

**Transcript of 43rd Annual General Meeting
Indag Rubber Limited
July 28, 2022, 03:00 hours IST**

Company Secretary: Good afternoon Ladies & Gentlemen! I, Manali Bijlani, Company Secretary has joined the AGM through video conferencing, from New Delhi. Before I hand over the proceedings to the Chairman, I would like to highlight following points:

1. Company had provided the facility to cast the votes electronically, on all resolutions set forth in the Notice of this AGM. Members who have not cast their votes electronically and who are participating in this meeting are given opportunity to cast their votes during the meeting, details of which are already shared in the Notice.
2. We have received requests from the Members for registration as a speaker shareholder in the AGM today. Such Members shall be allowed to speak once the Chairman directs the same. We request speakers to limit their speech to 2 minutes for giving opportunity to other Members.
3. Register of Directors' and Key Managerial Personnel and their shareholding and other Statutory Registers are available for inspection during the meeting, as uploaded on website of the Company at the link provided in the Notice.

We have the requisite quorum. Before the Chairman starts the meeting, may I request all Directors to confirm their location. Ms. Bindu Saxena.

Ms. Bindu Saxena: Good afternoon everyone! I am Bindu Saxena and I'm attending the meeting from my office in Delhi.

Company Secretary: Thank you. Mr. PR Khanna.

Mr. PR Khanna: I am attending the meeting from my house in New Delhi.

Company Secretary: Mr. Harjiv Singh.

Mr. Harjiv Singh: Good afternoon everybody! This is Harjiv Singh, dialing in from my office in New Delhi.

Company Secretary: Thank you. Mr. Raj Agrawal has asked for leave of absence. Mr. Vijay Shrinivas.

Mr. Vijay Shrinivas: Good afternoon everybody. I'm attending this meeting from my office in Saket, New Delhi.

Company Secretary: Mr.K.K.Kapur.

Mr. K.K.Kapur: Good afternoon. I'm speaking from my residence in New Delhi.

Company Secretary: Mr.Anil Bhardwaj.

Mr. Anil Bhardwaj: Good afternoon everyone. I'm attending this meeting from New Delhi.

Company Secretary: Thank you very much everyone. Authorised Representatives of Khanna & Annadhanam, Statutory Auditors and RMG & Associates, Secretarial Auditors are also present in the meeting from New Delhi. Pursuant to Article 66 of the Articles of Association of the company, may I request Sh. Nand Khemka, Chairman cum Managing Director to kindly take the Chair and commence the meeting.

Chairman: Good afternoon Members, I am Nand Khemka, Chairman cum Managing Director of the Company and I have joined the AGM from Switzerland.

As we gather virtually once again, it is a pleasure in welcoming you all to this 43rd Annual General Meeting of your Company. As the requisite quorum is present, I declare the meeting open.

In view of the continuing Covid-19 pandemic, this AGM has been convened through video conferencing in compliance with the circulars issued by Ministry of Corporate Affairs, which exempt physical attendance of the Members to the AGM venue.

Mr.P.R.Khanna, Chairman of Audit Committee and Nomination and Remuneration Committee; Mr.Harjiv Singh, Chairman of Stakeholders' Relationship Committee; and authorized representatives of Auditors are present at the meeting.

Due to prior commitments, Mr. Raj Agrawal, Director of the company could not attend the meeting.

Company's accounts for the year ended March 31, 2022, along with the Directors' and Auditors' reports, Report on Corporate Governance and Management Discussion and Analysis Report, have already been circulated electronically. There is no qualification, reservation or remarks in the Statutory Auditors Report and Secretarial Auditors Report. With the concurrence of all the Members present, I take them as read.

During the year, your company had net revenue of approx. Rs. 173 crores as against Rs. 174 crores in the previous year. The profit before finance cost and depreciation amounted to Rs. 7 crores 21 lacs as against Rs. 20 crores 32 lacs in the previous year.

During the year, your company had completed construction and setting up of MRO Facility at Bhiwadi, Rajasthan, which was leased out to ELCOM Systems Pvt. Ltd. with effect from September 1, 2021 for a period of 9 year and 6 months.

Operations of your Company and supply chain were impacted due to localized lockdown and COVID-19 pandemic. Russia-Ukraine war has led to an unprecedented rise in commodity prices of raw materials stressing the profit margins.

During the year, your company declared interim dividend of Rs.0.90 per equity share and a Final Dividend of Rs. 1.50 has been recommend for approval of the Members in this AGM; thus making a total Dividend of Rs. 2.40/- per Equity Share of Rs. 2 each for the Financial Year 2021-2022.

The Board recommends the re-appointment of Mr. Uday Khemka as a Director retiring by rotation, re-appointment of Khanna & Annadhanam, Chartered Accountants as the Statutory Auditors of your Company for the second term of 5 consecutive years and fix their remuneration, partial modification of the earlier resolution for payment of Commission to Directors other than the Managing Director/Whole-Time Director and fixation of remuneration of Shome & Banerjee as Cost Auditors.

The Board recommends all the resolutions as set forth in the Notice for e-voting.

Remote electronic voting facility was provided to the Members which was open from 25th July, 2022 to 27th July, 2022. Members, who have not cast their vote through remote e-voting, may cast their vote. Voting results will be announced on the website of the Company and Stock Exchange on receipt of consolidated report from the Scrutinizer.

Members, who have already registered themselves, may now speak one by one.

Company Secretary: Thankyou Sir. Before we proceed, please welcome Mr. Uday Khemka, Director. Sir, if you can please confirm your location.

Mr. Uday Khemka: I am in New Delhi, India. I am delighted to be part of the meeting. I was there from the beginning.

Company Secretary: Thank you. I would now request Skyline, the administrator to kindly unmute the registered speakers one by one.

Mr.Surender Kumar Arora (Shareholder) highlighted that the Company could make profits inspite of Covid pandemic, and enquired about changed regulations of RBI on cash payments. Since the question was not very clear, Chairman responded that it was early to analyse the impact of cash payments against exports to Russia.

Company Secretary: Before we invite another Member to speak, we would like to welcome Mr.Shiv Khemka. Kindly confirm your location Sir.

Mr. Shiv Khemka: I am in Hongkong. Apologies for being late in joining.

Mr.Rakesh Kumar (Shareholder) requested Management to do more advertisement of products, to which CEO confirmed that efforts have been made in last few years to build brand INDAG, reaching out to top fleet owners and explaining them the benefit of retreading. We had also reached out to top commercial vehicle hubs across the country and helping them with retreading of highest quality, which will bring lowest cost per Km.

Mr.Gagan Kumar (Shareholder) appreciated the Company for declaring interim & final dividends for shareholders even in tough times and enquired about impact of ban imposed on single-use plastic on our Company. CEO mentioned that Government has implemented Extended Producer Responsibility on plastic, for which we had tied up with agencies to collect single use plastic from our end customers, and contributing towards sustainability. CEO further added that retreading in itself is the pillar of sustainability, as it is built around REDUCE, REUSE & RECYCLE. This brings not only economic benefit to entire value chain but it also helps the environment greatly. So we are proud to be associated with this business.

Mr.Rohit Potti (Shareholder) enquired about 3 metrics evolving forward in next 5 to 7 years, i.e. why in the scenario of rising commodity prices, we are seeing lower sales, why gross margins are at 10 year low and where do we see this going forward, how do we see operating profits at Rs.1 crores which are probably a 20 year low, what is current capacity utilization; and at current capacity at current prices what is the maximum sales that Company can achieve, any consideration of buy-back of shares, what are the primary goals which CEO hope to achieve in next 5 to 7 years and what are the marker which shareholders should look for. The last question was to Khemka family about their long term goal for the Company over next 5 to 10 years which they hope to achieve.

CEO answered that replacement in tyre industry for medium and heavy vehicles from 2016-2021 has grown around 2-3% against which we are comparing ourselves. Primarily this is due to radialisation which is increasing by 2-3% every year and it has reached about 50% for medium and heavy commercial vehicles, which is one broad reason which has doubled the life of a tyre. A tyre running 50,000 Km is now running One lakh km, which broadly brings down number of tyres available for retreading. Road infrastructure improvement, under-loading and improved driving are few conditions which are slowly falling in place, which were earlier a very big challenge. Radialisation on long term is extremely good for retreading, as it can be easily retreated 2-3 times because construction of radial tyres is very strong. Typically, in retreading business about 60% is the raw material price to sale proceeds, but because of rising commodity prices, post COVID, it has become 75%, which has impacted our turnover also, not all of them is being passed on to the customers and to that extent our EBITA as percentage to sales have come down. Our value chain partners got lot of moratorium benefits from Government till July 2021, but thereafter benefits were lifted. So generally, industry is very much squeezed for profits which get reflected down the value chain. In such depressing demand scenario, we had reasonably passed raw

material price increase. We had completely utilized this crisis to strengthen our people and processes and brought down cost, so that when market gets better, we are extremely well positioned to grow.

Public sector and Private sector buses have not been operational, which is an important segment for retreading. This segment has not been functioning from last 2 years, which is now slowly back to track. Regarding capacity utilization, we have capacity of 18,000 MT per annum. We are roughly using 10,000 MT per annum and have lot of scope for improving our capacity and have strategy to increase our volume. CEO mentioned that he had worked with Fortune 500 companies and had absolute pleasure working with sound management team and promoters who had laid out a very clear strategy for growth of this Company. He further added that penetration of retreading is very low in India with around 8 lakhs tyres retreaded every month, while 12 lakh new tyres are sold in this country every month. So retreading penetration is 2/3rd while branded retreading is only ½ of them. So retreading penetration in India is about 1/3rd, while in markets like US and Japan its 1:1. So with all right conditions coming together, there is solid potential for growth opportunities for Indag, for which we have clearly laid out strategy which we have been in the process of implementing. Chairman further added that in US, radialisation was almost 90%. With improving factors in India, its really a new beginning for Indag for which we are prepared and done lot of work in last 2years in more focused way. So if there is a radial tyre, which is very expensive, then retreading is a must to have sustainable transport economy, the only way to keep it under control.

Chairman mentioned that Khemka Group has diversified activities, and Indag has been in the group for a very long time i.e. more than 40 years old Company. As conditions are now getting more in shape and order for us to look forward with better future. Chairman mentioned that Indag does not have much cash for Buyback of shares, though some of the cash is invested in MRO facility and Oil & gas. We need to have Reserves for difficult times and should be able to withstand it, otherwise there are no other way to survive. Looking at other listed retreading companies which are in difficult condition (having big debts and losses) we had been holding on well, so we need that strength within the Company.

Mr.Rajat Setiya (Shareholder) enquired about any Government policies or regulations that can help our Company to grow further in coming years because world is giving the push towards reducing the carbon footprints, as in tyre industry, retreading seems the only option. What is the cost economies to differ

between a retreaded tyre and new tyre, which has higher cost of R&D, technology is constantly evolving and life of tyre improving. So are we able to match it.

CEO mentioned that Ministry for Environment, Forest & Climate change is working on sustainability issues and is about to bring a new regulation on Extended Producer Responsibility for Tyre companies, which was published few days back. We have been working very actively with the Ministry in helping them build this regulation. EPR for tyre companies would give a big push to retreading industry because whatever is produced by tyre companies, they are expected to get certificates from reclaim manufacturers. However, Government is strongly pushing retreading because when you retread, then by retreading certificate, the Tyre company can push their commitment for one more year. The retreading certificate will help Tyre companies to fulfill their obligation under EPR. It is a great beginning because first time ever, Government is clearly acknowledging and understanding that retreading plays an extremely important role in sustainability. Regarding cost benefit analysis, it may be noted that 20 years back the operating expenses for trucker was 30-40% while today it has increased to 60%. Out of this 60% expense, diesel cost, toll charges, driver cost, tyre cost are not in his control, so looking at economies of retreading from a trucker or fleet owner's point of view, retreading is becoming extremely compelling for them. Retreading is a scientific process which even tyre companies have been educating them. So instead of paying Rs.25,000 for a new tyre, a trucker pay Rs.6,000 per retread. So economics is very simple, straight forward and compelling. New generation companies have come which can capture the data like tyre pressure monitoring system, which can be put in GPS or Cloud and monitor, which demonstrate benefit to fleet owners, which is what we are trying to working with fleet owners. There are cases where new tyre has given 1.80 lakh km and retreading has given 1.85 lakh km, a little more than new tyre life. So we are trying to keep updated with the technology.

Mr. Abhishek J (Shareholder) wanted to know how our business has been impacted in past 3 years during COVID and subsequent drop downs. Whether any employee has been sacked or higher salary cut or any salary cut has been taken by the Management during pandemic time.

CEO mentioned that first part of the question relating to difficulties faced during COVID has already been answered. We lost 2 very valuable employees to COVID. We tried our best to protect the employees and family members by being vaccinated, getting booster dose and COVID insurance.

Management took a salary cut of 60% in one month and 30% next month. During crisis, every Company relook at cost, people and processes in place.

Mr. Ankur Chanda (Shareholder) was hoping for better returns on investment.

Company Secretary: Thank you very much everyone. I may now request our Chairman to kindly close the meeting.

Chairman: I thank all the Directors and Members who have taken out their valuable time to attend the meeting. I declare the meeting closed. The voting shall remain open for another 15 minutes. Thank you very much.