

Chairman's Speech at 2015 AGM

Ladies & Gentlemen,

It gives me great pleasure in welcoming all of you to the 53rd Annual General Meeting of your Company. The Annual Report for the year ended 31st March 2015 has been circulated so, with your permission, I shall take it as read.

Review of Performance

I would like to start by highlighting operational achievements during the year under review :

- Revenue from operations was a record Rs 1344.79 crores, albeit a marginal 2% higher than the previous year. However, EBIDTA fell by 15% to Rs 262.90 crores and PAT declined by 69% to Rs 11.98 crores on account of difficult market conditions.
- Foreign exchange earnings stood at Rs 1032.47 crores for the year under review.
- Production of ferro chrome was a record 205,203 tonnes representing a 3.6% increase over the previous year. Similarly, power generation was 913.92 million units while chrome ore raising stood at 414,138 tonnes.

Mining Issues

Pursuant to the MMDR Amendment Bill, 2015 the validity of our Sukinda and Mahagiri Mines stands extended up to 2049 and 2055 respectively

while the Nuasahi Mines - which is closed after the lease expired in November 2014 - is eligible for extension up to 31st March 2030. A comprehensive exploration and development plan is underway and we will look to raise output in a systematic manner to meet our captive requirement. We have also made significant progress towards developing underground mines for the first time in Sukinda Valley.

Outlook

The ferro chrome industry is going through a very difficult phase on account of the challenging economic conditions globally. While the United States has been a beacon of hope, the uncertainty in Europe and the downward trajectory of China has been a cause of concern. In this context, a single party majority government in India has been working to revive both the economy and business sentiments but more time is needed for concrete results. Amidst all this, ferro chrome prices seem to have bottomed out although marginal producers are under pressure and supplies are likely to be constricted going ahead. While stability is a precursor to revival, increased consumption pursuant to an improved economic outlook is the only solution.

As you are aware, exports constitute a significant portion of our revenues. However, this will change as stainless steel demand and output increases. While India is already the world's second-largest consumer and third-largest producer of stainless steel, per capita consumption is only about 2 kg as compared to the global average of around 5 kg. Aided by a burgeoning middle class and rapid urbanisation,

demand for stainless steel is poised to surge which will augur well for the ferro chrome industry over the medium to long term.

These are challenging times and earnings are going to remain muted at least for the current fiscal. However, we have gone through such situations in the past given the inherent cyclicity of the ferro chrome industry and I am confident that the building blocks put in place by the Management will bear fruit when the tide changes.

Captive Coal Block

The cancellation of the captive coal block being developed by Utkal Coal Ltd, an SPV, pursuant to the judgement of the Hon'ble Supreme Court was unfortunate. However, new avenues are opening up including auctioning of coal linkages. We are evaluating options available to us for fuel security while also pursuing fair compensation for the Utkal C block.

Corporate Social Responsibility

Your Company's approach to social responsibility extends well beyond business and financial considerations. The Bansidhar & Ila Panda Foundation has been set up to create economic and social opportunities for those at the bottom of the pyramid and particularly aims to create awareness among women and children about health, sanitation and education. Of course, our activities under the umbrella of the Indian Metals Public Charitable Trust also continues.

Human Resources & Industrial Relations

The dedication and commitment of our people has been a key strength. We continue to focus on enhancing the knowledge base through Learning & Development initiatives and are working on strengthening the management bandwidth.

I am also pleased to inform you that industrial relations at all units were cordial during the year under review and, on behalf of your Directors, I acknowledge the co-operation and contribution of the entire workforce.

Acknowledgements

On behalf of the Board of Directors and the Management, I would like to place on record your Company's sincere appreciation of the support extended by the Central & State Government and their agencies, term lenders & working capital bankers and the continuing patronage and support of all stakeholders.

Thank you,

Dr Bansidhar Panda

Executive Chairman