

RICO AUTO INDUSTRIES LIMITED

**Regd. Office : 69 K.M Stone, Delhi-Jaipur Highway, Dharuhera, Distt. Rewari (Haryana)
Corp. Office : 38 K.M Stone, Delhi-Jaipur Highway, Gurgaon - 122 001 (Haryana)**

CHAIRMAN'S SPEECH

(Statement of the Chairman at the 28th Annual General Meeting of the Company held on Friday the 30th day of September, 2011)

Dear Shareholders,

Good afternoon to all of you and welcome to the 28th Annual General Meeting of your Company.

Notice of convening this meeting, Directors' Report along with Audited Accounts for the year ended 31st March, 2011 as well as consolidated financial statement are already with you for some time and with your permission, I take them as read.

At the outset, I take this opportunity to thank you all for making it convenient to attend this meeting.

Our GDP continues to grow at a healthy rate of 8.5% for the year 2010-11 compared to 7.9% in the previous year, despite the global economic crisis. However the GDP growth of the current financial year 2011-12 is expected to be close to 8%, a little lower than the previous year's. Inflation and high interest rates continue to dampen the overall sentiment in the economy. The Automotive Industry is sensitive to both these factors and has significantly impacted the double digit growth forecasted in the beginning of the year. The fiscal year 2010-11 saw the passenger car segment grow by 29.8% and two wheeler segment was also up by 27% over the previous year. On the back of this growth the auto component industry also experienced robust Growth.

Hero MotoCorp Limited (formerly known as Hero Honda Motors Limited) – reflect its conviction, focus on mobility and technology, and it has been able to maintain its position as “Number One” Two Wheeler Company in the world for the 10th consecutive year by selling more than 50 million motorcycles in the financial year 2010-11. It enjoyed 54.6% share in the domestic motorcycle market. I request you to join me in congratulating to Hero MotoCorp Limited on this achievement.

Operations

Your Company crossed Rs.1000.00 crores sales for the first time since its inception and touched Rs.1096.00 crores on standalone basis, up by 31% from Rs.837.00 crores over the previous year 2009-10. Your Company earned Profit before Interest, Depreciation and Tax of Rs.126.65 crores during the year ended 31st March, 2011 compared to Rs.87.74 crores in the previous year. Profit after Tax of Rs.6.61 crores (excluding non-operational income of Rs.19.90 crores) recorded growth of 8.9% over last fiscal year.

Keeping in view the financial performance and future growth prospects of the Company, the Board of Directors have recommended dividend @20% for the financial year 2010-11 on the enhanced share capital of Rs.13.53 crores, up by 33.33% over the previous year's dividend of 15%.

The Unaudited Financial Results of the Company for the first quarter of the current year ended 30th June, 2011, which has already been announced and published, show a gross revenue of Rs.286.95 crores and PAT of Rs.2.14 crores compared to gross revenue of Rs.248.93 crores and PAT of Rs.0.91 crore in the corresponding quarter of the last year.

I am confident that turnover and margin will improve in the remaining period of the current year.

Exports

During the financial year 2010-11, your Company's exports recorded a turnover of Rs.202.00 crores, up by 37% over the previous year's export turnover of Rs.148.00 crores. Exports as a percentage of standalone sales have also increased to 18.43% from 17.68%.

The export sales have not recorded an expected growth during the first quarter ended 30th June, 2011 of the current year and have declined to Rs.41.67 crores as against Rs.55.00 crores in the corresponding quarter of the previous year. As export market is showing signs of revival, I am confident that we will be able to maintain double digit growth in export sales during remaining period of the current year.

Expansions

Your Company's relentless endeavour towards expansion will lead to geographically de-risking the operations, besides enhancing the capacities to meet the requirements of the customers. To this end, your Company has set up plants at Haridwar in Uttarakhand and Sanand in Gujarat and is also setting-up plants at Chennai in Tamil Nadu, Bawal in Haryana and Bhiwadi in Rajasthan.

Your Company has also taken initiatives to set up a state-of-the-art unit for manufacturing components for the Aerospace, Defense, Railway and Security Equipment at Gurgaon through a wholly owned subsidiary namely AAN Engineering Industries Limited.

Subsidiary Companies

Rico Auto Industries Inc. USA

This Company is engaged in the business of trading of Auto Components in the North American and Brazil Markets and providing last mile sales and customer support.

The Company earned total revenue of Rs.99.94 crores during the financial year ended 31st March, 2011 as against Rs.100.16 crores in the previous year. The Company earned a net profit of Rs.1.08 crores as against Rs.0.20 crore in the previous year. This Company has not declared any dividend for the financial year ended 31st March, 2011.

This Subsidiary has achieved a turnover of Rs.23.27 crores for the first quarter ended 30th June, 2011 as against Rs.22.87 crores in the corresponding quarter of the previous year, an increase of 1.75%. During the financial year and period under review your Company has not made any additional investment in this Subsidiary.

The Subsidiary is expecting growth in revenue in the remaining part of the current financial year.

Rico Auto Industries (UK) Limited, UK

This Company is engaged in the business of trading of Auto Components for the European Markets.

The Company earned a total revenue of Rs.50.10 crores during the financial year ended 31st March, 2011 as against Rs.31.54 crores in the previous year. The Company earned a net profit of Rs.1.27 crores as against Rs.0.52 crore in the previous year. This Company has not declared any dividend for the financial year ended 31st March, 2011.

This Subsidiary has achieved a turnover of Rs.10.42 crores for the first quarter ended 30th June, 2011 as against Rs.13.08 crores in the corresponding period in the previous year. During the financial year and period under review your Company has not made any additional investment in this Subsidiary.

The Subsidiary is expecting significant growth during the remaining part of the current financial year.

Rasa Autocom Limited

I am glad to inform you that this wholly owned subsidiary has commenced production of auto components during the current financial year and recorded a net turnover of Rs.1.17 crores in the first quarter ended 30th June, 2011. The Subsidiary is expecting significant growth during the remaining part of the current financial year.

Joint Ventures

Your Company as a part of the growth strategy and to evolve into a global company has entered into Joint Ventures with International Renowned Companies in their respective areas of operations. The brief about the performance of the Joint Ventures is pertinent to be mentioned here:

A. FCC Rico Limited

FCC Rico recorded a turnover of Rs.702.93 crores for the financial year ended 31st March, 2011 as against Rs.512.17 crores in the previous year, a growth of 37 per cent. I am happy to inform you that this Company has declared a dividend of Rs.7.50 per share for the financial year 2010-11.

B. Continental Rico Hydraulic Brakes India Private Limited

Continental Rico recorded a turnover of Rs.11.78 crores in the financial year ended 31st March, 2011 as against Rs.13.24 crores in the previous year. Your Company has so far invested Rs.55.00 crores in the Equity Share Capital as on 30th June, 2011.

C. Magna Rico Powertrain Private Limited

Magna Rico recorded a turnover of Rs.15.42 crores in the financial year ended 31st March, 2011 as against Rs.1.74 crores in the previous year. Your Company has so far invested Rs.16.12 crores in the Equity Share Capital as on 30th June, 2011.

D. Rico Jinfei Wheels Limited

The Company earned a total revenue of Rs.42.40 crores during the financial year ended 31st March, 2011 as against Rs.8.65 crores in the previous year. This Company has incurred a loss of Rs.5.53 crores in the financial year ended 31st March, 2011 as against PAT of Rs.0.05 crore in the previous year. Your Company has invested Rs.9.25 crores in the Equity Share Capital and given a loan of Rs.42.36 crores as on 30th June, 2011.

Investments in these joint ventures will pave the way to growth and profitability in the years to come.

Corporate Social Responsibility

Rico has a dedicated team to accomplish its goals towards Corporate Social Responsibility (CSR). The company's CSR goals are focused on education, health care, safety, civic amenities, vocational support and environment protection. It is also working towards reducing unemployment in the region by creating a pool of educated and trained manpower that are able to earn their livelihood with respect and self esteem.

Outlook

Looking forward to a bright future, we at RICO will continue to focus on becoming more productive and competitive with renewed enthusiasm and vigor. We shall grow by virtue of the following:

- Reliability, Innovation, Continuous improvement and globalization will be our guidelines
- Profitable growth, greater market penetration
- Revamping our product mix towards complex high value products
- Employing innovation, exploration, advanced engineering & R&D to increase productivity
- Cost control measures and reducing inventories
- Increasing automation along with manpower productivity
- Investing in our people and their training

Industrial Relations

I have always maintained that our people and workers, at all levels of responsibilities, are our greatest assets. Their dedication is commendable, and we always support them with regular training and education facilities both in-house and outside. Our relations and rapport with our employees are cordial at all plants.

On behalf of the Board and on my own behalf, I place on record appreciation for maintaining healthy industrial relations and rendering dedicated services by your Company's employees.

Acknowledgements

I, together with my colleagues on the Board would like to take this opportunity to express my appreciation of the continued support and guidance extended by the Banks and various Government Departments. I also thank the customers and other stakeholders for their continued support and co-operation. Finally, I thank you the shareholders for the invaluable support, trust and confidence reposed in the management of the Company. I assure you all that your Company is positioned to continue to grow in the future.

CHAIRMAN