

SWARAJ ENGINES LIMITED

31st ANNUAL GENERAL MEETING OF SHAREHOLDERS - 24th July, 2017

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 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 31st March, 2017 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.

Before I proceed further, I would like to brief you about the changes in the composition of the Board of Directors of your Company since the last time we met. Upon completion of his tenure as Whole Time Director, Shri M.N.Kaushal ceased to be a Director of the Company with effect from 1st April, 2017. Further, Shri Rajan Wadhera, consequent to his resignation, also ceased to be a Director of the Company with effect from 24th April, 2017. We take this opportunity to place on record our deep sense of appreciation for the significant contributions made by them during their association with the Company.

I am pleased to share that after a gap of 3 years, Shri Rajesh Jejurikar is again on the Company's Board from 25th April, 2017. Shri Jejurikar is currently President of Farm Equipment Sector of Mahindra & Mahindra Limited. Further, Shri Subhash Mago, who joined the Company as Chief Executive Officer with effect from 1st October, 2016, has been appointed as Whole Time Director & Chief Executive Officer from 25th April, 2017. Please join me in welcoming Shri Jejurikar and Shri Mago on the Board of your Company and I am sure that their varied experience would immensely benefit the Company.

YEAR IN REVIEW (FY 2016-17)

Let me now share with you about the tractor industry scenario vis-à-vis our performance during fiscal 2017 as the business of your Company has direct linkage with this industry.

The Indian domestic tractor industry, after declining for 2 consecutive years from its peak performance of 6,33,649 units in fiscal 2014, witnessed a strong upswing in the demand during FY 2016-17 and closed at 5,82,084 units compared to 4,93,497 units for the previous year - reflecting a growth of 18%. Good monsoon during last year has resulted into a decent agricultural output and income in the hands of the farmers which to a great extent has also helped to create an overall positive farm sentiments to drive this growth.

Taking advantage of this favourable environment, your Company has delivered its best ever performance and achieved many new milestones of:

Highest ever

- **engine sales volume of 82,297 units**
- **net operating revenue of Rs. 666.1 crores**
- **Profit Before Tax (PBT) of Rs. 105.5 crores**
- **Profit After Tax (PAT) of Rs. 68.8 crores**

While the engine sales volume grew by 28%, the PBT increased by 38% over previous year. The Members would be happy to note that your Company for the first time has crossed the PBT of Rs. 100 crores.

Taking note of the overall financial performance, the Directors have recommended the highest ever dividend of 430% (Rs. 43 per share) which includes a special dividend of 250%. I am happy to share that the market has responded positively to this performance and since the last Board meeting held in April'17, share price of your Company recorded a considerable gain and the current market cap stood over Rs. 2500 crores.

I am also pleased to share that your Company kept its active participation in various CSR activities during the year and extended its support in the areas of girl education, child healthcare, education for special children, contribution to Prime Minister National Relief Fund etc. Further, the Company also continued its activities in the two nearby villages adopted by it under Swaraj Engines Swachh Bharat Programme. I would also like to share that today morning we have inaugurated a Skill Development Center in one of the adopted village and also introduced a Mobile Medical Care Service in collaboration with GVK Emergency Management and Research Institute. I am sure these new initiatives will deliver the desired result and its benefits will reach to the society.

I am also happy to share that your Company, on clearing the final assessment, has been awarded “TPM Excellence Award” by Japan Institute of Plant Maintenance (JIPM) which truly demonstrates our commitment towards process orientation and improvement. Further, it is a pride movement for all of us that our Quality Circle team has won the Gold Award in the International Convention for Quality Control Circle (ICQC) 2016 held in Bangkok in August'16.

CURRENT PERFORMANCE

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 30th June, 2017. I am pleased to share that after an outstanding performance in the last financial year, your Company has begun the current fiscal also on a positive note by achieving its all-time high quarterly engines sale of 23,287 units compared to 20,910 units sold during same period last year – a growth of 11%. With this increase in engine sales volume, Company's Net Operating Revenue for the quarter moved to Rs. 194.0 crores from last year's first quarter revenue of Rs. 171.7 crores – a growth of 13%. Registering a similar growth, Profit Before Tax and After Tax stood at Rs. 32.9 crores and Rs. 21.5 crores respectively.

I further wish to update the Members that in view of the continuous increase in the demand and to keep our capacity readiness to meet such demand, another capacity expansion is in progress which will take the total annual capacity to 1,20,000 units by March'18.

FUTURE

After one of the big decision of demonetization in November 2016, the Government has recently announced country's historic tax reform through the introduction of Goods & Service Tax (GST) from 1st July, 2017. From multi tax regime, the country has now entered into the era of **One Nation One Tax**. I am confident that with ease of business and free movement of goods across the nation, it will take the country's growth trajectory to the next level and will also help India to become more globally competitive.

With a healthy monsoon prediction for the current season, better reservoir position in most parts of the country, expected good crop output, government continued thrust towards rural development and agri-mechanization with enhanced budget allocation for Agri Sector, it is our firm belief that tractor industry's future is promising as agriculture continues to be the mainstay of Indian economy and development of agriculture forms crucial part of national agenda. Surely, the Company will be benefitted with the growth in the industry.

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 31st March, 2017.

(SUDHIR MANKAD)
CHAIRMAN

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.