CHAIRMAN'S SPEECH

Dear Shareholders,

It is my pleasure to welcome you all to the 102nd Annual General Meeting of Aspinwall and Company Limited for the Financial Year 2021-2022, being held today through Video Conference. As the COVID-19 pandemic has continued to impact every aspect of our lives, Companies have had to change the way shareholder meetings have been held. I hope to find you all safe, and healthy as the pandemic continues to be at our doorsteps. A special thanks to all of you for joining virtually.

Let us now get to the business at hand.

The Annual Report for the Financial Year 2021-22, as well as the Notice, Annual Audited Accounts, and Auditor's Report, are already with you and with your kind permission, I take them as read.

Friends,

The cost of Russia's conflict in Ukraine is being felt by the entire world. It is a humanitarian catastrophe that has killed thousands of people and displaced millions. A global crisis in the expense of living has also been brought on by the war. The war has put the world economy on a path of slower growth and rising inflation, a position not seen since the 1970s. Rising inflation is making life difficult for those with low incomes and increasing major food security problems in the world's poorest economies, which is mostly due to sharp rises in the cost of energy and food.

The Indian economy expanded by 8.7 per cent in 2021-22 against a 6.6 per cent contraction in 2020-21. After recording the strongest GDP rebound in the G20 in 2021, the Indian economy is progressively losing momentum as inflationary expectations remain elevated due to rising global energy and food prices, monetary policy normalises and global conditions deteriorate. Real GDP is projected to grow by 6.9% in fiscal year (FY) 2022-23 and 6.2% in FY 2023-24, despite a pick-up of corporate investment facilitated by the Production-Linked Incentive (PLI) Scheme. While inflation will gradually decline, the current account deficit is expected to widen due to the surge in energy import costs. The direct impact of the war in Ukraine is relatively limited, as trade between India and both Russia and Ukraine is small.

The net direct tax collections recorded a 50 percent hike. The direct tax receipts reached a high of Rs.13.81 trillion during FY22 as against the net collections of Rs.9.23 trillion in FY21. The rising trends form a better basis for FY23. The pre-pandemic collections during FY19 were Rs.11.18 trillion and Rs.10.28 trillion in FY20.Even the advanced tax collections which was due on March 15 rose to Rs. 6.62 trillion posting a growth of 40.75 percent. The steady rise is a good sign of potential rise in income levels warranting advance tax payments.

It is noteworthy that many corporate sector entities have deleveraged their balance sheets in the last two years and strengthened them leading to improvement in their credit rating. CRISIL Ratings ratio (upgrades to downgrades) increased to 5.04 times in H2 of 2021-22 up from 2.96 in H1 of FY22.

According to IMF forecast, India will grow at 9% in FY22 scaled it down from 9.5 percent estimated in October 2021. It also projects 9% growth for India's economy in 2022-23, up from the earlier estimated of 8.5 percent and 7.1% in 2023-24. IMF observed that investment and consumption are building on better performance of the financial sector.

Overall Performance

- In comparison to the prior year's revenue of Rs. 24,971 lacs, the Company's operating revenue for the FY 2021-22 was Rs. 25,473 lacs.
- EBITDA (before exceptional items) was higher at Rs.1,830 lacs for the FY 2021-22 as compared to the EBITDA of Rs.1,133 lacs (before exceptional items) in the FY 2020-21.
- The overall comprehensive income (after tax) for the year was also significantly greater, coming in at Rs. 1,522 lacs as opposed to Rs. 700 lacs for the previous year.

Friends,

Let me now apprise you all about the performance of the individual businesses.

Our Company is a multi-line business organization and is engaged in Logistics services, Coffee processing and trading, Rubber plantations, manufacture and trading of Natural Fibre products.

Coffee Division:

Indian coffee is one of the best coffees in the world due to its high quality and gets a high premium in the international markets. India produces two types of coffee: Arabica and Robusta. Arabica has high market value than Robusta coffee due to its mild aromatic flavor. As per the post-monsoon estimate of Coffee Board of India, Indian Coffee production for the FY 2021-22 is to be around 348,500 MT (Arabica 99,000 MT & Robusta 249,500 MT) as compared to the previous year production of 3.42 lakhs MT. Even though Coffee Board has predicted 99,000 MT of Arabica production, the trade estimation is much lower, i.e, around 65,000 MT, of which Dry Cherry will be around 15% only and in case of Robusta, the estimated trade is 267,000 MT.

Aspinwall being one of the finest producers of specialty coffee in India produces Monsooned coffees which are found to be unique and well accepted in the global market. We contribute around 50% of the total Monsooned Coffee exported from India. Due to the Covid pandemic, we have Monsooned only 3130 MT during the season, out of which 70% to 75% is the only exportable grade, balance is lower grades which will be normally sold in the domestic market as per the demand. We have exported 2500 MT of Monsooned coffee in FY 2021-22. Our exports are to Switzerland, Germany, Italy, UK and Scandinavian countries like Norway, Sweden which comprises 85% of our total market and the balance to Australia, USA, Japan, and Russia.

The government will loosen control over the coffee sector by scrapping several archaic provisions of the Coffee Act 1942, and undertake all-round development of the sector with emphasis on domestic as well as export requirements and farmer welfare, according to the draft Coffee (Promotion and Development) Bill, 2022, prepared by the commerce ministry. The new Bill will replace the Coffee Act of 1942.

The Bill is also aimed at "holistic promotion and development" of the coffee industry, covering activities such as the expansion of the cash crop in new areas, sustainable cultivation, raising production as well as productivity, exports, promotion and the marketing of coffee. It will not just create more employment opportunities but also benefit the entire coffee value chain. India's coffee production is estimated to rise 15% in 2022-23 from a year before to 393,400 tons.

Coming to the Q1 results for the Coffee Division which already has been declared, it is to be noted that the major share of the profits expected in the fiscal 2023 has already been achieved during the first quarter. This is because of the substantial increase in international prices of coffees due to acute shortage of production from Brazil during the last season. Since we are selling the coffees procured during the previous season at lower prices, the margins realized during the first quarter of the current fiscal was quite good.

The domestic production for the current season is very bad, showing a reduction in crop by almost 15%. Due to the high prices of Arabica, Indian coffee producers are fully washing their cherry coffee and making it Parchment to get higher realisation. Parchment prices for this season have doubled compared to last year. This has resulted in the scarcity of cherry and prices also have skyrocketed. Every year 20% of Arabica used to go for Dry Cherry out of total Arabica production, this year this was further reduced to 15% of the total arabica production which led to skyrocketing the Arabica cherry price in the domestic market. This has resulted in considerable increase in prices of arabica cherry coffees on account of acute shortage of crop coupled with higher demand for the available coffees in the market. Even though the international prices were still at higher level, the margins being earned for the remaining part of the current financial year is expected to be lower. Subsequently the international market prices are also showing downward trend, which will have an impact on the margins being made for the rest of the year.

Since arabica cherry coffees are not available in the market for procurement for the process of monsooning, there may not be any requirement of working capital for coffee till the next coffee season commences in January, 2023, which will result in saving of interest cost for the rest of the current year. Even if procurement commences from early January next year, we expect to use our own funds for procurement of arabica cherry coffees.

Logistics Division:

As per the report of ICRA, the logistics sector is projected to record a growth of 7-9 per cent in the current fiscal, but the industry players' margins are likely to remain "sensitive to risks" stemming from a continued rise in oil and commodity prices amid the Russia-Ukraine conflict. The Business activity, during the FY 2021-22, post Covid has been positive for the logistics forwarding industry, even though the freight rates were globally high constrained with space and equipment shortages. During this period, the Exim Industry's requirements and demand had grown as compared to previous years. All Logistics branches dealing in forwarding could secure increased business volumes in all activities viz- Custom Clearance, Freight Forwarding, which helped in garnering improved revenue earning and margins.

Our logistics division at Mangalore received Excellence Awards, 2022, from New Mangalore Port Authority, for bringing the highest volume of sugar as C&F agent and second one for handling 2nd highest volume of Export Cargo at New Mangalore Port Authority. Mumbai branch recorded its highest activity and income levels across all categories. The branches in Bangalore, Chennai, and New Delhi all performed better than in previous years. Despite disruptions in feeder routes, Goa Branch also fared well in comparison to prior years.

Estimates indicate that India's logistics cost accounts for almost 14% of its GDP. This is much higher than 8%-9% share of GDP reported by most advanced economies. The government aims to reduce logistics costs to 10% of GDP within the next three years.

Therefore, overall performance expectations for FY 2022–23 are anticipated to be favourable.

<u>Plantation Division:</u>

The current area under natural rubber plantation in the Country is 8.3 lakh hectares with a tappable area of 7.2 lakh hectares. In 2021-22, domestic natural rubber consumption stood at 12.38 lakh tonnes against production of 7.75 lakh tonnes. The Rubber Board is finalising the contours of a National Rubber Mission to ensure that the domestic natural rubber requirements are met within the country. Currently, nearly 35 per cent of the domestic demand is met through imports. National Rubber Mission aims to produce enough natural rubber within the Country so as to meet the demands of domestic industry and minimise import.

Our plantation division was honoured by the receipt of a memento from the Bureau of Indian Standards, in recognition of our firm's dedication to quality and wonderful association with BIS for more than 25 years.

In addition to the customary practice of allocating slaughter tapping on contract basis, introduction of contract tapping was also introduced for certain areas using outside workers. This could bring about substantial cost savings including saving in fixed costs like bonus, gratuity, salary of supervisor staff, etc. This is an impressive accomplishment, especially in the light of the fact that most of other plantations are still having difficulty in implementing it due to the strong labour union and employee opposition. Above all, the labour situation in the estate has become quite peaceful.

The present wage settlement has expired on 31st December, 2021. We expect to have substantial increase in wages, effective from 1st January, 2022, for which adequate provision has been made in the accounts. Despite marginal decrease in prices of our products at present, major chunk of the said cost of labour is expected to be offset by increase in crop.

Natural Fibre Division:

During the year under review, export of coir products from India has decreased by more than 31% overall as compared to the previous year. Few products used in agriculture and soil stabilization such as coir pith and geo textiles are showing better resilience but only from direct manufacturers, while purely decorative items such as door mats and matting, which forms the bulk of the industry is exhibiting a much larger decline.

Rising freight costs (up 400%) and container shortages continue to disrupt the coir export business. Most large exporters are facing significant loss of business and considerable delay in executing even the small trickle of orders that are available. Coir yarn price continues to tumble down to a level more than 40% less as compared to the previous period, which clearly indicates the production scenario (or lack of) in the industry as a whole. Many production units are idle and the ones which are still running are far below optimum capacity.

The sales turnover of the Natural Fibre Division for the year under review was lower than originally expected. Compared to the previous financial year 2020-21 which recorded the highest sales and profits till date, the current year has substantial decline in sales which has also adversely affected the bottom line.

Over the last few years, the division has made significant gains in cost control. With the installation of a Zero Discharge Effluent Treatment Plant and Air Handling/Filtration System which permitted in-house printing at the Pollachi factory, thereby helped to bring down the painting costs by about 40% as compared to outsourced printing. Various efforts taken to reduce the cost of paint resulted in a reduction of 15% in the current paint cost. The Division has installed a 30 KVA online industrial UPS to reduce productivity loss and waste generation due to frequent interruptions in mains power supply. Various ancillary efforts with the composition of PVC compound along with the efforts listed above has helped bring down the production costs to a desired level. In order to overcome printing delays and the problems associated with drying of mats particularly during the monsoon period (which is our peak shipment period), we have installed a thermal dryer using the waste heat from our boiler, which reduces both costs and manpower, and speeds up shipments. However, it is evident that one cannot overcome the current conditions by cost control alone.

The coir mats industry is going through a challenging phase, it is therefore the right time to look at new strategies to sustain and grow our business. With the worldwide success of online merchandizing, particularly in the better organized Western Markets, it is felt this could be a potential game changer for our industry (as it could prove to be for many types of business).

Land Sales

The Company has sold its 5 acre landed property at Punnapra, Alleppey District, Kerala. The funds received from the said disposal of land has helped the Company to reduce its dependency on the working capital credit facilities from the Banks which shall end up in substantial reduction in interest cost for the fiscal 2023.

Subsidiary Companies

The Company has presently four wholly owned subsidiaries. There has been no material change in the nature of business of the subsidiaries.

- Malabar Coast Marine Services Private Limited: The main business of the Company is stevedoring and freight forwarding, mainly in the port of Mormugao (Goa). The performance of Malabar Coast Marine Services Private Limited has been satisfactory.
- SFS Pharma Logistics Private Limited: Company is engaged in the business of logistics assistance in India and abroad relating to clinical trial shipments, pharma products, and other temperature sensitive cargo. SFS is also handling business through its net work arrangements with partners in other countries. The performance of SFS Pharma Logistics Pvt. Ltd., has been very encouraging during the last year and we are confident that it will make decent progress in its performance in the current financial year.

- Aspinwall Geotech Limited: Since the destruction of equipment due to a fire mishap that happened in 2002, Aspinwall Geotech Limited has not engaged in any commercial activity. However, a profit was made when the National Highway Authority of India has acquired a small portion of company's land under the Right to Fair Compensation and Transparency in Land Acquisition and Resettlement Act, 2013. The Company has also disposed off the remaining land subsequently during the current financial year.

- Aspinwall Technologies Ltd: The Business activities of Aspinwall Technologies Limited has been discontinued for the past couple of years. Considering the inactivity, the Company has gone for voluntary liquidation process and the NCLT (National Company Law Tribunal) Bench at Kochi has dissolved the Company vide order dated 29th April, 2022.

- Aspinwall Healthcare Private Limited: The Company's main activities consist of manufacturing and trading of medical products/accessories/equipment and the activities had started during the month of June, 2021. The Company has decided to reduce the prices of the products and we expect that sales and margins would pick up during the current financial year. Company is also exploring the possibility of having trading activities of similar products along with the main products and get into manufacturing facilities of those products once the same is proved successful in the market. The Company has set-up a factory at Aluva, Kochi, Kerala, for the manufacturing and sales of Multi-Band Ligators used for liver-cirrhosis patients. During the FY 2021-22, the Company has received the Drug Licence for the manufacture and sale of the said product. The Company is expected to reach profitable levels by FY 2023-24.

Dividend

The Board of Directors of your Company has recommended a first and final dividend of Rs.6.00 per equity share for the FY 2021-22 as compared to the First and Final Dividend of Rs.3.50 per equity share for the FY 2020-21. This is the highest dividend rate recommended/declared in the history of the Company.

Corporate Social Responsibility

Coming to Corporate Social Responsibility of your Company, CSR is more than a legal requirement for us. We firmly believe that our relevance is equally important for the less privileged stakeholders from the society and community.

Based on the CSR Policy, your Company has spent Rs.15 lacs during the FY, under various Projects that included Projects for improving infrastructural facilities of Schools/ Hospitals /Old age Home, Promotion of sports and contribution to PM National Relief Fund.

Change in Directors

The Board at their meeting held on May 16, 2022, based on the recommendations of the Nomination and Remuneration Committee of the Company, Mr.Thalasseril Raghavankutty Radhakrishnan was appointed as the Additional Director and was designated as the Executive Director & CFO with effect from May 17, 2022 for a period of three years, subject to the approval of shareholders in this AGM.

Mr. Rajesh Sundarrajan has resigned from his office of directorship on 16th May, 2022 and the Board has accepted his resignation

and

Mr.Chemprol Raja Raja Varma, Non-executive Director, is liable to retire by rotation in this AGM and is eligible for re-appointment.

ACKNOWLEDGEMENTS

I would like to convey my sincere thanks to all our shareholders, customers, suppliers, bankers, auditors, legal advisors, consultants and all other business associates, the Government and various authorities for their continued trust and confidence in the Management of the Company.

I also thank all my colleagues on the Board for their continued support and guidance.

Last, but not the least, I would like to thank all employees of Aspinwall and Company Limited for their high level of motivation, commitment and hard work.

Thank you!