

# **SWARAJ ENGINES LIMITED**

29<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS -28<sup>th</sup> July, 2015

## **CHAIRMAN SPEECH**

Dear Shareholders,

A very good afternoon to all of you.

It gives me great pleasure to extend a very warm welcome to you all at this 29<sup>th</sup> Annual General Meeting of your Company.

The requisite quorum being present, I accordingly call this meeting to order.

The Notice convening the Shareholders Meeting and the Annual Report for the year ended 31<sup>st</sup> March, 2015 has been with you for sometime. I believe that you would have had the time to go through them. With your permission, I shall take them as read.

As the Members are aware, Shri G.P.Gupta, who was the Chairman of your Company, resigned from the directorship of the Company due to health reasons after the last Annual General Meeting. We take this opportunity to place on record our sincere appreciation for his valuable guidance and significant contribution during his long association of 13 years with the Company - first as Director and then as Chairman. In place of Shri Gupta, the baton has been handed over to me and it is my privilege to address you today as Chairman of your Company for the first time. I thank the Board for entrusting this responsibility to me and assure you that I and my colleagues on the Board will continue to work for success and growth of the Company.

## **YEAR IN REVIEW (FY 2014-15)**

Let me start with the developments in the tractor industry as your Company is manufacturing engines for Swaraj Division of Mahindra & Mahindra Limited for fitment into "Swaraj" Tractors.

Financial year 2014 was a good year for the Indian tractor industry as it registered a growth of 20% over the previous year. This growth momentum could not be sustained in FY 15 and the industry, after remaining almost stagnant during the first half of the year, recorded a steep decline of 25% in second half of the year. Sales of tractors in FY 15 stood at 5,51,000 compared to 6,33,000 in FY 14, a drop of 13%. This was mainly on account of poor monsoon followed by unseasonal rains and weak crop prices.

The engine sales volume of your Company registered a growth of 10.6% in the first half of the year (40,098 engines as compared to last year's 36,267 engines). In the second half, severe demand contraction coupled with inventory built up in the system in the first half led to engine volume drop by 35.2% (24,497 engines as compared to last year's 37,795 engines). As a result, the full year sale registered decline of 12.8% (64,595 engines as compared to last year's 74,062 engines) which was almost in line with the drop in domestic tractor industry.

In this backdrop, the operating revenue for FY 2014-15 stood at Rs. 539.7 crores compared to Rs. 608.3 crores for the previous year. The pre-tax and post-tax profit for the year stood at Rs. 77.8 crores (previous year Rs. 97.8 crores) and Rs. 51.8 crores (previous year Rs. 67.0 crores) respectively.

However, continuing the investor friendly tradition of your company, the Directors, over and above the normal dividend of 150%, have been pleased to recommend special dividend of 180%, taking the total dividend for FY 2014-15 to 330% - equivalent to Rs. 33 per share. After appropriation towards proposed dividend, including distribution tax thereon, Shareholders' Fund at the close of the year stands at Rs. 212.1 crores.

I am very pleased to inform that your company has started many CSR activities during the year. Under the Swachh Bharat Programme, the Company has adopted two nearby villages for providing community toilets, sanitation through waste management and clean drinking water to school students. In addition, to promote girl education, the Company had contributed Rs 75 lakhs for the Nanhi Kali project.

## **CURRENT PERFORMANCE**

The Board of Directors of your Company in their meeting held this afternoon, have taken on record the financial results for the first quarter ended 30<sup>th</sup> June, 2015. In the backdrop of continued slowdown in the tractor industry in the first quarter as well, your Company's revenue is also impacted and its engine sales for the first quarter stood at 18,383 engines compared to sale of 20,044 engines during corresponding quarter of last year. The Net Operating Revenue for the quarter was Rs. 153.2 crores against last year's first quarter revenue of Rs. 166.1 crores. While Profit Before Tax stood at 23.3 crores, Profit After Tax was Rs. 15.7 crores.

In view of the overall slowdown in Indian tractor industry, your Company has decided to go slow, on its project to increase capacity to 1,05,000 engines per year. It is proposed to complete the project by the end of second quarter of current financial year instead of initial plan of first quarter of current fiscal.

**FUTURE**

Over the past few years, it has been observed that among other factors, Government support for agriculture, investment in rural projects, good monsoons, farm mechanization and availability of credit at affordable rate play significant role for the growth of Indian tractor industry. The adverse impact of un-seasonal rains in fourth quarter of last fiscal resulting in lower production and lower farm incomes, and subdued crop prices, is likely to continue on domestic tractor demand in the initial period of the current fiscal. The forecast of normal monsoon and government thrust on rural economy, the overall sentiments are expected to improve and lead to industry growth during the latter part of the Financial Year 2015-16. Your Company's business prospects therefore appear to remain positive.

**ACKNOWLEDGEMENTS**

I take this opportunity to express my sincere thanks to the investors for their continued trust and confidence. I would particularly like to thank our principal Shareholders – Mahindra & Mahindra Limited and Kirloskar Industries Limited - for their support. I convey my sincere thanks to the various authorities of Central & State Government and Banks for their support and cooperation. I also thank all my fellow Members of the Board of Directors for their continued guidance, encouragement and support. Our vendors and the motivated SEL team need to be recognized for their commitment.

I would now commend for your consideration and adoption, the Directors' Report and Accounts for the year ended 31<sup>st</sup> March, 2015.

**(SUDHIR MANKAD)**  
**CHAIRMAN**