

Hindustan Motors Limited

Chairman's Speech

Sixty-sixth Annual General Meeting

Tuesday, 5th August 2008, **KOLKATA.**

Dear Shareholders,

I welcome you all to this 66th Annual General Meeting of your Company.

The financial year under review has a profit of Rs 30.84 Crs, after taxes. Improved operational performance and progress on the ongoing initiatives for developing an Integrated IT Township & Auto Ancillary Park adjacent to the Uttarpara Plant has enabled this.

In the recent years, your company has been focusing on both the automobile business and the auto component business.

I will now share the progress on each of these initiatives:

- During the year under review the Company sold 12714 units compared to 13775 units in the previous financial year.
- The Ambassador car produced at the Uttarpara Plant continues to enjoy steady demand. But for the strike in the beginning of the financial year and the resumption of work from 10th May 2007, Ambassador Sales would have been higher.
- The Uttarpara Plant will be launching a small commercial vehicle shortly. Final testing and the process of ARAI approval is under way.

Details of the product and launch date etc. would be announced at the appropriate time.

- Sales for the Mitsubishi range of products from Chennai Car Plant grew during the year with marked increase in volume and value. This positive momentum is being sustained in the current year too. Further growth is anticipated with the launch of Mitsubishi Outlander during the coming festival season.
- The strategic initiative of developing Forge, Foundry & Press Shops into an Auto Component Business was sustained during the year. The capital expenditure programme to modernize these facilities is under implementation. The quantum of enquiries and orders from OEMs as well as customers is showing an increasing trend. In the coming years this business is expected to grow and emerge as a major contributor to revenue and profitability of the Company.

Two major challenges confronting the Company as well as the entire Indian economy are:

1. Sharp increase in prices of crude oil and energy in the global market.
2. Sharp increase in prices of raw-materials such as Iron & Steel and other metals.

First let me explain to you the initiatives and responses to rising cost of energy. Over the past 18 months your company has focused on energy conservation both in its products and processes. In addition to initiatives to achieve BSIII compliance, your company has taken a number of R&D initiatives to enhance fuel efficiency as well as adapt products to

environment friendly and cost effective fuels such as CNG and Auto LPG. As these new fuels gain acceptance and their availability and distribution become widespread, your company's products will be well placed to take advantage and grow.

As regards processes, your company has invested on energy efficiency induction heating systems and modern continuous furnaces. Further, the operations too are being so managed to ensure continuous running and efficient use of energy.

The challenge posed by the increase in cost of raw-materials such as iron and steel is a big one. You will appreciate that in a competitive context, it is not always possible to pass on all the increases to the customer. Consequently, your company has initiated a number of cost reduction measures.

The Govt. of West Bengal, through its order dated 13th September 2006, permitted the company to develop and cause to be developed, an integrated IT Township & Auto Ancillary Park, in 314 acre area, adjacent to the Uttarpara Plant. In accordance with the provisions of the order, the Company delivered the 2nd and 3rd lots of land and realized proceeds. The remaining two lots are expected to be delivered and proceeds realized during the current financial year. I thank the West Bengal Govt. for their continued support for the revival of the Uttarpara plant.

I take this opportunity to thank all our customers, dealers, suppliers, bankers, financial institutions, employees and other stake holders for their support and co-operation. *One of the requests received during last*

AGM was a factory visit, we propose to organize this around the middle of September and those of you who are keen on the visit may contact our Secretarial Department at the Registered office on any working day between 2 to 4 pm.

I also thank my colleagues on the Board for their continued guidance and support.

Thank You.

August 5, 2008.

Kolkata