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CIN : L24294TN1986PLC013087

Ref: MPL / Sectl / BSE & NSE / E-2 & E-3 / 2022
07th December 2022

The Manager,
Listing Department,
BSE Limited
Corporate Relationship Department
1st Floor, New Trading Ring,
Rotunda Building, P J Tower,
Dalal Street, Fort,
Mumbai – 400 001.
Stock Code: 500268

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex,
Bandra (East)
Mumbai – 400 051
Stock Code: MANALIPETC

Dear Sir,

Sub: Analyst/Investor Conference Call – Transcript

Please find attached the Transcript of the Analyst/Investor conference call held on 30th November 2022 as required under Clause 15(b)(ii) of Part A to Schedule III read with Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

The same is also available on the website of the Company www.manalipetro.com

We request you to kindly take the above on record.

Thanking you,

Yours faithfully,
For Manali Petrochemicals Limited

RAMANAN SWAMINATHAN
Digitally signed by RAMANAN SWAMINATHAN
Date: 2022.12.07 15:21:11 +05'30'
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Encl.: as above

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Manali Petrochemicals Limited

Acquisition of Penn Globe Limited Conference Call

November 30, 2022

Management Team:

Mr. Ashwin Muthiah, Chairman
Mr. Muthukrishnan Ravi, Managing Director
Mr. R Chandrasekar, CFO &Wholetime Director

Moderator: Ladies and gentlemen, good day and welcome to the investor conference call of Manali Petrochemicals Limited to discuss the acquisition of Penn Globe Limited, UK and its subsidiaries. We have with us today, Mr. Ashwin Muthiah, Chairman; Mr. Muthukrishnan Ravi, Managing Director; and Mr. R. Chandrasekar, CFO and Wholetime Director of Manali Petrochemicals Limited. At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time, you may click on the Q&A tab on the left-hand side of your panel to ask a live question. Please note that this conference is being recorded. I would now request Mr. Ashwin Muthiah, Chairman of Manali Petrochemicals Limited to welcome the attendees. Thank you, and over to you, sir.

Ashwin Muthiah: Thank you very much. I would like to convey my personal welcome and also on behalf of Manali Petrochemicals to all of you who have logged in today to join us at this investor conference. So, I'm happy to chair this conference just after the announcement of our recent acquisition, Penn Globe Limited. I would like to request Mr. Muthukrishnan Ravi, the MD of Manali Petrochemicals to take over.

Muthukrishnan Ravi: Thank you, Ashwin. So, we have a presentation put together for the benefit of the investors on our recent acquisition and I would like to take you through this. The company's name is Penn Globe Limited and it has 2 subsidiaries, Penn-White Limited and Pennwhite Print Solutions Limited. Before we start the presentation, this is a standard disclaimer that I would like to bring to your attention. We have uploaded this presentation on to the BSE server and I'm sure you would have seen it already. But all the same, the standard disclaimers hold since the presentation contains some forward-looking statements.

The transaction summary is as follows. Penn Globe Limited is a company that we have acquired and it has 2 subsidiaries. Penn-White Limited is a speciality chemicals company and Pennwhite Print Solutions Limited, which is a printing solutions company. What Penn-White does is, it manufactures basically foam control agents and similar chemical products and Penn-White Print Solutions which was launched in 2012 manufactures a range of high-performance silicone emulsions & statics and consumables developed specifically for the needs of the commercial printer industry. This acquisition was at a cash purchase of GBP 20.6 million and the EBITDA for the 12-month period was GBP 2.81 million. We have done EV on cash and debt free basis with repayment of the outstanding loans.

Financing the transaction has been done all through own funds of MPL and refinancing of the working capital facility will be done with a new asset base lending system. Currently, there is no long-term debt on the books of the company. In terms of future performance, we expect a 2-fold impact. One is an increase in EBITDA margins and new product sales generation and we also expect some synergies to be created with Manali Petrochemicals and our subsidiary Notedome Limited. What you see on the right is a summary of the acquisition. It has a GBP 2.96 million EBITDA on an adjusted basis, about GBP 16 million in terms of Sales. The company has 29 employees and over 200 products.

This is at a glance what the company is all about. The company was incorporated in 1985 in Cheshire, in UK, almost about the time Manali Petrochemicals was incorporated. The group's customers are about 60% UK-based and the balance outside of the UK with the sales growing in Asia. They have a strong financial performance with an operating cash flow exceeding GBP 2 million for the past 3 years. Their gross margins are very healthy at 40% and average EBITDA has been 22% for the last 3 years.

More importantly, the products do not use any hazardous chemicals and there is risk regulation and low capital expenditure required to expand and set up new facilities. As you can see, the reason it has over 200 products is because of the application that you see here. It has a wide range of application, these products because as you see know foaming happens in many different chemical processes, so from bakeries to construction to recycling to surface coatings and to wastewater treatment. I would particularly like to focus on food processing. As you can see, it has a wide range of application wherever foaming is involved and this food processing is a key industry that we like to focus on, of course, besides waste and wastewater treatment and surface coatings. Textiles is also a major industry that we would like to work on because as you know the textile industry is quite big in India.

This is a breakup of the revenue of the company in terms of the products that it makes. Again, it's very clear that the exposure to food industry is significant. And that we saw as a positive in this acquisition because the food industry we feel is quite insulated from the vagaries of the geopolitics and other events in the world. Foam control, non-food, non-silicone and silicone together make up roughly about more than half of this business and the rest of it is in non-food applications. When I say non-silicone, what I mean is it can use different raw materials other than silicone. For example, it can use vegetable oils as a base to produce food-based products. So therefore, they are both categories, so they're very diversified in terms of raw material base.

Like I said, the group's customers are 60% UK based and 40% overseas based with a nice 12% diversification in terms of non-sterling business. The supplier base also is quite diversified. Of course, on certain products, there is an exposure to one chemical company, Dow Chemicals with 46% of its purchases coming from there. The group is also very heavily exposed to movements in polyols which is a product that Manali Petrochemicals makes and therefore it gives some kind of comfort that the mother company has a product that it uses as a raw material.

And of course, like in the case of Notedome acquisition, our goal is to create a Penn-White like facility in India and therefore, with the local availability of raw material, this will create a sweet spot for the company. We will use this to supply the Asian market. One key point to note here is that with the Notedome acquisition, our overseas business was about 6% of our turnover. With the Penn-White acquisition, this has jumped up to 16%. So that's a significant number to note.

As Chairman has repeatedly mentioned, it is our goal to balance our portfolio between commodities & specialities and we have been constantly trying to do that through organic speciality growth in India as well as through acquisitions, Notedome being one such. We have now gone a step further through this Penn-White acquisition to do the second speciality offering which is again in the speciality business. We have the objective of making our speciality business 20% in favour of specialities and 80% in favour of commodities. The reason being India is primarily a commodity based business for us and our prime business is still in India.

This acquisition also brings more products to MPL's portfolio. Therefore, the chemicals speciality business will expand for Manali Petrochemicals and will help us obviously to smoothen the cash flows as the commodity cycles go up and down. The one key objective is to create innovation and sustainability. We have already made an announcement regarding a sustainable technology that we are trying to develop in terms of Econic, which is substitute a fossil fuel with carbon dioxide and this is another step in that direction. This company is very much sustainability focused for the reasons that we mentioned. Penn-White products do not call for any hazardous chemicals used nor are they hazardous by their own nature. Anti-foam supports environmentally focused activities such as water treatment and plastic recycling. You might recall some time ago that in Bengaluru, there was a foaming of the lakes due to chemicals entering the water. And at that point in time, anti-foaming agents were used to quell the foam. So, this helps quite a bit in terms of helping the environment.

Penn-White has also launched its responsible care improvement plan in 2011, which is dedicated to continuous improvement of its health and safety practices and its environmental policies. Penn-White products are formulated to minimize their environment impact, and this is work in progress which constantly the company is trying to reduce its environmental impact and innovate. So, what we get through this acquisition is a company that is well diversified, environmentally conscious, sustainability focused and innovative.

The global market potential is something that I would like to talk about. The domestic manufacturing initiative, like I mentioned, would be something that we would try to launch into as soon as possible. So, under the Made in India strategy, we expect to create a new subsidiary for Penn-White called Penn-White India Limited which will again create or mimic a Penn-White in India and the market for India is something that we speak about in the middle column. But it's a very growing market especially agriculture and food industry as they consume quite a bit of anti-foaming.

Taking advantage of the lower manufacturing costs in India, that's obviously an advantage setting it up here. And of course, availability of raw materials through Manali Petrochemicals is definitely a plus. And through this strategic IP no transfer to MPL, we also try to grow the R&D effort because MPL has a wide base of R&D experts who can actually use the IP that they get from Penn-White to diversify their own portfolio and launch new products. So that's something that we will definitely do.

The global anti-foaming market is quite big. It's expected to hit $10 billion by 2030 with a CAGR of 5.2% from now to 2030. Due to the rapid expansion of Food and Agriculture and the paints, inks, coatings and adhesives industries, it is expected that the Indian agriculture industry will reach about Rs.142 million by 2027, and exhibit a growth of about 12.3% during FY 22-'27. So, therefore, this will be a focus industry for us, when we create the Penn-White India facility.

Indian paint industry is again a very growing market and we would like to be a part of that growth and that again will be something that we will focus on besides the food industry. So, some of the things that are work-in progress in Penn-White is what we have listed in the last column. There is some work going on in securing a huge deal with a potato farmer in North America who would use this to contain the starch production in the manufacture of potato chips.

Supplying our fertilizer company which is our own company SPIC with antifoam is another option that is in front of us. We also try to work with large Indian manufacturer on their anti-foaming requirements. For example, sugar industry uses quite a bit of antifoam. So that would be something that we look at.

Penn-White Limited has a very strong market share in Scotland on fish farming. They have over 90% market share and that is something that we would try to use and leverage on when we grow our business in India because fish farming as you know is quite a big business here, and we would like to try and leverage on that and also, in the construction and water treatment industry, we will try to grow bigger.

This is something that we have as by way of presentation. But obviously, this doesn't cover all the points that you may want to seek clarification on and we are here to answer any questions you may have. Just before I close, I would like to mention that AMCHEM Singapore, which is a subsidiary of MPL, completed this acquisition today. So that's something that I would like to mention.

Moderator: Sir, can we begin with the Q&A session?

Ashwin Muthiah: Yes, please go ahead.

Muthukrishnan Ravi: Yes, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Anshul Mittal from Care PMS. Please go ahead.

Anshul Mittal: So, I wanted to start with few questions. So, first is, do we plan to manufacture these Penn products in India and sell over here and other Asian countries or import from Europe?

Muthukrishnan Ravi: The intent is to actually start manufacturing here and sell in India and other Asian regions.

Anshul Mittal: Sir so, do we have any target in mind in terms of contribution expected going forward from Asian countries?

Muthukrishnan Ravi: I think you mean in terms of market share?

Anshul Mittal: Yes.

Muthukrishnan Ravi: So, we have to analyse that our focus obviously is to start with India and then we'll slowly expand to other regions just like how we have done with Notedome. So, that would be our focus. So, I mean as you will know very well, Indian market itself is a huge market. So, we would like to tap onto that first before moving into while trying to again at the same time leverage into the Asian markets.

Anshul Mittal: What is the manufacturing capacity, current utilization ratio, and why are there only 29 employees in the firm? So, the number seems quite small for Penn.

Muthukrishnan Ravi: Now, that's the nature of the industry because in speciality chemicals, you don't need that many employees as you would need, for example in a commodity kind of setup and that's one reason why we have a smaller facility. The capacity utilization is significantly high and in fact, they're exploring more markets in order to even expand further on the capacity.

Anshul Mittal: So, what will be the current capacity in terms of number and how much are we planning to expand going forward?

Muthukrishnan Ravi: The expansion plans are not firm yet. As I mentioned during the presentation, they are looking at a huge customer in the US and if that fructifies, then our expansion plans something that we would be looking at. But today as we speak the capacity utilization is somewhere around 85% to 90%.

Anshul Mittal: In terms of unit, what would be the manufacturing capacity in total?

Muthukrishnan Ravi: The manufacturing capacity is somewhere around 4000 tons.

Anshul Mittal: And sir, considering the current status as there is recession in UK and impact of power crisis, how much is the exposure to Europe? And which other countries do they sell barring US as you mentioned?

Muthukrishnan Ravi: So, like I mentioned in the presentation, 40% of the sales goes into Europe and there the exposure is mainly to Germany and such countries. Yes, there is some short-term blip in terms of demand in those regions. But it has been always our focus that we don't do any growth plans, looking at the short-term. We are in it for the long way and over time, these things kind of even out and I think we will achieve our objective.

Anshul Mittal: So sir, the current numbers and considering the impact on margins of the recession in UK and the energy crisis can we assume these are sustainable numbers going forward?

Muthukrishnan Ravi: The power is not a big component of this production unit. So, I think that may not impact this facility that much. So, these numbers should be sustainable, if not growing.

Anshul Mittal: That's great and good to hear, sir. In terms of our existing business, considering that no imports have started, what are the sustainable prices and margins? So, in terms of trying to understand, are the Q2 numbers sustainable going forward of our existing current business?

Muthukrishnan Ravi: Without Q3 closing, obviously, we cannot talk about the exact margins and sales. But what I would like to say is that our company's performance is in the range of pre-COVID levels and the COVID year was an exceptional year for Manali Petrochemicals because of the disruption to supply chains and such. But then again, we are now back to where we were in pre-COVID. As you know very well the numbers that we were hitting during the pre-COVID years and that's where we are at today. So, the raw material prices and their weakness in China are obviously impacting our margins, but that should over time get sorted out.

Anshul Mittal: What is the status of our PG expansion plan and by when do we expect to start commercial production of the same?

Muthukrishnan Ravi: The PG expansion has reached a significant milestone where we have secured the environmental clearance from the Ministry. There is one more clearance that we need from the local state government and once we get that, we hope to complete that within 24 months.

Anshul Mittal: How is the subsidiary Notedome's performance currently? Are they also facing any pressure because of the global geopolitical issue as well as the European crisis?

Muthukrishnan Ravi: So, Notedome is not insulated from the world events. So, Notedome will thus face some headwinds. But again, we are working towards increasing the turnover and improving the margins to get back to where we were before.

Moderator: The next question is from the line of Gaurav Kumar, an investor. Please go ahead. Gaurav Kumar, may we request you to accept the prompt on your screen and unmute your microphone and proceed with your question

Gaurav Kumar: Sir, am I audible? First of all congratulations for the acquisition. I have 3 questions regarding this acquisition. First question is that I wanted to know what would be the potential impact of this acquisition on the top line and bottom line of Manali Petrochemicals on consolidated basis?

Muthukrishnan Ravi: Right. So, in the presentation, you would have seen that the top line of this company is somewhere around GBP 16 million. So, we can assume that number would be something that would get consolidated here and it has an EBITDA of about GBP 2.96 million in last year. So, around that number should be what we should be seeing going forward and obviously, our intent will be to improve on that.

Gaurav Kumar: Sir, next question is that I have been referring the annual report for the last 3 years and consecutively, I have been noting one thing that our land issue with the Tahsildar is pending. What can you explain? What is the exact status? Because every time, it's the same thing mentioned in the annual report that the company has been giving adequate representation to the authorities.

Muthukrishnan Ravi: So, we have a leased land from the Government which is due for extension, and that extension is something that we are seeking from the Government and that is a process that is going on for quite some time as you rightly mentioned, but we hope that we can sort it out very soon and have the lease extended.

Gaurav Kumar: And sir, last question is about the supply. As you mentioned that the entire world is facing supply chain disruptions. So, what kind of disruptions Manali Petrochemicals is facing in its supply chain and what are the steps the management is taking to mitigate all these disruptions?

Muthukrishnan Ravi: So, one of the things we try to do is, consistent with the Make in India objective, we try to maximize sourcing from local suppliers. But also, when it's inevitable to import, we make sure that our inventories are well managed to not enter a situation of stock out while at the same time managing the logistics costs. So that's the way we manage the supply chain disruptions. In terms of our markets, as you will appreciate Indian market being very huge, our entire market is within the Indian subcontinent. So therefore, we are not that much affected by the World events in terms of supply chain.

Gaurav Kumar: Sir, if you could allow, I have a follow up question.

Muthukrishnan Ravi: Sure.

Gaurav Kumar: Sir, actually, as it's been mentioned in the annual report that the Indian polyglycol market is heavily dominated and major players are putting their petrochemical products in India. So, what are the steps and representations company is taking? Are you giving any representation to impose antidumping duties or anything else to protect your market and your position in the market?

Muthukrishnan Ravi: I think we believe that we have to be profitable on our own without the protection from the Government. If the protection from the Government comes that is an icing on the cake. But then again, our objective is always to keep our costs low, our raw material purchases smart and logistics cost low. And that's the way we would like to operate.

Gaurav Kumar: And sir, the Free Trade Agreement between India and UAE, does not impact your business prospects?

Muthukrishnan Ravi: The wordings are not out yet. It's just an in-principal agreement. So, we have to see the wordings to see what are included and what kind of duty benefits we get.

Moderator: The next question is from the line of Rohit Sinha from Sunidhi securities. Please go ahead.

Rohit Sinha: Hi sir, thank you for giving me this opportunity and congratulations for this acquisition. So, one 3thing I would like to know that since in MPL, we have currently close to 6% on the speciality chemical side and with this acquisition, it would be 16% and probably going forward, we will be targeting at 20% kind of specialty chemical contribution. So, just wanted to understand what sort of margin this Penn company was enjoying for last 2, 3 years and post this acquisition, what sort of margin addition we should be expecting?

Muthukrishnan Ravi: So, I think in the presentation, we had shown that our average gross margin was about 40%. And the average EBITDA margin was 22% for the last 3 years. It will be our aim to sustain and grow that number.

Rohit Sinha: And can we get the last 3 years top line growth of this company, Penn Globe?

Muthukrishnan Ravi: We can share it with you. I don't have it ready, but we can share it with you.

Rohit Sinha: So, my purpose was that only that how this the top end trajectory has been moving and going forward. I mean, apart from MPL growth, how this would be adding to our overall consolidated growth which basically industry would be targeting? Because currently if we see this, we are hearing some slowdown on I mean, paint industry which is immediately lacking because of slowdown in textile industry. So, already these 2 industries are there in the presentation, as I say and so which basic you can say industry would be there where we would be focusing and which would be contributing maybe for the current 1 year or so? And going forward then probably which few other industries would be there where we can be targeting to extrapolate our numbers?

Muthukrishnan Ravi: If you saw the presentation there, the revenue breakup, the exposure primarily is to food industry which seems to be quite robust and again, having said that, each country has a different market base and in India, agriculture and food again is a very big market. So, we would try to focus on that and leverage on the company's strength in the food industry.

Rohit Sinha: And just wanted to understand which chemistry basically is involved in this Penn overall product profiles. How it is actually getting integrated with our business?

Muthukrishnan Ravi: So, I mean, in terms of chemistry, it's like they use polyols and silicone-based emulsions to silicone-based products to make like a mixture of this product, which is what we are talking about the anti-foaming agents. So, this like I said has those depending on the application, the mix is a bit different and additives are different, but basically, it's an operation where these two primary raw materials are added with a bunch of other additives to make it suitable for different applications. So, what is used in say for example, food industry may not be used in cable industry and that may not be used in the bakery industry. So, it's all a bit different from application wise.

Rohit Sinha: So, my purpose was just to understand what sort of entry barrier is there and what sort of competition we are facing right now maybe or going forward we would be facing in this particular segment.

Muthukrishnan Ravi: Like, we said, you've seen the last 3 years numbers of this company, which has been quite healthy. And we also know the kind of industries that it serves have a huge growth potential in the Indian market and the numbers are in double digits in terms of CAGR. So, we should see healthy performance of this industry. Of course, it's all subject to a lot of if’s and but’s, but we do see that there is a lot of potential for this industry.

Rohit Sinha: So, any competitor you can mention for this Penn Globe?

Muthukrishnan Ravi: Competition?

Rohit Sinha: Yes, another peer company.

Muthukrishnan Ravi: Name of the company?

Rohit Sinha: Of this Penn Globe which are the competitors for us.

Muthukrishnan Ravi: There is a company called Blackburn that is also in the same business.

Moderator: The next question is from the line of Anuj Jain from Green Portfolio. Please go ahead.

Anuj Jain: My question is regarding the synergy that you were talking about. You said that there will be synergic benefits with this acquisition coupled with our asset in the form of Notedome and MPL, I just wanted you to elaborate as to what kind of synergic gains are we seeing in future?

Muthukrishnan Ravi: So, 2 or 3 things. One is on the raw material side. Like, I mentioned, polyols are used in the manufacture of anti-foaming agents. So therefore, Penn-White would have an advantage with Manali backing its raw material requirements. That's number one. The second thing is on the on the industries that we service. For example, we service food and flavouring industry. We go into medical and we have several wide applications in terms of our portfolio today as Manali Petrochemicals. So, when we create Pennwhite India ultimately, these connections that we have and the network we have will be leveraged to gain access to these industries.

Anuj Jain: So, are you suggesting that Manali Petrochemicals will be meeting the raw material requirements of Penn Globe from India, because you are not exporting PG or polyol right now currently from India.

Muthukrishnan Ravi: No, we are not. So, what I was trying to say is that polyol goes through cycles in terms of demand and supply. So, there would be requirement of polyol sometimes when it's tight, sometime when it's not so tight. But we don't have to physically move our product to Penn-white Limited for it to get our products. For example, we can have a swap arrangement with their supplier today, and there are several other innovative ways to still get our material to them without incurring much cost, logistics cost. So, we would attempt to one of those.

Anuj Jain: So sir, you mentioned Notedome also when we were talking about synergy. So how come Notedome get into the picture?

Muthukrishnan Ravi: Notedome should be more in terms of shared services. So, we could have let's say, for example, common IT, common purchase, common, say some synergy in terms of marketing. Those are the kind of synergies that we're talking about.

Anuj Jain: So, you were talking about manufacturing these products that Penn Globe currently manufactures in India. So, if I understood it correctly, I want your confirmation on that that SPIC would be buying these products, anti-foaming agent from the entity whenever we start manufacturing in India and this entity can buy raw material from MPL. Am I right in saying that?

Muthukrishnan Ravi: No, anti-foaming agent is the end result of using MPL material. So, what Penn-white does is it buys raw materials similar to what MPL makes from other suppliers who are competitors of MPL and converts it into anti-foaming agents. So, our aim is to create that facility in India, where we would use the MPL raw material and produce the anti-foaming agents.

Anuj Jain: So, sir, have you done any working as to when we can see that manufacturing happening in India? Do you have any plan or currently for that, any numbers you can share?

Muthukrishnan Ravi: We just completed the acquisition today. So, we will obviously work on the plan and to keep our investor community appraised.

Anuj Jain: Right, sir. One quick question also, sir. Suppose whenever we enter into manufacturing of anti-foaming in India from the IP of Penn Globe. So, I wanted to understand what kind of market potential does India have and what kind of competition we will face in India?

Muthukrishnan Ravi: So, I think that was again mentioned in the presentation, if you see about the market potential. I will go through those numbers again for your benefit. Basically, what we said was that the potential is very big for India. We expect that agriculture industry will have a CAGR of 12.3% during the next 5-year period, and this industry needs a huge amount of anti-foaming agents.

The other industry that is rapidly growing in double digits is the food processing industry, and that industry again would use anti-foaming agents. The third industry which is very big in India, which every chemical company has is water treatment facility. So, this water treatment facility through its natural mechanism has foaming. So that will need antifoaming itself. So, therefore, there are many other areas that we can enter into construction, paints and the cable industry for example., The manufacturer of cables in order to avoid bubbles coming up on the surface, this foaming is used as a layer. So that can be another application that we can use and cable industry is very big in India as well.

Anuj Jain: Got it, sir. And who would be the competitors in India who are manufacturing anti-foaming in India?

Muthukrishnan Ravi: There are many small players in India. Like, there are almost 20-30 people who are manufacturing in the small scale, medium scale. But we would of course have working with the IT of Penn-White which we hope will give us a competitive edge.

Anuj Jain: Sir, one last question. I'm sorry I'm taking too much time. So, you were answering a question where you mentioned that you are working at pre-COVID levels. So, I was seeing the numbers. At pre-COVID Level, we were at single digit operating profit margins. So, can we expect that 8% to 10% kind of a margin is something to expect in future. I understand that geopolitical situation is very volatile. But is it fair to assume that this would be the normal margin?

Muthukrishnan Ravi: I think you know very well, we wouldn't venture on number, but we would be somewhere around those levels which were there before COVID. So, we can only say that now.

Moderator: The next question is from the line of Amit Doshi from Care PMS. Please go ahead.

Amit Doshi: Sir, just 1 point on the valuation part. We got this company at a very nice valuation. I mean, we're speaking about speciality business while our is commodity and we have got it into similar kind of price. So, is it because that the last 3 years have been that you mentioned are because of that difficult supply chain issues and a lot of chemical companies got benefited and therefore, the margin is higher and therefore this valuation seems to be low or am I missing something?

Muthukrishnan Ravi: No, I think I would like to take credit for it through the negotiation process. But in reality, it is actually we paid what we thought was the right number given its potential and its performance. Obviously, we paid valuation for its worth in its current mode of operation. And like I said, in addition to that will be the benefit you get by recreating that in India, which is not factored into the valuation, which is why I think it gives a perception of being a good buy.

Amit Doshi: Because these specialty companies then having 18% to 22% margin available at low valuation, I mean why would somebody sell the business at this price, which typically a commodity company would trade at?

Muthukrishnan Ravi: Without going into the heads of the seller, I would say that it's also a family run business. So, they have their own compulsions, and I think more importantly the way we have run Notedome, they saw in us, a company that actually values traditions and the way things were done, and not disturbing the status quo, but at the same time growing the company, and that I think played a key role in helping them decide to go with us and again, to say there was competition for this business from other multinationals and we are happy to say that we got into despite that.

Moderator: Sir, we have a text question from Avinash Gorak from ProfitMart Securities. The question is by when can we expect revenues from this acquisition to get reflected in the financial going ahead? And can we expect better performance in our existing business considering the drop in crude oil prices? Thank you.

Muthukrishnan Ravi: See, from now on it will get reckoned in our books, right. So, today we closed the business. So ,from now on, the numbers will start reflecting on a quarterly basis. The crude oil price is here and there. So, I wouldn't say it has dropped because again it went up yesterday. Then you got lot of strike happening around the world. So, I wouldn't say that the crude oil prices have settled down. So, we have to just wait and watch.

Moderator: Thank you. We have the next text question from Lohith Sinha, an investor. The question is, what will be the net cash in books after this acquisition? Any possibility to reward the shareholders by way of buyback or special dividend? Thank you.

Muthukrishnan Ravi: Chairman, You want to take that?

Ashwin Muthiah: I think, for us, I mean, let me answer that question. I think business growth is very important. So, everybody knows what is the cash position, which has been disclosed in the books of accounts. You also know how much has been basically set aside for overseas investments. So, it is very easy for you to know how much of cash is available in the company. So, with this cash, first of all, we need to implement our expansions in India, which have to be completed and we have reached a fairly advanced stage in getting all the approvals. So, construction will now start and money will be required to complete that. Overseas expansions, we have already done. We still have some funds left to look for some more opportunities. But after all this, definitely there will be some liquidity available in the treasury. We will evaluate what is the best use of this and what is the best for the stakeholder value and then take appropriate decision. As soon as we know our costs that are required to be met with on our expansion, which hopefully will not be very much more than what we have already targeted. So, our focus is growth, both in commodities in India and M&As which we are doing. Following that cash utilization will be evaluated and we will decide what is best for the stakeholder value creation.

Moderator: Thank you. The next text question is from the line of Pawan Kumar from Kabir Capital. The first question is - what is the total capex requirement for PG expansion of 50,000 tons? Second, what kind of consolidated EBITDA margins can we pencil in on a steady state over the 51.medium term? Thank you.

Muthukrishnan Ravi: So, we've just got an approval for Rs. 100 crores for the PG expansion. And in terms of EBITDA margins, I don't think we can give you a forward-looking number. But we have seen EBITDA margins of Manali Petro over the past years. So, they would only improve on that with the PG expansion. Other than that, I don't think it's possible to give a specific number.

Moderator: The next question is from the line of Anuj Jain from Green Portfolio. Please go ahead.

Anuj Jain: Sir, I was reviewing the numbers of Notedome since the acquisition I think it was in around 2018 or 2019. Sir, there has not been any growth and profitability in Notedome. So, what actually is happening there? And why does it look so dismal? secondly, in the annual report 2021, I think you have mentioned that some of the products have been launched in India from Notedome. The revenue contribution is not very much visible. Is it still in nascent stage? So, a view on that also.

Muthukrishnan Ravi: So, in terms of Notedome, after the acquisition, we have had some problems with the raw material prices and availability, which has been the reverse that we saw in MPL. It was an extraordinary year that we saw in MPL last year, the exact opposite of that happened in Notedome because of the high raw material prices, they got hit being a specialty company and that caused numbers to go down significantly. We are slowly recovering from that situation now. In terms of India business, we are growing the India business. Today, the Notedome business in India on certain categories of products is close to 45% market share and we are growing the business, but there are certain constraints in terms of products that Notedome makes on a high margin basis and on those product applications in India. So, we are trying to slowly get into those applications and see where we can go.

Anuj Jain: Sir, how much is the sale in India from the Notedome product so far, let us say for quarter 2 to FY23?

Muthukrishnan Ravi: So, roughly I would say we are somewhere around Rs. 40 crores to Rs. 50 crores in terms of the sales on Notedome business in India on a yearly basis.

Anuj Jain: And sir, another thing that, I mean, I'm not a person from chemical background. So, you are again and again mentioning the agreement is econic UK, wherein, I mean you are going to change the methodology, I mean the process of manufacturing. So, I mean I wanted to understand as to I mean, since you are mentioning it again and again, I think that it must be very important. So, I wanted you to understand its importance for MPL going forward. Suppose we are able to commercially put into practice and the entire production shifts to the new process. So, how you can decide the importance of this agreement and this process going forward?

Muthukrishnan Ravi: Once commercially successful, this product will replace a small percentage of our raw material, which is fossil fuel based with carbon dioxide which is environmentally unfriendly. So, what we do is we suck out the unfriendly material from the environment and use it as a key raw material to substitute fossil fuel. So, that is the environmental benefit. The idea is to show that green need not come at a cost. So, we are going green, where we are sucking out the carbon dioxide, but we are replacing a more expensive material with a cheaper material which is CO2. Therefore, we are achieving 2 objectives. One is improving our margins, at the same time aiding environmental protection.

Anuj Jain: Sir, just out of curiosity, why did you mention the term part production? 5Why not 100% production can be shifted to this process?

Muthukrishnan Ravi: The technology today doesn't allow it.

Moderator: We have the next text question Gaurav Kumar, an investor. My question is for Mr. Chairman. AM Group has committed to sustainability. So, I just wanted to know how management of Manali Petro is harnessing the potential of renewable energy in its day-to-day operations and is transitioned towards renewable energy feasible vis-à-vis conventional sources.

Ashwin Muthiah: So, I will just give a big picture, then Ravi could probably give some details. See, renewable energy in my view, cannot completely replace our conventional energy. So, wherever possible, we will try to use renewable energy, wherever possible we will move towards cleaner gases.

So, this is something that we are constantly doing. But what I want to put down here clearly is there is no situation where completely renewable energy will take over conventional energy, because also we need to look at costs, right? Sometimes renewable energy is not cheap, it's expensive. So, you also have to look at costs and you have to balance between a mix of fuel with costs. So, this is 1 part of the sustainability. And the other part of sustainability which Ravi has also mentioned, is on trying to see how we can bring in the green element into our finished product through introducing greener raw materials. There again, like what Ravi said, the technology does not permit today to make it net green. So, we are slowly going forward to becoming green as far as technology allows, as far as our process allows. So, these are the efforts which we put in to create sustainability. And I'll let Ravi add if he wants to do anything.

Muthukrishnan Ravi: I think you're right because we can never move growth totally towards renewable energy. But our efforts are always in the direction provided the economics allows it and which is why we are signing agreements with wind power companies and solar power companies to generate the energy we want but still maintaining our requirements from conventional sources.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. R Chandrasekar. CFO and Wholetime Director of Manali Petrochemicals Limited for closing comments. Over to you, sir.

R. Chandrasekar: Well, on behalf of MPL management team, I thank one and all for participating in today's call. Of course, all your questions and the feedback are very valuable to us. We hope the interaction was quite informative, and we look forward to meeting you soon. Thanks a lot. Have a good day.

Muthukrishnan Ravi: Thank you.

R. Chandrasekar: Thank you.

Moderator: Thank you, sir.

Ashwin Muthiah: Thank you.

Moderator: Ladies and gentlemen, on behalf of Manali Petrochemicals Limited, that concludes today's session. Thank you for your participation. You may now click on the exit meeting to disconnect. Thank you.