NGL Fine-Chem Limited

Regd. Office 301, E – Square, Subhash Road, Vile Parle East, Mumbai 400057 Maharashtra, India.
Tel.: (+91 22) 2663 6450, Fax: (+91 22) 2610 8030, Email: info@nglfinechem.com CIN L24110MH1981PLC025884, Website www.nglfinechem.com

August 7, 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 Wednesday, 4th August, 2021 on unaudited financial results for the quarter ended June 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 No unpublished price sensitive information was shared/discussed in the meeting.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

Pallavi Pednekar
Company Secretary & Compliance Officer
Membership No: A33498

Encl: As Above.

"NGL Fine-Chem Limited Q1 FY2022 Earning Conference Call"

August 04, 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**
ANALYST:	**MR. RISHAV DAS -- PARETO CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2022 Earnings Conference Call of NGL Fine Chem Limited. As a reminder, all participant lines will be in the listen-only mode and 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishav Das from Pareto Capital. Thank you and 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 Q1 FY2022 Earnings Conference Call. I have with me from the management Mr. Rahul Nachane Managing Director, Mr. Rajesh Lawande, CFO and Ms. Pallavi Pednekar, Company Secretary. We will have brief opening remarks from the management followed by the Q&A session.

Please note that certain statements made during this call maybe forward-looking in nature. Such forward looking statements are subject to certain risk and uncertainties that could cause our actual results or projection to differ materially from these statements. NGL Fine-Chem Limited will not be in anyway responsible for any action taken based on such statement 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 all of you. Thank you for joining us on this call. Hope all of you and your families are safe and well. I will start the call with a few remarks on our performance and strategy going ahead.

We are pleased with the performance of our company which has continued to deliver this quarter. Consolidated sales for the quarter ended June 30, 2021 reached a new high of 76 Crores as against 42 Crores in the same quarter last year a growth of 80%. This has mainly been due to a strong volume offtake and demand persisting in our Vet API and intermediates business.

We managed to continue sustaining our operating leverage with our EBITDA at 24 Crores a growth of 76% year-on-year leading to a robust EBITDA margin of 31% for this quarter. We recorded a net profit of 19 Crores as compared to 9.4 Crores last quarter with a margin of 25%.

Our continuing efforts to ramp up our manufacturing capacity and cater to increasing demands as seen and experienced steady growth in all our segments driven by increasing market share of our core products. All our facilities are currently running at about 95% which is near to full capacity utilization.

In our previous call, we had announced that capex plans for the next term. Our plans are currently on course. Our Rs 20 Crores Macrotech investment is currently under implementation and we will be completing in the current ongoing quarter. We also have plans to gradually increase outsourced production from the current 5% level to about 15%.

We hope that these measures and continued process improvements and debottlenecking efforts will help drive near term growth. Our plant Greenfield expansion at Tarapur is also on course. Approvals are well in place and estimated capex of 80 Crores to bring about 50% capacity addition. We aim to commercialize and start production by mid FY2023 to FY2024. We aim to continue growing our business by leveraging our robust balance sheet with a net debt free position and continue investing in maintaining our market position by remaining cost competitive, reliable and offer high quality solutions for all our customers.

This is from my side. We will now open the floor for discussion.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Ankit Gupta from Bamboo Capital please go ahead.

Ankit Gupta: Thanks for the opportunity and congratulations for a great set of numbers. Sir, post this completion of Macrotech expansion how much will our capacities expand?

Rahul Nachane: Our typical capital turnover ratio is roughly about 2x so with 20 Crores deployment it should go to about additional 40 Crores worth of sales should come in.

Ankit Gupta: Post completion of the debottlenecking and outsourcing can we expect further additional capacities which will come in?

Rahul Nachane: Yes, those will come in, but we are unable to quantify them right now because it is a more gradual process.

Ankit Gupta: In this quarter we saw significant growth in intermediates. Last year we did 16.8 Crores sales in intermediates and Q1 itself we have done almost 10.4 Crores any significant reason for such sharp jump in intermediate sales.

Rahul Nachane: It is just that the order came more towards the first and second quarter. It is the same contract but it got skewed a little bit but I guess it will even out throughout the year.

Ankit Gupta: On our medium term basis, I think the growth for intermediate might remain in line with the company’s overall growth is what you are trying to impact?

Rahul Nachane: A quarter is too short a period to look at overall trend for the year. It will normalize as we go along.

Ankit Gupta: Last question on the US based. We started supplying to US markets or supplying to customers in US in FY2021, we saw almost 6.8 Crores sales and in this quarter we have done 3.1 Crores sales for US customers. Can you throw some light on how this opportunity is shaping up because we are not selling in the developed markets? So what is leading to this jump in revenues from US market?

Rahul Nachane: These are again non-US FDA products which we are selling over there, so we have been able to develop a parallel market wherein the US FDA is not evolved. These are products not requiring registration with US FDA and that has opened a new market for us.

Ankit Gupta: How big can this opportunity be for the products that we will be supplying in the US market?

Rahul Nachane: It is not a very big one meaning probably on a cap of about between 12 Crores and 15 Crores per year.

Ankit Gupta: Any other products which we manufacture currently which also would not require any US FDA approvals that we can supply in the US market. Currently that we manufacture are in pipeline?

Rahul Nachane: There may be just one more product but not many of them. Most of them will fall under US FDA mantle.

Ankit Gupta: Thank you so much I will come back in queue**.**

Moderator: Thank you. The next question is from the line of Keshav Toshniwal from Kamadhenu Industries. Please go ahead.

Keshav Toshniwal: Firstly, I would like to congratulate the team for producing some amazing set of numbers and I have got a couple of questions for ask for. Firstly, in second half of financial year 2020 and 2021 we were able to capture some significant market share out of the value proposition that the company was doing, my question is whether we are getting the repeat orders from the new acquisition which we got in the second half of last year?

Rahul Nachane: Thank you Mr. Toshniwal for the kind words which you used for our company and our team. With regard to your question, yes, we have been able to maintain our sales growth and that necessarily comes from repeat orders coming from customers.

Keshav Toshniwal: Second question is with respect to the percentage of sales. Like in the last concall we spoke as the percentage of sales of your top three, five selling products has been reduced from 47% to 40%. Now what is the composition like the percentage of sales contributing the top 10 products in the 11 to 20 products? If you could just quantify what percentage they are contributing to the turnover.

Rahul Nachane: The top 3 products?

Keshav Toshniwal: The top 5-7 products what is the percentage of sales and the rest of product what percentage.

Rahul Nachane: Almost same as earliest it is about 53%.

Keshav Toshniwal: The last question is with respect to, we have been seeing increase in demand for our product which is reflected in our turnover so as we were planning to increase the outsourcing from 5% to 15% and our next plant is going to take one and half to two years, can the company plan like to go aggressive in terms of outsourcing the production because of the pent up demand and the market share which we have captured in second half of last year.

Rahul Nachane: There are a few things which we need to control when we are outsourcing. The first is that we need to have very reliable companies with whom we can tie up for this outsourcing so that the product quality and yields do not suffer. The second part is on technology, so there are certain sensitive process manufacturing steps which we cannot outsource which are our proprietary technology and we would like to retain them in-house so for us it is gradual step rather than going very aggressive with any particular strategy and it is also question of building and having the faith and trust with other companies with which we start work. So I would say it is a more gradual process, 5 will not go to 15 in 6 months or a year. It will probably take a year and half to get to that level but that is definitely one of our options for ensuring that we go a little asset light and at the same time build in capacity.

Keshav Toshniwal: The thing was just that because we are getting the demand because of the things we have done in the past. The thing was just not to miss out any extra demand which we receive at this present juncture so it was with respect to that. That is fine. Lastly, I would want you to ask whether the company is considering the stock split and when is the company planning to list on NSE?

Rahul Nachane: With regards to NSE listing we are examining the requirements and as and when we qualify for it we will definitely opt for NSE registration. So our company will be currently examining that possibility. Hopefully, we will be eligible after the AGM because three years dividend being recorded requirement, so we will get eligible probably after next AGM. As regards the stock split it is something which has come up in earlier discussions also and we will definitely consider that as we go ahead.

Keshav Toshniwal: Thank you Rahul.

Rahul Nachane: Thank you very much.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Rahul and team hope you guys are safe and sound and congratulations for fantastic set of numbers you guys have been delivering for a long time, so congratulations to the entire team. Two questions Rahul, one we have always guided that our EBITDA margin range is anywhere from 18 to 25% and off late we have been saying that we may be at the upper end of that margin range, but if I look at the gross margin, we are at 57% odd and this quarter probably there are no one off cost, you might not have incurred and we still managed to around 32% EBITDA margin range. I mean with that we may do better than what we are guided for and if not what would be the cost which will come in which will reduce margin to 25% if you can help me understand that.

Rahul Nachane: We still hold by that part when we say that the industry norms should be more like 25%. Right now we are at the higher end over there and at a much increased level and you have to realize that these are a little unusual times which we are faced with right now during COVID. There has been a drastic reduction in marketing and sales expenses, traveling is at a standstill, there is no participation in exhibition because all exhibitions are canceled so business promotion expenses are literally at 0 level right now and they can only go up from this level as we go ahead. Secondly, just like last year again in April and May this year we have had second wave of COVID which has resulted again in large postponement of expenditure because we wanted to reduce interaction with outside contractors within the company. We wanted to keep our own employees isolated and safe, so a large amount of work was again restricted and postponed. So these are little unusual times and going forward as different expenses get restored back there is bound to be a decrease in the margins. These are good times in terms of profits, but difficult times in terms of actually operating the businesses. So it is a sort of see-saw which we are playing right now and we need to balance it out, but going forward my personal feeling is that we will see a reduction in margins.

Dhwanil Desai: Again this quarter the other expenses have come down compared to last quarter and last quarter we had some one off in terms of insurance write off so these are like barring for the cost that you mentioned in terms of doing regular maintenance and scaling up of business promotion. This is more of a normalized in terms of other expenses right.

Rahul Nachane: Correct yes. Manufacturing overheads and other expenses that is right. Our material cost has already grown in this quarter which was indicated earlier given that chemical prices and commodity prices have gone up this year. We have seen our material cost go up back to the traditional levels of about 40%. Last quarter was really a beautiful one because chemical commodity prices were at their lowest but they regained all the lost price level and they are now at pretty high level. We do not think that they will harden beyond the current level frankly but we do not know because things are pretty unusual right now. Freight expenses have gone up enormously so now any imported item, the cost is gone up by close to about 4%-5% just on freight so we need to wait and watch and see how these macro economic factors will play out also.

Dhwanil Desai: Any update Rahul on poultry products rollout and how they are scaling up are they going to be meaningful driver of growth in the next couple of years?

Rahul Nachane: Out of the two poultry products which we have started, one is actually kept on hold right now because of capacity constraints and there are some tax issues on that product with regards to local sales because it is currently being imported. There are some differences in tax structures which is affecting its sales so we need to figure that out. The second one is doing very well. That is slowly creeping along and we see in the current year it should have quite a decent size in terms of turnover.

Dhwanil Desai: You need a separate kind of distribution network or set of dealers for rolling out this product or our existing marketing sort of team can take care of that?

Rahul Nachane: It is the same set of customers.

Dhwanil Desai: Okay got it. Thanks Rahul all the best.

Moderator: Thank you. The next question is from the line of Rajat Totia from I Thought Financial. Please go ahead.

Rajat Totia: Thank you for the opportunity. Sir what was the utilization level in Q1?

Rahul Nachane: Close to about 95%.

Rajat Totia: With debottleneck exercises that we are planning how much can it increase by?

Rahul Nachane: Debottleneck is normally at about 3 and 5%.

Rajat Totia: This is what we expect from the current year as well, right. The Macrotech expansion you said that will be ready in this year itself right?

Rahul Nachane: We hope to start commissioning activities in September. We hope to start our trial products from October.

Rajat Totia: That will be used for captive consumption, or we will be selling the products in the market?

Rahul Nachane: No, it is for captive consumption.

Rajat Totia: But that will increase our overall capacity in some ways?

Rahul Nachane: Our intermediate capacity goes up drastically so that helps us.

Rajat Totia: Okay is it like one to one, can we say that if you said 40 Crores is the potential of Macrotech can we say that sales potential also goes up by 40 Crores?

Rahul Nachane: Yes. I am talking in terms of what will help NGL.

Rajat Totia: Sir this Tarapur capex that we are doing whenever it is done, I just wanted to understand I think this is Brownfield extension right?

Rahul Nachane: The Macrotech one is Brownfield one and the other Tarapur, which NGL is undertaking is a Greenfield one.

Rajat Totia: We are going to spend 80 Crores there. One question is that will be there room for doing more capex I mean are we planning in such a way that whenever required we can expand at the same location?

Rahul Nachane: No, this particular location will go full out and occupy completely, in addition to that we have two other parts of land in Mahad and in Ambarnath. So we will first get this rolling and we will also start looking at the other areas but everything depends on how capacity utilization goes because you would not like to invest in idle capacity.

Rajat Totia: We mentioned our top three products we have market share around 50% plus what is the market share of our products which are let us say top 4 to 10?

Rahul Nachane: They are some where probably only 5% or 10% in couple of them and probably about 4 or 5 we are probably in the range of 35%-40% and in one of them we are probably at 60%, so it is a little varying sort of a thing. I would say right from 10% up to 60% would be the range depending on the product.

Rajat Totia: What will be the capex for the zero liquid discharge facility at our second plant?

Rahul Nachane: At Macrotech and one of our sites in Tarapur where we are upgrading zero liquid discharge total capex is close to about 10 Crores.

Rajat Totia: Do we see any associated quality risk with the outsourcing mix going up?

Rahul Nachane: Which is why we are a little cautious initially we would like to see that one by one product go out, they get stabilized, the quality and yield gets stabilized only after that we add other products, so we are pretty cautious on that. We do not want the quality to be affected at all.

Rajat Totia: Alright sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Anant Jain individual investor. Please go ahead.

Anant Jain: Thanks for the opportunity. My first question is that since in the Macrotech plant we are going to make intermediate so we have the formulation capacity for them in the main units of NGL?

Rahul Nachane: These are intermediate for making APIs, not for formulation. These are pharma intermediates which will make final APIs in NGL.

Anant Jain: So we have that capacity in NGL right now?

Rahul Nachane: We have adequate lines to make those, yes.

Anant Jain: So when you say 40 Crores contribution, it is 40 Crores contribution coming in total**,** I mean the finished products from NGL whether it is API or formulations?

Rahul Nachane: Yes that is right.

Anant Jain: So this is one lever of growth and the other lever of growth that you are saying would be more outsourcing which would be like some 5%-15% and by when are we looking to take it to that level would it be like next quarter, next to next quarter?

Rahul Nachane: It will be over a period of between 12 months to 15 months.

Anant Jain: It will be between 12 months to 15 months.

Rahul Nachane: It will go up gradually. It would not go up abruptly.

Anant Jain: Then we are also looking to do some kind of debottlenecking in our NGL plant as well right?

Rahul Nachane: That is right.

Anant Jain: So that should also increase capacities by 10%?

Rahul Nachane: As I said earlier, I am unable to put a number on that. Normally debottlenecking gives between 3% and 5% advantage not as high as 10%.

Anant Jain: For this year we are sorted in terms of our growth, next year our new capacity should come up December?

Rahul Nachane: No. If you are talking about Greenfield project that is likely to come up by September 2023, this year Macrotech will go on production but being a new plant by the time it reaches 80% or 90% capacity utilization will be least a year and half so it will go up gradually, outsourcing will go up gradually. So it is going to be a mixture of two, three things which help us grow up.

Anant Jain: Until the Greenfield facility comes up what are the next plans for growth from here because are we looking at more debottlenecking or more smaller expansions in our facility?

Rahul Nachane: Well, we just lifted those out. There are three-pronged strategy. One is debottlenecking our existing plants, second is to outsource, and the third is Macrotech expansion which kicks in this year.

Anant Jain: That is it for me and congratulations on a great set of number.

Moderator: Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Good afternoon everyone, congratulations on a good performance yet again. I have couple of questions. Sir, this Greenfield expansion that we are looking to do have we now finalized everything? Have we kick started the process?

Rahul Nachane: We hope to start construction as soon as the monsoon is over. The construction will start around close to October.

Ayush Mittal: Strategically like the way the business has grown, the way the numbers have come for the company and market leadership we have seen, are you also thinking of increasing the capex or doing something on this expansion now that you are on more advanced stage of planning because the cash flow and demand that you are seeing perhaps indicates that you can do more and we can invest more even if the margins were to stabilize to lower levels?

Rahul Nachane: There is always that desire to grow faster but at the same time we need to balance it out by looking at the risk and the downside also. We probably invested 100 Crores over the last 10 years and now we are talking about investing 100 Crores over the next two years, so I guess that is good amount of investment which we are undertaking. Let us complete this and probably once we are midway through this investment, we will again look at how the market is going and what kind of margin we make.

Ayush Mittal: This Greenfield that you are doing is it the max we can do here or there is potential to have more bigger capacities or bigger reactors and have bigger capacities if they want to?

Rahul Nachane: No. This investment will more or less fill the complete site.

Ayush Mittal: Thank you and wish you all the very best.

Moderator: Thank you. The next question is from the line of Sachin Shetty an individual investor. Please go ahead.

Sachin Shetty: Congratulations for good set of number. Sir my question is presently we are outsourcing 5% to 15% in your presentation you mentioned that 5% to 15% you are going to outsource, this outsource, how much it is contributing to our revenue? Like 75 Crores, so how much of it coming from outsourcing?

Rahul Nachane: When I say we are currently at 5% outsourcing on a 250 Crores it means 5% of 250 Crores turnover is coming in from outsourcing.

Sachin Shetty: Going forward we are just increasing to 15%.

Rahul Nachane: That is right.

Sachin Shetty: This Macrotech expansion, has this expansion already completed or yet to commission?

Rahul Nachane: The plant commissioning will start in September. It will take between 1 and 2 months to commission. We hope to start some trial production in the month of October.

Sachin Shetty: By year end this will be fully commercialized?

Rahul Nachane: That is right.

Sachin Shetty: Thank you.

Moderator: Thank you. The next question is from the line of Alisha Mahavla from Envision Capital. Please go ahead.

Alisha Mahavla: Good morning and thank you for taking my question**.** I had to cut the question in respect to Tarapur Greenfield. Firstly, the capex of 80 Crores we are doing is it to be funded completely by internal accruals or we are planning to take some debt also for the same?

Rahul Nachane: We will be taking on debt for it but we have not actually frozen the entire project cost yet. We just have a general outline ready. It will take us probably another two, three months to get a firm idea of the total project cost which is the time we will start engaging with banks to decide how much to borrow. Until then the civil construction will start completely from internal approval. So our requirement of funds will probably start around Q1 FY2022 to Q1 FY2023.

Alisha Mahavla: Sir because it is a Greenfield at Tarapur only will we need separate EC for this, environmental clearance.

Rahul Nachane: We already have environmental clearance. We also have MPCB consent to establish.

Alisha Mahavla: Okay so just generally speaking unless there is another COVID wave or delay in construction we should be more or less be on track nothing can throw us off because we have the approvals in place.

Rahul Nachane: We also have the MIDC approval. We have the fire NOC, all the statutory approval is already in place.

Alisha Mahavla: Okay got it the debottlenecking that you were referring to earlier the 3% to 5% incremental capacity is there something that will just gradually keep coming during the year or is it like Macrotech say probably will be available from H2 of this year.

Rahul Nachane: It will be a gradual thing which will take us between 12 to 15 months to reach that 15% level.

Alisha Mahavla: I am referring to the debottlenecking not the outsourcing**.**

Rahul Nachane: The debottlenecking is also gradual because what happens is there is one particular product where you see that there is potential then you debottleneck that particular product or one particular equipment, it is a gradual process it is not something which goes at a click of a button.

Alisha Mahavla: Are you evaluating any other inorganic opportunities similar to the Macrotech opportunity we evaluated and sourced upon a couple of years ago?

Rahul Nachane: We are always open to it so if an opportunity presents itself we are always open it, so we will keep our eyes open. Nothing as of now but if something comes up yes we will definitely be open for it.

Alisha Mahavla: One last thing I wanted to understand, while we are present across geographies, is it one geography offers us any better margins anything like that or is it more equal across geographies?

Rahul Nachane: No there is no price advantage if we sell to Latin America instead of Asia Pacific there is nothing like that.

Alisha Mahavla: One last if I may squeeze in, this gross margin of 57% odd that we achieved in Q1 is this a more sustainable number because you have explained in the past that there were certain advantages in FY2021 but unless obviously there are some unforeseeable circumstances, is 57% kind of gross margin sustainable.

Rahul Nachane: This gross margin when you say what are the costs which you are taking into account?

Alisha Mahavla: I am simply excluding the CoGs based on the results that you report.

Rahul Nachane: I did not get that.

Alisha Mahavla: I am saying I will simply remove the cost of goods sold based on the results that you report.

Rahul Nachane: One minute**,** I need to have a look at that before I can comment. I am not arriving at this 57% which you get but let me put it this way. If we take gross margin is mainly the material cost. I am ignoring all the other costs like employee cost, finance, and power cost. If I take only material cost into account traditionally over and close to 7 or 8 year period, our material cost has moved in the range of 38% to 44%. Why it goes down and up is basically due to macroeconomic factors and the only internal factors which can affect is the product mix, but that would be adverse only for couple of factors it is mainly due to macroeconomic factors.

Alisha Mahavla: Thank you. That was helpful. Thank you for your time.

Moderator: Thank you. The next question is from the line of Ishrat Khatri from Omkara Capital. Please go ahead.

Ishrat Khatri: Thank you for taking my question. I just have two basic questions; one is based on all the capex plans that we have including the debottlenecking and increasing the outsourcing and the Macrotech capex plus the Tarapur Greenfield, what kind of incremental revenues do we see in the coming two three years cumulatively from all these capex, I mean I just want to understand in terms of absolute numbers where do we see the top line in the next maybe two three years from the current 50 to 60 Crores that we did last year?

Rahul Nachane: Madam we do not give indicative guidance figures for revenue.

Ishrat Khatri: But any incremental revenue that we see from these additional capex cumulatively because for Macrotech you said 20 Crores of investment will give about 40 Crores and anything other than that the Tarapur would it be about 150 odd Crores of incremental revenue.

Rahul Nachane: 2x is roughly what we look at our capital output ratio.

Ishrat Khatri: Also in terms of EBITDA margins FY2021 we witnessed a spike in EBITDA margins and you mentioned in the call that we are expecting some rationalization because raw materials prices have increased. You can give a range if required but what would be a more long term sustainable EBITDA margin considering the future plans that we have?

Rahul Nachane: If I were to take a seven year perspective into account then the industry traditionally has delivered between 18% and 25% and we have typically been at the higher end of that spectrum over the period of time.

Ishrat Khatri: I think that is all from my end. All the best. Thanks.

Moderator: Thank you. The next question is from the line of Tanush Mehta individual investor. Please go ahead.

Tanush Mehta: Firstly congratulations on a good performance and most importantly a consistent one. Sir I have a couple of questions. Sir first is with respect to product selection. We are into unregulated or we can markets where we do not have any string regulation. One is how do we select a product in that case. Second relates to the growth we are witnessing right now how much can we tribute mainly to volume growth and value growth and thirdly in the earlier part of Q&A you have done 100 Crores of capex in the last 10 years and now we are doing that same in just a couple of years so where can we assume the cash flow and asset turn.

Rahul Nachane: What was the first part again which you asked?

Tanush Mehta: Sir first one was on the product selection. How do we a select product with respect to the market that we are entering?

Rahul Nachane: See today we already have a fairly decent basket of products. We do close to about 20-22 APIs. We keep adding products as when we go over a period of time. Product selection is based on roughly two or three factors. One is we look at similar chemistry because these products are easier to get into the market and much more easy for us to convert that chemistry into a product. The second part is when we have customer requirements, so when we engage with customers they come up with their requirements or which new products they are looking for, or they are looking to add new supplier to widen the supply chain and the third part is from our own research of trying to find out which is a good product to fit in with our requirements so these are the three ways in which we are looking at product selection.

Tanush Mehta: Just to add upon to what you said if we were to just see it on a broad picture out of three verticals that you just mentioned one will be on the chemistry part, one would be on the customer requirement, and one would be on the own R&D that the company does which of the three market is giving the maximum traction here?

Rahul Nachane: All three have worked for us which is why I mentioned those three.

Tanush Mehta: Sir my second question was with regards to the volume growth and the value growth that you have seen in the last quarter as well as in the last few quarters if you could just put some light on that?

Rahul Nachane: Prices in this pharma area is pretty stable. Prices are pretty inelastic so if raw materials prices go up or go down, if it goes up it is difficult to pass on the increase and if it goes down, unless there is very strong competition which is also offering reduced prices, you do not end up passing the price decrease to customers, so prices remain stable over a period of time. Mainly the growth which comes is more on account of quantity growth rather than value growth, not price oriented but more on volumes which we have. I would attribute to over 90% of our growth to volume growth.

Tanush Mehta: Sir the last question was on the capex, as you earlier mentioned that 100 Crores was done in the last 10 years and now 100 Crores is being done in just a couple of years, so where do you see the asset turn then turning out to be and how can we look at the cash flow at that point of time?

Rahul Nachane: Asset turn measured on the balance sheet is on bases of depreciated assets, whereas asset turn indicated earlier is on the basis of fresh investment. If I could talk about what asset turn we achieve on fresh investment it would be probably to 2x today's investment but if we are talking about in the terms of the balance sheet it will be a completely different number.

Tanush Mehta: Just to understand on a very broad basis, as you earlier mentioned we are there in products which are unregulated. Are there any risks of these product coming into regulation or these markets having some changes so I just wanted to understand on a very broad picture like is there any possibility or is there any things markets coming into a bit regulated one or the product that we are selling to our regulation part can that happen and how are we different from that. I just want to understand on that?

Rahul Nachane: Just a little bit of perspective in terms of regulation that pharmaceuticals are regulated all over the world. It is the degree of regulation which differs. For example, the regulation here in India will be different from let us say the regulation in UK and will be different from the regulation in the USA, so when we say regulated markets normally everybody refers to the more developed markets like the US, Canada, Europe, Japan those are the ones which are referred to us regulated markets but rest of the world is considered unregulated but I would not call it unregulated let us call it lesser regulated markets because there are regulation for registration in every country. No country allows you to manufacture pharmaceuticals without registration and regulation. Now having said that each country would gradually like to increase the amount of regulation and have greater control over quality of products being manufactured. So let us say we are looking the US as a 10 and let us say India would be at a level of probably 4 or 5 in terms of regulation so other countries will lie somewhere between this 1 and 10 sort of a range. There will be a threat but regulators also do not take overnight decisions. When there is change of regulation, there is a window which is allowed which is open to you and the window is normally not short, close to about a year or even longer at times for you to comply with those regulations, so it is really not that big a threat as that in terms of how we will get affected by change in regulation.

Tanush Mehta: Thank you Sir for answering all the questions and good luck for the coming quarters.

Moderator: Thank you. The next question is from the line of Varun Mehta from Wealth Link Investment. Please go ahead.

Varun Mehta: Congratulations Sir for a great set of number especially for few quarters you have been doing very well. I just want to know on the pollution thing is it all over or still we have some issues going on which we had last quarter.

Rahul Nachane: No, it is not all over. As far as we are concerned there will be two of our units, which we will not be able to convert to zero liquid discharge. One is currently a zero liquid discharge and that is undergoing a revamp in terms of increase in capacity of treatment and Macrotech is also getting converted. Let us say by December 2021 about 75% of our production will come from sites which are zero liquid discharge and with very low amount of threat. 25% of our production will still come from sites, which are not zero liquid discharge.

Varun Mehta: So we have to be zero discharge or things can be managed on that Sir?

Rahul Nachane: It is not required. The norms say that we can discharge out to the central effluent treatment plant and the central effluent treatment plant needs to treat the effluents further. Now what happens is that the infrastructure currently available in the central effluent treatment plant is not adequate to take the entire effluent from the industry which is creating all these problems, so there is an expansion being taken at CETP but as you know it is a cooperative and it is long and a slow process, so we are trying to insulate ourselves by doing whatever we can, wherever we have the space and the opportunity we are converting it into complete zero liquid discharge. When we do not have an opportunity we will do our best to comply with changing situation.

Varun Mehta: Secondly I want to know as we are like 75%-80% export, we are doing on CIP basis or how are we doing Sir. The exports prices have gone up, the logistic cost has gone currently pretty high?

Rahul Nachane: I am sorry I did not understand the question.

Varun Mehta: Sir I am saying like 75% to 80% of revenue is export. Are we doing export on CIP basis or how are we doing it Sir?

Rahul Nachane: Export of what?

Varun Mehta: The export of our commodities we are doing on CIP basis, like cost and freight is included in the freight.

Rahul Nachane: CIP basis yes.

Varun Mehta: So as the cost is recently gone up Sir, so the margins would have come down. Am I right on that?

Rahul Nachane: Our pricing is on FOB basis and the freight is added extra. In the shorter run we did suffer because of that in the longer run we have been able to pass on the freight to the customer.

Varun Mehta: Right Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity again. We currently did Greenfield and Brownfield expansions with gross revenue let us say somewhere around 500 Crores and a lot of product selection has largely been focusing more on smaller molecules let us say in the range of 50 Crores to 100 Crores or even lesser. Now the growing scale do you think a time has come where we have to look at larger molecules as well and bigger molecules where we can also get mostly?

Rahul Nachane: Yes what you are saying is true. Probably couple of years down the line, we will have to start looking at a different set of products not just niche products but currently the pipeline we have got we are quite happy with it. We do not think we need to change our strategy at least for another two years or so.

Ankit Gupta: Okay so the current pipeline of your products and existing products will be sufficient for your capacity even in the Greenfield plant at Tarapur.

Rahul Nachane: That is right.

Ankit Gupta: Sir in FY2022 and FY2023 how many new products are we planning to launch and that will be largely focused on mammals or we will also be launching some more products on poultry side?

Rahul Nachane: We are still looking at mammals are that is where our strength lies and our objective is to add couple of products every year for the next two years now.

Ankit Gupta: And they will all be mammal no poultry.

Rahul Nachane: Only mammals.

Ankit Gupta: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from iThought PMS. Please go ahead.

Rohit Balakrishnan: Congratulations on a great quarter. Sir just a couple of questions, in the Tarapur plant which is a Greenfield facility are we going for the existing products or there will be new products also, I just wanted to understand that?

Rahul Nachane: It is sort of two in one you can say. There are some existing products where we see that we need to increase our capacity quite a bit so those are being factored in and at the same time we are putting in put six API lines. Let us say two are for existing products increase in capacity, about four are for new product.

Rohit Balakrishnan: For those four new products we will start the work on validation etc., closer to the commercialization.

Rahul Nachane: Yes.

Rohit Balakrishnan: The second question was Sir I mean since last year we have been able to increase the market share let us say top 4 to top 10 products and we have been able to sustain that. I just want to understand, I mean, are the guys whose market share we have taken do you see any threat for them coming back and taking their original share or you think the share that you have taken now will sort of sustain.

Rahul Nachane: We still are holding onto it. So I hope that it will continue in the future also.

Rohit Balakrishnan: Probably if you can just allude to some more qualitative point as to why you think you can hold onto it and why others cannot in terms of maybe cost or something else, whatever you can share?

Rahul Nachane: We believe our philosophy is very simple. We bring it down to only three factors; one is that we need to be very reliable supplier to our customers, second is offer them the best cost solution which you can and the third is to offer them quality which is far superior to anybody else in the market and these are three simple pillars which have helped us all along till now and I still believe that these are the three factors which help us to retain customers far more effectively.

Rohit Balakrishnan: Thank you so much Sir and all the best for the upcoming year. Thank you.

Moderator: Thank you. The next question is from the line of Alisha Mahavla from Envision Capital. Please go ahead.

Alisha Mahavla: Sir Thank you for the follow up just one clarification the asset turn is 2x or 2.5x?

Rahul Nachane: Asset turnover it depends on the product which we do. If we do a product with only let us say 5 steps of synthesis, we would reach a turnover of 2.5x. If we do a product with 12 steps of synthesis, we will probably reach 2x so it would be somewhere in between.

Alisha Mahavla: Thank you so much Sir.

Moderator: Thank you. Ladies and gentleman to ask a question you may press "*" and "1" now. As there are no further questions, I will now like to hand the conference over to Mr. Rishav Das for closing comments.

Rishav Das: Thank you all for joining the Q1 FY2022 Earnings Call of NGL Fine Chem Limited. For any further queries, please get in touch with us at Pareto Capital. Thank you.

Moderator: Thank you. On behalf of NGL Fine Chem Limited that concludes this conference. Thank you for joining us.