

Meghmani Organics Limited
Q4 FY19 Earnings Conference Call
May 28, 2019

Moderator: Good evening ladies and gentlemen, I am Raman, moderator for this conference. Welcome to the Q4 FY19 Earnings Conference Call of Meghmani Organics Limited organised by Dickinson IR. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press '*' then '1' on the telephone keypad. Please note that this conference is recorded.

We have with us on the call today, Mr. Ankit Patel, CEO, Meghmani Organics Limited; Mr. Kaushal Soparkar, MD, Meghmani Finechem Limited; Mr. Darshan Patel, COO, Pigment Business; Mr. Gurjant Singh Chahal, CFO, Meghmani Organics Limited and Mr. Bharat Mody, Investor Relation Advisor, Meghmani Organics Limited. I now hand the conference over to Mr. Ankit Patel. Thank you and over to you.

Ankit Patel: Good evening everyone and a very warm welcome to Q4 FY19 earnings call of Meghmani Organics Limited. I would like to start with disclaimer first. Certain statement contained in this concall may be statements of the company's beliefs, plan, and expectation about the future and other forward looking statements that are based on management's current expectation or belief as well as a number of assumptions about the company's operation and factors beyond the company's control or third party sources and involve known and unknown risks and uncertainties that could cause actual result to differ materially from those contemplated by the relevant forward looking statements. Forward looking statement in this Con-call 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 or new information, future events, or otherwise. You should not place undue reliance on forward looking statement, which speak only as of date of this concall.

For FY19, we have reported a revenue of approximately Rs 2,088 crores which was up by 16% over the previous year's revenue. This growth was driven by the strong performance of Agrochemical and Basic chemical businesses. EBITDA for the year increased by 26% to Rs. 545 crores. Sale of high margin products and favourable market scenario has resulted in expansion of EBITDA margin by 217 basis points to 26%. PAT after Minority for the year increased by 47% to Rs. 251 crores.

Talking briefly about our quarter 4 results, consolidated net sales for the quarter grew by 18% to Rs. 558 crores on the back of strong performance in export market. Export sale increased by 36%. EBITDA for the quarter increased by 32% to Rs. 159 crores in Q4FY19 from Rs. 120 crores in Q4 FY18. EBITDA margin improved by 299 basis points to 28.5% due to better realization and favourable market condition. Interest expenses for the quarter increased by 98% to Rs. 18 crores due to increase in borrowing for ongoing expansion in Basic chemical business. Despite increase in financial cost and loss on account of fire of Rs. 16 crores, PAT for the quarter remained stable at Rs. 77 crores and PAT after minority interest increased by 33% to Rs. 67 crores.

Looking at our segment performance, our Pigment business for the quarter remained stable with the revenue of Rs. 146 crores. Sales volume for the quarter stood at 4,881 metric tonnes. EBITDA declined by 10% to Rs. 20 crores. Due to pricing pressure, EBITDA margin declined by 152 basis points to 13.3%. Utilization level for the quarter stood at 65%. Agrochemicals business delivered strong growth in sales of 72% to Rs. 231 crores. This was driven by strong volume growth, better product mix and higher realization. EBITDA for the quarter increased by 7.7 times to Rs. 59 crores compared to Rs. 8 crores in Q4 FY18. Better product mix and higher realization has resulted in expansion of EBITDA margin from 5.7% in Q4 FY18 to 25.6% in Q4 FY19. Utilization for the quarter stood at 75%.

Basic chemical sales declined by 3% to Rs. 194 crores. This was on account of higher base in quarter 4 of previous year. Due to favourable demand, supply situation, chlorine price remained positive and overall ECU remained on the higher side throughout the year. Utilization for the quarter stood at 92% compared to 93% in Q3 FY19. EBITDA for the quarter declined by 5% to Rs. 89 crores with the margin of 46%. Going forward, we believe value added products like Chloromethane and Hydrogen Peroxide and expansion of caustic soda capacity will diversify the risks as well as drive the growth on Basic chemical business. For Agrochemical and Pigments, we are planning to add new products as well as expanding capacity of existing products which will help us to achieve our revenue target of Rs.1,000 crores of each business unit.

With this, we would be happy to take any question that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of AM Lodha from Sanmati Consultants. Please go ahead.

AM Lodha: Ankit bhai, I had 2 to 3 questions, number one is, I just wanted to have update on the fire in the plant which occurred, there was some notice also today in the BSE about some fire, so just I wanted, on 29th we had fire in one of the plants in Agrochemical division?

Ankit Patel: Mr. Lodha, the fire took place on 26th March early morning and as you know for Agrochemical division, we have got three manufacturing plants, one for formulation, two for

technical. One technical plant is in Ankleshwar, other technical manufacturing plant is in Dahej. Though in each technical manufacturing plant, we have got about 3 to 4 manufacturing blocks. So the incident took place in one of the manufacturing blocks of our Dahej plant, so that does not affect the complete plant itself, it just affect the partly the part of the plant and today, we have made announcement on the stock exchange because there were lot of negative news moving around on social media about that. That was fake news moving around which was fake videos of some China plant incident and people were trying to relate it with our incident. So we have made a police complaint and we have also announced on stock exchange that it has nothing to do with the Meghmani.

AM Lodha: When the Chloromethane plant will commence the production sir?

Ankit Patel: Chloromethane plant, we plan to start in the month of June.

AM Lodha: What is the total Capex it would Rs 130 crores or Rs 140 crores?

Ankit Patel: Approximately Rs 140 crores.

AM Lodha: Another question is, ongoing project of the enhancement of the power plant, caustic soda and hydrogen peroxide, what is the progress? How much work has been done sir? How much project work has been completed?

Kaushal Soparkar: Lodhaji, the Chloromethane plant will be commissioned in this month which we already had announced in the past call also, which is on schedule. As far as the caustic soda plants and Hydrogen Peroxide with addition of power plant that will be commissioned somewhere in end of quarter 2.

AM Lodha: And by September we can assume that post Diwali, the plant will be in the operations?

Kaushal Soparkar: Before Diwali.

AM Lodha: How much total project cost for the additional facility other than the Chloromethane of Rs 140 crores?

Kaushal Soparkar: Total altogether, the CAPEX is close to Rs 640 crores.

AM Lodha: Including Chloromethane or excluding Chloromethane?

Kaushal Soparkar: Including Chloromethane, Caustic, power, Hydrogen Peroxide, all this.

AM Lodha: This is question to Darshan bhai, actually I look into the presentation, quarter-on-quarter, the capacity utilization had dropped from 90% to 65% as per the presentation, so Darshan bhai,

what may be the reason for this drop in the capacity utilization year-on-year, in this quarter, last quarter to last year quarter?

Darshan Patel: Mr. Lodha, the Pigment business is going through the tough cycle. As you know all has got ups and downs, so as of now, the market is bit sluggish and demand has not been improving, because of that particular reason, we are facing problem in running our plant at better capacity and you can see that EBITDA margin is also under pressure. So that was the main reason and we hope that in coming days time, it should improve once the market condition becomes better.

AM Lodha: And one more question sir, you have announced some capacity enhancement in Agrochemical after you get environment clearance as well as filing of environment clearance, we saw it today only, total how much expansion is there sir in Agrochemical?

Ankit Patel: So, as we discussed in the past that we were going to announce our CAPEX plan based on the environment clearance. So today we have made an announcement for one of the project which is the expansion of our product line called 2,4-D, it is going to be approximately Rs. 125 to 130 crores expansion that will have a capacity of 10,800 tonnes on full year basis, it should add the revenue of approximately Rs. 200 crores.

AM Lodha: Which is likely to be completed by June 20?

Ankit Patel: Yes.

AM Lodha: Just one question to Kaushalji, sir I was going through the press release of Grasim Industry, they had given a view on caustic soda due to enhancement of capacity by DCM Shriram and Grasim itself, then Meghmani, then all other caustic soda producer enhancing the capacity including Andhra Sugar, also they are expanding the capacity, now Bodal Chemical has also announced 700 CAPEX in power plant and caustic soda chemical, so they have given some sort of concern of the softening of the prices and when the enhanced capacity will be in the operation? Can you Kaushal sir give any view on this caustic soda industry?

Kaushal Soparkar: So the capacity expansions is the continuous journey of this industry because industry growth is in line with the GDP growth of the India and the way India is progressing, this is the part of a Basic chemical industry, so the chemical sector is growing overall, Basic Chemical sector is bound to grow. Now, coming with the additional capacity, once any company announces, from the announcement till the plant commissions, it is a journey of between 24 to 36 months depends on what stage they are making official announcement, right. So, if any company has made an announcement, it is a Greenfield project, then minimum 3 years will take. Till then, our new capacity will be easily absorbed in the market. As far as the pricing part is concerned, throughout the last financial year also, the prices remained firm and even at the beginning of this year also, we are not seeing any price softening. So we believe the

prices will remain firm and we are not seeing any issue at this juncture with the new announcements.

Moderator: Thank you. The next question is from the line of Jayant Kumar who is an Individual Investor. Please go ahead.

Jayant Kumar: I wish to ask you just one question about the interest cost may increase from Rs 7.6 crore out of last quarter and Rs 9 crores last year to about Rs 18 crores, now you already mentioned that this is because of the increased borrowings in Basic Chemicals, is this only because of Basic chemicals or even in Agrochemicals and what is the debt position right now?

G S Chahal: As far as debt position is concerned, as on date our Long Term gross debt is Rs. 514 crores. Rs 127 is in MOL and Rs 387 is in MFL. So we have taken loan to fund our ongoing CAPEX, so that is the reason for increase.

Jayant Kumar: We had also reduced the debt, MOL had paid 166 crores term loan, right?

G S Chahal: Yes.

Jayant Kumar: So still the standalone interest cost is higher than last quarter and last year?

G S Chahal: Yes, as compared to last year it is higher in standalone. That is because of IFC exit happened at that time, and higher working capital.

Jayant Kumar: Even last quarter, the standalone interest cost was about 7 crores, this year it is 10.43 crores, in spite of reducing the debt and in spite of repaying the term loan?

G S Chahal: No, actually in case of finance cost, there is an element of foreign currency gain and loss, we explained in the last quarter, there is a gain of 5 crores in the standalone. That was the reason and Long Term Loan agreement was done in March 19

Jayant Kumar: How is the company planning to take care of its debt position as in are you going to increase the debt because you are planning an expansion of Rs. 127 crores also in future?

G S Chahal: As we stated last time also, our overall gross debt will not exceed Rs 700 crores. So this time on a console basis, if you see it is Rs 700 crores and we have Rs 129 crores in fixed deposit, so our net debt is Rs 590 only at the consol basis, it is not going to increase.

Jayant Kumar: So, I will not see the interest cost increasing of more than Rs 20 crores, next quarter also?

G S Chahal: There will not be any increase going forward on the debt part as compared to current.

Jayant Kumar: One more question, in the last concall you had promised the investors that there will be a separate concall for the scheme of arrangement discussion for the scheme of arrangement which had happened with Meghmani Finechem as the promoters getting the stake, so any update on it because we haven't heard anything from the management regarding keeping a separate concall for solving the problems of investors.

G S Chahal: Yes, we have already had a conference with the investors. We had announced regarding that on the exchange also. We had briefed them on this scheme and the scheme is approved by NCLT in March. The money has come back and that matter is over now.

Jayant Kumar: The matter is over, but sir the question is the raise in each and every concall, in the last concall since lot of question we had, so management had promised that you will have a separate concall for it. Are you planning anything or the concall has been kept already in last quarter, then can you mention which date was the concall kept specifically for the scheme of arrangement discussion?

Ankit Patel: We called for conference in Mumbai where all the investor were called openly, and they can come and join and ask the question about the scheme. We already made proper discussion and announcement in that conference. More than 100 investors participated. They had lot of questions, which they asked, and we answered all the questions, so it was clear after.

Jayant Kumar: When was this done sir?

G S Chahal: It was around 10 or 12th March. We announced on the exchange also regarding that. We gave the intimation.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: On the Pigments, you said that we will be going ahead with new investments, so have we earmarked any CAPEX for the same?

Ankit Patel: For the Basic Chemical division we have already announced the CAPEX plan. For the Agrochemical division, today we made an announcement on stock exchange with the CAPEX plan for the first phase about Rs. 127 crores for the expansion of our 2,4-D plant capacity.

Rohit Nagraj: And for Pigments, we haven't announced anything, right?

Ankit Patel: As of now, we have not announced anything for the Pigment.

Rohit Nagraj: And this Agro CAPEX of Rs 125 crores, this will be spread over FY19 and FY20 and first of FY20, the plant will be commissioned?

Ankit Patel: Yes, you can say that. Mostly, it will be done in this year and partly will be done in the next year.

Rohit Nagraj: And how is it going to be funded?

G S Chahal: It will be broadly from the internal accruals only. We don't have much debt and even sufficient cash generation is there and largely it is going to be funded from internal accrual only.

Rohit Nagraj: And just on the Basic chemicals, what has been the ECU during Q4 and what it is right now?

Kaushal Soparkar: In the last quarter, it was around Rs 42,000/tonne and currently also it is in the same range.

Rohit Nagraj: And the Chlorine realizations about Rs 3 to 5/kg positive?

Kaushal Soparkar: Yes, it is in positive.

Moderator: Thank you. The next question is from the line of Kishan Shah from Isha Securities. Please go ahead.

Kishan Shah: Sir, first question is on the EBIT margins for Pigments, so historically our margins have been in the range of 13 to 14% and this quarter, our margins have improved as compared to quarter 3 from 8% to 10%, so by when can we see our margins improving again to 13 to 14% and would that be a sustainable range or could we see any more increase in that?

Ankit Patel: Mr. Kishan, as we discussed earlier that as of now the Pigment industry is passing through little tough time and because of that the EBITDA margin or the EBIT margin has come under pressure. We hope that in near future it should improve once the market conditions are back to normal and after that only we feel the numbers will try to improve. At the same time, we are trying to make sure that wherever possible we are improvising our operation to improve our margin.

Kishan Shah: And sir, another question is for Pigments only, so our quarter 4 revenues from Pigment were Rs 146 crores and sales were 4,881 metric tonnes, am I right?

Ankit Patel: That is correct.

Kishan Shah: So, sir if I see from as compared to quarter 3, our realization in Pigments has fallen by almost 30%, so what could be the reason for that?

Ankit Patel: As I mentioned that the industry is passing through little tough time and the reason was on two side, one was the realization were on little lower side. At the same time, the cost of the raw material was on higher side. So keeping all those factors in mind, we were not able to

pass on the raw material price increase to the market because of the market condition. That has resulted into decrease in the margin.

Kishan Shah: So what is the usual lag for us to pass on the raw material prices?

Ankit Patel: Normally, it is 3 months, but because market conditions are not favourable, we also need to keep on making the sales to run our plant, so we cannot let go our market share. Because of all these conditions, we are facing trouble in passing on raw material price increase.

Kishan Shah: And sir, just one more final question, the problem that you are saying that we are facing in Pigments, is this structural problem or is this the general business cycle, can you pinpoint any particular problem?

Ankit Patel: It is business cycle from the demand supply point of view, that is the main reason. Otherwise we don't see any other reason.

Kishan Shah: If you could just tell me the prices, ECU prices, what did you say, Rs 42,000 or 32,000 tonne?

Ankit Patel: Rs 42,000/tonne.

Moderator: Thank you. The next question is from the line of Vivek Chiragia who is an Individual Investor. Please go ahead.

Vivek Chiragia: What is the debt profile of the company and how are you planning to use the cash flows going forward once the Basic chemicals CAPEX comes on stream and would we use the cash flows to pay down debt and/or I am just trying to understand how it is in terms of the capital structure in terms of Debt to EBITDA or debt to equity?

G S Chahal: As we already mentioned, our long-term debt is Rs. 500 crores as of now. We don't see any increase going forward as far as debt is concerned. We have drawn Rs. 400 crores to fund our CAPEX, and rest we are funding from our internal accrual. Even in Agrochemical, we will be able to manage from our internal accruals. So we do not see increase in debt. And as far as debt to equity is concerned, as of now it is 0.62 and it is going to come down.

Vivek Chiragia: Can you give some guidance of this year in terms of the volume growth for the three segments, I mean will the bulk of the growth come from Basic chemicals division, part of it coming on stream in the latter half of the year and the pigments and Agrochemicals, do we expect some volume growth for FY20?

Ankit Patel: As you know the main growth for this year will come from the Basic chemical division because the three projects are going to be commissioned in this year. First is going to be Chloromethane followed by expansion in caustic chlorine plant and hydrogen peroxide. So

that is going to be the main growth factor for this year as well as there will be partly increased or there will be growth in Agrochemical division also.

Vivek Chiragia: Has the management thought of a dividend payout policy on some broad guidance with us, this year we have done EPS of 10, dividend has been Re. 1 given that we have been generating good cash and the margin profile is healthy?

Ankit Patel: As you know Mr. Vivek, earlier our dividend payout was nearly 40% and few of the investors made a point that we should improvise in our dividend payout policy. This year keeping in mind the investor's view, board has considered that. We have given approximately 100% dividend.

Vivek Chiragia: No, I mean payout in terms of the net income, you are talking about in terms of face value, obviously you have given 100% on the face value but as the percentage of the profit, it has been just 10%.

G S Chahal: Vivek, last year our payout was around 7% and this year it will be around 10%. Definitely, the management is looking to reward investors as the cash flow and company profitability is increasing, so considering that, profit is being shared with the investors also and this time, including interim dividend and final dividend of 40%, total dividend is 100% this year.

Vivek Chiragia: So just one more question, by when do we expect all those three projects to commission, I mean at least by Q3?

Kaushal Soparkar: Yes, Chloromethane will be commissioning next month. The remaining two projects will be commissioning by September.

Moderator: Thank you. The next question is from the line of Jayesh Parekh from JMP Capital. Please go ahead.

Jayesh Parekh: Can you throw light on two points, one what is the pricing trend currently on Caustic and Chlorine and what do you feel, how Caustic and Chlorine pricing will be behaved in the next 6 to 8 months time?

Kaushal Soparkar: Current ECU is around Rs 42,000/tonne. We feel that more or less next 6 months, it will remain in the same range.

Jayesh Parekh: And my second question is Agrochemical EBITDA of Q4, 25% is a very good EBITDA achieved by the company, do you think that this is sustainable going forward?

Ankit Patel: It is more of a market dynamic because of the better market conditions, we were able to achieve better EBITDA margin. Our aspiration would obviously have a better EBITDA margin but we cannot assure always 25% EBITDA margin.

Jayesh Parekh: Yes, since you have good integration as far as Agrochemical is concerned, from backward and forward point of view, so that puts you in a better commanding position vis-a-vis other Agrochemical manufacturer?

Ankit Patel: Yes, Jayesh bhai we are backward integrated in Agrochemical and that has resulted in the numbers this year and year-on-year, our aspiration would be to have a better EBITDA margin. We are committed to it, but we cannot always assure 25% EBITDA margin.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: We are bringing our Agrochemical expansion of 2,4-D, so how was we placed in terms of the raw material supplies for the same?

Ankit Patel: 2,4-D is one of the herbicide which uses high amount of Caustic and Chlorine and as far as the 2,4-D is concerned, that makes Meghmani one of the most backward integrated company where we have our own Caustic Chlorine plant. We supplied caustic and chlorine by pipeline to our 2,4-D plant. So that makes the perfect synergy for us and one of the other raw material which is the phenol and our plant is in Dahej. If you know that the phenol plant has come up by Deepak Phenolics that is also in Dahej, so from raw material point of view, we are at the best location.

Rohit Nagraj: And sir, what was the thought process in terms of putting up this facility, so is it were to cater to the domestic market or we are seeing good demand traction from the exports market?

Ankit Patel: As you know, we are more of export-oriented company, our majority of revenue comes from the different exports market in different continents. As of now also, we have got good capacity for the 2,4-D. But as we have started getting different registrations in different market, our demand has kept on increasing. As the market is increasing, our market share is also increasing, so the management has decided that we should increase the capacity of the 2,4-D and that is why we have taken the call. The other thing is as I mentioned earlier, from the raw material point of view, we are at the best location and we have our own Caustic Chlorine plant which makes it perfect for us, so that is why we are expanding the 2,4-D capacity.

Rohit Nagraj: And what is the timeline we are expecting to utilize the plant at its 100% utilization level, will the plant starts operations in FY21?

Ankit Patel: We are planning to start the commercial production in June 2020 and slowly, we will ramp up the production. But we don't see that in the first year itself it should reach at better capacity because these are all herbicide and regulated related product, so we hope that in the second or third year onwards we will be able to achieve 80% capacity.

Rohit Nagraj: And the current capacity is utilized fully 2,4-D?

Ankit Patel: That is correct. Current capacity is utilized fully.

Rohit Nagraj: For Meghmani Finechem, revenues, EBITDA and PAT for full year FY19?

Kaushal Soparkar: For FY19 revenue was Rs. 710 crores, with EBITDA margin of close to 44%. PAT was Rs. 182 crores.

Moderator: Thank you. The next question is from the line of Kishan Shah from Isha Securities. Please go ahead.

Kishan Shah: Sir, the first question is what is the utilization outlook from the new capacity that we are adding, I mean the expansion and Hydrogen Peroxide both for FY20?

Kaushal Soparkar: Yes, Hydrogen Peroxide plant, we are targeting to commission by the end of September of this financial year and initially capacity will be on the lower side, but we are targeting that by end of this financial year, the capacity utilization should be around 50%.

Kishan Shah: And sir, what is the maximum that we can reach?

Kaushal Soparkar: So, the installed capacity is 30,000 tonnes on the 100% basis, so if you operate for 6 months. We believe that we should have production around 7,000 to 8,000 in this financial year.

Kishan Shah: No, what is the maximum utilization that we can reach for Hydrogen Peroxide?

Ankit Patel: See, normally these are all chemical plants, and these are all continuous plants. Normally we consider 90% is the ideal capacity where it can reach up to 92, 93 also, but ideal condition of all the continuous operation plants at 90%.

Kishan Shah: And what kind of incremental revenues do we expect from Hydrogen Peroxide for FY20?

Kaushal Soparkar: So, with the current pricing if the plant runs at full capacity, then total revenue will be added cross to Rs. 100 to 125 crores, it depends on the pricing.

Kishan Shah: And sir, from Agrochemical expansion of 2,4-D, you said that you expect Rs 200 crores of incremental revenue, am I right?

Ankit Patel: That is correct.

Kishan Shah: And sir, another question is what is the revenue growth outlook for FY20 versus FY19 and the EBITDA margin outlook?

Ankit Patel: Revenue growth point of view we mentioned that the three projects in Basic chemicals will be commissioned in this year, so the increment revenue will come from that segment as well as the regular growth will come in the Agrochemical business. So all put together we see reasonable amount of growth coming as a company. From the aspiration point of view, we would target better EBITDA margin but depending on the market condition we should be able to get better EBITDA margin compared to other peer company.

Kishan Shah: And sir, the final question again on Hydrogen Peroxide, so why did we choose Hydrogen Peroxide particularly for the new addition and how will it help us in scaling up our business?

Kaushal Soparkar: See the Hydrogen Peroxide, the major raw material is the Hydrogen gas and Hydrogen gas is the co-product coming out of Chloro-alkaline plant, number one. Number two is that the hydrogen gas cannot be stored, it has to be transported in the special vehicle to its customer or otherwise you have to go in air. So if you make any product out of that you have natural advantage in terms of costing. In terms of transportation, obviously by adding the new product, you are definitely adding the revenue plus using within the same complex, you are also taking care of HSE point of view also. By doing the transportation by road, you may be putting safety at risk, but when you consume within the same complex, the safety is taken care and plus definitely you have more revenue coming out of the same. As we have fixed overheads now coming from that site, so additional production will definitely help us strengthen the financial of that complex.

Kishan Shah: So, this will help us add margins or will it enjoy same margins that the company has continued?

Ankit Patel: It will improve the margin.

Moderator: Thank you. The next question is from the line of Ambu Chaudhary who is an Individual Investor. Please go ahead.

Ambu Chaudhary: I would like to ask you about the major portion of our cost which goes into the raw material like which raw material has the major impact on our cost structures?

Kaushal Soparkar: Mr. Chaudhary because each division has different requirement in terms of raw material.

Ambu Chaudhary: Like which raw materials are we importing from other countries, on which we are more dependent and which are weaker hand in pricing?

Ankit Patel: As Kaushal mentioned, it depends on segment to segment. For Pigment division, there are few raw materials which are important like phthalic hydrate, copper, urea, etc. Some of the raw materials are available locally and some of the raw materials are coming from the outside.

Ambu Chaudhary: So as China has major clamp downs on chemical industry, so do that action correlate with the changing in the supply chains of whole raw materials?

Ankit Patel: As Meghmani point of view, most of the product point of view, we are backward integrated, so directly it does not affect us on majority of our products. So indirectly it affects definitely on few products, but as far as dependency on China market from the sourcing point of view is concerned, we are very much less dependent on China market.

Ambu Chaudhary: Could you please give the segmental break-up from wherever export revenues are coming like which continent contributes to most of our export revenues?

Ankit Patel: For both the segments like Pigment and Agrochemical division, we export to more than 70 to 75 countries. So it is not that we are just dependent on one or two countries or one or two continent, it is quite fragmented as far as the revenues is concerned and that gives us non-dependency on one single customer or one single country base.

Ambu Chaudhary: And my third question is, in the Agrochemical segment we are involved in B2C or B2B and how much revenues are coming from B2C and B2B?

Ankit Patel: In Agrochemical segment, our major revenue comes from the B2B segment, hardly about 10 to 12% revenue comes from the B2C segment.

Ambu Chaudhary: There is a report that major of the pesticides and the injected herbicides selling in the market are of the sub quality, so how are we going to correct those things in the market?

Ankit Patel: See, first of all there is lot of negativity about pesticide industry overall in India or globally and different NGOs or different media comes out with a different report. Majority of the big industries present in Agrochemical industry are supplying the product in B2C market which are quality product. They don't play with the quality at all and as far as the other nonregulated players are concerned, government is taking sufficient step to identify those players. They keep on taking different sample from different market at random time, they analyse the sample, if it is not up to the mark, they penalise the companies, they cancel the license. So government is taking proper measures against it and as and when industry comes to know about this irregular players or company, through association we take it up in the government to control that.

Moderator: Thank you. The next question is from the line of Jayant Kumar who an Individual Investor. Please go ahead.

Jayant Kumar: Just wanted to know what is the current utilization of 2,4-D?

Ankit Patel: For the current plant of 2,4-D this is manual batch operation plan, so we are running at more than 80% capacity.

Jayant Kumar: I really liked what you are using Caustic and Chlorine as your raw material, so it is a very good decision. And one more question that you had extraordinary item of Rs 15.86 crores because of the fire incident at Dahej, what is the status with the insurance? When does the company expect the insurance money?

G S Chahal: Rs. 15.86 crores are the loss on account of plant and machinery and stocks which has been provided for as per Accounting Standard because we are in the process of submission of the information to the surveyor to finalise their report. When the report is finalised, then we will come with the full amount and this will get reversed.

Jayant Kumar: And just one more question about the noncontrolling interest, which compared to Rs 27 crores last year. I wanted to know that if this year when we did Rs 300 crores net profit, the minority interest was Rs 44 crores, so if assuming that we are doing Rs 300 crores of net profit and everything remains the same, what will be the minority interest after the scheme of arrangement?

G S Chahal: This calculation is as per the scheme of arrangement.

Jayant Kumar: So how much will it increase, I just wanted to know how much the company's EPS will reduce because of that so I wanted to know if you can give me a ballpark figure?

G S Chahal: In the current year, as per the accounting, it has been accounted for partly for quarter 1, quarter 2, quarter 3 and proportionately for quarter 4. The scheme of arrangement has been approved in Q4.

Jayant Kumar: So, from what date it will be going in the same proportion as last year?

G S Chahal: Going forward, it will be in the proportion of March 18.

Jayant Kumar: As March 18, so you will be having approximately what, Rs 80 crores going to the noncontrolling interest out of the Rs 300 crores?

G S Chahal: It depends upon the profit of FY19-20.

Jayant Kumar: I was just assuming that if you have the same numbers, so how much EPS variation will have?

G S Chahal: EPS impact will be around Rs.1.5 to Rs. 1.7.

Jayant Kumar: And what is the other income? Why that has reduced on negative? Is it because of the currency? And what is the effect of currency in the company? Like with it depreciation is better or appreciation is better?

G S Chahal: No, overall there is a foreign currency gain around Rs 18 crores this year, but in the last quarter Q4 there was a loss. So that is why Rs. 2 crores is coming as loss in the last quarter.

Jayant Kumar: And that has been adjusted in other income?

G S Chahal: Yes, it is other income.

Jayant Kumar: Because last time, it was adjusted in the interest part if I am not mistaken?

G S Chahal: No, it was adjusted in other expenses.

Jayant Kumar: And just one more thing, my previous conversation which you had and you had called for the meeting on 12th March, I saw on that exchange what you had mentioned, but there was no mention about the particular topic and also whether the investors are free to add in, so if next time, if you have this kind of any investor meet, please let us know how we can join in?

Kaushal Soparkar: Okay.

Moderator: Thank you. The next question is from the line of Suresh Agarwal who is an Individual Investor. Please go ahead.

Suresh Agarwal: Sir, regarding the scheme of arrangement, the concall which you have conducted in Mumbai, can you provide us the concall transcript or audio of that concall, because we are also having a lot of questions. In last concall, the company management has promised us that a detailed concall will be conducted with all the investors, You had said that you have conducted in Mumbai with around 20 or 50 investors, so if you provide us the detail of the concall transcript or audio of that concall, then we will also be benefited and the confidence in management will increase. Now the confidence on the management is so low that you can also guess from like the investor participation in this concall also, so please if you provide us the transcript or audio of the concall, then we will also come to know what questions were asked and how you had answered and our questionnaire will be solved.

G S Chahal: We had a conference in person on 12 March in Bombay and more than 110 investors joined that conference. They had lot of queries and then we have explained in detail and we have clarified questions about the scheme.

Suresh Agarwal: But we were not clarified no sir.

G S Chahal: It was a conference meeting and not a call.

Suresh Agarwal: It is okay, you have called up some investors and you have answered their questions, but regarding our questions, since we are also long-term investors of your company since last so many years, it is your duty actually, it was told to us in the last concall that you will provide us

the opportunity but that opportunity has not been provided, so it is up to you to decide. I will request from all the investor community that you please provide us the concall transcript or the concall audio, so that our questions and our fears will be answered. As on date, we are feeling that promoter are taking the advantage by suppressing the minority investor, which is our concern, so please clear it. In the last concall, every management authority who has attended last concall, they promised that they will answer all these things, so please.

G S Chahal: Notice was put on exchange regarding the conference.

Suresh Agarwal: It was not clear the topic and how we can attend that, whether we are invited or not, it was not at all clear, so you provide the transcript and audio concall, you provide the audio of the transcript of that concall?

Ankit Patel: There is no audio transcript as we mentioned there was no conference call, it was a proper conference which was arranged in Mumbai and we announced it on exchange as well.

Suresh Agarwal: And you please sir, in last concall also we had requested the management to please give a letter to the whole investor detailing all these things, you please put up a letter to the investors, then also we will come to know what was happening. I don't know, you may feel awkward, but this is the right thing that we investors are feeling cheated by the promoters. In that concall you had promised I don't know whether you were present in that concall or not, but you through the transcript or you go through the audio of that concall you would come to know that it was promised, but you have not kept promise. Please do it sir, it is for the good of the company, it is for betterment of the company. Now the new promoter will come with the new issue in the share market, then nobody will subscribe your shares, because you have actually like older investor, minority investor, differentiated. Please for the sake of company reputation and for the sake of the interest of minority shareholders, please do it sir.

Kaushal Soparkar: Sir, basis on that information only what our CFO, Mr. Chahal and our CEO, Ankit Patel is endorsing you on that ground only. Taking care of minority shareholder interest we arrange a conference for all our shareholders in Mumbai to have a face to face meeting.

Suresh Agarwal: You go through that BSE or NSE letter. In that letter only it was written that you are meeting some investors in Mumbai, no topic was there and how the investors and where to attend, how to attend, nothing was there and timing was not given, it is only your part. Sir, this is my request, we are small investors, we are holding like 10,000 and 50,000, we will sell it and get out of your company like so many companies are there like Meghmani in the Indian corporate, but your reputation is at the stake, last time also I said it that your reputation is at stake, so please do something but I don't know whether this is also one type of falsehood please.

Ankit Patel: As mentioned that we have already called the conference but still the complete detailed scheme is on the public forum, so you can go through it and if you have any question then you can let us know, we can answer the queries.

Suresh Agarwal: I know it, you will not be convinced but still, on our part and all other investors part I said these things. It is up to you because you are the promoter of the company, you are the owner, we are not the owners actually, like minority shareholders are also owners, but you don't see them as owners that is why you are doing all this things.

Moderator: Thank you. The next question is from Jayesh Parekh from JMP Capital. Please go ahead.

Jayesh Parekh: My question is for promoter, Ankit bhai and Kaushal bhai, Ankit bhai if you see FY19, the consolidated EBITDA is almost Rs 575 crores, I think historically this is the best performance of Meghmani on a consolidated basis. Even if I exclude noncontrolling interest part of EBITDA, as per my rough calculation, if I remove Rs 100 crores still controlling part comes to about Rs 475 crores. Now, going by the industry trend at India level or even global level, if you take 10 multiple for an enterprise value, the enterprise value should not be anything less than Rs 4750 to 5000 crores of Meghmani. I am adding 450 crores long-term debt, I am not adding the working capital debt. So I personally feel that these company's valuation as of 31st March 2019 is nothing less than Rs 5000 crores, it should be Rs 5000 crores. Now if you see the market cap, the market cap is hardly 1500 crores, the debt is another Rs 400 crores, net if you add it is Rs 2000 crores, so there is a huge gap between the market valuation and between the actual business valuation, so my humble suggestion to you is that kindly do some presentation through top 10 CA firm or may be investment banker so that how we can really match the market valuation vis-a-vis the enterprise value to EBITDA valuations. This is my humble suggestion to you, so that we can really come back to the realistic market valuation. I just need your suggestion on this and what action you can think in these directions. This will go a very long way in the interest of the investors and promoter both, can I have your view on this?

Ankit Patel: Jayesh bhai, we have noted your concern and we will do the needful accordingly but as a management, we are more committed towards our performance and we will always remain for the growth of the company and from the better results point of view. Still we have noted your concern. As far as the valuation is concerned, we will try to take action accordingly.

Jayesh Parekh: Because the company deserve that valuation with this kind of EBITDA that you have done in FY19.

Ankit Patel: Yes, we understand that.

Moderator: Thank you. The next question is from the line of Rahul Gupta who is an Individual Investor. Please go ahead.

Rahul Gupta: What is the total debt position? can you please tell me the breakdown of the total debt position, what is the short-term debt and what is the capital debt and long-term debt?

G S Chahal: Long-term debt is Rs. 500 crores and short-term debt is Rs. 200 crores and total Rs 700 and against that we have around Rs. 129 crores amount in liquid funds, so net debt is 590.

Rahul Gupta: What is the working capital then?

G S Chahal: Around Rs 200 crores.

Rahul Gupta: And can you tell me what is the current ECU pricing and chlorine price?

Kaushal Soparkar: ECU price is around Rs. 42,000/tonne and chlorine price is around Rs. 3/kg.

Rahul Gupta: So, can you please give us some sort of guidance of what will be the chlorine pricing for the rest of the year?

Kaushal Soparkar: Rest of the year, we believe that prices will remain in this range.

Rahul Gupta: I mean the chlorine prices will stay positive for the rest of the year, is there some sort of industry outlook in this direction?

Kaushal Soparkar: See, we always focus on the ECU pricing. If you look at last 10 years except last 1-1/2 year, Chlorine prices were negative but we always look at the ECU, chlorine price it may go negative or should remain positive, that was we anticipate, so target should be that ECU should remain in the range of Rs 40,000 to 42,000/tonne overall for the industry and if that remains that is the healthy sign for the industry.

Rahul Gupta: And what you think the ECU price will stay above Rs 40,000/tonne for the rest of the year, can we expect that?

Ankit Patel: That is what we are foreseeing right now.

Moderator: Thank you. The next question is from Arun Kedia who is an Individual Investor. Please go ahead.

Arun Kedia: It has seen that the management does not believe in keeping its word. In the last concall, you have clearly mentioned that you will either put the details in writing on the stock exchanges or you would call for a conference call. You have done neither of the two. No wonder the market cap is so low, it is in the company release watching only for the promoter or for 40 or 50 of the big shareholders. The small shareholders can go to the dogs the management does not care. I have myself reduced my holding in the company by half because now I don't trust the management. The management should keep its word, can you explain why you have

done it and how you have done it? If you had had a conference with 50 shareholders, what you have explained to them, please put that on the stock exchange as in writing, what is the problem in doing that?

G S Chahal: In the last concall when we had discussion...

Arun Kedia: No sir, go back to the last concall and replay it what there you had mentioned, we put it on writing in detail or you will call a concall for only for this purpose and do you expect all the shareholders to come to Mumbai?

G S Chahal: No, when we had a concall, so that scheme was under approval at that time and now scheme is approved and that is in public domain. After that we have given proper notice to that scheme and we had a conference in Bombay.

Arun Kedia: Sir, please put the details of that conference call, are you writing only for the top 50 shareholders, you don't care about the other shareholders, they can go to the dogs what is the attitude of the management? Do you believe in the small shareholders also? Or you only believe in the future of the management and of the 10 to 15 institutional shareholders, etc. You have to keep the trust you are losing trust I am holding since 4 years still I have not sold I thought I will add more, but seeing your this attitude I need to think whether I should purchase more or should advise someone else or not or they should sell all the shares, it is a very serious matter. You are ruining the trust of the small shareholder. If you don't want to take care of it that is your outlook, I don't have to say anything more.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Ankit Patel for closing comments.

Ankit Patel: On behalf of Meghmani Organics Limited, we would like to thank all the investors for participating on the concall of the Meghmani Organics Limited. Thank you very much.

Moderator: Thank you very much. On behalf of Meghmani Organics Limited that concludes the conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.