NGL Fine-Chem Limited

Regd. Office : 301, E - Square, Subhash Road, Vile Parle East, Mumbai 400057, Maharashtra, INDIA.
Tel.: 022-40842222, 26108030, Email : info@nglfinechem.com, CIN : L24110MH1981PLC025884, Website : www.nglfinechem.com

November 18, 2021

To,

Department of Corporate Service (DCS-CRD),
BSE Limited.
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai — 400 001.

Sub: Transcript of Concall with Investors held on 4th August, 2021
Scrip Code: 524774 NGL Fine-Chem Limited

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 Friday, 12th November, 2021 on unaudited financial results for the quarter and half year ended September 30, 2021. No unpublished price sensitive information was shared/discussed in the meeting.

We enclose herewith the transcript of Concall with the Investors.

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For NGL Fine-Chem Limited

NGL FINE CHEM LIMITED

Pallavi Pednekar
Company Secretary & Compliance Officer
Membership No: A33498

Encl: As Above.

“NGL FineChem Limited Q2 FY22 Earning Conference Call”

November 12, 2021

MANAGEMENT: **MR. RAHUL NACHANE –MANAGING DIRECTOR, NGL FINE-CHEM LIMITED**
MR. RAJESH LAWANDE – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER, NGL FINE-CHEM LIMITED
MS. PALLAVI PEDNEKAR – COMPANY SECRETARY, NGL FINE-CHEM LIMITED

MODERATOR: **MR. RISHAV DAS -- PARETO CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY22 earnings conference call of NGL FineChem Limited. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishav Das from Pareto Capital. Thank you, over to you Sir.

Rishav Das: Good morning everyone. This is Rishav Das from Pareto Capital. We represent investor relations for NGL Fine-Chem Limited. On behalf of NGL Fine-Chem I welcome you all to our Q2 FY22 earnings conference call. I have with me from the management, Mr. Rahul Nachane -Managing Director; Mr. Rajesh Lawande – Whole Time Director and CFO; Ms. Pallavi Pednekar - Company Secretary. We will have brief opening remarks from the management followed by Q&A session.

Please note that certain statements made during this call may be forward looking in nature, such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results or projections to differ materially from these statements. NGL Fine-Chem Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances. I would now hand over the call to Mr. Rahul Nachane for his opening remarks, over to you Sir.

Rahul Nachane: Good morning to all of you. Thank you for joining us on this call. Let me open the call with a few remarks on our performance for the quarter and strategy going ahead.

I'm pleased with the performance our team has delivered in this tough environment. This quarter we faced major headwinds on all cost fronts, rising input prices, increasing fuel prices and elevated freight costs. However, in spite of these challenges for the quarter, consolidated sales grew 15% year-on-year to reach 78 crores as against 68 crores in the same quarter last year.

For H1 FY22 our growth has been 39% year-on-year, though on a sequential basis the growth was lower at 3%, we are not facing any challenges on the demand front or any competitive pressures. We continue to hold the market share gains in our key products that we had in the last few years. Our vet API business, which forms over 80% of our revenues witnessed strong growth of 33% year-on-year in Q2 FY22 and grew sequentially also by 13%.

We also continue to expand in the newer geographies, our revenues from the rest of world, especially Latin America and Africa has seen significant traction during this year. These geographies now form around 15% of our revenues. Also we have made inroads in the US market, which contributed 5% to our revenues during this year.

Our EBITDA margins were impacted due to cost disruptions, as mentioned above. Despite that we continue to maintain strong EBITDA levels of 17 crores with a margin of 22%. We recorded a net profit of 14 crores with a margin of 18%. We expect the current macro sentiment on costs and materials availability to continue for the remaining part of this year and start improving subsequently.

Now coming to our CAPEX plan, we have already incurred Rs. 28 crores towards our Macrotech expansion. We are awaiting the last leg of MPCB approval and expect to start commercialization in the next few weeks. We should see this expansion contributing to our revenues from Q4 onwards. We also plan to increase outsourced production to 15% and continue process improvements and debottlenecking efforts to help drive near-term growth.

Our planned Greenfield expansion at Tarapur is also on course, approvals and land are in place. The expected CAPEX for this project will be of Rs. 100 crores, which will bring in 50% capacity addition. It will be funded through a mix of debt and internal accruals. We aim to commercialize and start production by mid FY24.

We aim to continue growing our business by leveraging our robust balance sheet with a net debt free position and continue investing in our market position by remaining cost competitive, reliable and offer high-quality solutions to all our customers. This is from my side. We can open the floor for discussion.

Moderator: Thank you very much, ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Two questions, one on the gross margin side. You have alluded in your opening remarks regards to pressures on the expense side, on the cost side. We are currently around 55% on the gross margin from where at the lower end, if I observe in the last 10 to 12 quarters. Are the pressures of the raw material front now stabilizing or are they are still there or are they moving in the opposite direction where by the gross margins can show some improvement in the coming quarters? Second is on the CAPEX front, both on the Macrotech and Greenfield expansion at Tarapur. Macrotech we had spoken about 20 crores of CAPEX and Tarapur was 80 crores, Macrotech now we understand it is 28 crores and Tarapur Greenfield you have put the number now at 100 crores. Are we adding some additional capacity or is this a kind of cost overrun which has happened?

Rahul Nachane: On the margin front, as you may well be aware of, commodity prices have been shooting up since April and May this year and in commodities I mean almost across the board. We see commodity chemicals are going up, metals, steel and iron and also copper going up. Now this has a big impact on all our operating costs. The second major impact has been on export freight and import freight. Freight costs have gone up almost 10x in the last four months. Now having said that, the steep increase which was taking place has started plateauing a little right now. But whether these prices will start softening immediately or they will up in the next three to six months is something which is open to discussion. We are hopeful that this might probably last for maybe another three to six months and not longer than that and it should start softening around that. The key thing over here is that sales growth remain strong, and when commodity prices start correcting themselves, we should see the margin return due to that. The second part with regard to cost overrun on the CAPEX outlay as you said, these were just ballpark figures which we had come with earlier. As we sit down and do the detailed engineering the actual extent of investment comes through. Now rather than cost overrun there has been a cost build up because the cost of metals and cement and the commodities. So, cost of construction is up, cost of equipment which we have to purchase is up. By the time when we start construction, the metal prices should start going down, then that will result in lower cost to the project. These are just initial estimates right now and are subject to change over the next few months.

Rahul Jain: With regards to Macrotech also from 20 to 28?

Rahul Nachane: Part of it was because of that, part of it was also because we decided to convert Macrotech into a zero liquid discharge unit. That took away a large amount of investment.

Rahul Jain: Just one last thing on this, you have mentioned that demand continues to be strong and in your presentation also you have mentioned that inventories are higher to cater to the growing demand. The scenario, when the demand is strong, are we able to increase our pricing of products or are we trying to get more market share during this time so that when the prices of raw materials fall, you are in much better place. What is your strategy with regards to this?

Rahul Nachane: Our strategy is to clearly hold on to market share at this point of time because we have made substantial gains in market share as compared to let's say two years ago. We want to not just hold on to these gains, but keep on adding gains as we go along. And till now it is actually working pretty well. We are very confident of sales growth taking place. If you see a year-on-year, we definitely are growing. Very soon you will see quarter growth also taking place.

Moderator: The next question is from the line of Ankit from Bamboo Capital, please go ahead.

Ankit: With the current setup we are doing around Rs. 70-80 crores of quarterly run rate in the last quarter and Macrotech you're completing in the next few weeks, and you also have the outsourcing increase from 5 to 15% and you have debottlenecking also which will come in. With all these initiatives will it be possible for us to reach quarterly revenue run rate of around 100-110 crores?

Rahul Nachane: We are hopeful of reaching that number probably within the next two years.

Ankit: This before other expansion comes in?

Rahul Nachane: For next two years the growth path is based on what we have going on right now in terms of outsourcing and the Macrotech expansion & the new Greenfield should take roughly about 18 to 20 months to put in.

Ankit: On this new Greenfield expansion that is coming up, have we started the construction or it will start from the next financial year?

Rahul Nachane: Right now we are selecting the civil contractor who will do the construction, we are hopeful to start construction by early, next month.

Ankit: This last question, in the new product introduction performance or the new product that we will introduced over the past few years, if you can brief is how those two poultry products and the other new products are doing which you have introduced in the past one and a half years?

Rahul Nachane: We have seen sales growth taking place across the board in all our products, the new products of course in terms of percentages are showing very, very high growth numbers, close to 100 and 150% but that's because of a very small denominator, but I can tell you the top three products which we have, their contribution in the current year, has gone down from 41.5% to 38.9%. So, there's a 3% decrease in the top three products. While these products have grown substantially at the same time, it is the smaller products which are adding to the growth. We are seeing complete broad based growth taking place in terms of sales.

Ankit: These new five products which we are planning to launch, what are the timelines for this launch and will they also be catering to some poultry market or they will all be mammals and what can be the opportunity size for all these products like are they large products, let's say 50-100 crores or small products that you normally cater to?

Rahul Nachane: Of the ones which we are doing there is only one poultry product, we have not added any other poultry product right now, we are just continuing with one. The others are in the farm animal range in the veterinary field. So, those are basically anti-bacterial and anthelmintic for worms. And that's the largest market which we have.

Ankit: Are these are big products or this has let's say 100-150 crores kind of market opportunity that we manually used to target?

Rahul Nachane: No, we don't take those kinds of large very large products, we take products with potential market size of 30 to 50 crores. The ones which have got a market share size of 100 plus already have many players in the market. So, our value addition in those might still be restricted so we still are not looking at the mid-size segment right now and there is lot of growth coming in those niche markets.

Ankit: The US has been doing pretty well this year also. Last year also they entered the market and have shown recent growth. So, with our entry into the US market, how does it open up the entire market for us? Can we see and just become a large market for NGL going forward?

Rahul Nachane: See the US market, which we are addressing is a non-USFDA market. We still don't have any, US registrations over there, but we have US customers, customers who are buying in US and they are able to do it without doing the registration. Frankly, we don't expect a very large traction because there are just two customers over there. Hopefully we will try to develop a strategy over the next two or three years to see how we can penetrate that market better.

Ankit: Can this become as big as Europe market for us over the next three to five years?

Rahul Nachane: It is still early to say because we are still seeing very good growth in lesser regulated markets and that is giving us a pretty good push on the top line. We really don't want to be distracted right now by trying to go too much behind the regulated markets. We will keep our focus, in the way we have been doing it right now, at the same time, we will not ignore the fact that there is a good potential market available in Europe and US in terms of the regulated markets and probably the next two to five years is probably would be a good time for us to tap into those.

Moderator: The next question is from the line of Rupesh Tatiya from Intelsense Capital, please go ahead.

Rupesh Tatiya: This Rs. 55 crores inventory, can you split between finished goods and rest?

Rahul Nachane: Of the total inventory Rs. 23 crores is in terms of raw materials, Rs. 9 crores in finished goods and about Rs. 22 crores in semi finished goods. These are the major ones and there are some other smaller items also.

Rupesh Tatiya: These 30 crores of finished and semifinished goods they will be accounted at direct cost?

Rahul Nachane: Direct cost, yes.

Rupesh Tatiya: We expect this to be dispatched in the near term, to manage the cost escalation you're doing this?

Rahul Nachane: No, there are two factors, there has been a big increase in chemical market commodity prices, at the same time, because prices were going up, there has been a demand supply gap, so supplies have not been very smooth. We decided to stock, especially on those items, where the delivery period is long and we increased our stocking levels just to ensure that we don't face any stock outs. And we expect this to continue as long as this commodity market is in this, crazy demand supply imbalance and hopefully it should start correcting early part of next year. At that time when the supply is little more eased out, we will also start lowering stock levels to normal levels.

Rupesh Tatiya: Most of our export contracts do the customer pay the freight, how is it like?

Rahul Nachane: when we book orders everything is on spot business and these contracts are to be executed in the following two to four months. So, freight was already included in the contract, the increase came as a shock to us, we are now moving over to situation wherein we pass on the freight costs separately to the customer, it is something which works with the time lag of about 4 to 5 months for the entire cost increase to be passed on.

Rupesh Tatiya: So, majority of our business is where the freight cost is included in the pricing. Would that be correct at this time?

Rahul Nachane: Yes. We work on CIF contract with them.

Rupesh Tatiya: And you are able to now have conversations with customers and pass on the freight cost?

Rahul Nachane: Yes.

Rupesh Tatiya: One little bit longer-term question. We kind of have, step growth in our business. We were a small company and now our scale has increased. We are now looking at Rs. 18 crores of annual profitability run rate. So, in terms of CAPEX planning and future growth planning, would we say now we'll go a little bit more sophisticated and have advanced planning. Let's say after Tarapur next CAPEX would be planned in advance because we also have another, after the CAPEX comes, we have one year of validation batches, customer audits and things like that. So, would we now have plans in a way that we do advanced planning now, for all the CAPEX post Tarapur so that may have come from step, we kind of go to the ramp.

Rahul Nachane: Yes, that's a good suggestion. We will look into developing a more longer term view on shaping expansions and start doing more on the five to seven year planning, it will take little bit of time to do that, but we will start working towards that.

Rupesh Tatiya: In this quarter, these other expenses have gone by 4 crores sequentially. Can you roughly give impact of energy costs, how much energy costs went up, how much freight cost went up?

Rahul Nachane: Power cost has gone up by about Rs. 60 lakhs in the quarter, outsourcing cost has gone up by about Rs. 1.5 crores and the freight cost has gone up by Rs. 75 lakhs. These are the three main areas where the cost has gone up.

Rupesh Tatiya: These are sequential increases?

Rahul Nachane: This is as compared to Q1 of this year.

Rupesh Tatiya: And one last question. In general, regulation tightening up around the world at least in agri side some of these things are very clear. In terms of risks, some of our products getting banned, how do you see that risk in our portfolio?

Rahul Nachane: What risk was this?

Rupesh Tatiya: In Agri at least we hear that PPM level far high, for Europe is coming with new regulation, India had some story one or two years where some molecules were getting banned and now lot of this discussion is moving that whatever we are feeding animals there also these regulations are coming in because eventually that food counts for human consumption. So, in terms of this risk where our geographies where the molecules are getting banned and regulations are getting strict, in terms of risk how do you see this risk to our portfolio of roughly 20 products that we have?

Rahul Nachane: To my knowledge most of the products where there have been restrictions have been antibiotics and we don't manufacture any antibiotics. I have not come across any reference or any article or even any rumor from anybody, which involves the products that we currently manufacture.

Rupesh Tatiya: So, the risk at least in your view is not there.

Moderator: The next question is from the line of Yash Singhee from Yes Securities, please go ahead.

Yash Singhee: First question is on Europe, just wanted to ask, is there like an overstocking situation in Europe currently and can we see better growth rates once it normalizes?

Rahul Nachene: Europe typically is growing little at a lower pace as compared to the other markets is what we find. We still think that there will be growth coming in from that, but probably more in single digits, the other markets are giving us double digit growth.

Yash Singhee: There is no such overstocking situation in the areas that we cater to?

Rahul Nachane: No, we haven't seen any such situation.

Yash Singhee: And just another question, just wanted to know the major therapy areas or the diseases, which the top three or five drugs that we manufacture cater to. So, where do exactly these drugs are utilized like antiparasitic?

Rahul Nachane: These are antiparasitic basically, two of them are for blood diseases, so they are antiprotozoals and one is helminthic, this is the top three products which we have got.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital, please go ahead.

Dhwanil Desai: So, the first question is that, we are getting into newer geographies, we are introducing newer products, but barring Macrotech on our outsourcing part, the large capacity is going to come to two and a half years down the line. So, do you see in those two and a half years capacity becoming a constraint given that demand environment is pretty strong and you are gaining market share?

Rahul Nachane: Well it's a sort of chicken and egg situation, but to address that problem what we have been saying is we are going to do things in three different ways. Firstly, we are increasing the quantum of outsourcing which the company does, this would typically take us about a year and half. We started doing this, around January, February this year. We will probably optimize our outsourcing around May or June next year. Second part is Macrotech expansion which is already through. We hope to start production probably in the next month, third part which is an ongoing process for us is to keep on debottlenecking processes so that the growth story continues. And, in the current year we already have reached Rs. 110 crore sales in H1 last year, as against about Rs 155 crore in the last year. We see the growth continuing, we are very confident that the steps we have taken are enough to give us a fairly good growth over the next two years,

Dhwanil Desai: We don't anticipate a situation where the demand is there but you may not be able to supply. I mean, we have enough levers to create capacity that's what should we take that as conclusion?

Rahul Nachane: Yes, I don't think we will lose orders because of not having capacity.

Dhwanil Desai: Second question, you have mentioned in the presentation that and you have guided that cost on sales, marketing and travel side have normalized, is it now back to the normal level, or still be some kind of COVID -related restrictions impacting the cost and it may still further go up next quarter or the quarter after that?

Rahul Nachane: There was a large postponement of cost post-COVID and that postponement of cost is more or less been normalized. Everything is back to normal, except for traveling, in terms of marketing visits. Other than that, all costs have got normalized right now. Again, some costs are higher up right now because of the higher cost situation, but I presume it should start normalizing mid of next year.

Dhwanil Desai: We used to incur some cost on regular maintenance. I think that was held back that part also is getting normalized or is it yet to normalize.

Rahul Nachane: No, it is completely normalized now.

Dhwanil Desai: Third question, in some of the previous answers, you talked about US market and maybe two, three, four years down the line, we may want to scale up in that market. But in the past our strategy has been kind of remain in unregulated market. Are you thinking along the lines that, how do we leverage products where USFDA approval is not required and still scale up in US market or the thinking is that eventually we'll get into products where USFDA approval is required and will set up a separate plant. How are you thinking?

Rahul Nachane: Right now we have just two of our products sold in US where the registration is not required in the US market. All other products require registration. As I said going into the US market as of right now, it's not really a priority for us.

Dhwanil Desai: Whatever scale up will happen will be based on the products where approval normally not be required?

Rahul Nachane: Yes, basically pre-existing business.

Dhwanil Desai: After Greenfield our capacity will increase by 50% on a much higher pace, so for filling up that capacity, the existing product basket and four, five new products that we are developing, do you think that will be good enough, to fill up the capacity or we need to accelerate the new product development process, for filling up that capacity?

Rahul Nachane: Right now we are fairly comfortable for the next two years. We don't anticipate many shortcomings in whatever we have planned.

Dhwanil Desai: Okay. Even for the Greenfield plant, existing product plus new product would be sufficient to fill the CAPEX?

Rahul Nachane: Yes.

Moderator: The next question is from the line of Rohit Balakrishnan from iThought PMS, please go ahead.

Rohit Balakrishnan: Many questions have been already answered, just some clarifications. So, in the ensuing quarters and the next financial year, given that we have this increased outsourcing and Macrotech expansion coming online. You said that you envisage reaching Rs. 100 crores kind of quarterly run rate in FY23, did I hear that right?

Rahul Nachane: Yes. That I said over the next two and two and half year, not right now, later.

Rohit Balakrishnan: This is before Greenfield expansion, is that correct? Basically, what I want to understand is the expansion that you're trying to do in Macrotech and outsourcing will help us to kind of reach that kind of top line? Whether it is two years or two-half years?

Rahul Nachane: Yes, that is what our objective is.

Rohit Balakrishnan: One more question on this Macrotech expansion. Will this also help us in increasing our gross margins, trying to go backward integration. Is that understanding correct?

Rahul Nachane: Yes, basically Macrotech expansion is to increase the intermediate manufacturing capacity because we have adequate capacity for making the APIs right now and making intermediates ourselves helps to increase margins for every product, because the more you make yourself the better off it is. So, wherever we find there is some products which are better to be outsourced we are doing those, wherever we find the volume is substantial and it is more economical to make it ourselves we in-source it. So, that's the balance which we are going to strike right now, as I said earlier we started looking at outsourcing as a solid alternative only early part of this year, we will probably take till mid part of next year to stabilize our entire outsourcing plans.

Rohit Balakrishnan: So, if I look at your numbers over last many years they've been in that range of 37-38% gross margins, some quarter slightly above or and some quarters slightly down, but if I take, I'm not talking about this year or next year, I'm talking about as we do this expansion and sort of build this into our business model, for the next two years, structurally can our gross margin improve even from very good levels, is that the right understanding?

Rahul Nachane: The margins traditionally have been in our industry it has moved from average of about 18% to about 25%. There have been probably a few quarters or periods where it has gone up beyond that number. That primarily has been because of macroeconomic factors, not because of something which we are doing. It's not that all of a sudden the margin goes up 30 - 32%, it's not something which we have done probably, just that commodity prices were all time low at that point of time. So, margins as is said typically move within the range of 18 to 25% based on product mix scenario, anything which takes it up or down is more because of macroeconomic factors.

Rohit Balakrishnan: Actually, I was just specifically talking about your cost of goods sold. So, I mean, historically when I'm looking at probably very long term, not just last two years, but seven - eight years.

Rahul Nachane: That's moved always between a level of 40-44%.

Rohit Balakrishnan: Exactly. With this backward integration and Macrotech I am asking can this be also, I mean, this is already very good. Very few companies have these kinds of gross margins. Very, very, great on that, but I just asked with this step, can we also improve that further is the question that I asked?

Rahul Nachane: No that won't change that will continue within this band, we don't anticipate it to change substantially.

Rohit Balakrishnan: One question, in terms of your listing on NSE, anything that you can share on that part will be very helpful?

Rahul Nachane: The Board has taken the decision to go ahead with NSE listing, we will start the process, we are not very sure how long it will take but I guess within next 6-8 months it should be done.

Moderator: Our next question is from the line of V. P. Rajesh from Banyan Capital, please go ahead.

V.P. Rajesh: I was asking what is the revenue contribution from top 5 and top 10 products in this quarter?

Rahul Nachane: The top five in this quarter has contributed 54% to revenues.

V.P. Rajesh: And top 10?

Rahul Nachane: 77%.

V.P. Rajesh: What would be market opportunity of these top 10 products currently?

Rahul Nachane: The market opportunity should be fairly large, because we really are not in a monopoly situation in any product, except probably the top two or three where we have over 50% market share. In most of the others, it's a little lower. No, sorry. Now, today I think we would be over 50% market share in almost our top six to seven products now. As we add products, we're slowly moving towards those also. Top 10 products would probably have a potential of 200-250 crores for the same half year. So, let's say 400 to 500 crores turnover on annual basis.

V.P. Rajesh: And for us with the expansion that you're are doing, how many new products will start adding up so that you're not reliant on these top 10 products to such a large extent?

Rahul Nachane: This year we are commercializing three products right now. And, in the next calendar year we will take up another three to four products for commercialization. We hope to expand the basket between 27 - 30 over the next two years.

V.P. Rajesh: Should we assume that even for these six new products that you will introduce over the next 24 months, the market opportunity for molecule is roughly in that 30-50 crores zone?

Rahul Nachane: We don't really look for molecules which are very large, we still be in the 30 to 50 crores market size products. They would have probably 200 - 250 crores sort of a potential.

V.P. Rajesh: You said about your margins, meaning this 18 to 25% range. Given the product basket we have and the visibility you have for the next four to six quarters, would you say your margin in fiscal year 23 will be hovering around 20%, plus or minus 1% or 2%?

Rahul Nachane: Right now EBITDA is about 23% for us, on the downside it might to go down by 5% if prices continue to be very high, but if prices recover it should bounce back pretty fast.

Moderator: The next question is from the line of Alisha Mahavla from Envision Capital, please go ahead.

Alisha Mahavla: My first question is with respect to your non-vet API business, your finished human API intermediates, etc. have witnessed very sharp decline YoY this quarter, any reason for the same, is it that it was some high base of last year or what is the sustainable run rate for these businesses?

Rahul Nachane: I would say seasonality, because we are doing this only for two customers. We really have not treating it as thrust area for us. We have two customers and based on how their product is moving in the market, it goes up or down, but that part of the business is basically more sort of a service we are rending to customers rather than any focus area where we do it. We are not doing any investment in this sector for the last five years now.

Alisha Mahavla: While I understand that, the number between FY20 full year number versus '21, there was a huge growth in this. What is the most sustainable number between the two?

Rahul Nachane: On an annual basis we expect vet formulations to be in the range of between 7 and 9 crores not more than that.

Alisha Mahavla: Okay on annual basis the formulations will be only that much. While this might sound very repetitive but with respect your margins for next year bit higher outsourcing and with RM cost and other expenses, power where they are, is it possible to say that maybe for the next at least four quarters our margins will continue to stay under pressure and we may probably be at the lower end of the range that the industry operates and you have also guided in the past?

Rahul Nachane: Well, I hope it doesn't last that long. I hope that markets are recovering much earlier in that is our personal feeling is that this shouldn't last for more than two more quarters, by April, May next year we should definitely see a softening of prices because it's just not sustainable for industry, there are some products are 4x and 5x prices right now just because of the supply demand imbalance. So, it should correct itself, it shouldn't take that long, we don't anticipate it to continue beyond 2-3 quarters.

Alisha Mahavla: While I understand that, these costs will be normalized but we will have higher outsourcing cost and cost related to probably the Greenfield and the Macrotech expansion also coming in and like you said travel and other co-related costs have not come back, so all of those will come back while these will rationalize, hence negating any benefit. I'm trying to understand that till the

Greenfield comes on stream can we expect them to be slightly limited in this range of what we witnessed in this quarter?

Rahul Nachane: So, long increased turnover that higher cost should also get taken care of. We really don't see margins getting depressed because of those. No.

Moderator: The next question is from the line of Shivan MS from JHP Securities Private Limited, please go ahead.

Shivan MS: One question, historically when we look at our business model, the way we've grown, we've, focused on niche areas, niche molecules, got into them whether it is lesser competition and then built our market share, which has helped us get very high margins. Now, my question out here is that as we move forward into the next leg of growth, are we going to be able to scout for such opportunities of such small molecules, niche areas? That's my, first question and basically over the next five to six, seven years over the longer term, are there these opportunities still in there in the market? So, that's what I wanted to know.

Rahul Nachane: Well the products which we have taken up right now on none of them are blockbusters by themselves, but each of them, contributes significant part towards the overall plan for the company. We still don't anticipate any issues for the next three to five years in adding products, which will help us keeping the growth story intact. We still have those products, on our list.

Shivan MS: In the same breath, if I would want to ask this is that do we have enough molecules on our radar, these small niche opportunities to fill up the upcoming capacity that is coming up, post FY24?

Rahul Nachane: Yes. We have enough molecules which are on our wish list right now, we are right now planning in terms of product pipeline for the next five years and we see adequate traction in all the products which we are planning to have.

Shivan MS: Historically we've not looked out at outsourcing. We've always been an in-sourcing company where we believed in, manufacturing in house. Now, we can understand that there is an urgent demand and our capacities are not, up to the mark. Is it a short-term stop gap situation where we will then revert back to in source manufacturing, once our capacities are on stream?

Rahul Nachane: No it cannot be a short-term thing because transferring technology to a third party is a complicated process. No product can fit in straight away, every vendor has to make certain investments in making changes to the plan so that they can make that intermediate. So, we cannot work on a short-term basis, leave people in the lurch like that, it is going to be a strategy which will hold on for a longer period of time, but probably our turnover goes up and we do more of in sourcing ourselves, total production amount which is outsourced will probably come down.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Das for closing comments, over to you sir.

Rishav Das: Thank you all for joining the Q2 FY22 earnings call of NGL FineChem. For any further queries, feel free to get in touch with us at Pareto Capital. Thank you and see you in next quarter.

Rahul Nachane: Thank you, bye-bye. Thank you for joining

Moderator: Thank you. On behalf of NGL FineChem Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.