

## Balmer Lawrie & Co. Ltd.

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<b>Board of Directors</b>	: S. K. Mukherjee, Managing Director P. Radhakrishnan V. N. Sharma K. Subramanyan M. Singh A. Kaushik
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<b>Company Secretary</b>	: Amit Ghosh
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<b>Registered Office</b>	: Balmer Lawrie House 21, Netaji Subhas Road Kolkata - 700 001
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<b>Bankers</b>	: Allahabad Bank Bank of Baroda Canara Bank HDFC Bank Limited IndusInd Bank Standard Chartered Bank State Bank of India The Hongkong and Shanghai Banking Corporation Limited United Bank of India Vijaya Bank
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<b>Statutory Auditors</b>	: Gupta & Co. 53A, Mirza Ghalib Street Flat No. 3C Kolkata - 700 016
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<b>Branch Auditors</b>	: Murali Associates Flat G-1, Krishna, No. 28 Old No. 56, Second Main Road R. A. Puram Chennai - 600 028  Jain & Jain 601, Jolly Bhavan No. 2 51, New Marine Lines, Churchgate Mumbai - 400 020  Prem Gupta & Co. 4, Shivaji Marg, Najafgarh Road New Delhi - 110 015
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<b>Internal Auditors</b>	: L. B. Jha & Co. <i>Chartered Accountants</i> DG-1 & EG-3, Gillander House 8, Netaji Subhas Road Kolkata - 700 001
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<b>Registrar &amp; Share Transfer Agent</b>	: Intime Spectrum Registry Limited 59C, Chowringhee Road, 3rd Floor Kolkata - 700 020
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**Key Management Personnel**

<b>Name and Qualification</b>	<b>Designation</b>	<b>Age (in completed years)</b>	<b>Total no. of years of experience</b>	<b>Total no. of years of experience in the Company</b>
S. K. Mukherjee <i>B Com, AICWA</i>	Managing Director	55	38	31
P. Radhakrishnan <i>B A, DSW</i>	Director (Calcutta)	57	33	23
V. N. Sharma <i>B Tech – Chem., MBA</i>	Director (Bombay)	55	32	32
K. Subramanyan <i>B Com, ACA</i>	Director (Finance)	55	29	27
P. P. Sahoo <i>M A (PM &amp; IR), LLB.</i>	Executive Director (Human Resource)	53	29	20
G. Roy <i>B Tech (Hons.) Mech. Engg.</i>	Executive Director (Technical)	57	36	27
A. Dayal* <i>B A, Dip. in Mktg. Mgmt.</i>	General Manager (Industrial Packaging)	52	31	8
N. Gupta <i>B Com, ACA</i>	General Manager (Logistics Services)	52	27	27
J. G. Arora <i>B A</i>	General Manager (Travel and Tours)	57	35	33
K. Gopinathan <i>B Sc Engg. (Mech.)</i>	General Manager (Grease & Lubricants)	55	31	26
S. Ravikumar <i>ME (Chem.)</i>	General Manager (Chennai)	53	29	24
A. Dasgupta <i>B Com, ACA</i>	General Manager (Finance)	56	32	32
V. Sinha** <i>BA, MBA (Mktg).</i>	General Manager	52	29	0.08
Amit Ghosh*** <i>B Com (Hons), ACA, ACS</i>	Company Secretary	52	27	***

\*On secondment from Balmer Lawrie – Van Leer Ltd.

\*\*Presently appointed as Chief Executive Officer in Balmer Lawrie (UK) Ltd.

\*\*\*On deputation from Indian Oil Corporation Limited, IBP Division. Joined on 13th August, 2007.

## Notice to the Members

NOTICE is hereby given that the 90th Annual General Meeting of the members of Balmer Lawrie & Co. Limited shall be held at Ghanshyam Das Birla Sabhagar, 29, Ashutosh Choudhury Avenue, Kolkata – 700 019, on Tuesday, 25 September 2007, at 10.30 a.m. to transact the following :-

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2007 and the Profit and Loss Account for the financial year ended 31 March 2007 and the reports of the Auditors and the Directors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri V. N. Sharma who retires by rotation and, being eligible, offers himself for re-appointment.
4. To fix remuneration of the Auditors for the financial year 2007-08 and to pass with or without modification(s) the following Resolution:

#### As an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 619, read with Section 224 (8) (aa) of the Companies Act, 1956 (“the Act”), the Board of Directors be and is hereby authorized to determine the amount

amount of remuneration payable to the Auditors appointed under Section 619 of the Act, by the Comptroller and Auditor General of India including the cost of reimbursement of out-of-pocket expenses incurred in connection with the audit of accounts of the Company for the financial year 2007-08 by the said Auditors.”

### SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification(s), the following resolution :

#### 5. As an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Shri A Kaushik be and is hereby appointed a Director, whose period of office shall be subject to determination by retirement of Directors by rotation.”

#### Registered Office :

Balmer Lawrie House  
21, Netaji Subhas Road  
Kolkata - 700 001  
16th August 2007

By Order of the Board  
Balmer Lawrie & Co. Ltd.

Amit Ghosh  
Company Secretary

### Notes:

#### 1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL IN HIS STEAD, AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

#### 2. Proxies, in order to be effective, must be received at the Registered Office, not less than 48 hours before the Meeting.

3. Dividend on Equity shares as recommended by the Board of Directors for the financial year ended 31 March 2007, when declared at the meeting, will be paid to those Members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company/the Registrar & Share Transfer Agent on or before the close of business hours on 18 September 2007 and in respect of shares held in electronic form, to those “Deemed Members” whose names appear in the statement of Beneficial ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as at the end of business hours on 18 September 2007.

#### 4. Members are requested to :

- I. intimate Intime Spectrum Registry Limited, on or before 18 September 2007 at 59C, Chowringhee Road, 3rd floor, Kolkata - 700 020, Fax no. (033) 2289 0540, e-mail: [kolkata@intimespectrum.com](mailto:kolkata@intimespectrum.com)
  - (a) change in their address (including Pin Code), mandate, etc.;

- (b) bank account number, name and address of the bank;
- (c) contact phone number(s) and e-mail ID.

#### II. quote the ledger folio or Client ID and DP ID numbers in all communications with the Company.

#### III. bring their copies of Annual Report and show Attendance Slip and Entry Pass at the entrance of the venue of the Meeting. Annual Report shall not be distributed at the venue of the Meeting.

#### IV. note that the Register of Members and Share Transfer Books shall remain closed from 19 September 2007 to 25 September 2007 (both days inclusive).

#### V. note that unclaimed dividends relating to final dividend paid on 3 November 1999 and interim dividend paid on 30 May 2000 have been transferred to the Investor Education and Protection Fund on 14 November 2006 and 5 June 2007 respectively. Further, the amount of unclaimed dividends relating to the final dividend paid on 2 November 2000 is to be transferred to the Investor Education and Protection Fund of the Central Government pursuant to Section 205C of the Act on 2 November 2007.

#### VI. note that though in terms of Section 224(8)(aa) and 619 of the Act, in case of a Government Company, the Comptroller and Auditor General of India shall appoint the Auditor(s), the remuneration shall be fixed by the Company at a general meeting. Item no.4 under the ordinary business has been included accordingly as an Ordinary Resolution.

#### 5. The Explanatory Statement pursuant to Section 173(2) of the Act is attached hereto.

**Explanatory Statement**

**Under Section 173 (2) of the Companies Act, 1956**

**[Forming Part of the Notice to the Members]**

**Item No. 5**

Shri A Kaushik, BSc, LL.B, PG (HRM), PGDIM, was appointed an additional director on 19 February 2007.

Pursuant to Section 260 of the Companies Act, 1956 and Article 9 of the Articles of Association of the Company, Shri Kaushik shall hold his office only up to the date of the forthcoming Annual General Meeting.

The Company has received a notice under Section 257 of the Act, proposing the appointment of Shri Kaushik as Director of the Company whose office shall be subject to determination by retirement of Director by rotation.

The letter dated 15 February 2007 received in this regard for the appointment of Shri Kaushik from the Ministry of Petroleum and Natural Gas, Government of India as non-executive director (government nominee) and the Articles of Association of the Company are open for inspection at the Registered Office on all working days (except Saturdays) during 10 a.m. to 12 noon.

Your Directors recommend the ordinary resolution for your approval.

Except Shri Kaushik no other director is interested or concerned in the resolution.

**Details of the Directors seeking Appointment/Re-appointment at the  
90th Annual General Meeting to be held on 25 September 2007**

Name	Shri V. N. Sharma	Shri A Kaushik
Date of Birth	4 July 1952	2 May 1958
Date of Appointment	20 January 2005	19 February 2007
Date of last Re-appointment	23 September 2005	—
Qualification	B. Tech (Chemical Engineering), MBA	B. Sc, LLB, PGHRM,
Expertise in Specific Functional Area	<p>a. Production/Operations Management</p> <p>b. Project Management</p> <p>c. R &amp; D Management</p> <p>d. General Management</p> <p>He has worked in different functions such as Production, Materials, Projects etc. over the past 32 years. He has also worked in different capacities, which, <i>inter-alia</i> includes - the Head of R&amp;D and the Head of Grease and Lubricants Business. He was responsible for the feasibility study, negotiations, financing arrangements and formation of a JV company (between Balmer Lawrie, Indian Oil Corporation Ltd. and the French Company Nyco SA), in Aviation Lubricant Business. He played key role in formation of India Chapter of National Lubricating Grease Institute. He is the President of the Indian chapter of NLGI. He was a past President of Tribiology Society of India.</p>	<p>He has work experience in International Trade, International Trade Disputes and Intellectual Property. He has also specialized in Law and Public Administration.</p>

## Directors' Report

Your Directors have pleasure in presenting their 90th Report for the financial year ended 31 March 2007, together with the audited Balance Sheet and Profit and Loss Account of your Company.

### Overall Financial Results

	Financial Results of the Company Rs. in lakhs Year ended on 31 March		Consolidated Financial Results of the Company Rs. in lakhs Year ended on 31 March	
	2007	2006	2007	2006
Surplus for the year before Finance charge, depreciation & tax	12047	10064	15358	12757
Deduct therefrom : Finance charge & depreciation	1431	1979	3242	3624
Provision for Taxation	3594	3405	3795	3547
	7022	4680	8321	5586
Add transfer from : Profit & Loss Account	3450	1941	10299	8043
Add : Transfer from Lease Equalisation Reserve	—	—	4	6
Amount available for appropriation :	10472	6621	18624	13635
Appropriation : Proposed Dividend @ Rs. 13.50 per Equity Share (Previous year Rs. 9.00 per Equity Share)	2199	1466	2647	1561
Corporate Tax on Dividend	373	205	400	231
Transfer to General Reserve/ minority interest etc.	1500	1500	1568	1544
Surplus carried forward to next year	6400	3450	14009	10299
	10472	6621	18624	13635

### Overview

In the year 2006–2007 your Company achieved significant milestones by recording all time highs in various financial performance, which *inter-alia* include turnover, profit before tax as also profit after tax, rate of dividend and earning per share, thus delivering immense shareholder value.

The salient features of the financial performance for 2006–2007 as compared to previous year are as follows :

- n **Overall turnover of the Company has gone up by 3.8% over previous year and crossed Rs.1300 crores.**
- n **Profit before tax has crossed Rs. 100 crore mark, which is an increase by 31% over previous year.**
- n **Profit after tax and earning per share have increased by 50% over previous year.**

It is a matter of great pleasure to state that on 16 November 2006

your Company was declared as Mini Ratna Category I company by the Government of India.

### Dividend

A dividend of Rs. 13.50 per equity share of Rs. 10 each for the year ended 31 March 2007 has been recommended by your directors for your declaration at the ensuing annual general meeting to be held on 25 September 2007, as against Rs.9 per equity share for the previous year.

### Management Discussion and Analysis

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

### Report on Subsidiaries

#### Balmer Lawrie (UK) Ltd. (BLUK)

The main business activity of the wholly owned subsidiary (WOS) during the year was leasing and hiring of marine freight containers.

## Balmer Lawrie & Co. Ltd.

The business in the marine freight container industry has generally been in line with the preceding year in terms of both daily rentals and utilisation rates. Increased global trade and a fair amount of consolidation as witnessed in this industry are expected to maintain the same trend in the coming year save and except the effect of ageing fleet of containers. The financial position of BLUK at the end of the year is considered reasonable.

### Balmer Lawrie (Tea) Ltd. (BLT)

The main business activity of the subsidiary has been blending, packing and warehousing of tea. This operation has shown a significant upswing in volume and a marginal improvement in turnover. However, due to unabated competitive pressures and increasing costs the financial performance continues to be extremely challenging. The subsidiary continues to be primarily dependent on Harrods Limited, which in turn is reliant on the tourist trade and off take by their Japanese partners. While the tourist inflow has shown some signs of improvement, export of their products to Japan continues to be erratic and year on year sales are significantly lower. The subsidiary has tried to offset this by picking up large volume of contract packing business with a major tea packing company. Besides contributing to a reduction in the loss for the year, this has improved the volume and turnover. However, margins are extremely tight and in view of the circumstances the financial performance of the subsidiary is considered reasonable.

An in-depth analysis of financial performance of both the subsidiaries vis-a-vis the prevailing market scenario reveals that while BLT is expected to marginally improve its financial performance in the short term, it will remain burdened with borrowings and no significant turn around is expected in the medium to long term. Whereas BLUK shall continue to be debt free, its performance in terms of profit shall tend to decline due to its ageing fleet of containers. Considering the aforesaid prospect of the above subsidiaries, it has been thought prudent not to continue with two separate legal entities e.g. BLUK and BLT and merge back the tea activity of BLT with BLUK. Such merger has been effected with effect from 1 April 2007.

### Exemption from attaching accounts of subsidiaries

The Ministry of Company Affairs (MCA), New Delhi, vide their approval no. 47/118/2007-CL-III dated 17 April 2007 has exempted your Company from attaching the Annual Accounts of 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. for the year ended 31 March 2007 with its Annual Accounts for the same period. However such accounts have been duly consolidated in terms of applicable Accounting Standards.

### Report on Joint Ventures

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

During 2006-2007 there was a marginal improvement in net sales as compared to the previous year. However, there was a marginal decline in profit mainly due to comparatively unfavourable product mix and increase in employee cost arising out of long term settlement.

A notable break through during the year was the award of the rate contract for three years by a major Indian customer for seven large volume products enabling the joint venture to efficiently

plan its production schedule leading to better inventory management in the coming years. The Joint Venture was able to sustain its business with continued validation of approvals of the Company's Quality Assurance Organisation by the Director General of Aeronautical Quality Assurance, Ministry of Defence and the Director General of Civil Aviation, which was further supported by product "Type Approvals" from the Centre for Military Airworthiness & Certification, Ministry of Defence.

### Balmer Lawrie-Van Leer Ltd. (BLVL)

During the year under review BLVL achieved an increase in net sales and other income from Rs.85.83 crores to Rs. 103.32 crores representing an increase of 20% over the last year. In value terms the domestic sales grew by 21% whereas exports increased by 14%. However, runaway increase in steel and polymer prices, the basic raw materials for BLVL, more particularly during the 1st half of the year, resulted in squeezing of the margins as the increase in cost could not be passed on completely to the customers. Consequently there was an adverse impact on the bottom line with the net profit being marginally lower at Rs.555.71 lacs as against Rs.633.85 lacs in the last year.

BLVL has, however, started working on expansion of capacity of all its primary products i.e. steel closures and plastic drums aimed towards profitable growth in the coming years.

### Transafe Services Limited (TSL)

Indian Container Leasing Company Limited has been renamed as Transafe Services Limited with effect from 30 March 2006. The erstwhile container leasing activity has now become a Strategic Business Unit (SBU) called Indian Container Leasing Division. The other SBUs are Glacio Cold Chain Logistics, Indo Trailer Logistics and Creative Container Division.

The total turnover of TSL for the financial year ended 31 March 2007 has recorded a growth of approx. 98% and with the formation of above SBUs and further with Leave and License arrangement entered into with your Company for operation of its Speciality Container Division, Coimbatore, TSL is expected to maintain its momentum of profitable growth.

### Balmer Lawrie (UAE) LLC (BLUAE)

Balmer Lawrie (UAE) LLC maintained its turnover during the year 2006 despite difficult market condition, intense competition and pricing pressures. Customers resistance to price increase continued and margins were under constant pressure.

There are challenges ahead for showing growth in turnover, volumes and profitability in view of the ever increasing competitive pressure, the prevailing geo political situation in the region and unhealthy competition within the customers market segments. The prices of the main raw materials viz. CR steel, Tinplate and HDPE are also of late showing an upward trend.

However, BLUAE continues to retain its dominant position and market share by maintaining customer satisfaction at a high level by fulfilling the customers needs and expectations. BLUAE also strives to maintain high business ethics and dependability as a reliable supplier at all times. BLUAE also continues to upgrade its facilities and increase its capacities apart from enlarging the product range through continuous investments.



## Balmer Lawrie & Co. Ltd.

### Memorandum of Understanding (MoU)

Your Company, on an annual basis, enters into an MoU with the Government of India at the Ministry of Petroleum and Natural Gas detailing therein various targets on operational, financial and efficiency parameters besides matters like customer satisfaction, quality and human resource development. The targets so agreed upon are evaluated by Department of Public Enterprises, Government of India (DPE) and it is a matter of great pride to report that your Company has obtained the highest rating viz. “excellent” for the financial year 2005-2006. Result of MoU signed for the financial year 2006-2007 is yet to be announced, by DPE.

### Human Resource Management

Your Company has continually endeavoured to upgrade the skill and competencies of the employees. Accordingly, substantial number of employees has been exposed to training and development activities during the year. Efforts are also under way to align HR policies and processes to the imperatives of each of the businesses of the Company towards enhancing their competitiveness.

### Employee Relation

Employee relations remained cordial throughout the year. Long term settlements covering the terms and conditions of service of unionised employees were signed in Kolkata, Mathura and Mumbai. Discussions are in advanced stage for finalisation of settlements in other locations.

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

Your Company has taken initiative to comply with the mandate contained in the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.

### Implementation of Official language

Your Company follows the Government directives with respect to implementation of official language policy.

### Welfare of Weaker Sections

Your Company has taken a policy decision to earmark upto 0.5% of the net profit towards various programmes aimed at helping the weaker sections of the society. To achieve this objective, your Company has initiated a number of community development programmes in collaboration with reputed Non-Governmental Organisations.

Your Company has also taken measure to ensure that sufficient representation is provided in employment to persons belonging to SC/ST/OBC/Minority community etc. including women.

### Global Compact

Your Company is a founder member of the Global Compact Society. The Company has reaffirmed its commitment to the principles enunciated in the charter of the Global Compact. The manufacturing units of your Company have already made good stride in complying with ISO 14000 dealing with environmental standard. Some of the units are presently engaged in implementing OHSAS dealing with occupational health and safety. ‘Communication on progress’ in this endeavour has been hosted in your Company’s web site.

### Vigilance

The Vigilance department has been strengthened further with induction of additional officers during the financial year 2006-07. Officials of the organisation are sensitized by organizing workshops to achieve total transparency in dealing with different stakeholders of the organisation. Vigilance took initiatives to update existing rules, procedures, systems and/or to frame new rules, wherever required, to sustain quantum jump in business with equity, fairness and transparencies. Preventive Vigilance is set as top priority of the department and it is also felt necessary to apprise employees of the organisation about the menace of corruption and inspire them to transact business with honesty, without fear and favour. Such endeavour of vigilance department has been well appreciated and these efforts will continue for creation of a congenial atmosphere with better interaction among the officers and vigilance department. Vigilance Awareness Week was observed in November 2006 when suppliers, customers, dealers etc were apprised of the grievance redressal procedure and Company policy on transparency.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings

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

### Directors’ Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Act, 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 2007, 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 2007 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 provisions of the Act, 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 2007 on a ‘going concern basis’.

### Consolidated Financial Statement

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 TSL have been prepared as per Accounting Standards 21 and 27 issued by the Institute of Chartered Accountants of India and have been provided 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.

### Particulars of Employees

During the financial year under review, the Company did not have any employee who received remuneration of Rs. 24,00,000 or more per annum or at a rate of Rs. 2,00,000 or more per month. Therefore, the disclosure under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, has not been made.

### Directors

On 20 January 2005 Shri V N Sharma was inducted into the board of your Company as a whole time director, the initial appointment of Shri Sharma was as an additional director which at the 88th Annual General Meeting of the Company held on 23 September 2005 was affirmed by the shareholders. At the 90th Annual General Meeting scheduled to be held on 25 September 2007, an ordinary resolution has been proposed for re-appointment of Shri Sharma, who retires by rotation and is eligible to offer himself for re-appointment.

On 19 February 2007, Shri A Kaushik was appointed an additional director, as a nominee of Ministry of Petroleum and Natural Gas, Government of India. He 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 Kaushik as a director of your Company. An ordinary resolution under special business has been proposed for appointment of Shri Kaushik as director, whose period of office shall be subject to determination by retirement of directors by rotation.

Shri A K Jain, who was appointed a director of the Company on 29 September 2003 as a nominee of Ministry of Petroleum and Natural Gas, had vacated in favour of Shri Kaushik on the Board of your Company with effect from 19 February 2007. The Board places on record its deep appreciation for the valuable services rendered by Shri Jain during the tenure of his directorship in your Company.

### Auditors

Your Company being a government company, auditors are appointed or reappointed by the Comptroller and Auditor General of India in terms of Section 619 of the Act. The remuneration of the Auditors for the year 2007-08 may be determined by the members at the ensuing Annual General Meeting as per Section 224(8)(aa) and Section 619 of the Act.

### Auditors' Report

The statutory auditors have opined that the present internal audit system as conducted in a phased manner is generally commensurate with the size and nature of the Company's business, though there is room for further improvement. The Branch Auditor of New Delhi region has reported that internal audit is required to be further strengthened so as to make it fully commensurate with the size of operations and nature of its business.

Your directors would like to state that the scope of internal audit was strengthened during the year. Further, the management of the Company, as a routine practice, reviews its internal audit programme on a yearly basis and effects modifications/ improvements as deemed fit.

### Acknowledgement

Your directors wish to place on record their appreciation for all the employees working at different levels for their sincere co-operation, dedication, commitment, hard work and bringing-in positive work culture which contributed in abundant measure to meet the challenges being encountered by 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.

Your directors 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, your directors express their gratitude to you as shareholders for the confidence reposed in the Management of your Company.

Registered Office :  
Balmer Lawrie House  
21 Netaji Subhas Road  
Kolkata 700 001  
16th August 2007

On behalf of the Board of Directors

S K Mukherjee	Managing Director
P Radhakrishnan	Whole-time Director

**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 2007**

**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:

- 1 Environment Management System (ISO 14000) Certification was achieved in Leather Chemicals Plant, Chennai.
- 1 Energy Audit was conducted in Sewree and Silvassa Plants of SBU-Industrial Packaging
- 1 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**

- 1 Based on Energy Audit getting conducted on select plants/offices cost benefit analysis is being made for investments vis-à-vis savings through 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.

**d) Total energy consumption and energy consumption per unit of production**

Information on energy consumption is provided in the annexed Form A.

**TECHNOLOGY ABSORPTION :**

**e) Efforts made in Technology Absorption**

Information on technology absorption is given in the annexed Form B.

**FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- f) Response in the export market continues to be buoyant for Leather Chemicals and Greases & Lubricants. Further, development of markets for exports has been taken up and specific export plans have been taken up. With various new initiatives being pursued, the export performance for Leather Chemicals and also Greases & Lubricants is expected to improve.

**g) Total foreign exchange used and earned :**

Rs. in Crores		
Total Foreign Exchange used	:	134.65
Total Foreign Exchange earned	:	12.67

**Note :** Particulars of foreign exchange used/earned during the year given under clauses 15.15(a),15.15(b) and 15.15(c) of Schedule 15 of Notes on Accounts.

**FORM - A**

**Form for Disclosure of Particulars with respect to Conservation of Energy**

**A. Power & Fuel Consumption**

	2006-07 Current Year	2005-06 Previous Year
<b>1. Electricity</b>		
(a) Purchased		
Units ('000 kwh)	8,599	9,088
Total amount (Rs. Lakhs)	365.58	387.49
Rate/Unit (Rs./kwh)	4.25	4.26
(b) Own generation		
(i) Through diesel generator		
Units ('000 kwh)	597	265
Units per ltr. of diesel oil	2.62	2.09
Cost/unit (Rs./unit)	12.76	13.11