MEGHMANI ORGANICS LIMITED

Chemistry of Success at Work

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July 29, 2022

To **National Stock Exchange of India Limited** "Exchange Plaza", Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 **SYMBOL:- MOL**	**BSE Limited** Floor- 25, P J Tower, Dalal Street, Mumbai 400 001 **Scrip Code:- 543331**

Dear Sir,

Sub.: Transcript of Earning Conference Call held on July 22, 2022 for Q1 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 July 22, 2022 wherein Q1 FY23 Financial Results were discussed.

The said transcript is also available at 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

MEGHMANI ORGANICS LIMITED AHMEDABAD

Encl.: As Above

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Meghmani Organics Limited
Earnings Conference Call
July 22, 2022

Moderator: Good evening, ladies and gentlemen. I am Lizan, the Moderator for this conference. Welcome to the Q1 FY23 Earnings Conference Call of Meghmani Organics Limited organised by Dickenson World. At this moment, all participants are in the listen-only mode. Later we will conduct a question and answer; that time, if you have a question, please press "*" then "1" on your telephone keypad. Please note that this conference is being recorded. I now hand the conference over to Ms Sonam Raghuvanshi. Thank you and over to you, Ma'am.

Sonam Raghuvanshi: Good Evening, everyone. I welcome you all to the earning call of Meghmani Organics Limited for Q1 FY23. Today, we have with us the management represented by Mr Ankit Patel (Chief Executive Officer), Mr Gurjant Singh Chahal (Chief Financial Officer) and Mr Bharat Mody (Advisor IR Strategy).

Before we start, I would like to remind you that today's remark might include forward-looking statements, and actual results may differ materially from the forward-looking statements. Any statements we make on this call today are based on our assumptions as of date, and we have no obligations to update the statement as a result of new information or any other events.

I want to invite Mr Ankit Patel – CEO, to make his opening remarks. Over to you, Sir.

Ankit Patel: Thank you, Sonam. Good afternoon, everyone, and a hot welcome to the Q1 FY2023 Earnings Call of Meghmani Organics Limited. I hope your family members are all keeping healthy, safe, and sound. We all know that Q1 FY23 was full of uncertainties caused by the Ukraine-Russia conflict, price volatility, supply chain disruption and global economic slowdowns. Despite all these turbulences, I am pleased to inform you that for Q 1FY23, the company has delivered a robust performance. Our revenue increased by 58% to 783 crores in Q1 FY23 compared to 496 crores in Q1 FY22. This robust top line is achieved with better capacity utilisation, improved volumes, and improved realisation. This demonstrates the Company's capability to withstand such volatility. Our gross profit registered a sharp improvement of 58%, reaching 345 crore and EBITDA improved by 53% to 134 crore in Q1 FY23 compared to 87 crore in Q1 FY22. Our PAT grew by 67% to 114 crore in Q1 FY23 compared to 68 crore in Q1 FY22.

On the balance sheet, the company's cash and cash equivalent stood at Rs. 150 crore, and the debt-to-equity ratio stood at 0.46. The company ROCE and ROE return ratios came strongly at

22.5% and 30.4%, respectively. All our expansion plans are on track. We expect the commercial production of our new multipurpose plant to come on stream by early Q3 FY23. We are also working on the next phase of expansion in the agrochemicals business, for which details will be finalised and shared at the right time.

As far as the pigment business is concerned, we expect to start Phase 1 of the titanium dioxide plant by Q3 FY23. The plan for doubling the capacity from 16,500 tons to 33,000 tons is expected to be completed in Q3 of FY24. All these initiatives will contribute significantly to the long-term growth of the company. Going forward, I am pleased to inform you that we are sufficiently funded for our CAPEX plan during Q1 FY22 company has finalised the term loans of Rs. 275 crores in its subsidiary Kilburn Chemicals Limited and raised an additional Rs. 150 crores of debt in Meghmani Organics Limited to fund its ongoing expansions. We all know the prolonged Ukraine conflict continues with no immediate sign of revival. This has resulted in unprecedented global impact, seen in price volatility and inflationary pressure worldwide.

As a way forward, we believe the chemical industry may pass some testing time for a few quarters. We, however, are slightly optimistic that things should normalise in the coming times. Our product mix, technical capabilities, and geographical spread and reach worldwide will be of great strength to help us despite these odds. Despite these micro factors, we have a positive outlook on our future and believe we can outperform the industry growth rate and stand firm on our performance despite all these challenges.

The company has been doing well and is consistently producing a substantial number year-on-year. We are confident that we will also sustain this solid performance in the future. We undoubtedly rely on supporting our contribution to shareholders' wealth in the coming years. With this, we would be happy to take any questions you may have. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will begin with the question-and-answer session. The first question is from the line of AM Lodha from Sanmati Consultants. Please go ahead.

AM Lodha: I have got three questions; number one relates to pigment division. Our EBITDA margin came down to 7% in the last quarter; this quarter, it improved to approximately 10% of the sales. Our average EBITDA margin was, if you take the past year, it was 13% to 15%. So, given the paint prices have come down, phenol prices are also coming down, and ammonia prices are also. So, can you tell us when we can regain our old EBITDA margin?

Ankit Patel: As you know, currently the world is passing through a lot of volatility and in this war kind of situation the prices of crude, and natural gas everything went up, and because of that the raw material prices started going up. Things gradually return to normal, but we believe they will not go to their original level. It will take some time to normalise. At the same time, the demand is also under little pressure, but we are pretty oprettystic that margins should improve in the coming quarters.

AM Lodha: I am also tracking Deepak Nitrite and Thirumalai Chemicals, and the prices of Thirumalai Chemicals paint and the phenol both are down to some 25% to 30% from the peak, so in the meanwhile, we must have passed some cost of the increase to the customer when we make increase to the customer, and the reduction in the raw material cost do not you think it should make at some point of time?

Ankit Patel: Definitely, sir, we try our level best to improve the margins, but as the raw material prices are also going down at the same time because of this recession news going on around the world because of all these negative points of view there is a pressure on the sales price as well, but we are still optimistic, and we believe that the margin should improve in the coming quarters.

AM Lodha: This margin, in our pigment division, more than 80% sales are coming from export, so can you indicate in this quarter we have maintained that tempo?

Ankit Patel: Yes, even in this quarter the export is more than 80% in both the divisions.

AM Lodha: My second question relates to foreign exchange gain, so do you have any foreign exchange gain this quarter? What is the component in the other income? Can you please tell me?

G S Chahal: In the other income, it constitutes FOREX gain which is Rs.33 crore, and that is on the receivable side in the finance cost there is a Rs. 7 crore MTM loss because we have foreign currency loans. So, net-net around Rs. 25 crore is the gains in this quarter.

AM Lodha: But your finance cost is only Rs. 9 crores and Rs. 44 lakh, and you are saying Rs. 7 crore is the loss, meaning your average finance cost is Rs. 2 crore or something?

G S Chahal: Yes, you are correct, sir, because we are borrowing in foreign currency, and our interest borrowing cost is around 2%.

AM Lodha: So, it means it is Rs. 9 crore Rs. 44 lakh interest on it has an element of Rs. 7 crore of the foreign exchange loss?

G S Chahal: Only Rs. 2.5 crore is the interest cost.

AM Lodha: This other income of Rs. 37.60 crores includes the foreign exchange gain of Rs. 33 crore?

Management: Yes, and Rs. 4 crore is another interest.

AM Lodha: The second question referred to investor presentation page 26, where we have given the sales projection of both divisions. We are projected to cross Rs. 1,000 crores in the pigment division and Rs. 2,000 crores in the agrochemical division. So, looking at the latest result declared by the company, I think it will exceed this Rs. 3,000 crore turnover in 2023 itself. Do you not believe it will be appropriate to revise the projections given the incoming agrochemical and titanium dioxide project?

Management: Before three years when we announced this kind of growth plan, people were saying that it was unrealistic and not possible to achieve, but somehow with the support and with God's grace, we have been able to achieve it, and we will revise the future growth plan as well. We are preparing it internally with our team. So, maybe in one or two months, we will change the future growth plans.

AM Lodha: My request is this given the multipurpose agrochemical plant we are doing commission in the last quarter of the second quarter and the titanium dioxide doing commission in the third quarter of this year. Then next presentation, the sales projection should be revised appropriately may be conservative, but Rs. 3,000 crores which it looks like we will be achieving this in itself?

Management: sir, we are also working internally on the next three years' projection. So, likewise, before three years, we announce the three-year plans, so we are working on the future three-year plan from the investor's point of view and will be announcing it very soon.

AM Lodha: My last question relates to dividend distribution. We had a dividend distribution policy. It was mentioned that the company would distribute 15% to 20% of the dividend yearly. This year I find the dividend distribution for that PAT below 15%.

Ankit Patel: We mentioned up to that it was up to 20%. As you know, we are doing some aggressive projects in our existing business as well as in Kilburn and what happened that in the current time when the steel, cement everything went up the project cost also was going up. So, we need to maintain our cash outflow to complete the project well within the debt-to-equity ratio, and looking at the growth plan, we have not gone aggressive into dividend payout. Still, everything is smooth once the projects are commercialised; we will review them and work accordingly.

AM Lodha: This dividend is reduced from 19% payout to 12% only. It was 17% in 2020; in 2021, it was 19%, and in 2022 it was 12% of the PAT. So, this should consistently maintain at least 15% of the PAT in any case.

Ankit Patel: Once the project starts, we will consider it.

Moderator: Thank you. We will move on to the next question, which is from the line of Raghav Soni, a Retail Investor. Please go ahead.

Raghav Soni: Can you give some light on the EBITDA margins in the future? This is in line with the previous question going forward; what type of margins are you going to see given that our EBITDA margins, especially in agrochemical, are really on a higher side, so any guidance on that?

Ankit Patel: Raghav, as you know, we have always informed the average EBITDA margin per the industry. So, typically in the agrochemical industry average EBITDA margin varies between 16% to 18%, and in the pigment industry, it goes in the range of about 13% to 14%. So, currently, the pigment division is under pressure. At the same time in the agro division sometimes we get an advantage to improvise it and this was one of the quarters where we were able to have more margins, but looking at the current situation globally, as I mentioned in my opening remarks that it is a challenging time for every company globally. The times will be pretty complex, and maintaining growth and profitability won't be easy. We have been seeing this kind of situation at the current time. However, we are still overly optimistic about retaining the growth plan and our profitability above the industry average.

Raghav Soni: The second question is on the financial assets, one of the advances extended to Meghmani Finechem. In March 2022, it was close to Rs. 223 crores, and I think that particular advance was around Rs. 210 crores, so what about the likelihood of that recovery?

G S Chahal: This is Rs. 210 crore, a redeemable preference share issued by Meghmani Finechem. As informed earlier, both the companies are in the growth phase with CAPEX plans, and this is being discussed that once the cash flow is easing out in Meghmani Finechem, this money should start flowing back to Meghmani Organics.

Moderator: Thank you. The next question is from the line of Amar Maurya from AlfAccurate Advisors Private Limited.

Amar Maurya: Sir, the first question is, in terms of the agrochemical, is it like we had expanded some of our capacity around 1,000 metric tons annually in this quarter?

Ankit Patel: These are debottlenecking, which is being done.

Management: Small debottleneck we keep on doing. These are not very big projects; our internal plant; they will be done by doing small CAPEX if we can enhance the capacity; we usually do that.

Amar Maurya: And what would be the cost for this? This would be very minimal?

Ankit Patel: These are simple minor projects not very significant.

Amar Maurya: And once this new MPP comes, how much will the capacity expand? Currently, it is around 52,000 metric tons. Let us say by Q3 we are targeting, so by Q3, what would be the annual capacity for the agrochemical?

Ankit Patel: Amar will be a multipurpose plant, so every product will have a different capacity in the plant. So, it is tough to maintain the capacity at one product level. Still, these are going to be high-value products where the capacity will go up by another about 7,000 or 8,000 tons approximately.

Management: Rather than going for a volume, I suggest you go with the production value we can generate, which will be reflected in our top line.

Amar Maurya: You are saying the realisation per se would be significantly better than what you are making today?

Ankit Patel: Well, at least it will be better.

Amar Maurya: And secondly, sir, in terms of the titanium dioxide, I mean, this is the first of its kind plant here in India and obviously, the plant has been closed for a very long time. When we say that we will commission the first phase in Q3 or Q4, are there some technical glitches or whatever it was there resolved, or are we still finalising all those things?

Ankit Patel: The moment we got the plant in our hand before that, we also knew the issues it was having with the support of the people. Now we have the people on board with us in the same plant who put up the same old plant, so they know the in and out of it. We have got the same team with us now. So, all the technicalities, whatever issues are there, we are trying to resolve as soon as possible, and it is not that easy, but yes, we are working on it. We are quite hopeful that by the Q3 end or the beginning of Q4, we should be able to commission the plant.

Amar Maurya: But for that, do you think you would require some technical collaboration? From a global player, I mean, historically, nobody has been able to make titanium dioxide in India successfully. That is the reason still this technology or this product has been untapped, and the majority has been imported, so how confident we are that we will be able to stabilise everything by Q3, Q4 and obviously after that, you have to do the technical batch test with the customers, or we have already started doing that?

Ankit Patel: Once the product is ready, the customer starts testing the products and giving us the approval. At the same time, from the technology point of view, we are already taking help from some consultants and the technology providers, which is already going on.

Amar Maurya: And let us say, sir, once the plant comes on the floor, I mean to make this plant get approved from all the key customers and to fructify into the revenue, how much time gap will it require?

Ankit Patel: So, initially depending on customer-to-customer. Usually, some of the specialised customers take about three to 6 months to approve, but it will not be like that for the first 3 to 6 months the sales will not completely grow like that. There are other applications where the approvals time is relatively faster where we can start selling the product. At the same time, we also start getting approval from various other customers, which takes more time.

Amar Maurya: So when you say anything other than paint, where it goes, sir?

Ankit Patel: There are various other applications it goes into plastic, it goes into like paint is a major, but the specialised colour like as I mentioned that if the Asian Paint is there and their quality criteria must be pretty stringent, the approval time is pretty long, but there are 100s of other small, small paint companies their approval system is much faster, so where we can keep on selling the product once it is being made.

Amar Maurya: Sir, for the first six months at least, we will operate at 50% utilisation of 16,000 metric tons?

Ankit Patel: You can say that.

Amar Maurya: And you will still make decent margins, right?

Ankit Patel: Yes, I think the margins will improve once the plant utilisation improves.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: I have three questions broadly on the agrochemical side. I was there at the AGM, and it was conducted very nicely. Our MD sir replied to all our questions, so just following up on that and building up on that. So, he mentioned that there are three main products in the Agrochem CAPEX, and since it is closing to commercialising, I think we can discuss them on the call as well because you mentioned them in the AGM. So, I think he named over Bifenthrin Alcohol, L.C Acid and Flubendiamide. So, the first question is, what are the other two products in this CAPEX?

Ankit Patel: Which are the products?

Ayush Agarwal: Bifenthrin Alcohol, L.C Acid, and Flubendiamide he mentioned the three essential products, and I think there is a total of five products, so what are the names of the other two products in this first phase of CAPEX and like we have mentioned that we will try to generate around Rs. 600 crores of revenue from this CAPEX, so how much do you think will come from selling Bifenthrin Alcohol, L.C Acid outside of the company since I think we will also consume into ordinary?

Ankit Patel: See, Bifenthrin Alcohol and L.C Acid will be ultimately captively consumption points of view. It is not going to be sold outside. The LC Acid partly we have already done commercialisation. It has a minimum capacity as of now, but we will expand in a big way something like that. Still, the critical product like Flubendiamide and Lambda-Cyhalothrin will be in the first phase of expansion, which we will start in the Q3 of FY23.

Ayush Agarwal: And what are the other two products in the list of products that we plan to buy in this 500 crores CAPEX?

Ankit Patel: As I mentioned, we would like to commercialise the project first. At that time, we will be announcing the name of the product. For the time being, we would like to keep it low profile.

Ayush Agarwal: So, my next question, given that we are significantly well established in the pyrethroids in 2,4-D, what are our plans to grow apart from pyrethroids organophosphates 2,4-D? Are new products in Phase 2 of the CAPEX entirely different from current ones?

Ankit Patel: Definitely yes, so the new multipurpose plant will have a product that will be completely different from the existing set of products. These are relatively high-value products, and few companies are manufacturing in India. It will be instead manufactured by either one or two companies in India only.

Ayush Agarwal: This is Phase 2 of the CAPEX you are saying.

Ankit Patel: No, I am talking about the first phase.

Ayush Agarwal: Phase-1 as well.

Ankit Patel: I am talking about Phase-1 only. Phase-2 we have not announced so far.

Ayush Agarwal: Of course, but I am sure you must also have products in your mind that you are expanding?

Ankit Patel: So, we mentioned in today's opening remarks we are working on Phase 2 of expansion in the agrochemical division, and probably in a couple of months, we will be announcing the detailed project.

Ayush Agarwal: My other question is, given that India is a significant player in the pyrethroids change. There are only a couple of products, I think, which are Bifenthrin and Lambda, where maybe India is not as dominant as other products, so my question on this is that apart from Meghmani, are two other listed players are also expanding in Bifenthrin and Lambda along with backward integration like us, so how does the company plan to grow in these techniques with competition growing up and given that India is already a big player in these chemicals?

Ankit Patel: The thing is, in agrochemicals, there are two things. One is very important as far as manufacturing is concerned, but at the same time, the regulations play a vital role. Until you have regulatory approval in the various market, you will not be able to sell the product. So, that is the parallel link, so over there, we are also focusing in a big way on putting more pressure on the regulatory point of view and doing the registration into various markets. So, the moment the plant is commissioned, we have the sizable market readily available with all the approvals, something like that; that is what is a differentiated factor.

Ayush Agarwal: My last question is on Flubendiamide. I was reading about the molecule, and I think it still does not have registration in the US. I believe the roll was cancelled, so I would like to understand the potential market size of Flubendiamide and do we have contracts with the MNCs we want to supply to?

Ankit Patel: We initially target Flubendiamide from the Indian market point of view. It is a vast product in India, and we are the first and only company to get a manufacturing license from the CIB. We have already started the commercial production for Flubendiamide. You can say other companies like Bayer and all they are importing. They are not manufacturing in India. So, we are the first Indian company, and as far as the export is a concern, we are working on various other markets where we can sell this product.

Moderator: Thank you. The next question is from the line of Nikhil Oswal from Finterest Capital. Please go ahead.

Nikhil Oswal: Just a couple of questions on the new capacity that we are coming up with the new project in titanium dioxide, which is going to get commissioned in Q3 of FY23, so I just wanted to know what would be the asset term for the same and how would that contribute to our top line and how are we going to ramp up the capacity?

Ankit Patel: Nikhil Ji, in the first phase we are planning to sell around Rs. 275 crore and on the top line, we are expecting around Rs. 350 crore and in the second phase, we are expanding another Rs. 325 crore and put together Rs. 600 crore investment should give around Rs. 700 crore to Rs. 750 crore of the top line.

Nikhil Oswal: What margins do we do on the titanium dioxide?

Ankit Patel: It is EBITDA lucrative product. We see around 22% plus margins in this product.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first set of questions is on the agrochemical business, so if you can talk about these three, four products Bifenthrin, Cypermethrin, Lambda Cyhalothrin, what is our market share currently I believe you would have taken more market and if you can talk about what is the market size also in these three, four products?

Ankit Patel: Aman Ji, it would be difficult because these are called synthetic pyrethroids products. So, the product-wise market is challenging to get an idea point, but India is a leading player in synthetic pyrethroids. Globally if we look at thethetic pyrethroids, we are among the top three players in manufacturing. These are relatively insecticides compared to organophosphate insecticides and Neonicotinoid insecticides, and the shelf life of these products are relatively high. So, these are long-life insecticides, and we are pretty strong in it with the fully backward integration, so it is still driving significant revenue growth for Meghmani.

Aman Vij: It is not the market size; what is our capacity if you can talk about the same and utilisation levels in these products?

Ankit Patel: This product' varies between 80% to 85%. As far as the capacity product-wise is concerned, I am sorry we would not be able to disclose that.

Aman Vij: If you can talk about the capacities of the whole group of pyrethroids, what is the capacity there for us?

Ankit Patel: In our total capacity for agro division, the herbicide is around 21,600, and the balance is these products.

Aman Vij: On the contribution part in the AGM, you had talked about we are targeting almost 40% sales from two products itself because we will be backward integrating that, so to get the context right, what was the contribution of these two products in FY22?

Ankit Patel: Which two projects?

Aman Vij: Bifenthrin and Lambda-Cyhalothrin are I think targeting like 40% of this?

Ankit Patel: So, the Bifenthrin we can say out of the agrochemical. The total revenue was about 20%.

Aman Vij: And Lambda?

Ankit Patel: Both put together.

Aman Vij: So, we are targeting to make it more than double because the agrochemical sales will grow, is my understanding correct?

Ankit Patel: Correct.

Aman Vij: Next is on the Flubendiamide market, so I was looking at some numbers, so $200 million was I think the global market sir was talking about we are targeting India first, so if you can talk about what is the India market currently?

Ankit Patel: The Indian market for this product because there are various formulations for it, but if I tell you the brief idea it is in terms of the technical quantity it would be about 300 to 350 tons, import is happening. Now, these companies are multinational companies like Bayer and all. So, typically their margins their prices are very high. So, the moment it is manufactured by Indian companies slowly, the market gradually increases because the prices go down. After all, competition point of view, at the same time, the manufacturing cost is lower compared to the import and the market keeps on expanding in that manner. So, we believe the current volume there should double in the next three years, and it is a very high-value product.

Aman Vij: And can you talk about the current price offset by the MNCs to get a rough idea?

Ankit Patel: We offer technical products; currently, everyone sells only in their brand business and dealer distribution network.

Aman Vij: Next question is on the geographical side. We have taken many steps to increase our presence in Latin and other geographies. So, broadly out of, say, Rs. 1,700 crore sales that we did last year, what is the rough breakup between Europe, the US, and Latin?

Ankit Patel: Europe is negligible; Europe is not significant for us as far as agrochemicals are concerned. For us, other markets like North America and Latin America put together nearly 40%. Asia and Africa are again about 40% and some other markets.

Aman Vij: And going forward, sir, for this quarter and coming quarters, where are we seeing the maximum growth from these areas?

Ankit Patel: Normally, we cannot look at this growth from quarter to quarter, from continent to continent, because, depending on the season, it will keep on varying. So, it usually should be looked at from the annual basis point of view. So, on an annualised basis, this remains more or less constant. Still, yes US, North America and Latin America are extensive territories, and the future also will be growing in that area in a big way.

Aman Vij: My final question is on the pricing of a couple of our products, so I believe last one, two years the prices of many products are up quite a lot if you can talk about the pricing trend that we see as of today is it down by 10%, 20% compared to the last couple of quarters is it still very high and where do you see by the end of FY22 the pricing of our main products?

Ankit Patel: Again, it varies a lot in this current global situation when the dynamics are changing very fast, but it has started coming down for sure so far, it has gone down by nearly 15% to 20%, and if raw material still goes down then yes there will be pressure on the selling price as well.

Aman Vij: One final question on the 2,4-D side is the current utilisation level?

Ankit Patel: About 70%, 75%.

Aman Vij: And do we expect the next couple of quarters to ramp up it to 80% or 85%?

Ankit Patel: We usually run our plant at 80% and 85% capacity, but sometimes these are high maintenance-oriented plants. So, when the markets were good. We were running at full capacity, but when the markets are down, we also make sure that we take the maintenance shutdown so that w we can take advantage of the production when the markets are good. So, we believe that this year it should be about 70%, 75%.

Aman Vij: For the 2,4-D part rest remaining part maybe expect higher utilisation levels?

Ankit Patel: Yes.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from SiMPL. Please go ahead.

Viraj Kacharia: What is your price versus volume mix for the agro chem business in the quarter, the growth you have seen year-on-year?

Ankit Patel: This quarter, the volume growth is nearly 40% this year, and the value growth is almost 30%.

Viraj Kacharia: The second question is where you talked about us looking to go for 20% of revenues in Agchem for the two products 40%, so one is Cyhalothrin, the other I didn't get the name?

Ankit Patel: Viraj, It is not like it will become 20 to 40 while our overall basket in the agrochemical division is also growing. So, yes, volume-wise, these two products will have significant growth, but at the same time, other products will also increase. So, I think it may be in the range of about 25%.

Viraj Kacharia: No, I am just trying to understand which two products are these. Can you repeat?

Ankit Patel: Bifenthrin and Lambda Cyhalothrin.

Viraj Kacharia: And basically, what I was trying to understand is what is driving this increase in growth in these two molecules; why I am asking is because these are mainly synthetic, and everyone in the industry, especially in India, is expanding capacity manifold, so just trying to understand what is driving this demand and especially for?

Ankit Patel: One of the significant factors, synthetic pyrethroids are relatively safe than other insecticides. Organophosphate products like chlorpyrifos are slowly getting banned in various countries. At the same time, the application is also going down as it is producing. In other Neonicotinoids like imidacloprid and acetamiprid, these are also going down. So, these synthetic pyrethroids products will replace them somewhere down the line. At the same time, these products work very well in combination with various other insecticides' new chemistry. So, these are relatively old products, not very old ones, but they work well in combination. That is where the growth is happening.

Viraj Kacharia: Currently 30% prices which we talk about how are you seeing the overall price environment right now, can you throw some perspective of this 30% is driven by what and how are you seeing the overall price environment in coming months?

Ankit Patel: The prices are under pressure for sure globally because of the demand and the new negative news about the recession everything is impacting the price. At the same time, the raw material prices are also going down. So, we believe there will be pressure on the sales price.

Viraj Kacharia: One of our competitors in the local market, which makes some of these products which we are expanding, are facing issues and other capacities issues they have, so are we seeing any benefit of that to us in Q1 or probably in Q2?

Ankit Patel: Agrochemical industry is a small industry. So, usually, some players face a problem; we do not consider it an opportunity; we work as a family, we support them, and because we understand the kind of problem they are facing, and we understand the criticality involved with it. So, I am sorry to say that, but it is not an opportunistic situation. This market plays in that manner, but we usually do not act like we have an opportunity.

Moderator: Thank you. The next question is from the line of Vimal Panchal from Vimal Panchal and Associates. Please go ahead.

Vimal Panchal: So, my question is that in the opening remarks, you said you finalised the term loan. I want to know what is the salient feature of this term loan, like the rate of interest and durations, and by doing this term loan, what would be our forward debt-to-equity ratio with only one question?

G S Chahal: We have taken Rs. 150 crore of debt in foreign currency. Hence, we have a mix of Euro as well as dollar and also fixed and variable rate, and the average rate is below 2% p.a., so this is which we have taken Rs. 150 crore and you might have seen our cash and bank balance, Rs. 150 crores we have not fully utilized and parked in the fixed deposit at the rate of 5.95%. It will be drawn as and when paid to the suppliers, as per the RBI guidelines. So, term loans are disbursed directly to the suppliers.

Vimal Panchal: And duration?

G S Chahal: Duration is five years in MOL.

Vimal Panchal: And forward-looking debt-to-equity ratio based on this loan?

G S Chahal: Yes, the debt-to-equity as of now is 0.46, and as a standalone, we have given guidance that it should remain around 0.5.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: How is the current demand situation, particularly in the export markets in the agrochemical sector?

Ankit Patel: Currently, in the export market, as I mentioned, there is a lot of negativity about the global market, with the media talking about recession and inflation and everything. So, cautiously every customer will ensure they do not have a high inventory. At the same time, the raw material prices are also going down. So, they understand the sales price also kept on going down slowly, slowly. So, people who used to buy in a volume to make contracts in this current situation, that is not happening. They believe judiciously per the requirement, but we consider this a very positive thing because typically, you do not see the heavy inventory building up at the customer level. So, there will be continuous small demand that will keep on happening. At the same time, what is happening in the whole world, every country is making sure that food security is the most important thing: every country wants its farmers and people to grow more crops, cereals, vegetables, grains, and everything. To have a better yield, you need to have a; you need better fertiliser and better agrochemicals. So, the consumption will be there, but at the same time, it will happen judiciously slowly, gradually as per the need, which is a positive thing.

Anurag Patil: Sir, how is the season progressing on the domestic side?

Ankit Patel: Yes, domestic Anurag Ji, as you know, the monsoon is being picked up very well in specific markets. There has been a good amount of rain. There are some patches where the rain has impacted certain parts of UP and Bihar, but otherwise, overall rain is good. There has been a positive remark in the market, and the demand has also started picking up in the domestic market.

Moderator: Thank you. The next question is from the line of Amit Vora from Dr Amit Vora's Homeopathic clinic. Please go ahead.

Amit Vora: My question is regarding the top line; how much of this multipurpose project will add to the top line this year and next year at total capacity?

Ankit Patel: This year, as you know, we will commission in Q3 ; we will not have a full year of operation. Typically, there will be some teething troubles as expected in the initial period, but we believe in the next year, where there will be a full year of operation, we should be able to utilise the plant to the tune of about 60% in the first year.

Amit Vora: How much will that add to the top lines with this in terms of sales?

Ankit Patel: 60% should add nearly Rs. 300 crores to Rs. 350 crores of the topline.

Amit Vora: For a multipurpose project?

Ankit Patel: Yes.

Amit Vora: In FY24, but nothing in FY23 possible?

Ankit Patel: FY23, yes, definitely there will be some revenue, no doubt about it, but not significant.

Amit Vora: And from titanium dioxide in FY23 and FY24?

Ankit Patel: Again, in FY23, we will commission the plant at the end of Q3 and the beginning of Q4. So, again there will be very few days left in the financial year. So, typically we will have a full year of operation in FY24, where we expect to generate nearly Rs. 250 to Rs. 300 crores.

Amit Vora: So, Rs. 250 crores, Rs. 300 crores for titanium oxide next year FY24?

Ankit Patel: Yes.

Moderator: Thank you. The next question is from the line of AM Lodha from Sanmati Consultants. Please go ahead.

AM Lodha: One follow-up question can you tell me the total ratio of balance at the end of the quarter from outside India?

Ankit Patel: The receivable from the export markets, yes.

AM Lodha: Can you tell me approximately what was the dollar rupee rate on the 30th of June?

Ankit Patel: 30th June rate was around 79.

Moderator: Thank you. The next question is from the line of Amar Maurya from AlfAccurate Advisors Private Limited.

Amar Maurya: Just one clarification as you said that the titanium dioxide plant will commission by the end of, letting us say starting of Q4 or end of Q3, so total CAPEX would be like now Rs. 450 crores which we paid for acquiring Kilbandplus the Rs. 350 crores which we are doing for Phase-1?

Ankit Patel: Total is Rs. 600 crores, Phase-1 is Rs. 275 crores which includes Rs. 125 crore upfront payment of acquisition cost.

Amar Maurya: Total is Rs. 600 crores, so basically Phase-1 include Rs. 125 crores which we had paid for acquiring?

Ankit Patel: Yes Rs. 125 crores was included in that.

Amar Maurya: And secondly, as you indicated that Rs. 350 crores to Rs. 300 crores are expected for titanium dioxide in FY 24; at what utilisation, sir, are we expecting this?

Ankit Patel: We will have a half capacity in the Phase-1 16,500 tons. We believe that if we run at about 80% capacity, we should be able to generate this.

Amar Maurya: So, we are broadly confident like on that numbers?

Ankit Patel: At the same time, what will happen that in the Phase-2 expansion which is happening will also have the fourth quarter the Phase-2 which is commissioning in the Q3 of FY24 so which will give us one quarter from the additional capacity.

Amar Maurya: And broad realisation for titanium dioxide would be, sir, what Rs. 300 Crores?

Ankit Patel: About Rs. 250 Crores.

Moderator: Thank you. The next question is from the line of Gaurav Shah from Harshad Gandhi Securities. Please go ahead.

Gaurav Shah: My question is on the inventory gains, so have you booked any inventory gains this quarter?

Ankit Patel: No inventory gain.

Gaurav Shah: Because in the P&L, if you talk about the consolidated P&L, there is some amount called Rs. 4,546 crore on the changing inventory valuation?

GS Chahal: Change in inventory is difference of opening and closing inventory and what is remained in process.

Gaurav Shah: Nothing on the inventory gain sort of structure?

GS Chahal: No, we are not in a petrochemical. There is no gain as such.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: I have one question in the annual report this time; the company has mentioned the volume data, so when we look from here FY16 to FY20, our volume was in the range of 16,000 to

18,000 agrochemical,l and then FY21 and FY22, it is one reason could be 2,4-D, but I do not think 2,4-D maybe contributed whole of it, so what could be the other reason for one volume staying stagnant for those four years and then maybe massive growth coming in for the company for the next two years?

Ankit Patel: Ayush Ji, as you know, in the last year we expanded, we commissioned two plans; one was the formulation plan and the 2,4-D plan. So, this group has main factors from the capacity expansion point of view and some other products also we have done small debottleneck so over there also has been an increase in the capacity.

Ayush Agarwal: And what was the reason that volumes were stagnant for four years between FY16 to FY20 any particular reason?

Ankit Patel: So, from FY16 to FY20, we did not do any significant CAPEX for their capacity expansion point of view. We were in the transition phase where things were moving, and regulatory approvals we were getting for various markets. So, we stabilise everything, and once everything becomes stable from all perspectives, we will start doing a lot of other CAPEX.

Moderator: Thank you. The next question is from the line of Dipesh from Manya Finance. Please go ahead.

Dipesh: A couple of questions from my side. Firstly with the prices of raw materials and our product prices also coming down, will we still be able to maintain the margins of 20% to 25% in agrochemicals and in pigments?

Ankit Patel: As I mentioned earlier, the average for the agrochemical sector is typically about 16% to 18% and for the pigment is about 13% to14%. Though we have been above the industry average for the agrochemical industry, and we always try to do better, there is no doubt about it. Still, many challenges are coming in the current situation from the global market point of view. So, there is no surety whether we will be able to maintain the same profitability. Still, we are optimistic about being above the industry average.

Dipesh: And one more thing, there is wide fluctuation and any of the prices of the raw material of the product prices so that we can at least gaze how much sales margins we can make?

Ankit Patel: So, as of now, there is not much very high variation, but in the future, you never know.

Dipesh: In a roadmap, we have mentioned about 1,000 crores for pigments and 2,000 crores of agro. I think we will do it by FY23 the way you are going, so do you want to revise your roadmap also? What will be the roadmap by FY24 for titanium dioxide? I heard you said about 250 crores, but your investor presentation mentions about 1,000 crores that are 350 plus 750, about 1,100 crores by FY24, so could you throw more light on it?

Ankit Patel: Pigment Rs. 1,000 crore and Rs. 2,000 crores were mentioned for agrochemical.

Dipesh: We can do it in FY23, so do you want to revise it? I mean, do you want to increase?

Ankit Patel: Yes, definitely somehow; I think we will be able to achieve it before we target FY24, so we are working on the new target for the three-year plans, and once everything is finalised internally, we will be announcing and putting in the public forum for the investor point of view.

Dipesh: You still maintain thereabout Rs. 250 crores of sales you will do for titanium dioxide?

Ankit Patel: FY24 will be the first phase of the operation, and in FY25, we will have the first phase and the second phase both together, and this is going to be the first of its kind for that where there is a new product for us, technology is going to be unique. So, we are keeping it a little bit cautious. So, if everything goes smooth, the numbers can improve.

Dipesh: I think the investor presentation mentioned that FY23 Q3 would be getting the first phase, and FY24 Q3 will be getting the second.

Ankit Patel: In FY23, what will happen? The plant will be commissioned by the end of Q3 beginning of Q4 of FY23, so we will not have a full year of operation even for the first phase. We will have a full year of operation in the FY24 for the first phase; 16,500 tons.

Dipesh: FY25, will we be able to get that kind of a sales number?

Ankit Patel: Correct, and another 16,500 tons, a second phase, will be commissioned in the Q3 of FY24. So, with both the capacities put together, it will be 33,000 tons, so that we will have a full year of operation in FY25.

Dipesh: And just the last question from my side, what is the impact of this rupee depreciation on our realisation first of all and also the foreign currency debt which you have taken, are we adequately hedged, and what will be the impact if the rupee goes from letting us say 82 this is maximum of our realisations come from exports?

GSChahal: In response to the earlier question, we mentioned around 33 crore is the foreign currency gain on the receivable side, and seven crore is the MTM loss on foreign currency borrowings.

Dipesh: So, we do not see any significant impact. Is there any depreciation it will be better for the company only?

Ankit Patel: Yes, because exports are higher ,with short-term loan and long-term loan in foreign currency plus the imports, we have almost 55% to 60% hedged as a natural hedge.

Dipesh: So, we are not hedging the currency our hedging policy does not mention that.

GSChahal: I would say no because it is an increasing trend.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Sir, I wanted to understand whether this titanium dioxide we are planning the raw materials will be imported or will we procure it indigenously?

Ankit Patel: We are going to import it.

Akshay Kothari: Both aluminite ore and sulfuric acid?

Ankit Patel: Aluminite ore will be imported, and sulfuric acid is abundantly available in the industrial area in Dahej, where we are located. So, we will have both options. If the dynamics are there from the import point of view, we can also have an import parcel; otherwise, sulfuric acid is abundantly available in the local market.

Akshay Kothari: And this aluminite ore from which countries we would be importing?

Ankit Patel: There are various countries.

Akshay Kothari: Currently, around 80% of the demand is fulfilled by import, so which country is the main where we import and where the Indian market is importing it from?

Ankita Patel: You mean titanium oxide or….

Akshay Kothari: Titanium dioxide the product?

Ankit Patel: Titanium dioxide is again coming from various markets in China and Europe. So, it is not just coming from one market.

Akshay Kothari: And lastly, there are two grades, so both of them, is there some premiumisation on one of the grades and which grades are we going to produce?

Ankit Patel: There are two grades, Anatase and Rutile. Apart from the better realisation point of view and application-wise, the Rutile grade is much more significant in application other than the Anatase grade. So, the volume is a more substantial in Rutile grade than Anatase. So, ultimately, we will be going for the Rutile grade only. So, we will start with the Anatase grade and then go for the Rutile grade.

Akshay Kothari: And to understand, because I am a little bit new to this industry in the paints and coatings, what percentage of their total cost would be titanium dioxide used or as a percentage of RMC?

Ankit Patel: That would be the great secret the paint industry would not be sharing with us.

Moderator: Thank you. The next question is from the line of Dixit Doshi from White Stone Financial Advisors Private Limited.

Dixit Doshi: Just one question what is the current debt after availing this Rs. 150 crore? And let us say the CAPEX are over the multipurpose plant and even the titanium dioxide; what would be our total debt?

GSChahal: Our long-term debt is Rs. 410 crore as gross debt, out of which Rs. 150 crore is lying in cash, which we have not drawn. So, net debt is Rs. 260 crore long-term debt and we have got sanction of Rs. 275 crore long-term debt in Kilburn Chemicals where we expect by the year-end, we should be utilising around Rs. 100 to Rs. 125 crores and debt to equity should be less than 0.5.

Dixit Doshi: And how much would be the short-term debt?

Ankit Patel: Short-term debt we have around Rs. 300 crores of sanctioned in working capital.

Dixit Doshi: And blended all that, what would be our cost of debt?

GSChahal: Our borrowing cost ranges from 2% to 2.5%.

Moderator: Thank you. The next question is from the line of Hemant from Rajeshwar Capital. Please go ahead.

Hemant: So, looking at the current scenario and demand softening, can we expect similar momentum for this quarter, maybe a quarter going forward?

Ankit Patel: It is going to be very difficult in this market condition to predict, but the days are challenging for the first, second, and third quarters for sure and we are working very closely looking at the market condition so that we make sure that we maintain the good amount of growth and comfortability, but it is not going to be very good.

Hemant: But can it not be offset with the new capacity additions like the drop in the revenues, which would come as price erosion and at the same time also the pigment division improvising at the same time?

Ankit Patel: Definitely yes, so with the new expansion and the kind of technical capability and the geographic spread we have, we will ensure that we maintain a good amount of growth.

Hemant: And sir, secondly, I see the promoter holding is going down from like holding as on September 2021 was 51% that has come down to 49.2%, but I do not see a notification in the exchanges, so could you give us some clarity on that?

GSChahal: No, there is no change or reduction only thing that has happened is we were listed on the Singapore Stock Exchange, so that is the float of around 4.5%, which has come into the Indian market and is in the public domain. So, earlier, it was in the form of SDR Singapore Depository Receipts and not equity shares, so those are not counted in the total equity. So, now in total equity, those SDRs converted into equity have come. So, proportionately you can see it looks like there is a reduction, but there is no per se reduction in the case of promoter shareholding.

Hemant: Like our, Chairman had said that there is no target. We are going to achieve about 4,500 crores by FY25 and EBITDA of 675 crores, so can you give us some guidance like how you plan to achieve it because right now we are doing say about trailing 2,700 crores. So, another like 1,800, 1,900 crores and the price erosion might happen from now onwards?

Ankit Patel: There are two things. As you know, we are doing a lot of CAPEX. We will commission the multipurpose plant in the agrochemical division, which, on a full year of operational basis, can generate revenue of about Rs. 600 crores to Rs. 700 crores. At the same time, we are doing the CAPEX in Kilburn for the titanium dioxide, which also, on the entire year of operation basis, we will generate about Rs. 700 crores. So, only this two put together will generate nearly Rs. 1,400 crores plus revenue. So, you can understand with this we will be reaching almost Rs. 4,000 crores plus and with the existing plants by doing minor debottlenecks and some other CAPEX we will be growing to Rs. 4,500 crores.

Moderator: Thank you. The next question is from the line of Amar Maurya from AlfAccurate Advisors Private Limited.

Amar Maurya: Sir, how many employees do we need to add more to this multiple-purpose plant and this titanium dioxide plant?

Ankit Patel: For the titanium dioxide plant to run at total capacity, we will need about 225 to 250 people. We already have about 55 people on board with us for the titanium oxide balance we will be adding as per the need and as we will be going for the operation. Same way, for the multipurpose plant of the agrochemical division, we will need about 325 people; out of 325 people, we already have about75 people on board.

Amar Maurya: So, approximately, I mean around 600 people would be added, let us say, in 24?

Ankit Patel: Yes, you can say that.

Amar Maurya: I mean, and this would start by Q1 or Q2 because you will be running at, let us say, legitimate utilisation by that time?

Ankit Patel: Yes.

Amar Maurya: Average cost of an employee would be around Rs. 10 lakh, Rs. 11 lakh?

Ankit Patel: No, not that much it will be lower than that.

Amar Maurya: Around half of that?

Ankit Patel: You can say above six lakhs.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Sir, on the multipurpose plant for FY24, will we be running at total capacity?

Ankit Patel: We will not be running at total capacity in FY24. We will be running at about 60% capacity.

Aman Vij: So, we think we can get around Rs. 350 crores in FY24?

Ankit Patel: Correct.

Aman Vij: Sir, when we talk about, we will be commercialising in Q3, but if we look at the products, we have already launched many of them LC Acids you have spoken about Flubendiamide also, so what is the actual launch that is going to happen?

Ankit Patel: We have a strategy internally whenever we do any CAPEX; we start in advance with marketing because the moment you start the plant, if you start approaching the customer at that time, you will be delayed. So, we need to start creating some seed marketing before starting the plant, which is what we have been doing. So, otherwise, it is difficult with this kind of specialised product to go for the plant utilisation in the first year itself at about 60% plus it is difficult.

Aman Vij: On the debt repayment plan, what is the debt repayment plan for FY23 and '24?

GSChahal: Annual term loan repayment is around 71 crores this year; next year, it should be another Rs. 20 crores will get added, so Rs. 90 crores.

Aman Vij: Sir, you had talked about the pre-cash flow of Rs. 150 crores and Rs. 300 crores for the next one, two years relatively, so this will be the operation part you are talking about, or this is after we take into account this CAPEX and debt repayment.

GS Chahal: After considering all.

Aman Vij: After you exclude this debt repayment and all those things?

GS Chahal: Yes, that repayment and all that.

Aman Vij: Not operating cash, good operating money will be much higher?

GS Chahal: From the operating leverage, it will be higher. We are offering net free cash flow.

Aman Vij: The number was relatively high. That is why I understood the clarification. Despite the CAPEX we are doing, we still expect 150 crores of free cash flow this year, so that was free cash flow?

GS Chahal: As we mentioned, you will also be generating the revenue and cash flow from that project once we capitalise. So, as we did in 21, the new 2,4D and formulation is adding revenue in 2023; last year, it was added. So, in the same way, this year, we will be commissioning these two new ones to add cash flow. So, sequentially it will be that. So, a new project for that term loan has been taken will add to the cash flow.

Aman Vij: This year, you have talked about Rs. 150 crores or is it for next year?

GS Chahal: 2023 Rs. 150 Crore.

Aman Vij: Sir, for the agrochemical division, out of Rs. 560 crore sales we did, what was the mix of pyrethroids, 2,4-D and organophosphate in these three sub-segments?

Ankit Patel: These are the three put together so that we will cover them. 2,4-D is around 20% to 22%.

Aman Vij: And pyrethroids will be like 60%, 65% like full year last year?

Ankit Patel: You can say that.

Aman Vij: And organ will be around 10%, 12%.

Ankit Patel: Yes.

Aman Vij: For Q1, also, the question was that?

Ankit Patel: Correct, yes.

Aman Vij: And any segment which is growing faster than the other?

Ankit Patel: In this quarter, it has not been changed, but the pyrethroids segment will probably increase in the next year.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.

Bhavya Gandhi: Sir, I just wanted to know our backward level of integration for critical products, so we go up to N minus what level for our essential products?

Ankit Patel: We are backwards integrated for most of our products. So, whenever we see a suitable volume in critical products, we always go for the….

Bhavya Gandhi: Sir, we also have a China competition for Bifenthrin products. So, once China starts ruling its products, do we face competition issues?

Ankit Patel: Even though China is there today, it is not like they are not counting you. They are giving you….

Bhavya Gandhi: We are facing supply constraints. Are there from China right now?

Ankit Patel: No, there is no supply constraint from China. China has had a COVID wave, but its manufacturing plants are still running. There is no issue as such. The supply is there maybe a few days here and there; otherwise, no major issue. So, there is competition from China, and we make sure that we are competitive and on par with China to sell the product to China.

Bhavya Gandhi: And for chlorpyrifos which is the nearest substitute in pyrethroids?

Ankit Patel: It is not precisely subsidiary in chlorpyrifos, I would say, but you know the new chemistries are coming, and old chemistries are being used as a combination. So, pyrethroids are relatively we see it is safe products, and they are constantly being used in combination with various other new chemicals. So, you cannot say that pyrethroids products are entirely replacing chlorpyrifos.

Bhavya Gandhi: So, I just wanted to know which is the nearest product, say, for instance, if that gets banned, which is the most comparable product even if it is not in pyrethroids, but in any other compound which can be replaced?

Ankit Patel: So, usually, what happens in the multinational companies they know that this product will be banned. So always make sure that to replace that product, they have some product available in their basket, which is a patented product. So, there are few patented products available in the multinational product basket, and the market is in such a way that it will replace the chlorpyrifos.

Bhavya Gandhi: So, we do not see any. What do you say revenue impact or revenue growth we took banning organophosphates or older chemistry getting vein off?

Ankit Patel: There will be no direct impact, but the indirect impact will be there.

Bhavya Gandhi: What sort of indirect impact?

Ankit Patel: How can I explain to you? These are highly technical things, so it will be difficult for me to explain over the phone, depending on the insect and the kind of action each product has. I am sorry, Bhavya, I will not be able to explain to you because of technicalities.

Bhavya Gandhi: Sir, we have zero liquid discharge for all our plants, or how is it?

Ankit Patel: No, we do not have any zero liquid discharge plant. Discharge is a myth, but people say we will have a zero liquid discharge, but it is one of the most viable options, and by doing zero liquid discharge, you are converting affluent from one term to another. You need an insulator and multi-effect operator for zero liquid discharge to restore your water effluent from air pollution. So, one way to another way you are doing the breakdown. So, scientifically there has been a lot of representation done at the environment as the ministry of environment and all our plants have got a liquid discharge, they do not go for any zero liquid discharge.

Bhavya Gandhi: Broadly, I was searching on Google it showed that pyrethroids' total global market is only 26,000 odd crores in Indian rupees, so I see a lot of other players also coming up with Lambda-Cyhalothrin, Bifenthrin, so where is the demand coming from so, I know it is a repeat question, but if you could throw some light because with a small market and where is this demand coming from and if everybody is rushing in for this product?

Ankit Patel: What happens basically? Some other players are entering this product. They see that in India, it is typically a trend. If some company is doing good, people try to copy it, which creates a problem with the company you were considering entering into Lambda, Bifenthrin. They are not going to be backward integrated. They will buy the raw material from China, and in our case, we are differentiating compared them; differently treating ourselves, we will be backward integrated. At the same time, we ensure that we do not buy a single raw material for those products from China. So, that is the kind of ward integration we will do. So, that would differentiate us from the other players.

Bhavya Gandhi: One last question is that other companies in India are fully backwards integrated into pyrethroids, so how do we compete when it comes to selling products against those companies' products?

Ankit Patel: In pyrethroids, companies are backwards integrated, no doubt about it, but which product. They have backwards integrated Bifenthrin. They are not back integrated for Bifenthrin and Lambda. Bifenthrin and Lambda Cyhalothrin are also pyrethroids, but they do not have any intermediate for Bifenthrin and Lambda, which they manufacture. We are the only company that has started LCAcid, Lambda-Cyhalothric Acid in India.

Bhavya Gandhi: And do we have any commodity impact? For example, can we keep a margin constant even if the prices or realisations drop? So, is there any methodology to keep our margins intact?

Ankit Patel: It is challenging, no doubt about it, but we are technical people, and we make sure that with our expertise, we try to always have a better margin compared to an industry that is what our internal target is, but sometimes market conditions work in that manner. So, rather than comparing on a quarter-to-quarter basis, we always get it yearly. On an annualised basis, we tried to have better margins than the industry average.

Moderator: Thank you. Ladies and gentlemen, that was our last question. I now hand the conference over to Mr Ankit Patel – CEO, to make his closing comments.

Ankit Patel: Thank you, everyone, for your valuable time in joining the conference call, and we are very hopeful of driving the company's growth in the coming days. Thank you very much once again for participating in the concall.

Moderator: Thank you. Ladies and gentlemen, on behalf of Meghmani Organics Limited, this conference call concludes. Thank you for joining us, and you may now disconnect your lines. Thank you.