Chairman's Speech

Dear Members and My colleagues on the Board. It is my privilege to welcome you all to the 31st Annual General Meeting of your Company. I'll take this opportunity to brief you on performance and current business environment having impact on it.

BUSINESS ENVIRONMENT:

The global economy during the year has moved along its growth trajectory but with a moderate rate. The growth in the global economy remains irregular with the Euro region still vulnerable and China still under slowdown. However, two major consumption driven economies United States and India have been showing steady revival. The US economic growth is supported by the growth focused monetary policies of the central bank and huge discoveries and production of Shale oil & gas. On the other hand, India backed by a very determined government, focused on clearing fundamental hurdles, has led to a steady revival.

The year witnessed one of the steepest fall in crude oil prices with the delta shifting towards higher supply on account of huge pumping of shale oil & gas in US and OPEC not tapering its production volumes. Also the structural slowdown in infrastructure spending in China has led to short term slowdown in demand for coal and iron ore. However, with continuous migration of population to urban regions across the world, demand for energy and steel would be ever increasing.

The global economic growth over the last few years has gone through many challenges. However, we remain steadfast towards achieving our vision of becoming a global player in the energy value chain. Continuous investment in assets and their optimum utilization has been our key strategy.

YEAR IN RETROSPECT:

During the last year, dredgers and tankers divisions performed very well. On standalone basis, company's profit jumped to Rs 50 cr from Rs 9 cr in the previous year. However unfavorable conditions prevailing in dry bulk market impacted the consolidated performance. As a result, operating profits (on consolidated basis) declined to Rs 527 Cr against Rs 640 Cr in previous year. Coal contributed 50%, Shipping & Dredging 32% and Oil & Gas 18% of our revenue. Mercator Board has recommended a higher dividend of 20% i.e. Rs 0.20 per share on account of good profits made on standalone basis.

During the year, growth in all businesses except dry bulk has been promising. In Oil & Gas business, the Floating Production Unit deployed at the EBOK field in Nigeria under a long-term contract has been performing efficiently. The EPC project awarded by ONGC for conversion of their Mobile Offshore Drilling Unit (MODU) 'Sagar Samrat' into a Mobile Offshore Production Unit (MOPU) is also progressing satisfactorily and is nearing completion. We are steadily progressing with the work program on two blocks in Cambay basin. Recently we made 2 very good oil discoveries in CB-9 oil blocks. These oil discoveries usher your company into an altogether new direction.

During last year we expanded the dredger portfolio by 1 and recently, further acquired 2 more dredgers taking total dredger fleet to 9. During the past year we were also awarded a 2 year dredging contract by Kandla Port Trust valued at about Rs 275 Cr amongst other contracts.

The coal mining and trading business was impacted by the fall in global commodity prices which has led to the fall in overall revenue. However, we remain focused towards optimum utilization of resources and rationalizing costs.

The dry bulk segment is facing oversupply challenges that have been persisting for a few years now. The Baltic dry index witnessed one of the lowest levels during the year but we have been consistently beating the index and are operating at nearly 95% capacity utilization.

The tankers' market though has been very good and due to the fall in crude prices there has been increased movement of crude oil and products. Currently all our tankers and Gas Carrier are deployed on medium to long term time charter.

WAY FORWARD:

During the last year Mercator's subsidiary Mercator Petroleum Ltd entered into Production Sharing Contract (PSC) with Myanma Oil and Gas Enterprise (MOGE) for two shallow offshore Oil and Gas blocks in the Bay of Bengal, in consortium with Oil India Ltd and others. It is a matter of great pride that your Company stands amongst International offshore Oil and Gas block holders along with majors such as Royal Dutch Shell, Chevron, Statoil, BG and Reliance Industries.

We will continue with the drilling and testing activities in our Cambay Basin blocks where we hold 100% participating interest. The recent oil discoveries from the 2 wells in quick succession substantiate the high prospects and encourage us in pursuing the exploration program further. The oil was of high quality and flowed at a rate much better than our expectations. We are extremely excited with the results and future potential.

The success of EBOK FPU has established Mercator as a global player in fast track MOPU conversions and we are exploring further opportunities within this space.

With the Government's enhanced focus on making India an export hub and also expressing the need for deeper ports, the demand for Dredging is expected to be strong over the coming years. We will continue to scale operations and augment capabilities in dredging.

The Indian Government has also identified power sector as a key sector of focus to promote industrial growth. It opens new doors for our coal segment and we will continue to explore more business opportunities in this segment.

On strategic front, we are exploring various options to unlock the shareholders' value. We are deliberating it both internally and engaging external advisors/consultants as well to provide to the Board more details to enable them to take a decision in this direction soon.

We remain committed to rise above the challenges with greater focus, foresight and team effort to create sustainable value for each one of our stakeholders.

BEYOND BUSINESS

As a responsible corporate citizen, we remain focused on social empowerment. Our CSR implementing agency 'Prem Punita Foundation' carried out various programs dedicated towards education, skill-building, poverty alleviation, healthcare improvement etc. These programs include providing scholarships to meritorious underprivileged students, opening and supporting medical camps, job-oriented computer education, self-defense courses and many more. Over the past few years we have touched lives of hundreds of people of all age groups through these programs.

In this ongoing journey, I want to thank my fellow Board members for their unconditional support. I would also like to thank our employees, our biggest strength, who continue to be part of this journey with great vigor and dedication.

At the end, I want to extend my gratitude to our customers, financial institutions and all stakeholders for their continued support and trust placed in us.

Thank You.

H.K. Mittal
August 21, 2015