

Tamilnadu Petroproducts Ltd

Transcript of proceedings at the 36th Annual General Meeting held on 15th September 2021 through Video Conferencing/Other Audio-Visual Means

Mr. Ashwin C Muthiah (Vice-Chairman)

Ladies and Gentlemen. It is 2.00 PM. I am informed that the necessary quorum is present. The Chairman has informed that due to some urgent government work he is not able to be present. So, we will now first elect the chairman of the meeting under the Article 87 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.

Moderator

Sir, the poll has been passed. You can take over the proceedings, please.

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 36th Annual General Meeting of your Company being held through Video Conferencing, facilitated by Central Depository Services (India) Limited, CDSL. 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:

Dr. N Sundaradevan IAS (Retd.), Mr. Debendranath Sarangi IAS (Retd.), Ms. Sashikala Srikanth, Chairperson of the Audit Committee and Mr. G D Sharma, Chairperson of the Nomination and Remuneration Committee, are all Independent Directors. We have Mr. Pankaj Kumar Bansal IAS and Ms. R. Bhuvaneshwari Non-Executive Non-Independent Directors and Mr. Senthikumar Whole-Time Director (Operations) and Mr. K T Vijayagopal Whole-Time Director (Finance) & CFO. Mr. Dhananjay N Mungale and Mr. C S Shankar have intimated their inability to attend the meeting as they are travelling. 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 36th Annual General Meeting of your Company, on my behalf and behalf of my colleagues on the Board. As in last year, we are meeting virtually, bringing together the Members from far-off places to participate in the proceedings safely and conveniently.

The Annual Audited Financial Statements and other Reports for the year 2020-21 have already been circulated to you and with your permission, I shall consider the same as read.

Economic Scenario

When we met last year, the first wave of the pandemic appeared to be receding and confidence was slowly building up. However, the 2nd wave had been more severe, and people were to some extent caught unawares. As in the past, we saw resiliency and this time could manage with moderate restrictions on economic activities. However, during the initial phase of this wave, afflictions had been more, than during the first wave.

In this backdrop, the year witnessed the worst ever collapse of economies across the globe. Except for China, world output contracted in all countries including the advanced economies. As per the World Economic Outlook report, the reduction in output in 2020 was 3.6%.

During the fiscal 2020-21, India recorded reduction of 8%, with the first quarter logging the most severe fall of more than 24%. Headline inflation remained high for the most part of the year, driven by supply chain disruptions due to the pandemic and spike in key food prices. However, with the easing of restrictions, a revival was seen from the second quarter. In fact, as per the Government reports, V-shaped recovery could be seen.

On the positive side, an all-time high was achieved in the forex reserves and first time in 17 years, current account surplus was recorded. The exchange rates also, by and large, remained stable, of course, the RBI intervening from time to time to ensure this.

The manufacturing sector recovered more quickly but the service sector, mainly tourism and related activities is still facing difficulties. It has affected the marginalized sections of the population, prompting the Governments to increase their social sector expenditure in the form of free rations, doles, and other aids, to rescue the have-nots from further harm.

According to the Economic Survey 2020-21, at the onset of the COVID-19 pandemic, India focused on saving lives and livelihoods by its willingness to take short-term pain for long-term gain. Since the uncertainty was high, the policy focus was to minimize losses, in the worst-case scenario, it is stated.

Performance during the year

As you may recall, consequent to the nation-wide complete lockdown, the operations of your Company were shut down in the last week of March 2020. Plants were restarted in phases in April 2020 but scaling up took some more time. During the first quarter of the year, being a major input for hygiene-oriented preparations, LAB performed well but the demand for the other products was subdued.

In the subsequent months, due to changes in the global economic scenario and the logistic issues in international movements, the imports into India were lower than normal. This aided the Company to realize reasonable value addition for its products.

In the light of these, despite the overall economic conditions in the country remaining poor, your Company managed to double the gross and net earnings. However, the top-line was lower than the preceding year on account of lower crude prices and loss of production

attributable to the lockdowns and restrictions. It is a good sign that the trend has continued during the current year.

Economic Outlook

According to the World Economic Outlook July 2021 update, the global economy is projected to grow by 6.0 percent in 2021 and 4.9 percent in 2022. Though the 2021 global forecast is unchanged from the April 2021 WEO, prospects for emerging markets and developing economies have been marked down, especially for Emerging Asia, which is a cause for concern.

In January 2021 the WEO had estimated Indian GDP contraction of 8% in Fiscal 2020 against 4.2% growth in Fiscal 2019. In the July 2021 update, growth for 2021 is set at 9.5% and 8.5% for 2022. However, growth prospects have been downgraded by 3% from the earlier estimates, following the severe second COVID wave during March-May, and the expected slow recovery in confidence from that setback.

The RBI in its August 2021 Bulletin has retained the GDP growth for 2021-22 at 9.5%. It had, in July 2021 reduced the forecast by 2% over the previous estimates of 11.5%, citing loss of momentum in recovery due to the second wave. According to the Bulletin, with the ebbing of the second wave, domestic economic activity is starting to recover. Looking ahead, agricultural production and rural demand are expected to remain resilient, but urban demand is likely to mend with a lag. Elevated levels of global commodity prices and financial market volatility have been cited as the main downside risks to achieve the above estimate.

It may be pertinent to note that as per the WEO, the economic recovery is not assured even in countries where infections are currently very low, so long as the virus circulates elsewhere and possibilities of transmissions remaining. With the pandemic continuing in some parts and not getting fully eradicated, it would be a major impediment in achieving the estimated growth not only in India but also at the global level.

It may also be relevant that experts have warned of a third wave. It is expected that this would pass off quickly and without much damage, thanks to the concerted efforts of the Governments to have most of the population inoculated against the virus. However, reports of new variants emerging and uncertainties about the efficacy of the vaccine against these strains are a cause of concern. In sum, it would be difficult to have a definitive view of the future at least for some more time.

Business Prospects

Your Company, an important player in the Indian LAB market for more than 3 decades, had been impacted by the unabated import of the products during normal times. In recent months imports have come down and the demand has increased, providing avenues for best ever realizations. Sustaining the profitability levels would be a real challenge as imports into India may bounce back once normalcy returns. However, your Company, over the past three decades has established itself as a reliable supplier of LAB to major companies. It plays a key role in the southern part of India and has a reasonable presence in the other parts of the country.

Due to the high cost of key inputs including energy and limitations in feedstock quality, the cost of production of LAB, as well as the Chloro Alkalis in India is relatively higher compared to the international peers, located especially in the Middle East region. This could be a dampener for your Company to become more competitive and face the tough competition from the overseas players.

Demand for LAB, an essential chemical intermediate for detergents and cleaning products, has been witnessing continuous growth. New impetus is seen in the demand, due to improved hygiene awareness on account of the pandemic, resulting in increased consumption of detergents and other cleaning substances.

Encouraged by the higher demand, which is expected to be sustained in the short and medium terms, your Company has taken up a project to augment the capacity of the LAB plant. The HCD Unit will also be revamped, and capacity augmented to achieve economy of scale and compete with the modern plants.

Dividend

Your Company restarted dividend payments from FY 2017-18 after a gap of five years and in line with the performance, the rate has been increased year on year. You would be pleased to note that the dividend recommended for the year 2020-21 at 25%, is higher by 66% versus the previous year.

Acknowledgment

I would like to place on record my sincere appreciation for the contributions of all my colleagues on the Board, past, and present, and for their able guidance and steadfast support over the years. I would also like to thank the Central and State governments, Financial Institutions, Banks, our vendors, esteemed customers, and all other stakeholders.

I also acknowledge the hard work and dedication of the employees of your Company to sustain and improve its operations. Their commitment and support during the difficult times have been instrumental in achieving exemplary performance and need a special mention.

I wish to thank you, our valued shareholders for your unstinted support and encouragement to us at all times. I on behalf of the Board wish to assure that through this support, our efforts to enhance the value for all the stakeholders would be continued with more momentum.

I request all of you to stay safe and adhere to the guidelines to meet the impending healthcare challenges. Thank you.

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 Reports 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 12th and 14th September 2021. 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. About 3 minutes would be available to each speaker and I request you to kindly adhere to this timeline.

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.

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

Chairman, Am I audible?

Moderator

Yes, Sir.

Mr. Ramkumar, Shareholder

Good Afternoon Chairman and Good Afternoon to one and all. I am Ramkumar. My folio number is 00273651. I am a shareholder of this Company for almost 34 years. I would like to congratulate the management of TPL for the excellent results for the year 2020-21 and that too during the difficult period of CoVID Pandemic. As a shareholder of the prestigious Company, I thank the management of the Company for the recommendation of Dividend of Rs. 2.50 per share. I am sure with the hard work of the excellent workforce; the Company would continue to give us rich pay out by way of Dividend and Bonus shares in the coming years. Thank you.

Moderator

Thank you. Chairman, only one speaker has registered, so you can continue.

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

Thank you, Moderator.

So, thank you Mr. Ramkumar. I know you are also keen in requesting for bonus shares. One has to be quite mindful that bonus shares means more equity in the Company which means it increases the servicing requirement for a Company. We will make sure that such requests by shareholders are examined carefully based on the sustainability levels and rewarded accordingly.

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

So, with that I would like to close the Q&A session.

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 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 the AGM. I thank you all once again for your presence and cooperation.

Moderator, should we close the meeting now or shall we wait for the 5-minute window to be closed?

Moderator

Sir, we may close the proceedings now. The e-voting system will remain open for five minutes so the shareholders may cast their vote if they have not casted during the remote e-voting.

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

Thank you very much. Once again, I thank you all for participating in this AGM. I now declare the meeting as closed.

Thank you.