

SWARAJ ENGINES LIMITED

30th ANNUAL GENERAL MEETING OF SHAREHOLDERS -26th July, 2016

CHAIRMAN SPEECH

Dear Shareholders,

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 the Annual Report for the year ended 31st March, 2016 has 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.

As the Members would have noticed that today is the 30th Annual General Meeting of your Company and I congratulate all of you for completing a journey of 3 decades which you all will agree is indeed a satisfying one. Therefore, before moving to the performance of the last fiscal, I would like to share some of the key highlights of your Company during this period:

- **Rolled out First Engine in 1989 and today has 6 models with nearly 40 variants in its portfolio**
- **Cumulatively sold over 7,00,000 engines**
- **Initial moderate investment of Rs. 4 crores moved to a Gross Block of nearly Rs. 200 crores with state of art manufacturing facilities**
- **Engines annual manufacturing capacity increased from 16,000 units to 1,05,000 units**
- **Equity moved from Rs. 2.1 crores to Rs. 12.4 crores – all through issue of Bonus Shares which constitutes 83% of total equity**
- **Market cap crossed Rs. 1400 crores**

YEAR IN REVIEW (FY 2015-16)

Let me start with the developments in the tractor industry as your Company is manufacturing engines for Swaraj Division of Mahindra & Mahindra Limited for fitment into "Swaraj" Tractors.

The Indian tractor industry - the world's largest by volume - after touching its ever highest volume of 6,33,649 units in fiscal 2014, witnessed second consecutive year of decline in fiscal 2016. The Industry, after registering a decline of 13.1% during fiscal 2015, recorded a further drop of 10.4% in fiscal 2016 and at the close of the year stood at 4,93,497 units as compared to 5,50,963 units in fiscal 2015. In fact, the first half of the year witnessed a severe drop of 20.2% which was followed by marginal growth of 2.3% during the second half of the year. This decline can primarily be attributed to two successive years of deficient monsoon and poor income in the hands of the farmers which has impacted the overall sentiments in Agri Sector.

It is important to note that even in this declining tractor industry scenario, your Company was able to sustain its engine sales volume by registering a sale of 64,088 engines during FY 2015-16 as against the last year's sales of 64,595 engines.

In this backdrop, the operating revenue for FY 2015-16 was Rs. 525.9 crores compared to Rs. 539.7 crores for the previous year. The pre-tax and post-tax profit for the year stood at Rs. 76.1 crores (previous year Rs. 77.8 crores) and Rs. 51.2 crores (previous year Rs. 51.8 crores) respectively.

I am sure the Members would be happy to note that continuing its investor friendly tradition, the Directors have recommended a dividend of 330% (Rs. 33 per share) which includes a special dividend of 180% - same as last year. After appropriation towards proposed dividend, including distribution tax thereon, Shareholders' Fund at the close of the year stands at Rs. 214.0 crores.

On the social responsibility front, I am pleased to share that your Company has continued its active participation in various CSR activities during the year and has further improved the infrastructure in the two nearby villages adopted by the Company under Swachh Bharat Programme. The Company's efforts towards sanitation and upgradation

of facilities in schools have been well appreciated by local residents and also been widely covered by the local media. Your Company has also contributed Rs. 60 lakhs to the Prime Minister National Relief Fund and Rs. 50 lakhs to promote girl education under project Nanhi Kali.

CURRENT PERFORMANCE

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, 2016. The Members would be pleased to note that on the strength of growth registered by the tractor industry during the first quarter and consequent increased engine demand from its key customer – Mahindra & Mahindra Ltd. – Swaraj Division, your Company has recorded its ever best quarterly performance in terms of engine sales volume, revenue and profit.

The Company's sales volume at 20910 engines registered a growth of 13.7 % over last year's sale of 18383 engines. The Net Operating Revenue for the quarter stood at Rs.171.7 crores as against last year's first quarter revenue of Rs. 153.2 crores – a growth of 12.1%. While Profit Before Tax at Rs. 29.1 crores grew by 24.9 %, Profit After Tax registered a growth of 21.4 % and stood at Rs. 19.0 crores.

I am also happy to share that towards its commitment for process orientation leading to overall productivity and quality improvement, your Company has already cleared stage 1 of TPM Excellence Award and moving forward would challenge the final stage.

FUTURE

With Government thrust on rural development through enhanced allocation for Agri Sector in the recent Union Budget backed up by forecast of overall good monsoon this year, it is likely that the growth momentum witnessed in the tractor industry during the first quarter of current fiscal would continue for the rest of the year. Further, focus towards agri-mechanization to meet the challenge of farm labour scarcity and low tractor penetration in various states coupled with other factors such as increasing rural wages and expected increase in MSPs may lead growth in industry volumes over the long term. Hence, 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 31st March, 2016.

(SUDHIR MANKAD)
CHAIRMAN