



Linde India Limited
79th Annual General Meeting
15 May 2015

Chairman's Speech *15 May 2015*

THE LINDE GROUP

Linde

Introduction

Good Morning, Ladies and Gentlemen. I am very pleased to welcome you all to the 79th Annual General Meeting of your Company.

Before proceeding further, I would like to state that I was saddened by the unfortunate event of a massive earthquake that has hit some parts of India and Nepal recently. While several lives were lost in India, the earthquake devastated life in Nepal, a friendly neighboring country and as per recent estimates; over 8,000 people across all age groups, have lost their lives in this accident. May I therefore request you to please observe a minute's silence in the memory of the victims of the earthquake in India and Nepal.

Now, with your kind permission, I would like to say a few words.

We live in a connected world

The global economy continues to be in a state of flux with geo-political risks and volatility in crude oil prices adding to the complexity. The US recovery appears to be on track with the Federal Reserve hinting at tightening of its monetary policy and an increase in interest rates. The Eurozone, which had faced a very difficult 2014, moved somewhat more positively into 2015 aided by a steep fall in crude prices and quantitative easing by the European Central Bank. However, the potential risk of Greece exiting the European Union continues to loom. Closer home in Asia, China has seen a steady slowdown in its growth rates despite various measures by its central bank to boost growth. In short, the world economy continues to face an uncertain outlook with volatility due to rising geo-political tensions, currency fluctuations and steep fall in commodity prices.

Looking back at 2014

Against this backdrop, the Indian economy also continued to face difficult economic conditions during first half of 2014 and capital formation was sluggish. The agriculture sector, which employs the largest proportion of India's population, depends on normal to good monsoons for a robust farm output. In 2014, farm output and rural demand were affected by less than normal monsoon. While the formation of a stable Government at the Centre in May 2014 did give rise to hopes of a recovery, much of these have not yet been visible. Advanced estimates suggest that the country is likely to clock a GDP growth rate of 7.4% during 2014-15, although the IIP growth during 2014-15 will be a disappointing 2.8%. However, the steep fall in global crude prices has been a boon to the domestic economy, which not only helped contain inflation, but also kept the subsidy bill for the Government in control. Inflationary pressures have somewhat abated, which has allowed the Reserve Bank of India to reduce interest rates in January 2015 for the first time after a long regime of high interest rates.

On the policy side, the country has seen another year where important bills for reforms could not win the approval of both houses of Parliament. Let us hope that the polity places the country first in order to put the economy on the path of recovery.

Gases Industry

Like most other industry segments, the Gases industry continued to experience its own set of challenges. As a result of poor growth in manufacturing, gases demand in the market remained very subdued. The steel, infrastructure, capital goods, power and other key sectors faced project delays, and investments in new projects have slowed down significantly. This was particularly evident in the steel, refinery and several other end user segments which generate the largest demand for gases. Over-capacity in the steel industry coupled with increasing import of steel has resulted in most steel players operating below nameplate capacity, while a number of the smaller players had to shut down operations. This obviously had an adverse impact on the demand for gases. The slowdown in the automobile and fabrication industry during most of 2014 has also adversely affected the gases business.

Your Company will continue to look for all possible avenues to drive profitable growth in its gases and project engineering businesses in the coming years by focusing on its customers, leveraging technology, propogating new gas applications and a continuing focus on safety and customer experience.

Performance 2014

During the year 2014, your Company recorded a subdued performance in the midst of weak economic conditions and overall contraction in demand. Revenue from operations for the year 2014 was Rs.16,149 million recording a growth of about 6% over the previous year, which was largely derived from revenues from newly commissioned plants, while growth from the base businesses of Gases and Project Engineering remained muted.

While the Directors Report and the Management Discussion Report contain a detailed review of the Company's financial performance, I would like to highlight some key elements of our business performance. The Gases business of the Company grew by about 22% mainly driven by the Tonnage business. This includes revenues from the 2x853 tons per day (tpd) air separation units (ASUs) at the SAIL Rourkela works, the ramp-up of the newly commissioned 2550 tpd plant at Tata Steel's works at Jamshedpur and the 330 tpd merchant ASU at Talaja. On the other hand, the Project Engineering business, which is primarily driven by capacity expansion in steel and refinery industries, faced significant reduction in its order book, which is reflected in its lower revenues. The Healthcare business, where your Company is a leading player, is challenged by intense competition and a lack of adequate standards. The Company is trying to combat these issues, and has begun to enter Tier 2 cities to improve margins in this business.

The Merchant and Packaged Gases business is another focus area. Your Company has been leveraging its technical know-how in stepping up its shielding gases volumes. The special products business has grown significantly by about 58% year-on-year on the

back of helium demand for the manufacture of optic fibres and in the area of space research.

You are aware of significant investments made by the Company in new plants recently. The 2X853 tpd ASUs at the SAIL Rourkela works were recently commissioned, while the 2x1000 scale oxygen plants at Tata Steel's Kalinganagar works are in advanced stage of construction. You would have noted that your Company's profits during 2014 have recorded significant decline on account of two major charges - higher depreciation mainly due to the capitalisation of new ASUs and impairment of certain fixed assets, and secondly, very high finance costs. The steep increase in finance costs was on account of interest on ECBs for the SAIL Rourkela ASUs, which has been fully charged to the revenue during the year following their capitalisation. As a result of all these factors, the net profit for the year fell to Rs.54 million.

Safety

Safety as you all know is a top most priority for your Company. Safety at Linde goes beyond procedures and is an intrinsic part of our values reflected in our behaviors. As you have noted from the Annual Report, your Company works tirelessly to continuously improve safety performance at its plant sites and of its transportation fleet. As a member of The Linde Group, we aspire to a goal of ZERO incidents across our operations in addition to supporting our customers in achieving their safety goal.

Dividend

You must have noted your Board's decision to maintain the dividend of 15% (Rs. 1.50 per equity share of Rs. 10 each) for the year 2014, which will be paid out of the undistributed profits of previous financial years pursuant to the provisions of Section 205(1) of the Companies Act, 2013. Your Board has taken this decision after a careful review of the Company's performance during the year and the years ahead.

Q1 2015 performance

You would have also noted the financial results for the 1st quarter of 2015, which were recently approved by the Board. While the gases business recorded a growth of 10% during the 1st quarter of 2015, the turnover of the Project Engineering Division declined by about 30% as compared to Q1 of 2014. The increase in revenue from the Gases business was mainly driven by the Tonnage business, including revenues from the SAIL Rourkela ASUs. The decline in the revenues of the Project Engineering business was due to a significant decline in the number of new projects. Your Company is taking several operational measures such as enhancing productivity, restructuring its organisation and improving capacity utilisation at its new plants. In addition, a strong focus on volume growth, pricing discipline, and a rigorous cost and working capital management process have all been introduced to improve the performance of your company. Furthermore, we have actively undertaken steps to restructure the financing arrangement to reduce interest costs to further support the financial performance in the short term.

Outlook

India's GDP growth in 2015-16 is projected to be between 8-8.5%. This growth is expected to be underpinned by rise in industrial activity and manufacturing. This has been the particular focus of our Prime Minister, Shri Narendra Modi in his ambitious "Make in India" initiative. Your Company has already committed significant investments in the past few years on the expectation of strong growth and is therefore well positioned with existing capacity on the ground to meet the future demand. With support from the government and the sponsorship of the Prime Minister, we are hopeful that the impediments to growth in the form of legislation, stable policy platform, simplified tax regime, a momentum in foreign direct investments (FDI) and investments in new projects will spur economic activity. All this will provide your Company's Gases and Project Engineering business with much needed opportunities for growth. I am therefore, cautiously optimistic about the medium to long term outlook for your Company.

Corporate Governance

Your Company remains committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the Board of Directors supports high standards in corporate governance. It is the endeavour of the Board and the executive management of your Company to ensure that their actions are always based on principles of responsible corporate management. Your Company closely follows the Companies Act, 2013, and the changes in the corporate governance norms announced by SEBI from time to time and will take the lead in ensuring compliance.

Board Changes

During the year 2014, there were no changes in the Board of your Company. In order to ensure compliance with the provisions of Section 149 of the Companies Act, 2013, and Clause 49 of the Listing Agreement relating to the constitution of the Board, your Board appointed Ms Desiree Co Bacher, Head of Finance and Control, South Asia & ASEAN of The Linde Group as an Additional Director of the Company with effect from 17 February 2015. Ms Bacher imparts gender diversity to the Board and brings with her over 20 years of experience covering finance and controlling, and project management among others. The proposal for the appointment of Ms Bacher as a Non Executive Director of the Company is already with you and I am sure you will extend to her your whole hearted support.

At the Board meeting held on 17 February 2015, Mr Binod Patwari, a Director representing The Linde Group since 2010, stepped down from the Board of the Company in view of his other commitments within The Linde Group. During his tenure as a Director, Mr Patwari enriched the deliberations of the Board with his wise counsel. On behalf of the Board, I wish to thank Mr Patwari for his contributions during his tenure on the Board.

Conclusion

Before I conclude, I would first like to thank the customers of Linde India for their support and for choosing the products and service offerings of your Company. We want to provide the best possible service to our customers and deliver them a great customer experience. I would also like to thank all my colleagues on the Board, in particular our non executive independent directors for their wise counsel and for enriching discussions and decision making at the Board meetings of your Company. The management team and our employees across India deserve my heartfelt appreciation for their commitment, hard work and dedicated services despite difficult times. Our Golden Rules of Safety have recently been amended to incorporate Rule #1 as a commitment to "personal ownership of Safety". I would urge you to imbibe this in your lives and to make it your personal responsibility to stay safe for yourself and for your families. Finally, on behalf of the Board, I thank you, our shareholders, for your unfailing support and encouragement.

Thank you ladies and gentlemen.

Sanjiv Lamba

Kolkata

15 May 2015

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.