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October 22, 2022

<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 October 21, 2022 for Q2/H1 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 October 21, 2022 wherein Q2/H1 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  
Oct 21, 2022**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 and H1FY23 Meghmani Organics Limited Earnings Conference Call. 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 “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Patel, CEO of Meghmani Organics. Thank you and over to you, Sir.

**Ankit Patel:** Good afternoon, everyone and a warm welcome to Meghmani Organics Limited Q2 & H1 FY23 earnings call. I hope you and your family members are keeping healthy, safe and sound. Commenting on the Q2 FY23 financial performance, Meghmani Organics revenues grew by 20% YoY to INR 655 crore successfully navigating global macroeconomic challenges. The Company’s gross profit grew by 10% YoY to INR 257 crore during Q2 FY23. Meghmani Organics EBITDA grew by 9% YoY to INR 85 crores during the quarter. The Company's profit after tax grew by 13% YoY to INR 73 crore in Q2 FY23. Meghmani Organics limited profit after tax stood at 11.2% during the quarter.

Highlighting our H1 FY23 financial performance, the Company's revenue surged by 38% YoY to INR 1,438 crore. Meghmani Organics gross profit increased by 33% YoY to INR 601 crore in H1 FY23. The company EBITDA grew by 33% YoY to INR 219 crore during the period. The profit after tax grew by 41% YoY to INR 187 crore during H1 FY23. The company's resilient performance amidst uncertain global macro environment demonstrates the management's acumen towards risk management and financial prudence.

On the Balance Sheet front, the Company's cash and cash equivalents stood at INR 59 crore as on 30th September 2022 and the Debt-Equity ratio stood at 0.39. The return ratios like ROCE and ROE stand at 18% and 24.7%, respectively as on 30<sup>th</sup> September 2022. As mentioned earlier in our previous calls, the Company's capex plans are progressing as planned. The commercial production of the agrochemicals new multipurpose plant is likely to commence from Q3 FY23. We are planning to Commission the plant during November 2022. On the pigment side, the phase one commercial production of the titanium dioxide plant with the 16,500 tons capacity is expected to be commenced in Q3 FY23. We hope to Commission the plant in somewhere in the December 2022. The notification for the same will be uploaded on the exchanges as we start the commercial production. We intend to double the titanium dioxide capacity to 33,000 tons by Q3 FY24. We are confident about the long term goals for both the business verticals and our competent human capital is swiftly moving towards to materialize the Company's long term goals. The Company continues to delight its esteem client with a diversified product portfolio and quality products.

Meghmani Organics has a notable financial track record during the last five financial year, starting from FY18 to FY22. The company's revenue, EBITDA and PAT have registered CAGR of 19%, 22% and 41% respectively, outperforming the industry growth rate. The Government's Atmanirbhar Bharat initiative is pushing the Indian chemical industry towards import substitution and strengthening its R&D capabilities. Additionally, the growing China plus one strategy among global nations has put the Indian chemical industry in a sweet spot. Meghmani Organics is well placed to benefit from favorable government policies as well as with the kind of the interest to what the company has created. The Company's continues to generate free cash flow, which not only would augment the working capital to some extent, but also would contribute to the internal approval for funding or for the ongoing Capex. It will further strengthen our Balance Sheet. The management is confident to sustain the Company's historical growth rate for the coming years and create long term value for its esteemed stakeholders. With this we would be happy to address the questions of the investor and analyst fraternity. Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. The first question comes from the line of Rahul Veera from Abakus Asset Management. Please go ahead.

**Rahul Veera:** My question is specific to agrochemical segment with the prices of 2-4-D and Bifenthrin stabilizing now or is it in downward trajectory?

**Ankit Patel:** Yes, the prices have corrected. However, we feel now the prices has stabilized, it is not going down further. At the same time, the raw

material prices have also gone down, so that is not creating any pressure on the margins as of now.

**Rahul Veera:** Ok. How is the inventory level in the system and how is the demand shaping up in specifically from the Europe exposure perspective?

**Ankit Patel:** There is always the pipeline inventory of the raw material as well as the finished goods. So it is getting cleared slowly. So, it will be matter of probably two months or so where we'll be able to clear the old inventory and then new low priced raw material and the new selling price will be stabilized after that. As far as the demand is concerned, the demand is little bit sluggish as of now because of lot of negativity globally. But one positive thing about the agrochemical division is we are in the business of crop protecting chemical which are agrochemicals and when the whole world is talking about the food security. So the demand for the crop protection chemicals will remain stable. There will be good demand in the coming days. This situation will be there for maybe one or two quarters, but in a long run it will always be positive.

**Rahul Veera:** Ok, just one question for Chahal Sir, I wanted to understand the gap between consolidated and standalone. I believe consolidated largely has a cost of Kilburn, is that correct?

**G. S. Chahal:** It contains the depreciation of the existing plant in Kilburn. That is the only major component.

**Moderator:** Thank you. Next question comes from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

**Ayush Agarwal:** So, the last quarter you had mentioned that we had taken a shutdown in our 2,4-D capacity for maintenance purposes have we resumed production?.

**Ankit Patel:** Yes, it has very much commenced. The production has started and it is running as per the normal capacity.

**Ayush Agarwal:** Perfect. So in this quarter then what would be the Q2 FY23 revenues from chemicals other than 2,4-D in their agrochemical segment? As a as a percentage if you can mention.

**Ankit Patel:** So, 2,4-D was not completely shut down for the all the three months it was running partially. Currently, we have not segregated the separate revenue from chemicals other than 2,4-D.

**Ayush Agarwal:** OK, understood. The second question is on our new product. So there was a news article that came out that we have come out with two new products Cyfluthrin and Spiromesifen with capacity of 500 metric tons per annum for both these products. So, if you can help us understand the market size of these products where will we sell them, whether it will be in export markets, do we have registrations? What competition do we have in these products?

**Ankit Patel:** I'll just brief you about Cyfluthrin. There are two products, one is a Cyfluthrin and the second is the beta Cyfluthrin. Both are connected to each other, the key intermediate for these two products, we are already making it, so we are backward integrated. That is first thing. The second thing is that is this product is only being manufactured by one company which is a Bayer Crop Science in India. We are backward integrated and

we have targeted this product. From the registration point of view, we are already doing the registration in various markets in the North America, Latin America, some of the other markets as well and with the new product, these are relatively high value products it will help to grow further. So that is about 5%. The second product is Spiromesifen. It is also a new product in our basket which we have started the production and it is not being manufactured by any company on a regular basis in a big way. I would say only one or two companies would be making it on continuous basis. We are registering these products into various market like North America, Latin America, Asian markets, India also is a big market for this product. It is not a big market but a niche market. And again it is a relatively very high value product. So it will help to grow a in a better way in the coming days.

**Ayush Agarwal:** This is great. So if you can help us with the realization for these products individually like in the broad range are not specifically like any number within the broad range that you mentioned is either high value products, so \$30-\$40 products.

**Ankit Patel:** Even higher than that, you can say \$30 plus both the products.

**Ayush Agarwal:** And on the update, so last time you had mentioned, so I mean given that we are very close to commercializing their Capex now, can you spell out more details on these kind of products we will have in the first phase of our new Capex and anything on those lines?

**Ankit Patel:** Definitely. So as I mentioned, we are going to commence our plant in the third quarter, after Diwali. So, we plan to commission the plant

somewhere in the month of November and so slowly, gradually we have started announcing the products in the market, not just from the investor's point of view, but also from customers and the global market point of view, so that people come to know that we have come up with this kind of product. We are going to announce slowly, gradually about all the products from the investor point of view. As I mentioned, in this plant, it will be Cyfluthrin, Beta Cyfluthrin, Spiromesifen. These three products are going to be there. At the same time, we are going to expand the capacity for the Lambda-Cyhalothrin which is a key insecticide. Key pyrethroids insecticide will be one of the largest player in India. And we have got registration in various market like North America, Brazil and some of the other markets. So it will generate very good revenue in the coming quarters.

**Ayush Agarwal:** Perfect. This one final question from my end is that we have been following a lot of agrochemical companies. There is an overall sense of positivity given the China plus one but what we also see is that a lot of companies in the pyrethroids and other products are expanding the capacities by 1x and 2x, some are expanding even further. We are also expanding a lot and we see other companies also smaller companies are announcing very large expansions. So how do you navigate in these times where one side demand is also growing but supply is also growing at a much faster rate?

**Ankit Patel:** Yes. I think there are some small companies entering into this segment, as well as some of the existing companies are also expanding into pyrethroids. But pyrethroids is a very vast range of product, so the companies are coming into the old range of pyrethroids. Or rather they



are expanding the capacity in the same product. At Meghmani, we are not expanding the capacity of Cypermethrin, Permethrin. These are old products. So we are not doing any expansion in old range of pyrethroids, right. We are coming with the new range of products.

**Ayush Agarwal:** Coming into new products with relatively lesser competition in these products currently.

**Ankit Patel:** That's correct. So if I talk about the Cyfluthrin and Beta Cyfluthrin, these are also pyrethroids, right and as I mentioned, it is only being manufactured by Bayer Crop Science in India.

**Moderator:** Thank you. Next question comes from the line of Pushkar Jain from Sequent Investment. Please go ahead.

**Pushkar Jain:** There were certain articles stating that there was steep correction in TiO<sub>2</sub> prices. So the grade that we are planning to manufacture or how is the situation on the ground level ?.

**Ankit Patel:** There are two things what has happened that yes, the price has corrected because it was very high, but at the same time the input costs has also gone down. So both the things are going hand in hand at the same time. What positive thing we are listening, which it is little early to mention, but because there were few plants in the European continent and because of very high utility costs like natural gas and everything a European companies are not running at full capacity or they may shut down for a few days, so that will again spurt the demand for the titanium dioxide, so that is a positive thing and we are targeting typically Indian market and as we know the Indian market is growing in double digit for

the paint segment and similarly for the titanium dioxide. So under import substitution and Atmanirbhar Bharat it's going to be a good opportunity for us.

**Pushkar Jain:** OK. So the basically the input cost is also, I don't understand there will be a demand supply pressures, but the input prices also have corrected in a similar range.

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

**Moderator:** Thank you. Next question comes from the line of Bhavya Gandhi from Dalal and Broacha. Please go ahead.

**Bhavya Gandhi:** So I just wanted to understand what is the market potential or size of all these three modules that we mentioned and given that we're taking registrations in different markets, what are the opportunity do we have in terms of revenue for this molecule?

**Ankit Patel:** So the new products are having good opportunity into not only into Indian market but also into Latin American market like Brazil, Argentina, Mexico and US and some of the Asian markets as well. We have been doing the registration of this product in fact we started registration well in advance. So by the time our plant start we have few registration on hand. So in coming days' time when we will start, it will help us to sell the product as fast as possible into in these markets. So that is one thing and this are these products to market may not be very big but these are the product where the market size is growing. So it will help us.

**Bhavya Gandhi:** Roughly can you just quantify a market size of the three molecules like that we mentioned earlier?

**Ankit Patel:** See, these products are never individually defined as a market size product. We will announce in the market as a group of pyrethroids range product. So it is difficult to get the information from the market, from one particular product point of view.

**Bhavya Gandhi:** OK, fair enough. Maybe we group what is the market size that we are looking out for, maybe pyrethroids as a whole group.

**Ankit Patel:** So we want to be the key player into pyrethroids range with all the products. That is what our strategy. So as of now also we are one of the leading player among top three you can say. And will maintain our stance and rather will be growing in that segment.

**Bhavya Gandhi:** If we consider the pyrethroids by different market, would it be in the range of 25-26 thousand crores?

**Ankit Patel:** Yes, you can say that.

**Bhavya Gandhi:** OK, and we are present across almost maybe 80% of those molecules.

**Ankit Patel:** Now with the new product coming in, yes, we'll be catering majority of them.

**Moderator:** Thank you. Next question comes from the line of AM Lodha from Sanmati Consultants. Please go ahead.

**AM Lodha:** I have got 3-4 questions. Two questions relating to Mr. G. S. Chahal. First regarding accounts. Again, Mr. Chahal, can you tell me what is the other income components? Breakup of the other income.

**G. S. Chahal:** Sir, the other income during the quarter, majority is the foreign currency gain because the rupee has depreciated, so that has contributed around INR 21 crore and another is a dividend income which we are accruing INR 4 crore per quarter.

**AM Lodha:** Then another question why your interest income is positive despite of the debt which has increase from the INR 500 crore to INR 700 crore plus.

**G. S. Chahal:** Yes, it is a credit actually because we have got INR 6 crore of foreign currency gain. So, we have borrowing in Euro which is at the old rate of INR 89/Euro at that time. So now it has gone below INR 80/Euro. So that is the MTM gain which is coming in foreign currency loan.

**Ankit Patel:** So we when we took a disbursement at that time, it was INR 89 per Euro and now we are repaying in the range of INR 80-81 per Euro.

**AM Lodha:** So therefore the interest income has become the positive.

**G. S. Chahal:** Yes, that is correct.

**AM Lodha:** The next two questions is for Ankit. The margin in both segments are turning down which usually margins or 12% to 13% has come down to 9% something margin. In agrochemical also I noted there the margin selling this quarter in volume from the previous quarter. Can you get clarify when we can regain the old margins.

**Ankit Patel:** As I mentioned, there were certain correction in the sales price and the prices for some of our products were coming down. At the same time, the raw material prices were also coming down. Now this is a matter of one quarter or few months where the channel inventory of the raw material finished goods getting clearer. So, we hope that in the coming quarters margins in the agrochemical division should improve. At the same time for the pigment division, the global recession is playing important role. So it's going to be challenging, but we are taking all the actions where we can cut down the cost. And maintain or improve our margin into pigment division as well.

**AM Lodha:** OK, from consolidated accounts, I view the capital work in progress is INR 429 crore. How much capex we are yet to include on both project, agrochemical and pigment after 31st March 2023?

**Ankit Patel:** So for the agrochemical division, the first phase of Capex will be completed in this financial year. And so, when we announced the commencement of the first phase, we plan to announce one more Capex, so I think in the next one quarter we'll be announcing further Capex in the agrochemical division at the time of commissioning of this project at the same time for the titanium dioxide by the March 2023. For the first phase, the Capex will be over. So INR 275 Crore worth of Capex will be over in the by the March 2023.

**AM Lodha:** OK. Just I wanted to know on over and above INR 425 crore on consolidated basis which is showing as work in progress how much amount is to be spent by 31st March 2023

**G S Chahal:** In pigment, we expect to spend additional INR 100 Crores in KCL and another INR 50 crore will be in MOL, we will be spending by March 2023 in Agrochemical.

**AM Lodha:** In the overall you mean to say that, you will be adding INR 150 crores in the block, yes, in addition to INR 25 crores that comes to 175 Capex up to 31<sup>st</sup> march 2023.

**G S Chahal:** Yes. And this will get capitalize actually in KCL by December 2022.

**AM Lodha:** Everything will be capitalized as per announcement.

**G S Chahal:** Yes.

**AM Lodha:** The last question again with this borrowing. How much is the total borrowing, short term and long term of the company do you have on this stage

**G S Chahal:** Sir, as in September we have around INR 385 crore of long term debt. And INR 240 crores as the short term debt. And while we have INR 60 crores cash in hand as on 30th September 2022.

**G S Chahal** Net debt is at INR 600 crore level as on 30<sup>th</sup> September 2022.

**AM Lodha:** What RPS Meghmani Finechem has repaid INR 12 crore which I have observed from results. Including your balance, it also showing the INR 199 crore outstanding against INR 211 crores. So my point is that it is what it is send one time and we are borrowing money for this another and the second one. In the other side, we are keeping our RPS outstanding and for redemption for a longer period, duration, the INR 12

crore is small amount, it's nothing at least when does the company made earning of INR 250 crore half yearly. But unfortunately when they got their cash that should be paid. This money should be recalled by INR 100 crore per year, and in next two years it will be deployed in our business only. That is my point of view. I request the CEO to consider it. Thank you.

**Ankit Patel:**

Sure, I think, you have mentioned this in our last quarter earnings call as well. Based on that we had an internal discussion and we got the approval from the board as well. And as you rightly mentioned, out of 211 crore of RPS, INR 12 crore has been paid from Meghmani Finechem to Meghmani Organics. So it has reduced now to INR 199 crore. And, so the earlier plan was of 20 years, but it has reduced to five years now. So within five years everything will be cleared. So though it has kept five years, so we'll try to do it in advance, but from 20 years, it has been reduced to five years now.

**AM Lodha:**

What I have observed, the Capex of Meghmani Finechem is almost over. They plan to do it for their one project which will be commenced in 2024.. So, there is no point in keeping the money with Meghmani Finechem and it should make yearly payments to the Meghmani Organics. The Company should be deploying these funds in the next phase of capex instead of keeping at 8%. This is our request and our wish to the management.

**Ankit Patel:**

Thank you very much. Lodha sir and we understand your viewpoint and based on your discussion we have already started taking the action and will be working up on.

**Moderator:** Thank you. Next question comes from the line of Hrishikesh Kale, an individual investor. Please go ahead.

**Hrishikesh Kale:** So it's about the upcoming registration. Typically in macro it is predicted that next year would hit the hardest in terms of recessionary pressures in the in Europe and USA. So how would this impact our company?

**Ankit Patel:** Yes, as far as you know we have got two divisions. One is the agrochemical division other is a pigment division. So as I mentioned, in the case of agrochemical division, it is directly linked to the agriculture and the whole world today is focusing on the food security. And for the food security, every country needs to have the better yield of the crop and for that there's the consumption pattern for the agrochemical will not be impacted no matter whether there is a recession or not. There may be impact of weather, which is not in our hand, but as far as the recession is concerned for the agrochemical business, there will not be much impact. Regarding the pigment business, yes, there is the impact on the pigments business as far as the consumption is concerned from the recession. But the other application if we talk of the printing ink segment is not growing much, but the Packaging ink segment has a good demand, it is growing significantly. At the same time in the plastic master batch demand is improving for the pigments. The pigment market demand may be sluggish for one or two quarter but in a long run we are very positive. At the same time, from the growth point of view in the pigment division, our titanium dioxide plant will start in December 2022, which is mainly from the domestic market point of views and the application is into the paints which is growing into double digit, the companies like JSW and Grasim is also entering into the paint business, so you can understand the



kind of the demand and the growth in the Indian market. So titanium dioxide division, which is the part of the pigment division will drive very good growth in the coming day's time for the pigment business.

**Hrishikesh Kale:** I was asking are we short of achieving INR 3,000 crore turnover in FY23?

**Ankit Patel:** So we have already given the guideline to the investors to the tune of about INR 2,800 crore plus revenues. We'll try to achieve it.

**Moderator:** Thank you. Next question comes from the line of Kashish Gandotra, an individual investor. Please go ahead.

**Kashish Gandotra:** In the last concall if you remember. We had discussed for coming up with the revise set of guidance for FY23 and for the next three years. Whether we were able to come to any kind of conclusion.

**Ankit Patel:** Yeah. So I think Kashish we have already announced that for the FY25 will be reaching a INR 4,500 crore top line that we have already announced in the Investors Forum with a clear guideline the kind of the growth what we are assuming.

**Kashish Gandotra:** OK, fine. So, INR 4,500 crore top line which we are saying and the margins would be again in the similar kind of margins which we currently have somewhere.

**Ankit Patel:** So there will be, there may be a slight improvement in the margins as well as we are coming up with the new projects of titanium dioxide and the new products in the agrochemical division. So overall margins are also going to be good.

**Kashish Gandotra:** Got it. Just one last small questions on this Titanium dioxide which is expected to come commercialization by Q3 FY23, so approximately how much time will it take to reach 60%-70% of capacity utilization level?

**Ankit Patel:** Yeah. So we plan to commission the first phase of 16,500 ton in December 2022. So, but this is a new product in our basket as well. So there will be a few challenges to stabilize the plant as well as our customer, which are going to be mainly into the paint segment, they will also be taking some trials for approval of our titanium dioxide. So normally this process it will take to achieve 50% to 60%. I think it will take 2 to 3 quarters.

**Kashish Gandotra:** Sorry, it will take two to three months.

**Ankit Patel:** Two to three quarters to reach at 50% to 60% capacity.

**Moderator:** Thank you. Next question comes from the line of Hemant. Please go ahead.

**Hemant:** My question is regarding the presentation which you have sent and for agrochemical division, it seems like our utilization and production has come down compared to the last Q2 FY22. Our revenue has come up, but the margins have gone down. I just want to understand this please. Like all these three things fit together despite overutilization, production coming down or revenue increase in margin is coming now, is it like we had a lot of inventory beginning of this quarter or can you sort of explain like, why the partial utilization has come down to there's a margin to them.

**Ankit Patel:** So Hemantji see in this particular in the case of agrochemical division, the utilization has gone down. So basically it's the change of the product mix as we have mentioned that there we took some shut down for the maintenance for our 2,4-D plant. So in this quarter there was a little bit less utilization of the 2,4-D which is relatively low value product. So the utilization has come down, but we have tried to cover it up with some of the high value, low volume products. So you can see that the utilization has gone down, but overall revenue because of the different product mix. It has gone up.

**Hemant:** OK. So you want to say like right now the new product should be are coming up probably they had better margins and maybe better realization? So that's the reason we are able to serve improvement.

**Ankit Patel:** So the new product. It's starting phase, so normally it takes some time to stabilize the product quality and everything. So we are slowly gradually stabilizing all these new products and definitely this product will have a better margins, yes.

**Hemant:** OK. So one more question, our margin is gone down. What could be the major reason? Is it like imported raw material or locally the raw material is sort of the prices have gone up or maybe it look across the board, the raw material prices have gone up?

**Ankit Patel:** There are two factors, the sales price was under pressure as market was getting corrected, so the price were coming down very fast. At the same time, the raw material prices were also coming down. Now when this kind of the market situation is there, then for about 3-4 months there is

always some channel inventory of raw material, finished goods or work in progress material. So it takes about 3-4 month's time to get it clear, so we hope to come back to the normal margin in the agrochemical division in next couple of months. The margins will improve further and so normally when the market is good, when the prices are going up, so you get the advantage very fast. Same time when the market is going down, you need to absorb that kind of cost. So we are passing through this phase right now.

**Hemant:** I got it. Thank you. One last question, regarding the new products which we have. Do we have any registrations for exports of the new product?

**Ankit Patel:** So Hemantji, we started doing registration of this small product well in advance before few years, before two years or so. So by the time we start our plan, we have few registrations on hand. So we have already started getting registration for some of this product into different markets, so in next two year's time. We'll be getting much, many more registration for the same product. So slowly, gradually our utilization will improve for the new products.

**Moderator:** Thank you. Next question comes from the line of Deepesh Sanjaiti from Manyavar finance. Please go ahead.

**Deepesh:** The first question was what was the inventory loss in this quarter? Since the prices went down.

**Ankit Patel:** There is no inventory loss, what you are talking about because you have inventory which is a high cost inventory which is getting consumed. So

that is the impact which is coming up. Otherwise there is no loss on account of inventory.

**Deepesh:** No, I mean the inventories which was there, the finished products or the goods which were in manufacturing, they were off a higher price, right and then they were sold at a lower price. So I think whatever because of that what is the effect on this quarter's numbers?

**G S Chahal:** No, there is no MTM loss because you always had gross margin which is positive. So you have to value at cost or NRV is lower. So NRV is not lower than the cost. Sometimes there are little bit of margin decline in the market. But then there is no loss on inventory at all. I think there is some misunderstanding about this.

**Deepesh:** Right. So just because since the earlier there were some comments made on the inventory that's the reason I asked and so going ahead, what guidance should we look for the margins for agrochemicals as well as for pigments.

**Ankit Patel:** We have always been telling the industry average for the agrochemical EBITDA margin is somewhere in the range of 16% to 18% and our past record suggest we have always been above the industry average and that is what our aspiration is. Particularly in the case of pigment also on an average EBITDA margin ranges from 12% to 14%. Where we have a little bit down as far as the industry average is concerned, but the pigment industry is passing through tough phase. But with the new project coming in titanium dioxide, we hope to improve it very fast.

**Deepesh:** OK. So in this financial year, do we expect that whatever margins we have been able to get in the first half, we'll be able to maintain it in the second-half?

**Ankit Patel:** So First for the agrochemical division, we have got the EBITDA nearly yes, we should be able to maintain it.

**Deepesh:** We should be able to maintain it OK. And what about titanium dioxide, when will we achieve a full capacity and the kind of production which is planned.

**Ankit Patel:** So we hope to commission the first phase of titanium dioxide in December 2022 as mentioned earlier.

**Deepesh:** Exactly how much capacity?

**Ankit Patel:** The first phase of 16,500 tons capacity will be commissioned in December 2022 and the second phase of expansion of another 16,500 tons making it total 33,000 tons will be commissioned by Q3 FY24.

**Deepesh:** OK. And this, this 16,000 which we are planning in the next quarter, where do we have enough orders for that as in we've already spoken to companies?

**Ankit Patel:** We have already started a discussion with the customers, marketing about the product and the market is very excited that we are coming up with this product. But there will be certain approvals needed based on our titanium dioxide. The customers will be taking trial in their final product. So may be a few months. This approval will take a time. Once

the approvals will be there then there will be a rapid growth in terms of the capacity utilization.

**Deepesh:** OK, so you must have already sent a batch, I mean for approval, right?

**Ankit Patel:** So far the commercial production has not started. So without this customer doesn't approve the lab samples. They always go for the commercial production samples.

**Deepesh:** OK. And in this what do I mean since there are two types of titanium dioxide will be producing, which one will have a better margin?

**Ankit Patel:** First we are going to start with the Anatase and the second is going to be the Rutile. We will be starting with the Anatase, margin point of view, there is not much gap, but the main thing is the market size for the Rutile is much bigger than the Anatase. So ultimately, we will be targeting everything into Rutile only because the Rutile grade has got the major application compared to anatase.

**Deepesh:** You mean to say in the paint industry.

**Ankit Patel:** So both Anatase and Rutile goes into the paint. But the Rutile grade based paint is much bigger than the Anatase grade.

**Deepesh:** And in the next five years, how do we see this titanium dioxide? I mean project, do we see it growing ?

**Ankit Patel:** As a company, we are very bullish on this product and project. And as you know that the major application is into the paint segment and we are already seeing the numbers of the Asian paint and the kind of the growth

Indian paint industry is growing yet and the big company like GSW, JK Group, Grasim they are all entering into the paint segment. So it's going to be a fantastic growth story for the paints. We hope to expand in the coming years as well further.

**Deepesh:** Right. Just one last question. Meghmani Finechem recently bought a land for about INR 160 crores. We also have enough land or are we also looking at buying any land which is nearby. Any that kind of investment are we looking for?

**Ankit Patel:** So as far as the pigment division is concerned, we have got the huge land bank available at the same time we have acquired the Kilburn chemical which was already having about. 3,14,000 square meter land, which is a huge land parcel. So from the pigment point of view we have already got the good amount of land parcel. From the agrochemical point of view, again the kind of the expansion what we are doing now, the similar kind of the land or similar kind of the Capex we can do in the same campus. We have got land available in the same campus. So for the next 3-4 years, we may not need the land, but from the future point of view, we keep on buying the industrial land from the future growth journey. So any good land available, definitely we'll be buying it.

**Deepesh:** OK. And lastly a 2025, what is the sales target because our company is always given sales targets and we've achieved it quite on time. So by 2025, what sales target are we looking at?

**Ankit Patel:** We have already announced from the investor's point of view that we target to achieve INR 4,500 crore top line by FY25.



**Deepesh:** OK. I'm talking about for pigments and for agrochemicals. I mean, if you can.

**Ankit Patel:** So pigment and agrochemical put together as of last year we were at INR 2,500 crore. And so we'll be adding INR 2,000 crore revenue in next three year's time by FY25.

**Moderator:** Thank you. As there are no further questions, we have reached the end of question and answer session. I would now like to hand the conference over to Mr. Ankit Patel closing comments.

**Ankit Patel:** Thank you very much for participating in the earnings call of Meghmani Organics Limited. On behalf of Meghmani Organics Limited, I wish you a happy Diwali and a prosperous new year. Thank you very much.

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