

Chairman's speech read at the Annual General meeting
held on August 13, 2020

Dear Members,

I have great pleasure in extending a very warm welcome to all of you to the 32nd Annual General Meeting of the Company. I am grateful to you for the commitment displayed by all of you by sparing your valuable time and making it possible to attend this Meeting. I also welcome the Board Members present in this meeting. All the Board members are present.

The Annual Report containing the Directors' Report and Audited Accounts for the year ended 31st March 2020 has been with you for some time now. With your permission, I shall take them as read.

Company's performance during the financial year 2019-20

The sales of precipitated silica during the year 2019-20 were 9,391 MTs as compared to 16,537 MTs in the previous year. The plant operations have been suspended from 26th October 2019 onwards after refusal of renewal of Consent to operate by UPPCB.

Your Company achieved a sales turnover of Rs. 577 million during the year as compared to Rs. 951 million in the previous year. The Company recorded a loss before depreciation and exceptional items of Rs. 74.50 million as compared to loss before depreciation and exceptional items of Rs. 36.53 million in the previous Financial Year.

Future Outlook

The plant operations of the Company have been suspended since October 26, 2019 due to refusal of "Consent to Operate" by Uttar Pradesh Pollution Control Board (UPPCB) *vide* its orders dated October 22, 2019. The Company filed Fresh Applications by applications of even date dated November 21, 2019, for Consent to Operate, however, the same were dismissed by the UPPCB *vide* order dated February 4, 2020. The Company has challenged the afore stated orders by separate appeals under Section 28 of the Water (Prevention & Control of Pollution) Act, 1974 and Section 31 of the Air (Prevention & Control of Pollution) Act, 1981 respectively before the Special Secretary, Department of Environment, Forest and Climate, Uttar Pradesh against the orders of UPPCB. The matter has not been heard until the date of this meeting as the hearing is getting delayed due to the non-availability of the Special Secretary, who has been deputed by the state government on a Covid-19 assignment. With the likely easing of restricting on improvement of Covid 19 situation, we are hopeful of the hearing to take place soon.

The company has lost all its customer base as the plant operations have been suspended since 26th October 2019 and thereafter the finished goods inventory had also exhausted. It will be a challenge to regain the lost customers after restart of the plant operations considering competitive market situation.

The cost of production of your company is high as compared to competitors as (i) It is dependent on High Speed Diesel (HSD) as fuel which is comparatively expensive and (ii) It is incurring significant expense in treating the effluent before discharging it. The Board of directors had approved the installation of "Propane-LPG" to reduce energy cost. However, the company cannot install this "Propane-LPG" presently as the plant operations have been suspended after refusal of "Consent to Operate" by UPPCB. Moreover, the company has yet to receive some of the required approvals for the project. It is pertinent to note that while responding to the Company's application to District Magistrate for issue of no objection certificate (NOC) for its proposed Propane LPG project at Gajraula, Uttar Pradesh State Industrial Development Authority (UPSIDA) had asked the Company to submit its approved building maps and certain information relating to change in shareholding of the Company/ its promoters since execution of agreement with UPSIDA in the year 1989. UPSIDA has issued a letter dated 1st July 2020 intimating the company to pay transfer levy of Rs. 80.90 MM. The company vide its letter dated 8th July 2020 has submitted reply to this letter that no transfer levy is applicable to the company as there is no transfer of controlling interest as per operating manual of UPSIDA, since the changes were within promoters inter-se. The company is working on having the issue resolved in the best interest of all the stake holders.

The future of the Company will depend upon obtaining adequate relief in the respective appeals filed before the Special Secretary in the form of a valid Consent to Operate from UPPCB and separately, a valid No Objection Certificate (NOC) from Central Ground Water Authority (CGWA) for extraction of ground water for manufacturing operations. The Plant is totally dependant on extraction of ground water. Gajraula area is now classified as an over exploited zone and based on the directions from National Green Tribunal (NGT), the CGWA is currently not renewing the permit of any industrial units located in Gajraula industrial area to extract ground water. Your company has no other option but to wait to get all the aforesaid permits before commencing operations at the current site in Gajraula, since relocation of the plant to a new green field site is not financially viable due to significant capital investment and current market conditions.

Despite implementing several cost reduction measures, the company is currently incurring a cash loss of over Rs 10 MM per month.

Board of Directors

There has been no change in the Board of Directors of the Company during the financial year 2019-20.

Acknowledgement

I on my behalf and on behalf of my fellow Board members, take this opportunity to express our sincere gratitude to all our stakeholders, who have reposed trust in us and extended their constant support.

I am grateful to the parent Company Evonik Operations GmbH, Germany for providing continued management, technical and marketing support and the Board of Directors for their unwavering support and guidance.

I convey my heartiest appreciation for the dedication and contribution of the employees of Insilco at all levels .
