

BAJAJ HOLDINGS & INVESTMENT LIMITED

TRANSCRIPT OF THE 75TH AGM HELD ON 22 JULY 2020 THROUGH VIDEO CONFERENCING / OTHER AUDIO VISUAL MEANS

Chairman Speech:

Chairman: Niraj Bajaj

Good evening, it is 4pm and I welcome you all to the 75th AGM of Bajaj Holdings & Investment Limited. I'm the Chairman of your company and am attending the meeting from my residence in Mumbai. In view of the continuing restrictions on the movement of persons at several places in the country, MCA vide circular dated 5th May 2020, read with circulars dated April 8 2020 and April 13, 2020 has allowed companies to conduct their AGM through video conferencing, or other audio visual means (OAVM) during the calendar year 2020. Accordingly, the company is holding this meeting through VC or OAVM. While all efforts have been made, to make the VC meeting smooth, participants connecting through mobile devices, tablets, laptops, etc. may at times experience audio or video loss due to fluctuation in their respective networks. Use of a stable Wi-Fi or LAN connection can mitigate some of the technical glitches. I must mention the sad demise of Shri Nanoo Pamnani on 22nd February 2020. He has been replaced by Shri Pradip Shah. The directors including independent directors and a few other key persons are present at this meeting by VC or OAVM. I will call out each director to introduce himself to the shareholders in that decided sequence. So let me start with Mr. Sanjiv Bajaj.

Mr. Sanjiv Bajaj:

I am director of the company and I am attending this AGM from our Registered Office in Pune.

Mr. Rajiv Bajaj:

Attending AGM from Bajaj Auto in Pune.

Mr. Balaji Rao:

I am Balaji Rao, attending the meeting from my Residence at Bengaluru.

Dr. Gita Piramal:

I am the Independent director of the company and I am attending the AGM from my residence in Mumbai.

Dr. Naushad Forbes:

This is Naushad Forbes, Independent director attending the meeting from my home in Pune.

Mr. Anami Roy:

I am Anami Roy attending the AGM from my residence in Pune.

Mr. Pradip Shah:

I'm an independent director attending the AGM from my residence in Mumbai. I'm also Chairman of the Audit Committee and of the Risk Management Committee. Thank you.

Mr. Madhur Bajaj:

I'm Madhur Bajaj, Non-executive director of the company and then functioning from my house in Pune. Thank you.

Mr. Manish Kejriwal:

I'm Manish Kejriwal, Non-executive director attending the AGM for my residence in Mumbai.

Chairman:

The following are also present at Mr. Anant Marathe, a CFO Sriram Subbramianiam, Company Secretary, Arvind Sethi and Paul Alvares, Auditors SRBC & CO. LLP, Shyamprasad Limaye, Secretarial auditor and also the scrutinizer and also to members of the senior management team. May I mention that Directors Report, Standalone Financial Statements and Auditors' Report thereon, Secretarial Audit Report, Register of Directors and KMPs and their shareholdings under Section 170 of the Companies Act 2013 and Register of Contracts under Section 189 of the Companies Act 2013 are available for inspection through electronic mode as prescribed under the MCA circulars. The proxy system has been done away with this meeting by MCA. However, resolutions under Section 113 of the Companies Act 2013 are allowed for giving authorization to attend and to vote at this meeting. There is resolution under section 113 of the Companies Act 2013 authorization to attend and to vote in respect of 36,298,583 shares have been received, representing 32.62% in the aggregate of the company's paid up share capital. I want to move the notice of the meeting and the directors report with the consent of the members present we may take it as read. I may mention that under the Companies Act 2013/Secretarial standards, the Auditor's Reports on the Standalone Financial Statements and

the Secretarial Audit Report are to be read only when they are qualifications or adverse observations or comments in the report. There are no such qualifications, observations or comments. The auditor's reports and the secretarial audit report, as in the previous year will not be read out at the meeting. I will take a few minutes to address the meeting commenting upon the working of the company for the current quarter for the first quarter of the current financial year given a FY21 update for the highlights are that the standalone profit for Q1 FY21 standalone profit after tax is 43 crores versus 23 crores last year, same quarter last year. The consolidated profit after tax for the current quarter is 679 crores versus 669 crores in the same quarter last year. Due to COVID-19 and lockdown, Bajaj Auto's sales in numbers going lower by 64% during Q1 FY21 as compared to corresponding quarter of last year as a result consolidated BAL profit after tax to that 396 crores in Q1 versus 2012 was in Q1 of FY20. BFS consolidated profit after tax stood at 1,215 crores in Q1 FY 21 versus 845 crores in Q1 FY 20, an increase of 44%. This was despite higher COVID-19 contingency provision by BFL but also helped by mark to market gains on equity investments held by the two insurance companies and lower claim ratio at BAGIC that the general insurance company. Consequently, BHIL consolidated profit after tax stood at 679 crores in q1 FY21 versus 669 crores. Investments, BFS investment portfolio at market value to that 73,785 crores as at 30th June 2020 versus 57,062 crores as at 31st March 2020. From 57,062 it went up to 73,785 crores in the current quarter as against a book value of 1035 per share. The NAV on the above investments were 6630 per share, as on 30th June 2020. acquisition of 27% stake in MSL in June 2019. The company has on 17 June 2019 acquired 30,85,712 equity shares representing 27% stake in Maharashtra Scooters from Western Maharashtra Development Corporation Limited pursuant to the Supreme Court order dated 9th January 2019. Total consideration of 239.25 crores comprising a price of rupees 232 per share aggregating 71.59 crores along with inflation at 18% per annum from the date of the Arbitral Award. That's 14 January 2006. Up to the date of payment amounting to 167 point 66 crores. Upon this acquisition the company holds 51% of the share capital of MSL has since become a subsidiary of BHIL. I would like to mention about the initiatives taken by the Bajaj group in respect of COVID-19 scenario as below.

I hope you and your families are keeping safe. The Bajaj group committed rupees 100 crores support towards COVID in March as soon as its seriousness became evident. We have already spent or committed over rupees 70 crores in various areas including upgradation of health care in Maharashtra, Rajasthan and Uttarakhand, rural healthcare upgradation, alternate livelihoods specially for rural communities. More than 40 lakh meals and dry ration have been distributed, 10 district and rural hospitals are being upgraded. Pune's largest COVID care center with 2800 beds with our support has just opened. Rupees 4.5 crores worth of PPEs have been distributed, COVID awareness and support campaigns are running in over 500 villages and a massive distribution of homeopathy medicine, has an immunity booster was done. Our fight continues against this virus and together we will overcome it. As a society we have to balance lives and livelihoods. We must always wear masks, practice good personal hygiene and social distancing to keep the virus from spreading. The authorities need to ensure adequate testing, tracing and care. It is equally important that business must stay open and micro-containment strategies

must replace local lockdowns. This is a long fight and personal safety and economic growth must continue hand in hand.

I will make a statement regarding e-voting and AGM resolutions as under:

The company in accordance with the Companies Act 2013 and SEBI Listing Regulations 2015 has provided facility to shareholders as on 15th of July 2020 to exercise their votes on items of business given in the notice to remote electronic voting system.

E-voting platform provided by KFin being used by the company for this purpose.

The remote e-voting period remained open from 19 July 2020 (9 am) to 21st July 2020 (5 pm).

Facilities also provided to vote through later electronic means at this meeting to those shareholders who have not voted so far through remote voting. Such shareholders may do the E-voting during the meeting, as per the procedure already set out in detail in the notice to the AGM.

Shri Shyamprasad Limaye, a practicing company secretary has been appointed by the board of directors of the company as a scrutinizer to scrutinizing the voting process.

Each of the items in the notice of AGM will be taken up for discussions.

After the end of the discussions, E-voting will be kept open for another 10 minutes, during which E-voting can be done by those who have not voted so far, either by remote voting or E-voting in the meeting.

All efforts have been made by the company to enable members to participate and vote on items being considered at the meeting.

Members who need technical assistance during the 75th AGM can contact KFin at emeetings@kfintech.com or helpline 18003454001.

The AGM notice circulated to members by email contains the resolutions to be taken up at the meeting already referenced, I will make a mention of the resolutions as per the AGM notice as under ordinary business.

Item number one of the AGM Notice to consider and adopt the standalone and consolidated financial statements of the company for the financial year ended 31st March 2020 together with the directors and auditors reports there on.

Item number two of AGM notice to confirm the interim dividend of rupees 40 equity share of

face value of rupees 10 each as final dividend for the financial year ended 31st March 2020.

Item number three of AGM notice reappointment of Mr. Manish Kejriwal as a director who's retiring by rotation.

Special business item number four of the AGM notice appointment of Mr. Pradip Panalal Shah as an independent director for a term of five consecutive years, with effect from 25th March 2020.

I now invite queries to commence by shareholders and all the items. May I mention that only shareholders who have already registered themselves their speakers will be allowed to speak and in the interest of time, there will be a time limit of two minutes with Speaker replies will be provided by Sanjiv Bajaj MD and CEO and if required by Shri Anant Marathe, CFO on the respective matters related to them.

Question and Answers :

Speaker 1:

Tushar D. Sodha:

Respected Chairman sir, Directors and shareholders. So first of all I have to mention that the audio as well as the visual connectivity is excellent against clearly seeing and hearing all the directors, including the Chairman, I give my sincere compliments to that department for this excellent connectivity. In fact, our efficient Secretary department for timely services of the documents and delighted thrilled to attend our company's Platinum Jubilee 75th, AGM although through video conference, along with many other shareholders, I too would have preferred a physical meeting for the wonderful occasion of the Platinum Jubilee. Chairman sir, dividend income from investments for the year 2020 was more than rupees 1800 Crores. However, the dividend paid to shareholders was only 500 crores that means rupees 40 per share. This is a very miserly payout of 38%. It is like a polite request to Chairman sir, managing director sir or board of directors to kindly ensure that the dividend amount paid to shareholders of Bajaj Holdings is more than 80% of total returns and by the company happy and going subsequently, very well, in the last three months. Shri Anant Marathe, chief financial officer as well as Shri Sriram Subbramianiam, company secretary and compliance officer. They both CFO at CS of Maharashtra Scooters as well. That's your responsibility for both of them. Are there any propositions for merger of Maharashtra Scooters with Bajaj Holdings. Request you to kindly consider merger for optimizing and unlocking best value in interest of shareholders of both companies. I extend my whole hearted support to the company as always. Yesterday I was reported for my assent and affirmation for all resolutions through E voting. Thank you very much, Chairman sir, for giving me this opportunity to express my views.

Speaker 2:

Aspi Bhamashah:

I welcome you to the 75th AGM as the chairman. But I disagree with my previous speaker, that a 40 rupees dividend is too less. In fact I feel it's too much. In these difficult times, you should conserve resources rather than giving away as a dividend. And I would request you that next year also you conserve the resources because the money remaining with you is much better than money remaining with the shareholders. Then thanks for giving me an opportunity to talk. Next year you can keep physical plus video conference AGMs so that we can also attend from Bombay. So thank you and all the best. Thank you.

Speaker 3:

Gautam Kira Prashad :

Sir. In fact, very honorable Chairman, sir, and, very much dignified board of directors and my fellow shareholders, and Bajaj Holding team. A very, very good afternoon to all of you. And I'm very happy that I have been given an opportunity to participate in the meeting. Precisely well, sir. Sir, is this Very good, sir, I also agree with my previous speaker, Mr. Aspi, that the altarpiece dividend is very good. And we, during this conservative Coronavirus, spirit, you should conserve your resources and even if you pay less because from that, the dividend tax will go from our shareholders and it will be better if it remains with you and it will be used with you besides doing that, I'm very happy that we have a very good team. Now here also, along with our Niraj Bajaj who is with us always all the time in Bombay meetings, and I'm attending from Bombay, of course, and I'm very happy that sir, Mr. Madhur Bajaj is also there. Mr. Pradip Shah is an independent director, very useful director and always has been of much use in all other meetings also and his potential is very good. And Mr. Anant Marathe also is very good. So, the overall company's performance I'm happy with Sir, I hear I would like to praise our management team for giving outstanding better results here on here. And similarly, I would like to praise our secretarial team and finance team who are giving very good investor services despite this Corona virus epidemic situation. Sir, I have got little queries which if you can answer now or afterwards also it will be very good. Sir. Are you planning sir? Is our company planning any layoffs of employees? Now, what is the cost of holding these virtual AGMs that we were holding before, along with printing of all and postal expenses, and all other expenses, so what is the cost of holding this virtual AGM? And I'm happy sir, that our people our secretarial department and other departments have taken good efforts to manage this AGM precisely well through virtual sir, whether there are any new digital initiatives taken by our company in light of the pandemic and lockdown. Sir, I would like to know how much as you said already, whatever amount we have contributed to this Corona virus epidemic. So, I would like to know how much total amount has been so far given to covid epidemic PM care fund and is it considered as CSR spending? Sir, what are the future plans of our company considering the very pandemic

conservative considering this pandemic situation globally? So, in such a difficult economic environment, how has the company managed to raise the borrowings and for day to day borrowings? How do we manage to take and are we keeping any accounts of that? And Sir, how much decline the company has seen in the business during the period of lockdown. And how has the pandemic affected our business throughout India and abroad also, sir, I'm very happy. I already as usual, I have given my opinion I have given approval for all the resolutions in the past also now also and throughout our life, we will be supporting Mr. Niraj Bajaj, I'm very happy to be with you and your appearance only users very good pleasant personality feeling and very confident feeling the way you have been handling and caring for the shareholders and distributors hours and all the time. So once again, very happy and we wish our management, our full team of management, our all shareholders and a full team of management and moreover, our team of secretarial and finance and total stakeholders connected with us a very happy prospective and very good relief and protection and care to come out of this fighting from Coronavirus in early in the best time to come. Sir I wish a company a very bright and bright very shiny future ahead and I once again thank you for the patient listening and happy days again the future thank you very much sir.

Speaker 4:

Pooja Beriya:

So I am speaking on behalf of my wife, my wife is also sitting near to me. Yes, Bajaj Holding and like my family, my net worth is around 60% in these stocks. I have been a shareholder of Bajaj holding and Maharashtra Scooters which has been serviced from 2012. And all this investment has been very profitable one for me so far. So it has been great investments for me to thank you. Everyone and all the honorable members of the board. So I have main questions regarding mainly the capital allocation policy of the companies. We're not going on the individual subsidiaries and things like that. So maybe it's investment companies who mainly on the capital allocation, the first question is I'm just trying to see like you have profitable associates like Bajaj Auto, Finserv and also indirect ownership in Bajaj finance. So, the cash streaming of Bajaj Holding is going to take a quantum leap in a decade or so, when this associate becomes a more mature business. So, and when they pay a very high percentage of dividends because Bajaj finance is still a growing company and the payout ratio is like 15%. So, of course, in 10 years time probably pay 30, 40, 50%. So, Bajaj holding will receive a lot of cash. So the question is, how would you like to use those cash for further service value creation? So, this is my first question. The second one is like we are retaining sometime like 50% of the standalone profit, the cash streaming that we do from these associates and that is flowed back to the listed equities or debt. So, I wanted to understand, is there any plan to build any businesses from scratch or we're just going to buy some listed equity because you pay me a premium into that. So my question is, I mean, you want to build something that can be built from scratch some businesses or maybe want to do some strategic acquisitions, some bigger acquisition just buying a full company. So this is the second question. The third question is do

you plan to further increase the stake in Bajaj finance service or Bajaj Auto property budgeting service, you have only 40% stake in Bajaj Auto you have 35% stake, so obviously, there is more opportunity to increase that. So, is there any plan? If there is no plan, maybe there might be some requirement for growth capital in these kinds of businesses because Bajaj finance or things of this might need some capital. So, do you anticipate those kinds of capital investment, that's the reason you are preserving some cash because you're not paying hundred percent of what you're receiving in the form of dividends? And the fourth question is, can you please share with us the last five year average return of your investment portfolio, if you exclude the strategic stake that you had? So, basically, you can also split it up between the equity investment in the last five year and also the debt investment. So what have been the IRR of these investments? The fifth question is basically you see, like, the last member also told about the dividend payout ratio or 28%. But I think it was something like 52%. So, there were two dividends this year. So the paper payout this year was 53%. But last year, I think the payout was 68%. So, what is the reason I mean you have a decrease in the payout ratio this year or what have you, is there any specific need that you want to preserve more cash this time? The sixth question is like I have seen like you have preponed the pay of dividends this year, you always pay in July this time paid in February and that I anticipate is mainly coming from the change in the dividend taxation by the government. So, it seems like it will be more taxing for the promoter group of the Bajaj Holding with a new taxation system. So is this something that we should worry about as a minority shareholder because if it is more taxing probably you want to be last to the sign holder in the form of dividends and keep it to save some taxes maybe so just to clarify on that point. And question number seven is like as you already mentioned, that NAV is very high for the Bajaj Holding, but there is a substantial discount to the intrinsic value of the business. So I'm just wondering why you are not using buyback as the value creation opportunity because if I look at the current price earnings ratios of Bajaj holding is around 10 x or even if you take the cerebellum rate of associates is less than 10 x if you remove the cash probably even less in terms of the ratio. And you are still not doing any buyback. I mean, if you just do buyback, if you're investing in fixed deposit, or that instrument that pays you 7%. I mean, if you just do all these buyback, probably it will be like double digit returns straight away. So, why are you not using buybacks? So, these are my questions, very happy to get your answers on that. Thank you.

Answers:

Anant Marathe (CFO):

I will start with the first question on the dividend payout. There are mixed responses from the shareholders. Some are saying the payout ratio is low some are saying payout ratio is high. But the policy BHIL dividend payout policy is 50% of the past that is very clear. But over the medium and long term, we would like to steadily increase the dividend payout of dividend payment in absolute amount as the profit permits. FY 18-19 dividend payout of BHIL was 55%. In 19-20, we have received interim dividends from group companies, and this is not likely to be

repeated in the year 2021. Keeping this in mind, if you exclude the interim dividend received from group companies then BHIL distributed almost the entire profit after tax of last year as interim dividends. So that is where the dividend payout of last year stands. Then there are broad questions about the capital allocation policy of BHIL, then need to preserve cash at BHIL. Then, what are the fun deeds of associates of BHIL which are mainly Bajaj Auto and Bajaj Finserv. Well BHIL is a holding company. It has large strategic stakes in Bajaj Auto and Bajaj Finserv. Those are growing businesses. While Bajaj Auto is created, it's a cash rich company and has generated significant amount of cash over the last many years. The financial services business in Bajaj Finserv required funds over a period of time. So, keeping this in mind we keep the balance in distribution as well as returning the cash at a holding company level. We may enter new business in automobiles and financial services. As you must be aware, yesterday, Bajaj Finserv's board meeting, board approved entering into asset management business. So, keeping this sort of needs in mind we keep the balance between the distribution as well as the business needs of large companies mainly Bajaj Auto and Bajaj Finserv. There was one specific question on value creation at BHIL level and there was indirect reference to buyback and holding company discount. BHIL as I mentioned keeps balance between distribution as well as creating value for its shareholders. Over 5 year BHIL has written the script return of BHIL is 13.4% versus nifty return over the five year period of 4.2%. Over 10 years, it will be even better over 10 years. BHIL has returned about 15.7% against nifty 50 return of 4.7%. So, this is significant and significant outperformance compared to the benchmark indexes and that is the way we are been creating the value. The way of creating value is through mentoring the stakes in Bajaj Auto and Bajaj Finserv. Then there is another question, whether we BHIL will increase taking Bajaj Finserv and Auto to about 15%. Well, you are as you have mentioned, over the years BHIL increased its stake in Bajaj Auto from 30% to about 36% and it can from 30% to 42%. Currently, there is No plan to increase the stake to 51%. Then you're asked for specific information on the 5 year average return of BHIL debt and equity portfolio. Well returns move along various time horizons, there can be one year return, three year return, five year return, 10 year or five year period that you're asked for, there is an outperformance of 2% over BSE Sensex return of 7.1% so outperforms by 2% whereas on fixed income outperformance is by about .5 to 1% over various time horizons this under this outperforms is from ranges from five to 10% in equity and fixed income, obviously, it will be much less or it will be in the range of about one to 2%. So, this is CAGR that I'm mentioning because these are a long term return. So, these are CAGR numbers. Then there is another question on taxability of dividend and interim dividend was declared in the month of March as against normal dividends in the month of July. Well, there are many reasons for declaring an interim dividend. Taxation is one of the reasons. Many companies declare interference for various reasons. So, taxation is not the only reason, so BHIL and other group companies also declared dividends as interim dividends. Had that been the last year BHIL has paid dividend distribution tax directly to the government from this financial year. Although BHIL doesn't have to pay tax, it will be equally taxed in the hands of retail shareholders. So it doesn't matter whether you're a promoter or whether you're a non-promoter it will be still taxed in the hands of devilled shareholders as well at their applicable tax rate. So, in that sense, it does not make any difference whether it doesn't put any shareholder

to the disadvantage, when the dividend is declared as interim or final. Then there is a specific question on why BHIL invests in debt securities when the returns are single digit. This is as we mentioned, BHIL is a holding company, it may have to support its group companies mainly Bajaj Auto & Bajaj Finserv. So, keeping in mind these requirements in a medium term, we invest about 40 - 50% of our surplus excluding group investments and that is available for any needs that may arise. So, that is why we keep it in the fixed income securities that also earns us a reasonable return rather than having a variable return which can vary according to market conditions in case of equities, but, at the same time, the balance 50% is also invested in equities, where we have an equity team which takes calls basis the valuations in the market. Then there are specific questions on employees, I don't get a question fully, but when the holding company has only 17 employees. Then, question on cost of E- AGM it was five lakh for holding this meeting. This is much lower compared to printing annual reports and posting the annual reports to the shareholders at the same time shareholders also to spend time for coming to Akurdi and traveling and all those costs. But is significantly less than the cost that shareholders have to bear the cost of printing annual report and all that last year because we are printed under reports of costs was something like 60-70 lakhs this year because of E-AGMs and we are sent all annual reports on digitally to shareholders the cost is in the range of about 20 lakhs. So yes, saved a significant cost on that.

Managing Director:

Just one or two points left over there was also a question on the PM care fund. At the outset, we have only 17 employees over here, but overall as a group, the employees across many of our companies decided to contribute one day salary to the PM Care fund that is about five crore rupees so that went from their salary and the respective Companies contributed an equivalent amount, so another five crore that went from the CSR support. And there was a broader question that Tushar started with, regarding any proposal to merge Maharashtra Scooters with Bajaj Holdings. Tushar. You're obviously a shareholder in both companies if you asked the same question. There is, well, well, there is no such proposal with the board right now. But keeping in mind that Maharashtra Scooters is now a subsidiary of Bajaj Holdings. With the board's both the boards of Maharashtra Scooters and DHL will have to consider various options in the interest of both sets of shareholders and then decide if anything needs to be done. As of now, it will continue as an investment company with a small manufacturing operation. That takes care of all the questions back to the Chairman.

Closing Comments:

Chairman:

Thank you MD. I will now request members present and who have not voted earlier to cast their votes using the facility provided by KFin and the voting process will be kept open for

another 10 minutes. I request Shri Sriram Subramaniam, Company Secretary and Shri Shyamprasad, scrutinizer to coordinate for an orderly conduct of the voting. The results of the meeting along with the consolidated scrutinizers report would be declared and posted on the company's website, and KFin's website not later than 24th July 2020 and should also be forwarded to the stock exchanges. Recording and transcript will also be made available on the company's website. I now hand over the proceedings to the company secretary and scrutinizer to complete the voting formalities subject to E-voting at the meeting. I declare the business of the meeting concluded. Thank you.