

Balmer Lawrie

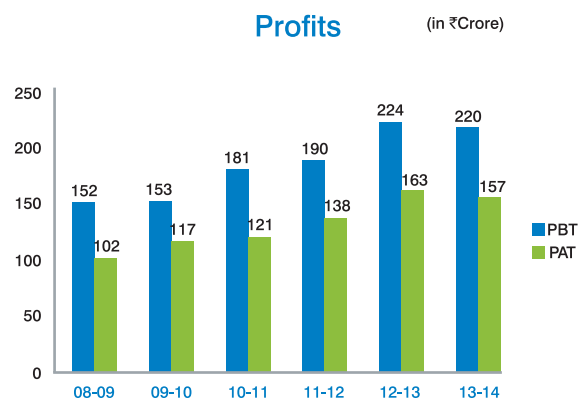
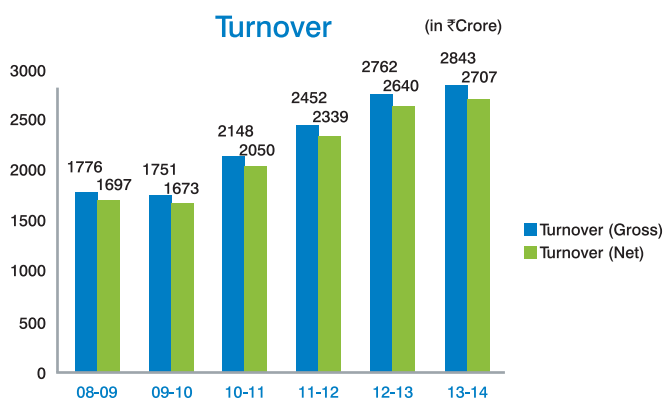
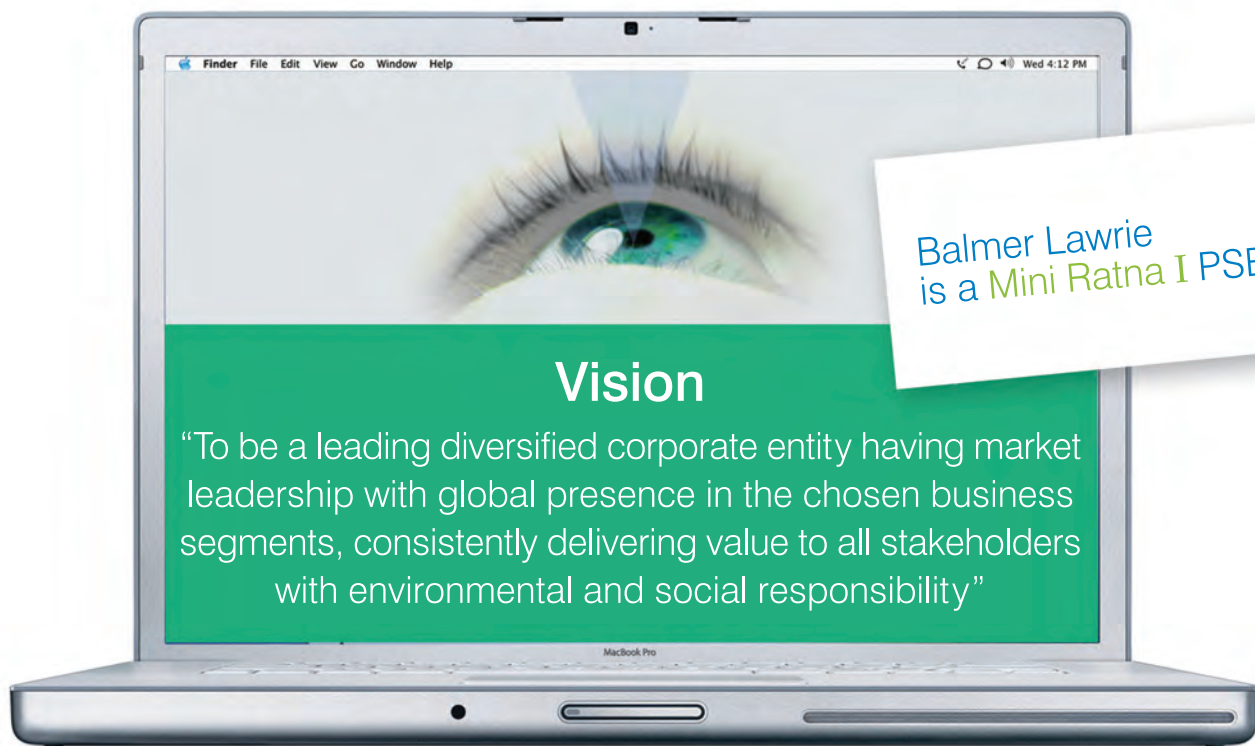
ANNUAL REPORT 2013-2014



बामर लॉरी एण्ड कं लिमिटेड
(भारत सरकार का एक प्रतिष्ठान)



Balmer Lawrie & Co. Ltd.
(A Government of India Enterprise)



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Board of Directors	: Shri Virendra Sinha, Chairman & Managing Director : Shri Partha S. Das, Govt. Nominee Director : Shri Alok Chandra, Govt. Nominee Director : Shri Niraj Gupta, Director (Service Business) : Shri Anand Dayal, Director (Manufacturing Business) : Shri Prabal Basu, Director (Finance)
Company Secretary	: Shri Amit Ghosh
Registered Office	: Balmer Lawrie House 21, Netaji Subhas Road Kolkata - 700 001
Bankers	: Allahabad Bank Bank of Baroda Canara Bank HDFC Bank Limited Indusind Bank Limited Standard Chartered Bank State Bank of India The Hongkong and Shanghai Banking Corporation Limited Vijaya Bank
Statutory Auditors	: Messrs Vidya & Company Centre Point, 21 Hemanta Basu Sarani Kolkata - 700 001
Branch Auditors	: Messrs R. K. Kumar & Co. 11th Floor, Congress Building 573, Mount Road Chennai - 600 006 Messrs Om Prakash S. Chaplot & Co. 101 Vatsalya Co-op Society, Vatsalya Building, Nr. RTO Office RTO Road, Andheri (W) Mumbai 400 053 Messrs BGJC & Associates Raj Tower, G-1, Alaknanda Community Centre New Delhi - 110 019
Internal Auditors	: Messrs Deloitte Haskins & Sells Bengal Intelligent Park Building Alpha 1st Floor, Block - EP & GP, Sector - V Salt Lake Electronics Complex Kolkata - 700 091
Registrar & Share Transfer Agent	: Link Intime India Pvt. Ltd. 59C, Chowringhee Road, 3rd Floor Kolkata - 700 020

MANAGEMENT TEAM

Sl No	Name	Qualification	Designation	Date of Birth	Date of Joining in Balmer Lawrie	Total years of experience as on 17.07.2014
1	SHRI VIRENDRA SINHA	BA, MBA	CHAIRMAN & MANAGING DIRECTOR	13.07.1955	01.12.2006	36
2	SHRI NIRAJ GUPTA	B.COM (HONS) ACA	DIRECTOR (SERVICE BUSINESS)	17.07.1955	03.03.1980	34
3	SHRI ANAND DAYAL	BA DIP IN MKTG MGMT	DIRECTOR (MANUFACTURING BUSINESS)	13.12.1954	01.01.2008	38
4	SHRI PRABAL BASU	B.COM (HONS) ACA, ACMA, ACS	DIRECTOR (FINANCE)	18.10.1963	04.04.1988	28
5	SHRI HARI KISHAN BHOKLAY	B.SC (HONS) AGRI PG DIP IN MGMT	EXECUTIVE DIRECTOR (CORPORATE AFFAIRS)	04.02.1955	02.05.1978	36
6	SHRI S RAVIKUMAR	B.TECH (CHEM) ME (CHEM)	CHIEF OPERATING OFFICER (PERFORMANCE CHEMICALS)	01.05.1954	18.11.1983	35
7	SHRI ANANDA SENGUPTA	BME, PGDBM PGDHRM	CHIEF OPERATING OFFICER (GREASES & LUBRICANTS)	26.02.1956	16.07.2001	34
8	SHRI MURTHY RAMAKRISHNA	B.SC (HONS) MA IN SOCIAL SC DIP PM&IR LL.B	CHIEF OPERATING OFFICER (INDUSTRIAL PACKAGING)	10.10.1954	09.06.1980	36
9	SHRI MANASH MUKHOPADHYAY	B.SC (HONS) M.STAT. DIP IN COMP SC	SENIOR VICE PRESIDENT (INFORMATION TECHNOLOGY)	06.01.1955	01.06.1993	36
10	SHRI BISWARUP CHAKRABORTI	BE (METALLURGICAL) PGD IN SQC DIP IN MGMT	SENIOR VICE PRESIDENT (OPERATIONS) INDUSTRIAL PACKAGING	14.02.1957	04.05.1985	33
11	SMT PUKHRAJ SABARWAL	B.SC (HONS) MA, DIP IN BUSINESS ADMN TVL COURSE ON IATA-UFTAA	CHIEF OPERATING OFFICER (TOURS & TRAVEL)	30.09.1954	01.03.1977	37
12	SHRI ABHIJIT ROY	B.SC (CHEMISTRY) M.SC (ORGANIC)	SENIOR VICE PRESIDENT [OPERATIONS] GREASES & LUBRICANTS	19.11.1958	01.07.1982	32

SI No	Name	Qualification	Designation	Date of Birth	Date of Joining in Balmer Lawrie	Total years of experience as on 17.07.2014
13	SHRI MANOJ LAKHANPAL	B.COM ACA	SENIOR VICE PRESIDENT (FINANCE)	15.08.1958	15.04.1988	33
14	SHRI K SWAMINATHAN	ACMA, ACS	CHIEF OPERATING OFFICER (LOGISTICS INFRASTRUCTURE)	15.02.1960	02.11.2009	31
15	SHRI SANTANU CHAKRABARTI	BE	CHIEF OPERATING OFFICER (LOGISTICS SERVICES)	05.10.1961	16.09.2002	31
16	SHRI ADIKA RATNA SEKHAR	B.A. MSW	SENIOR VICE PRESIDENT (HUMAN RESOURCE)	10.06.1964	27.01.2014	26
17	SHRI RAVISHANKAR RAMCHANDRAN	B.SC, DEGREE IN LAW, DIPLOMA IN TRAVEL & TOURISM DIPLOMA IN MARKETING MGMT	CHIEF OPERATING OFFICER [TOURS - VACATIONS EXOTICA]	04.01.1959	01.02.2014	34
18	SHRI AMRIT MUKHOPADHYAY	BE (CIVIL), ME (COLLABORATIVE) IN PROJ ENGG MBA	SENIOR VICE PRESIDENT (TECHNICAL)	11.12.1957	03.12.1984	35
19	SHRI AMIT GHOSH	B.COM (HONS) ACA FCS LL.B	COMPANY SECRETARY	21.10.1954	13.08.2007 (ON DEPUTATION) 01.05.2012 (ON ABSORPTION)	33

DEPUTED / SECONDED FROM BALMER LAWRIE TO JOINT VENTURE COMPANY

1	SHRI SAMIR GHOSH	B.COM (HONS) M.COM LL.B CA CMA	PRESIDENT DIRECTOR PT. BALMER LAWRIE INDONESIA	02.05.1957	10.12.1986	36
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DEPUTED FROM THE GOVT OF INDIA TO BALMER LAWRIE

1	SHRI AMIT MOHAN PRASAD, IAS	M.A. (ECONOMICS) M.A. (GOVERNANCE & DEVELOPMENT)	CHIEF VIGILANCE OFFICER	04.03.1964	12.09.2013	23
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CHAIRMAN'S MESSAGE

Dear Esteemed Members,

It is my pleasure to welcome you to the 97th Annual General Meeting of the Company and to take you through the Agenda of the Meeting. May I, at the outset, take this opportunity to brief the distinguished Members about the Company's performance during 2013-14 and the environment against which the performance was accomplished.

The Business Environment

During 2013-14, the Indian economy has shown steady growth compared to the slowdown in the last two years. There has been a dramatic turnaround in the external economic situation with the Current Account Deficit [CAD] declining to manageable levels. Inflationary pressure has also eased in comparison to the previous year. The Global economy too has shown signs of recovery fuelled by better corporate performance.

In 2014-15, the Indian economy is reasonably poised to overcome the sub-5% growth level in Gross Domestic Product [GDP] witnessed over the last two years, which augurs well for the industry. Looking at the last few years one can state that the industrial sector, which showed remarkable recovery during three years since 2008-09 lost momentum owing to a combination of factors. Consequently, performance of the sector remained below par for the second year running in 2013-14 with only token growth recorded in the latest GDP estimates.

Indian services sector which remained resilient during and immediately after the global financial crisis, buckled under the pressure of continued global and domestic slowdown, resulting in sub-normal growth in the last two years. Revival traits are now discernible. The Tourism sector, in particular, is witnessing a steady growth although India is yet to tap the full potential of the sector.

The policy of Government of India to enhance private investment in ports is a welcome initiative. New tariff guidelines have been introduced envisaging greater flexibility for public-private partnership. In addition, the improvement in average output per ship berth day in 2013-14 indicates that the performance parameters of Indian ports are also improving.

The industry of storage services in India grew by 8.6% in 2012-13, with the important component of warehousing being agricultural inputs, agricultural products, storage of raw materials & finished goods and infrastructure for supporting import and export trade.

Against the aforesaid backdrop, must be juxtaposed your Company's core competency and ability to handle multiple and diversified businesses in a manner to maintain its top and bottom-lines despite cyclical fluctuations in any one or few of its business segments.

In summary, the business environment remains challenging, and your Company continues to focus its effort to drive synergy across its diversified business units to maintain a year-on-year top-line growth. However, the margins are under stress and we are continuously working on combating this.

I would now like to discuss the performance of the various Strategic Business Units [SBUs] of the Company during 2013-14.

Industrial Packaging

During 2013-14, the SBU continued to hold its position as market leader in India despite intense competition from various ends. The Company is India's largest manufacturer of steel drums in the segment of Rigid Industrial Packaging. Off-take of steel drums was generally better during 2013-14 compared to 2012-13, which has resulted in the highest-ever sales volumes during 2013-14. This was accomplished despite the shrinkage of the market in the wake of directive to Government Companies to procure MS Drums only from Small & Medium Enterprises. However, profitability remained thin and margin was under pressure. Thus, it is important for the SBU to innovate and push an aggressive new value-added product development strategy to tap into emerging markets, besides scaling up capacity and making processes cost efficient. The High Throughput Plant at Navi Mumbai, which would commence commercial production soon, would impart further competitive edge to the SBU.

Greases & Lubricants

The SBU functions both in the Industrial and Retail segments. The market is highly competitive with a large number of players including PSU Oil Companies, global majors as well as small regional players and several units in the unorganized sector all in the fray. In 2013-14, the SBU recorded an all-time high sales volume, registering a volume growth of 8% and turnover growth of 11% over the previous year. This was achieved despite various constraints holding up growth of the manufacturing sector, although the bottom-line was affected due to adverse market conditions. The SBU developed an aggressive sales strategy for the next 2-3 years and is investing into talent and technology to ensure seamless execution in order to increase market share. The future portends to be bright because fast infrastructural growth in India is expected to trigger higher movement of vehicular traffic, which may result in higher consumption of lubricants especially in the 4-Stroke two-wheeler segment which is expected to strengthen the bottom-line. The SBU also aims to pioneer development of value added specialty products such as eco-friendly / biodegradable lubricants with the object of consolidating its position in the niche market.

Performance Chemicals

SBU: Performance Chemicals is involved in manufacturing and marketing of Leather Chemicals – in particular, Fatliquor and Syntans and has relatively recently entered the Construction Chemicals market. It also aims to make a foray into the Finishing Chemicals segment. In the Financial Year 2013-14, the SBU achieved overall turnover growth of 14% over the preceding year and overall growth in volume by 7%. The SBU achieved a commendable 43% growth in volume for overseas business in 2013-14 and achieved highest-ever export volume, which is a significant achievement. However, the continuous escalation of raw material prices and other input costs have relentlessly squeezed the margins in the business. The applicability of REACH norms on products used in leather processing along with the tightening of pollution control norms in relation to the tannery / effluents are other major concern areas for the SBU.

Logistics Services

SBU: Logistics Services offers a cluster of services, viz., import consolidation by air and ocean, customs clearance at sea ports, handling of project cargo through multi-modal transportation, chartering of aircrafts & vessels, etc. Air Cargo handling and provision of related support services like customs

clearance and chartering continued to form the core revenue generator of the SBU in the financial year 2013-14. However, top line growth was flat compared to the previous year predominantly because of slow down of the Indian economy. Nevertheless, better product mix including increased handling of air charter services crystallized into a growth of 15% in contribution over the previous year. It is gratifying to note that the SBU registered a volume growth to the tune of around 44% in the ocean freight cargo segment and is now focusing on verticals such as Third Party Logistics and Project Logistics. The SBU plans to invest substantial amount in technology up-gradation of its existing system to inculcate Operational Excellence and make it one of the best in the industry.

Logistics Infrastructure

The SBU operates three state-of-the-art Container Freight Stations located at Nhava Sheva (Navi Mumbai), Chennai and Kolkata. Warehousing & Distribution has been a traditional activity of the Company and SBU: Logistics Infrastructure operates such warehousing facilities at Kolkata and Coimbatore. SBU: Logistics Infrastructure – together with SBU: Logistics Services, which has considerable synergy -- continues to be the money spinner and the bottom-line driver for your Company. However, during 2013-14, the CFS business witnessed sharp decline in volume, revenues and earnings compared to the previous year on account of severe competition especially from Shipping Company-owned-CFSs, reduction in volume available to CFS operators and loss of business from the shipping companies which have traditionally supported your Company. Warehousing is an integral part of logistics value chain. Warehousing activity turned in a decent performance and exceeded the previous year's bottom-line.

Tours & Travel

SBU: Tours & Travel offers to its customers, domestic and international travel & ticketing and tourism services. Extensive network of offices, 24x7 call centre, an online portal and experienced manpower are the strengths of the SBU. The adverse financial conditions of the Travel & Tourism sector continue to pose a threat to the SBU. The Travel & Tourism business is passing through challenging times owing to reduction in credit period by the airlines, non-payment of service charges by most of the customers and airlines making commission virtually nil. Despite the adverse environment, the SBU has continued to provide sizeable turnover which is higher than that of the previous year though marginally lower than the budget. Domestic travel accounted for 60% of

the turnover while international travel was around 21%. The revenue generated from tours touched 8% of the turnover. It is heartening to mention that the SBU has been awarded by Air Canada and Turkish Airlines for outstanding performance and sales support.

Tours - Vacations Exotica

In February 2014, your Company acquired the premier holidays brand “Vacations Exotica”. Subsequently, it was integrated into your Company as SBU: Tours – Vacations Exotica. With this acquisition, your Company has become one of the top five Leisure Travel companies in India. This new SBU has bright prospects and huge potential to grow along with SBU: Tours & Travel. You are aware that your Company is one of the largest travel agencies in India affiliated to IATA. The main segments of growth are International Group Tours, Customized Travel, Cruises, Eurail and Indian Holidays. The emerging travel service segments – which promise to be lucrative in the near term – are packages for Group Inclusive Tours [GIT] and Free Individual Travellers [FIT]. Efforts are also on to strengthen our foothold in the burgeoning MICE segment. The market as a whole has very few well-organized tour operators providing quality-driven end-to-end services and hence, the opportunities are immense. With the acquisition of the Vacations Exotica, the Company can now offer holiday packages along with corporate travel management services to its portfolio of corporate and government clients which number approximately 7,50,000.

Refinery & Oilfield Services

Our SBU: Refinery & Oilfield Services is engaged in the activity of Mechanized Oil Tank Sludge Cleaning & Hydrocarbon Recovery Services. This SBU continues to be a pioneer and leader in this nascent market. While the market for Composite repair is still evolving, the same is expected to accelerate progressively with the increased awareness of users. In 2013-14, the SBU maintained its turnover pertaining to oily sludge processing in Refineries and oil installations. However, overall growth could not be achieved on account of non-availability of work in the power sector. In the near term, the SBU proposes to widen its service portfolio to cover processing of hazardous sludge in other industries.

Overall Financial Performance

Your Company has maintained a stable financial position, despite the prevailing adverse market conditions, during 2013-14.

At the close of another year of sustained performance,

your Company recorded its highest ever Turnover of Rs. 2843 crore in 2013-14 representing a growth of about 3% over the previous year. However, Profit Before Tax decreased marginally to ₹ 220 crore as against ₹ 224 crore in the preceding year. Segment-wise performance indicates that SBU: Logistics Services and SBU: Logistics Infrastructure were the main revenue drivers.

Your Company achieved yet another milestone with the Issue of Bonus Equity Shares in May 2013.

The Board of Directors has recommended a dividend at the rate of ₹18/- per share which corresponds to 180% for the financial year 2013-14 as against 176% in 2012-13, for declaration by the members at the 97th Annual General Meeting.

The First Quarter: 2014-15

The Unaudited Financial Results for the First Quarter ended 30 June, 2014 were approved by the Board at its Meeting held on 8 August, 2014. Despite the increase in gross turnover and net turnover by 5% each over the corresponding quarter in the previous financial year, Profit Before Tax [PBT] and Profit After Tax [PAT] have decreased significantly compared to the corresponding period of the previous year. The reduction is primarily due to prevailing sluggish economic conditions and the serious challenges being faced by SBUs: Greases & Lubricants and Performance Chemicals. Delay in commissioning the High Throughput Plant at Navi Mumbai also impacted overall performance. One of the highlights for the Quarter has been improvement of margin from Tours & Travel due to better commission from airlines other than Air India. The acquisition of the Vacations Exotica brand also contributed marginally to the overall turnover of the Tours & Travel business. However, collection from debtors continues to be a major concern. Despite the unfavourable factors, the Company is confident of maintaining growth in the remaining three Quarters.

Your Company is a firm believer in the dictum of Albert Einstein that “in the middle of difficulty lies opportunity.”

Corporate Governance

Your Company's culture, policies, relationship with stakeholders and loyalty to values is reflected in the Corporate Governance Report. Following are the five pillars of Governance that the Company conforms to as a part of its commitment to adopt global best practices –

- High accountability to its stakeholders;
- Absolute transparency in its reporting system and adherence to disclosure compliance;

- High ethical standards in the conduct of business with due compliance of laws and regulations;
- Enhancement in the stakeholders' value on consistent basis; and
- Contributing to the enrichment of quality of life of the community through discharge of Corporate Social Responsibility and promotion of Sustainable Development.

With the introduction of the Companies Act, 2013 and the related Rules, there has been a material change in the area of statutory compliance. The Company is making best efforts to adapt and comply with the changing statutes. Voting through electronic platform with opportunity for ballot voting -- as envisaged in the Notice of the Annual General Meeting -- may be considered as an example of such effort.

The Securities & Exchange Board of India [SEBI] has also made changes in the Listing Agreement to maintain parity with the Companies Act, 2013. The Company, being a listed Government Company, adheres to the norms set by SEBI under the Listing Agreements, Guidelines on Corporate Governance for Central Public Sector Enterprises 2010 and the Companies Act, 2013 along with the Rules made there under.

Corporate Social Responsibility [CSR]

Besides delivering value to its various stakeholders, the Company also discharges its environmental and social responsibility. The Company's policy and approach to CSR has evolved over a period of time and is in consonance with the prevailing Guidelines of Department of Public Enterprises as also the newly incorporated provisions in the Company Law.

The Company's long-term perspective CSR & Sustainability plan has been developed by Ernst & Young in consultation with the management *inter alia* keeping in mind the applicable Guidelines.

Various CSR projects have been undertaken under the two flagship schemes of the Company, viz., Balmer Lawrie Initiative for Self Sustenance [BLISS] and Samaj Mein Balmer Lawrie [SAMBAL]. BLISS is directed at long-term economic upliftment of the under-privileged while SAMBAL works towards improving the living standards of the society in and around the operating centers of the Company.

The Company spent an amount of ₹ 426 lakh on various CSR & Sustainability activities, which represents 2.6% of Profit After Tax thus exceeding the minimum spending benchmark laid down by the Government of India.

Acknowledgement

I take this opportunity to thank all of you for your unstinted support and continued confidence in us, which have been our source of inspiration. On behalf of the Board of Directors, I would like to convey to you our sincere gratitude.

I acknowledge the continued support and guidance of our Administrative Ministry, the Ministry of Petroleum & Natural Gas, Government of India and the encouragement provided to the Company. I also wish to thank other Ministries of the Government of India and other Governmental authorities, for their co-operation.

Today, we are what we are, because of our dedicated work force, which is highly motivated and committed to their duties and believe in the Company's philosophy. The work force constitutes the fulcrum based on which the Company structures its corporate goal-attainment machinery.

I also wish to thank our Holding company, Balmer Lawrie Investments Ltd., its valued shareholders as also our valued customers, vendors, business associates, bankers, financial institutions and other stakeholders for their continued support and co-operation. Finally, I must convey my gratitude to my colleagues on the Board for their wise counsel and valued involvement.

Thank you once again for the trust and confidence reposed on Balmer Lawrie.

Virendra Sinha
Chairman & Managing Director
Kolkata, 19th August, 2014