

SWARAJ ENGINES LIMITED

35th ANNUAL GENERAL MEETING OF SHAREHOLDERS

19th July, 2021

CHAIRMAN SPEECH

Dear Shareholders,

A very warm welcome to all of you at this 35th Annual General Meeting of your Company. In view of continued COVID pandemic situation, this is the second year in row when the Meeting is being held through Video Conferencing (VC) and it is our pleasure to connect with you all through virtual mode this time as well, which in fact offer larger participation opportunity to our Shareholders.

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

The Notice convening the Shareholders Meeting and Annual Report of the Company for the financial year ended 31st March, 2021 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 2020-21)

Friends, financial year 2020-21 was the challenging year and perhaps one of the hard hitting year in many ways since Independence. As the country has seen an unprecedented difficult time because of COVID19 pandemic, before I proceed further, on behalf of the entire SEL Team, I convey our heartfelt condolences to all those families who lost their loved ones to this pandemic. At the same time, we acknowledge the efforts of each and every individual who has worked tirelessly and offered their services - directly or indirectly - to the society in different ways, specially our doctors, nurses and frontline workers.

Coming to the Company's FY21 performance, in view of a direct linkage of the business of your Company with the tractor industry, let me start with the developments in the tractor industry during FY21. As you are aware, the pandemic severely hit all segments of the economy barring Agriculture, which was only sector that showed resilience and posted a growth. In this backdrop, Members may kindly note that despite the slowdown in demand witnessed by many industries due to the pandemic, FY21 was a very good year for the tractor industry, which after registering a de-growth of ~10% in FY20, posted a significant growth of about 27% over last fiscal and reached at the peak of 899,400 units. Fortunately, during the first wave of COVID19, our rural areas were not hit as hard compared to urban India and with Government's timely intervention and support to this segment coupled with record food grain procurement have played a vital role for its growth.

In backdrop of the above factors, I am very happy to share that despite the various challenges faced by the Company due to COVID19, your Company has achieved new peak during FY21 for production, sales and profit. The first quarter of fiscal 2021 witnessed a sharp decline due to lockdown situation, however, the Company consolidated its engine sales from Q2 onwards and in the process crossed 1,00,000 engines sale mark for the first time and achieved the highest ever engine sale of 1,13,269 units as against last year's 89,928 units - up 26%. Accordingly, the net operating revenue for FY 2020-21 was Rs. 986.57 crores as against Rs. 773.30 crores of previous year – up 27.6%. While the Profit before tax for FY21 stood at Rs. 124.48 crores, your Company posted its highest ever Profit After Tax of Rs. 92.54 crores as compared to Rs. 71.04 crores - up 30%.

Taking note of the overall financial performance, the Directors of your Company have recommended a dividend of 690% (Rs. 69 per share) which includes a special dividend of 190%. If approved by the Shareholders today, the total dividend outflow for the year would be Rs. 83.75 crores. This would be the highest ever dividend both in terms of percentage and outflow.

I am also pleased to share that your Company kept its active participation in various CSR activities during the year and the same were primarily directed towards the public health, environment, education, vocational skill development and community welfare. The Company also provided necessary medical equipments and material to support the local medical institutions and authorities to deal with COVID 19.

CURRENT PERFORMANCE (FY 2021-22)

Friends, the nation is still facing various challenges due to COVID19 on economic front and all of us have witnessed that many states re-imposed various restrictions, including mini lockdowns, to deal with the severe second wave of COVID emerged during Q1 of current fiscal 2022. However, as a measure to support the economic activities, industries this time remained exempted during these lockdowns to a great extent. Therefore, your Company by taking all safety protocols continued its operations and on the back of good demand, posted its highest ever Q1 engines sale of 33,747 units for the quarter ended 30th June, 2021 as compared to last year's 13,756 units. The Board of Directors of your Company in its meeting held earlier in the day have approved the financial results which are being posted on Stock Exchanges portal.

As you would have had noticed from the Directors' report, the Company also announced to enhance its engine capacity to 1,50,000 units per annum to timely meet the future demand. I would like to mention that the same is now near completion and the enhanced capacity will be available from August 21.

OUTLOOK

After posting a significant growth in FY21, a good demand for tractors has continued in the first quarter of current fiscal 2022 as well. The better realization from rabi crop, increase in MSP rates for key kharif crops, forecast for the normal monsoon, Government's focused agri initiatives and availability of retail finance would be the key drivers for the industry's growth momentum. While any further surge in Pandemic situation could pose a challenge, demand for tractor is expected to continue with overall positive rural economy sentiments.

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 suppliers 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 financial year ended 31st March, 2021.

(SUDHIR MANKAD)
CHAIRMAN