

Annual Report 2011

25th

Swaraj Engines Limited

Swaraj Engines Limited

Company Secretary

M.S. GREWAL

Auditors

M/S DAVINDER S. JAAJ & CO.
Chartered Accountants

Bankers

CANARA BANK
HDFC BANK LIMITED

Registered Office

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

Works

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

BOARD OF DIRECTORS

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA

BISHWAMBHAR MISHRA
Vice Chairman

Dr. T.N. KAPOOR

D.R. SWAR

S.C. BHARGAVA

HARDEEP SINGH

A.M. SAWHNEY

V.S. PARTHASARATHY

R.R. DESHPANDE

VIJAY VARMA

M.N. KAUSHAL

ANNUAL GENERAL MEETING

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

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KEY PERFORMANCE INDICATORS - LAST TWELVE YEARS

(Rs. in Crores)

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

*On Post Bonus (2:1) Equity

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of Swaraj Engines Limited will be held on **Wednesday**, the **3rd day of August, 2011** at **2.00 P.M.** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab -160 062 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Shri A.M.Sawhney who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V.S.Parthasarathy who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R.R.Deshpande who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Dr. T.N.Kapoor who retires by rotation and, being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration and in this regard to consider and, if though fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED that pursuant to Section 224 of the Companies Act, 1956, Messrs Davinder S. Jaaj & Co., Chartered Accountants (ICAI Registration No. 000969N), the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors of the Company in addition to out of pocket expenses as may be incurred by them during the course of the Audit.”

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
3. The Register of Members and Transfer Books of the Company will be closed from 16th July, 2011 to 22nd July, 2011 (both days inclusive).
4. The dividend, if declared at the Annual General Meeting, will be credited / dispatched on or after 3rd August, 2011 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 15th July, 2011 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 15th July, 2011.
5. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required can be compiled and made available at the Meeting.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for the financial year ended 31st March, 2003 to the Investor Education and Protection Fund (IEPF). All unclaimed dividends for the financial year ended 31st March, 2004 will become due for transfer to IEPF in September 2011. Members who have not encashed the dividend warrant(s) so far for the said period or any subsequent financial years are requested to make their claims to the Company. It may be noted that once the amounts in the unpaid dividend accounts are transferred to the IEPF, no claim shall lie against the Fund or the Company in respect thereof and the Members would lose their right to claim such dividend.

7. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, Messrs MCS Ltd.
8. Payment of Dividend through ECS:
 - a) Members holding shares in electronic form may please note that bank details as furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Securities and Exchange Board of India. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in electronic form must give instructions regarding bank account in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
 - b) Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 21st July, 2011, to Company's Registrar and Share Transfer Agent, MCS Ltd.
9. Members are requested to:
 - Intimate to the Company's Registrar and Transfer Agents, MCS Limited, Sri Venkatesh Bhavan, F-65, First Floor, Okhla Industrial Area, Phase-I, New Delhi – 110 020, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
 - Quote their folio numbers/Client ID/ DP ID in all correspondence.
 - Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
10. For Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to your Depository Participants. The Company will not take cognizance of any such requests directly from shareholders.
11. Appointment /Re-appointment of Directors
In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.
12. The Directors of the Company are not inter se related to each other.

Regd. Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab – 160 055
Email: grewal.maninder@mahindraswaraj.com
Dated: 26th April, 2011

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

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

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

REPORT OF THE DIRECTORS TO THE MEMBERS

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

FINANCIAL RESULTS :

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

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.10.00 per Equity Share for the financial year 2010-11 as against Rs. 8.00 per share declared and paid for previous year, payable to those members whose names appear in the Register of Members as on Book Closure date. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs.14.44 crores.

REVIEW OF OPERATIONS

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

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

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

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

FINANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed analysis of the Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

CORPORATE GOVERNANCE

A Report on Corporate Governance along with a Certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

INDUSTRIAL RELATIONS

Industrial Relations remained cordial throughout the year under review.

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

Your Company is committed towards excellence in Safety, Occupational Health and Environment. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational and Environmental Policy which inter alia ensures safety of public, employees, plant and equipment by ensuring compliance with all statutory rules and regulations on regular basis. Your Company also imparts training to its employees as per the predefined training calendar, carries out statutory safety audits of its facilities as per legal requirement and promotes eco-friendly activities. Showing its commitment to improve the well being of its employees, Medical Check-ups, both curative and preventive have been organized regularly, including educating the employees on Industrial Hygiene at the work place. During the year, your Company has also received Occupational Health and Safety Management System Standard (OHSAS) certification for safety culture improvement.

CORPORATE SOCIAL RESPONSIBILITY

Keeping with Company's core value of Good Corporate Citizenship, your company is committed to display its social responsibility by taking various initiatives which would benefit the society at large. These initiatives includes tree plantation at various locations, organizing medical camps, distribution of study material to students and refreshments among weaker section of society.

DIRECTORS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that :

- a) in the preparation of Annual Accounts, applicable accounting standards have been followed;
- b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Annual Accounts have been prepared on a going concern basis.

AUDITORS

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

DEPOSITS

The Company has not accepted deposits from the public or its employees during the year under review.

The Company has not made any loans / advances and investment in its own shares, associates, etc. during the year which are required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement.

CURRENT YEAR

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

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

PARTICULARS OF EMPLOYEES

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

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)
Date : 20th June, 2011

G.P.GUPTA
Chairman

ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY:

- (a) Energy Conservation measures taken:

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

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

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

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

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

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

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

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

Improvement in fuel efficiency

3. Future plan of action:

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

4. Expenditure on R & D

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

Technology absorption, adaptation and innovation:

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

No technology has been imported during the last 5 years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)
Date : 20th June, 2011

G.P.GUPTA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Swaraj Engines Ltd. (SEL) was set up to manufacture engines for fitment into “Swaraj” tractors for Punjab Tractors Ltd. (PTL), which has since been merged with Mahindra & Mahindra Ltd. (M&M). Subsequently, SEL has also become supplier of hi-tech engine components to SML Isuzu Ltd., the erstwhile Swaraj Mazda Ltd..

Since start of commercial operations in 1989-90, SEL has supplied around 4,04,000 engines for fitment into “Swaraj” tractors. SEL’s engine business currently constitutes around 94% of Company’s product revenue. Balance 6% represents value of hi-tech engine components being supplied to SML Isuzu for assembly of commercial vehicle engines.

PERFORMANCE APPRAISAL

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

FINANCIAL ANALYSIS (2010-11)

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

(A) Profit & Loss Account

Total revenue for the year was Rs. 363.00 crores (previous year Rs. 286.62 crores) with the following breakdown:

	(Rs. In Crores)	
	<u>2010-11</u>	<u>2009-10</u>
Engines	329.83	256.38
Engine components	22.68	18.95
Spares etc.	8.12	7.11
Total Product Revenue	360.63	282.44
Other Income – Mainly Dividend	2.37	4.18
Total Revenue	363.00	286.62

With the enhanced demand from “Swaraj”, engine supplies during the year moved to 47,413 engines (previous year 39,143 engines).

Due to increase in commodity prices during the year, material cost as a percentage of total product revenue stood at 75.8% (previous year 74.5%).

Personnel cost at Rs. 16.96 crores (previous year Rs. 14.36 crores), represented 4.7% of total product revenue (previous year 5.1%).

With increased level of production during the year, manufacturing, administrative and marketing expenses of Rs. 9.66 crores (previous year Rs. 8.22 crores) as percentage to total product revenue were at 2.7% (previous year 2.9%).

Comfortable fund position throughout the year resulted into a total income of Rs 8.10 crores (previous year Rs. 9.98 crores) on surplus funds – Rs. 5.73 crores under the head ‘Net Finance Charges’ and Rs. 2.37 crores under the head of ‘Other Income’.

Depreciation for the year was Rs. 4.46 crores (previous year Rs.4.84 crores).

Reflecting above, Profit Before Tax reached Rs. 64.35 crores (previous year Rs. 54.71 crores).

Corporate tax at Rs. 20.44 crores (previous year Rs. 17.36 crores) translates to an effective rate of 31.8% (previous year 31.7%). Deferred tax (Assets) for the current year was Rs. 0.76 crores.

(B) Balance Sheet

Company's net worth on 31st March, 2011 stood at Rs. 152.22 crores comprising of an Equity component of Rs. 12.42 crores and Reserves of Rs. 139.80 crores – a book value of Rs.122.56 per share (previous year Rs. 98.83 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).

Gross Block and Net Block of assets on 31st March, 2011 stood at Rs. 77.63 crores (previous year Rs.71.93 crores) and Rs. 23.96 crores (previous year Rs. 22.72 crores) respectively. Capital work in progress / capital spares moved up to Rs. 2.47 crores (previous year 0.95 crores). These assets represent an installed capacity of 42,000 engines on double shift basis.

To support the enhanced production level, year-end inventories moved to Rs. 35.11 crores from previous year's Rs.19.91 crores.

Year-end Sundry Debtors stood at Rs. 8.06 crores (previous year Rs. 4.05 crores).

Due to increased level of production, year-end dues to creditors moved to Rs. 35.91 crores (previous year Rs. 24.83 crores).

INTERNAL CONTROL SYSTEM AND ADEQUACY

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

HUMAN RESOURCES

The Swaraj practice of a lean organisation manned by involved and motivated employees with team orientation has been replicated in Swaraj Engines. The atmosphere encourages learning and informal communication.

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

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

Industrial relations were cordial throughout the year under review.

Employee strength as on 31st March, 2011 stood at 515 (31st March, 2010 - 379).

TRACTOR INDUSTRY

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.

Despite a low penetration level of tractors in many states, Indian tractor market is one of the largest markets in the world in terms of sales volume. Riding on the strength of increased need for mechanization due to shortage of farm labour, supported by government initiatives, domestic tractor sales for F11 reached 4,82,200 tractors - a growth of 20% over last fiscal. Additionally, 62,900 tractors were exported.

The domestic tractor market is traditionally segmented by horsepower into the low horsepower 20 HP - 30 HP segment, the mid segment of 30 HP - 40 HP and the higher segment of above 40 HP. Most of the major players cater to all the three segments. However, their relative strengths and market positions differ from segment to segment.

M&M, which designs, develops, manufactures and markets tractors for Indian and overseas markets is the largest manufacturer of tractors in India and has sustained its market leadership in the Indian tractor market for over 28 years. The consolidated market share of the Farm Equipment Sector of M&M is now around 42% of the domestic market.

COMMERCIAL VEHICLES

India's commercial vehicle industry after witnessing severe downturn in fiscal 2009 due to overall economic slowdown, had registered an impressive growth in fiscal 2010 and sustained its growth momentum in fiscal 2011 as well. Accordingly, Company business with SML Isuzu during the year under review was also up by 20%.

OUTLOOK AND OPPORTUNITIES

Long term prospects of both tractor and commercial vehicle industry are rated good. In view of the various domestic macro economic indicators, supported by increasing farm income, need for mechanization and enhanced usage of tractors for non agricultural activities, it is expected that the Indian tractor industry would maintain a growth trend in the long term. Further, with Government's massive investments planned for urban and rural infrastructure including roads, ports, power etc., coupled with on going growth trends in industry, global trade and tourism are expected to drive future demand for commercial vehicles. As the industry outlook for the Company's prime customers seems promising, SEL's business prospects appear to remain positive.

THREATS, RISKS & CONCERNS

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

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

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

I Board of Directors

The Composition of the Board is in accordance with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors. The number of Non-Executive Directors is more than one half of the total number of Directors. The Non-Executive Directors bring wide range of experience and independent judgement to the Board's deliberations and decisions. Shri Bishwambhar Mishra is the Executive Director of the Company designated as Vice Chairman and being in employment of Mahindra & Mahindra Limited (M&M), he draws his remuneration from M&M only.

Dr. Pawan Goenka, Shri A.M.Sawhney, Shri V.S. Parthasarathy and Shri M.N.Kaushal, Non-Executive Directors are in the whole-time employment of Mahindra & Mahindra Limited. Shri R.R.Deshpande, Non-Executive Director, is in whole time employment of Kirloskar Oil Engines Limited (KOEL). Shri Vijay Varma, Non Executive Director, is the President of Kirloskar Proprietary Limited. The above six Non-Executive Directors draw remuneration from their respective companies. Apart from the above and the re-imburement of expenses incurred in discharge of their duties and the remuneration the Non-Executive Directors would be entitled to under the Companies Act, 1956, none of the Directors have any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management and associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

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

A. Composition of the Board

The Company's Board of Directors currently comprises twelve members. While seven members are Non Independent Non-Executive Directors, the Vice Chairman 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 2010-11		Attendance at the last AGM	Total No. of Directorships [^] in public companies [#]	Committee ⁺ Position held in public companies [#]	
		Board Meetings held*	Board Meetings attended			Chairman	Member
Non-Executive							
Shri G.P.Gupta, Chairman	Independent	4	4	Yes	11	3	4
Dr. Pawan Goenka (appointed w.e.f.6.5.2010)	Non Independent	4	4	Yes	8	-	4

Name of Director	Category	Financial Year 2010-11		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
Dr. T.N.Kapoor	Independent	4	4	Yes	5	4	5
Shri D.R.Swar	Non Independent	4	4	No	5	1	1
Shri S.C.Bhargava	Independent	4	4	Yes	11	1	4
Shri Hardeep Singh	Independent	4	4	Yes	5	3	1
Shri A.M.Sawhney	Non Independent	4	4	Yes	3	-	2
Shri V.S.Parthasarathy	Non Independent	4	2	No	5	-	2
Shri R.R.Deshpande	Non Independent	4	3	Yes	3	-	1
Shri Vijay Varma	Non Independent	4	4	Yes	3	-	-
Shri M.N.Kaushal	Non Independent	4	4	Yes	1	-	1
Executive							
Shri Bishwambhar Mishra, Vice Chairman	Non Independent	4	4	Yes	3	-	2

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

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

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

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

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

B. Board Procedure

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

During the financial year 2010-11, four Board Meetings were held on 6th May, 2010, 3rd August, 2010, 26th October, 2010 and 28th January, 2011. The gap between two Meetings did not exceed four months.

The 24th Annual General Meeting (AGM) was held on 3rd August, 2010.

C. Directors seeking appointment / reappointment

At the ensuing Annual General Meeting, Shri A.M.Sawhney, Shri V.S.Parthasarathy, Shri R.R.Deshpande and Dr.T.N. Kapoor retire by rotation and being eligible offers themselves for re-election.

A brief resume of the above Directors is presented below:

Shri A.M.Sawhney

Shri A.M.Sawhney is on the Board of the Company since 31st May 2006.

Shri Sawhney, a Mechanical Engineer, has been associated with Swaraj since 1972 and is currently Chief Operating Officer of Mahindra & Mahindra Limited - Swaraj Division. He has been instrumental, from the very beginning, in establishing the unknown SWARAJ name into a leading brand in the intensely competitive Indian tractor market.

Shri Sawhney is also on the Board of Swaraj Automotives Limited and Mahindra Shubhlabh Services Limited.

The details of Shri Sawhney’s Membership in Committees are given below:

S.No.	Name of the Company	Name of Committee	Position Held
1.	Swaraj Engines Limited	Shareholder / Investor Relations Committee	Member
2.	Swaraj Automotives Limited	Shareholder / Investor Relations Committee	Member

Shri A.M.Sawhney holds 600 shares in the Company.

Shri V.S.Parthasarathy

Shri V.S.Parthasarathy is on the Board of the Company since 22nd January, 2008.

Shri Parthasarathy is a Chartered Accountant and also holds a Bachelor’s degree in Commerce. He is currently Executive Vice President – Finance, Mergers & Acquisitions and Group Chief Information Officer of Mahindra & Mahindra Limited (M&M). He has been with M&M for almost 11 years and has led various critical corporate functions. Prior to joining M&M, he worked with Xerox India for 14 years. He has vast and varied experience in Corporate Finance, International Operations, Mergers & Acquisitions and Business Planning.

Shri Parthasarathy is also a Director of Mega One Stop Farm Services Limited, Swaraj Automotives Limited, Mriyalguda Farm Solution Limited, Mahindra U.S.A. Inc, Mahindra Overseas Investment Company (Mauritius) Limited, Mahindra (China) Tractors Company Limited, Mahindra Engineering Services Limited, Mahindra Yueda (Yancheng) Tractor Co. Limited, Mahindra Graphic Research Design s.r.l., Engines Engineering s.r.l., Mahindra Aerospace Australia Pty Limited, Gipps Aero Pty Limited, Aerostaff Australia Pty Limited, Mahindra Aerospace Private Limited, Mahindra EcoNova Private Limited, Mahindra Reva Electric Vehicles Private Limited, Mahindra BPO Services Private Limited and Defence Land Systems India Private Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Swaraj Engines Ltd.	Audit Committee	Member
2.	Mahindra Engineering Services Ltd.	Audit Committee	Member
3.	Defence Land Systems India Pvt. Ltd.	Audit Committee Remuneration and Treasury Committee	Member Member
4.	Mahindra Reva Electric Vehicles Pvt. Ltd.	Audit Committee Compensation Committee	Chairman Member
5.	Mahindra Aerospace Pvt. Ltd.	Audit Committee	Member

Shri V.S.Parthasarathy does not hold any share in the Company.

Shri R.R.Deshpande

Shri R.R.Deshpande is on the Board of the Company since 22nd January, 2008.

Shri Deshpande, a Mechanical Engineer, is currently Executive Director, Kirloskar Oil Engines Limited (KOEL). He is working with KOEL for more than 32 years and has vast experience in Projects, Production and Material Services.

Shri Deshpande is also on the Board of Kothrud Power Equipments 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 Ltd.	Share Transfer cum Shareholder's / Investor's Grievance Committee	Member

Shri Deshpande does not hold any share in the Company.

Dr. T.N.Kapoor

Dr.T.N.Kapoor has been a Director of the Company since 1998. He possesses a Master's degree in Commerce, a Bachelor's degree in Law and a Doctorate in Philosophy. He is an eminent Educationist and has been Professor and Dean, Faculty of Business Management & Commerce in Panjab University, 1997. He is a Management Advisor and is associated with several Public Limited Companies. He is also a Director of Omax Autos Limited, Modern Steels Limited, Sterling Tools Limited and KDDL Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Modern Steels Ltd.	Audit Committee Investors Grievance Committee	Member Member
2.	Sterling Tools Ltd.	Investors Grievance Committee Audit Committee	Chairman Member
3.	KDDL Ltd.	Audit Committee	Chairman
4.	Omax Autos Ltd.	Investors Grievance Committee Audit Committee	Chairman Member
5.	Swaraj Engines Ltd.	Shareholder/Investor Relations Committee Audit Committee Remuneration cum Compensation Committee	Chairman Member Member

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

D. Code of Conduct

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

E. CEO / CFO Certification

As required under Clause 49 V of the Listing Agreement with Stock Exchanges, the Vice Chairman and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2011.

II Remuneration to Directors

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

Independent Non-Executive Directors are paid sitting fees of Rs. 20,000/- per meeting for attending the meetings of the Board of Directors and Committees thereof within the prescribed limits as decided by the Board.

The details of Directors’ remuneration paid / payable for 2010-11 is as follows;

Independent Non-Executive Directors

Name of the Directors who were in receipt of sitting fees during FY 2010-11	Sitting Fees for Board and Committee Meetings paid during the year ended 31 st March, 2011 (Rs.)	Commission (Rs.)
Shri G.P.Gupta	1,60,000	Nil
Dr. T.N.Kapoor	2,60,000	Nil
Shri S.C.Bhargava	1,60,000	Nil
Shri Hardeep Singh	80,000	Nil

Shri A.M.Sawhney and Shri M.N.Kaushal are the only two Non-Executive Directors who hold 600 and 1307 shares respectively in the Company.

III Risk Management

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

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

IV Committees of the Board

A. Audit Committee

The Audit Committee of the Company comprises four Non-Executive Directors out of which three are Independent Directors.

The Committee comprises the following Non-Executive Directors:

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

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

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

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 1956 and the Listing Agreements. The functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of internal controls and regulatory compliances. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment of statutory auditors and their remuneration and reviews quarterly / annual financial statements before submission to the Board. It is also empowered to inter alia review Financial Statements and investments of unlisted subsidiary companies, if any, Management Discussion and Analysis of financial condition and results of operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C. The meetings of the Audit Committee are also attended by the Vice Chairman, the Chief Financial Officer, the Statutory Auditors, the Internal Auditor and the Company Secretary.

Shri G.P.Gupta, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 3rd August, 2010.

During the financial year under review, four meetings of Audit Committee of the Board were held on 6th May, 2010, 3rd August, 2010, 26th October, 2010 and 28th January, 2011. The gap between the two meetings did not exceed four months.

The attendance at the Meetings is as under:

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

B. Shareholder / Investor Relations Committee

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

- Dr. T.N.Kapoor, Chairman
- Shri Bishwambhar Mishra
- Shri A.M.Sawhney
- 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, six meetings of Shareholder / Investor Relations Committee were held.

The attendance at the Meetings is as under:

Name of the Director	No. of Meetings Attended
Dr. T.N.Kapoor	5
Shri Bishwambhar Mishra	6
Shri A.M.Sawhney	6
Shri M.N.Kaushal	6

The Company had received 53 enquiries/complaints from the shareholders and all of them have been attended / resolved.

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

C. Remuneration cum Compensation Committee

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

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

- Shri Hardeep Singh, Chairman
- Dr. Pawan Goenka
- Dr. T.N.Kapoor

No meeting of the Committee was held during the year ended 31st March, 2011.

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

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management or relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are furnished under para 4 of Schedule K of the Annual Accounts of the Annual Report.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Code for prevention of Insider Trading Practices

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

VI Shareholder Information**1. 25th Annual General Meeting**

Date	: 3 rd August, 2011
Time	: 2.00 P.M.
Venue	: Swaraj Engines Limited, Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab – 160 062

2. Financial Calendar (tentative)

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

Financial reporting for

- | | |
|---|----------------------------|
| • Quarter ending 30 th June, 2011 | First week of August, 2011 |
| • Half year ending 30 th September, 2011 | Last week of October, 2011 |
| • Quarter ending 31 st December, 2011 | Last week of January, 2012 |
| • Year ending 31 st March, 2012 | May, 2012 |

Note: The above schedules are indicative.

3. Registered Office

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

4. Date of Book Closure

16th July, 2011 to 22nd July, 2011 (both days inclusive)

5. Dividend Payment

Will be credited / dispatched on or after 3rd August, 2011

6. Listing on Stock Exchanges

(i) Bombay Stock Exchange Limited (BSE)

(ii) National Stock Exchange of India Limited (NSE)

Listing Fee for 2011-12 for both these stock exchanges has been paid.

7. Stock Code

BSE 500407

NSE SWARAJENG

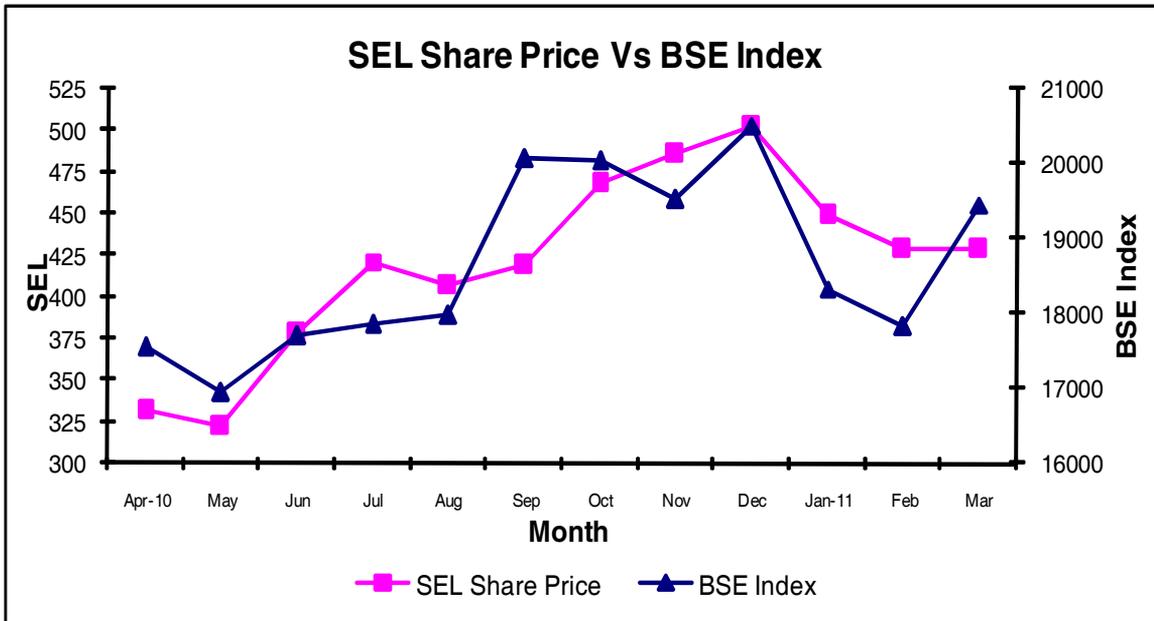
8. Stock Price Data

Monthly (April 2010 – March 2011) High - Low Quotations of shares traded at Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) are as under:

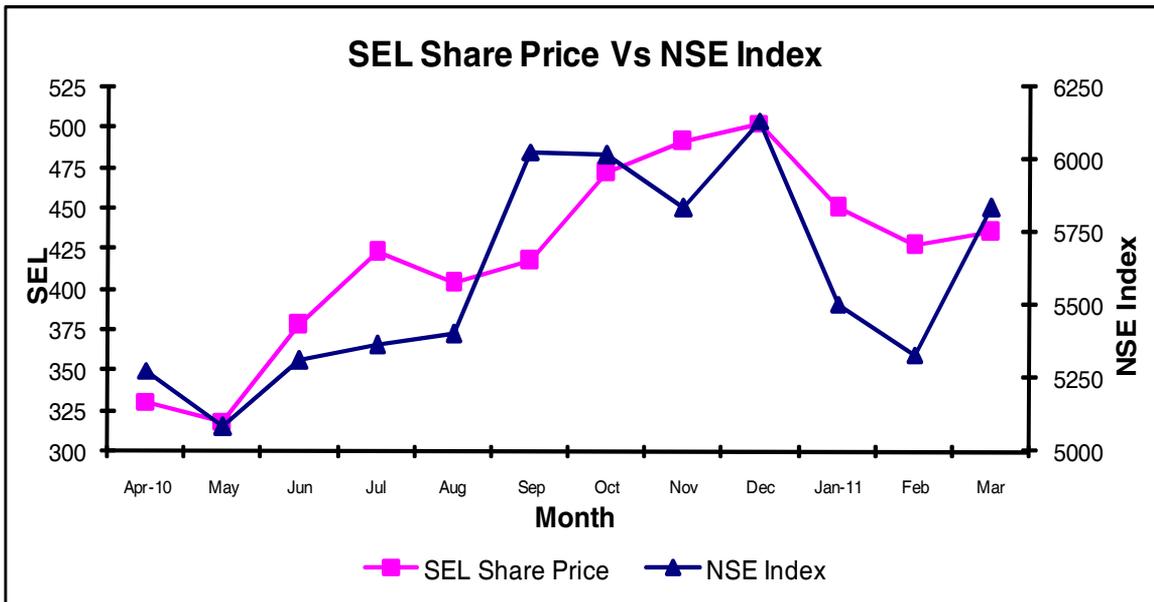
Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2010	346.80	284.70	363.30	284.30
May 2010	340.00	307.00	340.00	302.35
June 2010	396.95	309.05	404.00	301.00
July 2010	464.00	367.00	464.50	368.25
August 2010	448.90	394.00	448.10	400.00
September 2010	455.80	404.05	455.65	364.80
October 2010	524.00	406.65	513.75	414.00
November 2010	557.40	462.30	557.90	424.30
December 2010	515.00	453.05	514.50	451.00
January 2011	513.35	430.00	549.00	428.00
February 2011	489.20	402.60	458.65	402.10
March 2011	458.35	405.00	452.00	412.25

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

Tel No. : 011- 41406149

Fax No. : 011- 41709881

Email address : admin@mcsdel.com

Contact Person: Shri Priya Darshan Waila

Share Transfer & other Communication regarding Share Certificates, Dividends and Change of Address etc. may be addressed to Registrar, MCS 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 a period of 30 days from the date of receipt, if the documents are valid in all respects.

Total number of shares transferred during 2010-11 was 21,71,400 (Previous Year 8,920).

12. Shareholding Pattern as on 31st March, 2011

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds / UTI	3	16,07,391	12.94
3 Insurance Companies	1	45,600	0.37
4 Financial Institutions / Banks	1	300	-
5 Foreign Institutional Investors	6	2,01,743	1.62
6 Bodies Corporate - Indian	303	4,76,393	3.84
7 NRIs	239	99,573	0.80
8 Indian Public	8597	37,02,403	29.81
Total	9152	1,24,19,820	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2011

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	7658	83.68	8,61,891	6.94
501 - 1000	995	10.87	6,77,821	5.46
1001 - 5000	418	4.57	8,97,094	7.22
5001 - 10000	45	0.49	3,17,599	2.56
10001 - 50000	23	0.25	7,44,905	6.00
50001 & above	13	0.14	89,20,510	71.82
Total	9152	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, 2011, 47.06% 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 & Transfer Agent
M/s MCS Ltd.

Phone : 011 - 41406149

Unit: Swaraj Engines Ltd.

Fax : 011- 41709881

Sri Venkatesh Bhavan, F-65, 1st Floor,
Okhla Industrial Area, Phase – I
New Delhi - 110 020

Email : admin@mcsdel.com

Compliance Officer & Company Secretary
Shri M.S.Grewal

Phone : 0172- 2271620-27

Company Secretary

Registered Office:

Fax : 0172- 2272731

Swaraj Engines Ltd.

Phase-IV, Industrial Area

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

Email: grewal.maninder@mahindraswaraj.com or
selinvestor@swarajenterprise.com

18. Website Address

www.swarajenterprise.com

VII Other Disclosures

1. Details of General Meetings and Special Resolutions passed

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

Year	Date	Time	Venue
2008	7 th July, 2008	12.00 Noon	Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab
2009	18 th June, 2009	9.15 A.M.	
2010	3 rd August, 2010	12.00 Noon	

No Special Resolution was proposed in the last three AGMs.

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

Pursuant to the provisions of Section 192A of the Companies Act, 1956, there was no matter which required to be passed through postal ballot during the year and the Company does not propose any special resolution to be conducted through postal ballot.

2. Details of non-compliance etc.

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

3. Means of Communication

- a) In compliance with the requirements of Listing Agreement, the Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. These financial results are published in the leading financial / national / regional newspapers (Financial Express 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, 2011, no presentations were made to institutional investors or analysts.

4. Management Discussion and Analysis Report

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

5. Compliance with Mandatory requirements

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

6. Adoption of the non-mandatory requirements**i) Remuneration Committee**

The Company has set up the Remuneration cum Compensation Committee.

ii) Audit Qualifications

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

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

7. Compliance with the Corporate Governance – Voluntary Guidelines 2009

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

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

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

S.A.S. Nagar, (Mohali), 20th June, 2011

**DECLARATION BY THE VICE CHAIRMAN UNDER
CLAUSE 49 OF THE LISTING AGREEMENT**

To
The Members of Swaraj Engines Limited

I, Bishwambhar Mishra, Vice Chairman 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, 2011.

S.A.S. Nagar (Mohali), 20th June, 2011

Bishwambhar Mishra
Vice Chairman

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

To
The Members of Swaraj Engines Limited

We have examined the compliance of conditions of Corporate Governance by Swaraj Engines Limited ("the Company"), for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(Registration No. 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 94370

Chandigarh, 20th June, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs. in lacs)

	Schedule	2011		2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	A	1241.98		1241.98	
Reserves and Surplus	B	<u>13979.94</u>	<u>15221.92</u>	<u>11032.21</u>	12274.19
Deferred Tax Liability	C		<u>192.16</u>		<u>268.01</u>
			<u>15414.08</u>		<u>12542.20</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	D	7763.42		7193.41	
Less : Depreciation		<u>5367.82</u>		<u>4921.65</u>	
Net Block		<u>2395.60</u>		<u>2271.76</u>	
Capital Work-in-Progress/Capital Spares		<u>247.16</u>	<u>2642.76</u>	<u>95.04</u>	2366.80
Investments	E		<u>5778.54</u>		<u>5771.51</u>
Current Assets, Loans & Advances					
Inventories	F	3511.56		1991.44	
Sundry Debtors		805.52		405.34	
Cash and Bank Balances		7619.68		5638.66	
Loans and Advances		<u>842.21</u>		<u>600.23</u>	
		<u>12778.97</u>		<u>8635.67</u>	
Less : Current Liabilities and Provisions	G				
Current Liabilities		4119.38		2860.85	
Provisions		<u>1666.81</u>		<u>1370.93</u>	
		<u>5786.19</u>		<u>4231.78</u>	
Net Current Assets			<u>6992.78</u>		<u>4403.89</u>
			<u>15414.08</u>		<u>12542.20</u>
Notes on Accounts	K				

The Schedules referred to above form an integral part of the Balance Sheet in our report of even date

 For DAVINDER S. JAAJ & CO.
Chartered Accountants

 M.N. KAUSHAL
Chief Financial Officer

 DAVINDER SINGH JAAJ
Partner
Membership No. 12521

 M.S. GREWAL
Company Secretary

FOR AND ON BEHALF OF THE BOARD

 G.P. GUPTA
Chairman

 Dr. PAWAN GOENKA
Director

 BISHWAMBHAR MISHRA
Vice Chairman

Chandigarh, 27th April, 2011

Mumbai, 26th April, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in lacs)

	Schedule		2011		2010
INCOME					
Gross Revenue from Operations	K (13)	39808.10		30643.97	
Less : Excise Duty		<u>3745.27</u>	36062.83	<u>2400.26</u>	28243.71
Other Income	K (9)		<u>237.44</u>		<u>417.98</u>
			36300.27		28661.69
EXPENDITURE					
Materials	H	27330.12		21029.11	
Operating & Administrative Expenses	I	2661.90		2257.77	
Finance Charges (Net)	J	(573.26)		(579.90)	
Depreciation	D	<u>446.17</u>	<u>29864.93</u>	<u>483.54</u>	<u>23190.52</u>
Profit before Tax			6435.34		5471.17
Provision for Tax					
– Current Tax		2120.00		1854.00	
– Deferred Tax		<u>(75.85)</u>	<u>2044.15</u>	<u>(118.30)</u>	<u>1735.70</u>
Profit after Tax			<u>4391.19</u>		<u>3735.47</u>
APPROPRIATIONS					
Proposed Dividend			1241.98		993.59
Tax on Proposed Dividend			201.48		165.02
Transfer to General Reserve			2600.00		2200.00
Profit carried to Balance Sheet			<u>347.73</u>		<u>376.86</u>
			<u>4391.19</u>		<u>3735.47</u>
Earning per Share (Rs.)	K (6)		35.35		30.08
Nominal Value (Rs.)			10.00		10.00

The Schedules referred to above form an integral part of the Profit & Loss Account in our report of even date

For DAVINDER S. JAAJ & CO.
Chartered Accountants

DAVINDER SINGH JAAJ
Partner
Membership No. 12521

Chandigarh, 27th April, 2011

M.N. KAUSHAL
Chief Financial Officer

M.S. GREWAL
Company Secretary

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA
Director

BISHWAMBHAR MISHRA
Vice Chairman

Mumbai, 26th April, 2011

SCHEDULE A

(Rs. in lacs)

2011
2010
SHARE CAPITAL
Authorised

 2,50,00,000 (2010 – 2,50,00,000) Equity Share of Rs. 10/- each 2500.00 2500.00
Issued, Subscribed & Paid-Up

 1,24,19,820 (2010 – 1,24,19,820) Equity Shares of Rs. 10/- each fully paid up 1241.98 1241.98

Note : Paid up capital includes 1,03,49,850 Equity Shares allotted as fully paid bonus shares by capitalisation of General Reserve.

SCHEDULE B

(Rs. in lacs)

2011
2010
RESERVES AND SURPLUS
Capital Reserve

 Brought Forward 18.71 18.71
General Reserve

 Brought Forward 8996.76 6796.76

 Add : Transferred from Profit and Loss Account 2600.00 11596.76 2200.00 8996.76
Surplus

 Brought Forward 2016.74 1639.88

 Add : Transferred from Profit and Loss Account 347.73 2364.47 376.86 2016.74
13979.94 11032.21
SCHEDULE C

(Rs. in lacs)

2011
2010
DEFERRED TAX LIABILITY

(Refer Note 1(i) & 8 on Schedule K)

 – At the beginning of the year 268.01 386.31

 – Adjustment during the year (75.85) 192.16 (118.30) 268.01
192.16 268.01

SCHEDULE D

(Rs. in lacs)

FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 31st March, 2010	Additions	Deletions/ Adjustments	Cost as at 31st March, 2011	As at 31st March, 2010	Provided during the year	Deletions/ Adjustments	Upto 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Land	50.68	-	-	50.68	-	-	-	-	50.68	50.68
Building	842.30	7.14	-	849.44	336.52	25.45	-	361.97	487.47	505.78
Plant & Machinery	6165.62	535.70	-	6701.32	4476.60	411.90	-	4888.50	1812.82	1689.02
Furniture, Fixtures & Other Equipments	108.81	17.94	-	126.75	83.81	6.81	-	90.62	36.13	25.00
Vehicles	26.00	9.23	-	35.23	24.72	2.01	-	26.73	8.50	1.28
Total	7193.41	570.01	-	7763.42	4921.65	446.17	-	5367.82	2395.60	2271.76
Capital Work-in-Progress/Advances									243.84	83.39
Capital Spares									3.32	11.65
									2642.76	2366.80
Previous Year	7129.68	119.79	56.06	7193.41	4490.22	483.54	52.11	4921.65		

SCHEDULE E

(Rs. in lacs)

2011

2010

INVESTMENTS (At Cost, unless otherwise specified) :
MUTUAL FUNDS
**Un Quoted
Long Term**
**Refer Note (B)
Below**

Numbers	Face value Per Unit Rupees				
63,77,200	10	BSL FTP Series CH 457 Days- Dividend	1	637.72	—
60,00,000	10	DWS Fixed Term Fund Series 73 -Dividend	2	600.00	—
50,00,000	10	DWS Fixed Term Fund Series 77 -Dividend	3	500.00	—
40,44,485	10	ICICI Prudential Long Term Plan - Quarterly Dividend	4	405.58	—
50,00,000	10	ICICI Regular Saving Fund 365 Days- Growth	5	500.00	—
25,00,000	10	Kotak FMP 13M Series 6 -Dividend		250.00	250.00
1,00,00,000	10	Kotak FMP 370 Days Series 6 -Dividend	6	1000.00	—
10,15,582	10	Kotak FMP 370 Days Series 7 -Dividend	7	101.56	—
30,00,000	10	Kotak FMP 370 Days Series 9 -Dividend	8	300.00	—
18,36,760	10	Kotak FMP 15M Series 6 -Dividend	9	183.68	—
20,00,000	10	SBI Debt Fund Series7- 370 Days -Dividend	10	200.00	—
30,00,000	10	SBI MF SDFS 370 Days -Dividend	11	300.00	—
20,00,000	10	SBI MF SDFS 370 Days -Growth	12	200.00	—
60,00,000	10	Religare FMP-13M- Series V- Dividend	13	600.00	—
Current					
—	10	Kotak Flexi Debt Scheme - Daily Dividend	14	—	4.42
—	10	Kotak Bond (Short Term) - Monthly Dividend	15	—	1560.76
—	1000	UTI STP-Institution Dividend Plan	16	—	556.65
—	1000	Franklin Templeton F R Income Fund - Weekly Dividend	17	—	1257.92
—	10	Birla Sun Life Dynamic Bond Fund -Monthly Dividend	18	—	933.04
—	10	LIC Saving Plus Fund - Daily Dividend	19	—	606.73
—	10	IDFC M M Fund Institutional Plan - Daily Dividend	20	—	601.99
				5778.54	5771.51

Notes :

Aggregate Value

(A) Cost of unquoted Investments

5778.54
5771.51

SCHEDULE E contd.....

INVESTMENTS (At Cost, unless otherwise specified) :

(B) Movement of Mutual Funds during the Year	Acquired		Sold
	Unit (Nos.)	Rs. in Lacs	Unit (Nos.)
1 BSL FTP Series CH 457 Days- Dividend	63,77,200	637.72	–
2 DWS Fixed Term Fund Series 73 -Dividend	60,00,000	600.00	–
3 DWS Fixed Term Fund Series 77 -Dividend	50,00,000	500.00	–
4 ICICI Prudential Long Term Plan - Quarterly Dividend	40,44,485	405.58	–
5 ICICI Regular Saving Fund 365 Days- Growth	50,00,000	500.00	–
6 Kotak FMP 370 Days Series 6 -Dividend	1,00,00,000	1,000.00	–
7 Kotak FMP 370 Days Series 7 -Dividend	10,15,582	101.56	–
8 Kotak FMP 370 Days Series 9 -Dividend	30,00,000	300.00	–
9 Kotak FMP 15M Series 6 -Dividend	18,36,760	183.68	–
10 SBI Debt Fund Series7- 370 Days -Dividend	20,00,000	200.00	–
11 SBI MF SDFS 370 Days -Dividend	30,00,000	300.00	–
12 SBI MF SDFS 370 Days -Growth	20,00,000	200.00	–
13 Religare FMP-13M- Series V- Dividend	60,00,000	600.00	–
14 Kotak Flexi Debt Scheme - Daily Dividend	813	0.08	44,789
15 Kotak Bond (Short Term) - Monthly Dividend	2,42,796	24.52	1,56,65,047
16 UTI STP-Institution Dividend Plan	2,460	24.63	58,083
17 Franklin Templeton F R Income Fund - Weekly Dividend	3,409	36.67	1,20,454
18 Birla Sun Life Dynamic Bond Fund -Monthly Dividend	1,76,305	18.38	91,57,828
19 LIC Saving Plus Fund - Daily Dividend	1,71,213	17.12	62,38,505
20 IDFC M M Fund Institutional Plan - Daily Dividend	1,67,396	16.77	61,78,248
21 ICICI Prudential Fund - Daily Dividend	7,73,212	801.19	7,73,212
22 ICICI Prudential Flexible Income Plan Daily Dividend	2,99,974	301.19	2,99,974
23 IDFC FMP -Qtly. Series 61 - Dividend	62,24,090	622.41	62,24,090
24 Kotak Floater Long Term - Daily Dividend	29,94,398	301.83	29,94,398

SCHEDULE F

(Rs. in lacs)

	2011	2010
CURRENT ASSETS, LOANS & ADVANCES		
A. CURRENT ASSETS		
I. Inventories (refer Note 1(d) on Schedule K)		
a) Stores & Spare Parts	142.61	142.41
b) Loose Tools	150.33	113.41
c) Raw Material & Components	2102.45	1125.10
d) Goods-in-Transit	152.37	117.37
e) Work-in-Progress	373.86	323.05
f) Finished Goods	<u>589.94</u>	<u>170.10</u>
	3511.56	1991.44
II. Sundry Debtors		
(Unsecured-Considered Good)		
Debts Outstanding for a period exceeding six months	–	–
Other Debts	<u>805.52</u>	<u>405.34</u>
	805.52	405.34
III. Cash and Bank Balances		
Cash in Hand	5.58	7.63
Balance with Scheduled Banks		
– Cash Credit Account	58.85	175.05
– Current Accounts	891.64	87.46
– Fixed Deposits	6435.04	5216.42
– Interest Accrued on Fixed Deposit	192.09	117.92
– Unpaid/Unclaimed Dividend Accounts	<u>36.48</u>	<u>34.18</u>
	7619.68	5638.66
B. LOANS & ADVANCES		
(Unsecured-Considered Good)		
Advances recoverable in cash or in kind for value to be received	724.86	480.25
Security Deposits	24.17	24.17
Balance on Current Accounts with Excise Authorities	8.41	39.57
Income Tax, FBT & Wealth Tax (Net of Provisions)	<u>84.77</u>	<u>56.24</u>
	842.21	600.23
	<u>12778.97</u>	<u>8635.67</u>

Note : Inventories are as certified by the Management.

SCHEDULE G

(Rs. in lacs)

2011

2010

CURRENT LIABILITIES & PROVISIONS
Current Liabilities

Sundry Creditors				
– Due to Micro & Small Enterprises	186.24		107.21	
– Others	3404.58		2375.73	
Other Liabilities	492.08		343.73	
Dividends pending encashment*	36.48	4119.38	34.18	2860.85

Provisions

Proposed Dividend	1241.98		993.59	
Corporate Tax on Proposed Dividend	201.48		165.02	
Others	223.35	1666.81	212.32	1370.93
		5786.19		4231.78

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2011.

SCHEDULE H

(Rs. in lacs)

2011

2010

MATERIALS
Raw Materials & Components

Opening Stock	1125.10		716.53	
Add : Purchases	28313.70	29438.80	21269.98	21986.51
Less : Closing Stock	2102.45		1125.10	
Other Jobs	11.88	2114.33	20.62	1145.72
Consumption		27324.47		20840.79

Accretion/Decretion of Stock of Finished Products & Work-in-Progress

Opening Stock	493.15		231.68	
Less : Closing Stock	963.80		493.15	
(Increase)/Decrease		(470.65)		(261.47)

Consumption of Stores & Spares

(including capital spares)		476.30		449.79
		27330.12		21029.11

SCHEDULE I

(Rs. in lacs)

	2011	2010
OPERATING AND ADMINISTRATIVE EXPENSES		
Salary, Wages & Bonus	1472.75	1247.90
Contribution to Provident & Other Funds	74.31	65.40
Workmen & Staff Welfare	148.75	122.42
Repairs to Machinery	187.64	167.23
Repairs to Building	7.52	16.98
Other Repairs	5.01	9.46
Electricity & Water Charges	249.74	233.74
Rates & Taxes	0.41	0.60
Insurance	3.87	3.57
Printing, Stationery, Postage & Telephone	19.38	14.44
Travelling & Conveyance	40.89	23.87
[includes Rs. 5.96 Lacs (2010 – Rs. 6.83 Lacs) for Directors]		
Research, Design & Development	284.41	215.16
Other Marketing Expenses	67.89	45.74
Auditors' Remuneration	5.03	3.77
Miscellaneous Expenses	94.30	87.49
	<u>2661.90</u>	<u>2257.77</u>

SCHEDULE J

(Rs. in lacs)

	2011	2010
FINANCE CHARGES		
Bank & Other Financial Charges	3.83	2.86
Less : Interest received on		
– Fixed Deposit	412.05	454.96
– Others	165.04	127.80
	<u>(573.26)</u>	<u>(579.90)</u>

SCHEDULE K

NOTES FORMING PART OF THE ACCOUNTS

1. Accounting Policies

a) 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.

b) Fixed Assets and Depreciation

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

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

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

iii) In the following cases, depreciation rates are higher than the rates prescribed in Schedule XIV of the Companies Act, 1956.

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

iv) Assets individually costing up to Rs.5000/- are depreciated at 100% in the year of purchase.

v) Capital spares are amortised in a systematic manner over the useful life of the asset to which it relates.

c) Investments

All long-term investments are valued at cost. Current Investments are valued at the lower of cost or fair market value, wherever applicable.

d) Inventories

Raw Materials, Stores & Spares, Loose Tools, Goods-in-Transit and Work-in-Progress are valued at material cost excluding cenvat credit. Finished Goods are valued at cost or net realizable value, whichever is lower and includes Excise Duty payable. Cost of inventories includes appropriate portion of allocable overheads, wherever applicable, and is ascertained on monthly weighted average basis.

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

e) 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 is recognized as income or expense, as the case may be.

f) Retirement Benefits:

The Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. The Company contributes to the appropriate authorities its share of the Members Provident Fund Account as per the Employees' Provident Fund Act, 1952. Provisions in respect of liabilities of gratuity and leave encashment are made based on actuarial valuation made by an independent actuary as at the balance sheet date.

g) Sales are recognized at the time of despatches to customers and include excise duty.

- h) Development expenditure incurred on technical services and other project/product related expenses are amortised over the estimated period of benefit, not exceeding three years.
- i) Taxes on Income
Current tax is the tax payable for the period determined as per provision of the Income Tax Act, 1961.
The provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.
- j) Accounting policies not specifically referred above are consistent with generally accepted accounting practices.

2. There are contingent liabilities in respect of

	2011 Rs. in lacs	2010 Rs. in lacs
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	140.83	116.60
– Income Tax matters in dispute	214.94*	214.94
– Others	241.67**	241.67

* Assessment of Income Tax is complete upto assessment year 2008-09. There is no demand which is disputed in Appeal and not provided for (2010 - Rs. Nil). For earlier Assessment Years, tax authorities have filed appeal / references which involves an estimated liability of Rs. 214.94 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 judgment, Rs. 100.00 lacs was deposited with the court during the financial year 2008-09 and the same forms part of Loans & Advances under Schedule 'F'.

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

4. Related party disclosures as required under Accounting Standard –18 are given below :

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

- i) Associate Companies : Mahindra & Mahindra Limited (M&M)
Kirloskar Industries Limited (KIL)
Swaraj Automotives Limited (SAL)
- ii) Key Management Personnel : Whole time Director
Shri Bishwambhar Mishra (Vice Chairman)

- b) Volume of Transactions with related parties

	2011 Rs. in lacs	2010 Rs. in lacs
i) Associates		
a. Purchase of raw materials and components	544.36	659.17
M&M	186.84	130.98
SAL	357.52	281.52
KOEL*	–	246.67
b. Sale of finished goods	39093.52	29463.26
M&M	39093.52	29463.26
c. Receiving of services	375.89	311.83
M&M	375.89	311.83
d. Rendering of services	74.94	36.69
M&M	68.83	36.69
SAL	6.11	–
e. Dividend paid	502.91	314.32
M&M	330.11	206.32
KIL*	172.80	–
KOEL*	–	108.00

	2011 Rs. in lacs	2010 Rs. in lacs
Aggregate balances outstanding as at the year end		
– Receivables	429.54	125.13
M&M	429.54	125.13
– Payables	85.59	74.50
SAL	85.59	15.79
KOEL*	–	58.71

* Due to demerger of Kirloskar Oil Engines Limited (KOEL), KIL became related party w.e.f 01.04.2010 in place of KOEL.

ii) Key Management Personnel

Remuneration	–	51.20 [^]
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Note: [^] The remuneration was paid to Sh. G.S Rihal, Ex Managing Director.

5. 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.

6. Earnings per Share (EPS)

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

7. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.1257.70 lacs net of advance (2010 –Rs.304.77 lacs).

8. In view of Accounting Standard – 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company has accounted for deferred tax as follows:

Particulars	Balance as at 01.04.2010	Expense/ (Saving) during the year	(Rs. in lacs) Balance as at 31.03.2011
A) Deferred Tax Liabilities			
On Depreciation	365.99	(40.09)	325.90
B) Deferred Tax Assets			
On Expenses	(97.98)	(35.76)	(133.74)
Net Deferred Tax Liabilities (A-B)	268.01	(75.85)	192.16

The tax impact for the above purpose has been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961. Gross reduction in Net Deferred Tax Liability amounting Rs 75.85 Lacs has been credited to Profit and Loss Account.

	2011 Rs. in lacs	2010 Rs. in lacs
9. Other Income :		
– Dividend Income		
Long Term Investment	77.72	88.45
Current Investments	153.22	204.50
– Profit on Sale of Investment		
Long Term	0.68	121.16
Current	5.82	3.87
	<u>237.44</u>	<u>417.98</u>

	2011	
10. Directors' Emoluments :	Rs. in lacs	2010
		Rs. in lacs
i) Salaries	—	16.87
ii) Commission	—	16.87
iii) Contribution to Provident Fund	—	2.02
iv) Leave Encashment	—	11.22
v) Other Perquisites	—	4.22
	<u>—</u>	<u>51.20</u>
vi) Computation of Net Profit in accordance with Section 309(5) of the Companies Act , 1956 for calculation of Commission		
Profit Before Tax	—	5471.17
Add : Director's emoluments including sitting fee	—	56.80
	<u>—</u>	<u>5527.97</u>
Less: Profit on disposal of Fixed Assets	—	9.73
	<u>—</u>	<u>5518.24</u>
Net Profit in accordance with section 198(1)/349		
Maximum Commission to whole time Director @ 1% for the appropriate period	—	55.18
Restricted to maximum of 100% of Salary or @ 1% of net profit whichever is less.	—	16.87

11. Auditors' Remuneration includes* :
Statutory Auditor's

Audit Fee	2.25	1.50
Tax Audit Fee	0.37	0.25
Other Services	1.24	0.92
Out of Pocket Expenses Reimbursed	0.57	0.49

Cost Auditor's

Audit Fee	0.40	0.40
	<u>4.83</u>	<u>3.56</u>

*excluding Service Tax

12. Particulars in respect of goods manufactured:

Class of Goods	Unit of Qty.	Licensed Capacity		Installed Capacity		Actual Production	
		2011	2010	2011	2010	2011	2010
Engines	Nos.	N.A.	N.A.	42,000	36,000	48,015	39,254

Note: Installed capacity as Certified by the Management and not verified by the Auditors being a technical matter.

13. Particulars in respect of Revenue from Operations (Gross) :

Class of Goods	Unit of Qty.	Qty.	2011		Qty.	2010	
			Rs. in lacs			Rs. in lacs	
Engines	Nos.	47,413	36413.07		39,143	27808.82	
Engine Components	—	—	2494.77		—	2047.25	
Spares & Others	—	—	900.26		—	787.90	
			<u>39808.10</u>			<u>30643.97</u>	

14. Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty.	Opening Balance		Closing Balance	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
i) Engines	Nos.	292	170.07	887*	589.70
		(182)	(100.24)	(292)	(170.07)
ii) Engine Parts	–		0.03		1.91
			(0.16)		(0.03)

*excludes 7 engines consumed during the year for R&D purposes.

15. Analysis of Raw Materials consumed:

Class of Goods	Unit of Qty.	2011		2010	
		Qty.	Rs.in lacs	Qty.	Rs.in lacs
Crank Shaft Assy	Nos.	48,487	2245.30	39,619	1838.54
Crank Case Assy	Nos.	48,000	2706.44	39,430	2018.92
Flywheel	Nos.	47,967	1344.75	39,746	916.07
Fuel Pump Assy	Nos.	48,219	3232.84	39,791	2570.02
Others (including components)			17795.14		13497.24
			<u>27324.47</u>		<u>20840.79</u>

Notes:

- i) It is not practicable to furnish quantitative information of all the components in view of large number of items varied in size and nature.
- ii) The quantities and 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 Schedule "H" and includes adjustments for excess/shortage/ damages/obsolete found on physical verification.

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

	%age	2011		2010	
		Rs.in lacs	%age	Rs.in lacs	%age
a) Raw Material & Components					
Imported	–	–	–	–	–
Indigenous	100.00	27324.47	100.00	20840.79	100.00
		<u>27324.47</u>		<u>20840.79</u>	
b) Stores, Consumables, Spares & Loose Tools					
Imported	0.67	3.19	0.74	3.31	0.74
Indigenous	99.33	473.11	99.26	446.48	99.26
		<u>476.30</u>		<u>449.79</u>	

17. Value of Imports on CIF Basis:

	2011	2010
	Rs. in lacs	Rs. in lacs
Raw Material & Components	–	–
Stores & Spares	3.30	3.61
Capital Goods	18.58	–
	<u>21.88</u>	<u>3.61</u>

18. Research & Development Expenses includes an amount of Rs.151.98 lacs (2010- Rs.106.77 lacs) amortized during the year being the expense towards upgradation of engine and improvement in fuel efficiency.

19. Based on the information available with the company, the balance due to Micro & Small enterprises as defined under the MSMED Act, 2006 is Rs 186.24 lacs (2010- Rs.107.21 lacs). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

20. Employee Defined Benefits:

Particulars	2011	Rs. in lacs Gratuity (Funded) 2010
I. Expense recognised in the statement of Profit & Loss Account		
1. Current Service Cost	16.57	14.81
2. Interest	16.78	12.54
3. Expected Return on plan assets	(16.12)	(12.00)
4. Actuarial (Gain)/Loss	2.76	31.29
5. Total Expense	19.98	46.63
II. Net Asset/(Liability) recognized in the Balance Sheet		
1. Present value of Defined Benefit Obligation	226.85	205.43
2. Fair Value of plan assets	206.94	159.10
3. Funded Status [Surplus/(Deficit)]	(19.91)	(46.33)
4. Net Asset/(Liability)	19.91	46.33
III. Change in the obligation during the year		
1. Present value of Defined Benefit Obligation as at the beginning of the year	205.43	151.08
2. Current service cost	16.57	14.81
3. Interest Cost	16.78	12.54
4. Benefit payments	(16.09)	(5.47)
5. Actuarial (Gain)/Loss	4.16	32.47
6. Present value of Defined Benefit Obligation as at the end of the year	226.85	205.43
IV. Change in Fair Value of Assets during the Year		
1. Fair Value of plan assets at the beginning of the year	159.10	113.65
2. Expected return on plan assets	16.12	12.00
3. Contributions by employer	46.40	37.72
4. Actual Benefits paid	(16.09)	(5.47)
5. Actuarial (Gain)/Loss on Plan assets	1.40	1.19
6. Fair Value of plan assets at the end of the Year	206.94	159.09
7. Actual return on plan assets	17.52	13.19
V. The major categories of plan assets as a percentage of total plan Funded with LIC	100%	100%
VI. Actuarial Assumptions		
1. Discount Rate	8.50%	8.45%
2. Expected rate of return on plan assets	9.25%	9.25%
3. In-service Mortality	LIC 1994-96 Ultimate	LIC 1994-96 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	27.36 Yrs	18.17 Yrs

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in lacs)

	2011	2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	6435.34	5471.17
Adjustments for :		
Depreciation	446.17	483.54
(Profit)/Loss on disposal of Fixed Assets	–	(8.19)
Dividend Received	(237.44)	(417.98)
Interest (Received)/Paid (Net)	(573.26)	(579.90)
Operating Profit Before Working Capital Changes	6070.81	4948.64
Adjustments for :		
Trade and Other Receivables	(613.63)	39.14
Inventories	(1520.12)	(714.73)
Trade Payables	1267.26	1327.28
Cash Generated From Operations	5204.32	5600.33
Direct Taxes Paid	(2148.53)	(1890.70)
Cash Flow Before Extraordinary Items	3055.79	3709.63
Extraordinary Items	–	–
Net Cash From Operating Activities	3055.79	3709.63
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (inclusive of capital WIP)	(722.13)	(201.56)
Purchase of Investments (Net)	(7.03)	(3739.37)
Sale of Fixed Assets	–	12.14
Interest Received	577.09	582.76
Dividend Received	237.44	417.98
Net Cash (used in)/from Investing Activities	85.37	(2928.05)

2011

2010

C. CASH FLOW FROM FINANCING ACTIVITIES

Increase/(Decrease) in bank borrowings for working capital	—	—
Dividend Paid	(1156.31)	(728.51)
Interest Paid	(3.83)	(2.86)
Net Cash Used in Financing Activities	<u>(1160.14)</u>	<u>(731.37)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1981.02	50.21
Opening Cash and Cash Equivalents (Note 1)	5638.66	5588.45
Closing Cash and Cash Equivalents (Note 1)	7619.68	5638.66

- Note :**
1. Includes unuseable cash of Rs. 36.48 lacs (2010 – Rs. 34.18 lacs) on account of Dividend pending encashment.
 2. Previous year figures have been regrouped, wherever found necessary.

This is the Cash Flow Statement referred to in our report of even date.

For DAVINDER S. JAAJ & CO.
Chartered Accountants

M.N. KAUSHAL
Chief Financial Officer

DAVINDER SINGH JAAJ
Partner
Membership No. 12521

M.S. GREWAL
Company Secretary

Chandigarh, 27th April, 2011

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA
Director

BISHWAMBHAR MISHRA
Vice Chairman

Mumbai, 26th April, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :
a) Registration details :

Registration No.	6473
State	Punjab
State Code	16
Balance Sheet Date	31st March, 2011

	2011	2010
	Rs. in lacs	Rs. in lacs

b) Capital Raised during the year :

Public Issue	Nil	Nil
Bonus Issue	Nil	Nil
Right Issue	Nil	Nil
Private Placement	Nil	Nil

c) Position of Mobilisation and Deployment of Funds :

Total Liabilities	21200.27	16773.98
Total Assets	21200.27	16773.98

Sources of Funds

Paid up Capital	1241.98	1241.98
Reserves & Surplus	13979.94	11032.21
Secured Loans	—	—
Unsecured Loans	—	—
Deferred Tax Liability	192.16	268.01
	15414.08	12542.20

Application of Funds

Net Fixed Assets	2642.76	2366.80
Net Current Assets	6992.78	4403.89
Investments	5778.54	5771.51
Misc. Expenditure	—	—
Accumulated losses	—	—
	15414.08	12542.20

d) Performance of Company :

Total Income	40045.54	31061.95
Total Expenditure	33610.20	25590.78
Profit before Tax	6435.34	5471.17
Profit after Tax	4391.19	3735.47
Earning Per Share (Rs.)	35.35	30.08
Dividend Rate	100%	80%

e) Generic Names of three Principal Products/Services of Company

1. Item Code No. (ITC Code)	84.08
Product Description	Internal Combustion Diesel Engine
2. Item Code No. (ITC Code)	84.09
Product Description	Diesel Engine Parts

AUDITORS' REPORT

To the Members of Swaraj Engines Limited

We have examined the attached Balance Sheet of Swaraj Engines Limited as at March 31, 2011, the annexed Profit and Loss Account and the Cash Flow Statement for the Year Ended on that date, which are in agreement with the books of account. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto and the Statement on Significant Accounting policies, given in the prescribed manner the information required by the Companies Act, 1956 of India (the 'Act') and also give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - b. in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement therewith.
4. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
5. On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

As required by the Companies Auditors' Report Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Act and on basis of such checks as we considered appropriate and according to the information and explanations given to us, we further 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. Moreover, no substantial part of the Fixed Assets was disposed off during the year.
- (ii) Regarding Inventory Controls:
 - 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, 2011 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 neither took nor granted any loan, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase and sale of stores, raw materials including components, plant and machinery, equipment and similar assets.
- (v) On the basis of documents produced before us, the company has not entered in any transactions required to be recorded in register mentioned under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Section 209 (1) (d) of the Act, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) Regarding Statutory Dues:
 - a) The Company has been regular during the year in depositing undisputed dues with Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise duty and other statutory dues with the appropriate authorities.
 - b) According to the information given to us, there were no disputed unpaid dues with sales tax, income tax, custom tax, wealth tax. However in case of excise duty / cess there is a disputed unpaid amount of Rs. 140.83 Lacs pending before Appellate Authorities and in case of Income Tax there is disputed unpaid amount of Rs. 214.94 lacs against which Income Tax Department has filed an appeal before Income Tax Appellate Tribunal.
- (x) The company neither has accumulated losses at the end of the financial year nor any cash losses for this financial year as well as for financial year immediately preceding financial year.
- (xi) No, the company has not defaulted in repayment of dues to any financial institution or banks.
- (xii) To the best of our knowledge and information provided to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a Chit fund, Nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the company.
- (xiv) Company has no transactions regarding contracts in shares, securities, debentures or other investments.
- (xv) On the basis of records produced before us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any long-term loans.
- (xvii) According to the Cash Flow Statement and other records examined by us and explanations given to us, funds raised on short term basis have, prima facie, not been used for long term investment and vice versa.
- (xviii) On the basis of information provided to us, the company has not made any preferential allotment during the year.
- (xix) The Company has not issued any secured debentures. Hence the requirement of the clause (xix) of paragraph 4 of the Order is not applicable to the company.
- (xx) No money was raised by the company through Public Issue during the year.
- (xxi) To the best of our knowledge, no fraud was noticed or reported on or by the company.

For DAVINDER S. JAAJ & CO.
Chartered Accountants
(Registration No. 000969N)

DAVINDER SINGH JAAJ
Partner
Membership No. 012521

Place : Chandigarh
Date : 27th April, 2011

SWARAJ ENGINES LIMITED

Registered Office :

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

25th Annual General Meeting - 3rd August, 2011

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

NAME OF THE SHAREHOLDER/PROXY
ADDRESS

Folio No.

DP ID*

Client ID*

No. of Shares held :

I hereby record my presence at the 25th 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 Wednesday, the 3rd August, 2011 at 2:00 p.m.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY

PROXY

SWARAJ ENGINES LIMITED

Registered Office :

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

Folio No.DP ID*Client ID*

I/We

of being a member/members
of SWARAJ ENGINES LIMITED hereby appoint

of

for failing him

of

as my/our proxy to vote for me/us on my/our behalf at the 25th ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 3rd August, 2011 at 2:00 p.m. and at any adjournment thereof.

Signed this day of 2011.

Affix
Revenue
Stamp

*To be used for shares held in
electronic form

Signature

Note : This proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the meeting. The Proxy need not be a member of the Company.