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Meghmani Organics Limited (MOL)

Q3 FY19 Results Presentation

February 2019

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Q3 FY19 Results Update



About Us



Business Overview



Strategy & Outlook

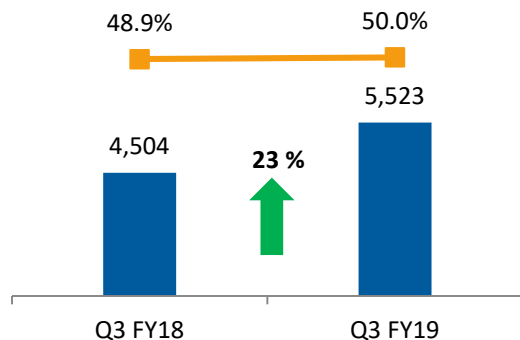


Financial Overview

Q3 & 9M FY19 Results: Key Highlights

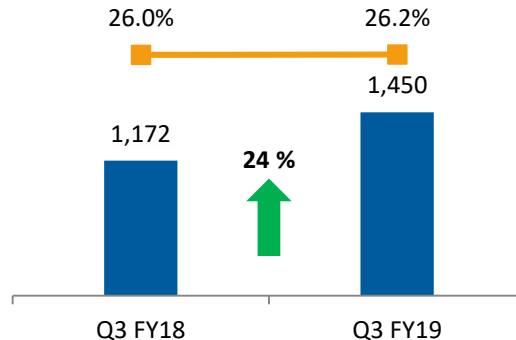
Rs Mn

Revenues & Gross Margin

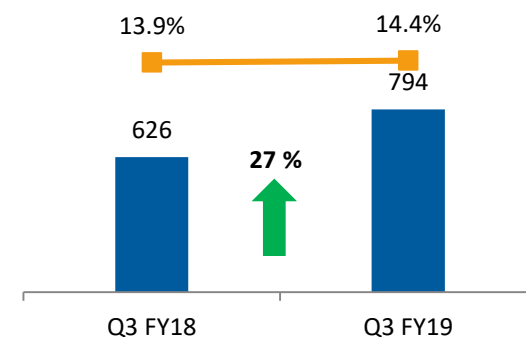


Q3 FY19 YoY Analysis

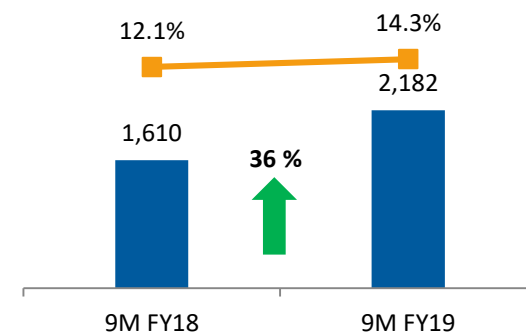
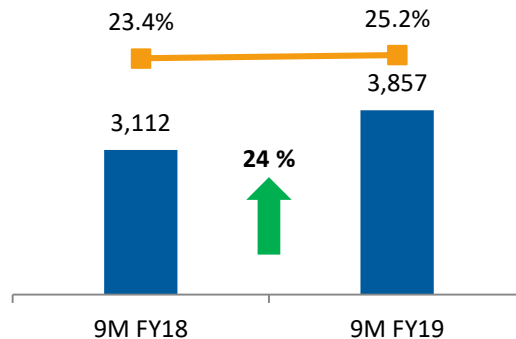
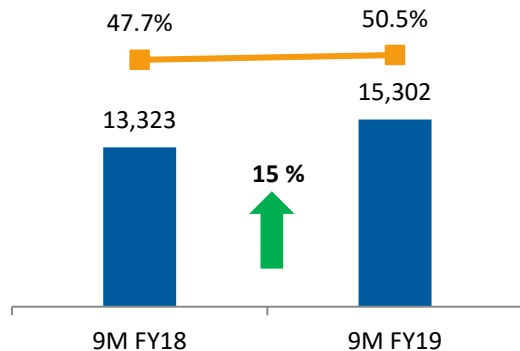
EBITDA & EBITDA Margin



PAT & PAT Margin



9M FY19 YoY Analysis

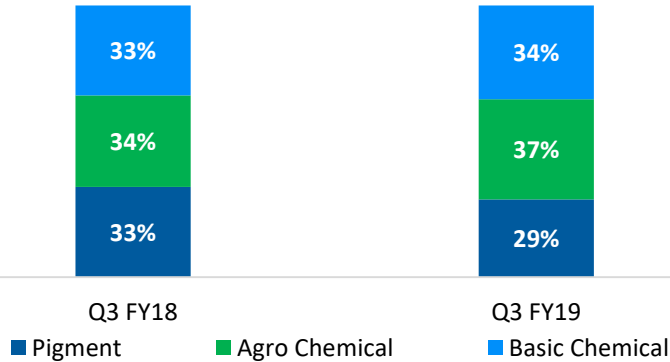


Q3 & 9M FY19 Results: Revenue Analysis

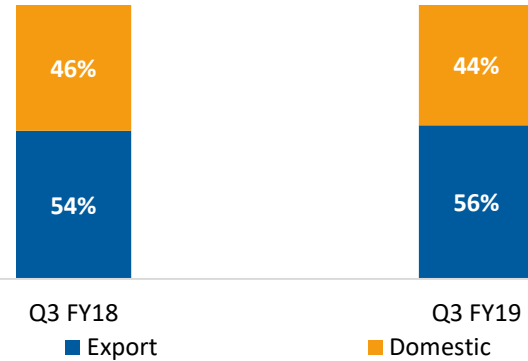
Q3 FY19 YoY Analysis

Rs Mn

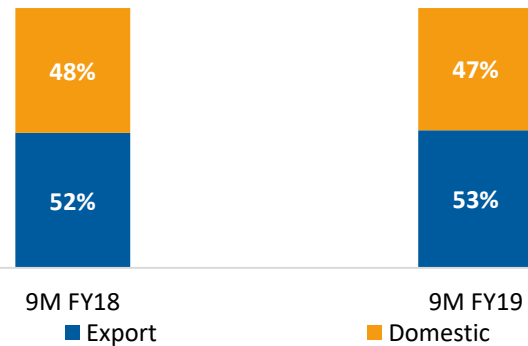
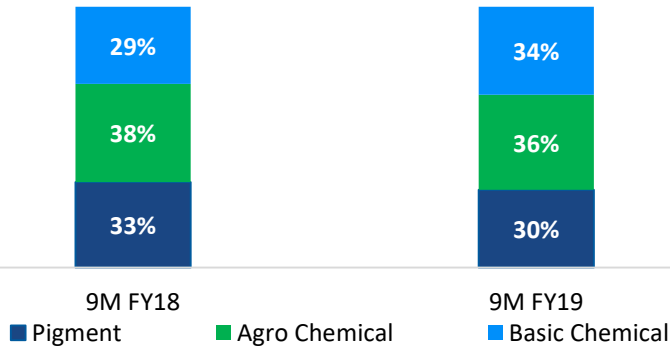
Segment wise Breakup



Region wise Breakup



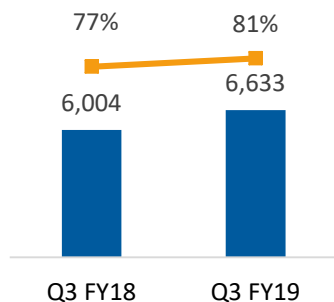
9M FY19 YoY Analysis



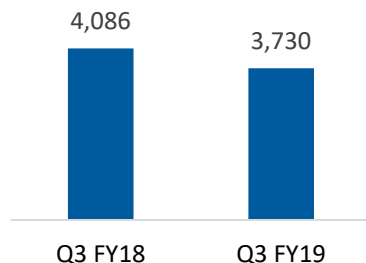
Q3 & 9M FY19 Results: Pigments Business

Q3 FY19 YoY Analysis

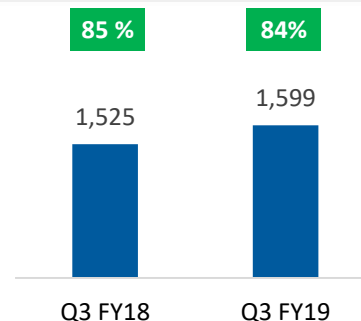
Production & Utilisation (%)



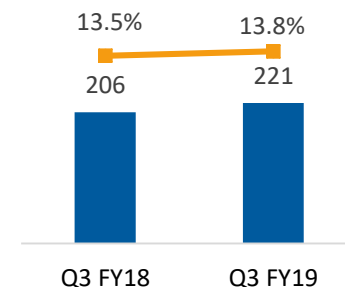
Dispatch / Sales (MT)



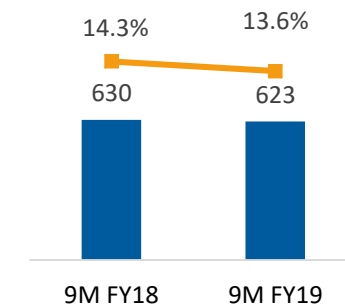
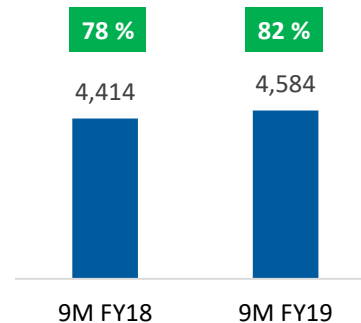
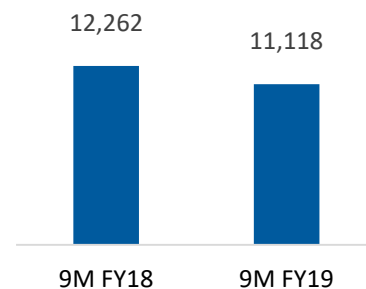
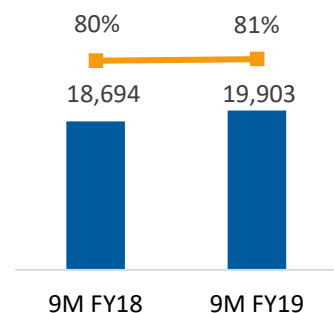
Net Sales (Rs Mn) & Exports



EBITDA (Rs Mn) & Margin (%)



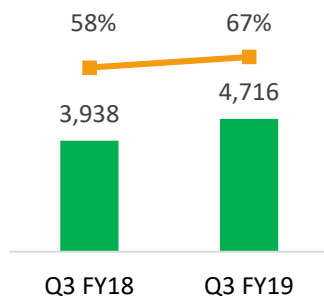
9M FY19 YoY Analysis



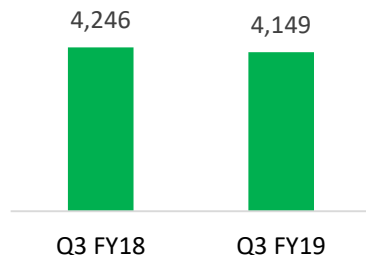
Q3 & 9M FY19 Results: Agrochemicals Business

Q3 FY19 YoY Analysis

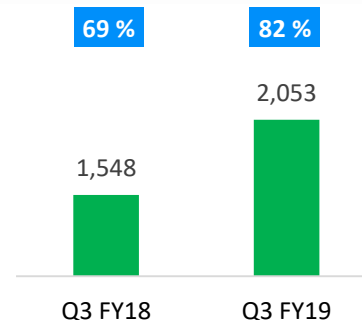
Production & Utilisation (%)



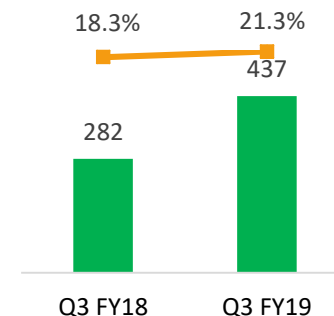
Dispatch / Sales (MT)



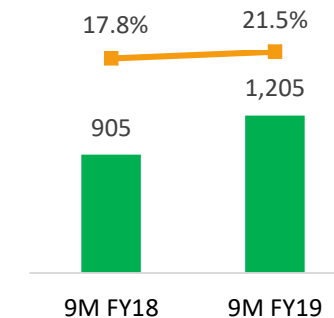
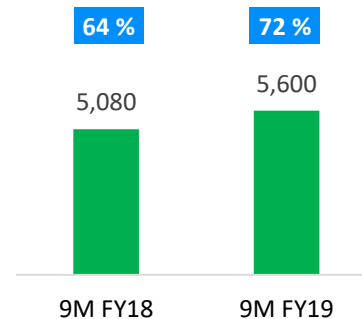
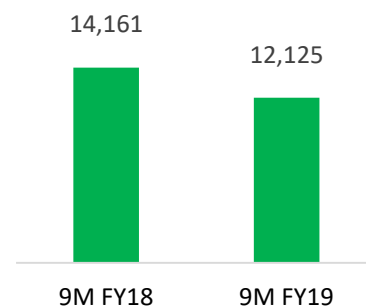
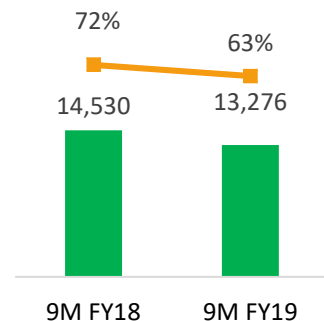
Net Sales (Rs Mn) & Exports



EBITDA (Rs Mn) & Margin (%)



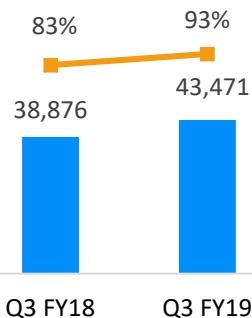
9M FY19 YoY Analysis



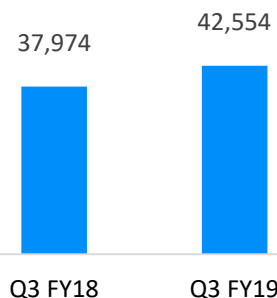
Q3 & 9M FY19 Results: Basic Chemicals Business

Q3 FY19 YoY Analysis

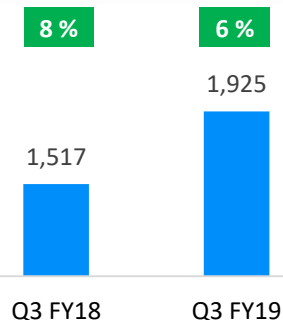
Production & Utilisation (%)



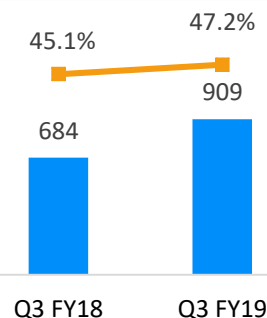
Dispatch / Sales (MT)



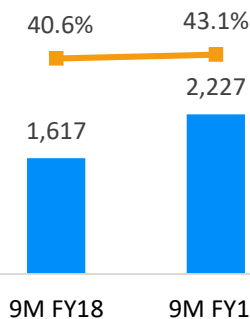
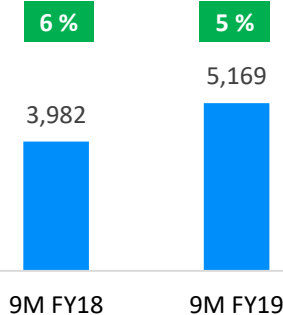
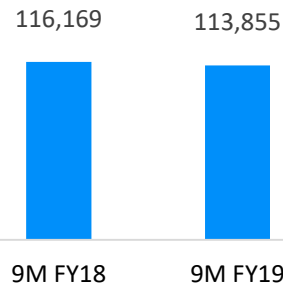
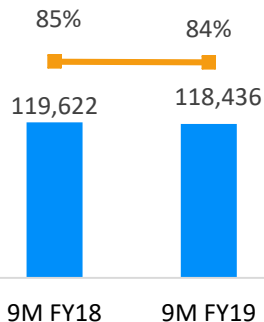
Net Sales (Rs Mn) & Exports



EBITDA (Rs Mn) & Margin (%)



9M FY19 YoY Analysis



Q3 & 9M FY19 Results: Consolidated Profit & Loss Statement

Particulars (Rs. in Mn)	Q3 FY19	Q3 FY18	YoY%	9M FY19	9M FY18	YoY%
Revenue from Operations	5,523	4,504	22.6%	15,302	13,323	14.9%
COGS	2,762	2,304	19.9%	7,574	6,965	8.7%
Gross Profit	2,761	2,201	25.5%	7,728	6,358	21.6%
Gross Margins %	50.0%	48.9%	114 bps	50.5%	47.7%	279 bps
Employee Expenses	331	209	58.5%	918	591	55.3%
Other Expenses	981	820	19.6%	2,953	2,655	11.3%
EBITDA	1,450	1,172	23.7%	3,857	3,112	23.9%
EBITDA Margin %	26.2%	26.0%	23 bps	25.2%	23.4%	185 bps
Depreciation	245	244	0.4%	733	710	3.2%
EBIT	1,204	928	29.8%	3,124	2,402	30.1%
Finance Cost	76	99	-23.7%	378	307	23.3%
Other Income	41	15	165.2%	354	166	113.3%
PBT	1,169	844	39%	3,099	2,261	37%
Taxes	375	218	72.3%	917	651	41.0%
PAT	794	626	26.8%	2,182	1,610	35.5%
PAT Margin %	14.4%	13.9%	47 bps	14.3%	12.1%	218 bps
PAT after Minority	663	435	52.4%	1,848	1,211	52.6%



Q3 FY19 Results Update



About Us



Business Overview



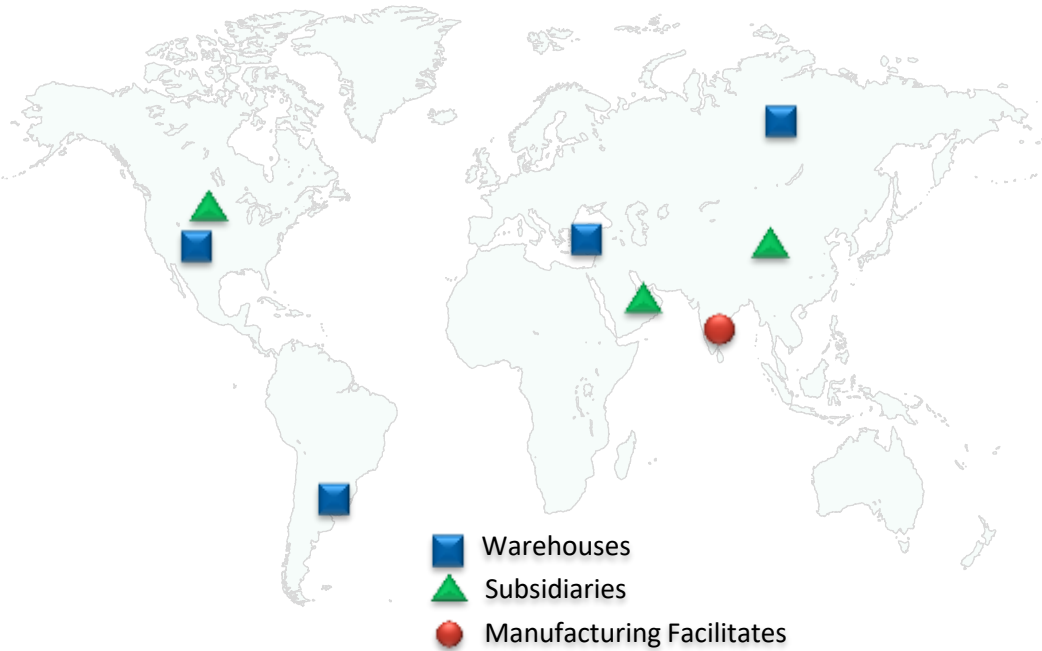
Strategy & Outlook



Financial Overview

Well-Established Presence Across International & Domestic Markets

- ✓ Presence in more than 75 countries, serving over 400 customers across all three business segments
- ✓ Global distribution network with subsidiaries in the US, Dubai and a representative office in China
- ✓ 4 Warehouses in Turkey, Russia, USA and Uruguay
- ✓ 7 Dedicated manufacturing facilities in India



2 Distribution Subsidiaries

Meghmani Organics USA INC.

Meghmani Overseas FZE (Dubai)

Share of Exports			
Pigments	Agrochemicals	Basic Chemicals	Total Revenues
79%	67%	5%	52%

Leading Diversified Chemicals Company Poised for Rapid Growth



Pigments

- Started in 1986
- Amongst top 3 global Phthalocyanine based pigment players
- 14% global market share
- FY18 Revenues: Rs 5,877 Mn
- EBITDA Margin: 14.4%
- 32.6% of Overall Company Revenues
- 33.8% of Overall Company Assets

Revenues – Rs 18,033 Mn
(11.2% CAGR*)

EBITDA Margin – 23.9%
PAT Margin – 13.2%



Agrochemicals

- Started in 1995
- One of the largest producers of pesticides in India
- Products across entire value chain
- FY18 Revenues: Rs 6,423 Mn
- EBITDA Margin: 15.3%
- 35.6% of Overall Company Revenues
- 28.3% of Overall Company Assets

EBITDA – Rs 4,312 Mn
(21.8% CAGR*)

Debt / Equity – 0.35x



Basic Chemicals

- Started in 2009
- 4th largest caustic-chlorine player in India
- One of the lowest cost producers of caustic soda in India
- FY18 Revenues: Rs 5,975 Mn
- EBITDA Margin: 42.7%
- 33.1% of Overall Company Revenues
- 36.5% of Overall Company Assets

PAT – Rs 2,379 Mn
(60.9% CAGR*)

ROCE – 23.9%
ROE – 24.2%

Experienced & Qualified Management and Technical Team

- Rich experience of many decades in chemical sector among the founding members of the company
- Highly qualified technical staff having earlier experience with MNCs and large Indian corporates

Highly Respected Name in Global Chemical Industry

- Amongst top 3 global pigment players
- 4th largest caustic-chlorine player in India
- Well-recognized agrochemical brands (Megaking, Megastar, Megacyper, Megaban, Synergy, and Courage)
- More than 36 brands of various pesticides formulations in India



Diversified Customer Base

- 400+ customer base in Pigments & Agro-Chemicals across diverse industries
- 2,800 stockists, agents, distributors and dealers across India
- Close to 50% of revenue derived from export market

Strong Financial Performance

- Consistent Revenue Growth
- Improving Profitability & Return Ratios
- Healthy Balance Sheet

Distinct Cost Advantage

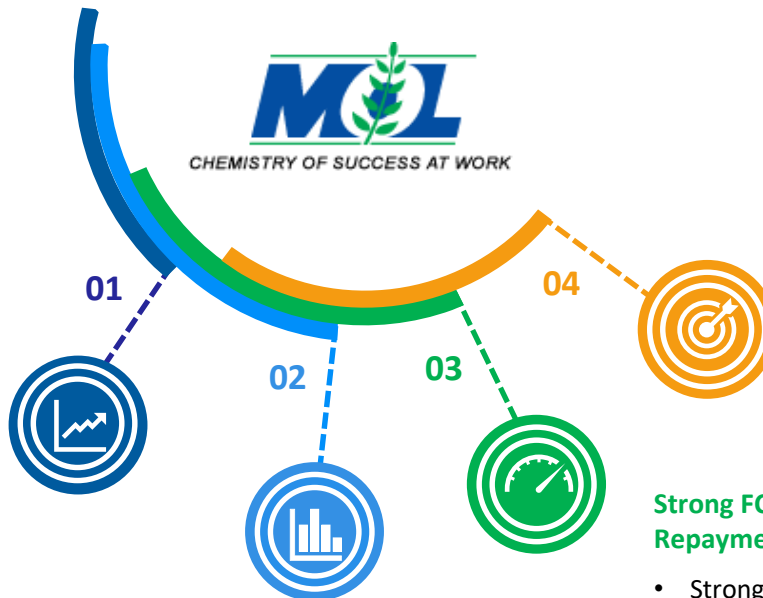
- Vertical integration of production processes
- Effective control on costs & raw material supply
- Produce agrochemical products across entire value chain (intermediates, technical, formulations)
- Strategic location of production facilities with close proximity to sources of raw materials
- Proximity to port leading to easier access to exports market

Consistent Revenue Growth

- Revenues have grown at CAGR 11.2% over FY14-18, with higher contribution from Basic chemicals
- Improving capacity utilization and completion of on-going Rs 6.4 Bn capex will further provide significant scope for growth over coming years

Consistent Improvement in EBITDA margins

- EBITDA margin has improved from 16.6% to 23.9% over FY14-18
- Operationalization (by Jun-19) of the on-going Rs 6.4 Bn capex in high margin Basic Chemicals segment will further drive the overall EBITDA margin for the company



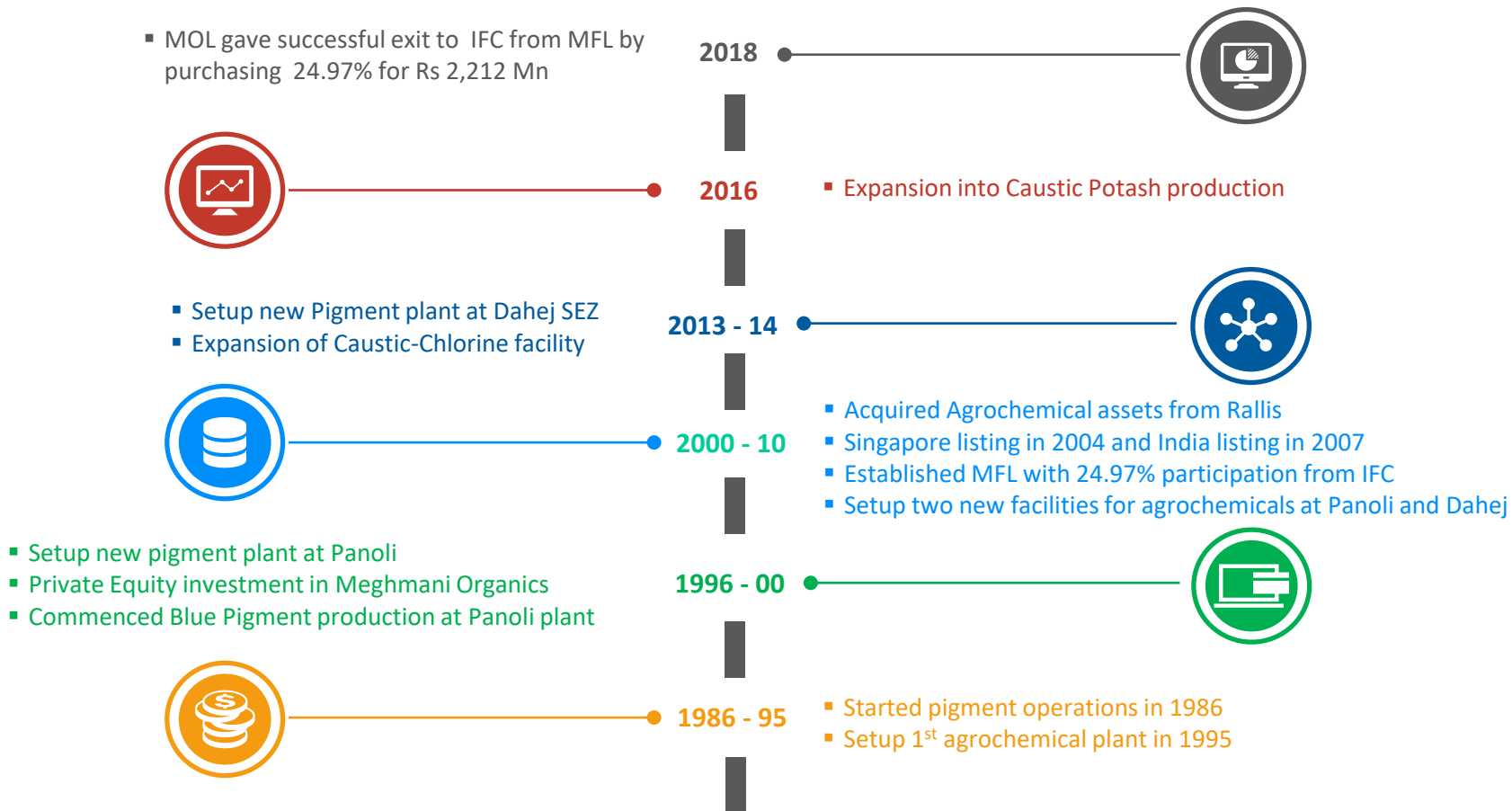
Robust Return Ratios

- Improving profitability
- Leaner balance sheet
- Significant improvement in return ratios
- ROCE – 8.7% in FY14 to 23.9% in FY18
- ROE – 6.0% in FY14 to 24.2% in FY18

Strong FCF Generation leading to Significant Debt Repayment

- Strong FCF generation of Rs 3,685 Mn over FY14-18
- Cumulative debt repayment of Rs 3,313 Mn over FY14-18
- D/E reduced from 1.24x in FY14 to 0.35x in FY18

Key Milestones



Strong Leadership Team to Deliver Long Term Growth

Experienced Leadership Team



Mr. Jayanti Patel
Executive Chairman

- 37 yrs of experience
- Overseas international marketing
- B.E (Chemical)



Mr. Ashish Soparkar
Managing Director

- 37 yrs of experience
- Overseas corporate affairs & finance
- B.E (Chemical)



Mr. Natwarlal Patel
Managing Director

- 35 yrs of experience
- Overseas technical matters & marketing in Agrochemical division
- MSc degree



Mr. Ramesh Patel
Executive Director

- 31 yrs of experience
- Overseas purchasing function & liaisons with govt. / regulatory bodies
- B.A degree



Mr. Anand Patel
Executive Director

- 28 yrs of experience
- Overseas pigments marketing, manufacturing
- BSc degree

Well-qualified Second Generation of Management



Mr. Ankit Patel
CEO (MOL)

- 10 yrs of experience
- Executive Director at MFL
- M.S. (Engg Management) from Australia & MBA from Singapore



Mr. Maulik Patel
CMD (MFL)

- 12 yrs of experience
- Heads Basic Chemicals
- M.S. (Chemical) & MBA from USA



Mr. Kaushal Soparkar
MD (MFL)

- 11 yrs of experience
- Heads Basic Chemicals
- B.S (Chemical) and M.S (Engg Management) from USA



Mr. Darshan Patel
COO (Pigments) MOL

- 7 yrs of experience
- Heads Pigments
- M.S. (Engg Management) from Australia



Mr. Karana Patel
COO (Agrochemicals) MOL

- 11 yrs of experience
- Heads liaisoning & procurement
- Diploma & BSc (Chemical)



Q3 FY19 Results Update



About Us



Business Overview



Strategy & Outlook



Financial Overview

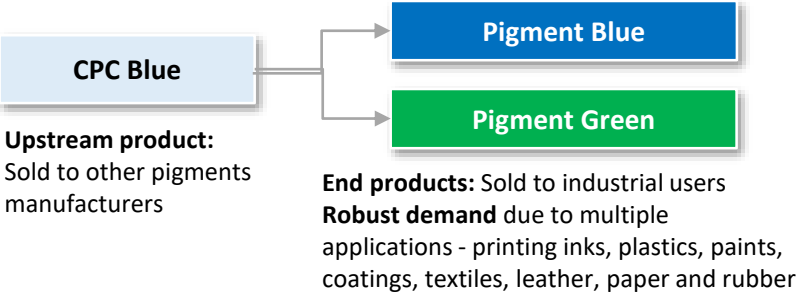
Established Business Profile

- Largest manufacturers of Phthalocyanine-based pigments with 14% global market share & amongst top 3 (capacity wise) global pigments players
- Strong global presence in 70 countries,
- Global distribution network - direct presence with subsidiaries in the US, Indonesia, Dubai and a representative office in China
- Strong client relationships (90% business from repeat clients). High degree of product customisation, consistent quality and compliance regulations add to client stickiness.

Vertically Integrated Manufacturing Facilities

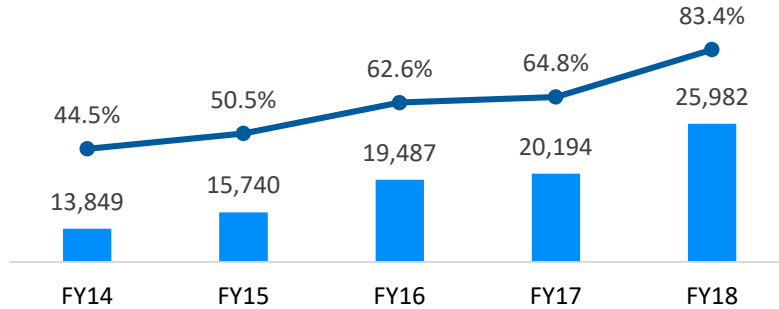
Total Capacity – 32,940 MTPA		
Location	Capacity (MTPA)	Products
GIDC Vatva, Ahmedabad	2,940	Pigment Green
GIDC Panoli, Bharuch	17,400	CPC Blue, Alpha and Beta Blue
Dahej SEZ	12,600	CPC Blue, Alpha and Beta Blue

Products Portfolio

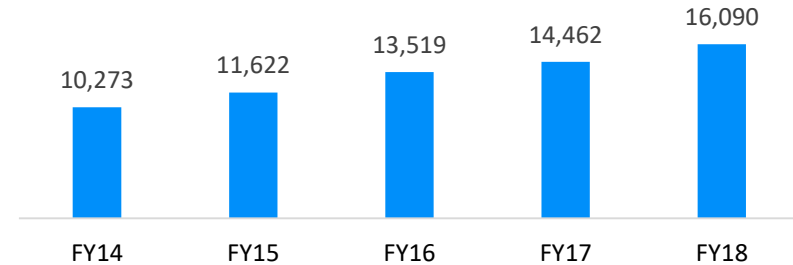


Pigments Business: Operational Overview

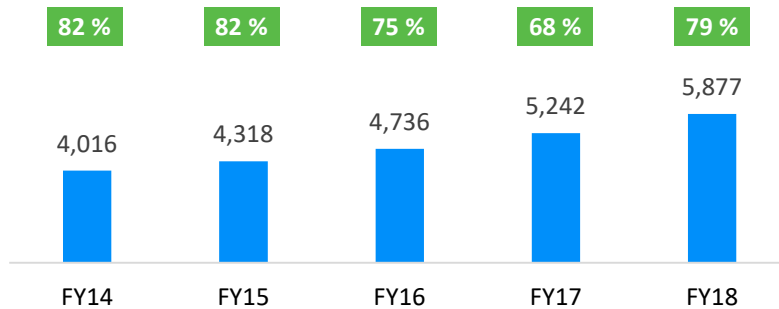
Production (MT) & Capacity Utilisation (%)



Dispatch / Sales (MT)



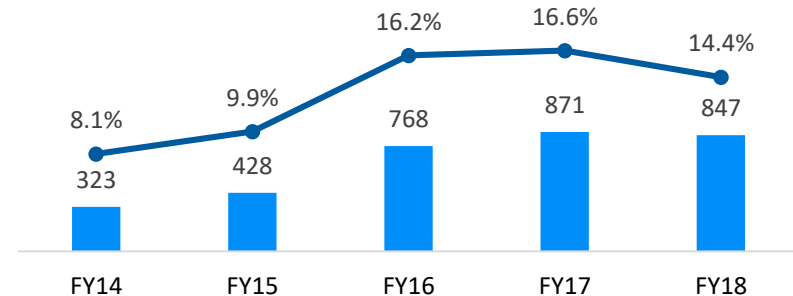
Net Sales (Rs Mn)



Net Sales (excl. excise duty) including intersegment sales

Exports %

EBITDA (Rs Mn) & EBITDA Margin (%)

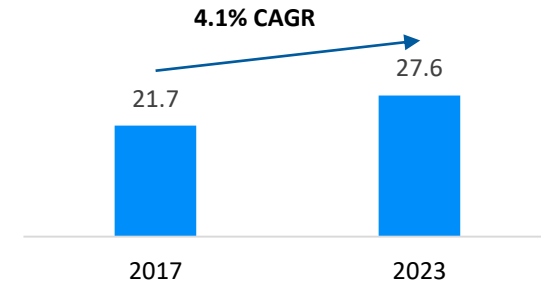


Pigments Business: Industry Overview

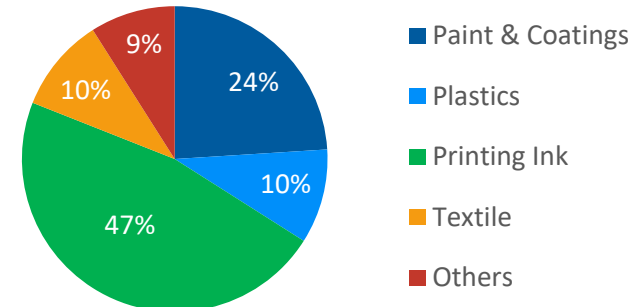
Global Pigments Market

- The global pigments industry consists of three segments – organic, in-organic and specialty pigment
- Organic pigments account for 35-40% mkt. share out of total pigments industry
- Organic pigments include Azo Pigments (yellow & red) (50-55% share), Phthalocyanine Pigments (blue & green) (20% share) and other Pigments (25-30% share)
- Organic Pigments growth is linked to end-user industries mainly printing inks, paints and coatings and textile industries
- Paints & coatings and plastics industry have been the major growth drivers (especially from automotive sector)
- India and China are fast becoming the centre of the global Organic Pigments market
- India is leader in Phthalocyanine blue and green pigments
- India's pigment sales have been growing at 13-14% CAGR driven by exports due to India's good quality products, stricter environmental standards and higher regulatory compliance

Global Pigments Market Size (USD Bn)



Demand Driver – Diverse Industrial Use



Agrochemicals Business: Key Highlights

Established Business Profile

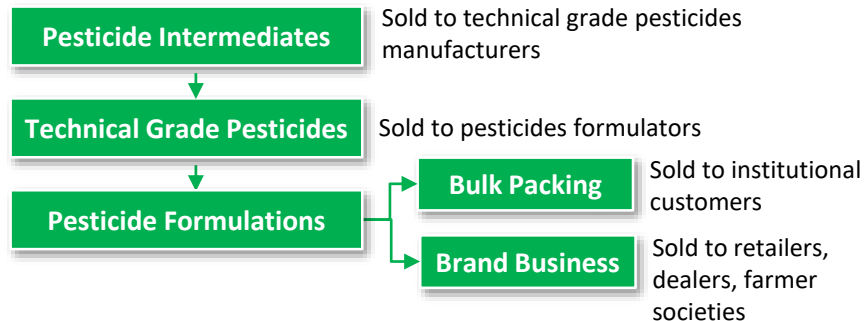
- Leading manufacturer of pesticides – products across entire value chain
- Established global presence across Africa, Brazil, LatAm, US and Europe
- Strong pan-India presence across 17 states, with ~2,800 stockists, agents, distributors, and dealers network
- 567 registrations, 333 registrations in pipeline, 35 registered trademarks
- Major products – 2,4-D, Cypermethrin, Permethrin, Chlorpyrifos and Profenophos
- Well-recognized formulation brands – Megastar, Megacyper, Megaban, Synergy, Courage
- Over 36 brands of various pesticides formulations in India

Vertically Integrated Manufacturing Facilities

Total Capacity – 28,260 MTPA

Location	Capacity (MTPA)
GIDC Panoli	7,200
GIDC Ankleshwar	6,420
GIDC Dahej	14,640

Product Profile

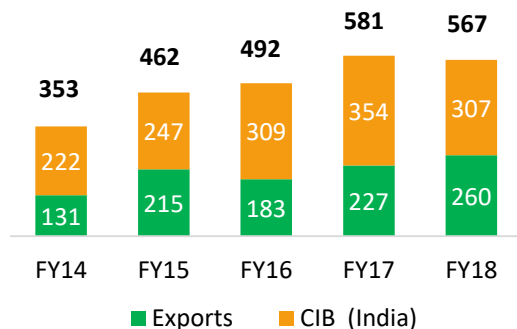


Branded Agrochemical Formulations

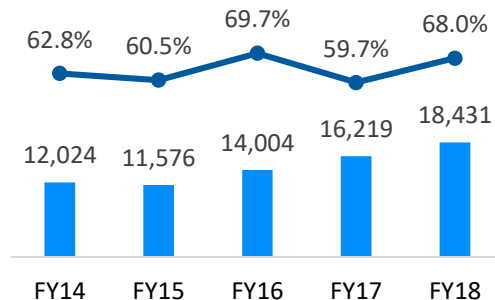


Agrochemicals Business: Operational Overview

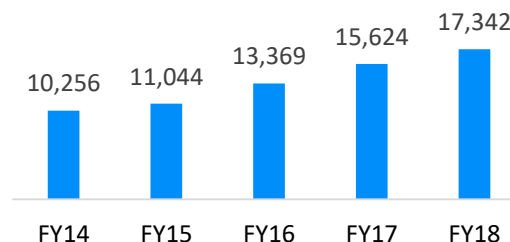
Registrations Base



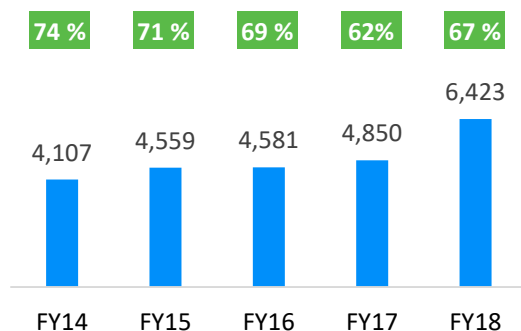
Production (MT) & Capacity Utilisation (%)



Dispatch / Sales (MT)



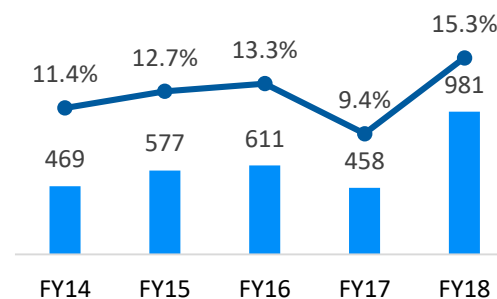
Net Sales (Rs Mn)



Exports %

Net Sales (excl. excise duty) including intersegment sales

EBITDA (Rs Mn) & EBITDA Margin (%)



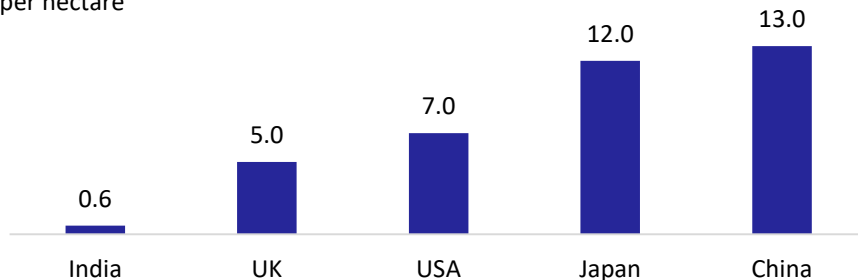
Agrochemicals Business: Crop-protection Industry Overview

Global Crop Protection Market

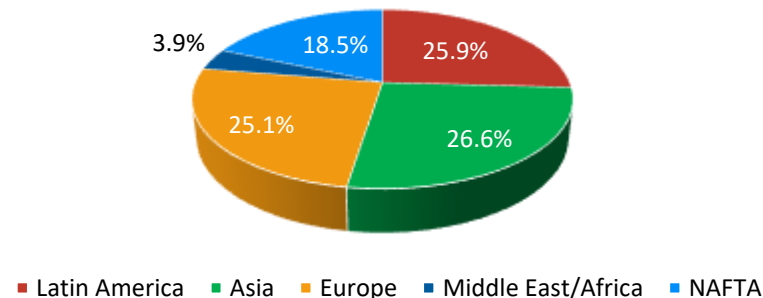
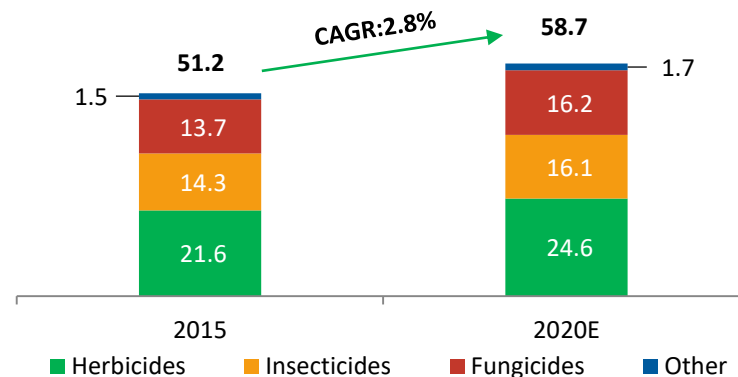
- The global crop protection market is set to grow steadily to reach USD 58.7 Bn by 2020
- Key drivers - growing population, declining arable land & rising pest concerns
- Products worth ~USD 3 Bn to go off-Patent over 2017-20, gives strong opportunity to generic agrochemical players
- India is the 4th largest global producer of Pesticides with an estimated market size of USD 4.9 Bn in FY17 after United States, Japan and China
- The demand for agrochemicals in India is split in equal proportions between domestic consumers and exports

Pesticide Consumption is still Lowest in India

Kg per hectare



Global Crop Protection Market (USD Bn)



Source – Phillip McDougall

Basic Chemicals Business: Key Highlights

Established Business Profile

- 4th largest (by capacity) Caustic-Chlorine producer in India
- Latest 4th generation 'Zero Gap Membrane Technology' sourced from Asahi Kasei Chemical Corp, Japan
- One of the most efficient caustic soda producers (CPP of 60MW)
- Strategically located with close proximity to the port (importing coal) and customers (Caustic Soda & Chlorine supplied via pipeline), leading to lower logistics costs
- New 60 TPD facility to manufacture Caustic Potash

Products Profile

Caustic Soda

Used in soap & detergents, pulp & paper, textiles processing, Organic & Inorganic Chloro solvents

Chlorine

Used in PVC manufacturing, alumining, dyes & dyes intermediates, organic & inorganic chemicals, drinking water disinfection, pharmaceuticals

Caustic Potash

Used in Soaps, Detergents, Fertilizers Chemicals

Vertically Integrated Manufacturing Facilities

Dahej Facility

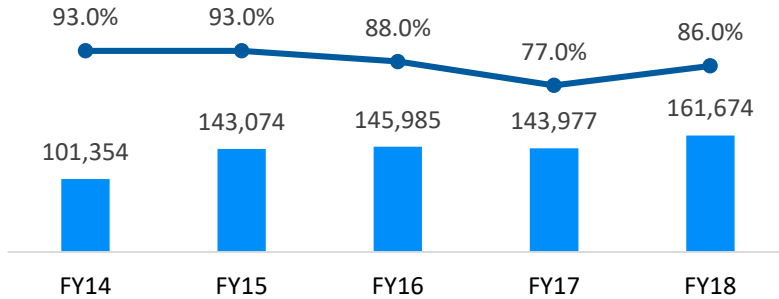
Products	Capacity (MTPA)
Caustic-Chlorine	166,600
Caustic Potash	21,000

Rs 6.4 Bn Capex Plan:

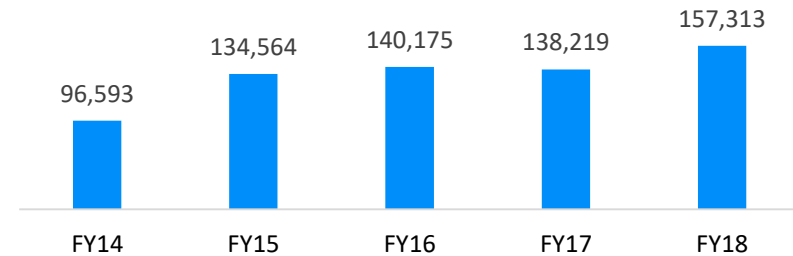
- **Strategic investment in 3 projects to expand basic chemicals business**
- **Project 1:** CMS project of 40,000 MTPA (operational by early Q1FY20)
 - Produce MDC, Chloroform and Carbon Tetra Chloride
- **Project 2:** Expansion of Caustic Soda capacity to 2,71,600 MTPA and CPP capacity to 96 MW (operational by early Q2FY20)
- **Project 3:** Hydrogen Peroxide capacity of 30,000 MTPA (operational by early Q2FY20)
- **The expansion will be margin accretive at company level due to higher EBITDA margins in the basic chemicals business**

Basic Chemicals Business: Operational Overview

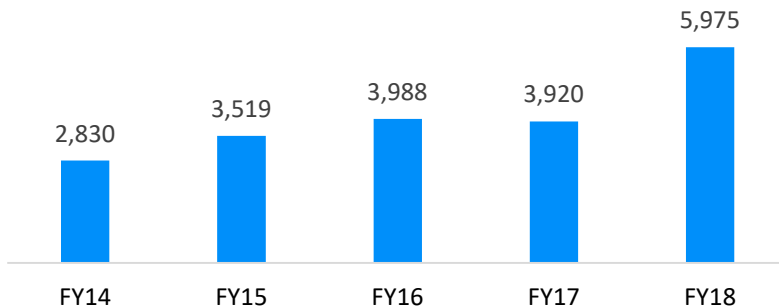
Production (MT) & Capacity Utilisation (%)



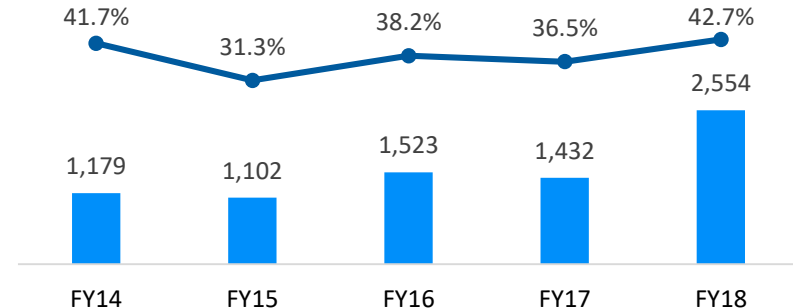
Dispatch / Sales (MT)



Net Sales (Rs Mn)



EBITDA (Rs Mn) & EBITDA Margin (%)



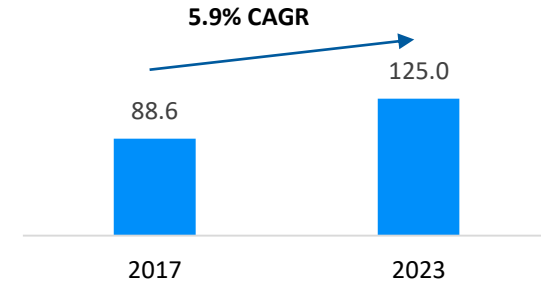
Net Sales (excl. excise duty) including intersegment sales

Basic Chemicals Business: Industry Overview

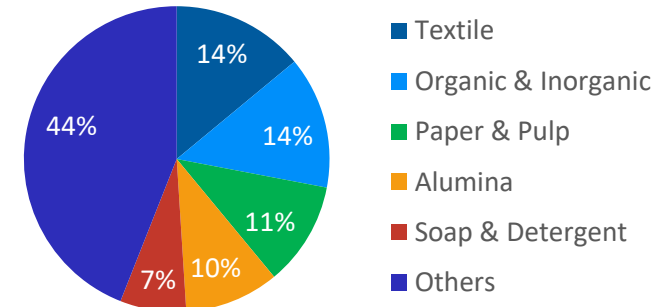
Global Chlor-Alkali Market

- The global Chlor-Alkali industry is expected to grow at 5.3-5.9% CAGR (2017-2023), to reach USD 125 Bn by 2023
- The global demand for Chlor-Alkali products will continue to grow driven by diverse industrial uses - glass, alumina, vinyl, water treatment, polyvinyl Chloride (PVC) plastics, soaps, detergents, pulp and paper, textiles etc
- APAC region will continue to dominate the market due to its growing economies, increasing infrastructure and manufacturing base and large population base
- Indian Chlor-Alkali Industry is poised to grow a CAGR of 6.5% during 2017-2022
- The Indian Caustic industry is a well-established mature industry with a capacity of 3.4 Mn MTPA (Caustic Soda) and an annual turnover of Rs 70 Bn
- The Indian industry is regarded by global peers as being among the most efficient, eco-friendly and progressive industries

Global Pigments Market Size (USD Bn)



Demand Driver – Diverse Industrial Use





Q3 FY19 Results Update



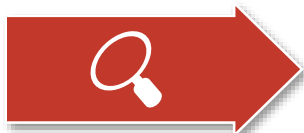
About Us



Business Overview

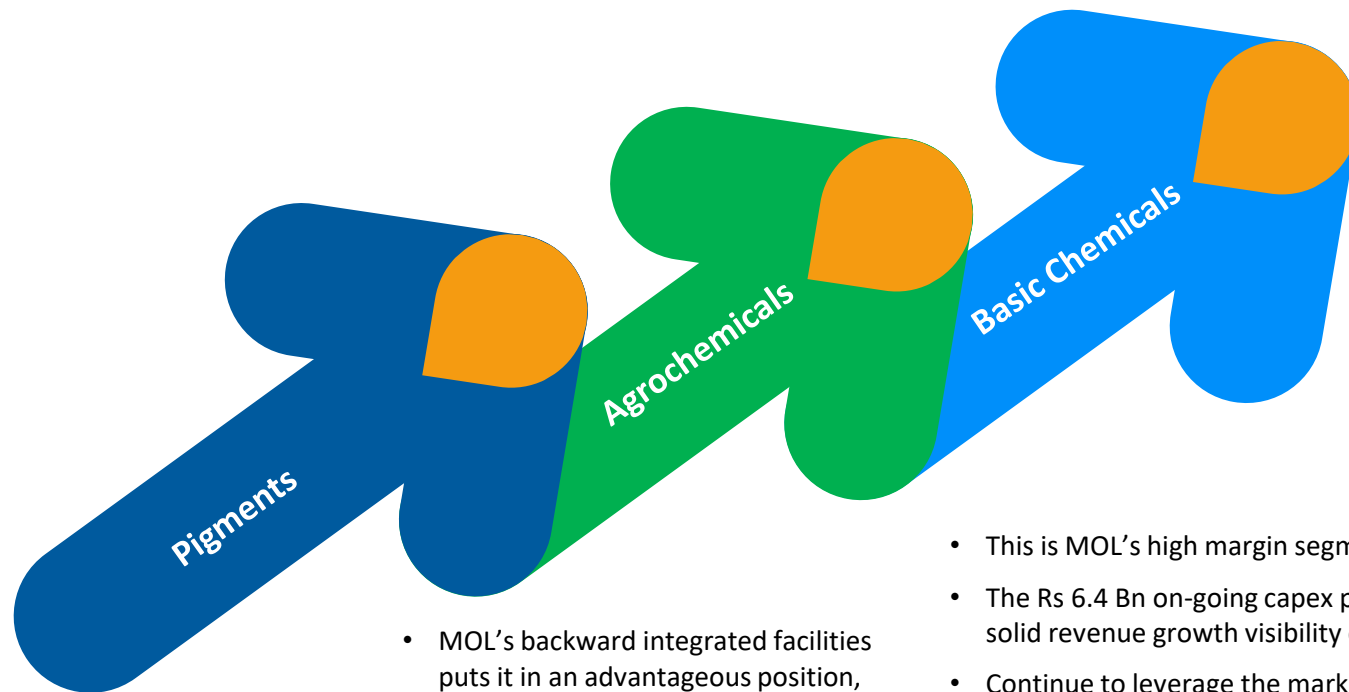


Strategy & Outlook



Financial Overview

Revenue Target Rs 10 Bn From Each Business Segment



- MOL is one of the largest producer of phalocyanine pigments
- Diversify into new pigment products
- Continue to focus on increasing domestic presence and capture market share

- MOL's backward integrated facilities puts it in an advantageous position, given the current rising raw material prices from China
- Increase the penetration of existing products in global markets
- Expand branded products portfolio

- This is MOL's high margin segment
- The Rs 6.4 Bn on-going capex plan provides a solid revenue growth visibility over coming years
- Continue to leverage the market leadership position and capitalise on domestic market demand



Q3 FY19 Results Update



About Us



Business Overview



Strategy & Outlook



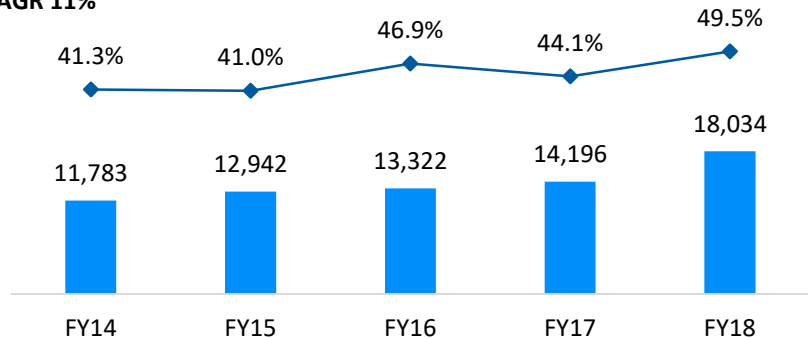
Financial Overview

Last Five Years Summary

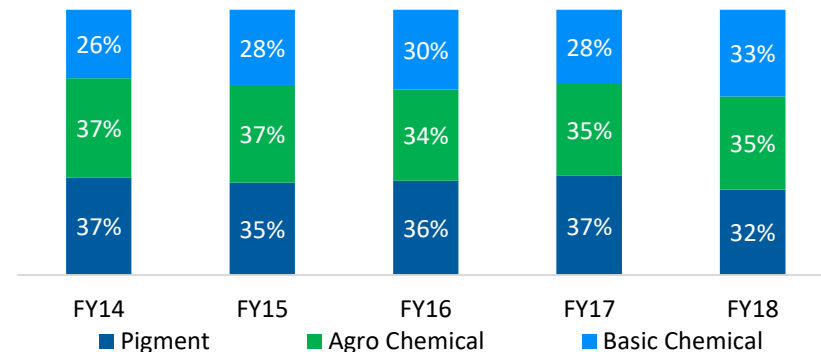
Rs Mn

Revenues * & Gross Margin

CAGR 11%

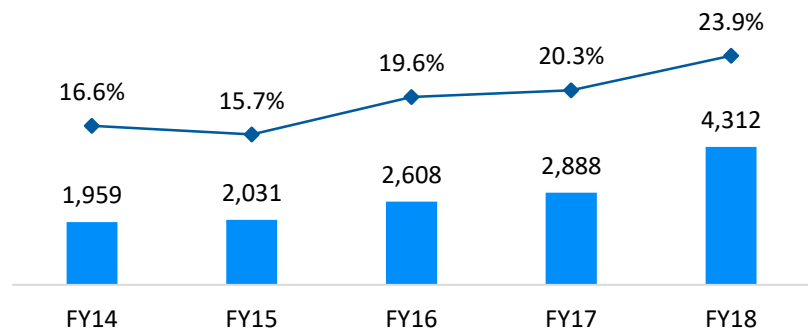


Revenues - Segment Breakup



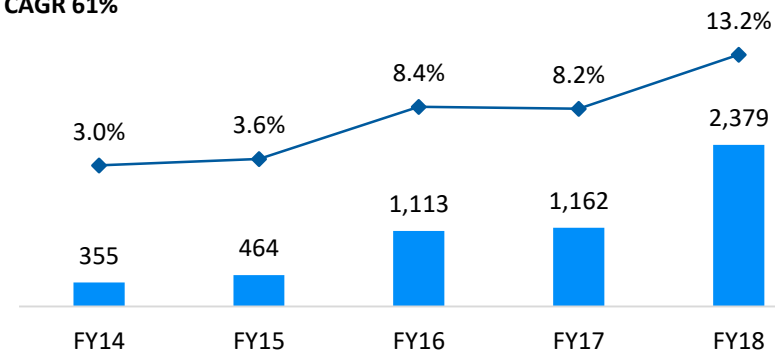
EBITDA & EBITDA Margin

CAGR 22%



PAT & PAT Margin

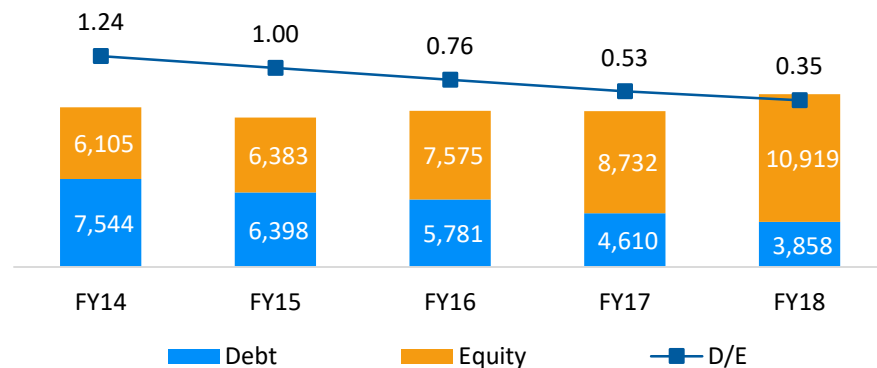
CAGR 61%



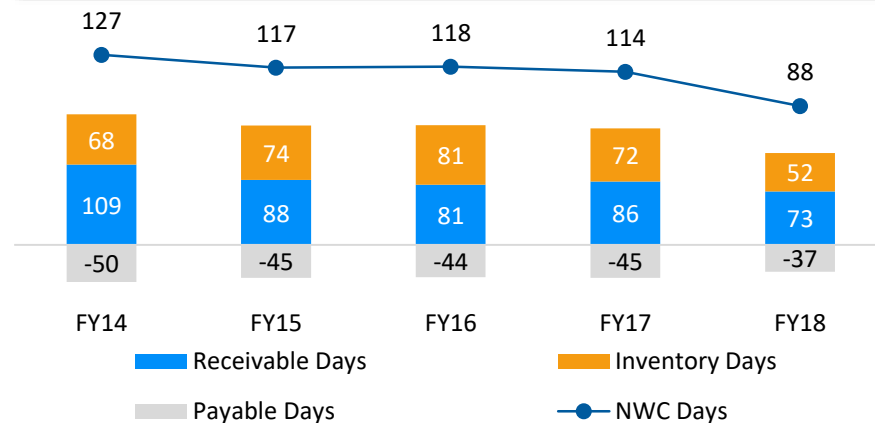
Last Five Years Summary

Rs Mn

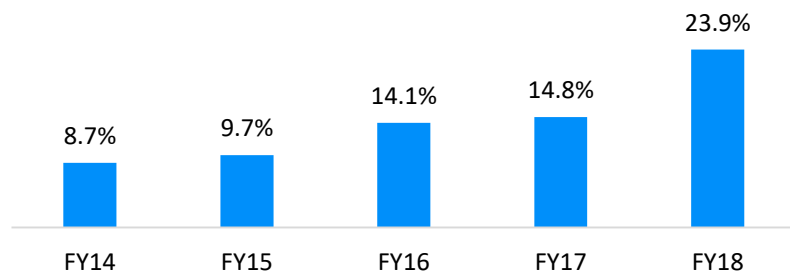
Leverage Analysis



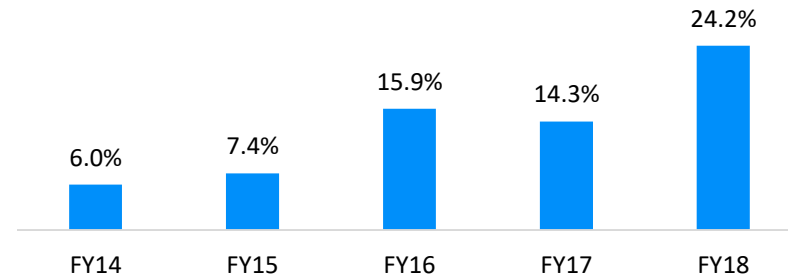
Working Capital Analysis *



Return on Capital Employed



Return on Equity



* Calculated on Net Sales, ROCE = EBIT / Average Capital Employed (Debt + Equity + Minority Interest), ROE = PAT / Average (Equity + Minority Interest)

For Further Queries:



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