

**TRANSCRIPT OF AGM OF N R AGARWAL INDUSTRIES LIMITED
HELD ON SEPTEMBER 29, 2021**

Mr. R N Agarwal

So it's 11:30. So, I'll begin with the proceedings of the 28th Annual General Meeting. Today is September 29, 2021. Good afternoon ladies and gentlemen. It is 11:30 am and I would like to welcome you to the 28th 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 5th, 2020, read with general circulars dated April 8th, 2020 and April 13th, 2020 and January 13th, 2021 and SEBI circular dated May 12th, 2020 and January 15, 2021 the notice of the AGM along with their annual report 2021 was sent only through electronic mode to those members whose email address are registered with the Company depositories. The notice convening in the 28th AGM was also uploaded on the website of the Company and is accessible on the website of the stock on the website of NSDL.

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

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

Shri Raunak Agarwal	Whole Time Director
Shri Ashok Kumar Bansal	Whole Time Director
Shri Rohan Agarwal	Whole Time Director
Shri P Kumar	Independent Director
Shri C R Radhakrishnan	Independent Director
Shri S N Chaturvedi	Independent Director
Shri R K Bakshi	Independent Director
Smt. Sunita Nair	Independent Director

Smt. Reena Agarwal (Whole Time Director) is not able to attend this meeting because of ill health.

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, the Annual General Meeting is being held through the 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 to video conferencing is made available for the members on a first come-first served basis. The Register of Directors and KMP, the register of contracts or arrangements are available for inspection by the members during the meeting and a request can be sent to investors@nsdl.com. As the AGM is being held through video conference, the facility for appointment of proxies for 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 vote, to cast votes electronically but all resolutions set for them the notice. Members who have not cast their votes and were participating in this meeting will have an opportunity to cast the votes during the meeting through the e-voting system provided by the NSDL. Members can click on the code tag on the screen to avail this feature. Members are requested to refer to the 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 the Chairperson.

Mr. R N Agarwal

As the notice is already circulated to all the members, I take the notice convening the meeting as read, the Statutory Auditors, GMJ & Co. and Secretarial Auditors Parikh & Associates expressed unqualified opinion in their respective audit reports for the financial year 2020-21. 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. During the financial year under review, the company's operations continue to be affected by the pandemic COVID-19 which caused lockdowns, operational disruptions, logistical bottlenecks and a slowing economy. Despite these realities, the company achieved a turnover of 1145 crores in revenue, we generated Rs.140.94 crores in EBITDA and Rs. 7.23 crores in profit after tax. The company's production of potent duplex board under the year was 167692 metric ton, a result of 93% capacity utilization. Owing to the closure of educational institution, courts and offices, the writing-printing sector reported only 69% capacity utilization corresponding to a production of about 1,20,000 metric tons.

Last year, the Company had announced a 650 TPD new packaging board plant expansion in our capacity with the objective to enter into our next phase of growth. However, the outbreak of the pandemic, the announcement of the lockdowns and the closure of educational institutions disturbed our immediate performance and our prospective blueprint. Hence, the management reviewed its decision to expand capacity, selected to wait and watch and seek a more favorable market environment.

I would like to assure shareholders that while the deferment represents a disappointment at one level, this is a blessing in disguise. At the start of the financial year under review, the Company possessed a consolidated (short-term and long-term) debt of Rs. 173.43 Cr; by the year-end, the debt had declined to Rs. 111.60 Cr. The result is that our Company is considerably more de-risked and in an uncertain world, we have strengthened our capital structure.

We are fiscally comfortable; we believe that having marginal long-term debt on our books only enhances our capacity to add a corpus by the time our new expansion comes into play in the last quarter of FY 22-23. Our ability to generate cash during our project commissioning phase should make it possible to finance a larger portion of our proposed capacity expansion through accruals. Besides, we expect to graduate to a better credit rating on account of our superior liquidity position, which should empower us to mobilise debt at a relatively low cost. This will make it possible to reduce the debt and interest load on our expansion, strengthening our capacity to break-even faster than we could have done otherwise. The fact that this proposed expansion will focus on duplex board and value-added paper will shrink our payback and accelerate our virtuous cycle.

The fact that we moderated our debt, proceeded towards zero long-term debt, strengthened our liquidity and reported a profit in all the four quarters during the last year represents validation of the way we have run our business.

The principal message that I wish to communicate is that if the Company could remain profitable during its most challenging year, then we are optimistic of our prospects across the foreseeable future.

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.

Ms. Pooja

Before we move the resolutions I would like to place on record that Shri P. Kumar, the Chairman of Nomination Remuneration Committee, the Audit Committee, the Stakeholders' Relationship Committee and the CSR Committee is present at the meeting. I now request Sir to move the resolutions.

Mr. R N Agarwal

I now move the Resolutions relating to Items nos. 1 to 6 .

Items Nos. 1, 2 & 3 are Ordinary Business items relating to statutory compliances. Item No. 4 & 5 relates to re-appointment of Shri R N Agarwal as Managing Director and Shri Ashok Bansal as the

Whole Time Director and Item No. 6 relates to ratification of the remuneration payable to the Cost Auditors.

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, 2021, together with the reports of the Board of Directors and, Auditors thereon.

AGENDA ITEM NO. 2 – ORDINARY RESOLUTION

To declare dividend on equity shares for the financial year ended March 31, 2021.

AGENDA ITEM NO. 3 – ORDINARY RESOLUTION

To appoint a Director in place of Shri Ashok Bansal (DIN: 07325904), who retires by rotation and being eligible, offers himself for re-appointment.

Now, Mr. P Kumar will conduct the meeting.

Mr. P Kumar

AGENDA ITEM NO. 4 – SPECIAL RESOLUTION

Re-appointment of Shri Rajendra Agarwal (DIN: 00176440) as the Managing 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. 5 – SPECIAL RESOLUTION

Re-appointment of Shri Ashok Kumar Bansal (DIN: 07325904) as the Whole Time Director.

AGENDA ITEM NO. 6 – ORDINARY RESOLUTION

Ratification of Cost Auditors' remuneration.

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. Mr. S P Mittal
2. Mr. Shlok Dave
3. Ms. Yachna Bhatia
4. Mr. Anil Parekh
5. Mr. Kankanala Raj

I thank all the shareholders for their questions, comments and suggestions. I will now answer the questions.

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 vote yet are requested to do so. The Board of Directors has appointed Ms. Jigyasa Parikh 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.

Ms. Pooja

And in case any of the shareholders is not present and we have time permitted, we may take one or two more shareholders but we will first start with the registered shareholders.

Mr. R N Agarwal

So we will unmute each shareholder who are eligible to raise questions and they can take over and ask questions.

Ms. Pooja

Mr. S P Mittal you have been unmuted and you can proceed with the questions. Can you hear us?

Mr. S P Mittal-Shareholder

I hope I'm audible, yes I can hear you.

Mr. R N Agarwal

You are audible but please speak a little louder.

Mr. S P Mittal

Okay, is this better, Sir?

Mr. R N Agarwal

Yeah, that is fine. Thank you.

Mr. S P Mittal

Good Morning Chairman Sir, dear Board Members and fellow shareholders. It is good to see all of you safe and healthy. Sir, I have sent in my list of questions but I would still like to repeat some of

them to get a better understanding. Sir, we would like to understand, you know, the waste paper industry dynamics better when compared to the rest of the industry. So you can educate us on the waste paper pricing versus virgin paper pricing? What kind of EBITDA per ton do we generally target as a waste paper company and what are the sustainable margins? We see that our company has a very high asset turnover when compared to the virgin paper manufacturer so why is that the case? Also, you know, given the high RM price environment right now in the industry? How do we see that? What is the current spread between the raw material and our final products? And how have the spreads changed in the last one year? Sir do the raw material prices like move in sync with our products? Are we able to increase prices very easily? And how do we manage the volatility in the spread? In the last one year, waste paper prices have gone up a lot. So has that impacted us in any way? Also, we see that the company's realization has gone up in the last five years and so, has the EBITDA per ton, so what were the key reasons? Did we do some value addition or are there some other reasons or is it just because of market dynamics? Sir, how is the demand shaping up for writing and print printing paper right now, given that that is 50% of our capacity? Also, with some capacity enhancement, can we convert that capacity to packaging segment? Is that possible? Sir, when we look at the cash flow statement, for the last five years, we see that you we have done some capex, we keep doing some capex but we did not see any meaningful rise in capacity or in revenues. So was this all maintenance capex or replacement capex? Sir, where was this cash flow used and how did it benefit us? Sir it is very heartening to see the younger generation getting actively involved in the business and even present today here with us. We would like to hear from them and understand how they see this industry and how is our company placed in it? What have been the key leanings for the time they spent in the company and what is the vision? What new is the company doing despite such a long history and standing in the industry? Like I would like to understand from their perspective. Sir, couple of very strong suggestions, given the strong cash flows we have, we should definitely go for a buyback, given the valuations we are trading at right now to build the investor confidence. I'm sure other shareholders will back this as well. And my second suggestion would be to improve the communication with shareholders in the form of half yearly presentations. So that's it from my side. I'm looking forward to hearing your answer and good luck for the future.

Mr. R N Agarwal

Thank you so much for all the questions. I will answer all your questions.

Ms. Pooja

We will now take questions from the other shareholders and Mr. Agarwal will answer all of them at the end.

Ms. Pooja

Will now invite Mr. Shlok Dave.

Mr. Shlok Dave-Shareholder

Hello, am I audible?

Mr. R N Agarwal

Yes, Mr. Shlok go ahead.

Mr. Shlok Dave

Thank you very much for the opportunity sir and it's great meeting you. Mr. Agarwal, I used to be a very large shareholder in your company when I used to work for a US based hedge fund. And I've met you once long time back, I think in 2008-09 and there was a large capacity expansion that you were doing that time and subsequently, you guys have done very well. So your track record has been pretty good and your balance sheet management at that time was the biggest worry for me. But the way you managed the Company and the way debt has been kept under control it is just amazing to see that. Sir, whenever Mr. S P Mittal is there in front of me in the queue in any AGM, I don't have any questions left because he generally asks all the questions. I had also sent a long list of questions which was very suitably answered by your team. They called me up and answered all the questions. So most of the questions were answered but whatever Mr. Mittal has said I would like to pretty much back it up. Sir, you need to improve your communications slightly, like the frequency of communications a little bit. Please conduct concalls. I would also request sir, even though you are based out of Bombay you can see the rains outside today, it is almost impossible to travel during monsoons, so keeping an online meeting is also very important. And also please make sure that the AGM, if we are going to interact with shareholders only once a year, kindly keep the AGM towards the starting of the AGM season in July or August because towards the end, like today there are like more than 1200 AGMs and it's very difficult to attend each and every one of them, like all the important companies there is an overlap, as of now I'm attending four panels, I mean it becomes very, very difficult. So Sir my request is at least to you because you are a company of stature and size, you can probably take this request into account. Other than that, sir, all the questions Mr. Mittal has already asked. I'll not repeat them. Thank you very much for the opportunity. So all the best for the future. And if you can answer whatever Mr. Mittal has said that is more than sufficient. So thank you. Thank you very much. Thank you, all the best sir.

Ms. Pooja

Next is Ms. Yachna Bhatia.

Ms. Yachna Bhatia-Shareholder

Hi, Good Morning, everybody. Most of my questions have been asked by Mr. Mittal earlier, so I will not repeat them. My request to you is to please answer them point wise and not club the questions together. Just two, three more questions that I would like to add here. First is, which segment has higher margin, is it writing and printing paper or is it duplex boards? Second, if you can elaborate on the expansion plan while we had defaulted last year due to the pandemic, the sense I got from the annual report was that you are going ahead with that now, expansion by roughly 130,000 tons at a cost of 650 crores and expected commissioning is by FY '23 end. So I wanted to understand if that's the case and if yes, then what's the funding plan? How do you expect the annual revenues and profitability to be in, annual expected payback period and IRR on this expansion? And my last question is if you can elaborate on how the wastepaper price dynamic works and the higher freight charges currently, if they are impacting us and what is the outlook on this going forward.

Mr. R N Agarwal

Yes, that's it, are you finished?

Ms. Yachna Bhatia

Yes, I'm done. Thank you.

Mr. R N Agarwal

Thank you so much. I'll answer all your questions. Anil Parekh and Kankala Raj.

Ms. Pooja

Ms. Kankala Raj is also not visible on the attendee list. So maybe we can take one more shareholder. Mr. Saurabh would you like to talk?

Mr. Saurabh

Oh, no, thanks.

Mr. R N Agarwal

Let me answer these questions.

Mr. R N Agarwal

So, somebody told me to answer point wise but most of the questions are inter-related. I would try to answer point wise but then I will have to summarize also. So, the major question I think, in the beginning was what is the difference between waste paper based paper production and virgin manufacturers. Virgin manufacturers are mills which manufacture paper out of wood. So, there was one question also, similar question which was asked about the high asset turnover. So, first let me educate you in this matter, waste paper based paper production is less capital intensive compared to virgin based paper manufacturing. The turnover to investment ratio, suppose I invest, we're talking about our new project, we are targeting to invest 650 crores, so we'll fetch a turnover of around 1000 crore or 1100 crores. So roughly it would be 1:2, for an investment of one, I get twice the turnover. Whereas, for a virgin based mill, suppose I invest maybe like a 1000 crores, I'll get a turnover of only 500 crores or 600 crores so ratio would be 0.6. So, the investment to set up a virgin based mill is very high and hence, the EBITDA for the virgin based is also high compared to our recycled based manufacturers but if you talk about the net profit, it comes to more or less the same because their interest burden is higher because of more investment. So, the EBITDA for virgin based manufacturers in good times or reasonable times would be 25 - 27% whereas for us it would be 17-19%. So, that would be the rough EBITDA band which waste paper based manufacturer and a virgin based manufacturer would be having.

Now, as far as the fluctuation of waste paper prices, there has been a tremendous rise in waste paper prices because not only the availability was less and corona issues but also the shipping freight was very high, even today the shipping freight is very high, the coal rates are also very high because most of the coal is imported from Indonesia and Australia. So the cost of manufacturing has gone up. We have been able to pass on most of the increase by way of increasing the selling price but the market being little slow because of Corona, so we have not been able to pass on 100% of our raw material or other cost increase in terms of the selling price. So, our EBITDA generalizing that it is lower by maybe around 4% as of today compared to what it was pre-Corona times.

One more question that was asked was about which segment has higher margin, writing-printing or duplex board. Duplex Board is classified as a packaging board whereas writing-printing is a paper. So writing-printing was doing exceptionally good before Corona. So, there are times where the margin fluctuates. So, I would say the margin was better in writing-printing once upon a time, maybe one year back before Corona. And in future also we don't see very negative picture about writing-printing but definitely digital media has affected and with this Corona, a lot of online interactions and online work, some digital effect will be felt for the demand for writing printing.

So, the EBITDA for writing-printing as of today is lower compared to the duplex board. It may be lower compared to duplex board by 3 to 4%. We also foresee in future that the demand for packaging paper would be very bright. Packaging board means craft paper and duplex board. So, we are not in the manufacturing of craft paper. Craft paper is brown paper. Duplex board is the packaging board which is used for retail packaging like Colgate, pharmaceuticals, boxes of cigarettes, other products similar to that. So that has got much value added compared to the craft manufacturing.

So, I will talk about the new project and also our dependence on writing-printing in future. So, we foresee that the demand for writing-printing in future may not be as great. So we have made a conscious decision to reduce our dependence or maybe cut down the percentage of our printing production. So we are going to do it by two ways. One is we are going to expand our capacity in packaging duplex board with our new project which we are targeting to be in production by the end of 2023. With that happening, the percentage of turnover coming from writing-printing would come down to almost 25%. Also, we are in the process of studying of conversion of writing-printing unit into craft manufacturing or maybe we are exploring some possibility of selling off that unit, maybe if we get a very good valuation.

We are working on a lot of plans in terms of our dependence for writing-printing because we foresee not only a pressure on the EBITDA margins for writing-printing but the demand also would not be rising, it will not be a negative growth but very marginal growth. Hence, we are consciously making effort in that direction. So our company's going in the right direction because next year, there has been a plastic ban which has been announced that will again impact the usage of packaging product like maybe craft also, duplex board also. And with e-commerce business booming, Corona further added to the boom. So packaging future is very good. We are very bullish. We want to go ahead with this project in spite of this Corona setback on our EBITDA and the net profit. We are in talks with several banks for our debt and internal accruals are also substantial. So we don't foresee any problem in the road towards moving for a new project. And NSR has gone up as somebody asked me, but NSR has not materialized into EBITDA margins because of the increase of raw material costs also has happened. Somebody asked me about buyback of shares, we will come back to you for that but because we are trying to retain as much internal accruals with the company as much as possible because of the new projects, and I don't feel any of the investors would be willing to sell their shares because the company is heading for a growth path, I assume so. Maybe investors should keep more confidence in the company. Then about the delay in AGM, infact, I thought that somebody should congratulate me that in spite of the extension given by the government, we have held AGM on time.

I have answered most of your questions.

Ms. Pooja

Mr. Mittal I have unmuted you and Mr. Shlok Dave and Ms. Yachna Bhatia, in case you feel any of your questions are unanswered you can please talk.

Mr. S P Mittal

I let Mr. Shlok Dave and Ms. Yachna Bhatia speak because I have gotten a chance to speak.

Mr. R N Agarwal

Yes. So I'm waiting for Mr. Shlok Dave and Yachna to add if they want to add if I have missed out any questions.

Ms. Pooja

Mr. Shlok we can't hear you. So assuming you have no other question.

Mr. Shlok Dave

Sir, whatever you have said makes a lot of sense. I was slightly worried on the writing-printing side also. But the way you actually answered all the questions in your commentary, it's great sir. And buyback may not be the best idea, sir given that you have so much growth, that you can see, visibility is there for expansions and all these products are there. So buy back at this point doesn't make sense. You have been doing well. The only thing is that you just need to increase the frequency of communications, that's it from my side, sir. Thank you very much for your time, sir.

Ms. Yachna Bhatia

Sir just two aspects. One, I wanted to understand the Capex that you had done last five years, if you could elaborate that, was that maintenance Capex? And second, your longer term mission, plan, growth that you see for the Company.

Mr. R N Agarwal

Capex which we did in the last two years, were two types of Capex. One was the for efficiency and quality improvement which made us not only increase our EBITDA in good time but sustained EBITDA in the COVID times. So, I would say 70% of our investment went towards efficiency improvement and quality improvement which you may not see tangible because it is not reflected entirely in EBITDA margins but they were very positive investments because I'm a technocrat myself. So I have weighted all the investment and I see that they were in the right direction, the rest 30% of the investment happened due to some compulsions of the depreciated assets which have to be taken care of. So there are certain Capex which are compulsory in nature to maintain the health of the machines. So 70-30 ratio would be there. And as far as the new project, it is a 650 crore project, we are in the final stages with the talks with the bank, the tentative date for commissioning is October 2023. It would add 1000 crores towards our packaging project and we will have cash accruals for that and we are very confident, our in-house team would be handling the entire project, we would not need any outside consultancy because it is value addition of the existing product. We have done extensive study from Ernst and Young for the marketability of that project, the demand in future is going to be very positive and we are very confident and that the project success would take the company to a very great height and I think I have summarized most of the things.

Ms. Yachna Bhatia

If you can just add on the expected payback period.

Mr. R N Agarwal

Payback is around 17 to 20%. So payback is five years period.

Ms. Yachna Bhatia

Okay thank you.

Mr. R N Agarwal

Mr. Raunak Agarwal would like to speak now.

Mr. Raunak Agarwal

Hi everybody. So I just want to share my views about our company and about the new project that is coming, as my father has already explained most of the points I would just like to say that the paper industry is a positive industry, it is doing well and I feel that right now the venture that we're going into which is the duplex sector is going to grow further and it is the right project to take on now. Thank You.

Mr. S P Mittal

Sir, just one last question from my end if I am allowed to? Are you doing anything in terms of you know the molded segment because we see a lot of other paper new players entering the molded segment. Sir, your thoughts on that?

Mr. R N Agarwal

They're the forward integration of our products. If you see a Pepsi cup, they are made out of value added duplex board which is called folding boxboard, so we will be producing the baseboard for that and that in turn either is coated and later on converted into the form which is required. So we are not going into forward integration because it is not that voluminous business and it is a b2c. So we are into b2b sector.

Mr. S P Mittal

Thank you so much for your answers.

Mr. R N Agarwal

I thank all the shareholders for their questions, comments and suggestions.

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 vote yet are requested to do so. The Board of Directors has appointed Ms. Jigyasa Parikh 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.

Ms. Pooja

I end the recording here now.