

Neogen Chemicals Ltd.

Q1 FY21 Earnings Presentation

August 2020



NEOGEN
CHEMICALS LTD.





Certain statements in this document may be forward-looking statements. Such forward looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Neogen Chemicals Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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Neogen Chemicals – At a Glance



Leading manufacturer of Bromine and Lithium-based specialty chemicals, operating since 1991

Strong portfolio of Organic and Inorganic products

Customers across multiple industries including Pharma, Engineering and Agrochem

Key export geographies include USA, Europe, Japan and Middle East

Growing contribution from Custom Synthesis and Manufacturing

Executing Brownfield manufacturing capacity expansion

Promoters are pioneering technocrats with substantial domain expertise; cumulative experience of more than six decades

Developed strong R&D capabilities with dedicated in-house team

205

Products developed by in-house R&D

10%

Of workforce in R&D team

27

Exporting countries

ISO 9001:2015, ISO 14001:2015 & BS OHSAS 18001:2007

Manufacturing units certified on Quality & SHE management systems

29%

5-year Revenue CAGR

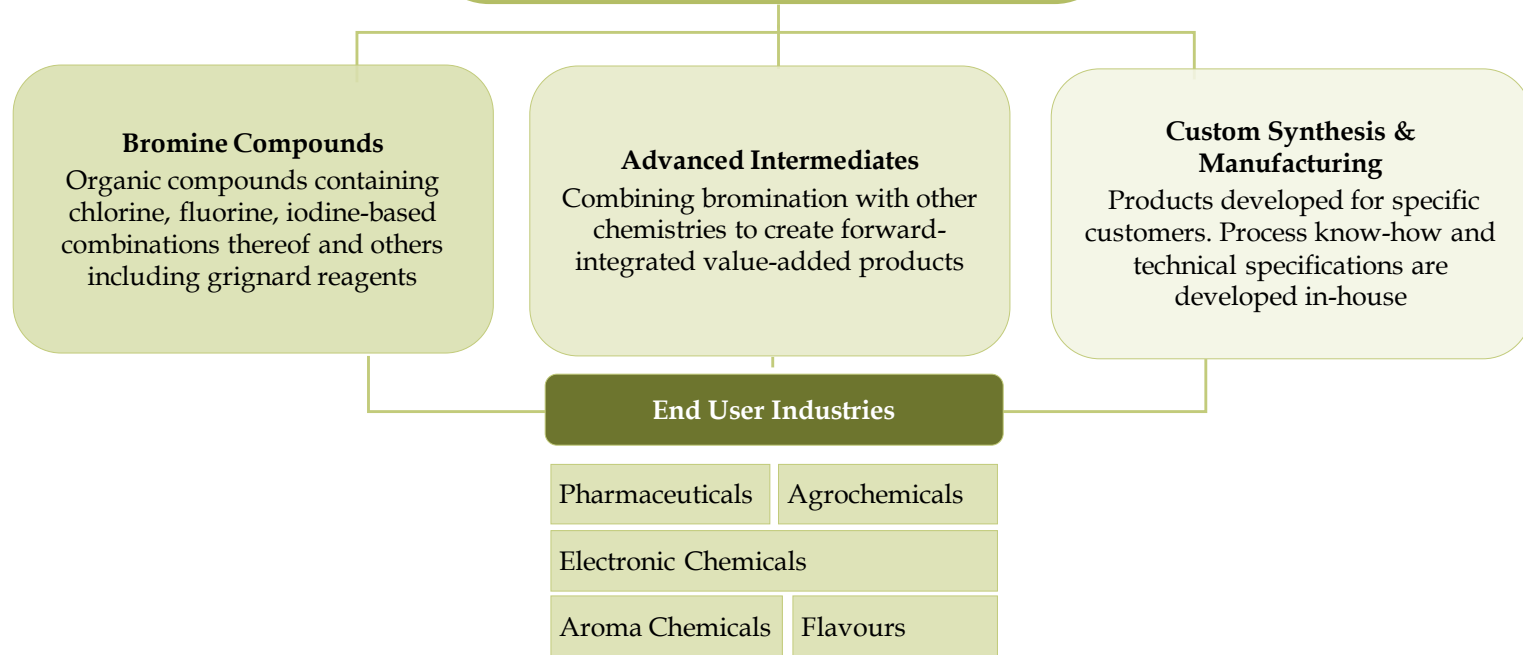
42%

5-year PAT CAGR

Business Overview



Organic Chemicals



Inorganic Chemicals

The portfolio includes specialty, inorganic lithium-based chemical products which find applications across multiple industries

End User Industries

Eco-friendly VAM for cooling air/water/process equipment

Pharmaceuticals

Specialty Polymers

Construction Chemicals

Select Clientele



Divis Laboratories Ltd.



CBC Co., Ltd



Thermax

VOLTAS

A TATA Enterprise



HETERO

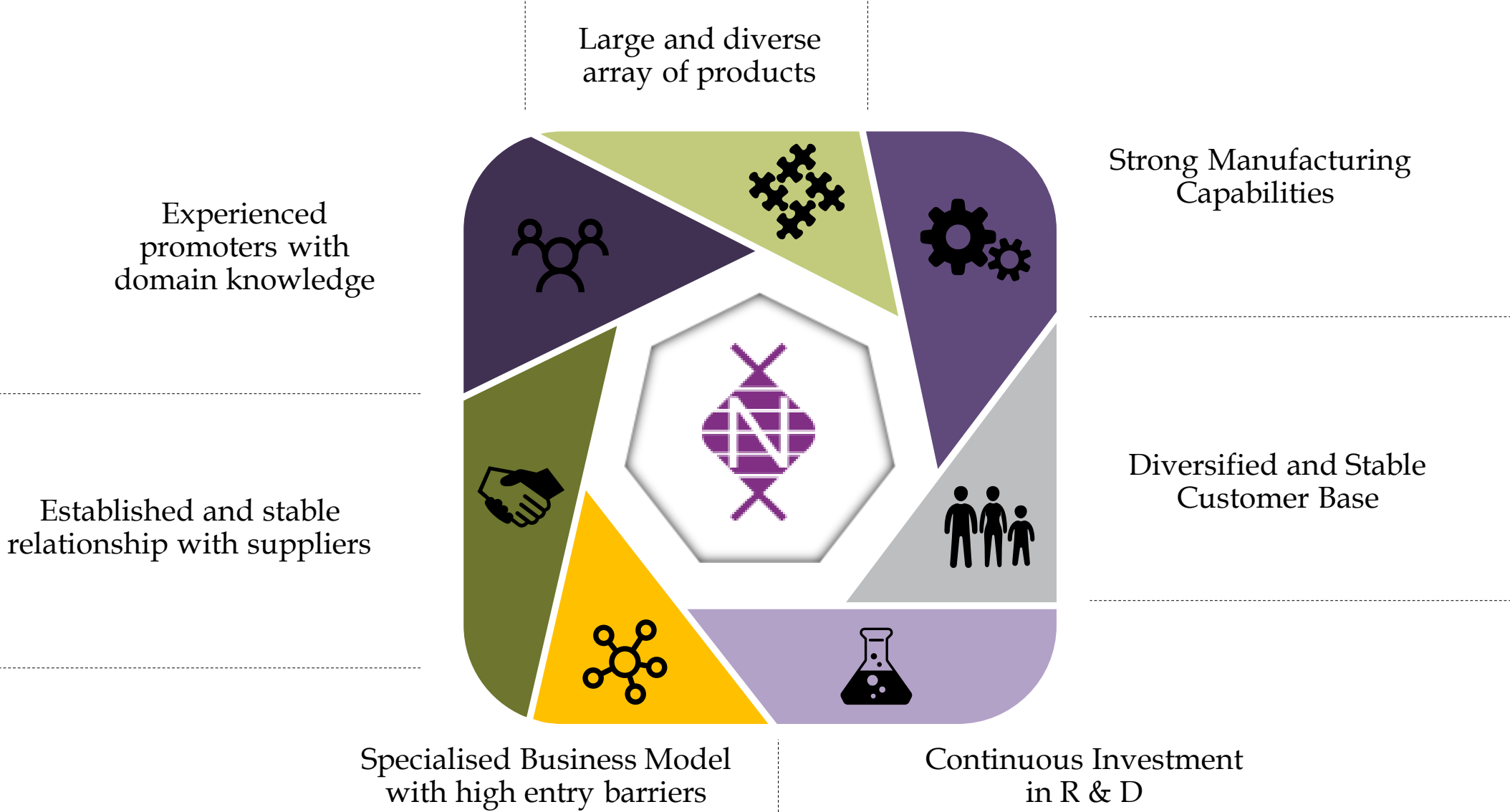
HIKAL



Enriching Lives



Competitive Advantages



Key Performance Highlights - Q1 FY21



Q1 FY21

Rs. 77 crore  19%

Revenues

Rs. 14 crore*  18%

EBITDA

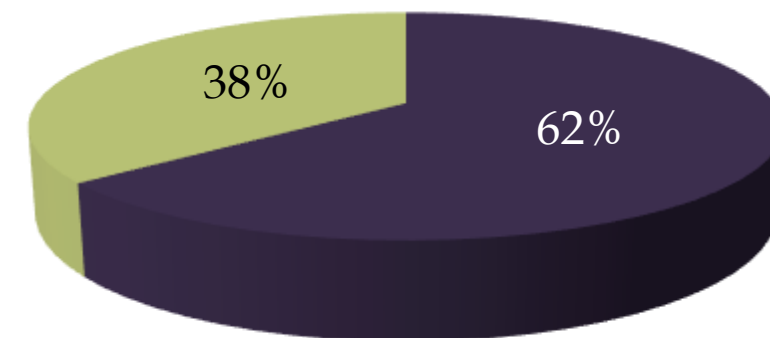
Rs. 9 crore*  18%

Profit Before Tax

Rs. 6 crore*  12%

Profit After Tax

Q1 FY21 Revenue break-up



■ Domestic ■ *Exports

**Including deemed exports*

Note: 1. Growth for Q1 FY21 is compared to Q1 FY20

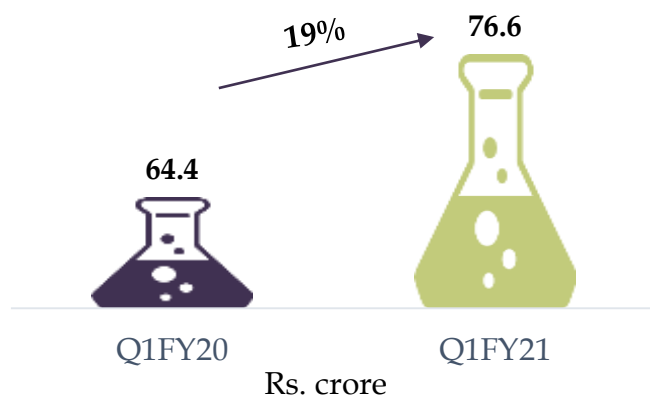
2. All figures are Standalone

**Includes additional expenses of Rs. 94 lakhs related directly to CoVID-19*

Financial Summary – Q1 FY21

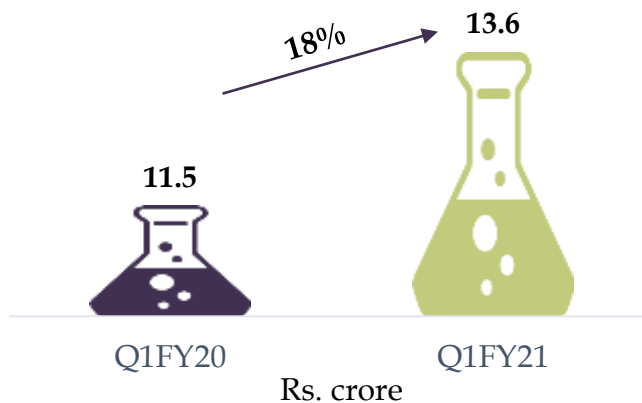


REVENUE



- Reported strong performance driven by positive demand scenario; growth could have been higher but for the loss of working hours due to lockdown
- Performance was also supported by moderate revenue spillover from Q4 FY20 to Q1 FY21

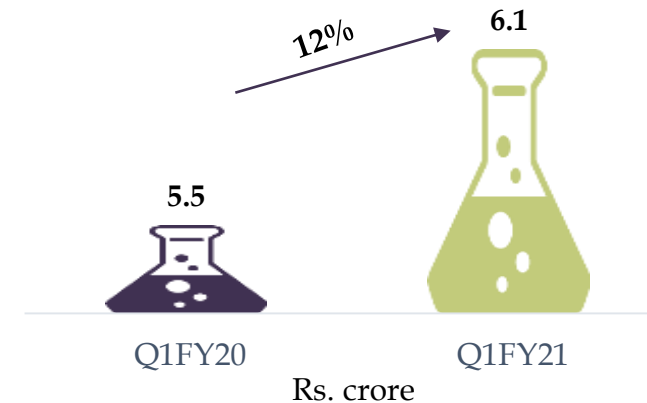
EBITDA



Despite shutdown impact in the initial period of the quarter, EBITDA was broadly maintained due to:

- Better fixed cost utilization
- Change in product-mix

PAT

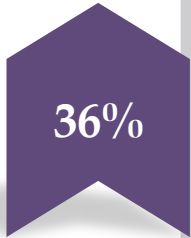
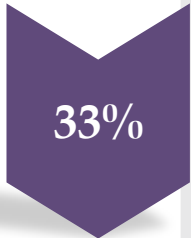


Higher PAT was a result of better operating performance and increased depreciation, in-line with new capacities added last year

The Company incorporated various initiatives to maintain business continuity and the total direct impact of the same resulted in increased expenditure of Rs. 63 lakhs in Employee benefits expense and Rs. 31 lakhs in other expenses.

Revenue break-up - Q1 FY21



	Q1 FY21	Q1 FY20	
	Rs. 66 crore	Rs. 48 crore	Organic Chemicals
	Rs. 11 crore	Rs. 16 crore	Inorganic Chemicals

Ongoing impact/ update due to CoVID-19



- There is no significant impact of CoVID-19 pandemic on the current and future business condition of the Company, its liquidity position and its cash flow
- After obtaining requisite permissions from concerned Government authorities, the Company resumed production / partial production at all its above mentioned plants by April 20, 2020 in a phased manner
- All the manufacturing facilities are operating at close to optimal utilization levels currently and project work in Dahej SEZ is also ongoing
- In order to continue and to maintain the operations during lock down, the Company undertook several changes in employee transport, additional incentives for employees and contract workers and insurance benefits were provided. In addition, systems were put in place to ensure proper sanitation and social distancing norms.
- All this resulted in higher employee benefits expenses and other expenses to the tune of Rs. 94 lakhs for the quarter
- The future impact of Covid-19 on the operations and financials of the Company depends on future developments that are uncertain and un-predictable. The company is continuously monitoring the economic conditions and has outlined certain measures to combat the pandemic situation and to minimize the impact on its business.

Seasonal Variance Factors



- Neogen's business has some seasonal drivers, due to which the company tends to deliver stronger financial performance in the second half of the financial year (October to March). Seasonal variance is driven by strong demand from Europe as orders tend to scale up in October-November and further accelerate from January after the holiday season
- Lithium demand tends to be strong in Q4 as demand from HVAC segment is linked to capital expenditure that enjoys 100% depreciation benefits for air-conditioning/cooling machines. Being non-essential supply, the HVAC customers temporarily stopped manufacturing for most of April and May 2020
- Demand from the agrochemicals segment is linked to the crop cycle and is weaker during H1
- Consequently, investors are urged to compare financial performance of each quarter only with that of the corresponding quarter previous year to evaluate business progress on a like-to-like basis

Financial Table – Profit & Loss Statement (Standalone)



Particulars (Rs. crore)	Q1 FY21	Q1 FY20	Growth (%)	FY20
Revenue	76.6	64.4	18.9%	306.1
Expenditure	63.0	52.9	19.1%	248.1
EBITDA	13.6	11.5	17.9%	58.1
<i>Margins</i>	<i>17.7%</i>	<i>17.8%</i>		<i>19.0%</i>
Depreciation	1.6	0.9	75.3%	5.2
EBIT	12.0	10.6	12.9%	52.8
Interest	3.3	3.2	4.0%	11.9
Other Income	0.2	0.1	75.3%	0.3
Profit Before Tax	8.8	7.5	17.5%	41.2
<i>Margins</i>	<i>11.5%</i>	<i>11.6%</i>		<i>13.5%</i>
Tax Expense	2.7	2.0	32.8%	12.4
Profit After Tax	6.1	5.5	11.9%	28.8
<i>Margins</i>	<i>8.0%</i>	<i>8.5%</i>		<i>9.4%</i>
Earnings Per Share (Rs.)	2.6	2.4	11.9%	12.3



Commenting on the Q1 FY21 performance, Mr. Haridas Kanani, Chairman & Managing Director, at Neogen Chemicals said: “

I would like to thank all our Neogen family members, especially the manufacturing and engineering teams, for working together closely in these challenging conditions. We have continued to serve our valuable customers in Pharma and Agro Industry, ensuring uninterrupted supply of key raw materials and intermediates for essential medicines and agrochemicals, during most of the lockdown period.

We started the fiscal year on a strong note with 19% revenue growth and 12% growth in PAT which came in, inspite of lockdown situation across the country that resulted in loss of significant working hours. This was possible due to our efforts of implementing the business continuity plan to ensure limited disruptions to our operations and seamless connectivity on the digital front. Needless to say, our performance would have been much superior had we not lost days in the month of April 2020 to CoVID-19 related lockdowns.

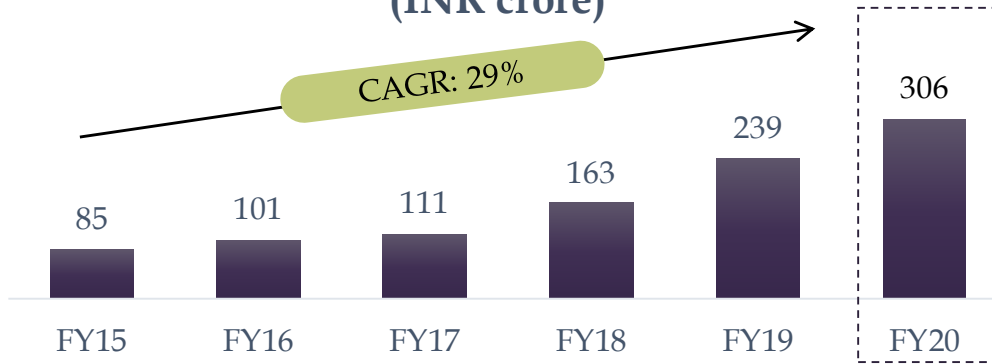
Initial constraints with respect to logistical movement and manpower availability have been normalised to an extent, and accordingly all our manufacturing units are now running at optimal utilisation levels, in-line with positive demand from key end-user industries.

We are excited with our current growth journey and believe that this is just the beginning. We have promising phase ahead of us as we benefit from the gains arising out of planned expansions in organic chemicals and recently commissioned facility for inorganic chemicals. Overall, the demand landscape continues to be robust backed by customer's focus of derisking its business and choosing India as one of the preferred suppliers. This is further supported by Neogen's strong forte in complex and specialised chemistries.”

Historical Financial Trends

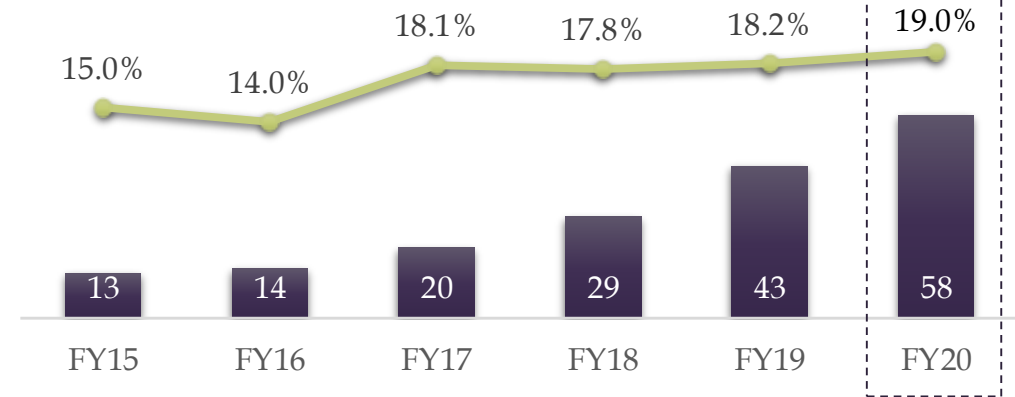


Net Revenue from Operations
(INR crore)**

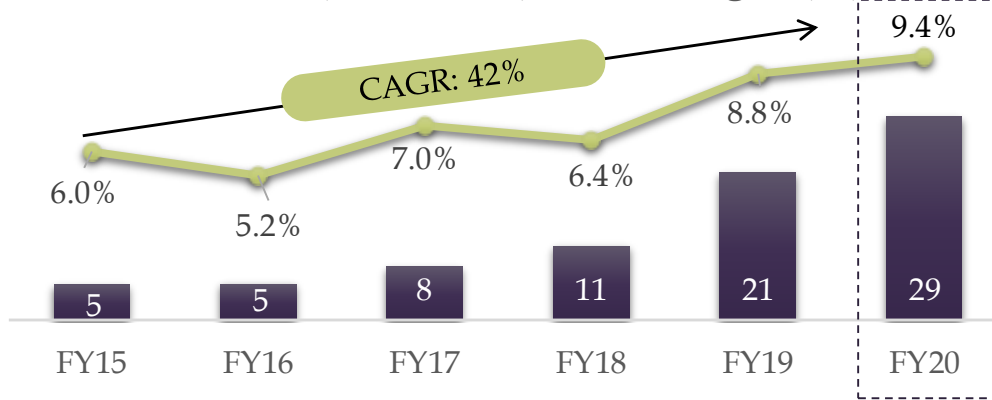


** Revenue is Net of Excise

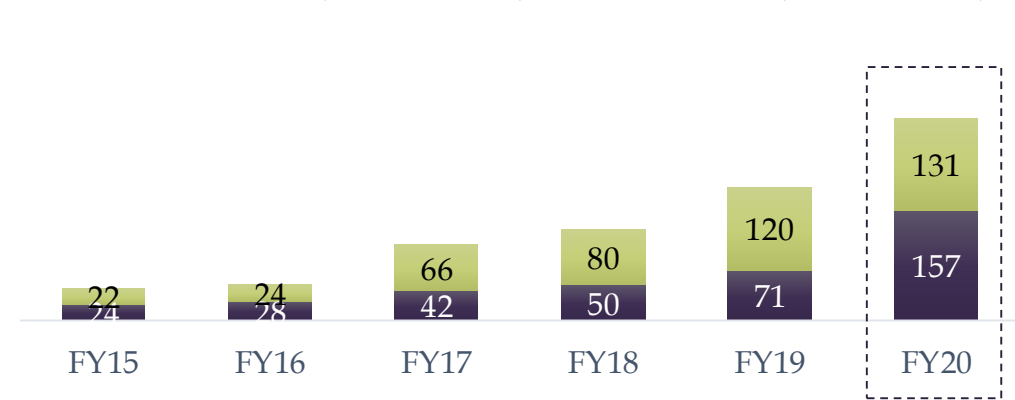
EBITDA (INR crore) Margin (%)



PAT (INR crore) Margin (%)

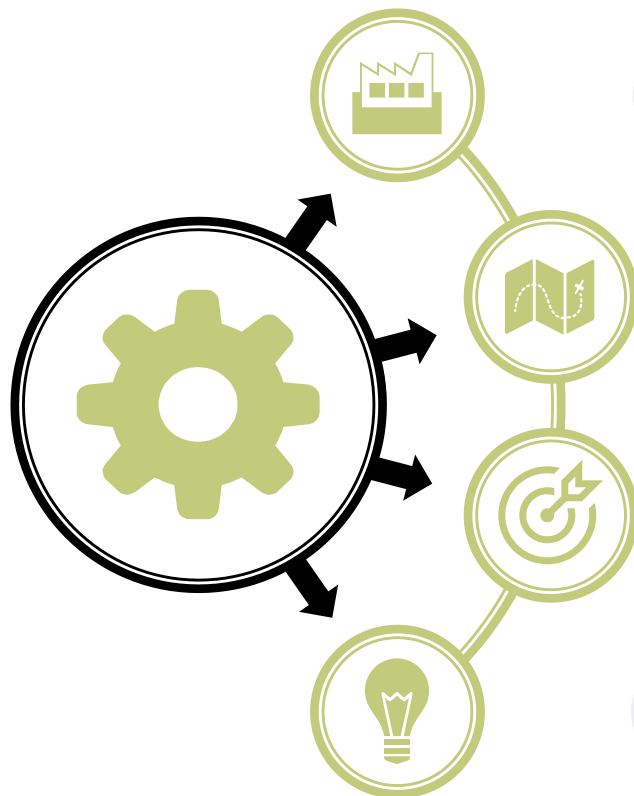


Networth* (INR crore) Net Debt (INR crore)



* Net Debt includes preference share capital

Expanding production capacities



Increasing Custom Synthesis & Manufacturing portfolio

Augmenting growth in domestic and global markets

Focus on advanced speciality intermediates

Focus on operational efficiency and functional excellence



About Neogen Chemicals Limited

Incorporated in 1989, **Neogen Chemicals Ltd.** (NSE Code: NEOGEN; BSE Code: 542665) is one of India's leading manufacturers of Bromine-based and Lithium-based specialty chemicals. Its specialty chemicals product offerings comprise of Organic as well as and Inorganic chemicals. Its products are used in pharmaceutical and agrochemical intermediates, engineering fluids, electronic chemicals, polymer additives, water treatment, construction and aroma chemicals, flavours and fragrances, specialty polymers, chemicals and VAM original-equipment manufacturers. Over the years, Neogen has expanded its range of products and, presently, manufactures an extensive range of specialty chemicals which find application across various industries in India and globally. It has a product portfolio of 205 products.

In addition to manufacturing speciality chemicals, Neogen also undertakes custom synthesis and manufacturing where the product is developed and customized primarily for a specific customer, but process know-how and technical specifications are developed in-house.

The Company operates out of its three manufacturing facilities located in Mahape, Navi Mumbai in Maharashtra, Karakhadi, Vadodara and Dahej SEZ in Gujarat.

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Thank You



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