

NRB BEARINGS LIMITED

CHAIRMAN'S SPEECH

51st ANNUAL GENERAL MEETING HELD ON AUGUST 23, 2016

Ladies and Gentlemen:

I am pleased to extend you , on behalf of my colleagues on the Board and of myself, a very warm welcome to this 51st Annual General Meeting of our company.

Economic Environment/ Company's performance

Global economic activity in 2015 remained muted as soft oil prices had producing countries vying for market share. The Indian economy also faced challenges from slow agricultural growth with two consecutive poor monsoons, the investment cycle not gaining strength, a banking system weighed down by poor recovery of loans and low business confidence all of which had a negative influence on consumer sentiment and demand. Despite these headwinds, India was resilient.

Low farm output impacted rural demand for 2/3 wheelers and farm equipment. The weak monsoon and floods in some parts also affected demand with growth only in some segments of passenger cars driven by new model launches and of commercial vehicles on account of replacement of aging fleets and pick up in infrastructure demand. Your company aggressively pushed sales in the domestic market to achieve 5% higher sales even while exports declined, resulting in its highest ever sales turnover of Rs 659 crores (previous year Rs 655 crores). Profit after tax has declined to Rs 45.98 crores (previous year Rs.52.06 crores) owing to higher input and conversion costs and higher depreciation charge.

As a young nation, India needs multi nodal mobility solutions : personal mobility, urban mobility, inter – urban mobility. New vehicle models are being constantly introduced, there is expansion of public transport systems, dedicated freight corridors for movement of farm produce and goods from and to the rural areas. As a result, the medium and long term outlook for the automotive industry is positive for a variety of reasons –

- Macro factors turning in India's favour with GDP growth pick up to 6.5%.
- Food and fuel inflation down
- "Make in India" initiatives with focus on liberalized FDI regime, boost in manufacturing sectors such as defence, aerospace
- Increased investment in infrastructure coupled with higher logistical requirements from E-commerce sectors
- Favourable demographics with a large aspirational young and middle class seeking more efficient vehicles with controlled emissions, high safety and improved driving comfort.
- GST implementation which will lead to overall economic growth and add to the purchasing power of consumers.

Your company has regularly invested in modern manufacturing technology and partnered with customers to develop advanced products for new generation vehicles with its focus on application engineering and R & D. We continue our journey to build a highly sustainable organization , leveraging our knowledge to deliver innovative solutions with emphasis on productivity improvements to enable your company to achieve profitable growth.

Current year Q1

Net sales for Q1 – April to June'16 at Rs. 172 crores (previous year Rs.157.51 crores)– are up by 9.42% compared to the corresponding quarter of the previous year. During the quarters ahead, your company expects a higher growth considering the favourable business conditions being indicated by the OEMs. Exports to Europe which have been subdued during the last year are expected to improve in the coming quarters with the improved economic situation. Your company is effectively targetting specific opportunities in USA, Mexico and the ASEAN countries.

Outlook and business strategies

India has emerged as an international hub for designing and manufacturing of automobiles and auto components. In 2015, it accounts for 7% of India's GDP and provides employment to 19 million. With the focus of the Automotive Mission Plan (AMP) II(2016-2026) on improving industry competitiveness, by 2026 India could be first in the world in the production /sale of small cars, 2 wheelers and 3 wheelers, tractors and buses, all adding to 12% contribution to GDP and generating additional jobs. Most of the world's large vehicle manufacturers have set up base in India and are expanding capacities with a thrust on localization to improve competitiveness.

Your company has the largest bearings product range in the domestic market, has been investing in technology development and building competencies for skill based manufacturing. We are well positioned to take advantage of the expected demand. Regulators are demanding lower emissions and improved safety norms, customers are demanding higher fuel efficiency, lighter weight , intelligent vehicle control, low noise and improved reliability. Your company remains committed towards investing in sophisticated technology to offer enduring and efficient solutions.

Subsidiary companies

The operating results of SNL Bearings Ltd for the year ended 31st March,2016 have improved with PBT higher by 26% to Rs.850.83 lacs (Rs.673.47 lacs for the previous year) in spite of the sluggish demand environment. The company expects to further capitalize on growth opportunities during the year.

The wholly owned subsidiary NRB Bearings (Thailand) Ltd., has increased its sales by 20% to THB 136 million (Rs.25.53 crores). Manufacturing revenues now constitute 70% of revenues and the unit has positive EBITDA of THB 13.4 million (Rs 2.5 crores). The manufacture of new products as well as enhanced production of needle rollers, planned during FY 2016-17 will help in improving the financial results during the coming years.

The marketing services and customer support subsidiary in Europe- NRB Bearings Europe GmbH- has earned income of Euro 430,000 (Rs. 3.25 crores) with a resultant profit of Euro 12280 (Rs. 9 lacs)

Acknowledgements

I would like to express my special thanks and deep appreciation for the continued support of our customers, suppliers, bankers and other business associates. To you, our shareholders, I extend special thanks for your continuing faith in Team NRB in our journey of growth. I thank Team NRB for collectively working to achieve our goal of always delivering value to our customers. Together, we remain confident of delivering better performance in the coming years for all our stakeholders.

T S SAHNEY

August 23, 2016