



SNL BEARINGS LIMITED

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CHAIRMAN'S SPEECH

AT THE 40th ANNUAL GENERAL MEETING - SEPTEMBER 14, 2020

Ladies and Gentlemen:

I am pleased to extend, on behalf of my colleagues and myself a very warm and cordial welcome to all of you to the 40th Annual General Meeting of the Company held through Video Conferencing.

Unfortunately, we are not able to gather in person this year due to the coronavirus pandemic. All of us are experiencing exceptional times. This continues to present us with new challenges.

I hope that all of you are healthy and well, taking care to stay safe. This address is at a time, when India, while grappling with the pandemic, is simultaneously gearing up for re-opening of the economy and preparing for life beyond Covid-19. I am sure you all join me in expressing our deepest respect for the country's doctors and health care workers who are enduring immense hardships to protect all of us and particularly the distressed, amidst difficult circumstances.

Company's performance for the period under review

The performance for the year has to be viewed in the context of the unfavorable macro-economic environment and particularly the weak demand scenario for the auto sector. During F.Y. 19-20, the overall automobile sales reported the sharpest decline of 18 per cent, year-on-year, during the last five years on the back of price hikes in passenger vehicles and two wheeler segments due to transition to stringent BS-VI emission norms, higher insurance costs, higher ownership costs, liquidity crunch in the NBFC sector. Reduced turnaround time and increased load carrying capacity for CVs led to high inventories and slow movement in CV segment sales. Overall, the challenges impacted the company's business significantly, resulting in de-growth in our Revenues and Profits, compared to the year before.

Net revenues during the year at Rs. 3414.18 Lakhs (previous year Rs. 4064.17 lakhs) are lower by 16% due to lower sales. Profit after tax (PAT) at Rs. 416.61 lakhs (previous year Rs. 814.36 lakhs) has also dropped by 49% due to the fall in volumes, despite continuing efforts to restrict operating and administrative expenses.

Current Year - Q1 & Coming Quarters

With Covid 19 pandemic requiring a lockdown of all business activities for a greater part of Q1, Net sales for Q1 – April to June 2020 at Rs. 283 lakhs have decreased by 33% as compared to Rs. 850 lakhs in the corresponding quarter of the previous year. Recent relaxations in the restrictions have resulted in gradual resumption in sales and production during July & August'2020 and the expectation is that sales revenues for Q2 will be close to pre-covid levels. During the quarters ahead, your Company expects the projected pickup in economic activity will continue.

Outlook and Business Strategy

The COVID 19 pandemic and the stringent nationwide lockdown from March 25, 2020 has severely impacted the economy and business. Different containment measures such as sealing borders, closing public places, suspending transport services and state-specific lockdown still continue in affected areas, disrupting supply chains for the manufacturing sector. However, the benefits of Government support by way of a Relief package to boost slow consumer demand, increased liquidity and lower corporate taxes, are likely to accrue over the medium term, and the above normal monsoon should accelerate revival of rural demand for two wheelers and farm equipment. It is expected that things will gradually improve in H2 of fiscal 2021. With the support of the holding company, Company management team is focusing on driving operational efficiencies and cost optimization and we shall strive to further improve the quality and delivery of our products so as to enhance competitiveness with customers.

With forecasts of an above normal monsoon, government spending in the economy to strengthen infrastructure and reforms augur well in mid to long term. Supported by higher minimum support prices and liberal lending policies for the farming sector, there are positive signals of the rural markets coming back on track. Increase in disposable income in the hands of the rural populace is expected to raise the demand for vehicles in the country and policy interventions by the government to shape competitive “Make in India” supply chains are expected to spur growth over time.

Events like the pandemic bring in their wake, opportunities like never before. While facing challenges in the short term, our economy remains one of the major economies in the world with huge potential. Your company will continue to leverage its competitive strength to capture such opportunities, with agility and innovation, just like those arising out of the implementation of BS-VI norms. Market responsiveness, cost optimization is going to be essential for the ‘next normal’.

Acknowledgements

I take this opportunity to thank the company’s shareholders, bankers, customers and suppliers, for their dedicated efforts in supporting the company. I would like to express my gratitude to the management teams of the company and the Holding company (NRB Bearings Limited) and all the employees for the hard work they have put in to deliver the reasonable financial results in spite of the challenging environment.

Harshbeena Zaveri
Chairman

September 14, 2020