

# SWARAJ ENGINES LIMITED

32<sup>nd</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS - 30<sup>th</sup> July, 2018

## CHAIRMAN SPEECH

Ladies and Gentlemen,

A very good afternoon to all of you.

It gives me immense pleasure to extend a very warm welcome to you all at this 32<sup>nd</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 Annual Report of the Company for the year ended 31<sup>st</sup> March, 2018 have 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.

### **YEAR IN REVIEW (FY 2017-18)**

As your Company is engine supplier for the tractor, let me start by sharing with you about the tractor industry scenario during the financial year 2017-18.

The Indian domestic tractor industry, after recording the previous peak of 6,34,000 units in fiscal 2014, touched its new high in fiscal 2018 and closed at 7,09,000 units as compared to 5,82,000 units for the previous year – a growth of 21.8%. This strong growth was on the back of normal monsoon, overall positive sentiment in rural area and government's continued thrust in agricultural and rural segments.

Riding on the growth in the tractor industry, financial year 2017-18 has been a remarkable year for your Company as well. Your Company has once again attained new milestones and has posted its all-time best performance both in volume and financials by setting up new benchmarks of -

#### ***Highest ever***

- ***Engine sales volume of 92,022 units***
- ***Net operating revenue of Rs. 771.2 crores***
- ***Profit Before Tax (PBT) of Rs. 122.7 crores***
- ***Profit After Tax (PAT) of Rs. 80.1 crores***

While the above engine sales volume of 92,022 units registered a growth of 11.8% over last year's sale of 82,297 units, the profit after tax at Rs. 80.1 crores increased by 16.4% over last year's profit of Rs. 68.8 crores.

It is also a matter of great satisfaction that at the close of the fiscal 2018, out of about 9 lakhs total engines sold by your Company since the start of commercial production way back in 1989, sale of 3.77 lakhs units, equivalent to 42% of total, came in last five years only.

Taking note of the overall financial performance, the Directors have recommended the highest ever dividend of 500% (Rs. 50 per share) which includes a special dividend of 250%. The total dividend outflow of Rs. 73.1 crores including dividend distribution tax, surcharge & education cess represents 91% payout of net profit of the year.

Friends, I am also happy to share that your Company has also successfully concluded its first ever buyback offer of Rs. 70.7 crores in February 2018. The shareholders have responded overwhelmingly to the buyback and the Company had bought back the shares of full offer size.

The Government has introduced Goods and Services Tax (GST) from 1<sup>st</sup> July, 2017 which is termed as one of the biggest economic reforms since independence. Rolled-out with an aim to have boundary less free movement of goods, GST was given a slogan of 'one nation one tax' regime and has completed one year of its implementation this July. I wish to share that your Company with its timely preparedness, had made successful transition to new GST regime without any impact on the operations.

As a socially responsible organization, your Company has contributed towards health, environment, education and skill development and has taken several initiatives for the benefit of the society at large. As shared in my last year's speech, your Company took up a new initiative of setting up skill development centre in the nearby villages in collaboration with local government to make the young generation employable by skill learning. Further, the introduction of Mobile Medical Care Service during last year in collaboration with GVK Emergency Management and Research Institute has also been appreciated and the public in the nearby areas is availing full benefit of this service. Taking note of the response and benefits, your Company has decided to continue both these activities in the current year as well. As you all are aware, PGI, Chandigarh is one of the most reputed medical institutes of the country serving to a very large section of society in this region. Your Company, by recognizing this need, has also made contribution for upgrading the facilities at Swaraj Engines ward in Pediatric Intensive Care Unit (PICU) and Yoga Room in PGI.

It also gives me immense pleasure to share that your Company has got following recognitions during the year:

- Gold Award at National Level Quality Circle Competition, Roorkee
- Gold Award in Zonal Level Quality Circle Competition "QCFI" held at Jalandhar
- First Position by QC Team in "Quality Circle Competition-CII" held at Chandigarh

### **CURRENT PERFORMANCE (FY 2018-19)**

Friends, the Board of Directors of your Company in their meeting held earlier in the day, have taken on record the financial results for the first quarter ended 30<sup>th</sup> June, 2018. I am pleased to share that after posting good performance in the last financial year, your Company has started the current fiscal also on a positive note by achieving its all-time high quarterly engines sale of 26,742 units compared to 23,287 units sold during same period last year – a growth of 14.8%. With this increase in engine sales volume, the Company's Net Operating Revenue for the quarter moved to Rs. 234.5 crores from last year's first quarter revenue of Rs. 194.0 crores. The Before Tax and After Tax Profit for Q1 stood at Rs. 35.6 crores and Rs. 23.1 crores respectively.

In order to meet the increased customer demand in time, your Company has already enhanced its capacity to 1,20,000 units per annum and has also planned a further capacity expansion to take its annual capacity to 1,35,000 per annum by the end of current fiscal 2019. While expanding the capacity, due focus is also being given on investing in technology as well. All these expansions are through internal accruals only.

### **FUTURE**

The government is committed towards rural development and agri-mechanization and in order to increase the farm income, it has also recently announced big one time increase in MSPs of major crops. Coupled with other factors such as normal monsoon prediction for the current season as well, better reservoir position in most parts of the country and expected good crop output, there is immense potential for Indian tractor industry to grow in medium to long term. In the backdrop of these anticipated future growth trends for tractor industry, your Company's business prospects 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, 2018.

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