

Balmer Lawrie & Co. Ltd.

INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2005

1. CONSERVATION OF ENERGY

a) Energy conservation measures taken

Keeping with the Company's commitment to be an environmentally responsible entity and in view of the increasing cost of energy, the Company makes continuous efforts towards conservation of energy. Some of the measures taken during the year were :

- Temporary Accreditation from Bureau of Energy Efficiency for the Company to conduct Energy Audit was obtained
- Electricity and fuel consumption per unit of production were monitored regularly at all manufacturing plants and corrective actions taken as needed.

b) Additional investment proposal for conservation of energy

- Auditing select plant/offices of the Company for energy conservation.

c) Impact of the above on cost of production

Above measures have helped in containing the cost of energy per unit of production, despite steep increases in fuel and power costs during the year.

2. RESEARCH & DEVELOPMENT

a) Specific Areas in which R&D work has been carried out by the Company

R&D Work has been carried out in development of lubricants, leather chemicals and industrial packaging.

- In lubricants (Greases and Lubricating oils), the thrust of R&D was in development of specialities and also in value engineering of existing product ranges. Based on R&D efforts, new ranges in metal working oils were developed and introduced. Specialities were also developed for application in Steel sector, Railways, Automobile sector etc.
- In Leather Chemicals, the thrust of development had been towards high performance fat liquors and syntans and also on environment friendly leather chemicals.
- In Industrial Packaging, the effort had been directed towards development of value added barrels such as necked-in barrels, barrels for dispensing POL products in rural areas etc.

b) Benefits derived as a result of the above

- R&D efforts in lubricants and leather chemicals have helped the Company to introduce new product ranges as also to remain cost effective in existing products thereby helping to improve the financial performance of the SBUs.
- R&D efforts in Industrial Packaging would help the Company to augment its portfolio of speciality barrels and retain technological leadership in the industry.

c) Future Plan & action

R&D and technological upgradation is one of the key objectives of the Company which is essential to maintain technological leadership. The efforts of the Company in R&D are directed at:

- Value engineering of existing product ranges
- Development of new ranges of speciality / high performance products in lubricants & leather chemicals and also value added industrial packaging applications.
- Development of systems and equipment to aid in cost effective manufacturing etc.

d) Expenditure on R&D

	Rs. in Lakhs	
	<u>2004-05</u>	<u>2003-04</u>
Capital	40.45	95.54
Revenue	152.66	156.24
Total*	<u>193.11</u>	<u>251.78</u>

* This includes expenditure of Rs. 12.99 lakhs (Rs. 91.27 lakhs) out of grant received from Oil Industry Development Board.

3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATIONS**a) Efforts in brief made towards the above**

- Products and processes developed through in-house R&D have been internally absorbed by the manufacturing units for commercialisation.

b) Benefits derived

- Partly off-setting the increase in cost of production despite steep increases in prices of key raw material and other inputs.
- Augmentation of Company's product basket in target market segments leading to customer acquisition/ retention.
- Increased competitiveness & customer satisfaction.

c) Import of technology

- Not applicable

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year ended 31st March 2005, the Company was able to register export earnings of Rs. 19.78 crores for its various products and services. The total foreign exchange outgo during the same period amounted to Rs. 108.14 crores on import of raw materials, components, capital goods and others. The particulars of foreign exchange utilised/earned during the year are given under clauses 16.15(a), 16.15(b) and 16.15(c) of Schedule 16 of Notes on Accounts.