

Transcript of the 38th Annual General Meeting held on Wednesday, 26th July, 2023 through
Video Conferencing / Other Audio Visual Means

Shri Ashish U. Bhuta -Chairman:

Good afternoon, everyone!!!

I welcome all the members of the company to the 38th Annual General Meeting by video conference.

As mentioned in the notice, convening this meeting, the Ministry of Corporate Affairs and SEBI have come up with few circulars facilitating the Companies to hold AGM via audio video means and accordingly, this meeting has been held by video conference.

Members can join the meeting by logging into the respective depositories. Attendance of the members by video conferencing will be counted for the purpose of reckoning the quorum as per section 103 of the Companies Act 2013.

The facility of joining the AGM is made available by video conference or audio-visual means on a first come first serve basis.

Any Members, if they face any technical issue, they are kindly requested to speak to the NSDL helpline, the numbers of which Have been given in the notice.

Since the requisite quorum is present, I now call the meeting to order.

All the directors and the Company Secretary of the Company have joined this meeting through video conferencing, from various locations and now it will be my pleasure to introduce them to you.

Shri Ashish U. Bhuta -Chairman: Shri Bharat Bhate

Shri Bharat Bhate : Good afternoon

Shri Ashish U. Bhuta -Chairman: Mr. Bhate is the chairman of the Audit committee and stakeholders Relationship Committee meeting who joins us from Thane

Shri Ashish U. Bhuta -Chairman: Shri Arunbhai R. Raskapurwala

Shri Arunbhai R. Raskapurwala: Namaskar

Shri Ashish U. Bhuta -Chairman: Shri. Arunbhai is the Chairman of the CSR Committee who joins us from Mumbai

Shri Ashish U. Bhuta -Chairman: Shri Rameshchandra J. Vora

Shri Rameshchandra J. Vora : Yes

Shri Ashish U. Bhuta -Chairman: He is a non-executive independent director joining from Bhavnagar

Shri Ashish U. Bhuta -Chairman: Mrs. Hina R Mehta

Mrs. Hina R Mehta: Namaste

Shri Ashish U. Bhuta -Chairman: Mrs. Mehta is a non-executive independent director who join us from Mumbai

Shri Ashish U. Bhuta -Chairman: Shri Dilip H. Bhuta

Shri Dilip H. Bhuta: Namaste

Shri Ashish U. Bhuta -Chairman: Shri Dilip H. Bhuta is a Whole Time Director and CFO, He joins us from the registered office of the company

Shri Ashish U. Bhuta -Chairman: and Shri Ashish R. Shah- company secretary. He too joins us from the registered office of the company.

Shri Ashish R. Shah: Namaste.

Shri Ashish U. Bhuta -Chairman:

Thank you very much for joining.

We also have been joined by our Statutory Auditors, our Secretarial Auditors and the Scrutinizers who have been appointed for this meeting.

The company has made all the efforts under the given circumstances to enable the members to participate and vote on the items being considered in the meeting.

In accordance with section 113 of the Companies Act 2013, the company has received a letter from a corporate shareholder along with the board resolution appointing and authorizing the company representatives to attend and vote to this AGM. Total number of shares held by the organization is 6,16,128 equaling to 13.96 % of the total share of the company.

Since the notice convening this meeting, the Directors' Report and the Auditors' Report have already been circulated, I take them as read.

I would now request Mr. Ashish R. Shah - Company Secretary, to provide the general instructions to Members who have participated in this meeting. Mr. Shah, please.

Shri Ashish R. Shah – Company Secretary:

I welcome you all to this 38th AGM of the company. Members may please take note that MCA and SEBI have, by various circulars, facilitated companies to conduct AGM through video conferencing or other video visual means. Accordingly, this AGM has been conducted through video conference.

The company has provided remote e-voting facility to the members to cast their votes from their remote locations electronically from 9:00 AM on 23rd July 2023 to 5:00 PM on 25th July 2023. On all the resolution set forth in the notice of the AGM. The procedure of remote voting is mentioned in the notes to the notice. Since there is no physical attendance during this AGM, the appointment of the proxies is not required in accordance to the said circulars of MCA.

As per the various circulars of MCA and SEBI, the voting for the Members joining this meeting through video conferencing facility and who have not yet casted their vote by means of remote voting may please cast their vote by using the voting facility provided during this AGM and 15 minutes after the completion of this AGM.

Members have been provided the facility to raise their questions by e-mail in advance. All such questions received by the company will be replied to by the Chairman Sir hereafter. The board has appointed M/s. Nilesh Shah and Associates as the Scrutinizer for the voting done through remote e-voting and e-voting during this meeting.

Since the meeting has been convened through video conferencing and since the resolutions mentioned in the notice convening this meeting, are already put to vote by remote e-voting, there will be no proposing and seconding of the resolutions.

Now I request Chairman Sir to proceed ahead with the meeting.

Thank you!!!

Shri Ashish U. Bhuta -Chairman:

Thank you, Mr. Shah.

Before I take up the questions, I would like to just inform of a few important points for the year.

Well, this year was a year where we could function completely normally without any COVID-19 related disruptions and as before, the plant R&D, the sales force, the head office All the activities went on as usual.

In the pharma division last year, we had launched Nervijen D3, a new product and I am very pleased to inform you that within a span of 12 months, we were able to register a sales of rupees five crore plus. This definitely is a very remarkable achievement considering the fact in the pharma industry that any launch within 12 months, if it crossed three crores, it's set to be a successful Launch. Considering a tremendous competition, we have achieved a figure of five crores and this goes on to endorse our ability as an organization in the brand building process.

Similarly, we had two antifungals, Eberjen and Oxicojen, which unfortunately we could not pursue uninterrupted promotion of the brand because of COVID and these have been very promising brands, but you know we lost the important period where we were second in India due to COVID and though we are promoting the brand, but a lot of the competition has set in, otherwise even these two brands could have done much better right now.

The International Business front, we too registered goods sales. We have been backed by marketing activities. The challenge in the international market remains availability of foreign exchange due to the Ukraine and Russian war, the foreign exchange spent by most countries is on the expensive fuel and food. They also have been creating a reserve for all the essential supplies and as a result, we have been lately getting delayed payments from distributors who are unable to procure the vital foreign exchange from the local banks and this essentially has been due to the shift of the policies in the local government for prioritizing the important essential items.

As we are very particular about the receivable management, we do not make supplies beyond a certain amount of an exposure and this is definitely affecting our international business. So, we have got orders in hands, prescriptions are being generated, but you know we have to strike a

very fine balance between the risk that we take for our payments and it's not the distributors endeavor not to pay, but they have not been able to get the foreign exchange to remit to India. Even in Sri Lanka, the issue has been the availability of free liquidity in hands of people because of the inflation and sad scenario, which we have seen in Sri Lanka, people are finding it very difficult to buy expensive medicine, so lower products are available in Sri Lanka. It definitely has affected our volumes and we would find this to be an impact in international business this year as compared to last year.

However, with the launch of the Jenburkt Wellness division, we saw a brand called 'Zixa Strong', which was launched last year. It was a very exciting launch. It opens up a lot of opportunities in the promising OTC space in India. With a couple of innovative products which have been developed by our R&D team, we are hopeful of making the Wellness Division a very promising one in terms of offering innovative products and in terms of financial performance in time to come. Last year was marked by the pilot launch of Zixa strong range. The products have been made available only initially online, they have been made available on Amazon and on 1MG.

However, based on the initial response that we got for the product, we decided that we should get it offline as well and we decided to make our products available at most retail stores in India, but we could in a phased manner.

So, your Company is deploying field force and it is already started from mid-July. Exclusively the field force will be for the Wellness division. So, we are very hopeful in time to come that it's going to pay strong dividends. However, in the short term, let's say about five to seven years, it's definitely going to add pressure to the bottom line.

Due to the increase of fuel prices, as a result of the Russia-Ukraine War and the strengthening of U.S. dollar, there has been an increase of transportation costs, the packing material, the wages cost has gone high, the expenditure that our field force has to incur for carrying out their routine marketing promotion activities has gone high and this is affecting our margins.

I would now like to take up the specific questions which have been sent by our Members.

We have got questions from Mr. Samarth Singh, Mr. Shashikant Marathe, Mr. Ishan Thakkar and Mr. Keshav Garg.

Some of the common questions which have been asked, I would merge them for the privity of time.

Q: *Our domestic sales growth was good till 2018. What challenges are we facing after 2018 considering we launched many products?*

A: After 2018, we identified a few very strong antifungals in the pharma division where we were number 2 to launch in India and this was to essentially strengthen our antifungal portfolio. The promotion was going good. The results in terms of sales were encouraging. However, due to COVID, we were not able to sustain the continuous brand promotion that is required to nurture a young new brand and the two important /vital years where we had the first wave and second wave coming during the peak season for antifungals, it created disruptions

and we were not able to build these two brands to the level at which we thought it could definitely have been done through.

Unfortunately, now though we are promoting the brands, but there's a lot of competition which are set in, but we are still hopeful and we wish to make these two strong brands for the Company.

We have also saw a period where we had to withdraw northeast operations because we were not able to continue and pursue the operations over there and put in the effort which is required for a young/ for a new division/ for a new area and we also consolidated many headquarters in India during the COVID period.

Q: *What is the average Price increase that we have taken across our portfolio during FY23 & FY24?*

A: Average price hike is in the range of 6 - 7%.

Q: *Could you share the state-wise Sales data? (Top 6)*

A: The approximate state-wise Sales data for the top 6 states are Karnataka - Rs. 31 Cr, Maharashtra - Rs. 23 Cr, Gujarat - Rs. 9 Cr, Uttar Pradesh - Rs. 8 Cr, Madhya Pradesh - Rs. 6 Cr & Tamil Nadu - Rs. 5 Cr.

Q: *Remember also wish to know the brand wise breakup for the year 20 to 23 in the pharma division.*

A: The approximate Brand-wise breakup for FY 22-23 is Nervijen Rs. 54 Cr, Powergesic Rs. 23 Cr, Triben Rs.14 Cr & Cartisafe Rs. 5 Cr.

Q: There's a question pertaining to acquiring domestic brands?

A: Well, we've always been very open about it. We do keep getting offers, but however our decision would be purely based on business merits and only if it adds synergy, then we would pursue and buy them.

Q: *We've been asked, whether any of our FDC products were banned recently?*

A: Well, none of our FDC products have been banned recently.

Q: *What will be the impact of government capping trade margins in pharma, on our company?*

A: well, we do not foresee any impact of the government capping any trade margins.

Q: *Please provide total revenues from Derma division. Please could you talk about the revenues from the main molecules in this segment and our expectations going ahead.*

A: The total revenue of Derma division is approximately Rs 18 Cr. In dermatology, we have targeted, the anti-fungal segment only. The total revenue from Clotrimazole and its

combinations is approximately Rs 14 Cr, Eberconazole combinations is around Rs 2 Cr approx., Oxiconazole is around Rs 3 Cr approx. We are among the top brands in Eberconazole + Mometasone combination. Also, Oxicojen Lotion has shown a good response.

So, as I said earlier, these numbers would have been much more had we got about 3 to 4 continuous years without interruption for promotion of These two promising brands.

Q: *In 2023, we launched 7-8 new products, how are the initial responses we getting and that is for the domestic market or export?*

A: I believe there is some error, we have not launched 7 to 8 new products in 2023. We just launched Nervijen D3 Tablet in Pharma Division and the Zixa Strong in the Wellness division, which constitutes of three different brands.

Q: *How many MR's & FM's do we have & what salary hikes have we taken in FY24?*

A: We have 501 medical reps, 135 managers. The salary hike of theirs have been in the vicinity of 7%.

Q: *A member wishes to know the MR Count for the financial year 23 in the States of Gujarat, Maharashtra and Karnataka.*

A: We have 127 medical representatives in Maharashtra, 54 in Gujarat, 53 in Karnataka, 47 in Uttar Pradesh, 36 in Tamil Nadu and, 21 each in Madhya Pradesh, Andhra Pradesh, Telangana, Kerala.

Q: *A member who wanted to know an update on the Brenz Division?*

A: Well, we still have 39 sales Reps and the progress is a little slower as compared especially after COVID.

Q: *Export for FY 2023 stood at INR 25.26 Cr. for which geography did we export the most? Any new geography that we are targeting? Please can you talk about the factors that led to the growth and whether they continue to remain favorable in the coming year?*

A: Well, the exports have been mainly to Sri Lanka, Benin, Francophone countries, Jamaica, Kenya & Mauritius. We've been able to do a good amount of brand promotion. The strong sales as a result of that and the concern only remains is the availability of foreign exchange in these countries. That's really impacting our exports to these countries because we don't export, we are certain credit exposure.

And in the country, Sri Lanka, we've been able to generate prescriptions, doctors have been writing prescriptions. However, due to the liquidity and the high inflation, people have not been buying / stocking our products as much as they would really want to do. So, you know it's essentially a result because of the economic factor rather than our own functioning. So, this definitely is going to affect our export sales this year.

However, we continue to keep a brand strong so the year it turns around we are there, ready to come back to the same level and go beyond.

Q: *How much were our exports to Sri Lanka during FY23 & what will be the impact of financial crisis in Sri Lanka on our exports?*

A: Our exports to Sri Lanka is approximately around Rs. 7.5 Cr for FY 22-23. It is difficult to measure the impact of financial crisis not just in Sri Lanka, but other countries too. We will endeavor to continue and build our product awareness in these countries for future sale growth.

It's very difficult to measure the impact of the crisis in Sri Lanka, but as I said that we have a strong team of about 18 people in Sri Lanka, a very strong team who are continuing with the brand promotion activities. It's just that things are beyond the control which may affect the sales in the short run.

Q: *Which are the other niches products / gaps in the market where we can expand profitably? Any plans to enter the sexual wellness market like Viagra, cosmetics (Botox, etc.) or dental segment?*

A: Well, from what's been suggested earlier, we have no such plans. We have identified a few products about which we shall reveal you in time to come.

Q: *Given the existing fixed cost structure of MRs, why did we decide to launch products in the OTC space (which requires a whole different set of fixed costs) instead of focusing on launching more products in the prescription space?*

A: Well, our focus on the pharma division would always remain unwavering. However, we have some very innovative ideas and we feel that, you know, once these are between developer and R&D team, we can set a good stage for innovative product launch in the OTC division, considering, the India is a large country with a very promising market. We feel that we do have space for sales in the attractive OTC division as well, given the backing that we have of the R&D team. The OTC space is also being focused from our revenue point of view in time to come.

Q: *What is the expected cost in FY 2024 related to the Wellness Division?*

A: We expect an expenditure of about 2 to 2.5 Crore Rupees for wellness division this year.

Q: *When will our Zixa OTC division breakeven & will our margins be under pressure due to additional marketing expenses?*

A: Well, we are at a very nascent stage of brand building for the OTT division. So, it's just too early to talk about break even, right now it's just about capturing the market share and of course our margins will be under pressure due to the additional expenses and revenue division, that's for sure.

The next question.

Q: *With softening of KSM prices and expected price hike in domestic formulation business of > 10% (due to high WPI), the domestic branded business is expected to see significant margin expansion?*

A: Well, the benefit from the current softening of certain prices is very marginal considering the increase of the fuel cost, the packing material, transportation costs. Also, we cannot increase our prices more than 10% as by the Statute of the government and the price beyond 10% is only possible for NLEM products.

However, the revenue that we get from NLEM products is only for five products in the vicinity of two crores. So, it's not a big impact for us.

Q: *Can we sustain the all-time high OPM of 22% that we did during FY23?*

A: Well, the focus of the organization has always been to take decisions from a long-term perspective. So, in case, if you come across a business opportunity, we will always pick them up and you know that could always affect margins in the short term.

Q: *Out of the total of Rs. 29.15 cr for the New Office and Guest House, how much has already been spent so far?*

A: Out of Rs 29.15 Cr for the new office, we have spent Rs 11.19 Cr so far.

Q: *What is the status of the new manufacturing unit which we mentioned in the FY 2021 Annual Report?*

A: We're still in the process of identifying a suitable piece of land and of course, as said earlier, we are really not in a hurry to set them up. It's for the future perspective. But we will be very, very selective at the location, so it could take a lot of time.

Q: *As you may be aware, SEBI is phasing out open market buy back from next year so kindly do one last open market buy back next year, as our stock remains undervalued. From FY25 onwards only tender offer buy back will be permitted where we will have to offer a premium over market price.*

A: Thank you for the suggestion. The board will look into this suggestion.

Q: *Please include for quick guidance the amount of unclaimed dividend as on 31/3/23. Also give details of unclaimed shares as at year end. We must search and then protect our shareholders from transfer to IEPF, as I feel most of these may be holders of physical shares. These individuals have given us support when our IPO came. It is Managements' ethical obligation to protect their unclaimed share/ dividend.*

A: Well, all the details of the unclaimed dividends have been mentioned in annual report with a much granular detail. So kindly refer to the annual report. We have noted the valuable comments of our shareholder and we would like to also draw their attention and inform them that on many occasions.

Apart from the SEBI's requirements, we have informed them to dematerialize their shares, update the details like their e-mail ID, the phone number, the bank details. However, majority of them from the lot that we have, have failed to respond and these posts have returned back to us "as not found". So, we are definitely concerned and we are taking all the necessary steps, however many of the shareholders need to respond to our communication.

Q: *Kindly note that all labour legislation protects employees / workmen, hence settle ESI dues net Rs.10.21 lac.*

A: Thank you for your comment. There is an appeal pending in the ESIC Court and once the order passed, we will do the needful.

Q: *There is a question which reads as we must reduce receivables which is 384.33% of the paid up.*

A: We feel this ratio suggested is not of relevance, receivables - outstanding ratio has to be in relation to sales and not equity. You may observe that it is most reasonable steps against it can be detrimental to the growth of business, so This is definitely not a ratio which one has to see from a business perspective.

Q: *Your stand for MSME dues is good as you reduced the amount year on year basis, yet ensure for quick settlement as these MSME have almost nil power for getting loans.*

A: Well, we too believe in that and we are working in that direction on a perpetual basis.

Q: *There is a special resolution authorizing Rs. 200 cr. investment / loan / guarantee – what is the purpose of this?*

A: Well, the existing limit that we have is too insufficient, hence it was proposed to increase to a higher amount and this is just to keep ourselves future ready.

Well, these were the questions that we had got this year and I would now like to proceed further with the meeting and take a note of the agenda proposed in the notice convening this AGM.

1. To consider and adopt the audited financial statements of the Company for the financial year ended on 31st March, 2023 together with the board of directors' report and auditors' report thereon.
2. To appoint Shri Ashish U. Bhuta, director liable to retire by rotation and being eligible, be re-appointed.

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3. To declare a Dividend of Rs14.40 (144%) per equity share of Rs.10/- each, for the financial year ended on 31st March, 2023.
4. To approve the remuneration of Shri Ashish U. Bhuta-Chairman and Managing Director of the Company for the period from 1st April 2024 to 31st March 2026.

(Members please excuse the printing error in the Notice and Explanatory Statement of considering this 5th resolution as an “Ordinary Resolution”, kindly note that it has to be considered as a “Special Resolution”. We shall treat it as a “Special Resolution” for all the purposes).

5. To appoint a non-executive and independent director of the Company viz. Shri Sumit Ajaybhai Thakkar.
6. To increase the limit for giving loan, guarantee, investment, etc. by the Company.
7. To increase the limit to borrow money by the company.
8. To ratify the remuneration of the cost auditors, M/s. Kirit Mehta & Co., Cost Accountants, for the financial year ending on 31st March, 2023.
9. To ratify the remuneration of the cost auditors, M/s. Kirit Mehta & Co., Cost Accountants, for the financial year ending on 31st March, 2024.

I hereby thank all the shareholders for the participation at this 38th AGM.

I am also very grateful to all our directors for joining this meeting from their respective locations.

I would also like to draw the attention of the Members that the e-voting facility shall remain open for next 15 minutes to enable them to cast their votes if they're not casted as well, either by remote e-voting and the scrutinizers will provide us with findings about both the remote voting and E voting done today, and the consolidated E voting results will be announced thereafter.

The results can be accessed on the website of the company and that of the BSE.

With your consent, I would like to take your leave and I again thank all the Members for being patient throughout.

With this I declare the meeting to be over.

Thank you very much.

Thank you!!!