

**Transcript of the 86th Annual General Meeting (“AGM”) of Godfrey Phillips India Limited
held on 1st September 2023 at 1.00 PM through Video Conferencing.**

1. After ascertaining the requisite quorum at 1.00 P.M., Mr. Sanjay Kumar Gupta, Company Secretary started the AGM proceedings with a welcome note. He requested the speaker shareholders to limit their speech to 3 minutes each. He informed the shareholders present at the meeting that if they had not cast their votes through remote e-voting earlier, window of e-voting has been enabled for them to cast their votes in course of the meeting.
2. Dr Bina Modi, Chairperson of the Board, welcomed the Shareholders and the quorum being present, the Chairperson declared that the meeting is in order.
3. Thereafter, the Company Secretary introduced the following panellists who were present at the AGM.

Mr. Samir Kumaar Modi	Executive Director
Dr. Lalit Bhasin	Director and Chairman of Audit Committee, NRC and SRC
Mr. Sharad Aggarwal	Whole-time Director & Chairman ESG Committee
Mr. Atul Kumar Gupta	Independent Director
Mrs. Nirmala Bagri	Independent Director
Mr. Sumant Bharadwaj	Independent Director
Mr. S. Lakshminarayanan	Independent Director
Mr. Ajay Vohra	Additional Director (Independent)
Mr. Sunil Agrawal	Chief Financial Officer
Mr. Rajeev Kapoor	Sr. Vice President- Finance
Mr. Vishal Dhariwal	Vice President- Finance
Mr. Keshav Ladha	Representative-Statutory Auditors
Mr. Rupesh Aggarwal	Representative- Secretarial Auditors
Mr. V. Ramachandran	Scrutinizer

4. The Company Secretary requested the meeting to take the Notice convening the meeting, Directors’ Report and Audited Accounts, as read.
5. Since there were no qualifications or adverse remarks in statutory auditors’ report and secretarial auditors’ report, the Company Secretary requested the meeting to take the same as read.
6. The Company Secretary announced that the Statutory Registers and other inspection documents shall remain open and accessible for electronic inspection during the meeting.
7. At the request of the Company Secretary, Dr. Bina Modi, Chairperson and Managing Director addressed the shareholders. In her speech, apart from drawing attention to the strong financial performance of the Company during FY23, she reiterated Company’s commitment to being a responsible corporate citizen. Further, she stated that Godfrey Phillips India is dedicated to

protecting the farming community and ensuring sustainability of their livelihoods and that it focuses on pressing community issues in the drought-prone areas involving tobacco farming, such as limited access to safe water, sanitation, education, and social protection and that it strives to achieve short-term goals of improving farming efficiencies and long-term plans for environmental conservation to mitigate the impact of climate change on agriculture.

Also, Dr Modi expressed sincere appreciation to employees and senior management team for their hard work, commitment, and determination in achieving strong financial results in successive years, and the Board of Directors for its valuable guidance and unwavering support. She also extended her gratitude to the customers, channel partners, farming community, bankers, other stakeholders, and government authorities for their continued confidence in the Company and thanked the shareholders as their continued trust and support drives the Company to strive for excellence.

Thereafter the Chairperson handed back the proceedings to the Company Secretary.

8. Company Secretary explained that as per the provisions of Section 108 and other applicable provisions of the Companies Act, 2013 read with the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has provided its Members, the facility to exercise their vote through electronic means i.e. 'remote e-voting' on resolutions proposed to be passed at this Annual General Meeting. The e-voting period prior to the Annual General Meeting ended on 31st August, 2023 at 5.00 p.m. Since it is obligatory to provide similar voting rights to the members present at the meeting, to vote in proportion to the shares held by them, the e-voting window for those shareholders who could not cast their votes previously was already enabled.

He further announced that Mr. V. Ramachandran, Proprietor of V R Associates, Company Secretaries, has been appointed as the Scrutinizer for e-voting process.

9. Thereafter, the Company Secretary read out the 1st Item of Agenda on adoption of audited financial statements and requested speaker shareholders to ask their questions one by one.
10. The Moderator from Link Intime took over and invited the registered speaker shareholders one by one. In total there were 20 shareholders who had registered themselves as speakers and out of which 14 speakers had attended the AGM.
11. The questions/queries raised by various shareholders and answers provided by Mr. Sunil Agrawal, CFO, are summarized as under.
 - 1) **What is the outlook for FY24 in terms of top-line & bottom-line -?**
 - It is difficult to give any guidance on FY24 performance but, going by performance till date, we expect reasonable growth over last year both in top-line and bottom-line.
 - 2) **Are we distributing Marlboro cigarettes even in the states that we were traditionally not present in?**
 - Yes, in states in south and east India where our own brands have nominal presence.

- 3) **What is the average price hike that we have taken or are planning to take across our cigarette portfolio in FY24?**
- less than 1% on weighted average basis.
- 4) **Why have our quarterly cigarettes volumes declining since Q3FY23 (1224 million per month) to 1186 million per month during Q1FY24 & when will this trend reverse?**
- It is mainly due to seasonality. Q3 is generally the best quarter.
- 5) **What were the revenues & OPM from manufacturing & distribution of Marlboro cigarettes for IPM India Wholesale Trading Private Limited in FY22 & FY23 & what is the expectation for FY24?**
- Revenue - FY22 Rs 523 cr, FY23 Rs 832 cr and FY24 may Rs 1,000 crore.
 - OPM- We are manufacturing and distributing Marlboro cigs in India on cost + markup arrangement basis.
- 6) **Please provide volume & revenue wise break up of our cigarette division between Four Square, Red & White, Cavanders, Stellar, Focus & Marlboro?**

	Volume in million cigs	Sale value in Rs Crores
Four Square	7104	1486
Red & White	744	133
Cavanders	1212	216
Stellar	576	91
Focus	72	9
Other	286	34
Marlboro	3980	832
	13974	2801

- 7) **What is the retail price/stick & size/stick (in millimetres) of Four Square, Red & White, Cavanders, Stellar, Focus & Marlboro & what is the threat of cannibalization from Marlboro entering smaller size & price point cigarettes?**
- We are operating around 80 SKUs in domestic market at various price points and lengths, below is franchise wise details:
 - o Four Square-Lengths 64 mm, 69 mm & 84 mm and price point from Rs 45 to 120/pack of 10's
 - o Red & White-Length 64 mm & 69 mm and price point from Rs 45 to Rs 80/pack of 10's
 - o Cavanders- Lengths 64 mm& 69 mm and price point from Rs 44 to Rs 90/pack of 10's
 - o Stellar- Lengths 69 mm, 84 mm & 97 mm and price point from Rs 60 to Rs 120/pack of 10's
 - o Focus- Lengths 64 mm & 69 mm and price point from Rs 48 to Rs 70/pack of 10's
 - o Marlboro-Lengths 64 mm, 69 mm & 84 mm and price point from Rs 60 to Rs 170/pack of 10's
 - **Marlboro cannibalization-** cannibalization possibilities do exist, but we try to contain it as much as possible.

8) From whom is the "Advances from customers (Contract liabilities) of Rs.133.5cr vs Rs.66cr yoy" in page no.213 & Note.26, in the annual report?

- The amount relates to advances received from our customers against export and domestic sales.

9) What is the threat from e cigarettes in the long term?

- In India E- cigarettes is banned since 2019.

10) What is the target revenue for our exports division during FY24?

- we are targeting growth of over 25%.

11) What were the losses from our chewing business in FY22 & FY23 which we have exited?

- Estimated loss in FY22 Rs 8.7 cr and FY23 Rs 3.9 cr (in H1 FY23 before exit).

12) What were the profits/losses from our confectionary business in FY22 & FY23 & When will our retail business break even?

- Estimated Profit from confectionary- FY22 Rs 1.8 cr and FY23 Rs 5.1 cr.
- Retail- We have been striving hard to improve operations and financials in last few years. While we have achieved break-even at store level, we are yet to achieve break-even at overall level after absorbing overall fixed costs.

13) What is the progress in monetizing the surplus real estate with the company?

- The old Andheri factory building has been demolished as the structure was posing risk to the neighbourhood. Re-development for gainful future use is being looked into.

14) What is GPIL market share in FY23 Vs FY 22?

- GPIL market share in FY23 was 9.6% vs 10% in FY22.

15) What is Marlboro market share in FY23 Vs FY22?

- MLB market share in FY23 was 3.8% vs 2.6% in FY22.

16) Kindly share your thoughts on how we are going to challenge the largest players like ITC & gain market share.

- To gain market share, we are launching some new variants with product innovation and also expanding to new geographies particularly with Marlboro in ITC strongholds.

17) Export business

1) In the past few years, we have seen very strong growth in exports of our tobacco, where the largest component has been unmanufactured tobacco. We have mentioned in our AR about having a very broad-based customer base, can you tell us how much our top 3 and top 5 customers contribute to our export sales?

- Our top 3 customers (Universal Tobacco, Philip Morris & Eastern Tobacco) are contributing 90% and top 5 are 95%.

2) In recent times, Phillip Morris has decided to wind down operations in Russia. How has that impacted our contract manufacturing business with Phillip Morris, do we now export larger quantities to Phillip Morris?

- We do manufacturing and distribution of Marlboro cigs in India only.

- 3) **Out of our total exports, how much is contribution coming from Phillip Morris?**
 - About 40% of tobacco exports is to PMI.
- 4) **is the growth and current business volumes on exports sustainable or are they due to some temporary global issue?**
 - We feel it is very much sustainable.

18) Domestic Business

- 1) **Can you share how much of our business comes from selling Marlboro?**
 - Marlboro contributes to over 25% of domestic cig sales volume.
- 2) **How is the industry doing currently, and what is our outlook for FY24?**
 - May grow in volume by about 3 to 4% in FY24.
- 3) **Question of margins-** In the past few years, we have seen a drastic reduction in legal/professional and advtg & sales promo costs for the company, which has contributed to an increase in margins. Are these cost benefits permanent in nature?
 - **Legal and professional exp FY16 Rs 110.52 cr, FY20 80.62 cr and FY23 30.79 cr- yes.**
 - **Adv & Sales promotional spends FY16 Rs 239.21 cr, FY20 155.88 cr & FY23 Rs 89.36 cr-** yes perhaps, because strategically our focus has shifted from brand spends to trade spends in form of invoice discount. However, this strategy may change from time to time.
 - **Discount, Rebate & Loyalty program – FY 17 Rs 86.32 cr, FY20 Rs 80.02 cr & FY23 Rs 26.47 cr-** yes, trade discounts are also being controlled consciously. However, this may change from time to time.

19) Retail business-

- 1) **We have been growing this business very well in past few years, however we have not been able to drive profits from this vertical, despite having a presence for a long period of time. What are management thoughts on profitability in retail business, by when can we achieve breakeven?**
 - We have been striving hard to improve operations and financials in the last few years. While we have achieved break-even at store level, we are yet to achieve break-even at overall level after absorbing overall fixed costs.
- 2) **What are the key levers of profitability for our retail business?**
 - Key levers are volume, product mix (food as proportion of total sales value), product pricing and overall level of fixed costs.

20) Associate company-

- 1) **In FY23, we saw share of profits of 84 cr. from IPM India Wholesale. This investment was written off last year, but now we have reversed the write-off and this entity has become hugely profitable. How has this been achieved?**
 - Investment was written off in FY 13-14 -which reversed in FY 22-23
 - IPM India has invested significant time and resources since 2009 to create brand awareness which helped it create demand for Marlboro and then gained market share resulting in profitable growth in business.

21) Others

- 1) **We had a GST raid on our holding company, can you update us with any new developments?**
 - Please refer to note 48 (b) on page 162 of the Annual Report regarding GST investigation. There is not much change in the status of the matter.

2) We see that Dr. Bina Modi has started drawing remuneration from the company. We also have paid 46 cr. commissions to our KMPs. Can you tell us about the internal benchmark for paying these commission amounts? Is it linked to profit after tax of the company?

- Please refer to Note 36 on page 143 of the Annual report for calculation of Directors' commission.
- Payment of remuneration is in line with approval given by the shareholders from time to time.

3) We see that 2 promoter entitles have exited the co (Spicebills Investments and Kedarnath Modi trustee). Will we see more promoter level exits in the future?

- Only Spicebills has exited. Kedarnath Modi (Trustee) shares have moved to IEPF.

22) Are TFS stores owned of franchised?

-owned

23) Are TFS stores in Hyderabad?

-yes, along the Hyderabad metro

24) How do you monitor field force?

-thru hybrid means i.e. both online & offline

25) Name new brands introduced recently.

-variants of Four Square with call names Nebula, Galactic & Impulse, Club One, Steller Duos, etc.

26) Provide details of CSR spends.

-pl refer page 16 to 20 of Annual Report

27) Do we use solar energy & do we do water harvesting?

-yes

28) What was the capex in FY23?

-about 83 crore

29) Are we rated for ESG?

-not yet but will in due course

30) What is the margin earned on tobacco exports & how much do we spend on Info Technology (IT)?

-we earn about 20% on tobacco exports and spent over 40 crore in IT department in FY23

31) Are TFS stores in Mumbai? - No

32) How do you propose to utilize cash surplus?

-we shall keep deploying in long term investments until any other long-term use is perceived

33) How is the fair value change in 7.69% investment in KKMIFS reflected in financials? How are investment properties held by subsidiaries reflected in financials?

-thru other comprehensive income in CFS

-thru investment properties or stock-in-trade in CFS

34) Why is average realization from Marlboro cigs going down?

-due to product mix between 84 mm and 69 mm variants

35) What is capacity utilization & capex planned for FY24?

-capacity utilization is about 45 to 50% & capex for FY 24 is expected to be about 150 crore

36) Which are new international markets explored by the company & what is the impact of GST?

-we are exploring markets in Southeast Asia

-GST is there since July 2017 & its impact is already factored into pricing

37) What is the difference between gross sales value or earnings presentation and sales value per financial statements? What is driving business growth?

- difference is the taxes & duties which do not form part of turnover in financial statements
- sales volumes are mainly driving growth

38) What are the plans for expansion in distribution?

- it is an ongoing process

39) How many TFS stores were added in FY23? – we added 45 new stores

40) What is the RSP of Marlboro cig?

- price of pack of 10 cigs – King size Rs 170, Regular Rs 95 and 64mm Rs 60

41) What is market share of ITC Ltd?

- about 78% in domestic cig market

Many speaker shareholders complimented Dr Bina Modi and the management team for a very good overall financial performance and increased rate of dividend and offered their best wishes for future growth in performance. Many shareholders expressed their sense of satisfaction over the services provided to the investors by the Company's secretarial department under the leadership of Mr Sanjay Kumar Gupta, Company Secretary and Link Intime, the RTA. Some shareholders made various suggestions regarding bonus shares, split in shares, buy back of shares, rate of dividend, shareholder get-together, etc which were duly taken note of.

12. All the other resolutions as per the Notice were read out by the Company Secretary for seeking approval of the Shareholders.
13. The Chairperson authorized Mr. Sanjay Kumar Gupta, Company Secretary and Mr. Sharad Aggarwal, Whole-time Director to declare the results of voting to NSE and BSE within two working days of the conclusion of the Annual General Meeting and to upload the same on the Company's website www.godfreyphillips.co along with the Scrutinizer's Report and also make the same available at registered office of the Company.
14. The Chairperson thanked all the shareholders and the panelists for their cooperation and support during the conduct of the meeting and wished them for upcoming festival season. And with those remarks, the Chairperson declared the 86th AGM of the Company as closed.
