

**Transcript of 44th Annual General Meeting
Indag Rubber Limited
August 3, 2023, 03:00 hours IST**

Company Secretary: Good afternoon Ladies & Gentlemen! I, Manali Bijlani, Company Secretary, has joined the 44th AGM through video conferencing, from New Delhi on 3rd August 2023 at 3 PM. Before I hand over the proceedings to the Chairman, I would like to highlight following points:

1. Company has 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 some of 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 to give 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.

The proceedings of this meeting are being recorded for compliance purposes.

I hereby confirm that requisite quorum is present. Before the Chairman starts the meeting, may I request all Directors and KMPs to confirm their location. Mr. PR Khanna.

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

Company Secretary: Mr. Raj Agrawal

Mr. Raj Agrawal: Good afternoon everybody. I'm attending this meeting from my residence in New Delhi.

Company Secretary: Mr. Sushil Kumar Dalmia.

Mr. Sushil Kumar Dalmia: A very good afternoon to everyone! I am Sushil Kumar Dalmia. I am attending this meeting from my office in New Delhi.

Company Secretary: Mr. Vijay Shrinivas.

Mr. Vijay Shrinivas: Good afternoon everybody. My name is Vijay Shrinivas and I'm attending this meeting from Indag Rubber Limited's office in Saket, New Delhi.

Company Secretary: Mr. Anil Bhardwaj.

Mr. Anil Bhardwaj: Good afternoon everyone. I am Anil Bhardwaj and I'm attending this meeting from Saket, 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, I request Sh. Nand Khemka, Chairman cum Managing Director to kindly take the Chair and commence the meeting.

Chairman: Thank you Manali. Good afternoon Members. I am Nand Khemka, Chairman cum Managing Director of the Company and I have joined the AGM from my residence in New Delhi.

As we gather virtually once again, it is a pleasure to welcome you all to this 44th Annual General Meeting of your Company. As the requisite quorum is present, I declare the meeting open.

This AGM has been convened through video conferencing in compliance with the circulars issued by Ministry of Corporate Affairs and SEBI, which exempt physical attendance of the Members to the AGM venue.

Mr. P. R. Khanna, Chairman of Nomination and Remuneration Committee; Mr. Raj Kumar Agrawal, Chairman of Audit Committee & Stakeholders' Relationship Committee are present at the meeting. Mr.

Uday Khemka, Chairman of Corporate Social Responsibility Committee is expected to join us very shortly. Authorized representatives of Auditors are also present at the meeting.

Due to prior commitments, Ms. Bindu Saxena, Director of the Company, could not attend the meeting.

Company's accounts for the year ended March 31, 2023, along with the Directors' and Auditors' reports, Report on Corporate Governance and Management Discussion & 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. 252 crores against Rs. 173 crores in the previous year. The profit before finance cost and depreciation amounted to Rs. 22 crores 3 lacs against Rs. 7 crores 22 lacs in the previous year.

During the year, your Company grew the volume in PTR (the rubber that we use) by 39% when compared to FY 2022, due to increased penetration in domestic market. Also, the easing up of commodity prices in the second half of the financial year led to increase in our realization. This increased our revenue by 46%. PAT in FY 2023 was Rs. 13 Crores against Rs. 2 Crores and 86 lakhs in FY 2022.

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 2022-2023.

The Board recommends the re-appointment of Mr. Shiv Khemka as a Director retiring by rotation, appointment of Mr. Sushil Kumar Dalmia, as Independent Director of the Company for a term of 5 Years and fixation of remuneration of Shome and Banerjee as Cost Auditors of the Company for FY 2023-2024.

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 31st July, 2023 to 2nd August, 2023. 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: Thank you so much sir. I would like to welcome Mr. Uday Khemka who has joined the meeting. Sir please confirm your name and location from where you are joining this meeting.

Mr. Uday Khemka was present in the meeting but could not unmute himself.

Company Secretary: I would now request the moderator, Skyline, to kindly unmute the registered speakers, who have registered themselves for today. Is Eshit Sheth on the Call?

Moderator: Mr. Eshit Sheth is not available in the meeting.

Company Secretary: Mr. Rakesh Kumar

Mr. Rakesh Kumar (Shareholder 1) requested Management to explore the possibilities in Electric Vehicle segment. He also highlighted that the Company may increase its revenues by manufacturing tyres.

CEO replied that the Management keeps looking at the opportunities available both in adjacencies and diversification and we will analyze expansion in these areas. He also thanked the Shareholder for his support and long association with the Company.

Company Secretary: Thank you so much Sir. We have received message from Mr. Uday Khemka that due to technical issues, we are unable to see him and he is unable to unmute himself. We also have on call Mr. Shiv Khemka, Director, who has joined the meeting few minutes ago.

There are some queries in the chat box which, with the permission of Chairman, will be taken up later after replying to speaker shareholders.

Mr. Surendra Kumar Arora (Shareholder 2) enquired about CSR activities, if any done by the Company for senior citizens.

Chairman informed that due to limited funds, the Company is, at present, focusing on Children's education and healthcare. He assured him that his suggestion is noted and will be considered in future.

Mr. Gagan Kumar (Shareholder 3) thanked the Company for giving high returns on his investment and dividend. He also thanked the Finance and Secretarial team for maintaining high standards of corporate governance. He enquired about Company's roadmap for next 2 years and reasons for Company's good performance during the year. He also requested the management to do more advertisement of its products. He also wanted to know the %age of shares which have been transferred to the Investor Education and Protection Fund (IEPF). He further hoped to have a hybrid meeting from next year.

CEO thanked him for his long association with the Company and his compliments and informed that we had successfully navigated during the last 2 years which were very turbulent due to COVID, Russia-Ukraine war and unprecedented increase in raw material prices and we are well positioned for growth in this business. He informed that for retreading business to flourish, three things are necessary, these are good roads infrastructure, radialisation and non-overloading. The Government's focus on infrastructure has dramatically improved over last 10-15 years. Radialisation has come to approx. 60% in truck and bus tyres. It is very good for retreading as it is scientifically constructed tyre which is long lasting and can undertake retreading at least 2 times very well. So, it is good for the retreading industry. The third factor is overloading. Over a period of last 5 years, Government's focus on toll infrastructure and toll collectors penalizing the overloading has tremendously brought down overloading on the long run. So, when overloading does not happen, the tyre do not get damage and therefore, the propensity of retreading becomes very high. Further, we are very under penetrated as compared to the developed countries like US, Europe and Japan. Tyre companies sell about 12-13 lakhs tyres in the replacement market and only about 8 lakh tyres are retreaded and out of that only 4 lakh tyres are retreaded by the organized companies. Therefore, the retreading penetration is one-third and the potential to go to at least two-third is extremely high in India. Therefore, the underlying drivers of the business which were explained earlier are positioning retreading business for a solid growth across the time period. There are some challenges i.e. smaller roads which are not in great condition which is leading to damages of tyres and

radialisation tyres requires certain training for the drivers and fitters. The tyre companies, retreading companies and auto OEMs are focusing on doing lots of training to these people and good practices and right inflation practices are going up. Under these circumstances, the Company has laid a strong and solid foundation for the future growth through our four pillars strategy. We always try that our rate of growth should be twice of the growth of replacement market buyer growth. CEO also informed that we have increased our marketing budget over last 1-2 years and we are increasing our efforts in marketing and you will see the visibility going up. However, our marketing efforts will be below the line which will help us in building the brand "INDAG".

On hybrid meeting, CEO informed that whenever the situation will become conducive, we will try and shift to having meetings in hybrid manner. CEO then requested Company Secretary to answer the question regarding shares lying with IEPF Authority.

Company Secretary informed that approximately 1% of the Company's shares have been transferred to IEPF Authority as per provisions of Companies Act.

Mr. Praveen Kumar (Shareholder 4) appreciated the Company's management team for reaching new heights, providing good returns to Investors and following best corporate governance practices.

Chairman thanked him for his compliments and assured that we will always try to do our best and we value your long association with the Company.

Company Secretary: Moving on to the next speaker. Moderator, please check if Mr. Prabhjot Singh Sahni is attending the meeting.

Moderator: He is not available mam.

Company Secretary: Mr. Ajay Jain

Moderator: He is also not available mam.

CEO then advised to take the questions in the meanwhile from the chat box.

Mr. Rohit (Shareholder 5) asked about Extended Producer Responsibility (EPR) regulations and if they benefit us.

CEO replied that apart from the three factors which were mentioned earlier, the fourth important factor is the focus on environment, sustainable development and circular economy. Keeping in mind this focus, Government has introduced Extended Producer Responsibility for the tyre industry which says that the tyre manufacturers, whatever is their production, have to buy equal end certificates from either a recycler or a retreader. This is to ensure that the end of life tyres are disposed of in a responsible manner and this also promotes a circular economy. For any circular economy, there are 3 pillars – REDUCE, REUSE AND RECYCLE. So, by EPR, Government is trying to put a spotlight on both – recycle and reuse. In the context of tyres, reuse means retreading. Every tyre is built for multiple retreading by design. If it is not retreaded, it is put in landfill which is a colossal loss for environment. Also, producing a new tyre consumes a lot of oil and energy. So, by retreading or reusing the tyre, you are scientifically extending the life of the tyre and this is going to benefit the retreading industry and recyclers. However, the policy was announced by the Government in October' 2022 and further guidelines from the Central Pollution Control Board on its exact execution methodology are awaited. Government had said that in year 1, this will be applicable on 35% production, year 2 – 70% and from year 3 onwards, tyre companies will have to give certifications of 100% of their manufacturing, which will promote very good retreading infrastructure. People will register themselves with Pollution Control Board, which means they will move from Bonders which are harmful to the environment to electrical chambers and this will help strengthen the retreading infrastructure in the country and will help the Company indirectly, apart from directly giving an opportunity to give retreading certificates. If a retreading certificate is procured and produced by the tyre companies, they get a moratorium for one year which is a very good incentive by the Government.

Mr. Rohit further highlighted that market cap of the Company could be better.

Chairman responded that for this, we are doing our best efforts to increase our sales volume and margins.

Company Secretary: Has Mr. Ankur joined the meeting?

Moderator: Yes Mam. Mr. Ankur you may speak.

Mr. Ankur Chanda (Shareholder 6) started speaking but lost connection due to technical issues at his end.

Company Secretary: Can we move on to Mr. Keshav Garg? Is he in the meeting?

Moderator: Mr. Keshav Garg you may speak.

Mr. Keshav Garg (Shareholder 7) enquired about the outlook for the current year in terms of top line and bottom line, steady state of EBITDA margin that we can do in this business and what will be the peak revenue if we operate at full capacity? He also highlighted that we did EBITDA of Rs. 46 Crores in FY 16 which has now reduced to Rs. 14 Crores despite inflation over the year. So actually, in real terms, this is lower. Further, our revenue is same as in year 2016. Is this because of increase in volumes or realization price? He also wanted to know the impact of GST on our business, export prospects of the Company, reason for increase in rent from MRO facility and investment by Company in SRL-142 Holdings Ltd.

CEO replied that 2015-16 was the peak year for replacement of tyre market. After that, the replacement market for truck and bus tyre industry has grown by CAGR of only 2.8% from the year 2019- 2021 and Indag's volume growth during the same period has been 5%. Similarly, from 2016 to 2023, the CAGR for the entire replacement market's domestic consumption was 4% and we have grown double its size. It appears to be a low component growth because of the technological reasons that the radial tyres are replacing nylon tyres as they give substantially higher life of a nylon tyre. Therefore, one tyre is going to perform life of two tyres. Until the radilaisation goes upto 80%, this challenge will exist. Once it reaches to 80% from 60% at present, the growth will be exponential.

He further added that our Chairman started this green and sustainable business 44 years back when sustainability, circular economy and carbon neutral were not common and fashionable words. This is a green business and in a very nascent stage of play out. Once it plays out, we will see the benefit of better margins.

He further added that our EBITDA margin was 16% in 2016-17, out of which 4% was the excise benefit, which we got. So, 12% was the peak EBITDA margins. During the last 2-3 years, there have been increase

in the commodity prices, which are now coming back to normalcy. Our EBITDA percentage for Q4 of last year was 9% and we are reaching back to this percentage and that we will reach to 10-12% EBITDA in a short period of time, provided the head winds do not happen and the economy picks up and once our volumes go up, we will catch up much faster. We increased our capacities in 2015-16 after which, the replacement market and tyre industry has taken a downward cycle. However, as per reports of rating agencies, the industry is slated for next cycle of growth over next 5-6 years, which will also help in growth of replacement tyre industry. We have reached the volumes of 2015-16. Based on the fluctuations in the commodity prices, our prices also get fluctuated.

CEO also informed that transport industry has been operating in cash. However, after the demonetization in 2016 and GST coming into effect in 2017, the industry has been rediscovering itself and making efforts to formalize. At present, very few fleet owners are organized. Others are small players who do not utilize their GST component. Further, Diesel, at present, is not covered under the ambit of GST. Once this happens, even small players will start taking GST credit.

CEO further replied that the export market requires a lot of time to nurture through presence in certain markets and important shows. Unfortunately, due to COVID, these shows did not happen during last 2-3 years. They have started happening now from this year and we will be seen there. We are focusing on developing a product portfolio for the export market. Further, we are required to have certain certifications, which we are in the process of obtaining. CEO informed that we are building a solid building block for growing our export business.

Increase in rent from MRO from last year was due to the reason that rent for FY 2021-22 started from the month of September' 2021. Further, the rent will get increased by 15% after every three years.

Regarding investment in SRL 142, CEO replied that we had invested Rs. 12 Crores in the business, whose present valuation is Rs. 17 Crores. Further, we have 12% return as dividend and since the value of oil and gas is going up, the investment will give us good returns in the long run. Indag had made investment in this business with Indian Oil Corporation and Oil India Limited and we see this investment coming through for us very well. We had invested Rs. 3 Crores in SUN-AMP Solar Pvt. Ltd. and received Rs. 4.74 Crores, at an IRR of 11%. We also invested Rs. 13.5 Crores in Sun Mobility Pvt. Ltd. and received 19.8 Crores, at an IRR of 15%. We had also invested in Lithium Urban Technology, which went into trouble due to COVID. In this Company, we got our investment back at par.

Company Secretary read out the question asked by Mr. Girish Gupta (Shareholder) from the chat box. He wanted to know why Company is investing into EV business and its prospects for next 3-5 years.

CEO clarified that we are making an investment in battery energy storage segment (BESS), which is extremely fast-growing business for manufacturing of Power Converter Systems which will go as a part of the battery energy storage solutions. This business is sun rise business and is expected to grow at CAGR of 32% in years to come. This is an extremely green business and through this, we will make an entry into the green corridor. This investment is in line with our passion for sustainability.

Company Secretary: Questions of Ms. Rita Jain and Mr. Rohit Roy have already been answered by CEO. Mr. Rohit also wanted to know if the management has any proposal for buy-back of shares. Management does not have any proposal for buy back as we are proposing to make investments in other new businesses.

CEO mentioned that Q&A session may now be closed.

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. Members whose questions could not be answered may write to the Company and we will respond to them individually. I declare the meeting closed. The voting shall remain open for another 15 minutes. Thank you very much.