

TRANSCRIPTION OF THE PROCEEDINGS OF THE 35TH ANNUAL GENERAL MEETING OF THE COMPANY HELD THROUGH VIDEO CONFERENCING ON TUESDAY, THE 28TH SEPTEMBER 2021 AT 1:30 PM IST

Mr. Ashwin C Muthiah, Chairman

Ladies and gentlemen, it is just past 1:30 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 35th 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. The 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. N Sundaradevan, all independent directors.

We have Mr Arun non-executive director, Ms. Vandana Garg, IAS, nominee of TIDCO, Mr. Muthukrishnan Ravi Managing Director and Mr M Karthikeyan Whole-time Director (Operations).

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 am happy to be with you for the 35th Annual General Meeting of your Members spread across the globe are taking part in the event.

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 2020-21. With your permission, I shall consider the Financial Statements as read.

ECONOMIC OVERVIEW AND PERFORMANCE OF THE COMPANY

Economic progress during the year under review has been the worst ever in the recent past, recording steep fall across the globe. According to the International Monetary Fund - IMF, this is the 2nd time in the last 60 years, negative growth was seen, the other being in 2009. However, the decline in the year 2020 at 3.27% has been nearly twice, compared to 1.6% in 2009.

As per the IMF estimates, during the year under review, Indian GDP had negative growth of 7.3%, yet continued to be the fifth largest economy for a 2nd consecutive year. In terms of Purchasing Power Parity, called the GDP-PPP, we continue to occupy the 3rd position since 2009.

From the Purchasing Manager's Index, PMI, it may be observed that the situation was grim in the first four months of the fiscal. However, the index improved significantly in the subsequent months, peaking in October 2020, but falling slightly thereafter. It is also interesting to note that the year recorded both the lowest and highest index in the last 10 years, in April and October 2020, respectively.

Like the PMI index, your Company also recorded both dismal and best quarterly performances during the year. As you may recall, your Company's operations were shut down in the last week of March 2020, and restarted from April 2020 in phases, commencing with the PG plant.

Since most of the user industries for Polyol, the Company's major product remained closed, turnover in the first quarter was very low, resulting in first ever quarterly loss in the last sixteen years. However, the performance improved in the following months, and best ever profits were recorded.

Changes in the global economic scenario and logistic issues in international movements brought down the import volumes into India. Aided by such unusual circumstances, product prices and value addition improved significantly, paving way for higher profits for your Company.

During the year there was no stoppage of production at the subsidiary, Notedome Limited UK. However, with most of the customers spread across globally, sales and profits were impacted due to restricted cross-border movements.

The Organization for Economic Co-operation and Development (OECD) in the Interim Forecast released this month has projected global growth of 5.7% in 2021 and 4.5% in 2022. According to the Report, global GDP has surpassed its pre-pandemic level, thanks to the strong policy support, deployment of effective vaccines and resumption of many economic activities. It has been cautioned that sizable uncertainties remained in achieving the projected growth. Increasing commodity prices and logistics costs could dampen the estimates. Faster progress in vaccine deployment or sharper rundown of household savings would be required to keep the growth momentum, it has been stated.

Almost all the forecasts have predicted highest growth rate for India in 2021 and 2022 at 9.7% and 7.5% respectively. The growth in the first quarter of 2021-22 is estimated at 20.1%, favoured by the very low base in the corresponding period of the previous year. However, the total GDP remained below the pre-pandemic levels.

The Reserve Bank of India, in its September 2021 bulletin has pointed out that the GST collections have remained above Rs. 1 lakh crore since April 2021 except in June 2021.

So, it has been inferred that the economy has withstood the impact of the second wave to a reasonable extent. RBI has summarized that the prospects are brightening for the economy and aggregate demand is gaining firmer ground. It is a good sign that core industries mirror improvement in industrial activity and services sector indicators point towards sustained recovery.

The Monthly Economic Review report for August 2021 issued by the Department of Economic Affairs has stated that the devastating second wave of COVID-19 in the first quarter of Fiscal 2021-22 moderated the economic recovery momentum that India has been witnessing since the second half of FY 2020-21. The asynchronous onset of the second wave across states and its greater intensity necessitated localized lockdowns and mobility restrictions resulting in sequential slackening of economic activity in the first quarter of FY 2021-22.

The situation seems to have come under control, but the worst does not appear to have been over. Experts have cautioned against a potential third wave in the oncoming festive months. To meet the challenges, pandemic control and management measures would be of paramount importance. The daily vaccination rates have been going up and RBI has asserted about preparedness for the future outbreak on a war-alert status. However, the possible re-emergence of the virus with new variants and doubts about the efficacy of vaccines add an element of uncertainty in sustaining the present positive outlook.

Your Company remains a major player in the Indian PU market. The imports into India have been lower during the past few quarters, helping the Company to get better prices. However, in normal market conditions aggressive dumping of both Polyols and Propylene Glycol by multi nationals from their low-cost production centers would continue to be a big challenge.

The PG capacity augmentation project is awaiting some statutory clearances, which have been delayed due to the pandemic. As informed earlier, the production would commence in 18-21 months of receipt of approvals.

Your Company is exploring options for Polyol manufacture with alternate feedstock using a greener technology and working closely with an international technology provider for this. The explorations for further expansion through brown field projects are continuing in India and abroad. To remain a debt free Company, internal funds have been reserved for such developmental activities.

I wish to reiterate that 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, will continue.

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 about Rs. 6 crore has been spent on these proposals, including Rs. 1 crore in the year under review.

You would be happy to note that a Primary Health Care Clinic has been set up in Manali, to provide basic medical care to the marginalized sections of the people residing in the area. This Centre is an Out Patient facility where free medical treatments, dispensations and first aid are provided for minor and common illness with target beneficiaries of about 3,500 families.

The Company has also taken up green-belt development under the social afforestation plan of the local body. As a responsible corporate citizen, your company would continue to contribute its mite to the society through such activities.

Your Directors have recommended a dividend of 30%, doubling it from the previous year's 15%. As you would be aware, the Company has maintained a dividend track record for 16 years and believes that it would be important to sustain the dividend in the years to come.

I wish to place on record my sincere thanks to our vendors, esteemed customers, banks, the Central and State Governments 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. Their ability to rise to the occasion, face the challenges during the difficult conditions and bring out the best ever performance need a special mention - without which we would not have recorded the all-time best results.

I express my deep appreciation to you, the Shareholders, for your support to us at all times. I extend my wholehearted appreciation for the guidance and support of my colleagues on the Board. Finally, on behalf of the Board, I wish to reaffirm our commitment to creating shared value with all our stakeholders.

Thank you, Ladies and Gentlemen

Transaction of Agenda Items

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 25th and 27th September 2021. 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, not to 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 go beyond the permitted time.

Moderator

Thank you, sir.

We have some of the speaker shareholders joined for the meeting. The first speaker shareholder is Mr Vineet Rathi. Sir you can speak now.

Mr Vineet Rathi

Good morning. Good afternoon, all the board members and senior management of Manali Petro and very fortunate to be associated with the company as a shareholder and looking forward basically I have many questions, but I will list out one or two questions.

I would like to know the exact or specific update on the capacity expansion. Like you mentioned it is it is dependent on statutory clearance, but there's still a little more if you can clarify on that and when it will be implemented. Secondly on the emphasis of matter on page hundred of the annual report the lease has expired since 30th June 17, 2017. And It was mentioned that extension from the Government of Tamilnadu is awaited. So, when this like the lease agreement will be renewed and why it has taken so much long and. If you can highlight on this aspect also. Thirdly on cash and like cash and cash equivalents, it is almost around INR 25301 lakhs on the balance sheet cash and cash equivalents. So, what is the intended usage for these cash surplus, Right now it is in FD, but still, what we intend to do. Another was on some Bonus issue regarding any kind of bonus issue will be proposed because the reserves are also very good, and I just thought that maybe it can convert get converted into floating capital. Highlight on the bonus issue. Lastly, I would like to want the management comment basically more inclusion like we feel that the company is quite shy to get into media or have public I mean to say institutional investors' attention. So not sure well capable so senior management and that of course on the institutional investors involvement to how we are taking up. We feel that the company is very much shy as compared to other companies in the same sector or of course we know the management and seen the track records. That is the point which I would like to clarify. Hope my questions are clear and of course if anything not clear definitely I would like to appreciate the Secretarial team, they have been very good in

responding back on emails and everything and on a personal note. Definitely. I would like to be associated and continue as a shareholder. Thank you,

Moderator

Thank you, Mr Vineet,
Sir we will move to the next speaker shareholder.

Mr Amit Naveen Joshi you can speak now Hello. Yeah, we can hear you, please go ahead.

Mr Amit Naveen Joshi

So, my questions are as follows:

There has been a significant advantage to our company due to import restrictions resulting into significant higher margins. What is the status of the same currently and you can quantify the imports last year versus The imports coming now and how long do you think this would be sustainable? What is the expectation for current PG PG prices to continue based on the dual control policy share of Chinese government? Also, the stress situation of container would mean that the prices should sustain at current levels for few more quarters at least. what is your thought process, and do you see once these normalise do you expect these prices to be significantly higher vs the average of last 10 years? Because some of these factors are structural in nature. Do you expect the next five years price average price of PG to be higher versus the last ten-year average price of PG also with we are expected to Triple our PG capacity at once both the phases are completed? So, what can be the benefit in terms of cost, will we be able to compete against those at that scale or still will be facing issues with respect to cheap import. Also, What would be the contribution from the phase 1 of PG commences is in terms of revenue if you can share the revenue generation possible from phase1 of PG and are we going to do it through a new subsidiary to avail the 15% tax benefit. Also, with respect to a recent announcement of related to Econic UK wanted to know has the company developed this technology itself or with other polyol manufacturers. What kind of arrangement will we have with them meaning will there be any capital contribution from our side or and what kind of investments we are expecting to make if you can give any ballpark for that Technology also and will replace any raw materials through that technology and if yes, then will there be any improvement in profitability, or the focus should be mainly to reduce the environmental impact? And the last question would be we have a significant cash on the balance sheet also recent High margins will lead to significant cash flow in current year as well. So, what is the plan to deploy that cash? Are we looking at any buybacks? Because our equity is quite big. Also, if not buy back or dividend are we looking at any inorganic acquisition because last expansion opportunities and highlight or give us some idea regarding the scale because last acquisition was also smaller say Notedome we acquired for 80 100 crores currently. We have 400 crore cash plus we will generate significant cash flow we can do both simultaneously acquisition as well as by buyback or dividend your thought process regarding that thankyou

Moderator

Thankyou Mr Amit Joshi

Sir, our next speaker shareholder is Mr Gaurav Kumar.

Mr. Gaurav you can speak.

Mr. Gaurav ... (Mr. Gaurav says something like am I audible, which was very feeble)

No little feeble, could you please Sir...(Mr. Gaurav says something like am I audible, which was very feeble)

Sir, still we can't hear you. little louder please,

Mr. Gaurav Kumar: Sir am I audible?

Moderator: Yes please, (*Mr. Gaurav Kumar says something, which is again not audible*)

Gaurav Sir say sorry to interrupt still we are getting some disturbance from your end.

Chairman Sir is it ok? Can you able to hear him?

Chairman:

It's very feeble. Moderator, please ask him to go ahead and we will try and listen as much as possible ask him to go ahead

Moderator

Mr. Gaurav you can go ahead and as much as possible board will answer.

Mr. Gaurav Kumar:

..... the board and it of Manali Petro that despite challenging situation the company recorded one of the best financial years in the history since Inception of the company. I just wanted to know that net revenues grow significantly of the company, but in the annual report the company says that there was no significant increase in the volumes but still the profits increased so that I just wanted to that I was little sense about that despite. There is no increase in volumes the profit of the company increased manifold. So do you think that this will sustain in the long run as will answer as it also raised about the lease renewal of lease from the Government of Tamilnadu 2017-18 annual report. This issue is coming each year. So, we want to have a thorough and clarified response about this please. Also, a case has been filed against the company in honourable National green tribunal. What's the state exact status of this case as well? And what the company doing in ensuring ESG compliance? Yes, that is all thanks.

Moderator

Thank you, Mr Gaurav. Chairman sir that's all from the speaker shareholders. So, you can continue with the proceeding.

Chairman

Ok, thank you.

First, I will try to answer as much as possible from my side to the shareholders. I will be also requesting Mr Ravi and Mr. Anis also to answer their questions which are relating to technical and financial matters.

So first of all, Mr. Vineet Rathi asked about the capacity expansion then page number hundred of the annual report on lease expiry status these two points. I think these two points will let Mr. Ravi and Mr. Anis answer after I finished all the responding from my side. So, you had asked other things about cash and cash equivalents. What are you going to be doing about it bonus issue and media policy?

So, first of all cash and cash equivalents which we have is mainly being kept for two things one is as you know, we are doing brown field expansions. So, we will be using our cash for a brown field expansion apart from that. We also continuously look for M&A opportunities M&A opportunities which will help us have a better international footprint in the polyurethane market similar to what we did in UK with Notedome as you know it's a small acquisition. It has been good sort of way forward. So, we will look at such opportunities both in India and Overseas on the M & A side for inorganic growth in the polyurethane sector. So, cash will also be used for that apart from the ground field development that we've already announced. We have, you know have a media policy. But our media policy is fairly conservative. I would say we have been informing the media along with the information to stock exchange on our company's activities and we stop with that. we don't choose to go and meet other than what we do normally, investors or other agents is because we prefer to remain conservative. It is the policy of the Board, and we will remain like that, but whatever information to the media is required and which is mandatory we will do it so that there is adequate information being given as per what is allowed by the stock exchange.

Bonus issue. I am afraid we can't consider a bonus issue now because we have to again consider the available cash for sustaining a return to stakeholders. Bonus issue will expand capital and I'm not sure whether once capital is expanded. Then we be able to sustain the level of reward to shareholders. So, we have to be very careful of all that at the moment with all our plans. We have a sustainable future, and it is possible to sustain with this current mix of equity that we have any further grow increase in equity through bonus issues etc. not very sure of sustainability. It so it's not on the cards as of now.

Let me also complete a few other things which shareholders have raised.

Going to Mr Amit Doshi I let Mr Ravi to respond to quite a few of your questions relating to import restrictions, PG price, cheaper imports coming in, and a new subsidiary for PG or not all these things also Mr Ravi will explain to you about Econic and what it means to us. I have already responded to the similar question raised on cash on balance sheet when responding to Mr Vineet Rathi on what is it used for?

Also, Mr Gaurav Kumar has raised the question on sustainability of profit, NGT status in ESG compliance. I think this is also something I would request my team to answer.

So, Ravi and Anis, Ravi could you please take over from me and Anis the remaining part?

Mr. Muthukrishnan Ravi

Thank you so much.

So, I will go one by one. On Mr. Amit Joshi and Vineet Rathi's question on PG expansion. As we have stated earlier, we will be expanding in two phases, First phase is to go up by 22,000 and then again by another 24000, 24000 and 24,000 coming in later at a total investment of about 150 crore.

I will also cover here whether we are forming a subsidiary or not to avail the 15% income tax benefit. Unfortunately, because there are parts of this unit that we are going to use of the current unit we are going to use in the expansion we will not be able to form the subsidiary and take the benefit, because the rules do not allow that so we will not do that.

Regarding the sustainability of PG margin, we are now seeing quiet a high margin for PG that's basically because of the point that a few of the shareholders mentioned which is restriction on import and also the Chinese curbs on exports. But but but I think in the longer-term PG prices are more driven by a propylene prices, which is again driven by crude oil so that That depends very much on geo political events. So, we are not really able to predict how the PG prices will be in the future and of course we will try to stay as far as if it is possible in terms of operations to maximize the margin.

The other question related to PG expansion was whether this will come at spread of fixed cost over a larger volume. Yes, we get some benefit on in the first phase but in the second phase it will be a grassroot facility. So that benefit will not be coming much. So, I think it basically covers all the questions regarding to PG expansion a few of the shareholders asked.

On the lease extension, there are, we were close to completing the lease extension but unfortunately due to COVID most of the government offices were not functioning for quite some time and we hope that very soon we will have some solution to this and will have the extension done. We already have one part of the lease extension, one part of this job done, and the second part is to be completed.

The other question was on import restriction and the impact that it has on general margins of the Company and the imports restrictions definitely and the container, container non-availability do have an impact on the on the company. Now again, weather this will continue, whether this will sustain or is not something that we can predict. Like we said before we will try and maximize our margins as much as possible through a judicious operation. But how the external events payout is something we don't control, of course take advantage of it as it comes and then wait.

The last point was on Econic. Econic is something that we have just concluded. At this point in time what we are trying to do is to develop this technology in our plant on a pilot scale at the minimal cost to test if this technology can work on a commercial scale. So that's the stage we are in now. So, and the commercialization of this technology and the profitability that it will bring will depend on how much of Propylene Oxide we can substitute with carbon dioxide, which is the primary technology that we're trying to develop. And that will be known only after running this facility for about two years which is the pilot plan now.

Right now, it's very difficult to say how the technology will benefit us but if it does it will be a big gamechanger for the industry because this will pave the way for carbon capture and substituting fossil fuel based raw material and that is the intent here to make it attractive, but at this point we are not able to predict.

I think I have primarily covered most questions that shareholders asked. Anis Is there anything else that you would like to add.

Mr. Anis

Yeah, I think most of the points have been answered and with the permission of Chairman I will touch upon only two points. One is on the PG expansion. There was a query raised on the profitability. We just have to clarify that we have a very conservative process of estimating the profitability. We calculate IRR of the project and there is a fair spread compared to the cost of capital. So that it's all on the profitability of the PG Project and other details, Ravi you have already shared.

There was a query from Mr Gaurav Kumar on no sign of volume but profit increased. As mentioned by our Managing Director there was supply chain disruption because of the COVID and import restrictions and which resulted in increase in realisation and that is the reason why the profitability increased this year, it will continue or not we will have to wait and watch, and it is very difficult to predict that. It will depend upon the market conditions. On the cash utilization I think Chairman has already answered. That's all from my side. Thank you

Chairman

Thank you, so the answers have been given to the best of our ability

Of course, if you still need any further queries, you're more than welcome to send an e-mail to the Company Secretary and we will endeavour to do our best.

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 the resolutions shall be deemed to have been passed as on the date of AGM.

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

/2:15 PM/

End