

SWARAJ ENGINES LIMITED

Works :

Plot No. 2, Indl. Focal Point,
Phase IX, S.A.S. Nagar,
Distt. S.A.S. Nagar (Mohali)
(Near Chandigarh)

SWARAJ

02/SP/EXCH
8th Aug, 2018

Tel. : 0172-2234941-47, 2234950
Fax : +91-172-2234955
Email: mail@swarajenterprise.com

The General Manager
Corp. Relationship Deptt
BSE Limited
1st Floor, New Trading Ring
Rotunda Building, P.J. Towers
Dalal Street, fort, Mumbai
Email: corp.relations@bseindia.com
Script Code: 500407

The Secretary
National Stock Exchange of India Ltd.
Capital Market-Listing, Exchange Plaza,
Bandra – Kurla Complex, Bandra (E)
Mumbai
Email: cmllist@nse.co.in
Script Code: SWARAJENG

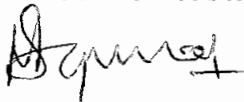
SUB: Annual Report 2018

Dear Sir,

We are pleased to enclose herewith copy of Company's Annual Report for the financial year ended 31st March, 2018 consisting of AGM Notice, Director's Report, Balance Sheet, Statement of Profit & Loss, Cash Flow Statement and Auditor's Report.

With regards,

For SWARAJ ENGINES LIMITED



(M.S.GREWAL)
Company Secretary

ANNUAL REPORT 2018



SWARAJ ENGINES LIMITED

Swaraj Engines Limited

Company Secretary

M.S. GREWAL

Chief Financial Officer

RAJINDER ARORA

Auditors

M/s B.K.KHARE & 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

CIN: L50210PB1985PLC006473
Tel: 0172-2271620-27, Fax: 0172-2272731
Email: selinvestor@swarajenterprise.com

Works

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

Website

www.swarajenterprise.com

Registrar and Transfer Agent

M/s MCS Share Transfer Agent Limited
Unit: Swaraj Engines Ltd.
F-65, 1st Floor, Okhla Industrial Area, Phase - I
New Delhi - 110020
Tel: 011-41406149
Fax: 011-41709881
Email: helpdeskdelhi@mcsregistrars.com

BOARD OF DIRECTORS

SUDHIR MANKAD
Chairman

DR. PAWAN GOENKA

DR. T.N.KAPOOR

R.R.DESHPANDE

VIJAY VARMA

RAJESH JEJURIKAR

S.DURGASHANKAR

DILEEP C. CHOKSI

NEERA SAGGI

SUBHASH MAGO
*Whole Time Director &
Chief Executive Officer*

ANNUAL GENERAL MEETING

on Monday, 30th July, 2018
at 3:00 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	13
Management Discussion and Analysis	20
Corporate Governance Report	23
Corporate Governance Compliance Certificate	40
Annexure to Directors' Report	41
Balance Sheet	56
Statement of Profit and Loss	57
Significant Accounting Policies	60
Notes on Accounts	64
Cash Flow Statement	85
Auditors' Report	87

KEY PERFORMANCE INDICATORS - LAST TEN YEARS
(Rs. in Crores)

Fiscal Year →	Indian GAAP							Ind AS*		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Engines Sold (Nos.)	28539	39143	47413	55239	57377	74062	64595	64088	82297	92022
Net Operating Revenue	208.17	282.44	360.63	448.58	479.03	608.28	539.70	525.91	666.14	771.16
PBIDT	32.04	53.75	60.71	69.37	71.49	90.63	74.71	73.76	104.54	121.59
Finance Cost	0.06	0.03	0.04	0.08	0.15	0.04	0.01	0.05	0.01	1.01
Depreciation	4.69	4.84	4.46	4.26	7.16	9.12	13.20	13.80	16.28	16.82
Profit Before Other Income & Tax	27.29	48.88	56.21	65.03	64.18	81.47	61.50	59.91	88.25	103.76
Other Income	4.93	5.83	8.14	12.24	15.32	17.49	16.32	16.30	17.21	18.96
Profit Before Exceptional Items & Tax	32.22	54.71	64.35	77.27	79.50	98.96	77.82	76.21	105.46	122.72
Exceptional Items	–	–	–	–	–	1.15	–	–	–	–
Profit Before Tax	32.22	54.71	64.35	77.27	79.50	97.81	77.82	76.21	105.46	122.72
Income Tax	10.95	17.36	20.44	24.45	24.10	30.81	25.98	24.90	36.63	42.62
Profit After Tax	21.27	37.35	43.91	52.82	55.40	67.00	51.84	51.31	68.83	80.10
Other Comprehensive Income (Net of Tax)	–	–	–	–	–	–	–	(0.11)	0.20	(0.29)
Total Comprehensive Income	–	–	–	–	–	–	–	51.20	69.03	79.81
Dividend %	50	80	100	130	330#	350#	330#	330#	430#	500#
Dividend Payout	6.21	9.94	12.42	16.15	40.99	43.47	40.99	40.99	53.40	60.63
Equity Share Capital	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.13
Net Worth	96.97	122.74	152.22	186.28	193.73	209.88	261.47	263.44	283.37	228.50
Capital Employed	100.84	125.42	154.14	189.48	200.06	216.82	267.78	271.04	289.64	234.29
Market Capitalisation	118.05	360.36	532.93	498.10	490.58	859.20	1003.83	1063.88	1842.48	2431.04
PBIDT/Net Operating Revenue	15.4%	19.0%	16.8%	15.5%	14.9%	14.9%	13.8%	14.0%	15.7%	15.8%
Return on Net Worth	21.9%	30.4%	28.9%	28.4%	28.6%	31.9%	19.8%	19.5%	24.3%	35.1%
Earning per Share (Rs.)	17.1	30.1	35.4	42.5	44.6	53.9	41.7	41.3	55.4	64.6
Book Value per Share (Rs.)	78.1	98.8	122.6	150.0	156.0	169.0	210.5	212.1	228.2	188.4

include Special Dividend of 200% in 2013 & 2014 and 180% in 2015 & 2016 and 250% in 2017 & 2018

* The Company transitioned into Ind AS from April 1, 2016

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of Swaraj Engines Limited will be held on **Monday, the 30th day of July, 2018 at 3.00 P.M.** at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab - 160 062 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended 31st March, 2018 and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Shri R.R. Deshpande (DIN 00007439), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vijay Varma (DIN 00011352), who retires by rotation and, being eligible, offers himself for re-appointment.
5. To ratify the appointment of 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 the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and pursuant to the resolution passed by the Members of the Company at the Annual General Meeting ("AGM") held on 24th July, 2017, the appointment of M/s B.K. Khare & Co., Chartered Accountants (ICAI Firm Registration Number 105102W) as the Statutory Auditors of the Company to hold office till the conclusion of the next AGM be and is hereby ratified and that the Board of Directors be and is hereby authorized to fix the remuneration payable to them in addition to out of pocket expenses as may be incurred by them during the course of the Audit."

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and pursuant to the recommendation of the Audit Committee, the remuneration payable to M/s V. Kumar & Associates, Cost Accountants having Firm Registration No. 100137, appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of the cost records of the Company for the Financial Year ending 31st March, 2019, amounting to Rs. 1,00,000/- (Rupees one lakh only) (excluding all applicable taxes and reimbursement of out of pocket expenses), be ratified and confirmed.

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

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

"RESOLVED that in supersession of the Resolution passed by the Members on 28th July, 2015, pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (including any statutory modification thereof) and in terms of any other applicable law, rules and regulations, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise its powers, including the powers conferred by this Resolution) to enter into contracts and arrangements with Mahindra & Mahindra Limited, a related party of the Company with respect to

sale, purchase or supply of goods or materials; availing or rendering of services; selling or otherwise disposing of, or buying, property of any kind; leasing of property of any kind; and other transactions which will be in ordinary course of business and at arm's length ("Transactions"), with effect from 1st April, 2018, and every year thereafter, upto the maximum value of transactions per annum as appended in the table below as per details of the terms and conditions set out in the explanatory statement:

S.No.	Name of related party	Relationship	Maximum value of Transactions per annum (Rs. in Crores)*
1	Mahindra & Mahindra Limited	Associate Company	2000

*Expected maximum annual value of transactions over the next three to four years.

FURTHER RESOLVED that the Board of Directors of the Company, which includes any Committee thereof and/or any individual(s) authorized by the Board be and are hereby severally authorized to do all such acts, matters, deeds and things, settle any queries, difficulties, doubts that may arise, with regard to any contract, transaction or arrangement with the aforesaid related party, finalize the terms and conditions as may be considered necessary, expedient or desirable and execute such agreements, documents and writings, to make such filings as may be necessary or desirable, and take all such steps as may be necessary, proper and expedient to give effect to the above resolution and for matters connected therewith or incidental thereto.

FURTHER RESOLVED that the Board is hereby authorized to delegate all or any of its powers conferred by the above resolution(s) to any director or directors or to any committee of directors or any other officer or officers of the Company to give effect to the aforesaid resolution."

NOTES

1. The Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten per cent of the total share capital of the Company carrying voting rights. A Member holding more than ten per cent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution/authority as applicable. The Proxy-holder shall prove his identity at the time of attending the Meeting.
3. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
4. The Company's Registrar and Share Transfer Agent for its Share Registry Work (Physical and Electronic) are M/s MCS Share Transfer Agent Limited having their office at F-65, First Floor, Okhla Industrial Area, Phase I, New Delhi - 110 020.
5. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, 14th July, 2018 to Friday, 20th July, 2018 (both days inclusive).
6. The dividend, if declared at the Annual General Meeting, would be paid / despatched on or after 31st July, 2018 to those shareholders or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on Friday, 13th July, 2018 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before Friday, 13th July, 2018.

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 124 of the Companies Act, 2013, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 read with the relevant circulars and amendments thereto ("IEPF Rules"), the amount of dividend remaining unclaimed or unpaid for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund ("IEPF"), constituted by the Central Government. Accordingly, details of unclaimed and unpaid dividend transferred by the Company to IEPF during last three years are given below:

Financial year ended	Date of Declaration	Date of Transfer to IEPF	Amount Transferred to IEPF (Rs.)
31st March, 2008	7th July, 2008	11th August, 2015	3,96,950
31st March, 2009	18th June, 2009	22nd July, 2016	1,97,160
31st March, 2010	3rd August, 2010	8th September, 2017	5,76,936

The Company has been sending reminders to those members having unclaimed/ unpaid dividend(s) before transfer of such dividend(s) to IEPF. Details of the unclaimed/unpaid dividend(s) as on 24th July, 2017 (date of last Annual General Meeting) are also uploaded as per the requirements, on the Company's website www.swarajenterprise.com. Members, who have not encashed their dividend(s) pertaining to financial year ended on 31st March, 2011 and onwards are advised to write to the Company immediately for claiming dividend(s) declared by the Company.

The due date for transfer of unclaimed/unpaid dividend(s) declared by the Company for FY 2010-11 and thereafter to IEPF is as under:

Financial year ended	Date of Declaration of Dividend	Due for Transfer to IEPF
31st March, 2011	3rd August, 2011	8th September, 2018
31st March, 2012	31st July, 2012	5th September, 2019
31st March, 2013	30th July, 2013	4th September, 2020
31st March, 2014	31st July, 2014	5th September, 2021
31st March, 2015	28th July, 2015	2nd September, 2022
31st March, 2016	26th July, 2016	31st August, 2023
31st March, 2017	24th July, 2017	29th August, 2024

10. Pursuant to the provisions of IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated Demat Account of the IEPF Authority ("IEPF Account") within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, in compliance of said requirements, the Company has transferred the aforesaid shares to the IEPF Account and details of the same are uploaded on the website of the IEPF viz. www.iepf.gov.in and on the website of the Company www.swarajenterprise.com.

Further, all the Members who have not claimed / encashed their dividend(s) in the last seven consecutive years from 2011 are requested to claim the same by 10th August, 2018. In case valid claim is not received by that date, the Company will proceed to transfer the respective shares to the IEPF Account in terms of the IEPF Rules.

11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Registrar.

12. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form SH13 duly filled in to the Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent Limited at their above mentioned address. Members holding shares in electronic mode may contact their respective Depository Participants for availing this facility.
13. 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 and bank account details maintained by the Registrar and Transfer Agents 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 account 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) The Company has extended the facility of electronic credit of dividend directly to the respective bank accounts of the Member(s) through the Electronic Clearing Service (ECS) / National Electronic Clearing Service (NECS). Members wishing to avail of this facility are requested to intimate the Company's Registrar and Transfer Agents/ Depository Participants in the prescribed form and with the prescribed details. Members located in places where ECS / NECS facility is not available may submit their bank details to the Registrar and Transfer Agents. This will enable the Company to incorporate this information on the dividend warrants and thus prevent fraudulent encashment.
14. Pursuant to Sections 101 and 136 of the Companies Act, 2013 read with the Rules framed thereunder, the Notice calling the Annual General Meeting along with the Annual Report 2017-18 would be sent by electronic mode to those Members whose e-mail addresses are registered with the Depository or the Company's Registrar and Transfer Agents, unless the Members have requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies would be sent by the permitted mode.
- Members are requested to support this Green Initiative by registering / updating their e-mail addresses with the Depository Participant (in case of Shares held in dematerialised form) or with the Company's Registrar and Share Transfer Agent M/s MCS Share Transfer Agent Limited (in case of Shares held in physical form).
15. Members are requested to:
- Intimate to the Company's Registrar and Share Transfer Agent, M/s MCS Share Transfer Agent Limited at their above mentioned address, changes, if any, in their registered addresses at an early date, in case of shares held in physical form.
 - Intimate directly to the respective Depository Participant, changes, if any, in their registered addresses, nomination, power of attorney etc. at an early date, in case of shares held in dematerialised form. The Company will not take cognizance of any such requests directly from Members.
 - 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.
 - Initiate the process to dematerialize their shares if the same are held in physical mode.
16. Relevant documents referred to in the accompanying Notice are open for inspection by the Members at the Registered Office of the Company on all working days, (except Saturdays and Sundays) between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.
17. Voting through electronic means :
- I. In compliance of provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by National Securities Depository Limited (NSDL) on all resolutions set forth in this Notice, through remote e-voting.

- II. Members are requested to note that the Company is providing facility for remote e-voting and the business may be transacted through electronic voting system. It is hereby clarified that it is not mandatory for a Member to vote using the remote e-voting facility. A Member may avail of the facility at his/her/its discretion, as per the instructions provided herein.

Instructions:

- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participant(s)]:
- (i) Open email and open attached PDF file with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
 - (ii) Open the internet browser by typing the URL: <https://www.evoting.nsdl.com>
 - (iii) Click on Shareholder - Login
 - (iv) If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
 - (v) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
 - (vi) Password change menu will appear on your screen. Change the password with new password of your choice with minimum 8 digits/characters or combination thereof. Note the new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vii) Once the e-voting home page opens, click on e-Voting: Active Voting Cycles.
 - (viii) Select "EVEN" (E-Voting Event Number) of Swaraj Engines Limited. Now you are ready for e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to ajaykcs@gmail.com with a copy marked to evoting@nsdl.co.in
- B. For the members whose email IDs are not registered with the Company/Depository Participant(s):
- (i) Initial password alongwith physical copy of the Notice of AGM is being sent separately in the permitted mode.
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- III. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads Section of www.evoting.nsdl.com or call on toll free number 1800-222-990 or contact Ms. Pallavi Mhatre, Assistant Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, at the designated email address: pallavid@nsdl.co.in / evoting@nsdl.co.in or at telephone no. +91 22 24994545.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The remote e-voting period will commence at 9.00 a.m. (IST) on 26th July, 2018 and will end at 5.00 p.m. (IST) on 29th July, 2018. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, the 23rd July, 2018, may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the

Member, the Member shall not be allowed to change it subsequently or cast the vote again. The Members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again.

- VI. The facility for voting through ballot will also be made available at the AGM and Members attending the AGM who have not already cast their vote by remote e-voting will be able to exercise their right at the AGM.
- VII. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date, the 23rd July, 2018.
- VIII. Any person, who acquires shares of the Company and become a Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e 23rd July, 2018, may obtain the Login ID and password by sending an e-mail to NSDL at evoting@nsdl.co.in or to the Registrar and Share Transfer Agent of the Company at helpdeskdelhi@mcsregistrars.com or to the Company at selinvestor@swarajenterprise.com. However, if they are already registered with NSDL for remote e-voting, then they can use their existing User ID and password for casting the vote through remote e-voting. If they forget the password, they can reset the password by using "Forget User Details/Password" option available on www.evoting.nsdl.com.
- IX. Mr. Ajay K Arora, Practicing Company Secretary (Membership No. 2191), Proprietor - M/s. A. Arora & Co., Company Secretaries, has been appointed as the Scrutinizer to scrutinize the remote e-voting and voting process at AGM in a fair and transparent manner.
- X. The Scrutinizer shall immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.
- XI. As per Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the results of e-voting are to be communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed, within 48 hours of the conclusion of the Annual General Meeting. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.swarajenterprise.com and on the website of NSDL.
- XII. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. 30th July, 2018.

18. Re-appointment of Directors

Shri R.R. Deshpande and Shri Vijay Varma shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Additional information, pursuant to Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings issued by The Institute of Company Secretaries of India, in respect of the Directors seeking re-appointment at this AGM, forms part of the Notice.

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

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

Registered Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Tel: 0172-2271620-27, Fax: 0172-2272731
Email: selinvestor@swarajenterprise.com
Website: www.swarajenterprise.com
CIN: L50210PB1985PLC006473
23rd April, 2018

BY ORDER OF THE BOARD

(M.S. GREWAL)
Company Secretary

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

Item No. 6

The Board of the Directors, at its meeting held on 23rd April, 2018, upon recommendation of the Audit Committee, approved the appointment of M/s V. Kumar & Associates, Cost Accountants, having Firm Registration No. 100137, as Cost Auditors of the Company for conducting the audit of the cost records of the Company for the financial year ending 31st March, 2019, at a remuneration of Rs. 1,00,000/- (Rupees one lakh only) plus applicable taxes and reimbursement of such other out of pocket expenses as may be incurred by the said Cost Auditors during the course of the audit. In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of a Company are required to ratify the remuneration to be paid to the Cost Auditors of the Company. Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No. 6 of the Notice for ratification of the remuneration payable to the Cost Auditors for conducting the audit of the cost records of the Company for the financial year ending 31st March, 2019.

None of the Directors, key managerial personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

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

Item No. 7

Your Company works closely with its associate companies to meet its business objectives and enters into a range of transactions with these entities, including purchase and sale of goods and services in the ordinary course of business.

The Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 aims to ensure transparency in the transactions and dealings between the Company and its related parties.

Regulation 23(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provides that all material related party transactions require approval of the shareholders through resolution. Further, as per Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Mahindra & Mahindra Limited (M&M) is a related party of the Company within the meaning of Section 2(76) of the Companies Act, 2013. The Company enters into various transactions with M&M inter alia sale, purchase or supply of goods or materials; availing or rendering of services; selling or otherwise disposing of, or buying, property of any kind. All these transactions are in the ordinary course of business and at arm's length. Considering that the aggregate value of the Company's transactions with M&M exceeds the threshold of material related party transactions, the Members at the 29th Annual General Meeting of the Company held on 28th July, 2015, had passed a Special Resolution approving the Company's transactions with M&M upto the maximum value of Rs. 1200 crores per annum. However, keeping in view the expected future business prospects of the Company, it is proposed to seek approval from the Members to increase the existing limit of maximum value of transactions upto Rs. 1200 crores per annum to Rs. 2000 crores per annum within the sub-limits specified below for the transactions with M&M with effect from 1st April, 2018 and every year thereafter:

S.No.	Particulars/Nature of transaction	Amount per financial year
1.	Sale of Goods and Materials	Upto Rs. 1800 crores
2.	Purchase of Goods and Materials	Upto Rs. 100 crores
3.	Availing or rendering of services; selling or otherwise disposing of, or buying, property of any kind; leasing of property of any kind; and any other transactions	Upto Rs. 100 crores

The particulars of the contracts/arrangements/transactions are as under:

1. Name of the related party: Mahindra & Mahindra Limited
2. Name of the Director or Key Managerial Personnel who is related: None of the Directors and/or Key Managerial Personnel of the Company and/or their respective relatives are in any way concerned or interested in the aforesaid Ordinary Resolution save and except to the extent of their directorship / shareholding, if any, in any of the entities mentioned in the resolution.
3. Nature of relationship: Swaraj Engines Limited is an associate company of Mahindra & Mahindra Limited.
4. Nature of contracts/arrangements/transactions: As specified in table above.
5. Material terms of the contracts/arrangements/transactions: the terms of the transactions will be on arm's length basis.
6. Monetary Value: Maximum value of Rs. 2000 crores per annum subject to the sub-limits specified above.
7. Any other information relevant or important for the Members to take a decision on the proposed resolution: None.

Pursuant to Regulation 23(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, no Member/s of the Company being a related party shall be entitled to vote on this resolution.

As per the provisions of Section 188(1) of the Companies Act, 2013 "Related Party Transactions" require obtaining prior consent of the Board where transactions proposed to be entered into fall in the list of items referred therein and are within threshold limits prescribed under Rule 15 of Companies (Meeting of Board and its Power) Rules, 2015. Rule 15 of Companies (Meeting of Board and its Power) Rules, 2014 requires taking prior approval of the Company by ordinary resolution where transactions proposed to be entered to fall in the list of items referred therein and are in excess of threshold limits. Proviso to Section 188 further provides that nothing contained in Sub-section (1) of Section 188 applies where transactions are entered into by the company in the ordinary course of business other than transactions which are not on an arm's length basis. All aforesaid transactions proposed to be entered into by the Company with M&M will be in the ordinary course of business and at arm's length basis and thereby would be exempt from the applicability of Section 188(1) of the Companies Act, 2013.

The Audit Committee in their meeting held on 23rd April, 2018 and the Board of Directors of the Company in their meeting held on 23rd April, 2018, subject to the approval of the shareholders, have approved the proposal of entering into aforesaid related party transactions with M&M upto the maximum value of transactions of Rs. 2,000 crores per annum with effect from 1st April, 2018 and every year thereafter.

None of the Directors, Key Managerial Personnel of the Company and their respective relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice save and except to the extent of their directorship / shareholding, if any, in any of the entities mentioned in the resolution.

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

Registered Office :
Phase IV, Industrial Area
S.A.S. Nagar (Mohali)
Punjab - 160 055
Tel: 0172-2271620-27, Fax: 0172-2272731
Email: selinvestor@swarajenterprise.com
Website: www.swarajenterprise.com
CIN: L50210PB1985PLC006473
23rd April, 2018

BY ORDER OF THE BOARD

(M.S. GREWAL)
Company Secretary

SWARAJ ENGINES LIMITED

Additional Information on Directors seeking Re-appointment at the 32nd Annual General Meeting [Pursuant To Regulation 36(3) of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015] and (SS - 2 Secretarial Standards on General Meetings)

Name of Director	Shri R.R. Deshpande	Shri Vijay Varma
Director Identification Number (DIN)	00007439	00011352
Date of appointment	22-01-2008	19-01-2009
Age	64 Years	66 Years
Expertise in specific functional areas	<p>Shri Deshpande is currently Joint Managing Director of Kirloskar Oil Engines Limited.</p> <p>He is working with Kirloskar Group since 1977 and has vast experience in Projects, Production, and Material Services</p>	<p>Shri Varma had served with Kirloskar Oil Engines Limited and held key positions in domestic and export marketing & sales, setting up power plant, heading business to generate and sell power, managing projects in strategy development, process engineering and information technology.</p> <p>His last assignment in Kirloskar Group was as Managing Director & President of Kirloskar Proprietary Ltd.</p>
Qualification	Mechanical Engineer	Mechanical Engineer
Directorship in Listed Companies as on 31st March, 2018	Swaraj Engines Limited Kirloskar Oil Engines Limited	Swaraj Engines Limited
Committee Membership as on 31st March, 2018	Kirloskar Oil Engines Limited - Stakeholders Relationship Committee (Member)	Swaraj Engines Limited - Corporate Social Responsibility Committee (Member)
No. of Board Meetings of Swaraj Engines Limited attended during FY 2017-18	Board Meetings held - 5 Board Meetings attended - 5	Board Meetings held - 5 Board Meetings attended - 5
Disclosure of inter-se relationships between Directors and Key Managerial Personnel	Nil	Nil
Shareholding in Swaraj Engines Limited	Nil	Nil

Note: Details of sitting fees and commission paid to Shri R.R. Deshpande and Shri Vijay Varma are provided in the Corporate Governance Report section of the Annual Report 2017-18.

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present their 32nd Annual Report together with Audited Accounts for the financial year ended 31st March, 2018.

A. FINANCIAL RESULTS AND OPERATIONAL REVIEW :

	Year Ended	(Rs. in Crores)
	31st March, 2018	Year Ended
		31st March, 2017
Net Operating Revenue	771.16	666.14
Profit before Other Income, Depreciation, Finance Charges, Exceptional items and Tax	121.59	104.54
Other Income	18.96	17.21
Profit before Depreciation, Finance Cost, Exceptional items and Tax	140.55	121.75
Finance Cost	1.01	0.01
Depreciation and Amortisation Expense	16.82	16.28
Profit before Exceptional Items & Tax	122.72	105.46
Exceptional Items	—	—
Profit Before Tax	122.72	105.46
Tax Provision		
— Current	43.26	37.96
— Deferred	(0.64)	(1.33)
Profit After Tax	80.10	68.83
Other Comprehensive Income (net of Tax)	(0.29)	0.20
Total Comprehensive Income	79.81	69.03

Performance Review

The tractor industry continued its growth journey in fiscal 2018 as well. Riding on the overall growing tractor industry scenario and resultant enhanced engine demand from its key customer - Swaraj Division of Mahindra & Mahindra Limited, FY 2017-18 was a splendid year for your Company and it has posted its highest ever engine sales volume, revenue and profit.

On the strength of higher engines sale volume of 92,022 units during FY 2017-18 (previous year - 82,297 units) - up by 11.8%, net operating revenue grew by 15.8% and reached to Rs. 771.16 crores as against Rs. 666.14 crores of previous year. With better product mix and its continued focus on cost control initiatives, the Company's operating profit stood at Rs. 121.59 crores as against previous year's Rs. 104.54 crores - an improvement of 16.3%. While profit before tax for the year stood at Rs. 122.72 crores (previous year - Rs. 105.46 crores), profit after tax (before other comprehensive income) of Rs. 80.10 crores (previous year - Rs. 68.83 crores) translated into Basic Earning Per Share of Rs. 64.62 (previous year - Rs. 55.42). Total comprehensive income (net of tax) for the year stood at Rs. 79.81 crores as against Rs. 69.03 crores of previous year.

Your Company has also successfully implemented and migrated to new indirect tax regime - Goods & Services Tax (GST) - with effect from 1st July, 2017. The transition to GST was seamless by carrying out timely changes in the key systems/processes.

Finance

The fund position of the Company remained comfortable throughout the year under review. Further, after meeting the capital expenditure & working capital requirements to support operations and also the funds utilised for buyback offer, the Company has earned an income of Rs. 18.63 crores (previous year - Rs. 16.90 crores) on surplus funds.

Dividend

Your Directors are pleased to recommend an equity dividend of Rs. 25.00 per share of the face value of Rs. 10.00 for the financial year ended 31st March, 2018. Further, keeping in view the overall fund position of the Company, the Board, over and above the said normal dividend, has also recommended a special dividend of Rs. 25.00 per share, taking the total dividend to Rs. 50.00 per share for the financial year 2017-18 (previous year - Rs. 43.00 per share).

If approved by the Shareholders at the ensuing Annual General Meeting, the above equity dividend will be paid to those shareholders whose names shall appear in the Register of Members as on the Book Closure date. The total equity dividend outgo for the financial year 2017-18, including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 73.10 crores (previous year - Rs. 64.28 crores). Further, the Board of your Company has decided not to transfer any amount to the General Reserves for the year under review.

Current Year's Review

In the backdrop of normal monsoon forecast and Government's thrust on agricultural and rural segments, the tractor industry is expected to maintain its growth trajectory in the current fiscal as well. With the overall positive sentiments, the engine business of your Company is also expected to move in tandem with the tractor industry.

To timely cater the customer requirements, the Company's ongoing capacity expansion programme for increasing its engine manufacturing capacity to 1,20,000 engines per annum is near completion. Considering the upcoming expected demand, the Board of Directors of your Company has approved a further capacity expansion to 1,35,000 engines per annum which like the earlier expansion programmes, will also be fully financed through the internal resources.

B. INTERNAL FINANCIAL CONTROL SYSTEMS

The Company has laid down adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Based on the results of such assessments carried out by Management, no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed. Nonetheless your Company recognizes that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audits and review processes ensure that such systems are reinforced on an ongoing basis.

C. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, as stipulated under the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 forms part of this Annual Report.

D. RELATED PARTY TRANSACTIONS

All related party transactions that were entered during the financial year 2017-18 were in the ordinary course of the business and were on arm's length basis. All such related party transactions are placed before the Audit Committee for approval, wherever applicable. Prior omnibus approval for normal transactions is also obtained from the Audit Committee for the related party transactions which are of repetitive nature as well as for the transactions which cannot be foreseen and the same are subsequently shared with Audit Committee on quarterly basis. The policy on materiality of and dealing with related party transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Company and the link for the same is (<http://www.swarajenterprise.com/policies>). The disclosure of material related party transactions pursuant to Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is annexed herewith as "Annexure A".

E. BOARD AND COMMITTEES

Directors

Shri Rajesh Jejurikar and Shri Subhash Mago joined the Company's Board with effect from 25th April, 2017. Further, the Board also appointed Shri Subhash Mago as Whole Time Director of the Company designated as Whole Time Director & Chief Executive Officer for a period from 25th April, 2017 to 31st March, 2020. The appointments of Shri Jejurikar and Shri Mago were approved by the Members in the last Annual General Meeting held on 24th July, 2017.

Consequent upon his resignation, Shri Rajan Wadhera ceased to be a Director of the Company with effect from 24th April, 2017. Further, Shri M.N. Kaushal, upon completion of his tenure as Whole Time Director on 31st March, 2017, also ceased to be a Director of the Company with effect from 1st April, 2017. Your Board has placed on record its sincere appreciation of the significant and notable contributions made by Shri Wadhera and Shri Kaushal during their tenure as Directors of the Company.

All the Independent Directors of the Company have submitted declaration under Section 149(7) of the Companies Act, 2013 that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and there has been no change in the circumstances which may affect their status as Independent Director during the year.

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

Board Evaluation

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

Remuneration Policy

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

Board Meetings and Annual General Meeting

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

The Independent Directors of the Company meet at least once in every financial year without the presence of Non-Independent Directors, Executive Director and any other management personnel. The meeting(s) is conducted in a manner to enable the Independent Directors to discuss matter pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties. During the year, one meeting of Independent Directors was held on 13th December, 2017.

The 31st Annual General Meeting of the Company was held on 24th July, 2017.

Directors' Responsibility Statement

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

- a) in the preparation of Annual Accounts for the financial year ended 31st March, 2018, the applicable accounting standards have been followed;
- b) in the selection of accounting policies, consulted the Statutory Auditors and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2018 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- d) the Annual Accounts have been prepared on a going concern basis;
- e) internal financial controls to be followed by the Company have been laid down, which are adequate and operating effectively;
- f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Audit Committee

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

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

F. CORPORATE GOVERNANCE**Corporate Governance**

A Report on Corporate Governance along with a Certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

Vigil Mechanism / Whistle Blower Policy

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

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

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

Risk Management

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

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

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

Shri Subhash Mago, Whole Time Director & Chief Executive Officer

Shri M.S. Grewal, Company Secretary

Shri Rajinder Arora, Chief Financial Officer

Shri M.N. Kaushal, Whole Time Director ceased to be a KMP of the Company with effect from 1st April, 2017.

Employees' Stock Option Scheme

The Nomination and Remuneration Committee of the Board of the Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme-2015 ("the Scheme") of the Company. The Scheme is in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations") and there have been no change in the said Scheme during the year. Pursuant to the said Scheme, the Nomination and Remuneration Committee during FY 2017-18 have granted 3571 options to eligible employee(s) and allotted 1610 shares against the vesting. No employee has been issued stock options during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant. Information as required under the SBEB Regulations is provided in the Annual Accounts which has been uploaded on the Company's website and can be accessed at the web-link www.swarajenterprise.com/annualrep.aspx.

Industrial Relations

Industrial relations remained cordial throughout the year under review and four year wage agreement with the workers' union was also concluded.

Particulars of Employees

The statement of Disclosure of Remuneration under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as "Annexure B". The Company had one employee who was in receipt of remuneration of not less than Rs. 1,02,00,000 during the year ended 31st

March, 2018 or not less than Rs. 8,50,000 per month during any part of the year. Details of employee remuneration as required under provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are available at the Registered Office of the Company during working hours, 21 days before the Annual General Meeting and shall be made available to any Shareholder on request.

Safety, Health and Environmental Performance

Your Company's commitment towards Safety, Occupational Health and Environment is being continuously enhanced. The Company encourages involvement of all its employees in activities related to safety, including promotion of safety standards. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational Health and Environmental Policy which inter alia ensures safety of public, employees, plant and equipment by ensuring compliance with all statutory rules and regulations on regular basis. During the year, no major accident has occurred. 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.

The Company's plant is certified under OHSAS 18001:2007 and EMS ISO 14001:2004.

H. AUDITORS

Statutory Auditors and Auditors' Report

M/s B.K. Khare & Co., Chartered Accountants (ICAI FRN 105102W), were appointed as Statutory Auditors of your Company at the Annual General Meeting held on 24th July, 2017, for a term of five consecutive years. As per the provisions of Section 139 of the Companies Act, 2013, the appointment of Auditors is required to be ratified by Members at every Annual General Meeting. Resolution for the said ratification is being moved at the ensuing Annual General Meeting.

The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer given by the Auditors in their Report.

Secretarial Auditors

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

Cost Auditors

Pursuant to Section 148(3) of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors on the recommendation of Audit Committee has appointed M/s V. Kumar & Associates, Cost Accountants, as the Cost Auditors of the Company for the financial year ending on 31st March, 2019. M/s V. Kumar & Associates have confirmed that their appointment, if approved, will be within the limits of Section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from disqualification specified under Section 141(3) of the Companies Act, 2013. The Audit Committee has also received a certificate from the Cost Auditors certifying their independence and arms length relationship with the Company. As per the provisions of the Companies Act, 2013, the remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a resolution seeking Members ratification for the remuneration payable to M/s V. Kumar & Associates, Cost Accountants is included in the Notice convening the Annual General Meeting.

I. CORPORATE SOCIAL RESPONSIBILITY AND RELATED MATTERS

Corporate Social Responsibility

Keeping with Company's core value of Good Corporate Citizenship, your Company is committed to its social responsibility by taking various initiatives which would benefit the society at large. During the year, your Company upgraded infrastructure and provided medical equipment at Paediatric Intensive Care Centre and Yoga Room in Advance Cardiac Centre at PGIMER, Chandigarh. Further, a Skill Development Centre was also started in the adopted villages (Kambala & Kambali) in collaboration with Govt. Industrial Training Institute, Patiala. With a purpose to provide medical care at the door step, a Mobile Medical Care facilities was also initiated and about 18 camps being organised every month since July, 2017. Further, your Company continued

its efforts towards tree plantation at various locations, organizing medical camps, celebration of festivals with under-privileged, public awareness camps for road safety and pollution etc. Your Company continued its support to the two nearby villages adopted under Swaraj Engines Swachh Bharat Integrated Sanitation Programme.

Further, in compliance of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company's Corporate Social Responsibility (CSR) Committee currently comprises of Shri Sudhir Mankad (Chairman) and Shri Vijay Varma, Shri Rajesh Jejurikar and Shri Subhash Mago as other members. Consequent to changes in the Board of Directors during the year, the Committee was reconstituted with effect from 25th April, 2017 by inducting Shri Rajesh Jejurikar and Shri Subhash Mago as Members in place of Shri Rajan Wadhera and Shri M.N. Kaushal. The Annual Report on CSR activities is annexed herewith as "Annexure D".

Sustainability Initiative

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

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

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

J. SECRETARIAL

Share Capital

During the year, the Company made an offer for buyback of up to 2,94,746 fully paid-up equity shares of face value of Rs. 10/- each at a price of Rs. 2,400/- per fully paid-up equity share on a proportionate basis through the tender offer process, for an aggregate amount not exceeding Rs. 70.74 crores. The buyback offer process was concluded on 26th February, 2018.

Consequent to the above buyback of its 2,94,746 equity shares by the Company, the Issued and Paid-up Share Capital of the Company as on 31st March, 2018 stood at Rs. 12.13 crores (previous year - Rs.12.42 crores).

Extract of Annual Return

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

Particulars of Loans, Guarantees and Investments

During the year under review, the Company has not extended any loans, given guarantees or provided securities and made investment pursuant to Section 186 of the Companies Act, 2013 except placing a deposit of Rs. 20.00 crores with Housing Development Finance Corporation Ltd.

Deposits

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

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

Compliance with Secretarial Standards on Board and General Meetings

To ensure compliance with the provisions of applicable Secretarial Standards, proper systems have been devised by the Company and such systems are adequate and operating effectively.

General

The Company is not paying any commission to the Whole Time Director(s). However, Whole Time Director(s) is eligible for grant of Stock Options of the Company, subject to approval of the Nomination and Remuneration Committee.

The Company has no holding / subsidiary company.

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

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

ACKNOWLEDGEMENTS

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

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 23rd April, 2018

(SUDHIR MANKAD)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Swaraj Engines Ltd. ("SEL") is primarily manufacturing diesel engines for fitment into "Swaraj" tractors being manufactured by Mahindra & Mahindra Ltd. ("M&M"). SEL is supplying diesel Engines in the range of 20 HP to 60 HP. Since the start of commercial operations in 1989-90, your Company has supplied around nine lakh engines for fitment into "Swaraj" tractors.

FINANCIAL ANALYSIS (2017-18)

The Company's operations have been characterised by a lean organisation structure, continuous improvement in process efficiencies and optimised resource utilisation. While details of financial position and performance are available in the Balance Sheet, Statement of Profit & Loss, alongwith related notes, key aspects are highlighted in the following paragraphs:

(A) Statement of Profit & Loss

Income:

Total revenue for the year was Rs. 790.12 crores (previous year - Rs. 683.35 crores) with the following breakdown:

	(Rs. in Crores)	
	<u>2017-18</u>	<u>2016-17</u>
Engines	747.54	647.03
Engine Spares/Parts	19.94	16.08
Scrap etc.	<u>3.68</u>	<u>3.03</u>
Net Revenue from Operations	771.16	666.14
Other Income - Mainly Interest & Dividend	<u>18.96</u>	<u>17.21</u>
Total Revenue	<u>790.12</u>	<u>683.35</u>

On the strength of growth in domestic tractor industry during FY 2017-18 and resultant enhanced engines supplies to its customer, the Company's sales volume for the year at 92,022 units grew by 11.8% over previous year's 82,297 units.

With comfortable fund position during the year, other income through interest and dividend etc. on the surplus funds was Rs. 18.63 crores (previous year - Rs. 16.90 crores). Other miscellaneous income for the year stood at Rs. 0.33 crore (previous year - Rs. 0.31 crore).

Expenditure:

- **Material Cost**

During fiscal 2018, the prices of related commodities - iron and steel have witnessed upward trends. However, favourable product-mix and various cost control initiatives helped to mitigate the inflationary effect to some extent. As a result, the material cost as a percentage of net revenue from operations at 74.5% remained almost at last year's level of 74.4%.

- **Personnel Cost**

Increase in personnel cost from Rs. 30.98 crores to Rs. 34.77 crores was primarily due to enhanced activity level, annual increments and impact of new wage agreement entered with workmen, etc.

- **Other Expenses**

With better spread of expenses over higher level of operations, other expenses (consisting manufacturing, consumption of stores & spares, and administrative & marketing expenses) as percentage of net operating revenue remained at last year's level of 5.3%. Other expenses for the year also include onetime expense incurred towards buyback offer made by the Company to its shareholders.

- **Depreciation and Amortisation**

The increase in depreciation and amortisation for the year to Rs. 16.82 crores from previous year's Rs. 16.28 crores was due to additional depreciation on fresh capex made during the year.

Reflecting the above, the Operating Profit (EBITDA) margin stood at 15.8% against 15.7% of previous year. Profit before tax for the year stood at Rs. 122.72 crores (previous year - Rs. 105.46 crores). While profit after tax (excluding other comprehensive income) was Rs. 80.10 crores (previous year - Rs. 68.83 crores), the total comprehensive income (net of tax) stood at Rs. 79.81 crores against previous year's Rs. 69.03 crores.

B) Balance Sheet

Equity

The Company's net worth on 31st March, 2018 stood at Rs. 228.50 crores comprising of an Equity Share Capital component of Rs. 12.13 crores and Other Equity of Rs. 216.37 crores - a book value of Rs. 188 per share. During the year, the Company bought back its 2,94,746 equity shares having face value of Rs. 10 each, at a price of Rs. 2400/- per share on proportionate basis by way of tender offer for an amount of Rs. 70.74 crores. The total equity is inclusive of two Bonus Issues made in 1997 (1:1) and 2005 (2:1).

Non-Current Assets

Out of the total non-current assets of Rs. 108.79 crores (previous year - Rs. 95.93 crores), 88% is represented by property, plant and equipment (including capital work in progress).

Inventories

Total inventory including work-in-progress and finished stock at the end of the financial year stood at Rs. 31.92 crores (previous year - Rs. 26.08 crores) representing 15 days of net operating revenue (previous year - 14 days).

Trade Receivables

Year-end trade receivables of Rs. 15.27 crores (previous year - Rs. 13.07 crores) in terms of number of days stood at previous year's level of 7 days of net operating revenue.

Trade Payables

With increased production level, year-end total trade payables stood at Rs. 98.47 crores (previous year - Rs. 70.13 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. The Company has also laid down adequate internal controls for financial reporting. During the year, such controls were tested and no material weakness in their operating effectiveness was observed. Finance and Accounts function is well staffed with experienced and qualified personnel. This team participates in the preparation & monitoring of budgets. Internal Audit Reports are reviewed by the Audit Committee of the Board from time to time.

HUMAN RESOURCES

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

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

To further increase the competence level of the employees, systematic and structured training is provided at different levels. Such trainings cover aspect related to leadership development, communication effectiveness and team building etc. This has made a significant contribution to the Company's business.

Industrial relations were cordial throughout the year under review.

Regular employee strength (excluding apprentice) as on 31st March, 2018 stood at 382 (31st March, 2017 - 389).

INDUSTRY STRUCTURE AND DEVELOPMENTS

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

Indian tractor industry (the world's largest by volume) has a mix of Indian origin and international manufacturers and is traditionally segmented by horsepower broadly - the low horsepower upto 30 HP segment, the mid segment of 30 HP - 50 HP and the higher segment of above 50 HP. While most of the major players cater to all the three segments, their relative strengths and market positions differ from segment to segment. Over a period of time, the medium and higher HP segments has become the most popular and fastest growing segments in the country. Further, to increase the tractor penetration in the lower segment of the market and to provide cost effective product, some of the industry players have also taken keen interest in below 20 HP category tractors.

Encouraged by the momentum in sales, the domestic tractor industry for the first time crossed seven lakh units and closed FY 2017-18 with a volume of around 7,09,000 units (last year - 5,82,000 units) - a growth of 22%. Factors like successive normal monsoon, improved crop production through favourable crop cycles, positive sentiments in rural areas, declining interest rates with easy availability of farm finance and increasing demand of tractors for non-agri segment etc. propelled the growth in tractor industry.

OUTLOOK AND OPPORTUNITIES

The meteorological department has given a forecast of normal monsoon for current year as well which would be the third successive normal monsoon for the country. This forecast augurs well for the tractor industry and the overall economy. Further, with other medium to long term industry growth drivers such as Government's continued thrust on promoting rural development, farm welfare and agri mechanisation, implementation of mechanism to ensure better support prices to farmers, scarcity of farm labour especially during the sowing season etc., the tractor industry is expected to continue its growth journey. In the backdrop of the optimistic industry outlook for the Company's prime customer, business prospects of your Company appear to remain positive.

THREATS, RISKS & CONCERNS

As a supplier to M&M, your Company would be directly affected by factors impacting tractor industry. These would include issues like the rain-dependent nature of our agriculture, Government policy on procurement, credit availability, commodity price trends, new regulations for tractors etc.

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

I. Company's philosophy on Code of Governance

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

II. Board of Directors

The Composition of the Board is in accordance with the Listing Regulations. The Company has Independent Director as its Non-Executive Chairman and the number of Independent Directors is 1/3rd of the total number of Directors including a Woman Director. 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 Subhash Mago is the Whole Time Director & Chief Executive Officer of the Company.

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

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

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

A. Composition of the Board

The Company's Board of Directors currently comprises of 10 members. While five members are Non Independent Non-Executive Directors, the Whole Time Director & Chief Executive Officer 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	Director's Identification Number DIN	Category	Financial Year 2017-18		Attendance at the last AGM	Total No. of Directorships^ in public companies^	Committee+ Position held in public companies#	
			Board Meetings held	Board Meetings attended			Chairman	Member
Non-Executive								
Shri Sudhir Mankad, Chairman	00086077	Independent	5	5	Yes	8	1	4
Dr. Pawan Goenka	00254502	Non Independent	5	5	Yes	6	-	1
Dr. T.N. Kapoor	00017692	Independent	5	5	Yes	3	3	3

SWARAJ ENGINES LIMITED

Name of Director	Director's Identification Number DIN	Category	Financial Year 2017-18		Attendance at the last AGM	Total No. of Directorships [^] in public companies [#]	Committee ⁺ Position held in public companies [#]	
			Board Meetings held	Board Meetings attended			Chairman	Member
Shri R.R. Deshpande	00007439	Non-Independent	5	5	Yes	2	-	1
Shri Vijay Varma	00011352	Non-Independent	5	5	Yes	1	-	-
Shri Rajesh Jejurkar (appointed w.e.f. 25.04.2017)	00046823	Non-Independent	5	5	Yes	3	-	1
Shri S. Durgashankar	00044713	Non-Independent	5	5	Yes	4	-	3
Shri Dileep C. Choksi	00016322	Independent	5	5	Yes	10	4	4
Smt. Neera Saggi	00501029	Independent	5	5	Yes	8	1	7
Shri Rajan Wadhwa (ceased w.e.f. 24.04.2017)	00416429	Non-Independent	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Executive								
Shri Subhash Mago, Whole Time Director & Chief Executive Officer (appointed w.e.f. 25.04.2017)	07797207	Non-Independent	5	5	Yes	1	-	1
Shri M.N. Kaushal, Whole Time Director (ceased w.e.f. 01.04.2017)	02881972	Non-Independent	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

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

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

+ Committees considered are Audit Committee and Stakeholders Relationship Committee, including that of Swaraj Engines Ltd.

a) None of the Director is a Director in more than 10 public limited companies (as specified in Section 165 of the Act) or acts as an Independent Director in more than 7 listed companies or 3 listed companies in case he/she serves as a Whole-Time Director in any listed company (as specified in Regulation 25 of the Listing Regulations). Further, 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 Regulation 26 of the Listing Regulations), across all the public companies in which he is a Director.

b) The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

B. Board Procedure

The Board meets at regular intervals and a detailed Agenda is sent to each Director prior to Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Board is apprised at every Meeting regarding the overall performance of the Company. The Board also inter alia reviews strategy and business plans,

annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any, adoption of quarterly/half-yearly/annual results, significant labour issues, and Minutes of Meetings of the Audit and other Committees of the Board. Details of the familiarization programme of the independent directors are available on the website of the Company (www.swarajenterprise.com).

During the financial year 2017-18, 5 Board Meetings were held on 25th April, 2017, 24th July, 2017, 31st October, 2017, 28th November, 2017 and 23rd January, 2018. The gap between two Meetings did not exceed four months.

The 31st Annual General Meeting (AGM) was held on 24th July, 2017.

C. Meeting(s) of Independent Directors

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

During the year, one meeting of Independent Directors was held on 13th December, 2017.

D. Board Evaluation

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

E. Directors seeking Re-appointment

The brief profiles of the Directors being re-appointed in the forthcoming Annual General Meeting of the Company are given below:

Shri R.R. Deshpande

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

Shri Deshpande, a Mechanical Engineer, is currently Joint Managing Director, Kirloskar Oil Engines Limited (KOEL). He is working with Kirloskar Group since 1977 and has vast experience in Projects, Production and Material Services. He is also a Director of Kirloskar Americas.

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

S.No.	Name of the Company	Name of Committee	Position Held
1.	Kirloskar Oil Engines Limited	Stakeholders Relationship Committee	Member

Shri Deshpande does not hold any shares in the Company.

Shri Vijay Varma

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

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

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

SWARAJ ENGINES LIMITED

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

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

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

Shri Varma does not hold any shares in the Company.

III. Committees of the Board

A. Audit Committee

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

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

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

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 2013 and the Listing Regulations. The functions of the Audit Committee inter alia include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of internal controls and regulatory compliances. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment of statutory auditors, their fees and reviews quarterly / annual financial statements before submission to the Board. It is also empowered to inter alia review Management Discussion and Analysis of financial condition, results of operations and related party transactions. Generally, all items listed in Regulation 18(3) of the Listing Regulations are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Regulation 18(2)(c) of the Listing Regulations. The meetings of the Audit Committee are also attended by the Whole Time Director & Chief Executive Officer, Chief Financial Officer, the Statutory Auditors and the Internal Auditor besides some other Non-Executive Directors as permanent invitees. The Cost Auditors attend the Audit Committee Meeting where cost audit report is discussed.

The Company Secretary acts as the Secretary to the Committee.

Shri Dileep C. Choksi, the Chairman of the Audit Committee, attended the last Annual General Meeting held on 24th July, 2017.

During the financial year under review, 5 meetings of Audit Committee of the Board were held on 25th April, 2017, 24th July, 2017, 31st October, 2017, 28th November, 2017 and 23rd January, 2018. The gap between the two meetings did not exceed four months.

Attendance record of the Members of the Audit Committee for FY 2017-18 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri Dileep C. Choksi	5	5
Dr. T.N. Kapoor	5	5
Shri S. Durgashankar	5	5
Smt. Neera Saggi	5	5

B. Stakeholders Relationship Committee

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

- Dr. T.N. Kapoor, Chairman
- Shri Rajesh Jejurikar
(co-opted w.e.f. 25.04.2017)
- Shri Subhash Mago
(co-opted w.e.f. 25.04.2017)

Consequent upon his resignation from the Directorship of the Company, Shri Rajan Wadhwa ceased to be a Member of the Committee w.e.f. 24.04.2017. Further, upon completion of his tenure as Whole Time Director, Shri M.N. Kaushal also ceased to be a Member of the Committee w.e.f. 01.04.2017.

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, 3 meetings of Stakeholders Relationship Committee were held on 24th July, 2017, 31st October, 2017 and 23rd January, 2018.

Attendance record of the Members of the Stakeholders Relationship Committee for FY 2017-18 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Dr. T.N. Kapoor	3	3
Shri Rajesh Jejurikar (co-opted w.e.f. 25.04.2017)	3	3
Shri Subhash Mago (co-opted w.e.f. 25.04.2017)	3	3
Shri Rajan Wadhwa (ceased to be a Member w.e.f. 24.04.2017)	N.A.	N.A.
Shri M.N. Kaushal (ceased to be a Member w.e.f. 01.04.2017)	N.A.	N.A.

The Company had received 258 enquiries/complaints from the shareholders and all of them have been attended / resolved.

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

C. Nomination and Remuneration Committee

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

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

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

During the financial year, 2 meetings of Nomination and Remuneration Committee of the Board was held on 25th April, 2017 and 24th July, 2017.

Attendance record of the Members of the Nomination and Remuneration Committee for FY 2017-18 is as under:

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

D. Corporate Social Responsibility Committee

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

- Shri Sudhir Mankad, Chairman
- Shri Vijay Varma
- Shri Rajesh Jejurikar
(co-opted w.e.f. 25.04.2017)
- Shri Subhash Mago
(co-opted w.e.f. 25.04.2017)

Consequent upon his resignation from the Directorship of the Company, Shri Rajan Wadhwa ceased to be a Member of the Committee w.e.f. 24.04.2017. Further, upon completion of his tenure as Whole Time Director, Shri M.N. Kaushal also ceased to be a Member of the Committee w.e.f. 01.04.2017.

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

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

During the financial year, 2 meetings of Corporate Social Responsibility Committee of the Board were held on 25th April, 2017 and 23rd January, 2018.

Attendance record of the Members of the Corporate Social Responsibility Committee for FY 2017-18 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings Attended
Shri Sudhir Mankad	2	2
Shri Vijay Varma	2	2
Shri Rajesh Jejurikar (co-opted w.e.f. 25.04.2017)	2	2
Shri Subhash Mago (co-opted w.e.f. 25.04.2017)	2	2
Shri Rajan Wadhera (ceased to be a Member w.e.f. 24.04.2017)	N.A.	N.A.
Shri M.N. Kaushal (ceased to be a Member w.e.f. 01.04.2017)	N.A.	N.A.

IV. Remuneration to Directors

Remuneration Policy

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

a) Policy for Selection and appointment of Directors

i) Appointment of Directors

- The Nomination and Remuneration Committee (NRC) reviews and assesses Board composition and recommends the appointment of new Directors as and when required. In evaluating the suitability of individual Board member with regard to qualifications, positive attributes and independence of director, the NRC takes into account the following criteria that:
 1. All Board appointments are based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
 2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision-making.
 3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board evaluates the candidature and decide on the selection of the appropriate member.

ii) Removal of Directors

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

iii) Succession Planning

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

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

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

b) Policy for Remuneration to Directors
i) Non-Executive Directors including Independent Directors:

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

ii) Whole Time / Executive Director(s):

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

Remuneration Details

Non-Executive Directors, other than representative directors of M&M, are paid sitting fees for attending the meetings of the Board of Directors and Committees thereof within the prescribed limits as decided by the Board and reimbursement of expenses incurred for attending the Board and Committee Meetings. The existing sitting fees paid to Non-Executive Directors is as under:

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

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

The details of Directors' remuneration for FY 2017-18 is as follows :

Independent Non-Executive Directors

(Rs. in Lakhs)

Name of the Directors who were in receipt of sitting fees / commission during FY 2017-18	Sitting Fees for Board and Committee Meetings paid during FY 2017-18	Commission payable for FY 2017-18	Total
Shri Sudhir Mankad	3.70	6.00	9.70
Dr. T.N. Kapoor	4.75	6.00	10.75
Shri R.R. Deshpande	2.50	6.00	8.50
Shri Vijay Varma	3.10	6.00	9.10
Shri Dileep C. Choksi	4.00	6.00	10.00
Smt. Neera Saggi	4.00	6.00	10.00

Executive - Whole-Time Director

(Rs. in Lakhs)

Name of Director	Salary (Basic and Allowances)	Commission	Contribution to Provident Fund	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Shri Subhash Mago (Whole Time Director & Chief Executive Officer)	112.35	Nil	2.95	Nil	Nil	115.30	25th April, 2017 to 31st March, 2020

Note: Above excludes:

- 3571 stock options granted by the Company which will be vested and become due for exercise in the subsequent period.
- stock options from Associate Company - Mahindra & Mahindra Limited.

V. General Body Meetings

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

Year	Date	Time	Special Resolutions passed
2015	28th July, 2015	2.00 P.M.	1. Revision in the remuneration of Shri M.N. Kaushal, Whole Time Director with effect from 1st October, 2014. 2. Approval for the related party transactions. 3. Approval to the Employee Stock Option Scheme - 2015.
2016	26th July, 2016	12.30 P.M.	1. Approval and adoption of new Articles of Association of the Company. 2. Approval of payment of commission to the Non-Executive Directors of the Company.
2017	24th July, 2017	3.00 P.M.	1. Approval of appointment of Shri Subhash Mago as Whole Time Director & Chief Executive Officer of the Company with effect from 25th April, 2017 and approval of remuneration payable to him.

The above meetings were held at Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab. No Extraordinary General Meeting was held during the past three years.

Postal Ballot

During the year, Special Resolution for approval of Buyback of its Equity Shares by the Company was passed through postal ballot.

During the year, the Board of Directors at its meeting held on 28th November, 2017 approved the proposal for the buyback of Equity Shares at a price of Rs. 2,400/- per Equity Share up to an aggregate amount not exceeding Rs. 70,73,90,400/- (being equal to 25% of the total paid-up equity capital and free reserves of the Company as per latest audited balance sheet as on 31st March, 2017) from the Shareholders of the Company on a proportionate basis through a tender offer in accordance with the provisions of the Companies Act, 2013 and, the Companies (Share Capital and Debentures) Rules, 2014, the Companies (Management and Administration) Rules, 2014 and in compliance with the Buyback Regulations. Members of the Company approved the above Buyback Offer through Special Resolution by means of postal ballot/e-voting process as per details below:

Date of Postal Ballot Notice	28th November, 2017
Voting Period	4th December, 2017 to 2nd January, 2018
Date of approval	2nd January, 2018
Date of declaration of results	3rd January, 2018

SWARAJ ENGINES LIMITED

Category	No. of Shares held	No. of Votes Polled	% of Votes Polled on Outstanding shares	No. of Votes - in favour	No. of Votes - against	% of Votes in favour on Votes polled	% of Votes against on Votes polled
	(1)	(2)	(3)=[(2)/(1)]*100	(4)	(5)	(6)=[(4)/(2)]*100	(7)=[(5)/(2)]*100
Promoter and Promoter Group	6286417	6286417	100.00	6286417	0	100.00	0.00
Public - Institutional Holders	2124909	1061706	49.96	1061706	0	100.00	0.00
Public - Non – Institutions	4010104	61701	1.54	56698	5003	91.89	8.11
Total	12421430	7409824	59.65	7404821	5003	99.93	0.07

The aforesaid resolution was passed with requisite majority on 2nd January, 2018.

Shri Ajay K Arora (Membership no. 2191), Practicing Company Secretary (Certificate of Practice No. 993) was appointed as the Scrutinizer for conducting the Postal Ballot and voting by electronic means (e-voting) process in a fair and transparent manner.

Procedure for Postal Ballot

In compliance with Regulation 44 of the Listing Regulations and Sections 108, 110 and other applicable provisions of the Companies Act, 2013 read with the Rules prescribed; the Company provides remote electronic voting (e-voting) facility to all its Members to enable them to cast their votes electronically. For the purpose of providing e-voting facility to all its Members, the Company engages the services of National Securities Depository Limited (NSDL).

The Members have the option to vote either by physical ballot or e-voting. The Company dispatches the Postal Ballot Notice(s) and Form(s) along with postage pre-paid reply envelope(s) to its Members whose names appear on the Register of Members/list of Beneficiaries as on the cut-off date. The Postal Ballot Notice is sent to Members in electronic form to the e-mail addresses registered with their depository participants (in case of electronic shareholding)/ the Company's Registrar and Share Transfer Agent (in case of physical shareholding). The Company also publishes a notice in the Newspapers declaring the details and requirements as mandated by the Act and applicable Rules.

Voting rights are reckoned on the paid-up value of the shares registered in the names of the Members as on the cut-off date. Members desiring to exercise their votes by physical Postal Ballot Form(s) are requested to return the Form(s) duly completed and signed, to the Scrutinizer on or before the close of voting period. Members desiring to exercise their votes by electronic mode are requested to vote before close of business hours on the last date of e-voting. The Scrutinizer submits his report to the Chairman/ Authorized Officer of the Company, after the completion of scrutiny, and the consolidated results of the voting by Postal Ballot are accordingly declared by the Company within the stipulated time frame. The Results and the Report of the Scrutinizer are hosted on the Company's website www.swarajenterprise.com besides being communicated to the Stock Exchanges and Registrar and Share Transfer Agent. The last date of receipt of the duly completed Postal Ballot Form(s) or e-voting is deemed to be the date of passing of the resolution(s), if approved by the requisite majority.

Resolutions proposed to be passed by way of Postal Ballot

No Special Resolution requiring a Postal Ballot is being proposed at the ensuing Annual General Meeting.

VI. Means of Communication

- a) In compliance with the requirements of the Listing Regulations, the Company regularly intimates quarterly un-audited as well as audited financial results to the Stock Exchanges within the statutory time period from the conclusion of the Board Meeting(s) at which these were considered and approved. These financial results are normally published in the leading financial / national / regional newspapers (Financial Express and Punjabi Tribune) and are also displayed on the website of the Company www.swarajenterprise.com;
- b) The official news releases are displayed on the Company's website www.swarajenterprise.com;
- c) During the year ended 31st March, 2018, no presentations were made to institutional investors or analysts.

VII. Shareholder Information

1. 32nd Annual General Meeting

Date : 30th July, 2018
 Time : 3.00 P.M.
 Venue : Swaraj Engines Ltd., Plot No. 2, Industrial Phase IX,
 S.A.S. Nagar (Mohali), Punjab - 160 062

2. Financial Calendar (tentative)

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

Calendar for the Board Meetings to be held to review / approve the financial results of the Company for FY 2018-19 is given below:

- Quarter ending 30th June, 2018 Last week of July, 2018
- Half year ending 30th September, 2018 Third week of October, 2018
- Quarter ending 31st December, 2018 Last week of January, 2019
- Year ending 31st March, 2019 May, 2019

Note: The above schedules are indicative.

3. Dividend Payment

The dividend, if declared, shall be paid on or before 7th August, 2018.

4. Date of Book Closure

14th July, 2018 to 20th July, 2018 (both days inclusive)

5. Listing on Stock Exchanges

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

Listing Fee for FY 2018-19 for both these stock exchanges has been paid.

6. Stock Code

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

7. CIN : L50210PB1985PLC006473

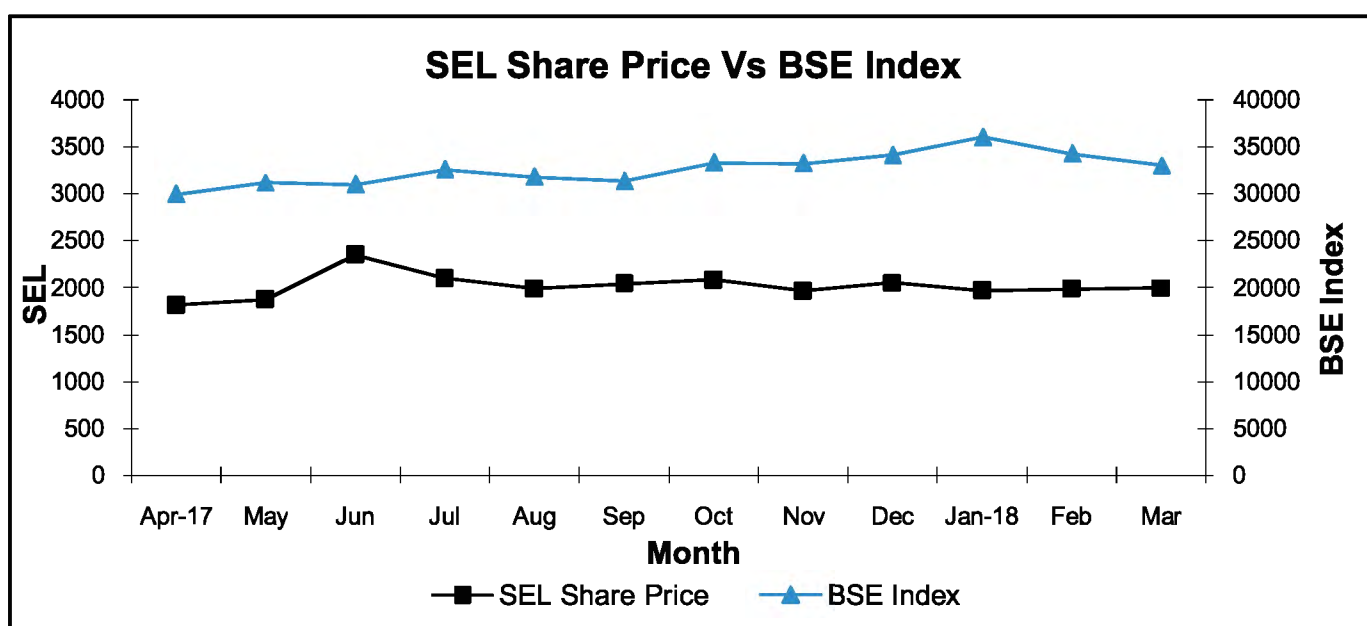
8. Stock Price Data

Monthly (April 2017 - March 2018) High - Low Quotations of shares traded at BSE & National Stock Exchange are as under:

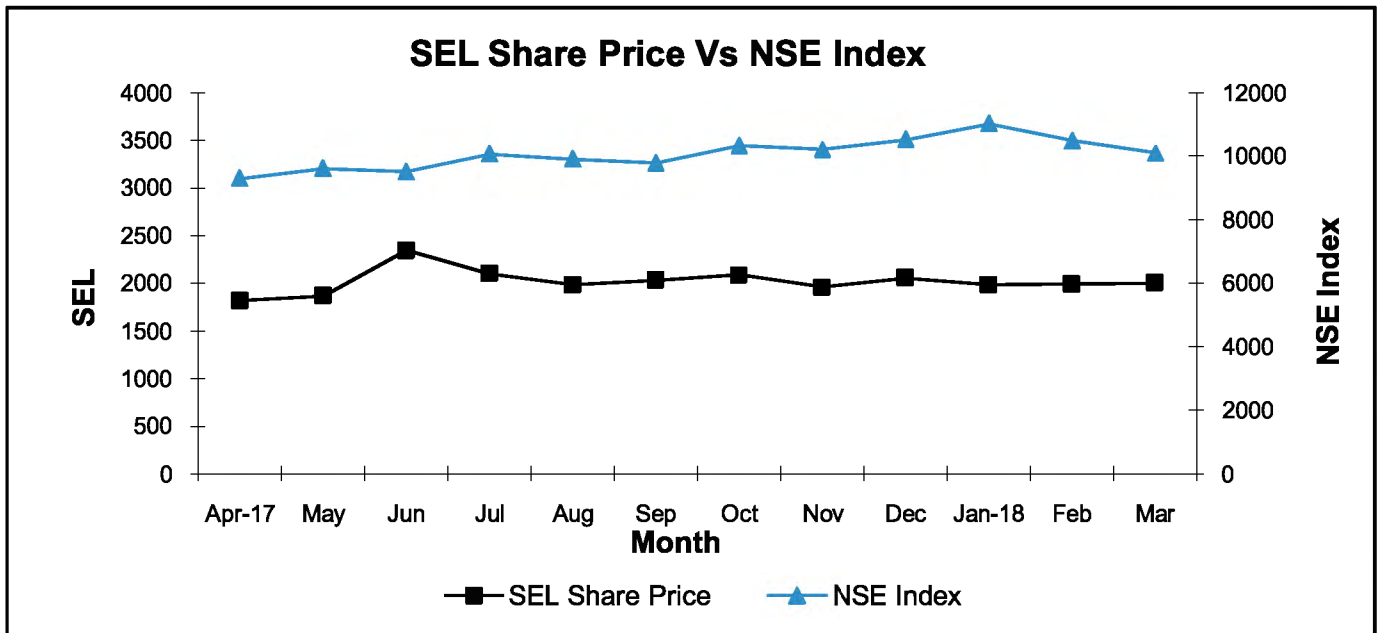
Month	BSE		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2017	1984.20	1407.00	1985.00	1422.00
May 2017	1899.70	1715.00	1894.00	1757.05
June 2017	2545.00	1870.00	2423.95	1858.55
July 2017	2434.05	2066.00	2385.00	2050.05
August 2017	2175.80	1890.00	2164.15	1875.00
September 2017	2145.00	1922.05	2150.00	1912.20
October 2017	2160.00	1980.00	2184.00	1962.70
November 2017	2207.00	1866.70	2210.00	1860.00
December 2017	2069.95	1935.00	2067.00	1931.50
January 2018	2207.85	1909.00	2210.00	1902.25
February 2018	2020.75	1849.55	2028.35	1840.00
March 2018	2019.85	1867.25	2019.95	1881.00

9. Stock Price Performance

SEL Share Price performance relative to BSE Sensitive Index



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



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

10. Registrar and Transfer Agents

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

Tel No. : 011 - 41406149

Fax No. : 011 - 41709881

Email address : helpdeskdelhi@mcsregistrars.com

Contact Person: Shri Amar Jit

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

11. Transfer System for physical shares

Trading in Equity Shares of the Company through recognized Stock Exchanges is permitted only in dematerialized form.

Shares sent for transfer in physical form are being registered & returned within the stipulated timeline from the date of receipt, if the documents are valid in all respects. Total number of shares transferred during FY 2017-18 was 3458 (Previous Year 4160). Against the opening balance of 5350 shares (21 folios) lying in Unclaimed Suspense Account, no claim was made during the year.

12. Shareholding Pattern as on 31st March, 2018

Category of Shareholders	No. of Shareholders	No. of Shares held	% of Holding
1 Promoters	2	61,53,555	50.74
2 Mutual Funds	26	15,72,617	12.97
3 Financial Institutions / Banks	2	881	0.01
4 Insurance Companies	1	9,290	0.08
5 Govt.	1	2,778	0.02
6 Foreign Institutional Investors	18	3,03,783	2.51
7 Bodies Corporate - Indian	439	4,67,885	3.86
8 NRIs	478	1,93,345	1.59
9 Indian Public	18,388	34,21,950	28.22
10 OCB	1	600	0.00
Total	19,356	1,21,26,684	100.00

13. Distribution Pattern of Shareholding as on 31st March, 2018

No. of Equity Shares held	No. of Shareholders		No. of Shares held	
	Numbers	% Total	Numbers	% Total
1 - 500	18,020	93.10	10,84,924	8.95
501 - 1000	849	4.39	5,83,760	4.81
1001 - 5000	401	2.07	8,35,635	6.89
5001 - 10000	41	0.21	2,84,251	2.35
10001 - 50000	22	0.11	4,90,156	4.04
50001 & above	23	0.12	88,47,958	72.96
Total	19,356	100.00	1,21,26,684	100.00

14. Dematerialisation of Shares and Liquidity

The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the trading. As on 31st March, 2018, 98.7% of the equity capital is held in electronic form. The market lot of the Share of your Company is one Share, as the trading in the Equity Share of your Company is permitted only in dematerialised form. The Non-Promoters' holding as on 31st March, 2018 is around 49.26% and the stock is highly liquid.

International Securities Identification Number (ISIN): INE277A01016 (with NSDL and CDSL)

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

Not Applicable.

16. Commodity price risk or Foreign Exchange Risk & hedging activities

The Company continues to focus on mitigating the inflationary impact of commodity prices, if any, through various cost reduction measures. As the nature of business of the Company does not involve any significant foreign exchange exposure, no hedging activity was done during the year. The details of foreign currency exposure are disclosed in Annexure E of the Directors Report.

17. Registered Office

Swaraj Engines Ltd.

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

18. Plant Location

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

19. Address for correspondence

Registrar and Share Transfer Agent

M/s MCS Share Transfer Agent Limited
Unit: Swaraj Engines Ltd.
F-65, 1st Floor,
Okhla Industrial Area, Phase - I
New Delhi - 110 020
Email: helpdeskdelhi@mcsregistrars.com

Phone : 011 - 41406149
Fax : 011 - 41709881

Compliance Officer & Company Secretary

Shri M.S. Grewal, Company Secretary

Registered Office:

Swaraj Engines Ltd.
Phase-IV, Industrial Area
S.A.S. Nagar (Mohali), Punjab - 160 055.
Email: selinvestor@swarajenterprise.com

Phone : 0172- 2271620-27
Fax : 0172- 2272731

20. Website Address : www.swarajenterprise.com

VIII. Other Disclosures

A. Disclosure of transactions with Related Parties

During FY 2017-18, all transactions entered into with related parties were in the ordinary course of business and on arm's length basis. The Company has not entered into any transaction of material nature with the promoters, the directors or the management or their relatives etc. that may have potential conflict with the interests of the Company. The Company has no subsidiary. Details of related parties and transactions with them are covered at Note 2.29 of the Annual Accounts. The Policy on Materiality of and Dealing with Related Party Transactions approved by the Board of Directors of the Company is available at Company's website www.swarajenterprise.com

B. Details of non-compliance etc.

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

C. Whistle Blower Policy

The Company is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics, honesty, integrity and ethical conduct. Towards this end, the Company has adopted a Code of Ethics & Conduct for its employees including Members of the Board of Directors referred to as "the Code" and other Policies as may be applicable from time to time which lays down the principles and standards that

should govern the actions of the Company and its Employees. Any actual or potential violation of the Code/Policies, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the Employees in pointing out such violations of the Code/Policies cannot be undermined. Accordingly, the Whistle Blower Policy ("the Policy") has been formulated with a view to provide a mechanism for employees of the Company to approach the Chairman of the Audit Committee of the Company or Chairman of the Company.

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

D. Disclosure of Accounting Treatment in preparation of Financial Statements

The Company adopted Indian Accounting Standards (Ind AS) from 1st April, 2016. Accordingly, the financial statements have been prepared in accordance with Ind AS as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Act and other relevant provisions of the Act. The significant accounting policies which are consistently applied are set out under Note 1 of the Annual Accounts.

E. CEO / CFO Certification

As required under Regulation 17(8) of the Listing Regulations, Chief Executive Officer and Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2018.

F. Management Discussion and Analysis Report

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

G. Risk Management

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

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

H. Code for prevention of Insider Trading Practices

The Company has formulated and adopted the 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' and 'Code of Conduct for Prevention of Insider Trading in Securities of Swaraj Engines Limited' ("SEL Code of Conduct") in compliance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("the Regulations").

SEL Code of Conduct has been formulated to regulate, monitor and ensure reporting of trading by the Employees and Connected Persons designated on the basis of their functional role in the Company towards achieving compliance with the Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is applicable. SEL Code of Conduct lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with securities of the Company and cautions them of the consequences of violations.

IX. Compliance with Mandatory requirements

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

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

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

b) Separate Posts of Chairman and CEO

The Company has separate persons to the post of Chairman and Whole Time Director & Chief Executive Officer.

c) Internal Auditor

The internal auditor reports directly to the Audit Committee.

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

XI. Code of Conduct

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

Mumbai, 23rd April, 2018

SWARAJ ENGINES LIMITED

DECLARATION BY THE WHOLE TIME DIRECTOR & CHIEF EXECUTIVE OFFICER UNDER SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To

The Members of Swaraj Engines Limited

I, Subhash Mago, Whole Time Director & Chief Executive Officer 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, 2018.

Mumbai, 23rd April, 2018

Subhash Mago
Whole Time Director &
Chief Executive Officer

INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members

Swaraj Engines Limited

1. This certificate is issued in accordance with the terms of our engagement with Swaraj Engines Limited ('the Company').
2. We have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2018, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

MANAGEMENTS' RESPONSIBILITY

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

AUDITOR'S RESPONSIBILITY

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

OPINION

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2018.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For B.K. KHARE & CO.
Chartered Accountants
Firm Registration No. 105102W

PADMINI KHARE KAICKER
Partner
Membership No. 044784

Mumbai, April 23, 2018

ANNEXURE – A TO DIRECTORS' REPORT

FORM NO. AOC-2

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

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

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

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

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

a)	Name(s) of the related party and nature of relationship	Mahindra & Mahindra Limited, Associate Company
b)	Nature of contracts/arrangements/transactions	Sale, purchase, service or supply of goods or materials, availing or rendering of services, leasing of property of any kind, selling or otherwise disposing of or buying property of any kind or any other transaction in the ordinary course of business and at arm's length.
c)	Duration of contracts/arrangements/transactions	FY 2017-18
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Total value of transactions during FY 2017-18 was Rs. 940.70 crores (excluding dividend paid - Rs.17.74 crores).
e)	Date(s) of approval by the Board, if any	Not applicable
f)	Amount paid as advances, if any	NIL

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 23rd April, 2018

(SUDHIR MANKAD)
Chairman

ANNEXURE – B TO DIRECTORS' REPORT

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sr. No.	Requirements	Disclosure
1	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year.	WTD & CEO - 19.2 Times
2	The percentage increase in remuneration of each Director, CEO, CFO & CS.	WTD & CEO - 8.0% CFO - 10.8% CS - 10.0%
3	The percentage increase in the median remuneration of employees in the financial year.	The median remuneration of the employees in the financial year was increased by 13.2%. The calculation of % increase in median remuneration is done based on comparable employees.
4	The number of permanent employees on the rolls of the company.	There were 382 permanent employees as on 31st March, 2018.
5	Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	The average percentage change in Managerial employees is 9.1% whereas the average percentage change in Non-Managerial employees is 13.7% in 2017-18.
6	Affirmation that the remuneration is as per the remuneration policy of the company	Yes, it is affirmed.

Note:

The Independent Directors and two Non-Executive Directors of the Company are entitled to sitting fees and commission as per the statutory provisions and within the limits approved by the Board of Directors and Members. The details of their remuneration are provided in the Corporate Governance Report.

ANNEXURE – C TO DIRECTORS' REPORT

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

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

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

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

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by SWARAJ ENGINES LIMITED ("the Company") for the financial year ended on March 31, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013.
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014;
 - e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

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

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

- a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- b) The SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 being listed on the National Stock Exchange of India Limited and BSE Limited;

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

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

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
3. All decisions are carried through majority, while the dissenting members' views, if any, are captured and recorded as part of the minutes.
4. The company has proper board processes.

Based on the compliance mechanism established by the company and on the basis of the compliance certificate(s) issued by the Company Secretary/ Officers, I am of an opinion that:

1. There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
2. Based on the examination of the relevant documents and records on test check basis the company has complied with the following laws specifically applicable to the company:

- a) The Gas Cylinder Rules, 1981, Amended 2004
- b) The Batteries (M&H) Rules, 2001

I further report that during the audit period the company has allotted 1,610 equity shares of face value of Rs. 10 each pursuant to exercise of stock options by employees. The Company has also carried out the buyback of 2,94,746 equity shares of Rs. 10/- (Rupees Ten only) each aggregating up to 2.37% of fully paid-up equity share capital of the Company, at a price of Rs. 2400/- per Equity Share of the Company, on a proportionate basis through a tender offer pursuant to the SEBI (Buyback of Securities) Regulations, 1998.

I further report that, there were no instances of

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

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

Place : Chandigarh
Date : 14.04.2018

FCS No. 2191
C P No.: 993

ANNEXURE – D TO DIRECTORS' REPORT**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES****1. A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.**

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

a) CSR Philosophy

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

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

b) Objective of the CSR Policy

The objective of this policy is to -

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

c) CSR Thrust Areas

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

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

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

2. Composition of the CSR Committee:

Shri M.N. Kaushal and Shri Rajan Wadhera, who were Members of the CSR Committee of the Company, ceased to be Directors of the Company with effect from 1st April, 2017 and 24th April, 2017 respectively. Accordingly, the CSR Committee was reconstituted on 25th April, 2017 with induction of Shri Rajesh Jejurikar and Shri Subhash Mago as its Members.

The CSR Committee currently comprises of following Directors:

1. Shri Sudhir Mankad, Chairman (Independent Director)
2. Shri Vijay Varma (Non-Independent Director)
3. Shri Rajesh Jejurikar (Non-Independent Director)
4. Shri Subhash Mago (Whole Time Director & Chief Executive Officer)

3. Average net profit of the Company for last three financial years: Rs. 8649.79 Lakhs**4. Prescribed CSR Expenditure (two per cent of the amount mentioned in item 3 above) : Rs. 173.00 Lakhs****5. Details of the CSR spend for the financial year:**

- a. Total amount to be spent for the financial year: Rs. 173.00 Lakhs

b. Amount unspent/unpaid : Nil

c. Manner in which the amount spent during the financial year is detailed below :

Sr. No.	Projects / Activities	Sector	Locations	Amount Outlay (Budget) Project or Program-wise	Amount spent on the project or programs	Cumulative Expenditure upto reporting period	Amount spent: Direct or through implementing Agency
			State(s)	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
1.	Contribution to Paediatric Intensive Care Unit (PICU) - PGIMER by providing medical equipments/ infra and yoga room in advance cardiac centre	Healthcare	Chandigarh	77.62	77.62	77.62	Direct
2.	Skill Development Centre (in the adopted villages - Kambala & Kambali) in collaboration with Technical Education and Industrial Training Punjab	Promoting employment enhancement vocation skills	Punjab	35.88	35.88	35.88	Direct
3.	Contribution by organising medical camps in near vicinity through GVK-EMRI medical mobile unit (MMU)	Healthcare	Punjab	23.53	23.53	23.53	GVK-EMRI
4.	Misc. Activities/ Initiatives	Awareness Campaigns towards Environment Sustainability/ Safety, Blood Donation Camps and other Social Activities for overall goodness for the Society at Large.	Punjab/ Chandigarh	35.97	37.89	37.89	Direct
		Total		173.00	174.92	174.92	

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

Subhash Mago
Whole Time Director & Chief Executive Officer
23rd April, 2018

Sudhir Mankad
Chairman

ANNEXURE – E TO DIRECTORS' REPORT

Particulars as per the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2018

A. CONSERVATION OF ENERGY:

- (a) Steps taken for conservation of energy:

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

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

- Implementation of close loop system in engine testing area
- Introduction of LED lamps in place of fluorescent lamp in entire plant
- Installation of Low watt loss distribution panel
- Installation of heat recovery system in the exhaust line of engine testing to heat up the washing media of washing machines.
- Introduction of Auto Shut off valve in Compressed air line

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

- (c) Capital investment on energy conservation equipments : Rs. 60 lakhs on various energy conservation projects.

Above initiatives besides being energy efficient are also environment friendly.

Overall annualized savings for the year - Rs. 25 lakhs.

B. TECHNOLOGY ABSORPTION:

- (a) The efforts made towards technology absorption:

- Successful development and commercialization of 60 HP engine
- 65 HP Turbocharged engine is under testing
- Project for upgradation of engines to meet upcoming TREM IV emission norms for >50 HP engines has been initiated.

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

- (b) Benefits derived as a result of the above efforts: Expansion of product range and getting ready for upcoming regulatory requirements.

- (c) While no technology has been imported during the last 4 years, the Company has gone for high technology imported machines which helped to enhance the overall productivity and reduction in rework / rejection.

- (d) Expenditure on R&D: The Company spent revenue expenditure of Rs. 2.71 crores on Research & Development work during the year, which was 0.3% of the total turnover.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year, while there were no exports/foreign exchange earnings, foreign exchange outgo during the year stands at Rs. 8.31 crores (previous year - Rs. 0.19 crore).

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 23rd April, 2018

(SUDHIR MANKAD)
Chairman

ANNEXURE – F TO DIRECTORS' REPORT

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2018

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

FORM NO. MGT - 9

I. Registration and Other Details

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

II. Principal Business Activities of the Company

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

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

III. Particulars of Holding, Subsidiary and Associate Companies

Name and address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
Mahindra & Mahindra Limited	L65990MH1945PLC004558	Associate	33.31	2(6)

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

Category of Shareholders	No. of Shares held at the beginning of the year (as on 01-04-2017)				No. of shares held at the end of the year (as on 31-03-2018)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individuals/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	6286417	-	6286417	50.62	6153555	-	6153555	50.74	0.12
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1):	6286417	-	6286417	50.62	6153555	-	6153555	50.74	0.12
(2) Foreign									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2):	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoters (A)=(A)(1)+(A)(2)	6286417	-	6286417	50.62	6153555	-	6153555	50.74	0.12
B. Public Shareholding									
(1) Institutions									
a) Mutual Fund	1491670	-	1491670	12.01	1572617	-	1572617	12.97	0.96
b) Banks / FI	1054	-	1054	0.01	881	-	881	0.01	-
c) Central Govt. (IEPF)	-	-	-	-	2778	-	2778	0.02	0.02
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	24588	-	24588	0.20	9290	-	9290	0.08	-0.12
g) FIs	624662	-	624662	5.03	303783	-	303783	2.50	-2.53
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B)(1):	2141974	-	2141974	17.24	1889349	-	1889349	15.58	-1.66

Category of Shareholders	No. of Shares held at the beginning of the year (as on 01-04-2017)				No. of shares held at the end of the year (as on 31-03-2018)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non-Institutions									
a) Bodies Corporate									
i) Indian	519249	1803	521052	4.20	467282	603	467885	3.86	-0.34
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual Shareholders holding nominal share capital upto Rs.1 lakh	2168263	130800	2299063	18.51	2355402	117552	2472954	20.39	1.88
ii) Individual Shareholders holding nominal share capital in excess of Rs.1 lakh	878390	33000	911390	7.34	859896	33000	892896	7.36	0.02
c) Others (specify)									
i) Trusts & Foundations	53450	-	53450	0.43	56100	-	56100	0.46	0.03
ii) NRIs/OCBs	206474	-	206474	1.66	193945	-	193945	1.60	-0.06
Sub-Total (B)(2):	3825826	165603	3991429	32.14	3932625	151155	4083780	33.68	1.54
Total Public Shareholding (B)=(B)(1)+(B)(2)	5967800	165603	6133403	49.38	5821974	151155	5973129	49.26	-0.12
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	12254217	165603	12419820	100.00	11975529	151155	12126684	100.00	-

(ii) Shareholding of Promoters

Shareholder's Name	Shareholding at the beginning of the year (as on 01-04-2017)			Shareholding at the end of the year (as on 31-03-2018)			% change in shareholding during the year
	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares	
Mahindra & Mahindra Ltd.	4126417	33.22	-	4039206	33.31	-	0.09
Kirloskar Industries Ltd.	2160000	17.39	-	2114349	17.44	-	0.05
Total	6286417	50.62	-	6153555	50.74	-	0.12

(iii) Change in Promoters Shareholding

Particulars	Shareholding at the beginning of the year (as on 01-04-2017)		Increase/Decrease in No. of shares	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
	No. of shares of the Company	% of total shares	No. of shares of the Company	% of total shares	
At the beginning of the year – As on 01-04-2017	6286417	50.62			
Shares tendered pursuant to Buyback Offer given by the Company - 20-02-2018			(132862)	6153555	50.74
At the end of the year - As on 31-03-2018				6153555	50.74

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

Name of Shareholder	Shareholding at the beginning of the year (as on 01-04-2017)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
1. DSP Blackrock Small Cap Fund	391715	3.15	(15131) 41195 (2608)	28-04-2017 09-06-2017 14-07-2017	415171	3.42
2. L&T Mutual Fund Trustee Limited - L&T Emerging Businesses Fund	94900	0.76	4734 2966 5046 (4446) 2797 1000 10000 4708 1000 1895 (6039) 1000 8000 32000 47539 6950	19-05-2017 26-05-2017 02-06-2017 09-06-2017 07-07-2017 13-10-2017 01-12-2017 19-01-2018 26-01-2018 09-02-2018 23-02-2018^ 02-03-2018 09-03-2018 16-03-2018 23-03-2018 31-03-2018	214050	1.77

Name of Shareholder	Shareholding at the beginning of the year (as on 01-04-2017)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason*	No. of Shares	% of total shares of the Company
3. L And T Mutual Fund Trustee Ltd- L And T India Prudence Fund	113121	0.91	10000 4500 7311 14461 3000 7456 44 5508 (5000) 25000 1000 4000 1000 6000 9573 1688 2000 2000 (14613)	07-04-2017 14-04-2017 21-04-2017 28-04-2017 05-05-2017 12-05-2017 19-05-2017 02-06-2017 09-06-2017 21-07-2017 28-07-2017 04-08-2017 11-08-2017 25-08-2017 15-09-2017 29-09-2017 13-10-2017 20-10-2017 23-02-2018^	198049	1.63
4. Vikram Chinubhai Shah & Rashmi Vikram Shah	176000	1.42	(2968) 2968	23-02-2018^ 09-03-2018	176000	1.45
5. National Westminster Bank Plc - As Trustee of The Jupiter India Fund	176099	1.42	3928 3896 2848 1677 (12833)	30-06-2017 07-07-2017 14-07-2017 09-02-2018 23-02-2018^	175615	1.45
6. Reeta Keyur Parikh	176500	1.42	(3890)	23-02-2018^	172610	1.42
7. SBI Magnum Midcap Fund	159423	1.28	(3348)	23-02-2018^	156075	1.29
8. HDFC Small Cap Fund	150000	1.21	(3150) 3052	23-02-2018^ 16-03-2018	149902	1.24
9. Keyur H Parikh	120058	0.97	(2500) (2641)	09-02-2018 23-02-2018^	114917	0.95
10. HDFC Trustee Company Ltd A/C - HDFC Children's Gift Fund - Investment Plan	111000	0.89	(2331)	23-02-2018^	108669	0.90

* Reason for Change in Shareholding is Transfer.

^ Shares tendered pursuant to Buyback Offer given by the Company.

Note: Top ten shareholders of the Company as on 31st March, 2018 has been considered for the above disclosure.

(v) Shareholding of Directors and Key Managerial Personnel

Name of the Director and KMP	Shareholding at the beginning of the year (as on 01-04-2017)		Change in Shareholding (No. of Shares)		Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
	No. of Shares	% of total shares of the Company	Increase/ (Decrease)	Date/ Reason	No. of Shares	% of total shares of the Company
Directors						
Nil	Nil	Nil	Nil	Nil	Nil	Nil
KMPs						
1. Sh. Rajinder Arora, CFO	1050	0.008	(23)	23-02-2018 ^	1027	0.008

^ Shares tendered pursuant to Buyback Offer given by the Company.

V. Indebtedness

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

VI. Remuneration of Directors and Key Managerial Personnel
A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:
(Rs. in Lakhs)

S. No.	Particulars of Remuneration	Sh. Subhash Mago Whole Time Director & Chief Executive Officer^	Total Amount
1	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	103.03	103.03
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	7.85	7.85
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2	Stock Option*	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- others	-	-
5	Others	-	-
	Total (A)	110.88	110.88

^Chief Executive Officer till 24th April, 2017 and appointed as Whole Time Director & Chief Executive Officer w.e.f. 25th April, 2017.

*Excludes:

- 3571 stock options granted by the Company which will be vested and become due for exercise in the subsequent period.
- stock options from Associate Company - Mahindra & Mahindra Limited.

B. Remuneration to other Directors:

1. Independent Directors

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors				Total Amount
	Sh. Sudhir Mankad	Dr. T.N. Kapoor	Sh. Dileep C. Choksi	Smt. Neera Saggi	
- Fee for attending Board/ Committee Meetings	3.70	4.75	4.00	4.00	16.45
- Commission	6.00	6.00	6.00	6.00	24.00
- Others	-	-	-	-	-
Total (B)(1)	9.70	10.75	10.00	10.00	40.45

2. Other Non-Executive Directors

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors		Total Amount
	Sh. R.R. Deshpande	Sh. Vijay Varma	
- Fee for attending Board/Committee Meetings	2.50	3.10	5.60
- Commission	6.00	6.00	12.00
- Others	-	-	-
Total (B)(2)	8.50	9.10	17.60
Total (B)= (B)(1)+ (B)(2)			58.05

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

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

(Rs. in Lakhs)

S. No.	Particulars of Remuneration	Sh. M.S. Grewal Company Secretary	Sh. Rajinder Arora CFO	Total Amount
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	6.93	25.14	32.07
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	0.37	1.36	1.73
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option*	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others	-	-	-
5	Others	-	-	-
	Total (C)	7.30	26.50	33.80

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

VII. Penalties / Punishment / Compounding of Offences

There were no penalties / punishment / compounding of offences for the year ended 31st March, 2018.

SWARAJ ENGINES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2018

(Rs. in Lakhs)

Particulars	Note	2018	2017
I. ASSETS			
Non-Current Assets			
(a) Property, Plant and Equipment	2.1	9162.62	9092.12
(b) Capital Work-in-Progress	–	417.30	37.88
(c) Investment Property	2.2	24.17	24.70
(d) Intangible Assets	2.3	8.33	7.80
(e) Intangible Assets under Development	–	178.42	45.84
(f) Other Non-current Assets	2.4	1088.43	384.48
Total Non-Current Assets		10879.27	9592.82
Current Assets			
(a) Inventories	2.5	3192.00	2608.27
(b) Financial Assets			
(i) Investments	2.6	7609.63	4891.03
(ii) Trade Receivables	2.7	1527.30	1307.23
(iii) Cash and Cash Equivalents	2.8	304.74	199.06
(iv) Other Bank Balances	2.8	4439.97	4667.61
(v) Other Financial Assets	2.9	5938.14	13754.09
(c) Other Current Assets	2.10	858.86	195.66
Total Current Assets		23870.64	27622.95
TOTAL ASSETS		34749.91	37215.77
II. EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	2.11	1212.67	1241.98
(b) Other Equity (Refer SOCE)		21637.28	27094.96
Total Equity		22849.95	28336.94
Liabilities			
Non-Current Liabilities			
(a) Long Term Provisions	2.12	355.93	288.38
(b) Deferred Tax Liabilities (Net)	2.13	579.17	627.17
Total Non-Current Liabilities		935.10	915.55
Current Liabilities			
(a) Financial Liabilities			
(i) Trade Payables	2.14	9846.81	7013.42
(ii) Other Financial Liabilities	2.15	590.81	288.40
(b) Short Term Provisions	2.16	413.52	226.55
(c) Other Current Liabilities	2.17	113.72	434.91
Total Current Liabilities		10964.86	7963.28
Total EQUITY AND LIABILITIES		34749.91	37215.77
Significant Accounting Policies	1		
Notes on Accounts	2		

As per our report of even date attached

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

For B.K. KHARE & CO.
Chartered Accountants
Firm Registration No.105102W

FOR AND ON BEHALF OF THE BOARD

PADMINI KHARE KAICKER
Partner
Membership No. 044784

M.S. GREWAL
Company Secretary

SUDHIR MANKAD
Chairman

RAJINDER ARORA
Chief Financial Officer

SUBHASH MAGO
Whole Time Director &
Chief Executive Officer

Mumbai, 23rd April, 2018

Mumbai, 23rd April, 2018

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

(Rs. in Lakhs)

Particulars	Note	2018	2017
Revenue from Operations (Gross)	2.18	79536.43	74917.86
Other Income	2.19	1896.04	1721.15
Total Income		81432.47	76639.01
EXPENSES			
Cost of Raw Materials Consumed	2.20	57582.17	49291.87
Changes in Inventories of Finished Goods and Work-in-Progress	2.21	(149.77)	261.80
Excise duty on Sales		2420.75	8303.43
Employee Benefits Expense	2.22	3476.93	3097.67
Finance Costs	2.23	101.10	1.54
Depreciation and Amortisation Expense	2.1, 2.2 & 2.3	1682.01	1628.07
Other Expenses	2.24	4047.83	3508.51
Total Expenses		69161.02	66092.89
Profit Before Exceptional Items and Tax		12271.45	10546.12
Exceptional Items		—	—
Profit Before Tax		12271.45	10546.12
Tax Expense			
(1) Current Tax	2.13	4325.50	3795.50
(2) Deferred Tax	2.13	(64.00)	(132.89)
Total Tax Expense		4261.50	3662.61
Profit After Tax		8009.95	6883.51
Other Comprehensive Income			
A		(29.37)	19.73
(i) Items that will not be reclassified to profit and loss		(44.87)	30.23
(ii) Income tax related to above		15.50	(10.50)
B		—	—
(i) Items that may be reclassified to profit and loss		—	—
(ii) Income tax related to above		—	—
Total Comprehensive Income for the period		7980.58	6903.24
Earning per Equity Share :			
(1) Basic Earning Per Share (Rs.)	2.25	64.62	55.42
(2) Diluted Earning Per Share (Rs.)		64.56	55.38
Significant Accounting Policies	1		
Notes on Accounts	2		

As per our report of even date attached

 For B.K. KHARE & CO.
 Chartered Accountants
 Firm Registration No.105102W

 PADMINI KHARE KAICKER
 Partner
 Membership No. 044784

 M.S. GREWAL
 Company Secretary
 RAJINDER ARORA
 Chief Financial Officer

Mumbai, 23rd April, 2018

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

FOR AND ON BEHALF OF THE BOARD

 SUDHIR MANKAD
 Chairman
 SUBHASH MAGO
 Whole Time Director &
 Chief Executive Officer

Mumbai, 23rd April, 2018

STATEMENT OF CHANGES IN EQUITY (SOCE) FOR THE YEAR ENDED 31ST MARCH, 2018
CHANGE IN EQUITY SHARE CAPITAL

(Rs. in Lakhs)

Particulars	2018	2017
Outstanding at the beginning	1241.98	1241.98
Add : Shares issued on exercise of employee stock options	0.16	–
Less : Shares bought back	29.47	–
Outstanding at the end	1212.67	1241.98

During the year, pursuant to Public Announcement published on 4th January, 2018 and letter of offer dated 20th January 2018, the Company has bought back its 2,94,746 number of Equity Shares of face value of Rs.10 each fully paid up through tender offer route under Stock Exchange mechanism and extinguished these shares on 26th February 2018. Post such buy-back, the number of fully paid Equity Shares as on 31.03.2018 stands at 1,21,26,684.

b. Changes in Other Equity

For the year ended 31st March, 2018

(Rs. in Lakhs)

Particulars	Reserves and Surplus						Total
	Retained Earnings	General Reserve	Securities Premium	Capital Reserve	Other Reserve- Employee Stock Option Outstanding Reserve	Other Comprehensive Income- Actuarial Gain/(Loss)	
As at 1st April, 2017	11056.96	15996.76	–	0.05	32.27	8.92	27094.96
Profit / (Loss) for the Year	8009.95	–	–	–	–	(29.37)	7980.58
Dividend paid on Equity Shares	(5340.52)	–	–	–	–	–	(5340.52)
Dividend Distribution Tax	(1087.20)	–	–	–	–	–	(1087.20)
Buy Back of Equity Shares	–	(7044.43)	–	–	–	–	(7044.43)
Options exercised during the period	–	–	13.25	–	(13.25)	–	–
Options expensed during the period	–	–	–	–	33.89	–	33.89
As at 31st March, 2018	12639.19	8952.33	13.25	0.05	52.91	(20.45)	21637.28

SWARAJ ENGINES LIMITED

For the year ended 31st March, 2017

(Rs. in Lakhs)

Particulars	Reserves and Surplus						Total
	Retained Earnings	General Reserve	Security Premium	Capital Reserve	Other Reserve- Employee Stock Option Outstanding Reserve	Other Comprehensive Income- Actuarial Gain/(Loss)	
As at 1st April, 2016	9106.36	15996.76	–	0.05	9.42	(10.81)	25101.78
Profit / (Loss) for the Year	6883.51	–	–	–	–	19.73	6903.24
Dividend paid on Equity Shares	(4098.54)	–	–	–	–	–	(4098.54)
Dividend Distribution Tax	(834.37)	–	–	–	–	–	(834.37)
Options expensed during the period	–	–	–	–	22.85	–	22.85
As at 31st March, 2017	11056.96	15996.76	–	0.05	32.27	8.92	27094.96

As per our report of even date attached

For B.K. KHARE & CO.
Chartered Accountants
Firm Registration No.105102W

PADMINI KHARE KAICKER
Partner
Membership No. 044784

Mumbai, 23rd April, 2018

FOR AND ON BEHALF OF THE BOARD

M.S. GREWAL
Company Secretary

RAJINDER ARORA
Chief Financial Officer

SUDHIR MANKAD
Chairman

SUBHASH MAGO
Whole Time Director &
Chief Executive Officer

Mumbai, 23rd April, 2018

1. COMPANY'S OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Company's Overview

Swaraj Engines Limited (SEL) is a public limited company incorporated and domiciled in India. SEL has its works / principal place of business at Plot No. 2, Phase-IX, Industrial Area, S.A.S. Nagar (Mohali), Punjab, India and registered office at Phase-IV, Industrial Area, S.A.S. Nagar (Mohali), Punjab, India.

SEL is in the business of manufacturing diesel engines and hi-tech engine components. Diesel Engines are specifically designed for tractor application.

The Shares of the Company are listed on both BSE Limited and National Stock Exchange of India Limited.

1.2 Basis of Preparation and Presentation

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments, which are measured at fair values. The financial statements of the Company have been prepared to comply with the Indian Accounting Standards ('Ind AS'), including the rules notified under the relevant provisions of the Companies Act, 2013.

The financial statements are approved by the Company's Board of Directors and authorised for issue on 23rd April, 2018.

1.3 Property Plant and Equipment

- i) Property, plant and equipment are stated at cost of construction or acquisition, less accumulated depreciation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.
- ii) 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.
- iii) Depreciation on Tangible Assets (except Land) is provided on Straight Line Method, pro-rata monthly rests, as per the life prescribed in Schedule II of the Companies Act, 2013 except for fixed assets mentioned in para (iv) below.
- iv) In the following cases, Lower useful life is considered than those prescribed in Schedule II of the Companies Act, 2013

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

- v) The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end, and adjustment if any, is made prospectively.

1.4 Investment Properties

Investment Properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured at cost and the same is derecognized upon disposal or when it is permanently withdrawn from use with no future economic benefits are expected from the disposal.

Depreciation is provided on Straight Line Method, pro-rata monthly rests, as per the life prescribed for Building in Schedule II of the Companies Act, 2013.

1.5 Inventories

Inventories are valued at cost or net realizable value, whichever is lower. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads and is ascertained on monthly weighted

average basis, net of recoverable taxes incurred in bringing them to their respective present location and condition. Cost of raw materials and stores and spares are determined on weighted average basis.

1.6 Foreign currency transactions

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

1.7 Employee Benefit

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

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

Company contributes to a trust, which has taken Master Policy with the Life Insurance Corporation of India to cover its liability towards employees' gratuity. Provisions in respect of liabilities of gratuity and leave encashment are made based on actuarial valuation made by an independent actuary as at the balance sheet date. Gains and Losses through re-measurements of the net defined benefit liability are recognized in other comprehensive income. The actual return of the plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income.

In respect of Employee Stock Option Scheme:

The compensation cost of stock options granted to employees is measured by the Fair Value Method. The fair value, determined at the grant date of the underlying equity shares, is recognized and amortised on straight line basis over the vesting period.

1.8 Revenue Recognition

Sale of Goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, and excluding taxes or duties collected on behalf of the government.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and Interest Income

Dividend income from investments is recognised when the right to receive payment has been established.

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the deposits and at the interest rate settled with the Bank.

1.9 Intangible Assets

Intangible assets are carried at cost and amortized on Straight line method, so as to reflect the pattern in which the assets economic benefits are consumed.

i) **Development expenditure:**

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

ii) **Software Expenditure:**

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

1.10 Taxes on Income

Current tax is determined as the amount of tax payable in respect of the taxable income for the year.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

1.11 Financial Instruments

Financial Assets

Initial recognition and measurement

All financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.

Subsequent measurement

Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For trade receivables and other financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

Financial liabilities**Initial recognition and measurement**

All financial liabilities are recognized at fair value.

Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derecognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

1.12 Impairment of Assets

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

1.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 periodically reviewed and revisions are made as and when required.

1.14 Use of estimates and judgments

The preparation of the Company's financial statements requires management to make judgement, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Depreciation / amortisation and useful lives of property plant and equipment / intangible assets:

Property, plant and equipment / intangible assets are depreciated / amortised over their estimated useful lives, after taking into account estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation / amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and take into account anticipated technological changes. The depreciation / amortisation for future periods is revised if there are significant changes from previous estimates.

Provision for product warranty

The Company recognizes provision for product warranties in respect of its products that it sells. Provisions are discounted, where necessary to its present value based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjust to reflect the current best estimates.

1.15 Accounting Policies not specifically referred above are consistent with generally accepted Accounting practices.

SWARAJ ENGINES LIMITED

2.1 PROPERTY, PLANT AND EQUIPMENT

(Refer Note 1.3)

Following are the changes in the carrying value of Property, Plant and Equipment for the year ended 31st March, 2018:

(Rs. in Lakhs)

Description of Assets	Land	Buildings	Plant and Equipment	Office Equipments	Furniture and Fixtures	Electrical Installations	Vehicles	Total
Gross Carrying Value as at 1st April, 2017	50.68	1531.73	17130.98	152.63	93.34	469.21	79.02	19507.59
Additions during the year	74.12*	16.29	1576.69	24.57	13.94	67.54	46.59	1819.74
Disposals/Adjustments during the year	-	-	736.72	2.17	2.61	0.20	-	741.70
Gross Carrying Value as at 31st March, 2018	(A) 124.80	1548.02	17970.95	175.03	104.67	536.55	125.61	20585.63
Accumulated depreciation as at 1st April, 2017	-	564.45	9394.44	111.14	75.02	245.66	24.76	10415.47
Depreciation expense for the year	-	47.42	1557.05	18.17	5.13	28.70	21.90	1678.37
Accumulated depreciation on disposals/adjustments during the year	-	-	666.13	1.90	2.60	0.20	-	670.83
Accumulated depreciation as at 31st March, 2018	(B) -	611.87	10285.36	127.41	77.55	274.16	46.66	11423.01
Carrying Value as at 31st March, 2018	(A-B) 124.80	936.15	7685.59	47.62	27.12	262.39	78.95	9162.62

* Amount paid towards enhanced compensation settled during the year

Following are the changes in the carrying value of Property, Plant and Equipment for the year ended 31st March, 2017: (Rs. in Lakhs)

Description of Assets	Land	Buildings	Plant and Equipment	Office Equipments	Furniture and Fixtures	Electrical Installations	Vehicles	Total
Gross Carrying Value as at 1st April, 2016	50.68	1454.56	17037.96	147.17	92.91	451.18	20.28	19254.74
Additions during the year*	-	77.17	429.51	6.96	2.00	18.23	58.74	592.61
Disposals/Adjustments during the year	-	-	336.49	1.50	1.57	0.20	-	339.76
Gross Carrying Value as at 31st March, 2017	(A) 50.68	1531.73	17130.98	152.63	93.34	469.21	79.02	19507.59
Accumulated depreciation as at 1st April, 2016	-	519.67	8193.03	93.74	73.09	218.76	15.73	9114.02
Depreciation expense for the year	-	44.78	1521.56	18.90	3.46	27.10	9.03	1624.83
Accumulated depreciation on disposals/adjustments during the year	-	-	320.15	1.50	1.53	0.20	-	323.38
Accumulated depreciation as at 31st March, 2017	(B) -	564.45	9394.44	111.14	75.02	245.66	24.76	10415.47
Carrying Value as at 31st March, 2017	(A-B) 50.68	967.28	7736.54	41.49	18.32	223.55	54.26	9092.12

* includes Vehicle in transit - Rs. 13.48 Lakhs

2.2 INVESTMENT PROPERTY

(Refer Note 1.4)

Following are the changes in the carrying value of Investment Property for the year ended 31st March, 2018:

(Rs. in Lakhs)

Description of Assets		Investment Property
Gross Carrying Value as at 1st April, 2017		33.35
Additions during the year		-
Disposals/Adjustments during the year		-
Gross Carrying Value as at 31st March, 2018	(A)	33.35
Accumulated depreciation as at 1st April, 2017		8.65
Depreciation expense for the year		0.53
Accumulated depreciation on disposals/adjustment during the year		-
Accumulated depreciation as at 31st March, 2018	(B)	9.18
Carrying Value as at 31st March, 2018	(A-B)	24.17

Following are the changes in the carrying value of Investment Property for the year ended 31st March, 2017:

(Rs. in Lakhs)

Description of Assets		Investment Property
Gross Carrying Value as at 1st April, 2016		33.35
Additions during the year		-
Disposals/Adjustment during the year		-
Gross Carrying Value as at 31st March, 2017	(A)	33.35
Accumulated depreciation as at 1st April, 2016		8.12
Depreciation expense for the year		0.53
Accumulated depreciation on disposal/adjustment during the year		-
Accumulated depreciation as at 31st March, 2017	(B)	8.65
Carrying Value as at 31st March, 2017	(A-B)	24.70

Fair value disclosure on Company's Investment Properties

Part of Company's administrative building/block is letted out and the same is classified as Investment Property based on the nature, characteristics and risks.

As at 31st March, 2018, the Fair Value of the property is Rs. 88.25 Lakhs. This valuation is performed by accredited independent valuer, which is based on replacement cost method and same is categorised at Level 2.

2.3 INTANGIBLE ASSETS

(Refer Note 1.9)

Following are the changes in the carrying value of Intangible Assets for the year ended 31st March, 2018:

Description of Assets	(Rs. in Lakhs)	
		Computer Software
Gross Carrying Value as at 1st April, 2017		72.76
Additions during the year		3.64
Disposals/Adjustment during the year		-
Gross Carrying Value as at 31st March, 2018	(A)	76.40
Accumulated Amortisation as at 1st April, 2017		64.96
Amortisation expense for the year		3.11
Accumulated Amortisation on disposal/adjustments during the year		-
Accumulated Amortisation as at 31st March, 2018	(B)	68.07
Carrying Value as at 31st March, 2018	(A-B)	8.33

Following are the changes in the carrying value of Intangible Assets for the year ended 31st March, 2017: (Rs. in Lakhs)

Description of Assets	(Rs. in Lakhs)	
		Computer Software
Gross Carrying Value as at 1st April, 2016		69.81
Additions during the year		2.95
Disposals/Adjustment during the year		-
Gross Carrying Value as at 31st March, 2017	(A)	72.76
Accumulated Amortisation as at 1st April, 2016		62.25
Amortisation expense for the year		2.71
Accumulated Amortisation on disposals/adjustments during the year		-
Accumulated Amortisation as at 31st March, 2017	(B)	64.96
Carrying Value as at 31st March, 2017	(A-B)	7.80

2.4 OTHER NON-CURRENT ASSETS

(Rs. in Lakhs)

Particulars	2018	2017
Capital advances - Considered Good		
Secured	—	-
Unsecured	774.04	31.12
Security Deposits-Considered Good		
Unsecured	29.93	29.43
Other advances -Considered Good		
Income Tax (Net of Provisions)	195.27	159.82
Others	89.19	164.11
Total	1088.43	384.48

2.5 INVENTORIES

(Refer Note 1.5)

(Rs. in Lakhs)

Particulars	2018	2017
Raw Materials & Components*	1951.04	1542.93
Work-in-Progress	175.32	266.54
Finished Goods	700.89	459.90
Stores and Spares	247.77	204.92
Loose Tools	116.98	133.98
Total	3192.00	2608.27

* including Goods-in-transit Rs. 203.75 Lakhs (2017 - Rs.196.39 Lakhs)

2.6 CURRENT INVESTMENTS

(Rs. in Lakhs)

Particulars	Face Value Per Unit (Rs.)	2018 Number	Amounts	2017 Number	Amounts
Unquoted Investments					
Carried at Fair Value through Profit and Loss					
Investments in Mutual Funds					
Aditya Birla Sun Life Floating Rate Fund Short Term Plan- Growth	100	866964	2003.32	-	-
ICICI Prudential Money Market Fund - Regular Plan - Daily Dividend Reinvestment	100	-	-	469206	469.96
ICICI Prudential Money Market Fund- Growth	100	840526	2013.25	222898	500.00
Kotak Floater Short Term- Daily Dividend (Regular Plan)	1000	79494	804.17	-	-
Kotak Floater Short Term- Growth - (Regular Plan)	1000	35211	1001.60	56640	1508.78
Mahindra ALP-SBY-Direct-Daily Dividend	1000	-	-	190247	1911.39
Reliance Liquid Fund-TP- Daily Dividend	1000	49378	755.29	-	-
SBI Magnum Insta Cash Fund – (Regular Plan) – Growth	1000	-	-	13968	500.90
UTI Money Market Fund – Institutional Plan – Growth	1000	53206	1032.00	-	-
Total			7609.63		4891.03

2.7 TRADE RECEIVABLES

(Refer Note 2.29)

(Rs. in Lakhs)

Particulars	2018	2017
Unsecured, considered good	1527.30	1307.23
Of the above, Trade Receivables from:		
- Related Parties	1413.13	1207.33
- Others	114.17	99.90

2.8 CASH AND BANK BALANCE

(Rs. in Lakhs)

Particulars	2018	2017
Cash and Cash Equivalents		
Balances with Banks	302.31	197.13
Cash on hand	2.43	1.93
Total	304.74	199.06
Other Bank Balances		
Balances with Bank held as Margin Money & Deposit against Guarantees.	2079.00	594.00
Fixed Deposits with Original maturity greater than 3 months but upto 12 months	2195.00	3936.00
Earmarked balances with banks - Unpaid/Unclaimed Dividend	165.97	137.61
Total	4439.97	4667.61

2.9 OTHER FINANCIAL ASSETS

(Rs. in Lakhs)

Particulars	2018	2017
Financial assets at carrying value		
Bank Deposit with Original Maturity for more than 12 months	3474.00	13098.00
Interest Accrued on Deposits	430.37	617.41
Other Corporate Deposits	2000.00	-
Advances to Suppliers	19.15	17.16
Advances to Employees	14.62	21.52
Total	5938.14	13754.09

2.10 OTHER CURRENT ASSETS

(Rs. in Lakhs)

Particulars	2018	2017
Balance with Government Authorities	571.40	24.86
Prepaid Expenses	20.63	20.99
Other Advances recoverable in cash or kind		
– CENVAT	–	88.97
– Value Added Tax	–	27.29
– Others	266.83	33.55
Total	858.86	195.66

2.11 EQUITY SHARE CAPITAL

(Rs. in Lakhs)

Particulars	2018	2017
Authorised:		
Equity Shares, Rs. 10/- par value 2,50,00,000 (2017 : 2,50,00,000) Equity Shares	2500.00	2500.00
Issued, Subscribed and Paid-Up:		
Equity Shares, Rs. 10/- par value 1,21,26,684 (2017 : 1,24,19,820) Equity Shares fully paid-up	1212.67	1241.98
	1212.67	1241.98

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 Board of Directors, in their meeting held on 25th April, 2017, proposed a total dividend of Rs.43/- per equity share (including Rs. 25/- per share as special dividend) and the same was approved by the shareholders at the Annual General Meeting held on 24th July, 2017, this has resulted in a cash outflow of Rs. 6427.73 lakhs, including corporate dividend tax of Rs. 1087.20 lakhs during 2017-18.

SWARAJ ENGINES LIMITED

Proposed Dividend

The Board of Directors, in their meeting held on 23rd April, 2018, proposed a total dividend of Rs. 50/- per equity share (including Rs.25/- per share as special dividend) for the financial year ended on 31st March 2018, subject to the approval of shareholders at the Annual General Meeting and if approved, would result in a cash outflow of Rs. 7309.68 lakhs including corporate dividend tax of Rs. 1246.34 lakhs.

Buyback of Equity Shares

The Board, at its meeting held on 28th November 2017, approved a proposal for the Company to buyback its fully paid-up equity shares of face value of Rs.10/- each from the eligible equity shareholders of the Company on a proportionate basis by way of tender offer for an amount not exceeding Rs.70.74 Crores in accordance with the provisions of the Companies Act, 2013 and SEBI (Buy back of Securities) Regulations, 1998. The shareholders approved the said proposal of buyback of Equity Shares through the postal ballot, the result of which was declared on 3rd January 2018. The Buyback offer comprises a purchase of upto 2,94,746 Equity Shares aggregating to 2.37% of the paid-up equity share capital of the Company at a price of Rs.2,400/- per equity share. The buyback was offered to all eligible equity shareholders of the Company as on the Record Date i.e. 12th January, 2018. The Company concluded the buyback procedures on 26th February 2018 and 2,94,746 shares were extinguished.

(i) Equity Shareholders holding more than 5% shares:

(Rs. in Lakhs)

Name	As at 31st March, 2018		As at 31st March, 2017	
	Number of Shares held	% of Shareholding	Number of Shares held	% of Shareholding
Mahindra & Mahindra Limited (M&M)	40,39,206	33.31%	41,26,417	33.22%
Kirloskar Industries Limited (KIL)	21,14,349	17.44%	21,60,000	17.39%

(ii) Reconciliation of the number of shares outstanding and the amount of share capital :

(Rs. in Lakhs)

Description	As at 31st March, 2018		As at 31st March, 2017	
	Number of Shares held	Share Capital Rs. in Lakhs	Number of Shares held	Share Capital Rs. in Lakhs
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				
Add : Equity shares issued pursuant to Employee Stock Option Plan	1,610	0.16	-	-
Less : Buyback of equity shares	2,94,746	29.47	-	-
Number of equity shares at the closing	1,21,26,684	1212.67	1,24,19,820	1241.98

In the last 5 years, the Company has not :

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

(iii) Employee Stock Option

Under the Employee Stock Option Scheme - 2015 (ESOS-2015), 31,000 Equity Shares of the face value of Rs. 10/- are available for being granted to eligible employees on the recommendation of the Nomination and Remuneration Committee. Further, to grant given in financial year 2015-16, in the current year Company has granted 3571 Equity Shares at face value to the eligible employee(s). As per the ESOS-2015, Options granted vest in four instalments on the expiry of 18 months, 30

months, 42 months and 54 months respectively. The options may be exercised on any day over a period of 5 years from the date of vesting. Numbers of vested options are exercisable subject to minimum of 50 or number of options vested whichever is lower.

Activity in ESOS-2015 are as follows :

Particulars	No. of shares	
	As at 2018	2017
Outstanding at the beginning	8,039	9,389
Granted during the year	3,571	–
Forfeited/Expired	–	1,350
Exercised during the year	1,610	–
Outstanding at the end	10,000	8,039

The fair value on the date of grant is estimated using the Black-Scholes model with the following assumptions :

	Grant - II 25th April, 2017	Grant - I 8th December, 2015
Grant date		
Share price in market at the time of option grant (Rs.)	1608.05	911.75
Exercise price (Rs.)	10.00	10.00
Expected volatility (%)	26.88	28.67
Expected life of the option (years)	5.73	5.73
Expected dividends (%)	2.05	1.65
Risk-free interest rate (%)	6.93	7.69
Weighted average fair value as on grant date (Rs.)	1423.51	823.18

2.12 LONG-TERM PROVISIONS

(Rs. in Lakhs)

Particulars	2018	2017
Provision for Employee Benefits (Refer Note 1.7)		
– Provision for Leave Encashment	320.95	257.26
Others		
– Provision for Warranty (Refer Note 2.37)	34.98	31.12
Total	355.93	288.38

SWARAJ ENGINES LIMITED

2.13 CURRENT TAX AND DEFERRED TAX

(Refer Note 1.10)

(a) Deferred Tax

(Rs. in Lakhs)

Particulars	2018	2017
Deferred Tax Liabilities		
– On Property, Plant & Equipment	684.49	785.25
– On Financial Assets carried at Fair Value through Profit and Loss	87.00	–
Deferred Tax Assets		
– On Employee benefits	192.32	158.08
Deferred Tax Liabilities / (Assets)	579.17	627.17

(b) Income Tax recognised in Profit and Loss

(Rs. in Lakhs)

Particulars	2018	2017
Current Tax	4325.50	3795.50
Deferred Tax		
– In respect of current year origination and reversal of temporary difference	(69.00)	(132.89)
– In respect of changes in tax rate	5.00	–
Total Income Tax expense	4261.50	3662.61

(c) Reconciliation of income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarised below :

(Rs. in Lakhs)

Particulars	2018	2017
Profit before tax	12271.45	10546.12
Income tax expense calculated at 34.61% (2017: 34.61 % incl. Sur & Cess)	4247.00	3649.80
Income not considered for tax purposes	(32.00)	(52.62)
Effect of estimated non deductible expenses	64.00	55.72
Change in tax rate	5.00	–
Others (including temporary difference)	(22.50)	9.71
Income Tax expense recognised in profit and loss	4261.50	3662.61

2.14 TRADE PAYABLES

(Rs. in Lakhs)

Particulars	2018	2017
Trade payable - Micro and Small enterprises (Refer Note 2.36)	2070.29	1441.21
Trade payable - Other than Micro and Small enterprises	6767.47	4658.33
Accruals	1009.05	913.88
Total	9846.81	7013.42

2.15 OTHER FINANCIAL LIABILITIES

(Rs. in Lakhs)

Particulars	2018	2017
Current Liabilities at Carrying Value		
Capital Purchases	360.57	97.46
Others	40.78	35.34
Deposits & Retention Money	23.49	17.99
Unpaid / Unclaimed Dividend*	165.97	137.61
Total	590.81	288.40

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as on 31st March, 2018.

2.16 SHORT-TERM PROVISIONS

(Rs. in Lakhs)

Particulars	2018	2017
Provision for Employee Benefits (Refer Note 1.7)		
– Provision for Gratuity (Refer Note 2.28)	163.14	19.38
– Provision for Leave Encashment	96.12	72.70
– Provision for Warranty (Refer Note 2.37)	154.26	134.47
Total	413.52	226.55

2.17 OTHER CURRENT LIABILITIES

(Rs. in Lakhs)

Particulars	2018	2017
Advances received from customers	0.21	1.41
Statutory dues	113.51	433.50
Total	113.72	434.91

2.18 REVENUE FROM OPERATIONS*

(Refer Note 2.33)

(Rs. in Lakhs)

Particulars	2018	2017
Revenue from sale of products (including excise duty)	79110.69	74583.49
Revenue from rendering of services	0.45	3.12
Other operating revenue	425.29	331.25
Total	79536.43	74917.86

* Post the applicability of GST with effect from 1st July, 2017, Sales are disclosed net of GST. Accordingly, the Gross Sales figures for the period are not comparable

SWARAJ ENGINES LIMITED

2.19 OTHER INCOME

(Rs. in Lakhs)

Particulars	2018	2017
Interest Income	1208.36	1625.38
Dividend Income from Investments carried at fair value through profit or loss	74.79	120.13
Rental income from Investment property	13.36	13.46
Profit/ (Loss) on Sale of Financial Instruments	329.70	(70.30)
Fair Value Gain / (Loss) on Investments carried at fair value through profit or loss	250.04	14.52
Profit / (Loss) on disposal of Property, Plant and Equipment	16.57	13.06
Interest Unwinding Income	2.52	3.45
Misc Income	0.70	1.45
Total	1896.04	1721.15

2.20 COST OF MATERIALS CONSUMED

(Rs. in Lakhs)

Particulars	2018	2017
Opening stock	1346.53	1294.77
Add: Purchases	58068.72	49366.46
	<u>59415.25</u>	<u>50661.23</u>
Less:		
Closing Stock	1747.29	1346.53
Other Jobs	85.79	22.83
	<u>1833.08</u>	<u>1369.36</u>
Total	57582.17	49291.87

2.21 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

(Rs. in Lakhs)

Particulars	2018	2017
Inventories at the end of the year:		
Finished goods	700.89	459.90
Work-in-progress	175.32	266.54
	<u>876.21</u>	<u>726.44</u>
Inventories at the beginning of the year:		
Finished goods	459.90	737.02
Work-in-progress	266.54	251.22
	<u>726.44</u>	<u>988.24</u>
Net (increase) / decrease	(149.77)	261.80

2.22 EMPLOYEE BENEFITS EXPENSE (Refer Note 1.7)

(Rs. in Lakhs)

Particulars	2018	2017
Salaries and Wages	2863.79	2521.47
Contribution to provident and other funds	178.48	193.60
Employee Stock Compensation	34.41	41.64
Staff welfare expenses	400.25	340.96
Total	3476.93	3097.67

2.23 FINANCE COST

(Rs. in Lakhs)

Particulars	2018	2017
Bank Charges	0.32	0.60
Interest Expense*	100.78	0.94
Total	101.10	1.54

*includes Interest of Rs. 100.00 Lakhs (2017 – Nil) towards enhanced compensation for Land settled during the year.

2.24 OTHER EXPENSES

(Rs. in Lakhs)

Particulars	2018	2017
Power, Fuel & Water Charges	557.32	522.83
Consumption of Stores & Spares	1173.37	1027.45
Hire & Service Charges	665.01	595.21
Rates and Taxes	13.01	11.73
Insurance	18.47	18.07
Repairs and Maintenance		
– Buildings	108.38	13.29
– Machinery	381.86	404.09
– Others	39.86	18.21
Postage & Telephone	7.17	5.80
Printing & Stationery	8.86	15.35
Travelling & Conveyance Expenses	82.71	77.52
Auditors' Remuneration		
– Statutory Auditor's		
Audit Fee	7.50	2.78
Tax Audit Fee	2.00	0.51
Other Services	7.74	2.98
Expenses Reimbursed	0.72	0.81
– Cost Auditor		
Audit Fee	1.00	0.71
CSR Expenses (Refer Note 2.35)	174.92	168.88
Research & Development Expenses	271.12	259.62
Other Marketing Expenses	120.62	119.29
Miscellaneous Expenses	406.19	243.38
Total	4047.83	3508.51

2.25 EARNING PER SHARE

(Rs. in Lakhs)

Particulars	2018	2017
Profit for the year	8009.95	6883.51
Profit for the year for diluted earning per share	8009.95	6883.51
Weighted average number of Ordinary Equity Shares used in Computing basic earning per share	12396331	12419820
Effect of potential Ordinary Equity Shares on employee stock options	9950	7981
Weighted average number of Ordinary Equity Shares used in Computing diluted earning per share	12406281	12427801
Basic earning per share (Rs.) (Face Value of Rs. 10 per share)	64.62	55.42
Diluted earning per share (Rs.)	64.56	55.38

2.26 Financial Instruments

(Refer Note 1.11)

Capital management

Company's capital management objectives are to:

- ensure the company's ability to continue as a going concern
- provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

For the purposes of the Company's Capital Management, capital includes issued capital and all other equity reserves. Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

(Rs. in Lakhs)

Particulars	2018	2017
Equity Share Capital	1212.67	1241.98
Other Equity Reserves	21637.28	27094.96
Total	22849.95	28336.94

Categories of Financial Assets and Financial Liabilities
As at 31st March, 2018

(Rs. in Lakhs)

Particulars	Amortised Costs	Fair Value through Profit or Loss	Fair Value through OCI	Total Carrying Value	Total Fair Value
Current Assets					
Investments	-	7609.63	-	7609.63	7609.63
Trade Receivables	1527.30	-	-	1527.30	1527.30
Cash and Cash Equivalents	304.74	-	-	304.74	304.74
Other Bank Balances	4439.97	-	-	4439.97	4439.97
Other Financial Assets	5938.14	-	-	5938.14	5938.14
Total Financial Assets	12210.15	7609.63	-	19819.78	19819.78
Current Liabilities					
Trade Payables	9846.81	-	-	9846.81	9846.81
Other Financial Liabilities	590.81	-	-	590.81	590.81
Total Financial Liabilities	10437.62	-	-	10437.62	10437.62

As at 31st March 2017

(Rs. in Lakhs)

Particulars	Amortised Costs	Fair Value through Profit or Loss	Fair Value through OCI	Total Carrying Value	Total Fair value
Current Assets					
Investments	-	4891.03	-	4891.03	4891.03
Trade Receivables	1307.23	-	-	1307.23	1307.23
Cash and Cash Equivalents	199.06	-	-	199.06	199.06
Other Bank Balances	4667.61	-	-	4667.61	4667.61
Other Financial Assets	13754.09	-	-	13754.09	13754.09
Total Financial Assets	19927.99	4891.03	-	24819.02	24819.02
Current Liabilities					
Trade Payables	7013.42	-	-	7013.42	7013.42
Other Financial Liabilities	288.40	-	-	288.40	288.40
Total Financial Liabilities	7301.82	-	-	7301.82	7301.82

Financial Risk Management Framework

Company's activities expose it to financial risks viz credit risk and liquidity risk.

Credit Risk

"Majority of Company's Receivables pertains to Mahindra & Mahindra Limited, an Associate Company. Based on the overall credit worthiness of Receivables, coupled with their past track record, Company expect No / Minimum Risk with regard to its outstanding receivables. Also, there is mechanism in place to periodically track the outstanding amount and assess the same with regard to its realisation. Company expect all the debtors to be realised in full, accordingly no provision has been made in the books of account.

Credit risk on cash and cash equivalents is limited as Company generally invest in deposits with banks. Further, Investments are primarily in debt based liquid mutual funds only and the same are fairly spread across various schemes.

Liquidity Risk

(i) Liquidity Risk Management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast & actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(ii) Maturities of Financial Liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the earliest date on which the Company can be required to pay. Financial Liabilities include Trade Payables, Capital Purchases, Unpaid/Unclaimed Dividend etc. which are in the normal course of business having maturity plan of less than 1 year and non-interest bearing.

SWARAJ ENGINES LIMITED

(Rs. in Lakhs)

Particulars	Less than 1 Year	1-3 Years	3 Years to 5 Years	5 years and above
31st March, 2018				
Trade Payables	9846.81	–	–	–
Other Financial Liabilities	590.81	–	–	–
Total	10,437.62	–	–	–
31st March, 2017				
Trade Payables	7,013.42	–	–	–
Other Financial Liabilities	288.40	–	–	–
Total	7,301.82	–	–	–

As at 31st March, 2018, the Company had a working capital of Rs. 129.13 crores which includes cash and bank balance & bank deposits of Rs. 80.53 crores, investment of Rs. 76.1 crores and other corporate deposits of Rs. 20.00 crores.

As at 31st March 2017, the Company had a working capital of Rs. 196.60 crores which includes cash and bank balance & bank deposits of Rs. 178.27 crores and investment of Rs. 48.91 crores.

Accordingly, company do not perceive any liquidity risk.

(iii) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period: (Rs. in Lakhs)

Particulars	2018	2017
Secured Bank Overdraft facility		
– Expiring within one year	350	500
– Expiring beyond one year	–	–
	–	–

2.27 Fair Value Measurement

The fair values of the Financial Assets and Liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1 - Quoted (unadjusted prices) in active markets for identical assets or liabilities

Level 2 - Other Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 - Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Fair Valuation Techniques and Inputs used - recurring Items

(Rs. in Lakhs)

Financial Assets/ Financial Liabilities measured at Fair value	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31st March, 2018	31st March, 2017			
Financial Assets					
Investments in Mutual Fund	7609.63	4891.03	Level 2	As on Date NAV of the Unquoted Fund	–
Total Financial Assets	7609.63	4891.03			

2.28 Employee benefits

(Refer Note 1.7)

Defined benefit plans – as per Actuarial Valuation on 31st March, 2018

(Rs. in Lakhs)

Particulars	Gratuity - Funded	
	2018	2017
I. Expenses Recognised in the Statement of Profit & Loss Account		
1. Current Service Cost	85.25	40.44
2. Past Service Cost	28.66	–
3. Interest	50.55	47.61
4. Expected Return on plan assets	(50.80)	(37.46)
5. Total Expense	113.66	50.59
II. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March		
1. Present value of defined benefit obligation as at 31st March	852.06	664.09
2. Fair value of plan assets as at 31st March*	688.92	644.71
3. Surplus/(Deficit)	(163.14)	(19.38)
III. Change in the obligation during the year ended 31st March		
1. Present value of defined benefit obligation at the beginning of the year	664.09	605.31
2. Expenses Recognised in Profit and Loss Account		
– Past Service Cost	28.66	–
– Current Service Cost	85.25	40.44
– Interest Expense (Income)	50.55	47.61
3. Recognised in Other Comprehensive Income		
Re-measurement gains / (losses)		
– Actuarial Gain (Loss) arising from:		
i. Demographic Assumptions	–	–
ii. Financial Assumptions	(13.75)	4.11
iii. Experience Adjustments	59.71	(28.18)
4. Benefit payments	(22.46)	(5.20)
5. Present value of defined benefit obligation at the end of the year	852.05	664.09
IV. Change in fair value of assets during the year ended 31st March		
1. Fair value of plan assets at the beginning of the year	644.71	547.97
2. Expected return on plan assets	50.80	42.61
3. Recognised in Other Comprehensive Income		
Re-measurement gains / (losses)		
– Actual Return on plan assets in excess of the expected return	1.09	6.16
4. Contributions by employer (including benefit payments recoverable)	20.38	60.22
5. Benefit payments	(28.06)	(12.25)
6. Fair value of plan assets at the end of the year*	688.92	644.71

(Rs. in Lakhs)

Particulars	Gratuity - Funded	
	2018	2017
* As per LIC Fund Balance and do not include recoveries on account of transferred employees		
V. The Major categories of plan assets		
– Funded with LIC	100.00%	100.00%
VI. Actuarial assumptions		
1. Discount rate	7.70%	7.45%
2. Expected Return	8.00%	8.00%
3. In Service Mortality	IAL 2006-08 Ultimate	IAL 2006-08 Ultimate
4. Turnover Rate	5.00%	5.00%
5. Salary Rise - Officers	8.00%	8.00%
6. Salary Rise - Workers	5.00%	5.00%
7. Remaining Working Life	17.93 Years	19.33 Years

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: (Rs. in Lakhs)

Principal assumption		Changes in assumption	Increase/(Decrease) impact on defined benefit obligation	
			Increase in assumption	Decrease in assumption
Discount rate	2018	0.50%	(26.43)	27.88
	2017	0.50%	(22.46)	23.75
Salary growth rate	2018	0.50%	28.15	(26.93)
	2017	0.50%	23.96	(22.86)

2.29 Related Party Transactions

Names of the Related Companies	Mahindra & Mahindra Limited (M&M) - Associate Company Mahindra Agri Solutions Ltd. (MASL) - Subsidiary of M&M Mahindra HZPC Pvt. Ltd. (MHZPC) - Subsidiary of M&M
Key Management Personnel	Shri Subhash Mago (Whole-time Director & Chief Executive Officer) Shri M.N. Kaushal (Whole-time Director) (Upto 31.03.2017)

Details of transactions between the Company and its related parties are disclosed below: (Rs. in Lakhs)

Particulars	2018	2017
i) Associates		
a. Purchase of raw materials and components	1951.85	1710.79
M&M	1951.85	1710.79
b. Sale of finished goods (net of warranty)	91695.58	78797.88
M&M	91695.58	78797.88
c. Purchases of fixed assets	22.50	46.16
M&M	22.50	46.16
d. Receiving of services	365.73	390.66
M&M	365.73	390.66
e. Rendering of services	35.81	23.54
M&M	34.71	21.70
MHZPC	–	0.88
MASL	1.10	0.96
f. Dividend paid	1774.36	1361.72
M&M	1774.36	1361.72
Aggregate balances outstanding as at the year end		
– Receivables	1413.13	1207.33
M&M	1413.03	1207.11
MASL	0.10	0.22
– Payables	18.72	22.73
M&M	18.72	22.73
ii) Key Management Personnel		
a) Remuneration*	115.30	135.38
– Shri Subhash Mago	115.30	44.57
– Shri M.N. Kaushal	–	90.81
b) Dividend	–	0.43
– Shri. M.N. Kaushal	–	0.43

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

SWARAJ ENGINES LIMITED

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

(Rs. in Lakhs)

Particulars	2018	2017
Contingent Liabilities		
Claims against the Company not acknowledged as debt		
– Excise matters in dispute	225.34	150.99
– Income Tax matters in dispute*	471.52	458.69
– Others	–	351.57
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and deposits)	1611.68	338.91

*Assessment of Income Tax is complete upto Assessment Year 2015-16. There is no demand which is disputed in Appeal and not provided for. For earlier Assessment Years, tax authorities have filed appeals / references which involve an estimated liability including interest of Rs. 471.52 Lakhs (31.03.2017 - Rs. 458.69 Lakhs)

2.31 Segment Reporting

The Company is primarily engaged in the business of diesel engines, diesel engine components and spare parts. As the basic nature of these activities are governed by the same set of risk, returns and internal business reporting system, accordingly these have been grouped as single segment in above disclosures as per Ind AS- 108 dealing with " Operating Segment".

2.32 Particulars in respect of goods manufactured :

(Rs. in Lakhs)

Class of Goods	Unit of Qty	2018	2017
Production			
Engine	Nos.	92,475	81,989
Despatches			
Engine	Nos.	92,022	82,297

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

(Rs. in Lakhs)

Class of goods	2018	2017
Sale of Products		
Engines	77088.81	72800.56
Engine Components	354.54	384.19
Spares	1715.98	1398.74
Total	79159.33	74583.49
Other operating revenue		
Scrap & Others	377.10	334.37
Total	79536.43	74917.86

2.34 Particulars in respect of Finished Goods:

Class of Goods	Unit of Qty	Opening Balance		Closing Balance	
		Qty.	Rs. in Lakhs	Qty.	Rs. in Lakhs
Engines	Nos.	644* (966)	459.9 (737.02)	1080* (644*)	700.9 (459.9)

* Excludes 17 Nos. (2017 : 14 Nos.) engines consumed for R&D purposes

2.35 CSR Expenditure :

(a) Gross Amount required to be spent – Rs. 173 lakhs

(b) Amount Spent during the year on : (Rs. in Lakhs)

Particulars	In Cash	Yet to be paid in cash	Total
(i) Construction/Acquisition of any asset	–	–	–
(ii) On purposes other than (i) above	174.92	–	174.92

2.36 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as "the Act")

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 :-

Particulars	2018	2017
(a) Dues remaining unpaid as at 31st March		
– Principal	–	–
– Interest on the above	–	–
(b) Interest paid in terms of Section 16 of the Act along with the amount of payment made to the supplier beyond the appointed date during the year		
– Principal paid beyond the appointed date	–	–
– Interest paid in terms of Section 16 of the Act	–	–
(c) Amount of interest due and payable for the period of delay in payments made beyond the appointed date during the year	–	–
(d) Further interest due and payable even in succeeding year, until such date when the interest due as above are actually paid to the small enterprises	–	–
(e) Amount of interest accrued and remaining unpaid as at 31st March	–	–

2.37 Provision for warranty relates to sale of engine, the estimated cost of which is accrued at the time of sale.

(Rs. in Lakhs)

Particulars	2018	2017
Balance as at 1st April	165.59	107.33
Add : Provision made during the year	132.54	164.70
Less : Utilisation during the year	106.37	102.99
Less : Unwinding of Discount and effect of changes in the discount rate	2.52	3.45
Balance as at 31st March	189.24	165.59

Out of the above :-

Classified as Non Current	34.98	31.12
Classified as Current	154.26	134.47
	189.24	165.59

2.38 Recent Accounting Pronouncements

Standards issued but not yet effective

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying Ind AS 115 - 'Revenue from Contracts with Customers' and consequential amendments to various Ind AS standards. The amended Rules also notified amendments to Ind AS 12 - 'Income Taxes', Ind AS 21 - 'The Effect of Changes in Foreign Exchange Rates', Ind AS 28 - 'Investments in Associates and Joint Ventures' and Ind AS 40 - 'Investment Property'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB). The amendments are effective from accounting periods beginning from 1st April, 2018.

Ind AS 115 – Revenue from Contracts with Customers

This standard establishes a single comprehensive model for accounting of revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition guidance under Ind AS 11 Construction Contracts and Ind AS 18 Revenue. The Company is currently assessing the impact of application of Ind AS 115 on Company's financial statements.

Amendment to Ind AS 12 – Income Taxes

The amendments clarify the requirement for recognising deferred tax assets on unrealised losses on debt instruments that are measured at fair value. The amendment also clarify certain other aspects of accounting for deferred tax assets. The amendments are not applicable to the Company's financial statements..

Amendment to Ind AS 21 – The Effect of Changes in Foreign Exchange Rates

This amendment clarifies translation of advance payments denominated in foreign currency into functional currency at the spot rate on the day of payment. The guidance aims to reduce diversity in practice. These amendments are not applicable to the Company's financial statements.

Amendment to Ind AS 28 - Investments in Associates and Joint Ventures

The amendment clarifies accounting options in consolidated financial statements of a venture capital or similar entity and investment entity. These amendments are not applicable to the Company's financial statements.

Amendment to Ind AS 40 – Investment Property

The amendments clarify transfers of investment property to or from the portfolio in the case of a change of use. The changes will not have any material impact on the financial statements of the Company.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2018

(Rs. in Lakhs)

	2018	2017
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Exceptional items and Tax	12271.45	10546.12
Adjustments for:		
Depreciation and amortisation	1682.01	1628.07
Employee Stock Compensation	33.89	22.85
Interest (Received) / Paid (Net)	(1107.26)	(1623.84)
Return on Mutual Fund Investment (Net)	(404.49)	(49.83)
(Profit)/Loss on disposal of Property, Plant and Equipment	(16.57)	(13.06)
(Gain)/Loss on Investments carried at fair value through Profit and Loss	(250.04)	(14.52)
Actuarial Gain/(Loss) on re-measurement of Defined Benefit Liability	(44.87)	30.23
Operating Profit Before Working Capital Changes	12164.12	10526.02
Movements in working capital:		
(Increase)/decrease in Trade and Other Receivables (Non-Current/Current)	(1359.82)	(344.78)
(Increase)/decrease in Inventories	(583.73)	166.59
(Decrease)/increase in Trade and Other Payables (Non-Current/Current)	3040.78	1674.29
Cash generated from Operations	13261.35	12022.12
Income taxes paid (Net of refund)	(4329.46)	(3793.59)
Net cash generated from Operating Activities	8931.89	8228.53
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Sales / (Purchase) (Net)	(2468.56)	(3836.18)
Bank Deposit (Placed) / Matured (Net)	9880.00	(389.00)
Other Corporate Deposits (Placed)	(2000.00)	-
Interest received	1208.36	1625.38
Return on Mutual Fund Investment (Net)	404.49	49.83
Purchase of Property, Plant and Equipment [^]	(2335.38)	(646.09)
Increase in Ear Marked Balances	(28.36)	(21.89)
Proceeds from disposal of Property, Plant and Equipment	87.44	29.44
Net cash (used in) / generated from Investing Activities	4747.99	(3188.51)
([^] excludes Capital Advances)		

C. CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid to owners of the Company (including DDT)	(6399.36)	(4911.02)
Equity Shares issued under ESOP	0.16	-
Buy Back of Equity Share Capital	(7073.90)	-
Interest and Finance Charges paid	(101.10)	(1.54)
Net cash used in Financing Activities	(13574.20)	(4912.56)
Net increase / (Decrease) in Cash and Cash Equivalents	105.68	127.46
Cash and Cash Equivalents at the beginning of the year	199.06	71.60
Cash and cash equivalents at the end of the year	304.74	199.06

Note : Previous year figures have been regrouped wherever found necessary.

As per our report of even date attached

For B.K. KHARE & CO.
Chartered Accountants
Firm Registration No. 105102W

PADMINI KHARE KAICKER
Partner
Membership No. 044784

M.S. GREWAL
Company Secretary

RAJINDER ARORA
Chief Financial Officer

Mumbai, 23rd April, 2018

FOR AND ON BEHALF OF THE BOARD

SUDHIR MANKAD
Chairman

SUBHASH MAGO
Whole Time Director &
Chief Executive Officer

Mumbai, 23rd April, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Swaraj Engines Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Swaraj Engines Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material 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. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by Section 143(3) of the Act, based on our audit on the separate financial statements, to the extent applicable that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder.
- e) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements (Refer note 2.3 to the financial statements);
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There were no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company during the year.

For B.K. KHARE & CO.

Chartered Accountants
Firm Registration No. 105102W

PADMINI KHARE KAICKER

Partner
Membership No. 044784

Mumbai, April 23, 2018

ANNEXURE – A TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of its Fixed Assets:

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have not been physically verified by the 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) The title deeds of immovable properties are held in the name of the Company.

(ii) In respects of 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, 2018 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) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
- (v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- (vi) On the basis of information given to us, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India, under Sub-section(1) of Section 148 of the Companies Act, 2013, have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been generally regular in deposit in gun disputed statutory dues, including Provident Fund, Employees' State Insurance, Income-Tax, Sales Tax, Customs Duty, Excise Duty, Value Added Tax, Cess, Goods and Service tax and other material statutory dues applicable to it to the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess, Goods and Services Tax and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

SWARAJ ENGINES LIMITED

- (c) The details of dues of Income Tax & Excise duty which have not been deposited as on March 31, 2018 on account of disputes are given below :

(Rs. in Lakhs)

Statute	Nature	Forum where dispute is pending	Period to which the Amount relates	Amount involved
Central Excise Act, 1944	Excise Duty	Appellate Authority - Tribunal Level	F.Y. 2004-05 to F.Y. 2009-10	180.34
Income Tax Act, 1961	Income Tax	High Court Assessing Officer	A.Y. 1997-98 and A.Y. 2003-04	471.52

- (viii) 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, and Government or debenture holders.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order are not applicable to the Company and not commented upon.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- (xii) The Company is not a Nidhi Company and hence reporting under Clause 3 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly Convertible debentures and hence reporting under Clause 3 (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3 (xv) of the Order are not applicable to the Company and hence, not commented upon.
- (xvi) In our opinion, the Company is not required to be registered under Section 45-1 of the Reserve Bank of India Act, 1934 and accordingly, the provisions of Clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For B.K. KHARE & CO.
Chartered Accountants
Firm Registration No. 105102W

PADMINI KHARE KAICKER
Partner
Membership No. 044784

Mumbai, April 23, 2018

ANNEXURE– B TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph "f" under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Swaraj Engines Limited** ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For B.K. KHARE & CO.

Chartered Accountants
Firm Registration No. 105102W

PADMINI KHARE KAICKER

Partner
Membership No. 044784

Mumbai, April 23, 2018

SWARAJ ENGINES LIMITED

Registered Office :

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

32nd Annual General Meeting - 30th July, 2018

Folio No.

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

DP ID*

Client ID*

NAME OF THE SHAREHOLDER/PROXY
ADDRESS

No. of Shares held :

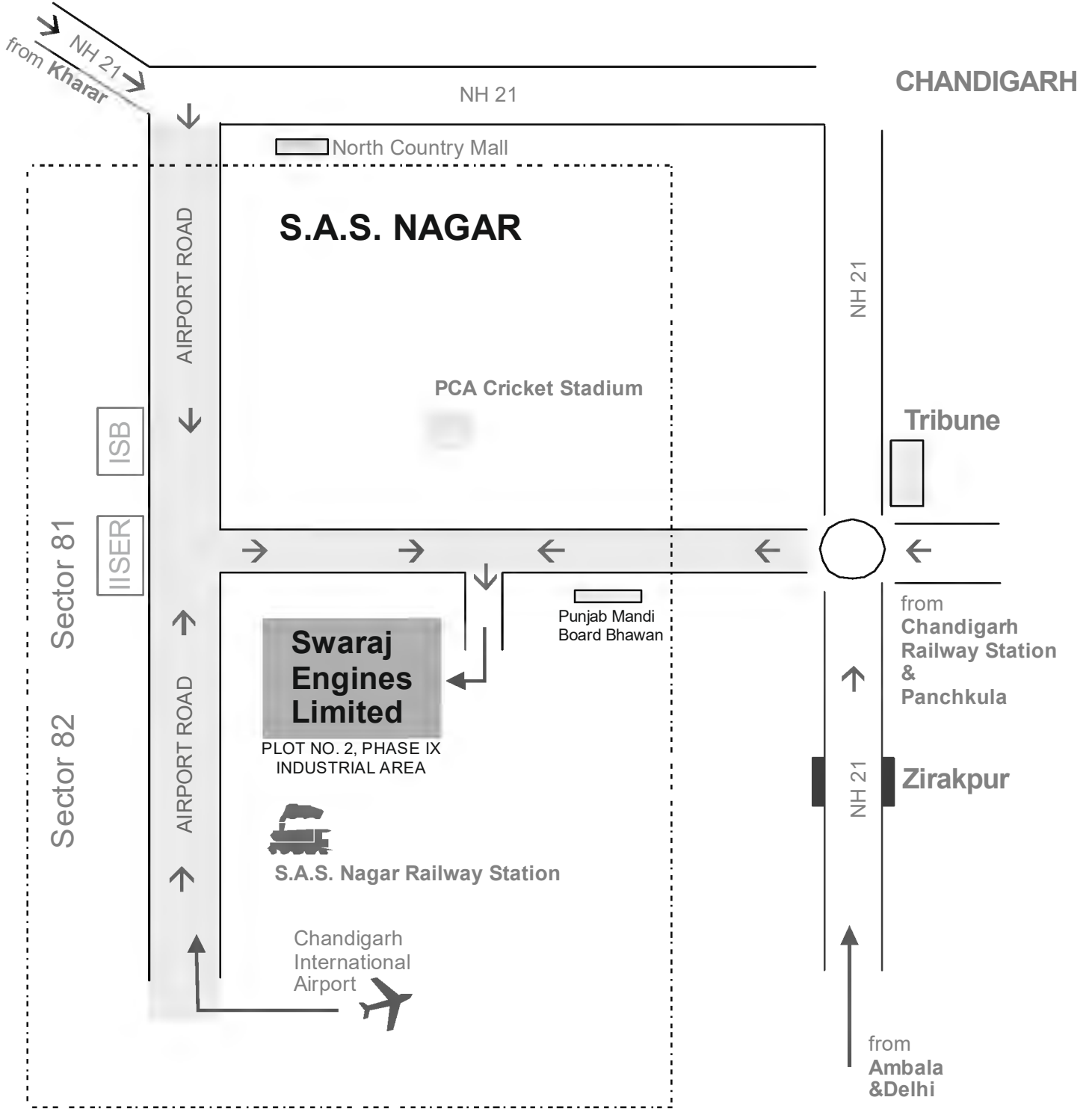
I hereby record my presence at the 32nd ANNUAL GENERAL MEETING of the Company at its Works at Plot No. 2, Industrial Phase IX, S.A.S. Nagar (Mohali), Punjab -160 062 on Monday, the 30th July, 2018 at 3:00 p.m.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY



ROUTE MAP FOR AGM VENUE



PROXY FORM

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

SWARAJ ENGINES LIMITED

(CIN: L50210PB1985PLC006473)

Regd. Office: Phase IV, Industrial Area, S.A.S.Nagar (Mohali), Punjab-160055, Tel: 0172-2271620-27, Fax: 0172-2272731

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

Name of the Member (s):
Registered Address:
Email id:
Folio / DP ID-Client ID No:

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

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

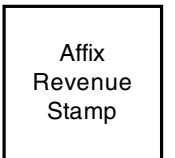
as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company, to be held on Monday, 30th July, 2018 at 3.00 p.m. at the Works of the Company at Plot No. 2, Industrial Phase IX, S.A.S.Nagar (Mohali), Punjab - 160062 and at any adjournment thereof in respect of such resolutions as are indicated below:

	Resolutions	Optional*	
		For	Against
	Ordinary Business		
1	To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2018 and the Reports of the Board of Directors and Auditors thereon.		
2	Declaration of Dividend on Equity Shares.		
3	Re-appointment of Shri R.R. Deshpande (DIN 00007439) as a Director, who retires by rotation and, being eligible, offers himself for re-appointment.		
4	Re-appointment of Shri Vijay Varma (DIN 00011352) as a Director, who retires by rotation and, being eligible, offers himself for re-appointment.		
5	Ratification of appointment of Auditors and fix their remuneration.		
	Special Business		
6	Ratification of the remuneration payable to the Cost Auditors of the Company.		
7	Approval of material Related Party Transactions.		

Signed this _____ day of _____ 2018

Signature of Shareholder _____

Signature of Proxyholder(s) _____



Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
- For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 32nd Annual General Meeting.
- It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Please complete all details including details of member(s) in the above box before submission