



NACL Industries Limited



Perseverance to Performance
On to an Exhilarating Future

ANNUAL REPORT 2020-21

TABLE OF CONTENTS

01	Perseverance To Performance On To An Exhilarating Future	28	Corporate Information
02	About NACL	29	Notice
04	The World of NACL	46	Directors' Report
06	Message from Chairperson	69	Management Discussion & Analysis Report
08	Review by Managing Director & CEO	75	Report on Corporate Governance
10	Board of Directors	98	Certification by MD and CFO
12	Financial Highlights	100	Certificate on Corporate Governance
13	Strengths and Enablers	101	Independent Auditors' Report on Standalone Financial Statements
14	Our Value Chain	110	Standalone Balance Sheet
16	Research & Development	111	Standalone Profit and Loss Account
17	Expanding Manufacturing Capabilities	112	Standalone Cash Flow Statement
18	Products - How We Performed in FY21 Insecticides	116	Notes on Standalone Accounts
19	Environment, Health & Safety	160	Independent Auditors' Report on Consolidated Financial Statements
21	Timeline	166	Consolidated Balance Sheet
23	Farmer Outreach Programme	167	Consolidated Profit and Loss Account
25	Human Potential Development	168	Consolidated Cash Flow Statement
26	Awards and Accolades	172	Notes on Consolidated Financial Statements
27	Certificates		

Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

Perseverance to Performance On to an Exhilarating Future

At NACL, last few years have been a story of sustained **perseverance** to overcome hurdles, seize opportunities, pursue growth and transformation. The impact of that relentless pursuit is evident in the consistently improving results the Company has been reporting quarter after quarter.

Based on the progress achieved so far, opportunities being presented and investments being made, the Company sees an **exhilarating future** for all its stakeholders.

FY21 KEY HIGHLIGHTS

+18%

Revenue YoY

+68%

EBIDTA YoY

+219%

Profit After Tax YoY

+28%

YoY Revenue from Exports

+10%

YoY Revenue from Domestic Retail

+24%

B2B Revenue YoY

ABOUT NACL

NACL started its journey in 1993 as an Active Ingredient manufacturer and now has a sizable business in Exports, Domestic Retail and B2B. It is a trusted and preferred supplier to MNCs with long standing relationships. The Company has also emerged as a strong player in the domestic formulations business with over fifty well-known Brands covering all major crops.





QUICK FACTS:

Serves **5** million Farmers

Distributes through **12,500** Retailers

Retails **57** Branded Products

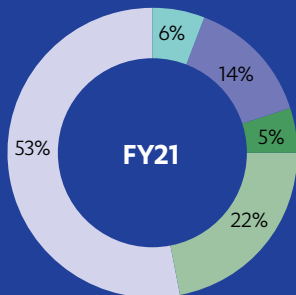
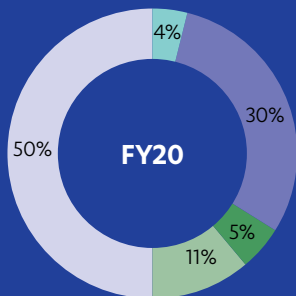
Operates **3** Manufacturing units

Exports to **30** Countries

THE WORLD OF NACL



GEOGRAPHICAL EXPORT REVENUE SPLIT (%)







Dear Shareholders,

I am pleased to present you with the 34th Annual Report for NACL Industries.

Due to the pandemic, the last two years have been exceptionally challenging for everyone globally. COVID has greatly impacted our economic climate whilst forcing societies to adapt to new environments. Fortunately, with the recent rollout of vaccines, countries and their economies are now on the road to recovery, albeit at different stages.

Global growth has been pegged at 6% for 2021 and 4.8% for 2022, after a contraction of 3.3% in 2020. Lockdowns have now eased, and most governments have provided a boost to their economies through fiscal support and policy measures. This, aided by vaccine-powered

optimism, should set the stage for the overall global economic recovery.

The Indian economy also saw a contraction of 7.7% in 2020-21 with lockdowns throughout the country. This year saw in even rural population being affected by Covid 19. In spite of extensive disruption, our economy is expected to rebound this year. The Government's fiscal policy support, infrastructure spending, infusion of liquidity into the banking sector and several measures introduced over the past year have all given a fillip to the economy and revived optimism for recovery.

Agriculture is the primary source of livelihood for about 60% gross value added (GVA) of India's population. Gross Value Added by agriculture, forestry, and fishing was estimated at Rs. 19.48 lakh crore (US\$ 276.37 billion) in FY20. Share of agriculture and allied sectors in GVA of India at current prices stood at 17.8 % in FY20.

Improvement of agricultural yield and quality of output are both important parameters

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The past year has been good for the agrochemical industry, which was declared as an essential service during Covid-19. Despite shortages of labour and supply disruptions, the industry managed to operate well and grow during the year.

MESSAGE FROM CHAIRPERSON

in sustaining and growing the agriculture-dependent Indian Economy. Being a major source of livelihood in India, it is very heartening that the sector is doing well even during the economic downturn. The outlook for the sector remains strong, with favourable agroclimatic conditions, remunerative crop prices, stable exports and other supportive conditions. We are enthused about the role our industry and company in supporting the agriculture sector.

The past year has also been good for the agrochemical industry, which was declared as an essential service during Covid-19. Despite shortages of labour and supply disruptions, the industry managed to operate well and grow during the year. With safety measures in place, our facilities operated throughout the year. Alongside, the company continued to serve the nearby community needs through various initiatives including supply of food and medicines and providing oxygen units.

At NACL, we are delighted to report that we had a very good year in terms of performance with growth reported across all key metrics. It will be our earnest endeavor to continue this growth hereon. I would like to thank our employees for their contribution, displaying considerable resilience and ownership in ensuring business continuity even during trying times.

I would like to express my gratitude to all our stakeholders and thank Customers, Investors, Lenders, Channel Partners, Vendors, Business Associates, Government Agencies and Others who trusted and supported the Company in its mission to improve the lives of farmers through its work.

Regards

K. Lakshmi Raju
Chairperson

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At NACL, we are delighted to report that we had a very good year in terms of performance with growth recorded across all key metrics.



Dear Member of the Shareholder family,

We trust you and your dear ones are safe and well. For well over a year now, the world has been preoccupied dealing with the Covid-19 pandemic, which is probably the biggest crisis humanity ever faced, with a debilitating and protracted impact on nations, society and families.

2021, the second year of the pandemic, is a watershed year for many individuals and organizations, as they grappled with unprecedented disruption and discontinuity. NACL is no exception, as it faced disorder in the functioning of supply chains, shortage of manpower and services, restrictions in the movement of people and materials and more. Backed by Government support in designating agrochemicals as an essential industry, NACL resolutely worked through these challenges, functioned wholeheartedly in all its facets of engagement and with a heightened sense of commitment in rendering service to the nation, to the farming community and fulfilling responsibility to all stakeholders, while paying attention to the norms and practices of safety and well-being.

Performance and outlook

The company had a very positive year in terms of financial performance, with a 17% increase in operating revenue, at Rs.1191 crore. Domestic retail sales grew by 10% to Rs. 555 crore, domestic institutional sales were up by 24% at Rs. 280 crore and exports grew at 28%

going up to Rs. 330 crore. EBITDA was up at Rs. 128 crore and EBITDA margins grew by 4 percentage points, from 7% in the previous year to 11% in the current year. Profit after tax was Rs. 50 crore, doubling in percentage to revenue. These numbers are greatly encouraging and a result of perseverance of employees at all levels of the organization.

In terms of the key financial ratios, the return on capital employed is 21% as against 14% in the previous year. The return on equity is 12% as against 4% during the previous year. The company's equity base further strengthened during the year by over Rs. 60 crore with infusion of equity by promoters and accruals from retained earnings.

Spurred by consistent growth in sales and profits over the last many quarters, improved business quantum and velocity, better productivity of assets, stronger product and process development record, satisfaction of customers and vendors and the resolve of the employees to actualize potential and make a difference, NACL is raring to scale further heights in the next years. The company is expanding its production capacity substantially, to serve the expected business growth in domestic and overseas markets. The well established R&D facilities received GLP certification recently, enabling further investment in the development effort and generation of high-quality analytical data for various domestic and international registrations. The company has also received Responsible Care certification, which is a recognition of its environment, health, safety and security culture and practices. Promoters of the company revoked share pledges and infused more capital. The company has been progressing well on various operating and