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January 25, 2023

<b>To</b> <b>National Stock Exchange of India Limited</b> “Exchange Plaza”, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 <b>SYMBOL:- MOL</b>	<b>BSE Limited</b> Floor- 25, P J Tower, Dalal Street, Mumbai 400 001 <b>Scrip Code:- 543331</b>
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Dear Sir,

**Sub.: Transcript of Earning Conference Call held on January 23, 2023 for Q3/9M FY23  
Financial Results**

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of earning conference call held on January 23, 2023 wherein Q3/9M FY23 Financial Results were discussed.

The said transcript is also available at [www.meghmani.com](http://www.meghmani.com) in the investor section.

You are requested to kindly take the same on your record.

Yours faithfully,

**For, Meghmani Organics Limited**  
(Formerly known as Meghmani Organochem Limited)

**Jayesh Patel**  
**Company Secretary**  
ICSI Mem. No: A14898

*Encl.: As Above*

**Meghmani Organics Ltd**  
**Earnings Conference Call**  
**Jan 23, 2023**

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**Moderator:** Good afternoon, everyone. I welcome you all to the earnings call of Meghmani Organics Limited for Q3FY23. Today, we have with us the management represented by Mr. Ankit Patel, Chief Executive Officer; Mr. Gurjant Singh Chahal, Chief Financial Officer; and Mr. Bharat Mody, Investor Relations Adviser. Before we get started, I would like to remind you that the remarks today might include forward-looking statements and actual results may differ materially from those contemplated by forward-looking statements. Any statements we make on this call today is based on our assumptions as on date, and we have no obligation to update this statement as a result of new information or future events. I would now like to invite Mr. Ankit Patel, CEO of Meghmani Organics, to make his opening remarks. Over to you, Sir.

**Ankit Patel:** Thank you, Michelle. Good afternoon everyone and a warm welcome to each one of you and thank you for joining us on our Q3 and 9MFY23 earnings conference call. I trust everyone is doing well. I believe you have got a chance to go through the financial result and investor presentation uploaded on the Stock Exchanges and website. During Q3FY23, the Indian chemical industry was impacted by global macroeconomic factors, including geopolitical concerns, inflationary pressure in major economies, rising raw material prices and contraction in demand. Despite of this short term hiccups, we at Meghmani Organics remained focused on enhancing our capabilities and capacity, eyeing on timely execution. Meghmani Organics has strong balance sheet with an ability to generate free cash flow. The company can fuel its CapEx plan with robust working capital management backed by internal accruals. India is becoming a preferred manufacturing destination as MNC's opt for China plus one strategy thanks to its cost advantage focus on quality & sustainability and favorable business environment. The global macro factors have its impact on our financial performance this quarter. During the 9M FY23, the Company's revenue surged by 18.5% to nearly INR 2,000 crore and the net profit during this quarter stood at INR 205 crore. The Company continues it's focused on cost control measures, which has led to significant reduction in other expenses and maintain the EBITDA margin to 14.1% for 9M FY23.

On the balance sheet front, the Company's cash and cash equivalents stood at INR 77 crore, as on 31st December. The debt to equity ratio stood at 0.43 as on 31st December, despite ongoing capex, we are happy to share that the company has consistently maintained its debt to equity

ratio to less than 0.5 in last three years. The return ratio, like ROCE and ROE are at 15% and 18% respectively as on 31<sup>st</sup> December 2022.

Now let me take you through the segmental performance. Agrochemical contributes to ~ 75% of overall company's revenue. The Company is able to maintain the EBITDA margin of nearly 19% for this division despite of the adverse global macro challenges. Meghmani Organics is well positioned to benefit from the China plus one strategy of global players coupled with the CapEx plan eyeing on the new molecules. Pigment business contributes nearly 25% of the revenue. Currently, the pigment business is witnessing slow export demand and contraction in the prices due to the challenging global macro environment. During the quarter, pigment performance has been adversely impacted due to liquidation of high cost inventory and exceptional loss due to the fire in the finished good warehouse. The Company has adequate insurance cover. We expect to recover in demand in pigment division in the next few quarters. The Company's revenue contributes ~85% from the export business. The Company follows prudent risk management policy and keep 60% to 65% of its foreign currency exposure covered by the way of natural hedge in the form of imports, forward cover and borrowing in foreign currency.

On the rise in finance cost during the quarter, there was a huge volatility in currency movements which has led to mark to market gain on receivables and mark to market loss on foreign currency borrowings. As per the accounting standards mark to market gain of INR 73 crore on receivables has been shown as other income, whereas mark to market loss on foreign currency borrowings INR 38 crore has been accounted as finance cost. Out of rupees INR 38 crore mark to market loss, INR 35 crore is unrealized mark to market loss. During the Q3 FY23 there is a net foreign currency loss of INR 19 crore, while for 9M FY23 there is a net foreign currency gain of INR 35 crores. The borrowing cost, net of foreign currency impact is rupees nearly INR 5.5 crore for Q3 FY23 and INR 11.7 crore for 9M FY23.

Moving on CapEx, highlights, as mentioned in our previous call, the CapEx plan are progressing as per plan. On the pigment side, the first phase of the titanium dioxide plant, with the capacity of 16,500 tons was commissioned on 18th January 2023. Our team is working towards stabilizing the plant and the phase two CapEx of doubling titanium dioxide capacity to 33,000 tons per annum along with the captive power plant is expected to complete by Q3 FY24. The commercial production of the Agro Chemicals Multi-purpose new plant was commenced in Q3 FY23 and the plant is getting stabilized. It will add meaningful contribution in the next financial year. We have announced to foray into Nano urea fertilizer through our wholly owned subsidiary Meghmani Crop Nutrition Limited (MCNL). We will incur the CapEx of nearly INR 150 crore for setting up a plant in Gujarat with the annual capacity of five crore bottles per year. The plant will commence commercial production in the Q4 FY24. MCNL aims to achieve a top line of nearly INR 1,000 crore

on the full year of annual basis. The management is confident to sustain the historic growth rate of for the coming years and create a long term value for its esteemed stakeholders. With this we would be happy to address the questions of the investors and analysts fraternity. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Rahul Veera from Abakkus. Please go ahead.

**Rahul Veera:** I just wanted to understand this new contract that we have recently announced for the CDMO contract. Will it be produced from the MPP plant and what is the terms ? What are the molecules or volumes that we are going to do per year basis? Prices are fixed or not, just some highlight of the contract.

**Ankit Patel:** We have been working on this. We have signed this contract with one of the global companies. As per the terms and conditions we are not able to announce the name of the product and the quantum as well. We have already announced that the approximate value is INR 800 crore and the contract is for the five years and it can be extended further.

**Rahul Veera:** Right, so we'll be producing it from MPP plant.

**Ankit Patel:** So it is kind of both, partly MPP partly existing plant.

**Rahul Veera:** OK and Sir since we have commercialized the MPP plant and we go in the name of the molecules so everything will be for external sales or some of them will be for backward integration as well.

**Ankit Patel:** It is mainly from the external sales only. As of now the plant is also backward integrate. But as per our policy, we don't sell any intermediate outside. We always convert intermediate into technical product and we prefer selling the product either in the technical form or in the formulation.

**Rahul Veera:** One last question from my end, like what would be the average 2,4D prices for Q3 and as of now, what are the current prices?

**Ankit Patel:** Not just for the 2,4D overall in the agrochemical division also, there has been reduction in most of the products and this is across globally all the chemical industry has been facing. If we talk particularly in the case of 2,4D then the average price is around nearly ₹225

**Rahul Veera:** OK, that is for the average of Q3.

**Ankit Patel:** Yes

**Rahul Veera:** OK, and as of now on 23rd January it's holding on. Is that correct?

**Ankit Patel:** As of now, it's holding on what we believe that this the global condition has occurred because one of the factor was that China was facing the COVID situation. They were under kind of a lockdown. Now, the China has opened up and their consumption will also start rapidly at the same time, some of the global factors of Ukraine-Russia war has also impacted demand. Also, partly in Europe and US has a recession point of view. However, the things are going back to the normal. As for the global condition, that is what we feel. So, in the next few quarters, we believe that price should not go further below. In fact, it should start improving.

**Rahul Veera:** And sir this contract that we're talking about, INR 800 crores, is it like January to December and will be executing some of it in Q4 like this next three months? Or is it or fiscal year for like April to March? When do we plan to commence it?

**Ankit Patel:** So it will start as per our financial year, yes.

**Rahul Veera:** So approximately INR 150-200 crores can come from that contract itself.

**Ankit Patel:** Yes.

**Moderator:** Thank you. We have the next question from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

**Ayush Mittal:** I have two three questions, so if we see the Agro Chemical division performance, we have done consistently very well in this and we continue to build upon this by signing contracts, long term contact with customer by bringing new molecules. Yet when we see the other things that we're trying to do and trying to understand that why we are trying to foray into liquid urea also, when we have so much of expansion flying up, how is it logical given that agrochemical has been such a strength point for us wherein we are doing a very high intellectual property work with a very good margin, profitability, everything and we can grow further in that, yet we are going into something like Urea?.

**Ankit Patel:** OK, so first of all let me discuss regarding the Nano Urea project. So, to answer your question, this is not the conventional urea. This is the nano urea. So, to brief you little bit in India per acre, urea usage approximately one bag of 45 KG. Now, this nano urea is a patented technology developed by IFFCO, so only half a litre bottle is equivalent to 45 KG of bag. So you can say it is just 1% volume will be equivalent to giving the same kind or rather better result in the one acre land. And the cost point of view to the farmer, it is cheaper to the farmer now this patented technology by IFFCO it is so efficient that it gives better result. The volume is less at the same time there is no subsidy in the conventional area. The Government pays heavy subsidy. It is a high working capital and high subsidized business. Whereas, Nano area does not has a single rupee subsidy. So, we are

not talking about the conventional urea or we are not entering into any subsidy based fertilizer. We are coming with Nano Urea and later on we'll be adding some other crop nutrition products which is helpful to the farmer's i.e., which uses less volume and it is more efficient. At the same time, it is making a synergy with our agrochemical division. The customer base, the dealer distributor remains the same and there is always a demand for the better product. So it is a right moment for us. At the same time, we have signed the agreement with IFFCO. So we are going to manufacture under the license of IFFCO patented technology. So it's a proven technology. Our Prime Minister, Narendra Modi is also emphasizing heavily on this product. In fact, he is being promoting this product even at the G20 conference. The government is paying INR 2,50,000 crore worth of subsidy to the fertilizer companies. Now with this new product, the government ultimately wants to reduce the subsidy load and it is a very efficient. And we have got the chance to enter into this segment with the help of technology under the license agreement.

**Ayush Mittal:** How much of CapEx will be putting up for this and what will be the working capital requirement for INR 1,000 crore turnover.

**Ankit Patel:** So, the CapEx would be nearly INR 150 crore for this project and working capital requirement on the full year of operation basis would be about INR 200 crore.

**Ayush Mittal:** OK and Sir coming to the titanium dioxide like expansion that we're doing update. We have seen that the prices of the end product have fallen and that is where I think many people would be having this concern as to what you feel about this product? Currently, given the guidance. Given earlier that we aim to do very good market in this segment, but now we are seeing that. This product prices are falling. And there's always a question mark as to how will we be competitive versus our competitors who have backward integration, who have the access to over and all those things. So can you please shed some more light on this?

**Ankit Patel:** So we understand that the investors are cautious about our foray in titanium dioxide. However, as I mentioned in my speech, we have already commissioned the plant on 18th January 2023 and we hope to stabilize the new plant in 1.5-2 month's time. The prices have dropped for this product globally, no doubt about it, but as this is not for only this product, it applies to globally for majority of the chemicals because of the global conditions. We hope that once the market demand will improve the prices will also improve. And apart from the global conditions, we are targeting this product, particularly from the domestic point of view where the majority application is into the paint segment. The Paint segment is going at nearly 15% YoY and big corporates like Grasim and JK & JSW, are entering into the same business so there is going to be a very good demand. As of now, the titanium dioxide is being imported heavily in India. So, under Atmanirbhar Bharat, we will be selling mainly into domestic market. And we are very confident that this project

will change the face of the pigment division, and because of the high CapEx and the high entry barrier. So we don't see any small player entering into this business.

**Ayush Mittal:** So, do you believe still given the current prices, we can do 20% operating margins in due course? Also as the plant stabilizes we don't have any backward integration into the over and all those things right?

**Ankit Patel:** See when it comes to the ore, it is a sourced naturally. There is no such company who can manufacture the ilmenite ore by themselves. The only thing is the mining right, so the mining rights are also not with all the companies, either. Ilmenite is being imported or it is available by the Indian Rare Earth who is giving the Ilmenite. So it is available either domestically or from the imported. We have both the sources from the Indian Rare Earth Organization or from the import. So as far as the raw material availability is concerned, or the viability is concerned, we don't have any doubt for the time being. Yes, selling prices is low. But the things should go back to the normal very soon.

**Ayush Mittal:** OK and so last question from my side. Given that we are doing so much of expansion and like we have been continuously announcing expansion in Agro Chem, pigment and now liquid urea also. Yet, if you see there is a very complex borrowing and loans also that we have given which investors have questioned earlier and in this quarter we have seen how it has impacted and created lot of question mark on the Forex policy. So what are your thoughts on it? And if you are trying to do something about it because Meghmani in itself has a very high CapEx requirement. The working capital requirement going forward and we have given loans to Meghmani Finechem at a low rate while this Euro borrowing and all these are very complex, and it's such at some point or the other. So any thoughts?

**Ankit Patel:** See regarding the financial point of view Mr. Chahal will answer you. But to give you the brief idea about our policy and everything. We have a very stable policy when it comes to the finance. We never speculate, so we are not in the business of speculation of foreign currency, so this is the first quarter when we have seen such a high volatility and this was beyond anyone's control. So in the past, also over a period of last 2, 3, 4 years record if you will see you will see our finance cost was negligible, very low so sometimes because of the global condition and it happens in this fashion also. But this is not a regular thing.

**Gurjant Singh Chahal:** Good afternoon, actually as far as the foreign currency is concerned, we have more than 80% exports. And by way of natural hedge, we have imports, then we have borrowing in foreign currency as well as we take forwards whenever required. But in the last quarter, specifically if you see, the short term borrowings are in Euro, which has moved from 79 to 88 more than 12% rise in one quarter while dollar remain in the 3% to 4%. But overall there is currency gain . We remain

naturally hedged up to 60% to 65% as per our policy. That's why you see overall it is a currency gain. So on the receivable INR 73 crore of gain is there while MTM loss on borrowings is INR 38 crore.

**Ayush Mittal:** So, there is INR 73 crore gain in 9M FY23, right?

**Gurjant Singh Chahal:** Yes.

**Ayush Mittal:** OK, and for this quarter, can you clarify how much of other income? Details break up.

**Gurjant Singh Chahal:** This quarter, the other income is INR 19 crore, while MTM is INR 38 crore. So during the quarter, there is INR 18 crore loss on the Foreign currency borrowings. But majority of the MTM is unrealized as we have long term borrowing, which are restated at the closing rate on last day of the quarter.

**Ayush Mittal:** But don't you think that these things are something like euro crisis and all these currencies are very, like they can hit us much more in coming times or something wrong can happen and we should be careful to unwind them and reduce these exposures like we must be having exported dollar but this borrowing is in euro.

**Gurjant Singh Chahal:** We are very much cautious about it, but we have to take a trade off while you see in the dollar. Dollar also moved from 75 to 82 during the year from March to December while Euro had moved only 84 to 88 relatively. But if you see the borrowing cost in dollar today, it is almost 6%, while euro it is around 2%-2.5%. So to that extent, even you consider this MTM loss also, the overall borrowing cost becomes around 7% to 7.25% taking impact of MTM. While in normal course it is 2%-2.5%.

**Moderator:** Thank you. We have the next question from the line of Bhagwan Chowdhry from Sunidhi securities. Please go ahead.

**Bhagwan Chowdhry:** So, two questions. The first is around the Nano Urea. So do we only have this exclusive patent arrangement with IFFCO or it is that later on it can go to the other parties as well?

**Ankit Patel:** As far as I know, IFFCO has given this technology to some other PSU like RCF and NFL as the government would like to reduce the subsidy load. They will be giving it to other public sector units also. From the private sector, I don't know about other companies, but we are among the one of the first companies who has got this kind of agreement with the IFFCO.



**Bhagwan Chowdhry:** And later on, how will be the pricing of the product is will it be a free market or it will be governed by the government? How do you think that down the line?

**Ankit Patel:** It is purely free market. There is no subsidy linkage to this product, so the government has no control on pricing. So anyone can sell at any price for this product.

**Bhagwan Chowdhry:** And if you can just say something about the current pricing of the urea and what price we would be thinking to price it and accordingly the margins in this product.

**Ankit Patel:** So if I tell you that from the conventional urea point of view, the conventional urea bag costs around ₹265 to the farmer. Where on the same bag that is 45 KG bag on the same bag government gives the subsidy of close to ₹2,000. So, the farmer gets that product at hardly 10% cost, so there is a heavy subsidy cost on government at the same time this Nano Urea bottle which is only 500ML bottle that costs around ₹240 to the farmer. So it is even cheaper, 10% cheaper than the conventional Urea bag at the same time there is no subsidy on this product, so government is banking heavily on this product. There is a huge pressure from the government side to convert conventional urea into Nano Urea so that they reduce the subsidy loan. Which is INR 2,50,000 crore. It is a very good product as far as the effectiveness at the farm level is concerned it gives better result than the conventional urea, because conventional urea is hand broadcasted and it goes into the soil and gets absorbed by the plant through the root, whereas Nano Urea is a foliar spray application where the product is sprayed on the plant. So the plant absorbs directly by the leaves, so it gives much better result.

**Bhagwan Chowdhry:** And on the margin front, what kind of margin would be in this project?

**Ankit Patel:** So we have just signed the agreement with IFFCO, so I think more clarity will come once we get more technicality from them. So probably in the next quarter we will be able to disclose further information.

**Bhagwan Chowdhry:** One last question. When you say that we have commenced this titanium dioxide and we are stabilizing. So what are the parameters which would be tracked upon for the stabilization of the plant?

**Ankit Patel:** First of all, the capacity is nearly 50 tons per day. We should be able to run at the full capacity on the per day basis, so at least 50 tons output should come. That is one thing. At the same time there are other quality parameters. So there are various other technical parameters which will I will not be able to disclose at this point, but those quality parameters also we need to achieve it. So if we do that, then we will be able to stabilize it. So based on our pigment business experience. We feel that we should be able to stabilize the plant in next two month's time.

**Bhagwan Chowdhry:** And finally, on the financial side, what is the current gross debt that we are having on the books and how much of it is into the subsidy? If you can get that bifurcation and how much is in Euro currency and how much is from India.

**Ankit Patel:** As on 31st December, we have around INR 260 crore of short term debt and while INR 430 crore is our long term debt. In KCL, we have spent so far INR 275 crore and we have taken debt of around INR 100 crore.

**Bhagwan Chowdhry:** And this Euro and USD?

**Ankit Patel:** Our borrowing is in Euro as well as in Dollar. Our long term borrowing is majority in Dollar and short term remains in Euro. So you can say it is around 60-40 ratio.

**Bhagwan Chowdhry:** So almost 95% is in foreign currency.

**Ankit Patel:** MOL is foreign currency almost 90% plus, Kilburn is domestic INR terms.

**Bhagwan Chowdhry:** INR 100 crore for KCL.

**Ankit Patel:** Yes. Because that business is a domestic driven business where the revenue is going to come in INR. So there, we have taken the debt in INR, whereas in the case of Meghmani Organics Ltd. where 80% of the revenue comes from the exports market, there we have taken the foreign currency loan.

**Moderator:** Thank you. We have the next question from the line of Niraj Mansingka from White Pine Investment. Please go ahead.

**Niraj Mansingka:** Just an extension of the last question can you share about the benefits of taxation that you have in KCL?

**Ankit Patel:** In case of KCL, we have opted for 25% tax rate, while in MOL tax rate is 25% while in the new subsidiary this Meghmani Crop Nutrition, we will get the benefit of the lower tax rate of 15%.

**Niraj Mansingka:** OK, got it. Well, that's one second thing is, in the past the titanium dioxide is known to be slightly technical intensive project. Can you give some more color on what are the challenges you have faced and how you overcome? And is there any challenge that you foresee in future in the technical side on the phase?

**Ankit Patel:** So we have just started the plant in the last week, so I think there will be some technical challenges for the next one or two month's time. So let's hope that we stabilize as soon as possible.

**Niraj Mansingka:** The reason I was asking is because this was supposed to be a challenging project in technically, so I would just wanted to if you can give some color how you overcome the issues that were there, it will be useful to understand what all went into when you were putting the phase one CapEx.

**Ankit Patel:** So it is not very easy to manufacture. That is why not every company is entering into this business and it is high CapEx nature. So, we have taken all the precautions. We have hired the technical team which is capable. Who knows the subject. Titanium dioxide, the product very well so we have a capable team that is the first thing and Bharat bhai would like to add further to it

**Bharat Mody:** In a product like Titanium Dioxide, we need to follow the process parameters. It's always a challenge to take up a new product and establish it in the market. But then given the strength that we have been into the business of a pigment for over three decades with an experience team. A lot of ex-employees of Kilburn also have joined us, so we're confident about establishing and stabilize within the stipulated time frame. Sometimes when you set these challenges, we need some additional time for establishing those things and getting the quality products. Now, this is the foremost challenge and we are very much geared upon that part.

**Niraj Mansingka:** So were you able to manage the quality of product right now you are still awaiting that final quality product to be manufactured for the Titanium Dioxide.

**Ankit Patel:** So we just started the plant in the last week so it is in working is in progress. So far we have not got the final product out so we will come to know in the coming days.

**Moderator:** Thank you. We have the next question from the line of Subrata Sarkar from Mount Infra Finance. Please go ahead.

**Subrata Sarkar:** So two questions one specifically on the titanium dioxide side that giving the current existing price what is prevailing in the market. So at that price what kind of top line we can expect in our phase one? This is one and second in terms of overall pigment segment When can we return back to like stable state ?.

**Ankit Patel:** So, I think the situation is similar across the globe in the chemical sector. The industry is witnessing this phase for the first time. Yes, the prices are down in all the chemicals including titanium dioxide. Also with this kind of price, what is prevailing today. On the first phase, it should generate nearly INR 300 crore top line which is lower as per our expectation. At the same time the

raw material have also reduced. So that is also positive thing, but we believe that in the coming days the titanium dioxide price should go up. One of the factors why it should go up because there is a huge production in Europe. And as we all know, the cost of running any operation in Europe is going to be significantly high. Even today, the plants in Europe are not operating for titanium dioxide, so that will give ultimately benefit to the manufacturing companies in India or anywhere else in the world. And we believe the demand which has come under pressure currently with the global market opening up China opening up demand, should improve. So that will drive a positive growth for other players.

**Moderator:** Thank you. We have the next question from the line of Bhagwat from Prosperity Wealth Management. Please go ahead.

**Bhagwat:** Hello Sir, could you please update about the old high cost inventory so that we are having whether the same has been cleared in this quarter and what would be the EBITDA margin guidance for the upcoming quarters and FY 24 as a whole?

**Ankit Patel:** As far as the Agro is concerned, so we have already consumed the high cost inventory which was in Q2 FY23 and slightly it will be used in this Q4 FY23. So despite that so we are confident of maintaining the EBITDA margin in line with the current 18% to 19% in Agro division. In case of pigment division, which we had inventory of high cost and due to contraction in demand, there was some softening of the prices finished products also. So which has led to, you can say reduction into the EBITDA margin pigment division. We expect in the coming quarter this demand should start picking up and then there should be improvement in the EBITDA margins of pigment also.

**Bhagwat:** OK, what should be the blended margin Sir, for overall margin?

**Ankit Patel:** Overall, EBITDA margin is the 14% which we have achieved, so I think we will remain confident of achieving these numbers.

**Bhagwat:** OK, so currently Sir we did the 11.1% so that is going to improve to 14%.

**Ankit Patel:** This is one of the quarters actually, where we have got big hit in case of the pigment division, so going forward things should improve and we should be able to achieve this 14% EBITDA margin.

**Bhagwat:** OK, so my second question regarding the tax. So current tax seems like around INR 8 crore which is around 31% plus seems high. So what's the reason? Could you please update on that?

**Ankit Patel:** On the income tax front, it is in the range of 25% to 26% subject to certain provisions / allowances which are allowed and disallowed and deferred tax.

**Bhagwat:** OK, so overall if you see yearly wise it will be around this. 25% range

**Ankit Patel:** Yes.

**Bhagwat:** OK. The next question regarding the fire, what the expected time by when we can expect the insurance claim to be received?

**Ankit Patel:** On the insurance claim, we are expecting to receive it in one quarter. This is already under assessment and it should be settled.

**Bhagwat:** OK, so overall Sir, actually there is no much material impact for this fire.

**Ankit Patel:** Actually, in this fire case, majority was the inventory. So where you are getting based on the cost and there was not much plant and machinery and building, literally very less that's why less impact of fire was there.

**Bhagwat:** OK, so regarding the titanium dioxide. First, the overall capacity utilization and expected top line is that INR 300 crore.

**Ankit Patel:** As we just started as I mentioned the plan, so we feel that it will take few months or two month's time to stabilize it. So the next financial year, April onwards, we should be able to ramp up the production quite smoothly and looking at the current pricing, we believe that the first phase would generate the mentioned revenue, if the prices improve the top line too will also go up.

**Moderator:** Thank you. We have the next question from the line of Ayush Agarwal from MAPL. Value investing fund. Please go ahead.

**Ayush Agarwal:** Two questions on the agrochemical segment. First, we have been hearing some news on some disturbances in the agro market in Brazil with respect to the government and the Agro chemical lobby. So are we facing any issues there?

**Ankit Patel:** As far as Meghmani is concerned, we do export to more than 70 countries so it's very much fragmented so we are not just dependent on one market, but yes, Brazil is an important market from the agro chemical industry point of view. Currently the new government which has come up. So it is a democratic country like India, so there has been some issues as well. The new President, Mr. Lula is not very well taken by few people, so there are few issues already, but as far as the agro chemical or agriculture policy is concerned. Brazil economy is highly dependent on

agriculture. They are one of the highest producing countries as far as the Soyabean, Sugarcane and other crops are concern. So they cannot disturb the ongoing agriculture related policies or agrochemical related policies. If that happens then again there will be some unrest. So no matter what it is, they will be spending on the agrochemical market. Whatever it is there it will remain as it is. There is no issue.

**Ayush Agarwal:** The second question is on the inventory levels with our distributors and globally. So has that come under check what is the situation right now?

**Ankit Patel:** The inventory level for the Agro chemicals globally is different from country to country. As Agri agrochemical is allied into agriculture. So if some countries are facing some weather related challenges then maybe here and there, some plus or minus inventory level. But if we look at the global average condition then there is not much channel inventory as of now because what has happened there, prices were going down constantly in last one year time. So nobody purchased heavily based on their demand, so everyone were cautiously buying the material. And at the same time the consumption was going on continuously. So that is not heavy inventory down the line in the market, which is a positive thing. So whenever demand will be there definitely or the price will slowly gradually going up, there will be a very good demand.

**Ayush Agarwal:** We can expect to grow 15%-20%. In FY24 in Agro Chem segment. The last question is on the titanium dioxide plant, so it was mentioned that we have also installed the captive power plant. Is that coal based? Or is it renewable energy?

**Ankit Patel:** We have not yet installed. We are in the process of installing it along with the second phase of capacity expansion. It is that captive power plant based on the coal.

**Ayush Agarwal:** Why did we not go for renewable energy?

**Ankit Patel:** For the renewable energy, the CapEx is very high. At the same time as per the government of Gujarat policy, we cannot buy more than 50% of the renewable energy for our captive consumption. So here our business is to produce titanium dioxide, and for that we can have at Max 50% of as per our demand . We can have the renewable energy, so for all our plants like in agrochemical and pigment we already have 50% of our power is already renewable. We have one windmill for each of our plant already, so we cannot go beyond the government policy.

**Moderator:** Thank you. We have the next question from the line of Abhishek Maheshwari from Sky Ridge Wealth Management. Please go ahead.

- Abhishek Maheshwari:** Regarding finance cost again I understood the accounting and finance cost INR 50 crore loan and euro loan and 10%. So, but what about the INR 73 crore in the other income, I did not understand the accounting of that because I see that income is INR 26 crore or something like that. So if you could break it down INR 23 crore, right? So if you can break it down the other income and where INR 73 crore goes there.
- Gurjant Singh Chahal:** We are talking about Q3 and 9M FY23, in the other income, INR 19 crore is foreign currency gain on the receivable which we have in other income in Q3 FY23. While in finance costs there is a MTM of INR 38 crore which is part of finance cost which is on the borrowings due to restating of loans at currency rate on the last day of the quarter. While for 9M FY23, the other income of INR 82 crore, there is a 73 crore of a foreign currency gain on the receivables.
- Abhishek Maheshwari:** OK, because in the press release I think finance cost note did not say nine months MTM, so I think maybe my bad.
- Ankit Patel:** So, Mr. Chahal has clarified further on this but the rest assured audit everything has been in line with what the accounting standards are and our auditors also has approved as per the standards.
- Abhishek Maheshwari:** No, so I understand that. So I was just asking so INR 73 crore is 9M FY23 and INR 19 crore was Q3 FY23 and this mark to mark is, there's no cash impact, right?
- Ankit Patel:** It's purely accounting. It is a notional loss actually.
- Abhishek Maheshwari:** And thirdly, regarding insurance claim. I mean we had loss of fire. We did not account it in exceptional items. I mean can I ask why?
- Ankit Patel:** No, this is not an exceptional item. Actually, though Quantum is high during this period, but it is not exceptional item.
- Abhishek Maheshwari:** OK, and we have covered around INR 39 crores for insurance and balance INR 4 crore. It's been taken in other income only.
- Ankit Patel:** That is, in the other expense.
- Moderator:** Thank you. We have the next question from the line of Dipesh Sancheti from Mania Finance. Please go ahead.
- Dipesh Sancheti:** My first question was where do we see a next line of growth coming in from? Whether it's pigments, agrochemicals, or from titanium dioxide? Where do we see the next? I mean for

achieving our targets of sales, where do we see the growth actually coming from in the next one year, let's say.

**Ankit Patel:** So as you know, we have commissioned two big projects in this financial year. One is agro chemical multi-purpose plant. So that will give a growth in the next few years next year as well as year after that in agro chemical division. At the same time, we have also commissioned in the phase one of titanium dioxide plant in the last week. The second phase will be commissioned in by the end Q3 FY24 so this will drive the growth in titanium dioxide segment at the same time we are also coming up with the Crop Nutrition segment with the Nano Urea. The product will give the growth in FY25. Overall, the growth will continue. We will be coming up with the new product and capacity expansion for fueling growth in Agro chemical division with Crop nutrition segment as well as pigment division with titanium dioxide.

**Dipesh Sancheti:** So we should expect this similar margins, or we should expect better margins than, especially with Nano Urea and titanium dioxide.

**Ankit Patel:** The nano urea margins guidelines will be shared in one or two quarters later. For the titanium dioxide, definitely it is a better margin oriented product compared to the conventional pigment.

**Dipesh Sancheti:** OK, and going ahead, where do you see the prices of pigments as well as the agrochemicals going? Do we see any more inventory losses in this quarter and in the year ahead? Or we see better prices realizations?

**Ankit Patel:** So the globally the market condition is very much difficult. Currently, we hope that the thing should go back to the normal by the end of March and things should start improving from April onwards. So still one quarter will be little difficult from the pigment point of view particularly. But as far as the inventory loss is concerned, we don't see much loss coming because of the prices going low and high price inventory.

**Dipesh Sancheti:** And one more question was regarding the fire loss of about INR 40 crores, which we showed. I mean why do we show it right now? Only when our claim is rejected then we should be showing any loss. I mean, if we get again we get the claim in, let's say a quarter or next quarter. We'll again have to put it into your profits, right?

**Ankit Patel:** No, it is not loss which we have stated we said due to fire. There is a loss of around INR 43 crore out of which INR 39 crore has been recognized as a claim receivable and only INR 4 crore as per the policy provisions where some deductibles are there. So to that extent of INR 4 crore has been accounted for as a loss.



**Dipesh Sancheti:** OK, so only INR 4 crores has been accounted as loss. Rest everything will depend upon the recognized as a claim receivable as per the policy. OK, that's great. And so basically as what I understand is, titanium dioxide will come in the next quarter, then the next phase of titanium dioxide will come in December 2023 and the Nano urea would come in somewhere around in FY 25 this will actually drive our growth.

**Ankit Patel:** Correct and just to summarize, actually we have completed two major CapEx in this year. Our multi-purpose plant and the first phase of titanium dioxide. So next year we will, expecting around 50% to 60% capacity which will add and in the subsequent year it will be at the normal 80%-85%. At the same time, our phase two of titanium will also get commissioned in quarter three of next year FY23-24 so that will add going forward.

**Dipesh Sancheti:** OK, So I just want to know, what is the capacity utilization for agro chemicals as well as in pigments right now?

**Ankit Patel:** So for the current plant, if we don't consider the new plant, then in the case of agrochemical division, the utilization is about more than 75%, nearly 80%. In the case of pigment, it is little low, about 55% to 60%. And because we have added the new capacity in the agrochemical division. So which will take some time to again reach at 80%.

**Dipesh Sancheti:** OK, so that is what I wanted to ask that how much now this capacity, which will nearly capacity which we have added? How much capacity increase will be there in percentage terms? How much is the facility? Like agrochemicals, whatever the capacity right now we are having and then new capacity addition. Our total capacity will increase by how much?

**Ankit Patel:** See because the product basket is completely different, the kind of the product we are coming up with are high value products. So just from the volume point of view, if we consider then we cannot match it. So the volume here is completely different. These are low volume, high value products.

**Dipesh Sancheti:** So we should consider the margins. So how much margins uptick we should we see in going ahead agro chemical because of the new addition of these high value products.

**Ankit Patel:** So agro chemical per say as an industry as we know that it always ranges in the range of 16% to 18% as an industry we always try to be above the industry average and even for with the new products. Also, we'll try to maintain above the industry average.

**Dipesh Sancheti:** OK, so since this quarter was, I mean just wanted to know your views. This quarter is a one off. Or do we see more pain coming in the next few quarters if you can just guide us.

**Ankit Patel:** If I tell you that last five years. From FY18 to FY22, as a company we have been growing in terms of revenue by nearly 20%, so there is always a 20% CAGR grow same way from the EBITDA point of view also, we have been growing at more than 20%, nearly 22% to 23% and in the profit after tax we have been growing at 40%. So this has been a five years CAGR growth. So we have been consistently growing, so this is one of its quarter, you cannot have the growth continuously. There will be some ups and down in the business, so we feel this is one off quarter where otherwise overall, as a business point of view, we are very bullish and we hope that coming years and few quarters will be much better.

**Dipesh Sancheti:** Absolutely, I've seen the growth because I've been with you as an investor for more than five years now, and I've seen the phenomenal growth. Just wanted to understand that we're going ahead. Do we see the similar kind of growth? That's my last question.

**Ankit Patel:** Definitely, we are very bullish on the company. We have been doing CapEx. We are coming with the different projects and you will see the growth. What we have done in the past. We'll be doing similar kind of growth in coming years.

**Dipesh Sancheti:** Just if I can squeeze in one more question, do what do we see a debt remaining as in? Do we going ahead because we have so many expansion plans coming in?

**Ankit Patel:** So we have always been saying that we maintain the debt to equity level at the reasonable level nearly in the range of 0.5 and we have been maintaining in this level.

**Dipesh Sancheti:** OK, so going ahead our cash flows also will take care that our debt equity will remain at the same place.

**Ankit Patel:** Yeah it will improve because as we stated, so two major CapEx already completed and we will have enough cash generation. From internal accrual we will be doing that also and we will maintaining debt equity as per our guidance.

**Moderator:** Thank you. We have the next question from the line of Chintan Mehta from Prudent Corporate. Please go ahead.

**Chintan Mehta:** How do you see the product demand, particularly in the US and Europe?

**Ankit Patel:** There has been some pressure as far as the demand is concerned globally, so no doubt about it. But we see that there is not much channel inventory, so as I mentioned, whenever there is any customer when they see the prices are going down, they always buy slowly and they want to have the much better price on every purchase. So it has been going on in this line. But the heavy

Channel inventory is not there, so we see that the movement there will be some demand improvement. The prices will improve, demand will be there, so it will be overall will be much better.

**Chintan Mehta:** OK, and Sir, if. You can throw some light on the current price or last price of cypermethrin and 2,4D product prices and the same on raw material in front.

**Ankit Patel:** So as I mentioned, the 2,4D price is in the range of nearly ₹225 when it comes to the Cypermethrin, the prices is in the range of somewhere about ₹600 to ₹650.

**Chintan Mehta:** OK, and three months ago it price was.

**Ankit Patel:** From the 2,4D point of view, the prices is more or less in this line. In last three months when it comes to the Cypermethrin, yes there has been some pressure there. There is some reduction. From ₹650 to ₹700, it has come to ₹600 to ₹650. There has been reduction by ₹50.

**Chintan Mehta:** OK on same side, raw material prices is also followed.

**Ankit Patel:** That's correct.

**Chintan Mehta:** OK, and Sir, what are your plans to prepay the debt?

**Ankit Patel:** For debt there is an annual repayment of around INR 98 crore next year and then INR 120 crore we will be repaying as per the schedule from the pre-payment point of view normally the banks they don't like it if you prepay the loan in advance because they also need to manage their finance, so there is always a prepayment penalty. So, we have been growing and there will be every year nearly INR 100 crore repayment will be there.

**Chintan Mehta:** OK answer on my last question. From my side, working capital days and inventory will remain elevated to here or we have a plan to improve this.

**Ankit Patel:** Working capital remains in the range of 90 to 100 days so it will continue in the same range.

**Moderator:** Thank you. We have the next question from the line of Guneet Singh from CCIPL. Please go ahead.

**Guneet Singh:** So we commissioned two of our plants recently so I just have a small question regarding how much top line should these plants add in the next year, FY24? And when can we expect these both of them to be operational in full swing? Like by what quarter?

**Ankit Patel:** From the Agro chemical point of view, the first plant we have mentioned on the full year of operation basis it should generate revenue of nearly INR 650 crore. So we feel that in the next financial year the plant should generate about INR 300 to 350 crore kind of revenue from the new plant. In the case of titanium dioxide again. The full year of operation for the first phase would be the next year, where we feel that we should be able to generate nearly INR 200 crore plus kind of a revenue. And it will further improve year after that, in both the cases.

**Moderator:** Thank you, do you have the next question from the line of Karthik Srinivasan from DM Consultants? Please go ahead.

**Karthik Srinivasan:** So my question is when can we get the money back from the MFL? We have so much CapEx lined up with the rationale that our ROCE is approximately in the range of 15% to 20% and above 15% to say and we are getting only 8% interest from NFL. So what is the rationale in holding back the money from MFL?

**Ankit Patel:** So you must be knowing that earlier it was a 20 years repayment. Now the management has got the approval from the board to reduce it and repay it within five years. The repayment has already started in the last quarter. And we hope to finish it much before the five years. So five years is on paper, so we will be finishing off much before that.

**Moderator:** Thank you. We have the next question from the line of ShriKrishna Agarwal, an individual investor. Please go ahead.

**ShriKrishna Agarwal:** My question is about this Nano urea agreement which we had entered right now. So do we require to pay any royalty to IFFCO?

**Ankit Patel:** It's a confidential matter. As per the agreement so we will not be able to disclose.

**ShriKrishna Agarwal:** OK, and my second question is will need further capacity expansion possible in this project we have the land for that.

**Ankit Patel:** We have a land bank available, no doubt about it. So as per the agreement, this is the first phase, and then if we get if we are growing further then we can expand further, we have a land bank available.

**ShriKrishna Agarwal:** OK, and my another question is regarding this titanium oxide. Do we have any plan to produce rutile grade titanium dioxide?

**Ankit Patel:** Definitely, we are going to ultimately produce rutile grade only. So as per our plan, first phase is. Going to be the Anatase and after one year the full capacity will be converted into rutile because we are doing the Capex for the Rutile grade in the second phase.

**Moderator:** Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to Mr. Ankit Patel from Meghmani Organics Limited for closing comments, over to you Sir.

**Ankit Patel:** So thank you everyone for joining us today to understand more on Meghmani Organics performance business and growth going forward. We assure each one of you that the Company will perform in the best of the interest of our stakeholders and will maintain integrity in all our endeavors. Thank you very much.

**Moderator:** Thank you. On behalf of Meghmani Organics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.