



BALASORE ALLOYS LIMITED
26TH ANNUAL GENERAL MEETING

25TH SEPTEMBER, 2014

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 26th Annual General Meeting of the Company.

The Annual Report containing the Directors' Report and the Audited Accounts for the year ended 31st March 2014 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

The world economy reported subdued growth of 3% in 2013 against 3.1% in 2012 primarily due to the continuing economic volatility in the first half of the year. While most developed economies continued to address the challenge of taking

appropriate fiscal policy actions in the aftermath of the financial crisis, a number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new domestic and international headwinds during the period. However, Global activity has broadly strengthened and is expected to improve further in 2014-15, with the global economic growth projected to strengthen to 3.6% in 2014 and 3.9% in 2015 much of the impetus is expected to come from advanced economies. Within Advanced Economies, growth is likely to be strongest in the US, at about 2.8% in 2014 driven by supportive monetary conditions and lower impact on account of fiscal consolidation. Euro area growth is likely to be varied with the core Euro countries expected to register stronger growth.

India's economic growth rate in Financial Year 2014 has been estimated at 4.7%, marginally higher than 4.5% in the previous year following an improved performance in its agriculture and allied sectors (Source CSO). The higher headline number was reported on the back of a lower base of 4.5% in 2012-13, indicating that there was no significant improvement in economic activities during the year under review. High borrowing costs and delays in securing mandatory government approvals staggered corporate investments and moderated cash flows, while inflation and slower hiring shook consumer confidence.

Despite the aforementioned challenges, there were a number of factors that raised hopes regarding India's resurgence:

- ❖ The current account deficit contracted; the fiscal deficit target was met.
- ❖ India implemented concrete measures to narrow external and fiscal imbalances, tighten its monetary policy, usher structural reforms and address market volatility.
- ❖ India built upon its foreign exchange reserves to reduce vulnerability.

INDUSTRY SCENARIO

Global Scenario:

In 2013, the global ferrochrome production increased by 10% over the previous year (contributed by China and South Africa) following a 7.8% increase in stainless steel production during the same period. Global ferrochrome consumption also increased in 2013, which heralds good prospects for the chromium industry over the coming years. The prospects of the global ferrochrome industry in the foreseeable future depends on numerous, including China's growth rate, South Africa's energy supply, the fiscal cliff in the US, the recovery in Europe and geopolitical issues in the Middle East and Asia. Further, Ferrochrome producers are expected to witness several challenges which include a production cost increase, energy supply stress and stricter environmental regulations.

Indian Scenario:

India's ferrochrome output volume remained stable over the last 4 years, at around 1 million tonnes. In 2013, it was 0.97 MT, up 2.8% from 2012. After Indian ferrochrome producers reduced their production during the first half of last year in keeping with India's economic slowdown, they expanded production in the second half of 2013. India's share of the world's ferrochrome output volume now reaches 9%.

In the short-term the Indian ferro chrome producers are expected to witness challenging times as India's main ferrochrome customer, China is increasingly becoming self-sufficient in terms of ferrochrome supply. Over the medium-term, the prospects of the Indian ferro chrome sector appear bright, for important reasons viz. increasing disposable income in the hands of the average Indian and growing urbanization. As a result, India could become a ferrochrome net importing country and change the global supply/demand balance. With domestic stainless steel capacity due to go up to 3 million tonne annually, the demand for ferrochrome is also slated to rise in the coming years.

FINANCIAL HIGHLIGHTS

The Company achieved impressive performance with the improvements across key parameters. The Gross turnover from manufacturing activities achieved for the year ended March 31, 2014 was Rs. 81,191.91 Lacs registering a growth of 13.51% over the previous year. During the year export was Rs. 54,329.80 Lacs higher by 21.36 % despite low demand and price pressure in the international market.

Major Financial Highlights are as follows:

	Financial Year ended 31st March, 2014	Financial Year ended 31st March, 2013
Profit before Tax (PBT)	7,154.11 lacs	5072.60 lacs
Net Profit (PAT)	4,600.29 lacs	2,878.45 lacs
Basic Earnings per share	7.16	4.48

- Net Profit increased by 59.82%
- Profit Before Tax increased by 41.03%
- Earning per share increased by 59.82%
- Your directors have recommended a 12% Dividend for the financial year ended 31.03.2014 subject to the approval of Shareholders at this Annual General Meeting and necessary approval from Lenders.

OPERATIONS

Fiscal Year 2013-14 is an important milestone in the your Company's existence as, we achieved the highest ever production of ferro alloys at 1,04,550 MT against 98,466 MT in 2012-13, an increase of 6.18% over the previous year. This achievement was the result of the untiring efforts of the entire team in successfully implementing numerous projects (using the TPM, Six Sigma, Lean JIT and BAL Q1 techniques) which also contributed immensely in optimizing operational costs. In addition, focused supply chain strategies and customer relationship management practices facilitated in better financial results.

Going forward, your Company plans to implement a volume-drive and value-led growth strategy. On the one hand, your Company is seeking novel ways of upping its annual production capacity to about 1,45,000 MT while on the other, the team is working on increasing the production of value-added products namely low-silicon, low-phosphorous, low-carbon and high-chromium, among others, to maximise value-addition. In addition, your Company is focused on maximizing its net realization through shift in market segmentation in the domestic and international markets.

PROJECTS

Your Company's management is concerned with the reality that the available reserve for open cast mining in the Sukinda mines would exhaust in the next few years. For sustained business operations, the management is developing underground mining in Sukinda mine. A reputed international consultant has been appointed for undertaking a threadbare analysis of the underground mining project. A reputed International Design Institute has been engaged for preparation of detailed design and engineering for underground mining project. Your Company also envisages setting up a Ferro Chrome production unit commensurate with the mine output. Your Company expects to commence construction activities for underground mining in next year. These projects will increase productivity and organizational sustainability over the long-term.

AWARD AND RECOGNITION

The Company has received many awards from various organizations in recognition of its contribution to the industry & society and for its outstanding performance. Some of the awards are:

- (1) Eastern Region Export Excellence Award for the year 2012-13 - Gold Trophy (Trading House) by Federation of Indian Export Organisations (FIEO).
- (2) All India Odisha Quality Circle Convention Prizes from NALCO:
 - TPM Circle competition – two awards of Good Performer
 - TPM Circle competition – one award of Runner Up.
- (3) Our Chromite Ore Mines secured the following Awards in Odisha Metalliferous Mines Safety Week Celebration 2013-14 under the aegis of Director of Mines Safety (DGMS), Bhubaneswar Region in January 2014.
 - Best Award on implementation of 10th Conference on Safety in Mines guidelines - First Prize.
 - Best Award on Electrical Installations in Mines - 2nd Prize.
 - Best Drill Operator - 3rd Prize.
- (4) Our Chromite Mines has bagged two Nos. of prizes during Mining Environment and Mineral Conservation week, 2013-14, celebrated under aegis of Indian Bureau of Mines, Bhubaneswar Region.
 - 2nd Prize in Installation and use of mechanical beneficiation.
 - 2nd prize in Noise and vibration study.

This is a result of the dedicated efforts and the continuous pursuit of excellence. I congratulate the entire team of the Company and hope this momentum shall be continued in future also.

FUTURE OUTLOOK

2013 proved to be a year of expansion for the chrome industry, after the low performance of 2012 for both chrome ore and ferro chrome. Global ferro chrome output reached a record high last year at 10.8 Million Tonne, in tandem with the global stainless steel production which also touched a new high. Ferro chrome output volume expanded sharply in China, which confirmed its position of the world's largest ferro chrome producer. South Africa also increased its ferro chrome production.

Going forward, with developed economies namely the US and Europe expected to report a healthy economic growth numbers, the demand for stainless steel and consequently ferro chrome is expected to improve. But the growing ferro-chrome demand is unlikely to translate into superior realizations in the short-term, due to planned capacity expansions in China, Finland, Kazakhstan, Oman and South Africa, resulting into some over-supply. Over the longer-term, the ferro-chrome market is forecast to move into balance.

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.

HUMAN RESOURCES

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, shareholders 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.

THANK YOU