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To,

National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (East) Mumbai 400 051 SCRIP CODE: MFL	BSE Limited Floor- 25, P J Tower, Dalal Street, Mumbai 400 001 SCRIP CODE: 543332
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Dear Sir/s

Sub: - Transcript of Q4 & FY22 Earnings Conference Call – 25th April, 2022

With reference to Regulation 30 and Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submits the transcript of **Q4 & FY22 earnings conference Call** organized on **Monday, 25th April, 2022 at 4.30 PM (IST)** is attached and link of the same is as under:

<https://www.meghmanifinechem.com/wp-content/uploads/2022/04/MFL-Q4FY22-Earnings-Call-Transcript-F.pdf>

This is for information and records.

Thanking you.

Yours faithfully,

For Meghmani Finechem Limited

K. D. Mehta

Company Secretary & Compliance Officer





“Meghmani Finechem Limited
Q4 FY2022 Earnings Conference Call”

April 25, 2022



ANALYST: MS. SURABHI SUTARIA – GO INDIA ADVISORS

**MANAGEMENT: MR. MAULIK PATEL – CHAIRMAN & MANAGING
DIRECTOR - MEGHMANI FINECHEM LIMITED
MR. KAUSHAL SOPARKAR – MANAGING DIRECTOR -
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MR. SANJAY JAIN – CHIEF FINANCIAL OFFICER -
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MR. MILIND KOTECHA – INVESTOR RELATIONS
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Meghmani Finechem Limited
April 25, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 earnings conference call of Meghmani Finechem Limited hosted by Go India Advisors LLP. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Surabhi Sutaria from Go India Advisors. Thank you and over to you Madam!

Surabhi Sutaria: Thank you Aman. Good afternoon everybody and welcome to Q4 & FY2022 Earnings of Meghmani Finechem Limited. We have on the call Mr. Maulik Patel – Chairman and Managing Director, Mr. Kaushal Soparkar – Managing Director, Mr. Sanjay Jain – Chief Financial Officer, Mr. B. Ravi – Strategy Consultant, and Mr. Milind Kotecha – Investor Relations Officer. We must remind you that the discussion on today’s call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Maulik to take us through the financials and the business outlook subsequent to which we will open the floor for questions. Thank you and over to you Sir!

Maulik Patel: Thank you Surabhi. Good evening everybody and welcome to the call to discuss MFL’s Q4 and FY2022 performance. I trust you had the opportunity to run through the earnings presentation, which was shared earlier today.

This has been a landmark year for MFL. We debut as an independent listed company in August 2021. We have always strived to and will continue to endeavor to create superior shareholder value through our derisk business model. This year we have also delivered a record financial performance and I am happy to share that we would be able to beat our earlier stated guidance of Rs.2000 Crores of revenue by FY2023 itself, which is one year in advance of earlier guidance given. For FY2023 we expect to grow by 20%, 22% in volume and 50% in value terms.

I think now is the right time to discuss our five-year vision. We at MFL are targeting to deliver 5000 Crores revenue by FY2027 which translates to a revenue of CAGR of 25% from here on and with better ROCE.

I will briefly discuss this year’s performance. We have closed this year with highest ever revenue and PAT of 1551 Crores and 253 Crores respectively. This can be attributed to a volume growth of 20% and high realizations for all the products. We achieved this despite the tough external environments on account of ongoing geopolitical tensions and subsequent supply chain disruption. While elevated price has played a key role in this performance it has been our focus, cost control measures and high operational efficiency,



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which delivered a strong margin growth. On account of entering into new derivatives and specialty chemical products like epichlorohydrin and chlorinated PVC. We expect our absolute EBITDA will grow substantially. We are confident that the absolute EBITDA is sustainable in the future giving our focus on improving efficiency, addition of value-added derivative products in our basket, and strengthening our fully integrated complex. The investments undertaken in the last couple of years for diversification of products continue to drive growth and increase our competitiveness. Our plants have achieved higher capacity utilizations and our new projects are on track for completion as per the schedule provided. Further in line for continuous growth we have announced our expansion in chlorotoluene and its value chain, which will be funded through internal accrual and this will help to further strengthen our fully integrated complex. To strengthen our feet in specialty chemical segment we are setting up a R&D center in Ahmedabad. We continue to move forward in our strategic direction of expanding scale, strengthening integration, and achieving lowest cost of operation. Now I will hand over the call to Mr. Sanjay Jain, our CFO who will take you through the financials.

Sanjay Jain:

Thank you Maulik and good evening everybody. As Maulik already mentioned before we have achieved highest ever sales of 1551 Crores that is up by 87% compared to previous year, this is mainly on account of better realization for all the products and higher volume of caustic soda and hydrogen peroxide. The overall plant utilization is 87% which is improved by 6% compared to FY2021. The production of hydrogen peroxide has ramped up and the utilization of 78% in FY2022 as compared to 57% in FY2021. The ECU realization of caustic soda and caustic potash increased by 74% and 27% respectively compared to previous year. ECU realization for caustic soda stood at 37062 in FY2022 compared to 21300 in FY2021. Sales realization of chloromethanes and hydrogen peroxide increased by 53% and 20% respectively compared to previous year. In absolute terms our EBITDA has closed to almost double that is Rs.509 Crores compared to 261 Crores in FY2021. The margin has increased to 33%. Our PAT has gone up by 2.5 times to Rs.253 Crores, PAT margin improved to 16% compared to 12% in last year. On year-on-year basis for Q4 the revenue for operation grew 93% to Rs.499 Crores backed by a better realization for all the products. EBITDA grew by 118% to Rs.175 Crores with EBITDA margin to a highest level of 35% and PAT grew by 202% that is to Rs.99 Crores compared with PAT margin of 20%. The long-term debt has increased by Rs.239 Crores in FY2022 as the company has borrowed additional long-term debt of 359 Crores for ongoing expansion projects and made a repayment of 120 Crores. Debt to EBITDA which was 2.1 in FY2021 has decreased to 1.9x in FY2022, the ratio improved substantially despite of fact that company has borrowed more funds for this capex project, this is due to the absolute growth in the EBITDA. On one-to-one comparison our debt to EBITDA has improved to 1.5x if we do not consider the reclassification of preference shares as a debt. The expansion project gets commissioned as



per schedule plan, we have incurred cash outflow of Rs.449 Crores in FY2022. With this we can open the floor for Q&A. Thank you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Manish Jain from Moneylife Advisory Services. Please go ahead.

Manish Jain: My question is regarding the demand look for the upcoming quarters for ECH with respect to the domestic industry?

Maulik Patel: Regarding the ECH right?

Manish Jain: Yes.

Maulik Patel: Epichlorohydrin project currently what we are doing it is under final commissioning of the project and we are going to commission probably in the next couple of months. Currently the ECH is in peak demand due to the infrastructure projects are going on all over the world and the demand has picked up after the COVID situation, in terms of the automobile, in terms of the windmill renewable energy, in terms of the infrastructure, in terms of the epoxy resin, demand is now all over the world is very high along with a pharmaceutical and the water treatment demand has also gone up. So looking at this situation and along with this there are logistic challenges in terms of the world, so people are facing supply issues right now all over the world, so domestic people they prefer to buy from the domestic manufacturing and this is the situation of the epichlorohydrin right now, and we continue to believe that it will remain the same for next I think next one or two years' time.

Manish Jain: Just wanted to ask is that can you just provide me the demand outlook in terms of tonnage per year?

Maulik Patel: Currently the Indian demand, domestic demand is around 70000, 75000 tons and which is also growing because domestic manufacturing people are continuously expanding to gather the market share which is growing demand in the world. So people are setting up additional capacity in India, so in the next one to two years we are expecting to grow in more than double digits of epoxy resin in Indian capacity and so I think the demand probably in the next financial year it will reach to more than 85 to 90 KTA in India.

Manish Jain: Okay, thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.



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- Rohit Nagraj:** Thanks for the opportunity and congrats on a very good set of numbers. My first question is in terms of caustic capacities which are coming apart from us, so what is the expectation of new caustic capacity which will be coming in FY2023 apart from our 100000 tons?
- Maulik Patel:** Apart from?
- Rohit Nagraj:** Meghmani's 100000 tons.
- Maulik Patel:** Other than the Meghmani's 100 KTA the other plants are coming is growing like Jinal is also coming with a plant of caustic soda and which is gradually they are going to increase the capacity, but that project is on the verge of the commissioning but what is the status of exact project we are not able to comment on that.
- Rohit Nagraj:** I just wanted a ballpark number how much capacity increase may happen in FY2022 once the new capacities from us and competitors come in?
- Maulik Patel:** Frankly speaking we are not able to comment exactly how much capacity they will grow in FY2022 because majority or everybody is coming different, different kind and their project status is, these projects are run for longer period of time, so when they are going to end and when they are going to commission it is difficult to comment. I think you have to wait for that concall to able to get the exact answer of that.
- Rohit Nagraj:** Second question is caustic imports, so how has it helped in terms of the domestic demand supply and what is the expectation of imports maybe at least over the next few quarters? Thank you.
- Maulik Patel:** This is good question, but when caustic are not able to import in India since last six months, we are net exporter right now and I think I believe that looking at the current international demand and looking at the current infrastructure project and logistic challenges, in Europe major energy crisis is happening and some of the major force majeure plans are in USA, looking at the current situation we believe that we are going to continue doing exports from India for the next couple of quarters at least.
- Rohit Nagraj:** Sure thanks a lot and best of luck, if there are any more questions I will come back in the queue. Thank you.
- Moderator:** Thank you. Our next question is from the line of Madhav Dhanuka from Finterest Capital. Please go ahead.



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Madhav Dhanuka: Thank you Sir for giving me the opportunity and congrats for good numbers. My first question is can you throw some light on the debt repayment is it sequentially increasing from year-on-year basis?

Sanjay Jain: As I brief in my presentation that our debt has increased to a highest level of 965 Crores in FY2022, but this is a peak level. Going forward already we announced about the chlorotoluene we are going to do with the internal accruals, so we are now going to borrow the additional fund for that and looking to the regular repayments our debt will be reduced substantially because we are going to have roundabout 140 to 150 Crores repayment on year-on-year basis and looking to all these numbers debt to EBITDA will definitely remain below 2% which has already been 1.9% in FY2022.

Madhav Dhanuka: Can you throw some light on capacity expansion, how the capacity expansion will help in improving margins and the product we are focusing in that capacity?

Maulik Patel: We have announced the three major projects one is epichlorohydrin, second is the chlorinated PVC, and third is expansion of the caustic soda, so these three projects are going to commission probably one-by-one in the next three to four months' time. So in FY2023 definitely our volume growth we are expecting to achieve close to 20% which is coming from all these three projects going to start and commission up running and in FY2024 we are expecting full year basis these all three projects will be running, so in the next two years our expansion and our revenue will come from this expansion quantity which we are going to commission in the next three months.

Milind Kotecha: To add to that in the products that we are getting into like ECH and CPVC are high value products so that will actually improve our absolute EBITDA that will continuously grow so to answer your question on margins level margins will be again in the lines that we are into like 28% plus minus 2%, but this absolute EBITDA will improve our ROCE down the line.

Madhav Dhanuka: Can you also tell me in 2018 and 2019 our margins were substantially higher it was 42% to 43% but it was decreasing to 32% levels so is there any raw material prices that we have passed it on?

Maulik Patel: Yes, you are right, this is a little bit on the higher side 35% EBITDA margin, but in the longer-term whatever the raw material prices are increased in the last six months we are able to pass on to the customers that is why our EBITDA margin is on the higher side and we expect in the coming times also it will be like that because of the high demand of the products.

Madhav Dhanuka: Thank you Sir for answering all the questions.



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Moderator: Thank you. Our next question is from the line of Meherwan Kotwal from B&K Securities. Please go ahead.

Meherwan Kotwal: Good evening Sir. Congratulations on a very strong set of numbers. Sir just had a few questions. We were any which ways running in a fairly tight market before the international power fiasco has started taking place, so today if I look at let us say Europe and I think their production of capacities are in the range of 12 to 15 million tons and I think there would be number one a very high power cost which they will now start having to pay with respect to caustic production, I think from what we can understand the power cost have gone up anywhere between two, two-and-a-half times what they normally used to be and I think even subsequently once they shift to Qatar gas and stuff like that the landed power cost would probably end up being 1.6x, 1.7x of what it originally was plus going into the winter months I think there will be heightened uncertainty with respect to gas supplies from Russia, which I think is one of the main source of power for them, so in this light are we seeing more inquiries coming in from some of these European players for having contracts with the domestic caustic manufacturers?

Maulik Patel: Yes, you are right this is also one of the reasons over and above the high demand of the products because of the infrastructure projects started after COVID situation by different countries to come out of from the economic crisis situation. This is a reason in Europe right now, but other than that there is force majeure in the US also in some of the plants that is also boosting a demand in the caustic soda in the world market. Another reason is that there are high logistical cost, also the demand is picking by the nearby countries minimize the cost of the transportation for the caustic soda, so there are multiple reasons which will lead to this kind of situation. As you rightly said other than the African region in Europe also it has started inquiry for the caustic soda. In India we are net exporter right now for the caustic soda, in the future in coming quarters also we believe that it will continue doing for the caustic soda net exporter.

Meherwan Kotwal: As I think another participant has earlier mentioned that some capacities are coming up so now even we are putting up this 100 KTPA capacity by when will it get commissioned and like Jinal will also our scale up be very gradual in terms of production from this new capacity?

Maulik Patel: I think this is a very good question, if you have noticed that after 2018 we are expanding our Chlor-Alkali capacity based on our derivatives expansion, and like chlorine derivatives and the hydrogen derivatives which we are adding for that we are expanding our caustic soda capacity, so we are going to believe in the complete integrated complex and so majority of the expansion what we are doing it for ourselves for internal consumption mainly, so it is a completely different model, I do not think so it is compare apple-to-apple



different companies in the Chlor-Alkali segment itself, but yes you are rightly said that we are coming with one single stroke because this is not a big capacity this is only 100000 tons plant capacity expansion so we are coming with one stroke only and probably we will commission in beginning of the second quarter.

Meherwan Kotwal: You do not see the market getting over supplied with caustic because of Jinal as well as our capacity addition?

Maulik Patel: Caustic soda is never going to be issue in the world because right now it is short supply and people are doing the net export from the country like India, so again challenge with all the Chlor-Alkali player will be how they are integrated, how they will consume chlorine and hydrogen, I think you must have noticed that we are coming with epichlorohydrin and the chlorinated PVC plant, which will consume chlorine, which is coming out from our expansion of a caustic soda plant, so we are well integrated so we are better off we feel that in the coming times once we commission caustic soda along with both the derivatives together.

Meherwan Kotwal: In our presentation I have seen that for the current quarter we have done caustic realization of I think close to Rs.49000 per ton it is up from 45000 last quarter, so two questions number one is what is our current ECU realization for the quarter Rs.49000 is caustic realization, the chlorine bit pulling it down by Rs.2, Rs.3 or is there a net given where we stand currently so that is the first question and second question is that compared to the Rs.49000 average that we had for last quarter how would the current realization stands?

Sanjay Jain: You rightly observed that issue which was 45800 in last quarter that is Q3 that has increased to 49300 in Q4 and going forward we are looking to the demand we are expecting to be bullish and as of now also is in the range of 50000 per ton issue as a whole for caustic soda line.

Meherwan Kotwal: So when we talk about ECU it means it is net?

Maulik Patel: Yes.

Meherwan Kotwal: ECU is 50000; caustic realization will be 49000 for the quarter is my understanding correct?

Sanjay Jain: No, we are saying ECU is 49000 which is a net including the realization of chlorine also and we expect that it will be in the same range in the coming quarters also.

Maulik Patel: To answer your question current caustic price is higher than the 49000.



- Meherwan Kotwal:** On power cost I think in-between there was a lot of worry with respect to imported coal and prices moving up, etc., today on a blended basis what would our cost of unit of power be and how has this moved over the last couple of quarters?
- Maulik Patel:** I can comment that the last entire year our average cost of power is coming around 7.67 which is still irrespective of the coal prices increase which is still lower than the grid power.
- Meherwan Kotwal:** Grid power be how much Rs.12 right now current rate?
- Maulik Patel:** No, the grid power is around 8.5 but which will also likely to increase based on the current situation.
- Meherwan Kotwal:** But we feel that even on the quarterly basis probably now the unit power costs have picked up would that be a fair assessment?
- Milind Kotecha:** So looking at the current situation it looks like it has picked up, it looks like picked up because now the prices have been stabilized a bit, so yes you are right in that way.
- Meherwan Kotwal:** That is all the questions from my side. Wish you all the very best.
- Moderator:** Thank you. Our next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.
- Riya Mehta:** Firstly congratulations on a great set of numbers. My first question would be from context of power so how much coal inventory do we have or how is the linkage is in place could you please explain?
- Maulik Patel:** Looking at our location we are next to the port and majority of the coal we are importing from Indonesia for the power, so we do not keep inventory a lot at our because which is the port is only five kilometers distance from our location, so normally we do not keep more than a month in our yard, but definitely in terms of the booking always we can keep two, three months booking in advance we can do it, but we do not need to store at our location.
- Riya Mehta:** Currently the price of Indonesia's coal had piled up, so how had we hedged against it or what was our precarious move?
- Maulik Patel:** I think we are not focusing to hedge or something, but yes the coal price has increased, same time we are able to pass on this cost to the product and the sales realization also increased in the caustic soda, so as and when we are able to pass on the cost to the



customers, so we are not concerned, so our EBITDA margin is well maintained so we do not try to hedge or something like that.

Riya Mehta: What would be the current cost of acquisition of the coal right now?

Maulik Patel: What kind of GCV you are buying it depends on that so it is very difficult to judge a per ton cost of coal, so every time we depend on the cost of each GCV, we decide what kind of GCV we wanted to buy a coal, so it is not a fixed price based on the GCV we keep changing according to the time and the price.

Riya Mehta: So basically I think we can more than offset the increase in cost of coal and we can pass it on to the customer without taking a hit on the margins right?

Maulik Patel: That is right, that you can see very well in our results as well.

Riya Mehta: So actually Q-o-Q I was just seeing that our inside gross margins have improved rather than deteriorating so what would be the key how are we able to manage this?

Maulik Patel: If you read our presentation that is a strength of completely integrated complex where you do not need to spend too much money on the manufacturing cost in terms of the transportation, in terms of the sales and distribution, so when one product is coming out it is going to the another product which is value added capacity so this is a strength of a completely integrated complex.

Riya Mehta: I am talking Q-o-Q. Q-o-Q how has it improved I am sure it was all of these things are there in Meghmani's LCR.

Maulik Patel: It is because of the sales realization our volume growth is only 3%.

Riya Mehta: The second question would be one or two competitors have already put in place caustic capacities so going forward do we see any different higher capacity utilization for caustic soda or decrease in ECU?

Maulik Patel: If I give you the answer of this question I would say no because the caustic soda demand is growing year-by-year, the country is growing depends on the GDP of the country, so in current situation I believe that once in a year we required two sizable price of the caustic soda plant to commission it is required in India looking at the growth in terms of the infrastructure spending, looking at the renewable energy spending, looking at the pharmaceutical industries as well as the agrochemical industries, looking at the PLI schemes launched by the government, so we believe that once in a year sizable caustic soda



plant has to come in India which can easily absorb in terms of the chlorine, hydrogen or caustic soda.

Riya Mehta: As per you the entire increase in capacity would be absorbed and we would be running it more than 89% capacity utilization which we did this quarter am I right?

Maulik Patel: Yes.

Riya Mehta: Would we see any detrimental because of change in demand supply dynamics or we would see the similar kind of ECUs?

Maulik Patel: It is very difficult to forecast for longer period of time but I would say for next three months yes we would say that the next is the current ECU which can be around sustainable.

Riya Mehta: Although as per your guidance for 50% growth in terms of value and 22% in terms of volume what would be the key user industry we are looking at and what would be the key segments like I am sure it is a new ramping up of the capacities, but which area do we see more demand coming from and where do we see this kind of growth coming from?

Maulik Patel: Compared to the last year this year there is a huge difference in terms of the infrastructure yes that was very constant, but looking like the paper industries and the textile industries which was not doing great in last financial year which is supposed to start doing in terms of the performance I think there is a great demand from these two sectors is coming up now, so which is a sizable consumption in terms of the caustic soda.

Riya Mehta: Actually I was talking in terms of your overall guidance volume guidance of 20% and value growth of 50% over the next year where do we see it coming from because I think paper and textile have already picked up in FY2022 so for FY2023 and forward which sectors do we see it coming majorly from?

Maulik Patel: In terms of overall I think if you see we are coming up with epichlorohydrin and the CPVC plant, so the major volume growth will come from these two major along with our caustic soda expansion, so all these three sectors epichlorohydrin which is completely new sector which we are going to start catering which is epoxy resin, pharmaceutical and the water treatment raisin manufacturing and CPVC which is along is the different addition of the segment which is a hot water pipe application for household, so these are the two major application which we feel that the growth will come in next financial year I believe FY2023 as well as FY2024.

Riya Mehta: The realizations over here are also sustainable right?



- Milind Kotecha:** Yes, in fact the realizations over here are higher compared to the products that we are into so just to highlight on that part the asset turnover ratio that we generally used to enjoy from our old products here that will be even higher so that will ultimately help us to have an absolute EBITDA going continuously.
- Riya Mehta:** Thank you so much for your detailed guidance.
- Moderator:** Thank you. Our next question is from the line of Ahmed from Unifi Capital. Please go ahead.
- Ahmed:** Thank you for the opportunity. The first question was regarding the domestic supply for epichlorohydrin I think you have told number somewhere about 70000 to 80000 tons is it correct?
- Maulik Patel:** Yes that is correct.
- Ahmed:** So if we look at the total supply coming up we are coming up with 50000 ton capacity and DCM Shriram is coming up with 50000 ton capacity and then there is imports coming to our country so in that sense will there be any discrepancy between the demand supply in FY2023 and FY2024 what are your thoughts?
- Maulik Patel:** Yes, that is a good question. Normally the chemical plants like epichlorohydrin which will take normally two to two-and-a-half years time to commission the project if you can see in our case also almost two years which we are going to commission probably in this quarter ECH plant and the Indian demand is growing in a double digit for the epoxy resin along with other applications like pharmaceutical and the water treatment resin manufacturing that is also growing at double digit, so if you have noticed that the epoxy resin manufacturer has also announced their capacity expansion in India so we do not have any issue in coming times if the ECH capacity will expand in India, we see in the next five years the Indian growth of epichlorohydrin kind of product is going to continue in a double digit region.
- Milind Kotecha:** If I can just add to that Maulik. So basically by the time what you said there are other suppliers coming up in terms of the commissioning the plant, so by the time they commission the plant the demand which is right now around 75000, 80000 KTPA will definitely cross 1 lakh 1000 tons per annum considering the new capacities of epoxy resin plants are coming in India, so it is like this because there are suppliers of ECH and the manufacture of epoxy resin also increasing in India, so that is why we are confident enough to get that supply easily absorbed in the market.



- Ahmed:** I got it, but I think our capacity is coming in the first half itself and decent capacity is coming in second half imports will continue as they are, so in that context there will be some demand gap will be there because supply is definitely higher than the demand so my question is coming to that was how do we look at the realizations and the pricing moving for ECH in the domestic market?
- Maulik Patel:** I think I am not sure but I think can you check your data I think there is year is a difference you are saying second half but which year?
- Ahmed:** FY2023.
- Maulik Patel:** I do not think so but we are not able to comment on that, but I think it is not in FY2023.
- Milind Kotecha:** Yes. To our knowledge DCM is coming up somewhere in the early of FY2024 and by that time comes the demand for the ECH will be going faster and plus currently the 75000 to 80000 KTPA demand that we are seeing that is import data that is also on a shortage side.
- Ahmed:** Okay got it, but they guided about Q4 FY2023 or H1 FY2024 both are same. Now second question in caustic soda of the 270k tons we did this year what percentage will be exports?
- Maulik Patel:** In last financial year?
- Ahmed:** Yes.
- Maulik Patel:** Last financial year we have exported only 5% including all the products, so 95% of the products we are doing domestic.
- Ahmed:** Incrementally what our volumes expect or do we expect high set of exports?
- Maulik Patel:** No, looking at current realization we are getting better in the domestic market so we prefer to do it continuing selling more quantity in the domestic market, but in the future if we increase the realization in the export definitely we would like to allow to do that in the export. We do not decide a ratio from the beginning, we decide based on the realization where we wanted to export or domestic, so we keep changing, it is not a fixed strategy whether we are for the domestic or we wanted to sell in our export market, but yes current situation we believe that the domestic are giving more realization so we would like to continue with the same kind of ratio in coming times as well.
- Ahmed:** Got it, last and the very basic question is what is that total fuel mix, what percentage is captive, how much we are procuring from grid?



- Milind Kotecha:** So currently out of the total requirement almost you can say 100% or 98% or 99% would be made from the internal captive power plant and that is hardly that we take from grid as and when required we take it from the grid.
- Maulik Patel:** So the ratio is very low but in the future it will be around 90:10 kind of situation.
- Ahmed:** Okay got it. Thank you so much. All the best.
- Moderator:** Thank you. Our next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.
- Niraj Mansingka:** Thank you. Just a few questions, one what is the difference between the realization of the exports and the domestic markets for caustic?
- Maulik Patel:** The export market is driven by so many factors, so it is keep changing, so sometimes if it is a good demand there is a force majeure, in some of the plants if there is a logistical issues, so it depends many, many factors, but there is always a difference and sometimes we get a higher realization in the export we prefer to do export, but majority time we are getting higher realization in the domestic market and automatically if the export prices increasing automatically the reflection in the domestic prices also coming of the caustic soda.
- Niraj Mansingka:** But just a thought process do you see that with the start of the Genome plant you may need to do a higher export and hence the realization may have some amount of moderation?
- Maulik Patel:** See if you are talking about general caustic soda industries as a caustic soda from the western region already in last one year if you see the data we are continuously doing the export month-by-month, so definitely if the plant will increase because looking at a current situation in the world market where there is a demand is very high of caustic soda it is not going to be any issue even though we need to do a more quantity of the export because Gujarat is a sea area and where the majority of the ports are nearby so for the caustic soda kind of manufacturing we are nearby the port area, so I do not think so it is a major issue to do export more quantity if it is required to do it in the coming time.
- Niraj Mansingka:** Any additional thought process of when the Genome plant will start?
- Maulik Patel:** I cannot able to comment on that.
- Niraj Mansingka:** Can you share us the realization right now and what is the margin on the ECH on the current pricing?



- Maulik Patel:** I do not think so we already given a guidance that we are able to maintain 28 plus or minus 2% EBITDA as a company and overall, so we are not able to comment on the exact particular product-wise margin.
- Moderator:** It seems we have lost the line for the current participant. We will move to our next question that is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Hello team. My question is related to coal so what was the consumption cost in the last fourth quarter?
- Sanjay Jain:** The coal price is roundabout Rs.9000 and consumption we have roundabout 60000 on a monthly basis, so for the quarter it is 180000 metric tons.
- Giriraj Daga:** So the number what you give Rs.9000 consumption cost of coal in the fourth quarter what is the like-to-like number for the April month coal consumption cost?
- Sanjay Jain:** For the April month?
- Giriraj Daga:** Yes.
- Maulik Patel:** It is every week there is a coming of coal index which is very standard and internationally available so based on that the price movement of the coal is happening right now and we are buying based on the index of coal index which is published by the various agencies, so based on that it is keep changing and it is not fixed always, so every week there is a data published by the coal.
- Giriraj Daga:** The idea is to understand like is it going up by 20%, 25%, and 30% just to get some sense there?
- Maulik Patel:** It is month-to-month there is a variation but the variation is not high currently, compared to the last three, four months the variation of the coal price is not very high right now.
- Giriraj Daga:** So just to understand like we are seeing about Rs.1 increase in the ECU realization compared to Q4 to April so far the coal cost is similar about that range only so that EBITDA spread per kg is broadly stable that is what the fair assumption?
- Maulik Patel:** Yes.
- Giriraj Daga:** Okay thank you.



- Moderator:** Thank you. Our next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** Hi Sir, good evening and thank you for taking my question. Just wanted to clarify in all your comment for the year we have done 20% volume growth is that correct?
- Maulik Patel:** Yes.
- Alisha Mahawla:** So in that case obviously we have seen very strong realizations obviously especially on the caustic soda side, so just wanted to understand that when we do talk about next year a 50% volume growth are we expecting the realizations to sustain at the current level because that is fairly optimistic?
- Maulik Patel:** I think 50% value wise and 20% growth we have announced for the next financial year.
- Alisha Mahawla:** Yes, because 50% will be on the base of this year right?
- Maulik Patel:** 50% from this year basis, but that is value growth, so volume wise it is going to be 20% based on the last financial year.
- Alisha Mahawla:** Which I understand which will be because of the new capacities that are coming into newer segments?
- Maulik Patel:** That is right and the last financial year whatever 20% growth which we have achieved because of whatever the expansion which we have done one-and-a-half year ago about the hydrogen peroxide and the caustic soda expansion because of that we are getting a result in last financial year. Currently what we are going to do is all three expansions which will give us a result in FY2023 as well as FY2024.
- Alisha Mahawla:** But this is still on the assumption that the current realizations will sustain because first we need to hit up 1500 mark and then only we can talk about an incremental 50% growth which I understand is a mix of volume and value. The second question was earlier I believe the guidance always used to be that the March and this I believe was also mentioned in the last quarter call the EBITDA margin would be in the range of 28% to 32% but now we are talking about 28% plus minus 2% are the newer products going to be at relatively lower margin that they will take longer to stabilize?
- Milind Kotecha:** On the EBITDA margin side again if the prices are in moving line what we have anticipated it can be around 30%, but on a conservative side it can go 26%, so prior quarter also we had



mentioned the same thing 28% plus minus 2% to EBITDA margin that we will be able to maintain.

Alisha Mahawla: The new capex that we are announcing in the chlorotoluene side are we quantifying what is the kind of capex we are looking to do here?

Maulik Patel: The overall capex we have already announced we are going to do it in the chlorotoluene it is derivative project around 180 Crores, out of part of the capex of 180 Crores we are going to spend in the current FY2023 and part will be done in FY2024.

Alisha Mahawla: What is the kind of asset turn we are expecting on this investment?

Milind Kotecha: The asset turnover ratio again here will be around 2.5x to 3x and also just to answer your earlier question in terms of the guidance of 50% in terms of value growth that is again on a normal basis side, so we have considered the realizations which are peaked right now, but the products that we are getting into ECH and CPVC they are high value products because of which we are at least visibly confident enough to reach to have a 50% growth on the current FY2023 so that reaches around 2250 of revenue.

Alisha Mahawla: One last question if I may, so these three new capacities that will come on-stream during the year I believe in an earlier call you had mentioned that at peak they will add about 1000 Crores to our revenue and our existing capacity is also currently running at almost peak so let us say between this we can do 2500 to 3000 Crores and the chlorotoluene will have say another 500, 550 and we have a vision to reach 5000 Crores by 2027, so are we looking at more capex, newer products, any other announcement?

Maulik Patel: As you are rightly explained the ECH and CPVC on a full year basis we are able to reach close to 3000 Crores at current conditions and prices and the chlorotoluene will add around 3500 Crores up to eventually in the first phase and second phase, so we have targeted to reach 5000 Crores along with the different options, so as and when in the time goes we are expanding one-by-one project but we are making sure that our debt to EBITDA will remain not more than two.

Alisha Mahawla: We are not looking at adding capacity in hydrogen peroxide or chloromethane currently?

Maulik Patel: There are many projects are under discussions right now which can lead to us to reach at 5000 Crores, but once Board will approve we are able to announce at the right time.

Alisha Mahawla: Okay thank you so much.



Moderator: Thank you. The next question is from the line of Naitik Mohata from Joindre Capital. Please go ahead.

Naitik Mohata: Good evening Sir and congratulations on a great set of numbers. Just a couple of questions from my side. Just to add on to previous participant's question this added volume that we are going to generate from the value-added products epichlorohydrin and CPVC resin what are the volumes we are expecting in coming quarters like Q1 or Q2 FY2023 from them?

Milind Kotecha: Again ECH and CPVC is something yet to get commission, so ECH we had announced Q1 so by maybe in the May or June we will commission ECH and the CPVC will commission in early Q2 and the additional capacity of caustic soda, so for ECH and CPVC it generally takes 3 months time to reach to optimum capacity utilization so you can say this year we will have a partial benefit of ECH and CPVC and FY2024 will be a year where we get the full benefit, so initially three months it might run on 50% capacity and post that slowly gradually the capacity utilization will improve for CPVC and ECH and caustic soda I guess in a month or two months' time it will reach to the storage that improve its optimum capacity utilization.

Naitik Mohata: What is the percentage of export that we are doing in caustic soda?

Milind Kotecha: So currently it is very minuscule because as Maulik Sir earlier said that because we generally focus on sales based on the realization, so the export prices go up similarly that has an impact on the domestic price also, so currently there is hardly anything we do as an export but tomorrow if we get a higher realization for our products in the global market we might go for exports but right now it is very less.

Naitik Mohata: Lastly regarding this 8% preference shares that we have issued of 211 Crores to our parent company what does the timeline for its interest payments are like, do we pay at the end of the year or are we considering the payment equally throughout the quarter?

Sanjay Jain: With regard to this 211 Crores which is belongs to the Meghmani Orgnaics, we are making provision of this interest with a rate of 8%, but we are going to pay on an annually basis not on a quarter-to-quarter basis so cash outflow will be on a yearly basis.

Naitik Mohata: So cash outflow amounts to somewhere around 16 to 20 Crores and I do not think so that we see those 16 Crores in this year Q4 results so when are we planning to pay like the first outflow of that interest payment?

Maulik Patel: You are talking about the cash outflow?



- Naitik Mohata:** Yes.
- Maulik Patel:** It is going to take place because we are waiting for this Board meeting which has already been there today, so maybe in the next two months we are going to make this cash outflow so before June 30, 2022.
- Naitik Mohata:** Also what are our plans regarding redeeming these shares?
- Maulik Patel:** Actually the redemption period is of 20 years so if we are going to really look into a cash flow in the future but as of now the redemption is 20 years so looking to our growth trajectory we are not expecting to redeem in the near future as of now at least not in the next two to three years.
- Naitik Mohata:** I only asked this as the company is generating good amount of cash flows and this is good time for our company so the only question that I raise is if not now then when, are we planning to reduce our debt first and then probably drop a timeline regarding payments of these funds?
- B Ravi:** The strategies of repayments can keep varying, you are right in terms of the cash flows which have been generated now, but if you see the expansion projects are just getting completed in the current financial year thereafter the free cash flow will be actually available so looking into that and whatever are the dividend policy which the management is deciding keeping both these things in view and also the debt to EBITDA ratios which we have already guided under 2, keeping all the three things in view probably there could be a thought on repayment, but at this point in time there is nothing which is concrete.
- Naitik Mohata:** Okay thank you that is all from my side.
- Moderator:** Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** After this 49000 ECU that we see in your presentation what is the kind of movements that are in the ECU realization and what is the corresponding cost increase if any let us say what we see in April and my second question is we have this capacity mentioned as 315000 for caustic, the 41 that I see is 70 is that the capacity operates at this 90% or there is a scope for improvement and my last question is we have expansion plan of about 110000 in caustic and what capex per ton in new capacities would come up in the system it would be very helpful to understand?



- Maulik Patel:** Just to give you the starting from the last question which you are asking for capex every company has a different timing they are expanding and they are debottlenecking their capacity, so looking at the existing infrastructure in the complex I believe that with this 110000 tons what we are planning to do a capex which is very low because majority of the expansion and the capex which we have done in the previous phase of expansion we are going to utilize majority of the infrastructure from that expansion, but it is very difficult to comment and exact numbers in the forum.
- Pritesh Chheda:** So supposed to put a Greenfield today what would you comment?
- Maulik Patel:** If you do it Greenfield today it is very difficult to comment because the current situation where the steel, cement, all the equipment prices are crazy right now, so I think even company like us we have a experience of last 12 years also we need to redo the everything to exactly calculate what kind of capex will be done based on current situation. It is very difficult to comment for the current part.
- Pritesh Chheda:** If you could give then my answers to the first two questions what are the ECU realizations now and what are the cost increases after the quarter?
- Sanjay Jain:** The ECU realization is about 49000 in Q4 and we expect that it will be in the same 49000 to 50000 in coming quarters also.
- Maulik Patel:** In the coming quarters we are not expecting major change in terms of the raw material cost as well, yes, input cost as well.
- Pritesh Chheda:** My second question was our rated capacity is 315 and our partly volume is 70 so is it that capacity operates at 90% or there is scope to take it to 100%?
- Sanjay Jain:** To run a plant of 90% on capacity of 315 KTA is the optimum level.
- Pritesh Chheda:** Just coming back to my third question let us say in the past I have seen a lot of capacities that come at Rs.40000 a ton in capacity which were before the steel price rise will this Rs.40000 ton capacity capex be now substantially higher let us say 40%, 50% higher for the new capex or it will not be that much as a number if you could at least guide us there?
- Maulik Patel:** Yes, I can see it is minimum 50% higher at least but exact number is very difficult to comment.
- Pritesh Chheda:** So it is 40%, 50% higher the new capexes?



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- Maulik Patel:** That is right yes.
- Pritesh Chheda:** Okay Sir. Thank you very much and all the best to you. Thank you.
- Moderator:** Thank you. Next question is from the line of Dr Amit Vora from The Homoeopathic Clinic. Please go ahead.
- Amit Vora:** Yes, good evening Maulik Bhai, Mr. Soparkar and congratulations for the excellent set of numbers. So as I see from most of the questions we have done an excellent year last year FY2022 the fear is that will we be able to maintain these kind of sales going seeing the caustic soda prices are high, last year was high, but will we be able to maintain these kind of sales and margins and also as we all know that Grasim is coming with a capacity of 106000 for caustic soda, but you have also answered about caustic soda there is no fear about that, but still the only fear is that whether we will be able to maintain these kind of sales?
- Maulik Patel:** It is very difficult to give the exact answer of your question, but I can comment that in this year we have reached the ECU which is very good right now and it is going to continue we believe, but in FY2021 we have achieved the lowest ECU. So I believe that in coming times irrespective of anything there is no possibility to reach back to original level of FY2021 or the first quarter of FY2022 so there is a possibility it might go down little bit, but I do not think so it will come back to original level of FY2021 or Q1 of FY2022. Normally these things the visibility of this could be a maximum of a quarter so as we stand today probably the next quarter or this quarter at least looks good, but this month has been good in terms of the realization so maybe at the end of this quarter when we meet for the Q1 results probably we could see and reassess it again.
- Amit Vora:** What is the percentage of caustic soda that we use internally after looking out six months down the lane after all the expansions have started what will be the percentage of caustic soda that will be used internally out of the total even the new additions 425000 if we add it with existing 315000 plus 110000?
- Maulik Patel:** Including the pipeline customers and the captive we are going to be after the ECH commissioning, we are going to be consume up to approximately around 15% of that our capacity.
- Amit Vora:** 15% will be used internally you mean to say?
- Sanjay Jain:** Pipeline customers as well as internally I would say.



- Amit Vora:** One last question our debt is around 960 Crores and I think someone told that the 140 Crores will be returned so out of the 966 Crores minus 140 Crores?
- Sanjay Jain:** That is of 965 Crores on FY2022 that is March 31, 2022 and on the basis of the question and we are saying that we have a repayment of round of 140 Crores on year-to-year basis so that means 140 Crores will be the outflow in the FY2023.
- Amit Vora:** Currently we are not paying it in April or anywhere down the line?
- Sanjay Jain:** It is a repayment schedule, as per the repayment schedule we have to be quarter-to-quarter this repayment will be there.
- Amit Vora:** Okay got it. Thank you so much.
- Sanjay Jain:** Only long-term debt is only 909 Crores.
- Moderator:** Thank you. We have the next question from the line of Aditya Jhavar, as an industrial investor. Please go ahead.
- Aditya Jhavar:** Hello congratulations for great set of numbers. I have a question from the longer-term perspective like you said that for FY2027 we have the 5000 Crores revenue, but I want to understand the growth aspect, right now we are going to as you discussed that chlorotoluene chemistry so what are the more avenues that we will go on the acquisition, how will we achieve this because as we say that we want to move from commoditized to derivative segment right so what are the more avenues where we will see the growth I want to understand a broader picture on this part?
- Maulik Patel:** From current level to the next phase up to 3000 Crores at the current conditions we are able to reach by chlorinated PVC and the epichlorohydrin project which we have announced and which we are going to commission in the next three to four months' time and the chlorotoluene what we have announced, so remaining projects are as we have mentioned in the earlier question as well that we are going to, there are many projects are under discussion but we are going to enter in the chemistry which is first time in India and which is the replacement of the import substitute and which is a chlorine or hydrogen derivative so that is going to be the primary focus but we are not able to comment on the exact project what we are going to come so at the right time after the Board approval we are going to announce that project as well.



Aditya Jhavar: So wherever we are entering suppose if we are entering in any import substitution there we want to achieve scalability like we want to be the largest producer or we want to be based on the demand we will set up the capacity?

Maulik Patel: That depends on the molecule, what kind of molecule it is, it is export oriented or it is only on the domestic base, so based on each molecule has their each strength and weaknesses based on that evaluation we are going to decide the capacity and every organization has their own appetite for the commissioning of the project what kind of capacity they would like to come so that right capacity also we decide based I think probably in the right time we will declare the capacity of the new project as well.

Moderator: Thank you. Our next question is from the line of Nikhil Gandhi from Finserv Global Services. Please go ahead.

Nikhil Gandhi: First of all congratulations on great set of numbers. I just had a couple of questions and maybe you have answered them in a previous someone has asked those questions, but just go ahead and ask those questions. The first one is about the epichlorohydrin, so in the last quarterly meeting it was mentioned that the project was completed 90% and it was going to get commissioned in the first quarter of FY2023 so do we know exact update like when it will be commissioned and start adding on the topline and the bottomline?

Maulik Patel: We are planning to commission there is a trial run we are going to start probably from the May 15, 2022 and by end of May or beginning of June we are going to commission the project full fledged and we are going to announce, that is the time schedule we have planned based on the today's situation for the epichlorohydrin.

Nikhil Gandhi: In the initial few quarters like how much would be the utilization we are expecting the revenue from the epichlorohydrin project like let us say in first quarter after there is a commission first or second quarter like is it going to be like more than 50%?

Milind Kotecha: In Q2 the capacity utilization would be somewhere around 40%, 50% and then Q3 onwards it will gradually increase.

Nikhil Gandhi: The second question was regarding the caustic soda price, it is like I remember in Q2 of FY2022 you mentioned that the caustic soda prices will remain firm till the February of this year which was a correct assessment on your end so right now we see that there is uptrend on the caustic soda prices but how long you assess that the prices will remain calm just an assessment from your end because I thought that your assessment was pretty positive and it was correct so I just want to get the assessment on the future how the prices of the caustic soda will be?



- Maulik Patel:** Currently the demand is very high, international market as well as domestic market because the another two sectors which was down in the domestic segment like paper and textile which was also picked up in last couple of months so we are expecting high growth but it is going in tandem with the energy cost right now in the world situation, so as energy cost is if going to go down a little bit definitely there is a possibility there is a correction of the caustic soda price as well, but I believe that there is no impact on the margin in the next couple of quarters.
- Moderator:** Thank you. Mr. Gandhi request you to join the queue for any followup. We have a next question from the line of Sanket Goradia from RS Investment. Please go ahead. It seems there is no response from the line we will move to our next question that is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.
- Niraj Mansingka:** Yes, there is a followup I just dropped last time, just one last question which I could not get an answer. The coal prices what is the cost of power in Q4?
- Sanjay Jain:** You are talking about the cost of generation?
- Niraj Mansingka:** Yes like you had given a number of 7.67 for the last year number I wanted to get the Q4 number.
- Sanjay Jain:** I think Maulik has answered the power cost is around 7.67% for the year as a whole for FY2022 and for the quarter you are talking about Q4 it is about 9.15 per unit of generation.
- Niraj Mansingka:** Related question do you see this increase, how much do you see increase or decrease from this number I think you said that we do not see much changes but just wanted to give a number to it?
- Milind Kotecha:** We feel this price is at the peak but again where it will go from here on it is anyone guess so I guess that we cannot comment on that.
- Moderator:** Thank you. Ladies and gentlemen due to paucity of time that would be our last question for today. I now hand the conference over to Mr. Kaushal Soparkar for closing comments. Thank you and over to you!
- Kaushal Soparkar:** In conclusion let me highlight that MFL is very well suited for numerous end-user segments. Our roadmap for near-term as well as long-term appears promising as we incorporate new downstream and value-added products offering while also strengthening our existing platform of resources. Once again thank you very much ladies and gentlemen for joining us today, if there are still unanswered questions please feel free to reach us to



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our IR team. Thank you everyone for your participation, have a great evening ahead, stay safe, stay well. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Go India Advisors that concludes this conference. Thank you all for joining us. You may now disconnect your lines.