



NGL Fine-Chem Limited

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June 1, 2024

To,

Listing Department,
The BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001.
Scrip: 524774

Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra Kurla Complex,
Bandra East, Mumbai 400050.
Symbol: NGLFINE

Sub: Transcript of concall with Investors held on 28th May, 2024


Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we wish to inform you that the Company participated in the Investors Conference Call on Tuesday, 28th May, 2024, enclosed herewith please find transcript of earnings conference call on audited Financial Results for the 4th Quarter and year ended on 31st March, 2024. No unpublished price sensitive information was shared/discussed in the meeting.

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For NGL Fine-Chem Limited

 Digitally signed by
Pallavi Satish
Pednekar
Date: 2024.06.01
11:39:38 +05'30'

Pallavi Pednekar
Company Secretary & Compliance Officer
Membership No: A33498

Encl: As Above.



**“NGL Fine-Chem Limited
Q4 & FY’24 Earnings Conference Call”
May 28, 2024**



MANAGEMENT: **MR. RAHUL NACHANE**
 MANAGING DIRECTOR
 NGL FINE-CHEM LIMITED

MR. RAJESH LAWANDE
 WHOLE-TIME DIRECTOR & CFO
 NGL FINE-CHEM LIMITED

NGL Fine-Chem Limited
Q4 FY24 Earnings Conference Call
May 28, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY24 Earnings Conference Call of NGL Fine-Chem Limited.

As a reminder, all participant lines will be in the listen only mode, there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during this conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you, sir.

Abhishek Mehra: Good afternoon, everyone, and thank you for joining this Q4 & FY24 Earnings Conference Call of NGL Fine-Chem Limited.

Results and investor updates have been uploaded on the Stock Exchanges. To take us through the results of this quarter and answer your questions, we have with us today, Mr. Rahul Nachane – Managing Director and Mr. Rajesh Lawande – Whole-time Director and Chief Financial Officer.

We will be starting the call with a brief overview of the financial performance, which will then be followed by the Q&A session. I want to remind you all that everything said in this call reflecting any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included, but not limited to what we have mentioned in our annual reports, which you will find on our company website.

With that said, I'll now hand over the call to Mr. Rahul. Over to you, sir.

Rahul Nachane: Thank you, Abhishek. Good morning to all of you who have joined us on this call. It is with great pleasure that I welcome all of you to the Q4 and full year FY24 Earnings Call of NGL Fine-Chem Limited.

As we can reflect in the last year, it is evident that our company has demonstrated remarkable resilience and growth despite the challenges and market conditions respectively. Let me start by highlighting the few financial metrics for FY24. Revenue from operations grew by a robust 21.8% year-on-year to Rs. 338.69 crores, driven by strong volume growth across our product portfolio. EBITDA witnessed a significant increase of 55.22% to Rs. 53.27 crores compared to Rs. 34.32 crores in FY23. EBITDA margins expanded by 339 basis points to 15.7%, reflecting our ability to optimize operational efficiencies and leverage economies of scale. Profit after tax stood at Rs. 41.32 crores, nearly doubling from the previous year's figure of Rs. 20.50 crores. Throughout FY24, we face significant headwinds, subdued demand, high customer inventory levels and currency volatility in key markets such as Egypt, Pakistan and Turkey. These factors initially constrained our performance and created a highly cognitive landscape marked by intense pricing pressures. These challenges initially constrained our performance and created the highly competitive landscape marked by intense pricing pressures. However, as the year progressed, we observed a gradual easing of these challenges. The inventory destocking phase, which had a significant headwind, finally came to an end leading to a notable recovery in demand, particularly from the Asia region. This recovery was driven by robust volume growth, even as average realizations remained stable. Additionally, a significant reduction in raw material costs allowed us to return to normalized margin levels, contributing to an overall improvement in our financial performance. Our strategic focus on maintaining a diversified product portfolio and not relying excessively on any single product, customer or geography has been the cornerstone of our resilience. This approach has enabled us to navigate the volatile markets conditions effectively and sustain our growth momentum.

Looking ahead, we are cautiously optimistic about the future. The demand recovery we have witnessed is encouraging. And if it continues to remain robust, we may explore the possibility of outsourcing some fine manufacturing to capitalize on growth opportunities once our new facility becomes operational. Our CAPEX plan is progressing well and remains on track with the first phase expected to be completed by the end of Q2 FY25. We anticipate sustained demand for the coming year, although margins may take time to fully recover. We expect EBITDA margins to remain within the 14% to 17% band for the next financial year. Our focus will be on gaining market share and growing our business while maintaining financial prudence and sustainability.

Before we proceed further, I must issue an important disclaimer. We have observed that competitors might use the detailed information from our public disclosures to their advantage. Therefore, we will be exercising greater discretion in the details we share going forward. We request your understanding and cooperation in refraining from asking product specific questions during this call. As such queries will not be answered. This step is crucial to safeguard our strategic interest and maintain our competitive advantage in the marketplace. Having said that, I now open the floor to any questions you may have keeping in mind the disclaimer I have shared. We will endeavor to address your queries to the best of our abilities while maintaining

the necessary confidentiality. Thank you for your continued support and trust as we navigate these times with cautious optimism and a focus on sustained growth and value creation. The floor is open now for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Congratulations on our good set of numbers and that too in a challenging environment. So a couple of questions, first on the gross margin side, sir. So, this current year we have ended with a gross margin of around 53.2% for the full year, financial year 24 and it was somewhere around 52.5% for the fourth quarter, you have given guidance on EBITDA margin. So as far as the gross margin is concerned, given the product prices and the raw material prices, how do you look at the next 12 to 18 months? So, the second question is on the other expense side, the other expenses have seen a sharp move in last four quarters, more so in the last 2 quarters. Our general average was around Rs. 16 crores to Rs. 18 crores on a quarterly basis and this for last two quarters jumped to almost Rs. 21 crores and Rs. 25 crores. For the full year, we are at 81 compared to 67. So, is there some kind of one-off or is there some kind of expense, the growth of which could be in the future maybe something on the new plant, or if you could share some details on the sharp increase in the other expenses. And last question, you have mentioned in your initial remarks and your presentation commentary with regards to outsourcing, the possibility of that. So, do we envisage a possibility of outsourcing in this current year itself. Those are my three questions.

Rahul Nachane: Right. So, your first question was on the gross margins and what do you think you asked me what you think would go in this situation and going forward. So currently we are more or less in the range of about 46% or 47%, that's material cost. So gross margin is probably reverse of that, about 53% as compared to 50% last year. So, it's improved in the current year and going forward, we expect that this sort of margin will be maintained. With regards to other expenses, your question was we have gone from Rs. 67 crores to Rs. 81 crores. So, there has been an increase in the total operating cost and this main increase is mainly on account of power and fuel basically, which has contributed a large amount to the increase. So out of the let's say about Rs. 15 crores increase, Rs. 4.5 crores is just cost of power and fuel. About Rs. 2 crores is cost of processing charges, but that's mainly to our subsidiary. So, after consolidation, we still have about Rs. 6.5 or Rs. 5.5 crores outsourcing. So, we have been gradually increasing the amount of outsourcing, which we have been doing to meet the incremental demand which is emerging from the market. So, going forward, higher costs will prevail. No question about that. And with regards to outsourcing, as I said, meaning we have been gradually doing it since last year. Our total cost as compared to the earlier financial year has gone up from about Rs. 3.5 crores to about Rs. 5.6 crores. So that has been a significant jump and going forward during the current year also, it will go up. So as and when, we feel that there is going to be a supply issue, we address it by outsourcing our production so that addressable market is not lost. I hope this answers your question.

Rahul Jain: Yes. Just one bit over it, our growth in topline and you have mentioned this in your commentary also in last 2-3 years, it has come majorly from the Asia Pacific region and the India region. Europe continues to stagnate at around Rs. 80 crores business for the full year. In fact, last year has come down to 72, so yes, on one side, Asia Pacific and India has helped us and the rest of the world. Anything on Europe in terms of demand recovery or some kind of scope for that?

Rahul Nachane: So, as I said, earlier also our sales in Europe have been basically we don't have any significant product registrations in Europe as of now. So, all our customers in Europe are buying it for re-export. Now, as the domestic presence grows internationally, buying in Europe and exporting to these countries is gradually going to reduce. So, we are getting our routes directly now into the end market, which is a good thing for us. So, the rest of the world as it is theoretically called, regulated and the rest of the world market is growing at a much faster pace than the UN American ones and I think Europe focus will probably emerge couple of years down the line as we start getting some product registrations done. But right now, the focus is very much on the RoW market and that's doing well for us.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: So, my first question is I think you mentioned that the large part of growth is driven by volume this year. So, if you can give some range and we also talked in last call also about realizations and prices bottoming out. So, how do you see the trend on the realization side moving into FY25 and how do you look at the volume growth in FY25? That's my first question. Sir, you want me to put all the questions together.

Rahul Nachane: Yes. If you would like to list out all of them or you want to go one by one.

Dhwanil Desai: Yes. Sir, the second question is on the margin, again we have always maintained that our steady state margin range is 17% to 22% and this time we are saying that this year probably will settle in the 14% to 17% range and the idea is to gain market share. So, is it that this is a conscious strategy that we want to be more competitive or is it the function of the competitive intensity which has gone up, which is leading to the lower gross margin and maybe hence the lower EBITDA margin or the third one that we are kind of investing more for the next 2-3 years and hence the margin range would be on the lower side. So, that's my second question. And the third question sir, is on the upcoming plant, which we are kind of putting out for largely regulated markets. So, if you can talk a bit about in terms of the groundwork that we are doing to ensure that in FY26 and Q4 when the plant comes up. How do we fill that capacity, so in terms of the new products registration, tie up with the customer and whether the nature of the business in those markets will be significantly different than what we are doing in the other markets, say in terms of the contractual things in terms of the stability of the margins, etc. So, more color on that if you can give. So, these are the three questions I have.

Rahul Nachane: Alright, with regard to your first question on the pricing and the volume growth, as I said earlier in my earlier call also that in 2023, we have seen a steep decrease in prices which started around the time when China opened up in February of 2023 and by August, we saw prices slide down by almost 30% or 40% from the peak. And they continue to dump, though at a slower pace till about probably around January, February this year. So, what we think is that the bell curve is more or less bottomed out, it is now flat currently. We haven't seen the price rise occurring yet, except for in a couple of isolated products. As a gradual rule, the price increase has still not taken place, but we see that the bottom of the bell curve is achieved. Now at these low-price levels, the demand is going up quite a bit because the buyers have never had it so good at such low prices. So, demand is definitely increasing. That is driving the volume growth. With regards to the margins, because the prices have been more or less at a long-term low, we think that the current year margins will continue to be depressed. If we try to increase our margin at this juncture, we are likely to lose out on market share, which we don't want to do. So, we will continue to operate at lower prices, price realizations and the margins will continue to be suppressed. And it's a conscious strategy. It's a conscious decision, which we have taken. With regards to our upcoming plant, currently, we can't prepare for the US market because US market registers the plant. So that will be done as and when we go into production, we will have to first do validation batches, so the US dream is still probably another three years away, but we have started registering our products in the European market and filings have already started, and these filings are transferable from one plant to the other. So, that work is already started by us. So, as and when the plant comes up, we will at least have preparedness to start selling into Europe.

Dhwanil Desai: So, can you talk a bit about the nature of the business? Is it very different than what we do in the regulated market in terms of contracts, in terms of timeline, in terms of margins?

Rahul Nachane: It's very different because of the effort which goes into registering a particular product, you have to work closely with your customer and once the customer has you on the file, we normally do not work with more than two or three suppliers at any given point of time for any single product. So, the relationship becomes much more stronger and longer term, whereas in the RoW market, it's completely price driven. So yes, it does become a long-term relationship.

Dhwanil Desai: Okay. And sir, one just follow up on this margin, so essentially, we are making in a stable price at current level. If the prices realizations go up, then there may be an upside to the margin which as of now you don't see prices going up. That's a fair reading, right?

Rahul Nachane: Yes.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta:

Sir, my first question was on, with our current capacity with limited outsourcing, we have reached almost Rs. 100 crore kind of quarterly run rate. So, given our outsourcing might increase and in the past, we have done debottlenecking also. So as the existing plan, what kind of revenues can we generate if we increase the capacity, if we increase outsourcing and maybe due to some debottlenecking that we have done in the past, so that is the first question. The second question was on European filings, we have been doing for more than a year or almost two years, I think, if I remember correctly. So, any success in getting approval for single or more than a single product, how many products filings have we done till now and how do you see like when do you expect the approvals for the same. Early on our product basket, how many products do you have currently, and we had set up a target of into commercializing 5 products every year, so where are we on those on that path and how are the new products that we had launched in FY23 and FY24 doing?

Rahul Nachane:

Thank you for your question. As you said, we are already at high-capacity utilizations and where do we see going forward. So, capacity utilization is definitely high, no question about it. We have been able to still drive volume growth because we have been continuously debottlenecking operations and at the same time as we are scaling up, we are outsourcing our production and this will continue to do, going forward. Now, with regards to how much revenue this can generate, unfortunately I'm not able to give you any revenue guidance, but our endeavor is always to ensure that whenever we see that there is a volume growth, we try to increase the outsourcing and ensure that we are not slipping out on any of the demand which is there in the market. With regards to EU registration, we started our filings exactly 2 years ago, May 2022 was our first filing and normally it used to take something like 15 to 18 months to get the product approved in the EU. But now EU has, there are two issues which have taken place due to COVID, there has been a backlog which has been built up and they are also asking for numerous other additional studies to be conducted, like genotoxicity and other studies to be conducted, which is taking time. So unfortunately, I'm not able to give you a timeframe. Our estimate initially was that it will take us between 18 to 20 months to get the registrations done. It's already 24 months and we are still in the process of applying to the European authorities. So, our fingers are crossed, I would not like to give an opinion about when this will come through because that's no longer in our hands. Your third question was about new product launches, 5 products which we aim for every year and we have not done 5 new products in the current year. In the last year, we have done only three new product launches, but they have worked well. We are now doing as a basket of close to about 30 odd APIs and we are in the process of getting these done pretty well. And our market share from our top 10 products gradually has been decreasing over the last 3 years, which was that sales is now coming from a wider basket. So that's the whole objective of trying to derisk it.

Ankit Gupta:

Sir, can you tell us like how many products have you filed in the European markets for approval for the European regulators?

Rahul Nachane:

Totally 8 products have been filed for.

Ankit Gupta: So, we have continued increasing our filings in the European market from one product that we had filed 2 years back, we have filed 7 more products in the past two years now.

Rahul Nachane: Yes, that's what I said. We have a total of 8 filing as of now.

Ankit Gupta: My last question was on the margins front like prior to FY22, our gross margins have remained in the range of around 55% to 60% for a very long time. Let's say almost 7-8 years we have been able to maintain that. The last 2-3 years have been challenging, given the inventory destocking and the pricing pressure, do you think if not next year, but let's say from FY26 onwards, our base business itself excluding the regulated market business that we plan to do will come back to its original gross margin levels of around 55% to 60%?

Rahul Nachane: I am very hopeful, but I cannot comment on that unfortunately because there are macroeconomic factors actually over here right now and that those meaning whatever margins might have been earned, there have been ups and downs, and I've always said that EBITDA margin, what we strive to do attain is between 17% and 22% and that's what we will try to attend the long term. I don't want to comment on the gross margin because that can go up and down. But yes, last two years have been challenging, margins are depressed, two years after COVID were fantastic, it was much more. So, in the long run, yes, we will get to that particular margin level.

Moderator: Thank you. We will proceed to the next question which will be from the line of Shivan Sarvaiya from Humiviction Investment Advisers LLP. Please go ahead.

Shivan Sarvaiya: Sir, a couple of questions. One was on the margin, so like the previous participants also mentioned, we've always been in the range of 17% to 22% and now we we're looking for 14% to 17% for FY25, so sir, is it because of some intensity in competition that has increased in our top three, top four products or is this just a small cyclical downturn and we plan to get back to those margins moving ahead?

Rahul Nachane: Actually, this question was already answered a little while ago. This was the first question which was asked with regard to the margins. Margins, you're right in saying that long-term margins have been in the range of 17% to 22%. Currently, they are lower, they're in the range of about 14.5%-15% and we gradually hope that they will go into the range of about 17%. And this is because of various factors, low demand. So, COVID basically led everyone to believe that there is going to be a very large, sustained demand, lot of capacity has been added into the industry, especially in China. Chinese were out of the market for a long time and came back after all controls were relaxed in February last year and they started dumping, so competition is very intense right now. And again, I am repeating myself and saying that we think that the bell curve in terms of pricing is more or less bottomed out. It will only go up, but we don't know when it will start going up. Prices are different right now. So, margins will continue to be depressed. As and when prices start recovering, we hope that margins will also recover.

Shivan Sarvaiya: Sir, you mentioned the additional capacities that came up in China, Sir. Are these yet there, do you expect them to move out of the market?

Rahul Nachane: I am unable to comment on anything from China because we don't have any first hand report which comes in. We just have news which comes from the market. So I would not like to comment on second hand reports and tell you whether this is sustainable or not. Really don't know an answer to that.

Shivan Sarvaiya: Sure, sir. Sir, my last question is on the new plant. So since we are targeting regulated markets, so what would be the asset turn that we would be looking at on a Rs. 140 – Rs. 150 crore investment?

Rahul Nachane: Probably about 2x.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: One thing on the employee cost, we have seen that apart from other expenses which you highlighted have increased because of fuel and power expenses and employee cost also has seen a significant jump in the last year and even in this quarter. So, is it the team building which is happening for the new plant or like if you can talk about the increase in the employee cost that we have done in the last year?

Rahul Nachane: So we have seen it to go up from roughly about Rs. 37 crores to about 45 crores, it's gone up. So that's about an Rs. 8 crore increase, which is about 20%. Part of it is because salaries go up by 10%, 15%, 12% every year any which ways and part of it is because as production requirements went in, we had to hire more people, and whether it's on account of this project. Project expenses cannot be charged to P&L, they have to be capitalized. So, nothing on the project is getting reflected on the P&L yet.

Ankit Gupta: Maybe on the sales team, we might have increased some people since we are seeding the...

Rahul Nachane: It is all around. It's not just sales. It's sales but our volume growth has been substantial and to meet the increased volume growth, that means more material to be handled, more buying to be done. So the requirement of people, personnel has been across all departments.

Ankit Gupta: Sir, What kind of volume increases have we seen in FY24?

Rahul Nachane: I am unable to give you product wise.

Ankit Gupta: Broader range, if you can give on a company level?

Rahul Nachane: I can give you just a guesstimate, and I don't want to guess this right now. I don't have that data available with me right now.

Ankit Gupta: And the price erosion that you've spoken about in FY24 also as you were saying, some gradual deadline has happened till January, February. So compared to FY23, what kind of price erosion have we seen in, let's say some of our molecules in FY24?

Rahul Nachane: We have seen prices go down from a range of about 20% to 40% from product to product.

Ankit Gupta: Last year itself, FY24 itself.

Rahul Nachane: In FY24, yes.

Ankit Gupta: So this is an addition to the kind of decline we saw in FY23. So FY23 we saw a big decline and last year also was a big decline in terms of...

Rahul Nachane: No. The increase is there, the decrease has taken during FY24, it started in February 2023. So in FY23, it just started and the main decrease took place in last year.

Ankit Gupta: So if you factor that in despite that, we have seen at least 18%-20% kind of revenue growth. So logically that gives us a number that the volume growth would have been significantly higher in FY24?

Rahul Nachane: Correct, yes.

Moderator: Thank you. We have the next question from the line of Debashish Neogi from Digitian Investment Inc. Please go ahead.

Debashish Neogi: Not only this quarter, sequentially we have been doing very well, and whatever you have been guiding, you have been very cautious and conservative in giving guidance, and we've been meeting that. My question to you, sir, is that you have always maintained that we operate in an unregulated market where our competitive intensity is very high. We don't have pricing power and hence, most of the topline growth came from volume. Now, you said and we have read in the annual reports that we have filed for products in Europe, 8 products. Now my question to you is that this is a strategic shift of operating from a non-regulated market to a regulated market. So in that case, our competitive intensity will be lower than before, and what would be the opportunity size because all of these years we have been looking at the very small size of the pie in terms of when we launch a product. So what I'm saying, sir, we have filed three products in 22, 23 and in total we have filed 8 products for Europe, right? So I'm saying what would be the opportunity size in these 8 products you feel after 3 years?

Rahul Nachane: Actually I would not like to give a guidance on this because everyone is aware of what are the products which we have already filed, because that information goes into public knowledge.

So, I would not like to share data about sales potential of products, because this data can also be used by competitors. So please excuse me, but that data becomes of a little confidential nature.

Debashish Neogi: No, I fully agree. I appreciate that. Sir, let me ask you in a different way, which may be helpful for you. So today, a long term average, if we look at say 5 years, 10 years, our topline growth has been in the range of 15%, 17% CAGR, and this I would assume sir because we don't have power, the majority of this is coming from volume. So, if we fast forward for the next 5 years, I'm not looking for guidance. I'm saying if our historic growth has been 15, 17 years for the last 10 years, can we assume that our topline growth for the next 5 years' CAGR should be about 15%, and there will be a price growth into it because of Europe getting into regulated markets?

Rahul Nachane: Well, that is our objective. We want to keep on maintaining our growth on that level.

Debashish Neogi: Right, and in that process you expect the operating margin which you had been guiding now of 14%-17% will be a notch higher than what it is today?

Rahul Nachane: So, we come back to it. Yes. See, again, I would love to be more specific, but I don't have a looking glass to the future. But I hope looking back on the path and looking at the history that we should be able to get back to the margin range of 17% plus, and last year, during our worst quarter, we were probably at about 10%. It's gradually close to about 15% in the last quarter, and we are looking forward to that it will go up in the coming year.

Debashish Neogi: Sir, you have been a great allocator of capital and which is why, earlier you thought you would be spending the entire Rs. 140 crores and now you're doing it modularly. You spend 45, now you will be spending another 25. So my question to you, you just answered the previous participant that your asset turn will be 2. Historically, it has been more than 2. So even if it is 2, this you expect to happen in the next 1 year, 2 years, 3 years when you are talking about the asset turn, you have been looking at the turn after three years?

Rahul Nachane: Yes, in the last probably about 7-8 years, we have basically done only brownfield projects. We have not done any Greenfield project, except for Macrotech which was again a buyout. So these are the first Greenfield we are doing, and asset turn in the Greenfield is much lower than the asset turn in a brownfield which is why we are expecting only a 2x asset turn, and since this is meant mainly for the European and US market, it will take a little while to build up the velocity in terms of sales because of challenges which can be faced in registration, which is why we have started the European registrations, which are a bit easier as compared to the US ones. We started that two years ago, and earlier this particular plant also we're trying to split into various fields and go a little slower, but now everything is being accelerated. The whole plant will be available by next year. So we're quite positive about this market, the European and US market. At the same time, we will not ignore where we are already strong with, in the RoW

market and even while this plant is coming up, our next 2-year growth, we are looking to funnel from existing markets.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir in the existing 3 plants that we have, will it be possible to do some brownfield CAPEX or we will just have to do some debottlenecking and increase capacity?

Rahul Nachane: Ankit, frankly, that depends on what opportunities present themselves, the advantage of a brownfield expansion is that it takes barely 6 months to 9 months to get the plant up and running. The time period is much shorter as compared to a Greenfield. In our case, it's going to take much longer, close to about 2 years because we went so slow on it earlier. But we will not let go of Brownfield opportunities if we see that if the demand is strong and there are opportunities, we will not let it go, we will keep our eyes open, and we will look forward to those opportunities.

Ankit Gupta: Sure sir, and sir, once this new regulated plant is ready, so there will be a clear demarcation that regulated markets will be served from this new Tarapur plant and the unregulated markets will be served from the remaining 3 plants or it's not like that like will we can use the existing plant also for the European markets?

Rahul Nachane: We can, but we are not planning to do that. We are looking at two different strategies, separate plants for Europe and USA and separate plants for the RoW markets.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Sir, this question again you may find it slightly premature, but for logically thinking since new plants will serve regulated markets largely, and you are expanding your product basket and even existing products are doing good volume growth, and considering you have mentioned in the past that our existing capacity or plants have limited room for expansion. So for the RoW market, do we need to look out for some facility or new CAPEX, something along that line? Are you thinking currently because if it's a Greenfield, it will take a little longer, so maybe you have to plan in advance. So any thoughts on that?

Rahul Nachane: Right now, we don't have any concrete plan on any of the other plants to be put up. But we keep our ears and eyes open and if the opportunity presents itself, we will definitely take it. So as I said, except for a short period in 2016, where we were not able to grow volume even though there was a demand because we did not have a new plant available. I don't know whether it was 16 or it was 17, but one year we failed. Other than that, in our 20-year history,

we have never failed to meet market expectations and demand. We have always found a work around, and I hope we will be able to continue doing the same.

Dhwanil Desai: But preferably you would like to first stabilize and scale the regulated market plans and then think about anything Greenfield right? Is that how you guys are thinking?

Rahul Nachane: RoW market, we will not plan our Greenfield one at all because that takes too long. If there is an opportunity available, we will look for a buyout. But again, as I said, it's up in the air right now depending on how things work out, we will lead up to the situation.

Dhwanil Desai: But no Greenfield for RoW, that part is clear?

Rahul Nachane: No such plan at the current moment.

Moderator: Thank you. The next question is from the line of Shivan Sarvaiya from Humiviction Investment Advisers LLP. Please go ahead.

Shivan Sarvaiya: Sir, you mentioned about the issues that we are facing at the EU registration end that there is some delay out there. So Sir, how do we go about doing these registrations? Do we have an in-house team which handles this or do we open consultants to help us with these registrations?

Rahul Nachane: We have an in-house team also and for things which we can't handle ourselves, we refer to consultants, but roughly about 85% of the work is done in-house, only about 15% is outsourced.

Shivan Sarvaiya: And these skilled where already there at NGL or you kind of recruited the required personnel over the last year or so?

Rahul Nachane: This team has been set up roughly about three years ago. It takes time to start preparing for documentation, so after the team has been growing now over the period, but we first started this probably around 2021. More than three years, actually, more like 3.5 years ago we started this, so gradually the team has been growing.

Shivan Sarvaiya: And the strength of this team would be, sir, around?

Rahul Nachane: I don't know because there's a little bit of mixture between QA, RA and QC, so I don't know how many are devoted to part actually. There are three things which work, QA, RA and QC.

Shivan Sarvaiya: So could you just give the full forms of the acronyms?

Rahul Nachane: The QA is Quality Assurance, QC is Quality Control and RA is Regulatory Affairs. So RA is responsible for the final filing. But the data is prepared by the quality control and quality assurance teams.

Shivan Sarvaiya: And these guys deal with the third party consultants if required?

Rahul Nachane: Correct. Yes.

Moderator: Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Sir, just to get better clarity. Like I've been on the call, but I'm not very clear. So like I think we have mentioned that our new plant, we hope to start by what is the timeline on that?

Rahul Nachane: End of 2025 calendar year.

Ayush Mittal: Calendar year 2025. And this is for both the phases like we were doing in two phases or this is like some part will start earlier?

Rahul Nachane: No, one part will start earlier. We hope to be ready by September. Probably take another couple of months to get the approvals with regard to pollution and the FDA and other things. So early in Q3 of this financial year, we plan to start the first phase where we will start doing the validation batches at this site and by the end of next calendar year, we will start the whole plant, but we wanted to get at least one phase started earlier, so that at least the validation batches could progress and our filings can start that much faster. So we are aiming to start filings by 2026 for the US.

Ayush Mittal: And once this the plant is ready by end of Q3 of this year, will we be in a position to do commercial operations or that also takes time?

Rahul Nachane: No. This is just a small plant to do validation batches. Commercial production will start only after the full plant is set up.

Ayush Mittal: And the other thing that I think you mentioned is that this being a Greenfield plant, the asset turn will be lower. At the same time, there will be a dedicated regulated market plant. So logically we should be expecting much higher margins from this.

Rahul Nachane: Yes.

Ayush Mittal: Would you be able to justify the kind of gestation period investment that we are doing, is that what we are working with?

Rahul Nachane: Yes. So we expect margins to be much higher than what we derived from the RoW market.

Ayush Mittal: And in the meanwhile, because it's quite a bit of time before all this commercial ramp up and those things will happen. Currently from the existing plants, what would be a capacity

utilization and do we have expectations of further volume growth like you did mention we are seeing good demand? What kind of scope do we have from the existing setup?

Rahul Nachane: I will not like to put any numbers again because I would not like to give a number guidance, but yes, we are operating at 90% plus capacity on our plants currently and it is impossible in a chemical plant to work at 100%.

Ayush Mittal: It is quite high. That's why I asked, yes.

Rahul Nachane: Yes, 90-95 is the best we can hope to attain. And gradually we have been improving our outsourcing also as we go along. So as you've seen from the cost, from Rs. 3.5 crores has gone to roughly about Rs. 5.5 crores. So it will go further in the current year, but we will not lose. The key thing is that our intention is not to lose any opportunity for not having our production pipeline in the background. That is what we aim for.

Ayush Mittal: That's very good to know that we are already at 90% plus utilization. So perhaps the value terms we are lower because you mentioned that product prices have fallen. That is the only reason?

Rahul Nachane: Yes.

Ayush Mittal: So we have done well on the volume growth in last two years?

Rahul Nachane: We have, yes, this year, not last years. Year before last was the demand has fallen. That two years after COVID was good, the third year was not very good. So demand fell. Costs were very high because of high chemical prices. And from last year, everything has fallen. Material prices have also fallen and finished product prices have also fallen and it's been an uneven journey. Sometimes some things fallen more, which is why the margin has improved actually in spite of falling prices.

Ayush Mittal: Sir, if we have to, like, for the regulated market thing, if you have to expedite on that, are there any things that we can focus more or do something as a company or this is the standard time that will happen for us to be able to scale up?

Rahul Nachane: So for the US market, there is nothing which can be done because we have to ready the plant. We have to make the validation batches. We have to do the filing. We have to get somebody applying to trigger the inspection. So manufacture, then create the database for that which takes a year, then do the filing. So it's basically a 2-to-3 years process. Nothing can be done to accelerate that. For the European one, it can be accelerated, which is why we have already studied about the filings and then we will do a financial side so that the registrations are valid at the new site also.

Ayush Mittal: For the US, you said it has to be triggered, is that US FDA audit also?

Rahul Nachane: Yes.

Ayush Mittal: Sir, one suggestion I had. Given a stock the way it's around like Rs. 2,200. So is there any thought on the bonus plate or something that can be done to improve the liquidity because that is something a big constraint on the stock and that will help the shareholders.

Rahul Nachane: We will definitely take that into consideration.

Moderator: Thank you. The next question is from the line of Shivan Sarvaiya from Humiviction Investment Advisers LLP. Please go ahead.

Shivan Sarvaiya: Sir, question on bookkeeping, sir on the EU filing bit. So that expenses that we would incur are being written in the P&L or are those capitalized? If you could give some understanding there?

Rahul Nachane: No, they are being written in the P&L.

Shivan Sarvaiya: And sir, cumulatively for these eight filings, what would be the cost that we would have incurred till date and what would be the cost that we will incur going ahead?

Rahul Nachane: I am sorry but I don't have data for that. I can't answer your question.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Rahul Nachane for closing comments. Over to you, sir.

Rahul Nachane: Thank you, gentlemen, for joining us today. We appreciate your time and interest in our company, NGL Fine-Chem Limited. I wish you the best and a great day ahead. We will conclude our earnings call now. Thank you very much for your time.

Moderator: Thank you. On behalf of NGL Fine-Chem limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.