



BALASORE ALLOYS LIMITED
25TH ANNUAL GENERAL MEETING

18TH SEPTEMBER, 2013

FROM THE CHAIRMAN'S DESK

DEAR FELLOW SHAREHOLDERS,

Good Morning. On behalf of the Board of Directors, I am glad to welcome all the shareholders at the 25th Annual General Meeting of the Company.

The Annual Report containing the Directors' Report and the Audited Accounts for the year ended 31st March 2013 has been with you for some time and, with your permission, I shall consider them as read.

It gives me great pleasure to share with you some significant developments in the year passed by and what the future holds for us.

The global Scenario

Fiscal 2012-13 was increasingly challenging for the world economy. The deceleration in economic growth persisted and reined in the hitherto accelerated economic progress of emerging economies. Fiscal fragility, hidden and unknown risks of financial derivative instruments, problem of weaker Eurozone economies led to fall in global GDP from 4% to 3.2%.

However, the global economy is now moving to a surer recovery mode. The IMF projects growth at 3.25% in 2013, increasing to 4% in 2014. The GDP growth in emerging markets and developing countries is placed at 5.3% in 2013, increasing to 5.7% in 2014. China's growth rate scale back from its recent double digit level to 7-8%, which is still remarkable. Developments on the global front undeniably dented India's growth level.

Indian Scenario – ongoing resilience

Slow growth, investor indifference, the rupee falling to all time low and current political scenario added to the country's woes. The Indian economy's resilience in the initial years of the crisis finally lost ground and domestic GDP growth is expected to be slower at 5% in 2012-13 compare to growth of 6.2% in the previous year.

Steel, the key ingredient of economic progress, faced the brunt of global slowdown. During 2012, the global steel consumption witnessed an unprecedented lower

growth of 1.2% (1,413 MnT). The Indian steel industry also slackened and crude steel production grew only about 5.4%, while steel demand increased about 3.3%. This impacted ferro alloy off take and realization – casting a ominous shadow on sectoral growth and profitability.

Ferro Alloys Industry Scenario

Your company is engaged in the production of High carbon Ferro Chrome which is backed by captive Chrome Mines. Indian Ferro Alloys industry is passing through a tough phase in the current fiscal owing to the poor demand for steel in the market. Ferro alloys industry is linked directly to the steel sector and thus has effect on economy of the country.

One of the prime reasons for slow growth of the Ferro alloys industry is the increasing power tariffs & high cost of chrome ore in the country. With depreciation in the value of rupee against the dollar, coal imports for fulfilment of fuel needs of the country, has become expensive resulting in increase in power costs over the past few months.

Though our country continues to be in a disadvantageous situation with respect to the cost competitiveness of leading Ferro alloys manufacturing countries, we have been a significant and consistent player in the Ferro alloys market.

Operation

Your company has evolved over times and now fosters with highly qualified manpower, latest equipment, technology and capacity utilisation. This evolution has led to quality produce which has made its position eminent.

For the year ended 31st March, 2013 production of the company stood at 98466.22 MT as against 93,996 MT in the previous year 2011-12. There by achieving a growth 4.75 %. Your company exported 61,355 MT of Ferro chrome valued at Rs.44787.15 Lacs during the year under review as against 33,191 MT valued at Rs. 23,095.14 Lacs during the previous year. Your company is putting all its efforts to maximize Net Sales Realisation by optimizing the domestic and export sales mix. The Company grew its topline by 16% to Rs 68,612.91 lakh and profit before tax grew by 4% to Rs 5,072.60 lakh. This achievement reflects the robustness of the Company's business model and the effectiveness of its business strategies.

The continued practice of modern management initiatives such as TPM, Six Sigma, Lean Management and SCM practices has immensely contributed in rationing the cost and improving the productivity of your organization. Equipment and Furnace up gradation is being done in areas like Tap hole drilling Machine, Electrode Automation level, Furnace Lining etc, with the partial assistance of internationally acclaimed Tenova Pyromet, South Africa.

In this business environment, fraught with roadblocks, we undertook important measures:

- We entered new markets and acquired new customers in existing markets as demand from existing channels dried.
- We focused on operational excellence to improve productivity and implemented numerous cost optimization to manage inflationary headwinds.
- We worked closely with customers which opened trading opportunities, new revenue vertical which helped sustain margins.

Projects

Your Company has planned to develop its mine with the capacity of 0.6 mtpa through underground method. The mine is presently being operated through open cast system. The development work on underground mining project has commenced. The Company plans to enhance Ferro Chrome production capacity commensurate with the mine capacity.

Your company is also scouting for inorganic capacity expansion opportunities to effectively capitalize on business opportunities mushrooming across the globe.

Going Ahead

The global economy is expected to revive gradually as the US economy promises healthy economic progression and workable solutions having ringfenced the

eurozone issues. In addition, emerging economies are also expected to rebound. Likewise, India is also expected to stage modest economic recovery.

The economic progress is expected to result in inventory restocking coupled with improved steel production. Estimates suggest world steel demand to grow by 41 MnT or 2.9% and Indian steel demand is projected to grow at 5.9% in 2014. This augurs well for the ferro alloy sector.

Your Company will continue to tread a dual strategy of exploring niche markets and new customers to shore business volumes and streamlining operations to raise our operational excellence. Having grown revenues through an economic slowdown, we are confident of doing even better (through a volume-value play) when the economy rebounds.

Corporate Governance

Your Company's philosophy on Corporate Governance is founded on a rich legacy of fair and transparent governance practices which are essentially aimed at ensuring transparency in all dealings and hence seeks to focus on enhancement of long-term shareholder value without compromising on integrity, social obligations and regulatory compliances.

Corporate Social Responsibility

Your Company believes that any progressive activity cannot be carried out without sustainable development and growth of the society as a whole. Keeping in mind of

this fact your Company discharges its social responsibilities in a proactive manner with the help of its dedicated team. The CSR activities have been aligned with the Vision of the company and the activities are being carried out regularly. Some of the initiatives undertaken during the year are given below:

- a. Assistance to poor and needy.
- b. Environmental protection through tree plantation.
- c. Drinking water facility in the neighbouring villages.
- d. Street Light facility in the neighbouring villages.
- e. Health Check-up Camp.
- f. Distribution of Blanket in winter.
- g. Construction of Class Rooms in School.

Human Resource

Your Company has established systems and procedures which are instrumental for realizing the full potential of human capital, the prime moving force for overall excellence. Skill and knowledge up gradation has remained as one of the focus areas of the Company so that a vibrant workforce is developed to meet the present and future requirements.

Acknowledgement

I take this opportunity to place on record my sincere appreciation and express my gratitude for the assistance, co-operation and support extended by Government of Odisha, officials of central and state governments, stock exchanges, our customers, bankers, the financial institutions and all other business associates who have, as always, extended their valuable support and active cooperation to the Company's cause.

I will not be fulfilling my duties unless I thank all the members of the Board in providing necessary guidance from time to time in successfully steering your Company to greater heights.