

**NGL Fine-Chem Ltd**

**08-08-2023**

**Industry: Pharmaceuticals**  
**Recommendation: Hold**

**Cmp: ₹ 2217**  
**Target: ₹ 2719**

### Key Data

BSE Code	524774
NSE Code	NGLFINE
52 Week High (₹)	2284
52 Week Low (₹)	1161
Market Cap (₹ Cr)	1370
Face Value	5

### Q1FY24 Results Update:

In Q1FY24, the company's revenue was ₹ 71 Cr, showing a growth of 9% compared to the same period last year but a decrease of 5% compared to the previous quarter. The revenue growth was overshadowed by the rise in the cost of goods sold (COGS), increasing by 5% YoY and a substantial 17% QoQ, adversely impacting profitability margins. Additionally, employee expenses witnessed a notable 19% YoY growth and a 4% QoQ increase, adding pressure to overall expenses. Despite successfully reducing total expenses by 3% YoY, the company faced difficulties in maintaining profitability due to the cost pressure.

EBITDA increased significantly by 1068 basis points YoY but decreased by 503 basis points primarily due to the rise in the cost of goods sold. The profit after tax (PAT) stood at ₹ 8.5 Cr, with an impressive 1569% growth compared to last year but a 9% decline compared to the previous quarter. The PAT margin increased by 1120 basis points compared to last year but decreased by 122 basis points from the previous quarter.

Overall, the company performed better than in Q1FY23, but sequentially, it experienced a degrowth in revenue, and profitability margins were impacted due to the increase in costs.

**Capex Plan:** The company has undertaken a 50% capacity expansion project to cater to the demand for upcoming products. The estimated capital expenditure for this expansion amounts to ₹140 Crores, which will be funded through a combination of debt and internal accruals. The civil construction work is currently underway, and the facility is projected to be operational and commercially functional during the financial year 2024-25.

### Mview

We believe NGL Finechem is well-positioned to capitalize on the resurgence in segment demand, benefiting from its dominant market position and diverse product offering. The company's strategic focus now entails capturing the EU market demand for products previously sourced from their competitors. To achieve this goal, they have undertaken a comprehensive transformation of their product mix over the past year, completely replacing their top 5 products with a distinct set in FY23. Additionally, the company's CAPEX investment of ₹ 150 crores is set to increase capacity by 50%, while its strong product pipeline with six new products in the pilot stage provides further growth potential. Going forward, NGL Finechem has planned to enter the European market, and we expect approval by CY24e, which would enhance bottom-line performance due to higher margins in regulated markets. Notably, the expanding presence of retail and hospital pharmacies, as well as online pharmacies and e-commerce channels, has created a surge in demand for animal healthcare products. Taking all these factors into consideration, we remain positive on the long-term growth story of the company and recommend investors to hold for a target of ₹ 2719.

### About the Company:

NGL Finechem Limited (NGLFL), a prominent Indian Animal Health company with a global presence, is a leading manufacturer and exporter of human and veterinary Active Pharmaceutical Ingredients (APIs), advanced intermediates, and finished dosage forms. With a diverse product portfolio consisting of 26 APIs (24 Veterinary APIs, 2 Human APIs), 4 Intermediates, and 10 finished dosage forms. It holds a dominant market share in veterinary APIs, catering to 5 of the top 10 global animal healthcare companies. Demonstrating its commitment to quality and global accessibility, it has secured regulatory approvals in over 45 countries, primarily targeting unregulated markets. With three manufacturing facilities located in Tarapur and Navi Mumbai, Maharashtra, and an impressive 75% of production coming from zero liquid discharge facilities, the company ensures sustainable manufacturing practices. With a strong global presence and a customer base of 400, the company continues to excel in the animal health industry.

### Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

### Shareholding June 2023

Promoters	73.53%
Public	26.47%

### Promoters/ Management

Mr. Milind Shinde	Non-Exe, Chairman
Mr. Rahul Nachane	Exe-MD, CEO
Mr. Rajesh Lawande	ED & CFO

### Key Ratios

PE	49.43
PB	6
EPS	44.34
RoE	12.15

### Price Chart



### Research Analyst

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## FINANCIAL OVERVIEW:

Particulars (in ₹ Cr)	Qtr Ended Jun-23	Qtr Ended Jun-22	YoY	Qtr Ended Mar-23	QoQ
<b>Revenue from Operations</b>	<b>71</b>	<b>65</b>	<b>9%</b>	<b>75</b>	<b>-5%</b>
Expenses:					
Raw Material Consumed	32	31	5%	28	17%
Employee Expenses	11	9	19%	10	7%
Other Expenses	17	19	-12%	16	4%
Total Expenses	61	63	-3%	61	0%
EBITDA	10	2	361%	14	-31%
<b>EBITDA Margin</b>	<b>13.88%</b>	<b>3.28%</b>	<b>10.60%</b>	<b>18.91%</b>	<b>-5.03%</b>
Other Income	3	3	33%	1	282%
Depriciation	3	4	-21%	3	7%
EBIT	10	1	892%	12	-17%
EBIT Margin	14.53%	1.59%	12.93%	16.50%	-2%
Intrest	0	1	-52%	0	-29%
PBT	10	1	1767%	12	-16%
Tax	2	0	5133%	3	-42%
PAT	8.51	0.51	15.69	9.33	-0.09%
<b>PAT Margin</b>	<b>11.98%</b>	<b>0.78%</b>	<b>11.20%</b>	<b>12.42%</b>	<b>-1.22%</b>



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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