

Hindustan Motors Limited
Chairman's Speech
Sixty-seventh Annual General Meeting
Friday, 24th July 2009

Dear Shareholders,

I welcome you all to this 67th Annual General Meeting of your Company.

The financial year under review was a particularly difficult one. Your company incurred a loss of Rs 38.86 Crs, after taxes. The sharp decline in demand for bigger cars & SUVs in the 2nd half as well as the dramatic weakening of the Rupee during that period were the main reasons. Improved operational performance in the first half of the year, cost reduction initiatives in the second half and progress on developing an Integrated IT Township & Auto Ancillary Park adjacent to the Uttarpara Plant, could only partially offset the impact.

You are aware that 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 sales fell from Rs 853 Crs to Rs. 764 Crs a drop of about 10%. In terms of units the Company sold 9211 units compared to 12713 units in the previous financial year, a drop of about 27%.
- The Ambassador car produced at the Uttarpara Plant continues to enjoy steady demand. However the sales volumes were not maintained, due to operational challenges in the first half and economic environment in the second half.

- The Uttarpara Plant launched a mini truck branded Winner during the latter period of the financial year. Homologation Approvals – BS III approval for the Diesel Version and BS IV approval for the CNG version – have since been received and deliveries have commenced. At the initial phase this new product has been rolled out in about 3 towns in West Bengal, 5 towns in Andhra Pradesh and 9 towns in Tamil Nadu. Launch of the CNG version in Delhi and BS III version in Kolkata is planned in the coming weeks. During the course of the financial year this new product would be rolled out across the country and will begin to contribute to both sales and production growth at Uttarpara Plant.
- Sales for the Mitsubishi range of products from Chennai Car Plant fell sharply during the second half of the year with significant impact on both volume and value. The Mitsubishi Outlander launched during the 2008 festival season was received well and went on to win the prestigious SUV of the year award from both BBC's Top Gear & Times of India's Zig Wheels. However, the macro economic developments thereafter inhibited growth from the new product.
- The strategic initiative of developing Forge, Foundry & Press Shops into an Auto Component Business was sustained during the year. The quantum of enquiries and orders from OEMs as well as customers was showing a positive trend till the middle of second quarter. Thereafter, in keeping with the broader industry trend, demand fell sharply. Notwithstanding the reduced demand in the short term, we are confident that In the coming years this business will grow and emerge as a major contributor to revenue and profitability of the Company.

Two major challenges confronting the Company as well as the Indian Automobile Industry are:

1. Uncertainty in demand till such a time the economy reverts to a phase of steady growth. Experts are of the view that our economy would revert to growth mode before the end of current financial year. Current signs in the market place are encouraging. However, the possibility of a weak monsoon has created some apprehensions.
2. The transition to the next level of emission norms - Bharat Stage IV or BS IV as it is more popularly known. You will be happy to learn that your company is progressing well on this. Of the ten models of cars, SUVs and mini trucks, as many as five already meet BS IV emission requirements and initiatives are underway for the remaining products too to become BS IV compliant.

The sharp & sudden economic down turn in the latter half of 2008 – 09, was a sharp reminder on the need for businesses to be lean and efficient. Keeping this in mind your company has initiated a number of cost reduction measures both in fixed costs and variable costs. But the latter half of current financial year, the benefits of these initiatives should become more apparent.

You are well aware that 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 first four lots of land and realized proceeds. The remaining lot is expected to be delivered

and proceeds realized during the current financial year. The Developers M/s Bengal Shriram Hi Tech City limited, have raised some issues and the same is currently being heard in Kolkata High Court. I am hopeful that the matter would get resolved in the coming months. 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.

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

Thank You.

July 24, 2009.

Kolkata