

**TRANSCRIPT OF AGM OF N R AGARWAL INDUSTRIES LIMITED
HELD ON SEPTEMBER 29, 2022**

Mr. R N Agarwal

Good morning ladies and gentlemen. It is 11.30 am and I would like to welcome you to the 29th Annual General Meeting of your Company. On behalf of the Board of Directors, I want to thank you for taking the time out to join us today. Your continued support and confidence in us, drives us to do more and create greater value. I hope all of you are safe and in good health. This meeting is being conducted through OAVM (Other Audio Video Conference) as per guidelines issued by the Ministry of Corporate Affairs and SEBI.

In line with the MCA General Circular dated May 5, 2020 read with General Circulars dated April 8, 2020 and April 13, 2020, January 13, 2021, December 8, 2021, December 14, 2021 and May 5, 2022 and SEBI Circulars dated May 12, 2020, January 15, 2021 and May 13, 2022 the Notice of the AGM along with the Annual Report 2021-22 was sent only through electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories. The Notice convening the 29th AGM was also uploaded on the website of the Company and is accessible on the websites of the Stock on the website of NSDL.

I wish to inform the members that in case of any technology related challenges and I am unable to continue to participate in this Meeting, any one of the Directors who is able to continue would preside over the meeting.

I would like to introduce all the other members of the Board present at the meeting through Video Conference:

Shri Raunak Agarwal (via VC)	Whole Time Director
Shri Ashok Kumar Bansal (present next to me)	Whole Time Director
Shri Rohan Agarwal (present next to me)	Whole Time Director
Shri S N Chaturvedi (via VC)	Independent Director
Shri R K Bakshi (present next to me)	Independent Director
Smt. Sunita Nair (present next to me)	Independent Director

Shri P Kumar, Chairman of Audit Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Nomination and Remuneration Committee has not been able to attend the meeting today as he is travelling and has authorised Shri R K Bakshi, Independent Director to answer queries on his behalf.

Shri C R Radhakishnan, Independent Director has also not been able to attend the meeting today as he is travelling out of the country.

Smt. Reena Agarwal, Whole Time Director has not been able to attend meeting due to health issues.

Mr. R N Agarwal-Chairman & Managing Director

Participation of members through video conference is being reckoned for the purpose of quorum as per the circulars issued by Ministry of Company Affairs and the Companies Act, 2013. The requisite quorum is present through video conference to conduct the proceedings of this meeting. The quorum being present, I call this meeting to order. I now request Company Secretary, to provide general instructions to the members regarding participation in this meeting.

Ms. Pooja-Company Secretary

Good afternoon everyone. As informed by the Chairman, this Annual General Meeting is being held through video conference in accordance with the Companies Act 2013 and circulars issued by the Ministry of Corporate Affairs and SEBI. Facility for joining this meeting through video conference is made available for the members on a first-come-first-served basis. The Register of Directors and Key Managerial Personnel, the Register of Contracts or Arrangements, Register of Loans, Investments and Guarantees, Register of Members and other statutory documents are available for inspection by the members during the meeting and a request may be sent to investors@nrail.com. As the AGM is held through video conference, the facility for appointment of proxies by the members was not applicable and hence the proxy register is not available for inspection.

The Company has received requests from a few members to register them as speakers at the meeting, accordingly the floor will be open for these members to ask questions or express their views. The Moderator will facilitate this session once the Chairman opens the floor for questions and answers. It may be noted that the company also reserves the right to limit the number of members asking questions depending on the availability of the time at the AGM.

The Company had provided the facility to cast the votes electronically, on all resolutions set forth in the Notice. Members who have not cast their votes and who are participating in this meeting will have an opportunity to cast their votes during the meeting through the e-voting system provided by NSDL. Members can click on the "Vote" tab on their screen to avail this feature. Members are requested to refer to instructions provided in the notice or appearing on the video conference page, for a seamless participation. In case members face any difficulty, they may reach out on the helpline numbers.

Thank you.

Back to you Chairman.

Mr. R N Agarwal

As the Annual Report is already circulated to all the members, I take the Annual Report containing Audited Financial Statements for the year ended 31st March, 2022 together with the Auditors' Report and the Directors' Report were taken as read.

The Statutory Auditors, GMJ & Co. and Secretarial Auditors, Parikh & Associates, have expressed unqualified opinion in their respective audit reports for the financial year 2021-2022. The representatives of the Statutory Auditors and Secretarial Auditors are present in this AGM.

Mr. R N Agarwal

I'll begin with my speech for this year. Now I shall take you through the company's performance in the previous year. The last two years 2021 and 2022 was marked by successive Covid-19 waves, leading to an overall contraction of the global economy. The world economy just began returning to normalcy from early 2021, after a prolonged battle with the Covid-19 pandemic and related concerns and then we faced another setback by Covid-19 2nd wave, thereby affecting our performance of Q1 of FY 2021-2022.

The Indian Paper industry in general and the writing & printing paper segment, in particular, was adversely affected because of shutdown of educational establishments for major part of the year and continuing work from home practices. We are glad to inform you that despite all these headwinds, the Company reported record revenues of Rs.1616.51 crore; as against revenue of Rs. 1145.64 crore in previous financial year, showing a growth of 41.10%. The Realisations, however, were muted; on account of increase in input cost, not only raw material but logistic cost and energy cost despite some pass on by way of increase in selling price of its product. The EBIDTA was Rs. 154.24 crore as against Rs. 140.94 crore in previous financial year whereas the profit after tax strengthened to Rs. 61.02 crore as against Rs. 57.23 crore in previous year. Despite one segment of the business-Writing & Printing under-performing, the Company reported a cash profit of Rs. 95.42 crore.

While the pandemic had several odds, there was one good thing for our business. It increased the demand of coated duplex board which goes into packaging. During the year under review, we produced 1,90,884 metric tons of coated duplex board as against 1,67,692 metric tons during previous financial year, showing a growth of 14%. It led to capacity utilization of 106% which was highest in last 11 years. The capacity utilization was only 68% in writing and printing paper segment due to closure/ partial operation of educational institutions, courts and offices.

We would also like to inform that the Company opted to divest one writing & printing machine Unit 2 during the year for an aggregate value of Rs. 99 crore leaving the Company with one machine Unit 5 with an estimated installed capacity of 1,08,000 TPA. This divestment was prompted by increasing digitalisation. As this trend accelerates, we foresee growth tapering in the writing & printing paper segment with a corresponding moderation in realisations. We intend to utilise the proceeds to invest in a new packaging board capacity where we foresee growing demand. This reallocation of resources is in line with the Company's commitment to maximise returns from existing resources and enhance shareholder value.

The one initiative that is expected to enhance our preparedness for an exciting future is our decision to invest Rs. 655 crores in a new packaging board plant at our existing unit. This 500 tons per day facility is expected to emerge as a game-changer for various reasons. The new unit will be funded with nearly 35% drawn from internal accruals, resulting in a lower debt load on the project and Company. The plant will be the biggest duplex board paper machine in India, strengthening economies of scale. The plant's location in western India will service the growing demand for packaging board in the region, a decisive advantage over competing plants located in other parts of the country.

The new plant is expected to be commissioned during the second half of FY 2023-24. At its peak, the packaging board unit is expected to generate Rs. 1,000 crore of turnover. When combined with our existing business, the Company is expected to generate an aggregate turnover of over Rs. 2,500 crore at full capacity utilisation. This expansion is expected to strengthen our profitability and reduce

our breakeven point, which should translate into attractive profitability even at a relatively low capacity utilisation.

Looking forward, we are expecting our performance in the current financial year 2022-2023 to be better than the previous year especially in Writing Printing. In spite of inflationary pressures prevalent due to the Russia Ukraine War and Global Recessionary trends, we are positive mainly because schools have re-opened and realisations have significantly improved since the last year.

On behalf of your Company's Board, I convey our gratitude to all the banks, financial institutions, stakeholders, business associates and the Central and State Governments for their co-operation and support. Let me express our deepest gratitude to each of you, our shareholders. I look forward to your ongoing support.

Thank you for your patient hearing.

Mr. R N Agarwal

I now move the Resolutions relating to Items Nos. 1 to 7.

Items Nos. 1, 2 & 3 are Ordinary Business Items relating to statutory compliances. Item No. 4 & 5 relates to re-appointment of Shri Raunak Agarwal and Smt Reena Agarwal as the Whole Time Directors, item No. 6 relates to ratification of the remuneration payable to the Cost Auditors and Item No. 7 relates to change in place of keeping registers and records of the Company.

Mr. R N Agarwal

AGENDA ITEM NO. 1 - ORDINARY RESOLUTION

To receive, consider and adopt the audited financial statements of the Company for the financial year ended March 31, 2022, together with the reports of the Board of Directors and, Auditors thereon.

AGENDA ITEM NO. 2 – ORDINARY RESOLUTION

Appointment of Director in place of Raunak Agarwal (DIN 02173330), who retires by rotation and being eligible, offers himself for re-appointment.

AGENDA ITEM NO. 3 – ORDINARY RESOLUTION

Re-appointment of M/s. GMJ & Co., Chartered Accountants, Mumbai (Firm Registration No. 103429W), as the Statutory Auditors.

Shri R K Bakshi will conduct the meeting now.

Mr. R Bakshi

AGENDA ITEM NO. 4 – SPECIAL RESOLUTION

Re-appointment of Shri Raunak Agarwal (DIN: 02173330) as the Whole Time Director.

AGENDA ITEM NO. 5 – SPECIAL RESOLUTION

Re-appointment of Smt Reena Agarwal (DIN: 00178743) as the Whole Time Director.

I now request Shri R N Agarwal to re-occupy the Chair.

Mr. R N Agarwal

Again, I'll take over the chair and proceed with the further agenda.

AGENDA ITEM NO. 6 – ORDINARY RESOLUTION

Ratification of Cost Auditors' remuneration.

AGENDA ITEM NO. 7 – SPECIAL RESOLUTION

Change in place of keeping registers and records of the Company.

Ms. Pooja-Company Secretary

The resolutions are done. We will open the floor for any questions by members. We would request each member to turn on their video - only once when you are projected on the broadcast screen. Kindly unmute yourself and proceed to ask your question. Would request each member to be brief and avoid repeat questions. As has been the practice and to avoid repetition, the answers to all the questions will be provided after all the members have spoken. Once you have asked your question, you can mute yourself and continue to hear and watch the proceedings.

Speaker's List: (for Chairman and other panelist)

1. Ms. Lekha Shah
2. Mr. Yusuf Yunus Rangwala
3. Mr. Kankanala Bharat Raj
4. Mr. Arunkumar
5. Mr. Vaibhav Badjatya

Ms. Pooja

I can see only two speaker attendees have joined here. So I will start with Mr. Bharat Raj. I think there's some technical issue with Mr. Bharat Raj. I will start with Mr. Arun Kumar.

Ms. Pooja

Mr. Arun Kumar I have unmuted, you can start with your questions. Can you hear us?

Mr. Arun Kumar-Shareholder

Hello am I audible?

Mr. R N Agarwal

Yes we can hear you.

Mr. Arun Kumar-Shareholder

Thank you so much for the opportunity and congratulations on a good set of numbers, hope to see the same in the bottom line too. Do you mind taking questions one by one as there is low attendance in the speaker list?

Mr. R N Agarwal

Yes, sure

Mr. Arun Kumar-Shareholder

Thank you so much Sir, with respect to the new expansion right now, I think the expansion is huge. So, do we require any environmental clearance for this expansion?

Mr. R N Agarwal

So, yes, we all have the clearances in place, environmental clearance is must. Basis on this we got our loan sanctioned from State Bank of India and Punjab National Bank. So, not only environmental clearance, all the other clearances required are obtained already.

Mr. Arun Kumar-Shareholder

I see, great. So, have you started constructing the building or where are we on this Sir?

Mr. R N Agarwal

The work has already started around six to seven months back, the building is almost 30 to 40% completed, and we would be starting our machine erection by January and our tentative commencement date is October 2023. So, the work is going on in full swing.

Mr. Arun Kumar-Shareholder

Great, sounds good. Sir, with respect to this, I mean, looking at the annual report, it was very exhaustive, thank you for that. So, there was reading to the fact that the management doesn't foresee a huge increase in terms of the packaging board manufacturing capacity from other players. So, I'm assuming the question was clear. So, you are not expecting a huge capacity increase from other players?

Mr. R N Agarwal

No, see packaging sector is going to have a very good growth in future and we are not expecting anything from other players because they already have invested by them. Like one very big player called Mehali Paper, they have started packaging uni in Gujarat, JK Paper has started its packaging board last year and ITC has already a big presence in the board market as well as Tamil Nadu Paper mills. So, there are many players who have a presence in this market, and since the investment required for this sort of project is huge, for small players it is not easy for them to enter. So, there is a competition, I'm not saying there is no competition and the future investment is coming from our group at the moment, in future it can come from other groups also.

Mr. Arun Kumar-Shareholder

When do we expect the commercialization?

Mr. R N Agarwal

See, we are planning to start the trial production by October 2023, that is in Q3 of the next financial year and within two to three months we will be in commercial production. So in the first year we are targeting a capacity utilization of around 80%. So, you can say we will get only three months of operation in the next financial year that is, 2023-24, but 2024-25 will be the year when we get full operation, in that we will achieve minimum 80% capacity utilization. So out of 150,000 tons we can produce more than 120,000 tons which will add around 750 to 800 crores to turnover. So the major chunk of new production and turnover will get added in the year 2024-25.

Mr. Arun Kumar-Shareholder

Okay, so if I heard it clearly this 700 to 800 turnover will be added in the year 2024-25.

Mr. R N Agarwal

Correct, that would be added to the present turnover.

Mr. Arun Kumar-Shareholder

And this is that 80% utilization, right?

Mr. R N Agarwal

Yes, correct.

Mr. Arun Kumar-Shareholder

Okay. So, given the huge size of this expansion, do we have any offtake agreement already in place, just trying to understand the rationale behind this huge expansion.

Mr. R N Agarwal

We don't have a long term contract or agreement with any of our buyers. But we have carried out a study by Ernst and Young to understand the market in terms of our scalability viability and profitability of this project. The growth in this sector is in tandem with the GDP growth. So even if the GDP growth is at around 7%, an additional growth of 7% will absorb our production very comfortably. So, in terms of the selling arrangements we sell to packaging industry and they in turn sent it to FMCG. FMCG has approved our board. Based on our past experience as we already produce around 1,80,000 TPA of board but we don't have any long term contracts, but we have a sort of arrangement of approval from the FMCG companies and it's an estimate based on which we have planned this whole thing.

Mr. Arun Kumar-Shareholder

I see, and with respect to packaging board business, I see it contributing about 61% to our top line. So, all of this is only from the FMCG players?

Mr. R N Agarwal

All duplex board not only goes to FMCG but even to small printers as well. The demand of duplex board is in making of pizza boxes or maybe cake boxes or something. So, I would say FMCG sector would be consuming around 50 to 60% of our board and the rest also falls under some sort of packaging, but it may not be directly sold to FMCG.

Mr. Arun Kumar-Shareholder

Okay, understood. One sensitive question, if you can name some top FMCG players?

Mr. R N Agarwal

See most of the FMCG's are directly or indirectly buying from us. To name a few like Procter and Gamble, Hindustan Liver, Colgate, GlaxoSmithKline, Godfrey Phillips, Cadbury's and then a few tissue companies. So, I would say the list is endless.

Mr. Arun Kumar-Shareholder

Sounds great. To all these players, are we selling directly or through packaging industries?

Mr. R N Agarwal

We are not selling directly because we are B2B and we are selling to packaging industry, they are catering to the requirements of the FMCG. They know how many boxes are required by which company and they buy the board accordingly, they do the printing down on the board, convert it to a box and then they supply the box to the end user or the FMCG.

Mr. Arun Kumar-Shareholder

Understood that Sir, with respect to this, ecommerce and pharmaceutical sectors are coming up big time. So, how much are we catering to these segments? What is our plan in future?

Mr. R N Agarwal

E-commerce is definitely going to add to packaging industry because every product has to be packed and then delivered. So mainly e-commerce business helps the outside box which we see in Amazon delivery boxes, everything that is brown paper, we don't produce that, which is called craft paper, which is the corrugated boxes that are made out of craft paper. What we produce is duplex board which is white on the top and grey inside, which is the packaging for all the small items or items which are consumed by the consumer. So e-commerce business definitely helps packaging sector in general and also our segment of duplex board.

Mr. Arun Kumar-Shareholder

S, if I have understood you correctly then what you're saying is that top brown packing that we see as a consumer is not what we are producing, but the FMCG within the e-commerce is what we are addressing.

Mr. R N Agarwal

Yes. So the top brown is not what we produce, we produce is for example of a cigarette box or a whiskey box, or a cosmetic box or cereal, the morning breakfast cereal which you eat and the tetra pack outer covering, that is what is a duplex board.

Mr. Arun Kumar-Shareholder

Okay, thank you so much. So a couple of questions based on your speech earlier in the meeting, 500 tons per day is only going to come from the new expansion, right? And how much of this is going to be debt I didn't hear very clearly. How much of this is going to be coming from debt?

Mr. R N Agarwal

See, the project cost is 655 crores out of which 225 Crores comes from the internal accruals and 425 crores is the debt from State Bank of India and Punjab National Bank. As of today, we are debt free as far as long term debt is concerned with respect to our current operations. Now, only debt for new expansion shall remain, which shall be very easily serviceable.

Mr. Arun Kumar-Shareholder

Okay. So, in the incentive part, I see around 11 crores of export incentive. So, this is the one that is provided by the government as a subsidy?

Mr. R N Agarwal

No, we are exporting around 20 to 25% of the product. So, when we export, we get the export incentive. So, this is in the form of MEIS and RodTep, these are the benefits of exports which are particular to the amount you're saying. Earlier we are getting the MEIS benefit @3% of export sale and from 1st Jan, 2021, Central Government. changed the scheme name and new name of scheme is RodTep and incentive amount reduced from 3% to 1.1%.

Mr. Arun Kumar-Shareholder

Okay, but this number has been reduced compared to last year. So, has the government changed the policy?

Mr. R N Agarwal

Yes, the government has changed the policy, earlier it was 3% and now it is only 1.1%. So, the incentive has come down compared to the previous year.

Mr. Arun Kumar-Shareholder

Okay, okay. So I think one last question. So this Rs. 1000 Crores peak capacity turnover is exactly going to come from the new expansion right?

Mr. R N Agarwal

Correct, and Rs. 2500 Cr is combined estimated turnover for current and new expansion.

Mr. Arun Kumar-Shareholder

Okay, thank you so much for explaining the business in detail. Appreciate it and all the best to the management

Ms. Pooja-Company Secretary

And now we'll try to add in Mr. Bharat Kumar.

Ms. Pooja-Company Secretary

Yes please speak louder into the mic please. Yes, go ahead. Go ahead.

Mr. Bharat Kumar

All the information was provided in the questions already answered. There are no other questions to ask. Thank you very much.

Ms. Pooja-Company Secretary

Thank you, I do not see any more attendees here who registered themselves as speakers so we continue towards the end of the meeting. Members may note that the voting on the NSDL platform will continue to be available for the next 15 minutes. Therefore, members who have not cast their votes yet are requested to do so. The Board of Directors has appointed Ms. Jigyasa Ved of Parikh & Associates, Practicing Company Secretary, as the scrutinizer to supervise the e-voting process. Further, I hereby authorize the Company Secretary, to declare the result of the voting and place the results on the website of the Company at the earliest. The resolutions, as set forth in the Notice, shall be deemed to be passed today subject to receipt of requisite number of votes.

Thank you all for attending the meeting and I hereby declare the proceedings as closed. Thank you very much and see you next year.