

WABCO

Chairman's Speech

WABCO INDIA LIMITED

**Speech delivered by the Chairman of the meeting
at the Tenth Annual General Meeting of
WABCO INDIA LIMITED held on
22nd July 2014.**

Ladies and Gentlemen

I have great pleasure in welcoming you all to this tenth annual general meeting of your company. The directors' report and the audited results of the company for the year ended 31st March 2014 are with you. I would like to brief you on the progress made by your company during the year under review.

ECONOMIC AND INDUSTRY REVIEW

India's GDP growth in real terms for the full year 2013-14 stood at 4.7% as against 4.5% in 2012-13. The year 2013-14 saw a bad performance in terms of GDP owing to poor growth rate in the industrial sector. Whilst the Agricultural sector witnessed an increase, the decline was seen more in the industry and services sectors. The Index of Industrial Production (IIP) registered a cumulative growth of 0.1 % in 2013-14 as compared to 1.1 % growth during corresponding period of the previous year.

The commercial vehicle industry production declined by 21% in 2013-14 compared to the previous year and by 42% as compared to best year in 2011-12. And the sales volume in the Medium and Heavy Commercial Vehicle (MHCV) dropped by 22% in 2013-14. While industry is facing de-growth, I am glad to inform you that our company has outperformed the market with an increase in sales by 16% during the financial year 2013-14.

PERFORMANCE

In the above background, your company's turnover for the year under review was Rs 1,138 crores as against Rs 978 crores in 2012-13, an increase of 16.3% mainly driven by export sales. The company's second plant at Mahindra World City became fully operational during the financial year and the company commenced commercial production from its new plant at Barabanki in Lucknow. The total investment in these plants is Rs 59.13 Crores. Though the sales in the OE segment was lower by 18.5% compared to 2012-13 the company outperformed M&HCV market growth in OE through increased content per vehicle and increased market share. The company also benefited by an increase of 6.6% growth in sales of spares. Exports of the company grew by 110% with sales increase from Rs 198.82 crores in 2012-13 to Rs 417.60 crores in 2013-14. The major products exported were Brake chambers, crankshafts, crankcases and higher capacity compressors.

The profit after tax stood at Rs 117 crores in 2013-14 as against Rs 131 crores in 2012-13 registering a fall of 10.7 %. The earnings per share declined to Rs 61.94 in 2013-14 from Rs. 68.95 in 2012-13. The year 2013-14 witnessed increase in some of the conversion costs like energy cost, apart

from cost escalation in the supply chain. We also have intensified actions to retain labour with high potential talents within the company and this has increased our personnel cost. As you can well appreciate we were not able to pass on the cost increases to the customers in view of poor market performance. However I am glad to state that the growth in export performance helped the company to absorb the fixed cost to a greater extent and the company reported a PBT of Rs 161 crores for the year 2013-14.

At the global level WABCO continued to make a significant contribution to technology and business operations. During 2013, WABCO outperformed the global market, achieving sales of \$2.7 billion.

WABCO continued to successfully implement its core strategies of technology leadership, globalisation and excellence in execution.

DIVIDEND

Despite the fall in profits, the board of directors has recommended maintaining the dividend of Rs 5 per share (100%) for the year ended 31st March 2014.

NEW PRODUCT DEVELOPMENT

The company continued its focus on introduction of new products to Indian OEMs during the year 2013-14. I give below some of them for your reference:

- Lift Axle Control Valve;
- D2 Governor Valve;
- Integral Pedal Unit;
- Automatic Slack Adjuster;
- Higher capacity compressors; and
- New variants of actuators and brake chambers.

The company continues to strengthen its Product Development to design and develop products for global markets. We target to develop these products in this financial year.

INITIATIVES TOWARDS MANUFACTURING EXCELLENCE

As regards employee involvement, the company has maintained 100% participation in Total Employee Involvement (TEI) activities since its inception. Employees have completed more than 180 projects by applying statistical tools through QC circles in 2013-14. During 2013-14, the average number of suggestions implemented per employee stood at 48, which is close to the international benchmark.

Needless to say, the company continued its thrust on Total Quality Management (TQM) for enhancing customer satisfaction. 100% participation in employee involvement has been successful for the past 14 consecutive years. Total Productive Maintenance (TPM) and Lean Manufacturing Concepts are being implemented to improve productivity leading to better business results.

AWARDS

I am happy to share with you that during the year, the company has won the following awards:-

- “Excellence in Innovation and Technology” award from TATA Motors Limited;
- “Best in Class Performance in Environment Friendly Initiatives” award from Ashok Leyland Limited;
- “Silver Trophy for Star Performer in Exports” award from EEPC India for the year 2011-12;
- “Frost and Sullivan Gold” Award for Manufacturing Excellence for the Mahindra World City Plant; and
- “Strong commitment to HR Excellence” and “CII EHS Excellence” Awards from CII.

OUTLOOK FOR THE CURRENT YEAR

The economic outlook in terms of GDP for the year 2014-15 is expected to be in the range of 5 to 6.5% as estimated by various rating agencies and government bodies. CMIE has estimated the real GDP growth at 5.4% in 2014-15; the recovery in 2014-15 would be mainly driven by the industrial sector which is expected to grow by 3.4% compared to 0.3% in 2013-14. Agriculture sector is expected to grow at 1.1% as compared to 4.7% in 2013-14 and the growth in Services sector is expected to be at 7.2% compared to 6.8% in 2013-14.

As part of enhancement of safety, the Ministry of Road Transport and Highways has notified that the fitment of Anti-lock Braking system (ABS) will be mandatory in respect of the new models of commercial vehicles to be manufactured by the OEMs from 1st April 2015. Also in respect of the current models to be rolled out such ABS fitment is mandatory from 1st October 2015. Although the effect of this is likely to be visible from the next financial year, I am glad that the move by the Government is welcome towards safety concerns. The company has already started the initiative of retro-fitment of ABS in the After Market segment.

For the quarter ended 30th June 2014, the company reported a sales and other operating income of Rs 323.59 Crores as against Rs 262.82 crores for the corresponding quarter in the previous financial year. The profit after tax stood at Rs 30.66 crores for the quarter ended 30th June 2014 compared to Rs 35.38 crores for the corresponding quarter in the previous financial year.

ACKNOWLEDGEMENT

The board of directors thank the shareholders for the trust and confidence reposed in the company. I would also like to thank your company's customers, suppliers, bankers to the company, for their continued co-operation and support.

The employees of the company merit special appreciation for their continued commitment to the company in maintaining a good performance in the challenging environment during the year. I would like to thank the Governments of Tamil Nadu, Jharkhand, Uttarakhand and Uttar Pradesh for all the support in our operations.

Thank you.

(This does not purport to be a report on the proceedings of the annual general meeting of the Company.)