



NGL FINE-CHEM LIMITED AGM TRANSCRIPT
Thursday 30th June, 2022

I am Pallavi Pednekar, Company Secretary NGL Fine-Chem Ltd., have the privilege and honour to welcome you all for the 41st Annual General Meeting of the Company.

This meeting is being convened through VC/OAVM in accordance with the circulars issued by the Ministry of Corporate Affairs and SEBI.

I welcome you all to this 41st Annual General Meeting of the Company. I thank you for your continued trust, encouragement and support.

At the request of the Directors present, and as per the provisions of Articles of Association of the Company, the Chairman of the Board shall be the Chairperson of Annual General Meeting. Therefore, in compliance of the same, Mr. Milind Shinde would be presiding this meeting.

I take this opportunity to introduce the members of the Board.

INTRODUCTION OF DIRECTORS

Mr. Rahul Nachane – Managing Director of the Company

Mr. Rajesh Lawande – Executive Director & CFO of the Company

Mrs. Ajita Nachane – Non-Executive Director of the Company

Mr. Jayaram Sitaram – Independent Director of the Company

Mr. Milind Shinde – Chairman & Independent Director of the Company

Mr. K.V. Subramanian - Independent Director of the Company

Mrs. Sarala Menon – Woman Independent Director of the Company

As per the Companies Act requirement, a quorum of 30 members is required to be present in person for the meeting. As the quorum is present, I hereby call the meeting to order & we can commence the proceedings for today's meeting.

I am also pleased to inform you that the Chairman of Audit Committee (Mr. Milind Shinde), Chairman of Nomination and Remuneration Committee (Mr. Jayaram Sitaram), Statutory Auditor – Mr. Shailesh Manek from Manek & Associates and the Secretarial Auditor Mr. Hemant Shetye, from HS Associates are also present at this meeting.

The notice convening this Annual General Meeting of the Company has already been dispatched to all members and with your permission would like to take the notice of AGM as read.

I now request our Chairman Mr. Milind Shinde to address the meeting.

Dear Shareholders,

Good morning everyone. I extend you all a very warm welcome to the 41st Annual General Meeting of NGL Fine-Chem Ltd. On behalf of the Board of Directors of NGL Fine-Chem Ltd., I would like to thank you for joining us here today.

I am pleased to communicate that we have successfully completed a journey of 40 years in the industry. Over the years we have adapted to changing client needs and provide value added, creative solutions to meet and even exceed customer's needs. Our robust innovation capabilities, focused R&D proficiencies, and most importantly, our devoted workforce has played a significant role in this process. Today our Company enjoys being one of the key manufacturing partners to the leading global animal health care corporations with 23 API's (Animal & Human), 4 intermediates, 10 finished dosages forms to offer to its customers.

Over the course of this journey, we have continuously focused on increasing penetration of our principal products in all the markets. The result of which can be reflected in the increasing market share of our company in the global market. We have been able to constantly generate higher volume growth and have delivered strong financial performance.

Over time we have continuously worked on maintaining our momentum and made constant efforts in delivering high quality products. This has helped us achieve milestones, set newer benchmarks and reach among the preferred players position in the global market.

Coming to the financial highlights of 2021-2022. The year has been indeed an event full one with the starting of the second wave of covid 19, lockdowns, higher crude prices, rising cost, geopolitical tensions, etc. However, we have been able to navigate all these difficulties and deliver a decent financial performance. For the year we have registered a growth of about 23% in our revenues from operations at Rs. 318 crore compared to Rs. 258 crores in the previous year. Our Veterinary API business, which is our primary segment reported robust growth of 26% for the year. Global macro and geo-political factors continued to push costs to new highs, directly impacting our business in the way of raw material prices, freight and fuel which inversely affected product supply and margins. Our EBITDA stood at Rs. 68.79 crore with a PAT of Rs.52.24 crore.

At NGL, offering quality products along with consistent service has been the core business functions which has allowed us to expand our business and boost our supply volumes. The demand for our existing products has remained robust across all major markets with high level of customer retention. Our endeavour to further increase our offerings and boost our volumes are on track as we aim to

launch three – four new products annually. We currently have five molecules in the pipeline, each with multiple-step synthesis manufacturing processes. These products were highly accretive and will help enhance margins, going ahead.

It is expected that the animal health care market will expand at a CAGR of 4.7% through 2027 on back of higher pet expenditure, companion animal adoption, expanding livestock population, etc. which gives an idea of opportunities lying ahead of us in the near future. To grab this opportunity and become a worldwide player in the animal health API market we have already laid the plans and are progressing well in the set direction. Some of our efforts include debottlenecking and enhancement of our existing process to increase our capacities to be future ready. Starting of the civil work for our new Greenfield capacity at our Tarapur facility gives us a confidence of achieving our set goals.

We have prepared ourselves to take on the challenges lying ahead of us and ready to take them head on. Our efforts on the capacity expansion front along with increasing product portfolio is expected to meet the rising needs of the animal healthcare segment. We continue to witness strong traction of our existing products as well as for products under developments as we continue to gain market share.

We are dedicated to keeping a close eye on the evolving animal health landscape and seizing new possibilities that provide long-term sustainable growth. As we leap into the trajectory of our next phase of growth, we are looking forward to creating more value by addressing the needs of our employees, customers, and all other stakeholders.

Before I conclude, I would like to express my gratitude to our fellow Board members, stakeholders, bankers, customers, partners and investors for their unwavering support and confidence in us.

Statutory Audit and Secretarial Audit report are disclosed in the Annual Report and already been distributed to Shareholders, which does not contain any qualification from the Auditors.

With the permission of the Shareholder and Chairman, I would like to take the First Para to Last Para along with Annexure to the Auditor's report as read.

Further, in compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 the Company was pleased to provide members facility to exercise their right to vote at the 41st Annual General Meeting by the electronic means.

The last date to receive votes through e-voting was Wednesday, 29th June, 2022 at 5.00 pm. The e-voting facility during the AGM is available for the members who had not cast their vote prior to the annual general meeting.

The Company has appointed Mr. Hemant Shetye, Practicing Company Secretary, as the Scrutinizer for the purpose of scrutinizing the process of e-voting held prior and e-voting during the AGM.

The results of the same shall be posted on the website of the Company within 2 days of the conclusion of Annual General Meeting.

I request the members who have not casted their vote prior to the meeting to please do so now.

Now, I request the shareholders, who have registered themselves as speaker to raise query with respect to Annual Accounts or other ancillary matters, and same shall be answered by the Directors.

Here I would like to request the shareholders kindly restrict yourself with question related to the Annual Financial Statements and please do not repeat the questions. Every speaker shall be given maximum three minutes time to ask their queries.

Now we will start with the Question and answer session.

I request Mr. Pratyush Mittal to go ahead with his questions.

Mr. Pratyush Mittal – Good Morning All the Board Members and Team Members of the Company. First of all, I like to congratulate the Management for another excellence of performance. What we have achieved in last few years is really fantastic. We have been getting lots of updates about the Company via Concalls and all but I think there are few question on which it will be helpful if we can provide some incremental updates. So given that the expansion we are doing, the new expansion that we are doing, there have been lots of changes in the steel prices and all those things in the recent times and lots of cost pressures are easing out. Is there any change in our estimated CAPEX amount or will the amount remain the same at around 140 Crore because in the Annual Report you have mentioned 100 crores. So, I thought to take an update, if there is any change in the Capex amount in the future. How much will the capacity go up in terms of volume? What kind of capacity we are adding with this expansion? As we are mentioning that, we are going to have a pipeline of some of the new products, can you give a reference as to what will be the selling price of the new product? Is it higher versus the existing product basket we have? So this is around the capacity. 2nd question is more around the current environment, we are seeing lot of slow down and uncertainties in the global environment in recent times. Are we also facing any demand pressure or uncertainties as of now? We had been facing a raw material price pressure in last couple of quarters and we had been talking about price increase, What is the situation now? Any update on that? Is there any demand supply mismatch or an inventory built up at the customer end in the short term? My 3rd question is around Macrotech Expansion, what is the status of the same? Given the way we have grown

a Company and come to a reasonable scale. Can you share some changes that are happening on the Management building site, management bandwidth side, hiring side or the team building is happening for the long run. That's it from my side. Thank you and wish you all the best.

Rahul Nachane – I will just quickly go through your question, which you raised from the beginning. Originally the cost of expansion which we had planned was budgeted at about 100 crore. It has gone up to 140 Crore because of change in commodity prices, steel, etc. Going upto growth in terms of metric tons, we do not define because it completely depends on the product mix which is adopted. So, if we do simple two step synthesis, the capacity is quiet high. If we do multiple step synthesis product, the capacity comes down. But let me put it in this way, of the total existing capacity we have got, we are adding close to about 60% of our existing capacity right now. The next part was how much will be utilized for whole production, how much for new? We can utilized this capacity for either the old products, or for the new products depend on what the pool is from the market. So there's a complete flexibility there. So the quantum of how much will be utilized for the old products or new products. Items which are lower value. So it's the same similar mixed basket we get it today. Your next question was on current environment, have you been able to make progress on price increase to offset the impression, no there is a definite pressure on the pricing right now. Oil prices are up as a result of which petrochemical prices go up, there is also a large increase taken place in commodity and chemicals prices. So, prices have gone up and there is definitely a pressure on pricing which we are seeing in the last quarter also and that will continue probably. In this year probably for the next 2 quarters at least which we can see that is till September. These high prices have also led restriction in demand, because customer are the key. I slowed down the business given the fact that prices are so high and everybody is now waiting for the prices to pull down a little. So the demand is also little slow. So, we hope that the equilibrium will come in probably by the 3rd quarter in the current year. With regards, to Macrotech, plant is commissioned completely and scale up is going on. Progress is going on quite well. With regard to expansion of team, we have been expanding our team along the way. So it is not a single situation exercise as and when the scale goes up, there is a requirement we keep on recruiting. So it's been an ongoing process for the last 10 years and we'll continue to do so. This is all from me, you can move on to the next question.

Pallavi Pednekar : I request Ms. Yachana Bhatia to go ahead with her questions.

Yachana Bhatia: Hi, Good Morning everyone, I had few questions, one was a follow up on price hike only, I mean I just heard the previous answer. The impression which we had from the previous call was that the price hike was being passed on to customers in stages and you were expecting this to complete by July, now I hear it's September, so if you can, just elaborate you going slow in terms of passing price hike, because you are seeing pressure on demand if you can just elaborate on that? 2nd was that on the

logistic cost, we were working on an exercise where we were trying to move on FOB basis with the customers. So I wanted to understand what percentage of sales have, we been able to do that. And my last question was that the Annual Report mentions the debtors days have gone up due to increase in the credit period we are providing to customer, just wanted to know is that something which has been done on a temporary basis or is it more of a permanent change? Thank you.

Rahul Nachane – So with regards to increasing prices, yes we are increasing prices, but the situation is quite fluid and we are unable to pass on complete price increase to customers right now, it is going to take little further than what we had anticipated. It will be very difficult to give data as of now, but it's our ongoing process. With respect to logistic, I don't have the numbers to tell you what percentage is on FOB & CIF, but freight is something which we actively work on a weekly basis. Working on FOB here is not something which all customers accept as all of them are not equipped to import goods from India to whichever country they are importing. But what we do is now we have our internal pricing set, it will be terms and whatever we offer to the customer on. We add the freight element on top of it. So it is completely getting passed over to the customer, as of now. With this, economic situation in place right now, some where debtors have got increased because people who are buying 60days are paying in 90 days, people are paying 90 days are paying in 105, 110 days. So, its not the extension of term. It is just additional credit being taken by customers right now.

Pallavi Pednekar – I now request Mr. Dinesh Kotecha to ask his questions.

Krunal – Mr. Kotecha is not there.

Pallavi Pednekar – Ok, maybe we will answer his queries in the investor meet call.

I now declare that the meeting is concluded on behalf of the Board. I thank you all for your active participation and co-operation in the conduct of the meeting.

Thank you very much.