

SUMITOMO CHEMICAL INDIA LIMITED
TRANSCRIPT OF THE PROCEEDINGS OF THE TWENTY-SECOND
ANNUAL GENERAL MEETING HELD ON 29TH JULY, 2022

- **Mr. Pravin Desai – Company Secretary, Sumitomo Chemical India Limited:**
- Chairman Sir. It is past 2:30 pm now Indian Standard Time. The quorum for the meeting is present, so we can start the meeting, sir.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Ladies and gentlemen, it is now past 2:30 pm Indian Standard Time and the necessary quorum being present, I call the meeting to order. The representatives of the statutory auditors and the secretarial auditors are present in this meeting. The notice of the meeting has already been circulated and may I with your kind permission, take it as read.
- The members' speakers have been muted. In the Question-Answer session, name of speaker member will be called out, his or her speaker will be unmuted and the speaker will be able to speak. The Register of Directors and Key Managerial Personnel and their shareholding kept under Section 170 of the Companies Act, 2013, the Register of Contracts and Arrangements kept under Section 189 of the Companies Act, 2013, the Auditor's Reports and the Secretarial Audit Report are laid on table. They are also available on the Company's website www.sumichem.co.in for inspection by the members during the meeting. As this meeting is being held by means of video conferencing, the facility for appointing proxy has not been given to the members and hence Register of Proxy is not laid on the table.
- There are no qualifications, observations, comments or remarks in the Auditor's Reports and the Secretarial Audit Report.
- I have enquired about the efforts made by the Company and have satisfied myself that the Company has made all efforts feasible under the circumstances to enable the members to participate in this meeting and vote on the items being considered in this meeting.
- E-voting process for voting in this meeting has already commenced. The members attending this meeting, who have not availed remote e-voting facility, are eligible to vote on the resolutions through e-voting process. I request such members to cast their votes.
- Let me now deliver the Chairman's Speech.
- I would like to warmly welcome you to the 22nd Annual General Meeting of the Company.

- Even two-and-a-half years after its emergence, Covid-19 threat continues to exist. This is the third consecutive year that, instead of a face-to-face meeting, we are meeting in this AGM held in virtual mode.
- Please permit me to introduce my colleagues on the Board and other friends who are present at the meeting.
- (Introduces Mr. Chetan Shah, Managing Director, Mr. Sushil Marfatia, Executive Director, Mr. B V Bhargava, Independent Director and Chairman of the Audit Committee, Mrs. Preeti Mehta, Independent Director and Chairperson of the Nomination and Remuneration Committee, Mr. Hiroyoshi Mukai, Non-Executive Director, Mr. Tadashi, Katayama, Non-Executive Director, Mr. Masanori Uzawa, Non-Executive Director and Mr. Ninad D Gupte, Non-Executive Director. Also introduces members of the management who are present - Mr. Pravin Desai, Company Secretary, Mr. Kunal Mittal, Senior Vice President, Planning and Coordination Office, Dr. Suresh Ramchandran, Chief Commercial Officer, Mr. Anil Nawal, Chief Financial Officer and Ms. Deepika Trivedi, Manager - Secretarial. Thank you.
- Let me continue with my speech. The year 2021-22: a large part of the last financial year passed under the shadow of the Covid-19 pandemic. The year saw two waves of Covid-19. The first one in the year was the most serious of all the Covid waves seen so far. The Company endeavored to carry on production and its business activities in near normal manner but with caution, taking all the initiatives necessary for safeguarding health and wellbeing of its workforce, including that of the contract workers.
- Several employees, workers, business partners, and their family members were infected by the virus during the year. There were some casualties as well - we pay our sincere condolences.
- The year also saw challenges on material procurement front - there were intermittent short supplies and price volatility.
- All these factors impacted the Company's functioning and business activities but only in a limited way to due to your Company's competent and proactive management and the committed workforce aided by some luck. Luck is always necessary, but luck only helps those who have prepared themselves well and the Company management had prepared well.
- The outstanding contribution by the Company's dedicated employees, right from the shop floor worker to the sales team, including senior management, in the face of the challenges posed by the virus and its aftermath made it possible for the Company to report excellent financial performance.

- During 2021-22, sales turnover increased from INR 26,210.17 million in 2020-21 to INR 30,347.85 million. Domestic sales turnover increased from INR 21,814.53 million in 2020-21 to INR 23,654.30 million in 2021-22. Export turnover increased from INR 4,395.64 million to INR 6,693.55 million. Though the sales turnover increased by around 15.8%, the profit before tax grew by about 29.3% to INR 5,858.20 million and the profit after tax by about 25.6% to INR 4,337.33 million in 2021-22.
- Though the year saw large price rises and price volatility for several raw materials, intermediates and other inputs, the industry could pass on the cost increases to the market. The Industry also faced logistics disruption for international cargo movements leading to delayed shipment of imports and exports. International logistics costs rose sharply.
- Your Company is continuing its journey from consolidation phase to an accelerated growth-oriented phase which will require capital expenditure and investments. In addition to the regular annual capex budget, the Company has plans to incur additional project specific capex to the tune of INR 1,200 million over the next two years for manufacturing five new proprietary technical grade active ingredient products of the parent company. Additionally, some more capex projects are at various stages of evaluation. For future expansion, the Company has acquired two additional land parcels at Bhavnagar and Dahej in Gujarat.
- The Company's digital marketing initiatives as a parallel support to the traditional marketing are bearing fruits. The Company has 23 marketing and product websites and has digital outreach to about 17 million customers.
- As part of the Company's digital transformation journey, the Company has implemented advanced integrated SAP system across the entity. The Company is evaluating deployment of digital technologies in all possible areas. And some of this has already been implemented.
- Keeping in view global, domestic and Company-related factors, the Board, after considerable deliberations, has come to the conclusion that for FY 2021-22, a prudent course would be to recommend a dividend of INR 1 per share, as against the dividend of INR 0.80 in the previous year on 499.15 million shares. This is a 25% increase over the previous year.
- The year 2022-23: Monsoon for year 2022 was forecasted to be early by a few days sending positive signals to the stakeholders. However, monsoon started few days late and did not progress well during the month of June. There was deficit rainfall across the country till end of June. Crops sowings were delayed by a few weeks, especially in western part of India. Rains and sowing activities picked up in July, covering most parts of the country except some areas. Currently, there seems to be excess and continuous rains in south and west

India, impacting agrochemicals consumption. Overall situation is projected to improve towards end of July and in August. We will continue to closely monitor actual ground level situation.

- The Company's Board will be meeting on 9th August 2022 to consider and approve the financial results for the first quarter of the current financial year 2022-23.
- As you are aware, the Company has been regularly updating shareholders with investor presentation and earnings calls transcript through Stock Exchange filings and disclosure on its website. These provide useful information and updates to the shareholders on the Company's financial performance.
- In conclusion, I would like to express my deep appreciation to all the shareholders in supporting the Company. I'm aware that the shareholders face difficulty in reading Annual Reports in digital form, and in attending virtual AGMs. The Company and the Directors are thankful to you for attending this meeting in spite of the difficulties. I request continued support by the shareholders to the Company and its management in their endeavor to grow business and enhance shareholder value. I'm confident that the Company and its management will continue to receive support of the shareholders.
- I also take this opportunity to thank the Company's bankers, business associates, customers, suppliers, various government agencies, financial and other institutions for extending their professional support to the Company, especially in the trying times of Covid-19 pandemic.
- May I invite you to join me in thanking all my colleagues on the Board, the management team, other staff and the workforce at various production sites, sales locations and offices, who have strived as a harmonious team to overcome Covid -19 pandemic and business challenges and to help enhance the Company's resilience and competence. Thank you very much.
- I enumerate the eight resolutions proposed to be taken up for voting in this meeting through the e-voting process.
- The First Resolution is an Ordinary Resolution for adopting the Financial Statements and the Reports of the Board and the Auditors.
- The Second Resolution is an Ordinary Resolution for declaration of dividend on equity shares. The Board has recommended dividend of INR 1.00 per share.
- The Third Resolution is an Ordinary Resolution for approving reappointment of Mr. Hiroyoshi Mukai as Director. Mr. Mukai retires by rotation and being eligible offers himself for reappointment.

- The Fourth Resolution is an Ordinary Resolution for approving reappointment of Mr. Ninad D. Gupte as Director. Mr. Gupte retires by rotation and being eligible offers himself for reappointment.
- The Fifth Resolution is a Special Resolution for approving reappointment of Mr. Chetan Shah as Managing Director with effect from 1st September, 2022.
- The Sixth Resolution is a Special Resolution for approving reappointment of Mr. Sushil Marfatia as Executive Director with effect from 1st September, 2022.
- The Seventh Resolution is an Ordinary Resolution for approving transactions entered into and proposed to be entered into with Sumitomo Chemical Company Limited, a related party, during the financial year 2022-23.
- And the Eighth and the last Resolution is an Ordinary Resolution for ratification of the remuneration of M/s. GMVP and Associates LLP, the Cost Auditors.
- I now invite the members to raise queries, give their comments or ask questions, if any.
- **Moderator:**
- Thank you. So, yeah, we can start with the proceedings. So, with the Chairman Sir's permission, we'll call out the name of speaker shareholders.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Please.
- **Moderator:**
- Thank you sir. Please note that the each speaker shareholder will be allocated a time of three minutes which all the speakers are requested to follow. We will be noting the questions of all the speakers and the same will be answered after all the speakers have completed their speech. Now, our first speaker for the event is Mr. Kaushik Shahukar. Mr. Kaushik?
- **Mr. Kaushik Shahukar – Shareholder:**
- Hello. Am I audible, sir?
- **Moderator:**
- You are. Please ask your question.

- **Mr. Kaushik Shahukar – Shareholder:**
- Thank you. Good afternoon, everyone. First of all, I would like to thank the Board of Directors for giving me an opportunity again to speak in this forum. Many of you will remember me from the conversation in past years. So I will keep both my ask and introduction brief. I hope I'm clearly audible.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Yes.
- **Mr. Kaushik Shahukar – Shareholder:**
- Thank you so much. Myself Kaushik Shahukar, qualified and a practicing chartered accountant from Mumbai. I have been suffering from dystonia, which has rendered 55% of my body paralyzed, impacting my right hand, my right leg and a stage. While I have not let that come in my way of becoming a chartered accountant and practicing, I do request your support in helping me continue to be self-reliant. I was approached after the conversations we had last year about me working for our organization on certification work including Form 15CB. However, nothing has progressed since. While I understand things may have not progressed due to pandemic situation last year. I'm hopeful that after our conversation today, our organization would start engaging me in the area as soon as possible. Once again, thank you for the opportunity to speak today. I hope to see a positive movement with my task. I support all the resolutions, also request to please provide me work. Finally, what will be impact of China plus one policy on our Company? Sir, can I expect continuous support from our Company? Thank you once again. Thank you so much.
- **Moderator:**
- Thank you, sir. Our next speaker for the event is Prakashini G Shenoy.
- **Ms. Prakashini G Shenoy – Shareholder:**
- Hello, can you hear me? Hello.
- **Moderator:**
- You are audible.
- **Ms. Prakashini G Shenoy – Shareholder:**
- Yeah. Respected Honorable Chairman. I'm Prakashini G Shenoy from Bombay. Respected, Honorable Chairman, other dignitaries on the board and my fellow shareholders. Good afternoon to all of you. I received the Annual Report well

in time, which is simple, transparent, and knowledgeable and contains all the information as per the corporate governance. I thank the company secretary and his team for the same. I should not forget to thank you once again, for giving me a call and reminding me of the meeting of today, without which I won't be able to -- I wouldn't be in a position to speak. Thank you, Secretary, sir, once again. Sir, I have few questions. My question number one is what is your roadmap for next five years? Next, what is the capex program? Next, are we planning to have a new R&D or expand the existing R&D? If yes, please let me know the amount involved. My last question is how is the Company planning for digital future? I wish the Company good luck for a bright future and pray God that the profit of the Company shall reach the peak in due course. Sir, I wholeheartedly and strongly support all the resolutions put forth in today's meeting. Thank you sir.

- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Thank you.
- **Moderator:**
- Thank you, ma'am. Our next speaker for the event is Mr. Aspi Bhesania. Mr. Aspi?
- **Mr. Aspi Bhesania – Shareholder:**
- Yes, can you see me, hear me now?
- **Moderator:**
- Yes, sir. We can see you and hear you.
- Okay, sir. I am Aspi Bhesania from Bombay. Sir this is the 22nd AGM. So there are three more years for you to prepare for the Silver Jubilee AGM. So I would like you to spell out what you are expecting in three years. How much top line growth, bottom line growth all that. Sir, at the outset, I congratulate the management on excellent results - top line and bottom line have increased very well. However, our figures would have been much better had Q4 been better than Q3. So what are the reasons for top line and bottom line being lower in Q4 as compared to Q3? Sir, and Q4 sales were INR 665 Crores. Our inventories INR 938 Crores, which is much on the higher side. And receivables are also INR 843 Crores which are also high. So what are your plans to reduce the inventory and receivables that's eating away our working capital? Sir, thank you very much, and all the best for the future. There are so many meetings at 3 o'clock today, but I decided to come for your AGM. Thank you, sir.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**

- Thank you.
- **Moderator:**
- Thank you, sir. Our next speaker is Mr. Dinesh Kotecha.
- **Mr. Dinesh Kotecha – Shareholder:**
- Hear my voice, can you see me?
- **Moderator:**
- Yes, we can see you, sir. Kindly enable your video.
- **Mr. Dinesh Kotecha – Shareholder:**
- Yes. Chairman Sir, Mr. Asher, other board of directors and other fellow shareholders who are in meeting. Sir, other shareholders may be happy with the results, but I'm not - because I'll tell you why. If I come to page 80 and 81 directly, there is a balance sheet and the profit and loss account. I find that the incremental profit ratio is only 7%. Now, incremental profit ratio should be minimum 25% or 20% at least, only 7% is nothing, sir. And secondly, we are paying tax at the rate of INR 3 per share. Last year we paid a tax of INR 2.15 per share, you gave us dividend of INR 0.80, this year is INR 3 tax per share, you are giving only INR 1 dividend. The government is taking tax from you catching you by the collar and forcing you to pay all the advance taxes – four advance taxes, and at least whatever you pay to the government, INR 3.15, at least INR 3 you should pay to us sir, the same amount, the same amount that you pay by way of tax. Now that is fairness according to me. You are not being fair to the shareholders, sir, in that case, you're working for the government rather than working for us. Sir, I also wanted to know basically that our PBT is nearly INR 4.88 Crores per month now. I'm talking about PBT against last year's INR 3.77 Crores. Now, can we expect that in the current year our turnover can go above INR 4,000 Crores or by 2025 can we reach a turnover of INR 5,000 Crores? That is a straight question. And, sir, one small requests, don't give figures in lakhs and millions, if you give it in lakhs or crores - even foreign multinationals give figures in lakhs and crores, sir. Don't give in millions, it's confusing. Also, sir, you have given a lot of commentary in your Chairman's speech about a stage of growth, consolidation to growth stage, we are growing now. Two or three questions remain that is on page 76. The auditors have given some disputed cases there. I would like you know, the cases to be given year wise very clearly. And what is the amount paid against any of the dispute or all any of the -- I mean disputes that are mentioned there. That should also – and one column should be given among paid against the disputes that helps us to understand.

- Again, I want a list of Top 10 public shareholders, sir. Public, I'm public shareholders, so I want a list of 10 public shareholders who are non-institution non-promoters, so that I can know from the investor community from the public community who has invested and from that if I know somebody who has invested a big quantity in your shares, I can depend on his analysis and his thorough research that he must have done before investing in your company. See it to that the balance sheet and, again, we are -- I am not comfortable with this VCM meetings because I'm staying in Vasai, and in Vasai for four to five hours, there's no electricity here. So try to understand, keep physical meetings, this VCM meetings are all, we are not -- I'm totally against this VCM meetings, sir. Sir, and lastly, what are the three -- a few key challenges that you faced and overcome during the year? I would like to know from your, and sir, our MD's salary, you are increasing by 40% this year. So, I have got some problem there, you are increasing our dividend hardly by INR 0.20 and MD's salary goes up by 40% in this current year via resolution. It should not be that way. You should act as a trustee as a proper trustee on behalf of the shareholders. Also, sir, minority shareholders also count in the Company. And, sir, our -- lastly, I would say that our PE ratio of 52.37%. - I don't think we justify this particular PE ratio of 52, based on our results that we declared. It is highly unjustified maybe because the promoters are holding 75%. And that is why the floating stock may be less to that extent. Last piece of thing which I would like to say is that, sir, at the earliest, give INR 9 back to the shareholders by way of equity back, pay back INR 9 on the face value and make it INR 1 per share at the earliest, maybe two years, three years down the line plan for that. And then your equity is 49 crores 499 crores then the picture will be totally changed, the profits will remain the same, the EPS will go up 10 times you can give us more dividends that time. And then L&T did this restructuring 10-15 years ago, L&T did it. They reduced the equity totally by INR 9 and then three times they gave bonus 1:1. So plan something in such a way where the shareholders are also rewarded adequately by investing in the company. Thank you very much and wish you all the best.

- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**

- Thank you.

- **Moderator:**

- Thank you, sir. Our next speaker for the event is Mr. Amit Thawani.

- **Mr. Amit Thawani – Shareholder:**

- Good evening to the Chairman and to the rest of the board. Thank you for taking my questions. My first question is on – it is forum of investors and I think we would be allowed to speak about how the first four months of the year has gone. And if you can give us certain any color on how the four months

of this year looks. It will be great. The second question is we had a drop in our PGR sales. Can you please tell us what has happened out there? Third, is we have receivables of INR 167 Crores from Sumitomo Chemical Asia, but we have no sales to Sumitomo Chemical Asia. So I'm unable to understand why the receivable in books. We are also seeing a decline in our payables. Can you explain that as well? There is a reference in the annual report as far as glyphosate goes. It says that there is some intention of the government to kind of restrict the use through pest control operators. Can you give us some - I mean, can you tell us what is behind that intention? And what stage are we of that as far as implementation goes? And what are the implications for us? My last question is, second last question. I'm very sorry. What are we purchasing from Sumitomo Chemical, Japan, the parent, I am not referring to the subsidiaries of the parent, but direct the parent. What exactly are we importing from there? Is it animal nutrition? My last question is can you please describe the nature of export incentives and the likelihood that that could go away? Is there any government move to get rid of export incentives? Yeah, thank you so much for a patient hearing. Thank you so much.

- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**

- Thank you.

- **Moderator:**

- Thank you, sir. Our next speaker for the event is Mr. Ravi Kumar Naredi. Mr. Ravi.

- **Mr. Ravi Kumar Naredi – Shareholder:**

- Hello.

- **Moderator:**

- Yeah, you are audible and visible.

- **Mr. Ravi Kumar Naredi – Shareholder:**

- Okay. Respected Mukulji Asher, Chairman of Company, Mr. Chetanji, MD of Company, Sushil EDji, and honorable board of directors and fellow shareholders. My question is that how much capex we plan for financial year 22-23 and 23-24 and how much capacity will rise from this capex? Secondly, how much top line we usually get on new capex of one rupee. Secondly, we have few pending cases of income tax from assessment year 2004-05 to 2017-18. We must go to 'Vivad-se-Vishwas' Scheme team and management must focus all time to enhance business deployment and not litigation matter. I do not know why you didn't opt for 'Vivad-se-Vishwas' Scheme. You declare INR 1

dividend only. I presume you keep INR 1 for Capex for current year and next year. Is it so - and these are my questions. Thanking you, all the best.

- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Thank you.
- **Moderator:**
- Our next speaker is Mr. Shailesh Mahadevia. Mr. Shailesh? You are audible and visible, sir. Please speak.
- **Mr. Shailesh Mahadevia – Shareholder:**
- Thank you. Respected Chairman, Mukulbhai Asher, Managing Director, Chetanbhai Shah and all other distinguished directors. Sir, I feel extremely privileged to speak before such a distinguished board of directors who have presented the working for the year and they are listening to what their shareholders have to say about the Company. Sir, our result is excellent. And it has been reported in a very nice manner in our Annual Report which is 175 pages, but to the point and compared with some of the other companies who are giving 400 or 500 pages without telling much. Sir, I also appreciate that we respect all the three ESG principles to attain the highest sustainability. Sir, I also appreciate the CSR work which is being done by the Company and I'm sure you must be enjoying the very high multiplier compared with 6.60 Crore of rupees which is being spent as required by law. And, sir, I also appreciate that China plus policy adopted by India as well as by the world will give you a good opportunity and you will seize them. And, sir, before I proceed further. I would like to appreciate the services of our secretarial department and particularly Pravinbhai Desai. His service is prompt, to the point and that helps us considerably. Sir now, with a view to increase my understanding and appreciation, I wish to put some questions. Sir, my first question is regarding the policy of Government of India, last year government was to carry out various reforms in agriculture, but, the farmers did not allow particular well designed, well intended reforms. However, in your report, you have given the idea of some of the policies of the government, which is likely to benefit the agriculture and also our particular industry. So, I would like you to assess the present situation in view of these government policies.
- Sir, my second question is that, we are about to introduce in a commercial way the three new technical products in our range of products. Sir, I would like to know, what is the potential of these three technical products, how much our turnover is likely to increase as a result of these three technical products. Sir, my next question is that what is the capacity utilization? I know that it's a very broad question, we have several factories - very difficult to reply. But sir, if you can give some idea about the general capacity in our plants, and I understand

from the report that we have sufficient capacity to cater to the demand for at least for a year or two. Sir, if you can throw some more light on the subject, it will be of great use. Sir, then I would like to come to the use of foreign exchange. Sir, we have used as much as INR 777 Crore in the year under consideration, you have also stated in the Report the great dependence on China for a number of raw materials and intermediates. Sir, I would like to know what efforts the Company has made during the last one year and in the years to come about our sources of material - raw material in the current year, and how we propose to find alternatives.

- Sir, then my next question is that how much of our production is under contract manufacturing program and how much is on our own. Sir, further companies making more and more efforts to introduce branded products? Sir, may I know, how much additional sale we have made during the year '21-22? And how much we propose to increase it in the next two years or so? Sir, you have also pointed out that the farmers are losing between 20% to 25% of their production to pests and diseases. Sir, this is actually our potential market. Sir, I would like to know, what efforts we are making to minimize these losses by educating farmers. And, sir, we have also heard that there are lot of wastage in government godowns where they are particularly stored for a number of - for a long period. Sir, may I know what efforts are being made or can be made to reduce this particular type of loss. Sir, one more request in the management discussion and analysis, the number of employees stated is 1,696. However, this has not taken into account the contract manufacturing, this has not taken into account the contractual employee, which is as high as 3,717. Sir, we should take this particular figure to give a correct picture about what production and what capacity we can get from our labour forces. Sir, one more thing that we have renewed appointment of Chetan Shah, our Managing Director, for only one more year from September 2022. Sir, is it not possible to appoint him for a period of say five years - after all, he has been giving excellent service ever since the Company was taken over from Excel Crop Care, and I'm sure he's capable enough to give services to the Company in the years to come. Sir, with all these, my last request - our report is not an integrated report. The integrated report will give us the idea about all our six existing capitals, what value addition we have made during the year and what is the end result and the value of all our six capitals. Sir, now, this is a common practice. Our Company is also large enough and we should start introducing integrated report because that will also take some time before it reaches maturity. Sir, with all this, I wish our organization every success in all the efforts that we are making in the years to come. And, sir, this is actually our way of life. Thank you very much sir, for giving me the opportunity.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Thank you.

- **Moderator:**
- Thank you, sir. Our next speaker is Ms. Yashvee Kothari. Ms. Yashvee, you can ask the question.
- **Ms. Yashvee Kothari – Shareholder:**
- Yes, good afternoon. My first question is, how is the demand of agrochemicals expected going forward? And also, if you can provide us with the revenue and guidance for FY23. Thank you.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Thank you.
- **Moderator:**
- Thank you, ma'am. Our last speaker for the event is Mr. Vinay Vishnu Bhide. Mr. Vinay, you can ask your question.
- **Mr. Vinay Vishnu Bhide – Shareholder:**
- Chairman Dr. Mukul Asher, Managing Director Mr. Chetan Shah; Executive Director Mr. Marfatia, Directors present at today's AGM, Company executives - good afternoon to you all. Congrats to the team of Sumitomo for turning out a steady year in difficult circumstances. I've got just a couple of questions to understand working in the future better, and they are as follows. Question number one, exports as a percentage of sales are up from approx. 20% of sales to 28% of sales last year. Please comment on this and future plans, if any. So that was the first question. The second question is on some aspects which already been asked but there's a different angle to it. Raw material as a percentage of sales for standalone is stable at 58% to 59% of sales. So, my question here is that, how was this achieved in an inflationary situation. As for the last year, what are the percentages for local sourcing i.e. resourcing in India and sourcing from outside? One more question, what was our IT Capex for the concluded year? And what is it that we have planned for this year? So, I had few questions that I had and I will close with best wishes for the directors and their employees at all levels. Thank you.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemicals India Limited:**
- Thank you.
- **Moderator:**

- Thank you, sir. With this we come to conclusion of the shareholders' Question-Answer session. Over to Chairman, sir.
- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- I would like to thank all the shareholders who have taken efforts and have provided the benefits of their expertise to the board and to the management - very incisive questions. May I now request our Managing Director, Mr. Chetan Shah, to help address the queries that have been raised.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
- Thank you, Chairman sir. And thank you shareholders for coming out and speaking and asking some interesting questions. I will try to reply to them to your satisfaction. And I may combine the questions if they're common questions asked. I will reply in one go and not person-wise. I think Mr. Kaushik Shahukar's question or request was something different. And I can assure him that I will talk to my finance department and request Pravinbhai to see what can be done all within the framework of the Company. If anything is going to be possible, we will definitely make that happen.
- Few other questions, I think, the roadmap of next five years is absolutely, very clear. I have been saying this time and again that we are – we believe in sustainable growth, sustainable business, sustainable working of the Company along with the society and along with CSR work etc. and to lead a Company roadmap for next five years and space and well, I cannot ask as per the policy, to give you the figures or give you the plans as to what we are going to do. But I can assure you that the roadmap used rightly, the capex planned out is also quite good in a sense that we are going to have under INR 120 Crores Capex for new projects. This is over and above our normal capex of around INR 70 Crores for efficiency improvements and capacity enhancements of our current plants. Capex plans, going forward as -- mentioned that we have purchased two land parcels and we are going to start working on that. And of course, the R&D and down level work has already started. We are identifying products which ones to manufacture in different capacities, etc. And this will be rolled out in the year 2023-24. So there is going to be a huge capital investment for these new plants. The other thing was the R&D. R&D was -- the question on R&D, we have our existing R&D, and we have no plans to have a new R&D facilities immediately. However, we are talking or we are discussing the R&D as a topic with our parent company, Sumitomo Chemical, Japan. And if we see some sort of a synergy or some sort of thing that, in that case in collaboration with Japan, we may have some R&D center in India. But this is in a very preliminary stage of discussion. And as such as I mentioned, there is no plan for new R&D facilities. We have three R&D facilities existing; one in Mumbai, one in Bhavnagar and one in Gajod. So I think that the infrastructure, both in

terms of equipment and in terms of manpower is good enough to take us for next quite a few many years.

- Digital future, you asked about digital futures. We believe in this digital initiative to a very large extent. We have expanded our digital footprints in last few years to a new height. And as you must have heard Chairman's speech, he mentions, we have 17 million connect with the customers by our digital initiatives, and this is going to be a big thing in future as well. We were one of the initiators of this development and we are taking it forward with all our seriousness and all vigour to get through the digital platforms to a newer heights.
- I think Mr. Aspi asked about Q3/Q4 comparison. He also talked about next three years, and management presenting twenty-fifth year of AGM and he also asked about high inventory and receivables. I would like to take some time to answer these questions. First of all, this industry, as you are aware since years, that it is a seasonal industry and no two quarters can be same. You cannot compare quarter two to quarter one because quarter two is main season, you will always have a quarter two very high sales as compared to quarter one. You cannot compare quarter three to quarter two because quarter three will be not, it would be that the kharif season would have ended in September and the consumption of agrochemicals does not take place at the same rate in kharif as in the rabi season. So, no quarter is comparable. I think the only comparison for agrochemical industry would be quarter of last year to quarter of this year, because that would give a balanced view so that in the same circumstances of seasonality how did Company fare in the previous quarter, previous year quarter and how it is faring in this year quarter. So I think quarter three - quarter four comparison is absolutely not, I would say, not applicable to any chemical industry.
- As far as inventory and receivables, yes, inventories you have said correctly inventories are high. But this was very like considered decision to keep high inventory for the kharif season. Because the prices of raw materials were spiraling throughout right from September, October, November till March and we carried lot of -- we purchased a lot of inventories at the right prices and right decisions and the Company is benefited by that. And as I say it was a very, very considered decision. So, we are not at all worried about the high inventories. This will all be consumed in this kharif season that much I can assure you.
- So, as far as the receivables are concerned, I think it is, I mean our receivables have actually improved in the year 21-22 as compared to 20-21. The number of days has come down from 119 days of outstanding to 100 of outstanding. However, you may notice that the last quarter, the INR 65 Crores we reported or whatever that you talked about was billed and outstanding as of 31st March that we just sold. And otherwise our inventory and receivable controls etc.

have been very, very strong in the year 21-22 and the efforts and whatever steps we have taken to control the credits is also continuing in the current year. So, I think, there should not be any problem with our receivable.

- And for the three years' plan, unfortunately, I am not, as per the policy, I cannot give you the figures, but I can only say that, yes, we will grow sustainably in a sustained manner. We will try to protect our margins as much as possible. We try to control our costs as much as possible and all these things are ongoing processes in our Company and just this will give better and better performance in the coming three years.
- Mr. Dinesh Kotecha asked some on page 80 to 7% profit. Pravinbhai and Kunal, do you get what does that mean?
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemical India Limited:**
- We couldn't understand because as for the profit, it has increased, sir, to + 500 crore.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
- Yes, I think it has increased by 25% for profit after tax and profit before taxes increased by around 19%. I didn't understand that 7% being around but –
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemical India Limited:**
- May be once we have completed then we will ask him about this question. His other question was about the dividend.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
- So dividend, you see regarding dividend not being fair also, I think we have lot of Capex plans and we would want to give, want to give cash for those plans as we do not want to borrow money and invest. However, as the PBT has gone up by 25%, we have very clearly increased the dividend also by 25%. So I don't think that the Company's policy is to be unfair to shareholders. I may also say that we should understand that this -- the promoters are holding 75% of shares. And I think if we are unfair to shareholders, we are, first of all, unfair to our parent company, who is holding 75% share and which is not true at all, which is that we are not giving enough dividend to shareholders. I think if somebody can also calculate that what is the percentage of dividend actually to the erstwhile Excel shareholders, Excel Crop Care shareholders, it will be a phenomenal amount because twenty five and a half times shares were given

to the Excel shareholders. So I think in view of all the things considered, I think it is a very fair dividend.

- Regarding your future plans suggestion as to face value etc. I think that is a topic good for thought for the management, and we'll keep that in mind.
- And you also talked about the cases year-wise. I think we have only given number of cases etc. We are, I can only clarify that, we have not paid any penalty or any amount as settlement of the cases so far. So there is no point in that. Yes, number of cases also has been given on page 76 of the P&L and Balance Sheet as part of the Annual Report and the amounts. So another point you mentioned was Managing Director's salary going up by 40%. Well, that's a news to me. I myself don't know about it that how it has gone up by 40%. Because, what I got the information is my salary has gone up by 10%. So, if you have any knowledge about my salary having gone up by 40%, please enlighten me so that I can talk to my Board, my Chairman Sir, as to whether that is right or not.
- I would not want to comment on the PE and the share price because the management is not concerned. It is really the perception of the share market or the shareholders, how they perceive the Company, how they perceive the performance, how they perceive the management, how they perceive how PE is for the Company, what are our values, etc., etc. So I have no comments on the PE or the price of the share.
- Mr. Amit Thawani asked few questions. Q1, as Chairman Sir mentioned that we are meeting - the board meeting is on the 9th of August to approve the first quarter results. And it will not be fair on my part to comment on the performance of Q1 in view of the board meeting to be held on 9th. As far as PGR sales is concerned, yes, PGR is our very focused area of marketing space. We keep on introducing new products. And we are on the right track as far as PGRs are concerned. Our sales are going up in PGR segment and I can only tell you that the PGRs and bio-rationals are very, very important areas where your Company or our Company is focused. And we will continue to focus. Current year, we are also in the current year, we have two PGR, bio-rationals launches which will add to the portfolio of our otherwise strong PGR and bio-rationals bookings.
- You talked about PCO, some notification on Pest Control Operators for spraying Glyphosate. That was only for the Glyphosate product and the government has come up with this idea. We do not know what is the background as to why government thought about it? But it was an idea from the government. And I think with all the representation and technical inputs and the vast huge area where Glyphosate is used in the country, I don't think that the PCOs can even reach there. PCOs cannot go out of the city limits or town limits at the most and it would be almost impossible to spray the

products by PCO in the fields. There is no movement on this item as far as the government is concerned - they are silent. The case also is in the court - industry has gone to the court against this move and there is no progress and we don't see any threat as of today on this circular.

- You also asked the question what we purchase from Sumitomo Chemical. Yes, you are right, one, we purchase these animal nutrition products which we import and distribute in the country. But besides that, we also offer our entire specialty portfolio, which we talk about in our agro-solutions business. Many of the actives come from Japan. And so, we also purchase those. These are the two major items, actually active ingredients and animal nutrition.
- Regarding export incentives going away - well, one cannot say, but yes, over a period of time in the past few years Government of India has reduced the export benefits. Also, some benefits have been done away with - like whatever benefits remain, they remain at a lower percentage as compared to earlier. But I think this is the overall Government of India's policy and we have to live with that. We have to make ourselves more competitive, and more efficient to be alive in export markets, irrespective of whether government gives concessions or not. So, I think that is the aim of the government and the Company will support any such move of the government and we will be in support of that.
- Did anyone get the SCC receivable? The outstanding which you are talking about from Sumitomo Chemical. This is, this pertains to Sumitomo Chemical, Brazil and not Sumitomo Chemical, Japan. We have sales to Sumitomo Chemical, Brazil and the outstanding is from them.
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemical India Limited:**
- Sir, it is about INR 220 Crores.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
- Yes, sales is about INR 220 Crores to Brazil and the outstanding is pertaining to that. I think Mr. Ravi asked other questions. In my earlier answers, I think the tax litigations, and we did go to the Vivad Scheme - we did go and did that. I think these particular things are very old – right? It is from the time of Sumitomo Chemical Private Limited or Excel Crop Care. So, that we have, Sumitomo Chemical Private Limited, these are very old cases, we are fighting it out as per the advice given by our advisors. But yes, we did go for the Vivad Scheme to finish off settlements over there.
- Coming to Shaileshbhai's points. Shaileshbhai, thank you for all your observations. And, yes, you are right, China plus policy really picks up. And

even if, I would say, that 5% of Chinese production comes to India in a shift, it will be a great opportunity and everybody - not our Company alone but everybody's looking forward to grabbing those opportunities, including us that we will have.

- Government of India's policies -I think everybody knows and the good policies might get politicized and do not see the light of the day. But overall, I feel the government's policy for farmers and farming outputs and inputs is quite good. They are encouraging, introducing more ways to have better quality, to have a soil testing, to use now newer technology of spraying - things like drones etc. The government is encouraging that. And even through this drone application etc., the government is encouraging for fast registrations of our products to be certified. So, all-in-all, I think government is out there to help the farmers in every way possible and you must have read some report, it was recently published, that government was talking about doubling the farmer income by 2025. The report which was published recently said that they are already almost doubled - 1.87 times - almost farmer's income has gone up in the last year which is very encouraging thing not only for the agrochemical industry, but also for the country, because a lot of demand is generated in rural area and more money in the hands of farmers will see that the entire economy is boosted up.
- Regarding your question, Shaileshbhai, of contract manufacturing, we have -- we have very minimal, very small contract manufacturing in formulations. Because sometimes in the season, we will not be in a position to produce everything we want under one roof. And in those cases, we do go out to contract the manufacturing, but as a very small percentage, I think if you talk about our total outsource, I think it would be somewhere around 5% in the formulation. So, the very-very small quantum. But yes, we do use that. As far as, of course, technical or actives are concerned, we do not use any contract manufacturing. However, we have started using contract manufacturing for replacement of imports from China. So, we go to certain manufacturers and we ask them can you manufacture this particular intermediate, which we are importing from China and if we see that they can, we give them supply them the raw materials for that and we get those intermediate produced by them instead of importing those intermediates from China. So, that is another form of contract manufacturing, but it is in order to have an alternative to Chinese inputs. So, we are doing this in one case very regularly. And two - three other cases, we are trying out as to whether we can successfully doing or not.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
- Demand for agrochemical looks robust in this year. In the current year it looks quite good. Now, the rains have covered almost all parts of India and I think the season will be delayed by 30 days or 15 days, but I think overall agricultural scenario will remain quite good. We are also going to launch four new products

this Kharif. And we are all looking forward to the acceptance and how they will perform and so we are really excited to know as to what will happen to these new products.

- Capacity utilization, you asked about. I think we have good capacity utilization. We have in our Bhavnagar technical plant, we have capacity utilization of around 90%. And that is why we have always the capex for keeping on enhancing capacities - depending on the demand of a particular product in a particular plant. Overall, I think Gajod also our utilization is 85%. Formulation units, our utilization would be lower because like say around 70%, 65% to 70%, but that is because the capacities for formulations are built very large in a sense that, as I say, there is the main season is for six months. So, actually we should have the capability of producing six months' requirement in the plant. So, we have to have almost the double capacity of formulation plants and that is why the capacity utilization will always be 70%. Store grain losses, which is naturally in the norms, yes, it is correct that lot of loss occurs due to storage of – during the storage of food grains and we are one of the unique companies, besides United Phosphorus, with the only other company in this field. We have post-harvest chemicals. So, we have a large production of this post-harvest chemicals which is mainly for the storage of grains in the government's godowns, famers' godowns or whichever godowns. The aluminum phosphide which we manufacture in Kutch, in Gajod, that is used very, very as a premium choice to save foodgrains from the pest attack. Yes we have a lot of technical sessions on this - on usage of aluminum phosphide and how to use it in the storage houses etc. There are a lot of educational programs on this - how to use, when to use, what to do etc. and our technical team sitting in Delhi they look after this.
- We have noted your point on integrated report and we will take appropriate action on that. I covered the Shaileshbhai's questions.
- One more question on branded sales, sorry, Shaileshbhai. Branded sales are absolutely important to us and we keep our branded sales at a very high priority. I think branded sales would be in the range of around 70% to 75% as compared to the bulk sales of 35%. So branded sales are the most important.
- Then coming to, I think to, Mr. Vinay Bhide's question, in terms of --
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemical India Limited:**
- Ms. Yasvee Kothari. She asked for what our future growth.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**

- Ms. Kothari's question I have covered earlier. Mr. Vinay Bhide's question, jump in exports to 22% of the state. Yes, that is correct. In the past also we have very clearly said that export is our focus area along with our domestic markets. We are not going to look only at a growth of domestic market, but also of exports. And this is a sustainable growth. Two years back when we started our attempts to use the Sumitomo Chemical affiliate companies all over the globe, we started at some two years back, and we are seeing that it is now happening in many countries because of the registration activity and all those things were completed. And now we have seen this - this is a sustainable growth, we will keep up the pace with this exports growth, but not in terms of percentage. I do not know - because sometimes what happens is we introduce a new product and all of a sudden that becomes a bumper stuff. Then the domestic sales will also go up. So in terms of percentage, we cannot say, but in terms of focus on exports and domestic, we have equal focus.
- Raw material percentage, we have been able to keep stable because obviously the cost, the input cost, the raw material prices etc. went up sharply. But what you're seeing here is a stable percentage of consumption. It means that we have been able to pass on the cost increases in our products, in our sales. And that is why the percentage has remained unchanged. If the cost had gone up, and we would not have passed it on, then this percentage would have gone to 60% to 62% or so. But because we could pass on the cost of input cost, this has been possible.
- And as far as imports and local purchases are concerned, we have, of course, our imports are around one third of our raw materials.
- IT Capex, you asked a question. I'm sorry, I missed that out. IT Capex is around INR 5 to 6 Crore. And new technology is on the basis of Opex model not Capex.
- So, Chairman Sir, I think I've covered all the questions.
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemical India Limited:**
- So, on the online forum, there are some questions asked. So, just two of them need to be covered. So I think one Mrs. –
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
- Chairman Sir, I think there are some questions online that have been asked which we can answer - a few of them with your permission.
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemical India Limited:**

- Sir, I will just spell out the question and you can give an answer. So the first question is from Mrs. Renu Gupta. She has asked that operating margins of the Company, if you see, in last four to five years - there's a significant improvement from 13%, 14% level to 18% 19% level. So what is management's view on this kind of margins continuing? And the second question is from ITUS Capital. And their point is that in last 10 years, the Company had done phenomenal growth almost 8x to 10x as compared to what we were earlier. So how do we see the future growth? I think broadly, sir, you have covered some of these points.
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
 - The first question - we focused continuously on the cost guidance that we must improve our margins and we have taken up many-many steps to reach here. This would include cost reduction. This would include efficiencies in production. This would improve efficiencies in sales and promotions. This would include many things and I think we've covered overall the entire aspect of business in a very effective manner to improve the margins. Another thing also, what we have done is, our promotion of our brands in the market with the farmers have also given us now edge that we can command better price of our products as compared to some other competitors.
 - But this, in our opinion, you would not see, if you see this rise has been gradual, it is not one year 12% and all of a sudden next year it has become 20% - 18% - it is a gradual growth and we believe in this gradual growth and sustainable growth. So, we feel that this growth is possible to maintain wherever there is an improvement, and we can improve the markets, we will improve them. But we have now come under the top bracket of industry as far as our margins are concerned, which we were not three years before. So, over the three years, we have seen to it that we come to an industry level of the top companies, what their margins are - we should be around that, which we have achieved. And going forward, we will strive to not only maintain this, but also improve it. The next question.
- **Mr. Kunal Mittal - Sr. VP, Planning and Coordination Office, Sumitomo Chemicals India Limited:**
 - 10 years growth of --
- **Mr. Chetan Shah – Managing Director, Sumitomo Chemical India Limited:**
 - Yes, next question was 10 years - growth of last 10 years and now next 10 years. Of course, if you, somebody at the end of next 10 years, he'll see the growth of the previous 10 years, it would look phenomenal, because when you're going from a low level to a higher level, the growth can be always in

terms of percentage better. But any lead at certain stage, whether the growth will be at the same percentage as the previous 10 years is to be seen. Our efforts will be to grow in a sustained manner. There is no doubt about that. And we have a blueprint laid out that is on the pipeline products - one of the manufacturing products, one of the things that we are going to do over the next four to five years which will take us to next 10 years. So a lot of work is going on on that and we feel that the right planning at this stage for the next 10 years will be the essence of all the next 10 years' growth. And we are, of course, we have gone through the past 10 years' journey. So we ourselves would want to repeat that story. There is no doubt about that. But how to do it, what to do at a higher level of turnover. How to do it is different from lower to higher. So, yes, on a positive note, I can tell you that next 10 years would be very good. With that Chairman Sir, I think I've answered everything. Is there anything else, Kunal? Nothing. Okay. Thank you.

- **Dr. Mukul G Asher – Chairman, Sumitomo Chemical India Limited:**
- Okay. Thank you MD, Chetanbhai Shah for very informative, sustained and comprehensive addressing of the queries and observations.
- With your permission, we may continue. The Company had provided remote e-voting facility for the members to vote on all the eight resolutions being business of the meeting and forming part of the notice of this meeting. Remote e-voting was conducted between 26 July and 28 July 2022. As I mentioned earlier, the members who are attending the meeting today, but who have not availed of the remote e-voting facility are eligible to vote on the resolutions through e-voting process. I once again request such members to cast their votes through an e-voting facility. The Board has appointed Mr. K. G. Saraf as scrutinizer for the remote e-voting and e-voting in this meeting. The scrutinizer will submit his consolidated report on voting, and based on the report, the voting results will be announced by the Company. The voting results will be put up on the Company's website within two working days of conclusion of this meeting.
- All the business of today's meeting is completed. And hence I declare this meeting as concluded. Please note that the e-voting facility will continue to be available for 15 more minutes after the conclusion of this meeting. Thank you.
- **Mr. Pravin Desai – Company Secretary, Sumitomo Chemical India Limited:**
- Chairman Sir, we thank you for chairing today's meeting, for conducting today's meeting and guiding us. I propose a hearty vote of thanks to the Chair. The members who are present in this meeting, please note that the e-voting facility will continue to be available for 15 more minutes. And now this meeting stands concluded. We thank all the shareholders attending this meeting, the board members, my colleagues in Sumitomo Chemical present

here in this meeting. We also thank Link Intime India Private Limited and its representatives for providing this platform and for their support. Thank you very much.

- **Moderator:**
- Thank you, sir. We have put the evoting banner for the shareholders to view. We may exit the meeting room.

DISCLAIMER: E&OE – This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the Company’s website under the caption “Video Recording of the AGM held on 29th July, 2022” will prevail