

SWARAJ ENGINES LIMITED

33rd ANNUAL GENERAL MEETING OF SHAREHOLDERS 30th July, 2019

CHAIRMAN SPEECH

Dear Shareholders,

A very warm welcome to each of you at this 33rd 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, 2019 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 moving to the performance of the Company, I would like to share that in view of the new listing regulation with regard to appointment / continuation as Independent director after attaining the age of 75 years, Dr. T.N.Kapoor, Independent Director of your Company, who attained the age of 86 years, tendered his resignation effective from the close of business hour on 31st March, 2019 by following the principles of good corporate governance. Dr. Kapoor served the Company as Director for more than 20 years and your Directors placed on record their sincere appreciation for the significant contribution made by him during his long association with the Company and wish him many years of good health and happiness.

YEAR IN REVIEW (FY 2018-19)

Let me begin with the tractor industry scenario that prevailed during the financial year 2018-19 as your Company is engine supplier to a leading tractor manufacturing Company.

Fiscal 2019 was the third consecutive year of growth for the Indian domestic tractor industry and it scaled a new peak with total tractor sale of 7,87,000 units as compared to 7,29,000 units for previous year – a growth of 8%.

In the backdrop of overall tractor industry growth and increased demand from the key customer, your Company has once again surpassed its previous milestones and posted its ever best financial performance by recording **Highest ever**

- **Engine sales volume of 99,638 units**
- **Net operating revenue of Rs. 871.7 crores**
- **Net Operating Profit of Rs. 131.7 crores**
- **Profit Before Tax (PBT) of Rs. 127.4 crores**
- **Profit After Tax (PAT) of Rs. 82.4 crores**

The above engine sales volume of 99,638 units registered a growth of 8.3% over last year's 92,022 units, which was accompanied with a similar growth in the operating profit at Rs. 131.7 crores.

I would also like to mention that during the last 3 financial years with fiscal 2016 as a base year, your Company has achieved a remarkable growth of 55% in its engine sales (from 64,088 units to 99,638 units) and 78% in operating profit (from Rs. 73.8 crores to Rs. 131.7 crores).

Taking note of the overall financial performance, the Directors of your Company have recommended a 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 89% payout of net profit of the year.

Your Company's Corporate Social Responsibility efforts continue to be directed towards health, environment, education and skill development. Several initiatives started earlier continued in fiscal 2019 as well. Some of the notable ones include - Mobile Medical Care Service, Skill Development Centre, up-gradation of infrastructure at 2 renowned local hospitals – PGI and General Medical College Hospital, Chandigarh.

It also gives me immense pleasure to share that during the year, Teams from your Company have won 2 Gold Awards in Quality Circle Competitions including one held at International level.

CURRENT PERFORMANCE (FY 2019-20)

Friends, I am delighted to report that during the first quarter of current fiscal, your Company's cumulative engine sales has crossed **One Million** mark. It is also a matter of great satisfaction that while it took around 24 years to achieve the sale of first 5 lakhs of engines, the next 5 lakhs has been achieved in a record time of less than 6^{1/2} years. This clearly denotes customers' trust in our product and at the same time, puts on us an extra responsibility to continue to deliver quality products. I, on behalf of my fellow members on the Board, congratulate the entire SEL Team for this milestone.

On the first quarter performance, I would like to draw your attention that the demand contraction witnessed by the tractor industry in the second half of F19 continued in the first quarter of current fiscal and the tractor industry de-grew by 14.6% to reach at 1,91,000 units. As result, your Company's sales has also been impacted in Q1 and the engine sales of the Company for the first quarter ended 30th June, 2019 posted a drop of 13.9% and stood at 23,033 units as compared to sale of 26,742 units sold in corresponding period of last year.

OUTLOOK

As the demand for tractors is cyclical in nature, the tractor industry has recently witnessed some downtrend. With Government's continued thrust on agri sector, adoption of farm mechanization due to scarcity of labour and its high cost, availability of credit are expected to drive sustainable growth for tractor industry in medium to long term. Your Company is also fully geared up to meet future demand with annual capacity of 1,35,000 units in place.

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, 2019.

(SUDHIR MANKAD)
CHAIRMAN