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THE LINDE GROUP

Linde India Limited.

Chairman's Speech at the 77th Annual General Meeting held on 17 May 2013.

For Private Circulation Only

Speech delivered by

Mr. Sanjiv Lamba, Chairman,
Linde India Limited,
at the 77th Annual General Meeting
on 17 May 2013 at Kolkata.

Good Afternoon, ladies and gentlemen. I am very pleased to welcome you all to the 77th Annual General Meeting of your Company. Before proceeding any further, I would like to begin by thanking you for your whole hearted support to the brand change initiative recently undertaken by your company. As a result of this initiative, the name of your Company has changed to Linde India Limited with effect from 18 February 2013. Linde is a leading brand in the gases and engineering businesses world wide and recognized as a technology leader in the market. The rebranding to Linde will therefore enable your Company to benefit from the global brand of The Linde Group and also help communicate one identity to all our customers. It has therefore been the endeavour of your management to make this brand change successful as well as seamless in the long term interest of the Company.

The Report & Accounts for the year ended 31 December 2012 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.

The Year in Retrospect

The year gone by has been a very challenging year for the Indian economy, which continued to face serious domestic as well as external challenges. The year saw further contraction in India's GDP growth rate, which according to advance estimates of Central Statistical Organization is expected to be the lowest in a decade at around 5%. The poor performance of the manufacturing sector, which grew by only 1.9% in the financial year 2012-13 compared to 2.7% in the last year, has been a significant contributor to the lower growth rate. While growth continued to slip, inflation remained a major concern throughout the year resulting in higher input costs putting margins under pressure. For most part of 2012, the Government had been largely ineffective in providing direction or indeed any stimulus for growth as the political processes have been swamped by several scams and pressures of coalition politics.

Gases Industry Scenario

It is against this backdrop that the Indian gases industry had one of its more difficult years. The Gases industry as you know is capital intensive, which requires large recurring investments in setting up new plants and in distribution assets to meet increasing demand from its customers. The previous model of captive gases capacities in steel, fertilizers and refinery sectors is seeing a shift to a more widely accepted Build Own Operate (BOO) model where gases specialists, like your Company own and operate these assets.

The gases industry in India continues to be oxygen led with large demand from the steel industry. However, it is good to note that the other gases such as Nitrogen, Argon and more recently special gases are growing at higher growth rates albeit on a smaller base. Inevitably, the softening of steel demand has had an impact on the gases industry in India, although the medium to long term prospects continue to be robust as the country's steel majors including Tata Steel, JSW Steel and SAIL are in various stages of their expansion programmes. Besides, diverse end user industry segments such as fabrication, consumer durables, oil and gas, refinery, pharmaceuticals, glass, etc. continue to provide growth opportunities. The growth in the healthcare sector in the country is also creating higher demand for medical oxygen and other medical gases.

Highlights of Performance

Your Company's performance during the year under review has been rather subdued mirroring the general slowing down of the Indian economy. The Company achieved a turnover of Rs. 14,113 million for the year ended 31 December 2012 recording an increase of nearly 16% compared to the previous year.

The Company's gases business for the year under review grew by about 15% and the growth was largely driven by commissioning of a new 2550 tonnes per day Air Separation Unit for Tata Steel at Jamshedpur and a merchant Air Separation Unit with a total liquid capacity of 450 tonnes per day at Taloja. The Project Engineering Division registered another robust performance during 2012, achieving its highest ever revenue of Rs.3,889 million from turnkey projects. In addition to various third party projects, the Project Engineering Division is in advanced stages of commissioning two in house air separation units of 853 tonnes per day each at SAIL's Rourkela Steel Plant. Unfortunately, these ASUs have been impacted by customer delays, which have also adversely impacted financial performance of our Gases business during the year under review. Your Company has engaged with the customer at the highest level and hopes to commission these air separation units in the months ahead. In addition to these Air Separation Units, with a view to diversifying its customer base, your Company has also commissioned a Helium Transfill facility at Taloja and completed the acquisition of Uttam Gases in the healthcare segment in North India.

Your Company saw a decline in the profits after tax during the year from Rs.1217 million to Rs.895 million as a result of significantly higher finance costs on long term borrowings and higher depreciation arising from the new air separation units commissioned during the year. The depreciation also includes impairment provision of Rs.85 million relating to assets at an electronic gases customer's site arising from discontinuance of their operations. During the year under review, the Company had to deal with significant increase in power costs and persistent reliability issues in supply of power, which is a critical utility for the gases industry.

You would have also noted the financial results for the 1st quarter of 2013, which were recently approved by the Board. These results reflect the challenging and difficult global environment and lack of growth momentum in the domestic market.

Dividend

You are aware of the recommendation of your Board for payment of a dividend of 15% (Rs. 1.50 per equity share of Rs. 10 each) for the year 2012. Let me assure you that despite the drop in the financial performance as compared to the last year, your Board has made this recommendation after careful consideration of your expectation as shareholders on a sustained basis as well as the need to conserve resources for financing of ongoing capital expenditure towards setting up of new plants as well as potential acquisitions.

Outlook

The year 2012 saw turbulence in financial markets, high sovereign debt worldwide and currency fluctuations resulting in slower economic growth. This trend in the macro economic environment is unlikely to change significantly in the near term. The Indian economy continues to be faced with a high current account and fiscal deficit and a poor investment climate, which add to the deepening growth concerns. We hope that the Government is able to push through measures, which may improve the investment sentiment and enable the country to return to a more stable higher growth rate. Of late, the inflationary trends have started showing signs of moderation supported by the sharp fall in the international crude and commodity prices. This has prompted the Reserve Bank of India to cut its policy interest rates by 25 basis points for the third time since January 2013. Most recently, the fall in wholesale price inflation below 5% in April 2013 has been welcome news, as this is expected to give more flexibility to RBI for further rate cuts, to spur India's sluggish economy.

Despite the somewhat uncertain economic environment, your Company remains committed to growth in select end user segments. It has selectively committed significant investments in its Gases business to set up large capacities to cater to steel sector and merchant demand from customers in bulk and packaged gases segments as well as healthcare markets. These capacities include recently commissioned 2550 tonnes per day Air Separation Unit at Tata Steel works at Jamshedpur and a 450 tonnes per day merchant Air Separation Unit at Taloja and the upcoming two 853 tonnes per day Air Separation Units at Rourkela Steel Plant, which are now expected to be commissioned during the next few months. The recently set up application technology based sales organization in Gases business has successfully promoted new applications for its gases across a broad spectrum of customers ranging from chemicals, glass, pharmaceuticals, energy, automotive, cement, etc. by enhancing productivity of their processes.

When speaking of the outlook, I will be remiss, if I do not mention the outlook for the Indian steel industry. While the steel demand in the short term has softened, it is likely to pick up over medium to long term on the back of revival in economic growth and expectation of fresh investments in the infrastructure sector. The World Steel Association estimates that the demand for steel in India is likely to grow by 5.9% in 2013 due to monetary easing, which is likely to support investment activities and further accelerate to 7% during 2014. India's long term macro-economic fundamentals continue to remain good and we expect that the domestic demand and the long term growth are likely to sustain. Your Company has a unique integrated business model comprising Gases and Project Engineering with technological support from Linde Engineering and robust in house design and execution capability, which can generate profitable growth as the economy recovers. I therefore, look to the future with cautious optimism.

Corporate Governance

As a member of The Linde Group, your Company is 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. Your Board and the executive management is therefore, always guided by a strong sense of responsibility. The regulatory authorities including SEBI and the Ministry of Corporate Affairs in India are continuously driving changes in the governance norms. Your Board will therefore continue to follow developments in this area closely.

You are aware that the promoter shareholder of your Company has recently decided to sell down a part of its shareholding in the Company by "one or more offer for sale" through the stock exchange mechanism, subject to market conditions and regulatory approvals as may be required with a view to comply with the minimum public shareholding requirement laid down by SEBI for listed companies in India.

Board Changes

During the year under review, Mr Aditya Narayan, an additional director with effect from 9 February 2012 was appointed as a director at the 76th Annual General Meeting held on 17 May 2012. There has not been any change in the Board of your Company since the last Annual General Meeting.

Conclusion

Before concluding, I would like to place on record my sincere thanks and appreciation for all my colleagues on the Board for their wise counsel and guidance in enriching the deliberations and decision making at the Board. I am also very thankful to our customers, who offer us the opportunity to partner their growth. I also wish to thank the executive mangement of your Company for their hard work in steering the company during these difficult and challenging times and all its employees for their support and understanding. Finally, I thank you all the shareholders for your unwavering support and encouragement as always and look forward to the same in the years ahead as we work towards tansforming our Company into a high performance organisation.

Thank you ladies and gentlemen,

Kolkata
17 May 2013

Sanjiv Lamba

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