



30th

Annual Report

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

SUDHIR MANKAD
Chairman

DR. PAWAN GOENKA

DR. T.N.KAPOOR

R.R.DESHPANDE

VIJAY VARMA

RAJAN WADHERA

S.DURGASHANKAR

DILEEP C. CHOKSI

NEERA SAGGI

M.N.KAUSHAL
Whole Time Director

ANNUAL GENERAL MEETING

on Tuesday, 26th July, 2016
at 12:30 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 →	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Engines Sold (Nos.)	17702	16408	28539	39143	47413	55239	57377	74062	64595	64088
Total Revenue (Net)^	129.32	125.54	208.34	286.62	363.45	452.64	486.11	614.75	543.31	528.27
PBIDT	26.58	23.36	32.04	53.75	63.08	73.43	78.56	97.11	78.33	75.96
Finance Charges (Net)	(0.45)	(3.27)	(4.87)	(5.80)	(5.73)	(8.10)	(8.10)	(10.97)	(12.69)	(13.89)
Depreciation	4.40	4.59	4.69	4.84	4.46	4.26	7.16	9.12	13.20	13.80
Profit Before Exceptional Items	22.63	22.04	32.22	54.71	64.35	77.27	79.50	98.96	77.82	76.05
Exceptional Items [Expenses / (Income)]	-	-	-	-	-	-	-	1.15	-	-
Profit Before Tax	22.63	22.04	32.22	54.71	64.35	77.27	79.50	97.81	77.82	76.05
Income Tax	7.77	7.68	10.95	17.36	20.44	24.45	24.10	30.81	25.98	24.85
Profit After Tax	14.86	14.36	21.27	37.35	43.91	52.82	55.40	67.00	51.84	51.20
Dividend %	Nil	50	50	80	100	130	330 #	350#	330#	330#
Dividend Payout	Nil	6.21	6.21	9.94	12.42	16.15	40.99	43.47	40.99	40.99
Equity Share Capital	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42
Net Worth	75.87	82.96	96.97	122.74	152.22	186.28	193.73	209.88	212.07	214.05
Capital Employed	81.41	88.04	100.84	125.42	154.14	189.48	200.06	216.82	218.39	221.65
Market Capitalisation	176.36	265.78	118.05	360.36	532.93	498.10	490.58	859.20	1003.83	1063.88
PBIDT/Total Revenue %	20.6	18.6	15.4	18.8	17.4	16.2	16.2	15.8	14.4	14.4
Return on Net Worth %	19.6	17.3	21.9	30.4	28.9	28.4	28.6	31.9	24.4	23.9
Earning Per Share (Rs.)	12.0	11.6	17.1	30.1	35.4	42.5	44.6	53.9	41.7	41.2
Book Value Per Share (Rs.)	61.1	66.8	78.1	98.8	122.6	150.0	156.0	169.0	170.8	172.3

#Include Special Dividend of 200% in 2013, 2014 and 180% in 2015 & 2016

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday**, the **26th day of July, 2016 at 12.30 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, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended 31st March, 2016 including the audited Balance Sheet as at 31st March, 2016 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 Vijay Varma (DIN 00011352) who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Rajan Wadhwa (DIN 00416429) 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 Resolution as a Special Resolution:**

"RESOLVED that pursuant to the provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft Regulations contained in the Articles of Association submitted to this Meeting, be approved and adopted in substitution, and to the entire exclusion, of the Regulations contained in the existing Articles of Association of the Company.

FURTHER RESOLVED that approval of the Company be accorded to the Board of Directors of the Company (including any Committee thereof) to do all such acts, deed, matters and things and to take all such steps as may be required in this connection including seeking all necessary approvals to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard."

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

"RESOLVED that in supersession of the Resolution passed by the Members at the 26th Annual General Meeting held on 31st July, 2012 vide Item No. 9 of the Notice dated 26th June, 2012, and pursuant to the provisions of Sections 197, 198 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Non-Executive Directors of the Company (i.e. Directors who are neither the Managing Director nor the Whole Time Director(s) and such of the remainder as may not desire to participate), be paid such sum by way of commission, in addition to the sitting fees for attending the Meetings of the Board of Directors or Committees thereof as the Board of Directors may from time to time determine not exceeding in aggregate, one per cent of the net profits of the Company for each Financial Year as computed in the manner laid down in Section 198 of the Companies Act, 2013, or any statutory modification(s) or re-enactment thereof, provided that none of such Directors shall, in any Financial Year individually receive a portion of such remuneration more than one quarter per cent of the net profits of the Company.

FURTHER RESOLVED that approval of the Company be accorded to the Board of Directors (including any Committee thereof) to do all such acts, deeds, matters and things and to take all such steps as may be required in this connection including seeking all approvals as may be required to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard."

8. **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 other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and pursuant to the recommendation of the Audit Committee, M/s V. Kumar & Associates, Cost Accountants having Firm Registration No. 100137, appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of the cost records of the Company for the Financial Year ending 31st March, 2017, be paid a remuneration of Rs.70,000/- (Rupees seventy thousand only) (excluding all taxes and reimbursement of out of pocket expenses as may be incurred by the said Cost Auditors during the course of the audit).

FURTHER RESOLVED that approval of the Company be accorded to the Board of Directors of the Company (including any Committee thereof) to do all such acts, deeds, matters and things and to take all such steps as may be required in this connection including seeking all necessary approvals to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard."

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 per cent 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 Agent for its Share Registry Work (Physical and Electronic) are M/s MCS Share Transfer Agent Limited having their office at 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 9th July, 2016 to 15th July, 2016 (both days inclusive).
6. The dividend, if declared at the Annual General Meeting, would be paid / despatched on or after 27th July, 2016 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 8th July, 2016 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 Agent on or before 8th July, 2016.
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, 2008 to the Investor Education and Protection Fund (IEPF). The Company has uploaded the information of unclaimed / unpaid dividend lying with the Company as on 28th July, 2015 (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 Agent, M/s MCS Share Transfer Agent 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 15th July, 2016, to Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent 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, M/s MCS Share Transfer Agent Limited.
14. Members are requested to:
 - Intimate to the Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent Limited at their above mentioned address, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
 - Intimate directly to the respective Depository Participant, changes, if any, in their registered addresses, nomination, power of attorney etc. at an early date, in case of shares held in dematerialised form. The Company will not take cognizance of any such requests directly from shareholders.
 - Quote their folio numbers/Client ID/ DP ID in all correspondence.
 - Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
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, as amended and Regulation 44 of SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote at the 30th 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 shareholders may cast their vote using an electronic voting system from a place other than the venue of the meeting ("Remote e-voting").

The instructions for remote 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 the 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. 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 or call on toll free number 1800-222-990.
- 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 remote e-voting period commences on 22nd July, 2016 (9:00 a.m.) and ends on 25th July, 2016 (5:00 p.m.). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, the 19th July, 2016, 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 or cast the vote again. The shareholders who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again.

SWARAJ ENGINES LIMITED

- V. The facility for voting through ballot will also be made available at the AGM and shareholders attending the AGM who have not already cast their vote by remote e-voting will be able to exercise their right at the AGM.
- VI. 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 19th July, 2016.
- VII. Any person, who acquires shares of the Company and become shareholder of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. 19th July, 2016, may obtain the Login ID and password by sending a request at evoting@nsdl.co.in or Registrar and Share Transfer Agent of the Company.
- If the shareholder is already registered with NSDL for remote e-voting then he can use his existing User ID and password for casting the vote through remote e-voting.
- VIII. Mr. Ajay K Arora, Practising 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 and he has communicated his willingness to be appointed and will be available for same purpose.
- IX. The Scrutinizer shall immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.
- X. As per Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the results of e-voting are to be communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed, within 48 hours of the conclusion of the Annual General Meeting. 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.
- XI. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. 26th July, 2016.

16. Re-appointment of Directors

Shri Vijay Varma and Shri Rajan Wadhwa shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri Vijay Varma and Shri Rajan Wadhwa 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 Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pertaining to the Directors being re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

17. The route map of the venue of the Meeting is attached to the Notice.

Registered Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Tel: 0172-2271620-27, Fax: 0172-2272731
Email: selinvestor@swarajenterprise.com
Website: www.swarajenterprise.com
CIN: L50210PB1985PLC006473
26th April, 2016

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

The Articles of Association ("AoA") of the Company as currently in force was originally adopted when the Company was incorporated under the Companies Act, 1956 and further amendments were made, from time to time, over the past several years. The existing AoA are based on the Companies Act, 1956 and as such several regulations in the existing AoA contain references to specific sections of the Companies Act, 1956. Moreover, some regulations in the existing AoA are no longer in conformity with the Companies Act, 2013 ("the Act"). The Act is now in force (barring certain provisions). As substantive sections of the Act which deal with the general working of companies stand notified, several regulations of the existing AoA of the Company require alterations or deletions.

Given this position, it is considered expedient to wholly replace the existing AoA by a new set of Articles to make it consistent with the provisions of the Act including the Rules framed thereunder. The new AoA to be substituted in place of the existing AoA are largely based on Table 'F' of the Act which sets out the model Articles of Association for a company limited by shares. Shareholder's attention is invited to certain salient provisions in the new draft AoA of the Company viz:

- (a) Existing articles have been streamlined and aligned with the Act;
- (b) New provisions relating to appointment of Chief Executive Officer and Chief Financial Officer, in addition to Manager and Company Secretary;
- (c) The statutory provisions of the Act which permit a company to do some acts "if so authorised by its articles" or provisions which require a company to do acts in a prescribed manner "unless the articles otherwise provide" have been specifically included; and
- (d) Provisions of the existing AoA which are already part of statute in the Act have not been reproduced in the new draft AoA as they would only lead to duplication - their non-inclusion makes the new AoA crisp, concise and clear and aids ease of reading and understanding.

The proposed draft AoA is being uploaded on the Company's website at www.swarajenterprise.com for perusal by the Members and is also available for inspection of the Members in physical or in electronic form at the Registered Office of the Company between 10.00 a.m. to 12.00 noon, on all working days (except Saturdays, Sundays and Public Holidays), up to the date of the Annual General Meeting (AGM) as well as during the AGM at the venue thereof.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the aforesaid Special Resolution except to the extent of their shareholding, if any, in the Company.

The Board recommends the Special Resolution set out at Item No. 6 of the Notice for approval of Members.

Item No. 7

The Members at the 26th Annual General Meeting of the Company held on 31st July, 2012, had passed a Special Resolution for payment of commission of up to 1% per annum of the net profits of the Company to the Directors of the Company, other than the Directors who are in the whole-time employment of the Company, the Managing Director, Executive Director(s) and such other Directors as may not desire to participate, for a period of five years with effect from 1st April, 2011 and such commission be distributed amongst and paid to the aforesaid Directors 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 for any such Director.

In accordance with the approval of the Board, commission is being paid to all the Non-Executive Directors other than such Directors who may not desire to participate. In addition, the Non-Executive Directors, other than Directors representing Mahindra & Mahindra Limited, are paid sitting fees for attending the meetings of the Board or Committees thereof.

The provisions of Sections 197(1)(ii) and 197(4) of the Companies Act, 2013 empower the Board to approve remuneration to the Directors of the Company, other than Directors who are in the whole-time employment of the Company, the Managing Director, Executive Director(s) and such other Directors as may not desire to participate, not exceeding one per cent of the net

profits of the Company, as long as it is determined pursuant to the Articles of Association of the Company, or approved by the Company in the General Meeting.

Whilst the new Articles of Association proposed for adoption at Item No. 6 empowers the Board to approve remuneration within the provisions of Section 197 of the Companies Act, 2013, approval of Members is being explicitly sought by way of Special Resolution as the existing Resolution passed at the 26th Annual General Meeting of the Company held on 31st July, 2012 had empowered payment of commission to the Directors of the Company, other than the Directors who are in the whole-time employment of the Company, the Managing Director, Executive Director(s) and such other Directors as may not desire to participate, for a period of five years with effect from 1st April, 2011.

Details of sitting fees and commission paid/payable to Non-Executive Directors during the Financial Year 2015-16 is provided in the Annexure to the Directors Report and the Corporate Governance Report.

Accordingly, the Resolution set out at Item No. 7 of the Notice is in accordance with the provisions of Sections 197 and 198 of the Companies Act, 2013 and proposes to seek approval of the Members subject to the same maximum limit of commission per financial year as was previously approved by the Members i.e. upto a maximum limit of 1% of the net profits of the Company for each financial year in aggregate subject to a cap of one quarter per cent individually, that can be paid to the Directors of the Company (both existing and future appointments to the Board), other than Directors who are in the whole-time employment of the Company, the Managing Director, Executive Director(s) and such other Directors in any year as may not desire to participate.

None of the Directors (except Non-Executive Directors) or Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the Resolution set out in Item No. 7 of the Notice.

The Board recommends the Special Resolution set out at Item No. 7 of the Notice for approval by the Members.

Item No. 8

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, 2017 and the Board, subject to the ratification by the Members, approved the remuneration of Rs. 70,000/- (Rupees seventy 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. 8 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2017.

None of the Directors, key managerial personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 8 of the Notice for approval by the Members.

Registered Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Tel: 0172-2271620-27, Fax: 0172-2272731
Email: selinvestor@swarajenterprise.com
Website: www.swarajenterprise.com
CIN: L50210PB1985PLC006473
26th April, 2016

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their 30th Annual Report together with Audited Accounts for the financial year ended 31st March, 2016.

A. FINANCIAL RESULTS AND OPERATIONAL REVIEW :

	Year Ended 31 st March, 2016	(Rs. in Crores) Year Ended 31 st March, 2015
Net Operating Revenue	525.91	539.70
Profit before Other Income, Depreciation, Finance Charges, Exceptional items and Tax	73.59	74.72
Other Income	16.30	16.31
Profit before Depreciation, Finance Charges, Exceptional items and Tax	89.89	91.03
Finance Costs	0.04	0.01
Depreciation	13.80	13.20
Profit before Exceptional/Extraordinary items & tax	76.05	77.82
Exceptional / Extraordinary Items	-	-
Profit Before Tax	76.05	77.82
Tax Provision		
- Current	23.25	26.44
- Deferred	1.60	(0.46)
Profit After Tax	51.20	51.84
Surplus - Opening Balance after adjustment for carrying value of Assets	39.50	36.99
Surplus available for Appropriation :	90.70	88.83
Appropriations :		
Proposed Dividend	40.99	40.99
Tax on Proposed Dividend	8.34	8.34
Surplus - Closing Balance	41.37	39.50

Performance Review

The financial year 2015-16 was the challenging year for your Company as the domestic tractor industry, which has direct linkage on the performance of your Company, registered de-growth for the second consecutive year. However, against the industry's declining trends, your Company was able to sustain its engines sale volume for the year under review by posting a sale of 64,088 units which were almost at par with last year's 64,595 units.

On above engines sale volume, net operating revenue for the financial year 2015-16 reached Rs. 525.91 crores as against last year's Rs. 539.70 crores due to change in product mix. However, with its continued thrust on cost control initiatives, your Company was able to maintain its profit margins both at operating and after tax level. While Profit before tax for the year stood at Rs. 76.05 crores (previous year Rs. 77.82 crores), Profit after tax of Rs. 51.20 crores (previous year Rs. 51.84 crores) translates into Basic Earning Per Share of Rs. 41.22 (previous year Rs. 41.74).

Further, the capacity enhancement project announced in January 2014 to increase the annual capacity to 1,05,000 units, has been completed during the year. With this, your Company is now geared up to meet any future upswing in the demand.

Finance

The fund position of the Company remained comfortable throughout the year under review and after meeting the capital expenditure and working capital requirements to support operations, the Company has generated an income of Rs. 16.09 crores (previous year Rs. 16.14 crores) on surplus funds.

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, 2016. Further, 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. 18.00 per share, taking the total dividend to Rs. 33.00 per share for the financial year 2015-16, same as in 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 2015-16, including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 49.33 crores (previous year Rs. 49.33 crores).

Current Year's Review

As witnessed in the fourth quarter of last fiscal, tractor industry has started showing pick up in the demand. The forecast of good monsoon for this year and government's enhanced thrust on agri sector would be positive for the tractor industry and in this backdrop, the engine business of your Company is also expected to move in tandem with the industry.

B. INTERNAL FINANCIAL CONTROL SYSTEMS

The Company has laid down adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weakness in its operating effectiveness was observed.

C. 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.

D. RELATED PARTY TRANSACTIONS

All related party transactions that were entered during the financial year 2015-16 were in the ordinary course of the business and were on arm's length basis. There were no materially significant related party transactions made by the Company which may have a potential conflict of the interest with its Promoters, Directors, Key Managerial Personnel or other persons. All such related party transactions are placed before the Audit Committee for approval, wherever applicable. Prior omnibus approval for normal transactions is also obtained from the Audit Committee for the related party transactions which are of repetitive nature as well as for the transactions which cannot be foreseen and the same are subsequently shared with Audit Committee on regular intervals. The policy on materiality of and dealing with related party transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Company and the link for the same is (<http://www.swarajenterprise.com/NCC.asp>). The disclosure of related party transactions pursuant to Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is annexed herewith as "Annexure A".

E. BOARD AND COMMITTEES

Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In terms of Section 152 of the Companies Act, 2013, Shri Vijay Varma and Shri Rajan Wadhwa shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a system has been put in place to carry out performance evaluation of the Board, its Committees and individual Directors. Criteria for performance evaluation is covered in the Corporate Governance Report.

Remuneration Policy

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy on appointment of Directors and Senior Management and their remuneration. The Remuneration Policy is covered in the Corporate Governance Report.

Board Meetings and Annual General Meeting

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, five meetings of Board and four meetings of the Audit Committee were convened and held. The details are covered in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

The Independent Directors of the Company meet at least once in every financial year without the presence of Non-Independent Directors, Executive Director and any other management personnel. The meeting(s) is conducted in a manner to enable the Independent Directors to discuss matter pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties. During the year, one meeting of Independent Directors was held.

The 29th Annual General Meeting of the Company was held on 28th July, 2015.

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representations received from the Operating Management, and after due enquiry, confirm that:

- a) in the preparation of Annual Accounts for the financial year ended 31st March, 2016, the applicable accounting standards have been followed;
- b) in the selection of accounting policies, consulted the Statutory Auditors and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- d) the Annual Accounts have been prepared on a going concern basis;
- e) internal financial controls to be followed by the Company have been laid down, which are adequate and operating effectively;
- f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Audit Committee

The Audit Committee currently comprises of the following Directors viz. Shri Dileep C. Choksi (Chairman of the Committee), Dr. T.N. Kapoor, Shri S. Durgashankar and Smt. Neera Saggi. Except Shri S. Durgashankar, all the Members are Independent Directors. All the Members of the Committee possess strong accounting and financial management knowledge. The Company Secretary of the Company is the Secretary of the Committee.

All the recommendations of the Audit Committee were accepted by the Board.

F. CORPORATE GOVERNANCE

Listing Agreement

The Securities and Exchange Board of India, by replacing the earlier listing agreement, had issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective from 1st December, 2015. Accordingly, your Company has executed fresh Listing Agreements with BSE Limited and National Stock Exchange of India Limited.

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

Vigil Mechanism / Whistle Blower Policy

The Company has a vigil mechanism through Whistle Blower Policy to deal with instance of fraud and mismanagement, if any. The details of the Policy is explained in the Corporate Governance Report and also posted on the website of the Company.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has put in place anti sexual harassment policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The policy is gender neutral. Internal complaints committee has been set up to redress complaints received, if any, regarding sexual harassment. During the year, no complaint was received.

Risk Management

Pursuant to the requirement of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is having Risk Management framework covering identification, evaluation and control measures to mitigate the identified business risks.

G. EMPLOYEES**Key Managerial Personnel (KMP)**

The following have been designated as the Key Managerial Personnel of the Company pursuant to Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Shri M.N. Kaushal, Whole Time Director

Shri M.S. Grewal, Company Secretary

Shri Rajinder Arora, Chief Financial Officer

There was no change in KMPs during the year under review.

Employees' Stock Option Scheme

During the year, pursuant to the Employees' Stock Option Scheme ("the Scheme") approved by the Members in the Annual General Meeting of the Company held on 28th July, 2015, the Nomination and Remuneration Committee have granted 9389 options to eligible employees which will become due for exercise in subsequent period. There was no change in the Scheme during the year. Requisite disclosure in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014 is annexed as "Annexure B".

Industrial Relations

Industrial relations remained cordial throughout the year under review.

Particulars of Employees

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Companies Act, 2013, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

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 Health 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.

H. AUDITORS

Statutory Auditors and Auditors' Report

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.

The Audit Report issued by the Auditors of the Company forms part of the Annual Report and does not contain any qualification, reservation or adverse remark.

Secretarial Auditors

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s A. Arora & Co., Company Secretaries in practice (CP No. 993) to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as "Annexure C". The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Cost Auditors

Pursuant to Section 148(3) of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors on the recommendation of Audit Committee has appointed M/s V. Kumar & Associates, Cost Accountants, as the Cost Auditors of the Company for the financial year ending on 31st March, 2017. 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 arms length relationship with the Company.

I. CORPORATE SOCIAL RESPONSIBILITY AND RELATED MATTERS

Corporate Social Responsibility

Keeping with Company's core value of Good Corporate Citizenship, your Company is committed to its social responsibility by taking various initiatives which would benefit the society at large. As a major CSR initiative, your Company had adopted two nearby villages under Swaraj Swachh Bharat Integrated Sanitation Programme and provided community toilets and waste collection/management system. In addition, the Company has also upgraded infrastructure of the Govt. Schools located in these villages and the said initiatives are well appreciated by the local residents. In short span of last eight months, there is a noticeable improvement in these villages in the areas of Company's focus. Further, your Company has made significant contribution towards girl education, tree plantation at various locations, organizing medical camps, celebration of festivals with under privileged, public awareness camps for road safety and pollution etc. The Company has also contributed Rs. 60.00 lacs to the Prime Minister National Relief Fund.

Further, in compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has constituted Corporate Social Responsibility (CSR) Committee comprises Shri Sudhir Mankad (Chairman) and S/Shri Vijay Varma, Rajan Wadhwa and M.N. Kaushal as other members. The Annual Report on CSR activities is annexed herewith as "Annexure D".

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.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars in respect of the above activities stipulated under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed herewith as "Annexure E".

J. SECRETARIAL**Share Capital**

The Issued and Paid-up Share Capital of the Company remained unchanged during the year and stood at Rs.12.42 crores at the end of the financial year 2015-16.

Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as "Annexure F".

Particulars of Loans, Guarantees and Investments

During the year under review, the Company has not extended any loans, given guarantees or provided securities and made investment pursuant to Section 186 of the Companies Act, 2013.

Deposits

The Company has not accepted deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

The Company has not made any loans / advances and investment in its own shares, associates, etc. during the year.

General

The Whole Time Director is not receiving any commission from the Company. However, he has been granted Stock Options of the Company which will become due for exercise in the subsequent period.

The Company has no holding / subsidiary company.

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions / events happened on these items during the year under review:

1. issue of equity shares with differential voting rights or sweat equity.
2. significant or material orders passed by the Regulators / Courts / Tribunal which impact the going concern status of the Company and its future operations.
3. voting rights which are not directly exercised by the employees in respect of shares for the subscription / purchase for which loan was given by the Company (as there is no scheme pursuant to which such person can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013).
4. fraud reporting by the auditors.

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 continued contribution to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 26th April, 2016

(SUDHIR MANKAD)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

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

Since start of commercial operations in 1989-90, your Company has supplied around 7,20,000 engines for fitment into "Swaraj" tractors.

FINANCIAL ANALYSIS (2015-16)

The Company's operations have been characterised by a lean organisation structure, continuous improvement in process efficiencies and optimised resource utilisation. 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. 542.21 crores (previous year Rs. 556.01 crores) with the following breakdown:

	(Rs. in Crores)	
	<u>2015-16</u>	<u>2014-15</u>
Engines	509.22	525.44
Spares etc.	16.69	14.26
Net Revenue from Operations	525.91	539.70
Other Income - Mainly Interest & Dividend	16.30	16.31
Total Revenue	542.21	556.01

While domestic tractor industry de-grew during FY 2015-16, engine supplies for the year at 64,088 engines remained almost at previous year's level of 64,595 engines.

Comfortable fund position throughout the year resulted into a total income of Rs 16.09 crores (previous year Rs. 16.14 crores) on surplus funds. Other miscellaneous income for the year stood at Rs. 0.21 crore (previous year Rs. 0.17 crore).

Expenditure:

- **Material Cost**

In view of the overall comfortable commodity prices scenario supported by continued cost control initiatives, material cost as a percentage of net revenue from operations at 75.2% remained lower than last year's 75.8%.

- **Personnel Cost**

Increase in Personnel cost from Rs. 30.83 crores to Rs. 31.87 crores was primarily due to annual increments and impact of additional bonus due to change in the provisions of Payment of Bonus Act.

- **Other Expenses**

Other expenses, consisting of manufacturing, consumption of stores & spares and administrative & marketing expenses were almost at last year's level both in terms of absolute value and percentage of net revenue from operations.

- **Depreciation**

Depreciation for the year at Rs.13.80 crores was higher as compared to last year's Rs. 13.20 crores mainly due to additional depreciation on the fresh capex incurred during the year.

Reflecting the above, inspite of almost flat engine sales volume, Profit Before Tax was Rs. 76.05 crores (previous year Rs. 77.82 crores). After providing for corporate tax, Profit After Tax for the current year was Rs. 51.20 crores (previous year Rs. 51.84 crores).

(B) Balance Sheet**Equity & Reserves**

The Company's net worth on 31st March, 2016 stood at Rs. 214.05 crores comprising of an Equity component of Rs. 12.42 crores and Reserves & Surplus of Rs. 201.63 crores - a book value of Rs. 172 per share (previous year Rs. 171 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, 2016 stood at Rs. 193.58 crores (previous year Rs. 163.40 crores) and Rs. 101.74 crores (previous year Rs. 83.85 crores) respectively. Additions during the year were primarily towards plant & machinery. Capital work in progress / capital spares / intangible assets under development at the year-end stood at Rs. 0.33 crore (previous year Rs. 4.78 crores).

Inventories

With continued focus on raw material, store & spares and tools, total year-end Inventories came down to Rs. 27.75 crores against previous year's Rs. 33.14 crores.

Trade Receivables

Year-end Trade Receivables of Rs. 7.49 crores (previous year Rs. 6.87 crores) in terms of number of days at 5.2 days of net operating revenue were marginally higher than previous year's 4.6 days.

Trade Payables

Year-end Trade Payables stood at Rs. 54.01 crores (previous year Rs. 48.18 crores).

Core Working Capital

With focus on all components of core working capital viz. inventories, trade receivables and trade payables, the same as on 31st March, 2016 has improved by 7 days over previous year.

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 propriety, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audits. The Company has also laid down adequate internal financial controls. During the year, such controls were tested and no material weakness in their operating effectiveness was observed. Finance and Accounts function is well staffed with experienced and qualified personnel. This team participates in the preparation & monitoring of budgets. Internal Audit Reports are 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.

The 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 the Company's business.

Industrial relations were cordial throughout the year under review.

Regular employee strength (excluding apprentice) as on 31st March, 2016 stood at 394 (31st March, 2015 - 437).

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 (the world's largest by volume) has a mix of Indian origin and international manufacturers and is traditionally segmented by horsepower broadly - the low horsepower upto 30 HP segment, the mid segment of 30 HP - 50 HP and the higher segment of above 50 HP. While most of the major players cater to all the three segments, their relative strengths and market positions differ from segment to segment. Over a period of time, the medium and higher HP segments have become 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 de-growth of 13% during fiscal 2015 continued to be on declining trend in fiscal 2016 as well and registered a further de-growth of 10% to reach around 4,94,000 units against 5,51,000 units for FY 2014-15. While the first half witnessed a sharp drop of 20%, full year decline was restricted to 10% due to some improvement in the second half. Factors like below normal monsoon leading to draught conditions in several parts of the country followed by crop damage due unseasonal rains and subdued crop prices had adversely impacted the overall industry demand sentiments.

OUTLOOK AND OPPORTUNITIES

On the basis of current positive market trends witnessed during last quarter of fiscal 2016 where tractor industry, after posting de-growth in 5 consecutive quarters, had registered a growth of 8%, it is expected that the domestic tractor industry will register growth in near term. Further, high government focus on agri and rural sectors with enhanced budget allocation backed up by above normal monsoon prediction and other related favourable factors such as scope to increase current tractor penetration level, agri-mechanization, generating rural employment opportunities through various schemes, scarcity of farm labour especially during the sowing season, shortened replacement cycle, healthy credit availability, momentum in infrastructural projects etc. would be the positive drivers for tractor industry in long term. In view of the optimistic industry outlook for the Company's prime customer, your Company's business prospects appear to remain positive.

THREATS, RISKS & CONCERNS

As a supplier to M&M & SML Isuzu, your Company 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

I Company's philosophy on Code of Governance

Swaraj Engines Ltd. (SEL) has been practising 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 in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") is given below:

II Board of Directors

The Composition of the Board is in accordance with the Listing Regulations. 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 fulfils the stakeholders' aspirations and societal expectations.

A. Composition of the Board

The Company's Board of Directors currently comprises of 10 members. While five members are Non-Independent Non-Executive Directors, the Whole-time Director is the Executive Director of the Company and remaining four (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 2015-16		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 Sudhir Mankad, Chairman	Independent	5	5	Yes	9	1	5
Dr. Pawan Goenka	Non Independent	5	5	Yes	8	-	-

Name of Director	Category	Financial Year 2015-16		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 R.R.Deshpande	Non Independent	5	4	Yes	3	-	1
Shri Vijay Varma	Non Independent	5	5	Yes	2	-	-
Shri Rajan Wadhera	Non Independent	5	5	Yes	3	-	1
Shri S.Durgashankar	Non Independent	5	4	Yes	5	1	2
Shri Dileep C. Choksi	Independent	5	4	Yes	9	5	3
Smt. Neera Saggi	Independent	5	5	Yes	9	1	7
Executive							
Shri M.N.Kaushal, Whole Time Director	Non Independent	5	5	Yes	1	-	1

Excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013.

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

+ Committees considered are Audit Committee and Stakeholders Relationship 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 the Listing Regulations), across all the public 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, if any, adoption of quarterly/half-yearly/annual results, significant labour issues, and Minutes of Meetings of the Audit and other Committees of the Board. Details of the familiarization programme of the independent directors are available on the website of the Company (www.swarajenterprise.com).

During the financial year 2015-16, 5 Board Meetings were held on 27th April, 2015, 25th June, 2015, 28th July, 2015, 16th October, 2015 and 25th January, 2016. The gap between two Meetings did not exceed four months.

The 29th Annual General Meeting (AGM) was held on 28th July, 2015.

C. Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, a system has been put in place to carry out performance evaluation of the Board, its Committees and individual directors. An appraisal format has been devised covering various aspects of the Board's functioning such as adequacy of composition of the Board and its Committees, Board process, culture and accountability etc. Similarly, a separate format is also formulated for carrying out evaluation of the performance of Individual Directors including the Chairman of the Board, which interalia include parameters such as level of engagement and contribution, understanding of industry and global trends, and independence of judgement etc.

D. Directors Profile

The brief profile of the Company's Board of Directors is given below:

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 has also been appointed as Part Time Non-Executive Director on the Central Board of Reserve Bank of India from March '16.

Shri Mankad is also a Chairman of 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 Nomination and Remuneration Committee Corporate Social Responsibility Committee	Member Chairman Chairman
2.	Gruh Finance Limited	Nomination and Remuneration Committee Corporate Social Responsibility Committee Stakeholders Relationship Committee	Member Member Member
3.	Mahindra Intertrade Limited	Audit Committee Corporate Social Responsibility Committee Nomination and Remuneration Committee	Chairman Member Member
4.	National Securities Depository Limited	Audit Committee Corporate Social Responsibility Committee Nomination and Remuneration Committee	Member Member Member
5.	IL&FS Skills Development Corp. Limited	Audit Committee Nomination and Remuneration Committee	Member Member
6.	Navin Fluorine International Limited	Corporate Social Responsibility Committee	Member

S.No.	Name of the Company	Name of Committee	Position Held
7.	IL&FS Education & Technology Services Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Member
8.	Swaraj Engines Limited	Nomination and Remuneration Committee	Member
		Corporate Social Responsibility Committee	Chairman

Shri Mankad does not hold any shares in the Company.

Dr. Pawan Goenka

Dr. Pawan Goenka is on the Board of the Company since May 2010.

Dr. Goenka is a Mechanical Engineer from I.I.T. Kanpur. Post his Engineering degree, he earned his Ph.D from Cornell University, U.S.A. He is also a graduate of the Harvard Business School Advanced Management Program. Dr. Goenka is currently the Executive Director and Group President (Auto and Farm Sector) of Mahindra and Mahindra Limited (M&M). Having joined M&M in 1993, in April 2003 he was appointed COO of Automotive Sector, in September 2005 he became President, and in April 2010 he assumed responsibility for both the Automotive and Farm Equipment Sectors. He was appointed to the post of Executive Director of Mahindra & Mahindra Ltd. in 2013. Prior to joining M&M, he served with General Motors R&D Centre at Detroit, U.S.A. He is an internationally acknowledged scientist-manager with several citations to his credit. He is a fellow of SAE International and the Indian National Academy of Engineers. In 2014, he was appointed Chairman of the Board of Governors at the Indian Institute of Technology (IIT), Madras.

Dr. Goenka is also the Chairman of Mahindra Vehicle Manufacturers Limited, SsangYong Motor Company Limited, Mahindra & Mahindra South Africa (Pty) Limited, Mahindra USA Inc., Mahindra Racing U.K. Limited, Peugeot Motorcycles SAS, and Mahindra Reva Electric Vehicles Limited, Mahindra Agri Solutions Limited and Director of Mahindra First Choice Wheels Limited, Mahindra Two Wheelers Limited, Mumbai Mantra Media Limited, Mahindra Yueda (Yancheng) Tractor Co. Limited and Mitsubishi Mahindra Agricultural Machinery Co. Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Mahindra & Mahindra Limited	Corporate Social Responsibility Committee	Member
		Risk Management Committee	Member
2.	Mahindra Vehicle Manufacturers Limited	CSR Committee	Member
		Nomination and Remuneration Committee	Member
3.	SsangYong Motor Company Limited	Management Committee	Chairman
4.	Swaraj Engines Limited	Nomination and Remuneration Committee	Member
5.	Mahindra Reva Electric Vehicles Limited	Nomination and Remuneration Committee	Member

Dr. Goenka 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.

Dr. 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 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 Omax Autos Limited and Sterling Tools 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.	Omax Autos Limited	Stakeholders Relationship Committee	Chairman
		Audit Committee	Member
		Nomination and Remuneration Committee	Member
		Corporate Social Responsibility Committee	Member
		Executive Committee	Chairman
2.	Sterling Tools Limited	Audit Committee	Member
		Stakeholders Relationship Committee	Chairman
		Nomination and Remuneration Committee	Member
3.	Swaraj Engines Limited	Audit Committee	Member
		Stakeholders Relationship Committee	Chairman
		Nomination and Remuneration Committee	Chairman

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

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 Joint Managing 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	Stakeholders Relationship 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 Mechanical Engineer from College of Engineering, Pune, served with Kirloskar Oil Engines Limited and had held key positions in domestic and export marketing & sales, setting up power plant, heading business to generate and sell power, managing projects in strategy development, process engineering and information technology. He was also involved in negotiating, setting up and closing technology transfers and joint ventures, acquisitions of businesses and general management.

His last assignment in Kirloskar Group was as Managing Director & President of Kirloskar Proprietary Ltd. to manage, promote and protect brands and trademarks owned and used by Kirloskar Group.

Since 2009, Shri Varma chairs Indian Diesel Manufacturers' Association (IDEMA), and is also promoter and managing committee member of International Internal Combustion Engine Manufacturers' Association (IICEMA).

Shri 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.

Shri Rajan Wadhera

Shri Rajan Wadhera joined the Company's Board in 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 President and 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. 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 Limited, Mahindra North America Technical Centre and 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 & Buses Limited	Nomination and Remuneration Committee	Member
		Corporate Social Responsibility Committee	Chairman
2.	Swaraj Engines Limited	Stakeholders Relationship Committee	Member
		Corporate Social Responsibility Committee	Member
3.	Mahindra Heavy Engines Limited	Nomination and Remuneration Committee	Member
		Borrowing Committee	Member

Shri Wadhera does not hold any shares in the Company.

Shri S. Durgashankar

Shri S.Durgashankar joined the Company's Board in June 2014.

Shri S. Durgashankar, a Chartered Accountant, is currently President - Group Merger & Acquisitions (M&A), Corporate Accounts and Group 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.

Shri Durgashankar is also the Chairman of Mahindra Integrated Business Solutions Pvt. Limited and Director of EPC Industries Limited, Mahindra Trucks & Buses Limited, Mahindra Sona Limited, Mahindra eMarket Limited, Mitsubishi Mahindra Agricultural Machinery Co. Limited, Mahindra HZPC Pvt. Limited and Mahindra Namaste Pvt. Limited.

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 Industries Limited	Audit Committee Nomination and Remuneration Committee Corporate Social Responsibility Committee	Member Member Member
2.	Mahindra Trucks & Buses Limited	Audit Committee Nomination and Remuneration Committee	Chairman Chairman
3.	Swaraj Engines Limited	Audit Committee	Member
4.	Mahindra Sona Limited	Corporate Social Responsibility Committee	Member

Shri Durgashankar does not hold any shares in the Company.

Shri Dileep C. Choksi

Shri Dileep C. Choksi joined the Company's Board in June 2014.

Shri Dileep C. Choksi, a Chartered Accountant by profession, has over 37 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 Bank Limited, ICICI Lombard General Insurance Co. Limited, ICICI Home Finance Co. Limited, Lupin Limited, Hexaware Technologies Limited, AIA Engineering Limited, Arvind Limited, Tata Housing Development Co. 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 Bank Limited	Audit Committee Fraud Monitoring Committee Risk Committee Review Committee for identification of wilful defaulters / non co-operative borrowers	Member Member Member Member
2.	ICICI Lombard General Insurance Co. Limited	Audit Committee Nomination and Remuneration Committee Corporate Social Responsibility Committee	Chairman Chairman Chairman
3.	ICICI Home Finance Co. Limited	Audit & Risk Management Committee Nomination and Remuneration Committee Corporate Social Responsibility Committee Committee of Directors Management Committee	Chairman Chairman Member Member Member
4.	Lupin Limited	Audit Committee	Member
5.	Hexaware Technologies Limited	Audit, Governance & Compliance Committee Special Committee for Internal Automation Banking, Investments, Operations & Forex Committee	Chairman Member Member
6.	Arvind Limited	Audit Committee Nomination and Remuneration Committee	Chairman Member
7.	Tata Housing Development Co. Limited	Audit Committee Nomination and Remuneration Committee	Member Member
8.	Swaraj Engines Limited	Audit Committee	Chairman

Shri Choksi does not hold any shares in the Company.

Smt. Neera Saggi

Smt. Neera Saggi joined the Company's Board in 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's last assignment was Chief Executive of L&T Seawoods Pvt. Ltd.

Smt. Saggi is also Director of SICOM Limited, Tata Projects Limited, TRF Limited, Tata Consulting Engineers Limited, IL&FS Financial Services Limited, Tata Realty and Infrastructure Limited, Maithon Power Limited and Mahindra Heavy Engines 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	Audit Committee	Member
		Nomination and Remuneration Committee	Member
		Corporate Social Responsibility Committee	Member
2.	Tata Projects Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Chairperson
		Corporate Social Responsibility Committee	Member
3.	TRF Limited	Audit Committee	Member
		Corporate Social Responsibility Committee	Member
4.	Tata Consulting Engineers Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Member
		Corporate Social Responsibility Committee	Member
5.	Tata Realty and Infrastructure Limited	Audit Committee	Member
6.	Maithon Power Limited	Audit Committee	Member
		Nomination and Remuneration Committee	Member
7.	Swaraj Engines Limited	Audit Committee	Member
8.	Mahindra Heavy Engines Limited	Audit Committee	Chairperson
		Nomination and Remuneration Committee	Member

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

Shri M.N.Kaushal

Shri M.N. Kaushal has joined the Company's Board in December 2009 and has been appointed as Whole Time Director for a period of 5 years with effect from 1st April, 2012.

Shri Kaushal is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. Having joined the erstwhile Punjab Tractors (since merged with Mahindra & Mahindra Limited) in 1981, his last assignment in M&M was Sr. Vice President - Finance of Farm Division of Mahindra & Mahindra Ltd. and has made significant contributions in business planning, cost control and management & judicious allocation of financial resources.

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

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

Shri Kaushal holds 1307 shares in the Company.

III Committees of the Board

A. Audit Committee

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

- Shri Dileep C. Choksi, Chairman
- Dr. T.N. Kapoor
- Shri S. Durgashankar
- Smt. Neera Saggi

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

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 2013 and the Listing Regulations. The functions of the Audit Committee inter alia 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 Management Discussion and Analysis of financial condition, results of operations and related party transactions. Generally, all items listed in Regulation 18(3) of the Listing Regulations are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Regulation 18(2)(c) of the Listing Regulations. The meetings of the Audit Committee are also attended by the Whole-time Director, the Statutory Auditors, the Internal Auditor and the Company Secretary besides other senior functionaries of the Company as and when required.

The Company Secretary acts as the Secretary to the Committee.

Shri Dileep C. Choksi, the Chairman of the Audit Committee, attended the last Annual General Meeting held on 28th July, 2015.

During the financial year under review, 4 meetings of Audit Committee of the Board were held on 27th April, 2015, 28th July, 2015, 16th October, 2015 and 25th January, 2016. The gap between the two meetings did not exceed four months.

Attendance record of the Members of the Audit Committee for FY 2015-16 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri Dileep C. Choksi	4	3
Dr. T.N. Kapoor	4	4
Shri S. Durgashankar	4	3
Smt. Neera Saggi	4	4

B. Stakeholders Relationship Committee

The Stakeholders Relationship Committee functions under the Chairmanship of Dr. T.N. Kapoor, Non-Executive Independent Director and presently comprises the following Directors:

- Dr. T.N. Kapoor, Chairman
- Shri Rajan Wadhera
- Shri M.N. Kaushal

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 Stakeholders Relationship Committee were held on 27th April, 2015, 28th July, 2015, 16th October, 2015 and 25th January, 2016.

Attendance record of the Members of the Stakeholders Relationship Committee for FY 2015-16 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Dr. T.N. Kapoor	4	4
Shri Rajan Wadhera	4	4
Shri M.N. Kaushal	4	4

The Company had received 121 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. Nomination and Remuneration Committee

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

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

The purpose of the Committee inter alia include identification and selection of persons who may be appointed as directors / independent director(s) or as key managerial personnel or in senior management based on certain laid down criteria, formulate policy relating to the remuneration for the directors, key managerial personnel and other employees, to decide on the stock options to be granted, if any, to the eligible employees, directors including non-executive directors; formulation of process for evaluation of directors performance; and to deal with such other matters and functions as may be prescribed from time to time.

During the financial year, 2 meetings of Nomination and Remuneration Committee of the Board were held on 27th April, 2015 and 25th June, 2015.

Attendance record of the Members of the Nomination and Remuneration Committee for FY 2015-16 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Dr. T.N.Kapoor	2	2
Shri Sudhir Mankad	2	2
Dr. Pawan Goenka	2	2

D. Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee currently comprises the following four Directors with Non-Executive Independent Director as its Chairman:

- Shri Sudhir Mankad, Chairman
- Shri Vijay Varma
- Shri Rajan Wadhera
- Shri M.N. Kaushal

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.

During the financial year, 2 meetings of Corporate Social Responsibility Committee of the Board were held on 25th January, 2016 and 18th March, 2016.

Attendance record of the Members of the Corporate Social Responsibility Committee for FY 2015-16 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri Sudhir Mankad	2	2
Shri Vijay Varma	2	2
Shri Rajan Wadhera	2	2
Shri M.N. Kaushal	2	2

IV Remuneration to Directors

Remuneration Policy

The key provisions of the policies related to selection and appointment of Directors and their remuneration are given below:

a) Policy for Selection and appointment of Directors

i) Appointment of Directors

- The Nomination and Remuneration Committee (NRC) reviews and assesses Board composition and recommends the appointment of new Directors as and when required. In evaluating the suitability of individual Board member with regard to qualifications, positive attributes and independence of director, the NRC takes into account the following criteria that:

1. All Board appointments are based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
 2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision-making.
 3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board evaluates the candidature and decide on the selection of the appropriate member.

ii) Removal of Directors

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

iii) Succession Planning

The successors for the Independent Directors shall be identified by the NRC. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit. The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

b) Policy for Remuneration to Directors

i) Non-Executive Director including Independent Directors:

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and Variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as Director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act, 2013 and the Listing Regulations and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

ii) Whole-Time Executive Director(s):

The remuneration to Whole-Time/Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. The revision in compensation, if any, will be determined annually by the NRC based on their performance.

Remuneration Details

Non-Executive Directors, other than representative directors of M&M, are paid sitting fees 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. The existing sitting fees paid to Non-Executive Directors is as under:

- Rs. 50,000 for every Board Meeting
- Rs. 30,000 for every Committee(s) Meeting (other than Stakeholders Relationship Committee)
- Rs. 5,000 for every Stakeholders Relationship Committee Meeting

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 FY 2015-16 is as follows :

Independent Non-Executive Directors

(Rs. in lacs)

Name of the Directors who were in receipt of sitting fees / commission during FY 2015-16	Sitting Fees for Board and Committee Meetings paid during FY 2015-16	Commission payable for FY 2015-16	Total
Shri. Sudhir Mankad	3.70	5.00	8.70
Dr. T.N.Kapoor	4.50	5.00	9.50
Shri R.R.Deshpande	2.00	5.00	7.00
Shri Vijay Varma	3.10	5.00	8.10
Shri. Dileep C. Choksi	2.90	5.00	7.90
Smt. Neera Saggi	3.70	5.00	8.70

Executive - Whole-time Director

(Rs. in lacs)

Name of Director	Salary (Basic and Allowances)	Commission	Contribution to Provident Fund	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Shri M.N.Kaushal (Whole Time Director)	72.30	Nil	2.81	Nil	Nil	75.11	1st April, 2012 to 31st March, 2017

Note: Above excludes:

- 1603 stock options granted by the Company which will be vested and become due for exercise in the subsequent period.
- stock options from Associate Company - Mahindra & Mahindra Limited.

V General Body Meetings

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

Year	Date	Time	Special Resolutions passed
2013	30th July, 2013	2.30 P.M.	-
2014	31st July, 2014	2.30 P.M.	-

Year	Date	Time	Special Resolutions passed
2015	28th July, 2015	2.00 P.M.	<ol style="list-style-type: none"> 1. Revision in the remuneration of Shri M.N. Kaushal, Whole Time Director with effect from 1st October, 2014. 2. Approval for the related party transactions, entered into or to be entered into with respect to sale, purchase, service or supply of goods or materials, availing or rendering of services, leasing of property of any kind, selling or otherwise disposing of or buying property of any kind or any other transaction which will be in ordinary course of business and at arm's length (Transactions), with effect from 1st April, 2015, and every year thereafter, upto the maximum value of transactions per annum. 3. Approval to the Employee Stock Option Scheme, 2015 ("the Scheme") for offering, issuing and allotting at any time to or for the benefit of such person(s) who are in the permanent employment of the Company, under the Scheme, such number of equity shares and/or equity linked instruments (including Options/Warrants/Restricted Stock Units) ("Options") not exceeding 0.25% of the Paid-up Equity Share Capital of the Company as on 31st March, 2015 i.e. not exceeding 31,000 equity shares of Rs.10 each (or such other adjusted figure for any bonus, stock splits or consolidations or other reorganization of the capital structure of the Company as may be applicable from time to time), in one or more tranches, at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Scheme, the SEBI SBEB Regulations and other provisions of the law as may be prevailing at that time.

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.

VI Means of Communication

- a) In compliance with the requirements of the Listing Regulations, the Company regularly intimates quarterly 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 normally 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, 2016, no presentations were made to institutional investors or analysts.

VII Shareholder Information**1. 30th Annual General Meeting**

Date	:	26th July, 2016
Time	:	12.30 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.

Calendar for the Board Meetings to be held to review / approve the financial results of the Company for FY 2016-17 is given below:

• Quarter ending 30th June, 2016	Last week of July, 2016
• Half year ending 30th September, 2016	Third week of October, 2016
• Quarter ending 31st December, 2016	Last week of January, 2017
• Year ending 31st March, 2017	May, 2017

Note: The above schedules are indicative.

3. Dividend Payment

Will be paid/dispatched between 27th July, 2016 to 4th August, 2016.

4. Date of Book Closure

9th July, 2016 to 15th July, 2016 (both days inclusive)

5. Listing on Stock Exchanges

- (i) BSE Ltd. (BSE)
25th Floor, P.J.Towers, Dalal Street, Mumbai - 400001
- (ii) National Stock Exchange of India Ltd. (NSE)
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,
Bandra (East), Mumbai - 400051

Listing Fee for FY 2016-17 for both these stock exchanges has been paid.

6. Stock Code

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

7. CIN : L50210PB1985PLC006473

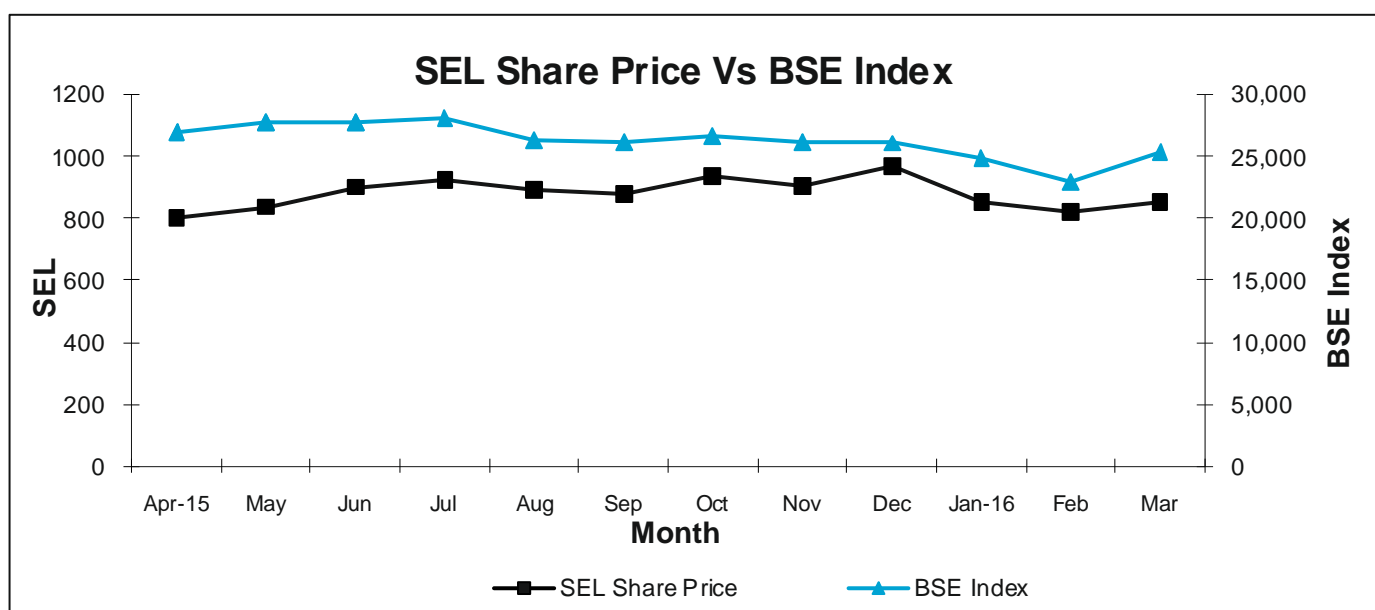
8. Stock Price Data

Monthly (April 2015 - March 2016) High - Low Quotations of shares traded at BSE & National Stock Exchange are as under:

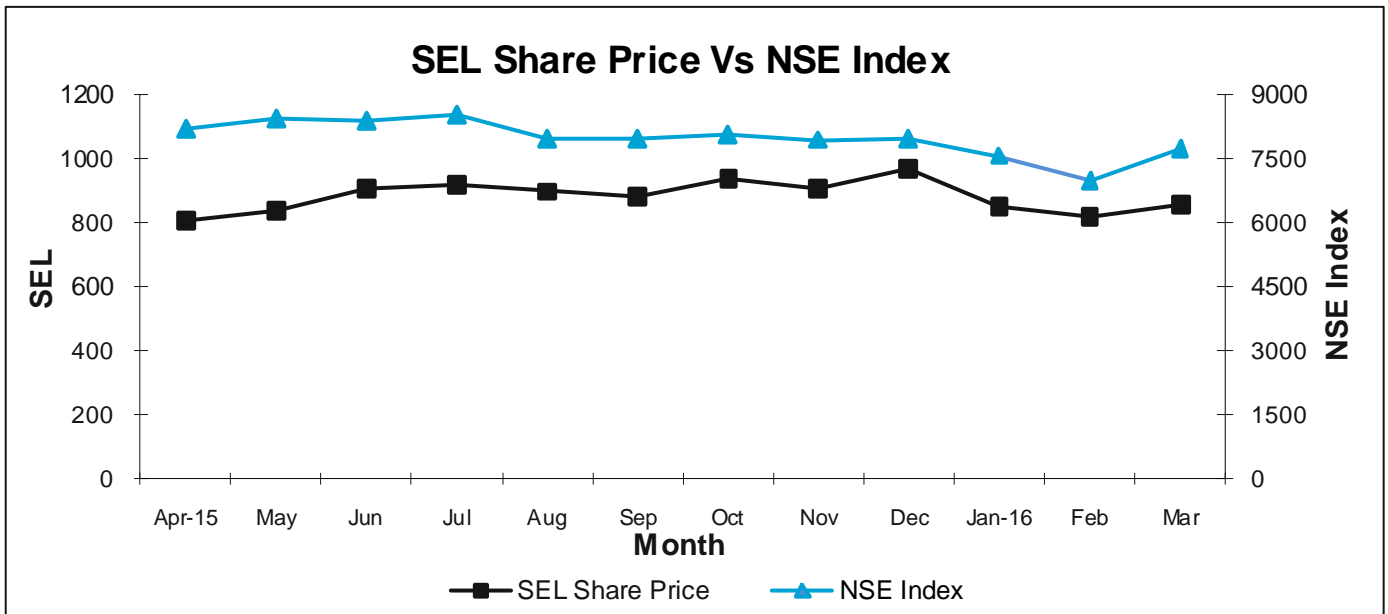
Month	BSE		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2015	900.00	745.00	902.30	742.00
May 2015	865.00	772.50	848.00	767.00
June 2015	918.00	790.00	922.00	791.00
July 2015	980.00	846.00	979.20	847.50
August 2015	1032.50	820.00	1030.00	820.00
September 2015	889.00	840.00	897.00	838.10
October 2015	994.00	835.50	998.85	840.00
November 2015	960.00	902.00	958.80	900.25
December 2015	979.50	878.00	982.00	873.00
January 2016	978.00	840.00	979.50	840.00
February 2016	889.00	762.00	884.90	763.15
March 2016	880.00	830.00	895.00	822.00

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 Share Transfer Agent Limited (MCS), 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 : helpdeskdeldhi@mcsregistrars.com
 Contact Person: Shri Amar Jit

Share Transfer & other Communication regarding Share Certificates, Dividends and Change of Address etc. may be addressed to Registrar, M/s MCS Share Transfer Agent Limited 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 FY 2015-16 was 2300 (Previous Year 2400).

Against the opening balance of 5350 shares (21 folios) lying in Unclaimed Suspense Account, no claim was made during the year.

12. Shareholding Pattern as on 31st March, 2016

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds	15	11,73,370	9.45
3 Financial Institutions / Banks	4	11,865	0.09
4 Insurance Companies	4	21,101	0.17
5 Foreign Institutional Investors	13	6,18,595	4.98
6 Bodies Corporate - Indian	330	7,01,943	5.65
7 NRIs	361	2,03,177	1.64
8 Indian Public	11,686	34,02,752	27.40
9 OCB	1	600	0.00
Total	12,416	1,24,19,820	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2016

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	11,022	88.77	9,23,428	7.44
501 - 1000	890	7.17	6,15,381	4.95
1001 - 5000	411	3.31	8,77,048	7.06
5001 - 10000	45	0.36	3,17,091	2.55
10001 - 50000	27	0.22	6,47,478	5.21
50001 & above	21	0.17	90,39,394	72.79
Total	12,416	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, 2016, 98.6% 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 Share Transfer Agent Limited
Unit: Swaraj Engines Ltd.
F-65, 1st Floor,
Okhla Industrial Area, Phase - I
New Delhi - 110 020
Email: helpdeskdelhi@mcsregistrars.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: selinvestor@swarajenterprise.com

Phone : 0172- 2271620-27

Fax : 0172- 2272731

18. Website Address : www.swarajenterprise.com**VIII Other Disclosures****A. Disclosure of transactions with Related Parties**

During FY 2015-16, all transactions entered into with related parties were in the ordinary course of business and on arms length basis. The Company has not entered into any transaction of material nature with the promoters, the directors or the management or their 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 covered at Note 2.25 of the Annual Accounts. The policy for related party transactions approved by the Board of Directors of the Company is available at Company's website www.swarajenterprise.com

B. 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.

C. Whistle Blower Policy

The Company is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics, honesty, integrity and ethical conduct. Towards this end, the Company has adopted a Code of Ethics & Conduct for its employees including Members of the Board of Directors referred to as "the Code" and other Policies as may be applicable from time to time which lays down the principles and standards that should govern the actions of the Company and its Employees. Any actual or potential violation of the Code/Policies, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the Employees in pointing out such violations of the Code/Policies cannot be undermined. Accordingly, the Whistle Blower Policy ("the Policy") has been formulated with a view to provide a mechanism for employees of the Company to approach the Chairman of the Audit Committee of the Company or Chairman of the Company.

All Employees of the Company are eligible to make Protected Disclosures under the Policy. Protected Disclosures may be in relation to matters concerning the Company. Protected Disclosures should be reported in writing and addressed to the Chairman of the Audit Committee of the Company or Chairman of the Company for investigation. During the year under review, no employee has approached the Audit Committee. The details of Whistle Blower Policy are available at the Company's website www.swarajenterprise.com

D. 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.

E. CEO / CFO Certification

As required under Regulation 17(8) of the Listing Regulations, the Whole-time Director and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2016.

F. Management Discussion and Analysis Report

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

G. 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 is apprised of the risk assessment and mitigation process followed by the Company.

H. 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.

IX Compliance with Mandatory requirements

The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under the Listing Regulations.

X Adoption of the non-mandatory requirements**a) 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.

b) Separate Posts of Chairman and CEO

The Company has separate persons to the posts of Chairman and Whole-time Director.

c) Internal Auditor

The internal auditor reports directly to the Audit Committee.

The Company has not adopted the other non-mandatory requirements as specified in Part E of Schedule II of the Listing Regulations during the year.

XI 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.

Mumbai, 26th April, 2016

**DECLARATION BY THE WHOLE-TIME DIRECTOR UNDER
SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015****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, 2016.

Mumbai, 26th April, 2016

M.N. Kaushal
Whole Time Director**Auditor's Certificate on Compliance with the Conditions of Corporate Governance****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, 2016, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges for the period 1st April, 2015 to 30th November, 2015 and as per the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") as referred to Regulation 15(2) of the Listing Regulations for the period 1st December, 2015 to 31st March, 2016.

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/ Listing Regulations, as applicable.

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.

Mumbai, 26th April, 2016

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(FRN – 000969N)**SUMEET SINGH DHIR**
Partner
Membership No. 94370

FORM NO. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL

a)	Name(s) of the related party and nature of relationship	Not applicable
b)	Nature of contracts/arrangements/transactions	Not applicable
c)	Duration of the contracts/arrangements/transactions	Not applicable
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Not applicable
e)	Justification for entering into such contracts or arrangements or transactions	Not applicable
f)	Date(s) of approval by the Board	Not applicable
g)	Amount paid as advances, if any	Not applicable
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	Not applicable

2. Details of material contracts or arrangements or transactions at arm's length basis:

a)	Name(s) of the related party and nature of relationship	Mahindra & Mahindra Limited, Associate Company
b)	Nature of contracts/arrangements/transactions	Sale, purchase, service or supply of goods or materials, availing or rendering of services, leasing of property of any kind, selling or otherwise disposing off or buying property of any kind or any other transaction in the ordinary course of business and at arm's length.
c)	Duration of contracts/arrangements/transactions	FY 2015-16
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Total value of transactions during FY 2015-16 was Rs.638.66 crores (excluding dividend paid – Rs.13.62 crores).
e)	Date(s) of approval by the Board, if any	Not applicable
f)	Amount paid as advances, if any	NIL

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 26th April, 2016

(SUDHIR MANKAD)
Chairman

ANNEXURE B TO DIRECTORS' REPORT

ESOP SCHEME

Disclosures in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 read with erstwhile SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999:

A	Options Granted	Swaraj Engines Limited Employee Stock Option Scheme 2015 ("the Scheme") - 9389		
B	Exercise Price/Pricing Formula	Options issued at par value - Rs.10/- per equity share		
C	Options vested	Nil		
D	Options exercised	Nil		
E	The total number of shares arising as a result of exercise of option	Nil		
F	Options lapsed	Nil		
G	Variation of terms of options	Nil		
H	Money realised by exercise of options	Nil		
I	Total number of Options in force	9389		
J	Employee-wise details of options granted to :			
	i) Senior Managerial Personnel	Name	Options Granted	
		Shri M.N. Kaushal	1603	
		Whole Time Director		
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of Option granted during the year	Nil		
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil		
K	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS-20) 'Earnings Per Share'	Rs.41.21		
L	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation so computed and the employee compensation cost that have been recognised if it had used the fair value of the options, shall be disclosed. The impact of the difference on profits and on EPS of the company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted on 8th December, 2015, the employee compensation cost would have been lower by Rs.0.90 lacs, Profit after tax higher by Rs.0.90 lacs and basic and diluted earnings per share would have been higher by Rs.0.01 and Rs.0.01 respectively.		
M	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equal or exceeds or is less than the market price of the stock.	Options Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)
		8th December, 2015	10.00	823.18

SWARAJ ENGINES LIMITED

N	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
	i) Risk-free interest rate	7.69%
	ii) expected life	5.73 Years
	iii) expected volatility	28.67%
	iv) expected dividends; and	1.65%
	v) the price of the underlying share in market at the time of option grant	Rs.911.75

ANNEXURE C TO DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
Swaraj Engines Limited,
Phase IV, SAS Nagar,
Punjab

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SWARAJ ENGINES LIMITED (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the SWARAJ ENGINES LIMITED'S books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by SWARAJ ENGINES LIMITED ("the Company") for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013.
 - b) The erstwhile Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 effective from May, 2015;
 - c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014, in reference of the Employee Stock Option Scheme.
 - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- Not applicable as the company has not issued any securities during the financial year under review.

- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Chapter V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 effective from December 01, 2015- Not applicable as the company has not issued any debt securities during the financial year under review.
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client- Not applicable as the company is not registered as Registrar to an Issue and Share Transfer Agent during the financial year under review.
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and Amended Regulations, 2016- Not applicable as the company has not delisted any securities from any stock exchange during the financial year under review.
 - h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998- Not applicable as the company has not bought back any of its securities during the financial year under review.
- (vi) The major provisions and requirements have also been complied with as prescribed under all applicable Labour laws viz. The Factories Act, 1948, The Payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment of Bonus Act, 1965, The Employees Compensation Act, 1923 etc.
- (vii) Environment Protection Act, 1986 and other environmental laws.
- (viii) Hazardous Waste (Management and Handling) Rules, 1989 and the Amendments Rules, 2003.
- (ix) The Air (Prevention and Control of Pollution) Act, 1981
- (x) The Water (Prevention and Control of Pollution) Act, 1974

I have also examined compliance with the applicable clauses of the following:

- a) Secretarial Standards issued by The Institute of Company Secretaries of India as notified by Government of India, effective from July 01, 2015.
- b) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

Based on our examination and the information received and records maintained, I further report that

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There was no change in the composition of the Board of Directors during the year.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
3. All decisions are carried through majority while the dissenting member's views, if any, are captured and recorded as part of the minutes.
4. The company has proper board processes.

Based on the compliance mechanism established by the company and on the basis of the compliance certificate(s) issued by the Company Secretary/ Officers and taken on record by the board of directors in their meeting(s), I am of an opinion that:

1. There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
2. Based on the examination of the relevant documents and records on test check basis the company has complied with the following laws specifically applicable to the company:
 - a) The Static and Mobile Pressure Vessels Rules, 1981
 - b) The Gas Cylinder Rules, 1981, Amended 2004
 - c) The Batteries (M&H) Rules, 2001

I further report that during the audit period the shareholders had accorded their approval to the Company's Employee Stock Option Scheme, 2015.

I further report that, there were no instances of

- (i) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- (ii) Redemption / buy-back of securities.
- (iii) Major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013.
- (iv) Merger / amalgamation / reconstruction etc.
- (v) Foreign technical collaborations.

For A. ARORA & COMPANY
AJAY K. ARORA
(Proprietor)

Place : Chandigarh
Date : 23.04.2016

FCS No. 2191
C P No.: 993

ANNEXURE D TO DIRECTORS' REPORT

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.

The brief outline of Company's CSR Policy is given below:

a) CSR Philosophy

The Company recognises that basic purpose of the business is not only to deliver Commercial Objectives but also to act as a "Socially Responsible Corporate Citizen". Therefore, the Company is committed to improve the quality of life for the Community and Society at large.

The Company strongly believes that Economic, Environmental & Social Performance hang together and blending passion for Corporate performance with compassion for Communities is central to the Company's corporate philosophy and to pursue this, the Company endeavours to make CSR (Corporate Social Responsibility) a key Business Process for sustainable development.

b) Objective of the CSR Policy

The objective of this policy is to -

- Promote a unified and strategic approach to CSR across the Company by incorporating under one 'Rise for Good' umbrella the diverse range of its philanthropic giving, identifying select constituencies and causes to work with, thereby ensuring a high social impact.
- Ensure an increased commitment at all levels in the organisation, by encouraging employees to participate in the Company's CSR and give back to society in an organised manner through the employee volunteering programme called ESOPs.

c) CSR Thrust Areas

The Company will focus its efforts within the constituencies of girls, youth & rural people through programs designed in the domains of education, health and environment. The Company may also make contributions to its Associate Companies' Corporate Foundations/Trusts towards its corpus for projects approved by the Board.

The Company's commitment to CSR will be manifested by investing resources within the broad framework of Schedule VII of the Companies Act, 2013.

The CSR Policy is available at Company's following Web-link : <http://www.swarajenterprise.com/NCC.asp>

2. Composition of the CSR Committee:

The CSR Committee presently comprises of the following Directors:

1. Shri Sudhir Mankad, Chairman (Independent Director)
2. Shri Vijay Varma (Non-Independent Director)
3. Shri Rajan Wadhera (Non-Independent Director)
4. Shri M.N. Kaushal (Whole Time Director)

3. Average net profit of the Company for last three financial years : Rs. 8504 Lacs

4. Prescribed CSR Expenditure (two per cent of the amount mentioned in item 3 above) : Rs. 170 Lacs

5. Details of the CSR spend for the financial year:

- a. Total amount to be spent for the financial year: Rs. 170.0 Lacs
- b. Amount unspent : Rs. 7.8 Lacs (Projects identified & execution under process)
- c. Manner in which the amount spent during the financial year is detailed below:

Sr. No.	Projects / Activities	Sector	Locations	Amount Outlay (Budget) Project or Programs wise	Amount spent on the project or programs	Cumulative Expenditure upto reporting period	Amount spent: Direct or through implementing Agency
			State(s)	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
1.	Girl Education (Project Nanhi Kali)	Promoting Education	Andhra Pradesh, Chattisgarh, Delhi, Haryana, Madhya Pradesh, Maharashtra, Karnataka, Tamil Nadu and Rajasthan	50.0	50.0	50.0	K.C. Mahindra Education Trust and Naandi Foundation
2.	Contribution to Prime Minister National Relief Fund	Prime Minister National Relief Fund	Pan India	60.0	60.0	60.0	Prime Minister National Relief Fund
3.	Health Camps/ Medical Aid	Healthcare	Punjab	17.7	12.7	12.7	Direct
4.	Up-gradation of School Infrastructure	Promoting Education	Punjab	24.5	24.5	24.5	Direct
5.	Planting of Saplings	Environment Sustainability	Punjab	1.9	1.9	1.9	Direct
6.	Other initiatives	Awareness Campaigns towards health & environment etc.	Punjab, Chandigarh	15.9	13.1	13.1	Direct
		Total		170.0	162.2	162.2	

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

M.N.Kaushal
 Whole Time Director
 26th April, 2016

Sudhir Mankad
 Chairman

ANNEXURE E TO DIRECTORS' REPORT

Particulars as per the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2016

A. CONSERVATION OF ENERGY:

(a) Steps taken for conservation of energy:

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:

- Introduced multistage vertical energy efficient pumps in washing machines as a substitute of conventional monoblock pumps.
- Energy efficient refrigerated air dryer have been installed having Plate type heat exchanger technology in place of earlier shell and tube type, for meeting requirement of dry compressed air.
- Auto-Sequencing of Air Conditioners by programmable timer to save energy consumption.
- Optimisation of cooling tower fan motor and circulation pump by controlling cold water flow during winter season and swapping of over-sized fan motor.
- Introduced power capacitor of 25KVAR in air compressor.

(b) Steps taken by the company for utilising alternate sources of energy: The Company is exploring potential of using alternate source of energy which may be considered for implementation in future.

(c) Capital investment on energy conservation equipments: Rs.6.0 lacs on various energy conservation projects.

Above initiatives besides being energy efficient are also environment friendly.

Overall annualized savings for the year - Rs.22.0 lacs.

B. TECHNOLOGY ABSORPTION:

(a) The efforts made towards technology absorption:

- Development and commercialisation of 54HP Engine.
- Development of Two Cylinder Genset Engine is in final stage.

During the year under review, the Company's focus continued on technology upgradation and development of new engines in middle and higher HP range. Besides this, the Company is also constantly working on value engineering and commonisation/standardization of parts and on reducing the cost of ownership for customers.

(b) Benefits derived as a result of the above efforts: Expansion of product range

(c) While no technology has been imported during the last 3 years, the Company has gone for high technology imported machines which helped to enhance the overall productivity and reduction in rework / rejection.

(d) Expenditure on R&D: The Company spent revenue expenditure of Rs. 2.13 crores on Research & Development work during the year, which was 0.4% of the total turnover.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year, there were no exports. Foreign Exchange Outgo is contained in Note No. 2.34 of Notes on Accounts in the Annual Report.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 26th April, 2016

(SUDHIR MANKAD)
Chairman

ANNEXURE F TO DIRECTORS' REPORT

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2016

[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

FORM NO. MGT - 9

I. Registration and Other Details

CIN	L50210PB1985PLC006473
Registration Date	24-09-1985
Name of the Company	Swaraj Engines Limited
Category / Sub-Category of the Company	Public Limited Company
Address of the Registered Office and contact details	Phase IV, Industrial Area, S.A.S. Nagar (Mohali) Punjab - 160055 Tel. No. 0172-2271620-27
Whether listed company	Yes
Name, address and contact details of Registrar and Transfer Agent, if any	M/s MCS Share Transfer Agent Limited F-65, 1st Floor, Okhla Industrial Area, Phase I, New Delhi - 110020 Tel No. 011-41406149

II. Principal Business Activities of the Company

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated:

Name and Description of main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
Engines & its parts	29104	100%

III. Particulars of Holding, Subsidiary and Associate Companies

Name and address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
Mahindra & Mahindra Limited	L65990MH1945PLC004558	Associate	33.22	2(6)

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)
(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (as on 01-04-2015)				No. of shares held at the end of the year (as on 31-03-2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individuals/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	6286417	-	6286417	50.62	6286417	-	6286417	50.62	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1):	6286417	-	6286417	50.62	6286417	-	6286417	50.62	-
(2) Foreign									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2):	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoters (A)=(A)(1)+(A)(2)	6286417	-	6286417	50.62	6286417	-	6286417	50.62	-
B. Public Shareholding									
(1) Institutions									
a) Mutual Fund	1127688	-	1127688	9.08	1173370	-	1173370	9.45	0.37
b) Banks / FI	11600	300	11900	0.10	11565	300	11865	0.10	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	21101	-	21101	0.17	0.17
g) FIs	849436	-	849436	6.84	618595	-	618595	4.98	-1.86
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B)(1):	1988724	300	1989024	16.01	1824631	300	1824931	14.69	-1.32

Category of Shareholders	No. of Shares held at the beginning of the year (as on 01-04-2015)				No. of shares held at the end of the year (as on 31-03-2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non-Institutions									
a) Bodies Corporate									
i) Indian	518254	603	518857	4.18	701340	603	701943	5.65	1.47
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual Shareholders holding nominal share capital upto Rs.1 lakh	2338783	152810	2491593	20.06	2230262	141610	2371872	19.10	-0.96
ii) Individual Shareholders holding nominal share capital in excess of Rs.1 lakh	893725	33000	926725	7.46	939975	33000	972975	7.83	0.37
c) Others (specify)									
i) Trusts & Foundations	68162	-	68162	0.55	57905	-	57905	0.47	-0.08
ii) NRIs/OCBs	139042	-	139042	1.12	203777	-	203777	1.64	0.52
Sub-Total (B)(2):	3957966	186413	4144379	33.37	4133259	175213	4308472	34.69	1.32
Total Public Shareholding (B)=(B)(1)+(B)(2)	5946690	186713	6133403	49.38	5957890	175513	6133403	49.38	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	12233107	186713	12419820	100.00	12244307	175513	12419820	100.00	-

(ii) Shareholding of Promoters

Shareholders Name	Shareholding at the beginning of the year (as on 01-04-2015)			Shareholding at the end of the year (as on 31-03-2016)			% change in shareholding during the year
	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	
Mahindra & Mahindra Ltd.	4126417	33.22	-	4126417	33.22	-	-
Kirloskar Industries Ltd.	2160000	17.39	-	2160000	17.39	-	-
Total	6286417	50.62	-	6286417	50.62	-	-

(iii) Change in Promoters Shareholding

	Shareholding at the beginning of the year (as on 01-04-2015)		Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	6286417	50.62	6286417	50.62
Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Nil	Nil	Nil	Nil
At the end of the year	6286417	50.62	6286417	50.62

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Name of Shareholder	Shareholding at the beginning of the year (as on 01-04-2015)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
1. Pinebridge Investments Asia Limited A/C Pinebridge Investments GF Mauritius Ltd.	390648	3.15	(50000)	10-07-2015	340648	2.74
2. DSP Blackrock Micro Cap Fund	237997	1.92	14256 56728 6263 2003 2701 1601 325 1426	19-06-2015 24-07-2015 11-09-2015 18-09-2015 25-09-2015 30-09-2015 02-10-2015 09-10-2015	323300	2.60
3. Franklin India Smaller Companies Fund	201210	1.62	1064 1000 277	05-02-2016 12-02-2016 19-02-2016	203551	1.64
4. Reeta Keyur Parikh	176500	1.42	–	–	176500	1.42
5. National Westminster Bank Plc-As Trustee Of The Jupiter India Fund	176099	1.42	–	–	176099	1.42
6. Vikram Chinubhai Shah	176000	1.42	–	–	176000	1.42

Name of Shareholder	Shareholding at the beginning of the year (as on 01-04-2015)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
7. Catamaran Management Services Private Limited	–	–	40000 781 1219 120000 508 3792	24-04-2015 01-05-2015 15-05-2015 10-07-2015 17-07-2015 24-07-2015	166300	1.34
8. SBI Magnum Midcap Fund	159423	1.28	–	–	159423	1.28
9. HDFC Small & Midcap Fund	150000	1.21	–	–	150000	1.21
10. Tata Investment Corporation Limited	100000	0.81	30000	03-07-2015	130000	1.05

* Reason for Change in Shareholding is Transfer.

Note: Top ten shareholders of the Company as on 31st March, 2016 have been considered for the above disclosure.

(v) Shareholding of Directors and Key Managerial Personnel

Name of Director and KMP	Shareholding at the beginning of the year (as on 01-04-2015)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason	No. of Shares	% of total shares of the Company
Directors						
1. Sh. M.N. Kaushal, Whole Time Director	1307	0.01	–	–	1307	0.01
KMPs						
1. Sh. Rajinder Arora, CFO	350	0.003	400	28-08-2015/ Market Purchase	750	0.006

V. Indebtedness

The Company has not availed any loan during the year and is debt free Company.

VI. Remuneration of Directors and Key Managerial Personnel
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rs. in lacs)

S. No.	Particulars of Remuneration	Sh. M.N. Kaushal Whole Time Director	Total Amount
1	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	70.26	70.26
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	0.48	0.48
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2	Stock Option*	–	–
3	Sweat Equity	–	–
4	Commission		
	- as % of profit	–	–
	- others	–	–
5	Others	–	–
	Total (A)	70.74	70.74

*Excludes:

- 1603 stock options granted by the Company which will be vested and become due for exercise in the subsequent period.
- stock options from Associate Company - Mahindra & Mahindra Limited.

B. Remuneration to other Directors:
1. Independent Directors

(Rs. in lacs)

Particulars of Remuneration	Name of Directors				Total Amount
	Sh. Sudhir Mankad	Dr. T.N. Kapoor	Sh. Dileep C. Choksi	Smt. Neera Saggi	
- Fee for attending Board/ Committee Meetings	3.70	4.50	2.90	3.70	14.80
- Commission	5.00	5.00	5.00	5.00	20.00
- Others	–	–	–	–	–
Total (B)(1)	8.70	9.50	7.90	8.70	34.80

2. Other Non-Executive Directors

(Rs. in lacs)

Particulars of Remuneration	Name of Directors		Total Amount
	Sh. R.R. Deshpande	Sh. Vijay Varma	
- Fee for attending Board/Committee Meetings	2.00	3.10	5.10
- Commission	5.00	5.00	10.00
- Others	-	-	-
Total (B)(2)	7.00	8.10	15.10
Total (B)= (B)(1)+ (B)(2)			49.90

Note: Remuneration paid to the directors is well within the limit prescribed in the Companies Act, 2013.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(Rs. in lacs)

S. No.	Particulars of Remuneration	Sh. M.S. Grewal Company Secretary	Sh. Rajinder Arora CFO	Total Amount
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	4.76	9.87	14.63
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	0.19	0.36	0.55
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961			
2	Stock Option*	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others	-	-	-
5	Others	-	-	-
	Total (C)	4.95	10.23	15.18

*Excludes stock options from Associate Company – Mahindra & Mahindra Limited.

VII. Penalties / Punishment / Compounding of Offences

There were no penalties / punishment / compounding of offences for the year ended 31st March, 2016.

SWARAJ ENGINES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2016

(Rs. in lacs)

Particulars	Note		2016		2015
EQUITY & LIABILITIES					
Shareholders' Funds					
Share Capital	2.1	1241.98		1241.98	
Reserves and Surplus	2.2	<u>20162.91</u>	21404.89	<u>19965.43</u>	21207.41
Non-Current Liabilities					
Deferred Tax Liabilities (Net)	2.3	760.06		631.53	
Long-Term Provisions	2.4	<u>255.48</u>	1015.54	<u>217.36</u>	848.89
Current Liabilities					
Trade Payables	2.5	5400.63		4817.61	
Other Current Liabilities	2.6	688.16		482.68	
Short-Term Provisions	2.7	<u>5153.23</u>	11242.02	<u>5176.91</u>	10477.20
Total			<u>33662.45</u>		<u>32533.50</u>
ASSETS					
Non-Current Assets					
Fixed Assets	2.8				
– Tangible Assets		10165.95		8376.88	
– Intangible Assets		7.56		8.03	
– Capital Work-in-Progress/Capital Spares		17.32		478.27	
– Intangible Assets under Development		15.87		–	
Long-Term Loans & Advances	2.9	<u>421.01</u>	10627.71	<u>589.19</u>	9452.37
Current Assets					
Current Investments	2.10	1040.33		4203.85	
Inventories	2.11	2774.86		3314.15	
Trade Receivables	2.12	749.20		686.76	
Cash & Bank Balances	2.13	17426.32		13985.68	
Other Current Assets	2.14	710.50		555.91	
Short-Term Loans & Advances	2.15	<u>333.53</u>	23034.74	<u>334.78</u>	23081.13
Total			<u>33662.45</u>		<u>32533.50</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
Chief Financial Officer

Mumbai, 26th April, 2016

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

FOR AND ON BEHALF OF THE BOARD

SUDHIR MANKAD
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 26th April, 2016

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

(Rs. in lacs)

Particulars	Note	2016	2015
Revenue from Operations	2.16	59199.80	59751.08
Less : Excise Duty		6609.01	5781.48
Net Revenue from Operations		52590.79	53969.60
Other Income	2.17	1629.50	1631.55
Total Revenue		54220.29	55601.15
EXPENSES			
Cost of Raw Materials Consumed	2.18	39600.09	40476.05
Change in Inventories of Finished Goods and Work-in-Progress	2.19	(27.50)	432.15
Employee Benefit Expenses	2.20	3186.89	3082.94
Finance Costs	2.21	3.78	1.28
Depreciation	2.8	1379.84	1319.92
Other Expenses	2.22	2472.36	2507.05
Total Expenses		46615.46	47819.39
Profit Before Exceptional and Extraordinary items and Tax		7604.83	7781.76
Exceptional and Extraordinary items		—	—
Profit Before Tax		7604.83	7781.76
Tax Expense			
– Current Tax		2325.00	2644.00
– Deferred Tax (Net)		159.76	(46.40)
Profit After Tax		5120.07	5184.16
Earning per Equity Share	2.28		
Basic Earning Per Share (Rs.)		41.22	41.74
Diluted Earning Per Share (Rs.)		41.21	41.74
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
Chief Financial Officer

Mumbai, 26th April, 2016

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

FOR AND ON BEHALF OF THE BOARD

SUDHIR MANKAD
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 26th April, 2016

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 directly 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, as per the life prescribed in Schedule II of the Companies Act, 2013 except for fixed assets mentioned in para (iii) below.

- iii) In the following cases, Lower useful life is considered than those prescribed in Schedule II of the Companies Act, 2013

<u>Nature of Assets</u>	<u>Life adopted in Accounts</u>
a) Patterns, Blocks and Dies	4 Years
b) Vehicles	4 Years

- iv) Assets individually costing up to Rs.5000/- are depreciated in the year of purchase.
- v) Capital spares are amortized in a systematic manner over the remaining 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 Employee Benefits

Company's contributions paid/payable during the year to ESIC and Labour Welfare Fund are recognized in the Statement of Profit and Loss.

Company contributes to the appropriate authorities its share of the Members Provident Fund Account as per the Employees' Provident Fund Act, 1952.

Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. 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.

In respect of Employee Stock Option Scheme:

The compensation cost of stock options granted to employees is measured by the Intrinsic Value Method. The intrinsic value, which is the excess of the market price of the underlying equity shares as of the date of the grant over the exercise price of the option, is recognized and amortised on straight line basis over the vesting period.

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 right to receive is established.

1.8 Intangibles Assets

Intangible assets are carried at cost and amortized on Straight line method

i) Development expenditure:

Development expenditure incurred on technical services and other project/product related expenses are amortized over the estimated period of benefit, not exceeding five years. Amortization commences as and when the asset is available for use.

ii) Software Expenditure:

Software Expenditure incurred is amortized over a period not exceeding four years, commencing from the year in which the expenditure is incurred.

1.9 Taxes on Income

Current tax is determined as the amount of tax payable in respect of the taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

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 Impairment of Assets

The carrying value of assets at each balance sheet date are reviewed for Impairment. If any indication exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount.

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

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2016
2.1 SHARE CAPITAL

(Rs. in lacs)

Particulars	2016	2015
Authorised		
Equity Share, Rs. 10/- par value		
2,50,00,000 (2015 – 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 (2015 – 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 26th April, 2016 proposed a dividend of Rs. 33 per equity share (including Rs 18 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, 2016 amounted to Rs. 4932.91 lacs (2015- Rs.4932.91 lacs) including corporate dividend tax of Rs.834.37 lacs (2015 - Rs.834.37 lacs)

Equity Shareholders holding more than 5% shares :

Name	31.03.2016		31.03.2015	
	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%

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

Description	31.03.2016		31.03.2015	
	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 payment being received in cash,
- allotted any bonus shares,
- bought back its shares.

2.2 RESERVES AND SURPLUS

(Rs. in lacs)

Particulars	2016	2015
Capital Reserve – Brought Forward	18.71	18.71
General Reserve – Brought Forward	15996.76	15996.76
Employee Stock Option Outstanding		
Options granted during the year	84.67	–
Less : Deferred Employee Compensation Expense	74.35	–
Surplus – Opening Balance	3949.96	3730.11
Less : Adjustment for carrying value of Assets	–	31.40
	3949.96	3698.71
Add : Profit for the Year	5120.07	5184.16
	9070.03	8882.87
Less : Appropriations		
Proposed Dividend	4098.54	4098.54
Tax on Proposed Dividend	834.37	834.37
	4137.12	3949.96
	20162.91	19965.43

2.3 DEFERRED TAX

(Refer Note 1.9)

(Rs. in lacs)

Particulars	2016	2015
Deferred Tax Liabilities		
– On Depreciation	860.85	724.10
Deferred Tax Assets		
– On Expenses	100.79	92.57
Deferred Tax Liabilities / (Assets)	760.06	631.53

2.4 LONG-TERM PROVISIONS

(Rs. in lacs)

Particulars	2016	2015
Provision for Employee Benefits (Refer Note 1.6)		
– Provision for Leave Encashment	233.03	192.02
Others		
– Provision for Warranty (Refer Note 2.38)	22.45	25.34
	255.48	217.36

2.5 TRADE PAYABLES

(Rs. in lacs)

Particulars	2016	2015
Trade Payables – Micro and Small Enterprises (Refer Note 2.36)	959.87	854.92
Trade Payables – Other than Micro and Small Enterprises	3770.90	3442.25
Accruals	669.86	520.44
	<u>5400.63</u>	<u>4817.61</u>

2.6 OTHER CURRENT LIABILITIES

(Rs. in lacs)

Particulars	2016	2015
Payables		
– Statutory Dues	226.10	163.48
– Capital Purchases	296.19	158.71
– Advances from Customers	0.28	1.55
– Others	35.41	41.58
Deposits & Retention Money	14.46	18.25
Unpaid / Unclaimed Dividend*	115.72	99.11
	<u>688.16</u>	<u>482.68</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2016.

2.7 SHORT TERM PROVISIONS

(Rs. in lacs)

Particulars	2016	2015
Provision for Employee Benefits (Refer Note 1.6)		
– Provision for Gratuity (Refer Note 2.37)	57.35	97.60
– Provision for Leave Encashment	<u>68.98</u>	<u>59.82</u>
Others		
– Proposed Dividend	4098.54	4098.54
– Tax on Proposed Dividend	834.37	834.37
– Provision for Warranty (Refer Note 2.38)	<u>93.99</u>	<u>86.58</u>
	<u>5153.23</u>	<u>5019.49</u>
		<u>5176.91</u>

2.8 FIXED ASSETS

(Refer Note 1.2)

(Rs. in lacs)

DESCRIPTION	GROSS BLOCK				As at 01.04.2015	Adjustment in Opening Balance	DEPRECIATION			NET BLOCK	
	Cost as at 01.04.2015	Additions during the year	Sale/ Adjustments during the year	Cost as at 31.03.2016			Provided during the year	Disposal/ Adjustments during the year	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
TANGIBLE ASSETS											
Land	50.68	-	-	50.68	-	-	-	-	-	50.68	50.68
Buildings	1378.61	109.30	-	1487.91	489.26	-	38.53	-	527.79	960.12	889.35
Plant & Machinery	14170.57	3023.01	155.62	17037.96	7054.25	-	1288.25	149.47	8193.03	8844.93	7116.32
Electrical Installations	436.52	14.66	-	451.18	193.96	-	24.80	-	218.76	232.42	242.56
Furniture & Fixtures	88.41	4.50	-	92.91	69.68	-	3.41	-	73.09	19.82	18.73
Office Equipments	128.61	19.30	0.74	147.17	77.08	-	17.37	0.71	93.74	53.43	51.53
Vehicles	20.28	-	-	20.28	12.57	-	3.16	-	15.73	4.55	7.71
TOTAL (A)	16273.68	3170.77	156.36	19288.09	7896.80	-	1375.52	150.18	9122.14	10165.95	8376.88
INTANGIBLE ASSETS											
Software	65.96	3.85	-	69.81	57.93	-	4.32	-	62.25	7.56	8.03
TOTAL (B)	65.96	3.85	-	69.81	57.93	-	4.32	-	62.25	7.56	8.03
GRAND TOTAL (A+B)	16339.64	3174.62	156.36	19357.90	7954.73	-	1379.84	150.18	9184.39	10173.51	8384.91
Capital Work in Progress										15.97	475.94
Capital Spares										1.35	2.33
Intangible Asset under development										15.87	-
										<u>33.19</u>	<u>478.27</u>
Previous Year	15292.35	1361.41	314.12	16339.64	6885.93	47.57*	1319.92	298.69	7954.73		

*inline with the Schedule II of the Companies Act, 2013, adjustment was made to the carrying value of Assets having NIL revised remaining useful life as on April 1, 2014.

2.9 LONG-TERM LOANS & ADVANCES

(Rs. in lacs)

Particulars	2016	2015
Capital Advances - Considered Good		
Secured	–	71.78
Unsecured	28.11	145.93
Security Deposits- Considered Good		
Unsecured	29.43	29.43
Others – Loans & advances – Unsecured – Considered Good		
Income Tax (Net of Provisions)	175.38	151.30
Others	188.09	190.75
	<u>421.01</u>	<u>589.19</u>

2.10 CURRENT INVESTMENTS

(Refer Note 1.3)

Particulars	Face Value		2016		2015	
	Per Unit (Rs.)	Number	Rs. Lacs	Number	Rs. Lacs	
Current Investments - Non Trade (Unquoted) (At cost, unless otherwise specified)						
Investments in Mutual Funds						
HDFC Liquid Fund - Dividend - Daily Reinvest	10	–	–	3077566	313.86	
Birla Sun Life Cash Plus - Daily Dividend - Regular Plan - Reinvestment	100	–	–	595988	597.15	
Birla Sun Life Floating Rate Fund Short Term Plan - Daily Dividend - Reinvestment	100	–	–	207919	207.96	
DWS Insta Cash Plus Fund - Daily Dividend - Reinvestment	100	–	–	314103	315.06	
ICICI Prudential Money Market Fund - Regular Plan - Daily Dividend Reinvestment	100	1038986	1040.33	1030077	1031.40	
Kotak Liquid Scheme Plan A - Daily Dividend - (Regular Plan)	1000	–	–	142166	1738.42	
Aggregate amount of unquoted investments			<u>1040.33</u>		<u>4203.85</u>	

2.11 INVENTORIES

(Refer Note 1.4)

(Rs. in lacs)

Particulars	2016	2015
Raw Materials & Components (including goods-in-transit Rs. 176.64 lacs (2015- Rs.177.94 lacs))	1471.42	1845.91
Work-in-Progress	251.22	333.71
Finished Goods	737.02	627.03
Stores and Spares (including goods-in-transit Nil (2015 - Rs. 1.66 lacs))	156.97	207.95
Loose Tools	158.23	299.55
	<u>2774.86</u>	<u>3314.15</u>

2.12 TRADE RECEIVABLES

(Unsecured-considered good unless otherwise stated)

(Refer Note No. 2.25)

(Rs. in lacs)

Particulars	2016	2015
Outstanding for more than six months from the date they are due for payment	—	—
Others	749.20	686.76
	<u>749.20</u>	<u>686.76</u>

2.13 CASH & BANK BALANCES

(Rs. in lacs)

Particulars	2016	2015
(A) Cash and Cash Equivalents		
Balances with Banks		
– On Current Accounts	69.51	60.45
Cash on hand	2.09	3.12
	<u>71.60</u>	<u>63.57</u>
(B) Other Bank Balances		
– Balance with Banks held as Margin Money and Deposit against Gurarantees	2213.00	1600.00
– Deposit Account with original maturity more than 3 months but upto 12 months	8375.00	9528.00
– Deposit Account with original maturity more than 12 months	6651.00	2695.00
– Earmarked Balances with Banks	115.72	99.11
	<u>17354.72</u>	<u>13922.11</u>
	<u>17426.32</u>	<u>13985.68</u>

SWARAJ ENGINES LIMITED

2.14 OTHER CURRENT ASSETS

(Rs. in lacs)

Particulars	2016	2015
Interest Accrued on Deposits	710.50	555.91
	<u>710.50</u>	<u>555.91</u>

2.15 SHORT TERM LOANS & ADVANCES

(Unsecured-considered good unless otherwise stated)

(Rs. in lacs)

Particulars	2016	2015
Balance with Excise Authorities	36.12	13.34
Advances to Suppliers	6.73	3.37
Advances to Employees	29.41	27.28
Prepaid Expenses	13.76	14.84
Other Advances recoverable in cash or kind		
– CENVAT	180.47	201.34
– Value Added Tax	30.17	41.15
– Others	36.87	33.46
	<u>247.51</u>	<u>275.95</u>
	<u>333.53</u>	<u>334.78</u>

2.16 REVENUE FROM OPERATIONS

(Refer Note 2.30)

(Rs. in lacs)

Particulars	2016	2015
Sale of Products	58926.24	59382.11
Other Operating Revenue	273.56	368.97
Gross Revenue from Operations	59199.80	59751.08
Less : Excise Duty	6609.01	5781.48
Net Revenue from Operations	<u>52590.79</u>	<u>53969.60</u>

2.17 OTHER INCOME

(Rs. in lacs)

Particulars	2016	2015
Interest Income	1392.89	1270.56
Profit / (Loss) on Disposal of Fixed Assets	8.80	9.55
Net Gain on Sale of Non-Current/Long Term Investments	—	19.90
Net Gain on Sale of Current Investments	—	0.09
Dividend from Non-Current/Long Term Investments	85.47	42.06
Dividend from Current Investments	130.26	281.68
Miscellaneous Income	12.08	7.71
	<u>1629.50</u>	<u>1631.55</u>

2.18 COST OF RAW MATERIALS CONSUMED

(Refer Note 2.32)

(Rs. in lacs)

Particulars	2016	2015
Opening Stock	1667.96	2372.34
Add : Purchases	39275.51	39827.63
	<u>40943.47</u>	<u>42199.97</u>
Less :		
Closing Stock	1294.77	1667.96
Transferred to Other Jobs	<u>48.61</u>	<u>55.96</u>
	<u>39600.09</u>	<u>40476.05</u>

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

(Rs. in lacs)

Particulars	2016	2015
Opening Stock	960.74	1392.89
Less : Closing Stock	988.24	960.74
	<u>(27.50)</u>	<u>432.15</u>

2.20 EMPLOYEE BENEFIT EXPENSES

(Refer Note 1.6)

(Rs. in lacs)

Particulars	2016	2015
Salaries & Wages	2720.40	2579.85
Contribution to Provident & Other Funds	189.75	234.28
Employee Stock Compensation (Refer Note 2.27)	10.32	—
Workmen & Staff Welfare	266.42	268.81
	<u>3186.89</u>	<u>3082.94</u>

2.21 FINANCE COSTS

(Rs. in lacs)

Particulars	2016	2015
Bank Charges	0.53	0.43
Other Interest Cost	2.65	0.87
Exchange Fluctuation Loss/(Gain)	0.60	(0.02)
	<u>3.78</u>	<u>1.28</u>

2.22 OTHER EXPENSES

(Rs. in lacs)

Particulars	2016	2015
Power, Fuel & Water Charges	434.91	450.91
Consumption of Stores & Spares	890.80	983.97
Rates and Taxes	5.32	8.51
Insurance	18.17	20.25
Repairs and Maintenance		
– Buildings	13.46	12.50
– Machinery	272.37	288.37
– Others	21.26	11.83
Postage & Telephone	5.40	5.40
Printing & Stationery	9.89	13.57
Travelling & Conveyance Expenses	57.82	45.04
Auditors' Remuneration		
– Statutory Auditor's		
Audit Fee	2.75	2.75
Tax Audit Fee	0.50	0.50
Other Services	1.75	1.65
Expenses Reimbursed	0.87	0.54
– Cost Auditor's		
Audit Fee	0.70	–
Research & Development Expenses	212.93	165.83
CSR Expenses (Refer Note 2.39)	170.00	170.08
Other Marketing Expenses	96.65	118.12
Miscellaneous Expenses	256.81	207.23
	<u>2472.36</u>	<u>2507.05</u>

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

Particulars	2016 Rs. in lacs	2015 Rs. in lacs
Contingent Liabilities :		
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	101.59	101.59
– Income Tax matters in dispute	148.94*	228.39*
– Others	241.67**	241.67**
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	666.55	2562.71

* Assessment of Income Tax is complete upto assessment year 2013-14. There is no demand which is disputed in Appeal and not provided for (31.03.2015- Rs.43.07 lacs). For earlier Assessment Years, tax authorities have filed appeals / references which involve an estimated liability of Rs. 148.94 lacs (31.03.2015- 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 2.9.

2.24 While letters for confirmation of balance of sundry creditors, sundry debtors and material lying with vendors have been sent, only few responded. Rest 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 Company Mahindra & Mahindra Limited (M&M)
 - ii) Key Management Personnel Shri M.N. Kaushal (Whole-time Director)

b) Volume of Transactions with related parties

i) Associates	2016 Rs. in lacs	2015 Rs.in lacs
a. Purchase of raw materials and components	1061.01	522.32
M&M	1061.01	522.32
b. Sale of finished goods (net of warranty)	62239.66	62576.79
M&M	62239.66	62576.79
c. Purchases of fixed assets	8.31	–
M&M	8.31	–
d. Receiving of services	460.16	457.28
M&M	460.16	457.28
e. Rendering of services	96.55	95.17
M&M	96.55	95.17
f. Dividend paid	1361.72	1444.25
M&M	1361.72	1444.25
Aggregate balances outstanding as at the year end		
– Receivables	636.91	565.33
M&M	636.91	565.33
– Payables	0.10	5.06
M&M	0.10	5.06
– Other Advance	16.18	–
M&M	16.18	–
ii) Key Management Personnel		
Remuneration*	75.11	38.19
Dividend	0.43	0.46

*Excludes stock option from Associate Company-Mahindra & Mahindra Limited.

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 Employee Stock Option

During the year, Company has approved Employee Stock Option Scheme-2015 (ESOS-2015). Under the scheme, 31,000 Equity Shares of the face value of Rs.10/- are available for being granted to eligible employees on the recommendation of the Nomination and Remuneration Committee. Further, Company during the year, has granted 9389 Equity Shares at face value to the eligible employees. As per the ESOS-2015, Options granted vest in four instalments on the expiry of 18 months, 30 months, 42 months and 54 months respectively. The options may be exercised on any day over a period of 5 years from the date of vesting. Numbers of vested options are exercisable subject to minimum of 50 or number of options vested whichever is lower.

Employee benefit expenses includes Rs.10.32 lacs (2015-Nil) being the amortization of Deferred Employee Compensation expense.

Had the Company adopted fair value method in respect of options granted during the year, the Employee benefit expenses would have been lower by Rs.0.90 lacs.

2.28 Earnings per Share (EPS) :

Particulars	2016	Rs. in lacs 2015
Profit for the year	5120.07	5184.16
Profit for the year for diluted earnings per share	5120.07	5184.16
Weighted average number of Ordinary Equity Shares used in computing basic earnings per share	1,24,19,820	1,24,19,820
Effect of potential Ordinary Equity shares on employee stock options	3094	-
Weighted average number of Ordinary Equity Shares used in computing diluted earnings per share	1,24,22,914	1,24,19,820
Basic earnings per share (Rs.) (Face Value of Rs.10 per share)	41.22	41.74
Diluted earnings per share (Rs.)	41.21	41.74

2.29 Particulars in respect of goods manufactured:

Class of Goods	Unit of Qty.	Production	
		2016	2015
Engines	Nos.	64,256	63,994

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

Class of Goods	Unit of Qty.	Qty.	2016 Rs. in lacs	Qty.	2015 Rs. in lacs
Sale of Products					
Engines	Nos.	64,088	57343.57	64,595	58192.79
Engine Components	-	-	186.69	-	199.34
Spare parts	-	-	1395.98	-	989.98
Total			58926.24		59382.11
Other operating revenue					
Scrap & Others	-	-	273.56	-	368.97
Revenue from operations			<u>59199.80</u>		<u>59751.08</u>

2.31 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.	813 (1422)	627.03 (1057.74)	966* (813)	737.02 (627.03)

*Excludes 15 engines consumed for R&D purposes

2.32 Analysis of Raw Materials consumed:

Class of Goods	2016	2015
	Rs. in lacs	Rs. in lacs
Crank Shaft Assy.	3448.62	3466.28
Crank Case Assy.	4381.76	4458.64
Flywheel	1946.45	2030.67
Fuel Pump Assy.	4484.78	4447.08
Others (including components)	25338.48	26073.38
	<u>39600.09</u>	<u>40476.05</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. 2.18 and includes adjustments for excess/shortage/damages/obsolete found on physical verification.

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

	%age	2016	%age	2015
		Rs. in lacs		Rs. in lacs
a) Raw Material & Components				
Imported	0.02	7.99	0.01	2.72
Indigenous	99.98	39592.10	99.99	40473.33
		<u>39600.09</u>		<u>40476.05</u>
b) Stores, Consumables, Spares & Loose Tools				
Imported	—	—	0.70	6.88
Indigenous	100.00	890.80	99.30	977.09
		<u>890.80</u>		<u>983.97</u>

2.34 Value of Imports on CIF Basis:

	2016	2015
	Rs. in lacs	Rs. in lacs
Raw Material & Components	7.83	2.97
Stores & Spares*	4.98	7.18
Capital Goods	1027.96	723.07
	<u>1040.77</u>	<u>733.22</u>

*forming part of current year R&D Expenditure

2.35 Research & Development Expenses includes an amount of Rs. Nil (2015- Rs.41.66 lacs) amortized during the year.

2.36 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	
		2016	2015
(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	–	0.03
	– Interest paid in terms of Section 16 of the Act	–	–*
(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	–	–
	(*Rs. 87 only)		

2.37 Employee Defined Benefits:

Defined benefit plans as per Actuarial Valuation

Rs. in lacs

Particulars	Gratuity (Funded)	
	2016	2015
I. Expense Recognized in the Statement of Profit & Loss Account		
1. Current Service Cost	40.47	37.08
2. Interest	40.42	31.06
3. Expected Return on plan assets	(39.38)	(32.43)
4. Actuarial (Gain)/Loss	16.54	61.89
5. Total Expense	58.05	97.60
II. Net Asset/(Liability) recognized in the Balance Sheet		
1. Present value of Defined Benefit Obligation	605.31	518.78
2. Fair Value of plan assets	547.96	421.18
3. Funded Status [Surplus/(Deficit)]	(57.35)	(97.60)
4. Net Asset/(Liability)	(57.35)	(97.60)
III. Change in the obligation during the year		
1. Present value of Defined Benefit Obligation as at the beginning of the year	518.78	397.47
2. Current service cost	40.47	37.08
3. Interest Cost	40.42	31.06
4. Benefit payments	(14.17)	(8.58)
5. Actuarial (Gain)/Loss	19.81	61.75
6. Present value of Defined Benefit Obligation as at the end of the year	605.31	518.78
IV. Change in Fair Value of Assets during the Year		
1. Fair Value of plan assets at the beginning of the year	421.18	352.53
2. Expected return on plan assets	39.38	32.43
3. Contributions by employer	98.30	44.93
4. Actual Benefits paid	(14.17)	(8.58)
5. Actuarial (Gain)/Loss on Plan assets	(3.27)	0.13
6. Fair Value of plan assets at the end of the Year	547.96	421.18
7. Actual return on plan assets	42.66	32.30

V. The major categories of plan assets as a percentage of total plan

Funded with LIC	100%	100%
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VI. Actuarial Assumptions

1. Discount Rate	7.90%	7.90%
2. Expected rate of return on plan assets	8.50%	8.75%
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	5.00%	5.00%
7. Remaining Working life	20.79 Yrs	23.28 Yrs

2.38 Provision for warranty relates to warranty provision made in respect of sale of engines, the estimated cost of which is accrued at the time of sale.

Particulars	2016	2015
Balance as at 1st April	111.92	117.40
Add:- Provision made during the year	73.18	87.18
Less:- Utilisation during the year	68.66	92.66
Balance as at 31st March	116.44	111.92
Out of the above		
Classified as Non Current	22.45	25.34
Classified as Current	93.99	86.58

2.39 CSR Expenditure:

(a) Gross Amount required to be spent – Rs. 170.00 lacs.

(b) Amount spent during the year on :

S.No. Particulars	In Cash	Yet to be paid in cash	Rs. in lacs Total
(i) Construction / Acquisition of any asset	9.42	–	9.42
(ii) On purposes other than (i) above	136.82	23.76*	160.58

*Projects identified, execution / payment under process.

2.40 Previous year's 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, 2016

(Rs. in lacs)

	2016	2015
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	7604.83	7781.76
Adjustments for:		
Depreciation	1379.84	1319.92
Employee Stock Compensation	10.32	-
(Profit)/Loss on disposal of Fixed Assets (Net)	(8.80)	(9.55)
Dividend Received on Investments	(215.73)	(323.74)
Gain on Sale of Investments	-	(19.99)
Interest (Received)/Paid (Net)	(1389.11)	(1269.28)
Operating Profit Before Working Capital Changes	7381.35	7479.12
Adjustments for:		
Trade and Other Receivables (Long Term / Short Term) *	(23.52)	398.36
Inventories	539.29	1326.53
Trade and Other Payables (Long Term / Short Term)	786.33	(916.08)
Cash Generated From Operations	8683.45	8287.93
Direct Taxes Paid (Net of refund)	(2380.30)	(2725.31)
Cash Flow Before Extraordinary Items	6303.15	5562.62
Extraordinary Items	-	-
Net Cash From Operating Activities	6303.15	5562.62
(* includes Capital Advances)		
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (inclusive of capital WIP) ^	(2729.54)	(1666.44)
Investment Sale / (Purchase) (Net)	3163.52	3015.07
Sale of Fixed Assets	14.97	24.98
Bank Deposit (Placed)/Matured (Net)	(3416.00)	(4023.00)
Increase in Earmarked Balances	(16.61)	(33.63)
Interest Received	1392.89	1270.56
Dividend Received on Investments	215.73	323.74
Gain on Sale of Investments	-	19.99
Net Cash (used in) / from Investing Activities	(1375.04)	(1068.73)
(^ excludes Capital Advances)		

C. CASH FLOW FROM FINANCING ACTIVITIES

Dividend Paid (including DDT)	(4916.30)	(5052.07)
Interest and Finance Charges paid	(3.78)	(1.28)
Net Cash Used in Financial Activities	(4920.08)	(5053.35)
Net Increase/(Decrease) in Cash and Cash Equivalents	8.03	(559.46)
Opening Cash and Cash Equivalents	63.57	623.03
Closing Cash and Cash Equivalents	71.60	63.57

Note: 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

M.S. GREWAL
Company Secretary

RAJINDER ARORA
Chief Financial Officer

Mumbai, 26th April, 2016

FOR AND ON BEHALF OF THE BOARD

SUDHIR MANKAD
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 26th April, 2016

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 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management and Board of Directors of the Company is responsible for the matters stated in Section 134(5) of the Companies Act 2013 ("The Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management and Board of Directors of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2016;
- ii. in case of Statement of Profit and Loss of the profit for the year ended on that date; and
- iii. in case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies (Auditor's Report) Order, 2016 ('The Order'), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, and on the basis such checks of books and records of the Company, we considered appropriate and according to information and explanations given to us, we give in Annexure a statement on the matters specified in paragraph 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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 those books;
- iii. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- v. On the basis of written representations received from the Directors, as on 31st March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- vi. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- vii. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a) The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer note 2.23 to the financial statements;
 - b) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;
 - c) There was no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company during the year.

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

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 26th April, 2016

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, 2016. 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. During the year verification of the Fixed Assets was carried out. To the best of our knowledge no material discrepancies have been noticed on verification.
 - c. The title deeds of immovable properties are held in the name of the company.
- (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, 2016 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 not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties listed in the register maintained under section 189 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees and security.
- (v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- (vi) On the basis of information given to us, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under sub-section (1) of section 148 of the Companies Act, 2013, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (vii) 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, Service Tax, Excise & Custom duty and other statutory dues with the appropriate authorities. According to the information given to us, there were no undisputed unpaid statutory dues outstanding as at 31st March, 2016 for a period of more than six months from the date they became payable.

- b) Details of dues of Income-tax & Excise Duty which have not been deposited as on 31st March, 2016 on account of disputes are given below :

(Rs. in lacs)

Statute	Nature	Forum where dispute is pending	Amount involved
Central Excise Act, 1944	Excise Duty	Appellate Authority - Tribunal Level	39.72
Income Tax Act, 1961	Income Tax	High Court	6.92
		Appellate Authority – Tribunal Level	108.55
		Assessing Officer	35.11

- (viii) In our opinion and on the basis of records produced before us, the Company has not defaulted in the repayment of dues to banks, financial institutions, Government or debenture holders.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Hence, the provisions of clause 3 (ix) of the Order are not applicable to the Company and not commented upon.
- (x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act;
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, all transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Hence, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and not commented upon.
- (xv) Based upon the audit procedures performed and the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- (xvi) In our opinion, the Company is not required to be registered under Section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

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

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 26th April, 2016

ANNEXURE: A TO AUDITORS REPORT**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

We have audited the internal financial controls over financial reporting of Swaraj Engines Limited, ("the Company") as on 31st March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit.

We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also,

projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

Place : Mumbai
Date : 26th April, 2016

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

SUMEET SINGH DHIR
Partner
Membership No. 094370

SWARAJ ENGINES LIMITED

Registered Office :

Phase-IV, Industrial Area, S.A.S. Nagar (Mohali), Punjab-160 055
Tel. : 0172- 2271620-27, Fax : 0172- 2272731
Email:selinvestor@swarajenterprise.com, Website: www.swarajenterprise.com

30th Annual General Meeting - 26th July, 2016

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

Folio No.

DP ID*

Client ID*

NAME OF THE SHAREHOLDER/PROXY
ADDRESS

No. of Shares held :

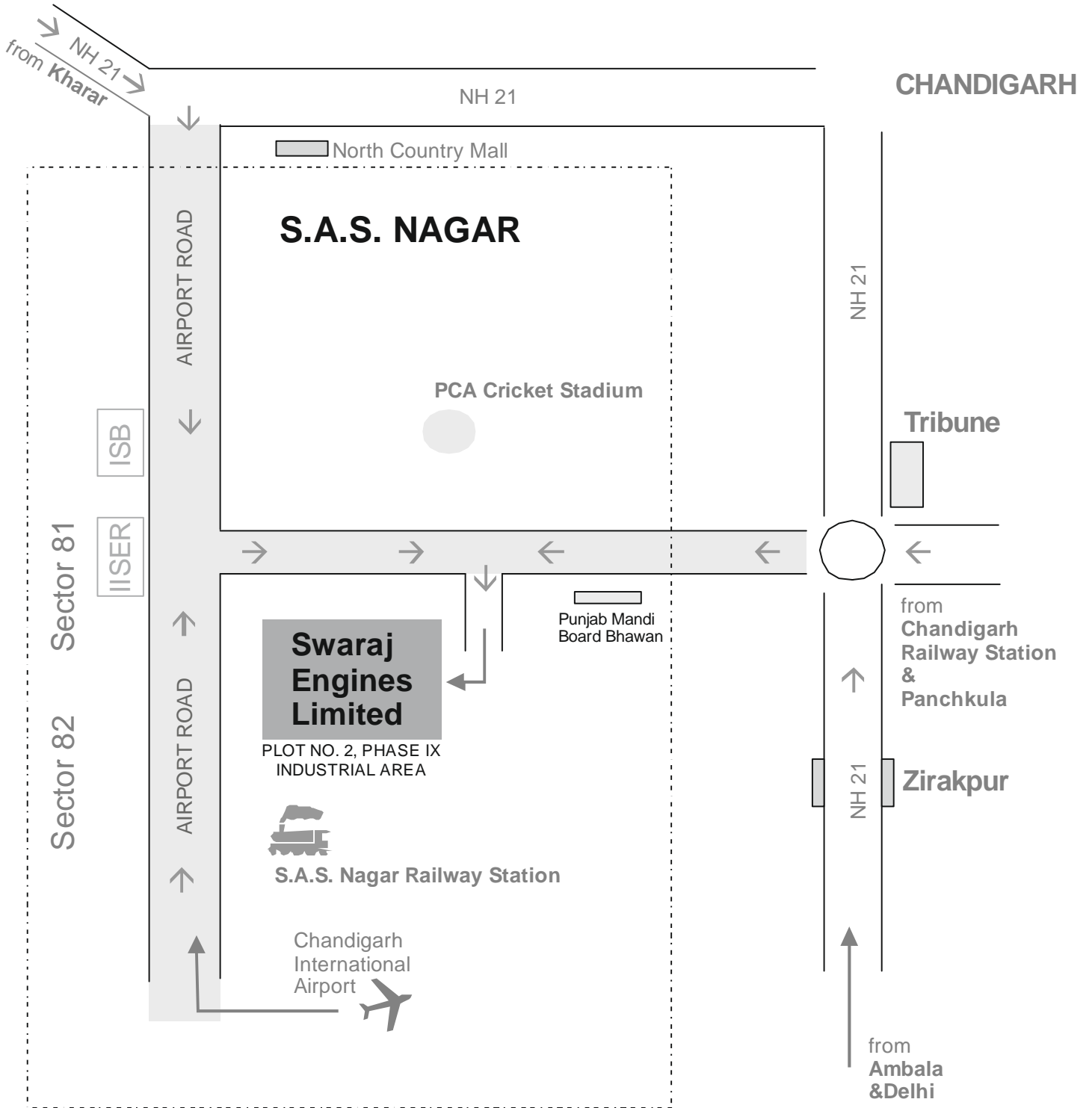
I hereby record my presence at the 30th ANNUAL GENERAL MEETING of the Company at its Works at Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab -160 062 on Tuesday, the 26th July, 2016 at 12:30 p.m.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY



ROUTE MAP FOR AGM VENUE



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, Tel : 0172- 2271620-27, Fax : 0172- 2272731

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 30th Annual General Meeting of the Company, to be held on Tuesday, 26th July, 2016 at 12.30 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
	Ordinary Business		
1	To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2016 and the Reports of the Directors and Auditors thereon.		
2	Declaration of Dividend on Equity Shares.		
3	Re-appointment of Shri Vijay Varma (DIN 00011352) as a Director, who retires by rotation and, being eligible, offers himself for re-appointment.		
4	Re-appointment of Shri Rajan Wadhera (DIN 00416429) as a Director, who retires by rotation and, being eligible, offers himself for re-appointment.		
5	Appointment of Auditors and fix their remuneration.		
	Special Business		
6	Approval and Adoption of new Articles of Association of the Company.		
7	Payment of commission to Non-Executive Directors of the Company.		
8	Approval of the remuneration payable to the Cost Auditors of the Company.		

Signed this _____ day of _____ 2016

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 30th 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.

