



“Finolex Cables Limited 52nd Annual General Meeting

September 29, 2020



MANAGEMENT: **MR. DEEPAK K. CHHABRIA – EXECUTIVE CHAIRMAN, FINOLEX CABLES LIMITED**
MR. J. R. S. REDDY – INDEPENDENT DIRECTOR, FINOLEX CABLES LIMITED
MR. D. K. VASAL – INDEPENDENT DIRECTOR, FINOLEX CABLES LIMITED
MRS. KAVITA BHASKAR UPADHYAY – INDEPENDENT WOMAN DIRECTOR, FINOLEX CABLES LIMITED
MR. SHISHIR LALL – NON-EXECUTIVE, NON-INDEPENDENT DIRECTOR, FINOLEX CABLES LIMITED
MR. YATIN REDKAR – EXECUTIVE DIRECTOR (OPERATIONS), FINOLEX CABLES LIMITED
MR. RUPEN BHATT – STATUTORY AUDITORS, DELOITTE HASKINS & SELLS
MR. MAHESH VISWANATHAN – CHIEF FINANCIAL OFFICER, FINOLEX CABLES LIMITED
MR. R. G. D’SILVA – COMPANY SECRETARY, HEAD OF LEGAL DEPARTMENT, FINOLEX CABLES LIMITED

- Moderator:** I now hand over the proceedings to Mr. Deepak K. Chhabria, Chairman of Finolex Cables Limited. Over to you, Sir.
- Deepak K. Chhabria:** Thank you. Good Morning Ladies and Gentlemen. I am Deepak K. Chhabria, Executive Chairman of the company. I am informed by the Company Secretary that the requisite quorum for the meeting is present and the meeting is duly constituted, so I start with the proceedings of the meeting. I now request all the Directors present and the Chief Financial Officer, statutory auditor, and company secretary to introduce himself-herself to the shareholders. Mr. J. R. S. Reddy, please.
- J. R. S. Reddy:** Ladies and Gentlemen, this is J. R. S. Reddy calling from Chennai. Good Morning, Ladies and Gentlemen, I am J. R. S. Reddy, Independent Director of the company from September 2019, and I am also the Chairman of the audit committee. I am participating in the AGM from Chennai and I do not have anyone else with me, thank you.
- Deepak K. Chhabria:** Thank you, Mr. Reddy. Mr. D. K. Vasal, please.
- D. K. Vasal:** Good Morning Ladies and Gentlemen, I am Mr. D. K. Vasal, an Independent Director of the company. I am on the Board from September 2019 and also the Chairman of the Investors grievance and stakeholder's relationship committee. I am participating in the AGM from Mumbai.
- Deepak K. Chhabria:** Thank you, Mr. Vasal. Mrs. Kavita Upadhyay, please.
- Kavita Upadhyay:** Good Morning everyone, I am Mrs. Kavita Bhaskar Upadhyay, an independent woman Director on the company. I am on the Board since February 2020 and also the Chairperson for nomination and remuneration committee and CSR committee and participating in the AGM from Mumbai. Thank you.
- Deepak K. Chhabria:** Thank you, Mrs. Upadhyay. Mr. Shishir Lall, please.
- Shishir Lall:** Good Morning everyone, my name is Shishir Lall. I am a non-executive, non-independent director. I have been on the Board of the company from September 2017. I currently happen to be the Chairman of the Risk Management Committee and I am attending this Annual General Meeting from Bangalore.
- Deepak K. Chhabria:** Thank you Mr. Lall. Mr. Yatin Redkar, please.
- Yatin Redkar:** Good Morning Ladies and Gentlemen, I am Yatin Redkar. I am Executive Director (Operations) of our company and working in the company for over 38 years. I am a member of CSR Committee. I am participating in the AGM from the registered office of our company. Thank you.
- Deepak K. Chhabria:** Thank you, Mr. Redkar. Mr. Rupen Bhatt, statutory auditors of the company please.

Rupen Bhatt: I am Mr. Rupen Bhatt representing Deloitte Haskins & Sells, statutory auditors. I am taking this meeting from Mumbai.

Deepak K. Chhabria: Thank you Mr. Bhatt. Mr. Mahesh Viswanathan, please.

Mahesh Viswanathan: Good Morning everyone, I am Mahesh Viswanathan, I currently serve as a Chief Financial Officer of the company. I am participating in this meeting from registered office of the company.

Deepak K. Chhabria: Thank you, Mahesh. Mr. R. G. D'Silva, please.

R. G. D'Silva: Good Morning, Ladies and Gentlemen, I am Mr. R. G. D'Silva, Company Secretary, Head of Legal Department of the company for the last 24 years. I am participating in this AGM from the registered of the company. Thank you.

Deepak K. Chhabria: Thank you D'Silva. Ladies and Gentlemen, Good Morning. Today, on the occasion of the 52nd Annual General Meeting of the company, I extend a warm welcome to all shareholders gracing this occasion. This year, in view of the COVID-19 pandemic, this meeting is being organized virtually and I am glad that so many of you have taken it upon yourself to participate. I am sure that your active participation would encourage all employees at the company to continue their efforts in achieving growth and excellence. In this period of COVID, I hope all members are taking good care of their health and safety and wish everyone the best of health. Finolex Cables Limited prides itself as a premium brand and the brand stands for quality and safety. On these aspects, we shall never compromise and continue to deliver to our customers the maximum value for money. Despite the lack of growth in the economy, the serious disturbances caused by a ravaging pandemic, your company stood up to the challenges posted more than. Over the years, your company has attained holistic growth and the impact of this growth has been experienced by all stakeholders. Moving to the business of the day, a notice convening this meeting, the Director's report, and the auditor's report for the Financial Year 2019-20 are already with you and I take them as read. The auditor's report is unqualified and clean.

Now, I would like to throw some light on a few major events of the 2019-20, which impacted the performance of the company and will have a continued impact for some time to come. Over the past year, the Indian economy was facing headwinds on several fronts. Growth was sluggish both globally as well as locally. Real estate sector has been struggling burdened with a high inventory as well as poor short-term outlook. The financial sector was burdened by the threat of potential losses while the telecom sector had its own owes. At the same time, we were also confronted with a health crisis unlike anything the world has witnessed earlier. A pandemic of such huge proportion that for the last six months the world has seen lockdowns, complete halt of business operations, and grinding of economies. Our fourth quarter revenues were significantly impacted by COVID disruptions due to lockdowns and consequent disturbance to the supply chain. We estimate at approximately Rs. 200 crores worth of sales was.

Challenges in the short-term not extending, our growth potential remains high. Our core business of wires and cable has a comprehensive range of products that are used across various aspects of infrastructure be it in power, communications, roads, or building infrastructure. The Government has unveiled a national infrastructure pipeline under which Rs. 100 lakh crores would be invested on infrastructure over the next five years to realize the vision of a \$ 5 trillion economy by 2025. Besides the continued trust on Government flagship programs such as power for all, housing for all, smart cities, and Deen Dayal Upadhyaya Gram Jyoti Yojana to boost rural electrification will boost the demand for electrical wires and cables. The integrated power development scheme to drive efficiency in power transmission and distribution and impending investments by the telecom sector would transmit data more efficiently and at higher speeds also hold promising prospects for a business in the medium-to-long term. In my message last year, I had touched upon our endeavor to expand our retail reach. I am happy to inform you that we have made good progress in this direction and by end March 2020, had reached 50,000 retailers across the country. This journey continues and we should reach our target of 1,50,000 retailers soon. While the seeds for this change was sown in the previous year, we expect to start reaping the benefits gradually from the current year.

Now, for the business highlights of 2019-20. Your company's electrical wire segment revenue stood at Rs. 2261 crores as compared to Rs. 2494 crores in the previous year, a drop of 5%. Communication cable revenue stood at Rs. 409 crores as compared to Rs. 489 crores in the previous year, a drop of 17%. The segment titled "Other" showed a higher revenue of Rs. 88 crores as against Rs. 71 crores in the previous year, a growth of 24%. This segment comprises of the new product line such as lamps, switches, fans, water heaters, and switchgear. This performance could have been better had COVID-related disruptions not taken place. Net sales for the year 2019-20 stood at Rs. 349 crores as against Rs. 3200 crores in the previous year. Net profit before taxes stood at Rs. 501 crores as against Rs. 532 crores in 2018-19. EBITDA stood at Rs. 542 crores as compared to Rs. 573 crores in the same period last year and the EBITDA margin stood at 17.77%. Profit after tax was better at Rs. 402 crores in 2019-20 as against Rs. 344 crores in 2018-19. Your company continues to remain debt free.

Our CSR efforts continue to be focused around projects and education, healthcare, and women empowerment. This year we incurred an expenditure of Rs. 12.3 crores. Our CAPEX plan of Rs. 200 crores over the next 18 to 20 months remains unchanged. We have multiple ongoing projects, one of which is at Goa to manufacture electrical conduits. While plant construction has been completed, the equipment testing by experts has been delayed due to travel restrictions. In Pune we have commenced a construction of a plant for the manufacture of solar cables. The plant will be deploying electron beam accelerators, the most advanced technology for the manufacture of abrasion resistant and long-lasting solar cables. Besides serving the renewable energy sector, these electron beam cured cables are also being used in the construction and automobile segments due to their ability to withstand higher temperature, opening up more growth avenues. As part of our effort to strengthen backward integration, we are installing a new line to make thinned copper and foray into instrumentation cables. While the lockdown and reverse migration of laborers from cities to villages has impacted our project timelines, we are

working towards restoring construction speed following the gradual normalization of the economy.

Your company continues to focus on areas critical to better financial performance such as cost control, improved asset utilization, reduce debt levels, and overall improvement in productivity which I am sure will lead to a stronger balance sheet in the years to come. Finolex Cables Limited is well poised to take advantage of any future growth opportunity. For the year ended 2019-20, your Directors are pleased to recommend a 275% dividend, which is Rs. 5.50 per equity share. M/s D. K. Vasal and J. R. S. Reddy were appointed by the Board as Additional Directors, Independent, retire at this meeting and being eligible offer themselves for the appointment. The Board proposes and recommends their appointment as Independent Directors. Mr. Y. Y. Redkar was appointed as Additional Director, Executive Director (Operations) during the year retires at this meeting and being eligible offers himself for reappointment. The Board recommends his reappointment. Mr. Shishir Lall – non-Executive Director retires at rotation at this meeting and being eligible offers himself for reappointment. The Board recommends his reappointment. Mrs. Kavita Upadhyay was appointed as Woman Director, Additional Independent, retires at this meeting and being eligible, offers herself for reappointment as Independent Woman Director. The Board recommends her reappointment. Mr. J. R. Samuel – Additional Director seized upon his resignation on August 14, 2020. The Board places on record its deep appreciation of Mr. Samuel's contribution during his tenure. I take this opportunity to thank all members particularly those of you who have so kindly made it convenient to attend this meeting. I am grateful to the banks, financial institutions, Government departments, local authorities, customers, suppliers, and business associates of your company for their continued cooperation and support. I express my deep gratitude to all Directors on the Board and employees of your company at all levels for the efficient handling of your company's operations. I look forward with confidence and optimism to their continued cooperation and support in future. With this, I conclude my opening remarks. Thank you.

Now, I would like to inform the members that the statutory registers were made throughout at the registered office of the company and scanned copies of the same is also made available on the NSDL system till conclusion of this AGM. As members are aware, opportunity was given for members to post questions and register as a speaker which had to be done by September 19, 2020. While no questions have been posted, I am given to understand that five shareholders have registered to speak at this meeting. I now request the moderator to invite the speakers in the order in which they have registered.

Moderator:

Thank you, Sir. We will now begin the question and answer session. I now invite Mr. Jayant R. Marate, to address the panel. I would request you to kindly unmute your audio and video and ask your questions or give comments. In the interest of time, may I request each speaker shareholder to restrict your questions or comments to maximum of three minutes.

Jayant R. Marate:

Respected members of the Board and my colleague shareholders, I am Jayant Marate, Good Morning everybody. At the outset, I appreciate the efforts of the Management for the

commendable performance of the company for the year 2019-2020. Of course while appreciating your performance, I have few questions and queries and my observations about the standalone balance sheet. Number one is, Annexure B to the independent auditors, whether title deeds of the land at Urse are transferred in the name of Finolex Cables, last year also I had raised this question and this process seems to be not have taken as yet. Then I just want to understand on the balance sheet, what is the right of used assets amounting to Rs. 4.32 crores, where from it is derived that is what is the head of expenses that is appearing on the expenses side? Second, other investments have gone down to 265.47 crores, where is this investment amount has been spent that has been withdrawn then let us know it. And in the current assets also, investment has come down. It is surprising that huge cash balance has been maintained. Last year it was just 46.38 crores, whereas this year it is at 56.02 crores. For any company holding this large amount in the cash, it is very surprising, and last of all, when the company is almost debt free or very negligible, why is the company raising 150 crores by way of NCDs, what is the companies when the company is cash rich, I will like to have replies to these observations. Before I conclude, last year also I had requested the Management not only last year, for last three or four years I am always insisting on issuance of bonus shares which is not taken note of as yet. Thank you everybody and I hope we all will be Corona free and will be meeting next year in the assembly hall. Thank you very much.

Moderator: Thank you. I now invite the next shareholder Mrs. Kishori Bhave to unmute audio and video and ask a question or give comments. In the interest of time, we request you to kindly restrict your questions or comments to maximum of three minutes only.

Kishori Bhave: A very Good Afternoon respected Chairman Sir, Board of Directors, and my fellow shareholders, myself Kishori Bhave from Thane. I would also like to congrat Company Secretary for sending me the soft copy of the report well in advance which itself is clear and transparent. I will like to ask when was the last bonus declared? Secondly, I would like to ask what is our company's policy regarding our permanent employees who are working from home as well as who are on casual contract basis, are you following any surplus layoff policy for them? With this I support all the resolution, thank you very much.

Moderator: Thank you. Sir, that was the last question from the shareholders.

Deepak K. Chhabria: I will start with Kishori Bhave, regarding the company policy on employees on work from home and what happened in COVID, I would like to inform you that the company did not deduct any salaries of any employees be it permanent employee or even contractual labor during the time of the lockdowns. We believe we are supposed to support all the employees who are working for the company and we have paid their salaries. We have worked after lockdown in our offices unless there are certain issues and there is a requirement to work from home, so a very small amount of employees have actually worked from home and that is the status as of today as well. The second question was on the when was the last bonus declared, I do not know exactly the year, but it was a long time ago. I do understand lot of shareholders will have this question and

we will take it up in the next Board Meeting and see what the Board will decide on going ahead for bonus for future.

Coming to Mr. Jayant Marate, thank you Mr. Marate for appreciating the performance of the company in these difficult times because last year was a difficult time for many of our product lines, let us say the automobile segment was doing bad in India, so that product line of ours where we supply wires to harness manufacturers did take a beating. We also had difficulties in the telecom sector with the price war going on between the three big telecom players. There were issues of AGR dues, their budgets have been reduced and so capital expenditure is low, so orders for cable were difficult to come in telecom. Even the real estate sector was being, was going downward and all the three sectors, we faced a tough time, but even with that we were able to manage our performance of 5% less compared to the previous year and we should also keep in mind because of the COVID, we lost 200 crores business at the end of March which would easily come because of the year ending and the target which needs to be done by the distributors, so yes, thank you so much for appreciating our performance.

Your next question was on the title deeds Urse. As far as I know, the title deeds of the land in Urse is in the company's name, unless Mr. D'Silva do you know otherwise you can guide us here, but that is the information I am knowledgeable.

R. G. D'Silva: It is in the name of the company, Sir. We have maintained the originals kept in the fireproof safe and scanned copies have all been retained with us two or three including off-site locations.

Deepak K. Chhabria: Then there is a question asked on the company's debt free, why are we raising an NCD, so this is an item of resolution which has been taken for last many years. It was always resolution just as a standby resolution in case the company ever needs to borrow. You are right, with the current situation, with the amount of money with the company, we would not need to borrow and as the resolution was done for last few years, we did not borrow, so we do not expect to borrow, it is just an enabling resolution taken and kept on the shareholders. Regarding bonus shares, I already answered that we will take it up and discuss this in the Board and come back to you on the same. The few other questions on the balance sheet, I would request Mahesh if he can respond to them.

Mahesh Viswanathan: There was one question on the right to use. Primarily, the accounting standards in respect of leased assets came into effect from last year, so to give effect to that, we had to create an asset on the balance sheet saying account of value of assets where we have the right to use and the lease rentals get charged off on a monthly basis there, so what we had to do on the beginning or when the standard went into effect was to capitalize the value of those leases, take it to the balance sheet and excess expense of the lease rentals, so that is where it comes from. Mr. Marate had another question on why our current investments and other investments going down while at the same time the cash balance is high? Mr. Marate as you know, we have been investing our surplus moneys in liquid funds mainly on the debt side, but when COVID hit us, we were not very sure how the market will react and what will happen to those, whether we will take a hit on the value of those instruments, so at the end of March when the lockdown were announced, we

quickly converted all those assets into fixed deposits, so that is why you see a cash balance of 865 crores. If you go into the details of the cash balance, you will see that most of it is in the form of fixed deposits, so it is only a matter of protection that we converted everything into instruments where we will not lose any value. We will look at going back into the debt funds depending upon how the market situation improves, so until such time, the money is kept in fixed deposits. As on date, I can share with you that we have approximately 1300 crores worth of fixed deposits, I hope I have answered you to your satisfaction.

Deepak K. Chhabria: Thank you, Mahesh, with this I think we have responded to the questions raised by the shareholders. I now proceed with the agenda items. As required under Section 108 of the Companies Act of 2013 and the rules made there under and regulation 44 of SEBI LODR Regulations 2015, the company has provided remote E-voting facility to the members to cast their votes electronically in respect of all the items of business mentioned in the notice to the AGM. The remote E-voting facility was kept open from Saturday, September 26, 2020, from 9 AM till Monday, September 28, 2020, till 5 PM. Members who have not voted earlier in the remote E-voting process and are present at the AGM, can cast your votes by use of the facility provided by NSDL. Members are requested to please follow the procedure given in the notice to the AGM for doing so. Mr. Mandar Jo, CP Number 9798, partner of M/s Jog Limaye & Associates, practicing company secretaries was appointed as scrutinizer for scrutinizing the remote E-voting process and those cast at AGM in a fair and transparent manner is present at the AGM. Mr. Jo will be submitting the report within the prescribed time for reconciling the results of remote E-voting and votes cast at the AGM. As per E-voting rules, the results will be post at the website of the company and also informed to the stock exchanges where the shares of the company are listed. I now place all the items of business from item 1 to 13 as set out in the notice for the AGM for due consideration and voting by the members.

Moderator: Over to you Chairman.

Deepak K. Chhabria: Dear Members, as advised by the scrutinizer, the time for E-voting has elapsed and he is of the view that all members who are participating in the Annual General Meeting had been given adequate time and opportunity to vote at the AGM and this concludes the proceedings of the AGM. Thank you all for participating in the AGM and E-voting. Since the business of this meeting has been duly transacted, I now declare the meeting concluded. I thank you, Ladies and Gentlemen, for participating in the meeting and request you to please take care of your health, stay safe and, and be healthy. Thank you.