

Paushak Limited - Transcript of 49th Annual General Meeting

9th August, 2022

Following Directors, Key Managerial Personnel & Auditors of the Company attended the meeting through VC / OAVM

1	Mr. Chirayu Amin	:	Chairman & Member
2	Mr. Amit Goradia	:	Director, Chairman of the Audit Committee & Risk Management Committee
3	Mr. Atul Patel	:	Director, Chairman of Nomination and Remuneration Committee
4	Mr. Vijay Gandhi	:	Director, Chairman of Stakeholders Relationship Committee
5	Mr. Abhijit Joshi	:	Whole-Time Director & CEO
6	Ms. Manisha Saraf	:	Company Secretary
7	Mr. Yash Bhatt	:	Partner of M/s. Maloo Bhatt & Co., Statutory Auditor
8	Mr. Satyanarain Samdani	:	Partner of M/s. Samdani Shah & Kabra, Secretarial Auditors
9	Mr. Ambrish Dixit	:	Chief Operating Officer (COO)
10	Ms. Kirti Shah	:	CFO
11	Mr. R. K. Baheti	:	Group CFO
12	Mr. Rasesh Shah	:	Head, Corporate Secretarial

Transcript:

Company Secretary

Good Afternoon Dear Members,

I, Manisha Saraf, Company Secretary of your Company welcome you all at the 49th Annual General Meeting “AGM” of the Company. This meeting is held through Video Conferencing and Other Audio Visual Means without the physical presence of the members at a common venue in accordance with the various Circulars issued by Ministry of Corporate Affairs.

The requisite quorum being present, the meeting is declared in order and open for business. In accordance with the circulars, Members attending the AGM through VC / OAVM shall be considered for the purposes of quorum under Section 103 of the Act.

Now, I request Mr. Chirayu Amin, Chairman of the Company to take over the proceedings.

Mr. Chirayu Amin

Good Afternoon Dear Members,

I am Chirayu Amin, Chairman of the Company. I am also a member of Nomination & Remuneration Committee. I am attending the meeting from Vadodara.

I hope all of you are safe and are in good health.

I now request all other directors to introduce themselves.

Mr. Amit Goradia

Good Afternoon Members, I am Amit Goradia, Independent Director and Chairman of the Audit Committee and Corporate Social Responsibility Committee and Risk Management Committee and member of Nomination & Remuneration Committee of the Company. I am attending the meeting from Vadodara.

Mr. Atul Patel

Good Afternoon Members, I am Atul Patel, Independent Director and Chairman of the Nomination & Remuneration Committee and member of the Audit Committee and Corporate Social Responsibility Committee of the Company. I am attending the meeting from Vadodara.

Mr. Vijay Gandhi

Good Afternoon Members, I am Vijay Gandhi, Independent Director and Chairman of Stakeholders' Relationship Committee and member of the Audit Committee and Nomination & Remuneration Committee of the Company. I am attending the meeting from Vadodara.

Mr. Abhijit Joshi

Good Afternoon Members, I am Abhijit Joshi, Whole-time Director & CEO and member of the Stakeholders' Relationship Committee and Risk Management Committee of the Company. I am attending the meeting from Vadodara. Thank you.

Mr. Chirayu Amin

Is Mr. Udit Amin attending this meeting.

Mr. R. K. Baheti

Mr. Udit Amin was traveling and has messaged me that he is caught up in a traffic jam. So, he is not able to attend.

Mr. Chirayu Amin

Okay. Mr. Ambrish Dixit, Chief Operating Officer of the Company, Mr. Yash Bhatt, Partner of M/s. Maloo Bhatt & Co., Statutory Auditors and Mr. S. Samdani, Partner of M/s. Samdani Shah & Kabra,

Secretarial Auditors and Scrutinizer for this meeting and other company executives have also joined through Video Conferencing.

I now request Manisha, Company Secretary to explain the statutory details pertaining to this meeting.

Ms. Manisha Saraf

Now, I would like to take you through certain statutory details pertaining to this meeting.

The facility for joining this meeting has been available for members on first come first served basis.

The statutory registers as required under the provisions of the Companies Act, 2013 are open for inspection electronically. Members who want to inspect the registers can send their request at investors@paushak.com.

As the AGM is held through VC / OAVM, the facility for appointment of proxies by the members is not applicable and hence the proxy register is not available for inspection.

The Statutory Auditors, M/s. Maloo Bhatt & Co., and Secretarial Auditor, M/s. Samdani Shah & Kabra, has expressed unqualified opinion in the respective audit reports for the financial year 2021-2022.

Since the notice of AGM was already circulated, with the permission of the members, I propose to take the same as read.

In compliance with requirements of the Companies Act, 2013 read with rules framed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in terms of relevant SEBI Circular dated 9th December, 2020 in relation to e-Voting facility provided by listed companies, the Company has provided e-Voting facility to its shareholders.

The e-Voting platform provided by NSDL was open for voting from 9.00 a.m. IST on 6th August, 2022 upto 5.00 p.m. IST on 8th August, 2022.

Members who have not casted their vote through remote e-Voting can cast their vote during the course of the meeting.

M/s. Samdani Shah and Kabra, Practising Company Secretaries has been appointed as scrutinizer to scrutinize the votes cast through remote e-Voting and during the meeting.

Before we proceed further, I would like to take you through certain points regarding the question & answers session at this meeting.

- a) Once the session starts, I, will announce the name of the shareholders who have registered themselves as a speaker shareholder. The speaker shareholder will thereafter be unmuted by the host. Shareholders are requested to click the video-on button. If the shareholder is not able to

join through video for any reason, the shareholder can speak through audio mode. While speaking, we request shareholders to use earphone so that their voice is clearly audible.

- b) If there is any connectivity issue at the speaker's end, we will ask next speaker to join. Once the connectivity improves, the speaker shareholder will be called again to speak after the other registered speaker completes their turn.
- c) The facility of raising the questions / queries through chat box option is also provided by the Company.
- d) During the meeting, if the member faces any issue, he / she may contact helpline no. mentioned in the Notice of AGM.

Please note that the Management will respond to your questions / queries after taking questions from all the shareholders including the questions received through the chat box.

Now I request moderator to allow Mr. Saurabh Jain to ask their questions.

Mr. Saurabh Jain

Am I audible? Good Afternoon, I have sent 3 questions in advance, so I'll just repeat those questions. So my First question is what percentage of our revenue FY22 was from the derivative products.

The Second question I have is recently we had done large CAPEX, So can you please share the timelines which we have for scaling the CAPEX and what is our target capacity utilization for the new CAPEX in financial year 23 and 24 as well.

The Third question I have is how will our revenue from derivatives as a percentage of total revenue will change after the new CAPEX and will it be significantly higher as compared to what it has been historically and if you can give some numbers and quantify this, it'll be very helpful.

So these were three of my questions. Thanks for the opportunity.

Ms. Manisha Saraf

Thank you Sir, Now, we have next question coming in from shareholder, Mr. Kirti Shah.

Mr. Kirti Shah

Good afternoon Chairman Sir. I have sent an email to Chairman and I would request to please respond to that email. Thank you very much.

Ms. Manisha Saraf

Thank you Sir, we have the next shareholder, Mr. Nirav Jimudia. Please ask your question Sir.

Mr. Nirav Jimudia

Good afternoon team. Sir, I had three questions. So sir, in one of our recent TV channel interview where Mr Udit Amin was invited, he mentioned some key pointers. So what he mentioned was that company is looking for 25 to 30% top line growth in FY23 and he also mentioned that the bottom line growth could be 15 to 20%. So, if we just do the rough maths, I think this translates to almost a sales of 195 Crores and a PAT of 44 Crores. But then he also mentioned that the EBITDA Margins when, it was asked by the interviewer, he mentioned that the EBITDA Margins were, he guided 20%. So the maths was not working up. So let's say from a turnover of 195 or 200 Crores, if the EBITDA Margins is 20%, it translates to 40 Crores and last year we had done a PAT of 38 Crores. And if we take the 15% growth, it is 44 Crores. But on the other side, if we take 195 Crores of top line and 20% EBITDA Margins, that is roughly 38 Crores of operating profit. So then depreciation of 12 – 13 Crores and even the tax, what we pay. So I think there was some misunderstanding in the interview. So if you can just clarify, because what we understood through some backward calculation is that we have to maintain 36% operating profit margins in FY23 to achieve the 15% bottom line growth or else our top line should be much higher than 25 to 30% in order to achieve this sort of PAT growth. So if you can clarify on that, this is number One.

The Second is what sort of challenges we could face going forward with respect to the growth. So if you can relate with respect to the recruitments or the key manpower requirements because what we see is the chemical sector in India is having very good times in terms of the buoyancy of demand and there are very few good people and most of the companies are chasing those man-power. So if you can share your thought process in terms of the challenges which Paushak could face over a period of time and even if you can just give your understanding about the environment regulations when we apply for the environmental clearances and product approvals and receiving those product approvals from the Gujarat Government or the Ministry, GPCB or whomsoever do we apply to. So this is Second.

The Third is over the last four, five years, we have been noticing that we have been continuously spending 2 – 2.5 Crores on the R&D. Now we had completed last year, one of our growth CAPEX, which was around 100 – 120 Crores. So now keeping this in mind, how do we see our R&D spend going forward. So are we targeting to spend more over next three to four years and would it be more towards reducing our cost of production or would it be towards more of a sustainable R&D spend over next three to four years where we'll keep on introducing new products on the derivative side or probably getting into some value added products. So these are my three questions.

Ms. Manisha Saraf

Thank you Sir, next shareholder Mr. Akash Jhaveri, kindly proceed with your question Sir.

Mr. Aakash Javeri

Hi, am I audible? Good afternoon to the Board of Directors and Shareholders, I have three questions. Two of them are already repetitive. One was the interview that at which Mr. Udit Amin answered that the margins would be about 20 to 25% going forward, which significantly lower than our historical margins. So was that just a conservative guidance or if you could throw some light on that, or Second

question was, now that we have 3X capacity for phosgene and further capacity expansion in derivatives, when do we see the ramp up of the same? And the Third question is that we saw an environmental clearance for APIs like azithromycin. So can you tell us what exactly is the plan for this? Thank you so much and all the best.

Ms. Manisha Saraf

Thank you Sir, So our next shareholder, Mr. Rahul Paliwal.

Mr. Rahul Paliwal

Am I audible? Okay. So my question is on this new plant. In annual report you mentioned the new plant is fully functional now and contributing to sales from fourth quarter a financial year or last financial year onward but how much your capacity utilization has triggered by Q1 and are these capacities dedicated or fungible in nature to meet the demand at different time. And then Second question is about further plans for CAPEX anticipating demand going forward. Third is on we are into phosgene and downstream only or we are interested in another chemistry as well, and any ROCE number in mind for new CAPEX. So one of the thing which I wanted to understand specifically from manufacturing in a specialty chemical companies is how do you see growth as a function of purely a CAPEX or how does it work for you? Like for example, to add another hundred percent of sales, do I need to do double my capacity? How does it work for in your chemistry, sir? That will be really useful to understand how the business functions and very happy to see amazing performance. We are still very small, sir. Right. So we can make it a big, so all the best to you and keep on doing the great work.

Ms. Manisha Saraf

Thank you Sir, We have received one more request from Mr. Venkataraman Rangan. Moderator could you please help me out, whether he has connected or not.

Moderator

He has not connected.

Ms. Manisha Saraf

So, I'll read out the questions which we have received through the chat box. Now I'll read them one by one.

So we have received a question from Rohit Vinod Ohri stating that Post Q4FY2022, in one of the interviews on media Management mentioned that the margins EBITDA, Gross as well as Net Profit Margins are anticipated to reduce in the current year. Why do you think, the margins will reduce and you will not be able to sustain the same? Sir, are we setting up the plant for a low margin product? Though this is repeated question, but still...

The next question is from Mr. Samir Desai, he has asked, please find a list of questions that is First, post capacity expansion, the capacity is 14,400 metric ton a year expected revenue at full capacity. Second, Commissioning new phosgene derivatives expected revenue from this derivatives. Third, commissioning of the upstream and downstream capacities. Can you give guidance about products and when they will be commissioned and expected CAPEX and Revenue? Fourth question, any plan to do CRAMS contracts with MNCs or export percentage to sales going forward?

The next question is from Mr. Dharmil Shah, given that UPL has now got the approval for almost 26,000 MTPA capacity for phosgene almost 66% more than our company and therefore the increased competition. How will this impact Paushak going forward? Thanks for taking the question.

Mr. Chirayu Amin

I think let me handle few general questions, then I will ask Mr. Ambrish Dixit to respond. There were general observation about the requirement of R&D and people and personal and any problems getting clearances from government. I think we don't see any major hurdle as far as that is concerned. Getting a right quality people is always a question, not only in this industry, but all the industry and that is something which is a common denominator when you want to grow and that we are working on it and as of now, we don't see a very major hurdle, although as mentioned chemical industry is under limelight and there is a movement of people, but we will manage and we have inducted some more people.

Overall, what we did mention about the margins is something which may be was conservative. And when we operate the plant, we adjust our product line depending on the phosgene usage. We have some very high margin products and we have some commodity products. So we fill up our plants and the processes accordingly. On expansion, although we are a little bit of late because of the past COVID and other situations, but now we are ready to go to the next step. And other question was on R&D expenditure. R&D expenditures are needed and that is for upgrading our current processes, as well as looking into the future products. Now we have built state of the art plant, so that we can showcase it to the multinational buyers and they've been visiting us and they're relatively quite happy. And we are in a dialogue with few of them to get into a long term contracts, which will help us to maintain our growth. So these are the general information. Now I'll request Mr. Ambrish Dixit to reply to the specific questions.

Mr. Ambrish Dixit

Thank you Sir and good afternoon to all. So, as Chairman rightly pointed out, we have been manufacturing niche products and, you know, as we are looking to utilize more and more capacities, we are also getting into more, you know, commoditized, semi-commoditized product, which will definitely impact margins. But we feel that, you know this a gradual process where we are identifying the market, we are identifying the products. Somebody ask about the phosgene capacity and utilization in this to come and you know, how it has been impacting our top line. So I'm sure everybody would've seen, which we also mentioned in our annual report that we have commissioned our entire new phosgene capacity, which is tripling it to 14,400 metric tons p.a. in Q4, as well as, if you see our sales number has also gone from the previous quarter, where we added up some downstream capacity.

So obviously the growth is there. Now ramp-up from the production for new facilities, especially downstream would be also coming gradually based on the market dynamics. Again, another question was regarding this derivative utilisation and how this impact - this change will happen. So if you see we are in business of manufacturing and selling phosgene derivatives only where 97% of our total revenue comes from phosgene derivatives. Now as phosgene cannot be transported, cannot be sold in trucks or drums, which is not permitted by law, so the only option for Paushak is to sell phosgene derivatives. And definitely that's a reason we will continue to make more and more derivatives, existing product where we do cost optimisation, new products which we launch... And if you see our last three, four years annual report as well, we have clearly mentioned that there has been certain products, which we have been the first one in India to make it, so focus is there to have focus on R&D as Chairman rightly pointed out to look into more CRAMS opportunities as well, you know, develop and expand our own products, propriety catalogue products, you know, to gain the market share.

Again, I think Mr. Nirav has also asked us challenges, which has been answered, R&D we have answered, I think chemistry wise we are right now, more focused on the phosgene chemistry because we believe that it there is a lot of, you know, more for us in this chemistry right now. And obviously as we grow, we would look try to look beyond, but right now focus is on phosgene only. And regarding the growth, obviously growth will come from the CAPEXes only because we need to expand our capacity. We are putting up capacity and this is extremely hazardous, very niche chemistry where we don't get readymade resources. So we are learning, we are growing and we are putting up more and more better plants. These plant, what we have commissioned last year - this last financial year is state of the art plant, which we mentioned. They are best in terms of technology and we have benchmarked in the global plants. We believe by putting up good plants, we would be able to utilise our more phosgene capacity while in the meanwhile putting downstream one by one, which we can sell not only in India, as well as export market. So definitely right now, we are selling primarily from the domestic market. But as we go along, our export business will also go up. We don't get into specific in terms of number of our capacity utilisation, etc., but I can tell you focus is always to have optimum capacity utilization to ensure that we create the best business for our stakeholders. Thank you.

Mr. Chirayu Amin

I think, by and large we have replied everything, for azithromycin there was a question would like to respond.

Mr. Ambrish Dixit

Yes Sir, Sorry, So I just saw, you know that, in fact, ECs are the first initial steps to take approval and we have taken this pharma EC approval. But again, you know, I'm sure everybody's aware about the situation, right? So, we are also doing a lot of studies and we'll keep informing our shareholders through filing through exchange as and when it happens.

Mr. Chirayu Amin

So this are the by and large answers and if you have any specific more queries you can write to us and we will try to respond.

I request Manisha to please take it forward.

Ms. Manisha Saraf

Members may please note that the voting on NSDL platform will continue to be available for the next 15 minutes to enable the members who have not casted their vote yet and who would like to cast their vote.

The results of the voting will be announced on or before 11th August, 2022 and the same would be available on:

- (i) Notice Board of the Company at its Registered Office;
- (ii) Company's website www.paushak.com;
- (iii) NSDL's website www.evoting.nSDL.com and
- (iv) Stock exchange's website www.bseindia.com.

Mr. Chirayu Amin

With this, we have concluded responding to all your queries. In case as I mentioned if any query is remained unanswered, members may please send the same at our registered email id. Our team will endeavour to respond to you at the earliest.

I would like to thank all the Directors & members for joining this meeting through VC.

Before closing the meeting, I once again wish you good health and be safe.

I request Manisha to please take it forward.

Ms. Manisha Saraf

The meeting has been attended by 74 number of shareholders.

With this the meeting is concluded. Thank you.

Please find hereunder web-link to access the recording of the proceedings of 49th Annual General Meeting of the Company:

https://www.paushak.com/videos/APL%20AGM%20Recording/Paushak%20Limited-%20AGM%20Recording_FY_2021-22.mp4