

Aplab

Chairman's Speech

**44th Annual General Meeting
of
Aplab Limited, Thane
(2008 - 2009)**

Dear Shareholders,

On behalf of the Aplab Board of Directors I would like to welcome you to the 44th Annual General Meeting of your company. I'm pleased to present to you the Director's Report on the operations of your company for a particularly trying Financial year 2008-2009.

The last fiscal year saw crude oil touch over \$140 a barrel, followed by a rapid fall to less than \$40 a barrel only a few weeks later. Commodity prices rose at stupendous rates only to fall just as fast. The sudden contraction in credit markets meant not only re-evaluating customers' credit profiles, but also balancing production with extremely volatile customer demand patterns. In such an environment, manufacturing companies like yours, find it particularly difficult to plan production and control supply chains. An unwelcome outcome of this has been huge finished goods inventories that your company has had to deal with; our fuel dispenser division not only saw new orders disappear but also saw oil companies refusing to accept deliveries on existing orders.

Aplab has, however, managed to stay resilient, and, despite these economic upheavals and loss of fuel dispenser business, your company has managed to achieve satisfactory results.

As credit markets slowly unfreeze and financing for large projects resume, the markets Aplab operates under, are beginning to look up. A new stable Government is in place and its financial and industrial policy is expected to be favourable to companies like yours. For example, a proposal under consideration at the Oil Ministry to allow market set fuel prices would boost demand for your company's fuel dispensers.

Despite the "green shoots of recovery", we continue to live in uncertain economic times – we've recently seen inflation as measured by the WPI turn negative, but CPI, on the other hand, which most affects your company's wage bill, has moved back into double digits, further squeezing margins. Demand has not yet completely returned and our country's GDP growth is likely to return to its last year's highs only in the next two to three years.

In light of this, your company is taking steps to mitigate as far as possible any future deterioration in business conditions. Our strategy is to focus on resilience and increase financial strength by going back to our core strengths of engineering excellence.

We're implementing a new branding exercise for our power solutions and products group. This year, we will aggressively look to expand our customer base for our existing power solutions, either by tying up with international firms (as perhaps an OEM supplier) or directly by targeting new market verticals. We're introducing several solutions in the solar power management space in anticipation of increasing demand due to a renewed worldwide focus on global warming. Our new power solutions will include increased intelligence for monitoring and control; aspects that are particularly attractive to our international customers.

In our fuel dispenser division, a group that was particularly hit by the downturn, we have decided to focus on broadening our product profile with new and innovative products. We have recently introduced a patent pending high efficiency fuel dispenser that runs entirely on solar power. With increased spending on rural roads by the NHAI, demand for these solar-powered dispensers should rise. We have tied up with Petrotec S. A. of Portugal to bring to our portfolio superior European dispenser and pump hydraulic designs. We have also introduced a new mini-dispenser for automating dispensing of diesel to generator sets to campuses of Corporate India.

Your company's kiosk business has grown substantially over the last year; we're looking to continue the triple digit growth in this market segment by developing new products that meet the requirements of customers outside of our traditional retail banking space. We are already working with a few customers to develop products that target distribution channels of mutual funds, insurance, etc. These products are built with the required ruggedness to be able to work and operate in rural India, an increasing focus for financial companies. We have built via our subsidiary – Sprylogic, unique software that not only analyzes data and automates operations, but also remotely manages all of our kiosks. We're already receiving rave reviews for our software from our enterprise customers.

Demand for our Test, Measurement and Instrumentation products continues to be strong, especially in the Education sector, as the number of engineering colleges increase to meet India's increasing demand. This year we will be looking to increase our customer penetration by providing custom designs or turn-key automation solutions to some of our larger customers like Defence.

A strong services and customer support organization will be crucial to our growth – increasingly customers turn to your company over competitors, for our strong support and service network. This year, we plan to move support for all our product lines to be handled via a centralized call center. We have also invested in better customer relationship management software, so that we can provide better service levels and identify cross-selling opportunities, etc.

Finally, like last year we will continue to focus on “solutions-based” selling, as this approach has continued to provide better margins on our sales. Increasing productivity will be another key focus this year; your company has an extremely talented workforce and we will continue investing in technology to help achieve this. Some of these benefits will take a couple of years to start paying dividend, but making these investments is becoming increasingly crucial.

I, along with the board of Directors am confident about Aplab’s prospects and that our strategy will further enhance Aplab’s reputation of a company known for its engineering excellence. Therefore, despite the lower profits, your directors have recommended a dividend for FY 08-09.

Finally, I thank you dear shareholders, for your presence today and your continued faith in our management.

NISHITH DEODHAR