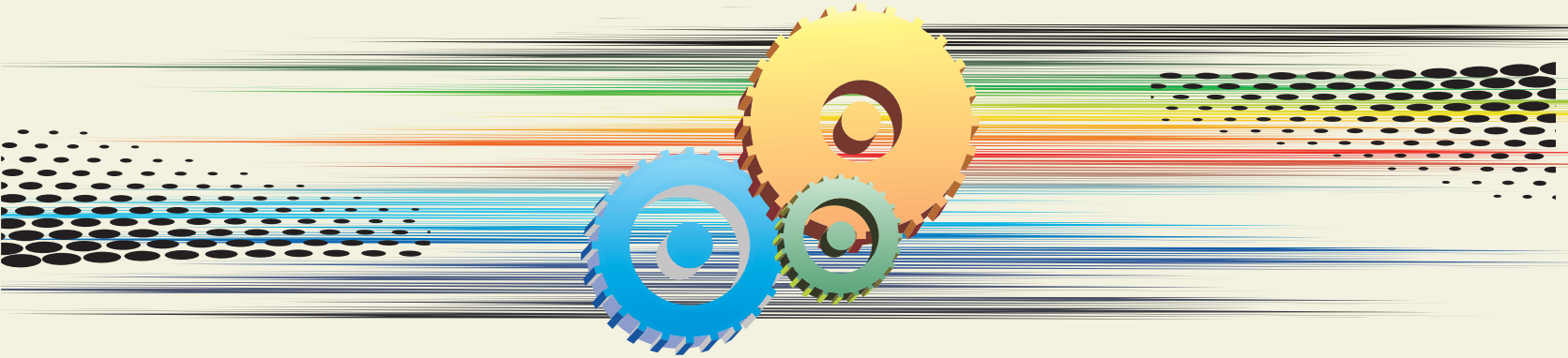


Annual Report 2013



Swaraj Engines Limited

Swaraj Engines Limited

Company Secretary

M.S. GREWAL

Auditors

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

Bankers

CANARA BANK
HDFC BANK LIMITED
AXIS BANK LIMITED

Registered Office

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

Works

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

BOARD OF DIRECTORS

G.P. GUPTA
Chairman

Dr. PAWAN GOENKA

SUDHIR MANKAD

Dr. T.N. KAPOOR

S.C. BHARGAVA

V.S. PARTHASARATHY

R.R. DESHPANDE

VIJAY VARMA

RAJESH JEJURIKAR

M.N. KAUSHAL
Whole-time Director

ANNUAL GENERAL MEETING

on Tuesday, 30th July, 2013
at 2:30 P.M. at Swaraj Engines Limited
Plot No. 2, Industrial Phase IX
S.A.S. Nagar (Mohali)
Punjab 160 062.

CONTENTS	PAGE NO.
Key Performance Indicators – Last Ten Years	3
Notice of Annual General Meeting	4
Report of the Directors	8
Annexure to Directors' Report	12
Management Discussion and Analysis	13
Corporate Governance Report	16
Corporate Governance Compliance Certificate	31
Balance Sheet	32
Statement of Profit and Loss	33
Significant Accounting Policies	34
Notes on Accounts	36
Cash Flow Statement	50
Auditors' Report	52

KEY PERFORMANCE INDICATORS - LAST TEN YEARS

(Rs. in Crores)

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

*On Post Bonus (2:1) Equity
#Include Special Dividend of 200%

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Swaraj Engines Limited will be held on **Tuesday, the 30th day of July, 2013 at 2.30 P.M.** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab - 160 062 to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Shri S.C.Bhargava who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Pawan Goenka who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri V.S.Parthasarathy who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

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

SPECIAL BUSINESS

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

"RESOLVED that Shri Sudhir Mankad, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 31st July, 2012 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be appointed a Director of the Company, liable to retire by rotation."

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

"RESOLVED that Shri Rajesh Jejurikar, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22nd April, 2013 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be appointed a Director of the Company, liable to retire by rotation."

NOTES

1. Explanatory statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

3. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
4. The Company's Registrar and Transfer Agents for its Share Registry Work (Physical and Electronic) are M/s MCS Limited having their office at Sri Venkatesh Bhawan, F-65, First Floor, Okhla Industrial Area, Phase I, New Delhi - 110 020.
5. The Register of Members and Share Transfer Books of the Company will be closed from 13th July, 2013 to 19th July, 2013 (both days inclusive).
6. The dividend, if declared at the Annual General Meeting, would be paid / despatched on or after 31st July, 2013 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 12th July, 2013 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic mode; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 12th July, 2013.
7. Members / Proxies are requested to bring their attendance slips and copy of Annual Report to the Meeting.
8. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required may be compiled and made available at the Meeting.
9. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends for and upto the financial year ended 31st March, 2005 to the Investor Education and Protection Fund (IEPF).
 All unclaimed dividends for the financial year ended 31st March, 2006 will become due for transfer to IEPF in October 2013. Members who have not encashed the dividend warrant(s) so far for the said period or any subsequent financial years are requested to make their claims to the Company. It may be noted that once the amounts in the unpaid dividend accounts are transferred to the IEPF, no claim shall lie against the IEPF or the Company in respect thereof.
10. Members can avail the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, MCS Limited at the above mentioned address. Members holding shares in electronic mode may contact their respective Depository Participants for availing this facility.
11. Payment of Dividend through ECS:
 - a) The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the Depositories for the payment of dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank details, if available, on the payment instrument for distribution of dividend. The Company will not entertain any direct request from Members holding shares in electronic mode for deletion of / change in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such bank account details are therefore requested to advise their Depository Participants about such change, with complete details of bank account.
 - b) Members holding shares in physical form and wishing to avail the facility of electronic credit of dividend directly to their respective bank accounts through the Electronic Clearing Service (ECS) / National Electronic Clearing Service

SWARAJ ENGINES LIMITED

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

12. For receiving all shareholder communications faster, including annual reports, the shareholders are requested to kindly register / update their e-mail address with their respective Depository Participant, where shares are held in electronic mode. If, however, shares are held in physical form, shareholders are advised to register their e-mail address with Company's Registrar and Share Transfer Agent, MCS Limited.

13. Members are requested to:

- Intimate to the Company's Registrar and Transfer Agents, MCS Limited at the above mentioned address, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
- Intimate directly to the respective Depository Participant, changes, if any, in their registered addresses, nomination, power of attorney etc. at an early date, in case of shares held in dematerialised form. The Company will not take cognizance of any such requests directly from shareholders.
- Quote their folio numbers / Client ID / DP ID in all correspondence.
- consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

14. Appointment / Re-appointment of Directors

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

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

In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being appointed / re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

Regd. Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Email: grewal.maninder@mahindraswaraj.com
Dated: 14th June, 2013

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the items of the Special Business

Item No. 7

Shri Sudhir Mankad was appointed by the Board as an Additional Director with effect from 31st July, 2012. He holds office upto the date of the forthcoming Annual General Meeting pursuant to section 260 of the Companies Act, 1956. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing the appointment of Shri Mankad as a Director of the Company.

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

Shri Mankad does not hold any shares in the Company.

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

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

Item No. 8

Shri Rajesh Jejurikar was appointed by the Board as an Additional Director with effect from 22nd April, 2013. He holds office upto the date of the forthcoming Annual General Meeting pursuant to section 260 of the Companies Act, 1956. The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing the appointment of Shri Jejurikar as a Director of the Company.

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

Shri Jejurikar does not hold any shares in the Company.

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

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

Regd.Office:
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Email: grewal.maninder@mahindraswaraj.com
Dated: 14th June, 2013

BY ORDER OF THE BOARD

(M.S.GREWAL)
Company Secretary

REPORT OF THE DIRECTORS TO THE MEMBERS

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

FINANCIAL RESULTS :

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

DIVIDEND

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

REVIEW OF OPERATIONS

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

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

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

FINANCE

The fund position of the Company was comfortable throughout the year under review. As a result, after meeting routine capital expenditure and working capital requirements to support operations, a total income of Rs. 15.22 crores was generated on surplus funds.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

INDUSTRIAL RELATIONS

Industrial Relations remained cordial throughout the year under review.

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

Your Company is committed towards excellence in Safety, Occupational Health and Environment. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational and Environmental Policy which inter alia ensures safety of public, employees, plant and equipment by ensuring compliance with all statutory rules and regulations on regular basis. Your Company also imparts training to its employees as per the predefined training calendar, carries out statutory safety audits of its facilities as per legal requirement and promotes eco-friendly activities. Showing its commitment to improve the well being of its employees, Medical Check-ups, both curative and preventive have been organized regularly, including educating the employees on Industrial Hygiene at the work place. The Company's plant is certified under OHSAS 18001:2007 and EMS ISO 14001:2004.

CORPORATE SOCIAL RESPONSIBILITY

Keeping with Company's core value of Good Corporate Citizenship, your company is committed to display its social responsibility by taking various initiatives which would benefit the society at large. These initiatives includes tree plantation at various locations, organizing medical camps, celebration of festivals with under privileged, etc.

SUSTAINABILITY INITIATIVE

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

DIRECTORS

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

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

SWARAJ ENGINES LIMITED

Shri Sudhir Mankad and Shri Rajesh Jejurikar were appointed as Additional Directors of the Company with effect from 31st July, 2012 and 22nd April, 2013 respectively. Shri Mankad and Shri Jejurikar hold office upto the date of the forthcoming Annual General Meeting. The Company has received notices under section 257 of the Companies Act, 1956 from Members signifying their intention to propose Shri Mankad and Shri Jejurikar for the office of Directors at the forthcoming Annual General Meeting.

Shri S.C.Bhargava, Dr. Pawan Goenka and Shri V.S.Parthasarathy 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, 2013 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, M/s Davinder S. Jaaj & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956. The Members are requested to appoint Auditors and fix their remuneration.

COST AUDITORS

In conformity with the directives of Central Government, the Board of Directors of the Company appointed M/s V.Kumar & Associates, Cost Accountants, as Cost Auditors of the Company for conducting the cost audit for the year ended 31st March, 2013. Subsequently, their appointment was also approved by the Central Government.

Further, pursuant to Section 233B(2) of the Companies Act, 1956, the Board of Directors on the recommendation of Audit Committee has re-appointed M/s V.Kumar & Associates, Cost Accountants, as the Cost Auditors of the Company for the financial year ending on 31st March, 2014. M/s V.Kumar & Associates have confirmed that their appointment, if approved, will be within the limits of Section 224(1B) of the Companies Act, 1956 and have also certified that they are free from disqualification specified under Section 233B(5) read with Section 224 and sub section (3) or sub section (4) of the Section 226 of the Companies Act, 1956.

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

As per the circulars issued by Ministry of Corporate Affairs, due date for filing of Cost Audit Report for the financial year ended 31st March, 2012 in XBRL mode was 28th February, 2013. The Report was filed on 31st January, 2013.

DEPOSITS

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

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

CURRENT YEAR

The current financial year (2013-14) has begun on a positive note and in line with the higher engines demand from its key customer, engines sale during April – May 2013 period moved to 11,945 units as against 9,218 units sold during the corresponding period of the previous year - a growth of 30%.

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 per annum and was employed throughout the year ended 31st March, 2013 or not less than Rs.5,00,000 per month and was employed for a part of the financial year 2012-13.

ACKNOWLEDGEMENTS

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

FOR AND ON BEHALF OF THE BOARD

Place : S.A.S. Nagar (Mohali)
Date : 14th June, 2013

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, 2013

A. CONSERVATION OF ENERGY:

(a) Energy Conservation measures taken:

Though the activities of the Company are not energy-intensive, necessary measures are taken to contain and bring about savings in energy consumption through improved operational methods and implementation of Energy Management Systems.

During the year, the Company's plant also received ISO 50001:2011 Energy Management Systems certificate and took the following initiatives towards energy conservation:

- Optimization of DG Set usage through peak load rationalization
- Effective monitoring of DG Set usage lead to improvement in higher energy generation with lower diesel consumption - from 3.50 to 3.92 KWH/litre
- Effective control of the capacitor bank helped in achieving the power factor upto 0.99
- Introduction of translucent sheets on roof top for effective utilization of natural light
- Replacement of exhaust fans with zero energy fans
- Optimization of compressed air and arresting the air leakages
- Utilization of ETP waste water for gardening / horticulture after treatment

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Additional investments of Rs.10.50 lacs had been made to provide energy efficient compressor.

(c) Impact of the measures taken / to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Above initiatives besides being energy efficient are also environmental friendly.

Overall savings during the year -Rs. 10.0 lacs

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

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

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

Development of new 38 HP engine which is currently in the final testing stage.

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

- Expansion of product range
- Improvement in fuel efficiency

3. Future Plan of Action

Development of 50 HP+ engines.

4. Expenditure on R & D

The Company spent revenue expenditure of Rs. 2.90 crores on Research & Development work during the year, which was 0.6% of the total turnover.

Technology absorption, adaptation and innovation:

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

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year, there were no exports. Foreign Exchange Outgo is contained in Note No. 2.32 of Notes on Accounts in the annual report.

FOR AND ON BEHALF OF THE BOARD

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

Date : 14th June, 2013

G.P.GUPTA

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

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

Since start of commercial operations in 1989-90, SEL has supplied around 5,17,000 engines for fitment into "Swaraj" tractors.

PERFORMANCE APPRAISAL

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

FINANCIAL ANALYSIS (2012-13)

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

(A) Statement of Profit & Loss

Total revenue for the year was Rs. 494.35 crores (previous year Rs. 460.82 crores) with the following breakup :

	(Rs. in Crores)	
	<u>2012-13</u>	<u>2011-12</u>
Engines	450.30	414.42
Engine components	15.38	23.08
Spares etc.	13.35	11.08
Total Product Revenue	<u>479.03</u>	<u>448.58</u>
Other Income - Mainly Interest & Dividend	15.32	12.24
Total Revenue	<u>494.35</u>	<u>460.82</u>

With the enhanced demand from "Swaraj", engine supplies during the year moved to 57,377 engines (previous year 55,239 engines).

In view of overall stability in the commodity prices coupled with higher in-house activities, Material cost excluding stores & spares, as a percentage of total product revenue at 76.1% remained almost at last year's level of 75.9%.

Personnel cost at Rs. 22.13 crores (previous year Rs. 19.17 crores), represented 4.6% of total product revenue (previous year 4.3%) was higher mainly due to annual increments and revision in minimum wages of contractual workforce during the year.

With focus on cost control, manufacturing, consumption of stores & spares, administrative & marketing expenses of Rs. 21.01 crores (previous year Rs. 19.55 crores) as percentage to total product revenue stayed at last year's level of 4.4%.

Comfortable fund position throughout the year resulted into a total income of Rs. 15.22 crores (previous year Rs. 12.08 crores) on surplus funds. Other miscellaneous income for the year stood at Rs. 0.10 crore (previous year Rs. 0.16 crore).

Finance cost of Rs. 0.15 crore was mainly on account of exchange fluctuation (previous year Rs. 0.08 crore).

Depreciation for the year of Rs. 7.16 crores was higher as compared to last year's Rs. 4.26 crores primarily due to fresh additions to the gross block on completion of expansion project.

Reflecting above, Profit Before Tax reached Rs. 79.50 crores (previous year Rs. 77.27 crores).

Corporate tax at Rs. 24.10 crores (previous year Rs. 24.45 crores) translates to an effective rate of 30.3% (previous year 31.6%). Deferred tax for the current year was Rs. 3.13 crores.

B) Balance Sheet

Company's net worth on 31st March, 2013 stood at Rs. 193.73 crores comprising of an Equity component of Rs. 12.42 crores and Reserves & Surplus of Rs. 181.31 crores - a book value of Rs.155.98 per share (previous year Rs. 149.98 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 fixed assets on 31st March, 2013 stood at Rs. 141.54 crores (previous year Rs.96.04 crores) and Rs. 80.72 crores (previous year Rs. 41.80 crores) respectively. Capital work in progress / capital spares at the year-end stood at Rs. 2.46 crores (previous year Rs. 8.72 crores). These assets represent an installed capacity of 75,000 engines on double shift basis.

To support the enhanced level of activities, year-end inventories moved to Rs. 39.35 crores (previous year Rs. 33.44 crores).

Year-end Trade Receivables stood at Rs. 9.25 crores (previous year Rs. 11.91 crores).

Year-end Trade Payables stood at Rs. 41.33 crores (previous year Rs. 43.49 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 propriety, accuracy and speed. These aspects are regularly reviewed during internal audit and statutory audits. Finance and Accounts function is well staffed with experienced and qualified personnel. This team participates in the preparation & monitoring of budgets. Internal Audit Reports to the top management are also reviewed by the Audit Committee of the Board from time to time.

HUMAN RESOURCES

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

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

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

Industrial relations were cordial throughout the year under review.

Employee strength as on 31st March, 2013 stood at 512 (31st March, 2012- 547).

INDUSTRY STRUCTURE AND DEVELOPMENTS

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

Despite the lower and varying tractor penetration levels in many states compared to world standards, Indian tractor market is one of the largest markets in the world in terms of sales volume. The domestic tractor market is traditionally segmented by horsepower - the low horsepower 20 HP - 30 HP segment, the mid segment of 30 HP - 40 HP and the higher segment of above 40 HP. Most of the major players cater to all the three segments. However, their relative strengths and market positions differ from segment to segment. The medium and higher HP segments are the most popular and fastest growing segments in the country.

After experiencing robust growth during F10 to mid F12, tractor sales had witnessed demand contraction since November 2011. As observed from the past trends, the Indian Tractor Industry has a cyclical demand pattern and the lower demand trend continued in F13 as well. As a result, the overall industry for the financial year 2012-13 declined by 2% and closed at

5,26,000 tractors. The factors such as firmness in interest rates, increase in diesel prices, subdued demand from non-agricultural segment with no significant pick-up in construction and infrastructure related activities and lower disposable income levels of farmers are the main contributors for the sluggishness in tractor demand.

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 last 30 years. The consolidated market share of the Farm Equipment Sector of M&M is above 40% of the domestic market.

OUTLOOK AND OPPORTUNITIES

In the backdrop of current scenario, it is expected that while the industry may face challenges in near term, but factors such as government's continuous thrust towards rural development, agri-mechanization supported by higher allocation for agricultural sector augurs well for the tractor industry. Besides, moderate penetration, scarcity of farm labour especially during the sowing season, shortened replacement cycle, healthy credit availability, etc., continue to be the positive drivers for the industry growth. As the industry outlook for the Company's prime customer seems promising, SEL's business prospects appear to remain positive.

THREATS, RISKS & CONCERNS

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

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

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

I Board of Directors

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

Dr. Pawan Goenka, Shri V.S. Parthasarathy and Shri Rajesh Jejurikar, Non-Executive Directors, are in the whole-time employment of Mahindra & Mahindra Ltd. Shri R.R.Deshpande and Shri Vijay Varma, Non-Executive Directors, are in whole-time employment of promoter group companies of Kirloskar Industries Limited. The above Non-Executive Directors draw remuneration from their respective companies. Mahindra & Mahindra Limited and Kirloskar Industries Limited are the promoters of the company.

Apart from the above and the re-imburement of expenses incurred in discharge of their duties and the remuneration that some of the Non-Executive Directors would be entitled to under the Companies Act, 1956, none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management and associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

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

A. Composition of the Board

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

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

Name of Director	Category	Financial Year 2012-13		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	5	5	Yes	9	4	3
Dr. Pawan Goenka	Non Independent	5	5	Yes	9	-	4
Dr. T.N.Kapoor	Independent	5	5	Yes	5	5	4

Name of Director	Category	Financial Year 2012-13		Attendance at the last AGM	Total No. of Directorships [^] in public companies [#]	Committee ⁺ Position held in public companies [#]	
		Board Meetings held [*]	Board Meetings attended			Chairman	Member
Shri S.C.Bhargava	Independent	5	5	Yes	10	1	4
Shri V.S.Parthasarathy	Non Independent	5	4	Yes	5	-	2
Shri R.R.Deshpande	Non Independent	5	5	Yes	3	-	1
Shri Vijay Varma	Non Independent	5	5	Yes	2	-	-
Shri Sudhir Mankad (appointed as Additional Director w.e.f. 31.07.2012)	Independent	3	3	N.A.	11	-	4
Shri Rajesh Jejurikar (appointed as Additional Director w.e.f. 22.04.2013)	Non Independent	N.A.	N.A.	N.A.	3	-	3
Shri Bishwambhar Mishra, Vice Chairman (ceased to be a Director w.e.f. 01.04.2013)	Non Independent	5	5	Yes	N.A.	N.A.	N.A.
Shri D.R.Swar (ceased to be a Director w.e.f. 31.07.2012)	Non Independent	2	1	No	N.A.	N.A.	N.A.
Shri Hardeep Singh (ceased to be a Director w.e.f. 31.07.2012)	Independent	2	2	Yes	N.A.	N.A.	N.A.
Executive							
Shri M.N.Kaushal, Whole-time Director	Non Independent	5	5	Yes	1	-	1

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

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

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

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

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

B. Board Procedure

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

During the financial year 2012-13, 5 Board Meetings were held on 25th April, 2012, 31st July, 2012 (2 meetings), 16th October, 2012 and 21st January, 2013. The gap between two Meetings did not exceed four months.

The 26th Annual General Meeting (AGM) was held on 31st July, 2012.

C. Directors seeking appointment / reappointment

At the ensuing Annual General Meeting, Shri S.C.Bhargava, Dr. Pawan Goenka and Shri V.S.Parthasarathy retire by rotation and being eligible offers themselves for re-appointment.

Shri Sudhir Mankad and Shri Rajesh Jejurikar have been appointed as Additional Directors of the Company. They hold office upto the date of forthcoming Annual General Meeting. Notices from Members have been received proposing their candidature for the office of Directors.

A brief resume of the above Directors is presented below:

Shri S.C.Bhargava

Shri S.C.Bhargava is on the Board of the Company as an Independent Director since January 2006.

Shri Bhargava is a Fellow Member of the Institute of Chartered Accountants of India and also holds a Bachelor's Degree with Honours in Commerce from Delhi University. He served Life Insurance Corporation of India (LIC) for 38 years and had retired in 2005 as Executive Director (Investment). He has vast experience in Finance / Insurance related matters in LIC and had been deeply involved in the investment portfolio at LIC which virtually covered all segments of Indian Economy.

Shri Bhargava, currently a financial consultant, is also the Chairman of A.K.Capital Services Limited and OTC Exchange of India and Director of Aditya Birla Nuvo Limited, Escorts Limited, Jaiprakash Associates Limited, Cox & Kings India Limited, Swaraj Automotives Limited, Industrial Investment Trust Limited, Jaiprakash Power Ventures Limited, Asahi Industries Limited, G.K.Industrial Park Pvt. Limited, Wellworth Finvest India (Pvt.) Limited, Antique Finance Pvt. Limited and IIT Insurance Broking & Risk Management Pvt. Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Aditya Birla Nuvo Limited	Risk Management Committee	Member
2.	Cox & Kings India Limited	Audit Committee	Member
		Shareholders / Investors Grievance Committee	Member
		Finance Committee	Member
3.	Industrial Investment Trust Limited	Audit Committee	Chairman
4.	Jaiprakash Power Ventures Limited	Remuneration Committee	Member
5.	Asahi Industries Limited	Audit Committee	Member
6.	IIT Insurance Broking & Risk Management Pvt. Limited	Audit Committee	Chairman
7.	Swaraj Engines Limited	Audit Committee	Member

Shri Bhargava does not hold any shares in the Company.

Dr. Pawan Goenka

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

Dr. Goenka is a Mechanical Engineer from I.I.T. Kanpur. Post his Engineering degree, he earned his Ph.D from Cornell University, U.S.A. He is also a graduate of the Harvard Business School Advanced Management Program. Having joined Mahindra & Mahindra Limited (M&M) in 1993, in April 2003 he was appointed COO of Automotive Sector, in September 2005 he became President of its Automotive Sector and in April 2010 he assumed his current role of President - Automotive and Farm Equipment Sectors. Prior to joining M&M, he served with General Motors R&D Centre at Detroit, U.S.A. He is an internationally acknowledged scientist-manager with several citations to his credit.

Dr. Goenka is also the Chairman of Mahindra Vehicle Manufacturers Limited, SsangYong Motor Company Limited, Mahindra & Mahindra South Africa (Pty) Limited, Swaraj Automotives Limited, Mahindra USA Inc., Mahindra Navistar Engines Pvt. Limited and Mahindra Reva Electric Vehicles Pvt. Limited and Director of Mahindra Engineering Services Limited, Mahindra & Mahindra Financial Services Limited, Mahindra Navistar Automotives Limited, Mahindra First Choice Wheels Limited, Mahindra Two Wheelers Limited, Mumbai Mantra Media Limited, Jiangxi Mahindra Yueda Tractor Co. Limited, Mahindra Yueda (Yancheng) Tractor Co. Limited and Sylvan Realty Pvt. Limited.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Mahindra Vehicle Manufacturers Limited	Audit Committee	Member
		Remuneration Committee	Member
2.	Mahindra Reva Electric Vehicles Pvt. Limited	Remuneration Committee	Chairman
3.	Mahindra Engineering Services Limited	Audit Committee	Member
4.	Mahindra & Mahindra Financial Services Limited	Loans & Investment Committee	Member
5.	Mahindra Navistar Automotives Limited	Audit Committee	Member
		Remuneration Committee	Member
6.	Mahindra Two Wheelers Limited	Audit Committee	Member
		Remuneration Committee	Member
7.	Swaraj Engines Limited	Remuneration cum Compensation Committee	Member

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

Shri V.S.Parthasarathy

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

Shri Parthasarathy holds a Bachelor's degree in Commerce and is a fellow member of the Institute of Chartered Accountants of India. Shri Parthasarathy joined Mahindra & Mahindra Limited (M&M) in 2000 as Head of Performance Management & IT and is currently its Group CIO, Executive Vice President - Group Mergers & Acquisitions, Finance and Accounts. During his past 13 years of association, he has led various critical corporate functions. Prior to joining M&M, he worked with Xerox India for 15 years. He has vast and varied experience in Corporate Finance, Business Planning, International Operations, Mergers & Acquisitions, Policy Deployment and Strategy.

Shri Parthasarathy is also a Director of Mahindra Engineering Services Limited, Mahindra Defence Systems Limited, Mahindra Telephonic Integrated Systems Limited, Mahindra U.S.A. Inc, Mahindra Overseas Investment Company (Mauritius) Limited, Jiangxi Mahindra Yueda Tractor Co. Limited, Mahindra Yueda (Yancheng) Tractor Co. Limited, Swaraj Automotives Limited, Mahindra Graphic Research Design s.r.l., Mahindra Aerospace Australia Pty Limited,

SWARAJ ENGINES LIMITED

Gipps Aero Pty Limited, Aerostaff Australia Pty Limited, Mahindra Aerospace Private Limited, Mahindra Reva Electric Vehicles Private Limited, Mahindra Integrated Business Solutions Pvt. 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.	Mahindra Engineering Services Limited	Audit Committee	Member
2.	Mahindra Aerospace Private Limited	Audit Committee	Member
3.	Mahindra Reva Electric Vehicles Private Limited	Audit Committee	Chairman
4.	Defence Land Systems India Private Limited	Compensation Committee	Member
		Audit Committee	Member
		Remuneration Committee	Member
		Treasury Committee	Member
5.	Swaraj Engines Limited	Audit Committee	Member

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

Shri Sudhir Mankad

Shri Sudhir Mankad joined the Company's Board as an Additional Director with effect from 31st July, 2012.

Shri Mankad belongs to Indian Administrative Services (IAS). He holds Masters' degree in History from University of Delhi. He has served in various capacities both in Government of India and the State of Gujarat. His last assignment was as Chief Secretary, Govt. of Gujarat. He has served as a Chairman / Director on Board of several cement, power, fertilizer, and finance companies. He had also worked on the Finance Committee of Central Universities and had been associated with several educational institutions and NGOs.

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

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Deepak Nitrite Limited	Audit Committee	Member
		Project Committee	Member
		Remuneration Committee	Member
2.	Gruh Finance Limited	Shareholder Grievance Committee	Member
3.	Mahindra Intertrade Limited	Audit Committee	Member
		Remuneration Committee	Member
4.	National Securities Depository Limited	Audit Committee	Member
		Remuneration Committee	Member
5.	Swaraj Engines Limited	Remuneration cum Compensation Committee	Chairman

Shri Mankad does not hold any shares in the Company.

Shri Rajesh Jejurikar

Shri Rajesh Jejurikar joined the Company's Board as an Additional Director with effect from 22nd April, 2013.

Shri Jejurikar has a BA Honours degree in Economics and Statistics from Bombay University and Masters in Management Studies (MMS) in Marketing from the S.P.Jain Institute of Management & Research, Mumbai and was awarded the British Chevening Scholarship for study at the Manchester Business School, U.K. He also attended the Advanced Management Program at the Wharton Business School, U.S.A. Shri Jejurikar began his career in the packaged goods industry and advertising and then in 2000 he joined Mahindra & Mahindra Limited (M&M). In 2008, he was appointed Chief of Operations of Automotive Sector and was subsequently named Chief Executive for the Automotive Division. Shri Jejurikar, after having a short stint in the media industry, rejoined M&M in 2013 and is currently Chief Executive - Tractor & Farm Mechanisation.

Shri Jejurikar is also a Director of Mahindra Gujarat Tractor Limited and Swaraj Automotives Limited.

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

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

Shri Jejurikar does not hold any shares in the Company.

D. Code of Conduct

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

E. CEO / CFO Certification

As required under Clause 49 V of the Listing Agreement with Stock Exchanges, the Whole-time Director and the Deputy General Manager-Finance of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2013.

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.

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

From the financial year 2011-12, the Board had also approved the payment of commission to Directors who are neither in the Whole-time employment of the Company nor the Whole-time Director, Managing Director, Executive Director(s) and such of the remainder as may not desire to participate, upto one percent per annum of the net profits of the Company distributed in such proportions as the Board of Directors may decide from time to time, subject to a limit of one quarter percent of the net profits of the financial year for each such Director.

The details of Directors' remuneration for 2012-13 is as follows;

Executive - Whole-time Director

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

Notes:

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

Independent Non-Executive Directors

Name of the Directors who were in receipt of sitting fees / commission during FY 2012-13	Sitting Fees for Board and Committee Meetings paid during the year FY 2012-13 (Rs.)	Commission payable for FY 2012-13 (Rs.)	Total (Rs.)
Shri G.P.Gupta	1,80,000	3,00,000	4,80,000
Dr. T.N.Kapoor	3,00,000	3,00,000	6,00,000
Shri S.C.Bhargava	1,80,000	3,00,000	4,80,000
Shri Sudhir Mankad*	60,000	3,00,000	3,60,000
Shri Vijay Varma	1,00,000	3,00,000	4,00,000
Shri R.R.Deshpande	1,00,000	3,00,000	4,00,000
Shri Hardeep Singh ^	40,000	–	40,000
Shri D.R.Swar ^	20,000	–	20,000

* Appointed as an Additional Director with effect from 31st July, 2012

^ Ceased to be Directors with effect from 31st July, 2012

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

III Risk Management

Business risk evaluation and management is an ongoing process within the Company. For each function, the impact and probability of various risks are made and necessary control measures are identified to mitigate these risks, thereby reducing the impact and probability of the risk. During the year 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 and possess accounting and financial management expertise.

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

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

Shri G.P.Gupta, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 31st July, 2012.

During the financial year under review, 4 meetings of Audit Committee of the Board were held on 25th April, 2012, 31st July, 2012, 16th October, 2012 and 21st January, 2013. The gap between the two meetings did not exceed four months.

Attendance record of the Members of the Audit Committee for FY 2012-13 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri G.P.Gupta	4	4
Dr. T.N.Kapoor	4	4
Shri S.C.Bhargava	4	4
Shri V.S.Parthasarathy	4	3

B. Shareholder / Investor Relations Committee

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

- Dr. T.N.Kapoor, Chairman
- Shri Rajesh Jejurikar
(co-opted w.e.f. 22.04.2013)
- Shri M.N.Kaushal

Consequent upon his resignation from the Directorship of the Company, Shri Bishwambhar Mishra ceased to be a Member of the Committee w.e.f. 01.04.2013.

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, 8 meetings of Shareholder / Investor Relations Committee were held.

Attendance record of the members of the Shareholder / Investor Relations Committee for FY 2012-13 is as under :

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Dr. T.N.Kapoor	8	6
Shri Bishwambhar Mishra #	8	8
Shri M.N.Kaushal	8	8

Ceased to a Director and Member of the Committee w.e.f. 01.04.2013

The Company had received 97 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 presently comprises following three Non-Executive Directors of which two are Independent, including the Chairman of the Committee:

- Shri Sudhir Mankad, Chairman
(co-opted w.e.f. 22.04.2013)
- Dr. Pawan Goenka
- Dr. T.N.Kapoor

Shri Hardeep Singh ceased to be a Director and Member of the Committee w.e.f. 31.07.2012.

No meeting of the committee was held during the year ended 31st March, 2013.

V Disclosures

A. Disclosure of transactions with Related Parties

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management or relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are furnished under Note 2.24 of the Annual Accounts.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

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

C. Code for prevention of Insider Trading Practices

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

VI Shareholder Information
1. 27th Annual General Meeting

Date : 30th July, 2013
 Time : 2.30 P.M.
 Venue : Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX,
 S.A.S.Nagar (Mohali), Punjab - 160 062

2. Financial Calendar (tentative)

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

Financial reporting for

- Quarter ending 30th June, 2013 Last week of July, 2013
- Half year ending 30th September, 2013 Last week of October, 2013
- Quarter ending 31st December, 2013 Third week of January, 2014
- Year ending 31st March, 2014 May, 2014

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

13th July, 2013 to 19th July, 2013 (both days inclusive)

5. Dividend Payment

Will be paid / dispatched between 31st July, 2013 to 7th August, 2013.

6. Listing on Stock Exchanges

- (i) Bombay Stock Exchange Ltd. (BSE)
 - (ii) National Stock Exchange of India Ltd. (NSE)
- Listing Fee for 2013-14 for both these stock exchanges has been paid.

7. Stock Code

BSE 500407
 NSE SWARAJENG

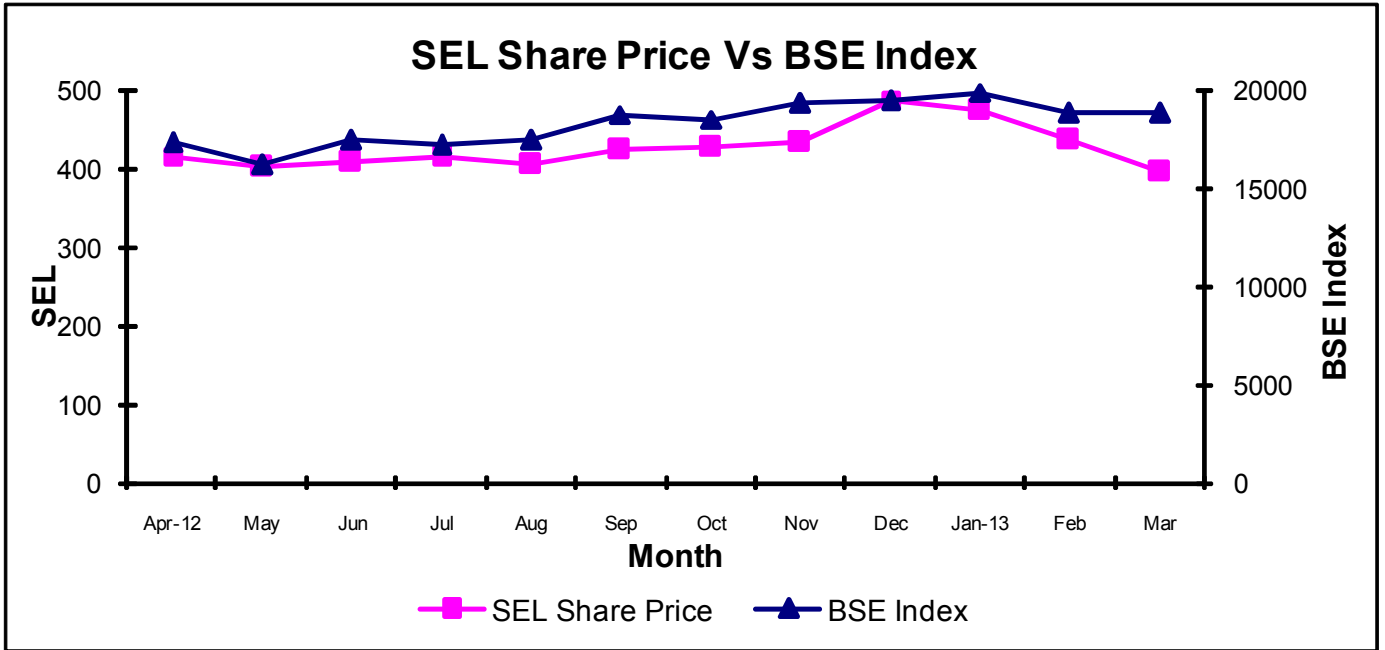
8. Stock Price Data

Monthly (April 2012 - March 2013) High - Low Quotations of shares traded at Bombay Stock Exchange & National Stock Exchange are as under:

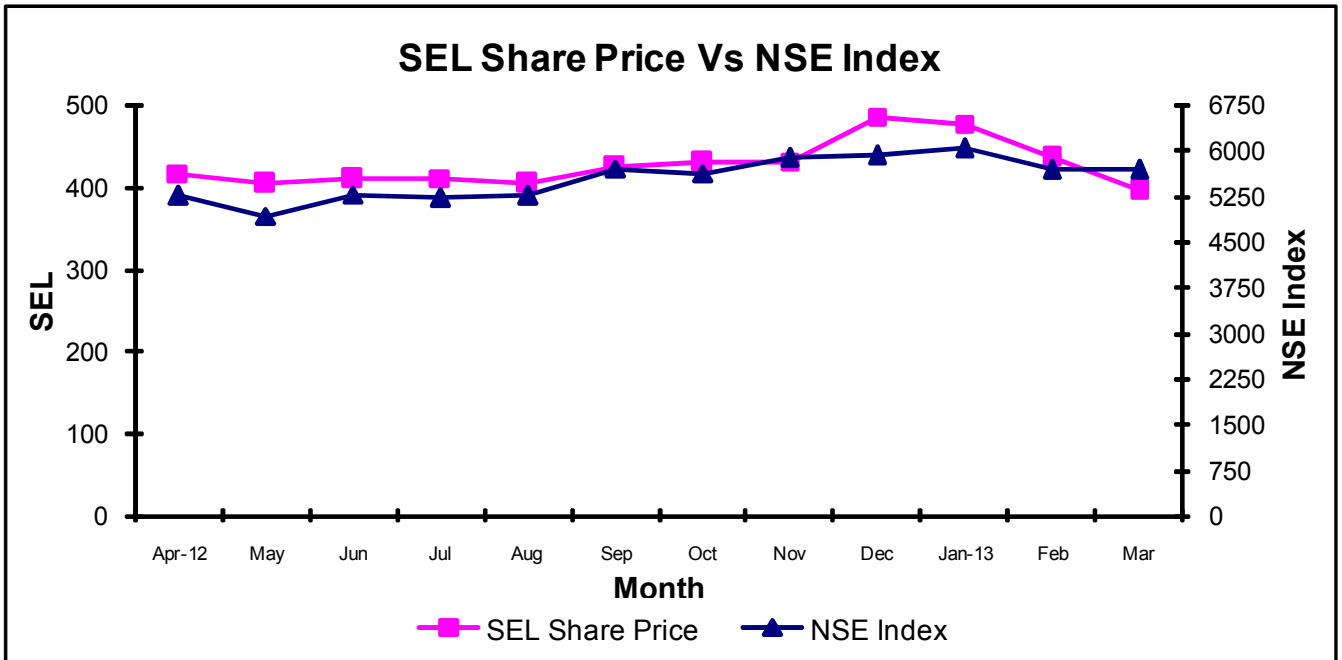
Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2012	465.00	385.00	434.90	383.25
May 2012	429.00	396.00	421.00	382.50
June 2012	438.95	395.00	428.70	392.15
July 2012	476.95	399.95	454.00	399.65
August 2012	475.00	388.00	420.00	387.00
September 2012	441.90	397.00	450.00	398.00
October 2012	445.00	411.10	444.80	410.35
November 2012	451.00	417.40	452.00	420.00
December 2012	528.50	430.00	530.00	430.00
January 2013	524.00	472.05	519.00	475.10
February 2013	484.15	433.85	486.80	430.10
March 2013	459.90	390.05	457.90	388.00

9. Stock Price Performance

SEL Share Price performance relative to BSE Sensitive Index



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



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

10. Registrar and Transfer Agents

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

Tel No. : 011 - 41406149

Fax No. : 011 - 41709881

Email address : admin@mcsdel.com

Contact Person: Shri Priya Darshan Waila

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

11. Transfer System for physical shares

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

Total number of shares transferred during 2012-13 was 7,040 (Previous Year 5,500).

As per Clause 5A of the Listing Agreement, three reminders were sent to respective Shareholders for the shares issued in physical form, which remain unclaimed. These shares were transferred into one folio in the name of "Unclaimed Suspense Account". Against the opening balance of 5,750 shares (22 Folios), 400 shares (1 Folio) were claimed during the year and as on 31st March, 2013, 5,350 shares of Rs. 10/- each (21 Folios) were unclaimed.

12. Shareholding Pattern as on 31st March, 2013

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	62,86,417	50.62
2 Mutual Funds / UTI	6	13,17,809	10.61
3 Insurance Companies	1	34,939	0.28
4 Financial Institutions / Banks	3	911	0.01
5 Foreign Institutional Investors	4	1,90,283	1.53
6 Bodies Corporate - Indian	327	5,28,898	4.26
7 NRIs	290	1,33,149	1.07
8 Indian Public	9457	39,27,414	31.62
Total	10090	1,24,19,820	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2013

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	8557	84.81	9,13,293	7.35
501 - 1000	979	9.70	6,70,044	5.40
1001 - 5000	450	4.46	9,44,871	7.61
5001 - 10000	57	0.56	4,14,485	3.34
10001 - 50000	34	0.34	9,07,058	7.30
50001 & above	13	0.13	85,70,069	69.00
Total	10090	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, 2013, 97.87% of the equity capital is held in electronic form.

International Securities Identification Number (ISIN): INE277A01016

(with NSDL and CDSL)

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

Not Applicable.

16. Plant Location

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

17. Address for correspondence

Registrar and Transfer Agent

M/s MCS Ltd.
Unit: Swaraj Engines Ltd.
Sri Venkatesh Bhavan, F-65, 1st Floor,
Okhla Industrial Area, Phase - I
New Delhi - 110 020
Email: admin@mcsdel.com

Phone : 011 - 41406149

Fax : 011 - 41709881

Compliance Officer & Company Secretary

Shri M.S.Grewal, Company Secretary

Registered Office:

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

Email:

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

Phone : 0172 - 2271620-27

Fax : 0172 - 2272731

18. Website Address

www.swarajenterprise.com

VII Other Disclosures

1. Details of General Meetings and Special Resolutions passed

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

Year	Date	Time	Special Resolution Passed
2010	3rd August, 2010	12.00 Noon	–
2011	3rd August, 2011	2.00 P.M.	–
2012	31st July, 2012	2.00 P.M.	1. Appointment of Shri M.N.Kaushal as Whole-time Director of the Company for a period of 5 years effective 1st April, 2012. 2. Payment of Commission upto one per cent of the net profits of the Company to the Directors who are neither in the Whole-time employment of the

	<p>Company nor the Whole-time Director, Managing Director, Executive Director(s) and such of the remainder as may not desire to participate for a period of five years with effect from 1st April, 2011.</p> <p>3. Amendments in the Articles of Association of the Company by inserting new Articles to enable the Shareholders and Directors of the Company to participate in General Meeting and Board Meeting respectively through electronic mode and service of documents on Members through electronic mode.</p>
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The above meetings were held at Swaraj Engines Ltd, Plot No 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab.

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

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 (Business Standard and Punjabi Tribune) and are also displayed on the website of the Company www.swarajenterprise.com;
- b) The official news releases are displayed on the Company's website www.swarajenterprise.com;
- c) During the year ended 31st March, 2013, 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), 14th June, 2013

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

To

The Members of Swaraj Engines Limited

I, M.N.Kaushal, Whole-time Director of Swaraj Engines Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2013.

S.A.S.Nagar (Mohali), 14th June, 2013

M.N.Kaushal
Whole-time Director

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

To

The Members of Swaraj Engines Limited

We have examined the compliance of conditions of Corporate Governance by Swaraj Engines Limited ("the Company"), for the year ended on 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

Chandigarh, 14th June, 2013

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

SUMEET SINGH DHIR
Partner
Membership No. 094370

SWARAJ ENGINES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2013

(Rs. in lacs)

Particulars	Note	2013	2012
EQUITY & LIABILITIES			
Shareholders' Funds			
Share Capital	2.1	1241.98	1241.98
Reserves and Surplus	2.2	<u>18130.88</u>	<u>17385.82</u>
		19372.86	18627.80
Non-Current Liabilities			
Deferred Tax Liabilities (Net)	2.3	633.35	320.35
Long-Term Provisions	2.4	<u>126.45</u>	<u>125.99</u>
		759.80	446.34
Current Liabilities			
Trade Payables	2.5	4132.54	4349.06
Other Current Liabilities	2.6	869.82	904.68
Short-Term Provisions	2.7	<u>4955.92</u>	<u>2009.01</u>
		9958.28	7262.75
Total		<u>30090.94</u>	<u>26336.89</u>
ASSETS			
Non-Current Assets			
Fixed Assets	2.8		
– Tangible Assets		8065.61	4176.91
– Intangible Assets		6.63	2.79
– Capital Work-in-Progress/Capital Spares		245.63	872.31
Non Current Investments	2.9	–	1183.67
Long Term Loans & Advances	2.10	<u>403.37</u>	<u>842.15</u>
		8721.24	7077.83
Current Assets			
Current Investments	2.9	7415.08	6927.97
Inventories	2.11	3934.68	3343.97
Trade Receivables	2.12	925.01	1191.42
Cash & Cash Equivalents	2.13	8071.50	6969.65
Short-Term Loans & Advances	2.14	<u>1023.43</u>	<u>826.05</u>
		21369.70	19259.06
Total		<u>30090.94</u>	<u>26336.89</u>
Significant Accounting Policies	1		
Notes on Accounts	2		

As per our report of even date attached.

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

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

RAJINDER ARORA
DGM - Finance

Mumbai, 22nd April, 2013

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

FOR AND ON BEHALF OF THE BOARD

G.P. GUPTA
Chairman

M.N. KAUSHAL
Whole-time Director

Mumbai, 22nd April, 2013

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(Rs. in lacs)

Particulars	Note	2013	2012
Revenue from Operations	2.15	53829.81	49561.11
Less : Excise Duty		<u>5926.40</u>	<u>4702.81</u>
Net Revenue from Operations		47903.41	44858.30
Other Income	2.16	<u>1532.17</u>	<u>1223.94</u>
Total Revenue		49435.58	46082.24
EXPENSES			
Cost of Raw Materials Consumed	2.17	36705.20	33871.29
Change in Inventories of Finished Goods and Work in Progress	2.18	(264.68)	178.16
Employee Benefit Expenses	2.19	2212.88	1916.88
Finance Costs	2.20	15.03	7.60
Depreciation	2.8	715.58	426.21
Other Expenses	2.21	<u>2101.42</u>	<u>1954.53</u>
Total Expenses		41485.43	38354.67
Profit Before Exceptional and Extraordinary items and Tax		7950.15	7727.57
Exceptional and Extraordinary items		—	—
Profit Before Tax		7950.15	7727.57
Tax Expense			
– Current Tax		2097.00	2317.00
– Deferred Tax (Net)		<u>313.00</u>	<u>128.19</u>
Profit After Tax		5540.15	5282.38
Earning per Equity Share	2.26		
Basic / Diluted Earning Per Share (Rs.)		44.61	42.53
Significant Accounting Policies	1		
Notes on Accounts	2		

As per our report of even date attached.

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

 SUMEET SINGH DHIR
 Partner
 Membership No. 094370

 M.S. GREWAL
 Company Secretary

 RAJINDER ARORA
 DGM - Finance

Mumbai, 22nd April, 2013

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

FOR AND ON BEHALF OF THE BOARD

 G.P. GUPTA
 Chairman

 M.N. KAUSHAL
 Whole-time Director

Mumbai, 22nd April, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Convention

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

1.2 Fixed Assets and Depreciation

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

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

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

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

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

1.3 Investments

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

1.4 Inventories

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

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

1.5 Foreign Currency Transactions

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

1.6 Retirement Benefits

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

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

1.7 Revenue Recognition

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

1.8 Research & Development

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

1.9 Taxes on Income

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

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

1.10 Product Warranty

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

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

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013
2.1 SHARE CAPITAL

(Rs. in lacs)

Particulars	2013	2012
Authorised		
Equity Share, Rs. 10/- par value		
2,50,00,000 (2012 – 2,50,00,000) Equity Shares	<u>2500.00</u>	<u>2500.00</u>
	<u>2500.00</u>	<u>2500.00</u>
Issued, Subscribed & Paid-Up		
Equity Share, Rs. 10/- par value		
1,24,19,820 (2012 – 1,24,19,820) Equity Shares fully paid-up	<u>1241.98</u>	<u>1241.98</u>
	<u>1241.98</u>	<u>1241.98</u>

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

The Company declares and pays dividend in Indian Rupees. The Board of Directors, in their meeting held on 22nd April, 2013 proposed a dividend of Rs. 33.00 per equity share (including Rs. 20.00 per share as special dividend). Dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The total dividend appropriation for the year ended 31st March, 2013 amounted to Rs. 4795.09 lacs (2012- Rs.1876.50 lacs) including corporate dividend tax of Rs. 696.55 lacs (2012 -Rs.261.92 lacs).

Equity Shareholders holding more than 5% shares :

Name	31.03.2013		31.03.2012	
	No. of Shares Held	% of Shareholding	No. of Shares Held	% of Shareholding
Mahindra & Mahindra Limited (M&M)	41,26,417	33.22%	41,26,417	33.22%
Kirloskar Industries Limited (KIL)	21,60,000	17.39%	21,60,000	17.39%
Reliance Capital Trustees Co. Ltd. A/c - Reliance Tax Saver (ELSS) Fund	8,63,600	6.95%	11,65,050	9.38%

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

Description	31.03.2013		31.03.2012	
	No. of Shares	Share Capital (Rs. in lacs)	No. of Shares	Share Capital (Rs. in lacs)
Number of equity shares at the beginning	1,24,19,820	1241.98	1,24,19,820	1241.98
Movement in equity during the year	-	-	-	-
Number of equity shares at the closing	1,24,19,820	1241.98	1,24,19,820	1241.98

In the last 5 years, the Company has not :

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

2.2 RESERVES AND SURPLUS

(Rs. in lacs)

Particulars	2013	2012
Capital Reserve – Brought Forward	18.71	18.71
General Reserve – Opening Balance	14696.76	11596.76
Add : Transferred from Surplus	<u>600.00</u>	<u>3100.00</u>
	15296.76	14696.76
Surplus – Opening Balance	2670.35	2364.47
Add : Profit for the Year	<u>5540.15</u>	<u>5282.38</u>
	8210.50	7646.85
Less : Appropriations		
Proposed Dividend	4098.54	1614.58
Tax on Proposed Dividend	696.55	261.92
Transfer to General Reserve	<u>600.00</u>	<u>3100.00</u>
	2815.41	2670.35
	<u>18130.88</u>	<u>17385.82</u>

2.3 DEFERRED TAX

(Refer Note 1.9)

(Rs. in lacs)

Particulars	2013	2012
Deferred Tax Liabilities		
– On Depreciation	688.08	388.08
Deferred Tax Assets		
– On Expenses	<u>54.73</u>	<u>67.73</u>
Deferred Tax Liabilities / (Assets)	<u>633.35</u>	<u>320.35</u>

2.4 LONG-TERM PROVISIONS

(Rs. in lacs)

Particulars	2013	2012
Provisions for Employee Benefits (Refer Note 1.6)		
– Provision for Leave Encashment	105.32	107.99
Others		
– Provision for Warranty	<u>21.13</u>	<u>18.00</u>
	<u>126.45</u>	<u>125.99</u>

2.5 TRADE PAYABLES

(Refer Note 2.34)

(Rs. in lacs)

Particulars	2013	2012
Trade Payables – Micro and Small Enterprises	686.12	410.21
Trade Payables – Other than Micro and Small Enterprises	3446.42	3938.85
	<u>4132.54</u>	<u>4349.06</u>

2.6 OTHER CURRENT LIABILITIES

(Rs. in lacs)

Particulars	2013	2012
Payables		
– Salary & Wages	159.50	136.00
– Statutory Dues	320.20	300.09
– Capital Purchases	201.19	283.84
– Expenses	99.29	97.49
– Others	26.82	38.29
Deposits & Retention Money	14.43	6.28
Unpaid / Unclaimed Dividend*	48.39	42.69
	<u>869.82</u>	<u>904.68</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2013.

2.7 SHORT TERM PROVISIONS

(Rs. in lacs)

Particulars	2013	2012
Provisions for Employee Benefits (Refer Note 1.6)		
– Provision for Gratuity (Refer Note 2.35)	63.67	14.89
– Provision for Leave Encashment	<u>35.19</u>	<u>75.62</u>
Others		
– Proposed Dividend	4098.54	1614.58
– Tax on Proposed Dividend	696.55	261.92
– Provision for Warranty	<u>61.97</u>	<u>42.00</u>
	<u>4955.92</u>	<u>2009.01</u>

2.8 FIXED ASSETS

(Refer Note 1.2)

(Rs. in lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2012	Additions during the year	Sale/ Adjustments during the year	Cost as at 31.03.2013	As at 01.04.2012	Provided during the year	Disposals/ Adjustments during the year	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
TANGIBLE ASSETS										
Land	50.68	-	-	50.68	-	-	-	-	50.68	50.68
Buildings	894.92	245.58	-	1140.50	387.82	28.52	-	416.34	724.16	507.10
Plant & Machinery	8293.87	4305.79	57.84	12541.82	4716.06	671.07	54.85	5332.28	7209.54	3577.81
Electrical Installations	175.90	-	-	175.90	164.51	1.67	-	166.18	9.72	11.39
Furniture & Fixtures	66.01	8.96	-	74.97	57.60	4.64	-	62.24	12.73	8.41
Office Equipments	61.09	46.52	2.64	104.97	39.91	9.15	2.53	46.53	58.44	21.18
Vehicles	7.62	-	-	7.62	7.28	-	-	7.28	0.34	0.34
TOTAL (A)	9550.09	4606.85	60.48	14096.46	5373.18	715.05	57.38	6030.85	8065.61	4176.91
INTANGIBLE ASSETS										
Software	53.64	4.37	-	58.01	50.85	0.53	-	51.38	6.63	2.79
TOTAL (B)	53.64	4.37	-	58.01	50.85	0.53	-	51.38	6.63	2.79
GRAND TOTAL (A+B)	9603.73	4611.22	60.48	14154.47	5424.03	715.58	57.38	6082.23	8072.24	4179.70
Capital Work in Progress									242.17	870.23
Capital Spares									3.46	2.08
									245.63	872.31
Previous Year	7763.42	2275.83	435.52	9603.73	5367.82	426.21	370.00	5424.03		

2.9 INVESTMENTS

Particulars	Face Value Per Unit (Rs.)	2013 Number (Rs. in lacs)	2012 Number (Rs. in lacs)
Investments in Mutual Funds			
Non Current / Long Term Investments - Non trade (unquoted) (at cost)			
Kotak FMP Series 77 - Growth*	10	—	1836760 183.67
SBI DFS 13 Months -12 - Growth*	10	—	2000000 200.00
ICICI Prudential Regular Saving Fund - Regular Plan - Growth*	10	—	7286364 800.00
			<u>1183.67</u>
Current Investments - Non Trade (Unquoted) (at cost)			
Kotak FMP Series 77 - Growth*	10	1836760	183.67 —
SBI DFS 13 Months -12 - Growth*	10	2000000	200.00 —
Kotak FMP Series 88 - Growth	10	2520968	252.10 —
Kotak FMP Series 87 - Growth	10	4000000	400.00 —
ICICI Prudential Regular Saving Fund - Regular Plan - Growth*	10	7286364	800.00 —
DWS Cash Opportunities Fund - Regular Plan - Daily Dividend - Reinvestment	10	12113117	1214.60 —
ICICI Prudential Liquid - Regular Plan - Daily Dividend - Reinvestment	100	1004918	1005.15 —
Birla Sun Life Ultra STF - Daily Dividend Regular Plan - Reinvestment	100	1741093	1742.05 —
Tata Liquid Fund Plan A - Daily Dividend - Reinvestment	1000	49473	551.38 —
UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend-Reinvestment	1000	106590	1066.13 —
HDFC Cash Management Fund - Growth	10	—	916750 200.00
Tata FMP Series 38 Scheme D - Growth	10	—	1999990 200.00
Kotak FMP Series 46 - Dividend	10	—	2520968 252.10
Kotak FMP Series 66 - Growth	10	—	2999990 300.00
LIC Nomura MF Bond Fund - Growth Plan	10	—	1335582 400.00
ICICI Short Term Plan - Cumulative Option	10	—	1868875 400.00
ICICI Prudential LTP-Premium Plus - Quarterly Dividend	10	—	4319878 433.23
SBI Dynamic Bond Fund - Growth	10	—	3826308 500.00
Kotak FMP Series 56 - Growth	10	—	5000000 500.00
LIC Nomura Mutual Fund FMP Series 49 - 18 M - Growth Plan	10	—	5000000 500.00
TSTG Tata Short Term Bond Fund - Growth	10	—	3071484 600.00
BSL FTP Series EM - Growth	10	—	6377204 637.72
Kotak FMP Series 70 - Growth	10	—	6999990 700.00
BSL Dynamic Bond Fund - Retail - Growth	10	—	5783370 1000.00
UTI Floating Rate Fund-STP - Daily Dividend Plan	1000	—	28944 304.92
		<u>7415.08</u>	<u>6927.97</u>
Aggregate amount of unquoted investments		7415.08	8111.64

* Transferred from Non Current to Current

2.10 LONG-TERM LOANS & ADVANCES

(Rs. in lacs)

Particulars	2013	2012
Capital Advances - Considered Good		
Secured	140.07	183.40
Unsecured	46.16	290.15
Security Deposits - Considered Good		
Unsecured	24.17	30.07
Others		
Unsecured - Considered Good	192.97	338.53
	<u>403.37</u>	<u>842.15</u>

2.11 INVENTORIES

(Refer Note 1.4)

(Rs. in lacs)

Particulars	2013	2012
Raw Materials & Components (including goods-in-transit Rs. 223.31 lacs (2012- Rs.270.57 lacs))	2363.07	2279.34
Work-in-Progress	505.71	236.50
Finished Goods	544.61	549.14
Stores and Spares (including goods-in-transit Rs. NIL (2012 - 1.99 lacs))	274.69	154.13
Loose Tools	246.60	124.86
	<u>3934.68</u>	<u>3343.97</u>

2.12 TRADE RECEIVABLES

(Unsecured-considered good unless otherwise stated)

(Refer Note 2.24)

(Rs. in lacs)

Particulars	2013	2012
Outstanding for more than six months from the date they are due for payment	—	—
Others	925.01	1191.42
	<u>925.01</u>	<u>1191.42</u>

SWARAJ ENGINES LIMITED

2.13 CASH & CASH EQUIVALENTS

(Rs. in lacs)

Particulars	2013	2012	
Cash on hand	3.75	7.43	
Balances with Banks			
– On Current Accounts	304.96	278.13	
Other Bank Balances			
– Balance with Banks held as Margin Money and Deposit against Gurarantees	545.02	1879.93	
– Deposit Account with original maturity more than 12 months	1400.00	1550.00	
– Deposit Account with original maturity less than 12 months	5495.00	2934.10	
– Interest Accrued on Fixed Deposits	274.38	7714.40	277.37
Earmarked Balances with Banks	48.39		42.69
	<u>8071.50</u>		<u>6969.65</u>

2.14 SHORT TERM LOANS & ADVANCES

(Unsecured-considered good unless otherwise stated)

(Rs. in lacs)

Particulars	2013	2012	
Balance with Excise Authorities	22.84	18.54	
Income Tax (Net of Provisions)	81.15	29.40	
Advances to Suppliers	95.11	203.99	
Advances to Employees	13.88	21.46	
Prepaid Expenses	13.51	125.10	
Advance to PSPCL	212.69	–	
Other Advances recoverable in cash or kind			
– CENVAT	441.81	301.60	
– Value Added Tax	62.18	19.90	
– DEPB	3.62	–	
– Others	76.64	584.25	106.06
	<u>1023.43</u>		<u>826.05</u>

2.15 REVENUE FROM OPERATIONS

(Refer Note 2.28)

(Rs. in lacs)

Particulars	2013	2012
Sale of Products	53317.04	49140.30
Other Operating Revenue	512.77	420.81
Gross Revenue from Operations	53829.81	49561.11
Less : Excise Duty	5926.40	4702.81
Net Revenue from Operations	<u>47903.41</u>	<u>44858.30</u>

2.16 OTHER INCOME

(Rs. in lacs)

Particulars	2013	2012
Interest Income	825.00	818.35
Profit on Sale of Fixed Assets	5.12	13.01
Net Gain on Sale of Non Current/Long Term Investments	425.59	66.71
Net Gain on Sale of Current Investments	143.31	14.56
Dividend from Non-Current/Long Term Investments	18.97	276.85
Dividend from Current Investments	109.29	31.24
Miscellaneous Income	4.89	3.22
	<u>1532.17</u>	<u>1223.94</u>

2.17 COST OF RAW MATERIALS CONSUMED

(Refer Note 2.30)

(Rs. in lacs)

Particulars	2013	2012
Opening Stock	2008.77	2102.45
Add : Purchases	36880.20	33803.12
	<u>38888.97</u>	<u>35905.57</u>
Less :		
Closing Stock	2139.75	2008.77
Transferred to other jobs	<u>44.02</u>	<u>25.51</u>
	<u>36705.20</u>	<u>33871.29</u>

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

(Rs. in lacs)

Particulars	2013	2012
Opening Stock	785.64	963.80
Less : Closing Stock	1050.32	785.64
	<u>(264.68)</u>	<u>178.16</u>

2.19 EMPLOYEE BENEFIT EXPENSES

(Rs. in lacs)

Particulars	2013	2012
Salaries & Wages	1840.30	1630.60
Contribution to Provident & Other Funds	85.69	74.77
Gratuity & Superannuation (Refer Note 1.6)	69.73	22.08
Workmen & Staff Welfare	217.16	189.43
	<u>2212.88</u>	<u>1916.88</u>

2.20 FINANCE COSTS

(Rs. in lacs)

Particulars	2013	2012
Interest on Cash Credit	–	0.21
Bank Charges	2.00	3.26
Other Interest Cost	1.57	4.13
Exchange Fluctuation Loss/(Gain)	11.46	–
	<u>15.03</u>	<u>7.60</u>

2.21 OTHER EXPENSES

(Rs. in lacs)

Particulars	2013	2012
Power, Fuel & Water Charges	377.62	332.38
Consumption of Stores & Spares	758.49	734.69
Rates and Taxes	0.45	1.91
Insurance	21.94	7.49
Repairs and Maintenance		
– Buildings	14.03	23.24
– Machinery	257.70	290.03
– Others	11.15	9.17
Postage & Telephone	4.67	5.92
Printing & Stationery	9.65	11.58
Travelling & Conveyance Expenses	59.25	53.46
Auditors' Remuneration		
– Statutory Auditor's		
Audit Fee	2.25	2.25
Tax Audit Fee	0.38	0.38
Other Services	2.08	1.35
Expenses Reimbursed	0.78	0.72
– Cost Auditor's		
Audit Fee	0.55	0.55
Expenses Reimbursed	0.09	0.08
– Others	0.30	0.20
Research & Development Expenses	289.81	183.55
Other Marketing Expenses	110.65	102.50
Miscellaneous Expenses	179.58	193.08
	<u>2101.42</u>	<u>1954.53</u>

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

Particulars	2013 Rs. in lacs	2012 Rs. in lacs
Contingent Liabilities :		
Claim against the Company not acknowledged as debt		
– Excise matters in dispute	127.61	126.42
– Income Tax matters in dispute	232.29*	214.94
– Others	241.67**	241.67
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	1167.86	3283.05

* Assessment of Income Tax is complete upto assessment year 2010-11. No provision has been made in the Books of Accounts for the disputed demands of Rs. 46.97 lacs (31.03.2012 - Rs. Nil), where company is in appeal. For earlier Assessment Years, tax authorities have filed appeal / references which involve an estimated liability of Rs. 185.32 lacs (31.03.2012- 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 Long-Term Loans & Advances under Note 2.10.

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

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

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

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

b) Volume of Transactions with related parties

i) Associates	2013 Rs. in lacs	2012 Rs. in lacs
a. Purchase of raw materials and components	426.10	457.53
M&M	5.71	71.72
SAL	420.39	385.81
b. Sale of finished goods	54595.91	49420.80
M&M	54595.91	49420.80
c. Purchase of fixed / other assets	4.99	5.42
M&M	4.99	5.42
d. Sale of fixed assets	–	0.42
SAL	–	0.42
e. Receiving of services	387.20	370.88
M&M	387.20	370.88

SWARAJ ENGINES LIMITED

	2013	2012
	Rs. in lacs	Rs. in lacs
f. Rendering of services	123.01	110.02
M&M	114.14	102.84
SAL	8.87	7.18
g. Dividend paid	817.23	628.64
M&M	536.43	412.64
KIL	280.80	216.00
Aggregate balances outstanding as at the year end		
– Receivables	756.58	773.16
M&M	756.58	773.16
– Payables	78.41	76.77
SAL	75.02	76.77
M&M	3.39	–
ii) Key Management Personnel		
Remuneration [^]	13.48	–
Dividend	0.17	–

[^]The above remuneration was paid to Shri M.N.Kaushal for the period 1st April, 2012 to 31st March, 2013.

2.25 Segment Reporting

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

2.26 Earnings per Share (EPS)

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

2.27 Particulars in respect of goods manufactured:

Class of Goods	Unit of Qty.	Production	
		2013	2012
Engines	Nos.	57,348	55,099

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

Class of Goods	Unit of Qty.	Qty.	2013	Qty.	2012
			Rs. in lacs		Rs. in lacs
Sale of Products					
Engines	Nos.	57,377	50608.66	55,239	45782.06
Engine Components	–	–	1729.10	–	2549.49
Spares	–	–	979.28	–	808.75
Total			<u>53317.04</u>		<u>49140.30</u>
Other operating revenue					
Scrap & Others	–		512.77		420.81
Revenue from operations			<u>53829.81</u>		<u>49561.11</u>

2.29 Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty	Opening Balance		Closing Balance	
		Qty.	Rs. in lacs	Qty.	Rs. in lacs
Engines	Nos.	747 (887)	548.18 (589.70)	698* (747)	534.06 (548.18)
Engine Parts	–		0.97 (1.91)		10.55 (0.97)

* excludes 20 Engines dismantled during the year

2.30 Analysis of Raw Materials consumed:

Class of Goods	2013 Rs. in lacs	2012 Rs. in lacs
Crank Shaft Assy	3129.71	2849.22
Crank Case Assy	3922.25	3578.03
Flywheel	1836.28	1688.47
Fuel Pump Assy	3999.97	3726.41
Others (including components)	<u>23816.99</u>	<u>22029.16</u>
	<u>36705.20</u>	<u>33871.29</u>

Note:

i) The amounts of all the items in Analysis of Raw Materials consumed represent the issues during the year. The figure of others (including components) is a balancing figure based on total consumption shown in Note 2.17 and includes adjustments for excess / shortage / damages / obsolete found on physical verification.

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

	%age	2013 Rs. in lacs	%age	2012 Rs. in lacs
a) Raw Material & Components				
Imported	–	–	–	–
Indigenous	100.00	<u>36705.20</u>	100.00	<u>33871.29</u>
		<u>36705.20</u>		<u>33871.29</u>
b) Stores, Consumables, Spares & Loose Tools				
Imported	–	–	–	–
Indigenous	100.00	<u>758.49</u>	100.00	<u>734.69</u>
		<u>758.49</u>		<u>734.69</u>

2.32 Value of Imports on CIF Basis:

	2013 Rs. in lacs	2012 Rs. in lacs
Raw Material & Components	–	–
Stores & Spares	–	–
Capital Goods	<u>1608.08</u>	<u>1704.89</u>
	<u>1608.08</u>	<u>1704.89</u>

2.33 Research & Development Expenses includes an amount of Rs.170.69 lacs (2012- Rs.119.02 lacs) amortized during the year being the expense towards upgradation of engine and improvement in fuel efficiency.

SWARAJ ENGINES LIMITED

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

S.No.	Particulars	2013	Rs. in lacs 2012
(a)	Dues remaining unpaid as at 31st March		
	– Principal	–	98.72
	– Interest on the above	–	0.54
(b)	Interest paid in terms of Section 16 of the Act along with the amount of payment made to the supplier beyond the appointed date during the year		
	– Principal paid beyond the appointed date	50.97	–
	– Interest paid in terms of Section 16 of the Act	0.10	–
(c)	Amount of interest due and payable for the period of delay in payments made beyond the appointed date during the year	–	–
(d)	Further interest due and payable even in the succeeding year, until such date when the interest due as above are actually paid to the small enterprises.	–	–
(e)	Amount of interest accrued and remaining unpaid as at 31st March	–	0.54

2.35 Employee Defined Benefits:

Defined benefit plans as per Actuarial Valuation		Rs. in lacs	
Particulars	2013	Gratuity (Funded) 2012	
I. Expense Recognized in the Statement of Profit & Loss Account			
1. Current Service Cost	24.36		19.43
2. Interest	20.43		19.58
3. Expected Return on plan assets	(22.36)		(19.78)
4. Actuarial (Gain)/Loss	41.31		(4.32)
5. Total Expense	63.74		14.91
II. Net Asset/(Liability) recognized in the Balance Sheet			
1. Present value of Defined Benefit Obligation	328.47		255.77
2. Fair Value of plan assets	264.80		240.88
3. Funded Status [Surplus/(Deficit)]	(63.67)		(14.89)
4. Net Asset/(Liability)	(63.67)		(14.89)

	2013	Rs. in lacs 2012
III. Change in the obligation during the year		
1. Present value of Defined Benefit Obligation as at the beginning of the year	255.77	226.85
2. Current service cost	24.36	19.43
3. Interest Cost	20.43	19.58
4. Benefit payments	(13.26)	(6.08)
5. Actuarial (Gain)/Loss	41.18	(4.02)
6. Present value of Defined Benefit Obligation as at the end of the year	328.47	255.77
IV. Change in Fair Value of Assets during the Year		
1. Fair Value of plan assets at the beginning of the year	240.88	206.94
2. Expected return on plan assets	22.36	19.78
3. Contributions by employer	14.96	19.93
4. Actual Benefits paid	(13.26)	(6.08)
5. Actuarial (Gain)/Loss on Plan assets	(0.13)	0.30
6. Fair Value of plan assets at the end of the Year	264.80	240.88
7. Actual return on plan assets	22.23	20.08
V. The major categories of plan assets as a percentage of total plan		
Funded with LIC	100%	100%
VI. Actuarial Assumptions		
1. Discount Rate	8.20%	8.75%
2. Expected rate of return on plan assets	9.25%	9.25%
3. In-service Mortality	IAL 2006-08 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	25.28 Yrs	26.50 Yrs

2.36 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, 2013

(Rs. in lacs)

	2013	2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	7950.15	7727.57
Adjustments for:		
Depreciation	715.58	426.21
Profit on disposal of Fixed Assets (Net)	(4.33)	(10.66)
Dividend Received & Gain on Sale of Investments	(697.16)	(389.36)
Interest (Received)/Paid (Net)	(809.97)	(810.75)
Operating Profit Before Working Capital Changes	7154.27	6943.01
Adjustments for:		
Trade and Other Receivables (Long Term / Short Term) *	559.56	(1025.38)
Inventories	(590.71)	167.59
Trade and Other Payables (Long Term / Short Term)	(228.30)	1163.30
Cash Generated From Operations	6894.82	7248.52
Direct Taxes Paid (Net of refund)	(2148.75)	(2261.63)
Cash Flow Before Extraordinary Items	4746.07	4986.89
Extraordinary Items	-	-
Net Cash From Operating Activities	4746.07	4986.89
(* includes Capital Advances)		
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (inclusive of capital WIP) ^	(3984.54)	(3098.65)
Sale of Investments(Net)	696.56	(2333.10)
Sale of Fixed Assets	7.43	31.97
Interest Received	825.00	818.35
Dividend Received & Gain on Sale of Investments	697.16	389.36
Net Cash (used in) / from Investing Activities	(1758.39)	(4192.07)
(^ excludes Capital Advances)		

(Rs. in lacs)

	2013	2012
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in bank borrowings for working capital	-	-
Dividend Paid (including DDT)	(1870.80)	(1437.25)
Interest Paid	(15.03)	(7.60)
Net Cash Used in Financial Activities	(1885.83)	(1444.85)
Net Increase/(Decrease) in Cash and Cash Equivalents	1101.85	(650.03)
Opening Cash and Cash Equivalents (Note-1)	6969.65	7619.68
Closing Cash and Cash Equivalents (Note-1)	8071.50	6969.65

Note:

1. Includes restricted cash of Rs. 48.39 Lacs (2012 - Rs 42.69 Lacs) on account of Earmarked Balances (dividend pending encashment) and deposits of Rs. 545.02 Lacs (2012 - Rs. 1879.93 Lacs) against guarantees given by bank on our behalf.
2. Previous year figures have been regrouped wherever found necessary.

As per our report of even date attached.

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

FOR AND ON BEHALF OF THE BOARD

SUMEET SINGH DHIR
Partner
Membership No. 094370

M.S. GREWAL
Company Secretary

G.P. GUPTA
Chairman

RAJINDER ARORA
DGM - Finance

M.N. KAUSHAL
Whole-time Director

Mumbai, 22nd April, 2013

Mumbai, 22nd April, 2013

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

We have audited the accompanying financial statements of Swaraj Engines Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss of the Company for the year ended, the Cash Flow Statement of the Company for the year ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for year ended on that date.

Report on Other Legal and Regulatory Requirements

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

- iv. in our opinion the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
- v. On the basis of written representations received from the Directors, as on 31st March, 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 22nd April, 2013

ANNEXURE TO THE AUDITORS' REPORT

The annexure referred to in our report to the members of Swaraj Engines Limited ('the company') for the year ended 31st March, 2013. We report that:

- (i) Regarding Fixed Assets:
 - a. The Company has maintained proper records to show full particulars, including quantitative details and situation of Fixed Assets.
 - b. The Fixed Assets have not been verified by management during the year but the Company has a system of periodic verification of Fixed Assets. In our opinion, the frequency of verification is at reasonable intervals considering the size of the Company.
 - c. No substantial part of the Fixed Assets was disposed off during the year, and therefore, do not affect the going concern assumption.
- (ii) Regarding Inventory:
 - a. The stocks of finished goods, stores, spare parts and raw materials of the Company in its possession have been physically verified by the management at reasonable period. Stock-in-transit as on 31st March, 2013 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 taken nor granted any loan, secured or unsecured to / from companies, firms or other parties listed in the register maintained under Section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase and sale of stores, raw materials including components, plant and machinery, equipment and similar assets.
- (v) On the basis of documents produced before us, the company has not entered into any transaction which is required to be recorded in register mentioned under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Section 209 (1) (d) of the Act, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) Regarding Statutory Dues:
 - a) The Company has been regular during the year in depositing undisputed dues with Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise & Custom duty and other statutory dues with the appropriate authorities.
 - b) According to the information given to us, there were no undisputed unpaid dues with Sales Tax, Income Tax, Wealth Tax, Excise & Custom Duty were outstanding as at 31st March 2013 for a period of more than six months from the date they became payable.

- c) Details of dues of Income Tax & Excise Duty which have not been deposited as on 31st March, 2013 on account of disputes are given below:

(Rs. in Lacs)

Statute	Nature	Forum Where Dispute is Pending	Amount Involved	Amount Pre Deposited	Amount in Arrear
Central Excise Act, 1944	Excise Duty	Appellate Authority – Tribunal Level	127.61	81.87	45.74
Income Tax Act, 1961	Income Tax	Supreme Court	13.35	–	13.35
		High Court	29.96	–	29.96
		Appellate Authority – Tribunal Level	106.90	–	106.90
		Assessing Officer	35.11	–	35.11

- (x) The Company neither has accumulated losses at the end of the financial year nor any cash losses for this financial year as well as for financial year immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions or debenture holders.
- (xii) To the best of our knowledge and information provided to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a Chit fund, Nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the company.
- (xiv) Company has no transactions regarding contracts in shares, securities, debentures or other investments.
- (xv) On the basis of records produced before us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not obtained any term loans. Hence the comments under the clause are not required.
- (xvii) 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, have 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
(FRN – 000969N)

SUMEET SINGH DHIR
Partner
Membership No. 094370

Place : Mumbai
Date : 22nd April, 2013

SWARAJ ENGINES LIMITED

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

27th Annual General Meeting - 30th July, 2013

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

NAME OF THE SHAREHOLDER/PROXY ADDRESS
No. of Shares held :

Folio No.
DP ID*
Client ID*

I hereby record my presence at the 27th ANNUAL GENERAL MEETING of the Company at its Works at Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab -160 062 on Tuesday, the 30th July, 2013 at 2:30 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 27th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, the 30th July, 2013 at 2:30 p.m. and at any adjournment thereof.

Signed this day of 2013.

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.