

TRANSCRIPTION OF THE PROCEEDINGS OF THE 34TH ANNUAL GENERAL MEETING OF THE COMPANY HELD THROUGH VIDEO CONFERENCING ON WEDNESDAY, THE 16TH SEPTEMBER 2020 AT 2:00 PM IST

Mr. Ashwin C Muthiah, Chairman

Ladies and gentlemen, it is 2:00 p.m. I am informed that necessary quorum is present and I call the meeting to order. I am happy to be with you for the 34th Annual General Meeting of your company being held through video conferencing facilitated by CDSL Live streaming of the meeting is also available through their website.

It has been confirmed that this meeting is held in due compliance with the matters specified in the circulars issued by the Ministry of Corporate Affairs and SEBI. Information and documents to be made available for inspection during the meeting are available in digital form through the E voting platform of CDSL.

I welcome my colleagues who are participating in the meeting through video conferencing: Mr G Chellakrishna Chairperson of the Audit Committee, Ms. Sashikala Srikanth, Mr GD Sharma Chairperson of the Nomination and Remuneration Committee Mr CS Shankar and Dr. Sundaradevan, all independent directors .

We have Mr Arun non-executive director, Mr. Muthukrishnan Ravi Managing Director and Mr M Karthikeyan whole-time director operations.

We also have in attendance our Company Secretary Mr. R Kothandaraman.

As specified in MCA circular the statutory auditor is also participating through video conferencing.

Before we proceed to take up the agenda items I would like to share a few thoughts with you

Chairman's address to the shareholders

Ladies and Gentlemen,

I welcome you to the 34th Annual General Meeting of your Company. I hope you and your family are safe and healthy during the current crisis.

Though we are not able to interact in person, I am happy that the virtual meeting has provided opportunity for the Members spread across the globe to take part in today's AGM.

I hope you have had the opportunity to review the Annual Report and consider the operational and financial performance of your Company for the year 2019-20. With your permission, I shall consider the Financial Statements as read.

Economic overview and performance of the company

The World Bank has projected slowdown of global economy in 2019, but India was expected to beat the trend and expand by more than 7%. However contrary to this, the actual domestic GDP growth in Fiscal 2019-20 was 4.2%, with the last quarter of the fiscal recording just 3.1% growth.

The year under review witnessed a significant fall in the manufacturing and services activities, the trend for which was set in the last month of the preceding year itself. The situation improved from November 2019 and January 2020 recorded an 8-year high manufacturing PMI and 90 months' employment growth, signalling a better future. However, these were short lived as in the following months the pandemic overturned all such expectations.

The performance of the Company was more or less in line with the domestic economic situation. The first half of the year witnessed downturn in sales and profitability, but from the third quarter improvements were seen, which continued till the imposition of lockdown towards the end of the year.

The reduction in sales during the year under review was not significant, but the product margins were impacted due to unabated imports despite steep fall in domestic demand. Since demand decline was across the globe, multinationals who could not find a home for their products in traditional markets, dumped the surplus in the Indian markets, affecting the prices.

During the year, the turnover of the subsidiary, Notedome Limited UK was lower than the preceding year's but the profits improved marginally compared to their FY 2018-19.

Impact of the pandemic

The COVID-19 was described as a Health Emergency by the World Health Organization, (WHO) in end-January 2020, which was later declared as a global pandemic, in early March 2020. By this time most of the countries has been affected and various measures of lockdowns and restrictions were imposed. Businesses have been affected world-over and livelihood of many were impacted.

In India, as per the Finance Ministry's Monthly Economic Review for August 2020, the economic activities deteriorated sharply which resulted in a record decline of 38.1% in industrial production during April-June 2020. GDP decline at 23.9% was the most for any major economy across the world. Such a steep fall has been attributed to the stringent lockdown enforced across the country, helping to contain the virus induced fatality to 1.78%.

On account of the lockdown imposed by the Central and State Governments, MPL's Plant operations had to be totally shutdown in the last week of March 2020, which recommenced in phases from the first week of April 2020.

Initially only Propylene Glycol production could commence, being an input for essential industries such as pharmaceutical and food. However, it took more than 50 days to restart manufacturing of all the major products.

While supplies of Propylene Glycol continued, sales of Polyols, the major contributor to the top and bottom-line of the Company could commence only towards the end of the first quarter. With most of the end use industries for Polyol and related products remaining closed or operating at very low levels, the off-take was extremely low.

For the first time in 16 years, your Company recorded a quarterly loss, which gives an idea of the impact of the pandemic on the operations.

Economic outlook

The Organization for Economic Co-operation and Development (OECD) has projected a global growth of negative 6%, which could further weaken to 7.6% in case there is a second wave of the rapid contagion eruption later in 2020. It has also been reported that the global recession in 2020 could be deepest in eight decades, almost three times as steep as that of 2009. This is despite the unprecedented policy support by governments across the globe.

For India, the OECD has stated that the GDP in FY 2020-21 could contract by 3.7% if there would be no second wave, but could worsen to 7.3%, if there indeed were to be a second wave. The next year, FY 2021-22, is expected to see a growth of 5.4%.

However, the Reserve Bank of India, based on various statistical data has, in its Annual Report for 2019-20 observed that the upticks witnessed in May and June 2020 after easing of the lockdowns appear to have lost momentum in July and August. So sustainability of the improvement is not certain and there could be further changes in the scenario as we go along.

Prospects and future plans

Your Company remains a major player in the Indian PU market. Though at present the imports are a bit subdued, in normal market conditions it continues to face aggressive and continuous dumping of both Polyols and Propylene Glycol by multi nationals from their low-cost production centres.

The Finance Ministry in the Monthly Economic Review for August 2020 has stated that as a result of the recent developments, businesses have turned risk averse and therefore investments will be slow. The Report has also observed that while prices of non-discretionary items have gone-up, many discretionary items have seen very little or no transactions. Private consumption has fallen by over 22% and unless the earnings and sentiments improve, it may take a longer time for most of the sectors to return to normalcy.

For MPL, demand for pharma/food grade PG has not been affected, but revival of sales of polyol and other products to full scale could take more time, as the end use industries are yet to reach normal production levels. The situation is being watched closely and the required actions taken based on exigencies to protect the interest of all the stakeholders.

Our unstinted efforts to continuously enhance our customer centric approach towards product customization and to upgrade safety and environmental standards for the betterment of the community at large, would continue.

Dividend

The Board has recommended to maintain the dividend of seventy-five paise per share of Rs. 5/- each for the year 2019-20.

CSR Activities

Your Company believes that in any society inclusive growth of all its segments is of paramount importance. The Company has undertaken various projects for provision of safe drinking water and sanitation facilities for the needy. So far, a total of Rs. 4.50 crore has been spent for these proposals, including Rs. 1.78 crore in 2019-20. Plans are also afoot to provide primary health care to the downtrodden.

Acknowledgement

I wish to place on record my sincere thanks to our vendors, esteemed customers, banks, the Tamilnadu Government and the Government of India for their continued support over the years. I warmly acknowledge the commitment and dedication of the employees of your Company in achieving the Company's goals. I would like to express my deep appreciation to you, the Shareholders, for your support to us at all times. I extend my unreserved appreciation for the guidance and support of my colleagues on the Board. Finally, on behalf of the Board, I wish to reaffirm our commitment for creating shared value with all our stakeholders.

Thank you, Ladies and Gentlemen

Now we may take up the items as per the Agenda.

The Notice of the Meeting has already been circulated and with your consent, we will take this as read.

The resolutions given in the notice have already been put to vote through remote e-voting. So, there will be no proposing or seconding of the resolutions.

There are no adverse observations or remarks in the Report of the Auditors. So, there is no need to read the Audit Report.

Before we proceed further, I would like to bring to your attention certain information regarding the proceedings.

As you would be aware, facility for remote e-voting on the resolutions was made available between 13th and 15th September 2020. Arrangements have also been made for e-voting during the meeting. The voting is open now and will close five minutes after the conclusion of the meeting. Members who have not exercised their votes through remote e-voting and attending the meeting now may cast their votes through e-voting link available on your screen.

Now we will go ahead with the Q&A Session:

Those shareholders who have registered to speak at the meeting will be invited by the Moderator one by one. If so, desired they can enable their video while they speak. Kindly note the maximum time available for each speaker would be about 3 minutes.

So, I request members to be as brief as possible, please do not repeat questions if they are similar to the one raised by any other person and speak only on items pertaining to

the Agenda of the Meeting. I will collate all the questions and myself and my colleagues on the Board, the working directors will try our level best to respond to the same at the end of the question session.

Now I request the Moderator to invite the speakers one by one. I also request him to prompt the speakers if they stretch beyond the permitted time.

Moderator

Thank you, sir.

First registered speaker is Mr Bharath Raj - Mr. Bharat Raj you can speak

Mr Bharat Raj

Very good afternoon Mr. Chairman

First of all I thank the entire management to see you happy safe and health I thank the management for giving a good dividend even during this Pandemic. We are the no. 1 in chemicals Polyurethane Thank you Very much

Moderator

Your audio is slightly disturbed. Please speak louder.

Mr. Bharat Raj

Now I am I audible sir

Moderator

Yes sir please proceed

Mr. Bharat Raj

Thank you sir, sir please instruct our company secretary to visit our plant I I want to visit our plant. That is my wish. Calling from Hyderabad. Please take care sir. That is Sir all the best Sir. Thank you

Moderator

Thank you Mr. Bharat Raj

Our next speaker is Mr Amit,
Mr Amit Doshi you can speak now

Mr. Amit Doshi

Thank you. So I have quite a few questions. I will try to restrict in the three limits as specified by the Chairman Sir

The first subject wanted to understand the Notedome operations. Basically, if you look at the q4 of last year fy20, you know, we had a very heavy sales of about 55 crore and our profitability operating profit was almost nil or zero and now in Q1 fy21 we hardly have a sales of about 20 crore and the profitability is operating profit I understand is approximately 5 crore. So not able to understand, you know it been now two years plus since we acquired Notedome but the consistency on the top line from then on the bottom line front we are unable to understand. So, if you can guide on that that would be useful to us.

Then I will tell all the questions first, right? Ok so second.

There were some plans to introduce Notedome products in India so I believe that some of them has been introduced this year, which is the line mention in the annual report to can you just tell us to know what kind of I mean what is the current contribution of those products that has been introduced and what could be our projection, you know how we are planning to scale that up so that the second question 3rd question

Sir I understand that there has been global dumping and you know, this import has always been a challenging for us in terms of pricing and which allows us I mean which restricts our margin per se but what I understand is that in the month of May or June there is been a anti-dumping duty on slab stock polyol which is being imported from Singapore. So can you give us an idea as to what kind of impact that is likely to give it on us especially considering that, you know, we always said that you know, I am in in the opening remarks of Chairman Sir are also was that imports are continue to remain in a challenge for us to with this anti-dumping duty in I believe it should get some sort of a relief if you are likely to and and if yes, then what is the advantage what kind of impact that we can see something similar I believe that is being talks going off around implementing ADD on this polyols only in the Middle East for good or goods being imported from the Middle East so can you throw some light is those polyols are also the one which we manufacture or are they something else? So one this point on anti-dumping duty is very critical because I think I believe that we being the only domestic producers should get significant advantage in this Atmanirbar Bharat which the government is. You know kind of focusing especially and that this one by one anti-dumping duty coming out. How are these going to impact or improve our margin so that one that's III and

IV is you mentioned that propylene glycol is one of the product where sales is less impacted and we are also able to generate a decent realisations and margin in that product. Can you tell us what is our current capacity and what is our plan to increase the PG sales in overall sales because currently I believe is around 30% approximately of our sales? So basically the company's plan on the propylene glycol side and currently we understand that this PG prices have been rising since last three to four months. I believe so, can you give some sort of reasoning as to what it has been because in 2018 something similar had happened where you know some global Production was shut down or something of that sort and we had been able to generate huge margin in that particular two quarters. I believe so, can you give some sort of Ideas to what is the current situation on the PG prices? And again, how it will of course going to impact our profitability [or our margins and one more question is about since last two years after you've been hunting for some inorganic opportunity.

Moderator

Mr. Amit, Sir, please restrict your questions to next one minute, there are some other speakers also in the pipeline

Mr. Amit Doshi

Sure sure, just give me one more minute, I think I should be through.

On the inorganic opportunity. If you can share your thoughts as to what are the plans on the company and if not on that side then what is the plan to utilise the cash that we have on our books and last two or more of a book keeping question.

So one on the 26 crore capital WIP which is there on the books. Is it a routine maintenance capex or if there is something else and I understand that there is some LNG supplies for plant 1 has started and plant 2 will start from Q4 of the financial year FY 21 so can you explain as to what could be the cost savings for the company that will be all from my side.

Thank you and I'll wait for the response

Moderator

Thank you.

The next speaker is Mr Santosh Kumar Saraf. Mr. Santosh Kumar you can speak

Mr. Santosh Kumar Saraf

Yes, one minute Sir, just a minute

Respected Chairman board members and my fellow brothers and sister shareholders. I am Santosh Kumar Saraf from Kolkata. this is very good video conference meeting so I can be attend from the Kolkata otherwise is not possible for me sir and I hope we will continue next year video conference meeting .it is less expensive and good for all.

Thanks to board of directors and management team for announcing dividend of 0.75 rupee per share.

Sir, what is the COVID impact of our company income Sir? What is the is step taken by management to minimize impact of the business activity and business income sir. What steps are taken for cost cutting in COVID-19 pandemic uncertainty especially in petroleum product company sir? Sir Board of Directors could restrict cur their remuneration Commission sitting fees by 30% covid-19 this year period sir so can we survive sir and business could be saved. Can we also think about to cut 30% remuneration in the case of Managerial staff Sir. What is your capex plan in future sir Regarding vision of honourable prime minister vision of making India self reliant there is any extra care taken by company Sir?

Sir, total female employee is only 1.82 % out of total 275 as on 31st March 2020. It is very less sir, Let me know the view of the empower more females to become self dependent in persons also similar to you. Now labour minister also allow female to work in the factory also in all shifts sir.

Sir I am surprised that you have 2 disabled employees. It is negligible total strength is 275. They are winning medals in Paralympics games for India. Many other companies giving good job for the country. Can you tell me your view on giving the opportunity to them in the form of them in your business?

Kindly tell me the aggregate number of male, female principal persons in the total strength we are appointed as at 31st March 2010 Sir. What is our Employee equalization, sir? Sir in Page 61 shown many disputed pending from the 2000- 2012. I want to know your intention to settle this with state government/central government under the Vivad Ke Viswas, Sub Ke Viswas Scheme Sir Many companies say their expert did not say the chart pending for many years sir. I want to know how much amount paid to legal experts Sir. Have paid any amount to PMCARES or any electoral bonds to any Party Sir?

How many shareholder attended through the Video Conference meeting Sir? Sir last year physical meeting was held, how much was the expenses including postage and printing of annual report travelling expense to directors, notice related expenses and what is expense related to video conference meeting Sir?

I wish the Company's Board of Directors, employees and related persons a great success and prosperity and good health Sir

I wish the Board of the Company, employees and related persons a great success and prosperity and good health Sir

मैं हिंदी के मुकम्मल आप सभी के स्वास्थ्य की कामना करता हूँ। मैं भगवान से प्रार्थना करता हूँ कि आप सब स्वास्थ्य रहें, आपके जितने भी स्टॉफ हैं स्वास्थ्य रहें जितने भी कर्मचारी हैं स्वास्थ्य रहें, जितने भी आपके लिमिटेड की आदमी हैं सबके अच्छे स्वास्थ्य की कामना करता हूँ भगवान से कि कोविड डिसेज़ से जल्द ही निकल जाएंगे और अगले साल आप से मिलेंगे। सर मुत्तैया सर एक रिक्वेस्ट है आप से कि फिजिकल मीटिंग सब चाहते हैं सर इसमें विजिवल मीटिंग में आपका चेहरा देख सकते हैं। मैं चाहूँगा कि when you organize physical meeting next time kindly arrange 15 minutes video conference also sir

[Translation:

I would like to wish you in Hindi that you may have a good health. I pray almighty that let all of you be healthy. Let all your staff be healthy. Let all your employees be healthy. I pray god that all your limited people be healthy. COVID decease may be vanished soon. We will meet in the next year. Muthiah Sir I have one request that everybody want physical meeting in that a visual meeting be organised. In that we can see each other. When you organize physical meeting next time kindly arrange 15 minutes video conference also sir.]

Moderator

Sir your time is over

Mr. Saraf

Just a minute it is over

Sir I attended so many meetings in Bangalore Meeting with physical meeting. Every year I travel to Bangalore to attend meetings. Because there is step by step problem. Infosys held their meeting in Christ University. They also had video conference meeting with

physical meeting. All Bombay people know very well Sir. So you can also do Sir. This is what I said no hard and fast rule, you can organize video meeting

Thank you Sir, I hope wish you again the all health and stay safe. Jay Hind Jay Bharat Jay Sahab Ab sub ko mera namaskar. Sir

Moderator

Respected Chairman, all the Q & A shareholders who have joint the meeting have raised their issues and so the meeting may proceed further.

Chairman

Thank you

First speaker Mr Bharath you wanted to do a plant visit so the company secretary can facilitate that. I don't think there is any problem with that. Please write to the company secretary and we will be more than happy to arrange.

Mr Amit Doshi you had the number of questions maybe I could just to reply a few then I would ask my MD Mr Ravi Muthukrishnan can answer some and also Mr. Anis CFO can answer a few.. Anyway I will guide them but what I would like to specifically answer is on the opportunities for inorganic growth and plans. That probably something that I can answer that. So at the moment in our as you all know, we're going through a phase where we have to focus on our current operations. We have operations in India we have one operation in the UK at this moment are entire focus will be to consolidate our energies and make sure that our India and UK operations run successfully during this difficult times We are not a looking at any inorganic opportunities at this moment because we have to conserve our cash and we have to make sure that our existing operations are successfully run and they have adequate funds available to meet all requirements. So inorganic opportunities. we are not looking at this time whatever we do now will be to make sure that the existing operations are funded if they require some Improvements if they require any capex that will help us on cost savings those are other things that we are looking at so we have parked all our inorganic and organic growth plans for now, but as and when we have such a firm Idea we will come back to you, but all I can tell you is in the near future. We are not pursuing any inorganic plans. Our money is only reserve for our consolidation cost Savings and related capital expenditure.

I will request Mr Ravi to explain to you on Notedome on the Global dumping question and also on the PG sale and then I think Mr. Anis can later explain on the WIP and also Mr Ravi will explain on the LNG status. Over to you Ravi

Mr. M Ravi, MD

Thank you

First on the Notedome operations for Q4 sales number is it different from what was indicated in q4 the sales was 27.8 crore not 55 crore. Q1 sales was 19 crore. However in Q4 as a matter of abundant caution, we had made a provision of about two hundred thousand Pounds for bad debt on South African supplies and that is the reason why you

are seeing a lower number reported on the bottom line in Notedome operations. In terms of Notedome entry into India we have about 10 products that have been introduced into Indian operation and we have about 3 crore of sale. The plan is to both increase the customer base as well as increase the number of products as we move along in terms of entry into India. That is as far as Notedome goes. There was also a question on the Notedome capacity. Notedome is actually being a system house its capacity cannot be defined because the depending on the product change that happens the capacity can vary quite a bit. So it is very dependent on the number of product being run. Your question ADD, ADD is not a new phenomenon. It is a continuation of the existing ADD from Singapore and as we have been mentioning in the past, as well this ADD that the government has imposed is very small compared to the price of the product. Therefore the MNCs are able to easily pass this on as a discount to the customers and therefore have no impact at all on our sales or our margins. And we are still working with the government on improving this number from our] perspective as well as trying to get some other ADDs as you mentioned imposed on middle east products. We are quiet hopeful that a very soon we can have some positive news on this.

PG capacity is 22,000 tonnes. We have two Plants of 11,000 each. And the PG prices and Polyol prices vary from time to time and of course during the pandemic because the Propylene Glycol was the only product which was running and there was quiet a strong demand from the pharma and Food grade segments. We were able to run that facility and therefore we saw some strength in the prices but that is not to say that this will be sustained at the same level throughout. So we have to watch in see post pandemic how the relative prices change and then take a decision on the capacity. As far as LNG supply goes you are right that in the Plant 1 the liquefied natural gas connection has come in. However both furnace oil which we were using before and LNG are priced according to crude oil prices therefore, there is not a significant savings in terms of LNG versus furnace oil, but there is a significant impact on the environment which is a which is a positive. Now I will ask Anis to answer the question on the work in progress.

Mr. Anis Haideri, CFO

Thank you Ravi

Question there is approximately about 26 crores in CWIP which is find in the balance sheet. These are basically expenditure incurred for the debottlenecking plant projects, LNG conversion, ETP pipeline changes and enhancement and general expense on the DCS upgradation. There is also some expenses on road development that is being planned is find in the CWIP.

Chairman

Ok, finally Mr. Saraf, I am glad you're finding the video conference AGMs quite useful. Yes. It has the brought in a lot of cost saving. I should say and we will go with whatever the regulator's decide, should be the practice for the next year, be it physical Be it video

conference or be it both we will be will follow whatever the regulator expects the companies to do.

We have been submitting quarterly report to the stock exchange on COVID impact and if you still have any clarifications on that please feel free to write to us and we will be happy to explain. I unfortunately couldn't hear very well some of the questions. So if I don't answer and if you're interested for answers on those questions again you may please write to the Company Secretary and we will send you a reply. I once again request Anis to explain on the disputes that are depending and you know, what actions you are taking.

Mr. Anis Haideri, CFO

On the disputes, basically there two big cases in indirect taxes, one for 3.8 crores and another one 53. I would like to inform that December 2019 we have had an update from the Madras High Court where the decision has been given in our favour where we need not furnished certificate from the DGFT's office. So that is a positive development. We are still continuing to show this in contingent liability because we believe that the department will have time to go on appeal. So we're just given sufficient time for it to to take it off the contingent liabilities here and this another case of Excise 53.39 is also the decision is given in our favour of that has come in February 2020 These are the two developments .as far as the direct tax cases are concerned. These are all matters, If I talk of 2008 9 this is a matter which is a carry over of the case of pending depreciation claim being restricted for a period of 8 years. It subsequently got revoked and we won that case. So it is the matter with the carryover of that. So once the decision is taken this matter will go in our favour. All others routine which we are following up with the Income Tax Department through our Consultant and we hope that over a period of time. We should have a favourable verdict in our favour.

Chairman

Thank you Mr. Anis

We have done our best to answer your questions. Of course as I said earlier if there is any further queries you're more than welcome to write to the company secretary.

As mentioned earlier the venue voting window would remain open for another 5 minutes and those who want to cast their votes may do so. The votes polled will be consolidated and the results will be announced in the company's website as stipulated in the relevant regulations. Members may view the final results from the website of the company or the stock exchange on such release. As per the relevant rules resolution shall be deemed to have been passed as on the date of AGM.

I thank you ladies and gentlemen once again for your presence and cooperation and with your permission. I will now declare the meeting as closed.

/2:45 PM/

End