NGL Fine-Chem Limited
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May 29, 2025

To,

Listing Department,
The BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001.
Scrip: 524774

Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra Kurla Complex,
Bandra East, Mumbai 400050.
Symbol: NGLFINE

Sub: Transcript of concall with Investors held on 26th May, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we wish to inform you that the Company participated in the Investors Conference Call on Monday, 26th May, 2025, enclosed herewith please find transcript of earnings conference call on unaudited Financial Results for the Quarter and year ended on 31st March, 2025. No unpublished price sensitive information was shared/discussed in the meeting. Please note that this was a group meet.

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For NGL Fine-Chem Limited

PALLAVI SATISH PEDNEKAR

Digitally signed by PALLAVI SATISH PEDNEKAR
Date: 2025.05.29 12:24:38 +05'30'

Pallavi Pednekar
Company Secretary & Compliance Officer
Membership No: A33498

Encl: As Above.

"NGL Fine-Chem Limited

Q4 FY '25 Earnings Conference Call"

May 26, 2025

MANAGEMENT: **MR. RAHUL NACHANE – MANAGING DIRECTOR – NGL FINE-CHEM LIMITED**
MR. RAJESH LAWANDE – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – NGL FINE-CHEM LIMITED

MODERATOR: **MR. ABHISHEK MEHRA – TIL ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, welcome to the NGL Fine-Chem Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you, and over to you, sir.

Abhishek Mehra: Thank you, Ria. Good morning, everyone, and thank you for joining this Q4 and FY '25 earnings conference call of NGL Fine-Chem Limited. The results and investor update have been uploaded on the stock exchanges. To take us through the results of this quarter and answer your questions, we have with us today, Mr. Rahul Nachane, Managing Director; and Mr. Rajesh Lawande, Whole-Time Director and Chief Financial Officer. We'll be starting the call with a brief overview of the financial performance, which will then be followed by the Q&A session.

I would like to remind you that everything said in this call reflecting any outlook for the future, which can be construed as a forward-looking statement, must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included but not limited to what we've mentioned in our annual report. With that said, I'll now hand over the call to Mr. Rahul. Over to you, sir.

Rahul Nachane: Thank you, Abhishek. Good morning, ladies and gentlemen. On behalf of NGL Fine-Chem Limited, I welcome you all to our Q4 and FY '25 earnings call. Thank you for joining us today. Let me begin by providing an overview of our financial performance for the quarter and full year before moving to operational highlights and our outlook for the coming period. The operating environment in Q4 '25 remained challenging as anticipated in our previous guidance.

For the quarter ended March '25, revenue from operations stood at INR94.97 crores, representing a sequential increase of 6.6% over Q3 FY '25, though it was a 4.8% decline year-on-year. For the full year FY '25, we achieved revenue from operations of INR368.26 crores, an 8.7% increase over FY '24, reflecting our resilience in a subdued market environment.

Our EBITDA for Q4 '25 was INR6.32 crores, up 24% sequentially, but lower by 60% compared to the same period last year. The EBITDA margin for the quarter was 6.7%, an improvement of 93 basis points over Q3 FY '25, but down 921 basis points year-on-year. For FY '25, EBITDA was INR33.87 crores with a margin of 9.2%, reflecting a contraction of 653 basis points from the previous year.

This margin compression is primarily attributable to heightened competition, subdued realizations and increased operating expenses. Profit after tax for Q4 FY '25 stood at INR0.54 crores compared to INR1.28 crores in Q3 FY '25 and INR12.33 crores in Q4 FY '24. For the full year, profit after tax was INR21.12 crores, down 49% from INR41.32 crores in FY '24, mirroring the challenging market dynamics.

Turning to our operational performance. Demand across our product portfolio remained subdued during the quarter, compounded by the entry of new capacities, both within India and internationally over recent years. This has resulted in heightened competition exerting further pressure on realizations and profitability.

Geopolitical tensions between India and Pakistan as well as ongoing issues surrounding currency availability in African markets have significantly impacted our business in those regions. These factors have collectively contributed to a difficult business environment.

Despite these headwinds, we are pleased to report the successful commercialization of Phase 1 of our capex project during the quarter, which includes clean room and associated utilities. Validation batches are underway, and we have initiated the data gathering and filing process as part of our regulatory compliance efforts. Looking ahead, uncertainty persists regarding the duration of the recent down cycle. While the operating environment remains testing, we are steadfast in executing our long-term strategic initiatives.

We remain committed to completing Phase 2 of the capex project within the previously communicated time frame, though now we anticipate a modest cost overrun with a total outlay estimated at approximately INR160 crores. Completion is targeted for Q3 of the current financial year with meaningful contributions expected from end of FY '27 onwards.

The capex will be financed through a 60-40 debt equity structure. Diversification into related markets remains a strategic priority, offering the potential for improved profitability amid limited competition. We continue to pursue our long-term strategies and are confident of a return to growth as market conditions stabilize.

In closing, I would thank our employees, customers, partners and shareholders for their continued support and commitment during these challenging times. We remain focused on operational excellence, prudent capital allocation and creating sustainable value for all stakeholders. We are now open for questions. Thank you.

Moderator: Thank you very much. First question is from the line of Ankit Minocha from Adezi Ventures Family Office. Please go ahead.

Ankit Minocha: My first question is with regard to the current margins. I believe, there's -- the mid-single-digit EBITDA margins that we are kind of currently having versus usually the mid-double-digit margins. I understand there's a pain point in the cycle, but do we see by when we could kind of return to, say, a more normalized margin trajectory of double-digit plus margins?

Rahul Nachane: Yes. This is your only question or any other questions also you have planned?

Ankit Minocha: I have other questions. Should I ask them right now?

Rahul Nachane: Yes, yes. If you ask all the questions, then I'll be able to answer at one go.

Ankit Minocha: Sure, sure. The second part of it was that I was reading about your foray into regulated markets and the associated capex. I mean if as investors, we wish to be a part of the NGL journey at least till it becomes a regulated market player, what kind of time frame are we looking at wherein, say, a large constituent of your sales could be then coming from regulated markets?

And my final question was with regard to the U.S. and China tariffs. What is the effect of the current tariffs considering the capacity in China on the product pricing for you and your markets? And what could this mean for the future?

Rahul Nachane: Yes. Thank you for your question, Ankit. With regard to margins, the main issue right now is that there is substantial overcapacity in the industry, and that has resulted in a supply-demand mismatch. And because the supply curve has shifted, we are seeing lower prices and lower realizations all across the spectrum of our product range.

The question as to how long this cycle will last is actually something which we are not able to really predict. But there is a substantial overcapacity created in the industry. And until that gets absorbed, we will continue to face price pressures and therefore, pressure on our margins.

With regard to our capex, which we are doing, we hope to have the plant ready by December this year. And trial production will typically be starting along with validations around February next year. And the entire cycle of getting the documents up and running is close to about 1.5 years, 2 years. So, we have started the validations actually from April for the batch because we commissioned one clean room. But we anticipate meaningful sales coming from this capex only in roughly 2 years down the line.

With regard to the U.S. and China trade tariffs, right now, currently, we are not selling anything to the U.S. So, there is no impact on our business as such. But pharma has not been covered in these trade tariffs yet. But we hope that, that will be a positive sign because U.S. companies are now actively thinking about having an additional China Plus One source.

And this was quite evident during COVID, but somewhere along the way, once China came back into manufacturing, the urgency had gone down. We are pretty hopeful that this will be a positive thing for us. I hope I have answered your questions.

Ankit Minocha: Yes. Yes, it pretty much does cover it. When you talk about the regulated market foray, I mean, this a you're saying 2 years later, will the -- the validation will be done and will there be a substantial part of our sales? Or will they still be a pretty small part of our sales? I mean even business development in these markets, et cetera, will it be a process which will be started as fresh? Or is that something that will be ongoing?

Rahul Nachane: So, we have -- product validation batches have already started. In fact, for the first product, we will complete our validation batches by mid of June. And then the second product will start. It's roughly a 6-week cycle for carrying out the validations. So, the whole process has started. So, we anticipate this will take 2 years. So '25, '26 will basically go in this entire process of getting the registrations and all done. So, we anticipate meaningful sales coming from this only from '27 onwards.

Ankit Minocha: Understood. And do you face any pricing pressure currently in your African markets because of the China tariffs? And is there any dumping coming from the Chinese API players?

Rahul Nachane: China is very competitive right now. China has increased their capacities by a whole lot after COVID. So yes, we are facing quite significant pressure.

Moderator: Next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Sir, my first question is, when we started the year FY '25, I think demand was recovering from FY '24 and then towards the second half, I think we started again seeing pressure on demand and more competitive intensity. So, what essentially changed interim, if you can talk other than, of course, the demand kind of stagnating or going down.

But in terms of competitive intensity in last 6 to 9 months, something has changed or it is like more 2, 3 years back, what was kind of capacity put up that is coming with more competitive intensity and aggression and hence, the knock on the realization. That is one.

Second, as you are saying that regulatory market scale-up will take maybe a couple of years. So, if the realization remains in the similar range as the entire scenario is very uncertain, what are -- what is it that we can do from our side to kind of increase profitability, increase margins? Anything that we -- that is on our side that we can do to kind of bring margin to a respectable level?

And third question is, I think if I understand correctly, some of the 3 CEPs and 4 DMF approvals that we have got, one of the idea was that we can commercialize from our existing plants even before the new plant can come up and start operating. So, on that front, are we on course? Is there a potential to kind of increase contribution from this regulated market and hence, kind of mitigate some of the challenges that we are facing in the rest of the world?

And last question, sir, if I look at some of the peers -- listed peers, their commentary and numbers are pretty different than ours. So, is it more of a product basket or a specific market challenge? And again, I understand they have formulation, API, a bunch of things. But even within API, I think the scenario doesn't look as challenging as we are saying. So, what is it -- how should we read this entire thing? So, these are the 4 questions. I have more, but I'll come back in the queue.

Rahul Nachane: Right, yes. So as far as the competition is concerned, substantial capacity has been created not just in this API business in the industry, not just in China, but also in India also by quite a few people. With regard to our regulatory sales, as I said earlier, it's a 2-year registration scenario, which will and that it's a process.

And we have already got that CEPs approved last year. So, some amount of sales have already started coming in from those approvals, not significant yet, but we are building on that. And we are targeting more customer acquisition. So, we hope that, that part of the business will start building up over the next year or so.

With regard to peers and the margins which they see. I mean it's -- I really don't know with whom you are benchmarking us.

Dhwanil Desai: I'm talking about Sequent. Sequent recently came out with numbers and they gave a commentary, which was reasonably okay.

Rahul Nachane: Okay. But then their API business is only 10% of their total turnover. So really not comparable to us. We are definitely facing challenges. Our -- now having accepted that, that is a reality, we cannot sit down and say that, okay, it's something with the industry. We are -- today, we are working on our costs and trying to reengineer the entire processes and see how we can drive margins again.

So, there is a lot of introspection going on being done -- undertaken by us to get a return back to margins in a better way. And these are things with cycles which will probably take a few months. But we are hopeful that in the next 3 to 6 months, we will be able to implement significant process engineering and to drive better margins.

Moderator: Next question is from the line of Ishan Thakkar from Fort Capital.

Ishan Thakkar: So, we received a CEP certificate for 3 APIs last year. So, what has the initial response been to these 3 APIs? And what is the market size for these APIs in the European market? And do we have any long-term contract in place of supply these APIs? And my second question is we have filed 5 additional APIs. So, could you please share which 5 APIs have been filed so far? And additionally, could you please provide some insight into the scale up of our European business?

Rahul Nachane: Yes. So right now, we have got CEPs granted for 3 of our products, and we have got DMF filings for 5 products. Now there are 2 parts to it. What happens is that most of the companies who are -- who operate, they operate both in the U.S. and Europe markets. So, they like to have a single source of supply for both the markets. Now our filings and approvals in EU are in place, but the ones for Europe are still not -- I'm sorry, ones for the U.S. have still not gone through. That is what we are -- we hope to trigger by end of this year -- calendar year.

Now when we are able to offer products for both the markets, the customers' acceptance level increases quite a bit. Now in terms of value of the products which we are doing in Europe, the total scale of the 3 products which we have got is probably to the tune of about INR30 crores, INR35 crores, but when we look at the European and U.S. market. So that is what we are hopeful for in breakthrough in the next year.

And with regard to long-term contracts, we have onboarded 5 customers in the EU till now for our products. And some amount of business has started. It's not very large right now, but we hope that it will start getting built up as we go along.

Moderator: Next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand what the margin pressure that we are facing in H2, sir, what would be from operating deleverage because of our new capacities coming in? And what would be from realization degrowth? Either sir, if you could give me the volume growth as well as realization degrowth for the whole year. Sir, my second question would be considering us moving into EU and U.S. market. Sir, so how is the competitive intensity for the -- sir, is my audio better right now?

I wanted to understand the competitive intensity in the API product that we are filing in EU and U.S. market? And how do we plan to scale that up? And sir, based on the next 3 to 5 years, if I consider NGL as an entity, sir, based on the chemistry and the engineering visibility that we have spoken about, what kind of margin improvement or working capital improvement can we see?

Yes. So, these are my primary question. And sir, just one clarification, sir, the EU products you mentioned INR30 crores, INR35 crores was the market size for a single product or the combined 3 products that you have got CEP filings for or CEP approvals for?

Rahul Nachane: So, margins, you want to ask whether the decrease in margin is because of reduction in the price or it is because of increase in cost, right?

Madhur Rathi: Yes, sir.

Rahul Nachane: Yes. So, for us right now, the margin erosion is completely by the pricing pressure. We don't think that there's been any significant cost increases as such in the current year. It's mainly driven by lower realizations. Now though we have got about a 9% sales growth over the earlier year, our volume growth is probably in the range of close to about 20%. And that is why even though we have got a 20% volume growth, we are looking at only a 9% revenue growth. And this is due to competitive intensity.

Now the competitive intensity is not so much from India as it is from China, frankly. And China has got -- in this sector, China has got 80%, 85% market share. Indian companies got barely a 10%, 15% market share. And the entire competitive intensity, which we are seeing is emerging from there. But having said that, we are working on our processes and our manufacturing strategy to see to try to reengineer and bring margins back. Does that answer your question?

Madhur Rathi: Yes, sir. Sir, but if I look at our income statement, sir, other expenses as well as employee benefit expenses have increased quite materially in relation to revenue. But when considering volume growth, I think they might be similar. So, is there like some percentage point impact from operating deleverage for this year?

Rahul Nachane: I have not really understood the question. Can you please rephrase it a little bit, please?

Madhur Rathi: Yes, sir. Sir, if I look at our income statement, sir, employee expenses as well as other expenses have increased by a decent amount, I think more than 20%. Sir, so the -- so from that perspective, there should be some operating deleverage impact that we have seen on our margin. So, I'm trying to understand what would be the margin delta that has been reduced because of that?

Rahul Nachane: Right. So, part of the increase in the salaries has been mainly because of hiring more because of this new project, which we have done. So, we have been hiring people for the new plant. But other than that, there has not been any significant increase as such in operating costs. And at least in percentage terms, we are looking at more or less the same. Yes, what you say is right. There's been a 1% increase in salary cost. But that's, as I said, driven mainly by the new project.

Madhur Rathi: Got it. Sir, on the new API -- the regulated market API competitive scenario, how is that?

Rahul Nachane: So, again, in that market, it's dominated by the Chinese companies. Most of the -- for most of the customers, meaning pharma companies over there, they have multiple Chinese suppliers, and that is where we are looking at opportunity to put our foot in the door with the China Plus One strategy.

Madhur Rathi: Sir, based on the discussion that we have for the customers that we have onboarded, sir, so the ramp-up when we expect in FY '27, the ramp-up to happen, sir, do we see a gradual ramp-up of very fast utilization of our capacities happening throughout FY '27 and '28? So just a ballpark idea would be helpful.

Rahul Nachane: It will be gradual. It won't be all at one go because any new supply addition means that they only start diverting part of their requirement and then gradually take it to a higher level. So, it will be gradual. It won't be very abrupt or anything.

Madhur Rathi: Got it. Just a final question from me. Sir, where do we see our margins going over the next 3 to 5 years based on the regulated market, chemistry and engineering capabilities? Another sir, for FY '26, what is the margin that we should expect conservatively? And what is the volume growth or revenue growth can we expect for FY '26?

Rahul Nachane: Yes. So as a policy, we don't give guidance numbers on revenue or margins. So, I am unable to answer that because the -- and the market is also a little bit fluid right now. So, I really can't give you an exact number on that.

Madhur Rathi: Consider -- if I consider regulated market and our Indian markets and the nonregulated markets, sir, what would be the margin delta on a steady state if you can expect from the regulated market as and when it spins up?

Rahul Nachane: There should be an additional at least 10% to 15% additional margin coming in.

Moderator: Next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sir, like you made a statement that most of the supplies to the EU customers happens for both the markets, the U.S. and Europe, EU. So, does it mean that our Europe supplies will also ramp up from the new plant only when we get U.S. FDA approval?

Rahul Nachane: No. So, there are some customers who deal only in Europe. So, with those customers, we have been able to make a headway. And as I said, we have onboarded 5 customers already in EU in the last year for whom the sales already have started, and we hope to have a better year in the current year. But at the same time, there are some customers who operate in both the markets.

So, for those customers, unless we have the U.S. facility also to get the entries is a little difficult. So -- but there are customers who do exclusive European business, there are customers who do both. So, the ones who are doing exclusive EU business, we are already trying to work with them.

Ankit Gupta: Sure, sure. And sir, on the U.S. FDA approval side, any timelines that you're looking for when we can get the approval from U.S. FDA?

Rahul Nachane: So, we hope to file by end of this calendar year. So, our initial filing is targeted in the October to December quarter. And typically, it takes about 1 year, 1.5 years to get the approval. We expect it to come in '27 year.

Ankit Gupta: Sure. So European sales will substantially start only from -- U.S. sales will substantially start only from FY '28 onwards is what we can expect?

Rahul Nachane: That's right. That's what I said. It will take 2 years for it to go through.

Ankit Gupta: Sure, sure. And sir, on the developing market side, our key markets, have we seen any of the capacities going out from the -- any of the capacities going out from the market, both on the Indian and the Chinese competitor front? Have you seen some players shutting down their capacities given how the competition realizations and margins are in the market currently?

Rahul Nachane: Not yet, meaning we hope that some sort of a change will come in a little later. And normally, what happens is that the French players or the people who have set up new capacities and who don't have deep pockets normally start going out. But it's not happened yet. I think the shakeout should come maybe towards the end of this year.

Ankit Gupta: Sure. Sir, given we already have approvals for 5 DMFs and 3 CEPs for European markets. And as you had indicated that we had around INR30 crores sales in the European market last year in FY '25. So, FY '26, can we expect that the regulated market sales can grow substantially even if our new plant comes, let's say, by Q3, Q4 only or FY '27 only start ramping up substantially. So, this year from our existing plant, we can see substantial growth in our EU sales.

Rahul Nachane: Well, we don't think it will be substantial. We are looking at generating about INR25 crores to INR30 crores in the current year from EU sales. And that will gradually increase. It typically takes 2 years, 3 years to get clients to accept and change over. So going forward, yes, it will be much larger. But this year, we are not really banking on a large number.

Ankit Gupta: Sure. And sir, for the new plant -- for the Phase 1 of the new plant that we have commenced operation, what will be the fixed cost on the -- operating the plant on a monthly basis or a quarterly basis?

Rahul Nachane: Good question. We have actually commissioned only a small part right now. So, I don't think -- I don't really anticipate a large surge, meaning we are probably looking at something like INR40 lakhs to INR50 lakhs per month sort of overhead over there, not more than that.

Ankit Gupta: Okay. So, the substantial overheads will only start when the entire plant starts, let's say, by Q3 of this financial year?

Rahul Nachane: That's right. That's right, yes.

Moderator: Next question is from the line of Shashank Agarwal from SHISEO.

Shashank Agarwal: I just have 2 questions. So, one is regarding the margins in the regulatory business as compared to the unregulatory business. And sir, like you are getting a plant approved by the FDA for the APIs. So, are there plans to move into human APIs also?

Rahul Nachane: Yes. So actually, the margins we have already covered twice in this. So exactly what do you want to know about this margin?

Shashank Agarwal: Sir, the listed peer that you have sequent, so they are only operating at 8% to 12% margin for the last 3, 4 years, whereas you have been doing for like 20%, 22% you have done historically. So, I just wanted to know like is there a problem with their company? Or is it a structural problem in the business only.

Rahul Nachane: So, they are not just an API company. Their API sales are probably just 10% or 15% of their total turnover. So, I really don't know what kind of cost structure they will have, and I'm unable to comment on that.

Shashank Agarwal: And regarding the FDA approval for the plant?

Rahul Nachane: Yes. So, we are not intending to do any human APIs. Our objective is to just get the approvals for veterinary APIs right now.

Moderator: Next question is from the line of Mehul Panjwani from 40Cents.

Mehul Panjwani: Sir, I'm new to the company. So, I just want to ask this new plant, which is coming up, what are we going to manufacture out of that facility?

Rahul Nachane: We are going to be manufacturing veterinary APIs.

Mehul Panjwani: Okay. Sir, so does our company manufacture only veterinary APIs or we are also into human APIs?

Rahul Nachane: No. Veterinary APIs is 95% of our business.

Mehul Panjwani: Okay. Okay. And sir, in one of the questions, you answered that this market is -- 80% of the market share is with Chinese companies. So, were you referring to this veterinary API segment? Or is it something else you want to add or a broader sector?

Rahul Nachane: I am talking about veterinary APIs only.

Mehul Panjwani: Right. And sir, NGL has been -- as I understand, NGL is quite an old organization. So, from day 1, we are into veterinary APIs or we were into other products earlier?

Rahul Nachane: We started as a human API company, but we are doing veterinary APIs since 1997 now. So close to about 28 years now.

Moderator: Next participant is from the line of Rohit from iThought PMS.

Rohit: Sir, just a few follow-ups to the question that was already asked. Sir, one clarification was this European market sales, which you said INR35 crores this year, you're expecting INR50 crores in this financial year, FY '23 ballpark. We're expecting like that INR35 crores to go up to INR50 crores. That's what your expectation is?

Rahul Nachane: No, no, no. INR25 crores to INR30 crores in the current financial year is what we are expecting from European supply.

Rohit: Okay. Sir, my question is more from the financial point of view. So essentially, we are seeing significant margin pressure. And of course, we are undergoing the capex also. A large part of -- I mean, half of it is almost done now. So, do you expect any kind of equity raise also that we may need to sort of tide over this time? Or I just wanted to get your view on this.

Rahul Nachane: Yes. So, there will be short-term bumps because obviously, with the new capacity going in still, there will be a higher operating cost also. But we have just commissioned a very small portion of the plant right now. Yes, there will be increased operating cost, a little bit pressure on the margins till the actual sales start coming. So yes, there we anticipate for at least between 6 to 8 quarters, there we'll have a pressure.

Rohit: So no, I understand that. But I was just checking, does that warrant for us to raise any capital equity or debt for us to tide over this time? Or do you think that's not necessary?

Rahul Nachane: Debt to tide over, meaning we are taking debt for financing this. Beyond that, I have not understood what -- so this is planned as a 60-40 debt equity ratio.

Rohit: Right, right, right. No, I was asking beyond this debt for capex, given that our business is going through this cyclical challenge right now. So, cash flows may be slightly challenged over the next 6 to 8 quarters, as you said. So, would we need more debt or equity to sort of face the situation is the question, beyond the debt that we are having for this expansion?

Rahul Nachane: No, we have not planned on raising any more debt or equity beyond what is planned for the project.

Rohit: Okay. Got it. And sir, in terms of this excess supply that we have been seeing not just here, but also globally, especially from China. So how do you see this -- so given the fact that at least in India, we are backward integrated and we have -- we are the lowest cost producer, are you seeing some sort of capacity rationalization that is happening at least in the Indian markets or that is yet to be seen?

Rahul Nachane: So, we do anticipate that there will be some capacity rationalization. Either the capacity will be diverted towards some other kind of products or maybe some might just switch over to -- from this industry to something else. But it's not happened yet. We anticipate that it takes -- it's a cycle which is going on. So, it will take at least a couple of years for it to actually go over completely. It will happen, but not in the near future.

Rohit: Okay. Okay. Fine, sir. And you sort of mentioned that we are also introspecting a lot and trying to sort of tighten our belts to face the situation. So, anything that you can share on that or whatever -- I mean, your thoughts on what we can do to improve our situation from here?

Rahul Nachane: Well, we are looking -- for improving, we are just basically looking at waste. The idea is that if we are able to minimize the waste and improve the process, then it will result in more benefits. So unfortunately, I can't quantify it in any way right now. But that particular process is already initiated by us from March.

Rohit: Got it, got it. And sir, from the approval that you mentioned for the European -- for the U.S. market will be probably end of this calendar year. So in terms of -- I mean, your -- so in the past, you've mentioned that you've already sort of -- you can sort of start supplying to customers at least the validation batches or at least starting the whole process of business development, et cetera, before you get these approvals. So, has that process also started for the U.S. market or that is only after the approval process from the -- or your filing for the approval process only after that you will start?

Rahul Nachane: I don't know how I mentioned that. I don't recall anything like that. But it's not possible to sell it to the U.S. without the registration.

Rohit: Of course, not, sir. So, what I meant is that so what actually -- so what I meant is from your business development point of view, you can't sell without the approval -- U.S. FDA approval. But, I mean, in terms of starting the process of business development, et cetera, which may take it's a little while for you to establish. So that is what I was checking.

Rahul Nachane: Business development, meaning the products which we manufacture we'll generate samples and we'll start sending it to different companies to get the approval process. So, the seeding will start as soon as each product validation is over, we will start that entire process. In fact, we anticipate our first filing to be done in the U.S. by between October and December, as I said earlier.

Moderator: Next question is from the line of Dhwanil Desai from Turtle Capital. Sorry to interrupt, sir, we cannot hear you clearly.

Dhwanil Desai: Yes. Sir, this negative other income, I think is it from the investment losses, right? That is how we should perceive this?

Rahul Nachane: Yes, it is mark-to-market on the current investments.

Dhwanil Desai: So that is represented in other income being negative and not in expenses side, it is not reflected anywhere.

Rahul Nachane: No, it is negative on the income side. That's right.

Dhwanil Desai: Okay. Got it. And sir, second question, if I look at our new products and the product list, which is available, I see a lot of products on the companion animal side and especially some of the products which are either have just gone off patent or going off patent in FY '25 -- FY '26, like afoxolaner or fluralaner, etcetera. So, any specific opportunities that we can capitalize on some of these products, if you can talk a bit about that?

Rahul Nachane: Yes. So, we anticipate sales only from fluralaner right now coming through. That's gone off patent in March this year. And it's doing quite well. There are close to about 8 to 10 Indian companies who have launched their brands. And all of the launches are with our product. We are the only manufacturer here in India for fluralaner.

And we have also been able to start doing product approvals in other Latin American markets. But yes, that's a good thing which we anticipate. The other products are still under patent. So, we don't anticipate any sales coming from afoxolaner, I think. Right now, we are just selling it -- I mean we are just giving those products for development basis. It's not because it's under patent, no commercial sales.

Dhwanil Desai: Got it, sir. So afoxolaner, NexGard is a pretty large molecule, and I understand post patent volume will increase and the price will decline. But it will still be a very reasonably decent scale molecule and you say we are the only Indian guys manufacturing it. So, do we see a significant potential from this product, let's say INR30 crores, INR50 crores, INR70 crores kind of a number in the next couple of years?

Rahul Nachane: The thing is that with a product which goes off patent, it's very difficult to actually predict how the sale will go through because the brand image of the original inventory is always very strong, having been in the market for close to about 15, 20 years. It's a sort of a wait and watch thing. We need to see how it actually goes. So, there are -- as I said, there are a few companies which have launched this product now in India. Let us see how successful their -- how successfully they are able to penetrate the market.

Dhwanil Desai: Okay. And afoxolaner also was to go off patent, but I think that has been pushed to now 2029, right? Is that correct?

Rahul Nachane: '28, yes, that goes off patent in '28.

Dhwanil Desai: Okay. Got it. And last question, sir. So earlier, we were largely -- most of the product basket was addressing large animals, cattle side of it. Now we see a lot of products on the companion animal. And so is it to do with -- since we are operating or entering now Europe and U.S. where companion animal is a large portion of the overall market.

So, we are developing products on that side. And going forward, the incremental product basket also will expand more on companion animal side. Is that how we should look at over the next 2, 3 years on the product development side?

Rahul Nachane: Well, as a full-fledged wet API company, we have to be present in both the segments, the farm animal as well as the companion health segment. We did not have a presence in the companion health segment until about probably 4 years ago. And now we have started doing some products in that. But it's still pretty nascent for us. Our -- bulk of our business comes from farm animals.

Moderator: Next question is from the line of Shivaji Mehta, an individual investor.

Shivaji Mehta: Sir, in the light of the excess capacity that is in China, which is putting pressure on the realizations, what is the asset turn that we are targeting for the company as a whole by, say, FY '28 when the new capex ramps up fully?

Rahul Nachane: We anticipate a total sales potential of close to about INR300 crores from this investment, which we are doing between INR250 crores and INR300 crores. So, the asset turn is likely to be in the range of about 1.6x, 1.7x.

Shivaji Mehta: Right. And this is for the full company, 1.6x, 1.7x or is just for the new investment?

Rahul Nachane: For the new investment.

Shivaji Mehta: For the new investment. Okay. Also, if you can guide for the capex for FY '26 and FY '27?

Rahul Nachane: Other than this project which we are setting up, we don't have any other capex plans. So, there's a total INR160 crores investment, which we are putting up, out of which INR105 crores is done as of 31st of March.

Shivaji Mehta: Right. And lastly, any margin guidance that you would like to put out for, say, FY '28 or FY '29?

Rahul Nachane: As I said earlier, we don't give earnings guidance.

Moderator: Next question is from the line of Ankit Minocha from Adezi Ventures Family Office.

Ankit Minocha: Sir, in your note in the investor presentation, you mentioned some issues with the currencies, availability in Africa and also because of the India, Pakistan conflict. Can you please outline this in some more detail for us to understand if this is more of a short-term issue or if this could be something structural ahead?

Rahul Nachane: So, we -- our sales was to the tune of INR15 crores to Pakistan last year. And because of this India, Pakistan issue, now that sale is -- will be 0 in the current year. And though we don't sell directly to Africa, most of our customers are selling into Africa. So, it's sort of an indirect business for us because Africa does not have any significant pharma manufacturing capacity.

It is manufacturers in Europe, in LatAm, in India, in China, who are selling to Africa. And they are facing slow realizations from there because of currency issues and credit issues. So that's sort of slowed down the whole thing for us.

Ankit Minocha: By these currency issues, you mean basically the relative depreciation of the customers' currency versus the African currency.

Rahul Nachane: By current issues, I mean that the African countries don't have enough currency, U.S. dollars to pay for their imports.

Moderator: Next question is from the line of Sai Ganesh from Square 64 Capital Advisors LLP.

Sai Ganesh: I just wanted a view on the Europe market, like our revenue has dropped by 43% in this fiscal. Can you throw some light on that part?

Rahul Nachane: Can you please repeat? I couldn't hear it correctly.

Sai Ganesh: Yes, I just wanted to know about the revenue decline from the Europe market of 43%. If we see in past, we have had a run rate of INR80 crores on a yearly basis. But right now, our revenue from Europe has been declined to INR40 crores in FY '25.

Rahul Nachane: So, when we sell to Europe, we are not selling them. That sale is mainly for the rest of the world market because when European companies are buying from us, they are manufacturing and reexporting. So, you don't need a European registration to sell that. And the European companies are slowly losing market share in the rest of the world area because of greater domestic competition because most of the countries are now encouraging make locally sort of situation, which is why Europe sales are going down, but the LatAm and other sales are going up for us.

Sai Ganesh: Okay. And one more question is that you have mentioned we are facing some realization pressure, but our gross margins are in the -- declined in the range of 3%, but our EBITDA -- absolute EBITDA margins have declined around 7%. Could you please explain the factors behind this gap?

Rahul Nachane: As I said, basically because of sales realization is lower now, and that is because of increased competition, and that is resulting in lower margins.

Moderator: Next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sir, on the NexGard or afoxolaner side, as you said, we are one of the -- we are the only Indian player currently that is looking to enter the market when the patent expires. So, is it a difficult product to manufacture? Or why is it the competitive intensity is less here?

Rahul Nachane: Yes, technology challenges for that. It took us 3 years to develop the technology for manufacture.

Ankit Gupta: Okay. Okay. Okay. And on the European market side, we have always indicated that the competition there, although from Chinese is still not as intensive as it is in developing markets. So, like have you seen increase in competition there also in the past few quarters?

Rahul Nachane: Increase in competition from China?

Ankit Gupta: Yes, yes. On the European market also from China or from other players who have registered their products in European markets?

Rahul Nachane: Yes, meaning China has been -- is the dominant country in manufacturing APIs. And they are present in EU for many years now. So, there is no question of increased competition. Now it is that when we are entering, we are the competition for them.

Ankit Gupta: Okay. My question was on the realization front. Have you seen realization declining there also for some of the products that we are looking to enter?

Rahul Nachane: It is across the board, yes, across the board, everywhere we see lower realizations. But even then, having said that, there is still a higher markup when you sell to Europe. So, improvement -- there is definitely a difference over there. And the competition is a little restricted.

So, like, for example, let's say, for a particular product, if we have got 5 to 6 different suppliers who operate in the ROW market. In the EU market, it will be just probably 2 or 3 max. Because not everybody has the ability to do those registrations and the documentation.

Ankit Gupta: Sure, sure. But the pricing pressure has increased there also in the EU market in the past year or so?

Rahul Nachane: That's right, yes.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Rahul Nachane from management for closing comments.

Rahul Nachane: Thank you all for your participation and continued trust in NGL Fine-Chem. We remain committed to executing our strategic priorities and are confident of returning to growth as market conditions improve. We appreciate your ongoing support and look forward to engaging with you in the future. Have a great day, everyone.

Moderator: Thank you. On behalf of NGL Fine-Chem Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.