

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors are pleased to present their 43rd Annual Report together with the Audited Accounts for the Financial Year ended 31st March, 2018.

FINANCIAL RESULTS :

	Year ended 31st March, 2018 (Rs. in Crores)	Year ended 31st March, 2017 (Rs. in Crores)
Net Revenue from Operations	113.71	92.99
Other Income	0.93	0.99
Total Revenue	114.64	93.98
Profit before Depreciation, Finance Charges and Tax	5.99	4.16
Finance Costs	0.13	0.02
Depreciation & Amortization Expense	0.90	0.75
Profit Before Tax	4.96	3.39
Tax Provision		
– Current	1.46	1.12
– Deferred	0.09	(0.03)
Profit After Tax	3.41	2.30
Other Comprehensive Income	0.11	(0.02)
Total Comprehensive Income	3.52	2.28
Surplus - Opening Balance after adjustment for carrying value of assets	7.78	7.01
Surplus available for appropriation	11.30	9.29
Appropriations:		
Proposed Dividend	0.96	0.84
Tax on Dividend	0.20	0.17
Transfer to General Reserve	–	0.50
Surplus - Closing Balance	10.14	7.78

REVIEW OF OPERATIONS

Our company is dependent on auto and agriculture sector which in turn is influenced by various factors like economic growth, monsoon, etc. impacting the purchasing power of the buyers of the automobiles. Demand is derived from original equipment manufacturers (OEM) as well as the replacement market. The agricultural implement segment too is predominantly dependent on monsoon among other factors

In line with industry growth, our company also posted a growth of 7% in seat mechanisms, 12% in tractor & LCV Seats and 103% in agriculture implements segment in FY 2017-18 as compared to FY 2016-17.

In the above backdrop, total net operating revenue for the financial year 2017-18 increased to Rs. 113.71 crores against the previous year's revenue of Rs. 92.99 crores. Profit before tax for the year has increased to Rs. 4.96 crores against previous year PBT of Rs. 3.39 crores, which is primarily on account of various cost saving initiatives taken by the management. Profit after tax for the year was Rs. 3.52 crores (previous year - Rs.2.28 crores) which gives an Earning per Share (EPS) of Rs. 14.66 (previous year - Rs. 9.51).

During the year under review, your Company has set up of new seat frame manufacturing facilities at Dharwad, Karnataka to serve its customers in the West and South Region. The plant started its operations on 24th January, 2018. Initially it will manufacture seat frames using robots and eventually manufacturing of seats & other products will also start.

DIVIDEND

Your Directors have recommended a dividend of Rs.4.50 per Equity Share of face value of Rs.10.00 each for the financial year 2017-18, against Rs 4.00 per Equity Share of face value of Rs. 10.00 each declared and paid in the previous year. The dividend would be payable to those Members whose names shall appear in the Register of Members as on Book Closure date. The dividend including dividend distribution tax, surcharge and education cess would absorb a sum of Rs. 1.30 crores (previous year - Rs. 1.15 crores). Further, the Board of your Company has decided not to transfer any amount to the General Reserves for the year under review.

FINANCE

The fund position of the Company stayed comfortable throughout the financial year 2017-18. As a result, after meeting routine capital expenditure and working capital requirements to support the operations, net interest income for the year was Rs.0.64 crore against Rs.0.65 crore for the previous year.

CURRENT YEAR'S REVIEW

With optimistic forecast of good monsoon, the tractor industry is expected to maintain its growth trends. The automobile industry is also likely to grow with anticipated favorable market conditions. The Company's business is expected to move in line with industry trend and Company is also exploring new business opportunities to generate additional revenue.

OFFER FOR SALE BY PROMOTER AND SEBI ORDER ON MPS COMPLIANCE

As members are aware, b4S solutions Private Limited ("b4S" or "the promoter") acquired the entire equity stake of 71.19% held by Mahindra & Mahindra Limited ("M&M"), one of the then promoters of the Company ("the Seller"), by entering into Share Purchase Agreement with M&M on 16th October 2015. b4S subsequently also acquired the entire equity stake of 2.99% held by the then other promoter, Punjab State Industrial Development Corporation (PSIDC). Thereafter, pursuant to SEBI (SAST) Regulations, 2011, b4S made an open offer to the shareholders of the Company. The entire process completed on 1st February 2016 and b4S's total equity holding in the Company stood at 88.28%. To comply with the requirements applicable regulations to restore public shareholding in the Company to a minimum of 25%, the promoter divested 3,18,445 equity shares to the public via Seven (7) offers for sale during the period December 2016 to November 2017 which has brought down the promoter's shareholding in the Company to 75% as on March 31, 2018. Meanwhile on July 19, 2017 SEBI also passed an interim order to prohibits Company, Directors, and Promoter from buying, selling, or otherwise dealing in securities of the Company, either directly or indirectly, due to non-compliant to Minimum public shareholding (MPS) requirement. After dilution of Shareholding to 75% via OFS as mentioned above, the company achieved Minimum Public Shareholding as on 23rd November, 2017. On February 14, 2018, SEBI passed a final order stating that there is no violation on part of Company/Promoter considering enough to warrant any other enforcement action against the Company or its Directors. Further, SEBI found this matter to be disposed of without any further enforcement action.

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SHARE CAPITAL

The Issued and Paid-up Share Capital of the Company remained unchanged during the year and stood at Rs.2.40 crores at the end of the financial year 2017-18.

There were no instances of issue of shares with differential voting right, buy back of shares or bonus issues of shares during the year.

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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

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

INDUSTRIAL RELATIONS

Industrial relations were cordial throughout the year under review.

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

Your Company is committed towards excellence in Safety, Occupational Health and Environment. This is also to ensure sustainable business growth. The Company has a well-established Safety, Occupational and Environmental Policy which inter alia ensures safety of employees, plant, equipment and public at large by ensuring compliance with all statutory rules and regulations on regular basis. Your Company also imparts training to its employees as per the predefined training calendar, carries out statutory safety audits of its facilities as per legal requirement and promotes eco-friendly activities. In reiteration of its commitment to improve the well being of the employees, Medical Check-ups, both curative and preventive have been organized regularly, including educating the employees on Industrial Hygiene at the work place. The Company's Plant is ISO 14001: 2015 and OHSAS 18001 : 2007 certified.

CORPORATE SOCIAL RESPONSIBILITY

Keeping with the Company's core value of Good Corporate Citizenship, your Company is committed to display its social responsibility by taking various initiatives benefiting the society at large. These initiatives include organizing plantation of trees at various locations, awareness campaign on ill effects of tobacco, providing medicines, beds, and sheets to destitute people's home etc.

During the year under review, the Company was not covered under the provisions of Section 135 of the Companies Act, 2013 related to Corporate Social Responsibility.

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. During the year energy audit was conducted and initiatives has been planned for energy savings.

DIRECTORS

In terms of Section 152 of the Companies Act, 2013, Mrs. Namrata Jain shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer herself for re-appointment.

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.

EVALUATION OF THE BOARD

Pursuant to the provision 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 are covered in the Corporate Governance Report.

REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee (NRC), framed policies on appointment of Directors and Senior Management and their remuneration. The remuneration policy is covered in the Corporate Governance Report.

DIRECTORS' MEETINGS

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

The Independent Directors of the Company meet at least once in every financial year without the presence of Non-Independent Directors, Executive Directors and any other management personnel. The meeting(s) is conducted in an informal 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.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors in terms of Section 134(5) of the Companies Act, 2013 state that:

- a) in the preparation of Annual Accounts, for the financial year 31st March, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any;
- b) in the selection of the accounting policies, consulted the Statutory Auditors and applied them consistently and made judgement 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 other 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;

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- 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 comprises of the following Directors viz. Mr. Jai Bhagwan Kapil (Chairman of the Committee), Mr. Rajiv Sharma and Mr. Jeevan Mahaldar. Except Mr. Jeevan Mahaldar, all the members are Independent Directors. The Company Secretary of the Company is the Secretary of the Committee. All the recommendations made by the Audit Committee were accepted by the Board.

KEY MANAGERIAL PERSONNEL

Mr. Rama Kant Sharma, Managing Director, Mr. Jeevan Mahaldar, Executive Director, Mr. Gagan Kaushik, Company Secretary, and Mr. Jagdish Lal Raheja, Chief Financial Officer are the Key Managerial Personnel (KMP) of the Company as per Companies Act, 2013.

There was no change in KMPs during FY 2017-18.

INTERNAL FINANCIAL CONTROL SYSTEMS

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

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 detail of the policy is explained in the Corporate Governance Report and the policy is also posted on the website of the Company.

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. There were no materially significant related party transactions made by the Company which may have a potential conflict of the interest with its Promoters, Directors, Key Managerial Personnel or other persons. All such Related Party Transactions are placed before the Audit Committee for approval, wherever applicable. 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://swarajautomotive.com/policies/>. Details of related parties and transactions with them during the year are covered at Note 2.36 of the Annual Accounts.

AUDITORS

M/s Mangla Associates, Chartered Accountants (FRN: 006796C), Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting (AGM) subject to ratification of their appointment by the Members at every AGM held after the ensuing AGM.

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

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 Aggarwal Vimal & Associates, Cost Accountants (FRN: 000350), as the Cost Auditors of the Company for the financial year ending on 31st March, 2018. M/s Aggarwal Vimal & Associates have confirmed that their appointment, if approved, will be within the limits of Section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from disqualification specified under Section 141(3) of the Companies Act, 2013. The Audit Committee has also received a certificate from the Cost Auditors certifying their independence and arm's length relationship with the Company. 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 Aggarwal Vimal & Associates, Cost Accountants is included in the Notice convening the Annual General Meeting.

SECRETARIAL AUDIT

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 A. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark. The Promoter, in compliance of SEBI Circular CIR/CFD/CMD/14/2015 dated November 30, 2015, via offer for sale, sold their 13.28% shareholding as detailed above and meet the MPS criteria 75% as on 31st March 2018.

SECRETARIAL STANDARDS

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company.

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.

EXTRACT OF ANNUAL RETURN

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

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 C.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule 5(1) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as Annexure D. There was no employee who was in receipt of remuneration of not less than Rs. 1,02,00,000 during the year ended 31st March, 2017 or not less than Rs. 8,50,000 per month during any part of the year.

GENERAL

The Managing Director and the Executive Director are not receiving any commission neither from the Company nor from its Holding Company.

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The Company has no subsidiary/ Associate / Joint Venture Company in accordance with the provisions of the Companies act, 2013.

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:

- a. issue of equity shares with differential voting rights or sweat equity or stock options.
- b. significant or material orders passed by the Regulators / Courts / Tribunal which impact the going concern status of the Company and its future operations.
- c. Material changes in commitments affecting the financial position of the company.
- d. Changes in the nature of business activities.
- e. voting rights which are not directly exercise 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).
- f. Fraud reporting by the auditors.

ACKNOWLEDGMENT

Your Directors would like to thank various Government Authorities and Banks for the cooperation extended by them and also take this opportunity to express their deep sense of appreciation to all the stakeholders of the Company for the support provided by them during the year. The Directors also place on record the appreciation to all the employees of the Company for the efforts put in by them.

FOR AND ON BEHALF OF THE BOARD

Place : Ghaziabad
Date : 11th May, 2018

J.B. KAPIL
Chairman