



BALASORE ALLOYS LIMITED

23RD ANNUAL GENERAL MEETING

29TH SEPTEMBER, 2011

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 23rd Annual General Meeting of the Company.

The Annual Report containing the Directors' Report and the Audited Accounts for the year ended 31st March 2011 has been with you for some time and, with your permission, I shall consider them as read.

It indeed gives me great pleasure to share with you some significant happenings globally and in Indian context in the year passed by and in terms of what the future holds for us.

ECONOMY

We are meeting at a time when the economic and social environment in India is undergoing some uncomfortable changes. GDP growth decelerated to 7.7 % in Q1 of 2011-12 from 7.8 % in the previous quarter and 8.8% in the corresponding quarter a year ago.

The Global economy while recovering at a slow pace in 2010-2011 has been very volatile and uncertain in recent months. As per the RBI's First Quarter Review of 26th July, 2011 the Global macroeconomic outlook has worsened. There is growing consensus that sluggishness will persist longer than earlier expected. Concerns over the sovereign debt problem in the euro area have added further uncertainty to the prospects of recovery. In contrast to advanced economies, growth remained relatively resilient in the emerging and developing economies, notwithstanding some moderation in response to monetary tightening to contain inflation. According to the International Monetary Fund (IMF), world real GDP growth for 2011 is forecasted at 4.4%., with emerging and developing economies forecasted to grow by 6.5% as against forecast of 2.5% growth rate for advanced economies.

Inflation has been firmly entrenched for well over a year with no sign of moderating with unemployment increasing for the first time in 28 months. Interest rates have been jacked up in the battle against inflation but this may dampen growth. The Rupee lost as much as 5% against the USD forcing the RBI to sell its dollar reserves for the first time in two years since Lehmann Brothers triggered the financial crisis. Public sentiments are not optimistic because of widespread corruption and Government ennui. The entire scenario is a far cry from the positive mood that prevailed a year ago! Concerted and coordinated monetary, fiscal and policy measures are required to tackle these challenges head on. Despite these challenges, in the medium to long term, India has many positive factors in its favour to strengthen its emergence as an economic powerhouse.

INDUSTRY SCENARIO

The Indian Ferro Alloys industry established over 50 years ago is part of the Core Sector under the Ministry of Steel, and is engaged in supplying crucial intermediates to the Steel Industry. The installed capacity of the industry with a capital investment of Rs.

4,000 crore in 2002-03 was about 1.7 Million Tonnes of Bulk and Noble Ferro Alloys. The Industry has developed remarkably during the last seven years and installed capacity increased to 4.30 Million Tonnes of Bulk and Noble Ferro Alloys with investment of over Rs. 7500 crores on capital goods by way of plant and machinery. This Industry annually earns more than Rs. 4000 crores of valuable foreign exchange for the country, after fulfilling the domestic requirements. The Industry presently employs more than two lakh people, both directly and indirectly.

Your company is engaged in the production of High Carbon Ferro Chrome, one of the important ferro Alloys which is backed up by captive Chrome Ore Mines. Basically, ferro chrome is used in metallurgical operations (especially stainless steel) as a raw material.

Chrome ore is a key, irreplaceable input for production of chrome alloys. The availability of resources of this metalliferous ore is limited in the country. It is for this reason, that Government has been reviewing the export policy of chrome ore every year.

FINANCIAL HIGHLIGHTS

The Company delivered impressive performance with the improvements across key parameters. The turnover achieved for the year ended March 31, 2011 was Rs.63866.19, lacs a growth of 54% over the previous year. During the year export was Rs.22244.93 lacs, higher by 8 % over the previous financial year despite low demand and price pressure in the international market. Major Financial Highlights are as follows:

	Financial Year ended 31st March, 2011	Financial Year ended 31st March, 2010
Profit before Tax (PBT)	4078.79 lacs	2084.78 lacs
Net Profit (PAT)	2688.54 lacs	1254.91 lacs
Basic Earnings per share	4.18	1.95

- Net Profit increased by 114.24%
- Profit Before Tax increased by 95.65%
- Earning per share increased by 114.36%

After a long hiatus of 14 years, your Directors are happy to mention that they have recommended a 10% Dividend for the

financial year ended 31.03.2011 subject to the approval of Shareholders at this Annual General Meeting and necessary approval from Lenders under CDR mechanism.

OPERATIONS

Your Company has been facing several challenges in the year ended 31st March, 2011 including increasing prices of Power and raw materials and very volatile market conditions. In view of the strong headwinds in the external environment, your Company has been undertaking several internal initiatives to continue its journey towards developing a robust business model. Optimum capacity utilization is a critical factor for achieving sustained profitability, which we have been achieving continuously, even during the Global Meltdown period. Sustainability has continued to be our core strategy. Safe working conditions, planned production schedules, cost savings in raw materials and procurement, lowest inventory level and the provision of clean working environments have been strengths to further improve the sustainability of our operations.

For the year ended 31st March, 2011, the production stood at 90,544 MT as against 83,936 MT in the previous year 2009-10.

Your Company exported 34,996 MT valued at Rs. 22,244.93 Lac during the year under review as against 42497 MT valued at Rs. 20,608.87 Lac during the previous year 2009-10

PROJECTS

Though, the power supply during the year under review remained stable, there has been steep hike in the tariff by about 25% and the trend is expected to continue during the coming years. Power, therefore, continues to remain a major area of concern and impediment in the growth of the company.

As already informed in the previous year, your company had acquired land, coal linkage and requisite statutory clearances for setting up the Captive Power Plant. However, the project being very capital intensive, efforts were made to bring in joint venture partners for the Project. In this regard, your company is in advanced stage of negotiations with a Joint Venture Partner for setting up a Power Plant through a Special Purpose Vehicle (SPV).

The capacity addition project i.e. New Ferro Chrome Furnace project of 16.5 MVA is also under revival. We are in the process of

having a financial tie-up with one of our major customers.

AWARD AND RECOGNITION

It is my pleasure to inform you that your Company has been awarded number of prestigious awards and recognition by various organisations and statutory bodies in recognition of its contribution to the industry and society. Some of the awards / recognitions received during the year 2010-11 are as following:

- ❖ **“Think Odisha Leadership Award”** from Times of India for commendable work in Education Support System.
- ❖ **“Grow Green Award”** for outstanding efforts of the company towards environmental protection.
- ❖ **“Special Achievement Award”** (Twenty One Numbers) for greenery development from Rotary Club.
- ❖ **“EEPC Award”** for outstanding Export Performance from Eastern Region in Large Enterprise Category by Engineering Export Promotion Council (EEPC), Eastern India.
- ❖ **“NALCO QC Convention Award”** for Best Performance in TPM Circle (Workman Category). Runners-Up Award was also received by company.

❖ Award for “**Best Practices in Industrial Relation**” by
Confederation of Indian Industries, Odisha.

This is a result of the dedicated efforts and the continuous pursuit of excellence. I congratulate Mr. R. K. Jena and his team and hope this momentum shall be continued in future also.

FUTURE OUTLOOK

Though the year 2011 started on a promising note, sentiment has subsequently deteriorated reflecting almost unprecedented levels of uncertainty surrounding the global economic outlook. While global ferrochrome consumption will continue to grow in 2011 and 2012, it shall be at a much slower pace than was experienced in 2010. To compound the problem, ferrochrome production will need to be curbed because the stocks are to be kept in check in view of the decelerating Stainless Steel production.

Buying activity should again resume in October, following destocking in the stainless Steel industry in April-June Quarter and the holiday slowdown in July and August. The combination of cuts to ferrochrome production and improved demand later in the year should leave the market in better shape for securing price

increases. Longer term, the extent to which China aims to move towards self sufficiency in ferrochrome production will be a key factor influencing market dynamics.

The Indian Economy is expected to grow at an accelerated growth of 8.5% to 9.0%. Steel production is expected to be 132 Million Tonnes by 2016-2017. Present Indian Stainless Steel production is over 2 Million Tonnes and expected to grow 10% every year. The growth in Stainless Steel production in the country augurs well for the Ferrochrome industry and your Company shall endeavour to expand its market share in the given scenario.

Indian Ferro Alloy Producers have to tackle the high utility power tariff in India, for which your company has already initiated the captive power plant project to counter and mitigate the burden of increasing Power cost.

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.

The Company has implemented all the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchange(s) and any amendment in the provisions of the said clause implemented forthwith.

The Company's Corporate Governance practices seek to go beyond the regulatory requirements and with a view to ensuring commitment to transparent, law abiding behaviour and good Corporate Governance, the Company has put in place the practices like Code of Conduct, Business Policies, Prohibition of Insider Trading, Risk Management, Safety, Health and Environment Policy and Equal Employment Opportunity.

The Company's Corporate Governance practices seek to uphold the core values of transparency, integrity, honesty and accountability, which are fundamental to the Company and for achieving Corporate Excellence.

As a part of "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs has permitted the Companies to serve the documents viz. Notice of General Meeting, Balance Sheet, Profit & Loss Account, Auditors Report, Directors Report etc. to the members through e-mail. In order to support this green initiative, we request you to please register your e-mail address by following the procedure already sent to you along with annual report 2010-11.

CORPORATE SOCIAL RESPONSIBILITY

Your company believes that the Industry can thrive only when there is overall development in the neighbouring areas and the standard of living of the people of the locality improves. The activities in the CSR arena are being carried out in a systematic manner with the active involvement of employees and local people. The company initiatives are taken after Need Identification at the grass root level and the thrust areas are:

1. Infrastructure Development
2. Healthcare and Medical facilities
3. Skill Development

4. Education
5. Environment Protection
6. Drinking Water facilities.
7. Assistance to poor and needy people
8. Promotion of Local talent

The proactive steps taken by your Company in this direction has been widely appreciated and several awards have also been conferred like the "Think Odisha leadership Award" from The Times of India Group.

HUMAN RESOURCES

All our employees have been our biggest asset. Their commitment has enabled your Company to succeed and their spirit in overcoming challenges, which has helped the Company, chart for itself an illustrious path of growth. During the period under review, your company has further strengthened the relationship of mutual trust and transparency with its employees which helped in meeting all challenges and coming out with flying colours. The company is completely focussed to fostering performance, transparency and empowerment at all levels. Human resource plan is closely aligned with Company's Business Plan. The human resources policy of the

Company is geared towards attracting, motivating and developing a dedicated workforce, which will help the Company accomplish its mission and avowed values.

MANAGEMENT INITIATIVES

Your Company continues to practice various strategic management initiatives such as Six Sigma, Total Productive Maintenance (TPM), Performance Management System (PMS) and Supply Chain Management (SCM) with a view to continually improving the productivity. To augment the process, your Company has taken up an integrated approach of various Initiatives with focus on Business Excellence. 100% involvement of employees across the organization and structure review mechanism put in place at the apex level has made these initiatives contributing towards growth of the organization.

CONCLUDING REMARKS

We shall in the year 2011-2012 reinforce our quest for high quality and further improve our concern for customers. As we now stand on the doorstep of conquering new heights, I am confident that the

Company's ceaseless commitment to learn and to improve itself will once again help it to achieve its goals.

I must convey my sincere thanks to all our employees and business partners for their enthusiasm, professionalism and dedicated contribution to the Company's performance. I also thank my colleagues on the Board for their wise counsel and guidance. We truly value the continued patronage of our esteemed customers. And, of course, I remain grateful to you, our faithful shareholders, for your continuing confidence in our Company.

I also take this opportunity to place on record my sincere and heartfelt gratitude to Govt. Agencies, Ministry of Corporate Affairs, Govt. of Orissa, the Judiciary, Stock Exchanges, Banks, Financial Institutions and all other Business Associates, who have, as always, extended their valuable support and active cooperation to the Company's cause.

THANK YOU