

Chairman's Speech

Dear Shareholders,

2013-14 has been a challenging year for Indian industry. The economy, impacted by decelerating GDP growth and rising fiscal deficit, has seen lacklustre investment momentum in infrastructure, and declining industrial capital expenditure. However, we expect the domestic demand to pick up from the second half of the current fiscal in the backdrop of the economic reforms that have been put in place in the past few months, including those on the anvil.

Today, I will take you through the performance of your Company and some of the significant highlights of the previous year and of course, the outlook for the current year.

Overview 2013-14

With business sentiments being far from optimistic, most sectors of the economy were adversely affected and as our businesses are closely linked to the critical sectors, it was imperative for us to pool our efforts in strengthening our business strategy. Our robust business model focused on growing products, deepening markets and expanding geographies which will help tide over the challenging business environment and define our approach towards business.

In 2013-14, the automotive market and, in particular, the sales of commercial vehicles declined sharply. This downturn was also reflected in the Company's annual performance with net sales registered at Rs.1,719 crores as against Rs.1,873 crores during the previous year and the Net Profit for the year was at Rs. 113 crores as against Rs. 138 crores during the previous year.

In spite of the difficulty faced by the economy, your Company was swift to adapt to this tough economic situation and initiated prudent counter measures to maintain margins, while remaining competitive in the Indian market. We exited non-strategic assets and wound up the 100% subsidiary in Netherlands pursuant to the divestment in the step-down subsidiary, Greaves Farymann Diesel GmbH in Germany. We focussed on operational excellence initiatives which saw improvement in material cost through Value Engineering and sourcing initiatives.

New Product launches:

I am happy to inform that 2013-14 witnessed new product launches across businesses catering to the evolving demands of the market and customers. With the market ready 265cc gasoline engine, the automotive engine business is now geared to partner with OEMs for quadricycles. New products were added to the power business with the inclusion of the sub 20 KVA genset range addressing the retail market as well as CPCB2 norm compliant range of engines and gensets. Farm equipment business strengthened its presence in the irrigation segment with thrust on diesel engine and electrical pumpsets. This business is also strengthening its presence in the fast growing Light Agri Equipment space with a rapid product indigenization plan. Your Company has increased its investment in Research & Development and will continue to develop indigenous, value-based and technology-enabled products.

Initiatives:

Other major initiatives included strengthening our overseas presence in selected markets and strengthening our dealer network in the aftermarket business. The latter is also exploring the possibility of leveraging its network to support non Greaves products.

Outlook and Performance for Q1 2013-14

Greaves expects the economic conditions to improve in 2014-15, including automotive sector. The first quarter's results show Rs. 422.53 Cr in revenue and Rs. 28.74 Cr in PAT. Your Company has been able to maintain its sales albeit in a tough business scenario. It will continue to invest in technology, R&D and quality related capexes, while judiciously restraining capital expenditure. Greaves is well equipped for the future and in a position to capitalise on new opportunities going forward. As a result, we expect our strengths to become more important than ever before.

I conclude by conveying my sincere thanks most of all to you, our shareholders, and to our valued customers, suppliers, bankers, financial institutions, and special thanks and appreciation to the employees of the Company at all levels for their hard work, dedication and continued commitment.

Thank you for your attention.