

NRB BEARINGS LIMITED

CHAIRMAN'S SPEECH

48th ANNUAL GENERAL MEETING HELD ON JULY 23, 2013

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 48th Annual General Meeting of our company.

Economic Environment/ Company's performance

Fiscal 2012-13 has been a challenging year for Indian industry – the economy impacted by slowing GDP growth, high fiscal and current account deficits, has seen lacklustre investment momentum in industrial capital expenditure. Some fiscal reforms were introduced in the later half of the year to revv up the economy, like phased ~~de~~-regulation of diesel prices, formation of Cabinet Committee on investments and direct transfer of subsidies to beneficiaries. These measures will need to be sustained and supplemented by other measures to effectively re-charge the economy and restore its growth trajectory.

Against this back drop of the challenging environment, your company's performance has been a mixed bag - the company has posted record net sales revenues, once again crossing the milestone of Rs.500 crores, with net sales increasing 5.15% to Rs.568.56 crores from Rs 540.71 crores in the previous year – again, an all time high! However higher costs of material inputs, particularly as a result of the depreciating rupee, power and fuel and other services have adversely affected operating profits and with interest rates remaining at elevated levels owing to tight liquidity conditions, profit after tax has been impacted. Tax benefits on the profits from the Pantnagar plant operations have cushioned the PAT to a net fall of only 2.6% from Rs.48.29 crores in 2011-12 to Rs.47.03 crores in the current year.

Considering the decline in profits and the need to conserve funds for fresh investments, the Board of Directors have recommended a lower dividend of 85% (Rs 1.70 per share),

While the long term outlook of the Indian economy remains positive, there are clear challenges in the immediate short term. The Indian economy has many inherent strengths - strong domestic consumption, the unprecedented scale and size of the 12th Plan leading to continued demand from the core sectors the implementation of the Western and Eastern Freight Corridors of the Railways and the Metro railways in important cities, the low vehicle penetration coupled with improving highway and rural road network development making India a key market for global players- all of which will have a direct and favourable impact on the growth of the bearings industry.

Current year Q1

Net sales for Q1 – April to June'13 – are down by 8% compared to the corresponding quarter of the previous year. The quarters ahead, will continue to be challenging. Contrary to the prevailing pessimism, some good news is being drowned out – inflation is moderating, fiscal deficit is getting focus, India's growth rate has is still higher than growth rates in most countries across the world, population growth rates are declining and as a result per capita income growth rates are accelerating. It is still too early to spot definitive trends about market growth, but from an economic prospective if we focus on removing bottlenecks for growth, enhancing investments in infrastructure and manufacturing, it should have a multiplier effect on growth.

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Outlook and business strategies

The automotive industry has been, and probably will always be, a barometer of the economic health of a nation and remains a symbol of a nation's prosperity. It will continue to play an important role in the development of India, given the Government's thrust on inclusive growth and the need to put infrastructural projects on the rail again.

Your company has countered the slow down in the domestic market by expanding its foot print in geographies with promising business potential. Your company exports its products to global OEMs in Europe, USA, Mexico and South America. We are now working to extend our reach to ASEAN countries - Thailand, Indonesia, Vietnam. The thrust on penetration into international markets has yielded results with monthly exports crossing USD 2 million, with this trend expected to be sustained in the coming months. Exports currently constitute over 20% of the company's net sales, having grown by 63% over the previous year. Your company is effectively targetting specific opportunities within India and internationally.

Your company is committed towards investing in NRB's future and developing its R&D capabilities, to take full advantage of our market position and achieve our growth ambitions. Technology and innovation will be the leading drivers for growth and your company is taking steps to invest in such qualitative growth, with greater penetration into international markets being the corner stone of our strategy for sustainable growth.

Subsidiary companies

The operating results of SNL Bearings Ltd for the year ended 31st March, 2013 have been well maintained with a PBT of Rs.611.05 lacs (Rs.623.82 lacs for the previous year). The redemptions of Preference Capital aggregating Rs. 8 crores to date have been effected on due dates. The company has undertaken investments to enhance capacity and will make every effort to improve its performance during the current year by capitalising on growth opportunities.

At our greenfield venture in Thailand, the fully owned subsidiary NRB Bearings (Thailand) Ltd., the trading business has continued to grow and will remain an important component of our business. During FY 2013-14, manufacturing activity will be further enhanced and is projected to constitute 40% of the total revenues which should result in improved financial results.

Consequent upon the Scheme of Arrangement becoming effective from 1st October, 2012, NRB Industrial Bearings Ltd (NIBL) and Schneeberger India Pvt.Ltd. have ceased to be a subsidiary and joint venture company respectively.

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. I thank Team NRB for their collective contribution to the company's performance. To you, our shareholders, I extend special thanks for your unstinted support and encouragement in our journey of growth.

T S SAHNEY
July 23, 2013

CERTIFIED TRUE COPY
For NRB BEARINGS LIMITED

