

SAGARSOFT (INDIA) LIMITED

TRANSCRIPT OF 24TH ANNUAL GENERAL MEETING HELD ON 15TH JULY, 2020 AT 3.30 P.M THROUGH VIDEO CONFERENCE (“VC”)/OTHER AUDIO VISUAL MEANS (“OAVM”)

Mr.J.Raja Reddy, Company Secretary

Good Afternoon

Welcome to the 24th Annual General Meeting of Sagarsoft (India) Limited to be held through Video Conferencing /Other Audio Visual Means (“VC / OAVM”). Registrar office of the company shall be the deemed venue of AGM. And I would request our chairman, Mr. Sreekanth Reddy Garu to initiate the proceedings. Thank you.

Mr. S.Sreekanth Reddy

So, I hope the quorum is present. Can you please confirm if the quorum is present for me to start the meeting?

Moderator: Yes, Sir, the quorum is present, thank you.

Mr. Sreekanth Reddy, Chairman.

Okay, thank you.

In view of the Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular dated 5th May, 2020 read with circulars dated 8th April, 2020 and 13th April, 2020 (collectively referred to as “MCA Circulars”) permitted holding of the Annual General Meeting of companies through Video Conferencing or Other Audio Visual Means without physical presence of the Members at a common venue.

As you'd have seen, most of the directors and the key management personnel, as much as the shareholders, in the support staff, most of us are located at different places. This is first for us. So kindly bear with us. If there are any minor glitches, we will be more than happy being available to resolve any of the issues you might have.

In compliance with applicable provisions of the Companies Act, 2013 (“the Act”) read with the MCA Circulars and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), the 24th Annual General Meeting of the Company is being conducted through Video Conferencing (“VC”) (hereinafter referred to as “AGM’ or “e-AGM”). In accordance with the Secretarial Standard -2 on General Meeting issued by the Institute of Company Secretaries of India (ICSI) read with Guidance/Clarification dated 15th April, 2020 issued by the ICSI, the proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company which shall be the deemed Venue of the e-AGM.

Now, I would request the shareholders to take the notice of the meeting as read since there is no qualification in the audit report and the same will be taken as read. Yeah, the agenda for this meeting would be, let me complete the speech. Then probably we will be taking few question and answers. Yeah, then we'll put up the items the key agenda items for the thing and then we have a 15 minute window if somebody has not casted the e-vote at the end of the meeting a 15 minute window available for them to cast their vote. That would conclude the proceedings of the AGM.

Dear Shareholders,

I now take up the agenda items as per the notice of the 24th annual general meeting in the serial order.

So, it would start with my speech.

Dear Shareholders

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with relevant rules issued thereunder and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, remote e-voting was provided to the members to cast their vote electronically as an alternative to participate and vote in the AGM.

The Members, who have not cast their vote through remote e-voting can exercise their voting rights now through e-voting. Members who have already cast their votes by Remote e-voting are eligible only to attend this Meeting; however these Members are not entitled to cast their vote again. On providing voting facility at the e-AGM, the following rules would be applicable:

- a) Voting by show of hands would not be allowed;
- b) The provisions relating to demand for poll would not be relevant; and
- c) Voting would be on the basis of proportion of shares in the ratio of one share for one vote and the meeting shall be regulated accordingly.

In view of the above, your consent on the items as set out in the notice dated June 15, 2020 calling for today's e-AGM shall be obtained by e-voting. Results of the voting shall be declared by the Chairman within a period not exceeding 48 hours from the conclusion of the AGM. The result of the voting will also be posted on the company's website.

However, before going for the e-voting, I would be pleased to answer the questions, if any already posted by the members and any other queries that the members may have pertaining to the resolutions proposed in the notice.

So, Now I would like to allow the speakers who have registered to speak. After which probably we would be in a better situation to answer questions. So yeah, so I would now request the registered members who have registered for asking the questions. If they could. They could come up, then we will be happy to listen to all the questions and then start addressing each one. One by one. Thank you.

Moderator:

Okay, I request Mr. Abhishek to switch on your camera and speak

My name is Abhishek and I am a shareholder of the company.

First of all, I will congratulate the management on the eve of 24th annual management on the eve of 24th annual general body meeting. And we can see that our company is marching towards the 25th year that is the silver jubilee year. So, we have a lot of expectations on the management in the Silver Jubilee 25th year. So, we are expecting a bonus as well as a special dividend in the 25th year most of the companies are doing now as you can see Clodion chemicals has declared Rs.151 Dividend and our company can also think about the minority shareholders and think of some bonus or a special dividend for the minority shareholders.

And then page number 18 in the balance sheet, I have some few clarification and grievance in the balance sheet which I would like to go by page number wise, I can see profit has come down drastically. That is profit before taxes, 3 Crores whereas before Comparing to the previous year of rupees 8 Crores. So this year, so but even though we appreciate them it is less than 50%. But even though we appreciate the management for maintaining the dividend and the management that's not even to our profit is coming down to keep us in management or does not reduce our dividend we thank the management for that.

So, then we also see that page number 71 in the other expenses part, you have paid professional and consultancy fee charges and wages being paid to whom sir, so, that detail you can provide as an advertisement charges are also been increased when we compare previous year. So, try to reduce the same and donations we are made of 11 lakhs around we are also being paying donations. So, it's not mandatory and we have done 11 lakhs donations, what is the reason Sir, you can just update us.

So, then financial the last option is there in the other expenses what that is financial charges on leased asset that is 24,06,273 rupees, what is this financial charges we have occurred. So, kindly give us a detail brief detail on that sensor then I have some few distinct I would like to ask that are what's the real impact of COVID 2019 in percentage terms, how your supply chain has affected plaid you see the light in the end of the tunnel what will be the growth figures in first half and second half. So, please give us the production capacity utilization figures and percentage.

So then the Coronavirus and the subsequent lockdowns, I will have virtually no industry untouched after the COVID. So, how many employees we have sacked, hired and salary cut in percentage, if any? And what are the innovations and new product launches date after April 1? And what's the response so far? What's the cost cutting initiatives and production enhancement activity done by the management? And how much salary cut was being taken by the management if any, you would currently like to update yourself. So then what's the view of the management and going forward sustainability or the profit earnings growth will remain the challenge in the coming quarters or it will be good. So then what are the management efforts to improve working capital to sales ratio these things so then.

So then what are the management efforts to improve company image through investor relation exercise like con call, quarterly presentations and meeting global investors that is no consistency of investor communication from management's side even our website is not up to the mark if we compare the information clarity and vision statements with the peer group of main competitors. So I will the management ensure this and please give details or parties in other current and non-current liabilities contingent liabilities like so please let me know the details of our contingent liabilities and the CS can company Secretary may arrange a video call with the legal head to learn the perspective in detail it would be really glad. So then what are the management efforts to reduce other expenses and legal professional charges want consultancy charges and auditor fees? So what efforts have you taken to reduce all these things? So then what are the credential the new existing directors are bringing on the table to make the company to the next to face or growth or to guide the new generation is appointment being done after setting all the new amendments under clause 49 please send us the KMP details So, that will be helpful for us to verify and stay invested further.

So then, what is the policy related dividend declination policy in our company? I have since all the senior citizens are only dependent on that and even nowadays, due to lockdown all the junior citizens are also dependent on the dividend only. So what is the policy on that? So thank you for giving me the opportunity, sir. I would like to thank our company secretary was called the contacted us and given us the detail to participate in the video conferencing and video conferencing is very fantastic, manner. Thank you for the opportunity sir.

Moderator:

Now, I request Mr.Praful Chawda to unmute yourself and ask you a question Sir.

Namaskar Sir, as the complete world is in the glitches of Corona, instead of thinking of profits, we should think about employees are getting their salaries for next 2 years.

All shareholders should support for next 2 years and instead of thinking about profits, we should think about how to come out of Corona Virus and how to protect our employees. Employees should be getting their salary for next 2 years. Thank you for giving me this opportunity sir.

Moderator:

Thank you sir. Now I invite Mr. Bharath H Shah to proceed ask your question. Kindly unmute your audio and speak and you can switch on your camera as well.

Okay, there seems to be connectivity issues with the shareholder.

Yes. Can we take the next person? Yes, sir. I now invite Mr Keshav Garg, to kindly unmute your audio switch on your camera and speak.

Hello.

Mr.Keshav, we will come back to you later sir, Mr.Bharat H Shah please go ahead, sir. We can hear you.

Sir, I am glad that I have been able to attend this virtual AGM and I have two questions, on top line growth sir. Return top line growth has come down drastically, and what is the basis from 980 to 246 lakhs or what the reason of EBITDA margin is after is very low.

So what went wrong in this year? Last few years, you're declared 25% dividend. We hope in the coming years. This SAGARSOFT under the chairman's leadership will create wealth in coming years because in your annual report, you're mentioned that next generation Digital Service Provider your Sagarsoft is going to its earning is also mentioned a negative impact due to economic downturn due to COVID as affected us, any projections of top line for 2020 21.

And we hope that this Sagarsoft will create opportunities for investors in coming years to create the wealth under your guidance. And lastly, I Thank Secretarial department for successfully conducting this virtual AGM. Thank you, sir.

Thank you sir,

I now invite Mr. Keshav Garg to kindly unmute your audio switch on your camera and speak.

Thank you. Sir,

So first of all says in the past two years that our rent out go and our management remuneration is up by 50% approximately and our EBITDA is down by around 55% since FY 18. So basically now so until the profits are growing or stable and dividend is growing or stable, so shareholders don't really grudge these expenses. So but since our EBITDA has actually halved hard in the past two years, from over 9 crores to less than five crore. So, if you could just inform us that going forward what is the outlook for the present year and why when we were doing over 10 crore revenue per quarter then and around two crore EBITDA per quarter. So, why it has fallen to below nine crore in fourth quarter and our EBITDA da has also had to halved one crore per quarter. So, this is the major question and so, also wanted to touch upon a few other subjects like plant concentration. So, I think in the past you had mentioned that our one largest single customer used to contribute 60% of our revenue. So, have we been able to reduce that time client concentration answer, what is the feedback from that customer that that basically are be hopeful of getting more business from that customer. And also sir, company has given an interest free advance a loan to a related party. And so, I think there is a resolution for voting, which further enables the company to further extend loans, advances and guarantees, so, what exactly is the requirement for the same and so, it would be great if we could do a share buyback of with the that money. And so, our market capitalization is 25 crore and we have net cash of around 11 crore. And during the past FY 18 and 19 completed around nine crore EBITDA. So, far 25 crore market

capitalization if we reduce the cash of 11 crore the enterprise value is around 14 crore for the company. And so, company made nine crore EBITDA for two years. So basically, what I'm trying to touch upon is that share price is undervalued, provided you think that in future we can again reach or exceed that nine crore EBITDA BY two years. So if we utilize our cash balance to do a share buyback, it will permanently reduce our share capital and number of shares outstanding. So in future whatever growth will come will get divided on a smaller base of shares, and the earning per share and dividend per share will increase. So these were the major issues that I wanted to ask you. And so also, so wanted was that, my audio was not working for the first 5-10 minutes of the AGM, so I couldn't really listen to your Chairman speech. So whatever business outlook, you mentioned, if you could please, just once again, In brief, tell us the same, sir. Very grateful. Thank you very much.

Moderator:

Thank you. So with that, we finished the Q&A session. Now I'll hand it over back to our chairman sir.

Thank you,

Thank you for the interest and the questions. Yes, sir. Let me start with Abhishek questions, we are not a manufacturing plant, so the productivity and all associated things cannot be planned. The standard questions that you have like COVID as impacted us like you are all one so it is no exception. We did the revisit some of the customers to ensure that the safety of the employees has been paramount to us. Some of the travel and everything was actually restricted. Which will do the business in general sir, yeah, ours is a business where one of the questions also was about the concentration of the customers, we get 80% of our revenue from top five customers and one customer is a large customer. There is a concentration on the customer but we don't think it's the risks. This customer has been with us for over, 20 years now, auto for 24 years expertise, so the ups and downs are relevant with the business that we are in. Yeah, they are one of the largest hedge funds here, which we did mention earlier. So some of the businesses that have grown along with their requirement and sometimes shrank to them, fortunately, this time around the, the business did not shrink. But the business continue.

Yeah, I would like to address one of the questions with one of the gentlemen had pertaining to the rent. Just to remind Sir, it is now more than two years since we opened and ODC for, this large customer ODC is the offshore Development Center. That is the reason why rent per se did not go up, the area went up to service the customer. But unfortunately, the ramp up did not get aligned, we are more than hopeful going forward, we could be in a much better situation to constantly grow rather to remain static. The reason why expenses went up, obviously, the customer billing stack was static. But the increments where we're going up, when I'm talking, I'm talking about the general increments for the staff, not the top management. Now going back to the question of buyback or any of that, that at this point of time, we are rolling it out, we are conserving the cash, as you rightly pointed out, this COVID impact did not really play any role for us in terms of the working capital. You have we are always in cash. We have been extremely prudent in the past. And I'm sure that is the stance that we would like to take forward. Yeah, we are conserving cash. And secondly, sir, I don't know from where you read about the interest free loan, such a thing doesn't exist in our company.

So yeah, there were there were ICDS that were given and they were marked at much higher interest rate than what probably company would have won. But that keeps happening from time to time just to ensure maximization of returns but not for any other purpose. So I don't know from where you actually got this information as to being interest free kind of payouts to the group companies, we have not done that. Obviously, there are some ICDs, which were given. But they were given at a much higher price than what company was getting it from there FDs they were secured to it to an extent that all of us are responsible for it.

So but for that I don't think there are any industrial loans that were given, or would be given going forward, because that's also forbidden by rule than anything. So we have always prudently managed the cash flows of the company, even in very difficult times, we have not drawn even a rupee working capital. So we operate without any working capital. Now coming to the financial charges, or any of that these are the new Ind AS adjustments that have been done on the lease rental sir, but nothing but we are statutory compliances so there are no additional no cash outflows compared to the previous year.

Now going forward for the future outflow. Yeah, even in the current year. Yeah, one of the biggest challenges have been, we have been engaged with most of our customers. And we are very happy that the work is likely to go up but not come down. But for this Covid, I'm sure this year would have been much, much better than what it has happened so far. So we strongly feel that the current year, we are reasonably confident that it might be very similar, or maybe a marginal kind of decline. But for that we don't foresee any other major challenges in time to look at, God forbid COVID doesn't go beyond what it has already gone.

Now we are engaged with quite a few business acquisitions. From the perspective of other acquisitions. It's too soon for me to comment the order pipeline, but we are reasonably yeah, that's what I would like to highlight. Yeah, I think we usually the dividend policy is very simple. So we conserve the cash, whatever is the earning, so far. We try to optimize there are no, being a software company, our biggest expenditure is the salaries that we even in difficult times we did not try to eliminate any of the people or sack any of them. Because most of the people have been viably engaged. So what I would like to tell you is that the client engaged us and we also are fully engaged. So we never had hope we never had an opportunity to sack people who have been contributing to the business.

So that's what I would like to highlight. Yeah, the current year outlook, as I mentioned, we feel strongly feel that it could be flagged like last year, which itself is a good thing, because the COVID impact did slow down our ability to pick is on us. Yeah, and the research showed that we have been working extremely hard on, trying to get newer businesses, yeah, we don't pick up any orders, we have been fairly consistent. Yeah, we pick up those orders, which are more on a sustained basis. So that's what we're working hard. And I'm sure going forward you realize the work that we have done, some of the work is cutting edge sir, though it may not be mass kind of work. So these works don't get added up every day. So it's a slow process, but a very, very consistent and sustainable process. I do agree that EBITDA has come down. As mentioned earlier, these are medium term agreements, which are two years to three years. So those agreements actually would bound the top line very, very systematically. But the people who have work obviously need the remuneration.

We kept it in line with most of the industry. Now going back to the salary figures of the top management, sir, it has, it has never been increased in the past. Yeah we are mindful, and we are absolutely responsible whenever there is an increment, we have done it to sustain the talent and the management. We never used any of these revenues for us to get the things done. I'm sure people would be extremely happy to start comparing the percentage of EBITDA don't look at an EBITDA itself sir, look at on a slightly medium to long term, the amount of time each of the management top management has spent is as old as the company itself. So deservedly, most of the salaries have been put. So if you see the other expenditure, sir, I don't think you have done a comparison with any of our peers. Yeah, we would be one among the lowest in the industry. When it comes to the other overheads. That's what I would like to highlight. It's too soon for us to take a call how the in terms of the numbers how the business is going to come by. But we are extremely engaging and fruitfully engaged with most of our current clients, there is an assurance for business growth. So basis that I would like to assure you that we are in a good shape.

Hope COVID fades out as quickly. And that should actually start showing the work that our management has done to take the business forward and we are eagerly waiting for the 25th year to be extremely grand. I'm sure that will also reflect in the performance. But we will at this point of time not like to take any call. When it comes to the outlook for the coming year itself. I'm sure we would have opportunities to engage and be rest assured. So if you have any specific queries, our team would be more than happy to address each of the query that you have now very systematic and in a very transparent fashion.

So with that, I would like to thank each one of you for their active participation. If any of the questions remain unanswered, sir, please don't hesitate to connect with us. Our company Secretary Mr. Raja Reddy would be extremely happy addressing each of the queries that you have asked for your satisfaction.

Thank you again for your participation. Now I would like to request Mr. Raja Reddy to broadly summarize the, items for the voting. Just to give you a heads up, there are eight items which I would request Raja Reddy, to summarize each of the item by item, yeah post his reading. So we would have a 15 minute additional window. If somebody has not exercised your e-voting option. Yeah, that 15 minute window is available for people to excise. With this. I would like to conclude my commentary. Having said before, we're more than happy to address any of the questions that you might have. Please do connect with us. We would be extremely happy doing that. Now I would request Mr. Raja Reddy to read out the summary of each of the items that are for voting.

Thank you.

Mr. Raja Reddy will read out the Resolutions:

Item No.1 - Adoption of audited financial statements, Report of the directors and auditors for the year ended 31st March, 2020 as detailed in Item No.1 of the Notice of the AGM.

Item No.2 - Declaration of dividend as detailed in Item No.2 of the Notice of the AGM.

Item No.3 - Re-appointment of retiring director, Shri.S.Sreekanth Reddy (DIN.00123889) as detailed in Item No.3 of the Notice of the AGM.

Item No.4 - Re-appointment of retiring director, Shri.K.Satish Chander Reddy (DIN.02412539) as detailed in Item No.4 of the Notice of the AGM.

Special business:

Item No.5 - Consent under section 180(1)(c) of the Companies Act, 2013 for exercising borrowing powers as detailed in Item No.5 of the Notice of the AGM.

Item No.6 - Consent under section 180(1)(a) of the Companies Act, 2013 for mortgaging the assets etc., as detailed in Item No.6 of the Notice of the AGM.

Item No.7 - Consent under section 186 of the Companies Act, 2013 for making investments etc., as detailed in Item No.7 of the Notice of the AGM.

Item No.8 - Consent under section 20 of the Companies Act, 2013 for charging fee, as detailed in Item No.8 of the Notice of the AGM.

Thank you sir.