

Neogen Chemicals Ltd.

Q2 & H1 FY21 Earnings Presentation

November 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

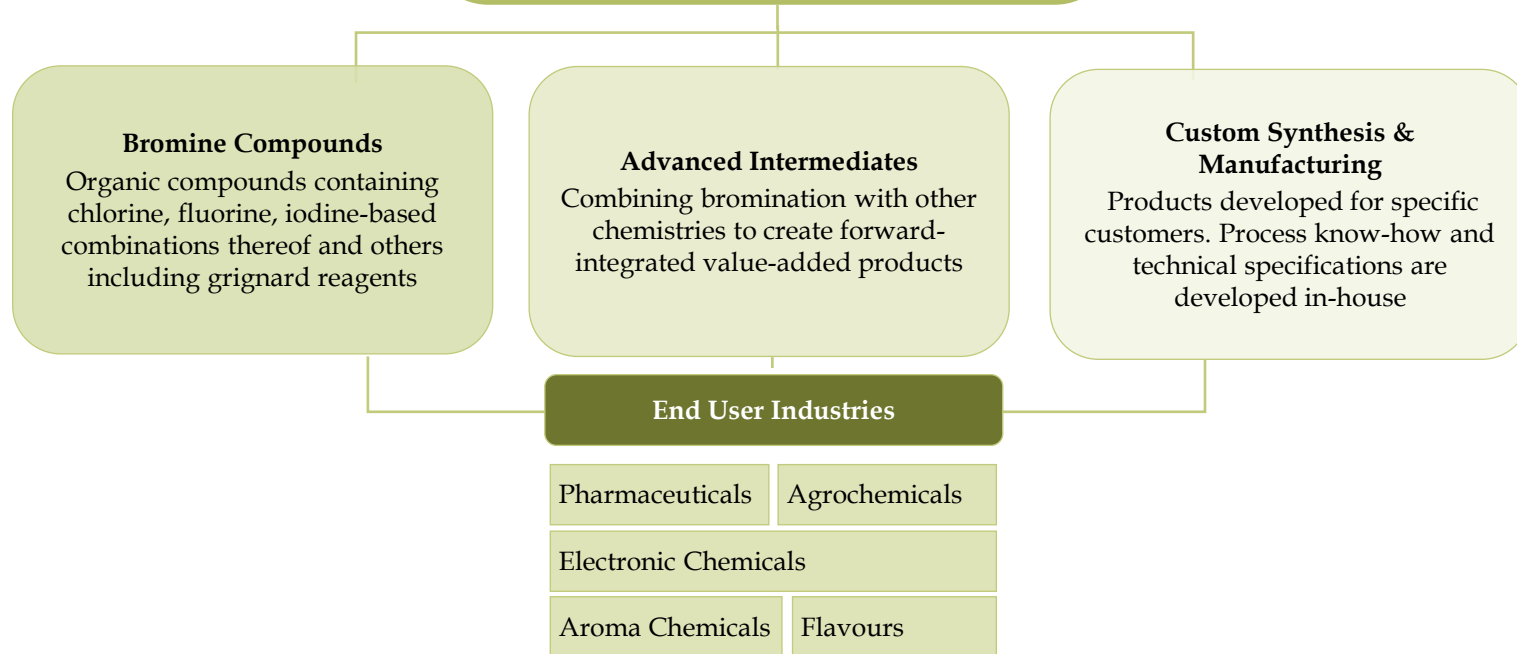
42%

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

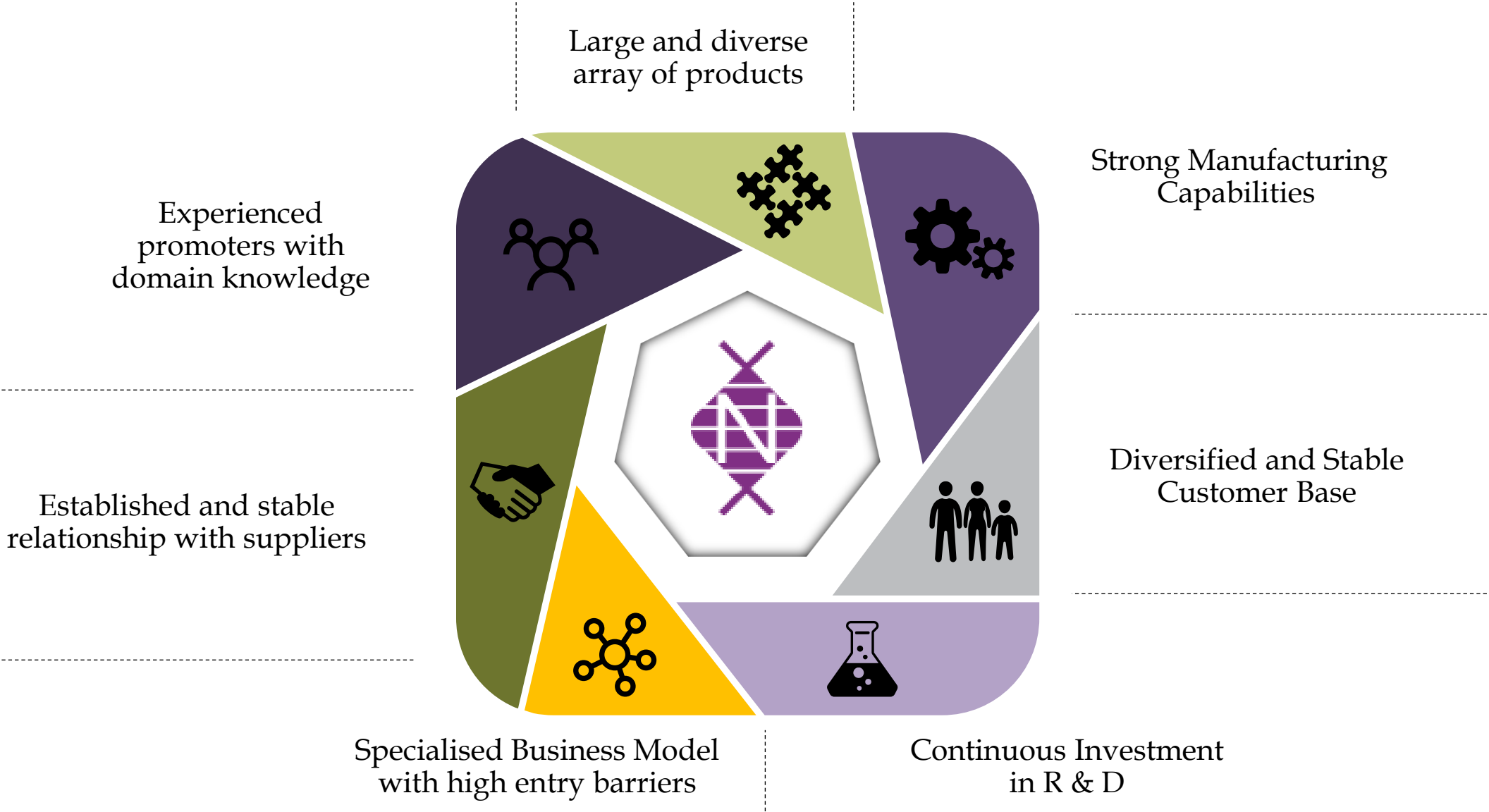
Select Clientele



Enriching Lives



Competitive Advantages





Key Performance Highlights - Q2 & H1 FY21

Q2 FY21

Rs. 82 crore  6.3%

Revenues

Rs. 15 crore  4.7%

EBITDA

Rs. 10 crore  5.8%

Profit Before Tax

Rs. 7 crore  4.1%

Profit After Tax

H1 FY21

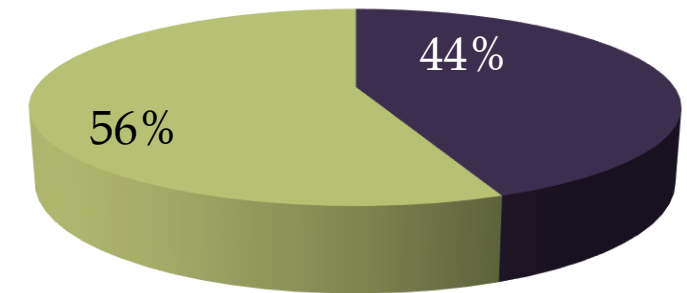
Rs. 159 crore  12.0%

Rs. 29 crore  10.4%

Rs. 19 crore  3.7%

Rs. 14 crore  2.6%

Q2 FY21 Revenue break-up



■ Domestic ■ *Exports

**Including deemed exports*

Note: 1. Growth for Q2 FY21 is compared to Q2 FY20

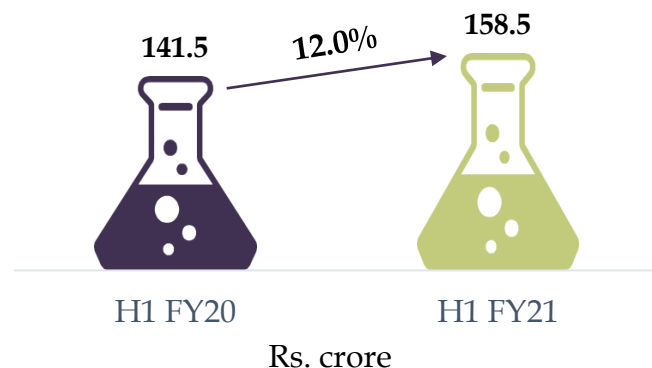
2. Growth for H1 FY21 is compared to H1 FY20

3. All figures are Standalone

Financial Summary - H1 FY21

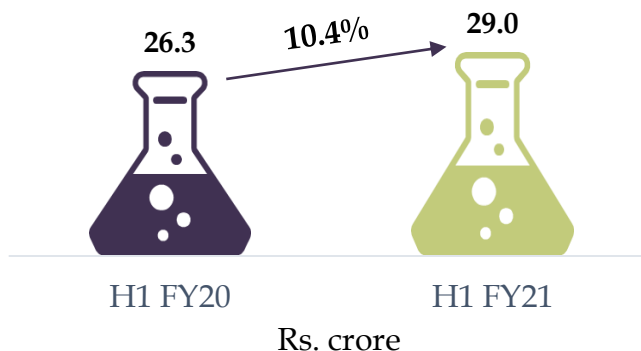


REVENUE



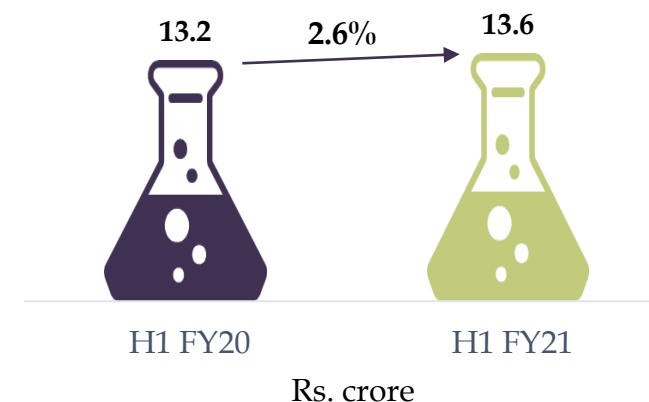
Revenue growth was driven by better product mix led by increased demand for new products from existing and new customers, which came in despite the impact of CoVID-19 and limitations around available capacity in Speciality Organic Chemicals

EBITDA



- EBITDA expansion supported by focused initiatives on cost management
- Margin performance has been delivered despite higher costs incurred to maintain business continuity

PAT



Moderate growth in PAT was due to higher depreciation from the new capacity added, and increased finance costs related to capex done last year and a one-time impact of Rs. 0.55 crore in Q2 FY21

Increase in employee and other expenses to the tune of Rs. 1.41 crore H1 FY21 is attributable to multiple initiatives undertaken towards employee safety during the pandemic, to maintain business continuity



Revenue break-up - Q2 & H1 FY21

	Q2 FY21	Q2 FY20	H1 FY21	H1 FY20	
6%	Rs. 67.1 crore	Rs. 63.6 crore	Rs. 132.9 crore	Rs. 111.9 crore	19% Organic Chemicals
10%	Rs. 14.9 crore	Rs. 13.5 crore	Rs. 25.7 crore	Rs. 29.6 crore	13% Inorganic Chemicals

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
- Demand from the agrochemicals segment is linked to the crop cycle and is stronger during H2
- 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)	Q2 FY21	Q2 FY20	Growth (%)	H1 FY21	H1 FY20	Growth (%)
Revenue	82.0	77.1	6.3%	158.5	141.5	12.0%
Expenditure	66.5	62.3	6.7%	129.5	115.3	12.4%
EBITDA	15.4	14.8	4.7%	29.0	26.3	10.4%
<i>Margins</i>	18.8%	19.1%		18.3%	18.6%	
Depreciation	1.7	1.3	33.2%	3.3	2.2	50.8%
EBIT	13.8	13.5	2.0%	25.7	24.1	6.8%
Interest	3.7	2.6	40.6%	7.0	5.8	20.5%
Other Income	0.2	0.1	245.3%	0.4	0.2	146.8%
Profit Before Tax	10.3	10.9	-5.8%	19.1	18.4	3.7%
<i>Margins</i>	12.6%	14.2%		12.0%	13.0%	
Tax Expense	2.9	3.2	-10.0%	5.5	5.2	6.5%
Profit After Tax	7.4	7.7	-4.1%	13.6	13.2	2.6%
<i>Margins</i>	9.0%	10.0%		8.5%	9.3%	
Earnings Per Share (Rs.)	3.2	3.2	-1.2%	5.8	5.6	4.5%

Balance Sheet & Cashflow Snapshot (Standalone)



Particulars (Rs. crore)	As on Sept 30, 2020	As on March 31, 2020
<u>Assets</u>		
Non-Current Assets	153.1	123.6
Net Working Capital	134.9	169.2
Other Current Assets	47.4	26.6
Total	335.4	319.4
<u>Liabilities</u>		
Shareholders' Funds	169.9	156.7
Debt	139.7	137.1
Other Liabilities	25.8	25.6
Total	335.4	319.4

Cash Flows (Rs. crore)	H1 FY21	H1 FY20
Cash Flow from Operations	44.0	-17.7
Capital Expenditure	33.1	10.1
Free Cash Flow	10.9	7.6

- Significant reduction in working capital achieved during H1 FY21

- Cash Flow from Operations expanded on the back of lower working capital and entirely financed capital expenditure



Incremental capacity additions

- CAPEX of Rs. 55 crore planned for FY22 in Organic Chemicals, based on strong visibility from global customers
- This will create incremental revenue capacity of Rs. 150-175 crore at peak utilisation
- This will further fortify Neogen’s position as a leading manufacturer of Bromine-based specialty chemicals and advanced intermediates

Planned Capacity Expansions in Organic Chemicals

Rs. 450 cr.*

Expected revenue in FY22

Current capacity in Organic Chemicals

Glass Lined 130,000 Litres

Non-Glass 24,000 Litres

Rs. 150-175 cr.

Incremental revenue capacity

Phase I

Phase II

Dahej SEZ (Commissioning: FY21)	Facility	Dahej SEZ - (Commissioning: FY22)
Rs. 75 crore	CAPEX	Rs. 55 crore
Glass Lined 126,000 Litres	Reactor Capacity to be added	Glass Lined 78,000 Litres Non-Glass 32,000 Litres
Glass Lined 256,000 Litres Non-Glass 24,000 Litres	Total installed reactor capacity post expansion	Glass Lined 334,000 Litres Non-Glass 56,000 Litres

*Capacity addition in phase 1 will increase the revenue potential to Rs. 500 crore, out of which the Company will achieve Rs. 450 crore by FY22



Commenting on the Q2 & H1 FY21 performance, Mr. Haridas Kanani, Chairman & Managing Director, at Neogen Chemicals said:

“I am glad to report another quarter of strong topline performance. We have once again demonstrated organizational resilience with the dedicated support of the growing Neogen family. Over the last few months, our operations have continued to function efficiently in a compliant manner within the framework of the altered work environment. We have witnessed positive demand visibility across clients in key end-user industries, which have allowed us to utilize resources in an efficient manner.

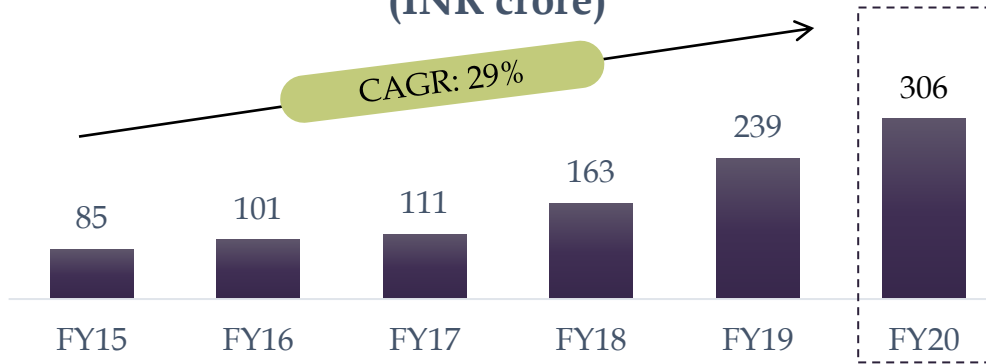
At present, our organic chemicals business is running at close to optimal levels while the inorganic business is gradually scaling up post-expansion. Simultaneously, we are driving forward on the planned doubling of organic capacity, which should be launched by Q4 of FY21 despite the disruption in normal activity over the last few months. In addition, based on discussions with several leading global innovator companies, and demand visibility for new product offerings, we are already planning the next round of organic production capacity expansion at Dahej SEZ unit to be implemented in FY22. This additional capacity will entail incremental capex of Rs. 55 crore and has the potential to expand revenues by Rs. 150-175 crore, providing longer-term head room for growth.

Overall, our business remains well-positioned to benefit from the structural advantages enjoyed by India as a leading supplier of chemical products to global innovators. Neogen’s world-class, cost-efficient manufacturing backed by focus on innovative process and product development along with resource readiness allows us to build upon a large number of long-standing relationships. This should translate into ongoing value enhancement for all our stakeholders.”

Historical Financial Trends

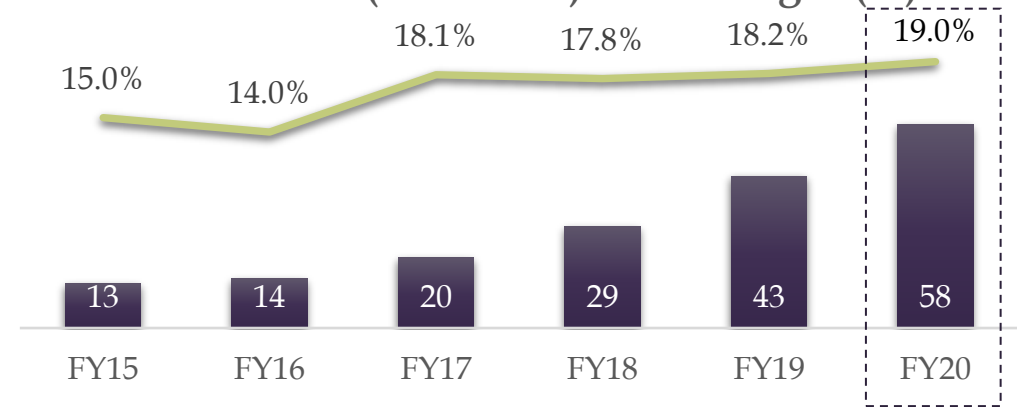


Net Revenue from Operations
(INR crore)**

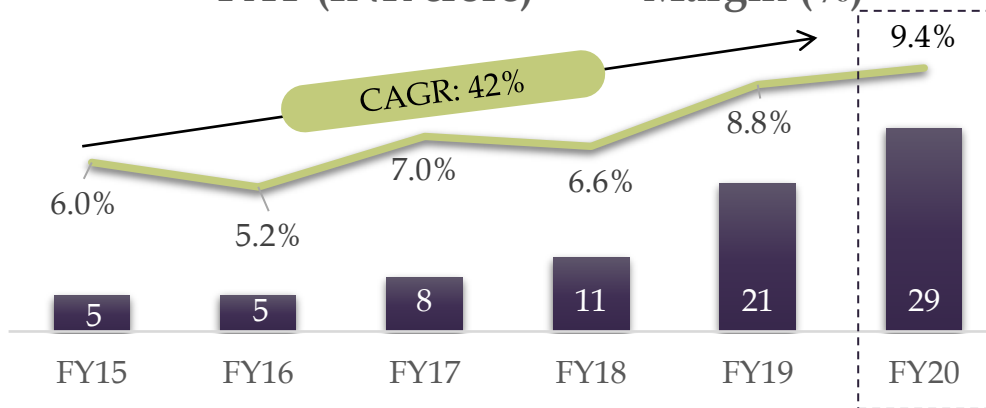


** Revenue is Net of Excise

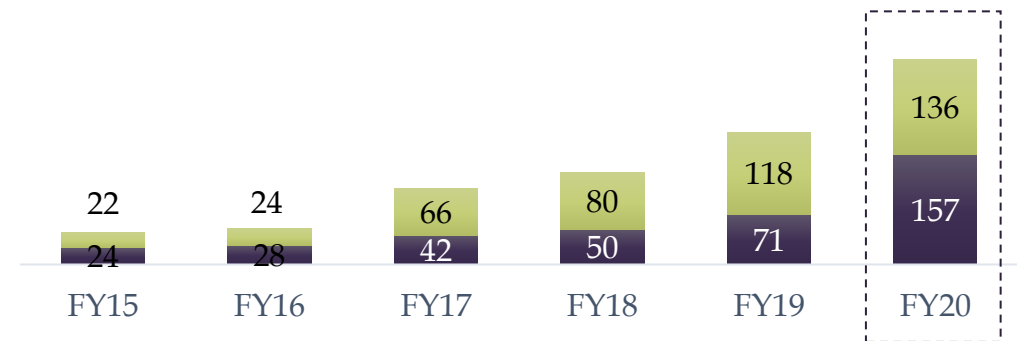
EBITDA (INR crore) Margin (%)



PAT (INR crore) Margin (%)

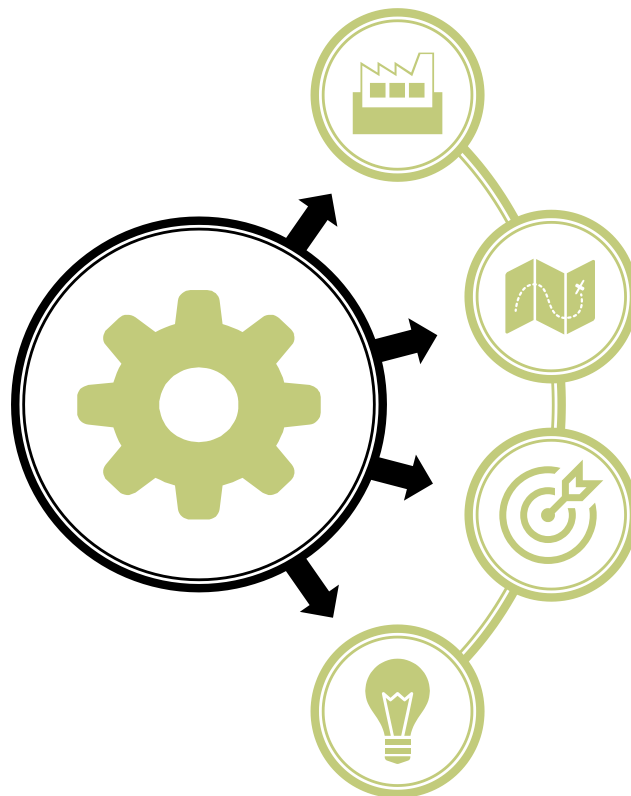


Networth (INR crore) Net Debt* (INR crore)



* Net Debt includes preference share capital and current maturities of long term debt

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, in Vadodara and Dahej SEZ in Gujarat.

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Thank You



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