

**39<sup>th</sup> ANNUAL GENERAL MEETING  
27<sup>th</sup> September 2008**

**CHAIRMAN'S SPEECH**

Dear Shareholders,

It gives me great pleasure to welcome you to the 39<sup>th</sup> Annual General Meeting of your Company.

I thank you for having spared your valuable time and made it convenient to attend.

The Annual Report containing the Directors' Report and the Audited Accounts for the year ended 31<sup>st</sup> March 2008 has been with you for some time and, with your permission, I take them as read.

It is a matter of satisfaction for me to report yet another year of strong performance of your Company.

**ECONOMIC SCENARIO**

This has been a turbulent year. The sub-prime crisis that erupted in the US and western Europe impacted the global financial system, resulting in a significant cut-back in investment flows and the availability of funds.

After robust growth over the past few years, Indian economy witnessed a slowdown during 2007-08. The Indian economy achieved 8.7 per cent growth in 2007-08 against the high growth rate of 9.4 % and 9.6 % respectively, the last two years.

The manufacturing sector growth went down from 12 per cent in FY 2006-07 to 9.4 per cent in the current fiscal. The production of certain industrial sectors slowed down due to a decline in consumer demand as a result of the monetary tightening measures of the Reserve Bank of India. Exports demand slowed down as a result of the appreciation of the Indian rupee.

## **INDUSTRY SCENARIO**

The global steel industry predictably also faced pressure on their margins arising from cost increases in iron ore and coking coal, but for the most part these increases were absorbed by the market through steel price increases. The full impact of these cost increases on steel producers and the consequential higher steel prices to user industries will, however, only be felt in the current year, at which time one might expect some slow-down in economic activity and consumer demand.

The world steel production continued on a steady growth path with a total production of 340.70 million tons in the first quarter of calendar year 2008 a growth of 5.6% over the same period in 2007. In the major Asian growth areas China took the lead with a production of 124.9 million tons, followed by India at 14.28 million tons - increases of 8.6% and 7.5% over the same period last year.

The greatest concern of the steel industry is the availability of raw materials at a competitive price. There have been unprecedented cost increases in iron ore by around 65% and coking coal by around 200% in 2008, which would have an impact on the steel prices.

Currently, the global steel industry is going through unprecedented times. The steel demand is strong with over 6% growth year on year over the last seven years – unseen in the last several decades, primarily driven by robust growth in China, India, South East Asia, Middle East, Russia and Brazil. The iron ore and coking coal prices are at a record high both due to insufficient capacity creation for these and the heavy consolidation of minerals companies. Oil prices and ocean freight rates are at an all time high. The combined effect of all these have driven steel prices to a level higher than ever before – though there is increasing pressure on margins of steel companies due to very high input costs.

While the steel production grew at only 5.2 per cent in 2007-08, consumption grew at 11.72 per cent. The total production of finished steel in the country was about 55.26 million tonne in 2007-08, as against consumption of almost 51.80 million tonne. More than expected growth in demand coupled with rising raw material prices has been pushing the steel prices up.

## **FINANCIAL PERFORMANCE**

I would like to highlight the key aspects of your Company's performance during the year.

- Operating Income increased by 18% - from Rs.16306.90 Lacs in 2006-07 to Rs.19142.16 Lacs in 2007-08.
- Profit before depreciation, interest and tax (PBDIT) increased by 18% - from Rs. 2030.90 Lacs in 2006-07 to Rs. 2405.47 Lacs in 2007-08.
- Profit before tax (PBT) increased by 19% - from Rs. 2026.69 Lacs in 2006-07 to Rs. 2403.99 Lacs in 2007-08.
- Profit after tax (PAT) increased by 24% - from Rs. 1221.56 Lacs in 2006-07 to Rs. 1511.09 Lacs in 2007-08.
- Basic earnings per share increased from Rs. 8.71 p in 2006-07 to Rs.10.79 p in 2007-08.

Let me now share with you the performance of your Company during the first five months of this year.

Your company recorded an operating profit of Rs. 322.57 Lacs during the first quarter of the current financial year against Rs. 377.22 Lacs during the corresponding quarter of the previous year. During the first five months of current financial year, your company achieved production of 4871 MT as against 4745 MT during the corresponding period last year. The production could have been higher had it not been affected by 2 days Bandh and one day holiday due to municipal elections.

Now, I would also like to share with you my concerns about the company's competitive position in the Indian steel industry and roll industry in particular. Regular increase in steel prices coupled with increase in prices of some key input materials in the recent past affected the performance of the company to a great extent. Further, our major area of concern is non-availability of forged blanks in time and at appropriate cost due to scarcity and high demand all over the world. However, your company is making every possible effort to increase the number of resources in order to improve the flow of blanks. This will ensure smooth production.

## **LOOKING AHEAD**

The demand for steel in the developing world will continue to be an important engine of growth. It will be the anchor material for construction, infrastructure, automobiles and consumer durables. China, India and Brazil, will be countries where internal demand to meet infrastructure and construction needs will continue to grow substantially in the years ahead.

India is uniquely positioned to become a major self-sufficient, low-cost steel manufacturing nation. Today, India annually produces only 53 million tonnes of steel, (4% of global steel production), and consumes 59 million tonnes. This works out to a per capita consumption of steel of 49 kgs. China, by contrast, currently produces 489 million tonnes of steel (36% of global steel production), and consumes 420 million tonnes to meet its development and urbanisation plans. The per capita consumption of steel in China therefore works out to be 318 kgs. – approximately 6.5 times that of India.

## **HUMAN RESOURCE**

I must emphasise that the greatest strength of GPI has been its people and their spirit in overcoming challenges. With a view to enhance the operational efficiency of the employees at all levels, management initiative programmes such as Six Sigma, Total Productive Maintenance (TPM), Activity Based Costing, Just – In – Time (JIT), Performance Management System (PMS) have been integrated with the Human Resource Development policies of the Company.

These initiatives inculcate a sense of dedication towards the Company and thereby create values for stakeholders. Every aspect of the Company's activities is analysed by competence, motivation and general effectiveness of its human resources.

## **CORPORATE GOVERNANCE**

Your Company has complied with the guidelines on Corporate Governance. Your Company's Corporate Governance Philosophy is based on imbibing best practices in the area with emphasis on ensuring transparency and accountability. Risk identification and mitigation exercises are constantly reviewed and implemented.

## **ACKNOWLEDGEMENT**

I feel privileged to thank every stakeholder of the Company - investors, customers, financial institutions, banks, suppliers, the Government and our employees who play a vital role in our success. Without their support and tireless efforts we could not be where we are today. We are grateful to each one of them for being with us and sharing in the making of the Company's future. I also thank my colleagues on the Board for the major role they played in charting a successful course for the Company.

Above all, thanks are due to you, our shareholders for your continued support and encouragement.

Thank you