

CHAIRMAN'S SPEECH

Ladies and Gentlemen:

On behalf of the Board of Directors of the Company, I have pleasure in welcoming you at the 56th Annual General Meeting of your Company.

The Annual Report for the year 2018 along with the Directors' Report and the audited annual accounts are already with you. With your permission we take the same as read.

I will now take you through Key Developments during the year:

Dear Shareholders,

The year 2018 was indeed a milestone year for your Company. The Company successfully completed the merger of two Schaeffler Group entities in India with itself. With the strengths and competencies of all the three companies unified, we are now one of the leading Automotive and Industrial suppliers in India.

Your Company has become larger and stronger not only in terms of turnover and profits but also in business segments, products, workforce, competitive strength, customer portfolio and so forth.

Dear Shareholders,

The year 2018 began with an upbeat note with the growth in global manufacturing and trade during the first half. The year witnessed a weaker second half as the growth slowed down. Primary reasons for this, is the protectionist policies of world's largest economies and 'tariff war' like situation. This has led to an environment of uncertainty on the policy front that is driving lower consumption and downturn in investments.

For the year, India retained its 'Fastest Growing Major Economy' title and was the bright spot among economies of the world. Though largely unaffected by the global developments, Indian economy too slowed down towards the second half of the year. Automotive Industry particularly showed weakness in the last quarter of 2018 that continues. Despite these developments, India

Economic Growth is expected to be 7.3% during 2018-19. During the year, India also improved its position on World Bank's 'Ease of doing Business Index' by 23 spots and was ranked 77th.

Let me now talk about Your Company's Performance for the year 2018

During the year, your Company achieved Revenue from Operations of 45,615 million Rupees, representing a growth of 16% over previous year. The Profit Before Tax (before exceptional items) increased by 13.7% to 6,749 million Rupees. We experienced buoyant first three quarters, however, quarter four was flat due to slow down in automotive industry.

Within our mobility segment, sectors like Commercial vehicles, Tractors and Railways showed robust performance. Towards the end of the year, automotive sectors showed signs of weakness that were affected due to lower demand from our OE customers. On the other hand, sectors like wind, raw materials continued to perform well throughout the year. This again confirms the strength and robustness of our newly established combined business presence in India.

We also serve diverse customer base through a large distribution network. During the year we introduced new products like Industrial Housings which have been well received by the market.

Your Company continues to practise prudent finance management with emphasis on strong balance sheet. We have always focused on long term value creation, and along these lines we have increased capital investment allocation. These strategic investments give us the ability to participate in future growth opportunities and build competitive edge. The Company has a Structured Hedging Policy to minimise impact from volatility in the foreign exchange. Consistent implementation and monitoring thereof has helped avoiding negative Forex impact during the year.

In the given market conditions, we consider your Company has performed satisfactorily.

Dear Shareholders, your directors have recommended regular dividend at the rate of ₹ 20 per Equity Share and a Special dividend of ₹ 10 per Equity Share to mark successful completion of merger – aggregating to total dividend of ₹ 30 per Equity Share. The dividend pay-out has improved to ₹ 30 per equity share as compared to ₹ 17 per equity share last year.

I am happy to share with you some recent Organisational developments:

We have elevated Mr. Satish Patel as Director-Finance of the Company. He has been with the Company for over 25 years and he has played a crucial role in strategy development and execution for the Company. We wish him the best for his tenure as Director-Finance.

Another major development is that Mr. Dharmesh Arora has been promoted to become the CEO of the Schaeffler Group's Asia Pacific Region, effective Oct 1, 2019. Under Mr. Arora's leadership your Company has made tremendous growth and witnessed transformation, both internally and externally. I am confident that with his knowledge of market and deep management capabilities, Dharmesh will excel in his new role. His successor shall be announced in due course.

Dear Shareholders, let me inform you about the Quarter 1 Performance

The Board of Directors of your Company at its meeting held today has announced the results of first quarter of 2019. The Revenue from Operations for the quarter was placed at ₹ 11,723 million, lower by 1.2% compared to quarter 4 of 2018, however, the profit before tax before exceptional items, was recorded at ₹ 1,626 million, higher by 3.7%.

This quarter of 2019 continued to witness weakness in all automotive business segments. In the face of continued slow down, we were able to sustain the performance. Although the revenue remained largely flat, we were able to improve profitability through operational performance.

Now let me provide you a brief Outlook for the current year.

We expect the uncertainty to continue in 2019, in view of events like the general elections and the implementation of Bharat Stage VI emission norms. Still 2019 outlook for growth is optimistic. Though we see some recent spurt in oil prices, we expect ease in inflationary pressures for the year. The Automotive sector may see some volatility as the industry prepares for the new emission norms. Sectors like steel, mining and cement in Raw Materials, look good and we expect Railways, wind and Distribution should also perform well.

Conclusion

Before I conclude, I would like to take this opportunity to express our sincere gratitude to the Schaeffler Group for its continued guidance and support. The technological expertise of the Schaeffler Group are recognised globally. Our Company receives valuable guidance and direction from the Schaeffler Group. The presence of Mr. Klaus Rosenfeld – CEO, Schaeffler Group and Mr. Juergen Ziegler – CEO Region Europe on our Board, and at this meeting, is testimony of their support and focus towards our Company. Though, Mr. Rosenfeld has not been able to attend all Board Meetings due to his busy schedule, his presence on the Board has helped tremendously to the Company. On behalf of all of us, let me again express our sincere gratitude to the Schaeffler management for the continued support.

I wish to express gratitude to our valued customers for their immense faith in our brands. I would like to thank our management team and employees for their untiring efforts. My gratitude also goes to our valued suppliers, distribution partners and all other business associates.

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to you, dear Shareholders for your continued trust, encouragement and support.

Jai Hind

**Mumbai
April 30, 2019**

**Avinash Gandhi
Chairman**