

Neogen Chemicals Ltd.

Q2 & H1 FY20 Earnings Presentation

November 2019



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 Greenfield and Brownfield manufacturing capacity expansions

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

199

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

26%

5-year Revenue CAGR

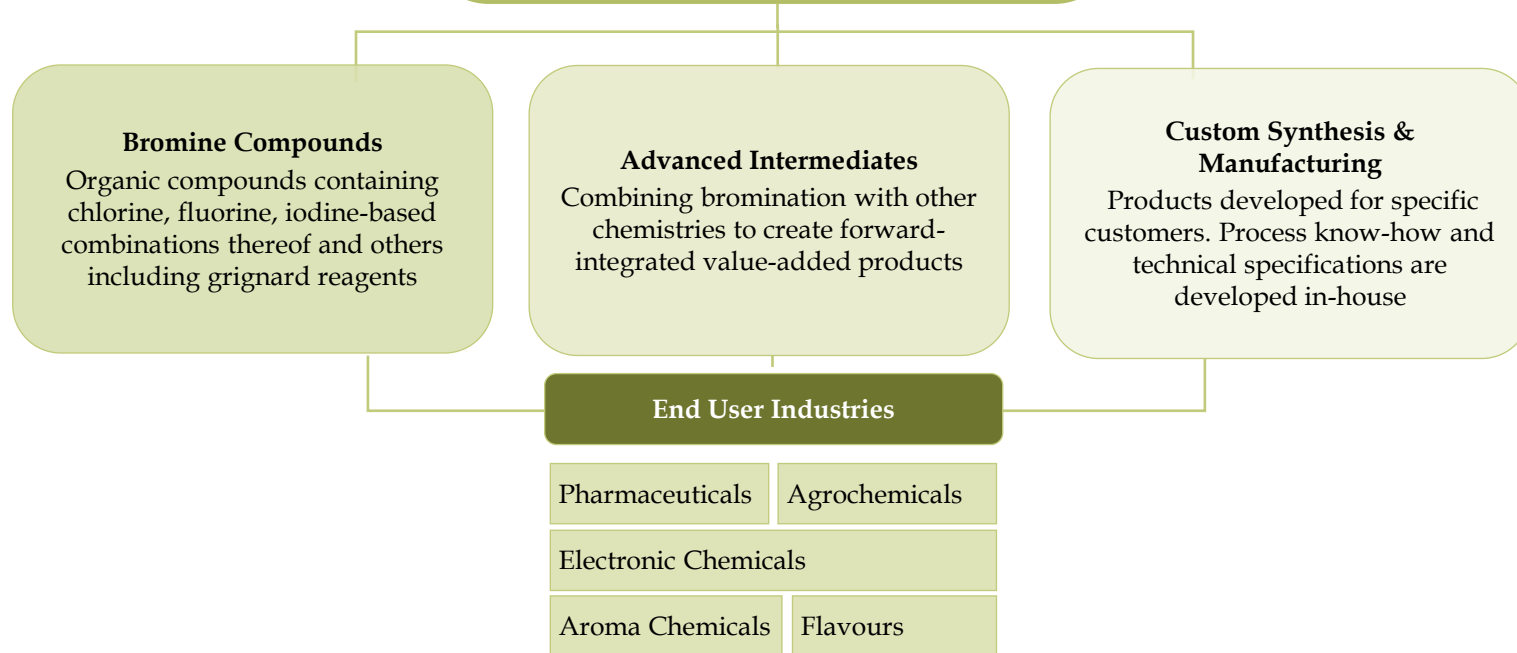
40%

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



A TATA Enterprise



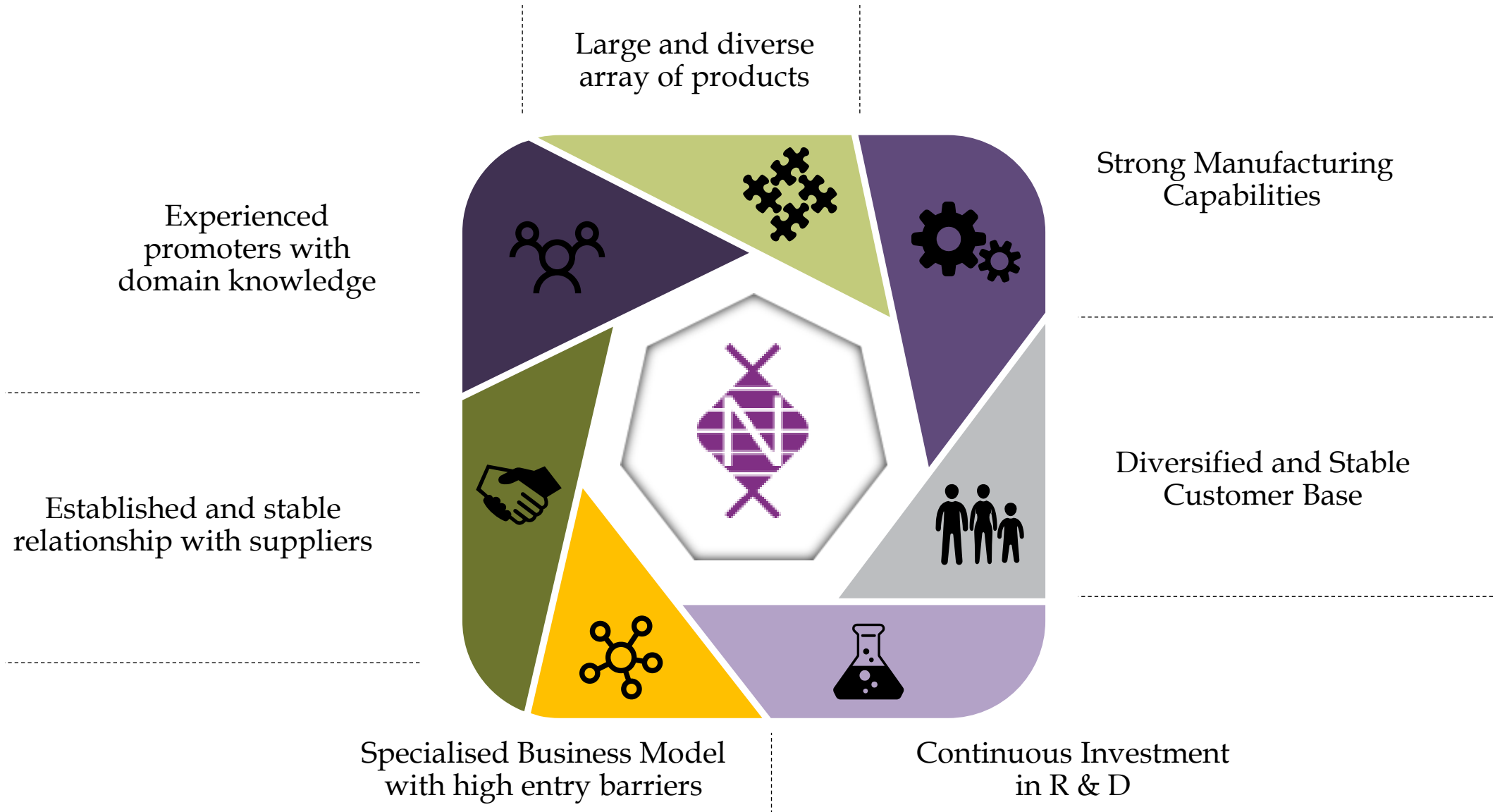
HETERO



Enriching Lives



Competitive Advantages



Key Performance Highlights - Q2 FY20



Rs. 77.09 cr  **35%**

Revenues

Rs. 14.75 cr  **48%**

EBITDA

Rs. 10.93 cr  **65%**

Profit Before Tax

Rs. 7.72 cr  **53%**

Profit After Tax

Note: Growth for Q2 FY20 is compared to Q2 FY19

Revenue break-up



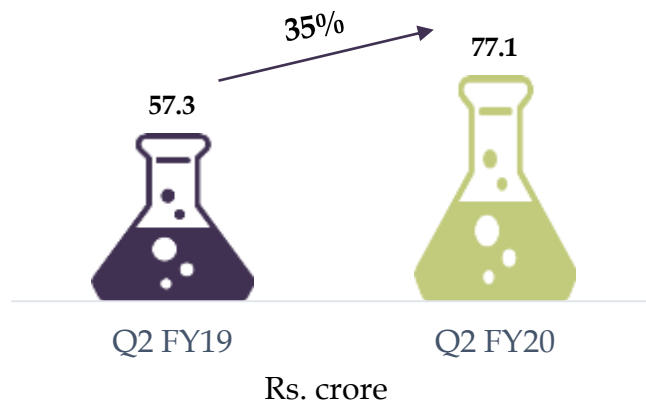
**Including deemed exports*

- Q2 saw slowness in demand from some overseas customers, seen to be quarter specific
- Some revenues have shifted from SEZ/ EOU units to DTA units of Indian customers

Financial Summary – Q2 FY20



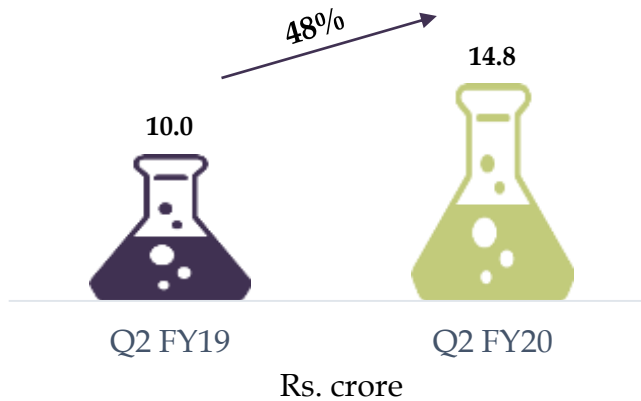
REVENUE



Healthy growth on lower base as major overhaul in the first half of last year had resulted in lower utilization/revenues at the Vadodara facility

Both plants are operating at high utilization since H2 of last year

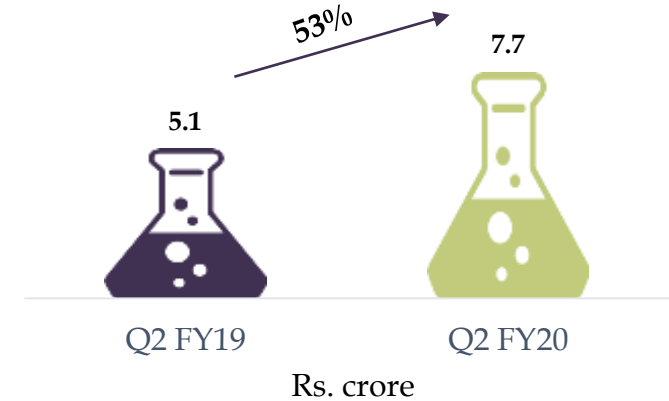
EBITDA



EBITDA registered solid growth and margin expansion driven by:

- Revenue growth and optimal capacity utilization
- Better efficiencies on larger scale of operations
- Tight control over operating expenses

PAT



PAT margin expansion based on:

- Strong operating performance
- Lower interest cost

Revenue break-up



	Q2 FY20	Q2 FY19		H1 FY20	H1 FY19
53%	Rs. 63.6 cr.	Rs. 41.4 cr.	65%	Rs. 111.9 cr.	Rs. 68.0 cr.
(15%)	Rs. 13.5 cr.	Rs. 15.9 cr.	5%	Rs. 29.6 cr.	Rs. 28.1 cr.

Organic Chemicals

Performance driven by healthy utilisation levels following plant maintenance activity in the same period last year

Inorganic Chemicals

Performance was impacted due to lower raw material prices

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.
- Investors may also note that following the plant maintenance activity in H1 FY19, utilization has scaled up and remains at higher levels starting from H2 FY19. Hence, volume growth seen in the first half of FY20 from a lower base is not expected to continue at the same level in H2 FY20.

Financial Table – Profit & Loss Statement (Standalone)



Particulars (Rs. crore)	Q2 FY20	Q2 FY19	Growth (%)	H1 FY20	H1 FY19	Growth (%)
Revenue	77.1	57.3	34.5%	141.5	96.0	47.4%
Expenditure	62.3	47.3	31.8%	115.3	79.3	45.4%
EBITDA	14.8	10.0	47.5%	26.3	16.8	56.6%
<i>Margins</i>	<i>19.1%</i>	<i>17.5%</i>		<i>18.6%</i>	<i>17.5%</i>	
Depreciation	1.3	0.7	85.8%	2.2	1.3	73.1%
EBIT	13.5	9.3	44.6%	24.1	15.5	55.3%
Interest	2.6	3.0	-13.3%	5.8	5.6	4.3%
Other Income	0.1	0.3	-79.3%	0.2	0.4	-56.5%
Profit Before Tax	10.9	6.6	65.2%	18.4	10.3	79.0%
<i>Margins</i>	<i>14.2%</i>	<i>11.5%</i>		<i>13.0%</i>	<i>10.7%</i>	
Tax Expense	3.2	1.5	106.9%	5.2	2.4	120.3%
Profit After Tax	7.7	5.1	52.5%	13.2	7.9	66.7%
<i>Margins</i>	<i>10.0%</i>	<i>8.8%</i>		<i>9.3%</i>	<i>8.3%</i>	
Earnings Per Share (Rs.)	3.21	2.52	27.4%	5.56	3.95	40.8%

Balance Sheet Snapshot (Standalone)



Particulars (Rs. crore)	As on Sept 30, 2019	As on Mar 31, 2019	As on Sept 30, 2018
<u>Assets</u>			
Non-current assets	102.4	86.6	86.8
Current assets	194.5	160.1	135.1
<i>Total Assets</i>	296.9	246.7	221.9
<u>Liabilities</u>			
Shareholders' Funds	141.6	70.5	57.2
Non-current liabilities	40.3	59.5	52.5
Current liabilities	114.9	116.7	112.2
<i>Total Liabilities</i>	296.9	246.7	221.9



Commenting on the Q2 FY20 performance, Mr. Haridas Kanani, Chairman & Managing Director, at Neogen Chemicals said:

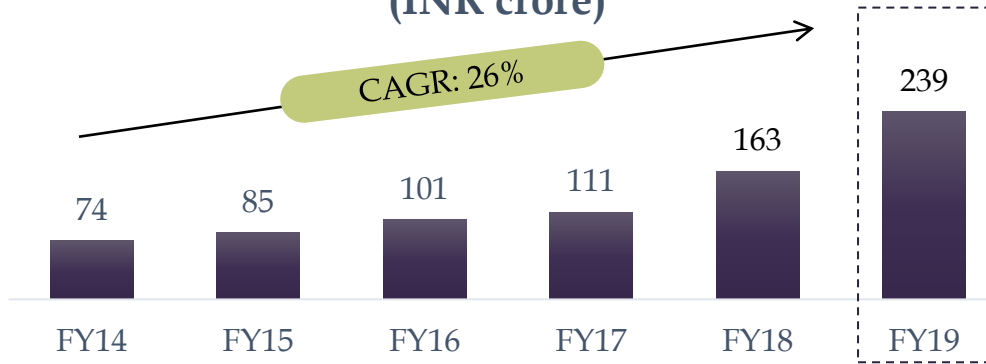
“I am pleased to share that we have once again demonstrated robust performance in the second quarter of this financial year with revenue growth of 35% complemented by PAT growth of 53%. Strong performance was driven by a combination of factors including encouraging demand from end-user industries, higher capacity utilisation at our plants as well as stable-to-better realisations for key products. Here, I would like to highlight that the base of revenues in the first half last year was lower as we had undertaken major maintenance activity at that time.

Following the strong first half performance, we remain in line to deliver on our full year growth objectives. The roadmap for the ensuing years also looks promising as we remain on course to scale-up revenues backed by our planned greenfield expansions. Trial production for our Inorganic expansion has started at the Dahej SEZ facility and commercial production will commence later this year, while the Organic expansion will be commissioned at the same location by next year. Subsequently, we will be well-positioned to leverage the growth opportunities in our core business segments”

Historical Financial Trends

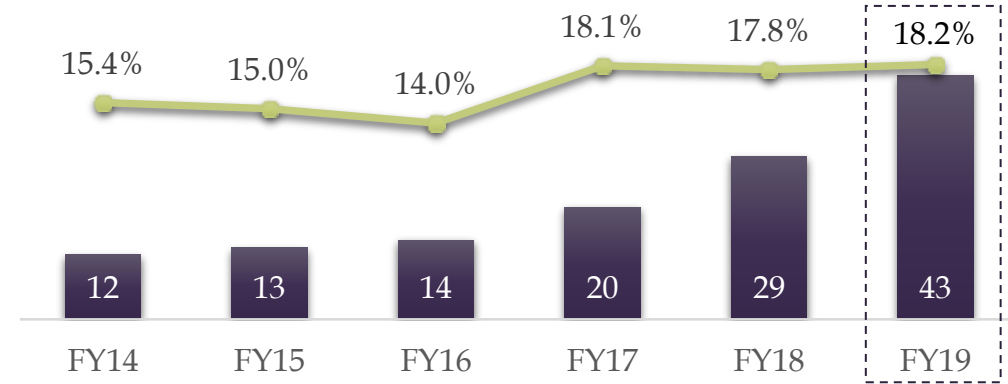


Net Revenue from Operations
(INR crore)**

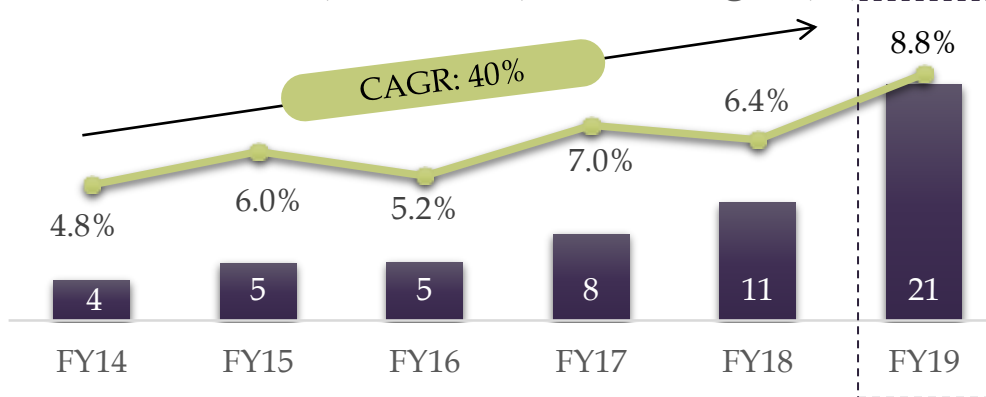


** Revenue is Net of Excise

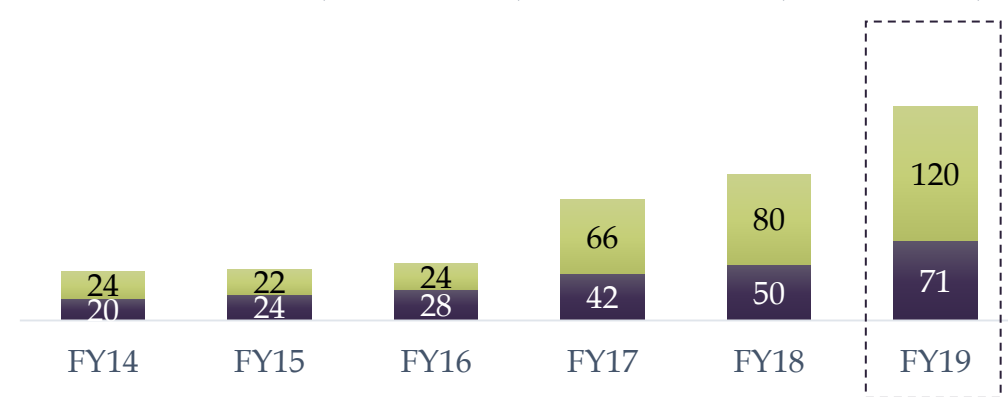
EBITDA (INR crore) Margin (%)



PAT (INR crore) Margin (%)

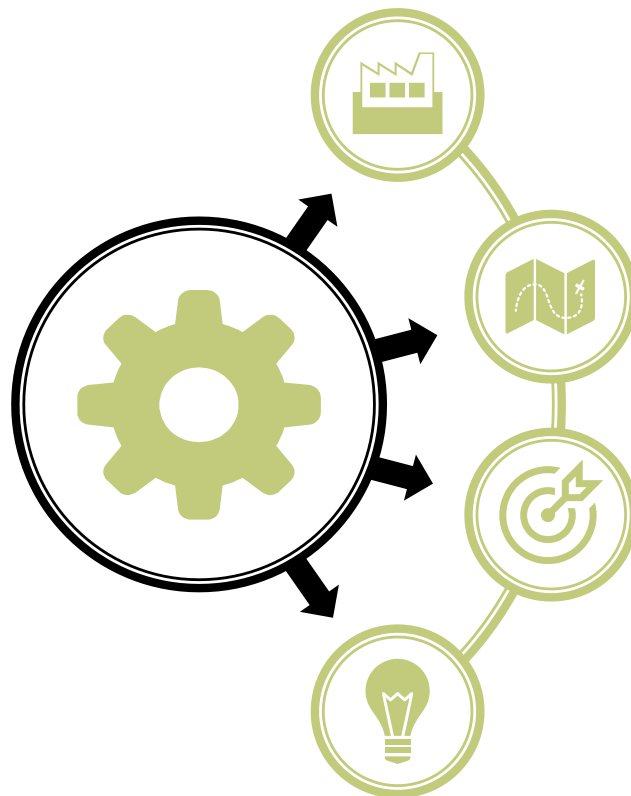


Networth* (INR crore) Net Debt (INR crore)



* 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 1991, **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 198 products comprising 181 organic chemicals and 17 inorganic chemicals.

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 two manufacturing facilities located in Mahape, Navi Mumbai in Maharashtra, and Karakhadi, Vadodara in Gujarat. It is presently, developing a Greenfield manufacturing unit in Dahej SEZ, in Gujarat.

For further information, please contact:

Mahesh Tanna
Neogen Chemicals Ltd.
Tel: +91 22 2549 7365 / 66
E-mail: mahesh@neogenchem.com

Shiv Muttoo / Nishid Solanki
CDR India
Tel: +91 98335 57572 / +91 22 6645 1221
Email: shiv@cdr-india.com
nishid@cdr-india.com



Thank You



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