



NACL Industries Limited



To stay
ahead,
we go beyond.

ANNUAL REPORT 2021-22

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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.

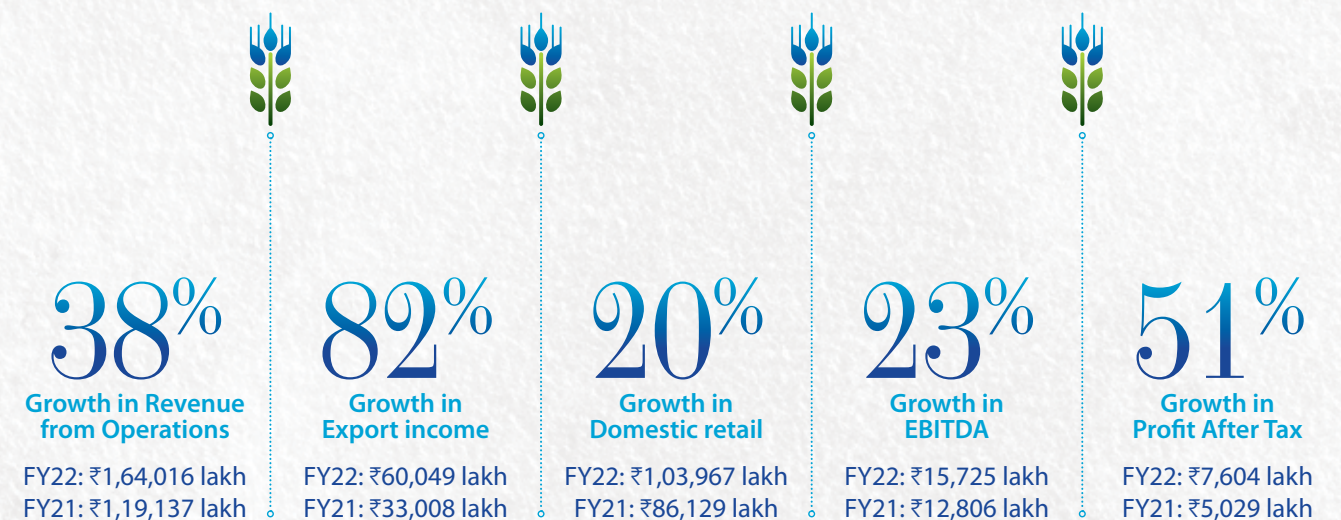
AT NACL, disciplined creativity is a daily practice. Where we challenge ourselves to not just do things better, but also do things differently. Where we push ourselves not only for returns today, but for greater relevance tomorrow.

This has guided us in the best of times, but even more so in these difficult times; where despite severe disruptions, your Company has thrived by finding new ideas to explore, new opportunities to exploit.

This culture, deeply ingrained into the NACL team, has delivered superior performance today and made us ready for a brighter tomorrow.



Performance snapshot



WE will continue to develop future-relevant products that will improve farmer resilience, contribute to environmental sustainability and have a **positive impact on food value chains across the globe**



K. LAKSHMI RAJU
CHAIRPERSON



DEAR SHAREHOLDER,

It is a pleasure to address you through this Annual Report. Your Company made encouraging progress despite the challenges imposed by COVID and rising geopolitical instability. The pandemic has stressed and stretched our resilience in no mean way. India, and every Indian, has fought back courageously to flatten the curve. Despite this, however the loss of lives was colossal. My heart goes out to all the families who have endured the pain of losing their loved ones.

This crisis has laid bare the lacunae in our ability to handle pressures of this magnitude. It is necessary for all of us – to consider organisations, industry and individuals - to come together and strengthen our ability to better handle such unforeseen challenges.

India's farming community fights back

Rural India displayed exceptional resilience during the two years of the pandemic. It remained the beacon of hope for India amid the dark shadows of the pandemic. In FY21, when the entire economy contracted, the agriculture segment registered a 3.6% growth which further improved to 3.9% in FY22. Our farming community ensured that our granaries and warehouses remained adequately stocked at all times. We are proud of our association with the Indian farming community and salute the spirit as well as the conscientious and tireless efforts to ensure India's food security despite the trying times.

NACL reports another good year

FY22 was a good year for NACL. The company recorded a 38% increase in revenue over the previous year. Our Net Profit grew by 51% over FY21. These growth numbers showcase the dedication and sustained commitment of the entire team. I feel proud to be a part of this energetic NACL family.

Crop protection market

The world's population is expected to grow to 9.71 billion by 2050. Ensuring food security for 9 billion+ people is going to require a herculean effort owing to the debilitating impact of Climate Change across the world, which has only intensified in recent years. Further, geopolitical fractures have depleted and may have been

disrupted agricultural supply chains. The Russia-Ukraine war, for instance has not only significantly affected the availability of wheat (being the 1st& 5th largest exporters respectively in 2021), but also increased the cost of several key inputs such as potash and nitrogen based fertilisers. This necessitates that we build more robust supply chains and adopt agricultural practices that are more resilient. In response to these challenges, the Indian government has launched a range of policy initiatives to strengthen the Indian agriculture ecosystem. Most of these programs are focussed transformative areas such as improving access to credit, widening scope of crop insurance, mobilising essential Agri services and new age technologies. In addition to this Cluster Based Business Organizations (CBBOs) such as Farmer Producer Organisations (FPOs) are being deployed to allow farmers to better tackle price uncertainty, improve processing and storage capacities, experiment on and deploy newer farming methods.

At NACL, we will strive to contribute to this growth, by developing future-relevant products that will improve farmer resilience, contribute to environmental sustainability and have a positive impact on food value chains across the globe.

Our efforts for society

We have further strengthened our outreach programs and our collaborations to engage more meaningfully with the under-served in our society. For when the roots are strong, the nation's resilience to take on challenges increases multi-fold.

Acknowledgement

I am pleased to bring to you the 35th Annual Report for NACL Industries. I wish to express my gratitude to all our stakeholders and thank every Customer, Investor, Lender, Channel Partner, Vendor, Business Associate, Government Agency, Employee and others, who believed in us and supported the Company in its mission to built a strong enterprise to serve the farming community within its true potential.

Thank You all...

K. LAKSHMI RAJU
CHAIRPERSON



India's agrochemicals market is expected to register an 8% CAGR to reach US\$ 4.7 billion by FY25.



M PAVAN KUMAR
MANAGING DIRECTOR & CEO

As our economy and industry are on the cusp of global significance, your future-ready company would be right at the forefront to **seize every opportunity to consolidate and grow its business and stature**

DEAR SHAREHOLDERS,

I trust you and your family are safe and in good health. The terms 'safety' and 'well-being' have come to hold special value in the aftermath of the pandemic and its resurgence the world over in number of waves, causing so much loss and anguish. Hope the worst is behind us and it is greatly reassuring that the world now has a lot more understanding of the virus and is far better equipped to deal with any recurrence. .

Turbulent times

FY21-22 was an intensely challenging year as headwinds continued with intensity and diversity. The ramifications of the second and subsequent waves of the pandemic were felt far and wide the world over. While we are still coming to terms with this damage and disorder, inflationary pressures, interest rate hikes, geo-political crises and supply disruptions in key commodities and input materials added to the woes of a rather fragile world order.

Silver linings& staying the course

In these stormy times, agriculture sector has been a bulwark of stability and resilience, accounting for about 4% of global GDP, serving as a vital source of food security as well as employment, being the second largest employer after the services sector.

Agriculture holds particular significance in India as livelihoods of more than 50% of India's population and about 20% of the country's GDP are dependent. It is heartening that despite the vicissitudes of nature, agriculture sector grew by an estimated 3.9% in FY21-22, contributing significantly to India's GDP which is estimated to have grown at a healthy 8.7%.

Spurred by the optimism that human spirit will prevail over adversities and enable the world to bounce back with more vigour, your company not only strived to keep the business in good shape pursuing productivity, quality, product & process development, customer service, compliance, stakeholder trust and other goals with a greater sense of resolve, but also continued to invest in the future, building new assets, capabilities and a vibrant organisation that can compete and sustain. Your company is implementing plans to expand production capacity significantly and secure input supplies. Given the limitations imposed by the pandemic for normal functioning of business as we have known, your company learned to cope and adapt, intensifying usage of digital means to connect and transact.

Tacking against the wind & performing

In the backdrop of an exacting business environment, your company recorded the highest ever production of technical grade and formulated products. Your company also achieved the highest-ever revenue of Rs 1640 crore and Profit after Tax of Rs 76 crore, significant increases over those of the previous year. The company continued to win accolades for achievements in Safety, Exports and other areas.

Even in the face of far reaching developments in the global political and financial environment, which heightened global risks and uncertainties, accent on larger national goals such as food and energy security, restrictions in global trade and cooperation and other such phenomena, India's growth story is seen to be intact. While Government's initiatives and programmes such as PLIs, Gati Shakti, Digital India, PM-Kisan and FPOs are expected to go a long way in progressing the food &agri sector, enterprises such as NACL are joining forces by gearing themselves to expand and scale in the service of the farming community and all stakeholders.

Outlook for FY 2022-23

The world finds itself in an era of increasing geo-political instability, persistent supply chain challenges, global inflationary pressures, rising interest rates, security concerns on food and other apprehensions. While there is optimism that the world would, sooner than later, adjust and recalibrate itself to these realities, some degree of loss and pain seems inevitable to many individuals, institutions and societies when headwinds are of the given order. India's handling of the Covid crisis and macroeconomic policies have come up for praise the world over. As our economy and industry are on the cusp

of global significance, your future-ready company would be right at the forefront to seize every opportunity to consolidate and grow its business and stature. The company is working hard to strengthen customer relationships while forging new ones, building new manufacturing sites while expanding existing ones, reinforcing its R&D capability (working on product & process development for a number of intermediates, active ingredients, formulations), and nurturing a strong performance culture, remaining acutely conscious of safety and sustainability in every pursuit.

I thank all our customers for their faith and confidence in the company, employees for their dedication and hard work, the Board for their oversight and every stakeholder for their patience and trust.

Best Wishes for a safe and successful future.

Thank You.

Warm regards

M PAVAN KUMAR
MANAGING DIRECTOR & CEO



NACL Industries Limited

NACL Industries Limited is one of **India's largest agrochemical companies**. An established player in the industry since **1993**, the Company has established a strong presence in India and across with the world. NACL manufactures a comprehensive range of active ingredients, formulations and custom manufactured fine chemicals at its facilities in Srikakulam & Ethakota in Andhra Pradesh. It also has a state of the art Research & Development facility at Shadnagar, Telangana.

The Company exports its products to **30+nations across four continents**. In the domestic formulation market, they have over 50 brands covering all major crops. NACL is one of the most reliable contract manufacturers and maintains a strong relationship with MNCs domestically and abroad.

The Company is professionally run by an experienced leadership team, and managed by an strong board staffed with industry veterans.

The Company's equity is listed on the BSE Limited and the National Stock Exchange of India Limited.

Quick Facts

Values

Commitment
Concern
Integrity
Quality

Mission

- To be a trusted name in providing high quality products and solutions to the farming community
- To be a trusted custom & contract manufacturing partner
- To be a model company in meeting the expectations of all stakeholders

64%

Promoter Holding,
March 31, 2022

48,837

Networth, March 31,
2022 (₹lakh)

1,60,728

Market Capitalisation, March 31,
2022 (₹lakh), BSE Limited



Face Value: ₹1 | Book Value per share: ₹25 | BSE Code: 524709 | NSE Code: [NACLIND]

For Shareholders



3

Manufacturing
facilities



1,200+

Team size



57

Branded products



12,500

Retailers



5mn+

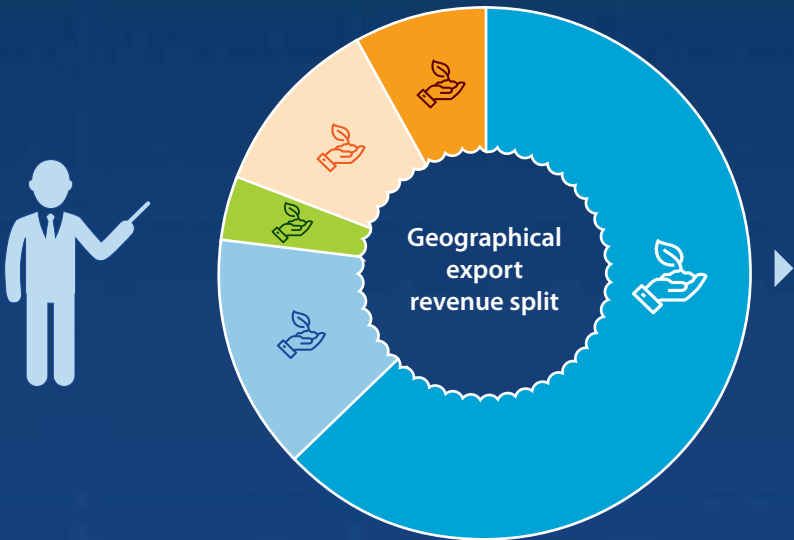
Customers
(Farmers)

Our global presence (Indicative)



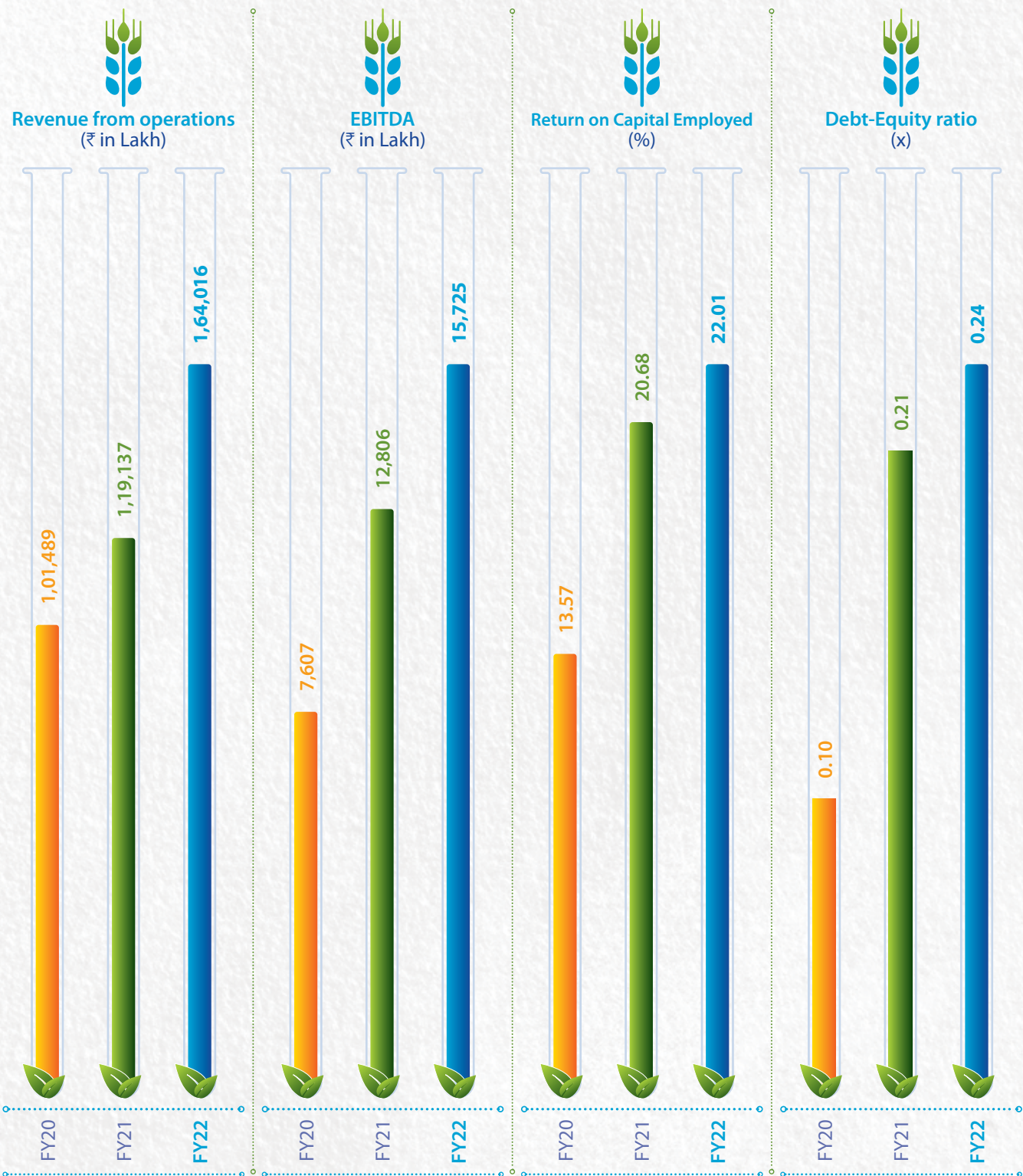
30
Nations

60,049
Export revenue (₹lakh)

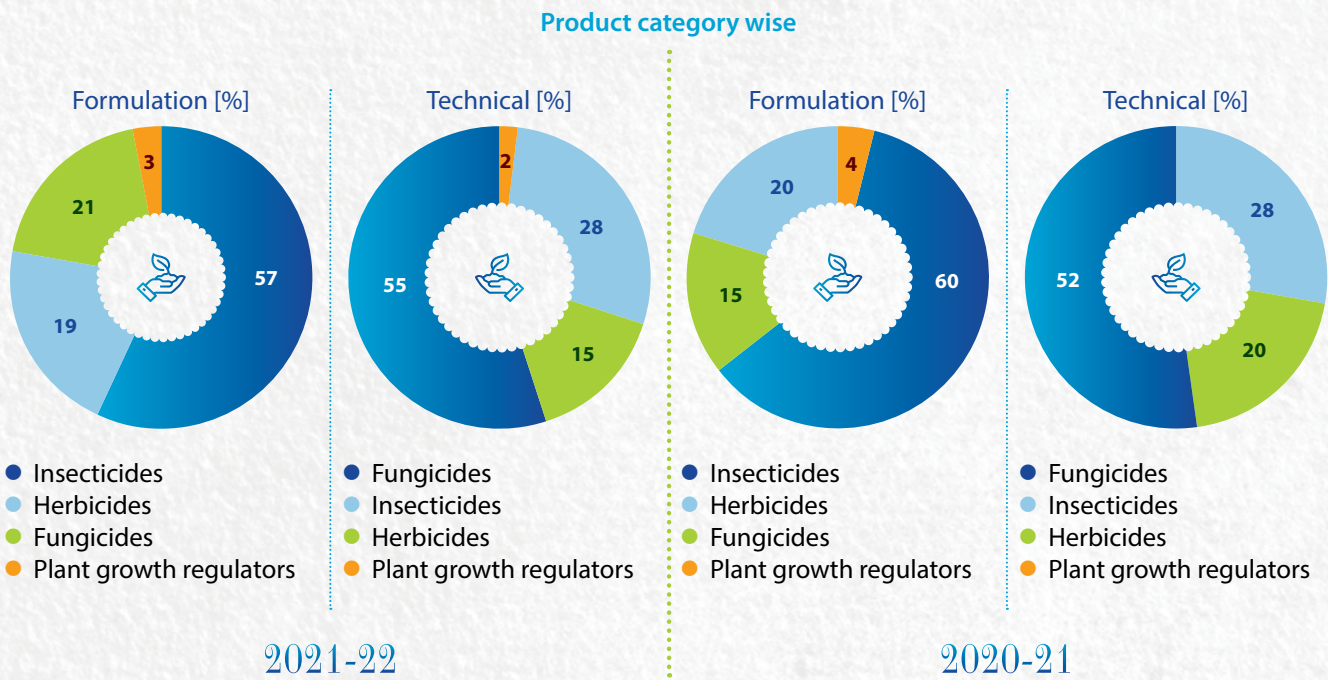


AMERICAS	EUROPE	AFRICA	ASIA	AUSTRALIA
63%	14%	4%	11%	8%
Contribution to Export earnings	Contribution to Export earnings	Contribution to Export earnings	Contribution to Export earnings	Contribution to Export earnings
116%	16%	21%	43%	191%
Growth in revenue over FY21	Growth in revenue over FY21	Growth in revenue over FY21	Growth in revenue over FY21	Growth in revenue over FY21

Key Performance Indicators



Products - How we Performed in FY22



Our Competitive Advantage

NACL stands tall in a competitive competitive industry space. This is owing to its entrenched presence across the crop protection value chain. This allows it to maintain complete control over cost structure, product quality, innovation and customization and deliveries.

To build on this platform, the Company has sharpened its focus on strengthening its presence across its vertically-integrated business model. It is intensifying R&D activities for widening its product portfolio, setting up greenfield manufacturing plants

at Gujarat and Andhra Pradesh, strengthening its long term relationships with retailers, corporate customers and farmers to create awareness for its new products and to seamlessly market its output to the ultimate consumer.

A cutting-edge world class R&D center near Hyderabad to develop new products and processes.

A technical manufacturing plant at Srikakulam in Andhra Pradesh, produces technical grade material for captive consumption as well as for sale.

Formulation and packaging unit at Ethakota, Andhra Pradesh for handling liquids, powders and granules.



Established an entrenched distribution network comprising stock points and retail outlets under Company's direct to retail approach. This helps in reach products seamlessly to farmers in a cost-effective manner.

With the help of the agriculture scientists, the Company educates farmers on crop protection techniques, product usage, safety practices and others features. Field development associates provide product demos to showcase correct usage techniques.

40
STOCK POINTS

12,500
RETAIL OUTLETS

5
MILLION FARMERS

Our



Three decades of Field Experience

The company established itself in the agrochemical industry in 1994, and is currently one of the most experienced players, with immense technical knowledge and is deeply rooted in the marketplace



Strong background of Board of Directors

Eight out of the 11 board members are accomplished experts in either agricultural or chemical fields. This combined knowledge is the power that drives the Company towards excellence



Empowering trained professionals

The Company advocates strong work ethics in every wing of the organization, be it business, production, R&D, distribution and beyond. Because of the special nature of the chemical business, mostly trained professionals are taken on board by the Company



Prominent presence in the entire value chain

NACL operates across the entire value chain of the agrochemical business. Right from R&D, the Company controls manufacturing technical, intermediates, active ingredients, distribution, brand building and customer engagement programme too



Robust research & development capability

NACL has a state-of-the-art research facility that gives it an edge over its competitors. Be it delivering quality products or capturing new markets through innovation, the Company's R&D delivers every time



Diverse product portfolio

The Company offers a very robust product portfolio which includes pesticides, herbicides, fungicides, and plant growth regulators

strengths



Pan-India brand presence

The Company offers nearly 60 high-quality brands in the market, which makes them one of the most dominant players in its business space



Ground connect

Through direct channel to connect with retailers, the Company has direct access to the customers that allows NACL to sell products even in the farthest corners of the country.



Strong and time-tested ties with MNCs

In 30 years of its journey, the Company has been delivering quality products to big corporates, which has paved the way for long-lasting bonds, which helped NACL grow in its niche domain



Reach in 30+ international markets

NACL exports to more than 30 countries in North America, Europe, Middle East, South East Asia and Africa, which constitutes 35% of revenue



Distribution Network

The Company deals with 12,500 retailers and has 47 stock points pan India. Over the years, NACL has established direct contact with farmers across India and hence can sell their products hassle free

Key strategies



01 Capacity enhancement

NACL is on a mission to significantly expand and enhance its capacity in the production of agrochemicals, specialty chemicals and advanced intermediaries. The Company is working on two Greenfield projects, in Dahej, Gujarat (which is ready to start trial production) and in Srikakulam, Andhra Pradesh to enhance its manufacturing capacity. In addition to this, NACL has also secured the necessary approvals for the expansion of the capacity of its existing plant at Srikakulam, Andhra Pradesh, from 30 tonnes per day (TPD) to 70.1 TPD.



02 Thrust on Research & Development

The Company has a GLP accredited R&D facility in Hyderabad and a DSIR-recognized lab at Srikakulam. Through these two R&D engines, the Company constantly works towards optimizing the manufacturing processes. Both these places and Ethakota lab also host Quality Assurance Labs which are NABL accredited. All these R&D facilities are staffed with qualified and trained professionals, who are focused on developing niche molecules and specialty chemicals.



03 Customer centric product and sales

Feedback from customers and retailers, who we work very closely with, help the Company to manufacture products that suit exact need of the customers, thereby increasing reliability and reach of the brand in the market.



04 Market expansion

Aligned with the capacity expansion, finding new export market is absolutely necessary. To explore such opportunity, Company is actively working on new product registration and brand building in new geographies. The Company is also actively seeking opportunities for inorganic growth, in areas that complement its existing business.



05 Sustainable manufacturing practices for growth

All manufacturing plants are certified in terms of quality, environment, health and safety. The advanced Zero Liquid Discharge (ZLD) plant in Srikakulam are an integral part of these efforts. All the plants are optimized for the efficient consumption of energy and water. They are also manned by a team of dedicated professions that are committed to ensuring that the environment is protected.



06 Digital leap

NACL has launched the Krishi Kalyan App, to better engage with farmers and also communicate best practices related to agriculture in general and crop protection in particular. The company has also initiated efforts to be more active on various social media platforms and their by improve its brand awareness.

Enhancing



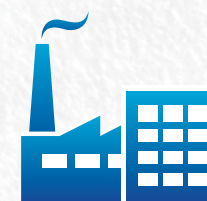
NACL Industries facility at Srikakulam, Andhra Pradesh

A brownfield expansion plan to increase capacity from 10,000 MTPA to 25,000 MTPA



NACL Spec-Chem Limited, Dahej, Gujarat

NACL Spec-Chem Limited, a wholly owned subsidiary of NACL is setting up a Greenfield Project for Agrochemical Active Ingredients & Formulation with a capacity of 25,000 MTPA in phases. The project is near completion



NACL Multichem Pvt. Ltd, Ranasthalam Mandal, Srikakulam

NACL Multichem Private Limited, a wholly owned subsidiary of NACL is in the process of setting up a greenfield Project for manufacturing of Agrochemicals and Synthetic Organic Chemicals with a capacity of 38,000 MTPA in phases

capabilities