Neogen Chemicals Ltd.

Q4 & FY20 Earnings Presentation

May 2020

NEOGEN CHEMICALS LTD.

Safe Harbour

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.

Table of Contents

4 Introduction to Neogen Chemicals

6 Competitive Advantages

7 Q4 & FY20 Financial Performance

14 Management Commentary

15 Historical Financial Trends

16 Way Forward

17 Contact Us

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

Bromine Compounds
Organic compounds containing chlorine, fluorine, iodine-based combinations thereof and others including grignard reagents

Advanced Intermediates
Combining bromination with other chemistries to create forward-integrated value-added products

Custom Synthesis & Manufacturing
Products developed for specific customers. Process know-how and technical specifications are developed in-house

End User Industries

- Pharmaceuticals
- Agrochemicals
- Electronic Chemicals
- Aroma Chemicals
- Flavours

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

AUSTIN · SOLVAY · Divis Laboratories Ltd. · CBC Co.,Ltd · THERMAX · VOLTAS A TATA Enterprise · Piramal · SUN PHARMA · HETERO · HIKAL · Mylan · Kirloskar Enriching Lives · AUROBINDO

Competitive Advantages

Large and diverse array of products

Strong Manufacturing Capabilities

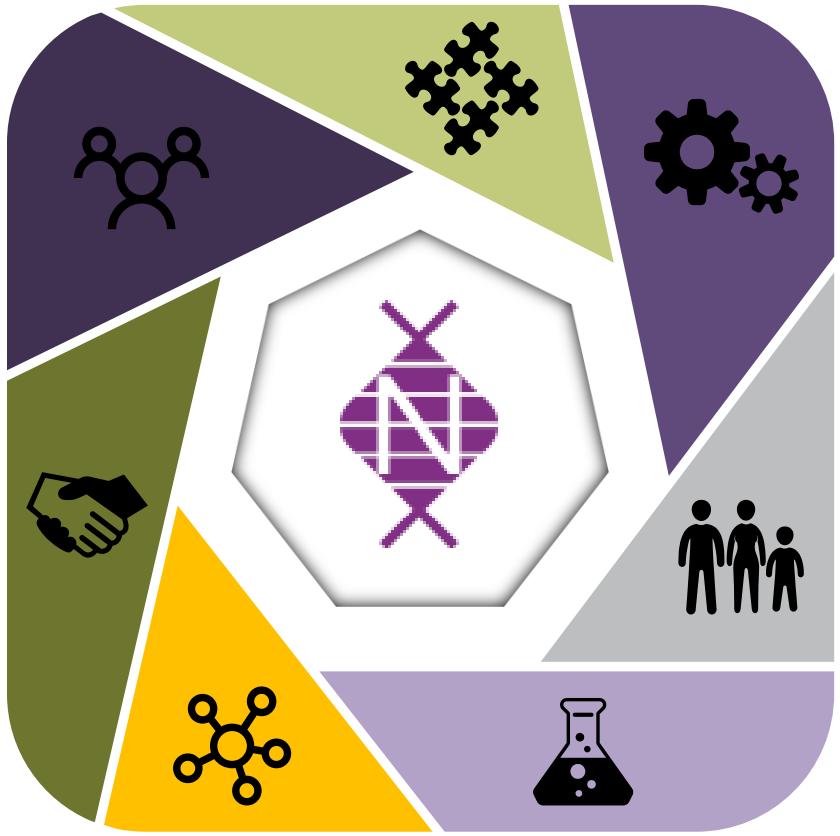
Diversified and Stable Customer Base

Continuous Investment in R & D

Specialised Business Model with high entry barriers

Established and stable relationship with suppliers

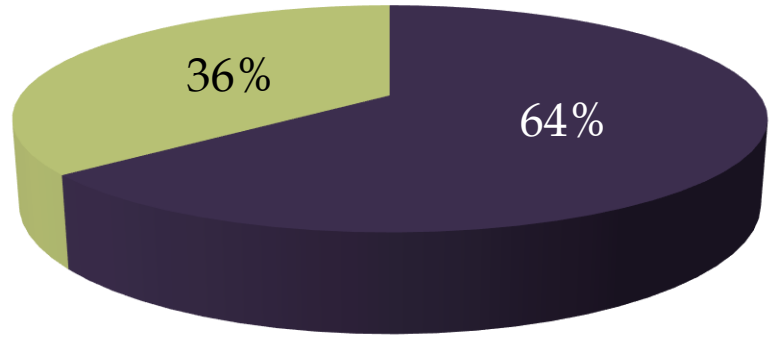
Experienced promoters with domain knowledge



Key Performance Highlights – Q4 & FY20

	FY20		Q4 FY20	
Revenues	Rs. 306 cr	28%	Rs. 82 cr	3%
EBITDA	Rs. 58 cr	34%	Rs. 16 cr	3%
Profit Before Tax	Rs. 41 cr	40%	Rs. 11 cr	8%
Profit After Tax	Rs. 29 cr	37%	Rs. 7 cr	16%

FY20 Revenue break-up

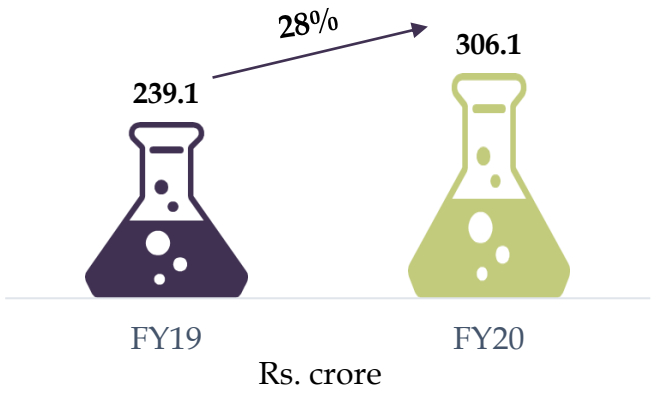


**Including deemed exports*

Note: 1. Growth for FY20 is compared to FY19 and growth for Q4 FY20 is compared to Q4 FY19
2. All figures are Standalone
3. Revenue was impacted due to Covid-19 related lock down announced by Government

Financial Summary – FY2020

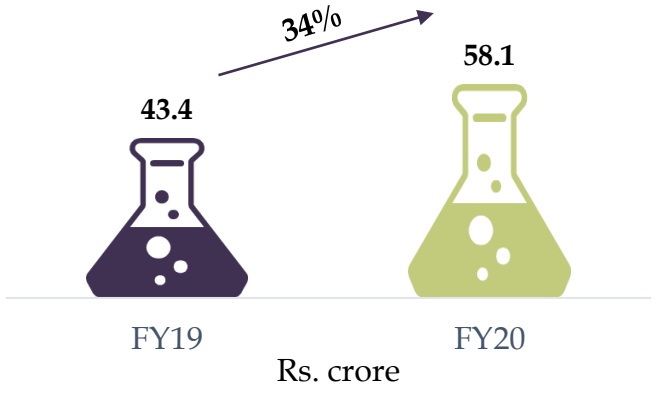
REVENUE



Rs. crore

- Trajectory in FY20 remained robust barring lockdown impact towards the end of March 2020
- Growth could have been higher in Q4 FY20 but for the lockdown impact

EBITDA

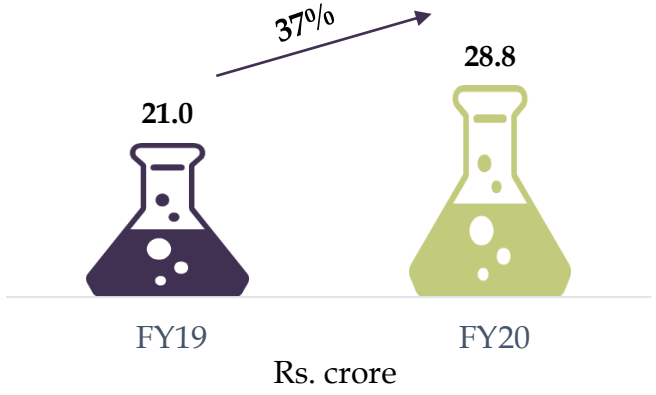


Rs. crore

EBITDA sustained its momentum despite setback caused by CoVID-19 pandemic, driven by:

- Higher capacity utilization
- Cost management initiatives
- Favorable product-mix

PAT



Rs. crore

PAT improved on account of solid operating performance during the year

CoVID-19 pandemic and subsequent lockdown resulted in lower sales and therefore higher inventory in Q4. Further, closure of banking channel and customer offices led to higher receivables

Revenue break-up

	Q4 FY20	Q4 FY19		FY20	FY19	
2%	Rs. 67 cr.	Rs. 66 cr.	30%	Rs. 249 cr.	Rs. 192 cr.	Organic Chemicals
14%	Rs. 16 cr.	Rs. 14 cr.	21%	Rs. 57 cr.	Rs. 47 cr.	Inorganic Chemicals

Impact of CoVID-19 pandemic on business operations

- To contain the spread of CoVID-19 and in compliance with the directives of Government of India, the Company decided to temporarily close/partially close the manufacturing operations at the plants in Mahape (Navi Mumbai), Karakhadi (Vadodara) and Dahej SEZ (Gujarat) from March 24, 2020 till April 20, 2020
- 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
  - Current capacity utilization after 15th May, 2020 across various plants is >70%
- Neogen Chemicals falls under essential services provider category as it derives majority of its revenues (over 85%) from Pharma and Agrochemical Industries
- Receivables from customers were impacted due to lockdown; this has improved now with more customers clearing the backlog and LC discounting by banks have resumed
- Liquidity position remains comfortable and Neogen has not opted for moratorium given by RBI and has been servicing debt even during lockdown
- Order inflow from various customers (both domestic and global) remains unaffected. Further, the Company has not witnessed any significant order cancellations due to CoVID-19 pandemic
  - As a best practice, Neogen Chemicals has reached out to all the customers with the status of their shipments and tentative delivery timelines
- The Company witnessed supply disruptions in terms of logistics and labour during the early days of lockdown, which is gradually getting normalized. Neogen will continue to monitor the ongoing situation caused due to this pandemic and inform all the stakeholders accordingly

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 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
- However, the higher demand usually in Q4 was counteracted by Covid-19 related loss of revenue in Q4 FY20.

Financial Table – Profit & Loss Statement (Standalone)

Particulars (Rs. crore)	Q4 FY20	Q4 FY19	Growth (%)	FY20	FY19	Growth (%)
Revenue	**82.3**	**79.8**	**3.1%**	**306.1**	**239.1**	**28.1%**
Expenditure	66.5	63.5	4.7%	248.1	195.6	26.8%
EBITDA	**15.8**	**16.3**	**-3.0%**	**58.1**	**43.4**	**33.7%**
Margins	*19.2%*	*20.4%*		*19.0%*	*18.2%*	
Depreciation	1.7	0.7	135.6%	5.2	2.8	84.8%
EBIT	**14.1**	**15.6**	**-9.4%**	**52.8**	**40.6**	**30.1%**
Interest	2.9	3.4	-14.3%	11.9	11.9	-0.1%
Other Income	0.1	0.0	42.2%	0.3	0.7	-53.2%
Profit Before Tax	**11.3**	**12.2**	**-7.9%**	**41.2**	**29.3**	**40.4%**
Margins	*13.7%*	*15.3%*		*13.5%*	*12.3%*	
Tax Expense	3.9	3.5	12.7%	12.4	8.3	49.7%
Profit After Tax	**7.3**	**8.7**	**-16.1%**	**28.8**	**21.0**	**36.8%**
Margins	*8.9%*	*11.0%*		*9.4%*	*8.8%*	
Earnings Per Share (Rs.)	**3.15**	**4.36**	**-27.8%**	**12.33**	**10.48**	**17.7%**

Balance Sheet – Snapshot (Standalone)

Particulars (In Rs. crore)	As on March 31, 2020	As on Sept 30, 2019	As on March 31, 2019
Assets			
Non-current assets	123.6	102.4	86.6
Current assets	231.7	194.5	160.1
Total Assets	***355.3***	***296.9***	***246.7***
Liabilities			
Shareholder's Funds	156.7	141.6	70.5
Non-current Liabilities	48.7	40.3	59.5
Current Liabilities	149.9	114.9	116.7
Total Liabilities	***355.3***	***296.9***	***246.7***

Management Commentary

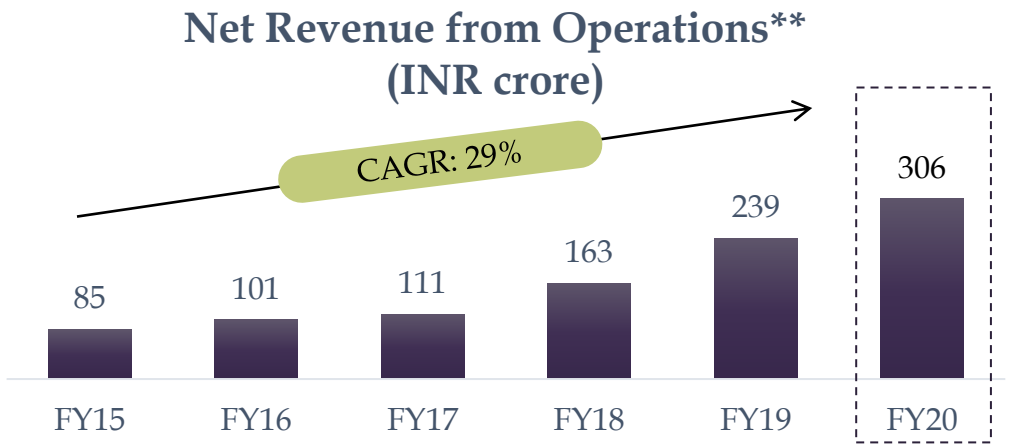
Commenting on the Q4 & FY20 performance, Mr. Haridas Kanani, Chairman & Managing Director, at Neogen Chemicals said:

"I am pleased to share that we concluded our first full financial year post listing with healthy topline and PAT growth of 28% and 37% respectively. The performance could have been slightly better but for the impact on operations from the CoVID-19 pandemic and subsequent lockdowns which resulted in plant shutdowns for a few weeks towards the end of March 2020. However, we are pleased with the overall performance momentum which showed resilience during these testing times and I would like to thank all our employees for their relentless efforts.

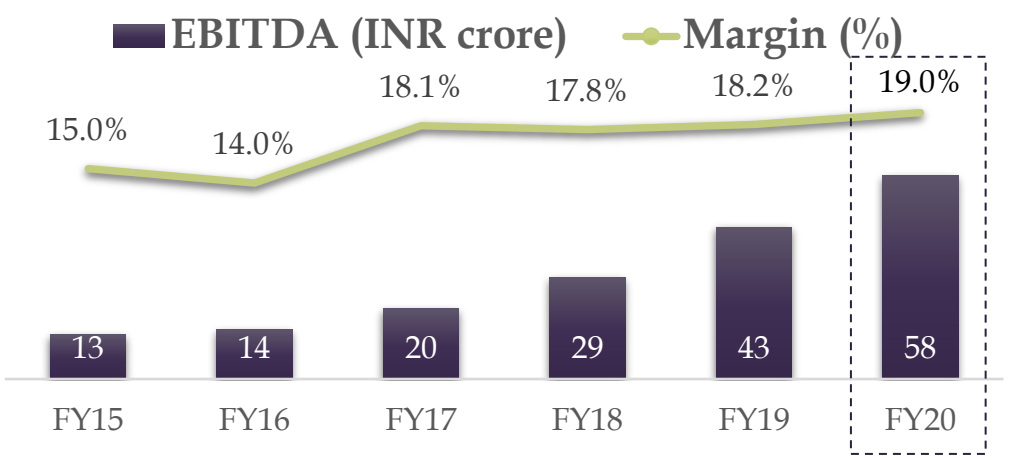
All our manufacturing facilities have now resumed production while we take all the required precautions to ensure best health and safety for our workforce. The plants have been ramped up in a phased manner. Project work has also re-started at Dahej SEZ for Organic capacity expansion.

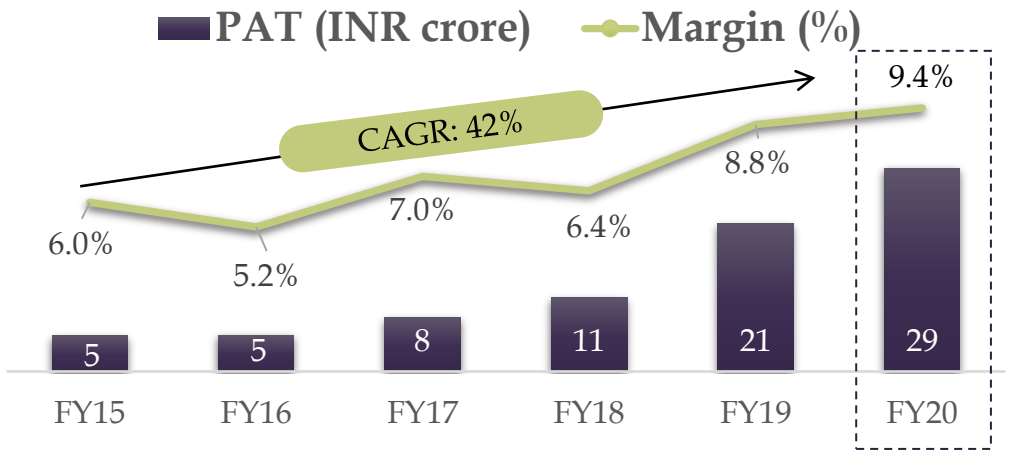
The roadmap for us appears encouraging. While the pandemic situation has resulted in temporarily disruptions in the global supply chains, we believe that this will be normalised in the ensuing period. Neogen Chemicals stands to gain from our diversified product portfolio, customer base and deep expertise in the chemistries of our focus. Overall, we remain confident of accomplishing our growth objectives as there is encouraging demand from end user industries and our planned capacity enhancements remain fully on course"

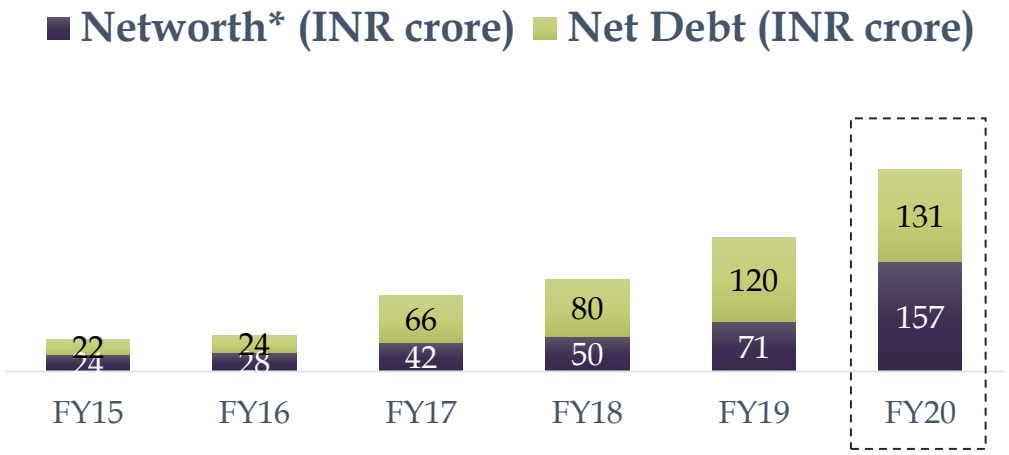
Historical Financial Trends



** *Revenue is Net of Excise*







* *Net Debt includes preference share capital*

Way Forward

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

Contact Us

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.

For further information, please contact:

Mahesh Tanna
Neogen Chemicals Ltd.
E-mail: mahesh@neogenchem.com

Shiv Muttoo / Nishid Solanki
CDR India
Email: shiv@cdr-india.com
nishid@cdr- india.com

Thank You

NEOGEN
CHEMICALS LTD.