

# **SWARAJ ENGINES LIMITED**

## **34<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**20<sup>th</sup> July, 2020**

### **CHAIRMAN SPEECH**

Dear Shareholders,

A very warm welcome to all of you at this 34<sup>th</sup> Annual General Meeting of your Company. In view of the prevailing COVID-19 situation, this Meeting is being held through Video Conferencing (VC) and it is our pleasure to connect with you all through virtual mode this time.

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 31<sup>st</sup> March, 2020 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. Mr. Subhash Mago, upon completion of his tenure as Whole Time Director & Chief Executive Officer of the Company on 31<sup>st</sup> March, 2020, ceased to be a Director of the Company with effect from 1<sup>st</sup> April, 2020. Your Directors have placed on record their sincere appreciation of the valuable contributions made by Mr. Mago during his association with the Company. Further, Mr. Harish Chavan has joined the Company's Board with effect from 1<sup>st</sup> April, 2020. Mr. Chavan is currently the Chief Executive Officer of Swaraj Division of M&M and has over 29 years of experience in diverse functions and multicultural business environments in India as well as in the overseas markets. Please join me in welcoming Mr. Chavan on the Board of Directors of your Company and I am sure that his varied experience will immensely benefit the Company. I will also like to share that in today's Board Meeting, Dr. Pawan Goenka has also informed about his stepping down from the Board of Directors of the Company effective from closing business hours of 20<sup>th</sup> July,

2020. He joined the Board in May 2010 and your Directors place on record with deep sense of gratitude for his notable contributions and nurturing the enterprise to its present position of eminence.

### **YEAR IN REVIEW (FY 2019-20)**

As your Company is manufacturing engines for Swaraj Division of Mahindra & Mahindra Limited for fitment into Swaraj Tractors, let me start with the developments in the tractor industry during FY20. Members may kindly note that tractor industry after posting growth for three consecutive years, witnessed slowdown in demand during the year. Accordingly, tractor industry volume degrew by 10% during FY20 and stood at around 7,09,000 units as compared to 7,87,000 units in FY19.

In the above backdrop and also due to nationwide lockdown in view of COVID-19 during last few days of March 2020, the Company could post a sale of 89,928 units in FY20 against 99,638 units sold in last fiscal. Accordingly, the net operating revenue for FY 2019-20 stood at Rs. 773.30 crores as against Rs. 871.74 crores of previous year. Profit before tax (PBT) and Profit after tax (PAT) for the year was Rs. 93.07 crores (previous year - Rs. 127.40 crores) and Rs. 71.04 crores (previous year - Rs. 82.42 crores) respectively.

Taking note of the overall financial performance, the Directors of your Company have recommended a dividend of 400% (Rs. 40 per share) which includes a special dividend of 150%. The total dividend outflow for the year would be Rs. 48.53 crores.

Being a socially responsible organization, your Company's Corporate Social Responsibility efforts continue to be directed towards community welfare, public health, environmental conservation, education and vocational skill development. Several initiatives taken in the earlier years towards the benefit of the society at large, continued in Fiscal 2020 as well. I am pleased to share that the Company's Mobile Medical Care initiative reached to 7 villages and covered more than 22,000 people during the year. The new initiative of providing engines to Govt. ITIs (Diesel & Tractor Mechanic) has helped the students in better learning. Your Company also provided medical equipment and material to Govt. Hospitals to fight COVID-19 pandemic.

It also gives me immense pleasure to share that during the year, Team from your Company have won Gold Award in Quality Circle Competition held in Japan.

### **CURRENT PERFORMANCE (FY 2020-21)**

Friends, as we all are aware, the World Health Organization (WHO) declared COVID-19 as a global pandemic in March 2020. As a part of its containment strategy, the Government of India instituted a nationwide lockdown from 25<sup>th</sup> March, 2020, which was then extended on multiple occasions. This has adversely impacted business segments towards the year end in FY20 and partially in Q1 FY21 as well. The Government of India in May 2020 began reopening of the economy by allowing resumption of services and businesses in a phased manner. Accordingly, your Company's operations were resumed from 5<sup>th</sup> May, 2020 with all safety protocols.

After the resumption of Company's operations in May 2020, initially it took some time to smoothen the operations and to establish the supply chain from across India, the activity level was then increased gradually. It is a matter of great satisfaction that based on the increased demand from its customer, the Company has been able to reach close to 100% of its capacity utilization during June 2020. The Company's overall engine sales for the first quarter ended 30<sup>th</sup> June, 2020 stood at 13,756 units compared to 23,033 units sold in Q1 of FY20.

The Board of Directors of your Company in their meeting held earlier in the day, have approved the financial results for the first quarter ended 30<sup>th</sup> June, 2020. The Company's net operating revenue for the quarter stood at Rs. 116.99 crores against last year's first quarter revenue of Rs. 205.38 crores. Profit Before Tax and Profit After Tax for Q1FY21 is Rs. 10.71 crores and Rs. 7.84 crores respectively.

### **OUTLOOK**

Post opening of the economic activities, good tractor demand has been witnessed during last 2 months. The better realization from record rabi crop, timely arrival of the monsoon, Government's continued support for agri initiatives, availability of retail finance and good sowing of the kharif crop

have led to positive sentiments among the farmers. While these overall encouraging rural economy sentiments augurs well for a sustainable demand for tractors in coming months, supply chain could pose a challenge hampering production activity in view of intermittently local shutdowns being announced in many areas to control the increasing COVID-19 cases.

## **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 financial year ended 31<sup>st</sup> March, 2020.

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