

Chairman's Speech

Good Afternoon Ladies & Gentlemen,

I feel tremendous pride in welcoming you to the 25th Annual General Meeting of your company. The report in your hands marks 25 years of your Company's growth and progress. It gives me immense pleasure to present you yet another eventful year.

I would say the year 2008-09 has been one of profound learning for the entire business community. The incredible highs seen by businesses world over were met by more than dramatic lows that changed the entire outlook of the economy in an unbelievably short span of time. Even the shipping industry has more than felt the impact of the financial meltdown in terms of sharp fall in freight rates and slack of demand. However, in the midst of this challenging scenario your company has maintained its growth momentum and turned out noteworthy results. Your Company has reached a consolidated turnover of Rs. 2134 crores, a 50% growth over the previous year. The bottom line at Rs. 467 crores witnessed a 17% increase over the previous year. A substantial increase of 78% was seen in the fixed assets.

Let me take you through some noteworthy milestones achieved this year. Mercator's Very Large Crude Carrier was successfully converted into a Very Large Ore Carrier and has been deployed with international ore major Vale for a period of 14 years. In another major accomplishment, the construction of Mercator's jack up rig was completed ahead of schedule and the rig has joined the fleet. This rig was deployed immediately for three years on firm bareboat contract. Thirdly, Mercator Singapore, your Company's listed subsidiary has made the Group proud with its winning of the Singapore Corporate Award for the Best Annual Report in two categories, this too within its first year of listing.

To state some statistics, shipping sector has seen record lows due to the fall in the Baltic Dry Index by over 90% in 6 months, even the tanker segment witnessed a slump due to over supply of tonnage and subsequent fall in the earnings and acquisition costs. The rest of 2009 may also pose some difficulties for the tanker segment due to shrinkage in global oil demand. However, we believe the worst is now behind us and a moderate recovery is on its way. This is truly encouraging news.

The dredging industry was also severely affected by the financial melt down. Most of the dredging contracts in the Middle East were prematurely terminated. This resulted in an over supply of tonnage and softening of the charter rates. Your Company having acquired the dredging experience in the Palk Strait Area (Sethusamudram Ship Channel Project), successfully bid for dredging the Karaikal Approach Channel. I am pleased to inform you that the works were completed within the assigned duration of three months. The dredgers are now fully engaged in the deepening of Paradip Port Approach Channel. All the units have been kept gainfully employed.

On the Coal mining front, although mining activities and production from Indonesian mines have started, the Company's Mozambique mines are still to become operational due to infrastructure bottlenecks and political issues. In the current year; the company hopes to achieve its target in coal mining and expects additional trading in the market.

On the Oil and Gas Assets front, Cambay blocks which the Company won in NELP VII round of bidding are awaiting PEL clearance before exploration work can commence.

On the whole, the overall economic scenario is already seeing positive signs with good prospects of growth especially from the Asian economies. We are optimistic but since times are still uncertain, it would be only wise to exercise caution and keep any urge of complacency at bay. I assure you we are working with utmost commitment to overcome all challenges and look forward to continue presenting you with good corporate results.

Even though the performance of your Company has been satisfactory, in view of the challenges that lie ahead resulting from the recession, the management has thought it prudent to recommend a dividend of 50% on the equity share capital. We hope to receive your consent on the same.

On that note I would like to express my appreciation and gratitude to the Mercator team world wide. I am joined by my colleagues on the board to express my gratitude towards various ministries, government functionaries, financial institutions, banks and all the shareholders of the Company for their support over the years.

Thank you.

H. K. Mittal

September 24, 2009