



H.P. Cotton Textile Mills Limited
40th Annual General Meeting

**TRANSCRIPT OF 40TH ANNUAL GENERAL MEETING OF
H.P. COTTON TEXTILE MILLS LIMITED
HELD ON
SEPTEMBER 24, 2021**

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

Good Morning Everyone,

I Shubham Jain, Company Secretary of HP Cotton Textile Mills Limited welcome all of you at the 40th Annual General Meeting of the Company through video conferencing.

In view of the challenges and risks posed by the outbreak of COVID-19 pandemic and keeping in view of the safety and security of everyone, the company is holding this AGM through video conferencing facility in accordance with the relevant Circulars as mentioned in the notice of AGM issued by the Ministry of Corporate Affairs and the Securities Exchange Board of India.

In accordance with the Article No. 74 of Article of Association of the Company, Mr. Kailash Kumar Agarwal, the Chairman of the Board shall conduct the proceedings of the 40th Annual General Meeting.

Now, I would like to take your few minutes to explain certain procedural and technical points.

The facility for joining the meeting through video conferencing is being made available to the members on the first come first serve basis.

As per the MCA Circular, the members attending the AGM through video conferencing are being counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013. The facility of joining was opened before 30 minutes prior to the time of the meeting and will remain open for 30 minutes after the meeting.

All the members who have joined this meeting are by default on mute by the host to avoid any disturbance or inconvenience arising from the background noise and to ensure smooth and seamless conduct of meeting.

Once the Q&A session commences the names of the shareholders who have registered as Speaker Shareholder will be announced one by one.

Only the audio of the speaker shareholder will thereof be unmuted by the host to start speaking. The Shareholders are requested to click the video ON button only once and wait till the video is ON.

If shareholder is not able to join through Video for any reason the shareholder can speak by the audio mode. While speaking we would request the speaker to use your earphone and minimize any noise in the background, so that he or she can clearly audible.

If there is any connectivity problem at the speaker shareholder end, we would invite the next speaker to join, once the connectivity improves the speaker shareholder may be invited again to speak after the other Speaker Shareholders completed their turn.

I would request the shareholder to be slow but loud while asking the questions so as to capture them correctly. We would like to request the shareholders to limit their speech upto 2 to 3 minutes.

During the meeting if any shareholder faces any technical issue, he or she may contact the CDSL at the Helpline Number mentioned in the AGM notice.

The Company has provided its member the facility to cast their vote through remote e-voting facility provided by CDSL. The members who has not voted earlier through remote e-voting can cast their vote during this meeting through e-voting facility.

The Statutory Registers including the Register of Members, Register of Directors, Register of Directors' Shareholding and other relevant documents as referred in the notice and the explanatory statement are available to the Members for inspection electronically.

And now I request the Chairman of the meeting to take the proceedings further.

Thank You

Over to you Chairman Sir

- **Mr. Kailash Kumar Agarwal – Chairman and Managing Director, H.P. Cotton Textile Mills Limited**

Good Morning Ladies and Gentlemen.

I Kailash Kumar Agarwal Chairman of HP Cotton Textile Mills Limited warmly welcome all the members of the Company, my fellow Board Members, Statutory Auditors, Secretarial Auditor, Scrutinizer at the 40th Annual General Meeting of the Company being conducted through Video Conferencing.

As the required Quorum is present. I now call the meeting to order.

Along with me, Mr. Raghav Kumar Agarwal, Executive Director, CEO & CFO and Mr. Shubham Jain, Company Secretary are attending this meeting through video conferencing facility from Corporate Office of the Company, Mira Corporate Suites, New Delhi.

We also have with us my fellow Board Members, Mr. Parshotam Dass Agarwal, Independent Director, Mr. Mohan Lal Jain, Independent Director and Mrs. Ritu Bansal, Non-Executive Director, all are attending this meeting through video conferencing.

Further, Mr Rohit Arora, Partner Walker Chandiook & Co. LLP, Statutory Auditor, Mr. Tarun Jain Proprietor of M/s Tarun Jain Associates, Company Secretaries, Secretarial Auditor and Mr. Mukesh Siroya, Proprietor of M/s M Siroya and Co., Scrutinizer are attending this meeting through video conferencing.

The company has received 4 (Four) Authority Letter under Section 113 of the Companies Act, 2013 along with Board Resolution from Corporate Shareholders of aggregate 9,05,920 Equity Shares representing 23.78% of Paid-up Share Capital of the Company, appointing an Authorised Representative under Section 113 of the Companies Act, 2013.

As the AGM is being held through video conferencing the facility for appointment of proxies by the members is not applicable and the proxy register for inspection is not available.

As per MCA and SEBI Circulars, the Company has sent Notice of AGM along with Annual Report to those members whose email addresses are registered with the Company and Depositories. Now with your consent, I would like to take the Notice convening the 40th AGM and Auditor's Report taken as read.

The manner of transacting the business contained in the Notice of the AGM is through remote e-voting and e-voting during the AGM as arranged by the Company.

The instruction for e voting is provided in the Notice.

Pursuant to the provisions of the Companies Act, 2013 read with the Rules notified thereunder and the Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed companies are required to provide an e-voting facility to its shareholders to enable them to cast their votes electronically for all resolutions to be passed at general meetings. E-voting would ensure proportionate voting principle i.e. “one share one vote”.

In accordance with this, your Company has provided remote e-voting facility (through the platform provided by CDSL) to the members and also facility to vote during the meeting for members who are present in the Meeting through VC and have not casted their vote by remote e-voting.

A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date, i.e., Friday, September 17, 2021, only shall be entitled to avail the facility of e-voting.

The remote e-voting period commenced on Tuesday, September 21, 2021 at 9.00 A.M. (IST) and concluded on Thursday, September 23, 2021 at 5.00 P.M. (IST).

Dear Shareholders,

Today, as we convene the 40th Annual General Meeting of your Company. I warmly welcome each one of you.

Like the last year, we are once again meeting virtually as the continued impact of the

Covid-19 pandemic necessitates adoption of safety precautions to arrest its spread. At the outset, I wish to express solidarity with all those who have lost their loved ones and I wish a speedy recovery to those who are infected or battling with this Covid-19 pandemic.

Having seen the sudden and wide-spread impact of the second wave recently, it is our individual and collective responsibility, to adopt and promote usage of safety precautions and push for large scale vaccination as it is the only reliable way to fight our way out of this pandemic.

As a responsible corporate citizen, our company has setup COVID-19 vaccination centres in our campuses for eligible employees and offered COVID-19 related care for our employees like Medclaim policy to assist them in case of medical emergency. For those employees working from our physical offices, we have established a safe work environment and protocols for testing and quarantine.

Now, I would like to take this opportunity to share the highlights on Company's performance during the FY 2020-21.

During the FY 2020-21, your Company has suffered loss in terms of production and revenue due to imposition of several restrictions by the Central and State Governments to curb the

COVID-19 virus. However, despite the loss of production and sales due to a government induced lockdown, and the other operational challenges faced by the company during the pandemic, the company was able to deliver a strong performance in terms of revenue and profitability growth, due to sustainable business model of the company, coupled with the managements efficient risk management strategy.

During the FY 2020-21, total turnover of the Company has been increased by 17.60% as compared to corresponding previous financial year due to the increase in Sewing Thread production and Export Sales.

The production of Sewing Threads was increased by 21.63% and Export Sales grew by 37.53% over previous year.

The profitability of your Company has seen a tremendous growth by 434.50%, taking to the level of ₹ 343.50 Lakhs as compared to previous year of ₹ 64.28 Lakhs. The Company's EBITA for the FY 2021 was around ₹ 1068.58 Lakhs as compared to ₹ 632.08 Lakhs in previous year.

Now, I would like to share your company's performance in Q1 of FY 2021-22.

It's a great relief to share with you all that, your Company has made significant efforts to boost production and revenue, and has achieved and recorded a better performance despite restrictions and operational challenges during the second wave of COVID-19 pandemic.

Company's Revenue from operations has increased by 77.86% to ₹ 3,093 Lakhs as compared to Q1 last year due to increase in production and export sales. Company's profitability has also seen a sharp rise by 220% to ₹ 293 Lakhs as compared to Q1 last year.

As many of you are aware, after the deadly second wave in India, there is a talk of the third wave. Despite the uncertainty of the third wave, I remain bullish on the strength of the Indian and global economies. Your company is a dynamic company

and has been mapping possible scenarios for the coming months and already drawn action plans accordingly.

I would like to conclude by thanking to all the stakeholders including customers, vendors and employees for having been a partner in this ongoing journey. Your support is highly valued and your Company's success is an indication of the faith you have always bestowed upon us. The support that we continue to receive from our banks, financial institutions and the governments wherever we operate, enable us to plan for the future. With all this we shall continue to grow together.

Thank You

Now I request Mr. Shubham Jain, Company Secretary to proceed with the agenda.

Over to you Mr. Jain

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

Since the AGM is being held through VC, and the resolutions mentioned in the notice have already being put to vote through e-voting no proposing or seconding of resolutions is required. With this, I now proceed with the agenda as per the Notice:

As a Ordinary Business:

Resolution No.: 1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2021 and the reports of the Board of Directors and Auditors thereon.

The Statutory Auditor report is available on Page No. 46 and Secretarial Audit report is available on Page No. 42 of the Annual Report. I would like to inform you that the Statutory Auditors, Walker Chandiook & Co. LLP and Secretarial Auditor, Mr. Tarun Jain have expressed unqualified opinion in the respective audit reports for the financial year 2020-21. There were no qualifications, observations or adverse comments on financial statements and matters, which have any material bearing on the functioning of the Company.

Resolution No.: 2 To appoint a Director in place of Mrs. Ritu Bansal (DIN: 03619069), who retires by rotation and being eligible, seeks re-appointment.

Thank You,

Now, we would like to take up the questions from the shareholders who had registered themselves as the Speaker Shareholders.

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

Now, I would like to invite Mr. Keshav Garg. Please ask your question.

- **Mr. Keshav Garg – Shareholder**

So, I hope my voice is audible.

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

Yeah Yeah.

- **Mr. Keshav Garg – Shareholder**

sir, thank you very much for providing me this opportunity and sir I hope you and your team are in good health and continue to be in good health. Sir, our, our company is in very good health. Sir the 1st quarter results were really tremendous. I think we did all time operating profit. Sir so, the question, basically, from shareholders is this only so that whether the 1st quarter, operating profit of sir around Rs. 4.5 Cr, is it a one off or we can sustain this, quarterly profit going ahead, so this 4.5 Cr EBITDA and sir also, sir, in our current installed capacity. What if we operated full utilization and as per present realizations how much revenue can we generate. Also, what kind of CAPEX we are planning to do in this year and next year. Sir what is the outlook for hosiery yarn business side? I think the production has fallen drastically Sir. So, if you could just explain us said that, what are these 2 divisions. Sir 1 division is thread and

other is Hosiery Yarn are we shutting it down or sir do we plan to wrap this up? And why is our, revenue by and large flat at around 100 Cr since FY 14? Sir, even though we incurred a major capex, 2 years back. Sir, so can you shed some light on that? And Sir why have our volumes reduced from around 21.8 lacs Kg in FY 18 to 12.73 lacs Kg in FY 21. Sir, also, sir who would be our major competitors? And, sir will the increase in cotton prices and the yarn prices sir will they hit our margins? Sir, then our receivables have increased drastically from 6 Cr to 14 Cr last year, despite Sir, only 18% revenue growth. So I hope this is a temporary jump in receivables. Also sir despite, very good performance, there has been no dividend in the past few years. So, I hope, the company starts repaying dividend. Sir I hope my voice is audible. Sir lastly, just one last question, sir just wanted to understand. Sir that like last year we made 10% operating margin and way back in FY 2013 and 14. also, we made around 19% operating margin subsequently declined and to low, single digit margin and again now, again, we are making 10-11% operating margin. Sir in 1st quarter we made 15% operating margin. Sir so, basically, Sir just trying to understand. Sir is this cyclical upturn? are we in a cyclical upturn? And again, maybe a few years down the line again, the margins will fall in that is what would be our average margin answer will we be able to sustain these margins? Sir, if you could just shed some light on all these points, I'll be very grateful. And sir thank you very much, sir. And best of luck to you.

- **Mr. Raghavkumar Agarwal – Executive Director, CEO & CFO, H.P. Cotton Textile Mills Limited**

Thank You Mr. Keshav Garg. I must appreciate the kind of firstly Thank you for your support. of being an esteem shareholder of a company, and I must, you know, really appreciate the kind of analysis and the kind of questions, intelligent questions that have put that you put forward. And certainly, I would like to, you know, answer most of them. So, starting with your question with respect to, you know, can we sustain our EBITDA or that we have recorded in the 1st year. Quarter 1 of this financial year 2021-22, we are actually, there is no reason why the company cannot sustain this EBITDA that we've achieved in quarter 1 financial year 2021-22, and we are actually, you know, putting forward all our efforts together. To be able to sustain this EBITDA margins quarter on quarter. However, it is, at this point in time tough to estimate the actual EBITDA margins that the company would be able to achieve at the end of the financial year. However, we are going very strong and we, it is our endeavour that we not only continue, but improve our margins going forward. Second with respect to you know, the CAPEX that we've planned in financial year 2022-23, the company's actually reviewing all the various segments and de-bottle necking and expansion that we intend to plan. And at this point in time, again, it is tough to put a number here. However, we would certainly like to continue with the growth momentum that the company has achieved and, you know, even, the monetary and the fiscal policy as established by the central governments and the RBI are very conducive for the growth of the textile industry. So we are very bullish that the company would be able to achieve strong organic growth in the coming financial years, the third question is with respect to the installed capacity and how much we would be able to do at full capacity. Actually, just to throw some light on our operations, we are actually integrated composite textile mill, which consists of not only spinning, but, twisting, dyeing and finishing segment. So, in a way it is 4 mills combined into 1 mill. And therefore it is tough to put a number of, you know, with respect to capacity utilization. And therefore, you know, this is a question that, you know, is

something, which is tough to answer. However, we are having a very strong export demand and our capacity utilizations are also at a quite, an all time high currently. With respect to the outlook for Hosiery yarn business, and, you know, have we shut down this, you know, division just to also again, go going back to, you know, the nature of our operations. We actually have 4 divisions, starting from spinning then twisting dying and finishing. Now, Hosiery yarn is produced out of, you know, the 1st segment itself, which is spinning, and which is then in, in case of demand for sewing thread and export or demand of value added products from the global markets. We actually then, you know, use this single yarn or Hosiery Yarn, and that we produce out of the 1st segment and utilize it for, for the processing it for the segments to achieve maximum, possible value addition. So we have not really shut down the, the segment. But the answer is that the, all the, that we are producing is mostly being used for captive consumption. Now. And that that is also being reflective in our revenue and, you know, our per kg realizations. With respect to supposed to have an impact on the company's margins, however, through better operational efficiencies and through passing it to our end users in our B to C segments, which is actually the product, which is eventually being used to be sold to end consumers. We are trying that we pass on the increase in inputs. To our customers as well with respect to your question, with respect to the cyclical uptrend that the textile is seeing and, you know, is our industry part of the same cyclical uptrend again? So, you know, if you would be able to do a careful analysis are actually increasing profit is not due to the cyclical uptrend of the textile industry, in terms of cotton prices and cotton yarn prices. It is actually due to the enhanced export demand and enhance production levels of the value-added products that the company has done. which has actually brought about this change. So therefore, you know, the margins that we are currently, recording are actually due to the fact of, you know, enhanced acquisitions of major economies, major markets around the world. You would be very happy to learn that your company exposed to more than 40 countries, and due to enhanced acquisition of, these geographies and increasing the respective, markets. Also. We have been able to have a strong demand and therefore converted into strong revenue numbers also. So, certainly going forward we are very confident that a business model is sustainable to be able to absorb these up upside and downside shocks in the textile industry. And it is completely inelastic to these cyclical uptrends. With respect to your question regarding a major CAPEX which has happened in the financial year 2017-18 and why is the revenue being stagnant is due to the fact that we've actually incurred that capital expenditure towards Zero liquid discharge system is mandated by the central and the state governments. It was actually due to, you know, a compliance requirement and we set up the state of the art zero liquid discharge system, which is not brought about growth in revenue. But it is certainly contributed to helping us, you know, fulfil our environmental responsibility and not only that, but also help us in, you know, having a better cost control and, save expenditure that we used to incur in our traditional systems. So, in a way, that was a sustainable, investment, which achieved and not only environmental sustainability, but economic as well, as social responsibility of the company. I think with this, I have managed to answer, most of the questions that I could., not obviously compromising on the confidentiality part of the company and I would now request Shubham to take up any other questions that any other shareholder might have. Thank you.

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

Mr. Bharat Raj. You can ask your question.

- **Mr. Bharat Raj – Shareholder**

Hello

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

Yes Yes. You can ask your question

- **Mr. Raghavkumar Agarwal – Executive Director, CEO & CFO, H.P. Cotton Textile Mills Limited**

Hello Mr. Bharat Raj we can hear you. Please go ahead.

- **Mr. Bharat Raj – Shareholder**

A very good afternoon Mr. chairman. First of all. Wonderful, sir. I'm happy to see you healthy safe and fine. I'm very proud. I'm attending the 40th Annual general meeting of H.P. Cotton Textile Mills Limited sir. I'm calling from Hyderabad. Sir, in your, speech of annual speech, entire information is provided itself and we are in Hosiery yarn and sweing threads and in this pandemic also my company has been wonderful performance sir Mr. Agarwal my chairman and Mr. Raghavkumar our CEO of our company very proud under your leadership. my company is growing sir. Sir my question is that in the pandemic how you have taken care of my employees Have we given 100% vaccination any death calamity happened, any salary cut to the employees and board sir. Sir any future plans of expansion of our company sir regarding this sweing thread and hosiery yarn and because now the thread is very important and the market needs more cloth sir so any future plans to expand our unit to South India because in Andhra Pradesh the cotton yarn and very recently from Kerla one of the company has opened into Telangana Sir. So any plans to open a unit in Telangana and Andhra Pradesh. Sir, what is your fees for the coming year Sir. Once again Mr. chairman I thank you.

- **Mr. Raghavkumar Agarwal – Executive Director, CEO & CFO, H.P. Cotton Textile Mills Limited**

In the speech itself, chairman sir pointed out that we've actually set up covid vaccination centres and, you know, and have tried, an endeavour to vaccinate. 100% of the employees of the company, I would not be able to say, for sure that we managed to vaccinate 100% of the employees of the company. However, we've reached about 70% levels and we actually, we are trying that, off the total number of companies who are actually enrolled and we are trying that as many as, to vaccinate as many possible, employees as possible moving forward. With respect to your question regarding, you know, regarding salary cuts during the pandemic, you would be pleased to learn that there were no salary cuts during the COVID pandemic, even though our production was halted for about a month and a half, with actually zero production and then also with restricted production moving forward. However, we did not, we came up with a policy to actually remunerate all our employees ensuring that the take home is maintained. even during the pandemic and even during closed operational period. So, with respect to, the

employees that is, the third question was with respect to the Hosiery yarn business, we are actually, you know, we are not really Hosiery yarn has been traditionally being used by a company to, you know, have, being produced by the company to have a better capacity utilization in a spinning segment we are not really traditionally a spinner and we do not have the economies of scale to be able to compete with spinners who have, you know, 10 times the capacity in terms, 10 times the spinning capacity, therefore, we are more focused as a company towards value added segments, which can actually, you know, give us a better sales realization and also provide sustainability to our to our business model, a business model, which is not affected by the cyclical up turns and is being and is able to absorb, you know, the industry shocks from time to time, and therefore, that is one of the biggest reasons, why a company, even during pandemic, during quarter 1 last year, when most of the textile companies in quarter 1 and 2 were severely impacted by the COVID pandemic. Financially, your company was able to deliver a fantastic performance due to the inherent sustainable business model of the company has. Thank you I believe with that. I've managed to answer most of your questions. Mr. Bharat Raj, Thank you.

- **Mr. Shubham Jain – Company Secretary, H.P. Cotton Textile Mills Limited**

We don't have any other speakers shareholder, so chairman Sir please proceed.

- **Mr. Kailash Kumar Agarwal – Chairman and Managing Director, H.P. Cotton Textile Mills Limited**

As the discussion on all the matters has been completed and since the process of remote e-voting for the resolutions as specified in the AGM notice has already been circulated. The members are requested to note that E-Voting facility will remain open for the next 15 minutes to enable the members to cast their vote on the proposed resolution number 1 & 2 as set out in the Notice of the AGM.

Members are requested to note that those Members who have already voted electronically through remote e-voting are not eligible to vote in the AGM.

Mr. Mukesh Siroya, Proprietor of M/s M Siroya and Co. and/or Ms. Bhavyata Acharya has been appointed as the Scrutinizer for remote e-voting and also for the votes casted by members during the AGM by e-voting system under Section 108 of the Companies Act, 2013 to scrutinize the e-voting process in a fair and transparent manner. The Scrutinizer shall submit his report in the prescribed manner to me within 48 hours of the conclusion of the meeting.

The results of the e-voting will be informed not later than 48 hours of the conclusion of the AGM to the Stock Exchange i.e. BSE and will also be uploaded on the Company's website i.e. www.hpthreads.com. The Scrutinizer has verified the process for remote e-voting and e-voting during the AGM.

Members are requested to vote on each of the resolution.

I believe that all the members have voted on all the resolutions and if not, then the members are requested to vote the same and CDSL shall disable the e-voting in sometime. Voting Results on each resolution will be an aggregation of remote e-voting and votes casted through e-voting during the AGM, in favour or against.



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All resolutions contained in the Notice if carried with requisite majority shall be deemed to be passed on the date of the AGM.

I thank the shareholders for attending the meeting and for your continuous support. I also thank the Directors for joining the meeting. I wish all the shareholders and their families to Stay Safe and Stay Healthy and look forward to your continued support to the company in the years to come.

With your consent, I declare the meeting as concluded.

Thank You.