

Chairman's Speech

!! Good Afternoon Ladies and Gentlemen !!

It gives me immense pleasure to welcome you all at the 47th Annual General Meeting of your company.

The Audited Annual Accounts for the Financial Year 2019-20 together with Auditors Report and Directors' Report thereon are already with you for quite some time and with your permission, I take them as read.

The total revenue of your company for the financial year ending 31st March, 2020 has been Rs. 12266 Lakhs as compared to 26,840/- Lakhs in the previous years, registering a decline of about 54%. While our local market is growing steadily Company's turnover is still focused on the export market with this year's exports being total of Rs. 8469 lakhs compared to last year's Rs. 19282 lakhs registering a decline of about 56%.

The Profit after Tax (PAT) of Rs. 2349 lakhs (PY. Rs. 7,531 lakhs) from normal operation The EBIDTA from normal operation for 2019-20 was Rs. 3924 lakhs (PY EBIDTA of Rs. 12102 lakhs)

Yours Directors with a view to conserve liquidity in the current Pandemic situation do not recommend any dividend on equity share for financial year 2019-20.

You will be pleased to know that your company is in the list of top 1000 companies of BSE at the rank 982 as on 31st March, 2020.

Your Directors considering the reserves and surplus as on 31st March, 2020 recommended a Bonus issue in the ratio of one bonus share for every two existing shares held on the Record Date by Capitalisation of Reserves. The bonus share issue has been approved by the shareholders in the EGM held on 10th September 2020.

The CoVid-19 pandemic has been an unexpected and unprecedented event, one the likes of which has not been seen for a century. We would like to reach out to all the families affected by the global pandemic and offer our prayers and strength to see our nation through this tragedy. The COVID-19 pandemic and subsequent nation-wide lockdown has had an adverse effect on the operations of the company due to disruption in manufacturing activities, supply chain, closure of vendor offices across the country and your company's offices.

This has impacted on the revenue from operations for the last quarter and as well as upcoming quarter for the year 2020-21. The management of the company is closely monitoring the situation and taking necessary steps as required from time to time. Lockdown and its gradual relaxation disturbed operations in various aspects and degrees and the revenue from operations and profitability has been adversely impacted.

From our clients' perspective we have seen a sharp decrease in demand this year as several of our customer's have had to close their factory and/or limit their production. While we are currently experiencing the effects of the global slowdown we see indications that we will see a revival from the third quarter of this financial year, which should steadily bring us back to a situation of regular demand.

As per guidelines issued by ministry of home affairs the company has resumed the manufacturing operations w.e.f. 29.04.2020 taking utmost care of all workers/employee for protection of their health and safety. Our office continue to be closed with employees working from their homes. Our priority is to ensure the safety and health of every single employee.

I would now like to share my thoughts on the business and market outlook as we move into the current year.

Your company is in the chemical industry since last over 47 years. It has a very high degree of operating synergy, economies of scale and high quality standards. The products of your company have diverse uses and applications in several industries ranging from paper, pharmaceutical, electronic chemicals, agrochemicals, thermal dyes, light stabilizer, aerospace, dyes and hair dyes etc. Your company has a clientele base, which is well diversified globally.

A better product mix, operational efficiency and stringent control on the cost will contribute towards increasing productivity, production and operating margins. Continuous efforts are being made for efficient energy and raw material consumption. It is because of our strengths in being vertically integrated and not dependant on imports of intermediates for our end products that your company remains strong and will emerge from this current situation to be a strong player in the chemical market.

Due to your company's product quality standards, we have been able to maintain steady relationships with our long standing customers along with building relationships with new customers. We continue to enhance our position in the chemicals sector across key markets.

Your company is presently focused on expanding in several chemicals, of which the key product is Para Aminophenol

Para Aminophenol (PAP) is the precursor to Paracetamol, the world's largest painkiller. Today, India imports more than sixty thousand tons of Para Aminophenol from China having nearly 100% reliance on these imports for this critical API.

By end of January 2021 SNCL would have launched our first PAP plant having a capacity of 5000TPA. Once launched your company will be increasing the capacity of PAP to a total of 30000TPA by December 2021.

Our government has made it a priority to reduce dependence on imports of important products, especially APIs, with a focus on certain products including PAP. Our aim is to contribute to these efforts of Aatmanirbhar, by manufacturing PAP in India.

We shall be manufacturing PAP through the Nitrobenzene route, which apart from being the most efficient manufacturing process is, more importantly, effluent free, and gives by-products that have strong demands in the market. One of these by-products is Aniline, for which we will have an initial capacity of 1000TPA scaling up to 6000TPA eventually.

Looking forward, we have focused our efforts on newer technologies, green chemistry and choosing products that allow us to be self-reliant, by not having to import from other

countries. We will also continue to introduce and customize new products and to focus on additional downstream derivatives of our products to address the growing needs of our clients.

Your company has developed a notable edge over Chinese manufacturers in terms of processes, stringent quality standards and pollution control measures, thereby creating substantial entry barriers. Over the years, we have transformed ourselves into a globally cost-competitive manufacturer with focus on R&D and quality processes.

We maintain the highest standard of safety and environment practices in our plants and are continuously focusing on moving towards new and greener technologies. Additionally, as a business policy, to minimize risk, we have followed a practice of vertical integration. All of our products are or will be in the near term vertically integrated reducing our dependency of importing intermediates from other countries.

In recent times of the pandemic there is an overarching averseness towards sourcing products from China and it is expected that market demand will tilt in favour of India. India has emerged as one of the major source for chemical intermediates. We expect significant market share gains post pandemic. As a leading Indian player, barring unforeseen circumstances, we see stable and strong long term opportunities for companies such as ours to create value. With the increase in competitiveness of your company on a global front, it is expected on the decline of the pandemic's effect the demand for your company's products will revive across Europe, Japan, Korea, North and South America, and China.

In 2020-21, we have revenue of about Rs. 17.52 crore and profit after tax of over Rs. 1 crore in the first quarter.

Your company is expected, barring unforeseen circumstances, to deliver satisfactory performance in the current financial year. The management will leave no stone unturned to improve the turnover and margins.

Before I close, I would like to express on behalf of the Board our appreciation to all our personnel, for their dedication and continued efforts that have contributed to the performance of the company. On behalf of the board, I would also like to extend my gratitude to our bankers, auditors, vendors, customers and all other business partners and stakeholders who have been with us in our onward journey.

To my colleagues on the board I am grateful for their valuable advice and support. Last but not least, I thank you all members for the trust and confidence reposed in our endeavours to put the company on the path of progress and for sparing your valuable time in participating in the meeting.

Thank you for your attention.
Jai Hind

Mumbai
Dated: 25th September, 2020

Asit D. Javeri
Executive Chairman