

# IJM PLANTATIONS BERHAD (133399-A)

31<sup>st</sup> AGM Minutes dd 23 August 2016

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**EXTRACT** of the **MINUTES** of the **31<sup>st</sup> Annual General Meeting** {AGM} of **IJM PLANTATIONS BERHAD (133399-A)** held at the Victorian Ballroom, Level 1, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Tuesday, 23 August 2016, at 3.00 p.m.

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## DIRECTORS & SECRETARY PRESENT:-

1. Tan Sri Dato' Wong See Wah, *Independent Non-Executive Chairman*
2. Joseph Tek Choon Yee, *Chief Executive Officer & Managing Director ("CEO&MD")*
3. Purushothaman a/l Kumaran, *Chief Financial Officer & Executive Director ("CFO&ED")*
4. M. Ramachandran a/l V.D. Nair, *Senior Independent Non-Executive Director*
5. Pushpanathan a/l S.A. Kanagarayar, *Independent Non-Executive Director*
6. Tan Sri Dato' Tan Boon Seng @ Krishnan, *Non-Executive Director*
7. Dato' Soam Heng Choon, *Non-Executive Director*
8. Ng Yoke Kian, *Company Secretary*

## MEMBERS AND PROXIES PRESENT:

64 members and 48 proxies (excluding Directors and Secretary).

## BY INVITATION:-

1. Loh Lay Choon, *Partner, PricewaterhouseCoopers ("PwC")*
2. Lim Sen Shih, *Senior Manager, PwC*

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The Chairman welcomed all the members and proxies present at the meeting. He introduced the members of the Board of Directors ("Board"), the Company Secretary, the Auditors from PricewaterhouseCoopers ("PwC"), the Poll Administrator from Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") as well as the Independent Scrutineers from Deloitte Enterprise Risk Services Sdn Bhd ("Deloitte") who were in attendance.

It was noted that that the quorum of members was present and the Chairman called the meeting to order.

## 1.0 AUDITED FINANCIAL STATEMENTS

Before considering the 2016 Audited Financial Statements, the Chairman requested the CEO&MD to present to the meeting a brief on the Group's activities, performance and outlook for the financial year 2016. The CEO&MD in his briefing covered the following:-

- a) the Group's performance including planted area, estates crop production, palm product extractions and financial performance;
- b) outlook for year 2017; and
- c) activities and/or initiatives carried out by the Group under four (4) sustainability pillars, namely productivity & innovations, care for environment, investor in people and returning to community.

The CEO&MD also presented the responses (Annexure I) of the Company to questions raised by the Minority Shareholder Watchdog Group *vide* its letter dated 11 August 2016 in relation to the strategy, operations and financial performance of the Group.

After the presentation of the CEO&MD, the Chairman invited questions and comments from the floor in connection with the 2016 Audited Financial Statements and the presentation, and the questions were responded to by the CEO&MD and/or CFO&ED accordingly (Annexure II).

The audited financial statements for the year ended 31 March 2016, Directors' Report and Statement together with the Independent Auditors' Report thereon were received, following the completion of the clarifications to members in connection with the audited financial statements.

## 2.0 **POLL VOTING**

The Chairman informed that all the resolutions to be considered at the meeting would be put to vote by poll, as stated in Note 7 of the Notice of the AGM dated 28 July 2016.

## 3.0 **RESOLUTIONS OF THE MEETING**

### 3.1 **Re-election of Directors**

The Chairman informed that Resolutions 1 and 2 were on the re-elections of Tan Sri Dato' Tan Boon Seng @ Krishnan ("Tan Sri Krishnan Tan") and Mr Pushpanathan A/L S. A. Kanagarayar, who retired by rotation in accordance with Article 84 of the Company's Articles of Association. Being eligible for re-election, they offered themselves for re-election.

### 3.2 **Re-appointment of Directors**

The Chairman further informed that Resolution 3 related to his re-appointment, while Resolution 4 was on the re-appointment of Mr M. Ramachandran A/L V. D. Nair ("Mr MR Chandran"), both were retiring pursuant to Section 129 of the Companies Act, 1965. The two (2) resolutions required not less than three-fourth of the consent of members present and voting.

It was noted that the performance of each Director who was subject for re-election or re-appointment had been assessed through the Board annual evaluation, and the Nomination & Remuneration Committee ("NRC") and the Board were satisfied with the performance and effectiveness of the Directors.

### 3.3 **Re-appointment of Auditors**

The Resolution 5 related to the re-appointment of external Auditors. The Chairman informed that PwC had expressed their willingness to continue in office and the Board had endorsed the recommendation of the Audit Committee for PwC to be reappointed as Auditors.

### 3.4 **Retention of Independent Non-Executive Directors**

The Chairman handed over the Chair to Tan Sri Krishnan Tan for Resolution 6 pertaining to the retention of the Chairman (Tan Sri Dato' Wong See Wah ("Tan Sri Wong")), as an Independent Non-Executive Director ("INED"). It was noted that Resolution 6 was conditional upon the passing of Resolution 3.

Tan Sri Krishnan Tan took over the Chair and briefed the members and proxies present on the justifications for retaining Tan Sri Wong as an INED. Tan Sri Krishnan Tan informed that Tan Sri Wong had completed his 9-year tenure on 16 August 2015, and was retained as an Independent Non-Executive Chairman following the approval of members at the last AGM on 21 August 2015. Tan Sri Wong has the in-depth and up to date knowledge of the Group's business operations and business environment which enable him to discharge the role as an INED effectively. He exercised independent judgement and provided objective opinions at the Board meetings. He sought clarification, when necessary, and expressed his views and deliberated issues objectively, besides challenging Management on important issues raised at

various formal and informal meetings. The independence and objectivity of Tan Sri Wong has never been compromised by his long relationship with the Board.

The Board had via the NRC reviewed and assessed the performances and independence of Tan Sri Wong and was of the opinion that he was able to continue exercising independent judgement to ensure the check and balance required for the business, and carrying out their professional obligations and fiduciary duties in the interest of the Company and its stakeholders. The Board also recognised the benefits of the experience and stability brought by Tan Sri Wong to the Board. As such, the Board would like to retain Tan Sri Wong as an INED and Chairman of the Company.

Upon completion of the briefing on the justification for Resolution 6, Tan Sri Krishnan Tan handed over the Chair back to the Chairman.

The Resolution 7 related to the retention of Mr MR Chandran as an INED. It was noted that Resolution 7 was conditional upon the passing of Resolution 4. The Chairman briefed the members that Mr MR Chandran, a renown plantation industry expert, had completed his 9-year tenure as an INED on 28 May 2016. The Group had benefited greatly from his presence since he joined the Board in May 2007. His knowledge and experience complement the business of the Group. He brought balanced perspectives, highlighted issues and/or provided suggestions to the Group on various issues, in particular related to the plantation industry. With his vast experience and knowledge, he was able to provide constructive views and participate actively at the Board and Board Committee meetings. He shared his insights and raised pertinent questions to the Management on areas covering operations, governance and sustainability. Mr MR Chandran also demonstrated his independence and brought objective views during the deliberations at all the formal and informal meetings.

The Board had via the NRC reviewed and assessed the performances and independence of Mr MR Chandran and was of the opinion that he was able to continue exercising independent judgement to ensure the check and balance required for the business, and carrying out his professional obligations and fiduciary duties in the interest of the Company and its stakeholders. The Board further recognised the valuable insight and expertise brought by Mr MR Chandran to the Group. As such, the Board would like to retain Mr MR Chandran as an INED of the Company.

### **3.5 Directors' Fees**

The Chairman informed that Resolution 8 was to authorise the payment of Directors' fees of RM630,000 for the year ended 31 March 2016 to be divided amongst the Directors in such manner as the Directors may determine.

### **3.6 Authority to Issue Shares Under Section 132D**

The Resolution 9 related to Authority to Issue Shares under Section 132D of the Companies Act, 1965. The Chairman informed that the Board wished to seek the approval of members and proxies present to renew the mandate to issue not more than 10% of the issued share capital of the Company for purposes of funding future investment projects, working capital and acquisitions and/or so forth. The approval was sought to provide flexibility and avoid any unnecessary delay and cost in convening a general meeting for such issuance of shares should the need arise.

The Company would make an announcement accordingly, of the actual purpose and utilisation of proceeds should there be a decision to issue new shares. The approval of the relevant authorities would be still required before any share could be issued by the Company.

**3.7 Proposed Renewal of Share Buy Back Authority**

The Chairman indicated that Resolution 10 was on the Proposed Renewal of Share Buy-Back Authority. The proposed renewal was to enable the Company to purchase its shares from Bursa Malaysia at prices which the Board views as favourable, so as to support its fundamental value, should the need arise. The Board was of the opinion the proposed renewal was in the best interest of the Company.

The Chairman invited questions and comments from the floor in connection with all the resolutions tabled at the AGM. As there were no further questions and/or clarification sought, the Chairman proceeded to the poll voting.

**4.0 POLL PROCESS**

Ms Lilian Low from Tricor was invited to explain the poll procedure to the members and/or proxies present. The member and/or proxies were advised to complete the poll slips which were provided to them during the registration, and drop the poll slips into the ballot boxes prepared by Tricor upon the completion of the casting of votes.

After the voting, the Chairman invited the members and proxies for refreshments while the votes were being counted and verified by Tricor and Deloitte respectively.

**5.0 POLL RESULTS**

The Chairman welcomed the members and proxies back to the meeting. Mr Anthony Tai from Deloitte was invited to announce the results of the poll results. Based on the poll results, the Chairman declared the following Resolutions 1 to 10 were carried:-

**5.1 Re-election of Tan Sri Krishnan Tan as Director**

<u>Resolution 1</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	633,295,134	99.9928
Voted AGAINST	45,900	0.0072
	<u>633,341,034</u>	<u>100.0000</u>

ABSTAINED : 2,382,285 shares

It was resolved that Tan Sri Dato' Tan Boon Seng @ Krishnan be re-elected as Director pursuant to Article 84 of the Articles of Association.

**5.2 Re-election of Mr Pushpanathan A/L S. A. Kanagarayar as Director**

<u>Resolution 2</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	634,057,094	100.0000
Voted AGAINST	0	0.0000
	<u>634,057,094</u>	<u>100.0000</u>

ABSTAINED : 1,666,225 shares

It was resolved that Mr Pushpanathan A/L S. A. Kanagarayar be re-elected as Director pursuant to Article 84 of the Articles of Association.

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## 5.3 Re-appointment of Tan Sri Wong as Director

<u>Resolution 3</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	634,056,994	100.0000
Voted AGAINST	0	0.0000
	<u>634,056,994</u>	<u>100.0000</u>

ABSTAINED : 1,666,325 shares

It was resolved that Tan Sri Dato' Wong See Wah be reappointed as Director and shall continue in office until the conclusion of the next Annual General Meeting in compliance with Section 129(6) of the Companies Act, 1965.

## 5.4 Re-appointment of Mr MR Chandran as Director

<u>Resolution 4</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	493,142,732	92.4581
Voted AGAINST	40,226,300	7.5419
	<u>533,369,032</u>	<u>100.0000</u>

ABSTAINED : 102,354,287 shares

It was resolved that Mr M. Ramachandran A/L V. D. Nair be reappointed as Director and shall continue in office until the conclusion of the next Annual General Meeting in compliance with Section 129(6) of the Companies Act, 1965.

## 5.5 Re-appointment of Auditors

<u>Resolution 5</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	635,721,394	100.0000
Voted AGAINST	0	0.0000
	<u>635,721,394</u>	<u>100.00</u>

ABSTAINED : 1,925 shares

It was resolved that PwC be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

## 5.6 Retention of Tan Sri Wong as Independent Non-Executive Director

<u>Resolution 6</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	634,056,994	100.0000
Voted AGAINST	0	100.0000
	<u>634,056,994</u>	<u>100.0000</u>

ABSTAINED : 1,666,325 shares

It was resolved that Tan Sri Dato' Wong See Wah shall continue to serve as an Independent Non-Executive Director of the Company notwithstanding that his tenure as an independent director has exceeded a cumulative term of nine (9) years.

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### 5.7 Retention of Mr MR Chandran as Independent Non-Executive Director

<u>Resolution 7</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	493,188,632	92.4667
Voted AGAINST	40,180,400	7.5333
	<u>533,369,032</u>	<u>100.0000</u>

ABSTAINED : 102,354,287 shares

It was resolved that Mr M. Ramachandran A/L V. D. Nair shall continue to serve as an Independent Non-Executive Director of the Company notwithstanding that his tenure as an independent director has exceeded a cumulative term of nine (9) years.

### 5.8 Directors' Fees

<u>Resolution 8</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	635,716,781	99.9998
Voted AGAINST	1,413	0.0002
	<u>635,718,194</u>	<u>100.0000</u>

ABSTAINED : 5,125 shares

It was resolved that the Directors' fees of RM630,000 for the year ended 31 March 2016 be approved to be divided amongst the Directors in such manner as they may determine.

### 5.9 Authority to Issue Shares under Section 132D

<u>Resolution 9</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	635,380,794	99.9464
Voted AGAINST	340,500	0.0536
	<u>635,721,294</u>	<u>100.0000</u>

ABSTAINED : 2,025 shares

It was resolved that the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act 1965, to allot and issue not more than ten percent (10%) of the issued share capital of the Company at any time, upon such terms and conditions and for such purposes as the Directors in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force, and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.

### 5.10 Proposed Renewal of Share Buy-Back Authority

<u>Resolution 10</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	635,721,394	100.0000
Voted AGAINST	0	0.0000
	<u>635,721,394</u>	<u>100.0000</u>

ABSTAINED : 1,925 shares

It was resolved that the Directors be and are hereby authorised to purchase the ordinary shares of the Company through the stock exchange of Bursa Malaysia Securities Berhad at any time upon such terms and conditions as the Directors in their absolute discretion deem fit provided that:-

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- i) the aggregate number of shares purchased (which are to be treated as treasury shares) does not exceed ten per cent (10%) of the issued capital of the Company; and
- ii) the funds allocated for the purchase of shares shall not exceed its retained profits and share premium account;

and that the Directors be and are hereby further authorised to deal with the treasury shares in their absolute discretion (which may be distributed as dividends, resold and/or cancelled)

and that such authority shall continue to be in force until:-

- a) the conclusion of the next Annual General Meeting (“AGM”);
  - b) the expiration of the period within which the next AGM is required by law to be held; or
  - c) revoked or varied in a general meeting;
- whichever occurs first.

### **6.0 TERMINATION**

There being no other business, the meeting was terminated at 5.15 p.m. with a vote of thanks to the Chair.

**Reply to the enquiries from Minority Shareholder Watchdog Group vide letter dated 11 August 2016**

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1. We noted that the quantity of FFB processed in Malaysia mills in FY2016 recorded a ten year low of 684,349 MT due to dry weather and drop in the availability of crop.

- a) To what extent the drop in FFB production and the FFB processed had affected the production cost of CPO per hectare and what was the CPO production cost per hectare for Malaysian operations in FY2016?

The cost of production per mt of CPO increased by approximately RM100 due to the drop in FFB production. However, the total cost reduced in line with the lower production volume and associated maintenance costs. The cost per mt of CPO exceeded RM1,500 for the Malaysian operations.

- b) What was the average Malaysian mills utilization rate with 684,349 MT of FFB processed in FY2016 and what is the optimum mill utilization rate?

With the 684,349mt of FFB processed, the average mill capacity utilisation rate in the Malaysian operations was approximately 60%. Given the seasonal production cycle of the crop, the budgeted utilisation rate for the Group in FY2016 was 70%.

2. As disclosed in Note 33 to the Financial Statements, approximately 92% of the revenues from Malaysian operations are derived from 2 major external customers in Malaysia.

- (a) Was there any sales contract signed with these major customers?

There were no long term sales contracts signed with these major external customers (i.e. refinery buyers). The standard PORAM/ MPOA defined terms of sales contract is signed with the buyer for every sale committed.

- (b) Are these customers related to the Group?

The customers are not related to the Group.

- (c) How would the Board view the risk associated with this?

The Board views the risk associated with dealing with these major customers as relatively low given that they are reputable industry players globally. The Group had transacted with them since its inception and have not faced any constraints to-date in selling its produce to them. Price mechanism and terms adhered are as per industry norms or as set by PORAM/MPOA. There is a logistical cost advantage to the Group as these customers are strategically located close to the Group's Malaysian operations.

3. We noted that the remuneration of the Executive Directors for FY2016 had increased by approximately 30% compared with FY2015. Could the Board justify the increase in contrast to the 73 percent drop in Net profit attributable to the Owners of the Company?

The increase in the remuneration of the Executive Directors is principally due to vesting of the previously granted shares under the long term share-based incentive plan of the IJM Group. As the vesting of these share-based incentives are staggered over a period of three (3) years upon meeting the prerequisite conditions, the remuneration of the Executive Directors would have to be considered over such period.

4. The revenue of the Company for FY2016 dropped by 16% compared with FY2015. As stated in the CEO's Review of Operations, the contributing factors are lower CPO prices and decline in sales volume.

- (a) What was the quantum of the decline in sales volume?

CPO sales volume declined by 26,041 mt (11%) and PKO sales volume dropped by 2,178 mt (10%).

- (b) Would the sales volume be expected to improve in FY2017 and what are the measures taken by the Company to improve the sales volume?

The sales volume is expected to improve marginally in FY2017 assuming there is phased recovery in the FFB production from the effect of the prolonged dry weather experienced in the previous financial year.

5. As stated in the CEO's Review of Operations, the profitability of the Company for FY2016 was impacted by RM15.32 million fair value losses from its CPO swap transactions. The Group entered into CPO swap transaction as part of its hedging strategy.

What is the period for these CPO swap transactions and would there be further fair value losses expected in FY2017?

The swap contracts had been entered into in FY2016 on a rolling basis for varying periods until 31 March 2017. Depending on the CPO prices at the close of the reporting periods, there could be fair value impacts until the expiry of the contracts. The notes to the financial statements on page 149 of the Annual report explains this item.

**Pertinent Questions and Answers (including observations) at the Annual General Meeting**Questions and Answers

- Q1 With reference to page 20 of the Annual Report, the Group had derecognised higher portion of its deferred tax assets (“DTA”) arising from an unutilised tax losses in Indonesia. What was the impact of the DTA derecognition for the Indonesian operations on the profitability of the Group for the financial year 2016 (“FY 2016”)?
- A1 The profitability of the Indonesian subsidiaries has yet to reach an optimum level as most of the palms are still young and have not reached their prime age. The unutilised tax losses of the Indonesian subsidiaries have been recognised as deferred tax assets (“DTA”) based on the projection of profitability with various assumptions which are in compliance with the accounting standards. The unutilised tax losses were mainly due to the foreign exchange differences arising from the US Dollar borrowings. Pursuant to the Indonesia tax law, the tax losses if not utilised within five (5) years, would expire and could no longer be utilised. In view of the El Nino dry weather phenomenon and unfavorable crude palm oil (“CPO”) prices as at the close of the FY 2016, which could affect the Group’s future profitability, the Group had derecognized about RM28 million of the unutilised tax losses under the DTA (Page 154 of the 2016 Annual Report (“2016 AR”) – DTA not recognised had increased from RM11 million from FY 2015 to RM39 million in FY 2016).
- Q2 Why the Chairman of the Company does not hold any shares in the Company?
- A2 The Chairman expressed that, as an Independent Non-Executive Director (“INED”), he preferred not to hold any shares in the Company though it is permissible under the Listing Requirements of Bursa Malaysia Securities Berhad. He opined that as an INED who does not own any shares in the Company and does not have a material relationship with the Company, he will be able to discharge his independent role more effectively.
- Q3 With reference to Page 9 of the Annual Report, the oil extraction rates (“OER”) were recorded at 21.2% and 20.9% for the Malaysian Operations in FY 2016 and 2015 respectively, what is the expected OER for FY 2017?
- A3 The expected OER for the FY 2017 will be about 21%.

- Q4 The Malaysian Operations of the Group had achieved an oil yield of 4.4 metric tonnes per hectare (“mt/ha”) in FY 2016 compared to the industry benchmark between 3.8 mt/ha to 4.1 mt/ha. Why was the Group able to achieve a higher oil yield?
- A4 As reported on page 29 of the 2016 AR, the Group had realised an average of 5.3 mt/ha per year over the last seven (7) years. In the FY 2016, the Group recorded an oil yield of 4.4 mt/ha which was 19% higher than the Malaysian oil yield average of 3.7 mt/ha. This was made possible as best management practices are in place. Notwithstanding that the weather phenomenon such as El Nino could impact the oil yield, the Group will continue to strive for higher efficiency through its own high quality planting materials.
- Q5 In view of the anticipated La Nina heavy rainfall phenomenon, how does the Company manage the adverse impact of such weather condition?
- A5 The Company has in place the necessary mitigation measures (such as deepening of the canals and drains, flood relief centers and so forth) to manage the adverse weather condition.
- Q6 Page 73 of the 2016 AR reported that more than 2,236 hectares or 7.7% of the total land bank has been set aside for conservation and rehabilitation purposes in the Malaysian operations. Where does the Company stand compared to its peers?
- A6 The Company does not readily have peer information for comparison as there are no standards established for the industry.
- Q7 What were the reasons for the high fair value losses of RM15.32 million on the crude palm oil pricing swaps (refer Page 135 of the 2016 AR)?
- A7 When physical demand is not available for forward sale, the Company will enter into CPO swap contracts with financial institutions to sell forward at an agreed contract price with a purpose to hedge the fluctuation of the CPO prices. Pursuant to the accounting standards, the fair value gain/loss has to be accounted for at each accounting period until the settlement date of the contract by marking the agreed contracted price against the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange (“Bursa Derivative”) for the specific contracted period. If the CPO prices of the swap contracts are higher than the average future CPO prices quoted on Bursa Derivative, a fair value gain would be recorded and vice versa. Nearing the closing of FY 2016, the sentiment had improved and the average future CPO prices quoted on Bursa Derivative were on the upward trend. As at the end of FY 2016, the CPO prices quoted on Bursa Derivative were higher than the CPO prices fixed for the swap contracts, as such, the fair value losses on the CPO pricing swaps were recognised.

Q8 Does the Company have a CPO hedging policy? What are the breakeven prices for the outstanding CPO swaps contracts with the notional amount of 32,250 metric tonnes as shown on page 149 of the Annual Report?

A8 The Company has a policy which allows it to sell forward or enter into swap arrangements to hedge the fluctuation in CPO prices. The Company is allowed to sell forward or hedge up to 50% of its own CPO when the price is acceptable. In the past, when the price was on a higher level, the Company sold at the range of 30% to 40% of its own CPO. As the fair value of the CPO pricing swap contracts is based on the average future CPO prices quoted on Bursa Derivative at the balance sheet date, the breakeven prices will be the same prices.

#### Observations

The Group should explore innovative methodology for its fertilising activity. Some listed plantations companies which are using environmental friendly fertiliser in their oil palm plantations have achieved substantial cost savings in addition to saving the environment. The Board and the Group are encouraged to look at innovative methodology for its fertilising activity in order to save the environment, including the water conservation which could help to prevent water pollution. The Chief Executive Officer & Managing Director acknowledged the observations made by the shareholder.