

Directors' Report

Your Directors have pleasure in presenting their 88th Report for the financial year ended 31 March 2005, together with the audited Balance Sheet and Profit and Loss Account of your Company.

FINANCIAL RESULTS

	Rs. in Lakhs	
	Year ended on 31 March	
	2005	2004
Surplus for the year before		
Finance charge, depreciation & tax	6612	5222
Deduct therefrom :		
Finance charge & depreciation	2086	2664
Provision for Taxation	1543	700
	2983	1858
Add transfer from :		
Profit & Loss Account	1481	1271
Less : Transfer to Foreign Projects Reserve	—	5
Amount available for appropriation :	4464	3124
Appropriation :		
Proposed Dividend @Rs. 5.50 per Equity Share	896	570
(Previous year Rs. 3.50 per Equity Share)		
Corporate Tax on Dividend	127	73
Transfer to General Reserve	1500	1000
Surplus carried forward to next year	1941	1481
	4464	3124

Overview

Performing for results in an environment of adversity has been the hall mark of your Company's achievement in the year 2004-05. By considerably raising the bar, your Company achieved significant milestones by recording all time high turnover, profit before taxes and earning per share, thus delivering immense shareholder value.

The salient features of the financial performance for 2004-2005 as compared to previous year are as follows :

- ↑ Overall turnover (net) has gone up by 8% and crossed Rs.1000 crores.
- ↑ Profit before tax has increased by 77%.
- ↑ Earning per share has increased by 60%.

Dividend

A dividend of Rs.5.50 per equity share of Rs. 10 each for the year ended 31 March 2005 has been recommended by your directors for your declaration at the ensuing annual general meeting to be held on 23 September 2005, as against Rs.3.50 per equity share for the previous year. If such dividend is declared, payment would be made on 29 September 2005. This dividend shall be subject to tax on dividend to be paid by your Company but will be tax-free in the hands of the members.

Disinvestment

The process of disinvestment of entire shareholding of Balmer Lawrie Investments Ltd. in your Company was not pursued by the Government of India during the financial year ended 31 March 2005 and now the Ministry of Petroleum and Natural Gas has advised the Company that at present your Company is not under consideration for disinvestment.

Business Restructuring Process

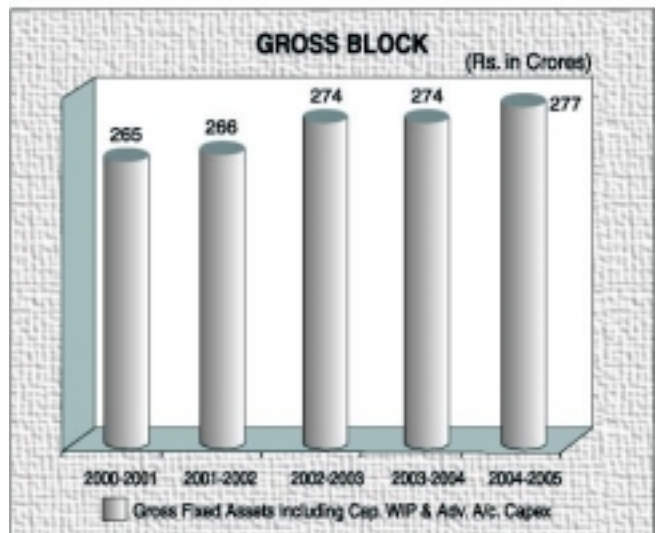
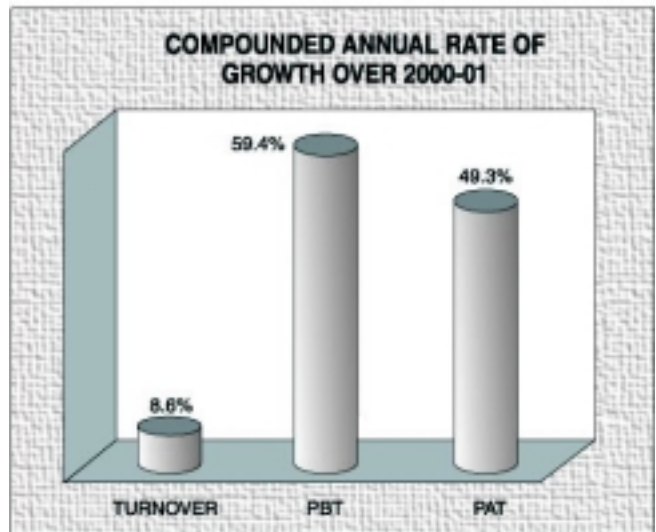
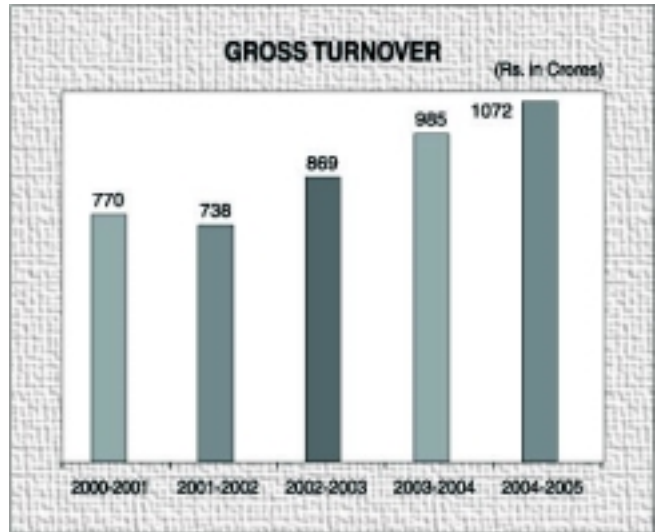
Strategic alliance initiatives could not be pursued since 2001 because of disinvestment decision of the Government of India. However, a Strategic Plan has been approved by your Board for consolidation and growth of the businesses of your Company.

Management Discussion and Analysis

An analytical report on the businesses of your Company is being furnished along with this report under the heading "Management Discussion and Analysis".

Report on Subsidiaries

Your Company at present has two subsidiaries. Both are private limited companies, incorporated in the United Kingdom. Balmer Lawrie (UK) Limited is the wholly owned subsidiary of your Company and Balmer Lawrie (Tea) Limited



Balmer Lawrie & Co. Ltd.

is a wholly owned subsidiary of Balmer Lawrie (UK) Limited.

Balmer Lawrie (UK) Ltd.

The business restructuring process of segregation of the two business activities viz., Container Leasing and Tea Blending & Packaging has been completed during the year under review with effect from 1 July 2004. In the process of restructuring, the business of Tea Blending & Packaging has been transferred to a newly formed wholly owned subsidiary company namely, Balmer Lawrie (Tea) Ltd.

The marine freight container industry has not shown any marked improvement in terms of utilization rates and daily rentals during the year under review as compared to the preceding year. The same trend is expected to continue in the coming year.

Balmer Lawrie (Tea) Ltd.

As a result of the continuing change in the trend of customer preference from a high margin low volume product to a low margin high volume product coupled with increased cost and competitive pressure in the trade, there has been considerable impact in the turnover and the operating result. The subsidiary has actively initiated actions to enter into new markets for its products as well as tough measures to reduce its operating costs. Considering the adverse market conditions which prevailed during the year under review, the subsidiary has performed reasonably well.

Accounts of Subsidiaries

The Ministry of Company Affairs vide their approval no. 47/211/2005-CL-III dated 13 July 2005 has exempted the Company from attaching the Annual Accounts of Balmer Lawrie (UK) Ltd, the wholly owned subsidiary and Balmer Lawrie (Tea) Ltd. [a wholly owned subsidiary of Balmer Lawrie (UK) Ltd.] for the year ended 31 March 2005 with its own Annual Accounts for the same period in terms of Section 212 of the Companies Act, 1956. However, a consolidated financial statement of your Company and its wholly owned subsidiaries has been prepared as per Accounting Standard 21 and such consolidated figures are shown separately in the Consolidated Financial Statements presented along with this Annual Report.

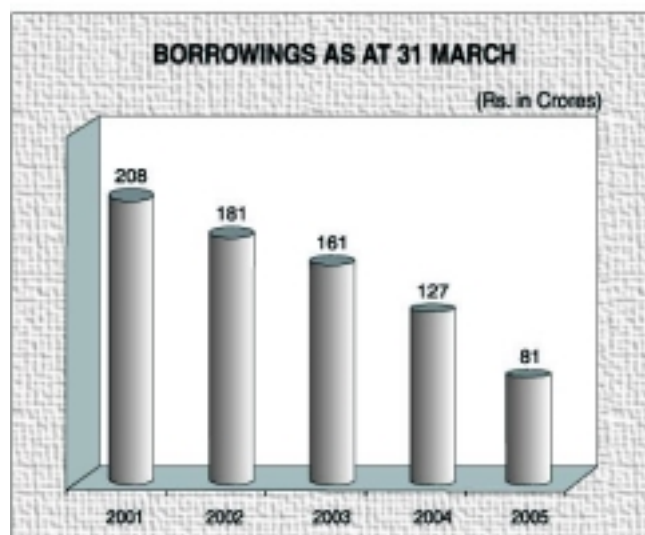
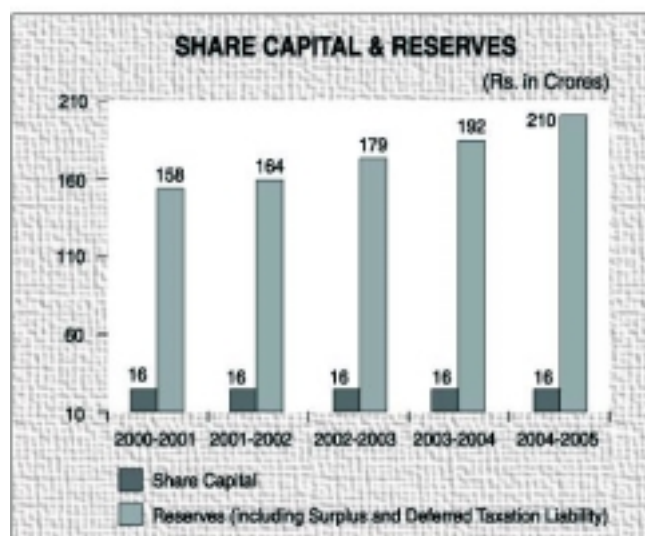
Your Company shall be happy to provide any information about these subsidiaries to the members as per their requisition.

Report on Joint Ventures

AVI-OIL India (P) Ltd. (AVI-OIL)

During the year 11,37,782 litres of lubricating oils were blended and 10,134 kgs of greases were processed and packed by AVI-OIL.

The annual renewal of the Quality Assurance Organisation of AVI-OIL from the Director General of Aeronautical Quality



Assurance (DGAQA) and the Director General of Civil Aviation (DGCA) was achieved by the joint venture. It has also obtained the status of a registered supplier to a prime defence ship building organization.

The production techniques, documentation and traceability aspects were satisfactory for quality assurance system.

The most significant achievement in the year was the completion and commissioning of the plant for the manufacture of ester basestocks. Simultaneously efforts to market the esters for industrial applications have commenced.

The International Air Show "Aero India 2005" organized by the Ministry of Defence was held at Bangalore from 9 to 14 February 2005. The Joint venture participated in this mega event by having a pavilion for the promotion of its products and image.

Balmer Lawrie (UAE) LLC (BLUAE)

BLUAE registered an improved turnover during the calendar year 2004 through growth in the volumes of almost all the products in spite of very difficult market conditions and intense competition. However, the pricing pressure continued to remain, as a result of which the margins were under constant pressure.

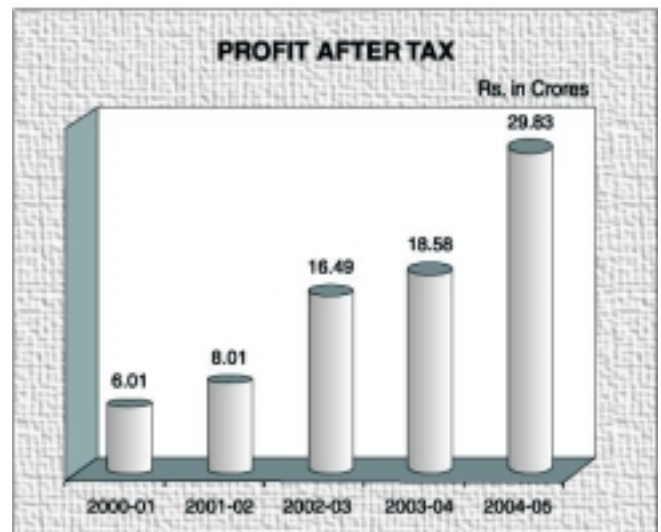
The joint venture is facing a challenge for growth in turnover volumes and profitability in the near term future, in view of the spiraling prices of raw materials, ever increasing competitive pressures, the prevailing difficult situation and unhealthy competition within the customers market segments.

In spite of all odds BLUAE continues to retain its strong position in the market of steel barrel manufacturing by maintaining the customer satisfaction at a high level by fulfilling customers' needs. BLUAE strives to maintain high business ethics and dependability as a reliable supplier at all times. BLUAE also continued to upgrade its facilities and increase its capacities apart from enlarging the product range through continuous investments.

Balmer Lawrie-Van Leer Ltd. (BLVL)

BLVL has registered a decent growth through higher volumes (from 12 M to 14M sets) of steel drum closures primarily through exports. It has also reported increase in domestic sales of plastic drum. BLVL has simultaneously increased its products range in its plastic drum division.

Successive increase in cost of steel and polymer has affected the profitability as the entire cost increases could not be immediately passed on. This apart, the export benefit was also drastically reduced during the year. However, the volume growth coupled with interest cost reduction has helped BLVL to post a profit before tax of Rs. 452.75 lakhs. Proseal Closures Limited, a subsidiary of the Joint Venture, has completed its export oriented expansion project.



The Joint venture has also taken up debottlenecking of its capacity and consequently expects to achieve higher volumes in future.

Indian Container Leasing Company Limited (ICLC)

ICLC continues its leading position in operating lease of containers in the domestic sector and has made a beginning in expanding into international leasing of containers primarily to serve the clients based in India.

The joint venture has also pioneered multi-axle 45 ft. road trailers under its brand name "Transafe" Indo Trailer to usher in the 'Hub & Spoke' concept in the logistics field. This will provide flexibility of handling both heavy cargo as well as volumetric cargo.

The total turnover of ICLC for the financial year ended 31 March 2005 has recorded a growth of approx 8.1% at Rs. 2061 lakhs.

Balmer Lawrie & Co. Ltd.

The developments on the Value Added Tax front may call for substantial change in the business model. Hence various alternatives, including related activities are being explored to ensure healthy growth.

Memorandum of Understanding (MoU)

The Department of Public Enterprises has confirmed award of "excellent" rating to your Company for the financial year 2003-04.

The MoU signed with the Ministry of Petroleum and Natural Gas for financial year 2004-05 has targets on operational financial and efficiency parameters besides customer satisfaction, quality and human resource development.

Human Resource

Your Company during the year undertook the major HR initiative of developing a Managerial Competency Framework for itself and profiling all managers against it thus paving the way forward for developing its managerial personnel to face the challenges of business. Action on integrating HR systems of the Company to the Competency Framework is in progress and this is expected to further improve the efficiency and performance of its human resource.

Employee Relation

During the year, the employee relations in the Company remained cordial and highly conducive to congenial working environment in all its units and establishments. A Voluntary Retirement Scheme was introduced in March-April 2005 to further rationalize your Company's manpower.

The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995

Your Company complies with the requirements mandated under The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.

Implementation of Official language

Your Company is committed to the implementation of the official language policy of Government of India and has complied with the requirements under the Official Language Act, 1963.

Social Welfare/ Welfare of Weaker Section

Your Company remains committed to the development and upliftment of the under privileged and down trodden sections of the society. Besides adhering to the mandated requirements of reservation for Scheduled Caste / Scheduled Tribes and Other Backward Classes, your Company had undertaken an extensive Aids Prevention Awareness Campaign in the state of West Bengal with the appropriate support of the Government of West Bengal and an NGO.

Further, in support of its commitment to the social, environmental and ethical concerns confronting the world, your Company has taken life membership of the Global Compact Society of the United Nations.

Vigilance

The focus of the Vigilance Department of your Company was to create awareness amongst the employees to ensure transparency in all their activities and dealings.

Initiatives were launched to build confidence across all levels to facilitate faster decision making. Interactions were organized between vigilance functionaries and with customers and clients of the Company on all India basis to apprise them of the procedure for handling grievances in dealing with your Company. On the punitive side, confidential enquiries and investigations were initiated on verifiable complaints brought to the notice of the vigilance department and appropriate disciplinary action set in motion as and when misconducts were *prima facie* established.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings

As required under Section 217 (1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the information is annexed.

Particulars of Employees

There was no employee in your Company during the year 2004-05 about whom the particulars under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are required to be given.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the accounts for the financial year ended 31 March 2005, the applicable accounting standards have been followed and there was no departure from such standards;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31 March 2005 and of the profit of the Company for the said financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act,

1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) that the Directors have prepared the accounts for the financial year ended 31 March 2005 on a 'going concern basis'.

Consolidated Financial Statements

Consolidated financial statements of your Company, with Balmer Lawrie (UK) Ltd., the wholly owned subsidiary of your Company and Balmer Lawrie (Tea) Ltd. [a wholly owned subsidiary of Balmer Lawrie (UK) Ltd.] and share of four joint venture companies, i.e. AVI-OIL, BLUAE, BLVL and ICLC have been prepared as per Accounting Standards 21 and 27 issued by the Institute of Chartered Accountants of India and has been provided along with this Annual Report according to the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges.

Report on Corporate Governance

A detailed report on the Corporate Governance is also furnished with this Report as required under Clause 49 of the Listing Agreement with the Stock Exchanges along with the Auditor's certificate thereon.

Directors

On 11 March 2003 Shri P Radhakrishnan was appointed an additional Director. At the 87th Annual General Meeting held on 24 September 2003 Shri Radhakrishnan was re-appointed. At the 88th Annual General Meeting scheduled to be held on 23 September 2005, an ordinary resolution has been proposed for reappointment of Shri Radhakrishnan, who retires by rotation and being eligible offers himself for reappointment.

On 20 January 2005 Shri V N Sharma was appointed Additional Director who shall hold office up to the date of the ensuing Annual General Meeting as per Section 260 of the Companies Act, 1956 ("the Act"). A notice under Section 257 of the Act has been received proposing the candidature of Shri Sharma as Director of your Company. An ordinary resolution under special business has been proposed in the notice convening the 88th Annual General Meeting to be held on 23 September 2005 for appointment of Shri Sharma as a whole-time Director, whose office shall be subject to determination by retirement of Directors by rotation.

Registered Office :
Balmer Lawrie House
21 Netaji Subhas Road
Kolkata 700 001

23 August 2005

On 6 April 2005 Shri T Ahmad, Additional Secretary, Ministry of Petroleum and Natural Gas was appointed Additional Director who shall hold office up to the date of the ensuing Annual General Meeting as per Section 260 of the Act. A notice under Section 257 of The Act has been received proposing the candidature of Shri Ahmad as a Director of your Company. An ordinary resolution under special business has been proposed in the notice convening the 88th Annual General Meeting to be held on 23 September 2005 for appointment of Shri Ahmad as non-executive Director, whose office shall be subject to determination by retirement of Directors by rotation.

Auditors

Your Company being a Government Company, auditors would be appointed or reappointed by the Comptroller and Auditor General of India in terms of Section 619 of the Companies Act, 1956 ("the Act"). The remuneration of the auditors for the year 2005-06 may be determined by the members at the ensuing annual general meeting as per Section 224(8)(aa) and Section 619 of the Act.

The Auditors' Report dated 23 May 2005 for the year ended 31 March 2005 does not have any reservation, qualification or adverse remark.

Acknowledgement

The Directors wish to place on record their appreciation for all the employees working at different levels for their sincere co-operation, dedication and hard work, which contributed in abundant measure to meet the challenges before the Company.

Your Directors also express sincere thanks to all the customers, business associates/consultants, bankers, auditors, solicitors and lawyers for their continued patronage, partnership and confidence reposed in the Company to achieve commendable results.

The Directors of your Company also take this opportunity to record their sincere thanks to the Ministry of Petroleum and Natural Gas, Government of India, for the valuable guidance, support and co-operation extended from time to time.

Finally, the Directors express their gratitude to all the shareholders for the confidence reposed by them in the management of the Company.

On behalf of the Board of Directors

S K Mukherjee *Managing Director*
P Radhakrishnan *Whole-time Director*