

Transcript of the Thirteenth (13th) Annual General Meeting of Zuari Agro Chemicals Limited held at 3.00 P.M. (IST) on Monday, 12th September, 2022

(Please note that the transcript has been edited for the purpose of clarity and accuracy)

Moderator : So we are live now and you can start with the proceedings.

Mr. Gaurav Dutta, Company Secretary: Good Afternoon and a very warm welcome to the Directors and all the Members to this Thirteenth Annual General Meeting of your Company, Zuari Agro Chemicals Limited. The time is 3.00 P.M. and the requisite quorum is present.

Due to pre-occupation, Mr. Saroj Kumar Poddar, Chairman of the Board and Mr. Amandeep, Independent Director were not able to attend the meeting. Article 72 of the Articles of Association of the Company provides that if the Chairman of the Board is not present; the Directors present shall elect one of themselves as Chairman of the meeting.

I request the Directors present to elect Chairman of the meeting.

Mr. Nitin M. Kantak, Executive Director : I Nitin M. Kantak propose Mr. Akshay Poddar to be the Chairman of this meeting.

Mr. N. Suresh Krishnan, Non-Executive Director : I Suresh Krishnan second the same.

Mr. Gaurav Dutta, Company Secretary: On behalf of you all, I request Mr. Akshay Poddar to be the Chairman of this meeting.

Mr. Akshay Poddar, Chairman of the meeting : Thank you fellow Directors. Good Afternoon. I welcome you all to the 13th AGM of Zuari Agro Chemicals Limited. As per the Circulars issued by the Ministry of Corporate Affairs and SEBI, this meeting is held through Video Conferencing and Other Audio Visual Means without the physical presence of members at a common venue. The venue of the meeting shall deem to be the Registered office of the Company at Jai Kisaan Bhawan, Zuarinagar, Goa. The Company has taken steps to provide the members, an opportunity to participate in this AGM and vote and accordingly, the facility for appointment of proxies by the Member is not available for the AGM. If due to any connectivity issues, I am disconnected, with your permission, I request Mr. Suresh Krishnan to chair the meeting during such disconnection.

The statutory registers are kept open and available for inspection electronically. Before we start with the proceedings of this meeting, let me introduce my colleagues on the Board of Directors. Mr. Suresh Krishnan, Director, Mrs. Reena Suraiya, Independent Director, Mr. Dipankar Chatterji Independent Director, Mr. Nitin M. Kantak, Executive Director and Mr. Sanjeev Lall, Independent Director.

We also have Mr. Gaurav Dutta, Company Secretary, Mr. R.K. Gupta, representing ZACL and the representatives of the Statutory Auditors, Cost Auditors and Secretarial Auditor present at this meeting.

As the quorum is present, I call this meeting to order.

Before we begin with the formal agenda, I would like to take you through highlights of Company's performance during 2021-2022.

- During the year, Ammonia & Urea plants operated at normal levels except shutdown for the annual maintenance. Due to inadequate working capital facilities to run the NPK plants at optimum level, the NPK plants were run intermittently with the support of Paradeep Phosphates Limited. However, this resulted in decrease in production and had adverse effect on the cash flow.
- As per the terms of Business Transfer Agreement dated 1st March 2021, the transfer of the Goa Plant & associated businesses as a going concern on slump sale basis to Paradeep Phosphates Limited was consummated with effect from 600 hours on June 01, 2022. The Company has repaid all its working capital loans post receipt of balance Purchase Consideration for the sale of Goa Plant from PPL.
- During the year 2021-2022, the Mahad Plant was in operation from 13th July, 2021 after a gap of almost a year.
- During the year, the revenue from continued operations on a Standalone basis for the year ended 31st March, 2022 was Rs. 83 Crores and discontinued operations was Rs. 2,511 Crores as compared to Rs. 0.11 Crores and Rs. 2,219 Crores respectively for the previous year ended 31st March, 2021. The operations of Goa Plant are considered as discontinued operations for the Financial Year 2020-2021 & 2021-2022 as per the accounting standards.
- The loss before tax for the year ended 31st March, 2022 from continuing operations was Rs. 77.7 Crores and Rs. 4.5 Crores from discontinued operations as compared to a loss from continued operations of Rs. 101.5 Crores and loss from discontinued operations to Rs. 135.6 Crores respectively from the previous year. The loss after tax from continuing and discontinuing operations stood at Rs.83.4 Crores for the year ended 31st March, 2022 compared to a loss of Rs.237.1 Crores from the previous year.
- As per the terms of Business Transfer Agreement with Zuari Farmhub Limited, the consideration for a slump sale of farmhub business to Zuari Farmhub was settled by issuance of Unlisted Compulsory Convertible Debentures of Rs. 435.56 crores in FY 2019-2020 and Rs. 350 crores in FY 2021-22.

During the current financial year, Zuari Farmhub Limited has issued 78,55,60,000 equity shares of Rs 10 each to the Company by way of conversion of the unsecured CCDs.

- The Company continues its Environment and Safety initiatives and has successfully implemented internationally recognized Environment & Safety Standards. The Company's Fertilizer plant continues to be "Zero Effluent Discharge Plant" since 1990. Also, the Company continues to be certified for excellence certification of 'Protect & Sustain" stewardship from the International Fertiliser Association.
- The Company has assessed the impact of COVID-19 and concluded that there is no material impact on the operations of the Company. The Company continues to monitor the impact which is a continuous process, given the uncertainties with its nature and duration of COVID-19.

- The various programmes undertaken by the Company through CSR are provision of sanitation, health and education facilities, supply of safe drinking water and scholarships for economically backward children. Despite the losses, during the year 2021-2022, the Company spent about Rs. 40.27 lakhs while implementing the CSR activities.

We will now proceed with formal agenda of the meeting.

The notice convening this AGM along with copy of the Annual Report were circulated to the members electronically. With your permission, we shall take them as read.

As per the Companies Act, 2013, any qualifications, observations, or comments having adverse effect on the financial transactions or matters which have any adverse effect on the functioning of the Company is mentioned in the Auditors' Report to be read out in the Annual General Meeting. As you may see, there are no such qualifications, observations or comments made in the Auditors' Report and the same is not being directed to be read by the Company Secretary.

I would also like to mention that pursuant to the provisions of the Companies Act, 2013, it is mandatory to provide remote e-voting facility to the members to exercise their votes. Accordingly, the Company had provided remote e-voting facility which began at 10.00 AM on September 9, 2022 and ended at 5.00 PM on September 11, 2022. For those who are participating in this meeting through VC and have not casted their vote through the remote e-voting are eligible to vote through e-Voting system made available on the e-voting platform of CDSL. Since all the resolutions are already put for remote e-voting, the resolutions are not required to be proposed and seconded.

We will now begin with Items No. 1 (a) & 1(b) which is the adoption of the audited accounts.

The Audited Financial Statements of the Company for the financial year ended 31st March, 2022 and the Reports of the Board of Directors and the Auditors thereon and the Audited Consolidated Financial Statements of the Company for the financial year ended 31st March, 2022 and the Report of the Auditors thereon are already with the members.

The text of the Ordinary Resolution for adoption of the audited accounts is made available at the e-voting portal.

The Company had asked the members to register themselves as speaker by sending their request in advance at least 7 days prior to this meeting. We have received request from 2 members to speak at this AGM. I request the members to restrict their queries to the Annual Report 2021-2022.

May I first request Mr. Rahul Kumar Paliwal to speak.

Mr. Rahul Kumar Paliwal, Shareholder : Hope I am audible.

Moderator : yes yes you are audible.

Mr. Rahul Kumar Paliwal, Shareholder: Thanks for the opportunity, Sir. So my question is broader in nature. So under this new set up under adventz right, so which are the key initiatives taken in terms of creating shareholder value in last couple of years? That's query No. 1.

My query No.2 is what are the key market mistake done by Zuari Agro and what are the learnings out of it, which is being implemented? That's question No. 2, and considering the shortage of different fertilisers and most of the couple of items like including potassium cyanide comes from Ukraine or other ways how you are looking at opportunities and challenges in terms of energy prices and imports substitute to conduct the business and to grow the value in the hands of the farmers and business across. That's question No. 3, then my question 4th is which are new products categories or R&D team has identified new segments which you think can drive the higher margin and higher value to the Zuari Agro so if you can answer this question in detail with your thought process in board room and discussion, that will really help understand the set up. Appreciate your time. Thanks for question hearing.

Mr. Akshay Poddar, Chairman of the meeting : Thank you Mr. Paliwal.

May I now first request Mr. Abhishek to speak?

Moderator : Sir, Mr. Abhishek has not joined the meeting Sir.

Mr. Akshay Poddar, Chairman of the meeting : May I now request Mr. Nitin M. Kantak and Mr. Suresh Krishnan to take up the responses for Mr. Paliwal.

Mr. N. Suresh Krishnan, Non-Executive Director: Yeah, this is Suresh Krishnan here and Mr. Paliwal, thank you for participating and some of your questions, as you have noticed, some of your questions, most of the questions, that you have raised are not pertaining to the accounts but they are pertaining more to the business and I would like to kind of address them as stated by you. First point you talked about was about creating shareholder value. The second point was about market mistakes and what we've learnt from there. The third was shortage of fertiliser, thanks to Ukraine crises, challenges and input and substituting substitute products with the same and forth point was a new product category, R&D, and what are the various thought process we have in the board room?

Well, it's important for us to understand that Zuari Agro Chemicals, the way it's shaped today, and the way, it's structured today, is a group holding company for the fertilizer and agri input business, and given that we are a company with multiple investments, I think the various initiatives that we take which we are taking are spread around and across these companies. First of all, coming to the shareholder value pursued, I would like to clearly state out here that Zuari Agro Chemicals did go through a difficult batch in the year, 2019-20, which looks like that it was a big challenge for the shareholders and for the Company to sustain various initiatives which are taken.

But I must, I would like to clearly point out here that the various steps which have been taken both by the Management, the Board of Directors, along with the support of shareholders, we've actually come out, as a company, is not only to ensure that, we've restructured ourself as well, in terms of, reorganizing our assets, in a way that is going to add value in the coming years. At the same time, we've also been able to bifurcate our business into areas, which very, very clearly bring out the strength of each of the verticals that we're looking at and also ensuring that various agri related initiatives, which are there in the country today, an opportunities, which are there in the country today. We are in a position to finally make use of the same. For example,

today we have three large entities with which Zuari Agro Chemicals has invested. The first, being Zuari Farmhub Limited, which is 100% subsidiary. The second, is Mangalore Chemicals and Fertilisers, which is a 54%, held by Zuari Agro Chemicals. And then Zuari Maroc Phosphates, which is a 50:50 % JV with OCP from Morocco, which runs Paradeep Phosphates. If you look at the kind of steps, which have been taken in each of these investments that we have today, I think you will realise that in Zuari Farmhub we've actually now building a business which is direct to consumer, direct to the farmer, and we're looking at products, which are far more innovative, which are not supported by the subsidy regimes in India, which we are looking at, cutting edge technologies, in terms of, uh, providing support to soil health and taking initiatives. In terms of better productivity, the soiling by using both organic and inorganic competence as well as inputs are concerned.

These are initiatives which you've done, which have consolidated ourselves at a point where we have close to 500 stores, a number of products, and a good cash, and carry model, which we have established. I think this business itself in the coming years is going to create substantial amount of value for shareholders Number 1.

Number 2, coming to a shortage, which you talked about, because of Ukraine war, the price of raw materials. That's a reality which the Indian market is dropping where the, the, that's the reality, which is there in the global market. But I must say that, uh, the various shortages which have been seen is finally making people think to look at agriculture in a different perspective. People are looking at alternate products, which will finally help us to secure the same fertilizer in a different way. Like people are talking about green hydrogen and green ammonia and other initiatives. It could come up with something which could finally end up replacing some of hydrocarbons, which have become expensive. So we, as Zuari Agro Chemicals today, have urea investments in both Paradeep Phosphates and also in MCFL. And all I would like to point out here is over the years, we have taken initiatives to ensure that our efficiency of using hydrocarbon and reducing carbon footprint has consistently improved, and we are at a point where we can say we are adding value in terms of ensuring sustainable operation, but reducing the hydrocarbon content that we have and also improving the various inputs that we can give it to the farmer, both in terms of improving the soil health and also ensuring that knowledge transfer, which can effectively work with the farmers which will work around the various shortages which have been created.

And I must also point out here that we have an SSP unit which is part of our Company and Government of India in its various initiative is looking at promoting SSP as an alternate product where the consumption of P is very heavy, and we again have now strengthened this unit and we are taking this forward in terms of our own consumption, so I would say that, in terms of R&D, we are looking at some interesting products to come by, we are looking at products, which are more in the nature of organic products which could help both soil health and soil productivity and you will get to see in coming times to our Director's report, we will be communicating the development, which are taking place there. And I think I, I'd like to leave it here and I think, I'm sure in the coming years, you will get to see more of these initiatives from our end. And, uh, you will get to hear a lot more on these.

Thank you.

Mr. Akshay Poddar, Chairman of the meeting : Thank you Suresh. Now we move on to the next item on the Agenda, which is to appoint a Director in place of Mr. Saroj Kumar Poddar who retires by rotation and being eligible offers himself for re-appointment. The text of the Ordinary Resolution is made available at the e-voting portal.

We will now move to the **Special Business** on the Agenda.

Item No. 3 is ratification of payment of remuneration payable to M/s S. S. Sonthalia & Co., Cost Auditor. I place for approval, the ratification of the payment of remuneration to Cost Auditor for the year 2022-2023 by an Ordinary Resolution as contained in the Notice of the AGM.

Item No. 4 is ratification of Material Related Party Transactions entered with Paradeep Phosphates Limited for the financial year 2021-2022. I place for approval the ratification of Material Related Party Transactions entered with Paradeep Phosphates Limited for the financial year 2021-22 by an Ordinary Resolution as contained in the Notice of the AGM.

The members are hereby informed that the Company had received notice in writing dated August 29, 2022 under Section 160(1) of the Companies Act, 2013 from a member proposing the candidature of Mr. Sanjeev Lall (DIN: 08740906) for appointment as an Independent Director of the Company.

Further, the Nomination & Remuneration Committee and the Board of Directors vide its circular resolutions approved on August 31, 2022 and September 1, 2022 respectively had inducted Mr. Sanjeev Lall as Additional Director (Non Executive and Independent) for a term of three (3) consecutive years w.e.f September 1, 2022, subject to the approval of Members.

In compliance of section 160(2) of the Companies Act, 2013, the Company has given notice to the members by way of an advertisement on September 2, 2022 for inclusion of the above proposal in this AGM. The relevant intimation along with details required under Regulation 36(3) of the Listing Regulations was given to stock exchanges. The relevant Special Resolution which was placed before the members for remote e- voting, is also placed for e-voting.

Therefore the Agenda Item No. 5 to the notice is for Appointment of Mr. Sanjeev Lall as an Independent Director of the Company. I place for approval the appointment of Mr. Sanjeev Lall as an Independent Director of the Company by a Special Resolution. The text of the Special resolution in this regard is made available at the e-voting portal.

May I now request those members who have not casted their votes by remote e-voting, to cast their votes electronically now. I appoint Mr. Shivaram Bhat, Practicing Company Secretary as the Scrutinizer who was appointed as Scrutinizer for remote e-voting also. Time period of 15 minutes would be available for casting your votes electronically at this meeting after which the meeting will stand closed.

The Scrutinizer shall submit consolidated report of the total votes casted to Mr. Nitin M Kantak, Executive Director or Mr. Gaurav Dutta, Company Secretary who shall declare the results immediately after receipt of the consolidated report from the Scrutinizer. The results of the voting will be announced within 2 working days of conclusion of the AGM.

With this, the formal part of the 13th Annual General Meeting comes to an end. I would like to thank you all for attending this AGM, and I hereby declare the meeting will stand concluded at the end of 15 minutes. Thank you everyone for joining us today.

Mr. N. Suresh Krishnan, Non-Executive Director : Thank you Chairman for conducting the meeting.

Mr. Gaurav Dutta, Company Secretary : Thank you Sir.

Mr. Nitin M. Katak, Executive Director : Thank you Everybody thank you.