

28th ANNUAL REPORT 2013 - 2014

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SWETHA ENGINEERING LIMITED

Plot No.123-131, Tass Industrial Estate,
Ambattur, Chennai - 600 098.

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SWETHA ENGINEERING LIMITED



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BOARD OF DIRECTORS

Mr.S.V.Ragu Raman
Chairman & Managing Director

Mr.S.V.Sridhar
Director-Commercial

Mr.S.Niranjan Kumar
Director-Technical

Sri.A.Ramachandran
Non-Executive and Independent Director

Sri.V.Nagarajan
Non-Executive and Independent Director

Sri.R.Jagannathan
Non-Executive and Independent Director

AUDITORS

M/s.Suresh & Sridharan
Chartered Accountants
PMG Complex, 3rd Floor,
57 Usman Road, T.Nagar,
Chennai-600 017

BANKERS

REPCO Bank, Corporate Branch
No.18, C.P.Ramaswamy Road
Alwarpet, Chennai-600 018

REGISTERED OFFICE

Plot No.123-131,
Tass Industrial Estate
Mahatma Gandhi Road,
Ambattur, Chennai-600 098



Significant Accounting Policies
As per our report attached
For SURESH & SRIDHARAN
CHARTERED ACCOUNTANTS
FIRM REG NO.004258S

For and on behalf of the Board

(V.SURESH)
PARTNER
M.NO.020580

Chennai, 23rd May 2014

S.V.Raguraman - Chairman & Managing Director
S.V.Sridhar - Director Commercial
S.Niranjana Kumar - Director Technical
A.Ramachandran - Non Executive & Independent Director
V.Nagarajan - Non Executive & Independent Director
R.Jagannathan - Non Executive & Independent Director

DIRECTORS' REPORT

DEAR SHAREHOLDERS

Your Directors take pleasure in presenting the Twenty Eighth Annual Report of your Company together with the audited financial statement for the year ended 31st March, 2014.

Financial Results

(Amount in Rs.)

Particulars	2013 - 2014	2012 - 2013
Sales and Other Income	9,96,78,370.00	19,26,66,117.00
Less : Expenditure	9,14,83,075.00	17,73,30,201.00
Less: Interest Charges	70,24,035.00	74,09,310.00
Less: Depreciation	52,06,923.00	58,70,391.00
Profit before tax	-40,35,663.00	20,56,215.00
Exceptional item Tax adjustment In respect of earlier years	(50160.00)	33,964.00
Provision for Tax – Current	0.00	8,22,306.00
– Deferred	(36,558.00)	2,18,316.00
Profit/Loss after Tax	(41,22,381.00)	14,18,261.00
Profit brought forward	2,81,91,957.00	2,67,73,696.00
Balance Carried to Balance Sheet	2,40,69,576.00	2,81,91,957.00
Basic Earnings per Share	(1.1)	0.38

REVIEW OF PERFORMANCE & OPERATIONS

Sales and other income for the financial under review were Rs.996.78 lakhs as against Rs.1926.66 lakhs for the previous financial year showing a decrease of 48.26 %.The profit/loss before tax (after interest and depreciation charges) is Rs.-40.35 lakhs and the Profit/loss after tax is Rs.-41.22 lakhs for the financial year under review as against Rs.20.56 lakhs and Rs.14.18 lakhs respectively for the previous year.

During the year under review, the entire engineering industry was in deep recession. The new projects and procurement activities were abruptly stopped as many

industry majors were struggling to maintain their earlier/normal production levels. The company was diversified its production activities to auto components, electronics and related components over the past 2-3 years by installing CNC machines. Unfortunately regular customers of these components also could not escape the wrath of the deep recession and orders for the CNC machines have dried up and CNC machinery utilisation was very low and this had direct impact on the company's total sales and other income.

CAPITAL EXPENDITURE

As at March 31, 2014, the gross tangible assets stood at Rs.1221.00 lakhs and net tangible assets stood at Rs.492.80 lakhs. Additions during the year amounted to Rs.116.40 lakhs.

INSURANCE

All insurable interests of the Company including, buildings, furniture and fixtures and other insurable interest are adequately insured.

BUY BACK OF SHARES

The Company has not bought back any of its shares during the financial year

DIVIDEND

In view of loss, Your Directors have not recommended any dividend during the financial year.

FIXED DEPOSITS, LOANS & ADVANCES

Your Company has not accepted any deposits from the public, or its employees during the financial year. Being the company does not have any subsidiary company/s the disclosure in pursuant to Clause 32 of the Listing Agreement, with regard to loans /advances and investments in its own shares by the listed companies, their subsidiaries, associates etc is not required

SUBSIDIARIES / JOINT VENTURES

The company does not have any Subsidiaries and Joint Venture Company. Therefore the company is not required to present in its Annual Report, the consolidated financial statements of holding Company and all of its subsidiaries duly audited by its statutory auditors

Note:25 Other Expenses	31st March 2014	31st March 2013
Payment to Auditor		
(a) as Auditor	60,000.00	60,000.00
(b) for Taxation Matters	30,000.00	30,000.00
(c) for other Services	8,000.00	8,000.00
(D) for Reimbursement of Expenses	10,000.00	10,000.00
Operating Expenses	94,71,674.00	2,86,04,909.00
Packing Materials	9,68,901.00	4,63,963.00
Power and Fuel Charges	21,85,956.00	23,57,475.00
Manufacturing Expenses	71,14,723.00	2,27,51,526.00
Maintenance Charges	27,48,364.50	27,31,826.00
Overhead Charges	23,41,567.00	1,38,66,112.00
Project Engineering Charges	18,17,110.00	18,01,394.00
Sales tax Absorbed	0.00	73,157.00
Transportation Charges	5,95,793.00	18,93,190.00
Penalty and Liquidation Damages	70,000.00	0.00
Rates & taxes	2,63,432.24	87,117.00
Business Promotion Expenses	19,87,435.00	35,33,072.00
Legal Charges	0.00	63,000.00
Listing Fees	42,781.00	10,000.00
Professional Charges	7,00,694.00	8,92,600.00
Service Charges	8,91,653.00	12,30,618.00
Bank Charges	5,40,073.80	5,11,453.00
Conveyance and Travelling expenses	16,10,403.00	33,63,278.00
Insurance	3,11,969.00	7,82,003.00
Miscellaneous Expenses	9,78,798.74	11,70,462.00
Postage and Telephone expenses	3,86,580.00	4,83,098.00
Printing and Stationery	98,601.00	1,33,380.00
Sitting Fees	3,60,000.00	3,40,000.00
Carriage outward	86,000.00	0.00
Total Amount	3,56,80,509,.28	8,72,51,633.00

Note: 26 Earnings per Share	31st March 2014	31st March 2013
Net Profit for the year	-41,22,381.00	14,18,261.00
Weighted Average no. of equity shares	37,49,300	37,49,300
Basic EPS	-1.10	0.38
Diluted EPS	0.00	0.00
Face Value per Share	10.00	10.00

Note:27 Contingent Liabilities not provided for	31st March 2014	31st March 2013
Advance and Performance Bank Guarantees (Bank)	1,36,28,915.00	89,19,919.00
Disputed Ambattur Municipality Tax	24,76,638.00	23,48,190.00

Note:21 Cost of Raw Materials Consumed	31st March 2014	31st March 2013
Opening Stock of Raw Material	25,78,393.00	74,18,148.00
Add: Purchases during the year	2,46,95,581.00	5,05,05,101.00
Sub Total	2,72,73,974.00	5,79,23,249.00
Less:Closing Stock of Raw Materials	(37,13,912.00)	(25,78,393.00)
Net Amount	2,35,60,062.00	5,53,44,856.00

Note :22 Changes in Inventory of WIP, Stock in Trade etc	31st March 2014	31st March 2013
Work in Progress	1,98,42,665.00	3,00,05,629.00
Opening WIPLess: Closing WIP	(1,03,94,100.00)	(1,98,42,665.00)
Net Amount	94,48,565.00	1,01,62,964.00

Note:23 Employee Benefit Expenses	31st March 2014	31st March 2013
Salaries and Incentives	1,80,55,824.00	1,74,53,110.00
Contribution to approved fund	7,95,929.00	15,25,692.00
Staff Welfare Expenses	39,42,186.00	55,91,946.00
Total Amount	2,27,93,939.00	2,45,70,748.00

Salaries includes remuneration paid/ payable to directors of Rs. 57,00,000.00
(Previous year Rs.60,00,000.00)

Note:24 Finance Costs	31st March 2014	31st March 2013
Interest on Secured Overdraft	55,60,476.00	57,05,051.00
Interest on Term Loan	12,43,137.00	12,04,191.00
Interest - Others	2,20,422.00	5,00,068.00
Total Amount	70,24,035.00	74,09,310.00

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The internal control system is supplemented by extensive audits, regular review by management and adherence to policies and guidelines to ensure reliability of financial and other records. The management information system provides timely and accurate information for effective control. Regular planning as well as expense, capital and manpower budgeting processes ensure that progress is monitored against targets and control is exercised on all major expenses. Internal Auditors independently evaluate the adequacy of internal control systems. Their observations and recommendations are discussed by the Audit Committee to ensure effective corrective action.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as prescribed under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in a separate annexure, which forms a part of this report

PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended. The industrial relations continued to be generally peaceful and cordial

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Company is managed by Mr.S.V.Raghuraman, Managing Director under strict supervision of Board of Directors. The Board of Directors of the Company consist of Mr.S.V.Raghuraman, Mr.S.V.Sridhar, Mr.S.Niranjan Kumar, Shri.Nagarajan Venkataraman, Shri.Jaganathan Ramaiyan and Shri.Anantanarayana Ramachandran.

The term of Mr.S.V.Raghuraman, Mr.S.V.Sridhar, Mr.S.Niranjan Kumar, as Managing Director, Director – Commercial, Director – Technical respectively expire on 22nd October, 2014. The Board of Directors of the Company at its meeting held on 12th August, 2014 has recommended the said appointments.

Shri.Nagarajan Venkataraman, Shri.Jaganathan Ramaiyan and Shri.Anantanarayana Ramachandran had been appointed as Independent

Directors vide member's resolution at the AGM held on 29.09.2007 in terms clause 49 of the Listing Agreement, their tenure of office of independent Director has not been specified, therefore they shall hold office as Independent Director such till the conclusion of the ensuing AGM. Therefore the board of Directors proposed to appoint Shri.Nagarajan Venkataraman, Shri.Jaganathan Ramaiyan and Shri.Anantanarayana Ramachandran as Independent Directors of the Company under the Companies Act, 2013 to hold office for 1 (One) year.

The Company has also received the requisite disclosures/declarations from Shri.Nagarajan Venkataraman, Shri.Jaganathan Ramaiyan and Shri.Anantanarayana Ramachandran stating that they meet with the criteria of Independence as prescribed under sub-section (6) of Section 149 of the Companies Act,2013.

In terms of section 149(1) of the Companies Act, 2013 and clause 49 of the Listing Agreement the Every Listed Company should have at least One Women Director in the Board. Further, in terms of section 203 of the Companies Act, 2013 and read Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every listed company and every other public company having a paid-up share capital of ten crore rupees or more shall have whole-time key managerial personnel. Consequent on the de-recognition of the Regional Stock Exchanges vide SEBI 'Exit Circular' your Company stands as unlisted Company. In view of this, above requirement is not being complied at present.

Profile of all these Directors under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment at the Annual General Meeting are provided in the Corporate Governance Report and in the Explanatory Statement to the Notice.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- b) the selected accounting policies were applied consistently and the Directors 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 March 31, 2014 and of the profit of the Company for the year ended on that date.

Note:17 Short Term Loans and Advances	31st March 2014	31st March 2013
Unsecured and Considered Good		
Balance with Government Authorities	1,57,06,930.00	1,57,96,798.00
Advance to Suppliers	38,05,282.00	34,94,823.00
Prepaid Advances	27400.00	2,339.00
Employee Advances	24,40,047.00	18,98,334.00
Deposits	20,61,294.00	20,85,382.00
Total	2,40,40,953.00	2,32,77,676.00

Note:18 Other Current Assests	31st March 2014	31st March 2013
Unsecured and Considered Good		
Interest Accrued on Deposits, but not due	2,16,916.00	8,99,658.00
Total	2,16,916.00	8,99,658.00

Note:19 Revenue from Operations	31st March 2014	31st March 2013
Sale of Products	5,92,50,301.00	11,22,36,905.00
Sale of Services	4,29,04,978.00	9,13,00,272.00
Sub total	10,21,55,279.00	20,35,37,177.00
Less: Excise Duty	(59,99,212.00)	(1,22,44,136.00)
Net Amount = As per statement of P&L	9,61,56,067.00	19,12,93,041.00

Note:20 Other Income	31st March 2014	31st March 2013
Interest Income	21,47,304.00	12,97,156.00
on Deposits	21,513.00	0.00
EB deposit	4,67,305.00	0.00
Lic Gratuity fund	0.00	37,420.00
Exchange Gain	0.00	38,500.00
Other Income	8,77,254.00	0.00
Depreciation written back	8,927.00	0.00
Profit on sale of asset		
(Tax deducted at source: Current year : Rs.2434/- Previous year Rs. 8779/-)		
Net Amount	35,22,303.00	13,73,076.00

Note:12 Deferred Tax Asset	31st March 2014	31st March 2013
Deprecation	13,28,313.00	13,64,871.00
Unabsorbed Business Loss	69,62,696.00	69,62,696.00
Total	82,91,009.00	83,27,567.00

Note :13 Other Non-Current Assets	31st March 2014	31st March 2013
Deposits with Banks (with maturity more than 12 Months)	59,88,733.00	31,58,970.00
Total	59,88,733.00	31,58,970.00

Note:14 Inventories	31st March 2014	31st March 2013
Raw Materials	37,13,912.00	25,78,393.00
Work in Progress	1,03,94,100.00	1,98,42,665.00
Total	1,41,08,012.00	2,24,21,058.00

Note :15 Trade Receivables	31st March 2014	31st March 2013
Unsecured and Considered good Outstanding for a period of six months from the date they are due for payment	2,00,91,653.00	2,74,53,770.00
Others	2,71,26,833.00	2,56,26,657.00
Total	4,72,18,486.00	5,30,80,427.00

Note : 16 Cash and Bank Balances	31st March 2014	31st March 2013
Cash and Cash equivalents		
(i) Bank Balance in		
- Current Account	8,39,682.00	8,51,079.00
(ii) Cash on Hand	1,49,591.00	13,26,640.00
(iii) Other Bank Balances		
Bank Deposits (held as Margin money with more than 12 months maturity)	75,00,000.00	75,00,000.00
Total	84,89,273.00	96,77,719.00

c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) the annual accounts have been prepared on a going concern basis

COMPLIANCE CERTIFICATE

As per the Provisions to sub section (1) of Section 383A of Companies Act, 1956 Every Company having a paid up Share Capital of Rs.10 lakhs or more But less than Rs.5 Crores is required to file with the Registrar of Companies a Compliance Certificate from a Company Secretaries in Practice, and the said Certificate required to be attached with the Board's Report.

Members are hereby informed that, M/s.Rabi Narayan & Associates, Company Secretaries, Chennai, is our Company Secretary to issue Compliance Certificate and Compliance Certificate issued by them are enclosed herewith are forming part of this report. The Board of Directors recommend to the members to appoint them as Company Secretaries and fix their remuneration.

AUDITORS

M/s.Suresh & Sridharan, Chartered Accountants, (Registration No. FRN 004258S), Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letters from all of them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

As on date M/s.Suresh & Sridharan, Chartered Accountants, is holding office as statutory Auditor for more than 10 years and in terms of section 139(1) of the Act the said firm of auditor eligible for reappointment for another terms of maximum period of three years from the conclusion of the ensuing Annual General Meeting. Audit Committee after taking into consideration the qualifications and experience of the firm which are in commensurate with the size and requirements of the company recommended the name of M/s.Suresh & Sridharan., Chartered Accountants as statutory Auditor for another terms of three years to the Board for consideration. The Board taking into consideration the recommendation of the Audit committee recommend the members to appoint M/s.Suresh & Sridharan., Chartered Accountants, Chennai as Statutory Auditors of the Company for a period of three years from the conclusion of the ensuing Annual General Meeting till the

conclusion of the 31st Annual General Meeting of the Company, subject to ratification of the appointment by the members at every AGM held after the ensuing AGM.

AUDITORS' REPORT

The Auditors' Report to the members on the Accounts of the Company for the financial year ended March 31, 2014 does not contain any qualification. The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

COST AUDIT

As applicable under the erstwhile provisions of the Companies (Cost Audit Report) Rules 2011 the Company has obtained the cost Audit report from M/s.Sivasankaran & Co, Cost Auditors. As per the Ministry of Corporate Affairs in exercise of power comfort under section 148 of the Companies Act, 2013 and in supersession of Companies (Cost Accounting Records) Rules 2011, Companies (Cost Audit Report) Rules 2011 notified Companies Cost Records and Audit Rules 2014 in pursuant to Rule 4 of the said rules the Cost Audit of Companies cost records will continue to be done by M/s.Sivasankaran & Co, Cost Auditors.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Chapter on Corporate Governance practices followed by the Company together with a Certificate from the Company's Auditors confirming compliance forms part of this Report. The Managing Director and Chief Financial Officer of the Company have issued necessary certificate to the Board in terms of Clause 49(V) of Listing Agreement for the financial year ended March 31, 2014

ADDITIONAL DISCLOSURES

Management Discussion and Analysis Report, Corporate Governance Report, Segment report, and Related Party Disclosures provided elsewhere in the Annual Report form a part of this Report as required under the Listing Agreement entered into with the Stock Exchanges

GREEN INITIATIVES

Electronic copies of the Annual Report 2014 and Notice of the 28th AGM are sent to all members whose email addresses are registered with the company /Depository

NOTE 11 FIXED ASSESSES

ITEM	Gross Block as on 01-04-13	Additions	Deletions	Total	DEPRECIATION				Net Block As on 31.03.14	Net Block As on 31.03.13
					Upto 31.03.2013	ADJ	For 2013-14	Upto 31.03.2014		
Buildings- Residential	29,82,800.00	3,77,410.00	0.00	33,60,210.00	8,39,616.00	0.00	2,33,189.00	10,72,805.00	22,87,405.00	25,20,294.00
Building- Factory	1,93,00,754.00	8,40,010.00	0.00	2,01,40,764.00	1,26,99,989.00	0.00	6,96,695.00	1,33,96,684.00	67,44,080.00	62,23,655.00
Computer	30,11,928.00	8,25,858.00	0.00	38,37,786.00	26,55,153.00	0.00	1,53,561.00	28,08,714.00	10,29,072.00	3,56,775.00
Crane	18,20,522.00	4,99,844.00	0.00	23,20,366.00	14,13,824.00	0.00	1,17,941.00	15,31,765.00	7,88,601.00	4,06,898.00
Electrical Equipments	42,07,930.00	2,31,343.00	0.00	44,39,273.00	29,85,964.00	0.00	2,43,564.00	32,29,528.00	12,09,745.00	12,21,966.00
Furniture & Fixtures	16,87,311.00	0.00	0.00	16,87,311.00	10,99,884.00	0.00	1,06,324.00	12,06,208.00	4,81,103.00	5,87,427.00
Land	57,64,132.00	0.00	0.00	57,64,132.00	0.00	0.00	0.00	0.00	57,64,132.00	57,64,132.00
Office Equipments	23,91,765.00	0.00	0.00	23,91,765.00	18,47,034.00	0.00	98,596.00	19,45,630.00	4,46,135.00	5,44,731.00
Plant & Machinery	6,36,13,256.00	88,65,093.00	3,21,300.00	7,21,57,049.00	4,10,17,308.00	1,05,227.00	28,21,357.00	4,37,33,438.00	2,84,23,611.00	2,25,95,948.00
Vehicles	60,01,481.00	0.00	0.00	60,01,481.00	31,59,860.00	0.00	7,35,696.00	38,95,556.00	21,05,925.00	28,41,421.00
TOTAL	110781879.00	11639558.00	321300.00	122100137.00	67718632.00	105227.00	5206923.00	72820328.00	49279809.00	43063247.00
Previous Year	105741108.00	5040771.00	0.00	110781879.00	61848241.00	0.00	5870391.00	67718632.00	43063247.00	43892867.00

Note 8: Trade Payables	31st March 2014	31st March 2013
Trade Payables	1,61,81,232.00	2,23,62,247.00
Total	1,61,81,232.00	2,23,62,247.00

Note 9 : Other Current Liabilities	31st March 2014	31st March 2013
Advance from Customers	41,20,290.00	33,56,167.00
Other liabilities	11,91,939.00	11,79,939.00
Total	53,12,229.00	45,36,106.00

Note:10 Short -Term Provisions	31st March 2014	31st March 2013
Provisions for Taxation	11,63,370.00	27,01,673.00
Total	11,63,370.00	27,01,673.00

Participant(s).For members who have not registered their email addresses, physical copies of the Annual Report 2014 and the Notice of the 28th AGM are sent in the permitted mode. Members requiring physical copies can send a request to the Company Secretary.

The Company is providing e-voting facility to all members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to section 108 of the Companies Act 2013 and Rule 20 of the Companies (Management and Administration) Rules 2014.The instructions for e-Voting is provided in the Notice.

ACKNOWLEDGEMENTS

The Board of Directors wish to place on record their appreciation for the continued support and co-operation extended by the State Governments, Banks, Government authorities, Customers, Suppliers and Shareholders The Board expresses its appreciation for the dedication and commitment extended by employees at all levels and their contribution to the growth and progress of the Company.

**For and on behalf of the Board of Directors
For SWETHA ENGINEERING LIMITED**

S.V.Raguraman
Managing Director

S.V.Sridhar
Whole Time Director

Chennai, the 23rd May 2014

ANNEXURE A

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

CONSERVATION OF ENERGY:

- a. Energy Conservation Measures Taken:
- i) Designed and installed the power distribution system perfectly well to utilize the power at optimum level of requirement.
 - ii) Purchasing energy efficient machines.
- b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
- At present no additional investments and proposals are contemplated for reduction of consumption of energy.
- c. Impact of above measures in a) and b) for reduction of energy consumption and consequent impact of cost of production of goods.
- As a result of the measures at (a) above, the energy consumption is reduced to the best minimum possible.
- d. Total energy consumption and energy consumption per unit of production.
- Furnishing of these particulars is not applicable to this Company, as it is not carrying on any business which is listed in the schedule to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

TECHNOLOGY ABSORPTION

The relevant particulars relating to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable.

RESEARCH AND DEVELOPMENT:

1. Specific areas in which R & D carried out by the Company: Production process/stages, utilization of by products, cost reduction.

- (2) Term loan II from Repco Bank, Corporate Branch , balance of Rs.14,39,238.00 is repayable in 60 monthly instalments carrying interest rate @ 15% starting from September 2011. The loan is secured by way of hypothecation on assets, thus purchased.
- (3) Term loan III from Repco Bank, Corporate Branch , balance of Rs.43,94,549.00 is repayable in 60 monthly instalments carrying interest rate @ 15% starting from October 2013. The loan is secured by way of hypothecation on assets, thus purchased.
- (4) Term loan from Repco Bank, Corporate Branch, are secured by the company by first charge on all immovable and Movable properties of the company both present and future
- (5) Vehicle loan are repayable in 36 monthly instalments over the tenure of loan and the final instalment is due in March 2015 and June 2015. The loan is secured by way of hypothecation on asset thus purchased.

Note No.5 Other Long Term Liabilities	31st March 2014	31st March 2013
Other	2,16,388.00	12,89,427.00
Total	2,16,388.00	12,89,427.00

Note No.6 Long Term Provisions	31st March 2014	31st March 2013
Provisions for employee Benefits-Gratuity	40,94,640.00	40,94,640.00

Note No.7 Short Term Borrowings	31st March 2014	31st March 2013
Secured:Overdraft facility- From Bank	3,62,58,318.00	3,32,40,400.00
Total	3,62,58,318.00	3,32,40,400.00

- 1) Secured overdraft of Rs.3,62,58,318.00 from Repco Bank, Coprorate Branch is secured by way of continuity mortgage on the title deeds of the company properties located in Chennai (Ambattur Estate and Korattur) and hypothecation of stock in trade, machineries, furniture and fixtures.

(b) Rights/Preferences attached to equity shares

The company has only one class of equity shares of Rs.10 each.Each holder is eligible for one vote per share held.In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion to their shareholding.

(C) Details of Shareholding more than 5% of the aggregate shares in the company

Equity Shares	31st March 2014		31st March 2013	
	Numbers	% holding in the class	Numbers	% holding in the class
(a) Celltech Consultancy and Marketing (P) Ltd	2,80,600	7.48	2,80,600	7.48
(b) Hanuman Share and Stock Brokers Ltd	4,43,000	11.82	4,43,000	11.82
(c) S.V.Raguraman	4,64,728	12.39	4,52,304	12.0636
(d) S.V.Sridhar	4,41,095	11.76	4,41,095	11.76

Note:3 Reserves and Surplus	31st March 2014	31st March 2013
Securities Premium account		
Balance as per the last financial Statements - A	2,11,90,827.00	2,11,90,827.00
Statement of Profit and Loss		
As per last balance sheet	2,81,91,957.00	2,67,73,696.00
Add : Profit for the year	(41,22,381.00)	14,18,261.00
Closing Balance - B	2,40,69,576.00	2,81,91,957.00
Total (A + B)	4,52,60,403.00	4,93,82,784.00

Note : 4 Long Term Borrowings	31st March 2014	31st March 2013
Secured Loans		
Term Loans		
-From Banks	1,08,23,998.00	72,61,986.00
Vehicle Loan from Bank	8,61,113.00	15,75,559.00
Total	1,16,85,111.00	88,37,545.00

- (1) Term loan I From Repco Bank, Corporate Branch, balance of Rs.49,90,211.00 is repayable in 120 monthly instalments carrying interest @ 15% starting from February 2011. The loan is secured by way of Equitable Mortgage of immovable property situated at Flat A4, Old no.49A, New no.76, Sathsangam street, Venkatapuram Ambattur, Chennai-600 053 and hypothecation on assets, thus purchased.

- Benefits as a result of R & D : A close study in the technical developments, know how in the related areas of the Company is carried out with the purpose of getting good quality in the services rendered to the customers.
- Future plan of action: Continuous efforts will be taken in keeping up with the technological advancement in product/design developments.
- Expenditure on R & D} No specific expenditure has been booked for R & D. This has been a routine during the regular operations.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Export earnings involving foreign exchange for supply and services of export which includes advances also. A comparison of year wise is given below.

PARTICULARS	2013 - 2014		2012 - 2013	
	In \$	In Rs	In \$	In Rs
a. Supply of equipment	47,003.00	27,17,064.00	12,300.00	6,14,460.00
b. Services of equipment	2,47,456.00	1,47,50,890.00	1,94,345.00	1,05,51,036.00
Total (a+b)	2,94,459.00		2,06,645.00	1,11,65,496.00
Foreign Exchange Used	2,94,459.00		2,06,645.00	

For and on behalf of the Board of Directors
For SWETHA ENGINEERING LIMITED

S.V.Raguraman
Managing Director

S.V.Sridhar
Whole Time Director

Chennai, the 23rd May 2014

REPORT ON CORPORATE GOVERNANCE

Swetha Engineering Limited is complying with the mandatory requirements of the code of Corporate Governance introduced by the SEBI and incorporated in clause 49 of the Listing Agreement in all material aspect.

The Company believes that Corporate Governance is a powerful medium of sub-serving the long term interest of all the stakeholders, viz. employees, shareholders, customers and vendors.

The basic philosophy towards Corporate Governance is that it is an embodiment of the parameter of fairness, accountability, disclosures and to maximize value for the shareholders of the Company. The Company is committed to achieve these objectives by ensuring and bringing disclosures in all matters relating to the performance, financial position, ownership and governance of the Company.

BOARD OF DIRECTORS

The Board of Directors, along with the Committees of the Board, provides leadership and guidance to the Company's Management and directs, supervises and controls the activities of the Company. The size of the Board is commensurate with the size and business of the Company. At present, the Board comprises of Six Directors namely Shri.S.V.Raguraman, Shri. S.V.Sridhar, Shri. S.Niranjana Kumar, Shri.Nagarajan Venkataraman, Shri.Jaganathan Ramaiyan and Shri.Anantanarayana Ramachandran. Shri.S.V.Raguraman is the Managing Director and he works under the direction, control and supervision of the Board of Directors. Shri.S.V.Sridhar and Shri.S.Niranjana Kumar are the two Whole Time Director and the other three Directors are Non Executive & Independent Directors.

The Board members possess requisite skills, experience and expertise that are required to take decisions, which are in the best interest of the Company. Board Meetings of the Company are generally chaired by Shri.S.V.Raguraman.

Policy formulation, evaluation of performance and control functions vest with the Board. During FY 2013-14, Seven (07) Board Meetings were held. The details of Directors, their attendance at Board Meetings and at the previous Annual General Meeting of the Company are, given below:

not be furnished. In view of the above and in the absence of the relevant information, the auditor has relied upon the same.

2.2 Cash Flow statement

Cash flow statement has been prepared in accordance with indirect method prescribe in Accounting Standard-3 issued by the Institute of Chartered Accountants of India.

2.3 During the year ended 31 st March 2014, the revised Schedule VI notified under the Companies act, 1956 has become applicable to the Company for the preparation and presentation of its financial statements, accordingly previous year figures has been regrouped where ever considered necessary.

Note No.2	Share Capital	31st March 2014	31st March 2013
Authorised Share Capital			
	50,00,000 (March 2011: 50,00,000) equity shares of Rs.10 Each	5,00,00,000.00	5,00,00,000.00
	2,00,000 (March 2011 2,00,000) 13% Cumulative Convertible Preference Shares of Rs.100 each	2,00,00,000.00	2,00,00,000.00
Issued,Subscribed and Fully Paid up			
	37,49,300 (March 2011: 37,49,300) equity shares of Rs.10each	3,74,93,000.00	3,74,93,000.00
	Less : Allotment and Call Money in Arrears	(2,05,500.00)	(2,05,500.00)
	Add : Forfeited Shares	1,74,000.00	1,74,000.00
Total issued,subscribed and paid up share capital		3,74,61,500.00	3,74,61,500.00

(a) Reconciliation of Shares Outstanding at the Beginning and at the end of the reporting year

Equity Shares	31st March 2014		31st March 2013	
	No. of Shares	in Rs.	No. of Shares	in Rs.
At the Beginning of the year	37,49,300	3,74,93,000.00	37,49,300	3,74,93,000.00
Outstanding at the end of the year	37,49,300	3,74,93,000.00	37,49,300	3,74,93,000.00

in bringing the items of inventory to their present location and condition.

Cost of Work in Progress includes materials, labour and manufacturing overheads and other cost incurred in bringing the inventories to the present location.

1.8. INCOME TAX

Income tax comprises of Current tax and deferred tax Charge or Credit.

(i) Current tax on income for the period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessment/ appeals.

(ii) Deferred tax is recognized on the timing differences between the income accounted in financial statements and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the balance sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future income will be available against which such deferred tax assets can be realised.

1.9 Contingent Liabilities

Disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure as specified in Accounting Standard 29- 'Provisions, Contingent Liabilities and Contingent Assets' is made.

2.0 Operating cycle for current and non-current classification :

Operating cycle for the business activities of the company covers the duration of the specific project/contract/ services including defect liability period, wherever applicable and extends up-to the realization of receivables (including retention money) within the agreed credit period normally applicable to the respective line of business.

2.1 In terms of section 22 Micro, Small and Medium Enterprises Act, 2006 the outstanding to these enterprises are required to be disclosed. However these enterprises are required to be registered with under the Act. In the absence of Information about registration of the enterprises under the act, the required could

Name of Director	Category	No. of Board Meetings in the Year during respective tenure of Directors		Attendance of Last AGM	Number of directorships held in the Indian Companies	Number of Board Committee memberships Held in other companies
		Held	Attended			
S.V.Raguraman	Managing Director	07	07	Yes	Nil	Nil
S.V.Sridhar	Director-Commercial	07	07	Yes	Nil	Nil
S.Niranjan Kumar	Director-Technical	07	07	Yes	Nil	Nil
Nagarajan Venkataraman	Non Executive & Independent	07	02	Yes	Nil	Nil
Jaganathan Ramaiyan	Non Executive & Independent	07	07	Yes	Nil	Nil
Anantanarayana Ramachandran	Non Executive & Independent	07	07	Yes	Nil	Nil

As per the disclosures furnished none of the Directors are disqualified to act as directors of this Company or any other public Company under Section 164 and other applicable provisions of the Companies Act, 2013. As per the listing Agreement requirement, the letter of appointment of the independent director along with the detailed profile has already disclosed on the company's websites www.swethaeng.com and to the Stock Exchanges.

The requisite information as prescribed under Clause 49 of the Listing Agreement is placed before the Board from time to time and is generally provided as part of the Agenda papers of the Board Meeting and /or is placed at the table during the course of the meeting.

The Board of Directors met Seven (07) times on 19.04.2013, 23.05.2013, 15.07.2013, 27.08.2013, 04.10.2013, 28.01.2014 and 31.03.2014, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed, in the Minutes Book maintained for the purpose.

The Company paid Sitting fees for attending meetings of the Board and the

Committees of the Board within the maximum prescribed limits (as recommended by the Nomination and Remuneration Committee and approved by the Board), as per details given below :

Name of the Director	Sitting fee paid for attending Board and Committee meeting during FY 2013-14
Nagarajan Venkataraman	1,20,000
Jaganathan Ramaiyan	1,20,000
Anantanarayana Ramachandran	1,20,000

The Annual General Meeting for the financial year ended on 31.03.2013 was held on 30.09.2013 after giving due notice to the members of the Company and other concerned and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

Except Mr.S.V.Raguraman and Mr.S.V.Sridhar Executive Directors who are brothers, no other Directors are related to each other. Equity Shares held by the Director.

Name of the Directors	No. of Equity Shares as on 31st March 2014
S.V.Raguraman	464728
S.V.Sridhar	441095
S.Niranjankumar	12250

There are no other Shares or convertible instruments held by any other Directors

Information about the Directors proposed to be appointed/re-appointed required to be furnished pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is forming part of the Notice of the 28th Annual General Meeting to the Shareholders of the Company.

COMMITTEE OF THE BOARD

The Board of Directors has constituted three committees: Audit Committee, Nomination and Remuneration Committee and Shareholder/ Investors Grievance Committee. The roles and responsibilities assigned to these committees are covered under the terms of reference approved by the Board and are subject to

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefit like salaries, wages and ex-gratia are recognised in the period in which the employee renders the related service.

(b) Post-employment Benefits

(i) The contribution paid/Payable under the defined contribution scheme is recognised during the period in which the employees renders the related service.

(ii) Post employment and other long term benefits which are defined in the Profit & Loss Account for the year in which the employee has rendered service. The expense is recognized based on the present value of the obligation determined in accordance with Revised Accounting Standard 15 on employee benefits. Actuarial gains & losses are charged to the Profit & Loss account.

(iii) The company has covered its gratuity liability by a Group Gratuity policy named 'Employee Group Gratuity Scheme' issued by LIC of India. The liability in the balance sheet in respect of gratuity is the present value of the defined benefit/ obligation at the balance sheet date, together with adjustments for actuarial gains/ losses.

1.5 TRANSLATION OF FOREIGN CURRENCY

a) Foreign currency transactions are recorded at exchange rates which are calculated on the basis of average rate prevailing at the end of each month.

b) Foreign currency assets and liabilities at the year end are realigned at the exchange rate prevailing at the year end and difference on realignment is recognised in the Profit & Loss account.

1.6. FIXED ASSETS

Fixed assets are stated at Original cost net of tax/ duty credits availed (Gross Block), if any, less accumulated depreciation. Depreciation on fixed assets has been provided on Written down Value method at the rates specified in the Schedule XIV of the companies act, 1956.

1.7. BASIS OF VALUATION OF INVENTORIES

Materials, stores and spares and consumables are valued at cost or market value whichever is less by reflecting the fairest possible appropriation to the cost incurred

SIGNIFICANT ACCOUNTING POLICIES

Note : 1 Significant Accounting Policies

1.1 Basis of Accounting

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles of India and to comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules 2006 issued by the Central Government in exercise of the powers conferred under sub section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the "Act").

All assets and liabilities have been classified as current or non-current, wherever applicable as per the operating cycle of the company as per the guidance as set out in the Revised Schedule VI to the Companies Act, 1956.

1.2 USE OF ESTIMATES

In preparing the financial statements in conformity with generally accepted accounting in India, management is required to make estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements, future obligations in respect of retirement benefit plans etc. Difference if any, between the actual results and estimates is recognised in the period in which the results are known.

1.3 RECOGNITION OF INCOME

Sale of products and services are recognised on despatch of goods or when the services are rendered. Gross sales are stated at contractual realisable value inclusive of excise duty and net of trade discount and recognizes income when the risk and reward of ownership are passed on to the customers, which is generally despatch of goods.

Income arising from erection and commissioning of equipments is recognised on "completed contract method" as prescribed under Accounting Standard (AS-7) "Accounting for Construction Contracts".

1.4 EMPLOYEES

(a) Short term employee benefits:

review by the Board from time to time.

The Minutes of Meetings of Audit Committee, Remuneration committee and Shareholder Grievance Committee are placed before the Board for their Information and Noting. The details as to the composition, terms of reference, number of meetings and related attendance etc of these committees are given below

AUDIT COMMITTEE

The Audit Committee comprises Shri.Anantanarayana Ramachandran (Chairman), Shri.Nagarajan Venkataraman and Shri.Jaganathan Ramaiyan. All the Members are financially literate and having accounting and financial management experience. Shri.Anantanarayana Ramachandran who is a independent Director is the Chairman of the Audit committee. The Board has adopted an Audit Committee Charter which defines the composition of the Audit Committee, its authority, role, responsibilities and powers and reporting functions in accordance with clause 49 of the listing agreement and is reviewed from time to time. Given below, *inter alia*, is a gist of the responsibilities of the Audit Committee:

- ❖ Recommend appointment and removal of Auditors and their remuneration, nature and scope of audit
- ❖ Ensure adequacy of internal controls and compliances and recommend remedial measures
- ❖ Review adequacy of the Internal Audit function
- ❖ Oversee financial reporting process and disclosure of financial information.
- ❖ Review financial statements before submission to the Board
- ❖ Act as the link between Statutory Auditors, Internal Auditors and Board of Directors
- ❖ Review accounting policies
- ❖ To oversee the vigil mechanism
- ❖ Monitor compliance with company's Code of Conduct
- ❖ Review significant related party transactions
- ❖ Review findings of internal investigations / fraud / irregularities, etc.
- ❖ Carry out additional functions as contained in the listing agreement or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.
- ❖ Responsibilities under the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices

During the financial year ended 31st March 2014, Five (05) Audit Committee Meetings were held on 17.04.2013, 20.05.2013, 15.07.2013, 03.10.2013, and 17.01.2014. All members were present at these meetings. The composition of the

Audit Committee and the details of meetings attended by the Members are as follows:

Name of the Member	Category	Designation	No. of Meetings	
			Held	Attended
Shri.Anantanarayana Ramachandran	Independent	Chairman	05	05
Shri. Nagarajan Venkataraman	Independent	Member	05	03
Shri.Jaganathan Ramaiyan	Independent	Member	05	05

Chairman of the Audit Committee had attended the last Annual General Meeting. Chief Financial Officer, Statutory Auditors and Internal Auditors are invitees to the Audit Committee and Shri.**V.Jagannathan**, compliance officer is the Secretary to the Committee.

The audited quarterly results, annual audit plan, compliance with accounting standards, audit observations on the Annual Accounts and other related matters are discussed by the Audit Committee. The significant observations of the Internal Audit Department and the follow-up action on matters raised are also reviewed by the Committee. The Audit Committee has considered and reviewed the quarterly audited accounts & annual accounts for the year 2013-2014 and recommended to the Board for its adoption

NOMINATION & REMUNERATION COMMITTEE

Your company in compliance with Clause 49 of the Listing Agreement and in order to give effect to the provisions of Section 178 of the Companies Act, 2013, the Nomination Committee and the Remuneration Committee were re-constituted as a single Committee viz. the Nomination and Remuneration Committee, on 30.05.2014 comprised of three non executive independent Directors namely Shri.Anantanarayana Ramachandran (Chairman), Shri.Nagarajan Venkataraman and Shri.Jaganathan Ramaiyan.

The Board has adopted an Charter which defines the composition of the Nomination and Remuneration Committee, its authority, role, responsibilities and powers and reporting functions in accordance with clause 49 of the listing agreement and is reviewed from time to time.

Given below, *inter alia*, is a gist of the responsibilities of the Nomination and Remuneration Committee:

Notes :

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statements"
2. Previous year's figure have been reclassified to conform to the current year 's presentation.

Significant Accounting Policies
As per our report attached
For SURESH & SRIDHARAN
CHARTERED ACCOUNTANTS
FIRM REG NO.004258S

For and on behalf of the Board

(V.SURESH)
PARTNER
M.NO.020580

Chennai, 23rd May 2014

S.V.Raguraman - Chairman & Managing Director
S.V.Sridhar - Director Commercial
S.Niranjana Kumar - Director Technical
A.Ramachandran - Non Executive & Independent Director
V.Nagarajan - Non Executive & Independent Director
R.Jagannathan - Non Executive & Independent Director

SWETHA ENGINEERING LIMITED

Cash Flow Statement for the year ended 31 March 2014 (in Rupees)

Particulars	Year ended 31st March 2014	Year ended 31st March 2013
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before taxation and extraordinary items:	(40,85,823.00)	20,22,251.00
ADJUSTMENTS FOR		
ADD : Depreciation	52,06,923.00	58,70,391.00
Interest Paid	70,24,035.00	74,09,310.00
LESS : Interest Received	(26,36,122.00)	(8,99,658.00)
Profit on sale of fixed assets	(8927.00)	0.00
Operating Profit before Working Capital Changes	55,00,086.00	1,44,02,294.00
(Increase)/Decrease in Trade and Other Receivables	58,61,941.00	22,34,029.00
(Increase)/Decrease in Inventories	83,13,046.00	1,50,02,719.00
(Increase)/Decrease in Loans and Advances	(80,535.00)	7,87,49,04.00
Increase/(Decrease)in Trade Payables and Other Liabilities	1,95,94,538.00	3,95,13,946.00
	(80,16,234.00)	(1,73,76,947.00)
Cash generated from Operation	1,15,78,304.00	2,21,36,999.00
Direct Taxes	(0.00)	(8,22,306.00)
Net Cash from operating Activities	1,15,78,304.00	2,13,14,693.00
B.CASH FLOW FROM INVESTING ACTIVITIES:		
On account purchase of fixed assets	(1,16,39,558.00)	(50,40,771.00)
Sale of Fixed Assets	2,25,000.00	0.00
Interest Received	26,36,122.00	8,99,658.00
Net Cash used in Investing Activities	(87,78,436.00)	(41,41,113.00)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Borrowings	58,65,484.00	(85,31,544.00)
Interest Paid	(70,24,035.00)	(74,09,310.00)
Increase in Share Capital	0.00	0.00
Net Cash used in Financing Activities	(11,58,551.00)	(1,59,40,854.00)
NET INCREASE/(DECREASE) IN CASH AND CASHEQUIVALENTS (A+B+C)	16,41,317.00	12,32,726.00
OPENING BALANCE OF CASH & CASH EQUIVALENTS	1,28,36,689.00	1,16,03,963.00
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	1,44,78,006.00	1,28,36,689.00

- ❖ Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees
- ❖ Formulation of criteria for evaluation of Independent Directors and the Board
- ❖ Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

Chairman of the Nomination and Remuneration Committee had attended the last Annual General Meeting

Executive Directors

During the financial year 2013-14 the Board of Directors of the Company comprised of Six(06) Directors out of which Three Executive Directors and Three other Non-Executive Independent Directors

Shri.S.V.Raguraman Shah, Managing Director
Shri.S.V.Sridhar, Director-Commercial and
Shri.S.Niranjan Kumar, Director-Technical

The Details of Remuneration paid to Executive Directors during the financial year 2013-14 is given below :-

Name	Salary and perquisites in Rs.
Shri.S.V.Raguraman Chairman and Managing Director	Rs.30,00,000
Shri. S.V.Sridhar Director-Commercial	Rs.15,00,000
Shri.S.Niranjan Kumar Director-Technical	Rs.12,00,000

Remuneration includes salary, Company's contribution to Provident Fund, commission

- a) Remuneration paid/payable to the Non-Executive Independent Directors for the financial year ended March 31, 2014 is given as under

Name of the Directors	Sitting Fees
Shri.Anantanarayana Ramachandran	1,20,000
Shri.Nagarajan Venkataraman	1,20,000
Shri.Jaganathan Ramaiyan	1,20,000
Total	3,60,000

b) Statement showing number of Equity Shares of ' 10/- each of the Company held by the present Non-Executive Independent Directors as on March 31,2014

Name	No. of shares held (as on 31.03.2014)	% of Holding
Shri.Anantanarayana Ramachandran	200	
Shri.Nagarajan Venkataraman	0	
Shri.Jaganathan Ramaiyan	0	

c) The Company currently does not have any stock option scheme

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive independent Directors during the year

STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to the provisions of section 178 of the Companies Act, 2013, the Committee was re-named as the 'Stakeholders Relationship Committee' to, *inter alia*, consider and resolve grievances/complaints of security holders of the Company.

The Stakeholders Relationship Committee comprises Shri.Anantanarayana Ramachandran (Chairman), Shri.S.V.Sridhar and Shri.Jaganathan Ramaiyan and was constituted to specifically look into the redressal of shareholder and investor complaints such as transfer and transmission of shares of shares, issue of duplicate certificates, non-receipt of balance sheet, non-receipt of declared dividends etc. In addition, the Committee looks into other issues including status of dematerialization / re-dematerialization of shares as well as systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.

Significant Accounting Policies
As per our report attached
For SURESH & SRIDHARAN
CHARTERED ACCOUNTANTS
FIRM REG NO.004258S

(V.SURESH)
PARTNER
M.NO.020580

Chennai, 23rd May 2014

For and on behalf of the Board

S.V.Raguraman - Chairman & Managing Director
S.V.Sridhar - Director Commercial
S.Niranjan Kumar - Director Technical
A.Ramachandran - Non Executive & Independent Director
V.Nagarajan - Non Executive & Independent Director
R.Jagannathan - Non Executive & Independent Director

SWETHA ENGINEERING LIMITED

Profit and Loss Account for the year ended 31.03.2014

(in Rupees)

	Particulars	Note No.	March 31,2014	March 31,2013
	1	2	3	4
I.	Revenue from Operations	19	9,61,56,067.00	19,12,93,041.00
II.	Other income	20	35,22,303.00	13,73,076.00
III.	Total Revenue (I + II)		9,96,78,370.00	19,26,66,117.00
IV.	Expenses:			
	Cost of materials consumed	21	2,35,60,062.00	5,53,44,856.00
	Purchases of Stock-in-Trade		0.00	0.00
	Changes in inventories of finished goods work-in-progress and Stock-in-Trade	22	94,48,565.00	1,01,62,964.00
	Employee benefits expense	23	2,27,93,939.00	2,45,70,748.00
	Finance costs	24	70,24,035.00	74,09,310.00
	Depreciation and amortization expense	11	52,06,923.00	58,70,391.00
	Other expenses	25	3,56,80,509.00	8,72,51,633.00
	Total expenses		10,37,14,033.00	19,06,09,902.00
V.	Profit before exceptional and extraordinary items and tax(III-IV)		-40,35,663.00	20,56,215.00
VI.	Exceptional items		(50,160.00)	(33,964.00)
VII.	Profit before extraordinary items and tax (V - VI)		-40,85,823.00	20,22,251.00
VIII.	Extraordinary Items		0.00	0.00
IX.	Profit before tax (VII- VIII)		-40,85,823.00	20,22,251.00
X	Tax expense :			
	(1) Current tax		0.00	(8,22,306.00)
	(2) Deferred tax (asset)		(36,558.00)	2,18,316.00
XI	Profit (Loss) for the period from continuing operations(VII-VIII)		-41,22,381.00	14,18,261.00
XII	Profit/(loss) from discontinuing operations		0.00	0.00
XIII	Tax expense of discontinuing operations		0.00	0.00
XIV	Profit/(loss) from Discontinuing operations (after tax)(XII-XIII)		0.00	0.00
XV	Profit (Loss) for the period (XI + XIV)		-41,22,381.00	14,18,261.00
XVI	Earnings per equity share:(1) Basic and Diluted		(1.1)	0.38

During the year under review, the Committee met Five (05) times to deliberate on various matters referred above and for redressal of investor's complaints.

Shri.**V.Jagannathan**, compliance officer, acts as Secretary to the Committee and also responsible for redressal of investors complaints.

The Company has been receiving various correspondences from shareholders and required information/documents are furnished immediately to the satisfaction of shareholders. At the beginning of the year, no complaint was pending. During the year ended 31st March, 2014, the Company received one complaint from an investor and replied to the satisfaction of the investor. No investor complaint was pending on 31st March 2014

RISK MANAGEMENT COMMITTEE

In terms of Clause 49(VI) of the Listing Agreement the company has duly constituted The Risk Management Committee comprises Shri.Anantanarayana Ramachandran (Chairman), Shri.Jaganathan Ramaiyan and Shri S.V.Raghuraman, Managing Director to review the Risk Management process in the Company in various areas.

RECONCILIATION OF SHARE CAPITAL AUDIT

A qualified practicing Company Secretary carried out reconciliation of share capital audit to reconcile the total admitted capital with Central Depository Services (India) Ltd. (CDSL) and in physical form with the total number of paid-up/listed capital. The audit confirms that the total paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with CDSL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report forms part of this Annual Report

GENERAL BODY MEETINGS: DETAILS OF THE LAST 3 AGM ARE GIVEN AS UNDER

Financial year	Date	Venue	Time
2010-11	15.12.2011	Corporate Office : Plot No. 123 – 131, Tass Industrial Estate, Ambattur, Chennai – 98	11.00 A.M
2011-12	29.09.2012	Registered Office : Plot No. 123 – 131, Tass Industrial Estate, Ambattur, Chennai – 98	11.00 A.M
2012-13	30.09.2013	Registered Office : Plot No. 123 – 131, Tass Industrial Estate, Ambattur, Chennai – 98	11.00 A.M

All the resolutions including special resolutions as set out in the respective notices were passed by the shareholders. No extra-ordinary meeting was held during the year. No special resolutions were put through postal ballot last year. There is no proposal to pass any resolution by postal ballot.

DISCLOSURES

(I) RELATED PARTY TRANSACTIONS

In terms of the Accounting Standard – 18 “Related Party Disclosures”, as notified under the Companies (Accounting Standards) Rules, 2006, the Company has identified the related parties covered therein and details of transactions with such related parties have been disclosed in Notes to the Accounts forming part of this Annual Report.

The Company has not had any transactions of material nature with the Directors and / or their relatives, promoters, management during the year ended on March, 31, 2014 that may have conflict with the interests of the Company

(II) COMPLIANCES BY THE COMPANY

The Company has complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as regulations and guidelines of SEBI, No Penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years.

Significant Accounting Policies
As per our report attached
For SURESH & SRIDHARAN
CHARTERED ACCOUNTANTS
FIRM REG NO.004258S

(V.SURESH)
PARTNER
M.NO.020580

Chennai, 23rd May 2014

For and on behalf of the Board

S.V.Raguraman - Chairman & Managing Director
S.V.Sridhar - Director Commercial
S.Niranjan Kumar - Director Technical
A.Ramachandran - Non Executive & Independent Director
V.Nagarajan - Non Executive & Independent Director
R.Jagannathan - Non Executive & Independent Director

SWETHA ENGINEERING LIMITED
BALANCE SHEET FOR THE YEAR ENDED MARCH 2014 (in Rupees)

	Particulars	Note No.	March 31,2014	March 31,2013
	1	2	3	4
I.	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	2	3,74,61,500.00	3,74,61,500.00
	(b) Reserves and surplus	3	4,52,60,403.00	4,93,82,784.00
	(c) Money received against share warrants		0.00	0.00
2	Share application money pending allotment		0.00	0.00
3	Non-current liabilities			
	(a) Long-term borrowings	4	1,16,85,111.00	88,37,545.00
	(b) Deferred tax liabilities (Net)		0.00	0.00
	(c) Other Long term liabilities	5	2,16,388.00	12,89,427.00
	(d) Long-term provisions	6	40,94,640.00	40,94,640.00
4	Current liabilities			
	(a) Short-term borrowings	7	3,62,58,318.00	3,32,40,400.00
	(b) Trade payables	8	1,61,81,232.00	2,23,62,247.00
	(c) Other current liabilities	9	53,12,229.00	45,36,106.00
	(d) Short-term provisions	10	11,63,370.00	27,01,673.00
	TOTAL		15,76,33,191.00	16,39,06,322.00
II	ASSETS			
1	Non-current assets			
	(a) Fixed assets	11	4,92,79,809.00	4,30,63,247.00
	(i) Tangible assets		0.00	0.00
	(ii) Intangible assets		0.00	0.00
	(iii) Capital work-in-progress		0.00	0.00
	(iv) Intangible assets under development		0.00	0.00
	(b) Non-current investments			
	(c) Deferred tax assets (net)	12	82,91,009.00	83,27,567.00
	(d) Long-term loans and advances		0.00	0.00
	(e) Other non-current assets	13	59,88,733.00	31,58,970.00
2	Current assets			
	(a) Current investments		0.00	0.00
	(b) Inventories	14	1,41,08,012.00	2,24,21,058.00
	(c) Trade receivables	15	4,72,18,486.00	5,30,80,427.00
	(d) Cash and cash equivalents	16	84,89,273.00	96,77,719.00
	(e) Short-term loans and advances	17	2,40,40,953.00	2,32,77,676.00
	(f) Other current assets	18	2,16,916.00	8,99,658.00
	TOTAL		15,76,33,191.00	16,39,06,322.00

(III) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors of the Company has adopted a Code of Conduct for Directors and Senior Management and the same is posted on the website of the Company

(IV) CEO / CFO CERTIFICATION

Shri.S.V.Raguraman, Managing Directors and Shri.S.V.Sridhar, Director – Commercial of the Company have certified to the Board with regard to the compliance made by them in terms of Clause 49 (V) of the Listing Agreement and the certificate forms part of Annual Report. The Company complies with all the requirements of the Listing Agreement including the mandatory requirements of Clause 49 of the Agreement.

WHISTLE BLOWER POLICY

In terms of section 177(9) of the companies Act,2013 read with Rule 7 of The companies(Meeting of Board and its Powers) Rules 2014 and Clause 49 of the Listing Agreement your company has established a vigil mechanism for directors and employees to report genuine concerns of the company with adequate safeguards against victimization of persons who use such mechanism. The details of establishment of such mechanism will be disclosed on the company's website www.swethaeng.com.

MEANS OF COMMUNICATION

(I) QUARTERLY AND HALF-YEARLY FINANCIAL RESULTS

The Quarterly, Half yearly and Annual Results of the Company are available on the website of the Company www.swethaeng.com. The Half Yearly and Annual Results of the Company are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are published in a leading English daily newspaper.

The 'Investors' section on the Company's website keeps the investors updated on material developments in the Company by providing key and timely information such as Financial Results, Annual Reports, etc. Members also have the facility of raising queries/making complaints on share related matters through a facility provided on the Company's website.

The Company has a dedicated help desk with email ID: info@swethaeng.com in

the Secretarial Department for providing necessary information to the investors.

(II) OFFICIAL NEWS RELEASES

Official news releases are made whenever it is considered necessary

(III) THE PRESENTATION MADE TO INSTITUTIONAL INVESTORS OR TO THE ANALYSTS

There were no specific presentation made to the investors or analysts during the year

SHAREHOLDERS INFORMATION FINANCIAL CALENDAR (TENTATIVE)

Financial year	April 1, 2014 to March 31, 2015
Un-audited result for the quarter ending 30th June 2014	End of July, 2014*
Un-audited result for the quarter ending and Half year 30th September 2014	End of October, 2014
Un-audited result for the quarter ending 31st December 2014	End of January 2015
Audited result for the quarter ending 31st March 2015	End of April or May, 2015
Annual Result (Audited) and Annual General Meeting	Within 6 months of the close of the financial year In accordance with Section 96 of the Companies Act, 2013
Details of Book Closure	Tuesday, the September 23, 2014 to Tuesday, the September 30, 2014 (Both days Inclusive)
Venue and Other Details of Annual General Meeting	Day : Tuesday Date : 30 th day of September, 2014 Time : 11.00 AM Plot No.123-131, Tass Industrial Estate, Mahatma Gandhi Road, Ambattur, Chennai - 600 098.

XXI. Frauds Noticed

According to the information and explanations given to us no fraud on or by the company has been noticed or reported during the course of audit during the year.

For **Suresh & Sridharan**
Firm Registration No.: 004258S
Chartered accountants

V. Suresh
Partner
Membership No.020580

Place: Chennai
Date: 23.05.2014

not applicable to the company.

XIV. Dealings/ Trading in Shares, Securities, Debentures and other investments

In our opinion and according to the information and explanations given to us the company is not a dealer or trader in shares, securities, debentures or other investments. Accordingly the provisions of clause 4 (xiv) of the Order are not applicable to the company.

XV. Guarantees Given

According to the information and explanations given to us and the representations made by the management, the company has not given any guarantee for loans taken by others from banks or financial institutions.

XVI. Term Loans

Term loans availed by the company have been applied by the company for the purpose for which they are obtained.

XVII. Utilisation of Funds

According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short term basis have been used for long term investment. No funds have been raised on long term basis.

XVIII. Preferential Allotment of shares:

The company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. Security for Debentures issued

The company has not issued debentures during the year and therefore the clause 4 (xx) of the companies (Auditor's Report) Order 2003 is not applicable.

XX. Public issue of Equity Shares

The company has not raised money by public issue during the year and therefore 4 (xix) of the companies (Auditor's Report) Order 2003 is not applicable.

Listing of Equity shares	<p>The Madras Stock Exchange Limited, The Ahmedabad Stock Exchange Limited and The Coimbatore Stock Exchange Limited. Listing fee have been paid.</p> <p>As per the 'Exit Circular' the exclusively listed companies, which fail to obtain listing on any other stock exchange, which do not voluntary delist or which are not considered as 'Vanishing companies', will cease to be listed company and will be moved to the dissemination board by the existing stock exchange.</p>
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DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2014

No. of Equity share held in (Rupees)	Shareholders		Share Amount	
	No of shareholders	% of shareholders	In Rupees	% of Total
10-5000	1824	82.84	3289000	8.76
5001-10000	96	4.36	862250	2.30
10001-20000	132	5.99	2026000	5.40
20001-30000	42	1.91	1060500	2.83
30001-40000	12	0.54	448500	1.20
40001-50000	29	1.32	1393520	3.72
50001-100000	30	1.36	2562750	6.84
100001 and above	37	1.68	25850480	68.95
Total	2202	100	37493000	100

As required under Circular No. D&CC/FITTC/CER-16/2004 dated 31st December, 2004 issued by the Securities and Exchange Board of India, the Company has appointed a Practicing Company Secretary to do the Secretarial Audit and the report was placed before the Board and sent forthwith to Stock Exchanges for their information and record

SHAREHOLDING PATTERN AS ON 31ST MARCH 2014

Category of Shareholder	No. of Shares Held	%tage of Shareholding
Promoters	1082323	28.87
Mutual funds	0	0
Banks, Financial Institutions	0	0
Foreign Institutional Investors	0	0
Bodies Corporate	962925	25.68
Indian Public	1679552	44.80
NRI/OCBs	11800	0.31
Employees	12700	0.34
Grand Total	3749300	100

DEMATERIALISATION OF SHARES

The equity shares of your Company are made available for dematerialization under depository system operated by the Central Depository Services (India) Limited (CDSL).The Shares of your Company are under compulsory demat settlement mode and can be traded only in the demat form. Shares dematerialized up to March 31, 2014 are under

Sl.No.	Particulars of Capital Structure	No. of Shares	% of Total issued Capital
01	Held in dematerialized Form in CDSL	18,86,299	50.31
02	Physical	18,63,001	49.69
	Total	37,49,300	100.00%

REGISTRAR AND SHARE TRANSFER AGENTS (RTA)

For transfer and transmission of shares of shares, issue of duplicate certificates, non-receipt of balance sheet, non-receipt of declared dividends and change of address etc., M/s.Cameo Corporate Services Limited, "Subramanian Building" No.1, Club House Road, Chennai – 600 002 Phone No.044-28460390-94, Fax No.28460129, Email: investor@cameoindia.com & cameo@cameoindia.com

IX. Statutory Dues

- a) The company is generally regular in depositing the undisputed statutory dues including Provident Fund, Employees state insurance, Income tax, Sales tax, Customs Duty, Excise Duty cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed st amounts payable in respect of aforementioned dues were in arrears as at 31 March 2014, for a period of more than six months from the date they became payable.
- b) According to the information and explanation given to us, the dues in respect of Sales Tax, Excise Duty and cess that have been deposited with the appropriate authorities. The disputed statutory dues pending before appropriate authorities are as under :

Nature of dues	Financial year to which the matter Pertains	Forum where dispute is pending	Amount in Rupees
Property Tax	2003-04	High Court - Madras	6,46,254.00

X. Accumulated Losses

The company has no accumulated losses as at March 31, 2014 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding the financial year.

XI. Dues to financial Institutions, Banks

According to the records examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions or bank or debenture holders as at balance sheet date.

XII. Security for Loans and Advances Granted

The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

XIII. SPECIAL STATUTE

The company is not a chit fund /nidhi / mutual benefit fund / society. Therefore the provisions of clause 4 (xiii) of the companies (Auditor's Report) order 2003 are

IV. Internal Control System

In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the company and the nature of its business for purchase of inventory, fixed assets, and for sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control systems.

V. Contracts or Arrangement referred into this Section 301 of the Companies Act, 1956

- a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act 1956 have been so entered.
- b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

VI. Public Deposits

The company has not accepted any deposits from the public during the year.

VII. Internal Audit System

In our opinion the company has an internal audit system commensurate with the size and nature of its business.

VIII. Cost Records

The central Government has prescribed maintenance of cost records u/s 209(1)(9) Of companies act 1956 for the company. We have broadly reviewed the cost records are of the opinion that prima facie, the prescribed cost records have been maintained. However, we have not carried out a detailed examination of such records.

COMPLIANCE OFFICER'S DETAILS

Shri. Shri. **V. Jagannathan**

Regd Off: Plot No 121- 133, Tass Industrial Estate, Ambattur, Chennai-600 098
Telephone No : 044-28345880-84 Fax No : 91-44-28345885,
Email: info@swethaeng.com

In order to facilitate investor servicing, the Company has designated an e-mail-id: info@swethaeng.com mainly for registering complaints by investors

SHARE TRANSFER SYSTEM

The Shares transfers are registered and returned within a period of 15 days of receipt if documents are in order. All requests for dematerialization of shares are processed and confirmed to the depositories, NSDL and CDSL within 4 working days. The share transfers are approved by the Share Transfer Committee which meets as and when required. The Demat ISIN in Central Depository Services (India) Limited (CDSL) is **INE – 824 EO 1017**.

There are no outstanding warrants or any convertible instruments. The Company has not issued GDR/ADR

CODE OF CONDUCT

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct, as on 31st March, 2014. The Company's Chairman cum Managing Director's declaration to this effect forms a part of this report

CODE FOR PREVENTION OF INSIDER TRADING

The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors / officers / designated employees. The Code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information

LEGAL PROCEEDINGS :

There is no legal proceeding pending against the Company

ADDRESS FOR CORRESPONDENCE: ALL CORRESPONDENCES SHOULD BE ADDRESSED TO

SWETHA ENGINEERING LIMITED
CIN : L27209TN1986PLC013787
Regd Off: Plot Nos. 123- 131, Tass Industrial Estate, Ambattur,
Chennai – 600 098. Tel. No. 044-26252191, 6253191, Fax: 044-26250836,
E-mail: info@swethaeng.com

In terms of clause 47(f) of the Listing Agreement of Stock exchanges, investors may please swetha@md3.vsnl.net.in, and Info@swethaeng.com email id for redressal of investor complaint/ request.

DECLARATION ON CODE OF CONDUCT

**To
The Members of SWETHA ENGINEERING LIMITED**

In accordance with Clause 49 sub-clause I (D) of The Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management Personnel including myself, have affirmed compliance to their respective Codes of Conduct, as applicable for the Financial Year ended 31st March, 2014.

For SWETHA ENGINEERING LIMITED

S.V.Raguraman
Managing Director

23rd Day of May 2014

Registered Office :
Plot Nos. 123- 131, Tass Industrial
Estate, Ambattur,
Chennai – 600 098.

ANNEXURE TO INDEPENDENT AUDITORS REPORT

(Referred to in Paragraph 7 of the Independent Auditor's report of even date to the members of Swetha Engineering Ltd on the Financial statements for the year ended March 31,2014)

I. Fixed Assets

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) According to the information and explanation given to us there is a regular programme of verification which, in our opinion is reasonable having regard to the size and nature of its assets. No material discrepancies between the book records and the physically inventory have been noticed in respect of the assets physically verified.
- c) The company has not disposed of substantial part of the fixed assets during the year and the going concern status of the company is not affected.

II. Inventories

- (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The Procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stock as compared to book records were not material.

III. Loans and Advances granted/taken from entities

According to the information and explanation given to us, the company during the year has neither granted nor taken loans, secured or unsecured to / from companies, firms on other parties listed in the register maintained under section 301 of the Companies Act 1956. Therefore requirements of clause (iii-b) (iii-c) and (iii-d) of paragraph 4 of the order are not applicable.

Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For **Suresh & Sridharan**
Firm Registration No.: 004258S
Chartered accountants

V. Suresh
Partner
Membership No.020580

Place : Chennai
Date : 23.05.2014

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE FROM AUDITORS

The Certificate dated the 23rd day of May, 2014, obtained from Statutory Auditors of the Company M/s.Suresh & Sridharan, Chartered Accountants, Chennai confirming compliance with the Corporate Governance requirements under Clause 49 of the Listing Agreement, is annexed hereto.

For SWETHA ENGINEERING LIMITED

S.V.Raguraman
Managing Director

23rd Day of May 2014

Registered Office:
Plot Nos. 123- 131, Tass Industrial Estate,
Ambattur,
Chennai – 600 098

**COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE
(Under Clause 49 of the Listing Agreement)**

To the members of Swetha Engineering Limited

We have examined the registers, records, books and papers of M/s.Swetha Engineering Limited (the Company), as required to be maintained under Clause 49 of the Listing Agreements entered with the Stock Exchanges and the Rules and Regulation issued by SEBI and NSDL for the financial year ended on 31st March, 2014

We have examined the compliance of conditions of corporate governance by Swetha Engineering Limited for the year ended March 31, 2014 as stipulated in clause 49 of the listing agreement entered into by the Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied in all material aspects with the conditions of corporate governance as stipulated in the above mentioned clause 49 of the listing agreement.

We stated that no investor grievance is pending for a period exceeding more than one month against the Company as per the record maintained by the stakeholders relationship committee.

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

For **Suresh & Sridharan**
Chartered Accountants

V.Suresh
Membership No.020580
Partner

Place: Chennai
Date: 23rd Day of May 2014

accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014 ;
 - b) in the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on the Legal and Regulatory requirements.

7. As required by the Companies (Auditor's Report) Order, 2003 ("theOrder") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that :
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash

INDEPENDENT AUDITOR'S REPORT

To
The Members,
SWETHA ENGINEERING LIMITED

Report on the Financial Statements.

1. We have audited the accompanying financial statements of Swetha engineering Ltd ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company's core business sectors Pulps and Paper and mining were worst hit by the down trend. This has not helped in any way and added salt to the already wounded had limping company. The orders from the core sectors were very meager and pulled down the sales and other income of the Company to 50% compared to previous financial year. The unexpected all round recession in the engineering industry added to steep increase in the cost of raw material, power, labor, fuel, apart from increased cost of living took the company off guard and not allowed any time to recover and plan remedial measures.

BUSINESS PERFORMANCE

The company took the abrupt downtrend and heavy loss for the financial year under review in its stride and plan for the future equip itself to face adverse market conditions. The present trend in the Pulp and Paper Industry is particular and other engineering industry in general is to implement new projects with latest technology in order to increase productivity, reduce the profitability etc. This will allow domestic players like the company, limited market share. More over most of the new project contracts are awarded to 3 – 4 agencies on area wise of the complete plant. Invariably most of the agencies are global players and they are looking for Indian business partners for the items which can be manufactured locally to the more competitive. In the present adverse market condition, survival is the top priority of the Company. Meager order flow, low order values, stiff competition, higher inflation, power shortage, devaluation of Rupee, higher labour cost and overheads has increased the conversion cost considerably and reduced the profit for the fiscal year 2013-14.

STRATEGIC OF INITIATIVES

The company needs to upgrade its manufacturing facilities by installing new machinery and modify some of the existing machinery and equip itself to

manufacture the equipments as per the latest technology and as per the designs of the international manufacturers. The company already started working in this direction by modifying two of its existing lathe machines by installing CNC modules. The company is also planning to invest around Rs 1000 lakhs towards new machinery over a period of next 2-3 years, by further issue of shares for best interest of the company and its shareholders.

FINANCIAL PERFORMANCE

Turnover (net) achieved for the financial year ended 31.3.2014 is Rs 996.78 Lakhs showing a decrease of 48.26% over previous year. Consumption of the raw material decreased from Rs 553.45 Lakhs to Rs 235.60 Lakhs, decrease of 57.43 % as compared to the previous year. Employee cost was Rs 227.94 Lakhs for the year 2013-14 against Rs 245.70 Lakhs of 2012-13. The interest cost decreased from Rs 74.09 Lakhs to Rs 70.24 Lakhs a decrease in 5.20%. Capital Assets purchased during the year are Rs 116.40 Lakhs and depreciation for the year under review decreased by Rs. 6.63 Lakhs. The profit / loss after tax for the year 2013-14 is Rs -41.22 Lakhs as against Rs 14.18 Lakhs,

OUTLOOK

The company can undertake more precision jobs where margin are high after the planned expansion. The company can also enjoy the benefits of low manpower, high precision, low conversion cost and rejection etc. This also allow more leverage to absorb the surges in the market due to various reasons.

FINANCIAL RISKS

The Company's business involves procurement of raw materials in the right time which warrants working capital. The Company has conscious approach to risks in terms of procurement of raw materials at competitive rates keeping in mind the availability of finance.

3	Form 20B	Filed U/s.159 for the Annual General Meeting held on 30-09-2013	Q14709430 19.10.2013 No Delay
4	Balance sheet / Form-23AC & 23ACA (XBRL)	Filed U/s.220(1) for the year ended 31-03-2013.	Q14738397 19.10.2013 No Delay
5	Form 8	Filed U/s.135 for Creation of Charge with Repatriates Co-Operative Finance And Development Bank Limited on 04.10.2013 for Rs.45,00,000	B90608324 03.12.2013 Delay
6	Form-A-XBRL	Filed U/s 209(1)(d), 600(3)(b) of the and relevant Cost Accounting Records Rules, 2011 compliance report for the financial year 2012-13.	S22668180 30/09/2013 No Delay
7	Form-I-XBRL	Filed U/s. 233B(4), 600(3)(b) with regard to Financial year covered by the cost audit report from 01.04.2012 to 31.03.2013	S22665244 30/09/2013 No Delay

Forms and Returns as filed by the Company with the **Ministry of Corporate Affairs** (Central Government) during the financial year ending on 31st March, 2014.

S.No.	Forms / Returns	Filed under Section	Date and status of filing
1	Form 23C	Filed U/s.233B(2) Form of application to the Central Government for appointment of M/s.N.Sivashankaran & Co., cost auditor to Conduct Audit of Cost Accounting Records maintained by the company for the financial year 2013-2014	S21443213 01.07.2013 No Delay

Regional Director : Nil
Company Law Board: Nil

CIN. : L27209TN1986PLC013787
 Authorised Capital : Rs.7,00,00,000
 Paid Up capital : Rs.3,74,93,000

ANNEXURE – A SECRETARIAL COMPLIANCE CERTIFICATE

Registers and Returns, as Maintained by the Company/

Registrar and Share Transfer Agent()*

Sl.No.	Name of Register	Under Section
01	Register of Members/Index of Members (*)	150/151
02	Register of Transfer of Shares(*)	
03	Copies of the Annual Returns	159
04	Minutes Book of Board of Directors/ Committee of the Board	193
05	Minutes Books of General Body of shareholders	193
06	Books of Accounts	209
07	Register of Directors, MD and Secretary'	303
08	Register of Directors' Shareholdings	307
09	Register of Contracts and Disclosure	301
10	Register of Charges and copies of instruments creating charges	143/136

ANNEXURE “B” TO SECRETARIAL COMPLIANCE CERTIFICATE

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ending on 31st March, 2014.

S.No.	Forms / Returns	Filed under Section	Date and status of filing
1	Form 23	Filed U/s.314 for Special resolution with regard to Appoint Miss.J.Sneha, who is a relative of Mr.S.V.Raguraman, Managing Director and Mr.S.V.Sridhar, Director-Commercial for holding and continuing to hold an office or place of profit as an employee of the company, with effect from 01st October, 2013.	B87204608 19.10.2013 No Delay
2	Form 66	Compliance Certificate filed U/s.383A for the year ended 31-03-2013	Q14710321 19.10.2013 No Delay

REGULATORY AND LEGAL RISKS

The Company is exposed to environmental regulations. The Company has adequate system and controls to mitigate various risks.

HEALTH, SAFETY, SECURITY ENVIRONMENT

The Company accords high priority to health, safety and environment. The Company has one manufacturing plant in operation. The Company emphasize on maintaining a healthy and safe environment in and around its factory. Safety awareness is inculcated through regular safety awareness program.

INTERNAL CONTROL SYSTEM

Keeping in mind the size of the Company the business control procedure ensures maximum efficiency and compliance. The procedure also produces well documented policies, authorization and approval etc.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Employer – employee relation remained cordial during the year. Training and development of employees continue to be an area of prime importance. There is no material changes in Human resources front during the year under review.

CAUTIONARY STATEMENT

The Management Discussion and Analysis Report contains forwarding looking statements based upon the data available with the company, assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report.

For SWETHA ENGINEERING LIMITED

S.V.Raguraman
Managing Director

23rd Day of May 2014

Registered Office:
Plot Nos. 123- 131, Tass Industrial Estate,
Ambattur,
Chennai – 600 098.

year under scrutiny.

31. There was/were no prosecution initiated against or shows cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For Rabi Narayan & Associates
Company Secretaries

Rabi Narayan Pal
Partner
C.P.No.3480.

Place : Chennai
Date : 23rd May, 2014

20. The Company has not bought back any Shares during the financial year under.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus Shares, pending registration of transfer of Shares.
23. The Company has not invited/accepted any deposits, including unsecured loan falling within the preview of Section 58A and 58AA of the Act and rules made there under, during the financial year.
24. The amount borrowed by the Company during the financial year ending 31st March 2014 are within the borrowing limits of the Company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in duly convened Generals Meeting of Shareholders.
25. The Company has not made any loans or advances, investments, or given guarantees or provided securities to other bodies corporate falling within the provisions of 372A of the Act and consequently no entries have been made in the Register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of association during the financial

SECRETARIAL COMPLIANCE CERTIFICATE

(Pursuant to Section 383A of the Companies Act, 1956,
read with Rule 3 of The Companies (Compliance Certificate) Rules, 2001

CIN. : L27209TN1986PLC013787
Authorised Capital : Rs.7,00,00,000
Paid Up capital : Rs.3,74,93,000

To

The Members of
M/s.SWETHA ENGINEERING LIMITED,
Plot No.123-131, Tass Industrial Estate,
Mahatma Gandhi Road, Ambattur,
Chennai - 60098.

We have examined the registers, records, books and papers of **M/s.SWETHA ENGINEERING LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, and notified provisions of Companies Act, 2013 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March 2014. In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made there under and in case of delay with additional filing fee.

3. The Company, is a Public Limited Company under section 2(71) of the Companies Act, 2013 and having the minimum prescribed paid up share capital
4. The Board of Directors duly met Seven **(07)** times on 19.04.2013, 23.05.2013, 15.07.2013, 27.08.2013, 04.10.2013, 28.01.2014 and 31.03.2014 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the minutes Book maintained for the purpose
5. The Company closed its Register of Members from 28th September, 2013 to 30th September, 2013 (both days inclusive) and necessary compliance of section 154 of the Act has been made
6. The Annual General Meeting for the Financial Year ended 31-03-2013 was held on 30th September 2013 after giving due notice to the members of the Company and other concerned and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 185 of the Companies Act, 2013.
9. The Company has not entered into any arrangement/ contract falling with the provisions of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors and members pursuant to Section 314 of the Act.
12. The Company has not issued any duplicate Share Certificates during the financial year.

13. (i) The Company has delivered share certificates on lodgment thereof for transfer/ transmission /consolidation and there was no allotment of securities during the year under review.

(ii) & (iii) The Company has not declared any dividend during the year under report, hence comment on this paras are not required
(iv)The Company was not required to transfer any amount to Investors Education and Protection Fund

(v) The Company has complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional, alternative or directors to fill casual vacancies during the year under review.
15. The Company has not appointed any Managing Director/Whole Time Directors/ Manager during the financial year, hence comment on the compliance of provision of Section 269 read with Schedule XIII to the Act and approval of Central Government are not required
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as prescribed under the various provisions of the Act, during the financial year. The Company has made due application to Central Government for appointment of Cost Auditor for the financial year 2013 – 14.
18. The Directors have disclosed their interest in the Firms/Companies to the Board of Director pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or securities during the financial year.