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December 31, 2019

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 526235

To,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.
Scrip Code: MERCATOR

SUB: CHAIRMAN'S SPEECH

Dear Sir,

We enclose herewith copy of Chairman's Speech being delivered today at the 35th Annual General Meeting of the Company held at Walchand Hirachand Hall, 4th Floor, IMC Building, IMC Marg, Churchgate, Mumbai - 400020.

Please acknowledge and take the same on records.

Thanking you,

Yours faithfully,

For **Mercator Limited**

Mercator Limited

Rajendra Kothari
CFO & Compliance Officer

Encl.: as above

Chairman's Speech

Dear Shareholders,

Welcome to 35th Annual General Meeting of Mercator Limited. I will start with taking stock of last year's performance and move on to explain the reasons behind the current financial situation of the company.

The year 18-19 witnessed a weakened performance for Mercator Limited.

- Consolidated operating income at RS 867 crores against RS 974 crores in FY18
- Positive consolidated adjusted EBIDTA of RS 212 crores in Financial year 2019
- Higher sales volume achieved in Coal Mining & Logistics segment @ 1.89 million tons during the current year as compared to 1.02 million tons during previous year
- Profit After Tax impacted by Non-Cash items –
  Impairment of dredgers by RS 150 Cr,
  Loss on Discontinuing operation of VLCC by RS 347 Cr and
  Loss on sale of VLGC RS 70 Cr

Our Dredging business saw a huge slowdown from financial year 2018-19. Cancellation of the contract of Rs.166 crores by Paradip Port Trust, limits for working capital being frozen by lending banks and finally disinvestment of Dredging Corporation Of India (DCI) and its sale to our main customers, the 4 big ports, led to a complete collapse of the dredging business. International markets too are facing a slump in Dredging Contracts. An unfortunate cyclone led to dredger 'Veera Prem' turning to wreck at Kariakal Port causing a significant loss of capacity to the business. Trivedi Prem also sank at the New Mangalore Port Trust.

Your Company decided to sell off all the dredgers as it has been incurring huge costs to keep the dredgers in idle condition. These urgent and distress sales have caused a significant loss on sale. Your Company is looking to carry on capex light dredging contracts where bulk of the works can be carried out with hired equipment. Two such contracts with BPT and Goa Navy are already under execution.

During the year under review, owing to the cyclical nature of the shipping business and the charter rates for it most expensive ship 'VLCC', continuing to

be lower, resulted in huge losses. Your Company sold this loss-making Vessel 'Nerissa' in April '19 to minimise losses and reduce debt by 174 crores.

Your company took permission through a postal ballot process in the month of October 2019 for the sale of FSO Prem Pride and the vessel Prem Mala due to expiry of Charter Party agreements and huge anticipated expenses of dry docking which would become due in early 2020 for both the vessels.

Like the Dredging business, Shipping division too will look out for the capex light opportunities for growth.

Your Company through its subsidiary Mercator Petroleum Limited (MPL) has two oil blocks in the Cambay Basin namely CB-3 and CB-9. MPL's CB9 had 2 discoveries and has received FDP approved for 23.79 million barrels of oil; MPL produced oil from Jyoti 1 for 6 months which was sold to Indian Oil Corporation Ltd. Further production requires certain environmental clearances. To achieve production to the envisaged 5000-6000 barrels per day the company needs to infuse around Rs. 70 cr. in capex for drilling 3 developmental wells.

MPL has been trying to raise further capital from strategic funds and financial institutions to ramp-up production for over a year now. An unfavourable banking environment in the country due to rising bad debts and ILFS's fall causing a domino effect of NPA's in the banking sector, Company's fund raising efforts have not met with success yet. EY was appointed to find a strategic buyer for CB9 block in Q2 of FY 19; This was for partial or 100% sale of Participating Interest of the block. EY was also mandated for fund/debt raising for the required capex. Company has requested permission of members through postal ballot process for the sale of its participating interest in CB9 block, the result of which will be out on January 10, 2020. It is anticipated that the structure of sale would include a revenue share model where the buyer of the block would share a certain revenue with MPL after achieving certain agreed milestones. In the current financial scenario, this would benefit the Company.

As regards the Company's EPC project Sagar Samrat, this project was sadly and wrongfully terminated by ONGC when the project was at 95% completion levels. In December '18 the company initiated binding arbitration against ONGC raising claims of Rs. 1,214 crores. The arbitration is likely to conclude by Sep 2020 and the award is expected in Jan 2021. As you would appreciate that this has caused a massive setback to the company at a time it is already struggling due to a collapse in its shipping business.

Our coal business did well in terms of operational performance and achieved the highest ever performance on all parameters since start of operations in 2012. Significant drop in coal prices however resulted in lower than expected profits. Cash flows were also affected by necessary capex required to keep the production of high-quality coal, increase the throughput of its river jetty and unexpected legal cases. During the year under review, disputes raised by an erstwhile minority shareholder in one of the stepdown coal subsidiaries in Indonesia continues, the Company is taking all legal steps to protect its rights and interests. This has unfortunately caused uncertainty around the shareholding till the matter is resolved legally.

This year, the Company also initiated discussions with lenders of Mercator Limited for a resolution plan to agree on a feasible debt restructuring of the company's loans; the same is in process.

I can well appreciate the anxiety of the shareholders about the health of the Company. The Company unfortunately faced multiple issues parallelly; like sale of DCI to our main customers, wrongful termination of EPC contract by ONGC, a fall in shipping freight rates, standstill in the Indian banking and economic environment, freezing of its working cap limits, unjustified delays in legal cases resulting into massive losses and mismatched cash flows.

Its legal case against DCI for which it had won a long-fought arbitration with an award of about around Rs 48 crores in 2017 is still awaiting execution of the same via Delhi Courts. At the last hearing courts did ask DCI to deposit the entire amount along with the accrued interest with the courts pending the next hearing which is fixed for 23rd Jan 2020.

We have another big case against an Insurance company which after repeated pleading of urgent hearing due to our financial distress has been given the next date at the National Commission in May 2020.

We have several long outstanding recoveries from the govt owned ports which the Company is pursuing actively.

These cases along with the ONGC case has resulted into massive cash flow blockage for the company. All cases put together; our claims now stand at more than 1300 cr! Total gross consolidated debt of the company as at March 2019 were 1686 Crore, our claims represent 77% of the debt!

Promoters personally have been doing all they can to support the company, first diluting their holding by raising fresh equity and then pledging nearly all their shares in the company for loans *raised by Company* to help the cashflow mismatch. I would like to clarify that the promoters do not have any loans at personal level for which company's shares were pledged.

Fall in the share prices resulted in the pledged shares being sold by lenders causing the share price to fall further.

I can assure you that the Board of Directors and the Management is doing its best to resolve the current situation. Going forward, our focus will be on reducing the debt of the Company, achieving a debt restricting resolution with the banks, carrying on its shipping and dredging business with an asset light model, getting a strategic partner or sale for its oil block and improving performance of its revenue-generating coal business that can generate a positive return on equity in the long run. We certainly hope the quick resolution of legal cases can also bring in the liquidity to the company.

I would like to express my gratitude to all the stakeholders including shareholders, employees and customers for your continued support and patience over the past years. Our efforts to find solutions, look after stake holder interests and create value will continue unhindered in the time to come.

Regards,

H.K. Mittal
Executive Chairman