NEOGEN
CHEMICALS LTD.

August 7, 2022

BSE Limited Department of Corporate Services Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Kala Ghoda, Fort Mumbai 400 001 **Scrip Code No: 542665**	National Stock Exchange of India Limited Listing Department, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Company Symbol: NEOGEN**

Sub.: Earnings Presentation on the Unaudited Financial Results of the Company under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/ Madam,

With reference to the captioned subject, please find enclosed herewith the Earnings Presentation on the Unaudited Financial Results of the Company for the quarter ended June 30, 2022.

The Unaudited Financial Results for the quarter ended June 30, 2022 and the Earnings Presentation are also being uploaded on the Company's website at https://neogenchem.com/financial-performance/ .

Kindly take the same on your record.

Thanking you,
Yours faithfully,
For Neogen Chemicals Limited

Unnati Kanani
Company Secretary and Compliance Officer
Membership No. A35131

Encl.: As above

Neogen Chemicals Ltd.

Q1 FY23 Earnings Presentation

August 2022

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.

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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, Battery Chemicals and Agrochem
- Key export geographies include USA, Europe, Japan and Middle East
- Growing contribution from Custom Synthesis and Contract Manufacturing
- 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

234

Products developed by in-house R&D

11%

Of workforce in R&D team

29

Exporting countries

ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018

Manufacturing units certified on Quality & SHE management systems

34%

5-year Revenue CAGR

41%

5-year PAT CAGR

Evolution of Neogen Chemicals

1970's to 1991 Pre-Neogen

- Mr. HT Kanani graduated as a Chemical Engineer and started his association with Bromine chemistry in the early 1970s
- Set up one of India's first Bromine plants using indigenous technology at Navlakhi near Morbi, Gujarat
    - Plant was later destroyed in 1970s due to flooding followed by Morbi Dam Collapse
    - Mr. Kanani worked as a consultant for setting up Bromine and other manufacturing units till 1984 to recover these losses
- In 1985, started manufacturing Bromine derivatives from a 600 sq. ft. plant under a proprietorship firm, in small 20 lit reactors to start making n-propyl bromide and lithium bromide.

1991 to 2016 Pre-expansion

- 'Neogen Chemicals' commenced business operations in 1991, at Mahape, Navi Mumbai manufacturing a few Bromine Compounds and Lithium Compounds
- From 1991 to 1999, two molecules namely Lithium bromide and N-Propyl Bromide contributed almost 80-90% to the topline; revenues moved from ~Rs. 1 crore to ~Rs. 10 crore during this period
- Set up dedicated R&D and hired first PhD scientist in 2001
- Capacity expansions at Mahape plant took place in 2000, 2007 and 2012; this left no scope for further brownfield expansion at Mahape
- Dr. Harin (now MD) re-joined Neogen Chemicals in 2008 after pursuing his PhD in Chemical Engineering from University of Maryland, USA and working as a Research Scientist with Pioneer – DuPont Company

2016 to 2022 Present

- Acquired 12 acres of land in Dahej for Greenfield expansion in 2015
- Achieved turnover of Rs. 100 crore in FY16 after reporting full utilisation at the Mahape plant
- Acquired Solaris ChemTech Industries' Bromine derivatives plant at Vadodara in 2016 via slump sale
    - Acquisation cost included 39 acres of land for the running business, plant and machinery at the site, ~50 trained manpower and several technologies developed by the acquired site
- Acquisition Increased total organic glass lined reactor capacity from 45,000 litres in FY16 to 130,000 litres in FY18
- Turnover more than doubled in two years, to Rs. 240 crore in FY19, from Rs. 110 crore in FY17
- Doubled Inorganic Chemicals capacity from 1,200 MT to 2,400 MT through Greenfield expansion at Dahej SEZ
- Phase I & II expansion completed: Increased Organic Chemicals reactor capacity from 154,000 litres to 407,000 litres through brownfield expansions across facilities

Key Milestones

Leading manufacturer of Bromine and Lithium-based specialty chemicals since 1989

1989
Incorporation as a private limited company to scale up existing bromine derivatives business

1991
Started operations with Lithium salts and organic bromide at Mahape

1994
Increased in capacity from 1,600 litres to 6,000 litres at Mahape

1998
Conversion to public limited company

2000
Dedicated R&D Division set up

2001
Started manufacturing speciality bromine compounds for advanced intermediates

Increased reactor capacity of Mahape facility from 6,000 litres to 20,000 litres

2007
Increased reactor capacity at Mahape to 30,000 litres

2012
Increased reactor capacity at Mahape to 45,000 litres

2015
Acquired land in Dahej SEZ

2016
Achieved turnover of ₹100 crore

Acquired manufacturing operations along with 39.6 acres of land from Solaris Chemtech Limited at Karakhadi, Vadodara

2017
Commenced manufacturing operations at Vadodara Facility

2019
Raised Rs. 132 crore through initial public offering (IPO) and Offer for sake

2020
Increased the capacity for Inorganic Chemicals from 1,200 MT to 2,400 MT through Greenfield expansion at Dahej, Gujarat

2021
Phase I & II expansion completed: Increased Organic Chemicals reactor capacity from 154,000 litres to 407,000 litres through brownfield expansions across facilities

Raised Rs. 225 crore through preference share allotment to marquee institutional investors

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 & Contract 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
- Battery Chemicals
- 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

Robust Manufacturing Expertise

Strong Manufacturing Infrastructure –

Factory	Land Area	Land Utilisation	Capacity	
			Organic Chemicals (Reactor capacity)	Inorganic Chemicals (Tonnage)
Mahape (Since 1991)	1 acre	100%	69,000 Liters	1,200 MT
Vadodara (Since 2017)	40 acres	20%	1,11,000 Liters	-
Dahej (Since 2020)	12 acres	20%	2,27,000 Liters	1,200 MT
Total			**4,07,000 Litres**	**2,400 MT**

Quality Control and Quality Assurance

- Dedicated QC and QA team in place monitoring the entire manufacturing process at all stages right from initial testing stage to the final product

Certifications of Manufacturing Facilities

- **Mahape Facility** - ISO 9001:2015 from Bureau Veritas Certification Holding SAS
- **Vadodara Facility** – ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certifications from Bureau Veritas Certification Holding SAS
- **Dahej Facility** – ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certifications from Bureau Veritas Certification Holding SAS. Also, GMP (Good Manufacturing Practices) certified
- Implemented current good manufacturing practice (cGMP) prescribed by the US FDA as applicable for intermediates

Developed strong R&D capabilities

Established **two in-house R&D units, one each in Mahape and Vadodara**, with an endeavor to develop new processes and improve existing processes

Developed **54-member dedicated R&D team, including 8 senior personnel** with doctorates in chemistry (Ph. D.) from reputed institutions and with 15+ years of experience

Believes that **R&D is critical for sustained growth** and will continue to deploy resources to further strengthen R&D infrastructure to take advantage of upcoming opportunities

CMD and MD are actively involved and spend significant time overseeing the functioning of both R&D divisions

Post commissioning of dedicated R&D units in 2001, the **product portfolio has grown from 20 products in 2001 to 234 products in Q1 FY23** (excluding products developed under contract manufacturing)

Experienced Leadership Team

Mr. Haridas Kanani, B.TECH (CHEM) M.I.I.Ch.E.
Chairman & Managing Director

- Holds a bachelor's degree in chemical engineering from the Indian Institute of Technology (IIT), Bombay
- Set up one of India's first Bromine plants using indigenous technology at Gujarat which was later destroyed due to a flood
- Subsequently, set up the firm Chem Ocean Consultant which provided consultancy, technology and engineering technologies to set up Bromine plants for other companies
- Then later established NCL in 1989 and has been on the Board since then
- Has previously worked with Excel Industries Ltd. In 1968-1970.
- Oversees the manufacturing, research and development and general operation and management of the Company's manufacturing units

Mr. Harin Kanani, PhD
Managing Director

- Holds a bachelor's degree in chemical engineering from IIT, Bombay and a Master's degree and a doctorate in chemical engineering from the University of Maryland
- Served as a research fellow at the University of Maryland, where he has published 4 first author manuscripts in the field of chemical engineering
- Presented various talks and presentations at national and international conferences
- Also participated in the Small and Medium Enterprises Programme from IIM Ahmedabad
- Joined NCL in 2008 and is on the Board since 2017
- Has previously worked with companies such as Asian Paints India Ltd. and as a senior research scientist at Pioneer Hi-Bred International Inc. in the United States
- Heads various business divisions of the Company including research and development, business development, quality control, purchase, marketing and finance

Mr. Anurag Surana
Non-Executive Director

- Holds a bachelor's degree in commerce with Honours from the University of Delhi
- Experience of more than 20 years in Contract Manufacturing business
- A well known personality in the Agrochemical and specialty chemical industry in India, Europe and Japan
- Founded a consulting company specialising in consulting with companies in the chemical, agrochemical and fertilizers sector in India and abroad
- Previously, he was an Executive Director on the Board of PI Industries Ltd. for 14 years

Shyamsunder Upadhyay
Executive Director

Holds a master's degree in science from Vikram University, Ujjain

- He has 41 years of work experience in the field of chemicals
- Oversees maintenance, projects, logistics, administration and engineering store in the company
- Has previously been associated with companies such as Savita Chemicals, Wimco, Gharda Chemicals, Clariant India, Tytan Organics Limited, Arch Pharmalabs Limited and Laxmi Organic Industries Limited

Ketan Vyas
Chief Financial Officer

Is a fellow member of the Institute of Chartered Accountants of India, MBA and has completed his Project Management Professional Certificate from (PMI) USA in the year 2013

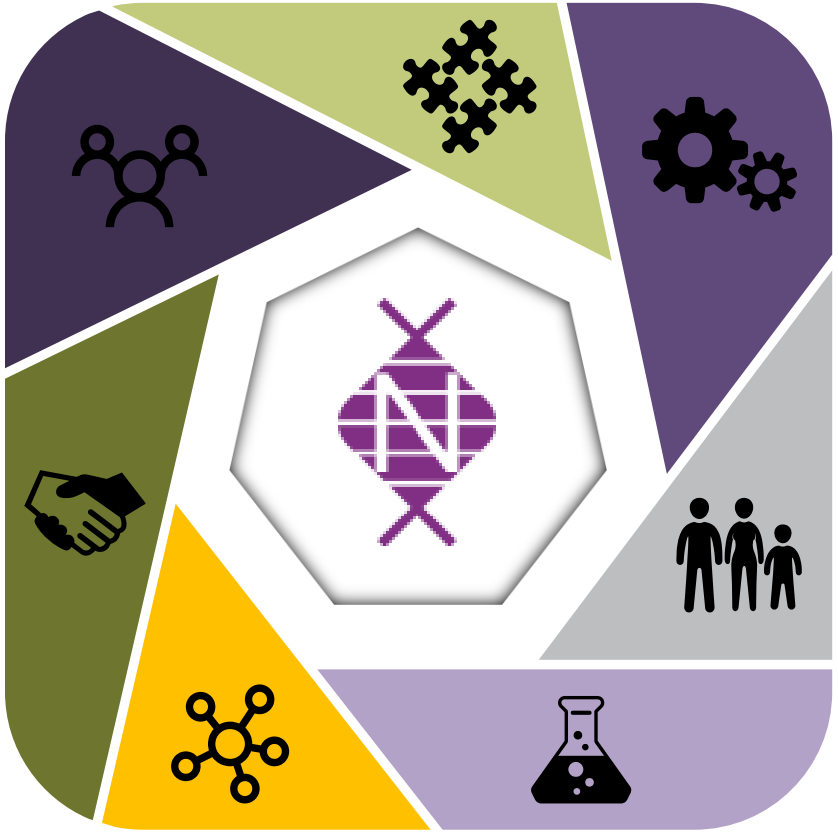
- He has 22 years of work experience in the field of Finance & Accounts, Taxation/ International Taxation across industries, Corporate Banking, Audits, Corporate & Commercial laws and other Regulatory and Statutory compliances
- Other expertise lies in Strategic Planning, Budgeting & Cost Control, Financial Reporting & Management, Process Re-engineering, System Integration and Solution Design
- Has previously been associated with companies like Batliboi,Arcelor Mittal Projects India Private Limited, SGS India Private Limited, Integreon Managed Solutions, Dow Corning India Private Limited, Rhodia Chemicals India Private Limited and Amplas Polymers Private Limited,

Competitive Advantages

Large and diverse array of products

Experienced promoters with domain knowledge

Strong Manufacturing Capabilities



Established and stable relationship with suppliers

Diversified and Stable Customer Base

Specialised Business Model with high entry barriers

Continuous Investment in R & D

Key Performance Highlights – Q1 FY23

Q1 FY23

Rs. 147.9 crore ↑ **75%**

Revenues

Rs. 24.7 crore ↑ **58%**

EBITDA

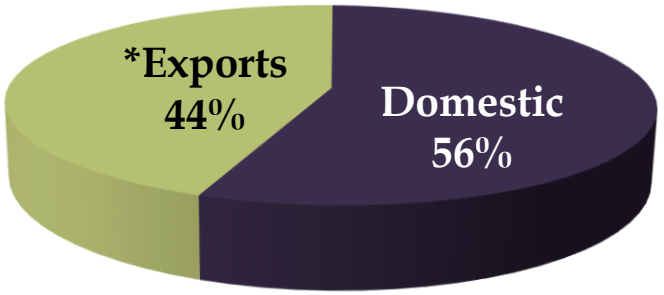
Rs. 15.6 crore ↑ **52%**

Profit Before Tax

Rs. 11.1 crore ↑ **51%**

Profit After Tax

Q1 FY23 Revenue break-up

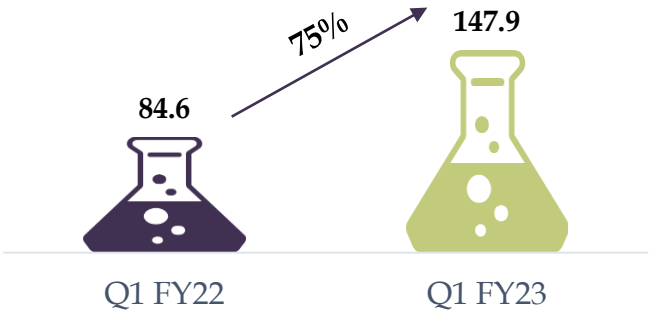


**Including deemed exports*

Note: 1. Growth for Q1 FY23 is compared to Q1 FY22
2. All figures are Standalone

Financial Summary – Q1 FY23

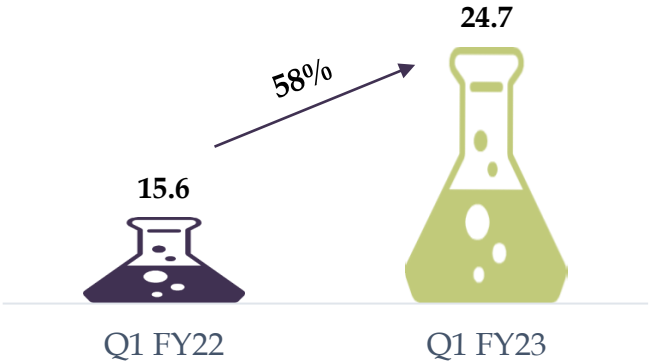
REVENUE



Rs. crore

- Robust revenue trajectory for Q1 FY23 was driven by incremental benefits accruing from the expanded capacity. This was supported by continued positive demand across key products
- The Company has been able to leverage its expertise in process chemistries to focus on high-value products with multi-stage processes

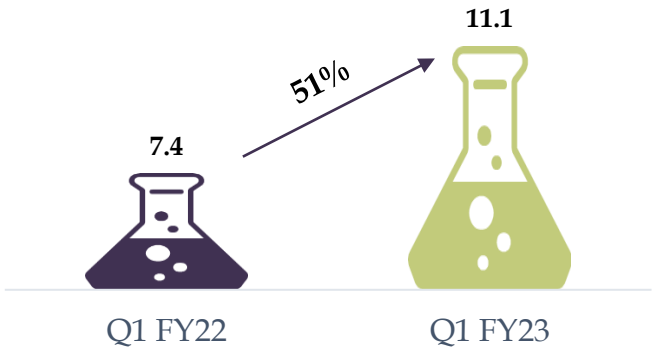
EBITDA



Rs. crore

- EBITDA performance was supported by operating leverage gains due to increased production at various plants. Improved product mix also steered the earnings momentum
- Delivered improvement despite multiple costs challenges primarily relating to higher input and utility costs, with added exchange rate volatility

PAT



Rs. crore

- Strong double-digit growth in PAT was aided by good operating performance
- In addition, gains from various cost management initiatives aided earnings growth
- Higher depreciation during the quarter was in-line with new capacities added

During the period under review, the Company witnessed significant increase in the prices of Lithium raw materials which Company was able to pass on to the customers, resultantly protecting the absolute EBITDA. The EBITDA percentage margin decline is optical as it considers higher revenues and higher RM costs with preserved absolute earnings.

Revenue break-up – Q1 FY23

	Q1 FY23	Q1 FY22	
32%	Rs. 90 crore	Rs. 68 crore	Organic Chemicals
243%	Rs. 58 crore	Rs. 17 crore	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
- Demand for Lithium-based chemicals tends to be strong in Q4 as demand from the HVAC segment, a key usage area, 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

Key developments

- As per Board's approval, **an estimated capital expenditure of upto Rs. 150 crore has been planned – this will be deployed in FY23 at Dahej SEZ Plant** for:
  - **Expanding manufacturing capacity of specialty organic chemicals by 60,000 litres** – to support new molecules developed in-house and enhancing ability to do multiple chemistries
  - **Increasing the capacity for manufacturing inorganic salts from 1,200 MT to 2,400 MT in existing Inorganic MPP** – this is to cater to demand from new approvals received from international customers for regular lithium-based products recently and expected growth in their demand in domestic market
  - **Setting up new capacity in existing Inorganic MPP for 400 MTPA for manufacturing Specialty Lithium Salts and additives for Electrolyte** used in Lithium-Ion batteries advance chemistry cells – targeted for trial approvals in international markets and captive consumption for manufacturing of electrolyte
  - **Dahej site development**

Expected outcome:

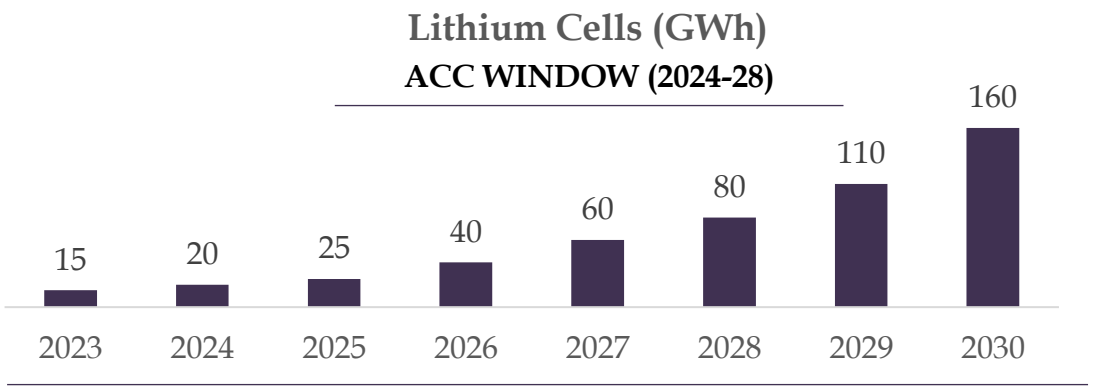
- Estimated timeline for completing this brown field capex by June 2023
- FY24 guidance of Rs. 700-725 crore remains unchanged
- Once commissioned, the overall incremental revenues to be around Rs. 250 – 300 crore per annum. Out of this, revenues from Inorganic Chemicals is estimated based on stable lithium prices
- The Company expects full utilization by FY25/ FY26

Strong Opportunities in Lithium Battery sector

Government focus on self-reliance in battery manufacturing has opened up new prospects

- After inviting global bids for giga-scale Advanced Chemistry Cell (ACC) production units, the GoI selected four bidders from ten for allotment of 50 GWh of battery capacity which include Reliance New Energy Solar Ltd., Ola Electric Mobility Pvt. Ltd., Rajesh Exports Ltd. and *Hyundai Global Motors Company Ltd.
    - They will receive incentives under India's Rs. 18,100 crore programme to boost local battery cell production
- The battery manufacturers would have to set-up ACC capacities under PLI scheme within a period of two years
- This will lead to direct investment of around Rs. 45,000 crore in ACC Battery storage manufacturing projects
- PLI scheme is expected to accelerate EV adoption
    - Will translate into net savings of Rs. 2,00,000 crore to Rs. 2,50,000 crore on account of oil import bill and increase the share of renewable energy at the national grid level

Demand Estimates for the Indian Market



Source: *India Energy Storage Alliance*

This will translate into Electrolyte demand of >150,000 MT by 2030, as per Company estimates.

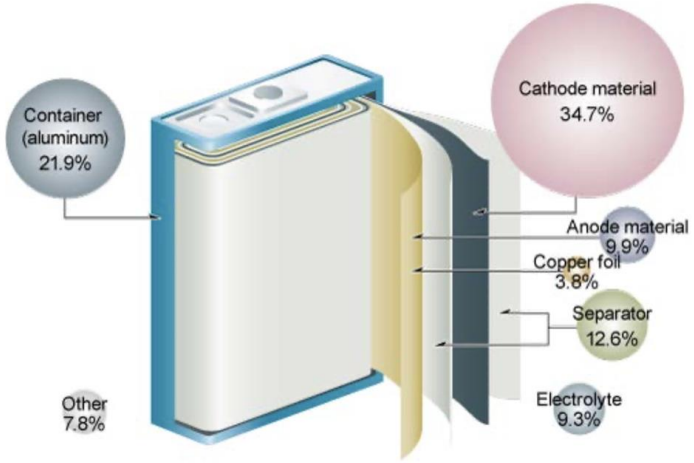
**Under re-examination by the Government of India*

Neogen's planned initiatives in the Lithium Battery sector

- Development initiatives under process for:
  - Electrolyte Formulations
  - Electrolyte Lithium Salts
  - Specialized Cathode Materials
  - CSM and advanced intermediates opportunities
- Portfolio of battery application products at quality/efficiency optimization stage, prior to commercial scale up
- Positive demand evaluation discussions with >15 potential cell manufacturers, including overseas players for electrolyte and >10 international customers/ distributors based out of Europe, Japan, Taiwan and Korea interested in electrolyte salt
- Electrolyte production plan at Vadodara unit developed following board approval:
  - **250 MT** to be operational in **FY23**
  - Commercial scale plant for Electrolyte and Lithium Salt production for captive consumption to be set up based on customer commitments and approvals
- 400 MTA plant for Lithium Electrolyte Salt / Additives production capacity in existing MPP to be set up at Dahej unit to meet international demand and initial captive consumption, further expansion to be planned subject to international customer commitments and approvals

Lithium ion battery (3.7V)

Approximate Cost Component Break Up*



**Based on literature as an example, actual % will vary*

Financial Table – Profit & Loss Statement (Standalone)

(Rs. In crore)

Particulars	Q1 FY23	Q1 FY22	Growth (%)	FY22
Revenue	**147.9**	**84.6**	**75%**	**487.3**
Expenditure	123.3	69.0	**79%**	400.7
EBITDA	**24.7**	**15.6**	**58%**	**86.6**
Margins	*16.7%*	*18.5%*		*17.8%*
Depreciation	3.9	1.8	**111%**	11.7
EBIT (inc. Other Income)	**21.7**	**13.9**	**57%**	**76.2**
Interest	6.1	3.6	**68%**	19.1
Other Income	1.0	0.1	**967%**	1.3
Profit Before Tax	**15.6**	**10.3**	**52%**	**57.2**
Margins	*10.6%*	*12.1%*		*11.7%*
Tax Expense	4.5	2.9	**57%**	12.4
Profit After Tax	**11.1**	**7.4**	**51%**	**44.7**
Margins	7.5%	8.7%		9.2%
Earnings Per Share (Rs.)	**4.44**	**3.16**	**41%**	**18.74**

Management Commentary

Commenting on the Q1 FY23 performance, Mr. Haridas Kanani, Chairman & Managing Director, at Neogen Chemicals said:

"I am pleased to share that we began FY23 on a positive note with strong all-round performance. Revenues grew by 75%, while EBITDA and PAT improved by 58% and 51% respectively. This is a testament of our superior execution capabilities where products are being scaled up rapidly based on encouraging demand trends. The performance momentum was steered by strong gains from the expanded capacity, and this came in spite of challenging operating environment marred by high input and utility costs, logistical disruption as well as extreme volatility in exchange rates during the quarter.

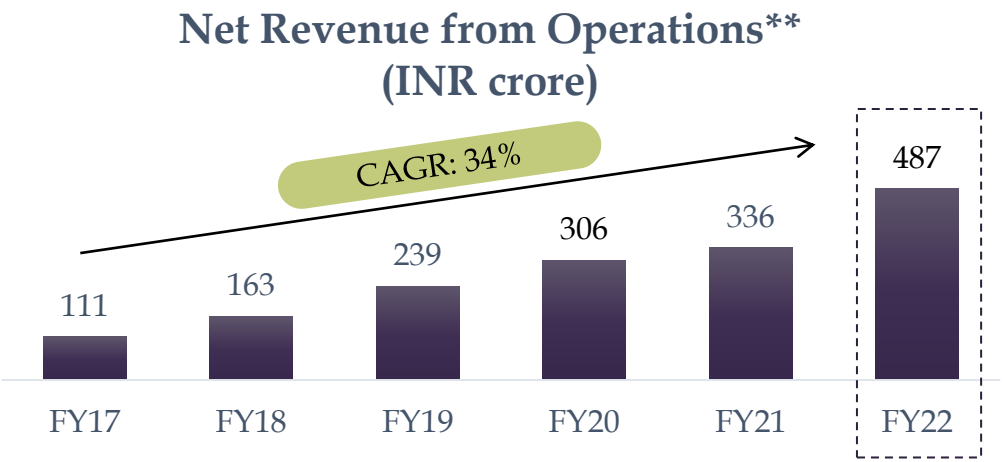
We are entailing several CAPEX initiatives this year to elevate our performance trajectory in the existing business and to participate in the sunrise sector of lithium-ion battery chemicals. These initiatives are underway as per our earlier timelines.

Overall, discussions with both domestic and international players are advancing as expected, and there is continued interest with robust demand. We have also started submitting samples for technical approvals with several customers. Discussions for approval of Neogen, as a vendor are progressing well although slightly delayed from our original timelines. Based on final approvals, we will align our larger CAPEX plans within lithium-ion battery chemicals space in H2 of current financial year which will start contributing materially earliest from FY25.

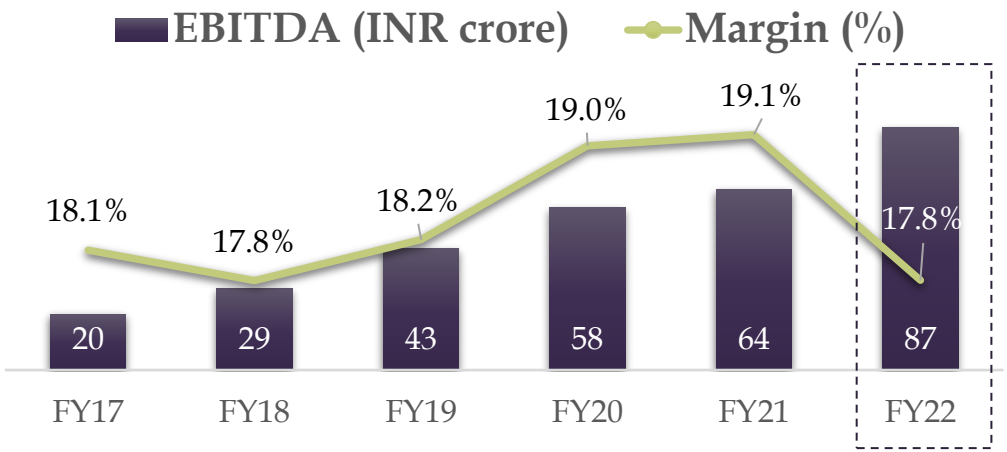
In the CSM/ advanced intermediate business, we have started witnessing traction from other newer sectors which are non-agro and non-pharma and will endeavor to progressively increase the contribution at the Company level. This is in-line with our focus of expanding the portfolio of value-added products.

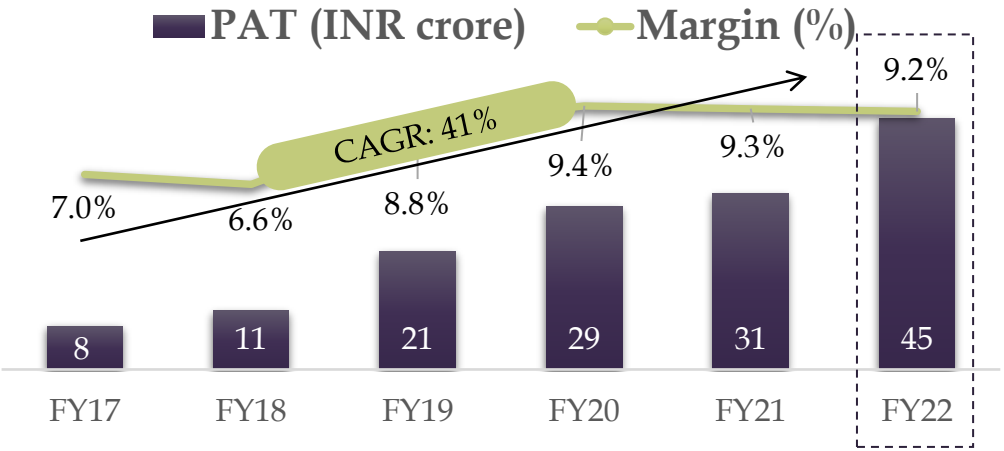
The road ahead appears promising, and Neogen will continue to leverage its expertise and sweat its assets to deliver accelerated performance. This will be anchored by incremental gains coming from scheduled commissioning of key projects in this and next financial year. Overall demand trajectory is very favorable, and we foresee immense opportunities unfolding in the chemicals sector that will help Neogen."

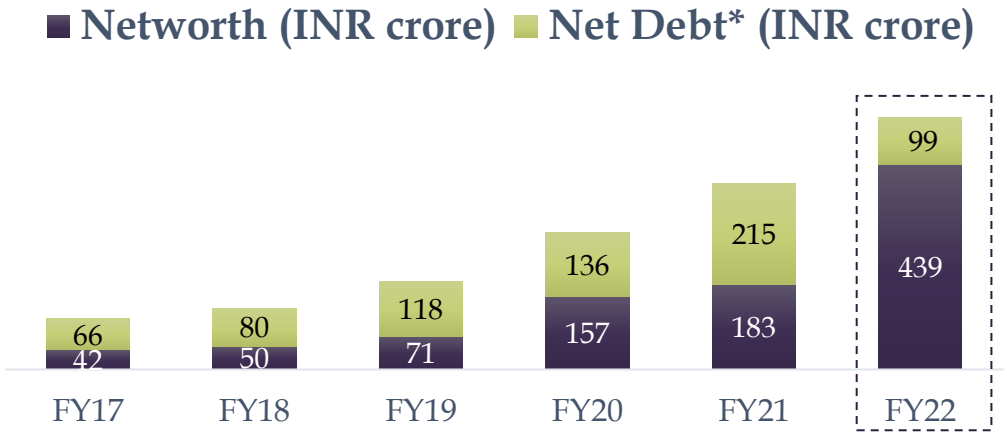
Historical Financial Trends



** Revenue is Net of Excise







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

Way Forward

Expanding production capacities

Increasing Custom Synthesis & Contract Manufacturing portfolio

Foray into sunrise sector of Lithium-Ion Batteries

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 India's one of the leading manufacturers of Bromine based and Lithium based specialty chemicals. Its specialty chemicals product offerings comprise Organic as well as 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 Vapor Absorption Chillers original equipment manufacturers with new upcoming usage in lithium-ion battery materials for energy storage and EV application. Over the years, Neogen has expanded its range of products and at present, manufactures an extensive range of specialty chemicals which find application across various industries in India and the world. It has a product portfolio of over 234 products.

In addition to manufacturing specialty chemicals, Neogen also undertakes custom synthesis and contract 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, Dahej SEZ, Bharuch and Karakhadi, Vadodara in Gujarat.

For further information, please contact:

Ketan Vyas
Neogen Chemicals Ltd.
Email: ketan.vyas@neogenchem.com

Nishid Solanki / Shruti Joshi
CDR India
Email: nishid@cdr-india.com /
shruti@cdr-india.com

Thank You

NEOGEN
CHEMICALS LTD.