

Chairman's Address at the Ninety Second Annual General Meeting held on 24th September 2009

Dear Esteemed Members,

It is my great privilege and honour to welcome you all to the 92nd Annual General Meeting of your Company.

Before we commence deliberation on the performance of your Company during the financial year 2008-09, it may be of relevance to briefly review the prevailing business environment in which your Company operated.

The Business Environment

The year 2008-09 has indeed been one of the most challenging for the world economy. The severe financial crisis -- which is admittedly the most acute since the Great Depression -- has led to a global recession of a magnitude never anticipated.

India has not been immune to this global meltdown. The economy was affected by downward pressure arising out of slowing global economic activity and hardening of interest rates. Consequently, the pace of economic growth tapered off with India's GDP recording a growth of 6.7% in 2008-09 after three consecutive years of around 9% growth. Industrial production grew at a reduced rate of nearly 4% in 2008-09 compared to 8% recorded in 2007-08. The Services sector recorded a positive growth of 9.7% marginally lower than 10.4% achieved in 2007-08.

A silver lining was that despite the effects of the slowdown, National Income at current prices grew by more than 14 % in 2008-09. Similarly, the per capita income at current prices also saw an increase of more than 12% compared to the previous year.

The worst seems to be over. 2009-10 has raised hopes of stabilization if not recovery for the major world economies. The scale of decline in economic activity in several advanced economies has been contained, industrial activity is on the verge of revival especially in the emerging market economies like Brazil, China &

India, frozen credit markets have thawed and equity markets offer hopes of recovery.

Quick & aggressive policy responses by the Government of India and the Reserve Bank have mitigated the adverse impact of the global financial crisis. These have helped to cushion the economy from the impact of the meltdown. Large domestic demand fueled by government consumption, a comfortable foreign exchange position, sound banking sector and a well functioning financial markets have undoubtedly been stabilizing factors. Amidst concerns about delayed/deficient monsoon, there are now signs of upturn in industrial production. Service sector – specially the businesses in which your Company is engaged – is however, still showing uncertainty.

Against the above backdrop, I propose to review the performance of the eight “Strategic Business Units” of your Company or, in short, “the SBUs.”

Performance of the SBUs: 2008-09

The SBUs cover both manufacturing as well as service activities.

During 2008-09, the **SBU: Industrial Packaging** retained its lead position in terms of market share. The first-half of the financial year 2008-09, was marked with buoyancy in performance. However, on account of economic slowdown the market declined by 35-40% during the intervening period from October 2008 till January 2009. Demand is gradually recovering since then. Major challenges for the SBU are over-capacity in the industry exerting pressure on price with resultant thin margins, competition with alternative products such as plastic drums and volatility in input costs, mainly steel and paint.

The results for **SBU: Greases & Lubricants** for 2008-09 have been just short of what was achieved in the previous year. The sales volume, turnover and profit are considered to be good when viewed in the context of unprecedented impact of the recession in the economy, the high level of competition with a large number of players including global majors in the industry, the escalation in the cost of input materials especially base oils particularly in the earlier part of the financial year under report coupled with their

inadequate availability. An up-trend in demand for lubricants has been seen from the beginning of the current financial year and this could augur well for your Company.

The **SBU: Logistics Services** has during 2008-09 been one of the star performers of the Company having bettered its performance, both in terms of turnover & profitability. The bulk of its revenue emanated from air and related logistics activities, which was commendable especially because the higher revenue-flow was achieved despite the severity of the economic slowdown and the consequent dip in the freight handled by various airports.

The **SBU: Travel & Tours** is one of the largest IATA affiliated travel agencies in the country operating in the organized sector. Despite the adverse impact of the economic downturn especially in the last quarter of 2008 - 09, the SBU significantly improved upon its turnover and profit. This was primarily achieved through sustained effort by the SBU to widen its customer base and offer high quality service. The results were achieved notwithstanding the zero percent commission regime, which came into effect on 1st November 2008 but was restored at a lower rate of 3% with effect from 1st January 2009 by all domestic carriers and a few international carriers.

The **SBU: Logistics Infrastructure** comprises two activities namely, Container Freight Stations (CFS) and Warehousing & Distribution (W&D). CFS - Kolkata has posted an impressive volume growth of 104% coupled with 148% growth in bottom line as compared to the previous year. CFS - Chennai operated at 117% capacity for most part of the year with significant growth in turnover and bottom-line. Despite a drop in volumes at CFS-Mumbai, the SBU successfully increased the all-India volume of containers handled over the previous year. W & D activity posted a break-even after many years consequent to 18% growth in volume and 56% increase in turnover.

The strengths of the **SBU: Leather Chemicals** continue to be in the area of providing excellent value to its customers through its range of fat liquors and syntans. During 2008-09, Leather Chemicals Industry experienced low market growth aligned with the trend in leather industry's exports. Flare-up in raw material prices added to the leather chemical industry's woes in a situation

when the customers were themselves adversely affected due to the effect of global economic downturn. Despite the difficulties, the SBU achieved growth in volume and turnover.

The **SBU: Refinery & Oilfield Services** has been carved out of the erstwhile SBU: Engineering & Technology Services. The SBU provides mechanised tank & lagoon cleaning services to its customers being the refineries & exploration sites. The SBU also provides services towards vapour loss prevention in tankages. The SBU has recorded almost 70% increase in turnover in 2008-09, which is certainly an encouraging development.

The **SBU: Tea** has been concentrating on sales to a niche segment or developed market that can offer better price. The financial performance of the SBU during the year under review was subdued on account of various factors such as absence of backward and forward integration, high manpower costs relative to volume of business generated and enhanced demand from developed countries like Japan and Germany for tea having no chemical or pesticide residue.

Operating/Financial Results

As regards overall operating & financial results, your Company delivered another year of steady performance despite difficult conditions in the wake of the prevailing slowdown of the domestic economy and the downturn in major global economies. The details have been set out in the Annual Report. I trust, our valued shareholders have had the opportunity to go through the report and were able to obtain useful insights into the Company's performance.

Some of the major milestones that were achieved during 2008-09 includes your Company recording its highest ever turnover with net sales of Rs.1697 crore, a Profit Before Tax of Rs. 152 crore which is an increase of 16% and a Profit After Tax of Rs.102 crore which is of considerable significance inasmuch as this is the first time that the Company has crossed the Rs.100 crore mark. These landmarks have been achieved by enhanced productivity together with cost management to enhance cost competitiveness with a view to cushion the impact of the economic meltdown.

It gives me pleasure in announcing that your Board of Directors, strengthened with induction of six Independent Directors, has taken note of the better profitability of the Company despite the slowdown and has recommended to the Members for declaration, a higher dividend at the rate of Rs.20/- per share or 200% for the year 2008 - 09.

The First Quarter: 2009 – 10

The financial results of the Company for the first quarter ended 30th June 2009 were taken on record by the Board in July 2009 and published in the newspapers as per listing agreement with Stock Exchanges.

During the first quarter of 2009-10 the total income & Profit Before Tax of your Company were Rs.429 crore & Rs.43.80 crore as against Rs.433 crore & Rs.36.46 crore during the first quarter of 2008-09. Though there is a marginal dip in income, the Profit Before Tax has been stepped up by an impressive 20% which is matched by increase in post-tax Profit up from Rs.24 crore in the corresponding period last year to almost Rs.29 crore.

Each SBU of your Company operates as a separate profit centre & segment-wise performance shows that Travel & Tours, Industrial Packaging, Grease & Lubricants, Logistics Infrastructure & Services were the main revenue generators.

The Future Outlook

Noting that the future cannot be discovered, the famous American scientist, researcher and visionary, Alan Kay had put his vision on future with the words:

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The best way to predict the future is to invent it.

UNQUOTE

These words of wisdom are reflected in our Vision and Mission

statement. A few years back we had set ambitious targets of reaching a gross turnover of Rs. 2000 crore and profit before tax of Rs.200 crore by 2010. It is indeed gratifying to note that we are now on course to reach that landmark having achieved a gross turnover of Rs.1776 crore and PBT of Rs.152 crore in the year 2008-09. Your Company braces up to face the future with a sense of cautious optimism.

Let us commence the survey of the Future Outlook for our eight SBUs starting with **SBU: Industrial Packaging**. This SBU is expected to retain its lead position particularly considering the positive factors, notably, large product range, technological expertise, multi-locational presence, well-accepted quality and sizeable customer base. With the advent of 2009, demand for our range of Industrial Packaging products have shown signs of improvement which is a pointer that the market would remain stable during 2009-10, notwithstanding the threats arising out of volatility in steel prices, emerging competition, thin margins and excess manufacturing capacity in the industry.

The **SBU: Greases & Lubricants** is expected to contend with some major challenges in 2009-10 arising out of low per capita consumption of lubricants in India, stiff competition and unprecedented volatility in input prices. Opportunities lie in developing bio-degradable and environmental-friendly products leveraging your Company's strong in-house R&D. Overall business condition for the SBU seems positive and growth in business volumes can well be expected.

Performance of the **SBU: Logistics Services** has been impacted by fall in export as a result of economic slowdown. This would definitely take some time to ease out. Other risks that the SBU faces pertain to fragmentation of the industry with most MNCs operating through sister logistics companies and restriction on handling sea-bound government & PSU cargo. Opportunity lies mainly in the Company's onward foray into the area of air-bound cargo, which is expected to pick up slowly but steadily. Overall the future outlook is expected to be positive consequently.

The **SBU: Travel & Tours** sees major opportunities in the tourism

sector on account of multiplicity of destinations, presence of low-cost carriers and increase in the disposable income of Indian travelers which needs to be viewed against the threats namely, use of Internet in ticket booking and reduction in income from commission. The future of travel & tour industry in which this SBU operates, has become extremely challenging with both corporates as well as the government drastically cutting down on their travel bill. This is expected to have some effect on both the top-line and bottom-line of the SBU at least in the short term.

The global economic recession has hit the EXIM trade hard and would make short term future of the **SBU: Logistics Infrastructure** extremely challenging. Long Term future promises to be buoyant as GDP in India is expected to grow year-to-year with increase in government spending on infrastructure putting added fillip. The SBU is expanding its Warehousing & Distribution business to leverage growth in consumer durables, retail and other related sectors. The risk of the SBU is also associated with uneven competition from shipping lines entering into CFS business. On the upside, ports continue to lay emphasis on quick turnaround of vessels and reduction of port congestion, which portends to bring forth enhanced business volumes. The impact of global meltdown is expected to mellow by the last quarter of 2009-10. Consequently, the future of this SBU is expected to be bright in the medium to long-term.

Focusing on the future prospects of the **SBU: Leather Chemicals**, we observe that usage of leather products has generally been increasing both in India and in the world. India has become one of the global sourcing centers for finished leather and leather products on account of availability of raw materials and capabilities required in the leather industry for meeting global demand. These developments provide major opportunity for the SBU. Opening of fashionable retail outlets and malls engaged in selling leather goods further bolsters the prospects of the SBU. Though the SBU is facing certain emerging constraints such as reduction of demand in the European and the US markets and volatility in input prices, the SBU is optimistic in the matter of providing excellent value to its customers through its product range.

The **SBU: Refinery & Oilfield Services** provides a window of

opportunity for your company to grow in areas, where the longstanding relationships with various oil companies can be leveraged to penetrate into high technology petroleum related areas. Substantial opportunities are visualized. Thus, besides currently used technologies in sludge-cleaning and vapour-loss prevention, new technologies are being explored for providing an extended basket of services to the oil industry in suitable association with international technology suppliers. The attendant risks mostly emanate from threats of competing technologies and processes.

The outlook for 2009-10 in respect of the **SBU:Tea** is not particularly bright. The SBU does not foresee any backward or forward integration. Tea prices are already high owing to severe shortfall in tea production in the major producing countries; increase in indigenous demand only adds to the price-line making buyers more price-sensitive. A reversal of this trend is not anticipated in the near term. Producer-exporters are certainly, better placed to offer supplies at competitive rates. The overhead cost is high relative to volumes especially due to shrinkage of the export market.

Corporate Governance

Harmonization between the Corporate's and its stakeholder's goal is the essence of sound governance. Sir Adrian Cadbury, noted exponent of the concept, writes as under:

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Corporate governance is concerned with holding the balance between economic and social goals and between individual and community goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources.

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Your Company is committed to sound Corporate Governance practices, which rest upon the foundations of high accountability to the stakeholders, absolute transparency in the reporting system, high ethical standards in the conduct of business, enhancement of shareholders' value on a consistent basis and discharge of Corporate Social Responsibility.

Members would be happy to note that Corporate Governance in your Company has taken a quantum leap with the induction of the Independent Directors' on the Board and with the resultant reconstitution of the Audit Committee. It has also facilitated the Company in enjoying managerial and commercial autonomy envisaged under the *Mini Ratna Category I Status* conferred on the Company by the Government.

Corporate Social Responsibility

Closely related to the concept of Corporate Governance, is our belief that commitment in Corporate Social Responsibility allows business to flourish only in an inclusive environment. To promote socio-economic development and up-lift of the disadvantaged and economically weaker sections, your Company earmarks a portion of its net-profits for financing CSR projects.

I wish to inform you that the Company has structured two flagship programmes which are getting rolled out in the financial year 2009-10 titled "Balmer Lawrie Initiative for Self Sustenance (BLISS)" aimed at promoting self-sustenance of disadvantaged/economically backward sections and "Samaj Mein Balmer Lawrie [SAMBAL]" aimed at participating in the overall development of habitations/communities around its work centres.

Acknowledgement

I wish to take this opportunity to thank our esteemed Shareholders who have been a great source of support & inspiration to us. I can assure you that your suggestions are always taken into consideration. I would also like to acknowledge the continued support and guidance that we have received from Government of India, Ministry of Petroleum & Natural Gas over the years.

The driving force of the Company is its people. The employees of your Company have shaped its destiny, expanded its horizon and contributed towards value creation for the stakeholders. I take this opportunity to applaud their dedication and hard work. It has been my unwavering focus to nurture an inclusive environment in the Company to integrate individual performance into the organisational texture whereby everyone contributes to and feels himself to be an

integral part of the whole.

I would also like to thank all our other stakeholders including Balmer Lawrie Investments Limited, the Holding Company as also our valued customers, suppliers, bankers, financial institutions etc. for reposing their confidence on us.

I also extend sincere thanks to my colleagues on the Board for their involvement and mature counsel.

Thank you, ladies and gentleman for the goodwill and support that you have all along very kindly extended to us.

S. K. Mukherjee
Chairman of the 92nd Annual General Meeting

Kolkata, Thursday, 24th September, 2009

Note: *This does not purport to be a record of the proceedings of the 92nd Annual General Meeting.*