

## **Chairman's Opening Remarks**

My dear Shareholders,

Ladies and Gentlemen,

A very good afternoon to all of you. On behalf of the Board of Directors of Schaeffler India Limited, I welcome you all to the 59<sup>th</sup> Annual General Meeting of your Company.

It gives me great pleasure to connect with you all virtually, again. Though I would have loved to address you all in person, thank you for joining us today.

I trust all of you are doing well. Even though we see the COVID-19 restrictions easing, I hope you all are continuing to exercise the much-needed safety measures.

I am extremely proud to share that today marks the 60<sup>th</sup> year of your Company's presence in India. Schaeffler India was incorporated on this day in the year 1962, and it is an honor and privilege for me to address you all today. It gives me immense pride to share that Schaeffler India today stands strong as a ~ INR 5,500 crore Company and an employee strength of ~ 2,900 employees resulting into a market capitalization of ~ INR 31,000 crores. I would like to take a moment here, to thank all our employees and stakeholders – without whom, the several milestones we achieved over the last six decades would simply, have not been possible.

I am glad to share the performance highlights, and achievements of your Company for the year 2021.

Talking about the performance.

The past two years tested the resilience of businesses at an unprecedented level. Your Company has demonstrated tremendous agility to the evolving external environment and bounced back with vigor. We at Schaeffler India, emphasized and continued to work towards the safety and well-being of our employees during these trying times. We ensured 100% vaccination for all our colleagues. This was also supported by the speed and coverage of the Government's vaccination campaign.

The Integrated Annual Report for the year 2021 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.

Before I speak about the company's performance, let me briefly highlight the economic scenario for the year 2021.

The past years have been difficult for the world economy on account of the COVID 19 pandemic. Repeated waves of infection, supply chain disruptions and more recently geopolitical risks and rising inflation have created some challenges. The year 2021 started with the 'second wave' which had severe health impact across the nation, however, the economic impact was not as severe when compared to the lockdown phase in 2020.

Like the previous year, the agricultural sector was least impacted by the pandemic. The sector now accounts for ~ 18.8% of our Gross Value Add and is estimated to grow by 3.9% for the financial year

2022. The industrial sector showed a pronounced growth after contracting in the previous year. The sector is expected to grow by ~11.8% in this financial year. This was mainly supported by growth in the manufacturing, construction, and mining sectors. The Index of Industrial Production (IIP) and Core Industry Indices went past the pre-pandemic level. Growth here was mainly aided due to the rising capital expenditure and favorable supply side reforms announced by the Government.

As we saw the economic activity recovering; the escalation of geopolitical tensions, increase in global commodity prices and rising inflation have led to a downward revision of India's GDP to 7.2% for the year 2022-23. However, increasing demand coupled with the Government's thrust on infrastructure and capital expenditure continue to offer long-term growth opportunities for India.

**Now I would like to share some of the key developments and the Company's performance for the year 2021**

Dear Shareholders,

Despite being in a volatile environment, we as an organization demonstrated great agility and resolve which enabled a strong top and bottom-line performance. Our performance for the year is reflective of our sound strategies and strong execution capabilities.

I am glad to share our performance for 2021. Our revenue from operations grew by 47.8% to INR 55,605 million in 2021. Growth was aided by strong market recovery as well as significant wins across all our businesses. Our EBITDA grew by 84.2% to INR 9,950 million in 2021, while EBITDA margin was 17.9% as compared to 14.4% in the previous year. The balanced business mix coupled with our sustained countermeasures enabled us to deliver resilient margin levels throughout the year. Our strong focus on cash conversion cycle and judicious CAPEX spending led to a resilient free cash flow (FCF) generation of INR 3,277 million in 2021.

We continue to strategically work across our businesses to drive growth as we move forward. The automotive landscape is undergoing a technological transformation and at Schaeffler, we are already working on future-ready solutions to support our customers in this transition. Our Aftermarket business is widening its product offerings as well. On the Industrial front, the core industries recovered and remained buoyant by a gamut of initiatives to promote investments and growth in the entire manufacturing value-chain. Our continued sectoral focus, network expansion and emphasis on innovation-led offerings have helped us make long-term gains in the market.

**Your Company remains committed towards its ESG journey**

Delivering a superior customer experience is of utmost importance to us and we are committed to build on our capability to innovate and provide solutions to help our customers do business sustainably.

Schaeffler Group has a commitment to be Climate Neutral by 2040 and we at Schaeffler India too have taken our social responsibility seriously. We embarked on our ESG journey with this goal in mind and aim at creating a sustainable value. We remain focused on offering innovative solutions to our customers and also developing our own products in a carbon neutral manner. Towards this goal, during the year we have successfully set up the Large Size Bearings Refurbishment Centre in Jamshedpur. This is a small step by way of our contribution towards our customers' sustainable production goals.

During the year we undertook several initiatives in this regard. Some examples include – 1. Optimizing packaging materials of ~950 tonnes, 2. initiatives leading to a 3% reduction in consumption of freshwater at our plants, 3. increasing consumption of renewable energy. All these leading to a lower carbon footprint. We assure you that we remain focused on this journey in the coming years too.

**All of this only to ensure consistent value creation for our shareholders**

During the year, the Board has taken progressive steps to ensure that we stay on course to deliver sustainable value for our stakeholders. The Board approved a share split – one equity share of face value of INR 10 each into five equity shares of face value of INR 2 each.

The Board of Directors also approved the target dividend payout ratio (30% to 50% of the annual standalone profit after tax), putting us on course for long term value creation. Our strong cash flow generation is enabling us to invest in the business while offering an attractive dividend to our shareholders.

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

It gives me immense pleasure to announce the appointment of Ms. Corinna Schittenhelm and Mr. Andreas Schick as Additional Directors under the category of Non-Executive Non-Independent Directors effective from 12<sup>th</sup> September 2021 and 28<sup>th</sup> October 2021 respectively.

Ms. Corinna Schittenhelm has 27 years of professional experience in numerous industries including banking and mostly in wide range of technology driven industrial segments in various countries including China and USA. She is a member of Executive Board of Schaeffler AG as Chief Human Resources Officer with responsibility for HR and sustainability. She also holds the position of Labour Relations Director of the Schaeffler Group. She holds a degree in Business Administration from University of Applied Sciences for Economics & Technology in Kempten.

Mr. Andreas Schick has 27 years of experience in the field of technology and has worked with Schaeffler Group for more than two decades in different roles. He is a member of Executive Board of Schaeffler AG as Chief Operation Officer and is responsible for Production, Supply Chain Management and Purchasing within the Schaeffler AG. Mr. Schick has studied Automotive Engineering at the University of Munich.

On the other hand, Mr. Klaus Rosenfeld and Mr. Jürgen Ziegler have tendered their resignations during the year on account of other professional commitments. Your Directors express their gratitude for the contribution made by the Directors during their respective tenure.

**Talking about the Q1 performance**

The Board of Directors of your Company at its meeting held on April 26, 2022, announced the results of first quarter of 2022. The Revenue from Operations for the quarter was at Rs. 15,675 million, higher by 19% compared to Q1 2021 and the profit before tax, was recorded at Rs. 2,772 million, with a healthy margin of 17.7%. Continued business wins, portfolio optimization and cost measures enabled in realizing improved performance during the quarter.

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

Year 2022 started well for us amidst the uncertainties surrounding the geopolitical environment.

The Indian automotive sector is heading into 2022 with a mixed outlook. While strong recovery is visible in the Commercial Vehicles segment, the sales of Passenger Vehicles and Tractors still remains muted. We are also seeing investments in new technologies, particularly in the electric mobility space. This coupled with the extension of the FAME scheme, announcement of the PLI scheme and government's thrust towards clean and green energy offer sustainable growth opportunities.

Since 2021, the Index of Industrial Production has seen a positive movement and remained in the expansionary zone. Uptick in economic activity, Government's consistent efforts in terms of structural and infrastructural reforms like PLI schemes, policy support to MSMEs, PM Gati Shakti National Master Plan, announcement of 400 next-generation Vande Bharat trains etc. augur well for the industrial growth.

Though the overall sentiment remains positive, we do see some challenges given the current geopolitical situation, logistical uncertainties and increasing input costs. However, I want to assure you all, that your Company is cognizant of these challenges and would take all appropriate measures to ensure we continue on our growth trajectory.

### **In 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 recognized globally, our Company continues to receive valuable guidance and direction from the Schaeffler Group regularly. I would like to take this opportunity on behalf of all of us, to express our sincere gratitude to the Schaeffler Group management for their faith in our growth journey.

We are fortunate to have shareholders who have always stood by us. On behalf of the Board and the entire team at Schaeffler India, I would like to thank our Shareholders for their continued encouragement and the constant faith they have placed in us.

Finally, I take this opportunity to express my gratitude to our valued customers, suppliers, distribution partners and all other business associates for their association over the years. My sincere thanks and appreciation to our employees and the management team for their untiring efforts leading to building a stronger Schaeffler India.

Thank You.

April 27, 2022

Avinash Gandhi

Chairman