

Tamilnadu Petroproducts Ltd

Transcript of proceedings at the 35th Annual General Meeting held on 09th September 2020 through Video Conferencing/Other Audio Visual Means

Mr. Ashwin C Muthiah (Vice-Chairman)

Good Evening, Ladies and Gentlemen. It is exactly 2.00 PM. I am informed that the necessary quorum is present. The chairperson has informed that due to some urgent government work she is not able to be present. So, we will now first elect the chairman of the meeting under the article eighty seven of the articles of association. On your screen you will see the proposal for this on which you may now vote, which will be open for three minutes. The Result of the poll will be available in the Screen and once this appears the proceedings will commence.

Moderator

Sir, the poll has been passed. You can proceed.

Mr. Ashwin C Muthiah (Vice-Chairman & Chairman of the Meeting)

Ladies and gentlemen, thank you for electing me as the Chairman of the Meeting and now 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 Central Depository Services (India) Limited, CDSL. A 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 the Ministry of Corporate Affairs. 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:

Mr. Dhananjay Mungale, Dr. N Sundaradevan IAS, Mr. Debendranath Sarangi IAS, Ms. Sashikala Srikanth, Chairperson of the Audit Committee, Mr. G D Sharma, Chairperson of the Nomination and Remuneration Committee, Mr. C S Shankar are all Independent Directors. We have from TIDCO Dr. Karthikeyan IAS, Mr. Senthikumar Whole-Time Director (Operations) and Mr. K T Vijayagopal Whole-Time Director (Finance) & CFO. As specified in MCA's Circular the Statutory Auditor is also participating through VC.

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

Mr. Ashwin C Muthiah's (Vice-Chairman & Chairman of the Meeting) address to Members

Ladies and gentlemen, it gives me great pleasure to welcome you all to the thirty fifth and your general meeting of your company on my behalf and on behalf of my colleagues on the board.

It gives me a great pleasure to welcome you all to the 35th Annual General Meeting of your Company, on my behalf and on behalf of my colleagues on the Board.

In these trying times, I wish you and your family good health and a safe passage through the current crisis. This year, in keeping with the statutory protocols, this meeting is being

conducted virtually to ensure maximum convenience and minimum risk for all those who are a part of the proceedings.

The Annual Audited Financial Statements and other Reports for the year 2019-20 have been sent in advance and with your permission, I shall consider the same as read.

Economic Scenario

The global economic outlook for the year 2019-20 was projected to be stagnant with an expectation that it will not have a major impact on India. Contrary to this, India too faced difficulties and industrial activities deteriorated, attributable to the general economic slowdown.

After recording an unexpected rise of 14 months' high in February 2019, the manufacturing PMI nose-dived to a six months' low in the following month. The trend continued in FY 2019-20 and in October 2019, a two-year low was recorded. This reversed from November 2019 and in January 2020 an 8-year high was reached. Another highlight was 90 months' high in employment growth during this period. The service sector also performed on similar lines, but with the onslaught of COVID-19 pandemic, all the activities almost came to a halt.

The GDP growth was only 4.2% during the year, much lower than the projected 7.2% and the last quarter clocking only about 3.1% expansion.

Performance Highlights during the year

The Company had a lower turnover during the year, due to the lockdown in the last week of the year during which sales could not take place. Linear Alkyl Benzene (LAB) continued to be the major contributor for the revenues. The Normal Paraffin revamp project was completed in March 2020 and the switch over to LNG from fuel oil for utilities.

Impact of the Pandemic Situation

Starting as a localised health challenge towards the end of 2019, COVID-19 has become a global pandemic in 2020, bringing the global economy to almost a standstill. While some smaller countries have managed to eradicate the menace, thickly populated nations such as India are still in the process of bringing the pandemic under control.

As regards your Company, all the production facilities had to be shut down from the last week of March 2020 till the 2nd week of April 2020 and restarted in phases, thereafter, starting with LAB. Though sales of LAB was not affected, Chlor Alkali and Propylene Oxide divisions faced difficulties due to most of their end use industries remaining locked or underutilized.

Some improvement has been seen since June 2020 in LAB turnover. Sales of the other products continue to be under stress as the end users are still in the process of ramping up capacities.

In response to the extraordinary circumstances your Company has been proactive in meeting the challenges in the operation of the business, customer expectations and demand-supply disruptions.

Economic Outlook

In January 2020, prior to the onset of the pandemic situation, the International Monetary Fund (IMF) had projected that the global GDP growth would be about 3.3%, better than the 2.9% recorded in 2019. However, IMF now has revised it as contraction of 4.5%. This is on the premise that the pandemic would ease during the second half of 2020, which at present appears unlikely.

As regards India, the Asian Development Bank, which had anticipated an expansion of 4% for FY 2020, has in its supplementary report in June 2020 revised it as a reduction of 4%. For the next year the GDP growth has been projected at 5% against the earlier 6.2%. It may also be pertinent to note that except for China and Vietnam, all the other major Asian economies are predicted to contract during 2020.

The Indian Government has announced various steps to ease the situation and enable restart of economic activities. The tax collections, which fell in April 2020 started showing improvements from May 2020 but some decline has been reported in July and August 2020. So, it may be early days to provide any definitive forecast on the economic scenario.

Business Prospects

Your Company continues to be a significant player in the Indian LAB market, though competition from overseas suppliers persists. We continue to have a healthy market share in South India while also growing in other parts of the country.

India being an attractive market, is targeted by the overseas players, which has resulted in increased imports of LAB and Caustic Soda. Addition of new plants in the Middle East is a big threat to the LAB market in India as a major percentage of production is likely to flow into India. This could continue to be a factor in pricing and margins in the medium and long terms. To overcome this, your Company is focusing on higher production and productivity so that per unit cost is under control.

Dividend

The Board of Directors is happy to recommend a dividend of 15% for the year 2019-20.

Acknowledgement

I would like to place on record my deepest appreciation for the contributions of all my colleagues on the Board, past and present, and for their able guidance and unwavering support over the years. I would also like to thank the Central and State governments, Financial Institutions, Banks and other statutory authorities for their continued support over the years.

I extend my gratitude to our vendors, esteemed customers and all other stakeholders for their continued support over the years. I also acknowledge the efforts, hard work and dedication of the employees of your Company to sustain and improve its operations. And finally, a special word of thanks to you, our valued shareholders for your unstinted support and encouragement to us at all times.

Before I conclude, I wish to place on record that your Company would strive to sustain and improve its performance in the petrochemical sector meeting all stakeholders' expectations and following best practices.

Mr. Ashwin C Muthiah (Vice-Chairman & Chairman of the Meeting)

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 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 6th and 8th September 2020. Arrangements have also been made for e-voting during the meeting. The voting is open now and will close five minutes after 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 one by one. If so, desired they can enable their video while they speak. Kindly note that 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 respond to the same at the end.

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. The first speaker who has registered is Mr. N. Ramkumar, you can speak.

Mr. Ramkumar, Shareholder

Good Afternoon Chairman, Directors, the participants and my fellow shareholders. This is N. Ramkumar I have shares in this Company Tamilnadu Petroproducts Ltd. I am shareholder of this Company for more than 3 decades. I am very happy to about the performance of the company. Even during difficult time and also thank the Board for recommending higher Dividend in spite of the current situation. I look forward to continue the performance. Thank you.

Moderator

Thank you. Next speaker is Mr. Bharat Raj.

Mr. Bharat Raj, Shareholder

Yeah, good afternoon. Mr. Chairman. Am I audible?

Moderator

Yes, you can proceed, Sir.

Mr. Bharat Raj, Shareholder

Yeah, very good afternoon. Mr. Chairman and entire board of directors. First of all. I'm happy to see you all safe, fine and healthy. I am also safe, fine and healthy by the grace of God. First of all, I, thank the management for your wonderful results and wonderful profit sir. I, thank the management for your good dividends. I expect that the same dividend will be continued, by the grace of the God, my best wishes to all the board of directors and all the best for that management. God bless you all.

Moderator

Thank you. Next speaker is Mr. Nitin Jeevraj Deveriya.

Mr. Nitin Jeevraj Deveriya, Shareholder

Thank you for the opportunity, Sir. So, I just have five questions regarding the operations of a company. My first question is what the volume of Linear Alkaline Benzyl in FY 2020? Second, currently what is the capacity utilization & Are we running at full capacity? With Capex of 82 Crores incurred towards normal paraffin, how much improvements in margins can we expect? Next question, we had invested in our foreign subsidiary to do some capex there and since we are not doing that capex, what do we plan to do with the investment? Since the money is kept there, it is ROI that we are generating and my last question is why does the management not consider buy-back? Since we are generating so much of cash from the operations, every year. That is it from my side, Sir.

Moderator

Thank you. Next speaker is Mr. Santosh Kumar Saraf. Sir, you can speak. You can turn-on your camera.

Mr. Santosh Kumar Saraf, Shareholder

The respected chairman, Board members and my fellow shareholders. I am Santhosh Kumar Saraf from Kolkata. Thank you for the management, CFO and Key Managerial Staff for all the achievements during the year in spite of difficulties faced due to CoVID-19 Pandemic. The Dividend of Rs. 1.50 per share is very good, sir. Compare to last year increase 50 percent Sir. My question to you is, what is the impact on the Company Income due to CoVID-19 Pandemic? What is the steps taken by the management to minimize the effect of this impact? We can do cost cutting in this CoVID Pandemic as uncertain situation for petrochemical companies. The Board of Directors could think of cutting of their remuneration, Directors fees, commission, perquisites in this year due to CoVID-19 Pandemic period where we witness very tough time to survive, Sir. The Board of Directors could think of the cutting of the remuneration to Key Managerial Personnel by 30% this year, Sir. What is your future plan for

management growth and income of the Company? Our total female employee is only one, out of 428 employees, sir. It is very less. Please give view of the management to empower more woman to be self-dependent in the present scenario. Now Labour Ministry also allow female to work in the factories, all shifts. I am surprised that you have only one disabled employee in a total permanent staffs of 428. Now a person with disability is topping IAS examination and at the same time winning medals in Olympic, para-medical games for the India. Many of them continue to be good and work for the country, kindly tell me that you will give them opportunities than others, Sir. What is our Employee equalization, sir? Kindly let me know the status of your CSR expenditure and ₹ 55.71 lakh out of ₹ 75.45 lakh was not spent during the year. Please tell me, what is the unspent amount for the last year? In Page No. 59 in your report, there are so many disputed case from 1993-94, in this regard kindly tell me why you are not interested in settling these cases with Central Govt. under Vivad Se Vishwas and Sabka Vishwas scheme announced by Central Govt. Why these are still pending after Twenty-Seven years? What steps or measurements taken to solve these disputes and clean the accounts? Many Companies has given a reply that their legal experts have told that the Company is tough position to win the case but they never tell that they take fees more than the case amount. In Page 34, you have mentioned that no shares have been transferred to demat suspense account. Why sir? Kindly tell me, what is the amount transferred to PM Cares fund and any contributions made to any political parties, sir. Last Question, how many shareholders are attending today's meeting sir and what was expense made for last year's physical meetings including Annual Report notice and other director expenses relating to travel and what is the estimate expense if this was a physical meeting, Sir. Next sir, I hope you all are safe, because this is very tough time sir. I wish all the management, all the managers, staffs, all the workers and all the related parties are with good health and safe. Thank you, Sir for giving the mic. Jai Hind. Jai Bharat. Namaskar. I request digital meeting is always held as we can attend the meeting from Bombay. Thank you, sir.

Moderator

Thank you. Next speaker is Mr. Satya Prakash Mittal. Sir, you can speak. Little louder please.

Mr. Satya Prakash Mittal, Shareholder

Am I audible now? Is it better?

Moderator

Yes, Clear.

Mr. Satya Prakash Mittal, Shareholder

Thank you. Sir in past we have done considerable amount of questions on Capex in the various segment so it would be appreciated if you just take us through the commercialization of power they consume and In the PO plant what is the kind of revenue potential that we are looking at? and what is the kind of sustainable margins that we hope to make from the PO plant? Secondly, the Paraffin which helped us get the assets backward, integrated for LAB. So, how will that change the margin profile for main segment for revenue? Also, what is the capacity for the three segments- Chlor Alkali, LAB and PO? Even that we have done some capacity expansion and the respective utilization. We have 100 crores plus cash lying in our subsidiary which was intended to be used for the investments or capex. But since that is not being used, what is management's plan for utilization of this cash? Is there any possibility of

bringing this cash back to the standalone entity? And finally, if you could share some outlook on the LAB industry, given that there is a capacity coming up and how is the scenario playing out in the domestic environment of both LAB and caustic soda. Finally, sir, one book keeping question, in the P&L other expenses, we see a referral charges which has been continuously given, if you could, share some light on what is the nature of the expense. Thank you and All the best.

Moderator

Thank you, our next speaker is Mr. Abhishek. Yeah Mr. Abhishek, you can speak. Clearly audible, please proceed.

Mr. Abishek, Shareholder

Just give me a time, I will switch on my video. This is Abhishek, shareholder of the Company DP ID: IN301637 Client ID: 41359155. First of all, I want to congratulate the management on the eve of Annual General Body Meeting. Sir Our company deserves much more respect after completing more than a decade of successful operations profitability and becoming one of the strongest in our respective industries. So I would like to know what is the real impact of CoVID-19 Pandemic in percentage term and how supply chain is affected. Then where do you see the light at the end of the tunnel, what will be the growth triggers in first and second half. what is the management going forward sustainability of the profit will remain challenged in the coming quarters? So, what are the management efforts to improve working capital, sales ratio, ROC, EBITA and interest coverage ratio. Nothing much to ask, sir. I would like to congratulate the management and thank the management for giving Rs. 1.50 Dividend and all-time high Dividend has been declared. So, your management has understood the difficulties and the pain that the shareholders are going through in this Pandemic situation and you have rewarded the minority shareholders at the right time and the right moment so, I would like to appreciate the management for that. Sir then, the corporate governance is really excellent and the investor consistency is very good in part of cameo. They have also sent us the link well in advance for us to be present in the Video Conference. Nothing much to ask. Thank you very much, I wish the Board of Directors success and prosperity in the coming future. Thank you for the opportunity.

Moderator

Thank you Mr. Abishek.

Mr. Chairman the registered speaker shareholders are over. Rest of the speaker shareholders who have registered around four shareholders have not joined. I am handing over the session to you.

Mr. Ashwin C Muthiah (Vice-Chairman & Chairman of the Meeting)

Thank you. I will start answering the questions, wherever I am not able to answer in full, I will request my working Directors to reply or I could just give me a couple of seconds. I could get the replies on and come back to you. So let me first term answer Mr. Bharath Raj and Mr. Ram Kumar who were the initial two speakers. Thank you very much for your appreciation. I think you also commended the company's decision to declare dividend. I think of few other speakers also spoke about dividend as I just wanted to explain a bit of background on our, you know, the decision which sort of was behind this dividend. You know, we are in a situation today where, you know, every company every economy in the world is quite

troubled with the pandemic. So, we are all trying on level best to see how we can survive keeping on stakeholder interests, sustained. So, what I'd like, the shareholders to appreciate is one has to look for share in companies where not only capital appreciation is going to be the only trigger. It has to be capital appreciation and also dividends. So, we, as a company, we have to take the leadership in communicating to our shareholders that we are a company where we respect the shareholder interest. We understand the local issues, the pandemic situation, and we will continue to try to do our best, whereby you will have a blend of appreciation with dividends and just not capital appreciation. So that we are able to give a very balanced long term and sustainable reward to the shareholders. I just wanted to communicate this to you as something that is sort of, behind any decision we take with regard to reward to shareholders.

So, with that, I will move on to Mr. Nithin, you had asked a few questions on the volume of LAB, and the capacity utilization. If I could request Mr. Senthikumar to reply after I finish on Nithin's question regarding volume of LAB and capacity utilization. Mr. Nithin also wanted to know about margin improvements. I'm afraid that margins are something very sacrosanct to the company, which I'm unable to disclose, but all I want to tell you is every bit of effort be it cost control, be it any increase in market share, etc is all towards margin improvement. So, we will not leave any stone unturned towards margin improvement.

Then you wanted to know two other things overseas investment and buyback. There was also one more speaker. I think it was Mr. Satya Prakash Mittal who also wanted to know about the overseas investments. So, let me first answer that before I go to buy back.

So, you are all very well aware of the of the cash available with the company in overseas subsidiary. We tried very hard to invest in an overseas project that would yield benefit to the Indian parent. We have not been successful, however, the biggest benefit that the company and the shareholders got was the tremendous capital appreciation, we have seen right from the day we invested to today, which is been an extremely good growth in value for the company, which we, I'm afraid we wouldn't have been able to achieve, had this money been utilized for something else.

Now, having said that we have been testing every now, and then the possibilities of bringing this money to India. So, when we test such, you know, actions to be taken, which, in fact, was also discussed with some of the shareholders some time ago, and even in the last meeting. When we test, we test at what would be the value at, which we will convert, when we convert what are we going to do with it? And till we do something with it, what is it going to earn? At the moment, we have sufficient funds in the company today to meet all our capital expenditure requirements and as you can see long term borrowings are almost negligible. So, at this immediate point, we don't need the money as we are yet to identify capital related expenses. Of course, doing a project overseas seems to be a bit remote at the moment. But we are constantly looking at how to improve capital expenditure in India. So that we can improve our position and outstanding in the industry. So till such time, when we do the test of Capital of foreign exchange conversion and interest earning thereafter we believe strongly that it is better to keep it in the US dollars and earn the interest that we are getting now, which is far better than even fixed deposit rates.

So the decision is that, yes, this money is meant for India as soon as we have, the capital expenditures identified, and we are ready to use it, we will deploy it without hesitation because that will give us a far better return than just converting it into Indian rupees. Now, in keeping it as a bank deposit, so that's, that's the status. In terms of buyback again, I think this all depends on the usage of cash because for, buy back we need, we need cash to buy back the shares. So, we have to be very sure that there is nothing more that this company can do in terms of capex and clearly there is excess cash and which can be, you know, used for buyback. But I'm afraid at this juncture. We are not yet fully convinced that there would be normal capital expenditure. Point is well taken, and we will keep this in mind to take action on it at an appropriate time. So, with that, I will move on. So we'll come back to Mr. Nithin on the volume of LAB and capacity utilization towards the end and I will ask Mr. Senithkumar to reply.

Then we move on to Mr. Santosh Kumar Saraf. Impact of CoVID-19 I think, we have, if I remember right, we keep giving every frequent information to the stock exchange on the impact of CoVID-19, do let us know if you have any specific questions on that you could email us. You email the company secretary and we will not hesitate to give you a reply as quick as possible. You had talked about cost cutting, you know, I, this is something that, as a senior management we keep on looking at cost cutting initiatives. we do not leave this unattended to. I think we have done all that we can to reduce cost. And we will try to reduce as much as we can, but I also have to be very upfront that we can't cut cost beyond the level where it will start affecting the business. So, I'm satisfied at this time that the management is doing everything possible to cut cost and optimize the cost. As far as business plans, future plans for growth are concerned as, you know, we have been affected today by this pandemic our plans for the immediate future is to sustain the current customer requirements and grow with the current customer requirements as their volume pick up. We are heavily dependent on customer, you know, markets and customer usage. So, at the moment our plan is basically to support the customer requirements, and as it, when there is more opportunities to ride with a customer sales growth, we will not hesitate to invest in more capital related expenditure. But I'm afraid, I don't have a short term visibility on what more we can do. At the moment is just to make sure that we hold where and we operate at optimum levels and make sure that are customized requirements are fully satisfied. You were also talking about CSR contribution I think this is something that I'm not able to immediately inform you in detail, but all I can tell you is that CSR is something that is extremely important. We have a committee and the committee is constantly watching the spend. We spent whatever is asked by the regulators and the spend is basically going into areas like sanitation facilities and we're looking at, you know, setting up healthcare centers and maybe do some education related CSR as well.

You were talking about cases under this Scheme Vivad Se Vishwas scheme. Yes, we are very well aware of this scheme and all I want to tell you is that we are not here to drag it and as you rightly said, income more legal cost, we do believe that the, the dispute we have has got every reason to succeed. We will continue our dispute. But at the same time, we believe that there is something where we could settle then continue to dispute, we will not hesitate to settle. But, however, I must say that if the government scheme gives us a certain extent of time to settle without any additional cost, I think, as a company we should take advantage of that. So, it's not the question of continuing a dispute is basically taking advantage of the Government's kindness to allow companies to settle in the scheme within a certain period of

time that they're granting to us without any additional cost. I think you are referring to some payments on page thirty-four as that part of your conversations or question was a bit unclear to me.

Perhaps, I can ask Mr. Vijayagopal, in case he has heard that page thirty-four what you're referring to. Mr. Vijayagopal to answer after I finished all my answers.

Then you are finally asked about shareholders meeting attendance, cost, comparison, physical meetings. I'm afraid I don't have the information now, but we can have that provided to you after the meeting is finished as we would have a better understanding of that post event. You also raised, I think a question on women employment, we are very aware of a balanced gender related policy and we are taking every effort to make sure that, you know, we fulfil the gender related policy at the board level, or even at the employee.

So, with that I will move on to Mr. Satya Praksh Mittal. Again, you had asked about the Capex and margins, so capex on PO plant again, I will request Mr Senthikumar to answer that once I finish. On margins I am afraid that I can't disclose the margins that these are sensitive to competition. But all I can say is that we continuously work towards the sustainable margin, and then affordable margin. So that is always at the back of our mind, when we plan on capital related expenses and projections.

So, Mr Senthikumar can answer on the PO plant capex. Also, Senthikumar could you please explain a bit on how this NP revamp is helping the LAB business. Again, you had asked about the change in margins, which I'm afraid, I can't disclose, but Mr. Senthikumar would definitely explain to you about how this NP expansion is helping LAB. Then I think you had also asked about the Chlor Alkali capacity. Again, Mr. Senthikumar could answer on the Chlor Alkali capacities.

Outlook of LAB industry and caustic soda- I think this is something that, you know, I not a very fond of giving any guidance. All I can tell you is that be it LAB or be it caustic soda, we will ride with the customer requirements and the customer requirements, though, in caustic soda maybe a bit lower than that of LAB. But I am sure that these are temporary and we will pick up sales as our customers start lifting. So the outlook is, I would say fair in the short run, but I don't think it will continue like this forever. And I'm sure that as and when the industrial, the pandemic situations starts stabilizing our product offtake would get more stronger. Then you had asked about some referral charges, I think, on other expenses, so if Mr. Vijayagopal could answer this question towards the end, please.

Finally, Mr. Abhishek, you had asked about, I think, you know, the CoVID-19 impact going forward sufficiently explained and we also put out and we often statements through the stock exchange. If there are any specific queries, you have please do write to us and we can, you know, take our time to study it. And the reply. In terms of ratios, I don't have immediate ratios on hand. But, again, if you want to be, you know, if you want answers for those ratios, which I'm sure we could take it out from the balance sheet, but to assist you, we could even do it for you and send it across so that it's available. So, perhaps Mr. Vijayagopal can give later after the meeting, give Abhishek some of the ratios that he wanted. Which will come out of the accounts that we had submitted to the shareholders. I'm happy to note Mr. Abhishek has

mentioned about mentioned about good corporate governance and good shareholders relations. Thank you very much. I think this shows that there is an improvement from the last shareholders meeting where some of the shareholders were expressing certain observations on the way our shareholder request were being handled.

I'm happy that there is an improvement. So, with this, I would request first Mr. Senthikumar to handle the questions on the capacities and volumes please.

Mr. Senthikumar, Whole-Time Director (Operations)

Yes, Sir. Good Evening. The capacities of the plant- Linear Alkaline Benzyl, we are operating mostly little over ninety percent, the Caustic Soda plant we are operating at eighty plus percentage and the PO (Propylene Oxide) Plant the last year we operated at about sixty percent that being the first year of operation and also there was a big drop in the automobile industry. These are the two reasons. And we are hoping that we'll be going up into capacity of the PO plant in the year 2021.

Then talking about the capex on the PO plant. There was no big capital expenditure on the PO Plant in the FY 19-20. We commissioned the plant towards the end of the year 18-19 and in 19-20, it was more of an operational expenditure. There were only small expenses towards capex to stabilize the plant and to improve the operating efficiency of the plant.

The third question is about the normal paraffin expansion. Normal paraffin is actually an intermediary product in the Linear Alkaline Benzyl production and we had a gap between the normal paraffin that is required for LAB production and the normal paraffin capacity. By doing the expansion, we have closed the gap by which we have stopped importing the normal paraffin, which otherwise we would every time import and then make the capacity for the Linear Alkaline Benzyl. So, by doing that, we are able to have our in house, normal paraffin, which is definitely a slightly lower cost operation compared to when it is imported and whereby the overall margins are likely to improve in the coming years. That's it, sir. Thank you.

Mr. Ashwin C Muthiah, Vice Chairman

Mr. Vijayagopal, please.

Mr. K.T. Vijayagopal, Whole-Time Director (Finance) & CFO

Mr. Santhosh Kumar Saraf, I think the chairman mentioned that page thirty-four of the annual report, I guess that is more related to the secretaries' certificate of corporate governance. But from what I wrote it down, there was a reference to Sabka Vishwas scheme, which is related to indirect taxes. I think direct taxes was very nicely explained by the chairman on Vivad Se Vishwas, but I would like to bring it to the attention of the shareholders, under the Sabka Vishwas scheme, the company took advantage of this legal dispute resolution scheme and closed almost decade old issues, and which is what is reflected in almost five crore demand of the contingent liabilities total value. So that is a one what you will see in the taxes total value coming down where you'll see a close to total five crore demand being waived by taking advantage of this indirect taxes Sabka Vishwas scheme. That is the only question of Mr. Santhosh Kumar. And then moving on to Mr. Satya Prakash Mittal's point on the nature of referral charges, it is more in the form of a commission paid for business development. These

are the agreements we enter with the detergent manufacturers for their referring customers to lift LAB from us consequently developing our business. So, we pay a portion as a referral charges. And that's what gets reflected as referral charges. I hope it clarifies the nature of referral charges for you. I think, that's it.

Mr. Ashwin C Muthiah (Vice-Chairman & Chairman of the Meeting)

Thank you, Vijayagopal. So, we have tried to answer as, you know, all the questions as possible. In case there is anything still that is not clear to the shareholders, I welcome you to please the write to the company secretary and we will not hesitate to give you a quick reply.

I, thank you once again for your presence and cooperation. As mentioned earlier the venue voting window would remain open for another five minutes. And those who want to cast their votes may do so. The votes polled will be consolidated and the results would 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 the AGM. Ladies and Gentlemen, thank you very much for attending this Virtual AGM.

And I have pleasure in now saying that this meeting is successfully concluded and I'd like to now say that I declare the meeting as closed.

Thank you very much.