participant(s)]:
- (i) Open email and open attached PDF file with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
 - (ii) Open the internet browser by typing the URL: <https://www.evoting.nsdl.com>
 - (iii) Click on Shareholder - Login
 - (iv) If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
 - (v) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.

- (vi) Password change menu will appear on your screen. Change the password with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vii) Once the e-voting home page opens, click on e-Voting> Active Voting Cycles.
 - (viii) Select "EVEN" (E-Voting Event Number) of Swaraj Engines Limited which is 100424. Now you are ready for e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to ajaykcs@gmail.com with a copy marked to evoting@nsdl.co.in
- B. For the members whose email IDs are not registered with the Company/Depository Participant(s):
- (i) Initial password alongwith physical copy of the Notice of AGM is being sent separately in the permitted mode.
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads Section of www.evoting.nsdl.com
- III. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IV. The e-voting period commences on 23rd July, 2014 (9:00 am) and ends on 25th July, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, the 27th June, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- V. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date, the 27th June, 2014.
- VI. Sh. Ajay K Arora, Practicing Company Secretary (Membership No.2191), Proprietor - M/s. A.Arora& Co., Company Secretaries, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VII. The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith.
- VIII. The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.swarajenterprise.com and on the website of NSDL within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

16. Appointment /Re-appointment of Directors

Shri R.R.Deshpande, Shri Vijay Varma, Dr. T.N.Kapoor, Shri Sudhir Mankad, Shri Rajan Wadhera, Shri S.Durgashankar, Shri Dileep C. Choksi and Smt. Neera Saggi 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: 21st June, 2014
CIN : L50210PB1985PLC006473

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the items of the Special Business

Item No. 6

Dr. T.N.Kapoor is a Non-Executive-Independent Director in terms of clause 49 of the stock exchange listing agreement and retires by rotation at the ensuing Annual General Meeting under the provisions of the erstwhile Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 ("the Act") proposing his candidature for the office of Director of the Company.

Pursuant to the provisions of Section 149 of the Act, every listed public company is required to have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation. Further, Section 149 of the Act inter alia stipulates the criteria of independence should a company propose to appoint an Independent Director on its Board.

The Company has received a declaration from Dr. T.N.Kapoor that he meets with the criteria of independence as prescribed under Section 149(6) of the Act. In the opinion of the Board, Dr. Kapoor fulfills the conditions specified in the Act and the Rules framed thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Dr. T.N.Kapoor possesses a Master's degree in Commerce, a Bachelor's degree in Law and a Doctorate in Philosophy. He is an eminent Educationist and served as Professor and Dean, Faculty of Business Management & Commerce in Panjab University.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Dr. T.N.Kapoor and, therefore, recommends his appointment as Independent Director to the Members in terms of Resolution set out in Item No. 6 of the Notice.

Copy of the draft letter for appointment of Dr. T.N.Kapoor as an Independent Director setting out the terms and conditions would be available for inspection by members at the Registered Office of the Company during normal business hours on working days.

Dr. T.N.Kapoor does not hold any shares in the Company.

Except Dr. T.N.Kapoor, none of the Directors, key managerial personnel of the Company or their relatives is interested or concerned in the resolution.

Item No. 7

Shri Sudhir Mankad is an existing Non-Executive-Independent Director in terms of clause 49 of the stock exchange listing agreement and the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 ("the Act") proposing his candidature for the office of Director of the Company.

Pursuant to the provisions of Section 149 of the Act, every listed public company is required to have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation. Further, Section 149 of the Act inter alia stipulates the criteria of independence should a company propose to appoint an Independent Director on its Board.

The Company has received a declaration from Shri Sudhir Mankad that he meets with the criteria of independence as prescribed under Section 149(6) of the Act. In the opinion of the Board, Shri Mankad fulfills the conditions specified in the Act and the Rules framed thereunder for his appointment as an Independent Director of the Company and is independent of the management.

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.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Shri Sudhir Mankad and, therefore, recommends his appointment as Independent Director to the Members in terms of Resolution set out in Item No. 7 of the Notice.

Copy of the draft letter for appointment of Shri Sudhir Mankad as an Independent Director setting out the terms and conditions would be available for inspection by members at the Registered Office of the Company during normal business hours on working days.

Shri Sudhir Mankad does not hold any shares in the Company.

Except, Shri Sudhir Mankad, none of the Directors, key managerial personnel of the Company or their relatives is interested or concerned in the resolution.

Item No. 8

Shri Rajan Wadhera was appointed by the Board as an Additional Director with effect from 29th April, 2014. He holds office upto the date of the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 ("the Act"). The Company has received a notice in writing from a member under Section 160 of the Act proposing the appointment of Shri Wadhera as a Director of the Company.

Shri Rajan Wadhera is currently Chief Executive - Truck & Power Train Division and Head - Mahindra Research Valley (MRV) and Member of Group Executive Board of Mahindra & Mahindra Limited (M&M) and has wide experience in various facets of automotive as well as farm equipment sector like Research & Development, Technology Incubation, Sourcing, Manufacturing, Program Management, Vendor Management and New Parts Development. Before joining M&M, he was the Head of Operations of Eicher group's trucks, tractors and motor cycles business.

The Board is of the view that Shri Wadhera'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.

Shri Wadhera does not hold any shares in the Company.

Except Shri Rajan Wadhera, none of the Directors, key managerial personnel of the Company or their relatives is interested or concerned in the resolution.

Item No. 9

Shri S.Durgashankar was appointed by the Board as an Additional Director with effect from 18th June, 2014. He holds office upto the date of the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 ("the Act"). The Company has received a notice in writing from a member under Section 160 of the Act proposing the appointment of Shri Durgashankar as a Director of the Company.

Shri Durgashankar is a Chartered Accountant and is currently Executive Vice President- Merger & Acquisitions (M&A) and Secretarial and Member of the Group Executive Board at Mahindra & Mahindra Ltd. (M&M). Having over 30 years of experience, he has handled a wide spectrum of Corporate Finance assignments at senior levels. As CFO of Mahindra Satyam, he provided critical leadership in setting up systems and processes in Finance, Accounts, Treasury, and Commercial Operations in addition to tackling other multiple complex matters. Before joining M&M Group he was the Group CFO of a group of businesses, with interest in the power sector.

The Board is of the view that Shri Durgashankar'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. 9 of the Notice.

Shri Durgashankar does not hold any shares in the Company.

Except Shri S.Durgashankar, none of the Directors, key managerial personnel of the Company or their relatives is interested or concerned in the resolution.

Item No. 10

Shri Dileep C. Choksi was appointed by the Board as an Additional Director with effect from 18th June, 2014. He holds office upto the date of the ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 ("the Act"). The Company has received a notice in writing from a member under Section 160 of Act proposing the appointment of Shri Choksi as a Director of the Company.

Pursuant to the provisions of Section 149 of the Act, every listed public company is required to have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation. Further, Section 149 of the Act inter alia stipulates the criteria of independence should a company propose to appoint an Independent Director on its Board.

The Company has received a declaration from Shri Dileep C. Choksi that he meets with the criteria of independence as prescribed under Section 149(6) of the Act. In the opinion of the Board, Shri Choksi fulfills the conditions specified in the Act and the Rules framed thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Shri Dileep C. Choksi is a Fellow Member of the Institute of Chartered Accountants of India, Bachelor of Law, Member of the Institute of the Cost and Works Accountants of India. Having over 35 years of experience, his areas of specialization include tax planning and structuring for domestic and international clients, including expatriates, finalizing collaborations and joint ventures, executive advisory and decision support, corporate restructuring with a focus on start-up, turnaround and change management strategies and analyzing tax impact of various instruments.

The Board is of the view that Shri Choksi's knowledge and experience will be of immense value to the Company and, therefore, recommends his appointment as Independent Director to the members in terms of Resolution set out in Item No. 10 of the Notice.

Copy of the draft letter for appointment of Shri Dileep C. Choksi as an Independent Director setting out the terms and conditions would be available for inspection by members at the Registered Office of the Company during normal business hours on working days.

Shri Dileep C. Choksi does not hold any shares in the Company.

Except Shri Dileep C. Choksi, none of the Directors, key managerial personnel of the Company or their relatives is interested or concerned in the resolution.

Item No. 11

Smt. Neera Saggi was appointed by the Board as an Additional Director with effect from 1st October, 2014. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 ("the Act") proposing the appointment of Smt. Saggi as a Director of the Company.

Pursuant to the provisions of Section 149 of the Act, every listed public company is required to have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation. Section 149 of the Act inter alia stipulates the criteria of independence should a company propose to appoint an Independent Director on its Board. Further, as per the provisions of Section 149 (1) of the Act, the Company should have atleast one woman Director.

The Company has received a declaration from Smt. Neera Saggi that she meets with the criteria of independence as prescribed under Section 149(6) of the Act. In the opinion of the Board, Smt. Saggi fulfills the conditions specified in the Act and the Rules framed thereunder for her appointment as Independent Director of the Company and is independent of the management.

Smt. Neera Saggi belongs to Indian Administrative Services (IAS) and has served in various capacities, both in Government of India and State of West Bengal. Before taking voluntary retirement in 2008, she has handled various important assignments including Secretary to Governor of West Bengal, Deputy Chairperson - Jawaharlal Nehru Port Trust, Chairman cum Managing Director - Hindustan Diamond Company Pvt. Ltd. and Development Commissioner - SEZ, Ministry of Commerce, Govt. of India.

The Board is of the view that Smt. Saggi's knowledge and experience will be of immense value to the Company and, therefore, recommends her appointment as Independent Director to the members in terms of Resolution set out in Item No.11 of the Notice.

Copy of the draft letter for appointment of Smt. Neera Saggi as an Independent Director setting out the terms and conditions would be available for inspection by members at the Registered Office of the Company during normal business hours on working days.

Smt. Neera Saggi does not hold any shares in the Company.

Except Smt. Neera Saggi, none of the Directors, key managerial personnel of the Company or their relatives is interested or concerned in the resolution.

Item No. 12

The Board, on the recommendation of the Audit Committee, has approved the appointment of M/s V.Kumar & Associates, Cost Accountants, as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2015 and the Board, subject to the ratification by the members, approved the remuneration of Rs. 55,000/- (Rupees fifty five thousand only) plus applicable taxes and reimbursement of such other out of pocket expenses as may be incurred by the said Cost Auditors during the course of the audit.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 12 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2015.

The Board recommends the Resolution for the approval of the members in terms of Resolution set out in Item No. 12 of the Notice.

None of the Directors, key managerial personnel of the Company or their relatives is concerned or interested in the resolution.

Regd.Office:
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Email: grewal.maninder@mahindraswaraj.com
Dated: 21st June, 2014
CIN : L50210PB1985PLC006473

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their 28th Annual Report together with Audited Accounts for the financial year ended 31st March, 2014.

FINANCIAL RESULTS :

	Year Ended 31st March, 2014	(Rs. in Crores) Year Ended 31st March, 2013
Net Operating Revenue	608.28	479.03
Profit before Other Income, Depreciation, Finance Charges, Exceptional items and Tax	90.63	71.49
Other Income	17.49	15.32
Profit before Depreciation, Finance Charges, Exceptional items and Tax	108.12	86.81
Finance Costs	0.04	0.15
Depreciation	9.12	7.16
Profit before Exceptional items & Tax	98.96	79.50
Exceptional Items [Expenses/(Income)]	1.15	-
Profit Before Tax	97.81	79.50
Tax Provision		
- Current	30.20	20.97
- Deferred	0.61	3.13
Profit After Tax	67.00	55.40
Surplus - Opening Balance	28.15	26.70
Surplus available for Appropriation	95.15	82.10
Appropriations :		
Proposed Dividend	43.47	40.99
Tax on Proposed Dividend	7.38	6.96
Transfer to General Reserve	7.00	6.00
Surplus - Closing Balance	37.30	28.15

DIVIDEND

Your Directors are pleased to recommend an equity dividend of Rs. 15.00 per share of the face value of Rs. 10 each for the financial year ended 31st March, 2014. 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. 35.00 per share for the financial year 2013-14, as against Rs.33.00 per share, including special dividend of Rs. 20.00 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 2013-14, including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 50.85 crores (previous year Rs. 47.95 crores).

REVIEW OF OPERATIONS

Driven by strong demand, your Company's engines sale witnessed a robust growth of 29% during the year under review and moved to 74,062 units, the highest ever sale, as against 57,377 units sold during the previous year. It is a matter of satisfaction that the timely decision to increase the capacity to 75,000 units per annum and its completion as per the schedule helped the Company to derive the full advantage by using the enhanced capacity in the first year itself.

On the strength of healthy growth in engine sales volume, financial parameters have shown robust improvement. The net operating revenue registered a growth of 27% to reach Rs. 608.28 crores as against Rs.479.03 crores for the previous year. Moving in tandem, the operating profit at Rs. 90.63 crores also increased by 27% over previous year's profit of Rs. 71.49 crores. While depreciation for the year was higher due to full year impact of capacity expansion, with continued focus on cost controls, Profit Before Tax (prior to exceptional items of Rs. 1.15 crores) registered an increase of 24% at Rs. 98.96 crores as against Rs.79.50 crores in the previous year. Profit After Tax of Rs. 67.00 crores (previous year Rs. 55.40 crores) translates into an Earning Per Share of Rs. 53.95 (previous year Rs. 44.61).

Taking note of the fact that the existing annual capacity of 75,000 units had been fully utilized and to further cater the upcoming demand from its key customer, your Company has finalised another expansion programme to increase its capacity to 1,05,000 units per annum at a total outlay of around Rs. 38.0 crores, which will be fully financed through internal resources. This expansion is expected to be completed by first quarter of fiscal 2016. Besides capacity augmentation, your Company will continue to focus on technology and quality up-gradation.

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, total income of Rs. 17.43 crores (previous year 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. 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 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, public awareness camps for road safety and pollution 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

Consequent upon their resignations, Shri Rajesh Jejurikar and Shri V.S.Parthasarathy, ceased to be Directors of the Company with effect from 28th April, 2014 and 29th April, 2014 respectively. Your Board has placed on record its sincere appreciation of the significant contributions made by Shri Jejurikar and Shri Parthasarathy during their tenure as Directors of the Company.

Shri Rajan Wadhera and Shri S.Durgashankar were appointed as Additional Directors of the Company with effect from 29th April, 2014 and 18th June, 2014 respectively. Shri Wadhera and Shri Durgashankar hold office upto the date of the forthcoming Annual General Meeting. The Company has received notices under Section 160 of the Companies Act, 2013 from Member signifying intention to propose Shri Wadhera and Shri Durgashankar for the office of Director at the forthcoming Annual General Meeting.

SWARAJ ENGINES LIMITED

Shri Dileep C. Choksi was appointed as Additional Director with effect from 18th June, 2014 and shall hold office upto the date of the forthcoming Annual General Meeting. The Company has received notice under Section 160 of the Companies Act, 2013 from Member signifying intention to propose Shri Choksi for the office of Independent Director at the forthcoming Annual General Meeting.

Smt. Neera Saggi was appointed as Additional Director with effect from 1st October, 2014 and the Company has received notice under Section 160 of the Companies Act, 2013 from Member signifying intention to propose Smt. Saggi for the office of Independent Director from the said date at the forthcoming Annual General Meeting.

The Company has also received notices under Section 160 of the Companies Act, 2013 from Member signifying his intention to propose Dr. T.N.Kapoor and Shri Sudhir Mankad for the office of Independent Directors at the forthcoming Annual General Meeting. While Dr. T.N.Kapoor retires by rotation at the forthcoming Annual General Meeting, Shri Sudhir Mankad is also on the Board of the Company as non-executive Director and their appointments as Independent Directors are being made pursuant to Sections 149 & 152 of the Companies Act, 2013.

Shri G.P.Gupta and Shri S.C.Bhargava have expressed their desire not to continue as Directors of the Company from the conclusion of forthcoming Annual General Meeting.

Accordingly, Shri R.R.Deshpande and Shri Vijay Varma shall retire by rotation at the forthcoming Annual General Meeting 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 31st March, 2014 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

M/s Davinder S. Jaaj & Company, Chartered Accountants, Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment. The Members are requested to appoint Auditors and fix their remuneration.

COST AUDITORS

In conformity with the directives of Central Government, the Board of Directors of the Company appointed M/s V.Kumar & Associates, Cost Accountants, as Cost Auditors of the Company for conducting the cost audit for the year ended 31st March, 2014. Subsequently, their appointment was also approved by the Central Government.

Further, pursuant to Section 148(3) of the Companies Act, 2013, the Board of Directors on the recommendation of Audit Committee has re-appointed M/s V.Kumar & Associates, Cost Accountants, as the Cost Auditors of the Company for the financial year ending on 31st March, 2015. M/s V.Kumar & Associates have confirmed that their appointment, if approved, will be within the limits of Section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from disqualification specified under Section 141(3) of the Companies Act, 2013.

The Audit Committee has also received a certificate from the Cost Auditors certifying their independence and arm's length relationship with the Company.

The Cost Audit Report for the financial year 2012-13 was filed within the due date on 24th September, 2013.

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 April - May 2014, 13,203 units were despatched as against 11,945 units during the corresponding period in the previous year - a growth of 11%.

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

There was no employee covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975, as amended, who was in receipt of remuneration of Rs.60,00,000 or more per annum and was employed throughout the year ended 31st March, 2014 or Rs.5,00,000 or more per month and was employed for a part of the financial year 2013-14.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to acknowledge the contributions of all the stakeholders and are grateful for the co-operation of various Government Authorities, excellent support received from the Shareholders, Banks and other Business Associates. The Directors also recognise and appreciate the hard work and efforts put in by all the employees and their contribution to the progress of the Company

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)
Date : 21st June, 2014

G.P.GUPTA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Swaraj Engines Ltd. (SEL) is manufacturing engines for fitment into "Swaraj" tractors being manufactured by Mahindra & Mahindra Ltd. (M&M) at its Swaraj Division. SEL is also supplying hi-tech engine components to SML Isuzu Ltd., the erstwhile Swaraj Mazda Ltd, for assembly of commercial vehicle engines.

Since start of commercial operations in 1989-90, SEL has supplied around 5,90,000 engines for fitment into "Swaraj" tractors.

PERFORMANCE APPRAISAL

SEL's financial performance has been exceptional right from the beginning. Its operations have been characterised by a lean organisation structure, continuous improvement in process efficiencies and optimised resource utilisation.

FINANCIAL ANALYSIS (2013-14)

While details of financial position and performance are available in the Balance Sheet, Statement of Profit & Loss, alongwith related notes, key aspects are highlighted in the following paragraphs:

(A) Statement of Profit & Loss

Income:

Total revenue for the year was Rs. 625.77 crores (previous year Rs. 494.35 crores) with the following breakdown:

(Rs. in Crores)

	<u>2013-14</u>	<u>2012-13</u>
Engines	589.81	450.30
Engine components	4.97	15.38
Spares etc.	13.50	13.35
Net Revenue from Operations	608.28	479.03
Other Income - Mainly Interest & Dividend	17.49	15.32
Total Revenue	625.77	494.35

With the enhanced demand from "Swaraj", engine supplies during the year moved to 74,062 engines (previous year 57,377 engines).

Comfortable fund position throughout the year resulted into a total income of Rs. 17.43 crores (previous year Rs. 15.22 crores) on surplus funds. Other miscellaneous income for the year stood at Rs. 0.06 crore (previous year Rs. 0.10 crore).

Expenditure:

- **Material Cost**

In view of the overall stability in the commodity prices supported by continued cost reduction initiatives and selling price revision, Material cost as a percentage of net revenue from operations at 76.0% remained almost at last year's level.

- **Personnel Cost**

Increase in Personnel cost from Rs. 22.13 crores to Rs. 27.69 crores was mainly due to increase in manpower strength to support the enhanced level of operations, annual increments and revision in wages through 4 year wage agreement with regular workers' union.

- **Other Expenses**

Though in terms of percentage of net revenue from operations, there was no major change in other expenses consisting manufacturing, consumption of stores & spares, administrative & marketing expenses, the increase in absolute terms was primarily on account of power and consumption of stores & spares due to higher production.

- **Finance Cost**

Finance cost of Rs. 0.04 crore was mainly on account of bank charges (previous year Rs.0.15 crore).

- **Depreciation**

Depreciation for the year of Rs. 9.12 crores was higher as compared to last year's Rs. 7.16 crores primarily due to full year depreciation impact of additions to gross block during expansion project completed towards the end of fiscal 2013.

- **Exceptional Items**

Exceptional Items represent the following:

- One-time expense of Rs. 2.13 crores for laying power feeder line by Punjab State Power Corporation Limited (PSPCL) for 66 KVA Power Sub-Station to ensure quality of power.
- Net receipt of Fire Insurance Claim of Rs. 0.98 crore.

Reflecting above, Profit Before Tax reached Rs. 97.81 crores (previous year Rs. 79.50 crores).

Corporate tax, including deferred tax, at Rs. 30.81 crores (previous year Rs. 24.10 crores) translates to an effective rate of 31.5% (previous year 30.3%). Deferred tax for the current year was Rs. 0.61 crore (previous year Rs. 3.13 crores).

B) Balance Sheet

Equity & Reserves

Company's net worth on 31st March, 2014 stood at Rs. 209.88 crores comprising of an Equity component of Rs. 12.42 crores and Reserves & Surplus of Rs. 197.46 crores - a book value of Rs. 169 per share (previous year Rs. 156 per share). Out of the total equity of Rs. 12.42 crores, some 83% (Rs.10.35 crores) represents two Bonus Issues made in 1997 (1:1) and 2005 (2:1).

Fixed Assets

Gross Block and Net Block of fixed assets on 31st March, 2014 stood at Rs. 152.92 crores (previous year Rs.141.54 crores) and Rs. 84.07 crores (previous year Rs. 80.72 crores) respectively. Additions during the year were primarily towards plant & machinery. Capital work in progress / capital spares at the year-end stood at Rs. 1.73 crores (previous year Rs. 2.46 crores). These assets represent an installed capacity of 75,000 engines per annum.

Inventories

To support the enhanced level of activities, year-end inventories moved to Rs. 46.40 crores (previous year Rs. 39.35 crores). The increase in finished inventories was built up to meet the demand in the first quarter of next fiscal.

Trade Receivables

Year-end Trade Receivables stood at Rs. 7.85 crores (previous year Rs. 9.25 crores).

Trade Payables

With increased level of operations, year-end Trade Payables stood at Rs. 59.22 crores (previous year Rs. 43.94 crores).

INTERNAL CONTROL SYSTEM AND ADEQUACY

There are established procedures for internal control on a Company-wide basis. Policies and Procedures have been laid down to provide reasonable assurances that assets are safeguarded from risks of unauthorised use / disposition and transactions are recorded and reported with proprietary, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audits. Finance and Accounts function is well staffed with experienced and qualified personnel. This team participates in the preparation & monitoring of budgets. Internal Audit Reports to the top management are also reviewed by the Audit Committee of the Board from time to time.

HUMAN RESOURCES

The Company continued with its practice of a lean organisation manned by involved and motivated employees with team orientation. The atmosphere encourages learning and informal communication.

Company is having Performance Management System (PMS) to objectively measure the performance of the individual and the organization. The overall remuneration structure is linked with PMS.

To further increase the competence level of the employees, systematic and structured training is provided at different levels, including training on leadership development, communication effectiveness and team working. This has made a significant contribution to Company's business.

Industrial relations were cordial throughout the year under review.

Regular employee strength as on 31st March, 2014 stood at 489 (31st March, 2013 - 512).

INDUSTRY STRUCTURE AND DEVELOPMENTS

Since the Company's principal business is to supply engines for tractors being manufactured by M&M-Swaraj Division, it would be appropriate to take note of developments in the tractor industry.

Indian tractor industry is one of the largest markets in the world in terms of sales volume despite having the low level of tractor penetration level compared to the world standards. Further, the penetration levels are also not uniform throughout the country and vary at state level. The domestic tractor market is traditionally segmented by horsepower - the low horsepower 20 HP - 30 HP segment, the mid segment of 30 HP - 40 HP and the higher segment of above 40 HP. Most of the major players cater to all the three segments. However, their relative strengths and market positions differ from segment to segment. The medium and higher HP segments are the most popular and fastest growing segments in the country. Further, to increase the tractor penetration in the lower segment of the market and to provide cost effective product, some of the industry players have also taken keen interest in below 20 HP category tractors.

The domestic tractor industry after registering a decline in sales during fiscal 2013 bounced back in last fiscal and recorded a strong growth of 20% to reach 6,33,000 tractors. An overall good agricultural output, sustained minimum support price and easy availability of institutional credit become instrumental for this growth.

OUTLOOK AND OPPORTUNITIES

In the backdrop of current scenario, it is expected that while the industry may register moderate growth in near term, but having regard to modest tractor penetration, government's continuous thrust towards rural development, agri-mechanization, generating rural employment opportunities through various schemes, scarcity of farm labour especially during the sowing season, shortened replacement cycle, healthy credit availability, etc., continue to be the positive drivers for the industry growth. As the industry outlook for the Company's prime customer seems promising, SEL's business prospects appear to remain positive.

THREATS, RISKS & CONCERNS

As a component supplier to M&M & SML Isuzu, SEL would be directly affected by factors impacting tractor industry and commercial vehicle industry. These would include issues like the rain-dependent nature of our agriculture, Government policy on procurement, credit availability, auto regulations, commodity price trends etc.

CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis Report describing company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

Swaraj Engines Ltd. (SEL) has been practicing the principles of good corporate governance, disclosure and transparency right from its incorporation. It has been a core belief and practice with the Company to consider itself as the custodian and trustee of all the constituencies of its businesses - customers, business associates, shareholders and society. SEL has sought and will continue to seek corporate excellence and profits through ethics, passion and perseverance.

A report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in the Listing Agreement is given below.

I Board of Directors

The Composition of the Board is in accordance with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors. The number of Non-Executive Directors is more than one half of the total number of Directors. The Non-Executive Directors bring wide range of experience and independent judgement to the Board's deliberations and decisions. Shri M.N.Kaushal is the Whole-time Director of the Company.

Dr. Pawan Goenka, Shri Rajan Wadhera and Shri S.Durgashankar, Non-Executive Directors, are in the whole-time employment of Mahindra & Mahindra Ltd. Shri R.R.Deshpande, Non-Executive Director, is in the whole-time employment of Kirloskar Oil Engines Ltd. These Non-Executive Directors draw remuneration from their respective companies. Shri Vijay Varma, Non-Executive Director, is also associated with Kirloskar Group. Mahindra & Mahindra Ltd. and Kirloskar Industries Ltd. are the promoters of the Company.

Apart from the above and the re-imburement of expenses incurred in discharge of their duties and the remuneration that some of the Non-Executive Directors would be entitled to under the Companies Act, 2013, none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management and associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

The primary role of the Board is that of trusteeship, to protect and enhance shareholders' value through strategic supervision of Company's operations. The Board also provides direction and exercises appropriate control to ensure that the Company fulfills the stakeholders' aspirations and societal expectations.

A. Composition of the Board

The Company's Board of Directors currently comprises 11 Members. While five Members are Non Independent Non-Executive Directors, the Whole-time Director is the Executive Director of the Company and remaining five (including the Chairman of the Board) are Independent Directors.

The information on Composition of the Board, number of Board Meetings, attendance of Directors at Board Meetings / Annual General Meeting, Directorships and Committee positions held in Public companies is given below:

Name of Director	Category	Financial Year 2013-14		Attendance at the last AGM	Total No. of Directorships [^] in public companies [#]	Committee ⁺ Position held in public companies [#]	
		Board Meetings held [*]	Board Meetings attended			Chairman	Member
Non-Executive							
Shri G.P.Gupta, Chairman	Independent	4	4	Yes	9	4	3
Dr. Pawan Goenka	Non Independent	4	4	Yes	8	-	3
Shri Sudhir Mankad	Independent	4	4	Yes	10	1	5

SWARAJ ENGINES LIMITED

Name of Director	Category	Financial Year 2013-14		Attendance at the last AGM	Total No. of Directorships [^] in public companies [#]	Committee ⁺ Position held in public companies [#]	
		Board Meetings held [*]	Board Meetings attended			Chairman	Member
Shri S.C.Bhargava	Independent	4	4	Yes	11	1	7
Shri V.S.Parthasarathy (ceased w.e.f. 29.04.2014)	Non Independent	4	2	No	N.A.	N.A.	N.A.
Shri R.R.Deshpande	Non Independent	4	4	Yes	3	-	1
Shri Vijay Varma	Non Independent	4	4	Yes	2	-	-
Shri Rajesh Jejurikar (appointed w.e.f. 22.04.2013 & ceased w.e.f. 28.04.2014)	Non Independent	4	3	Yes	N.A.	N.A.	N.A.
Shri Rajan Wadhwa (appointed w.e.f. 29.04.2014)	Non Independent	N.A.	N.A.	N.A.	2	-	2
Shri S.Durgashankar (appointed w.e.f. 18.06.2014)	Non Independent	N.A.	N.A.	N.A.	3	-	3
Shri Dileep C. Choksi (appointed w.e.f. 18.06.2014)	Independent	N.A.	N.A.	N.A.	9	5	3
Executive							
Shri M.N.Kaushal, Whole-time Director	Non Independent	4	4	Yes	1	-	1

* Indicates the Board meetings held during the tenure of Director(s).

Excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956.

[^] Excludes Alternate Directorships but includes Additional Directorships and Directorship in Swaraj Engines Ltd.

+ Committees considered are Audit Committee and Shareholders' / Investors' Grievance Committee, including that of Swaraj Engines Ltd.

- None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director.
- The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

B. Board Procedure

The Board meets at regular intervals and a detailed Agenda is sent to each Director prior to Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Board is apprised at every Meeting regarding the overall performance of the Company. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, adoption of quarterly/half-yearly/annual results, significant labour issues, and Minutes of Meetings of the Audit and other Committees of the Board.

During the financial year 2013-14, 4 Board Meetings were held on 22nd April, 2013, 30th July, 2013, 21st October, 2013 and 31st January, 2014. The gap between two Meetings did not exceed four months.

The 27th Annual General Meeting (AGM) was held on 30th July, 2013.

C. Directors seeking appointment / reappointment

Brief profiles of the Directors being appointed / reappointed in the ensuing Annual General Meeting are given below:

Shri R.R.Deshpande

Shri R.R.Deshpande is on the Board of the Company since January 2008. Shri Deshpande, a Mechanical Engineer, is currently Executive Director, Kirloskar Oil Engines Limited (KOEL). He is working with Kirloskar Group since 1977 and has vast experience in Projects, Production and Material Services.

Shri Deshpande is also on the Board of Kothrud Power Equipment Limited.

The details of Shri Deshpande's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Kirloskar Oil Engines Limited	Share Transfer cum Shareholder's / Investor Grievance Committee	Member

Shri Deshpande does not hold any shares in the Company.

Shri Vijay Varma

Shri Vijay Varma has been a Director of the Company since January 2009.

Shri Varma, a Bachelor of Mechanical Engineering, joined Kirloskar Oil Engines Ltd. (KOEL) in 1973 and has held key positions in Marketing & Sales related functions. He was also instrumental in setting up KOEL's owned Power Plant in the State of Karnataka. Having a vast experience, he has recently retired as President of Kirloskar Proprietary Ltd.

Sh. Vijay Varma is also a director of Kothrud Power Equipment Limited.

The details of Shri Varma's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Swaraj Engines Limited	Corporate Social Responsibility Committee	Member

Shri Varma does not hold any shares in the Company.

Dr. T.N.Kapoor

Dr.T.N.Kapoor has been a Director of the Company since 1998. He possesses a Master's degree in Commerce, a Bachelor's degree in Law and a Doctorate in Philosophy. He is an eminent Educationist and has been Professor and Dean, Faculty of Business Management & Commerce in Panjab University. He is a Management Advisor and is associated with several Public Limited Companies. He is also a Director of Modern Steels Limited, Sterling Tools Limited, KDDL Limited and Omax Autos Limited.

The details of Dr. Kapoor's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Modern Steels Limited	Audit Committee Shareholders / Investors Grievance Committee	Member Chairman
2.	Sterling Tools Limited	Audit Committee Shareholders / Investors Grievance Committee	Member Chairman
3.	KDDL Limited	Audit Committee	Chairman

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S.No.	Name of the Company	Name of Committee	Position Held
4.	Omax Autos Limited	Audit Committee Shareholders / Investors Grievance Committee	Member Chairman
5.	Swaraj Engines Limited	Shareholder / Investor Relations Committee Audit Committee Nomination and Remuneration Committee	Chairman Member Member

Dr. Kapoor does not hold any share in the Company.

Shri Sudhir Mankad

Shri Sudhir Mankad joined the Company's Board in July 2012.

Shri Mankad belongs to Indian Administrative Services (IAS). He holds Masters' degree in History from University of Delhi. He has served in various capacities both in Government of India and the State of Gujarat. His last assignment was as Chief Secretary, Govt. of Gujarat. He has served as a Chairman / Director 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 and NGOs.

Shri Mankad is also a Chairman of Bhavnagar Energy Co. Limited and Gujarat International Finance Tec-city Co. Limited and Director of Deepak Nitrite Limited, Gruh Finance Limited, Mahindra Intertrade Limited, National Securities Depository Limited, IL&FS Skills Development Corp. Limited, Navin Fluorine International Limited and IL&FS Education & Technology Services Limited.

The details of Shri Mankad's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Deepak Nitrite Limited	Audit Committee	Member
		Project Committee	Member
		Remuneration Committee	Member
2.	Gruh Finance Limited	Shareholder Grievance Committee	Member
3.	Mahindra Intertrade Limited	Audit Committee	Member
		Corporate Social Responsibility Committee	Member
4.	National Securities Depository Limited	Audit Committee	Member
		Corporate Social Responsibility Committee	Member
5.	IL&FS Skills Development Corp. Limited	Audit Committee	Chairman
6.	Navin Fluorine International Limited	Corporate Social Responsibility Committee	Member
		Shareholder Grievances Committee	Member
7.	Swaraj Engines Limited	Nomination and Remuneration Committee	Chairman
		Corporate Social Responsibility Committee	Chairman

Shri Mankad does not hold any share in the Company.

Shri Rajan Wadhera

Shri Rajan Wadhera joined the Company's Board as an Additional Director with effect from 29th April, 2014.

Shri Rajan Wadhera possesses Bachelor of Technology and Master of Technology degrees from IIT, Mumbai and participated in the Advanced Management Program at the Wharton Business School, USA. He is currently Chief Executive - Truck & Power Train Division and Head - Mahindra Research Valley (MRV) and Member of Group Executive Board of Mahindra & Mahindra Limited (M&M). He has wide and diverse experience in various facets of automotive as well as farm equipment sector like Research & Development, Technology Incubation, Sourcing, Manufacturing, Program Management, Vendor Management and New Parts Development. Shri Wadhera as CEO of Technology, Product Development and Sourcing led the development of high-profile projects like the XUV 500, Xylo, Scorpio Refresh, Gio, Maxximo, and Thar. He has also enriched Mahindra's corporate culture with cultural transformation initiatives to help it to focus on delivering customer satisfaction. Before joining M&M, he was the Head of Operations of Eicher group's trucks, tractors, and motorcycles business.

Shri Wadhera is also Director of Mahindra Trucks and Buses Limited, Mahindra Heavy Engines Pvt. Limited, Mahindra Reva Electric Vehicles Pvt. Limited, Mahindra Europe and Mahindra North America Technical Centre and President of Mahindra Graphic Research Design.

The details of Shri Wadhera's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Mahindra Trucks and Buses Limited	Audit Committee	Member
2.	Mahindra Heavy Engines Pvt. Limited	Audit Committee	Member
		Remuneration Committee	Member
3.	Mahindra Reva Electric Vehicles Pvt. Limited	Audit Committee	Member
4.	Swaraj Engines Limited	Shareholder / Investor Relations Committee	Member
		Corporate Social Responsibility Committee	Member

Shri Wadhera does not hold any share in the Company.

Shri S.Durgashankar

Shri S.Durgashankar joined the Company's Board as an Additional Director with effect from 18th June, 2014.

Shri S. Durgashankar, a Chartered Accountant, is currently Executive Vice President, Merger & Acquisitions (M&A) and Secretarial and Member of the Group Executive Board at Mahindra & Mahindra Ltd. (M&M). During his overall work experience of 30+ years, he has handled a wide spectrum of Corporate Finance assignments at senior levels. At M&M, he was instrumental in setting up the M&A division and has a rich M&A experience, having facilitated many domestic & international M&A transactions for the Mahindra Group. He was earlier Corporate Treasurer and Head of Treasury & Investor Relations at M&M. Prior to his current assignment, he was CFO of Mahindra Satyam and was responsible for the company becoming current with respect to its Indian GAAP reporting requirements.

Before joining M&M Group he was the Group CFO of a group of businesses, with interest in the power sector, listed in AIM & NSE exchanges. He is a speaker at many forums on varied topics in Finance. He won the CFO 100 Award in 2010, 2013 and 2014 for his exceptional contribution to Corporate Finance in the area of M&A.

Shri Durgashankar is also a Director of EPC Industrie Limited, Mahindra Trucks & Buses Limited, Mahindra Heavy Engines Pvt. Limited, Mahindra Integrated Business Solutions Pvt. Limited, Mahindra Investments (International) Pvt. Limited and Mahindra Namaste Pvt. Limited.

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The details of Shri Durgashankar's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	EPC Industrie Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Member
		Corporate Social Responsibility Committee	Member
2.	Mahindra Trucks and Buses Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Member
3.	Mahindra Heavy Engines Pvt. Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Member

Shri Durgashankar does not hold any share in the Company.

Shri Dileep C. Choksi

Shri Dileep C. Choksi joined the Company's Board as an Additional Director with effect from 18th June, 2014.

Shri Dileep C. Choksi, a Chartered Accountant by profession, has over 35 years of experience having qualified as a Lawyer and a Cost Accountant. He was the former Joint Managing Partner of Deloitte in India before setting up of C.C. Chokshi Advisors Pvt. Ltd. His areas of specialization include tax planning and structuring for domestic and international clients, including expatriates, finalizing collaborations and joint ventures, executive advisory and decision support, corporate restructuring with a focus on start-up, turnaround and change management strategies and analyzing tax impact of various instruments.

Shri Choksi is also a Director of ICICI Lombard General Insurance Company Limited, ICICI Home Finance Co. Limited, Datamatices Global Services Limited, Lupin Limited, ICICI Bank Limited, Hexaware Technologies Limited, AIA Engineering Limited, Arvind Limited, Mafatlal Cipherspace Pvt. Limited and Incube Ventures Pvt. Limited.

The details of Shri Choksi's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	ICICI Lombard General Insurance Company Limited	Audit Committee	Chairman
		Nomination and Remuneration Committee	Member
2.	ICICI Home Finance Co. Limited	Audit & Risk Management Committee	Chairman
		Nomination and Remuneration Committee	Chairman
		Corporate and Social Responsibility Committee	Chairman
3.	Lupin Limited	Audit Committee	Member
4.	ICICI Bank Limited	Audit Committee	Alternate Chairman
		Fraud Monitoring Committee	Member
		Risk Committee	Member
5.	AIA Engineering Limited	Audit Committee	Member
6.	Arvind Limited	Audit Committee	Chairman
7.	Hexaware Technologies Limited	Audit, Governance and Compliance Committee	Chairman
		Shareholder / Investors Grievance Committee	Member
		Banking, Investments, Operations & Forex Committee	Member
		Special Committee for Internal Automation	Member

Shri Choksi does not hold any share in the Company.

Smt. Neera Saggi

The Board has approved the appointment of Smt. Neera Saggi on Company's Board with effect from 1st October, 2014. Smt. Neera Saggi, Masters in English Literature and an MBA, joined the Indian Administrative Service in 1980 and before taking a voluntary retirement in 2008, she served in various capacities both in Government of India and State of West Bengal. Besides other assignments, she was District Magistrate and Collector, Hooghly, West Bengal, Deputy Chairperson of the Jawaharlal Nehru Port Trust, Secretary to Governor of West Bengal, CMD of Hindustan Diamond Company Pvt. Limited and Development Commissioner of Special Economic Zones, Ministry of Commerce, Govt. of India. Smt. Saggi is currently the Chief Executive of L&T Seawoods Pvt. Ltd. and leading the strategic development of the largest ever Transit Oriented Development in India, a 1000 million USD project.

Smt. Saggi is also a Director of Hyderabad International Trade Exposition Limited, L&T Infocity Limited, SICOM Limited, L&T Seawoods Pvt. Limited and CSJ Infrastructure Pvt. Limited.

The details of Smt. Saggi's Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	SICOM Limited	Nomination and Remuneration Committee Corporate Social Responsibility Committee	Member Member

Smt. Saggi does not hold any share in the Company.

D. Code of Conduct

The Company's Board has laid down a well-defined Code of Ethics & Conduct (the "Code") to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company (www.swarajenterprise.com). All Board Members and Senior Management Personnel have affirmed compliance with this Code. A declaration signed by the Whole-time Director to this effect is enclosed at the end of this Report.

E. CEO / CFO Certification

As required under Clause 49 V of the Listing Agreement with Stock Exchanges, the Whole-time Director and the DGM-Finance of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2014.

II Remuneration to Directors

Remuneration paid to the Executive Director(s) is decided by the Board of Directors on the recommendation of Remuneration cum Compensation Committee (now Nomination and Remuneration Committee) and thereafter approved by the shareholders at a general meeting. While deciding on the remuneration, the Committee considers performance of the Company, current industry trends, the qualification and experience of the appointee(s) and other relevant factors.

Non-Executive Directors, other than representative directors of M&M, are paid sitting fees of Rs. 20,000/- per meeting for attending the meetings of the Board of Directors and Committees thereof within the prescribed limits as decided by the Board and reimbursement of expenses incurred for attending the Board and Committee Meetings.

From the financial year 2011-12, the Board had also approved the payment of commission to 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, upto one per cent per annum of the net profits of the Company distributed in such proportions as the Board of Directors may decide from time to time, subject to a limit of one quarter per cent of the net profits of the financial year for each such Director.

The details of Directors' remuneration for 2013-14 is as follows:

Executive - Whole-time Director

Shri M.N.Kaushal was appointed as Whole-time Director of the Company w.e.f. 1st April, 2012 for a period of 5 years on a remuneration of Rs. 1.0 lac per month.

Notes:

1. Contract period : 1st April, 2012 to 31st March, 2017
2. Notice Period : 3 months
3. Stock Options granted : Nil

Independent Non-Executive Directors

Name of the Directors who were in receipt of sitting fees / commission during FY 2013-14	Sitting Fees for Board and Committee Meetings paid during FY 2013-14 (Rs.)	Commission payable for FY 2013-14 (Rs.)	Total (Rs.)
Shri G.P.Gupta	1,60,000	3,00,000	4,60,000
Dr. T.N.Kapoor	2,60,000	3,00,000	5,60,000
Shri S.C.Bhargava	1,60,000	3,00,000	4,60,000
Shri Sudhir Mankad	1,00,000	3,00,000	4,00,000
Shri Vijay Varma	80,000	3,00,000	3,80,000
Shri R.R.Deshpande	80,000	3,00,000	3,80,000

None of the Non-executive Directors hold any shares in the Company.

III Risk Management

Business risk evaluation and management is an ongoing process within the Company. For each function, the impact and probability of various risks are made and necessary control measures are identified to mitigate these risks, thereby reducing the impact and probability of the risk. During the year, a detailed exercise on "Risk Assessment" related to Company's main functional areas was carried out.

The Board was apprised on the risk assessment and mitigation process followed by the Company.

IV Committees of the Board

A. Audit Committee

The Audit Committee currently comprising the following Non-Executive Independent Directors:

- Shri G.P.Gupta, Chairman
- Dr. T.N.Kapoor
- Shri S.C.Bhargava

Shri V.S.Parthasarathy, Non-Executive Director, was also the Member of the Audit Committee during FY 2013-14 and consequent to his resignation from the Directorship, ceased to be a Member of the Committee w.e.f. 29th April, 2014.

All the Members have vast experience in and knowledge of corporate affairs & financial management and possess accounting and financial management expertise.

As and when necessary, senior functionaries of the Company are invited to the meeting. The Company Secretary acts as the Secretary to the Committee.

During the year, the role, terms of reference and the authority and powers of this Committee were in conformity with the requirements of the Companies Act 1956 and the Listing Agreements. The functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of internal controls and regulatory compliances. It also reviews Company's financial reporting process, disclosure of financial information,

observations of auditors and recommends the appointment of statutory auditors, their fees and reviews quarterly / annual financial statements before submission to the Board. It is also empowered to inter alia review Financial Statements and investments of unlisted subsidiary companies, if any, Management Discussion and Analysis of financial condition and results of operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C. The meetings of the Audit Committee are also attended by the Whole-time Director, the Statutory Auditors by invitation, the Internal Auditor and the Company Secretary.

In its meeting held on 29th April, 2014, the terms of the Audit Committee are further aligned to meet the requirements prescribed in the Companies Act, 2013.

Shri G.P.Gupta, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 30th July, 2013.

During the financial year under review, 4 meetings of Audit Committee of the Board were held on 22nd April, 2013, 30th July, 2013, 21st October, 2013 and 31st January, 2014. The gap between the two meetings did not exceed four months.

Attendance record of the Members of the Audit Committee for FY 2013-14 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri G.P.Gupta	4	4
Dr. T.N.Kapoor	4	4
Shri S.C.Bhargava	4	4
Shri V.S.Parthasarathy	4	2

B. Shareholder / Investor Relations Committee

The Shareholder / Investor Relations Committee of the Company functions under the Chairmanship of Dr. T.N.Kapoor, Independent Non-Executive Director and presently comprises following Directors:

- Dr. T.N.Kapoor, Chairman
- Shri Rajan Wadhera
(co-opted w.e.f. 29.04.2014)
- Shri M.N.Kaushal

Consequent upon his resignation from the Directorship of the Company, Shri Rajesh Jejurikar ceased to be a Member of the Committee w.e.f. 28th April, 2014.

Shri M.S.Grewal, Company Secretary, is the Compliance Officer of the Company.

The Committee meets at periodic intervals, to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificates and review status of investors' grievances and the functioning of the Share Department / Registrar & Share Transfer Agents in order to render effective and quality services to investors.

During the financial year under review, 4 meetings of Shareholder / Investor Relations Committee were held.

Attendance record of the Members of the Shareholder / Investor Relations Committee for FY 2013-14 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Dr. T.N.Kapoor	4	4
Shri Rajesh Jejurikar	4	3
Shri M.N.Kaushal	4	4

The Company had received 122 enquiries/complaints from the shareholders and all of them have been attended/resolved.

As on date, there are no shares pending for transfer received during the year under review.

C. Remuneration cum Compensation Committee

During the year, the role of the Remuneration cum Compensation Committee was to look into the entire gamut of remuneration package for the Executive Director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956; to decide on the commission payable, if any, to the Directors within the prescribed limits and as approved by the shareholders of the Company; to decide on the stock options to be granted, if any, to the eligible employees, directors including non-executive directors; and to attend to such other matters and functions as may be prescribed from time to time.

Further, the Board, in its meeting held on 29th April, 2014, pursuant to provisions of Section 178 of the Companies Act, 2013, has changed the nomenclature of Remuneration cum Compensation Committee to Nomination and Remuneration Committee and also aligned its terms with the provisions of the Companies Act, 2013.

The Committee presently comprises following three Non-Executive Directors of which two are Independent, including the Chairman of the Committee:

- Shri Sudhir Mankad, Chairman
- Dr. Pawan Goenka
- Dr. T.N.Kapoor

One meeting of the committee was held during the year ended 31st March, 2014.

D. Corporate Social Responsibility Committee

The Board, pursuant to Section 135 of the Companies Act, 2013 ("the Act"), has constituted a Corporate Social Responsibility (CSR) Committee of the Board w.e.f. 21st October, 2013. The Committee currently comprises the following four Directors with Non-Executive Independent Director as its Chairman:

- Shri Sudhir Mankad, Chairman
- Shri Vijay Varma
- Shri Rajan Wadhwa
(co-opted w.e.f. 29.04.2014)
- Shri M.N.Kaushal

Shri Rajesh Jejurikar consequent to his resignation from the Directorship, ceased to be a Member of the Committee w.e.f. 28th April, 2014.

The role of the CSR Committee, inter alia, is to :

- formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;
- recommend the amount of expenditure to be incurred on the CSR activities;
- monitor the CSR Policy of the Company from time to time.

V Disclosures**A. Disclosure of transactions with Related Parties**

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management or relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are furnished under Note 2.25 of the Annual Accounts.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

In preparation of the financial statements, the Company has followed the Accounting Standards laid down by the Companies (Accounting Standards) Rules, 2006. The significant accounting policies which are consistently applied are set out under Note 1 of the Annual Accounts.

C. Code for prevention of Insider Trading Practices

In compliance with SEBI's Regulations on prevention of insider trading, the Company has laid down a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

VI Shareholder Information

1. 28th Annual General Meeting

Date : 31st July, 2014
 Time : 2.30 P.M.
 Venue : Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX,
 S.A.S.Nagar (Mohali), Punjab - 160 062

2. Financial Calendar (tentative)

The Financial year covers the period from 1st April to 31st March

Financial reporting for

- Quarter ending 30th June, 2014 Last week of July, 2014
- Half year ending 30th September, 2014 Third week of October, 2014
- Quarter ending 31st December, 2014 Last week of January, 2015
- Year ending 31st March, 2015 May, 2015

Note: The above schedules are indicative.

3. Registered Office

Phase IV, Industrial Area,
 S.A.S. Nagar (Mohali), Punjab - 160 055

4. Date of Book Closure

12th July, 2014 to 18th July, 2014 (both days inclusive)

5. Dividend Payment

Will be paid/dispatched between 1st August, 2014 to 7th August, 2014.

6. Listing on Stock Exchanges & Stock Code

- (i) Bombay Stock Exchange Ltd. (BSE) : 500407
- (ii) National Stock Exchange of India Ltd. (NSE) : SWARAJENG

Listing Fee for FY 2014-15 for both these stock exchanges has been paid.

7. CIN : L50210PB1985PLC006473

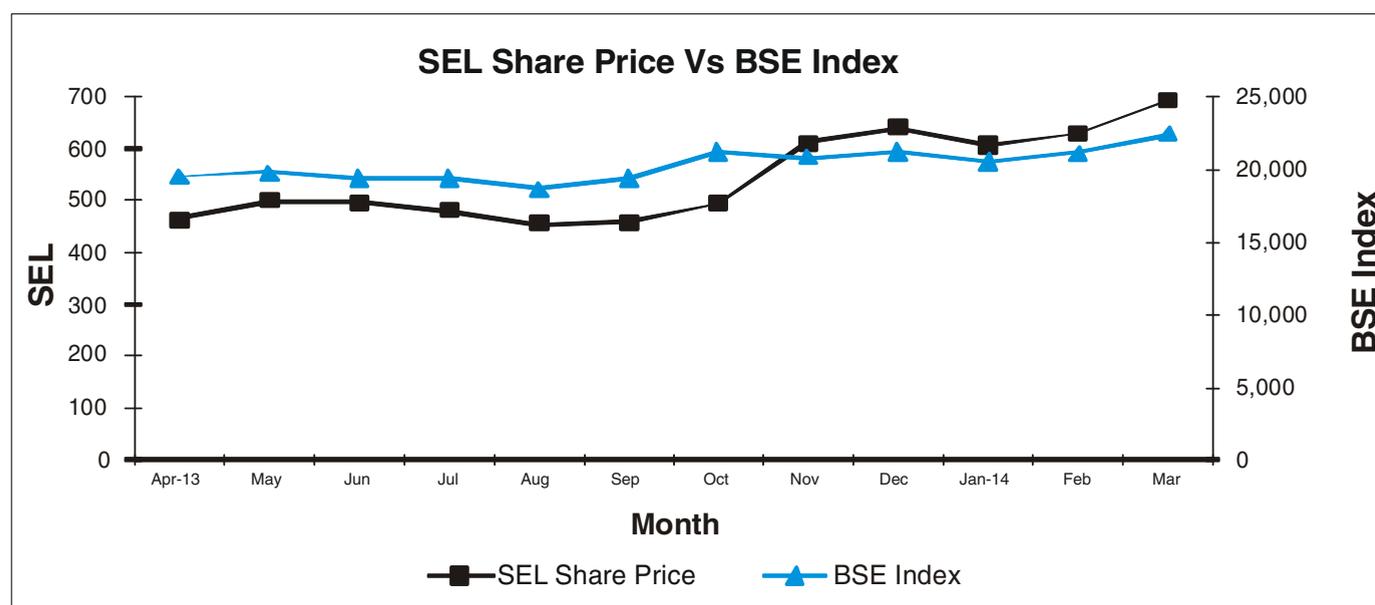
8. Stock Price Data

Monthly (April 2013 - March 2014) High - Low Quotations of shares traded at Bombay Stock Exchange & National Stock Exchange are as under:

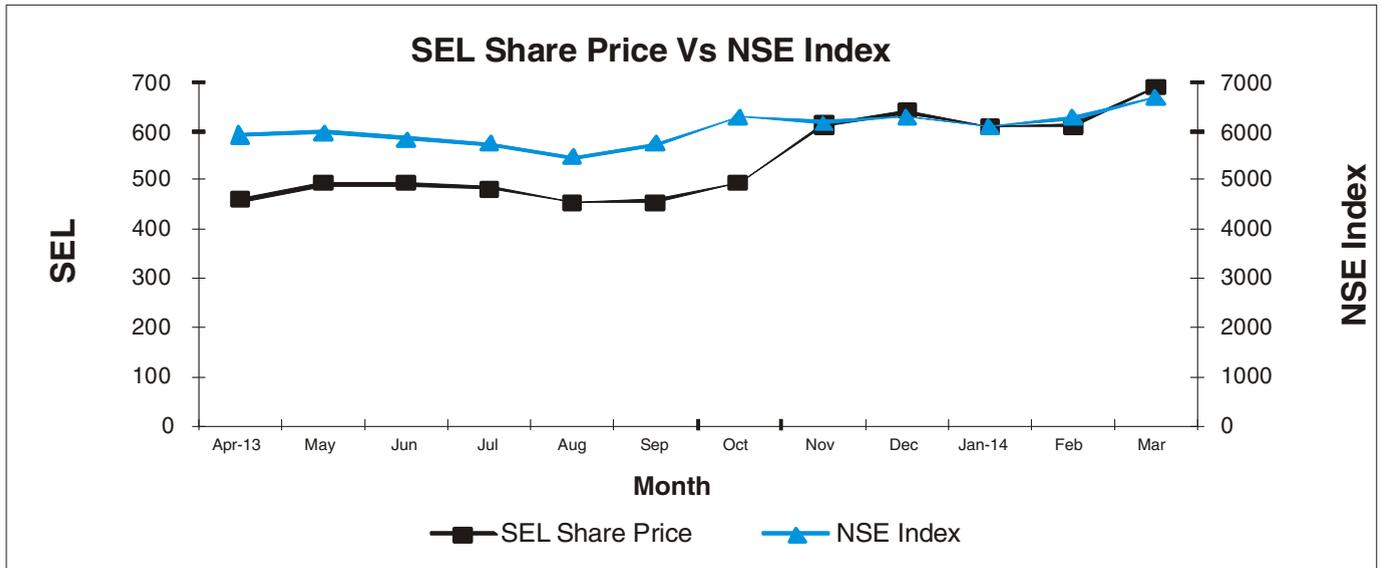
Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2013	470.00	382.00	472.90	380.10
May 2013	517.80	466.00	515.00	466.00
June 2013	520.70	485.25	522.00	487.75
July 2013	535.00	470.05	535.00	479.00
August 2013	494.00	431.00	495.95	428.00
September 2013	497.90	440.00	474.90	440.00
October 2013	510.00	455.00	511.00	453.50
November 2013	627.00	492.00	627.00	490.10
December 2013	666.90	558.60	668.00	560.00
January 2014	672.00	585.00	671.95	582.65
February 2014	655.00	593.15	662.00	594.45
March 2014	714.80	615.00	710.00	619.75

9. Stock Price Performance

SEL Share Price performance relative to BSE Sensitive Index



SEL Share Price performance relative to NSE Index (S&P CNX Nifty Index)



Note: Based on the month end closing share price of SEL and BSE / NSE Index.

10. Registrar and Transfer Agents

M/s MCS Ltd. (MCS), Sri Venkatesh Bhavan, F-65, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi - 110 020 are the Registrar and Share Transfer Agent for physical shares of the Company. MCS is also the depository interface of the Company with both NSDL and CDSL.

Tel No. : 011 - 41406149
 Fax No. : 011 - 41709881
 Email address : admin@mcsdel.com
 Contact Person: Shri Priya Darshan Waila

Share Transfer & other Communication regarding Share Certificates, Dividends and Change of Address etc. may be addressed to Registrar, MCS Ltd. or to the Share Department of the Company at its Registered Office at Phase IV, Industrial Area, S.A.S.Nagar (Mohali), Punjab - 160 055.

11. Transfer System for physical shares

Share transfers are being registered & returned within the stipulated timeline from the date of receipt, if the documents are valid in all respects.

Total number of shares transferred during 2013-14 was 5850 (Previous Year 7040).

As per Clause 5A of the Listing Agreement, three reminders were sent to respective Shareholders for the shares issued in physical form, which remain unclaimed. These shares were transferred into one folio in the name of "Unclaimed Suspense Account". Against the opening balance of 5350 shares (21 folios), no claim was made during the year.

12. Shareholding Pattern as on 31st March, 2014

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds / UTI	12	12,76,738	10.28
3 Financial Institutions / Banks	3	2,201	0.02
4 Foreign Institutional Investors	6	3,14,205	2.53
5 Bodies Corporate - Indian	354	5,40,624	4.35
6 NRIs	303	1,26,015	1.01
7 Indian Public	9200	38,73,020	31.19
8 OCB	1	600	0.00
Total	9881	1,24,19,820	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2014

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	8399	85.00	8,74,338	7.04
501 - 1000	935	9.46	6,41,676	5.17
1001 - 5000	443	4.49	9,48,684	7.64
5001 - 10000	52	0.53	3,70,288	2.98
10001 - 50000	34	0.34	8,42,593	6.78
50001 & above	18	0.18	87,42,241	70.39
Total	9881	100.00	1,24,19,820	100.00

14. Dematerialisation of Shares

The trading in Equity Shares of Swaraj Engines Limited is permitted only in dematerialised form. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the trading. As on 31st March, 2014, 98% of the equity capital is held in electronic form.

International Securities Identification Number (ISIN): INE277A01016

(with NSDL and CDSL)

15. Outstanding GDR's / ADR's / Warrants / Convertible Instruments

Not Applicable.

16. Plant Location

Swaraj Engines Limited
Plot No 2, Industrial Phase IX,
S.A.S.Nagar (Mohali), Punjab - 160 062

17. Address for correspondence

Registrar and Share Transfer Agent

M/s MCS Ltd.

Unit: Swaraj Engines Ltd.

Sri Venkatesh Bhavan, F-65, 1st Floor,

Okhla Industrial Area, Phase - I

New Delhi - 110 020

Email: admin@mcsdel.com

Phone : 011 - 41406149

Fax : 011- 41709881

Compliance Officer & Company Secretary

Shri M.S.Grewal, Company Secretary

Registered Office:

Swaraj Engines Ltd.

Phase-IV, Industrial Area

S.A.S.Nagar (Mohali), Punjab - 160 055.

Email:

grewal.maninder@mahindraswaraj.com or

selinvestor@swarajenterprise.com

Phone : 0172- 2271620-27

Fax : 0172- 2272731

18. Website Address

www.swarajenterprise.com

VII Other Disclosures

1. Details of General Meetings and Special Resolutions passed

Details of last three Annual General Meetings (AGMs) of the Company are given below:

Year	Date	Time	Special Resolution Passed
2011	3rd August, 2011	2.00 P.M.	-
2012	31st July, 2012	2.00 P.M.	<ol style="list-style-type: none"> 1. Appointment of Shri M.N.Kaushal as Whole-time Director of the Company for a period of 5 years effective 1st April, 2012. 2. Payment of Commission upto one per cent of the net profits of the Company to 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 for a period of five years with effect from 1st April, 2011. 3. Amendments in the Articles of Association of the Company by inserting new Articles to enable the Shareholders and Directors of the Company to participate in General Meeting and Board Meeting respectively through electronic mode and service of documents on Members through electronic mode.
2013	30th July, 2013	2.30 P.M.	-

The above meetings were held at Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab.

No Extra-ordinary General Meeting was held during the past three years.

There was no matter which required to be passed through postal ballot during the year and the Company does not propose any special resolution to be conducted through postal ballot.

2. Details of non-compliance etc.

There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other statutory authorities, on any matters related to capital market during the last three years.

3. Means of Communication

- a) In compliance with the requirements of Listing Agreement, the Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. These financial results are published in the leading financial / national / regional newspapers (Business Standard and Punjabi Tribune) and are also displayed on the website of the Company www.swarajenterprise.com;
- b) The official news releases are displayed on the Company's website www.swarajenterprise.com;
- c) During the year ended 31st March, 2014, no presentations were made to institutional investors or analysts.

4. Management Discussion and Analysis Report

Management Discussion and Analysis Report has been attached to the Directors' Report and forms part of this Annual Report.

5. Compliance with Mandatory requirements

The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

6. Adoption of the non-mandatory requirements

i) Remuneration Committee

The Company has Remuneration cum Compensation Committee, now Nomination and Remuneration Committee.

ii) Audit Qualifications

During the financial year under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

The Company has not adopted the other non-mandatory requirements as specified in Annexure I D of Clause 49 during the year.

7. Compliance with the Corporate Governance - Voluntary Guidelines 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance.

The Company has been a strong believer in good corporate governance and has been adopting the best practices that have evolved over the last two decades.

The Company is in substantial compliance with the requirements of the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance.

S.A.S.Nagar (Mohali), 21st June, 2014

**DECLARATION BY THE WHOLE-TIME DIRECTOR UNDER
CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of Swaraj Engines Limited

I, M.N.Kaushal, Whole-time Director of Swaraj Engines Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2014.

S.A.S.Nagar (Mohali), 21st June, 2014

M.N.Kaushal
Whole-time Director

Auditor's Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement.

To

The Members of Swaraj Engines Limited

We have examined the compliance of conditions of Corporate Governance by Swaraj Engines Limited ("the Company"), for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(FRN – 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Chandigarh, 21st June, 2014

SWARAJ ENGINES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2014

(Rs. in lacs)

Particulars	Note	2014		2013	
EQUITY & LIABILITIES					
Shareholders' Funds					
Share Capital	2.1	1241.98		1241.98	
Reserves and Surplus	2.2	<u>19745.58</u>	20987.56	<u>18130.88</u>	19372.86
Non-Current Liabilities					
Deferred Tax Liabilities (Net)	2.3	694.10		633.35	
Long-Term Provisions	2.4	<u>178.38</u>	872.48	<u>126.45</u>	759.80
Current Liabilities					
Trade Payables	2.5	5922.40		4393.81	
Other Current Liabilities	2.6	379.40		608.55	
Short-Term Provisions	2.7	<u>5249.62</u>	11551.42	<u>4955.92</u>	9958.28
Total			<u>33411.46</u>		<u>30090.94</u>
ASSETS					
Non-Current Assets					
Fixed Assets	2.8				
– Tangible Assets		8394.37		8065.61	
– Intangible Assets		12.05		6.63	
– Capital Work-in-Progress/Capital Spares		173.24		245.63	
Long Term Loans & Advances	2.10	<u>307.35</u>	8887.01	<u>403.37</u>	8721.24
Current Assets					
Current Investments	2.9	7218.92		7415.08	
Inventories	2.11	4640.68		3934.68	
Trade Receivables	2.12	784.73		925.01	
Cash & Bank Balances	2.13	10953.32		8071.50	
Short-Term Loans & Advances	2.14	<u>926.80</u>	24524.45	<u>1023.43</u>	21369.70
Total			<u>33411.46</u>		<u>30090.94</u>
Significant Accounting Policies	1				
Notes on Accounts	2				

As per our report of even date attached.

For DAVINDER S. JAAJ & CO.
Chartered Accountants (FRN000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

Mumbai, 29th April, 2014

The Notes referred to above form an integral part of these financial statements.

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 29th April, 2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

(Rs. in lacs)

Particulars	Note	2014	2013
Revenue from Operations	2.15	68199.69	53829.81
Less : Excise Duty		7371.96	5926.40
Net Revenue from Operations		60827.73	47903.41
Other Income	2.16	1748.67	1531.38
Total Revenue		62576.40	49434.79
EXPENSES			
Cost of Raw Materials Consumed	2.17	46569.03	36705.20
Change in Inventories of Finished Goods and Work in Progress	2.18	(342.57)	(264.68)
Employee Benefit Expenses	2.19	2768.68	2212.88
Finance Costs	2.20	4.12	15.03
Depreciation	2.8	911.58	715.58
Other Expenses	2.21	2768.82	2100.63
Total Expenses		52679.66	41484.64
Profit Before Exceptional and Extraordinary items and Tax		9896.74	7950.15
Exceptional Items [Expenses/(Income)]	2.22	115.59	–
Profit Before Extraordinary Items and Tax		9781.15	7950.15
Extraordinary Items		–	–
Profit Before Tax		9781.15	7950.15
Tax Expense			
– Current Tax		3020.00	2097.00
– Deferred Tax (Net)		60.75	313.00
Profit After Tax		6700.40	5540.15
Earning per Equity Share	2.27		
Basic / Diluted Earning Per Share (Rs.)		53.95	44.61
Significant Accounting Policies	1		
Notes on Accounts	2		

As per our report of even date attached.

For DAVINDER S. JAAJ & CO.
Chartered Accountants (FRN000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

Mumbai, 29th April, 2014

The Notes referred to above form an integral part of these financial statements.

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 29th April, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Convention

These accounts are prepared under the historical cost convention and on the basis of going concern. All expenses and income to the extent considered payable and receivable respectively, unless stated otherwise, have been accounted for on mercantile basis.

1.2 Fixed Assets and Depreciation

- i) All fixed assets are carried at cost of construction or acquisition less depreciation. All expenses including financing costs on borrowed funds upto the date the asset is ready for use and attributable to the construction or acquisition of fixed assets are capitalised.

When an asset is scrapped, or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit (including capital profit) or loss, if any, is reflected in Profit and Loss Account.

- ii) Depreciation on all the fixed assets is provided on Straight Line Method, pro-rata monthly rests, at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for fixed assets mentioned in para (iii) below.
- iii) In the following cases, depreciation rates are higher than the rates prescribed in Schedule XIV of the Companies Act, 1956.

<u>Nature of Assets</u>	<u>Rates adopted in Accounts (%)</u>
a) Electrical Installations	7.42
b) Furniture & Office Equipments	15.00
c) Patterns, Blocks and Dies	25.00
d) Vehicles	25.00
e) Data Processing Equipments	30.00
f) Computer Software	30.00

- iv) Assets individually costing up to Rs.5000/- are depreciated at 100% in the year of purchase.
- v) Capital spares are amortized in a systematic manner over the useful life of the asset to which it relates.

1.3 Investments

Non Current / Long-Term Investments are valued at cost. However, when there is a decline, other than temporary, in the value of a Non Current/Long term investments, the carrying amount is reduced to recognise the decline.

Current Investments are valued at lower of cost or fair market value, wherever applicable. The classification of investments into Current or Non Current is based on the holding period remaining as on the Balance Sheet date.

1.4 Inventories

Inventories are valued at cost (excluding cenvat credit) or net realizable value, whichever is lower. Cost of inventories includes appropriate portion of allocable overheads, wherever applicable, and is ascertained on monthly weighted average basis. Finished Goods includes Excise Duty payable.

Excise Duty payable on finished goods is charged to Profit and Loss Account.

1.5 Foreign currency transactions

Foreign currency transactions are recorded at rates of exchange prevailing on the date of transaction. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of year is recognized as income or expense, as the case may be.

1.6 Retirement Benefits

The Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. The Company contributes to the appropriate authorities its share of the Members Provident Fund Account as per the Employees' Provident Fund Act, 1952.

Provisions in respect of liabilities of gratuity and leave encashment are made based on actuarial valuation made by an independent actuary as at the balance sheet date.

1.7 Revenue Recognition

Sales are recognized at the time of dispatches to customers and include excise duty. Dividends are accounted for as and when received.

1.8 Research & Development

Development expenditure incurred on technical services and other project/product related expenses are amortized over the estimated period of benefit, not exceeding three years.

1.9 Taxes on Income

Current tax is the tax payable for the period determined as per provision of the Income Tax Act, 1961.

The provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

1.10 Product Warranty

In respect of warranty on sale of engines, the estimated cost of warranty is accrued at the time of sale. The estimate for accounting of warranty is reviewed and revisions are made as required.

1.11 Accounting policies not specifically referred above are consistent with generally accepted accounting practices.

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2014
2.1 SHARE CAPITAL

(Rs. in lacs)

Particulars	2014	2013
Authorised		
Equity Share, Rs. 10/- par value		
2,50,00,000 (2013 – 2,50,00,000) Equity Shares	<u>2500.00</u>	<u>2500.00</u>
	<u>2500.00</u>	<u>2500.00</u>
Issued, Subscribed & Paid-Up		
Equity Share, Rs. 10/- par value		
1,24,19,820 (2013 – 1,24,19,820) Equity Shares fully paid-up	<u>1241.98</u>	<u>1241.98</u>
	<u>1241.98</u>	<u>1241.98</u>

The Company has issued only one class of shares referred to as Equity Shares having a par value of Rs.10/-. Each Equity Shareholder is entitled to one vote per share.

The Company declares and pays dividend in Indian Rupees. The Board of Directors, in their meeting held on 29th April, 2014 proposed a dividend of Rs. 35 per equity share (including Rs. 20.00 per share as special dividend). Dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The total dividend appropriation for the year ended 31st March, 2014 amounted to Rs. 5085.70 lacs (2013 - Rs.4795.09 lacs) including corporate dividend tax of Rs. 738.76 lacs (2013 – Rs. 696.55 lacs)

Equity Shareholders holding more than 5% shares :

Name	31.03.2014		31.03.2013	
	No. of Shares Held	% of Shareholding	No. of Shares Held	% of Shareholding
Mahindra & Mahindra Limited (M&M)	41,26,417	33.22%	41,26,417	33.22%
Kirloskar Industries Limited (KIL)	21,60,000	17.39%	21,60,000	17.39%
Reliance Capital Trustees Co. Ltd. A/c - Reliance Tax Saver (ELSS)	5,40,000	4.35%	8,63,600	6.95%

Reconciliation of number of Equity Shares outstanding and the amount of Share Capital :

Description	31.03.2014		31.03.2013	
	No. of Shares	Share Capital (Rs. in lacs)	No. of Shares	Share Capital (Rs. in lacs)
Number of equity shares at the beginning	1,24,19,820	1241.98	1,24,19,820	1241.98
Movement in equity during the year	–	–	–	–
Number of equity shares at the closing	1,24,19,820	1241.98	1,24,19,820	1241.98

In the last 5 years, the Company has not :

- allotted any shares as fully paid up pursuant to contract(s) without being received in cash,
- allotted any bonus shares,
- bought back its shares.

2.2 RESERVES AND SURPLUS

(Rs. in lacs)

Particulars	2014		2013	
Capital Reserve – Brought Forward		18.71		18.71
General Reserve – Opening Balance	15296.76		14696.76	
Add : Transferred from Surplus	<u>700.00</u>	15996.76	<u>600.00</u>	15296.76
Surplus – Opening Balance	2815.41		2670.35	
Add : Profit for the Year	<u>6700.40</u>		<u>5540.15</u>	
	9515.81		8210.50	
Less : Appropriations				
Proposed Dividend	4346.94		4098.54	
Tax on Proposed Dividend	<u>738.76</u>		<u>696.55</u>	
Transfer to General Reserve	<u>700.00</u>	3730.11	<u>600.00</u>	2815.41
		<u>19745.58</u>		<u>18130.88</u>

2.3 DEFERRED TAX

(Refer Note 1.9)

(Rs. in lacs)

Particulars	2014		2013	
Deferred Tax Liabilities				
– On Depreciation		762.24		688.08
Deferred Tax Assets				
– On Expenses		<u>68.14</u>		<u>54.73</u>
Deferred Tax Liabilities / (Assets)		<u>694.10</u>		<u>633.35</u>

2.4 LONG-TERM PROVISIONS

(Rs. in lacs)

Particulars	2014		2013	
Provisions for Employee Benefits (Refer Note 1.6)				
– Provision for Leave Encashment		145.31		105.32
Others				
– Provision for Warranty		<u>33.07</u>		<u>21.13</u>
		<u>178.38</u>		<u>126.45</u>

2.5 TRADE PAYABLES

(Rs. in lacs)

Particulars	2014	2013
Trade Payables – Micro and Small Enterprises (Refer Note 2.35)	1228.55	686.12
Trade Payables – Other than Micro and Small Enterprises	4330.42	3446.42
Accruals	363.43	261.27
	<u>5922.40</u>	<u>4393.81</u>

2.6 OTHER CURRENT LIABILITIES

(Rs. in lacs)

Particulars	2014	2013
Payables		
– Statutory Dues	168.44	320.20
– Capital Purchases	101.10	201.19
– Advances from Customers	0.84	1.18
– Others	23.53	23.16
Deposits & Retention Money	20.01	14.43
Unpaid / Unclaimed Dividend*	65.48	48.39
	<u>379.40</u>	<u>608.55</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2014.

2.7 SHORT TERM PROVISIONS

(Rs. in lacs)

Particulars	2014	2013
Provisions for Employee Benefits (Refer Note 1.6)		
– Provision for Gratuity (Refer Note 2.36)	44.93	63.67
– Provision for Leave Encashment	<u>34.66</u>	<u>35.19</u>
Others		
– Proposed Dividend	4346.94	4098.54
– Tax on Proposed Dividend	738.76	696.55
– Provision for Warranty	<u>84.33</u>	<u>61.97</u>
	<u>5170.03</u>	<u>4857.06</u>
	<u>5249.62</u>	<u>4955.92</u>

2.8 FIXED ASSETS

(Refer Note 1.2)

(Rs. in lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2013	Additions during the year	Sale/ Adjustments during the year	Cost as at 31.03.2014	As at 01.04.2013	Provided during the year	Disposal/ Adjustments during the year	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
TANGIBLE ASSETS										
Land	50.68	-	-	50.68	-	-	-	-	50.68	50.68
Buildings	1140.50	166.61	-	1307.11	416.34	36.00	-	452.34	854.77	724.16
Plant & Machinery	12541.82	785.23	112.13	13214.92	5332.28	848.74	105.39	6075.63	7139.29	7209.54
Electrical Installations	175.90	260.62	-	436.52	166.18	2.65	-	168.83	267.69	9.72
Furniture & Fixtures	74.97	7.41	0.10	82.28	62.24	6.28	0.10	68.42	13.86	12.73
Office Equipments	104.97	12.13	2.50	114.60	46.53	13.25	2.39	57.39	57.21	58.44
Vehicles	7.62	12.66	-	20.28	7.28	2.13	-	9.41	10.87	0.34
TOTAL (A)	14096.46	1244.66	114.73	15226.39	6030.85	909.05	107.88	6832.02	8394.37	8065.61
INTANGIBLE ASSETS										
Software	58.01	7.95	-	65.96	51.38	2.53	-	53.91	12.05	6.63
TOTAL (B)	58.01	7.95	-	65.96	51.38	2.53	-	53.91	12.05	6.63
GRAND TOTAL (A+B)	14154.47	1252.61	114.73	15292.35	6082.23	911.58	107.88	6885.93	8406.42	8072.24
Capital Work in Progress									170.96	242.17
Capital Spares									2.28	3.46
									173.24	245.63
Previous Year	9603.73	4611.22	60.48	14154.47	5424.03	715.58	57.38	6082.23		

2.9 INVESTMENTS

(Rs. in lacs)

Particulars	Face Value Per Unit (Rs.)	2014 Number	2014 Rs. Lacs	2013 Number	2013 Rs. Lacs
Current Investments - Non Trade (Unquoted) (At cost, unless otherwise specified)					
Investments in Mutual Funds					
DWS Cash Opportunities Fund - Regular Plan - Daily Dividend -Reinvestment	10	—	—	12113117	1214.60
HDFC Cash Management Fund- Saving Plan - Daily Dividend Reinvestment	10	8174875	869.51	—	—
ICICI Prudential Regular Saving Fund -Regular Plan - Growth	10	—	—	7286364	800.00
Kotak FMP Series 138 - Growth	10	2000000	200.00	—	—
Kotak FMP Series 77 - Growth	10	—	—	1836760	183.67
Kotak FMP Series 87 - Growth	10	—	—	4000000	400.00
Kotak FMP Series 88 - Growth	10	—	—	2520968	252.10
SBI DFS 13 Months -12 - Growth	10	—	—	2000000	200.00
Birla Sun Life Cash Plus Daily Dividend - Regular Plan - Reinvestment	100	1826148	1829.71	—	—
Birla Sun Life Ultra STF - Daily Dividend Regular Plan - Reinvestment	100	—	—	1741093	1742.05
ICICI Prudential Liquid - Regular Plan - Daily Dividend - Reinvestment	100	1281234	1281.60	1004918	1005.15
Kotak Liquid Scheme Plan A - Daily Dividend	1000	39527	483.34	—	—
SBI Premier Liquid Fund - Regular Plan - Daily Dividend	1000	152926	1534.24	—	—
Tata Liquid Fund Plan A - Daily Dividend-Reinvestment	1000	—	—	49473	551.38
TATA Money Market Fund - Plan A - Daily Dividend	1000	101898	1020.52	—	—
UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend-Reinvestment	1000	—	—	106590	1066.13
			<u>7218.92</u>		<u>7415.08</u>
Aggregate amount of unquoted Investments			7218.92		7415.08

2.10 LONG-TERM LOANS & ADVANCES

(Rs. in lacs)

Particulars	2014	2013
Capital Advances - Considered Good		
Secured	19.06	140.07
Unsecured	73.60	46.16
Security Deposits- Considered Good		
Unsecured	29.43	24.17
Others		
Unsecured - Considered Good	185.26	192.97
	<u>307.35</u>	<u>403.37</u>

2.11 INVENTORIES

(Refer Note 1.4)

(Rs. in lacs)

Particulars	2014	2013
Raw Materials & Components (including goods-in-transit Rs. 275.56 lacs (2013- Rs.223.31 lacs))	2647.91	2363.07
Work-in-Progress	335.15	505.71
Finished Goods	1057.74	544.61
Stores and Spares (including goods-in-transit Rs. 3.96 lacs (2013 - Rs. Nil))	248.15	274.69
Loose Tools	351.73	246.60
	<u>4640.68</u>	<u>3934.68</u>

2.12 TRADE RECEIVABLES

(Unsecured-considered good unless otherwise stated)

(Refer Note No. 2.25)

(Rs. in lacs)

Particulars	2014	2013
Outstanding for more than six months from the date they are due for payment	—	—
Others	784.73	925.01
	<u>784.73</u>	<u>925.01</u>

2.13 CASH & BANK BALANCES

(Rs. in lacs)

Particulars	2014		2013	
(A) Cash and Cash Equivalents				
Balances with Banks				
– On Current Accounts	121.63		304.96	
– Deposit Account with original maturity upto 3 Months	<u>500.00</u>	621.63	–	304.96
Cash on hand		<u>1.40</u>		<u>3.75</u>
		<u>623.03</u>		<u>308.71</u>
(B) Other Bank Balances				
– Balance with Banks held as Margin Money and Deposit against Gurarantees	500.00		545.02	
– Deposit Account with original maturity more than 3 months but upto 12 months	9000.00		5495.00	
– Deposit Account with original maturity more than 12 months	<u>300.00</u>		1400.00	
– Interest Accrued on Fixed Deposits	<u>464.81</u>	10264.81	<u>274.38</u>	7714.40
– Earmarked Balances		<u>65.48</u>		<u>48.39</u>
		<u>10330.29</u>		<u>7762.79</u>
		<u>10953.32</u>		<u>8071.50</u>

2.14 SHORT TERM LOANS & ADVANCES

(Unsecured-considered good unless otherwise stated)

(Rs. in lacs)

Particulars	2014		2013	
Balance with Excise Authorities	53.63			22.84
Income Tax (Net of Provisions)	69.99			81.15
Advances to Suppliers	8.60			95.11
Advances to Employees	16.10			13.88
Prepaid Expenses	21.95			13.51
Advance to PSPCL	–			212.69
Other Advances recoverable in cash or kind				
– CENVAT	443.29		441.81	
– Value Added Tax	<u>281.64</u>		62.18	
– Others	<u>31.60</u>	756.53	<u>80.26</u>	584.25
		<u>926.80</u>		<u>1023.43</u>

2.15 REVENUE FROM OPERATIONS

(Refer Note 2.29)

(Rs. in lacs)

Particulars	2014		2013	
Sale of Products	67734.54			53317.04
Other Operating Revenue	<u>465.15</u>			<u>512.77</u>
Gross Revenue from Operations	68199.69			53829.81
Less : Excise Duty	<u>7371.96</u>			<u>5926.40</u>
Net Revenue from Operations	<u>60827.73</u>			<u>47903.41</u>

2.16 OTHER INCOME

(Rs. in lacs)

Particulars	2014	2013
Interest Income	1101.33	825.00
Profit / (Loss) on disposal of Fixed Assets	(0.24)	4.33
Net Gain on Sale of Non Current/Long Term Investments	208.03	425.59
Net Gain on Sale of Current Investments	4.84	143.31
Dividend from Non-Current/Long Term Investments	6.41	18.97
Dividend from Current Investments	422.53	109.29
Miscellaneous Income	5.77	4.89
	<u>1748.67</u>	<u>1531.38</u>

2.17 COST OF RAW MATERIALS CONSUMED

(Refer Note 2.31)

(Rs. in lacs)

Particulars	2014	2013
Opening Stock	2139.75	2008.77
Add : Purchases	46863.99	36880.20
	<u>49003.74</u>	<u>38888.97</u>
Less :		
Closing Stock	2372.34	2139.75
Transferred to Other Jobs	<u>62.37</u>	<u>44.02</u>
	<u>46569.03</u>	<u>36705.20</u>

2.18 CHANGE IN INVENTORIES OF FINISHED GOODS & WORK-IN-PROGRESS

(Rs. in lacs)

Particulars	2014	2013
Opening Stock	1050.32	785.64
Less : Closing Stock	1392.89	1050.32
	<u>(342.57)</u>	<u>(264.68)</u>

2.19 EMPLOYEE BENEFIT EXPENSES

(Rs. in lacs)

Particulars	2014	2013
Salaries & Wages	2348.10	1840.30
Contribution to Provident & Other Funds (Refer Note 1.6)	152.60	155.42
Workmen & Staff Welfare	267.98	217.16
	<u>2768.68</u>	<u>2212.88</u>

2.20 FINANCE COSTS

(Rs. in lacs)

Particulars	2014	2013
Bank Charges	1.60	2.00
Other Interest Cost	1.17	1.57
Exchange Fluctuation Loss/(Gain)	1.35	11.46
	<u>4.12</u>	<u>15.03</u>

2.21 OTHER EXPENSES

(Rs. in lacs)

Particulars	2014	2013
Power, Fuel & Water Charges	502.09	377.62
Consumption of Stores & Spares	1176.38	758.49
Rates and Taxes	8.57	0.45
Insurance	22.08	21.94
Repairs and Maintenance		
– Buildings	18.52	14.03
– Machinery	244.48	257.70
– Others	17.72	11.15
Postage & Telephone	5.57	4.67
Printing & Stationery	14.19	9.65
Travelling & Conveyance Expenses	49.04	59.25
Auditors' Remuneration		
– Statutory Auditor's		
Audit Fee	2.25	2.25
Tax Audit Fee	0.38	0.38
Other Services	1.32	2.08
Expenses Reimbursed	0.57	0.78
– Cost Auditor's		
Audit Fee	0.55	0.55
Expenses Reimbursed	0.01	0.09
– Others	0.25	0.30
Research & Development Expenses	272.15	289.81
Other Marketing Expenses	133.62	110.65
Miscellaneous Expenses	299.08	178.79
	<u>2768.82</u>	<u>2100.63</u>

2.22 EXCEPTIONAL ITEMS

(Rs. in lacs)

Particulars	2014	2013
Fire Insurance Claim (Net)	(97.91)	–
Power Feeder Line Expense	213.50	–
	<u>115.59</u>	<u>–</u>

2.23 **Contingent Liabilities and Commitments (To the extent not provided for)**

Particulars	2014 Rs. in lacs	2013 Rs. in lacs
Contingent Liabilities :		
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	127.61	127.61
– Income Tax matters in dispute	243.65*	232.29
– Others	241.67**	241.67
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	1139.23	1167.86

* Assessment of Income Tax is complete upto assessment year 2011-12. No provision has been made in the Books of Accounts for the disputed demands of Rs. 58.33 lacs (31.03.2013 - Rs 46.97 Lacs), where company is in appeal. For earlier Assessment Years, tax authorities have filed appeals / references which involve an estimated liability of Rs. 185.32 lacs (31.03.2013- Rs.185.32 lacs).

** Represents demand for enhanced compensation for land allotted to Company in 1988. Company is in appeal with Hon'ble Supreme Court of India. Pending appeal, Rs. 100.00 lacs was deposited with the court during the financial year 2008-09 and the same forms part of Long-Term Loans & Advances under Note 2.10.

2.24 While letters for confirmation of balance of sundry creditors, sundry debtors and material lying with vendors have been sent, only few responded. Rests are subject to confirmation.

2.25 Related party disclosures as required under Accounting Standard -18 are given below:

a) Names of related parties and description of relationships having transactions during the year :

- | | |
|------------------------------|---|
| i) Associate Companies | Mahindra & Mahindra Limited (M&M)
Kirloskar Industries Limited (KIL)
Swaraj Automotives Limited (SAL) |
| ii) Key Management Personnel | Shri M.N. Kaushal (Whole-time Director) |

b) Volume of Transactions with related parties

i) Associates	2014 Rs. in lacs	2013 Rs.in lacs
a. Purchase of raw materials and components	599.45	426.10
M&M	56.62	5.71
SAL	542.83	420.39
b. Sale of finished goods	71229.97	54595.91
M&M	71229.97	54595.91
c. Purchase of fixed / other Assets	–	4.99
M&M	–	4.99
d. Sale of fixed assets	–	–
e. Receiving of services	375.88	387.20
M&M	375.88	387.20
f. Rendering of services	157.24	123.01
M&M	146.81	114.14
SAL	10.43	8.87

SWARAJ ENGINES LIMITED

	2014 Rs. in lacs	2013 Rs. in lacs
g. Dividend paid	2074.52	817.23
M&M	1361.72	536.43
KIL	712.80	280.80
Aggregate balances outstanding as at the year end		
– Receivables	671.22	756.58
M&M	671.22	756.58
– Payables	80.76	78.41
SAL	80.76	75.02
M&M	–	3.39
ii) Key Management Personnel Remuneration [^]	13.48	13.48
Dividend	0.43	0.17
[^] The above remuneration was paid to Sh.M.N.Kaushal for the period 1st April, 2013 to 31st March, 2014 and is also included in above b(i)(e).		

2.26 Segment Reporting

The Company's business activities relate to diesel engines, diesel engine components & spare parts and fall within a single primary business segment. As such, no separate segment reporting is required under Accounting Standard 17, issued by the Institute of Chartered Accountants of India.

2.27 Earnings per Share (EPS)

Earnings per share are calculated by dividing net profit for the year attributable to equity shareholders by number of equity shares outstanding during the year. The Company has not issued any potential equity shares, and accordingly, the basic earning per share and diluted earning per share are the same.

2.28 Particulars in respect of goods manufactured :

Class of Goods	Unit of Qty.	Production	
		2014	2013
Engines	Nos.	74,786	57,348

2.29 Particulars in respect of Revenue from Operations (Gross):

Class of Goods	Unit of Qty.	Qty.	2014	Qty.	2013
			Rs. in lacs		Rs. in lacs
Sale of Products					
Engines	Nos.	74,062	66133.84	57,377	50608.66
Engine Components	–	–	555.74	–	1729.10
Spares	–	–	1044.96	–	979.28
Total			<u>67734.54</u>		<u>53317.04</u>
Other operating revenue					
Scrap & Others	–		465.15		512.77
Revenue from operations			<u>68199.69</u>		<u>53829.81</u>

2.30 Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty	Opening Balance		Closing Balance	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
Engines	Nos.	698 (747)	534.06 (548.18)	1422 (698)	1057.74 (534.06)
Engine Parts	–		10.55 (0.97)		– (10.55)

2.31 Analysis of Raw Materials consumed:

Class of Goods	2014 Rs. in lacs	2013 Rs. in lacs
Crank Shaft Assy	4061.94	3129.71
Crank Case Assy	5104.20	3922.25
Flywheel	2376.38	1836.28
Fuel Pump Assy	5217.53	3999.97
Others (including components)	29808.98	23816.99
	<u>46569.03</u>	<u>36705.20</u>

Note:

- i) The amounts of all the items in Analysis of Raw Materials consumed represent the issues during the year. The figure of others (including components) is a balancing figure based on total consumption shown in Note no. 2.17 and includes adjustments for excess/shortage/ damages/obsolete found on physical verification.

2.32 Value of imported and indigenous Raw Materials, Components, Stores and Spares etc. consumed and percentage of each in Total Consumption:

	%age	2014 Rs. in lacs	%age	2013 Rs. in lacs
a) Raw Material & Components				
Imported	–	–	–	–
Indigenous	100.00	46569.03	100.00	36705.20
		<u>46569.03</u>		<u>36705.20</u>
b) Stores, Consumables, Spares & Loose Tools				
Imported	7.00	87.15	–	–
Indigenous	93.00	1089.23	100.00	758.49
		<u>1176.38</u>		<u>758.49</u>

2.33 Value of Imports on CIF Basis:

	2014 Rs. in lacs	2013 Rs. in lacs
Raw Material & Components	–	–
Stores & Spares	76.99	–
Capital Goods	47.85	1608.08
	<u>124.84</u>	<u>1608.08</u>

- 2.34 Research & Development Expenses includes an amount of Rs.118.34 lacs (2013- Rs.170.69 lacs) amortized during the year being the expense towards upgradation of engine and improvement in fuel efficiency.

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2.35 Micro, Small and Medium Enterprises have been identified by the Company on the basis of the information available. Total outstanding dues of Micro and Small enterprises, which are outstanding for more than the stipulated period are given below:-

S.No.	Particulars	Rs. in lacs	
		2014	2013
(a)	Dues remaining unpaid as at 31st March		
	– Principal	–	–
	– Interest on the above	–	–
(b)	Interest paid in terms of Section 16 of the Act along with the amount of payment made to the supplier beyond the appointed date during the year		
	– Principal paid beyond the appointed date	–	50.97
	– Interest paid in terms of Section 16 of the Act	–	0.10
(c)	Amount of interest due and payable for the period of delay in payments made beyond the appointed date during the year	–	–
(d)	Further interest due and payable even in succeeding year, until such date when the interest due as above are actually paid to the small enterprises.	–	–
(e)	Amount of interest accrued and remaining unpaid as at 31st March	–	–

2.36 Employee Defined Benefits:

Defined benefit plans as per Actuarial Valuation		Rs. in lacs	
Particulars		Gratuity (Funded)	
		2014	2013
I.	Expense Recognized in the Statement of Profit & Loss Account		
1.	Current Service Cost	27.08	24.36
2.	Interest	29.67	20.43
3.	Expected Return on plan assets	(27.21)	(22.36)
4.	Actuarial (Gain)/Loss	15.21	41.31
5.	Total Expense	44.75	63.74
II.	Net Asset/(Liability) recognized in the Balance Sheet		
1.	Present value of Defined Benefit Obligation	397.47	328.47
2.	Fair Value of plan assets	352.53	264.80
3.	Funded Status [Surplus/(Deficit)]	(44.93)	(63.67)
4.	Net Asset/(Liability)	(44.93)	(63.67)

	2014	Rs. in lacs 2013
III. Change in the obligation during the year		
1. Present value of Defined Benefit Obligation as at the beginning of the year	328.47	255.77
2. Current service cost	27.08	24.36
3. Interest Cost	29.67	20.43
4. Benefit payments	(4.83)	(13.26)
5. Actuarial (Gain)/Loss	17.08	41.18
6. Present value of Defined Benefit Obligation as at the end of the year	397.47	328.47
IV. Change in Fair Value of Assets during the Year		
1. Fair Value of plan assets at the beginning of the year	264.08	240.88
2. Expected return on plan assets	27.21	22.36
3. Contributions by employer	63.48	14.96
4. Actual Benefits paid	(4.83)	(13.26)
5. Actuarial (Gain)/Loss on Plan assets	1.87	(0.13)
6. Fair Value of plan assets at the end of the Year	352.53	264.80
7. Actual return on plan assets	29.08	22.23
V. The major categories of plan assets as a percentage of total plan		
Funded with LIC	100%	100%
VI. Actuarial Assumptions		
1. Discount Rate	9.10%	8.20%
2. Expected rate of return on plan assets	9.25%	9.25%
3. In-service Mortality	IAL 2006-08 Ultimate	IAL 2006-08 Ultimate
4. Turnover Rate	5.00%	5.00%
5. Salary Rise - Officers	8.00%	8.00%
6. Salary Rise - Workers	6.00%	5.00%
7. Remaining Working life	24.40 Yrs	25.28 Yrs

2.37 Previous year figures have been regrouped, wherever necessary, so as to correspond with those of the current year.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(Rs. in lacs)

	2014	2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	9781.15	7950.15
Adjustments for:		
Depreciation	911.58	715.58
(Profit)/Loss on disposal of Fixed Assets (Net)	0.24	(4.33)
Dividend Received & Gain on Sale of Investments	(641.81)	(697.16)
Interest (Received)/Paid (Net)	(1097.21)	(809.97)
Operating Profit Before Working Capital Changes	8953.95	7154.27
Adjustments for:		
Trade and Other Receivables (Long Term / Short Term) *	321.77	559.56
Inventories	(706.00)	(590.71)
Trade and Other Payables (Long Term / Short Term)	1337.37	(228.30)
Cash Generated From Operations	9907.09	6894.82
Direct Taxes Paid (Net of refund)	(3008.84)	(2148.75)
Cash Flow Before Extraordinary Items	6898.25	4746.07
Extraordinary Items	-	-
Net Cash From Operating Activities	6898.25	4746.07
(* includes Capital Advances)		
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (inclusive of capital WIP) ^	(1180.22)	(3984.54)
Sale of Investments (Net)	196.16	696.56
Sale of Fixed Assets	6.61	7.43
Bank Deposit (Placed)/Matured (Net)	(2550.41)	(1073.00)
Increase in Earmarked Balances	(17.09)	(5.70)
Interest Received	1101.33	825.00
Dividend Received & Gain on Sale of Investments	641.81	697.16
Net Cash (used in) / from Investing Activities	(1801.81)	(2837.09)
(^ excludes Capital Advances)		

(Rs. in lacs)

	2014	2013
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in bank borrowings for working capital	–	–
Dividend Paid (including DDT)	(4778.00)	(1870.80)
Interest Paid	(4.12)	(15.03)
Net Cash Used in Financial Activities	(4782.12)	(1885.83)
Net Increase/(Decrease) in Cash and Cash Equivalents	314.32	23.15
Opening Cash and Cash Equivalents	308.71	285.56
Closing Cash and Cash Equivalents	623.03	308.71

Note :

1. Previous year figures have been regrouped wherever found necessary.

As per our report of even date attached.

For DAVINDER S. JAAJ & CO.
Chartered Accountants (FRN000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Mumbai, 29th April, 2014

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 29th April, 2014

INDEPENDENT AUDITORS' REPORT**To the Shareholders of Swaraj Engines Limited****Report on the Financial Statements**

We have audited the accompanying financial statements of Swaraj Engines Limited ("the Company"), which comprise the balance sheet as at 31 March 2014, the statement of Profit and Loss of the Company for the year ended, the Cash Flow Statement of the Company for the year ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of Section 227 (4A) of the Act, we give in Annexure a statement on the matters specified in paragraph 4 & 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;
 - iii. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement are in agreement with the books of account;

- iv. in our opinion the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- v. On the basis of written representations received from the Directors, as on 31st March, 2014 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(FRN – 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 29th April, 2014

ANNEXURE TO THE AUDITORS' REPORT

The annexure referred to in our report to the members of Swaraj Engines Limited ('the Company') for the year ended 31st March 2014. We report that:

- (i) Regarding Fixed Assets:
 - a. The Company has maintained proper records to show full particulars, including quantitative details and situation of Fixed Assets.
 - b. The Fixed Assets have not been verified by management during the year but the company has a system of periodic verification of Fixed Assets. In our opinion, the frequency of verification is at reasonable intervals considering the size of the Company.
 - c. No substantial part of the Fixed Assets was disposed off during the year, and therefore, do not affect the going concern assumption.
- (ii) Regarding Inventory:
 - a. The stocks of finished goods, stores, spare parts and raw materials of the Company in its possession have been physically verified by the management at reasonable period. Stock-in-transit as on 31st March 2014 has been verified by the management on subsequent receipt of the goods.
 - b. In our opinion, the procedures of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. The Company is maintaining proper records for inventory and discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
- (iii) Company has neither taken nor granted any loan, secured or unsecured to / from companies, firms or other parties listed in the register maintained under Section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase and sale of stores, raw materials including components, plant and machinery, equipment and similar assets. During the course of audit, we have not observed any major weaknesses in internal controls.
- (v) On the basis of documents produced before us, the Company has not entered into any transaction which is required to be recorded in register mentioned under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Section 209 (1) (d) of the Act, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) Regarding Statutory Dues:
 - a) The Company has been regular during the year in depositing undisputed dues with Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise & Custom duty and other statutory dues with the appropriate authorities.
 - b) According to the information given to us, there were no undisputed unpaid dues with Sales Tax, Income Tax, Wealth Tax, Excise & Custom Duty were outstanding as at 31st March 2014 for a period of more than six months from the date they became payable.

- c) Details of dues of Income-tax & Excise Duty which have not been deposited as on 31st March, 2014 on account of disputes are given below:

(Rs. in Lacs)

Statute	Nature	Forum where dispute is pending	Amount Involved	Amount Pre Deposited	Amount in Arrear
Central Excise Act, 1944	Excise Duty	Appellate Authority Tribunal Level	102.15	61.87	40.28
		Appellate Authority – Commissioner Appeals	25.46	20.00	5.46
Income Tax Act, 1961	Income Tax	Supreme Court	13.35	–	13.35
		High Court	29.96	–	29.96
		Appellate Authority – Tribunal Level	106.90	–	106.90
		Appellate Authority – CIT (A)	4.80	–	4.80
		Assessing Officer	35.11	–	35.11

- (x) The Company neither has accumulated losses at the end of the financial year nor any cash losses for this financial year as well as for financial year immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions or debenture holders.
- (xii) To the best of our knowledge and information provided to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a Chit fund, Nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the Company.
- (xiv) Company has no transactions regarding contracts in shares, securities, debentures or other investments.
- (xv) On the basis of records produced before us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not obtained any term loans. Hence the comments under the clause are not required.
- (xvii) The Company has not raised any funds on short term basis.
- (xviii) On the basis of information provided to us, the Company has not made any preferential allotment during the year.
- (xix) The Company has not issued any secured debentures. Hence the requirement of the clause (xix) of paragraph 4 of the Order is not applicable to the Company.
- (xx) No money was raised by the Company through Public Issue during the year.
- (xxi) To the best of our knowledge, no fraud was noticed or reported on or by the Company.

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(FRN – 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 29th April, 2014

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 31st March, 2014

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 energy consumption through improved operational methods and implementation of Energy Management Systems.

The following initiatives towards energy conservation were taken during the year:

- Use of Energy Efficient Compressor.
- Operationalization of 66 KVA Power Sub Station resulting in improved quality of power.
- Effective control of Capacitor bank helped in maintaining the power factor 0.99.
- Utilization of ETP waste water for Gardening /horticulture after treatment.
- Increase in Peak load consumption from 500 KVA to 1200 KVA resulting overall reduction in average power cost per unit.
- Introduction of translucent sheets on roof top for effective utilization of natural light.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

An expenditure of Rs.15.00 lacs had been made to provide energy efficient pump for washing machines.

(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.

Above initiatives besides being energy efficient are also environmental friendly.

Overall savings during the year- Rs 22.0 lacs

(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:**

Areas in which Research & Development is carried out:

1. Development of new 38HP engine for which regular production has started.
2. Development of new 54HP engine which is currently in the final testing stage.

Benefits derived as a result of the above efforts:

- Expansion of product range

3. Future Plan of Action

Development of turbo-charged >50HP engines.

4. Expenditure on R & D

The Company spent revenue expenditure of Rs. 2.72 crores on Research & Development work during the year, which was 0.4% of the total turnover.

Technology absorption, adaptation and innovation:

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

While no technology has been imported during the last 5 years, Company has gone for high technology imported machines which helped to enhance the overall productivity and reduction in rework / rejection.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year, there were no exports. Foreign Exchange Outgo is contained in Note No. 2.33 of Notes on Accounts in the annual report.

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)

Date : 21st June, 2014

G.P.GUPTA

Chairman

SWARAJ ENGINES LIMITED

(CIN: L50210PB1985PLC006473)

Registered Office :

Phase-IV, Industrial Area, S.A.S. Nagar (Mohali), Punjab-160 055

28th Annual General Meeting - 31st July, 2014

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

NAME OF THE SHAREHOLDER/PROXY
ADDRESS

Folio No.

DP ID*

No. of Shares held :

Client ID*

I hereby record my presence at the 28th ANNUAL GENERAL MEETING of the Company at its Works at Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab -160 062 on Thursday, the 31st July, 2014 at 2:30 p.m.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of Companies (Management and Administration) Rules, 2014]

SWARAJ ENGINES LIMITED

(CIN: L50210PB1985PLC006473)

Regd. Office: Phase IV, industrial Area, S.A.S.Nagar (Mohali), Punjab-160055

Email:selinvestor@swarajenterprise.com, Website: www.swarajenterprise.com

Name of the Member (s):

Registered Address:

Email id:

Folio / DP ID-Client ID No:

I/We, being the member(s) of _____ shares of the above named Company hereby appoint :

- (1) Name _____ Address _____
E-mail id _____ Signature _____ or falling him;
- (2) Name _____ Address _____
E-mail id _____ Signature _____ or falling him;
- (3) Name _____ Address _____
E-mail id _____ Signature _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company, to be held on Thursday, 31st July, 2014 at 2.30 p.m. at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab - 160062 and at any adjournment thereof in respect of such resolutions as are indicated below:

	Resolutions	Optional*	
		For	Against
1	Ordinary Business Adoption of Financial Statements for the year ended 31st March, 2014, Reports of the Directors and Auditors		
2	Declaration of Dividend on Equity Shares		
3	Re-appointment of Shri R.R.Deshpande as Director, who retires by rotation		
4	Re-appointment of Shri Vijay Varma as Director, who retires by rotation		
5	Appointment of Auditors and fix their remuneration		
	Special Business		
6	Appointment of Dr. T.N. Kapoor as an Independent Director		
7	Appointment of Shri Sudhir Mankad as an Independent Director		
8	Appointment of Shri Rajan Wadhera as Director		
9	Appointment of Shri S.Durgashankar as Director		
10	Appointment of Shri Dileep C. Choksi as an Independent Director		
11	Appointment of Smt. Neera Saggi as an Independent Director		
12	Approval of the remuneration of Cost Auditors		

Signed this _____ day of _____ 2014

Signature of Shareholder _____

Signature of Proxyholder(s) _____

Affix
Revenue
Stamp

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 28th Annual General Meeting.
- * 3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Please complete all details including details of member(s) in the above box before submission.