

**CHAIRMAN'S SPEECH****Ladies and Gentlemen:**

On behalf of the Board of Directors, I welcome you all to the 58<sup>th</sup> Annual General Meeting of your Company.

I trust all of you are doing well and keeping safe during the fierce second wave of Covid-19. The pandemic has had far-reaching consequences and poses significant volatility to businesses as they race to reopen,

Like last year, this year as well we are holding the annual general meeting virtually through video conferencing & other audio-visual means. Virtual communication has been a part of our lives for more than a year now and has changed the way we work and communicate.

The Annual Report for the year 2020 along with the Directors' Report and the Audited Annual Accounts approved by the Board are already with you and with your consent we take the same as read.

I would also like to inform the Shareholders that e-Voting is open throughout the meeting and Shareholders are requested to vote as per their convenience during the meeting and for additional 15 minutes after the conclusion of the Meeting.

Your company showed tremendous agility and commitment during the pandemic and ensured that it demonstrates the responsibility towards every stakeholder to support them during these unprecedented times.

Whether it was our employees, customers, our communities or vendors and partners, your company demonstrated strong commitment, governance standard and responsibility by positively engaging with all stakeholders. The details are well laid out in our Annual Report.

Before I speak about the company's performance, let me briefly highlight the economic scenario for the year 2020.

**Economic Overview**

The year 2020 started on a positive note with expectations of improved growth in the automotive and industrial segments. However, emergence of Covid-19 and its transition to a full-blown pandemic by March 2020 resulted in the implementation of stringent lockdowns across the country. Though imperative to protect the well-being of citizens, the move brought the country's economy to a virtual standstill.

In the year 2020 while the country's GDP contracted significantly. Barring the agriculture, all other segments in the manufacturing & services sector saw a massive drop due to reduced level of economic activity. The inflation remained above the comfort levels of RBI for a large part of the year.

In terms of business segments, except agriculture tractors, all segments saw negative growth. However, after the subdued first half, the pent-up demand and economic activity picked up pace across all categories of Industrial and Automotive businesses.

**I will now take you through the Key Developments and Company's performance for the year 2020:**

Dear Shareholders,

The previous year has been like no other. The pandemic-ridden year tested our abilities to withstand enormous challenges, which brought out our collective strengths to push through paradigm shifts. Throughout 2020, your company depicted amazing courage and resilience. I feel proud of the way the company pulled together to respond to the crisis so quickly. It is a testament to our One Schaeffler philosophy.

Despite the extraordinary challenges of 2020, we were able to enhance our engagement with customers to provide them with stronger support – Supply Chain excellence award from Hyundai India is a great example in this case. During the year we also focussed inwards and continued our efforts to increase our capabilities while introducing distinct products across segments to bring exceptional value proposition for our customers.

I'm pleased to inform you that we have made inroads into newer categories in our Automotive Aftermarket with introduction of the new brand TruPower. The brand has received tremendous response in the marketplace. Also the demand uptick in industrial sectors such as wind, distribution, off-road sector, and two-wheeler segment has helped us remain optimistic as we stepped into the second half of the year. We advanced our position in industry 4.0 solutions with the launch of OPTIME.

Though nationwide lockdown in the first half of the year caused significant challenges in operational performance, various measures such as – stringent cost discipline, intelligent & agile capacity utilisation, balanced portfolio management, and deep customer connect aided to minimise the impact on the bottom line. Further, a favourable demand scenario from Q3 onwards helped us tide over the crisis. I am happy to share that our performance in Q4 was the best amongst the preceding eight quarters.

For the full year, your Company achieved Revenue from Operations of Rs.37,618 Million, lower by 13.7% over the previous year. Your Company recorded profit after tax of Rs. 2,910 Million, lower by 20.8% over the previous year. Despite the lockdown and consequently absence of operational activity for almost two months, your company realized 14.4% EBITDA margin, very close to the previous year's 14.8% and generated a robust free cash flow.

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

Dear Shareholders, your directors have recommended dividend at the rate of Rs. 38 per Equity share as compared to Rs. 35 per equity share last year. This constitute a dividend pay-out of 40% of net profits as against 30% last year. The dividend pay-out has been increased over the past years and despite a sluggish year, higher pay-out is proposed. This re-affirms our commitment to sustained value creation for our shareholders.

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

It gives me immense pleasure to announce the appointment of Ms. Eranti V. Sumithasri as an independent director effective from July 15, 2020. Ms. Eranti holds a master's degree in Computer Science & Engineering from the University of Connecticut, USA & a bachelor's degree in Computer Science from Visvesvaraya College of Engineering, India. She brings her vast experience in business leadership, technology, consulting & the financial services industry.

On the other hand, Mr. Rakesh Jinsi and Mr. R. Sampath Kumar completed their term of appointment on February 11, 2020 and May 30, 2020 respectively. Your Directors express their gratitude for the contribution made by the Directors during their respective tenure.

**Dear Shareholders, let me inform you about the Q1 2021 Performance**

The Board of Directors of your Company at its meeting held on April 26, 2021 has announced the results of first quarter of 2021. The Revenue from Operations for the quarter was placed at Rs. 13,168 million, higher by 41.8% compared to Q1 2020 and the profit before tax, was recorded at Rs. 1,860 million, with a healthy margin of 14.1%. The strong market recovery and continued cost measures enabled achieving significantly better performance during the quarter.

**Now let me provide you a brief Outlook for the Current Year**

The overall outlook for FY21-22 is expected to be positive yet very challenging.

In the automotive sector, increased preference for personal mobility in urban areas is expected to push sales of affordable cars and two-wheelers. The regulatory environment with CAFÉ norms and FAME II scheme and the recently announced vehicle scrappage policy presents substantial growth potential for the company over the next few years.

In the industrial sector, the Indian government has endeavoured to invigorate manufacturing and increase its overall contribution to GDP. Thus, we expect strong demand from multiple industries such as construction, machinery, metal, defence, etc. to spur growth in the industrial bearings sector. Additionally, enhanced outlay for infrastructure, railways & metro rail projects will benefit overall core sector growth.

Though the overall sentiment remains positive, some concerns such as the increase in commodity prices and logistical uncertainties due to the global container crisis remain a concern. The current wave of pandemic and stricter measures to contain may threaten to curb economic activity and dampen the market and consumer sentiment.

However, I want to assure you all that your Company has already taken cognizance of these challenges and is prepared to take necessary measures. Your Company believes that robust governance practices are key levers to our efforts to drive customer-centricity and reflect our affinity to the Group's ethos.

**Conclusion**

Dear shareholders, I like to take this opportunity to express my sincere gratitude to the Schaeffler Group for its continued guidance and support. The technological expertise of the Schaeffler Group is recognised globally. Our Company receives valuable guidance and direction from the Schaeffler Group. The presence of Mr. Klaus Rosenfeld – CEO, Schaeffler Group and Mr. Dharmesh Arora – CEO Region Asia-Pacific on our Board, and at this meeting, is the testimony of their support and focus towards our Company. On behalf of all of us, let me again express our sincere gratitude to the Schaeffler management for the continued support.

On behalf of the Board, I also thank our Shareholders for their continued trust, encouragement and support.

Finally, I express my sincere appreciation to our valued customers, suppliers, distribution partners and all other business associates for their immense faith in our brands. My sincere thanks to our employees and management team for their untiring efforts.

Jai Hind

**April 27, 2021**

**Avinash Gandhi**  
**Chairman**