## MEGHMANI ORGANICS LIMITED



CORPORATE OFFICE: "MEGHMANI HOUSE", Behind Safal Profiteire, Corporate Road, Prahladnagar, Ahmedabad-380 015. Gujarat, (INDIA) Phone No.: +91 79 71761000, 29709600 Fax: +91 79 - 29709605 E-mail: helpdesk@meghmani.com Site: www.meghmani.com CIN: L24110GJ1995PLC024052



13 /11/2019

National Stock Exchange of India Limited

"Exchange Plaza",

Bandra-Kurla Complex,

Bandra (East) Mumbai 400 051

SYMBOL:- MEGH

BSE Limited

Floor- 25, P J Tower,

Dalal Street.

Mumbai 400 001

Scrip Code 532865

Dear Sir

Sub: - Q2 & H1FY19-20 Investor Presentation- 30.09.2019

We refer to above and forward herewith the Investor presentation prepared on <u>Un-Audited Financial Results</u> of the Company for <u>O2 & H1FY19-20 for the period ended on 30.09.2019</u> for information of Member.

Thanking you.

Yours faithfully, For Meghmani Organics Limited

(K D Mehta)

1 Lucalh

Company Secretary & Compliance Officer

AHMEDABAD TO

C C to:- Singapore Stock Exchange

:- For information of Members

:- Tricor Evatthouse Corporate Services :- Singapore - To inform Singapore Stock Exchange





# Meghmani Organics Limited (MOL)

Q2 FY20 Results Presentation Nov 2019

## **Disclaimer**



The presentation has been prepared by Meghmani Organics Limited ("MOL" or the "Company") solely for information purposes and does not constitute an offer to sell or, recommendation or solicitation of an offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever.

The information contained in this Presentation should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the Presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. This presentation is based on the economic, regulatory, market and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in this presentation, which neither the Company nor its affiliates, advisors or representatives are under an obligation to update, revise or affirm.

You acknowledge and agree that the Company and/or its affiliated companies and/or their respective employees and/or agents have no responsibility or liability (express or implied) whatsoever and howsoever arising (including, without limitation for any claim, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this Presentation and neither the Company, its affiliated companies nor their respective employees or agents accepts any liability for any error, omission or misstatement, negligent or otherwise, in this Presentation and any liability in respect of the Presentation or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

Certain statements contained in this Presentation may be statements of the Company's beliefs, plans and expectations about the future and other forward looking statements that are based on management's current expectations or beliefs as well as a number of assumptions about the Company's operations and factors beyond the Company's control or third party sources and involve known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward looking statements. Forward looking statements contained in this Presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. There is no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward looking statements, which speak only as of the date of this Presentation.

# **Discussion Summary**





# **Q2 FY20 Results Update**



About Us



**Business Overview** 



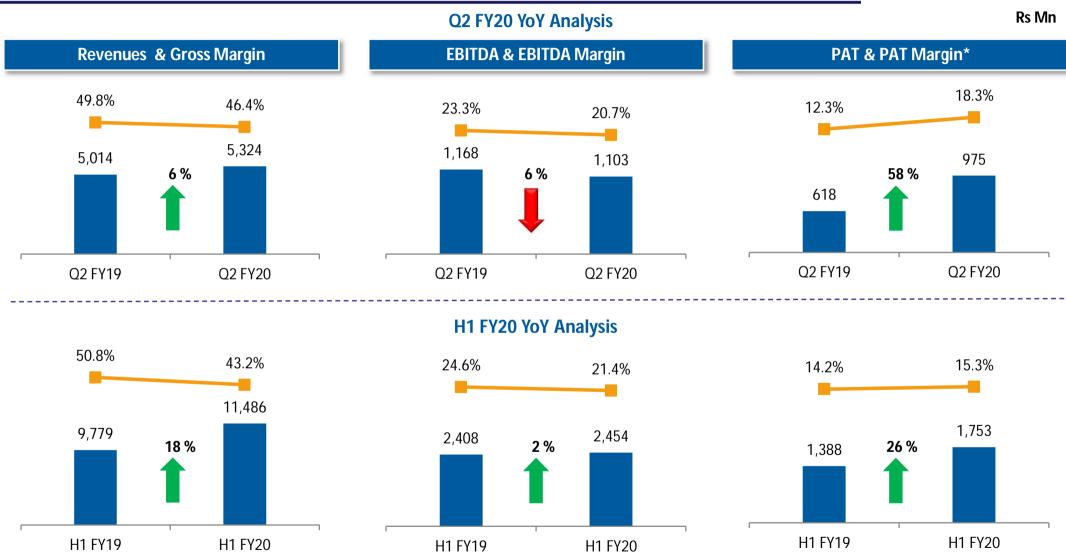
Strategy & Outlook



**Financial Overview** 

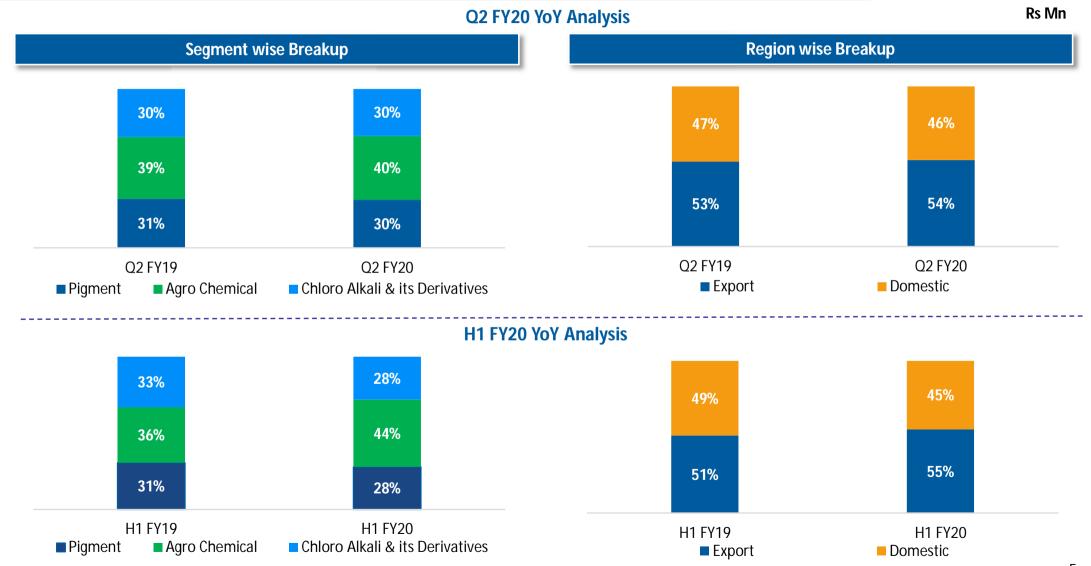
# Q2 & H1FY20 Results: Key Highlights





## Q2 & H1 FY20 Results: Revenue Analysis

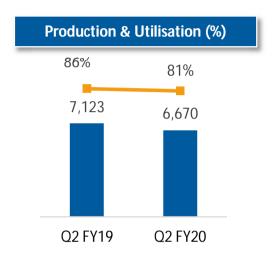


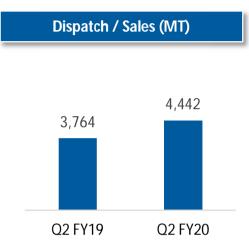


## Q2 & H1 FY20 Results: Pigments Business

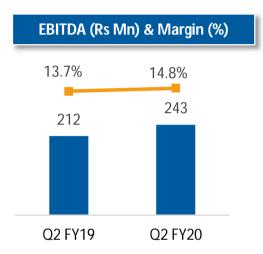


## **Q2 FY20 YoY Analysis**

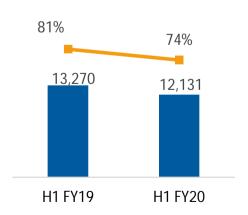


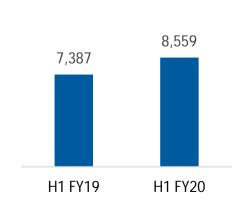


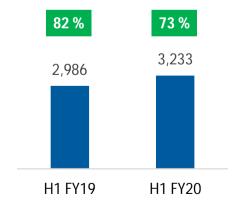


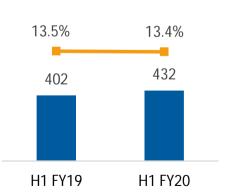


### H1 FY20 YoY Analysis





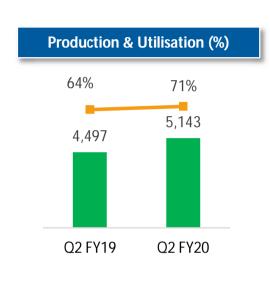


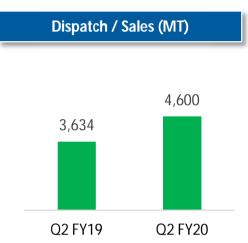


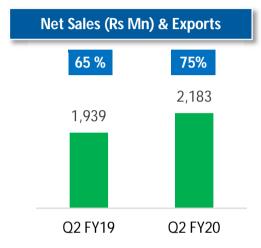
# **Q2 & H1 FY20 Results: Agrochemicals Business**

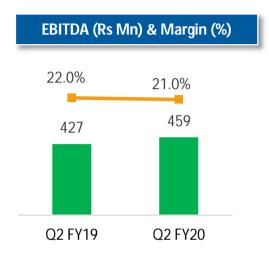


### **Q2 FY20 YoY Analysis**

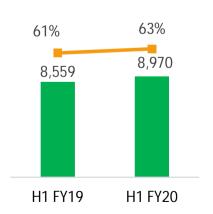


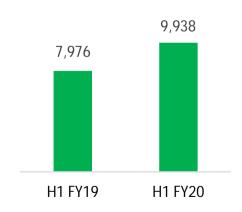


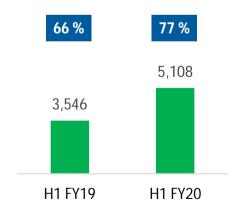


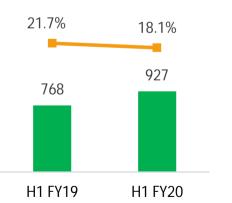


### H1 FY20 YoY Analysis









## Q2 & H1 FY20 Results: Chloro Alkali & its Derivatives Business



## **Q2 FY20 YoY Analysis**



## **Q2 & H1 FY20 Results: Consolidated Profit & Loss Statement**



Particulars (Rs. in Mn)	Q2 FY20	Q2 FY19	YoY%	H1 FY20	H1 FY19	YoY%
Revenue from Operations	5,324	5,014	6.2%	11,486	9,779	17.5%
COGS	2,853	2,518	13.3%	6,523	4,812	35.6%
Gross Profit	2,471	2,496	-1.0%	4,963	4,967	-0.1%
Gross Margins %	46.4%	49.8%	-337 bps	43.2%	50.8%	-758 bps
Employee Expenses	335	372	-9.7%	691	587	17.8%
Other Expenses	1,033	957	8.0%	1,819	1,973	-7.8%
EBITDA	1,103	1,168	-5.6%	2,454	2,408	1.9%
EBITDA Margin %	20.7%	23.3%	-258 bps	21.4%	24.6%	-326 bps
Depreciation	220	245	-10.0%	439	488	-10.0%
EBIT	882	923	-4.4%	2,015	1,920	4.9%
Finance Cost	61	168	-64.0%	134	303	-55.7%
Other Income	179	171	4.3%	217	313	-30.8%
РВТ	1,000	926	8.0%	2,097	1,930	8.7%
Taxes	26	309	-91.7%	344	542	-36.5%
PAT	975	618	57.9%	1,753	1,388	26.3%
PAT Margin %	18.3%	12.3%	599 bps	15.3%	14.2%	106 bps
PAT after Minority	843	548	53.8%	1,412	1,185	19.2%

## **Q2 & H1 FY20 Results: Consolidated Balance Sheet Statement**



Particulars (Rs. in Mn)	Sep 20	Mar 19	Particulars (Rs. in Mn)	Sep 19	Mar 19
Equity & Liabilities			Assets		
Share Capital	254	254	Property,Plant & Equipment	8,962	7,250
Reserves & Surplus	11,065	9,782	Capital WIP	5,681	5,127
Shareholder's Funds	11,320	10,036	Intangible Assets	272	164
Minority Interest	1,832	1,492	Financial Aseets	96	110
			Other Non-current assets	840	399
Long-term borrowings	4,875	4,506	Deferred Tax Assets (Net)	-	3
Deferred tax liabilities (Net)	408	504	Non - Current Assets	15,851	13,054
Other long term liabilities	292	152			
Non - Current Liabilities	5,575	5,164	Inventories	3,959	4,109
			Trade Receivables	4,149	4,314
Short-term Borrowings	1,427	2,019	Cash & Cash Equivalents	719	1,347
Trade Payables	3,186	2,519	Investment	619	-
Other Current Liabilities	2,638	2,394	Loans and advances	6	6
Current Tax Liabilities (Net)	166	141	Other Current Assets	840	938
<b>Current Liabilities</b>	7,417	7,075	<b>Current Assets</b>	10,293	10,714
Total Equity & Liabilities	26,144	23,768	Total Assets	26,144	23,768

# **Discussion Summary**





Q2 FY20 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)

Pigments	Agrochemicals	Basic Chemicals	Total Revenues
81%	74%	5%	53%

## **Leading Diversified Chemicals Company Poised for Rapid Growth**





#### **Pigments**

- Started in 1986
- Amongst top 3 global Phthalocyanine based pigment players
- 14% global market share
- FY19 Revenues: Rs 6,048 Mn
- EBITDA Margin: 13.5%
- 29% of Overall Company Revenues



#### **Agrochemicals**

- Started in 1995
- One of the largest producers of pesticides in India
- Products across entire value chain
- FY18 Revenues: Rs 7,905 Mn
- EBITDA Margin: 22.7%
- 37% of Overall Company Revenues



#### Chloro Alkali & its Derivatives

- Started in 2009
- 7<sup>th</sup> largest caustic-chlorine player in India
- One of the lowest cost producers of caustic soda in India
- FY18 Revenues: Rs 7,104 Mn
- EBITDA Margin: 43.9%
- 34% of Overall Company Revenues

## **Consolidated Financials Highlights: FY18-19**

Revenues – Rs 20,880 Mn (12.7% CAGR\*)

EBITDA Margin – 26.1% PAT Margin – 14.1% EBITDA – Rs 5,445 Mn (28.0% CAGR\*)

Debt / Equity - 0.62x

PAT – Rs 2,954 Mn (58.8% CAGR\*)

> ROCE - 29.2% ROE - 26.3%

## **Sustainable Competitive Advantages**



# **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
- 7<sup>th</sup> 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

## **Key Financial Metrics**



#### **Consistent Revenue Growth**

- Revenues have grown at CAGR 12.7% over FY15-19, with higher contribution from Basic chemicals
- Improving capacity utilization and completion of on-going Rs 6.4 Bn capex in Basic Chemical and Rs 1.27 Bn capex in Agrochemical will further provide significant scope for growth over coming years



#### **Robust Return Ratios**

- Improving profitability
- Leaner balance sheet
- Significant improvement in return ratios
- ROCE 9.7% in FY15 to 29.2% in FY19
- ROE 7.4% in FY15 to 26.3% in FY19

### **Consistent Improvement in EBITDA margins**

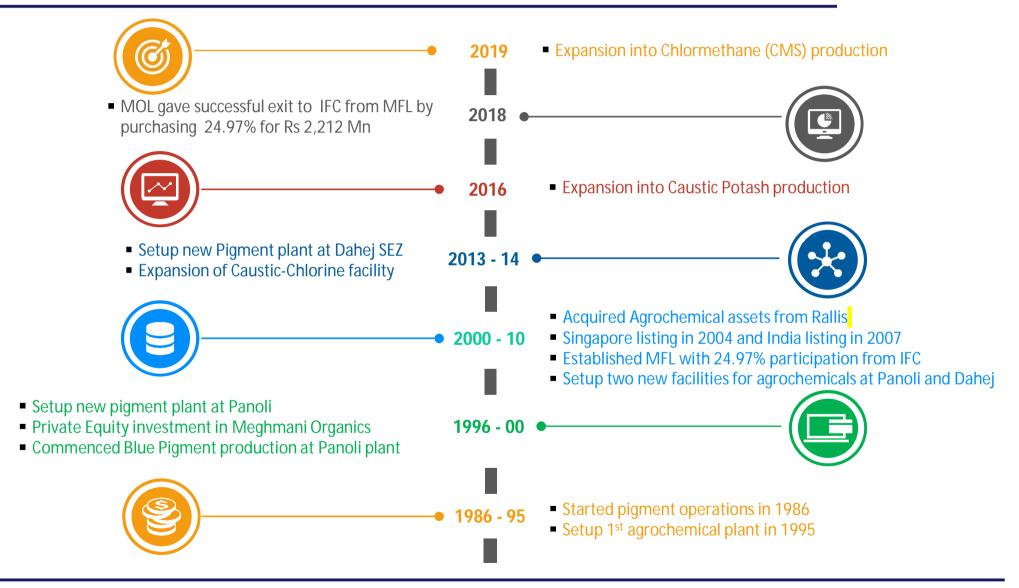
- EBITDA margin has improved from 15.7% to 26.1% over FY15-19
- Operationalization (by Q3FY19) of the on-going Rs 6.4 Bn capex in high margin Basic Chemicals segment will further drive the overall EBITDA margin for the company

# **Strong FCF Generation leading to Significant Debt Repayment**

• D/E reduced from 1.00x in FY15 to 0.62x in FY19

## **Key Milestones**





# **Strong Leadership Team to Deliver Long Term Growth**





#### 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)

# **Discussion Summary**





Q2 FY20 Results Update



About Us



**Business Overview** 



Strategy & Outlook



**Financial Overview** 

# **Pigments Business: Key Highlights**

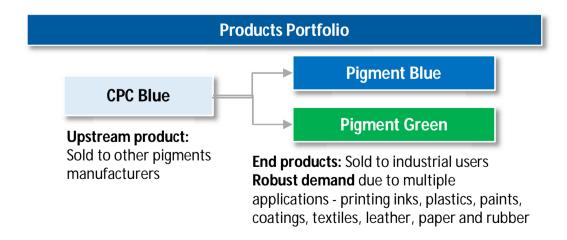


#### **Established Business Profile**

- 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, 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.

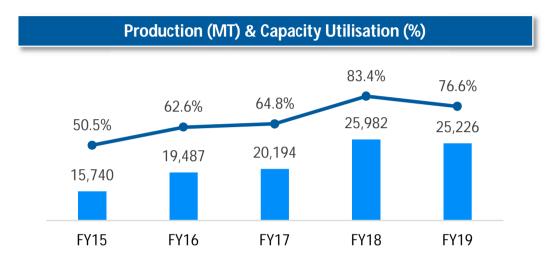
### **Vertically Integrated Manufacturing Facilities**

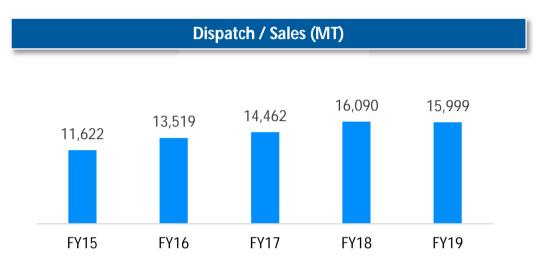
Total Capacity – 32,940 MTPA			
Location	Capacity (MTPA)	Products	
GIDC Vatva, Ahmedabad	2,940	Pigment Green	
GIDC Panoli, Bharuch	17,400	CPC Blue, Alpha and Beta Blue	
Dahej SEZ	12,600	CPC Blue, Alpha and Beta Blue	

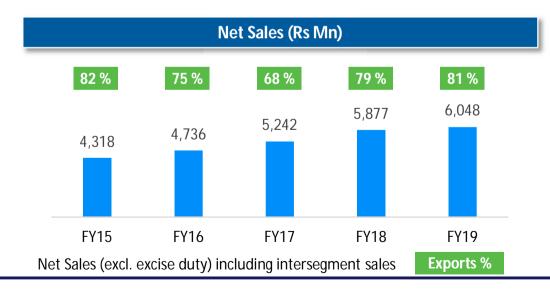


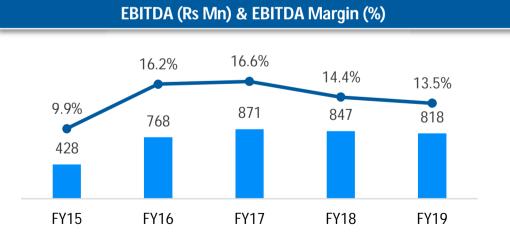
## **Pigments Business: Operational Overview**











## **Pigments Business: Industry Overview**



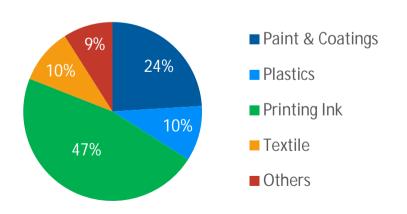
#### **Global Pigments Market**

- 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**

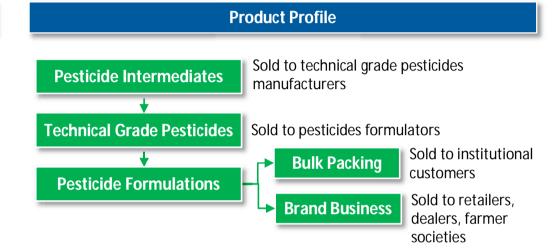


#### **Established Business Profile**

- 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
- Major products 2,4-D, Cypermethrin, Permethrin, Chlorpyrifos and Profenophos
- Well-recognized formulation brands Megastar, Megacyper, Megaban, Synergy, Courage
- **Phase 1 Capex:** Doubling 2,4-D Capacity by addition of 10,800 MTPA with capex of Rs 127 crores (Operational by June 2020).

Vertically	y Integrated	d Manufacturing	<b>Facilities</b>
	<i>,</i>		•

Total Capacity – 28,260 MTPA		
Location	Capacity (MTPA)	
GIDC Panoli	7,200	
GIDC Ankleshwar	6,420	
GIDC Dahej	15,240	

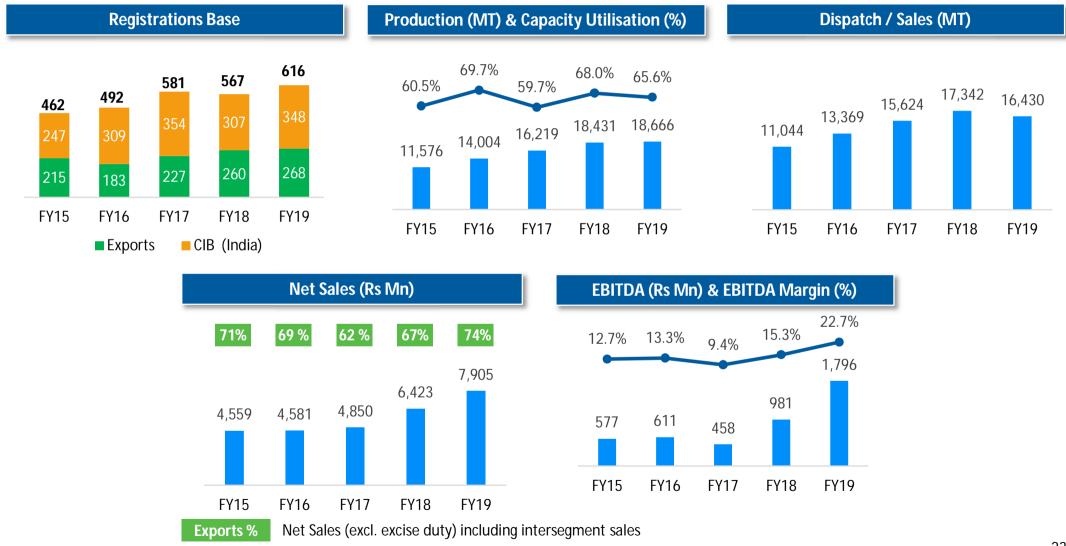


### **Branded Agrochemical Formulations**



## **Agrochemicals Business: Operational Overview**





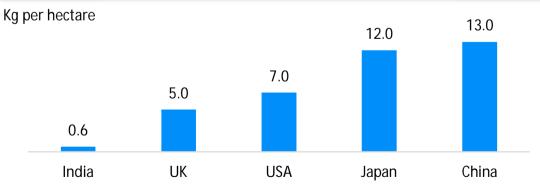
## **Agrochemicals Business: Crop-protection Industry Overview**



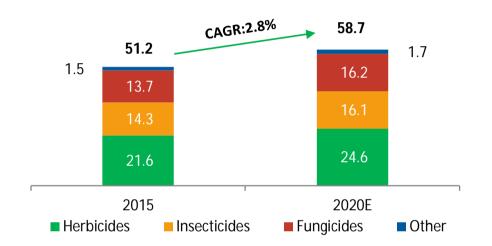
### **Global Crop Protection Market**

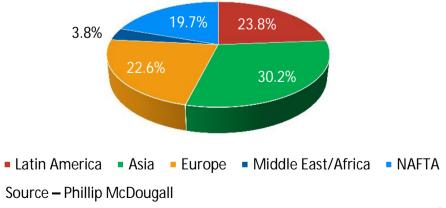
- The global crop protection market is set to grow steadily to reach USD 58.7 Bn by 2020
- Key drivers growing population, declining arable land & rising pest concerns
- Products worth ~USD 3 Bn to go off-Patent over 2017-20, gives strong opportunity to generic agrochemical players
- India is the 4<sup>th</sup> 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



### **Global Crop Protection Market (USD Bn)**





# **Chloro Alkali & its Derivatives Business: Key Highlights**



#### **Established Business Profile**

- 7<sup>th</sup> largest (by capacity) Caustic-Chlorine producer in India
- Latest 4<sup>th</sup> 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

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		
CMS	Used in Pharma, Agro Chemicals and Refrigerant gas		

#### **Vertically Integrated Manufacturing Facilities**

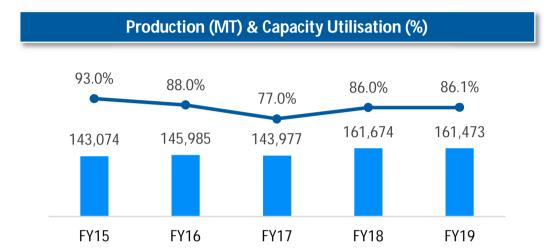
Dahej Facility		
Products	Capacity (MTPA)	
Caustic-Chlorine	166,600	
Caustic Potash	21,000	
CMS Products	50,000	

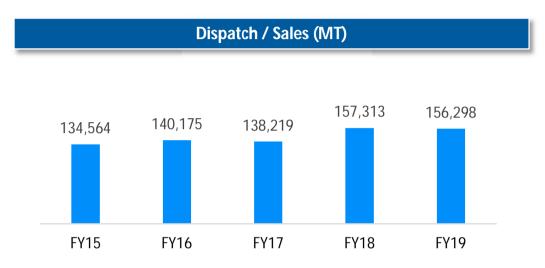
#### Rs 6.4 Bn Capex Plan:

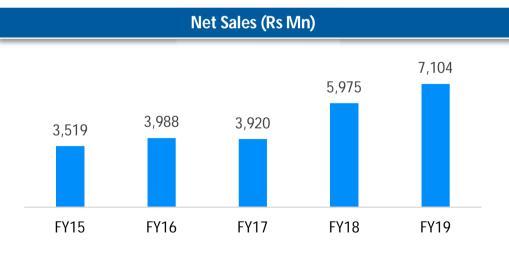
- Strategic investment in 3 projects to expand basic chemicals business
- Project 1: CMS project of 50,000 MTPA (commenced in July 2019)
  Produce MDC, Chloroform and Carbon Tetra Chloride
- Project 2: Expansion of Caustic Soda capacity to 2,71,600 MTPA and CPP capacity to 96 MW (operational by Q4FY20)
- Project 3: Hydrogen Peroxide capacity of 30,000 MTPA (operational by Q4FY20)
- The expansion will be margin accretive at company level due to higher EBITDA margins in the basic chemicals business

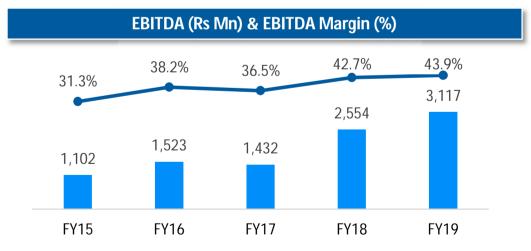
## **Chloro Alkali & its Derivatives Business: Operational Overview**











Net Sales (excl. excise duty) including intersegment sales

## **Chloro Alkali & its Derivatives Business: Industry Overview**



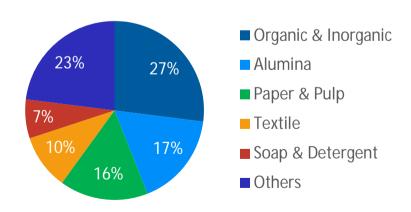
#### Global Chlor-Alkali Market

- 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 3.8 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 Chlor-Alkali Market Size (USD Bn)



#### **Demand Driver - Diverse Industrial Use**



# **Discussion Summary**





Q2 FY20 Results Update



About Us



**Business Overview** 



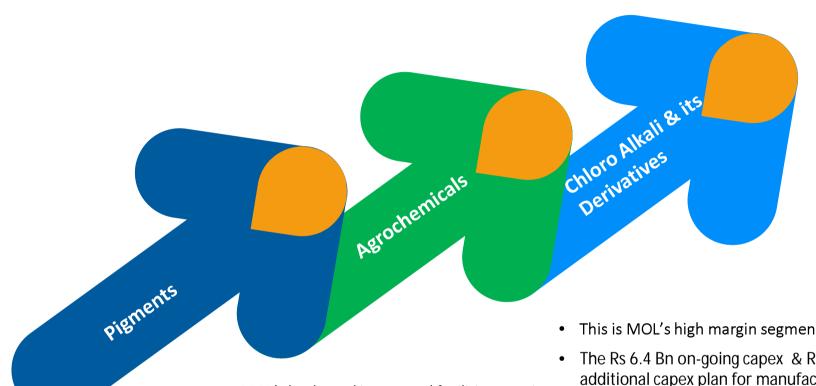
**Strategy & Outlook** 



**Financial Overview** 

# Revenue Target Rs 10 Bn From Each Business Segment





- MOL is one of the largest producer of phthalocyanine 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
- Phase 1 Capex: Doubling 2,4-D Capacity by addition of 10,800 MTPA with capex of Rs 127 crores (Operational by June 2020).
- Expand branded products portfolio

- This is MOL's high margin segment
- The Rs 6.4 Bn on-going capex & Rs 2.75 bn additional capex plan for manufacturing Epichlorohydrin (ECH) provides a solid revenue growth visibility over coming years
- Continue to leverage the market leadership position and capitalise on domestic market demand

# **Discussion Summary**





Q2 FY20 Results Update



About Us



**Business Overview** 



Strategy & Outlook

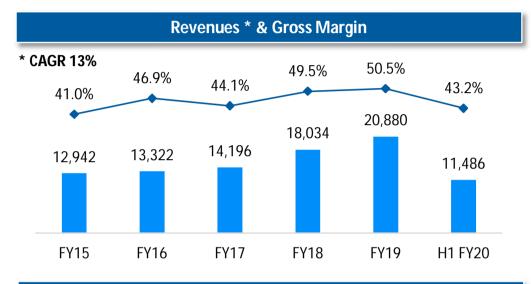


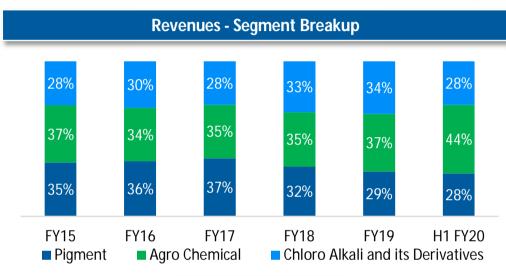
**Financial Overview** 

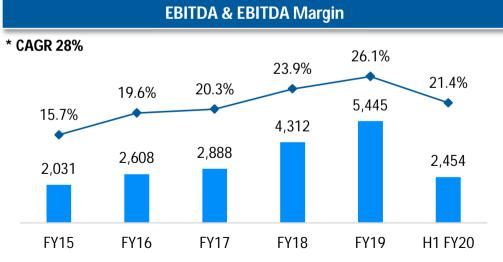
## **Financial Summary**

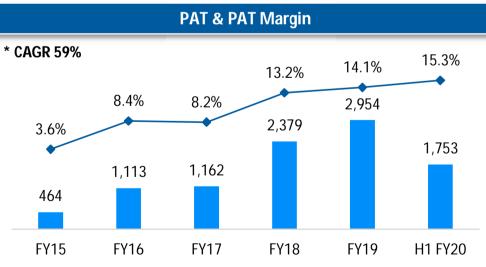


Rs Mn





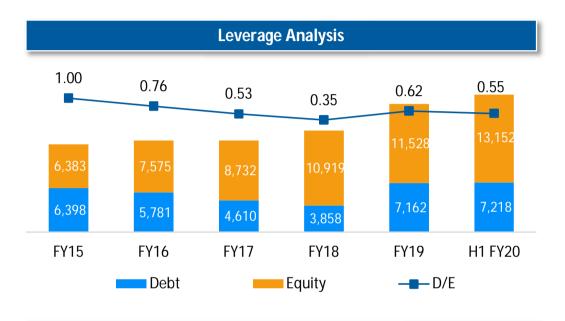


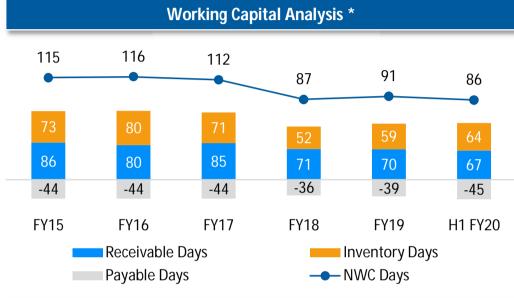


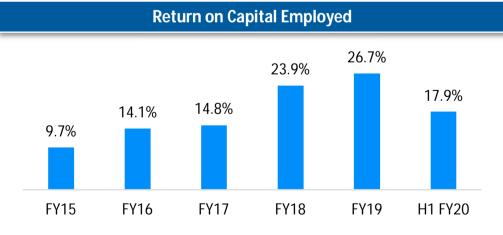
## **Financial Summary**

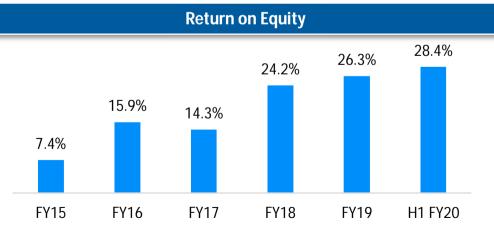


Rs Mn









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

## For Further Queries:



Gurjant Singh Chahal, CFO

Email: ir@meghmani.com Phone: +91-79717 61000



Hiral Keniya / Mehul Mehta IR Consultant

Contact: 90296 62801 / 98920 62162 Email: meghmani@dickensonworld.com

