

WHEELS INDIA LIMITED
Registered Office : 21, Patullos Road, Chennai - 600 002.
Website Address : www.wheelsindia.com

Ladies and Gentlemen

I welcome you all to the 53rd Annual General Meeting of your Company. The Annual Report and the audited accounts for the year ended 31st March, 2012 have been with you for some time now and with your permission, I shall take them as read.

The Management Discussion and Analysis in the Directors' Report deals with the performance and the prospects of your Company. Subsequent to this report, there have been some changes that have taken place in the current year. I will touch upon this in the later part in my address.

You would note from the annual accounts that your Company was able to improve significantly its performance in terms of both sales and profits. The projected economic growth above 8% for national economy in the year under review did not fructify due to adverse factors and the year ended with a growth of 6.5%. These adverse factors affecting the economy have intensified in the current year and we expect the GDP growth would be nearer 6%. There are some developments specifically concerning the markets that are important for your Company, which are likely to hold back our growth.

The slowdown in the economy will have an impact on goods movement and sentiment affecting the demand for medium and heavy commercial vehicles. Additionally, the last two years have seen the truck market grow by 40%. In addition to the number of trucks, the load carrying capacity of trucks has increased further with the likes of 3-4 axle rigid vehicles and tractor-trailers in the market. This is coupled with better road infrastructure resulting in shorter travel times on trunk routes between the metros. The combined effect results in a significant build-up of freight carrying capacity in the trunk routes which is affecting demand for medium and heavy commercial vehicles in the current year. We expect negative growth in the medium and heavy commercial market in the current year. The demand for light and small commercial vehicles for shorter distances and intra-city movement is likely to grow albeit at a slower pace than the past. Herein, your Company should be able to take advantage of strategic capacities created for this segment.

Your Company has positioned itself well to take advantage of the growth in the passenger car segment. Last year saw a shift in demand from petrol to diesel cars driven by the fuel cost arbitrage, and car manufacturers are gearing up to meet the higher demand for diesel engines. However, the recent unfortunate developments at a major car manufacturer in India is a setback, and is likely to affect our production plan in the current year. We hope the issue is settled at the earliest. As mentioned in the Directors report, we have come to an understanding with Topy Wheels of Japan for technical assistance in passenger car wheels. This should help your Company to remain an important player in the passenger car wheel market in India.

Over the years, your Company has made significant investment for construction and mining equipment wheels. While we had strong demand for these wheels in the first quarter of this current financial year, developments in Europe and the Far East are now dampening demand for these wheels. The Euro crisis and slowdown in Europe

and recent measures in China to check the growth in construction and real estate sectors has had a dampening effect on demand for construction equipment. Further the weakening of the global commodity cycle beyond a point would also affect demand for mining trucks, that we supply wheels to. The growth which your Company expected early this year has been moderated now due to these global developments.

The agricultural tractor market is an important segment for your Company. Shortfall in south west monsoon rains is bound to hamper growth in agricultural sector. We need to watch the progress of the monsoon for growth in agricultural tractor wheels for your Company.

Investments made by your Company for making steel components for the energy sector is yielding some results and this business has reached break-even in the last quarter of the year under review. We hope that the

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government will give further impetus to this sector given the severe power shortages experienced across the country.

Your Company has established factories in strategically important areas across the country to meet the requirements for different segments of company's wheel business. This locational advantage along with the steps take by the company in improving the efficiency of operations is expected to enable your Company to sustain its performance in the current year.

Air Suspension system for buses has been widely adopted by State Road Transport Corporations in the metro areas and long distance luxury buses. We expect with government plans for funding being implemented for public transport in the later half of the current year, the sale of Air Suspension sets in the current year would be comparable to the year under review.

Due to shortage of power from the state grid, the Company had to use diesel generating sets and purchase power for peak hour requirements from private parties. This has pushed up our cost of power significantly in the year under review. We hope with the commissioning of new power plants in Tamil Nadu, these excess costs might come down.

While the shortage of power in the country has had an inflationary effect, the slowdown in demand globally and locally should ensure stable commodity prices during the year ahead.

I would like to mention that it has been through team work and efforts of all employees that your Company has been able to manage during the year under review. We need to re-dedicate ourselves for improvement in efficiency, reduction in cost and improvement in quality to meet competition.

I wish to thank the Company's bankers for their continued support. I also wish to convey my appreciation of the good work done by all the employees of the Company.