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

May 9, 2022

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 May, 2022
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 May, 2022 on financial results for the 4th quarter and year ended 31st March, 2022. No unpublished price sensitive information was shared/discussed in the meeting.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 Fine-Chem Limited Q4 & FY22 Earnings Conference Call"

May 04, 2022

MANAGEMENT: **MR. RAHUL NACHANE – MANAGING DIRECTOR, NGL FINE-CHEM LIMITED**
MR. MR. RAJESH LAWANDE – WHOLE TIME DIRECTOR AND CFO, 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 Q4 and FY22 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 '*' and 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 Q4 and FY22 Earnings Conference Call. I have with me from the management Mr. Rahul Nachane – Managing Director, Mr. Rajesh Lawande – Whole Time Director and 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 in this call maybe 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 the statements. NGL Fine-Chem Limited will not be in anyway responsible for any action taken based on such statements and undertake no obligations 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: Thank you Rishav. Good morning to all of you. Thank you for joining us on this call.

Let me take you through the performance of our Company and strategy going ahead:

This year we continue to witness steady growth while we faced several pressures on the cost front. Strong volume demand sustained throughout the year as we have witnessed increase in penetration of our major products in all present markets.

We recorded a consolidated revenue growth of 17% year-on-year for Quarter 4 FY22 and 23% for the year FY22.

Our veterinary API business which is our primary segment reported robust growth of 13% year-on-year in Quarter 4 and 26% for the full year. Global macro and geopolitical factors continue to push cost to new highs directly impacting our business in the way of raw material prices, freight and fuel which inversely affected product supply and margins.

Cost are expected to remain elevated in a near term as the situation remains uncertain. We expect price to normalize in the later part of the year.

For Q4 FY22 consolidated EBITDA stood at Rs. 11 crores with a margin of 12.6%. Profit after tax for the quarter was 7 crores with the margin of 8%. For the full year consolidated EBITDA stood at Rs. 68 crores with the margin of 21. 4% and profit after tax stood at Rs. 50 crores with a margin of 15.7%.

We continue to see good market traction for all major product categories while we gain market share in our coming products. Top 3 products contributed 44%, Top 5 - 50% and Top 10 - 72% of our revenues for the year. We additionally widened our customer base this year with Top 3 customers now contributing to 13%, top 5 customers to 20% of turnover and top 10 to 33% of turnover.

We have 5 molecules in pipeline at this time each having more than 5-step synthesis manufacturing processes. These products were highly accretive and will help enhance margins going ahead. We aim to launch 3 or 4 new products each year. Our Poultry molecule has witnessed very strong market acceptance as we sold about 6 tons this year in FY22 and we expect to see good volumes in the next year.

Lastly coming to our growth outlook:

On our ongoing initiatives we have completed the Macrotech Brownfield expansion in the last quarter, validation batches are ongoing and we expect to commercialize from the current quarter.

On our plans to increase outsource production we have attained about 10% outsource production as of now and we should hit our target of 15% by the end of FY23. These measures along with continued debottlenecking and process improvements will help by near-term growth.

Our planned Greenfield expansion at Tarapur is also of course we have started civil construction in the month of December and work is progressing well. The estimated CAPEX for this project has been revised to Rs. 140 crores which will bring a 50% capacity addition and we will be funded through a mix of debt and internal accruals. We expect to complete construction and start production in FY24 we are well-positioned today to tap into the vast opportunities in the sector with the robust balance sheet and net debt free will be our position.

We are focused to continue investing in maintaining our market position by remaining cost competitive, reliable and of course high-quality solutions for all our customers. This is from my side. We can now open the floor for discussions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: So, sir with regards to gross margins compared to the previous quarter loss of 48% we are back around upwards of 50% a gross margins have actually moved by 2% whereas the EBITDA margins are impacted because of other expenses and employee costing higher as a percentage of sales, so coming to the question back sir one is you had mentioned in the previous call that the import prices which had gone up and had a peak in October, November post that they were seeing the trend were seeing to the prices were stabilizing at going Southwards, so how do we look at the input prices now compared to what we had spoken in the previous call and the pricing October, November and what is the trend going ahead?

Rahul Nachane: As I had mentioned earlier our prices has picked to the later part of last year and they have started coming down and Jan, Feb was actually Jan was actually a good month where prices came down, but then unfortunately we had the war coming up and that has the war between Russia and Ukraine that has increased prices of commodities oils and metals in a significant way now. So, oil is almost double the price what it was three months ago and this has impacted the cost of all chemicals once again. So, prices had once again short up and we do not see then coming down until this global situation settles down a little bit. So, probably it might last for maybe another two quarters going forward.

Rahul Jain: And sir with regards to Tarapur CAPEX in the previous quarter you had mentioned the CAPEX in 100 crores and you are working on the numbers again with regard to the inflationary part and you had mentioned that the project cost could go up by around 10%, but what we see in the current presentation we had mentioned the Tarapur CAPEX at 140 crores, so just to understand how much of this could be due to inflation and how much of it this could be due to some new additions and also with regards to now this Rs. 140 crores what kind of asset term should be build up for Tarapur?

Rahul Nachane: The situation you know which existed in January and what exist today is very different. I am sure you will be aware that steel prices, for example, mild steel has gone up from about Rs. 30, Rs. 35 a kilo it is currently at almost about Rs. 75 a kilo so it is doubled in the last 3 months. Same is with regard to copper and building a plant basically we require stainless steel, we require copper because that goes into all the motors which are bought and the condensers. So, that has given us sharp increase in the CAPEX for the plant which we have got right now which is being undertaken. What impact it will have on the capital output ratio is something which I am really uncertain about, but in the long run it will play out. We cannot hold our plan just because of some global factor which are going wrong right now I am sure things will settle down as we go forward towards the end of this year and things should be much better economically.

Rahul Jain: And sir with regards to your 5 new molecules in the pipeline and you also mentioned in your initial remarks some of these must have more than 5 steps synthesis and your presentation also talk about the new products been margin accretive products, so now two parts when do we expect the commercial supplies to start for this 5 products secondly what kind of margin differentials do this product have and what kind of size these products can be?

Rahul Nachane: To launch the pharma products takes close to between a year to two years for products to get properly stabilized. We have to give samples to our customers they will carry out validation batches then they will carry shelf-life studies. So, what get to start converting into sales takes a little time. So, these are products which will essentially start leveraging large turnover for us over a period of between 12 and 24 months. These are all multistep products so they are with similar EBITDA margins as the products we are currently doing of course there is an impact on current pricing because of high commodity prices, but as and when it corrects it should settle down. We are focusing right now more on market acquisition. The idea being that when macroeconomic factors will improve margins will return back to earlier levels.

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

Yogansh Jeswani: Sir to share the four-wheeler volume growth how much was that and also what was the volume growth in Q4?

Rahul Nachane: Volume growth in API last year was about 6% and 23% was the growth in value.

Yogansh Jeswani: This is last whole year?

Rahul Nachane: Yes this is for the last whole year.

Yogansh Jeswani: Secondly on the Greenfield expansion that we are doing so after this first round of expansion with 50% capacity enhancement, what kind of scope will be left for that plan for any future CAPEX?

Rahul Nachane: I did not understand the question clearly.

Yogansh Jeswani: The Greenfield expansion that we are doing so does the 50% capacity enhancement that we were doing will there be a scope for us to expand more on that piece of land or this is the maximum potential from that project?

Rahul Nachane: That particular project will be matched out.

Yogansh Jeswani: And sir on the other expenses the higher expenses apart from freight and energy is there any other part to that expense?

Rahul Nachane: Yes maintenance cost has also gone up because metal cost prices have gone up. So, spares prices have gone up. So, that is another area where our cost increases taken place.

Yogansh Jeswani: So, will you be able to quantify if there is one of that you are mentioning how much would that be in value terms?

Rahul Nachane: Our maintenance cost is up by almost 1% in the last quarter meaning from about 2% of sales it has gone to 3% of sales.

Yogansh Jeswani: So, other than that you see moving forward just other expenses to normalize or we do see some impact in coming quarters as well?

Rahul Nachane: I think this will continue probably for at least couple of more quarters before it starts regularizing. We have to wait for the global economic situation to settle down.

Yogansh Jeswani: So, basically if we compare quarter-on-quarter I think last quarter our other expenses were 20%, 21% and this time it is around 28% and the freight and all those issues have been there for last two, three quarters at least for this entire year so that is why with this 1% is there anything else also that we should be looking at?

Rahul Nachane: PAT has gone up. Our fuel cost which used to be only 1% of sales is now 2.5% of sales.

Yogansh Jeswani: So, I think then 27%, 28% kind of other expenses we were expecting to continue then?

Rahul Nachane: This is what is driven by the high commodity prices, oil prices right now metal prices earlier also, it should take between 6 to 9 months. I think we can be optimistic that it will start settling around bit of this year.

Moderator: Thank you. The next question is from the line of Rushabh Sharedalal from Equirus. Please go ahead.

Rushabh Sharedalal: The first question is for the Brownfield expansion that we have almost completed in Macrotech so it is a Rs. 26 crores kind of a Brownfield expansion that we did so what sort of a revenue and margin do we expect from these Brownfield expansion that would be my first question?

Rahul Nachane: Typically, in this industry we have a capital output ratio of about it used to be about 2, but with the increased cost which are prevailing now it should be in the range of 1.5 to 1.75. So, we expect this to give us additional manufacturing capacity equivalent to roughly about 40 to 50 crores worth of sales.

Rushabh Sharedalal: And what sort of a margin do we expect?

Rahul Nachane: Margins comes from our standard product so it is not it is the same margin which will continue for the Company and the whole.

Rushabh Sharedalal: And would we kind of see the impact in Quarter 2 or Quarter 3 of this year itself in terms of revenue?

Rahul Nachane: Yes we should start seeing impact within this year.

Rushabh Sharedalal: And one more question on the Greenfield CAPEX so now it is Rs. 140 crore, but assuming that there was no war and no elevated cost on a CAPEX of Rs. 100 crores what kind of an effect were you expecting assuming that the macro situation is normalized?

Rahul Nachane: On Rs. 100 crores we would have expected about 200 crores worth of sales.

Rushabh Sharedalal: And just a small question if I can squeeze in so we are doing these outsourcing and we have almost 10% and we are moving towards the 15% kind of a number. So, any cost saving that if you can quantify for us?

Rahul Nachane: Any cost what?

Rushabh Sharedalal: Any cost saving that you can quantify for us if we are moving towards this outsourcing of production?

Rahul Nachane: Outsourcing actually is a more expensive way of doing things there is no cost saving over there. It just becomes that we can generate more sales being asset light. So, today we have been able to double our sales if you see in about two years' time, in FY20 we were at about Rs. 250 crores today we are at Rs. 300 plus crores and there really has not been such big investment in plant and machinery which has taken place. So, it is just an asset light model of ensuring that we are able to grow our sales.

Rushabh Sharedalal: I actually wanted to understand so the largest product that we produce even companies like sequent scientific are also there in the product it is just that they are selling it in the regulated market, so what kind of risk do you see if those companies start entering unregulated market where we are serving?

Rahul Nachane: It is difficult for a company which is doing work to come into organized markets, their cost structure will not permit it.

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

Ayush Agarwal: I just wanted to understand on the input price rise that is happening, so have we been taking price increase or we sticking with our old strategy of gaining market share while making short term sales?

Rahul Nachane: No, we have to pass on price increases to customers we cannot just sit on this because it would obviously be very detrimental to business, but there is a time lag of almost 1.5 quarter by the time we can start passing on because normally we have orders for example currently we are holding orders which are valid till July. So, probably from booking which we started doing last month we have started passing on the price increases, but there is a lot of resistance in the market. We are selling to pharma companies, the pharma companies in the end selling to farmer and the farmer has to make his enterprise has to be profitable for him otherwise it will not work out and unless we can translate it into higher products prices for his products in the market he is going to resist. So, there is a push back which comes so price increases are not so easily passed on.

Ayush Agarwal: Also sir given our capabilities and high market share in a few products is there a CDMO kind of an opportunity that lies ahead for our Company which has seen a massive rise in top line and we have shown kind of production capabilities there are players like Syngenta out there who are doing CDMO kind of business so it is an opportunity for NGL going ahead in the veterinary?

Rahul Nachane: It is not something which you have explored so I am unable to comment on that.

Ayush Agarwal: And my last question is on volume growth that we are looking at in FY23 and how is the demand looking for our products?

Rahul Nachane: Difficult to explain what volume growth will be because there is a push back with regard to pricing going on right now. We are trying to pass on the increased price level. So, customers are holding back a little bit of their demand. So, it is still too early for us to judge what will happen in the current year.

Ayush Agarwal: But as we saw that there is no inventory built up that is happening in the channel?

Rahul Nachane: Our inventory built up is normally in terms of work in process, finished goods inventory we cannot afford to let it build up because our products have a finite shelf life and we commit to our customers that we will ship out products which are not more than 3 months old. So, our inventory is always in the N-1, N-2 stage.

Moderator: Thank you. The next question is from the line of Anil Jain an Individual Investor. Please go ahead.

Anil Jain: One question that I have is that in the call before this one we had spoken of that the logistics cost which have gone up should be more like a pass through from here on, so has that plan have we implemented that part of?

Rahul Nachane: I did not understand what the question was.

Anil Jain: So, logistic cost have gone up significantly is what you have mentioned my only question is that we decided that logistic from here on be remain FoV basis of sale and the customer would be paying for the logistics there will be a complete pass through, are we not there, have we not implemented that as policy as of now?

Rahul Nachane: Some part has been converted into FoV business. There is still a large part which goes on CIF and as I just said this increased price has to be passed on to customers. So, we pass it on so we tell them to customers that the FoV so whatever be the logistical cost will be passed on to them completely. So, yes we are able to pass it on for quite a few customers now.

Anil Jain: So, let us say for 80% of the sales we are able to pass on any increase or decrease in logistics?

Rahul Nachane: I am unable to give you a percentage of hand, but yes for some part of our sales we have been able to pass it on.

Anil Jain: So, the other question that I have is of course with this kind of price increases and the customers would be pushing us back on the price, but at the same time if you look at competitiveness that should not have you know it is an increase that happens for almost all our competitors too right?

Rahul Nachane: Yes it does.

Anil Jain: So, at some point of time despite the increase in prices there should be a normalization of everything like margin going back to the previous level?

Rahul Nachane: What you are saying is right.

Anil Jain: And should we expect that like in a quarter or two to happen?

Rahul Nachane: That is precisely the problem right now. We are unable to gauge because just when prices were stabilizing and normalizing we have seen again things go up with the Russia-Ukraine war. So, oil has gone up when oil was up transportation cost goes up. So, whatever normalization we had seen has just been there has been upheaval in that and it has been disturbed. So, I am unable to tell you or even guess when this would normalize, but cycle work in price cycles are more like a 6-to-9-month cycle. So, hopefully towards the end of this month we should see it settling down.

Moderator: Thank you. The next question is from the line of Sanamdeep from Edge West Company. Please go ahead.

Sanamdeep: Sir how you see the Company's present situation mean to say we are going under CAPEX and the company's receivables are at all-time high, inventories at all time high and the RM cost we would not see any kind of relief in RM prices in short to medium term, so how you see the company's present situation?

Rahul Nachane: Overall, the situation is actually very promising. We say that our presence in the market is going up. We are gaining market share very well in the market, products are now well accepted, sales growth is strong. Margins in the short term have been impacted no question about it and we will continue to be impacted because of what we see happening around us, but there is no change in the long-term situation. We are very optimistic about where we were are going from here right now.

Sanamdeep: Analyze the Company's last 10 years so there is the only one problem we can find that this is the pricing power and I cannot recall it correctly, but in some concall you said that if prices of raw material has risen by 50% to 60% then we can still cannot pass on the prices to the customers at present is it so?

Rahul Nachane: There is a resistance in the market meaning we are in a B2B business we are not in a B2C business where it is relatively easier to pass on price increases. So, there is a push back, it is not so easy to pass on price increases.

Sanamdeep: So, this thing will remain intact in future also?

Rahul Nachane: Yes it is a nature of the industry.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Swan Investments. Please go ahead.

Dhaval Shah: Sir my question is with regards to the numbers over the last two, three quarters if we compare last we did roughly the same top line in the March quarter versus the September quarter, so while the gross profit has been down by 3% so compared to September there is a sharp increase in the other expenses which is impacting our EBITDA margins, so could you quantify the other expenses increase in more detail like you mentioned your fuel cost has gone from 2% to 3%, maintenance cost from 1% to 2%, so which are the other cost which is giving us such a sharp spike in impacting the EBITDA margins that is my first question, just to add with it is there a simultaneous fall in the sharp fall in the realization as well?

Rahul Nachane: Just earlier in the call I did give the numbers for fuel, transport which is freight the employer cost and employee cost. So, these are the four items which are the main cost drivers.

Dhaval Shah: So, employee cost broadly remains same at 11.5% of sales so is it freight which has gone up like the biggest component of your other expense increase, trying to understand that once the thing normalizes would we see an addition of 3% to 4% on the EBITDA?

Rahul Nachane: Definitely.

Dhaval Shah: That is the bare minimum you see?

Rahul Nachane: No and mainly it is the material cost we should see if the chemical prices start coming down we should see that coming down quite a bit right now we are paying crazy prices for chemicals of this Rs. 28 or Rs. 30 a kilo is right now at Rs. 65 a kilo. So, it is really terrible crazy prices going up.

Dhaval Shah: And sir secondly as we see in other companies similar to your business not exactly the same, but somewhat similar they are doing a lot of backward integration all fueled by this volatility in the sourcing, volume, price increase and etcetera. So, at your size is it feasible to do backward integration or would you wait for larger volume offtake, larger volume size of your Company and then do it?

Rahul Nachane: No, we are fairly backward integrated because we do almost 5 to 7 steps for most of our products. So, that is a fair amount of backward integration at our end.

Dhaval Shah: So, it is the feed stock which is impacting feed stock and solvent like the very base chemical which is impacting you a lot right now?

Rahul Nachane: And entire Macrotech expansion is to backward integrate only. We are increasing the intermediate capacity within the roof.

Dhaval Shah: FY20 if we were at 100 what sort of volume growth would you see for next three year period?

Rahul Nachane: Normally we do not give forward looking numbers so I would like to refrain from answering that question.

Dhaval Shah: But would you maintain your historical average?

Rahul Nachane: Yes we are fairly confident about that meaning one, two quarters here and there might go up and down because of these price increases and this and that, but the long-term story is very intact and still very strong.

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

Alisha Mahawla: Sir, just wanted to understand you mentioned earlier in the call that first full year FY22 we have a value growth or rather realization growth of almost 23%, just wanted to understand if you can give us a corresponding number of what has been the increase in cost or how much is the unabsorbed cost right now that has not been able to pass on?

Rahul Nachane: I have not really understood the question I am sorry.

Alisha Mahawla: I am saying if we increase our prices by about 23% which is what you said has been the realization growth for FY22 just wanted to understand the corresponding increase in cost during the year, raw material cost has gone up and how much we have not been able to pass on?

Rahul Nachane: Well the amount we have not been able to pass on as the net decrease in the margins so roughly about 10%.

Alisha Mahawla: And the Tarapur CAPEX will come on stream by H1 of 24 or are we seeing the delay there?

Rahul Nachane: No that is scheduled for completion around September 23.

Alisha Mahawla: And the raw material the seeds rock solvent etcetera where are these source from domestically China somewhere else?

Rahul Nachane: Our import component is roughly 15% the rest is all domestic.

Alisha Mahawla: And just one last question since we supply largely to unregulated markets do we have supplies going to Russia, Ukraine which may currently be impacted?

Rahul Nachane: No, we do not have any significant sales to Russia, but we are selling to some European companies who are in turn selling to Russia so their demand has been impacted. Where it is by us there is a little bit of indirect impact.

Alisha Mahawla: Which would be a couple of 2%, 3%, 4%?

Rahul Nachane: I am unable to determine because I do not know exactly which kind of customer are selling into Russia-Ukraine or what their quantum is that is something which we do not disclose to us. So, we are unable to find out what impact it will have on us, but we really do not think it is going to be significant and anyway the sales in the rest of the markets are growing very well right now.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Sir there are two questions the first being that when we spoke last year around the same time you mentioned the margin guidance between 18% to 25% and the aspiration was to be in the higher end of the band of course given the year we have closed at 21%, 22% I have heard you through the call speak about the conversation where the prices move in a 6 month to 9 months times given where we are setting today and you have the Macrotech expansion also which will start to aid margins, do you think we will be able to be in the same brand with the aspiration to be the higher end or given where the input prices are you think will be again somewhere we ended this full year in that range?

Rahul Nachane: No I expect that another two quarters to be challenging in terms both of margins because of the prices which we are looking at and also in terms of pushing sales because the kind of resistance you are getting in the market right now for increased prices so everybody is playing a little wait and watch. So, having said that but it is just going to be temporary because customer even if when they adjust their demand they adjust it for a short period and then they need to come back because they need to put product in the market. So, there were time lag which for this when it happens which is anything from something like 2 months to 6 months but having said that once things start settling down a little bit more we should see strong growth coming back.

Aejas Lakhani: And sir you mentioned on call that your acceptance in market is growing and clearly even in a tough environment you are able to grow volumes, so could you speak about what is aiding this shift where are you taking market share from, what is aiding customers to move to you, if you could expand a little bit on that?

Rahul Nachane: Number one is that now lot of our smaller products are growing well. We see dependent on the top three products has been significantly coming down and there were times when top three products were almost 50% today they are just about 30% of sales. So, there is a very wide growth in the number of products which we are doing and as we are putting more products into the market growth is also coming from there so it is an all-round growth meaning it is from acquiring more customer then it means also from putting in more products.

Rajesh Lawande: I just like to add one thing to what Rahul was saying is that it is not that we are taking market share from someone, but also there is a market the pie is increasing it is not so much of a zero sum game, but the market in totality is increasing so as a result top line is also increasing.

Aejas Lakhani: A follow up that a newer products are being sold to the same customers or we have to expand the days of selling the newer products to different customers?

Rahul Nachane: Well some customers use new products Yes there is a definite overlap, but not all of them and we have to also need to reach out to new so it is a sort of a mixed bag over there.

Aejas Lakhani: And sir lastly the Greenfield 140 crores could you just quantify if you have a number by how much is going to be the debt and how much is going is going to be through internal accruals?

Rahul Nachane: Well right now we have a financial closure for 120 crores on which we had planned 80 crores debt and 40 crores internal accruals. We have already spent close to about 8 crores on the project as of now and that is completely from internal accruals.

Moderator: Thank you. The next question is from the line of Shivan MS from JHP Securities. Please go ahead.

Shivan MS: Sir just one question I was referring to slide 8 and I was just seeing our revenue based regional distribution so there has been significant growth in India and rest of the world for FY22, sir could you give some more granular details on this where is this growth coming from means are these new accounts that we have got is deeper penetration with existing accounts and would this be mostly value led growth or there is a significant volume led growth here?

Rahul Nachane: The total sales in India have remained at about 25% actually last year was also 25% in the current year also it is 25%. So, growth is actually very similar across different markets, but significant growth has taken place for us basically in the rest of the world markets where we have seen over

60% growth basically coming from Latin America that has been the area where we have seen very large amount of growth.

Shivan MS: So, the Latin American growth was mostly volume driven?

Rahul Nachane: Volume driven yes.

Shivan MS: In totality from India and ROW is this volume driven or value driven?

Rahul Nachane: It is a combination of both. The volumes have gone up by about 7% and the rest is basically higher pricing.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Sir my first question is on the veterinary API volume growth, so if you can talk about the same for the last 3 and 5 years so we have tripled our sales from 80 crores to almost 250 crore 260 crore in the last 5 years and we have doubled in the last 2 years, what was the volume growth over these two period 3 year and 5 year?

Rahul Nachane: I am afraid I do not have that number ready at hand.

Aman Vij: On the 6%, 7% volume growth for this year do you have this number for FY21 last year what was the volume growth?

Rahul Nachane: Last year almost everything was volume growth because there were hardly any price increase, prices were very stable last year in 21.

Aman Vij: Then that means almost what 60%, 70% was the volume growth last year because that was the sales growth for us?

Rahul Nachane: Yes.

Aman Vij: So, just to understand this for part more so this year you said obviously with price increasing there will be reluctance among the customer, but normally what kind of volume growth do the industry see or if not for the price growth this year like 15%, 20% will would have our volume growth be much higher?

Rahul Nachane: We aim for about 20%, 25% volume growth every year.

Aman Vij: The second question is on the poultry side so you talked about we have done like 6 tons this year if you can talk about of the respective whatever products we are in what is the roughly tonnage of the market just to understand where we are and where we can be?

Rahul Nachane: It is close to about a 300 ton market worldwide.

Aman Vij: Of the products we are already in?

Rahul Nachane: Yes.

Aman Vij: So, there is a big growth opportunity?

Rahul Nachane: There is a big opportunity there Yes.

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

Ayush Mittal: Couple of questions one on the Macrotech side and given that we had commercialize the capacity in December itself and this was more of the intermediates that we will be doing do we need approvals of the customers for this also or why will this be taking 6 months to ramp up?

Rahul Nachane: Number one is when it comes to approval of customers where there is a quality agreement in place, if we have changed the manufacturing process or the site where we are manufacturing there we have to intimate the customer and obtain that prior approval before we can make a shift. So, that is with most of the European companies we have already agreements so I think that is with regard to the first part and with regard to the second part why it takes time is because any products which we want to do we have to first carry out trial batches then we have to so first we will be a sort of a pilot batch here which will be carried out then we will do something like 5 batches to see that whether the yield or quality is coming out well then the product which is made from that will be subjected to stability test and only after that can we make the complete shift. So, that whole process takes anything from 6 months to year actually.

Ayush Mittal: While trying to expect a reasonable utilization from this capacity?

Rahul Nachane: We expect that to start using reasonably well probably around Q2, Q3 this year.

Ayush Mittal: Sir on the geographical breakup of our revenue we see that there is nil revenue from US that we have started getting in recent quarters any specific reason for this or is this temporary?

Rahul Nachane: What was that US?

Ayush Mittal: From USA we had started getting some revenues in this quarter it is nil?

Rahul Nachane: Yes because the customer buys only twice a year.

Ayush Mittal: So, the annual numbers is something that is maintainable, but it is seasonality that is happening this quarter.

Rahul Nachane: So, far next demand is going to be only in July so if we take it that way?

Ayush Mittal: And sir some thoughts if you can share on the five new products that we have talked about it is this additional to what we were already doing for the pipeline like you had talked about some poultry products that we had in pipeline, can you tell something more about these?

Rahul Nachane: On the two products which we had done in poultry one did not really work out well in that commercial part because there was not much pricing which we could get. The Chinese were far better actually so that product did not do well for us, the second product is doing pretty well. So, we expect that business to grow by at least something like 100%, 125% in the current year.

Ayush Mittal: And this five molecules in pipeline is additional to these two poultry products that we already has in pipeline?

Rahul Nachane: Yes.

Moderator: Thank you. The next question is from the line of Richa Agarwal from Equitymaster. Please go ahead.

Richa Agarwal: Sir if you could give some color on the new molecules that we are getting into 5 new molecules what kind of market size or revenue potential is there and what kind of market share do we aim to capture in these products?

Rahul Nachane: Two of the products which we are getting into now are basically large volume products. So, they are commodities. China is the single largest producer for those we will probably be the first to start manufacturing of those products from India. So, those has got a potential of probably around 300 crores worldwide market. We will probably start with a aim of going about 10 crores, 15 crores in that product in the first year and then gradually grow it from there.

Richa Agarwal: Sir we will be starting with 15 crores, but do you what kind of market share let us say over two, three years do you expect to command in these products?

Rahul Nachane: We hope to get at least about to a 10%, 15% market share over a three-year period.

Moderator: Thank you. The next question is from the line of Anand Jain an Individual Investor. Please go ahead.

Anand Jain: Sir just one broader question in the last year or two how have you seen the competitive landscape changed I mean you always keep on hearing this China plus one and do you see that playing out for us, how has the competitive intensity and if you can share a few anecdotes or few examples of how different products things have changed that would be very helpful?

Rahul Nachane: China is by far the single largest producer of veterinary medicines all over the world. They would be outstripping India probably 8:1 or 10:1 and having said that, but there is definitely a interest now where customers are looking at having a sort of a business continuity plan where they look earlier they were looking at having two to three suppliers for any particular product. Some of them have started around thinking that they should have not just two or three suppliers, but at least one should be from different country so that they are not dependent completely on just to answer so there is definitely an opportunity which is coming up because of that and it is something which we are trying to opportunity which we are trying to use.

Anand Jain: The other question on a similar line is how do you see the competitive intensity change in last one or two years, do you see competitors coming up with more and more aggressive pricing behavior or how is that pricing behavior from different companies has changed if there is anything that you can share of?

Rahul Nachane: See we are an industrial B2B business so there is no product where we have a monopoly there will always be a competition all around us. So, yes there is always competition, but having said that we want to put ourselves as the preferred suppliers for our customer so that the top of mind recall is for NGL rather than somebody else and that something which you have been pretty successful in doing and which is how we have been able to increase sales.

Anand Jain: Last question if I may just squeeze one final one so we have this strategy of going for outsourced sales which you essentially you are outsourcing some amount of our manufacturing and then you are selling it, so my question is on how do we select these products and when more capacities come in are we going to bring these this production in house is that the strategy that you know for the time being until you have capacities we outsource and once capacity come in we kind of bring in these products in house for better margins or how does the selection comes?

Rahul Nachane: We actually move products which are matured into outsourcing because any Company which is going to do the outsourcing is looking at regularity in business and more stable work if they are unable to get the regularity in business it does not work plus there is a lot of time and effort which is invested in terms of ensuring that the plant is capable of doing those kind of reassessing which we want. So, if we take a short-term view then it is not something which can work out. So, we do not look at in sourcing products which are already outsourced.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Sir in our top 5 molecules which constitute 50% of the revenue what would be our average market share?

Rahul Nachane: In most of them we are over a 50% market share all the 5 we are in 50%.

Nikhil: Now what I am trying to understand I think we have already explained it, but just to understand a little bit better when we say the cost inflation on freight and power fuel and others this cost inflation would be similar to our competitors as well including those in China or is it like being in India you are seeing a much higher inflation versus some of the others outside India?

Rahul Nachane: I am unable to see what the price structures for the Chinese companies are, but Yes it is the same inflation which all other Indian companies are facing and I guess Chinese also should be having more or less the same, but I cannot say with authority, because I really do not their cost structures.

Nikhil: So, where I am coming in terms of the passing out this cost to the end customers so there are two scenario which I am just trying to understand one is either the competitors are not facing similar cost pressure or as you mentioned that the customer is deferring its sales and probably whenever the new sales happens this new price will have to be absorbed by the customers, so just trying to understand is it like the second is which you are thinking is a larger scenario that because sales has been deferred that is why the new prices are not being absorbed or is it the competitive intensity has increased from probably because of lower cost inflation for the competitors as they will not able to pass on the prices?

Rahul Nachane: We see more resistance from the customers because they are also unable to pass on price increases to their customers to tentative farmers so it is a cycle which there is a lot of push back which took place we do not really see it because of our increased competition in the market.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investments Management. Please go ahead.

Aman Vij: So, my next question is on the if you look at geography wise so Europe my understanding is there was not much volume growth this year if you can talk about the reasons for the same as well as if you can talk about for next two, three years do you think India and say Latem will be the main growth drivers?

Rahul Nachane: See when we sell to Europe we are selling to Company which are re exporting from Europe because our molecules are not really registered in Europe. So, business for them is more or less flat. For us major growth is coming from the more of the developing market. So, West Asia, Latin America and East Asia these are the ones which are really growing for us.

Aman Vij: And you see the same trend for say next one, two years?

Rahul Nachane: Yes.

Aman Vij: My second question is on the product basket which we have so among the top 10 products how many of the products do you considered as mature?

Rahul Nachane: Of the top 10 all of them are matured because we have been making them for over 5 years, 6 years now or even more. Some of the products we are doing for the last 20 years so almost all of them are matured.

Aman Vij: So, my question was sir what kind of volume growth do the industry see in these matured products or is this for our Company?

Rahul Nachane: Penetration of veterinary health is still very shallow all over the world. So, if you look at places like Latin America or Africa or even large parts of Asia. There is still a huge amount of penetration required in terms of primary health available been provided to farm animals. I mean we would look at least a 20% sort of a volume growth every year for our products.

Aman Vij: Even for the mature product obviously we will keep introducing new products and the smaller products the 10 to 20 products will become bigger, but even the base products you think we can grow like 15% plus?

Rahul Nachane: Last two years we have almost doubled our base products Yes so they are growing well.

Aman Vij: Final question on the top products competitor so we know we are like greater than 50% in most of these products if you can talk about the second- or third-digit player will it be like 10%, 20% kind of market share or there are some players who will be like bigger than those?

Rahul Nachane: No for some there are just two or three producers. So, we are at 50 the second one will probably be about 30%. So, the top three ones which you are doing these are just three producers in the market all three Indian companies the result, there is frequent and there is one more Company.

Aman Vij: And because we are backward integrated and because if the market is growing any reason the other companies are not looking at it or say Chinese companies are not looking to enter these products?

Rahul Nachane: I had no clue about whether Chinese I mean they are not there in that kind of chemistry. So, we do not see them with similar products in those and as to why more Companies are not coming in meaning it is an ever changing landscape. So, we can have competition coming up at any point of time.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: Sir just two questions from my side so just want to understand from the pricing are we with respect to China or local competition how are we pricing our products to be competitive with the market I understand we are cost efficient versus the others, but in terms of pricing how are we placed in the market?

Rahul Nachane: In this market you know price knowledge is very open for all buyers because when the buyer sits down he is going to take offer from all the vendors which he has got. We have to be price competitive at every point of time and give what prices are prevailing in the market. So, it is a price sensitive market completely half a dollar and customers can move from one to another.

Anupam Agarwal: Let us say we are priced for 5% to 10% discount to the other guy so we are able to be coming our volume?

Rahul Nachane: Prices are normally in a range of 2%, 3% not 10%. At 10% nobody will get money then.

Anupam Agarwal: Secondly just want to understand with respect to global competition any sort of duties that China exports are facing in European or US markets or Latin America markets that we are able to gain market share?

Rahul Nachane: I did not understand you said China and then you said Latin America so what was the question here.

Anupam Agarwal: Any duties on Chinese exports to other countries or with respect to any products that we are also presenting?

Rahul Nachane: So, whether there is a higher duty on Chinese products or lower duty no it is there is no differential duties for China or India.

Anupam Agarwal: Sir just wanted to understand the peak debt that we will be comfortable with respect to our balance sheet structure right now debt to EBITDA or debt equity if you can give some color there?

Rahul Nachane: Our network is now over 200 crores so we can definitely take on a debt about 200 crores.

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

Rishav Das: Thank you all for joining the Q4 FY22 Earnings Call. For any further queries please get in touch with our Pareto Capital. Thank you.

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.