



## ZF STEERING GEAR (INDIA) LIMITED

Regd. Office: Village Vadubudruk, Tal: Shirur, Dist. Pune 412 216

### CHAIRMAN'S SPEECH

(at the 31<sup>st</sup> Annual General Meeting of the Company held on July 27, 2011)

Dear Members

It gives me great pleasure to welcome you all to the 31st Annual General Meeting of our Company. I would like to thank you all, for your presence here today, and I appreciate your keen interest in the Company.

We welcome Mr. Carl Magnus Backlund, who will be formally inducted as Director of your Company at this AGM. Mr. Backlund is replacing Mr. Walter Salvasohn, who is not seeking re-appointment as his whole-time attention is required at ZF Shanghai. We wish Mr. Salvasohn all the very best and express appreciation for his contribution to the Company.

The Company's Annual Report and Accounts have already been circulated to you. With your kind permission, I would like to take them as read.

#### **Business and Financial Performance - 2010-11**

You will be pleased to note that 2010-11 was another successful year for the Company. Your Company, for the first time in its history, crossed the Rs. 300 crore mark in Sales-Turnover. The Sales improved quarter on quarter, with last quarter i.e. March 2011 quarter recording Rs. 95 crore Turnover. The Earnings per Share has shown a healthy rise of 43 %. Cash-earnings per Share is Rs. 63.48 which is up by 48 %. The Company has added some new variants of its products in the portfolio and agreements have been signed with new customers, too.

#### **Economic Scenario and The Road Ahead**

Yesterday, the Reserve Bank of India (RBI) has raised interest rates for the 11th time since March 2010. RBI has declared that it will persist in its battle against stubbornly high inflation, downplaying worries about slowing growth in India. Even after so many rate rises, the headline WPI inflation rate for Q1 of 2011-12 remained stubbornly close to double digits.

"Notwithstanding both signs of moderation in commodity prices and some deceleration in growth, domestic inflation risks remain high," the central bank had written in its mid-quarter policy review.

In view of the rising inflation and interest rates, Society of Indian Automobile Manufacturers (SIAM), earlier in this month, had trimmed down its earlier Growth-Forecast for Automobile Industry. Revised growth-forecast, for Automobile sector as a whole, for 2011-12 was put at 11 to 13 % over 2010-11, which was earlier estimated to be 12 to 15 %, Commercial Vehicles was expected to grow at 12 to 14 % against earlier forecast of 14 to 16 %. And mind you, this downward revision was made before the yesterday's rate-hike. The impact of yesterday's rate-hike is yet to be factored in.

## First Quarter (Q1) of the Current-year

The overall Commercial Vehicles segment, in the country, has registered a growth of 14 percent during April-June 2011 over the same period last year. While Medium & Heavy Commercial Vehicles (M&HCVs) registered marginal growth of 5 percent, Light Commercial Vehicles grew at 22 percent.

Your Company's Sales figures are as under:

Qty in Nos.

Particulars	April to June 11	April to June 10	January to March 11
Power Steering Gears – CV/ MU / BUS	48,919 (+26 %)	38,898	51,981
Rack & Pinion Power Steering Gear	4,016 (-9 %)	4,405	5,800
Mechanical Steering Gear	44,267 (+29 %)	34,204	42,779

## Initiative in Green Energy

During the current year, the Company will complete its 5 MW Solar Power Project at Gujarat at total cost of Rs. 70 to 72 crore. Its first full year of commercial operation can add Rs. 11 to 13 crore to the Income plus carbon-credit benefits etc., which once commissioned, will not have much recurring costs. As you know, the Company already has 6.7 MW Wind Mills for its captive power consumption.

## Acknowledgements

I would like to take this opportunity to thank the Members of the Board for their valuable guidance, support and prudent counsel.

I and my colleagues on the Board place on record our appreciation for continued support received from our employees, customers, vendors, business associates, bankers and the Government of India and State Governments. ..

Looking forward to your continuing support.

Thank you.

Dinesh Munot

July 27, 2011

Chairman & Managing Director