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Linde India Limited.

Chairman's Speech at the
78th Annual General Meeting
held on 23rd May 2014.

For Private Circulation Only

Speech delivered by

Mr. Sanjiv Lamba, Chairman,
Linde India Limited,
at the 78th Annual General Meeting
on 23rd May 2014 at Kolkata.

Introduction

Good Afternoon, ladies and gentlemen. I am very pleased to welcome you all to the 78th Annual General Meeting of your Company.

The Report & Accounts for the year ended 31 December 2013 and the Notice convening this meeting have been with you for quite some time but before proceeding with the Agenda as per the Notice, with your kind permission, I would like to say a few words.

Indian elections

I would like to open this session by congratulating all of you for having a newly elected central government with highest majority in past 30 years. You are aware that in the midst of economic and political crisis, India went to polls with the hope of a strong and stable government capable of bringing about a change, one that could put the economy back on the path of growth and development. The recently announced election result is a clear mandate for such a strong and stable government and let us hope that the new government would be able to meet the expectations and aspirations of the country. While financial markets have responded positively on the election outcome, we look forward to matching performance from the industry.

We live in a connected world

The world economy is in a transition. Growth rates are picking up, but with increased volatility. On one hand, the US Federal Reserve is moving to normalize monetary policy while on the other hand China is trying to rebalance its economy by increasing domestic consumption. Euro area has started showing initial signs of positive growth after two consecutive years of contraction. However global geo-political risks remain a concern as we keep coming across unrest in various pockets. Back home, we have a strong domestic consumption led economy. But competitiveness is the key. Companies must invest in innovation and increase productivity and efficiency to be globally competitive.

We also need to improve overall industrial safety and compliance standards to be able to attract more foreign investors. We need more investments in our economy to fuel the growth.

Looking back 2013

Indian economy had to face yet another challenging year, which posed serious domestic as well as external challenges in the form of high fiscal and current account deficit, inflation, depreciating rupee, contraction of demand, deepening growth concerns and stalled policy activity from the Government. It is therefore not surprising that as per recent estimates of Central Statistical Organisation, India is likely to clock a decade low GDP growth rate of about 4.9% during 2013-14. What is even more concerning is the contraction in the industrial growth in the financial year driven by scaling down of production in many of the core sectors. On the policy side, we experienced another year, where important decisions were kept pending. India's reputation as an investment destination took a hit internationally for its poor governance and spate of scams.

Gases Industry

Gases industry also experienced its own set of challenges. Driven by flat or negative industrial production, the gases demand in the market remains very subdued. A number of new major projects / investments have slowed down significantly and also the execution of on-going projects saw protracted delays. This was particularly evident in steel industry, which remained the largest target segment for gases.

The investment cycle which kicked-off with the boom in economy in 2010-11, has resulted in higher production capacities on the ground. With inherent nature of limited operational flexibility, surplus capacity chasing lower demand kept prices under pressure. Increased regulatory restrictions (eg. Minibulk installations, Ammonium Nitrate storage license) have added to the cost to serve our customers. Unreliability of power situation across states has

continued to create operational bottlenecks. This unreliability coupled with significant increase in power tariffs has hit the gases industry hard. Significant increase (+15%) in Diesel prices over the course of the year, have further added to costs and restricted the reach of our products. All these factors have created pressure on the margins.

The year has also seen some consolidation (Uttam, EIGL) in the industry and Linde India also took part in it with the acquisition of business of Uttam gases (Uttam Air Products and Uttam Special Gases). This trend is inevitable and would drive improvement in market and operating standards going forward. The trend of gases outsourcing has been increasing (vs captive production) and this is extending into newer industry segments. This will definitely help to create new markets for all of us.

Performance 2013

During the year under review, your Company attained a modest performance amidst sluggishness in most end user industry segments on the back of weak economic conditions. Revenue from operations for the year 2013 amounted to Rs.15295 million recording an increase of nearly 8%, year on year.

Gases business grew by about 13% backed by higher revenues earned from tonnage, healthcare and special gases businesses. On the contrary, the Project Engineering Division's business recorded a decline of about 5% as compared to its highest ever turnover achieved in 2012. However, the Project Engineering Division managed to retain its overall profit margin due to cost optimization through rigorous project management and efficiency improvements.

Your Company's operating profit during the year amounted to Rs.2698 million, recording an increase of about 31% year on year. This increase was possible among others due to ramp up of new tonnage plants, optimization of costs and focus on profitable product lines such as medical and special gases. Your Company also accounted for an exceptional income of Rs.503 million from

disposal of surplus factory land at Ahmedabad. Your Company's profits after tax however, recorded a decline during the year 2013 to Rs.773.28 million from Rs.894.80 million in the previous year, as a result of significantly higher finance costs on long term borrowings and higher depreciation following the capitalisation of new plants which are currently in various stages of capacity ramp up.

Due to large overlapping investments, the Balance Sheet of your company has been stretched significantly. The company has increased the gross block of assets by more than 50% in last 3 years. The Company continues to focus on working capital management and cash generation as a priority.

Dividend

You are aware of your Board's decision to maintain the dividend of 15% (Rs. 1.50 per equity share of Rs. 10 each) for the year 2013 despite lower net profits as compared to the previous year. Let me assure you that your Board has made this recommendation after careful consideration of your expectation as shareholders and the need to maintain a stable dividend payout in the years ahead.

Q1 2014 performance

You would have also noted the financial results for the 1st quarter of 2014, which were recently approved by the Board. While the gases business recorded a growth of 16% during the 1st quarter of 2014, the turnover of the Project Engineering Division declined by 32% due to delay in selected projects. During the first quarter of 2014, due to the twin pressures of increased finance costs and depreciation for the newly capitalised plants, the Company had to report a net loss of Rs.5 million. Your Company is working towards ramping up the new plants and hopes to overcome these pressures on financial performance in the coming years.

Outlook

Following the election results, the outlook for the Indian economy is tinged with optimism. However, realistically it will be some time before we are back to GDP growth rates of 7-8%. In the near term, we may have to contend with a sub 6% growth. On the positive side, however, this would still be a significant improvement over the almost flat industry performance we have been experiencing over the last several quarters.

You are aware that your Company has committed significant investments in the past few years based on strong growth expectations from the Indian market; which however remained less than satisfactory in past couple of years and even upto early part of 2014. As a result of these investments, your company has very recently commissioned large ASU capacity in Rourkela Steel Plant of SAIL and 2 x 1000 tons per day ASUs are under construction at the greenfield project site of Tata Steel at Kalinganagar in Odisha. I do hope that the new Government will be able to revive and spur the economic growth, improve business sentiment, channelise capital investment in infrastructure and other core sectors. All this should result in a strong pick up in steel demand in medium to long term on a sustained basis and your company should therefore be well poised to benefit from the same. The revival of the core sector would also open new opportunities in the Project Engineering Division and enable it to improve its order book in the medium to long term.

Besides, your company's Application Technology Sales organization is actively promoting new application for its gases across a broad spectrum of customers ranging from chemicals, glass, pharmaceuticals, energy, automotive etc. The Directors Report covers some of the success stories of Application Technology Sales during the year in more details.

Your Company's unique integrated business model comprising Gases and Project Engineering with technological support from Linde Engineering and robust in house design and execution capability, provides it a strong edge over competition. I am therefore, quite optimistic about the long term outlook of 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 is closely following the recent enactment of the Companies Act, 2013 and the changes in the corporate governance norms announced by SEBI towards strengthening Corporate Governance in listed companies and will take lead in ensuring compliance with these norms.

While on the subject, it may not be out of place to mention that during the year under review, the promoter group of your Company made an offer of sale of 12,345,126 equity shares of Rs.10 each in the Company through the stock exchange mechanism. As a result of this, the promoter shareholding in your Company was reduced from 89.48% to 75% of the total issued and paid up share capital of your Company. Your Company is now fully compliant with the minimum and continuous public shareholding requirement in listed companies laid down by the Securities and Exchange Board of India.

Board Changes

During the year under review, Mr Srikumar Menon, stepped down as the Managing Director of the Company as per an agreed succession plan with effect from 29 July 2013. Mr Menon was first inducted in the Board as the Finance Director of the Company in the year 2001 and later appointed as the Managing Director of the Company in the year 2008. During his long stint on the Board, Mr Menon rendered valuable services to the Company and provided visible leadership to the growth agenda of the Company as its Managing Director. On behalf of the Board, as well as on my own behalf, I place on record my sincere appreciation of the valuable contribution made by Mr Menon to your Company during his tenure on the Board. In accordance with the succession plan, Mr Moloy Banerjee, the Deputy Country Head of the Company was appointed as

an Additional Director and Managing Director of the Company w.e.f. 30 July 2013. The proposal for the appointment of Mr Banerjee as the Managing Director of the Company is already with you and I am sure you will extend your whole hearted support to the same.

Conclusion

Before I conclude, as always, I am extremely thankful to the customers of Linde India for their support and for choosing the products and service offerings of your Company. I feel we should always put our customers first and pursue innovative solutions leveraging on Linde's suite of gas application technologies for enhancing productivity of customers' processes in diverse industries. This will deliver them a great customer experience. I would like to convey my most sincere thanks to all my colleagues on the Board, in particular our independent non executive directors for their wise counsel, which has always enriched discussions and decision making at the Board meetings of your Company. I am conscious that the Indian economy has been facing a very challenging period in recent times, both domestic as well as external. I therefore, thank the executive management team for their leadership and all our employees across India for their commitment, hard work and dedicated services in overcoming these challenges. Finally, may I on behalf of the Board thank you, our shareholders for your unflinching support so far and look forward to your continued support and encouragement.

Thank you ladies and gentlemen,

Sanjiv Lamba
Kolkata

23 May 2014

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

