

CHAIRMAN'S SPEECH AT THE 76TH ANNUAL GENERAL MEETING ON 7TH SEPTEMBER 2009

I am very happy to welcome you all to the 76th Annual General Meeting of your company.

Financial Result- FY 2008-09

1. The Directors' Report for the financial year 2008-09, together with the related Balance sheet and Profit & Loss Account, have been sent to shareholders and would have been in your hands by now. As you may have noticed from the Report, there were two high points in the company's financial performance last year. First, the company earned a profit after tax of Rs.236 crore reflecting an increase of 64% over that of the previous year. This was also the highest net profit earned by the company since inception. We, of course, need to bear in mind that this high profit was mainly the result of the large one-time gain arising from the company's surrender of its rights to certain property on commercial terms and such large gains are very unlikely in future.

2. The second high point is a consequential one viz, that the company's networth crossed the figure of Rs 1000 crore as on 31 March 2009 because of the large net profit earned. You may recall that in my Statement to Shareholders last year, I had expressed the hope that the company's networth would cross the Thousand crore mark in two to three years. This has happened well ahead of that timeline. This high networth and the fact that the company is debt-free, if we exclude the deposits from the public which are specifically and adequately secured by approved securities as required by Reserve Bank of India, testify to the financial strength and soundness of your company. I am sure you will agree that given the transformational stage in which the company is currently placed with respect to its business in future, with some uncertainties and perhaps some headwinds, strength in net owned funds provides much comfort to all stakeholders.

3. Total deposits mobilised by the company last year was Rs.753 crore, lower by Rs.200 crore than that in the previous year, in line with the planned scaling down of its RNBC business. The year-end figure of outstanding deposits from the public declined to Rs. 3935 crore, from the figure at the previous year-end of Rs. 4302 crore. The company, nevertheless, was able to maintain the operating profit during the year at the previous year's level mainly because of additional investment income on the higher networth that remained deployed in business. The company's Financial Distribution Business (FPD Business) - the new business line that in future should deliver bulk of the income flow as it moves out of RNBC business- made its nascent contribution of Rs. 75 crore to the income stream of Peerless Group during the year.

Business Transformation

4. Shareholders are aware that the company is in the process of scaling down its deposit taking business as a Residuary Nonbanking Finance Company in compliance with the direction received from Reserve Bank of India who have asked the company to exit from this business by the end of March 2011. Earlier they had set the deadline on 31st March, 2010 but granted an additional year's time when the company represented that a longer period was needed to remodel its business in an orderly manner. RBI has further asked the company to scale down its deposit collection progressively even in the interim. The impact of these directions has translated into a steadily falling scale of deposit collection which will continue and may accelerate in the current as well as in the following year. Consequently, the operating income from RNBC business is likely to show a corresponding downtrend in this and coming years.

5. As you are aware from our previous reports and communications, your Board and Management have identified FPD as a key business line, amongst others, to replace the RNBC business. All necessary steps have been and are being taken to develop and grow this business. However, as mentioned in Directors' Report, although this business grew during the year by 22% over the previous year's performance, the progress fell short of the company's plan. This was because of the unprecedented turmoil in the financial market in India a part of an even bigger turmoil in global markets. As a result, the appetite for financial products in the savers' community was severely dented. The encouraging news is that there are now indications of the global slump bottoming out and some of the larger economies in the world are returning to growth. Here in India, the economy is showing positive trends and the Government is hopeful that the country will get back to higher growth trajectory before long. The markets too have recovered significantly from the levels prevailing in 2008-09. It is therefore hoped that in the current year, your company will achieve much better progress in rolling out its FPD business.

6. In the meantime, several measures have been taken to bolster and hone the organisation for handling FPD business. These include on-boarding of experienced personnel to fill key roles, fine-tuning the training system to address the differentiated needs of the FPD business, and strengthening the operating capabilities. The task of customizing the company's countrywide IT System to serve the needs of FPD Business has also been accomplished. I believe that these measures will prove to be key enablers in growing FPD business as the market recovers.

7. Another new line of activity identified is offering of Mutual Fund products. As you will have observed from the Directors' Report, much progress has been made towards entry into Asset Management business and subject to receiving the final clearance from SEBI, and of course, prevalence of the right market conditions, Peerless Mutual Fund should be in business soon.

8. Your Board and Management continue to look at other business segments for possible entry with the objective of generating new income flows in the shorter term to make up for the declining income from RNBC business as also for sustained long term growth. In doing so, the strength and standing of the company's brand amongst millions of savers' in the country, its long experience in offering financial products to retail clients and its all India reach supported by real time IT connectivity, are naturally taken into account as these constitute the company's fundamental strength.

Future Outlook

9. As the Company's deposit taking business is scaled down over the current and the next year and then completely ceases, its topline may start taking a temporary hit until such time as income from its new lines of business and increased income from its subsidiaries gain in size. It is difficult in the current environment to attempt to predict the future with any degree of certainty, but it is not improbable that your company may well face a downtrend in profit for a period before its new businesses stabilize. Your Board and Management will cope with any exigencies by adopting requisite cost management and other corrective measures as may be called for. At the same time, closer attention will be directed to the functioning of the company's subsidiaries with a view to enhancing income flows from them.

10. So far this year, the company's operating profit has remained around the same level as in the corresponding period last year despite continuing decline in the aggregate deposit level. This does provide a measure of comfort that our strategies are working for the time being but we will remain alert and agile in order to take timely corrective measures whenever necessary till such time our new businesses become sufficiently profitable.

Subsidiaries of the Company

11. As one of the ways of enhancing the future revenue stream of the company, your Board and Management have been looking at the possibility of scaling up the operations of its subsidiaries which are all in business segments that seem to be well positioned for profitable growth. To this end, additional capital has already been injected into Peerless Securities Ltd. However, this additional capital could not be deployed in pushing up business levels as financial markets were in turmoil last year and provided no opportunities for growth. Peerless Securities, in fact, suffered a loss-albeit a small one-like many other participants in the financial market. It is however expected that with the markets improving, the subsidiary will now expand and diversify its business utilising the additional capital provided by the parent, and shed its character of a monoline business entity engaged almost wholly in sharebroking business alone.

12. The company's other subsidiaries too have been advised to chalk growth plan in their respective businesses.

13. With its comfortable net owned funds position, which is far in excess of the Regulatory requirement, the company is now in a position to consider investing more in its subsidiaries to enable them to scale up their operations and profits.

Concluding Remarks

14. I have attempted to provide shareholders an overview of the current state of the company. As would be evident, we face major challenges as we prepare to exit, under regulatory direction, our decades old deposit taking business and move into other new businesses. Such a journey can be fraught with some risks. On the other hand, the strong financial position that the company has been able to build up in recent years, gives us a degree of flexibility and we are confident that we will be able to manage the risks and make the business re-modelling exercise a success.

15. I would like to thank our depositors, agents and shareholders for reposing their trust and confidence in Peerless.

16. I would like to express our sincere thanks to Reserve Bank of India for their guidance and understanding at all times.

17. Commercial Banks and the State Government have been partners in our growth and I wish to thank them for their support and cooperation.

18. I am grateful to my colleagues on the Board for their invaluable counsel and contribution at all times. I would also like to recognize the contribution and the diligence of the company's management in taking the company where it is today.

19. Finally, I would like to thank the company's employees for their dedicated efforts and contributions in this crucial phase of our business transformation. I am confident of their continued understanding and support as we progress towards creating a new Peerless.



D. Basu
Chairman of the Board

Kolkata, September 07, 2009

*Note : This does not purport to be a record of proceedings
of the Annual General Meeting.*

**THE PEERLESS GENERAL FINANCE &
INVESTMENT COMPANY LIMITED**

Registered & Head Office :
"Peerless Bhavan", 3 Esplanade East, Kolkata 700 069.