

CHAIRMAN'S ADDRESS



Dear Esteemed Members,

It is my pleasure to welcome all of you to the 99th Annual General Meeting of your Company. The year 2016 is a landmark year for your Company as it has stepped into its 150th year of Foundation. We are extremely fortunate to witness this unique milestone of your Company, which is a testimony of the vision, entrepreneurship spirit and commitment of our Founders and Leaders. It is a matter of great pride that today, your Company has a unique place in the corporate history of the nation. We cherish our journey and our rich heritage and we plan to celebrate the completion of your Company's 150 years in a grand manner. This very special anniversary is also an opportunity to walk down memory lane, to introspect and plan the way forward.

Your Company has gone through number of transformations since its inception. It was formed as a partnership firm on 1st February, 1867 by its Founders Mr. Stephen George Balmer and Mr. Alexander Lawrie. In the initial years, your Company operated as an 'agency house' and the agency business was mainly in trading. The basic character of the business i.e. 'commission agency' remained unaltered for many years. Your Company became a Pvt. Ltd. company in 1924, a Public Ltd. company in 1936 and then a Government of India Enterprise in 1972, evolving into a diversified conglomerate with strong leadership in both manufacturing and service businesses. We have crossed many major milestones in our journey and our success today, is due to the fact that the right course

was set years or even decades ago. I feel proud to say that your Company has never made losses in its journey of 149 years.

Before I interact with our distinguished Members, I express my gratitude to all of you for your continued trust, support and patronage that you have put in this Company since the last 149 years. It is my privilege to present to you the Annual Report of the Company for the Financial year 2015-16. May I take this opportunity to brief the stakeholders about your Company's performance during 2015-16 and the environs it had been working in!

The unusual and prolonged volatility in the global economy has dampened investors' sentiment and global recovery is not yet in sight. The uncertainties and challenges seem to be many with risks of extreme events rising. Amidst this gloomy landscape, India's macro-economy is stable, founded on the government's commitment to fiscal consolidation and low inflation. Its economic growth is amongst the highest in the world, aided by a reorientation of government spending towards required public infrastructure. Inflation, the fiscal deficit, and the current account deficit have all declined. Economic growth appears to be recovering, albeit at varying speeds across sectors.

Agriculture is expected to register better growth this year owing to favorable monsoon. Industrial growth has shown significant improvement primarily on account of the remarkable acceleration in manufacturing (9.5% vis-à-vis 5.5% in 2014-15). The service sector remains the key driver of India's economic growth, contributing almost 66.1% of its gross value added growth in 2015-16, important net foreign exchange earner and the most attractive sector for foreign direct investment inflows. However, the global slowdown has cast a

shadow even on this promising sector.

Growth in 2016-17 may not pick up dramatically from the levels achieved in 2015-16 as the possibility of slow global economic growth and financial sector uncertainties still loom large. The Indian economy is expected to register growth in excess of 7% for the third year in succession.

Hence, I can conclude that, despite the many challenges, there remains considerable room for optimism. Reflecting the better economic performance and the commitment of the government to reforms, the global perception about India's competitiveness has improved as per the Global Competitiveness Index of the World Economic Forum. Significantly, at position 55, India went up 16 rungs up the ladder in 2015-16, which is the largest gain among the major economies.

Against the aforesaid macro-economic backdrop, it has been seen that the core competency of the Company lies in its ability to handle multiple diversified businesses in a manner to keep topline and bottomline healthy, despite adverse fluctuations in business segments.

I would now like to discuss the performance of the various Strategic Business Units (SBUs).

INDUSTRIAL PACKAGING [SBU:IP]

SBU:IP is the largest manufacturer of Steel Barrels in India and is a trend setter in the industry in terms of quality and technology. Steel Barrels are utilized for safe packaging and transportation of liquid, semi-liquid, pulp, greases, powder etc. The SBU has been catering to the Steel Barrel requirements of neighbouring countries as well.

The main drivers of rigid industrial packaging are

underlying growth of customer industries, shift between different materials due to changing customer needs and standardization of products increasing comparability between packaging products.

The SBU is making entry to new market segments such as PCPIR and also into markets where it does not have substantial presence. Sales volume of the SBU during the year 2015-16 was marginally less than the previous year, which was accomplished despite the shrinkage of available markets in the wake of directives to Government companies to procure MS Drums only from Small & Medium Enterprises. The new state-of-the-art barrel manufacturing plant at Navi Mumbai has stabilized and since the plant is located close to the largest consumption centre for Steel Barrels in the Western Region, it has a competitive advantage. The closure of the IP, Sewree plant was completed in a congenial environment.

GREASES & LUBRICANTS [SBU:G&L]

The business of SBU:G&L may be divided into:

- a) Processing / Contract / Manufacturing
- b) Direct Sales or what the SBU refers to “Balmerol” sales segment which, in turn may be further classified into –
 - i) Institutional / Industrial Sales – basically sales to Railways, Defence, Steel, Coal Sector, OEM, Sponge Iron, Power & Infrastructure
 - ii) Retail Sales
 - iii) Export

In 2015-16, due to the challenging business

environment and volatility in the lubricants market and also falling base oil prices, the SBU recorded a 7.94% negative growth in turnover over the previous year. This was registered despite various constraints holding up growth of the manufacturing sector.

The bottomline of the SBU during the year has seen a significant turnaround over the last year mainly due to the favourable impact of lower base oil prices.

The SBU is laying thrust on the retail sector and has also been working on implementation of DMS (Distributor Management System) primarily for retail functions to track the secondary sales and to increase operational efficiency.

The SBU's R&D Centre, known as the Application Research Laboratory (ARL) located in Kolkata, developed tribological solutions using the unique “DEKATROL technology” which has a ten-point advantage, is eco-friendly, helps to reduce frictional energy losses, enhance fuel economy and also the life of the product. The solutions developed using “WOWtech” technology provide extra protection and act as a strong shield for the engine, clutch and gear for 2 wheeler applications.

The SBU has implemented ISO/TS 16949:2009 at its Silvassa facility to bring in international practices in Quality Management System towards design and manufacture of lubricants. The SBU has implemented SAP effective 1st July, 2015.

LEATHER CHEMICALS [SBU: LC]

The Government of India had identified the Leather Sector as a Focus Sector in the Indian Foreign Trade Policy in view of its immense potential for export growth prospects and employment generation. The Indian leather industry aims to augment production, thereby

Balmer Lawrie & Co. Ltd.

enhance export, and resultantly create additional employment opportunities.

Being the major market share holder in the Synthetic Fat Liquors (SFL) segment, the SBU has good opportunities to grow. There is potential available for the Syntan market where the SBU can penetrate further. The newly introduced Beam House Chemical, Balgresol SOC was well appreciated by our customers. New dealers have been appointed to improve the distribution system across the country. However, the threat of shrinking market always lurks on this industry.

In spite of lower sales volume achieved during 2015-16 as compared to the previous year, the SBU turned around to earn profits by improving process efficiency and undertaking operational excellence initiatives.

SBU: LOGISTICS

Under this SBU, there are two verticals viz., Logistics Infrastructure and Logistics Services.

A. LOGISTICS INFRASTRUCTURE

The Logistics Infrastructure business comprises three main segments viz., Container Freight Stations (CFS) typically set up in the vicinity of Ports, Warehousing & Distribution (W&D) and Temperature Controlled Warehouses (Cold Chains).

Presently, the Company has three state-of-the-art CFSs located at Nhava Sheva (Navi Mumbai), Chennai and Kolkata. Incidentally, these three ports account for nearly 54% of the total container traffic handled in Indian Ports, and this has gone down by 1.9% as compared to last year. The drop was mainly attributable to the frequent congestion at JNPT and better infrastructure facility and increase in vessel frequency at non-major ports such as Mundra, Pipavav

and Krishnapatnam.

The import volume in the three ports of JNPT, Kolkata and Chennai improved by 0.5% and the volumes moved to CFS from Port in these three cities rose sharply by 7% during 2015-16 as compared to the earlier year.

Warehousing & Distribution facilities are presently available at Kolkata and Coimbatore. The Indian Warehousing industry of late has transformed itself into an active one by providing additional Value Added Services (VAS).

Emergence of new storage models such as MMLP (Multi Modal Logistics Park) is an evolved form of modern warehousing offering various Value Added Services apart from traditional storage functions. These services would improve quality of warehousing and storage space in the country although land acquisition issues, high capital investment, low technology penetration, lack of supporting infrastructure and fragmented market are collectively impeding the growth of this business segment. Balmer Lawrie is setting up its MMLH project at Vizag in collaboration with the Joint Venture partner M/s Visakhapatnam Port Trust (VPT). Based on the MOU signed with VPT, land of approximate 53 acres was allotted to the JV between VPT and BL for putting up a Multi Modal Logistics Hub. In this Multi-Modal Logistics Hub, facilities will be created for handling Exim and Domestic Cargo.

The Logistics Infrastructure and Logistics Services verticals continue to drive the bottomline of the Company. During the year, the CFS business grew in volumes, revenues and earnings as compared to the previous year, primarily due to your Company adding business from new customers even while retaining its present set of customers.

Warehousing activity performed exceedingly well during the year due to better utilization of space.

The CFS business depends on the Exim trade of the country. Any fluctuation in trade directly impacts the container traffic volumes. Further, there is a growing trend amongst large and well established importers to avail the green channel facility, whereby direct delivery is taken of import laden boxes from the Port bypassing the CFSs, as it is more cost effective. These are being addressed through appropriate management intervention, employee involvement and improved processes.

B. LOGISTICS SERVICES [LS]

The industry is becoming more competitive with the entry of global giants and large Indian corporate houses. A plethora of companies are also planning to broaden their area of operations and are also planning to develop their own logistics parks across the country. Air freight services continue to be a dominant activity of LS and provides more than 50% of the SBU's overall topline.

The dismantling of Transchart has opened the floodgate of opportunities in ocean freight activity which, the SBU is keen on capitalising. Improvement in service levels is continuously ushered in through CRM and better utilisation of technology.

During the year LS achieved a growth of 8% in topline which is primarily on account of surge (20% growth YOY) in air freight services activity partly offset by dip in ocean freight earnings due to volatility in the Global Ocean Freight market. There were multiple merger & acquisitions in Shipping Lines for optimum use of their services because of global slowdown. Your Company, also suffered, like many in the industry due to reduction in profit margins.

Your Company, during the year, worked on upgrading technology for its LS operation. Its operation software is undergoing major revamp and the benefits are likely to accrue in the coming years.

The SBU during 2015 -16 achieved the highest ever topline since its inception, registering a growth of 8% year on year.

TRAVEL & VACATIONS [SBU:T&V]

SBU: T&V is one of the largest tours & travel operators in the country, which provides end to end domestic and international travel, ticketing, tourism and MICE related services to its clients. It is one of the oldest IATA accredited travel agencies in India. Operating from more than 88 locations across 19 cities in the country, Balmer Lawrie works round the clock to provide reliable, innovative and cost effective travel solutions to its customers. Apart from the Central Government Ministries and Public Sector Undertakings/Enterprises, the SBU has started servicing private customers as well.

Travel business in general is passing through difficult times. Government officials have reduced their air travel as part of austerity measures. Corporate travel is not increasing with the advent of video conferencing, meeting through skype etc.

The acquisition of brand Vacations Exotica has opened up new avenues for the SBU. Known for its innovative products, the SBU now has an access to various other streams of revenue like Hotels, Transportation, Holiday Packages and Forex.

The ticketing vertical continues to be topline driver for your Company. The successful implementation of the SBT (Self Booking Tools) in some PSUs present an

opportunity to the SBU to venture out and add Private sector corporates to its list of clientele. Possibilities of some major customers of your Company buying tickets through internet is not ruled out.

During the year, the topline almost remained flat. This is because of the average fares coming down sharply in 2015-16 compared to 2014-15 due to reduction in aviation fuel prices. However, the number of tickets booked went up significantly for the SBU. The SBU's financial performance was also noteworthy as it improved compared to the previous year.

Keeping in view of the changing trends in the travel industry, the SBU has embarked on a major plan to upgrade its technology, which will help to improve its service levels and reduce overheads.

REFINERY AND OIL FIELD SERVICES [SBU: ROFS]

SBU: ROFS is engaged in the activity of Mechanized Sludge/Sediment Cleaning and Hydrocarbon Recovery Services of the crude oil storage tanks. This continues to be a niche industry with a very limited number of players and your Company is a pioneer and leader in this market.

The SBU continues to enjoy a sizeable market share in the processing of oily sludge. Additional growth opportunity exists with the applicability of strict pollution norms in the Oil and other related industry.

In 2015-16, the SBU has achieved growth above the last year's turnover and also substantial increase in segmental profit. This is owing to robust market demand for services along with improvement in operational efficiency and effective cost control by the SBU.

OVERALL FINANCIAL PERFORMANCE

Your Company recorded a turnover of Rs.289495 Lakhs in 2015-16 representing a marginal reduction of 1.67% over 2014-15. However, the Profit Before Tax (PBT) marked a significant increase to Rs.23454 Lakhs from Rs.21044 Lakhs in the preceding year. SBUs: Industrial Packaging, Greases & Lubricants and Refinery and Oil Field Services are the main incremental profit generators of your Company.

The Board of Directors has recommended a dividend at the rate of Rs.20 per Equity share which corresponds to 200% for the financial year 2015-16 for declaration by the members in the 99th Annual General Meeting.

THE FIRST QUARTER: 2016-17

The Unaudited Financial Results for the First Quarter ended 30th June, 2016 were approved by the Board at its meeting held on 10th August, 2016. Your Company registered a decrease in gross and net turnover by 2% each over the corresponding quarter in the preceding financial year. However, Profit Before Tax (PBT) and Profit After Tax (PAT) have increased substantially in comparison to the corresponding period of the preceding financial year. The increase is primarily due to favorable base oil and steel prices and several operational efficiency improvement initiatives taken by your Company. The collection from Debtors remains a major cause of concern and this is primarily due to change in market practice. The inventory factor days have shown significant improvement. However, your Company is quite optimistic about registering a positive growth in the upcoming three Quarters.

CORPORATE GOVERNANCE

Your Company's culture, policies, relationship with stakeholders and loyalty to values is reflected in the Corporate Governance Report. Following are the five

pillars of Governance that your Company conforms to as a part of its commitment to adopt global best practices –

- High accountability to its stakeholders;
- Absolute transparency in its reporting system and adherence to disclosure compliance;
- High ethical standards in the conduct of business with due compliance of laws and regulations;
- Enhancement in the stakeholders' value on consistent basis; and
- Contributing to the enrichment of quality of life of the community through discharge of Corporate Social Responsibility and promotion of Sustainable Development.

With the advent of Companies Act, 2013 and the related Rules followed by Listing Regulations, there has been a material change in the area of statutory compliances. Your Company is making best efforts to adapt and comply with the changing statutes. During the year number of policies were adopted as per the requirement of the statute and to standardize the various activities and procedure of the organization.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company believes in giving back to the Society. Our motto is sustainable growth. As a responsible corporate citizen, we undertake several CSR activities for the benefit of the society.

Balmer Lawrie's CSR initiatives are driven by two Flagship Programs - Balmer Lawrie Initiative for Self-Sustenance [BLISS] and Samaj Mein Balmer Lawrie [SAMBAL]. While the first Program is directed at providing and improving the long term economic

sustenance of the underprivileged, the second Program aims at improving the living standards and quality of life of the population in and around your Company's work-centers. During the year 2015-16 your Company spent Rs.394 Lakhs towards various CSR activities.

ACKNOWLEDGEMENT

I take this opportunity to thank all of you for your support and continued confidence in us, which have been our source of inspiration. On behalf of the Board of Directors, I would like to convey to you our sincere gratitude.

I acknowledge the continued support and guidance of our Administrative Ministry, the Ministry of Petroleum & Natural Gas, Government of India for the guidance and encouragement provided to your Company. I also wish to thank other Ministries of the Government of India and other Governmental authorities for their co-operation.

I would like to thank our holding company, Balmer Lawrie Investments Ltd., its valued shareholders, our valued customers, vendors, business associates, bankers, financial institutions and other stakeholders for their continued support and co-operation.

Our performance during the year was driven by the dedication and commitment of our employees. Our employees are our biggest strength. I would like to record my appreciation for the efforts of all my colleagues at Balmer Lawrie for their dedication and hard work.

It was a combination of many factors which made Balmer Lawrie a successful enterprise. Our success story has been possible only because of a high-performing and motivated leadership team and the

commitment of each individual employee. We want to continue our growth journey and touch the zeniths of success in all our endeavours. Finally, I must convey my gratitude to my colleagues on the Board for their wise counsel and valued involvement.

I wish all of us have a great 150th anniversary year. We are grateful for your presence today. Thank you, once again for the trust and confidence reposed on Balmer Lawrie.

Prabal Basu

Chairman & Managing Director

10th August, 2016

Kolkata