

## **MAHARASHTRA SCOOTERS LIMITED**

### **Transcript of the 46<sup>th</sup> Annual General Meeting held on 21 July 2021 through Video Conferencing/ Other Audio Visual Means**

- **Mr. Sanjiv Bajaj – Chairman, Maharashtra Scooters Limited:**
- Good evening shareholders, and welcome to this 46th Annual General Meeting of Maharashtra Scooters Limited. I am Sanjiv Bajaj, Chairman of the company. At the outset, I would on behalf of the Board like to express our heartfelt condolences to all those who have lost their loved ones in this dreadful times. With the requisite quorum being present, I call the meeting to order. In view of the continuing restriction on the movement of persons at several places in the country, the Ministry of Corporate Affairs and SEBI has allowed companies to conduct their AGMs through video conferencing or other audio visual means without physical presence of members at a common venue. Accordingly, your company is conducting this meeting through video conferencing for the second consecutive year. The company has taken all feasible effort to ensure that shareholders are provided an opportunity to participate in this AGM. Members participating through mobile devices, tablets, laptops, may at times experience some audio visual loss depending on your own respective networks. Use of a stable Wi-Fi or LAN connection can help with this. Members who may need any technical assistance during the meeting may reach out to KFin at the email ID or the helpline number which we provided in the AGM notice.
- Before I commence with my formal address, I would like to introduce all my colleagues on the Board of the company. With me from the AGM venue is Anish Amin. Other Directors who have joined us online are Naresh Patni, Yogesh Shah – Chairman of the Audit Committee, the Nomination and Remuneration Committee and the Stakeholders Relationship Committee. Lila Poonawala, and V. Rajagopalan. All Directors are present at the meeting. Anant Marathe, our CFO and Sriram Subramaniam, our company secretary also present at this meeting. But on account of the social distancing norms, Sriram is not seated at the dais with us. Parag Pansare and Suhas Deshpande partners with Kirtane and Pandit LLP, our statutory auditors and Shyamprasad Limaye our secretarial auditor are also in attendance. Pursuant to the MCA circulars, the following documents are available for inspection, electronically; Directors' report, financial statements and auditor's reports there on, secretarial audit report and register of directors and key managerial personnel and their shareholding under section 170 of the Companies Act 2013. The auditor's report on the financial statements and the secretarial audit report for the financial year ended 31<sup>st</sup> March 2021 do not contain any adverse remark, qualification or disclaimer, and accordingly the said reports are not being read out. Since the meeting is conducted through video conferencing, the option to appoint a proxy is not available at this AGM. The company has received authorization under section 113 of the Act from shareholders holding in aggregate 5,828,560 shares representing 51% of the paid-up share capital of the company.

- Now let me make a few points. The COVID-19 pandemic is a once in a lifetime occurrence that is brought with it unimaginable suffering to people and to almost all sections of the economy. In spite of the difficult times, the Bajaj Group has strived to come out strong during this period. We ensured health, safety and work from home for our employees. We enabled the technology platforms and communication systems to support work from home seamlessly and ensure least disruption to our customers in conducting business. Bajaj Group's philanthropic philosophy was articulated by our founder Shri. Jamnalal Bajaj, who had said that 'all business activity should look for opportunities for philanthropy. However, when doing philanthropy, business motives should not be considered'. Till date, the group has partnered with more than 300 NGO partners having supported projects in health education, women's empowerment, environmental sustainability, and has made fund allocations of around Rs. 1300 crore in the last seven years. Bajaj Group has also been at the forefront of the fight against COVID-19 supporting local administrations, NGOs and communities. Given the severity of the second wave of this pandemic, we pledged this year just a few months ago an additional financial support of Rs. 200 crore towards our COVID response. This support will be useful to alleviate the immediate on-ground challenges as well as to build both capability and capacity to tackle a possible third wave. And many of you may know that this contribution is in addition to a Rs. 100 crore that was donated and has been spent by the group last year, when the first wave of the pandemic hit us. Overall within our formal CSR programs, the group committed almost Rs. 300 crores in FY 21, of which the Finserv Group of companies contributed about half. Apart from this, we have adopted skilling for employability as a significant focus area to continue to dedicate our resources. Our flagship program in Finserv is a certificate program in banking, finance and insurance, which has seen significant success with a presence across 10 states, over 200 colleges and with 10,000 students already benefiting from this program so far and in just this year, we plan to add another 10,000 students. I request you to go through the Bajaj Group's CSR programs, which is available on our website.
- Let me now highlight the key performance during the first quarter. The company as you know, continues to manufacture pressure die-casting dyes, fixtures in its tool room and manufacturing of die-casting components started in March 2018. Sales of toolings and components was Rs. 2.7 crore versus Rs. 1.41 crore in the same quarter last year. Other income, primarily income from our investments was Rs. 3.99 crore versus Rs. 3.90 crore. Total income hence was Rs. 6.69 crore for the quarter versus Rs. 5.31 crore. Profit after tax was Rs. 2.14 crore versus Rs. 1.45 crores. In terms of provisions of the Companies Act 2013 and SEBI's listing regulations, members holding shares as on the 14<sup>th</sup> of July 21 are entitled to exercise voting on the resolutions contained in the notice dated 28<sup>th</sup> April 21. Shareholders holding shares as on the cut-off date were provided an option to cast their votes remotely from 18<sup>th</sup> July 2021 from 9:00 AM to 20<sup>th</sup> July 2021 till 5:00 PM by logging into the e-voting platform KFin Technologies. Shareholders who have joined this AGM but have not cast their vote so far, can vote at this meeting. Before putting the resolutions to vote, I would like to brief you on the same and they are all on the screen. They are all ordinary resolutions. Resolution No. 1 is the adoption of standalone financial

statements for the financial year ending 31 March 2021, together with the Directors' and auditor's reports there on. Resolution no. 2; is the declaration of dividends of Rs. 50 per equity share of face value of Rs. 10 for the financial year ended again, 31<sup>st</sup> March 2021. And Resolution no. 3 is the appointment of Shri. Rajagopalan, Director, who retires by rotation and being eligible, offers himself for reappointment .

- Now I would like to invite queries and comments from shareholders who had registered themselves as speakers. Only those shareholders who have already registered as a speaker will be allowed to seek clarification. To ensure participation from maximum shareholders, I would request the speakers to be brief, precise, and to avoid repeating questions already asked. Speakers have accordingly been allocated two minutes each to offer their comments and seek clarification, and queries and questions received over email or through the companies RTA, will also be taken up, subject to the availability of time. Let me hand over to the moderator.
- **Moderator:**
- Chairman sir, the first speaker shareholder for the day is Mr. Bhargav Boppana.
- **Mr. Bhargav Boppana – Shareholder:**
- Hi, Mr. Bajaj, thank you for this opportunity. The question basically, I think you probably have already received from Shriram. Sir the book value of your investments is around like Rs. 17,000 crores, the market cap as on yesterday was around Rs. 4,200 crores. You can tell that the market is in a big bull run, but if you look at the different perspective of the same thing, if you look at the look-through earnings, it is around Rs. 480 crores. So that is like around 12% earnings yield for the companies that are growing at like 20-25% a year, your Bajaj Finserv and Bajaj Finance. So the question is basically, why don't you do buybacks instead of giving dividends, when the market is presenting in such a good opportunity to do buybacks than tend to give our dividends? The other question I have is, if there are no sellers in the market, if they perceive that the company is going at a very cheap rate, what stops it from Maharashtra Scooters becoming something like an Elcid or a Hindustan Housing company where the share is just a fraction of value of their holdings? Like for example, take Elcid Investments. It trades around Rs. 15, it is not even trading. The value of its holdings are more close to Rs. 4, 00, 000 per share and there is a lot of green market trading happened, but no listed marketing, it doesn't happen. So what stops Maharashtra Scooters from becoming something like that? I have listened to your AGM last year. I listened to your answer last year that you gave an answer like, the CAGR for the last 10 years has been 22% or something like that. We have been shareholders for 25 years. The CAGR for those years, it is just 30% and the inflation rate for the past 25 years is around 6.5% CAGR. I don't think the value that has been accredited...achieved by Bajaj Finance or Bajaj Finserv or Bajaj Auto have not been received by Maharashtra Scooters' shareholders even though they hold the same shares indirectly through Maharashtra Scooters. So just comment on those things.
- And one last question I have is, why are we having this holding structure where subsidiary also hold shares in the holding company? The new Companies Act says

that, the subsidiary should not be holding shares in the holding company.. Yeah, there are exceptions to it where subsidiary already holds shares in the holding company. It can continue to do so. But, at least the spirit of the law is against that, right? So I want you to comment on that too. That is it. Thank you.

- **Moderator:**

- Thank you Mr. Boppana. Ladies and gentlemen our next two shareholders have both logged in on the same device. Mr. Amit Mantri and Sarita Devi Jain. We shall request Mr. Amit Mantri to speak on behalf of both. Sir you are unmuted and in the meeting room. Over to you sir.

- **Mr. Amit Mantri – Shareholder:**

– My question is, as per the announced dividends of Bajaj Auto, Bajaj Holdings, Bajaj Finserv and Bajaj Finance, Maharashtra Scooters will received dividends of around 129 cr. in this financial year, i.e., FY22 for its holdings in the group companies. However, Maharashtra Scooters is paying a dividend of around only 57 cr. to shareholders. So the question is, does the company plan to announce further dividends in the year to ensure that dividends received by it are passed on its shareholders, or does it plan to retain these dividends? If Maharashtra Scooters does not pass on these dividends entirely to shareholders, it will have to pay tax on this balance dividend of 72 cr. that it is retaining. This will result in tax inefficiency because Maharashtra Scooters will also pay taxes on this dividend income, and then in the future when shareholders received dividends, they will also have to pay taxes. So the request to the company is to please ensure that atleast those dividends that are received by it from its holdings like Bajaj Auto, Bajaj Holdings, Bajaj FinServ and Bajaj Finance are passed on to shareholders to ensure that there's no tax inefficiency due to double taxation of the same dividend at the hand of both the company and the shareholders'. The second question, my request is again, repeating what Bhargav said – I would request that the company choose to buy back its shares, and the reason is very simple. Maharashtra Scooters today trades at around 78 to 79% discount to the value of its underlying holdings. So buying back stock at 75% plus holding company discount, would mean that every Re. 1 of buy back creates almost Rs. 3 of value, even when you include the 20% buy back tax. So even when you include the negative impact of the buyback tax, there is still Rs. 3 of value that is being created for every Re. 1 that is spent on buyback. So, it will serve a dual purpose. The buyback itself will be extremely value accretive because there is clear value that is there; we're getting Rs. 3 value for every Re. 1. And the buyback announcement would result in the narrowing of the Holding Co. discount which would also benefit shareholders. So these are the two questions and requests. Thank you very much.

– **Moderator:**

– Thank you Mr. Mantri and thank you Ms. Jain. We move on to our next shareholder, though I think Mr. Aloysius Mascarenhas is not here with us. So we move on to our next shareholder Mr. Bhavik Kothari. Mr. Bhavik Kothari, you are unmuted and

placed in the meeting. Could you kindly switch your camera on and go ahead and speak.

– **Mr. Bhavik Kothari – Shareholder:**

– Thanks for the opportunity to speak. I have two questions – One relating to dividend and the second relating to buyback, and both of those have been very well articulated already by the previous speakers. So thank you, and you may please reply to those questions. Bye.

– **Moderator:**

– Thank you Mr. Kothari. Thank you. We now move on to our last shareholder speaker who is Ms. Pooja Beria. Ms. Pooja Beria?

– **Ms. Pooja Beria – Shareholder:**

– Can you hear me? Am I audible?

– **Moderator:**

– Yes you are audible sir. Please go ahead.

– **Ms. Pooja Beria – Shareholder:**

– Yes. So my first question is, how do you feel about the future of the Bajaj group companies? Last decade had been very good with very very strong growth. Can we expect in the forthcoming decade, a similar type of growth in the Bajaj group? This question is very important because the fortune of Maharashtra Scooters is tied to the prospects of the sister concern. The second question has already been asked. So, what is the board trying to do to reduce the holding company discount? The third is basically, I don't agree so much with other speakers about the buyback because I think, if you stream the dividend, then there will... If you don't pay the dividend, if you stream from your sister concern, if you don't pass it on, there will be taxes. But if you do a buyback, then again there will be taxes. So maybe buyback is not that tax efficient. But I will agree that whatever you stream, maybe you're paying 100% of those dividends to be passed on to the shareholders. That is the most tax efficient way to create value. The last one is, if you see Maharashtra Scooters currently is an unnecessary structure in the scheme of things, more so because of the 51% stake acquired by Bajaj Holdings. So is there any plan to really merge Maharashtra Scooters and Bajaj Holdings. Also given, Maharashtra Scooters trades at a far more discount, something like 80% discount compared to Bajaj Holdings which trades at maybe 65-70% discount. So how do you... In case of any restructuring, how do you ensure that minority shareholders of Maharashtra Scooters are not short changed? The last question – Really, Bajaj group is well known for its corporate governance and is one of the most reputed and trusted groups in corporate India. So, can we expect a similar upright corporate governance experience when it comes to Maharashtra Scooters minority shareholders? Can we as minority shareholders of

Maharashtra Scooters expect to reap the reward of the right and prosperous future of the Bajaj group in a fair and transparent way? So that's all from me. Thank you.

– **Moderator:**

– Thank you sir. With this we come to the end of this section. And I hand the proceedings back to our Chairman Shri. Sanjiv Bajaj. Over to you sir.

– **Mr. Sanjiv Bajaj - Chairman, Maharashtra Scooters Ltd:**

– Thank you. So the first set of questions will be taken by the CFO Anant Marathe who is on my left.

– **Mr. Anant Marathe – CFO, Maharashtra Scooters Ltd:**

– Thank you Chairman sir. The set of questions is about dividend. Almost every shareholder has asked about distribution of the company. Let me go back to the process of dividend. Dividend of Maharashtra Scooters as well as other Bajaj group companies, it is relatable to their respective profits for the financial year 2020-21. In the year 2021, MSL had a profit of Rs. 9 cr. and it declared a dividend of Rs. 57 cr. The dividend per share was Rs. 50 per share, which is same as the dividend declared last year. MSL's objective is to have steady dividend for its shareholders, and over a medium and long term, it will grow. It is in addition to the capital appreciation that the shareholders get on the share price through the stock markets. So keeping this in mind, though the profit of the company during this financial year was Rs. 9 cr., the company has declared a dividend of Rs. 57 cr for FY2020-21. Some speakers have mentioned figures of 128 cr. that dividend Bajaj groups will declare and Maharashtra Scooters will receive. That is related to the financial year 2021 and 2022, and the board will appropriately decide about the dividend of Maharashtra Scooters for next year when it comes to that decision. Over the last 6 years, Maharashtra Scooters has declared 70% of its profits as dividend to the shareholders. This will most likely be followed in the future, as well as keeping in mind the opportunities and contingencies that appear in the Maharashtra Scooters' context. Another angle that is added to the dividend is the taxation. Taxation is one of the considerations amongst many other considerations followed by the company while declaring the dividend distribution. The only thing that has changed in the taxation is, earlier taxation was... tax was being paid by the company on behalf of the shareholders indirectly. Now it is directly paid by the shareholders through the dividend that they will receive. Thank you.

– **Mr. Sanjiv Bajaj - Chairman, Maharashtra Scooters Ltd:**

– I'll take one of the main questions that had come up, quite understandably, which is related to the Net Asset Value versus where the share price is. What can we do to get greater value for shareholders? Should there be a buyback? Should there be a merger, is what the last shareholder asked.

– So let's look back a little bit at this. As you know, this company was created to make scooters, and it made the Priya Scooters. However, in the early part of the last

decade or the decade of 2000s, the management and board of the company realised... actually even prior to that in the 90s realised that scooters were coming under some amount of threat. And keep in mind, this company had very limited manufacturing capability. It was essentially a panting and an assembly unit. Hence, the management and the board smartly decided to invest the retained earnings... we did not raise capital... the retained earnings (after giving shareholders a fair dividend) into stocks of some of the Bajaj companies. If I recall, it was in 1999 or 2000 where a number of shareholders... because that was one year where some of those stocks did not do well. And I recall a bunch of shareholders telling us why you are investing in your group company stocks, invest it in fixed income! Management did not have to listen to that, but keeping in mind what a lot of shareholders were telling us... and this is where when you talk about listening to the minority... doing that, since then, for the last 20 years, all the retained earnings, incremental, has only gone into fixed income instruments. Sadly to say, if it had gone into the group company share of the Bajaj group, those investments would have grown not only higher than fixed income returns, not only 5 times higher, 10 times higher, but (many of you are in the stock market) multiple times higher. As a company we must realise also that while as shareholders we see the underlying value of those assets, we must keep in mind that the management team took the right call to invest in the group company shares of the Bajaj group. And this company now has become a core investment company of the Bajaj group. It invests in shares of the Bajaj group and other instruments that I talked about as well. Those shares are important to the Bajaj group. So we must keep that in mind. But, equally as shareholders, it is our responsibility to see that you get an adequate return.

- And that's where, as one of the shareholders Bharghav talked about the numbers I shared last year, let me share those numbers again because another year has passed. MSL share price has risen at a compounded annualised growth rate of 27% versus 9.8% for the Sensex over 10 years. Over 10 years the Sensex grew just under 10%, we have grown 27% year after year. In 5 years the Sensex grew a little better at 14.3% per year, and we have grown at 24.1%. So from a shareholder point of view, if you've held these shares for 5 years, you've got a 24% return. If you've held it for 10 years and longer (as many of you have), you've got a 27% return. Naturally, we cannot promise these kinds of returns every year, but this is the history. Please compare that with the stock market; how many other shares give you that kind of return? Somebody said that I hope the company is not going to be unfair to minority shareholders. I don't think this return, by any stretch of imagination, is being unfair.
- Coming to the discount on the Net Asset Value, as you know these share prices, management does not control them, the board does not control them, You control them. It is your confidence in the company based on which you value the shares, based on which you decide when to buy the shares, at what price, when to sell them; we don't do that. Hence, you decide what is the discount to the Net Asset Value. Incidentally, as you talked about your discount, it's not very different from that of Bajaj Holdings, another group company of ours. So it's a question of how the market sees value. And I would close this particular question to say that as shareholders, you can be sure that the management and the board is committed to

the interest of each and every shareholder, and it will keep that in mind with any action that it takes, whether in reviewing the dividend, whether anything else. Mr. Beria, clearly asked another question and a smart question i.e. what is the performance of the other Bajaj companies likely to be, because if we are holding shares of those companies, then our performance naturally is linked to that. And if some of you have been there at the AGM or seen the results in the last year, in the last quarter of our companies, and some that will get declared tomorrow, you will hopefully have a chance to renew your confidence in the group, and hence in this company as well.

- So with that, we have answered all the questions as I see it. Let me move ahead. Members who have not yet cast their vote are requested to do so now. Subject to voting, I declare that the proceedings of the meeting as closed. The facility to cast your votes will remain open for another 15 minutes. The result of the voting along with the scrutiniser's consolidated report would be declared and posted on the company's website and KFin's website within 2 working days of conclusion of this Annual General Meeting and this shall also be forwarded to the stock exchanges. A recorded transcript will also be made available on the company's website as soon as possible. I thank you for participating at the meeting. And as I close, I and the board pray for good health and safety to you and your family.

- ***END OF TRANSCRIPT***