

**Meghmani Organics Limited**  
**Analyst Meet**  
**February 03, 2020**

---

**Vikash Verma:**

Good evening, everyone. I am Vikash Verma from Dickenson World, the Investor Relations Agency for Meghmani Organics Limited. On behalf of Meghmani Organics, I would like to thank you all for gracing us with your presence for the Investors & Analyst Meet. We have with us Mr. Bharat Mody, Advisor-Investor Relations of Meghmani Organics, who will introduce you to the senior management of the Company.

Before we start with the proceedings, I would like to state that some of the statements made during this Investors & Analyst meet may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to defer from anticipated. Such statements are based on management beliefs and current scenario, and one should not place any undue reliance on these statements for making any investment decisions.

I would now request Mr. Bharat Mody to please introduce the senior management of the Company and share the Agenda of the Analyst Meet.

**Bharat Mody:**

Thank you, Vikash. I am Bharat Mody, Advisor, Investment Relations at Meghmani Organics. Despite a day later than the Budget-day, we invited you to this conference and we are thankful to you for your presence. We extend on behalf of the management a very warm welcome to everyone. It is almost after about 11 months; we had a conference like this here. So, it is about a gap of about a year around. I will take this opportunity basically to introduce the people on the dais. On my immediate left is Mr. K. D. Mehta, he is our Company Secretary and handles entire company law and the legal matters. Next to me is Mr. Maulik Patel, the Chairman of Meghmani Finechem Limited. Next to him is the Group Chairman, Jayantilal Patel; after a very long time, he is here, and he needed to be here. Accompanying him next is Mr. Ankit Patel, a known face for many of you. So, Ankit bhai is the CEO of the Agrochem Meghmani Organics Limited and the Pigment business and besides him is Mr. G. S Chahal, many of you might have interacted, he is the CFO.

So, the sequence that we have planned is today, Mr. Chahal – our CFO would present the quarterly and the Nine months FY20 presentation on the results. After that, there will be a way forward to how we perceive a business in both companies. MOL, which is Meghmani Organics Limited where we have Pigment and Agrochemicals businesses. Additionally, Meghmani Finechem, the subsidiary which is now demerging, on that for which Mr. Maulik would be giving a lot of insight to that. They will be giving your way forward about both the

companies, their product, their potential and how we want to build our business in a time to come. After that, Mr. Mehta would share the intricacies of the demerger scheme that we have. Then, our Chairman, Mr. Jayantilal Patel, would be giving a conclusive address about covering every aspect of the business and how the Meghmani as a group would be taking the businesses forward. What is its vision and how it really would like to address the shareholders on this? Later, we will open the forum for the question and answer session. That is the way we would say and at the end of the day, of course, you all will be joining us for high tea. I would now request Chahal ji to give a presentation on the 3Q and 9MFY20 results. Chahal ji, please, all yours.

**G. S. Chahal:**

Thank you, Bharat bhai. Good afternoon, ladies and gentlemen. I will quickly run you through the Q3 and 9MFY20 performance. And to give you an overview of the company, we are a well-diversified chemical company across businesses. Under MOL, pigment business, where we are third as per capacity globally and with 14% market share. Agrochemicals, we are among the leading manufacturers who are having the entire value chain and in Chlor-Alkali and derivatives, we are now the 4th largest in Chlor-Alkali manufacturing. We are, well-diversified geographically also; we export to more than 75 countries in our Agrochemical and Pigments. We have subsidiaries in US and Dubai, and we have 7 manufacturing sites, 3 for Pigment, 3 for Agrochemicals and 1 for Meghmani Finechem. As a testimonial of our robust financials, we have grown with a CAGR of 13%, 28%, 59% at CAGR from 2015 to 19 as far as the revenues, EBITDA and PBT are concerned. As on FY19, our ROCE stands at 29% and our ROE at 26%. Our debt-equity is continuously improving from 2015 where it was around 1, so last year at FY19 we are at 0.62. Going forward, we aspire to grow at the rate of 12 to 15% and with the ongoing CAPEX as well as the upcoming CAPEX, which now Ankit bhai and Maulik bhai will be sharing with.

In the case of Pigments, we have the capacity of 32,940 MT with 3 manufacturing facilities. We are the third by capacity in Phthalocyanine Pigments. During Q3FY20, if we see, our volume has gone up by almost 10% for Pigments. For EBITDA margin, we have clocked 13.8% last year versus 16.8% this year with improved margins and at the 9MFY20, we are now at 14.4%. For the last 3 years EBITDA margin in case of Pigments are moving around from 14 to 16% and we expect that it will be in the range of 13 to 15% going forward also.

In the case of Agrochemicals, we are again amongst the top manufacturers with an entire value chain. We now have Pan-India presence and we also export to more than 75 countries. In the domestic business, we have more than 2800 distribution channels. During Q3FY20, our volumes have remained almost flat, but the top line has gone up with better realization and product mix. For the quarter, our EBITDA has remained at 20.7% and on 9MFY20, we have clocked 18.9% and in the line with industry average so, we will be better at the higher end of 17 to 19% EBITDA margins. During the last 3 years, EBITDA margins have consistently improved now, last year it was exceptionally high at 22.7% but this year it is 18.19%. This is the snapshot as MOL standalone, so it sums up our Agrochemicals performance.

Coming to Standalone. Now, you see historically, how we have grown in this segment. Our top line has grown with a CAGR of 11% from FY15 to FY19. EBITDA margins are consistently improving from 9% in FY15 to 16.5% in FY19 and 15% for 9MFY20, so again it will be in the range of 14 to 17%. PAT margins, last year, if you see, there is an exceptional, a little bit higher 12%, but at the standalone level, there was an exceptional gain. Now, it is in the range of 9 to 11% as far as PAT margin is concerned. On a standalone basis, so if you see the debt-equity ratio was at 0.66 in FY15, which further improved at 0.39 in FY19 and during 9MFY20 we are at 0.28. Going forward, we expect to maintain our debt-equity under this level. Our return on capital employed is consistently improving from 5.5% in FY15 to 16.5% for 9MFY20. Our return on equity has improved from 4.7% in FY15 to 18.7% in FY19 and if we remove the impact of the exceptional in last year FY19, so it is around 18.5%.

In Chlor-Alkali division, under Meghmani Finechem, with the capacity of 2.94 lakh tonnes, we are now in case of Caustic-Chlorine the fourth largest. For Caustic-Potash, we are the second and in the case of CMS, we are the third largest manufacturer in India. Q3FY20 as far as volumes are concerned, those are constant and net realization this time it is slightly lower because last year it was an exceptional price. EBITDA margin, we have clocked 26.6% in the quarter and for 9MFY20, it is 34.2%, so we expect in the range of 31 to 33% for FY20. Analyzing the performance from 2017 onwards, our EBITDA margin in the case of Chlor-Alkali has always remained more than 36%, so this year, it is 34.2%, so I think 31 to 33% is the range which we are looking for the year ending.

In the case of Meghmani Finechem, so this is the financials. If you see snapshot PAT, percentage has remained at 16.8% plus, so this year again it is 20.6% for 9MFY20 and debt-equity for standalone MFL, FY19 it was 0.8, so with even taking the debt for the ongoing CAPEX, it is 0.84, so this is the peak which we are looking for. Going forward also, it will not exceed beyond this level and return on capital employed, it is 18% for 9MFY20, so it would be in the range of 16 to 19%. Return on equity, it is from 20.9% in FY17 to 24.7% in 9MFY20. Going forward, it would be in the range of 20 to 25%.

This is the consolidated financials for MOL. This presentation is already uploaded on the exchange. PAT margin, we have clocked at 14% and EBITDA margin has remained at 21% for 9MFY20, so again it is 19 to 22% is the range for the year ending which we are looking for. On the leverage front, our debt-equity has remained 0.6 in last year and for 9MFY20 stands at 0.55%. There is a little bit increase in working capital due to higher inventory and receivables. Our return on capital employed is 19% and return on equity is 24.5% for 9MFY20. This is as a summary. Now way forward, I will request Ankit bhai and Maulik bhai to address from here.

**Ankit Patel:**

Good afternoon, everyone. Chahal ji gave you the idea about the last 3 years financial numbers of each division. At the same time, the way we have grown in the past to maintain the same kind of the growth momentum, we are going to do CAPEX which will in turn give us a good return. So, in the case of the Agrochemical division, we have announced one project 2,4D which is one of the herbicides which we are already making. We are now doubling our

capacity and the new plan capacity will be another 10,000 tonnes. The CAPEX would be about Rs. 125 crores, we hope to start the project in the first quarter of next financial year, and we hope that on the full year operation basis, it should generate revenue of close to Rs. 200 crores. At the same time, we are growing in the formulation business in India as well as in the global market which is a high profit-driven business. For that kind of business, we are expanding the plant for the formulation next to our existing Panoli formulation plant. It will not require much CAPEX; it will be to the tune of about Rs. 25 crores and we hope to start this plant in the quarter 3 of next financial year. With the different product mix, different formulation, we hope it should generate revenue of close to Rs 150 to 200 crores.

One more multipurpose insecticide plant we have planned at Dahej, our existing plant which will be CAPEX would be in the first phase nearly Rs. 150 crores. We hope to start it in the Q3 of FY22 and it will generate revenue of nearly Rs. 300 crores on the full-year operation basis. So as far as the Agrochemical is concerned, we have got different growth plans with the different plants and in the pigment, we are exploring the new project with expansion in the new pigment with the new colours, so we are working on that project. Sooner, we will be announcing the project for the Pigment division as well. For the Caustic-Chlorine and its derivative business, I request Maulik bhai to give you the way forward idea.

**Maulik Patel:**

Good afternoon, everyone. This is the first time everybody heard about the Chlor-Alkali division of Meghmani Organics Limited. People know it in brief, we are a Caustic-Chlorine player. We want to start with a small video which we prepared about the Meghmani Finechem Limited, so actually, you get an idea about what our future is and what Meghmani Finechem is not only about a Chlor-Alkali manufacturing company. So, can you start the video, please?

#### **Audio Visual Presentation**

In this fast-changing world where businesses and organizations are evolving at an exponential pace, the only constant parameters are success and failure, so what makes an organization successful? Infrastructure and resources, quality, meticulous planning and execution, people. At Meghmani Finechem Limited, we excel at all the four, spread across 60 hectares area at Dahej, one of the most well-connected industrial hubs of Gujarat. The MFL plant is no less than a model infrastructural wonder installed with state-of-the-art technology that is fully automated. MFL is a part of the Meghmani Group founded in the year 2007 has come a long way to become one of the leading producers of Chlor-Alkali and its derivatives with backward and forward integration. The existing site has various plants. Chlor-Alkali, the plant comprising of processing sodium chloride and potassium chloride to produce caustic soda and caustic potash. The capacity of caustic soda is 293 KTA and caustic potash is 21 KTA. The major applications are in various segments like alumina, soaps and detergents, textiles, dyes and pigments, pharmaceuticals, agrochemicals, paper and water treatment. The Chloromethane plant having a capacity of 50 KTA. Major application includes pharmaceuticals, paint stripper, refrigeration gases, industrial adhesive and agrochemicals

intermediate. Hydrogen peroxide plant having a capacity of 60 KTA, major applications are as bleaching in textile, pulp and paper, manufacturing organic and inorganic peroxides, effluent treatment and as oxidising in various chemical reaction.

Power being a major input for Chlor-Alkali and its derivatives, the company has thermal based captive power plant of 96 megawatt. The above manufacturing facilities are controlled by DCS system. Meghmani Finechem started its operation in 2009 with a mere strength of 200, which has now increased to 600 plus. The strength comprises of highly motivated work force professionally and technically equipped and good blend of use and experiences. The company has world class laboratories for its quality checks. The company believes that quality plays a vital role in the growth and is certified with ISO 9001. We are also certified ISO 14001 which is the global benchmark for maintaining environmental standards. The company undertakes different CSR activities and projects to uplift the society. The company promotes sustainable development and our endeavours are directed towards the same. Safety health and environment the company continuously provides training and tools to function to its employees to maintain high standards of safety and health. At the same time, the company tries and maintains the environment balance focusing on Greenfield's development. The company keeps working on new products and project developments, plants and strategies to execute in an effective manner to fuel the growth momentum, thus complimenting the Make in India initiative as the entire production is aimed towards exporting as well as servicing domestic customer's need. The company is coming up with 50 KTA Epichlorohydrin plant, the first in India based on 100% renewable resource and enhancement of the existing capacity of caustic soda to 400 KTA. At MFL, success is not a goal but a way of living. The company has already stepped forward to accomplish its aim of Rs. 2,000 crores by FY23. Meghmani Finechem Limited, your essentials, our expertise.

**Maulik Patel:**

So, in last two years, we have announced a lot of CAPEX in Meghmani Finechem Limited where the existing capacity of caustic soda has been increased along with a captive power plant. We have announced Chloromethane project which we commissioned last year in July 2019. I think this year, we are going to achieve a good amount of production along with good profitability in the existing year. The Hydrogen Peroxide plant which we have announced long back along with our caustic expansion, is going to commission by April 2020, the first quarter next year. We have also announced another expansion which is Epichlorohydrin plant as you have seen in the video which is 50,000 tonnes plant. This is the first time in India it is going to be produced and it is from the glycerine which is complete biodiesel by-product as a raw material, and it is going to import from Indonesia and Malaysia. So, this is a huge advantage to the product basket of the Meghmani Finechemical and which will add lot of top line along with the bottom line also. Just last slide, we just left, so 2018-19 the Meghmani Finechem Limited was known as only the caustic soda and the caustic potash manufacturer, so our 100% dependency was on the caustic soda and the caustic potash. Out of that, our revenue bifurcation was 83% from the caustic soda and 17% from the caustic potash. In current financial year, we are expecting 20%, roughly 17% is coming out from the chloromethane and

rest will be the caustic potash and the caustic soda and in 2022 along with hydrogen peroxide is going to commission in first quarter next year and ECH is going to commission in 2021 September. So, both the revenue if you add up in 2022-23, so roughly we are going to be 55% caustic soda and 45% will be the derivative's revenue, so this is going to be the bifurcation as of now. Still, in the coming future, we are coming with a lot of chlorine derivatives and the hydrogen derivatives which we wanted to consume-in-house. So now I hand it over to Mr. K. D. Mehta because he will explain to you about the scheme which we have announced for the demerger.

**K. D. Mehta:**

Good afternoon. My objective is to explain the mechanics of the composite scheme of arrangement. The Composite Scheme of arrangement provides for demerger, merger and other related issues. The board has approved the composite scheme of arrangement with the audit committee recommendation of directors at its meeting held on 29th January 2020. The announcement in this regard has already been made on the NSE and BSE. Now, I will try to explain the mechanics. Meghmani Organics Limited is in the business of Agrochemicals, Pigments and other business, so there are three undertakings, Agro, Pigment and other business. Out of these three businesses, demerger will take place for Agrochemical and Pigment business. Agro and Pigment business will be demerged and the demerger units will go to Meghmani Organochem Limited. Once it goes to Meghmani Organochem Limited on the passing of the NCLT order, the assets and liabilities of the Agro and Pigment division go to Meghmani Organochem Limited. Now, in consideration of passing these assets, Meghmani Organochem Limited will issue the shares. The swap ratio for that purpose is 1:1, so that will be the mirror image as of today because whatever the shareholding pattern is of today that same pattern would remain in the new company also. As a part of the scheme, the scheme has this added to change the name of Meghmani Organochem Limited to Meghmani Organics Limited, so ultimately it will be Meghmani Organics Limited. Once again, Meghmani Organics Limited old, this will be now, the new Meghmani Organics Limited, so it will be MOL to MOL. Once the new company name that will be changed after the NCLT order, the shares will be issued to the shareholders of Meghmani Organics Limited which as I said would be in the ratio of 1:1. The same company would be listed on the NSE and BSE as of today, MOL is also listed on NSE and BSE, so this is the basic mechanics of the demerger.

Now, I will take you to the amalgamation part. Meghmani Organics Limited has other business trading and equity investment. That business would be merged with Meghmani Finechem Limited which is in the business of Chlor-Alkali and its derivatives. This amalgamation of other businesses of MOL with MFL in consideration Meghmani Organics Limited shareholders will get 94 shares of MOL of Rs. 10 each. Here, I am making it precisely that 94 shares of Rs. 10 each, against the 1000 shares held by Meghmani Organics Limited shareholders of Rs. 1 each, so difference in face value is there which is just I am trying to draw your attention. Ultimately after the scheme is being approved by the NCLT, MFL shares also would be listed. By that way, MOL and MFL both would be listed. The expected time limit for completing the entire transaction would be around 10 to 12 months.

Now, I will try to explain the rationale for the restructuring. What was the rationale, what was the objective of the company to demerge and merge having a composite scheme of arrangement? The basic objective of the company was to position Chlor-Alkali and its derivative business as independent and sustainable businesses. Second was that the business dynamics, if we look at Agro, Pigment and Basic Chemicals, the business dynamics of all three businesses are different. So, basically to have the expansion, to have the strength in all these businesses independently, all the three businesses needed to get equal importance. They should strengthen their operation, so to have that operational efficiency both the company, Meghmani Organics Limited and Meghmani Finechem Limited, it was decided to have the restructuring of both the businesses.

Value unlock, the primary objective was to unlock the value of Meghmani Finechem Limited. As we have just seen the progress of the Meghmani Finechem Limited, the intention was to unlock the Chlor-Alkali and derivative business, currently embedded in the Meghmani Organics Limited. Meghmani Finechem Limited is the subsidiary of Meghmani Organics Limited, so that at the consolidated level, the results and the values are embedded in the Meghmani Organics Limited, so basically, it was necessary to have both the companies to concentrate or focus on the progress and growth. The separate and independent listing of both MFL and MOL was considered, shareholders of MFL to gain from the business valuation of high growth prone Chlor-Alkali business. Once that merger takes place, MOL shareholders will get the shares of MFL. At that time, the shareholders will get the basic value of Chlor-Alkali business valuation also.

Focus investor opportunity, here the investors will have the opportunity either to be with MOL or to be with MFL because they have the advantage to choose as per their investment strategy and risk profile. So, according to that strategy of investment and risk profile, either they can continue with MOL, they can continue with MFL or they can continue with both. We remain committed to formulate a dividend policy for MFL. Basically, up till now, the shareholders of MOL were getting the dividend of MOL only. Now, after the demerger and merger, MOL shareholders will also get the dividend of MFL. So, for that purpose, the company is planning to formulate a dividend policy. The basic benefit would be to have an additional dividend from the MFL also for MOL shareholders.

Delisting from Singapore stock exchange, this is what the other related benefits of the demerger and merger are there. The company is listed on the Singapore stock exchange, the company's shares are listed under the depository mechanism at Singapore stock exchange. At present, hardly 5% shares are remaining at the Singapore stock exchange. The company is running, rather paying a very high cost for having this listing at Singapore stock exchange because the company has to prepare a separate account under IFRS. The company is also paying the fee for separate secretarial agent over there at Singapore, separate R&D agency over there, etc. Moreover, the Singapore stock exchange is also asking, or rather we have to follow with audit also of the Singapore based firm which is E&Y LLP, Singapore. So rather than having all these cost for merely a 5% of equity shares, this will be by operation of law because

as per the Singapore rules, the company will have to delist. This is an advantage by modus operandi or we can say that by operation of law, the company will get the delisting from the Singapore stock exchange.

This is the broad timeline I have presented over here, but as I said the maximum, it will take 10 months or to 12 months to get the entire transaction completed. Thank you.

**Bharat Mody:**

I would request Jayanti bhai to please to give his address.

**Jayantilal Patel:**

Good afternoon ladies and gentlemen. The Budget was on Saturday, so when we were discussing with our team, we were hesitating whether this time is correct or not. However, our Investor Relation Advisors, i.e., Dickenson World from Mumbai, have made it very successful and people from across Mumbai have come, thank you very much. One more announcement, I have to draw in your presence, again in Fortune 500 magazine, Meghmani stood 490, so Meghmani is now in Fortune 500 list. That is a great pleasure, so thank you very much for making our company in Fortune 500. I think today our CFO has covered most of the financial engineering outlook and everything. Our Chief Executive Officer, Mr. Ankit has covered Pigment business and the Agro business. Mr. Maulik has covered Chlor-Alkali business and its derivatives. Finally, Mr. K. D. Mehta has just described how we can unlock the value of our subsidiary company, so with this note, I will go with our Prime Minister's vision because budget, I can understand nobody is happy. Still, the vision of our Prime Minister is for Rs 5 trillion economy. You may not be knowing this, the chemical sector is going to play vital role in this Rs 5 trillion economy by 2025. The chemical sector will contribute Rs. 1.25 trillion, so if you can imagine what we are today and what we will be in 2025, if our government is ready for that road map, how is the future of chemical industries we can understand, so we are geared up for that and we are taking this challenge also. The best way is the existing players are expanding because they understand this business very well. In other business, suppose it is construction or any other business, textile or any other business, many people will come to start new business. However, in the chemical industry, mainly no new players are coming as environment clearance itself takes 1-1/2 or 2 years and so many barriers, including registrations, etc.

As you know, Meghmani has three verticals, Agrochemicals, Pigments and Chlor-Alkali. Agrochemicals' global market size is \$70 billion and in India, the domestic market is growing at least 12 to 15% correct, so \$4 billion is domestic Indian market size. The future of Agrochemicals depends on GDP growth; 16 to 17% alone comes from agriculture; 45 % of the population is dependent on agriculture. The consumption per hectare of crop protection chemicals in Japan is 18 kg per hectare, in USA it is 10 kg per hectare, Europe it is 10 kg per hectare, but in India, it is just 700 g per hectare. So, even if the consumption doubles to 1.5 kg per hectare within 5 years, you can imagine the future of Agrochemicals. It is challenging to understand Agrochemical sector in India because there are hardly 25 to 30 crop protection chemical API manufacturing companies with their intermediates, formulation and brand business. There are 400 formulators who buys API, I am talking in terms of pharmaceuticals

because you are all acquainted with the pharmaceuticals, so they buy crop protection chemicals from people like us, 25 to 30 people, so there is a huge scope in Agrochemicals. We are exporting 75 countries and the biggest strength is a registration because in Brazil registration takes 6 to 7 years, and it is very costly. It is Rs. 12 to 15 crore cost for each product registration. So, in USA also it is Rs. 10 crores cost and it takes 3 years' time. Even in India, registration takes 4 to 5 years for the first time. So, there are off-patent products which are going to be in the year 2022-23, many off-patent products are coming. So, if we select from off-patent products and we start registration in India and export, then also Agrochemical will have a very bright future.

We have three manufacturing sites in Agrochemicals, one we have acquired from Rallis. One is in Dahej and one is in Panoli formulation in it and 1 lakh square meter plot we have where we are going to have, Ankit also described, I am not repeating, but we are going to have multipurpose plant where we are thinking to introduce some more molecules because this is just like pharmaceuticals, many years they are coming new and new. Their efficacy data is different and our existing 2,4D plant, we are expanding CAPEX already described. The way we are going in Agrochemicals, we will touch Rs. 900 crores by FY20. Our expansion and positive impact will come by 2021-22.

One more thing for Meghmani for Agrochemical is very important that we have a GLP laboratory. GLP laboratory is when you want to register in Brazil, USA, Europe or any country or in India. We need to develop so many data, photo ecology data, toxicology data and so many data. We have our own laboratory and 30 scientists are working day and night in our laboratory. So, it is very economical and fast for our registration. We have our own R&D centres. We are working on molecules that we are going to introduce in the near future or in combination.

One more area because we are manufacturing intermediates for Agrochemicals, API technical also and formulation also, we are doing expanding our technical as well as B2 formulations to exports. We have started to create our brand business in India and we have appointed more than 2700 dealer and distribution network across India. Hardly two or three states are remaining, but we are creating infrastructure to create our brand in small scale directly B2C and this is a growth area is \$4 billion. So, this area also we are focusing on, we have employed human capital to strengthen our infrastructures, so I am looking Agrochemical as a very bright future.

The second vertical is Pigments. In Pigments, we are now in Phthalocyanine pigments only and the scale of our manufacturing pigments, globally we are enjoying 14% global in market sale. One more for us good news, for BASF it is bad; BASF has just closed down their very big capacity plant in Germany of Phthalocyanine only and Phthalocyanine we are exporting to China also. We have no competition with China, and we are exporting in 70 countries. We have a dealer distribution network in all the, but main market of our pigment is Europe and USA. Additionally, we are doing contract manufacturing of Pigment for one multinational of

USA. I forgot to tell you we are also doing contract manufacturing like pesticides. In India, 25% of revenue in Agrochemical comes from contract manufacturing of one multinational company. Same way, we are doing in Pigments also, so now we have three manufacturing plants in Pigments, one is in special economic zone, so we get incentive also, one is in Panoli and one is in Vatva. Now, we are expanding our baskets in Pigments, so our Pigment model will be like Sudarshan within two years. That is what we are looking for and we are aiming. The pigment growth in domestic market is 12 to 15%. The way India is growing, plastic consumption is going up, ink is going up, paint is going up. Pigment has a wide application in textile also, the pigment has a bright future for us too.

The third segment is the Chlor-Alkali division. Whenever we talk about Chlor-Alkali, we talk about GACL, DCM, Grasim and people understand Meghmani is in only caustic. That is why today we saw the video, the way in 60 acres land, how we are changing the scenario from our revenue from Chlor-Alkali to other chemicals like chloromethane, which is a pharma intermediates, mainly going for pharma intermediates. Hydrogen peroxide which is going on for textile and paper. Epichlorohydrin which is going for Epoxy Resin, so application is different and the in-house we will consume our own chlorine, we will consume our own caustic. So, 50% by 2022-23, end of 2022-23 Meghmani cannot be considered as a Chlor-Alkali industries, it should be regarded as basket of pharma intermediates, Epoxy Resin's intermediates, textile and paper intermediates company. In Meghmani Finechem, when we started in 2009, IFC was our partner, 25% equity partner and we just give exit also before two years but when we are taking, we are making a growth, we have to take debt but till now our financial discipline as such, we are paying all instalments, we have taken debt but we are paying regular instalments and our finance from banks they are supporting us because we are having CRISIL AA- rating of Meghmani Organics. So cost of fund what we are, before last week, we negotiated Rs. 100 crores of loan, the cost is 1.4% in Euro terms, 1.31% precisely our CFO is telling in ECB, in Euro terms because we are exporting so we need not also hedge because that is our natural exports.

Location of our manufacturing plant are such we are getting our raw materials for Chlor-Alkali within 10 to 15 km, so logistic cost we are saving and within 150 km we are marketing our product because all customers are up to Vapi to Ahmedabad, so location of a plant in Dahej Chlor-Alkali is very good because coal import is also at Hazira port and Adani has a coal port in Dahej only, so within 5 to 10 kilometers we are getting coal from Indonesia, salt is at the beach only and that is the PCPIR, so logistic point of view we can be more competitive than our peers. That is what I want to say in basic chemicals and there our location for our agro and pigment also Hazira port is very near and all intermediates what we require, suppose in Pigment we require urea, the GNFC is very close, Phthalic Anhydride plant, now Thirumalai is coming in Dahej, so I think next year it will start. The raw material proximity for our Pigment also and for our Agrochemicals many solvents. There we are catering from most of the solvents and everything covering from Ankleshwar and Vapi and import we are taking at Hazira from China, some intermediates. So as far as location is concerned is also Meghmani is

placed very well. I should not repeat about our strong EBITDA and PAT and revenue model but in my opinion, within 3 years Meghmani Organics and Meghmani Finechem will reach Rs 5000 crores, correct within 3-4 years because the way we are going every year we are expanding, so I do not have doubt.

One more important thing I forgot to tell you, we need working capital for our Pigment business, Agrochemical business, Basic Chemical business but beauty of our financial engineering done by our CFO, we take PCFC, so last year on an average we paid the cost of our fund, average 7% because we are playing with PCFC part most of the things, so that makes the cost of our fund is very low and CAPEX loan also in ECB we have taken for our Chlor-Alkali at 6.8%, so cost of the funds what you must be knowing people are taking and what our because of CRISIL rating, the rate of interest that the bank charging to us is also very low.

In our board consists of a retired CFO from Zydus Cadila, everybody knows Zydus Cadila I think, so he retired after 35 years from Zydus and he is heading our audit committee. He is on our board because we all are technocrats. Myself, I am a chemical engineer, I passed my chemical engineering in 1975, I am a son of farmer, I did not have Re. 1 in my pocket in 1975. With the support of government and taking advice from financial wizard people, in 1995, we took equity also from SC capital from Singapore and we made an exit doing IPO in Singapore. The government of India came with a norm that you must list every company which is listed outside India, must be listed in India too. So, we have to come-up in India for listing in 2008, that is why we have a dual listing. We want to grow at least 15% per year, may be 15 to 20% because the future of our Agrochemicals, Pigments and Chlor-Alkali derivatives and Chlor-Alkali very wonderful. The debt-equity ratio will be maintained less than one. We were talking to certain investors about doubling our EBITDA in the coming years. There is no issue, but we are going very safely because now the macro level, global scenario for industries are not good, so we are taking extra care. We are taking financial discipline in that way. If you are looking Meghmani, now it is ranked 490 in Fortune 500. We want Meghmani should be ranked below 300. That is our vision and the way we are going strong. I think that day will come. Last year, when we gave an exit to IFC, structuring was done in that way. We have learned some lessons a little hard way as we promoters remained the most sufferers as compared to any other shareholders. However, we are now committed to ensure minority shareholder's interest close to our chest. That is my commitment. Second thing, for MFL, when we are demerging, like MOL, we will have a dividend policy. I think Mr. K. D. Mehta has already covered in presentations, so I guess I conclude this speech. Thank you very much.

**Bharat Mody:**

Thank you, Jayanti bhai, for giving a lot of insight and covering every aspect of the business. The noteworthy thing is that we are part of the Fortune 500 now. He also covered about every business, the product and how we are going to grow, the financial discipline, the financial engineering and how we are able to reduce the cost of finance keeping everything in mind. Now we are offering the opportunity for unlocking the value; everything is well covered

now, so I would open the forum for any questions you might have and the team is here to address your questions.

**Participant:**

First of all congratulations for sharing with us your journey over the years and we are very proud and happy of your accomplishments and also happy to see that you are looking at aggressive expansion, so I have two questions, first question related to this expansion, you mentioned the \$5 trillion economy, it is possible that we may not reach that despite our best efforts, so if for example our expansions roll out and the economy is not at 5 trillion in that time frame, to what extent are we prepared for that or can we skill down the expansion or is there enough market or can you explain the scenario that if the scenario does not work out as well, how would that affect your company and second question I have is, you mentioned something about the dividend, now since the dividend taxation has changed, is there some orientation in the company or thinking in the company that we should take advantage of it in this financial year while the dividend is still on the beneficial side in terms of taxation?

**Maulik Patel:**

Yes, regarding the USD 5 trillion economy what our Chairman mentioned about, it was mainly because how the government is looking at the chemical sector, how important is the chemical sector, so that is what more important is. No matter whether we achieve USD 5 trillion economy even in 5 years' time or not, as Meghmani we are more of export driven company. So, our growth momentum will continue for sure and we hope that India achieves that target of USD 5 trillion as well and we are one part of it. At the same time, regarding the dividend what you mentioned because of the new budget rule what came on Saturday, we will look into, we will discuss internally, and we will decide whatever best for the investors.

**Runjhun Jain:**

Thank you for the opportunity and for organising this forum, Sir. The first question is, on the agri, we have said that the volumes for this quarter has been flat, but because of the realization, the revenues have gone up. At the same time, we have seen that the margins have come down, so can you explain the reason for that? My second question is mainly on the funding of the CAPEX side what we are talking about. So how do you plan to do that?

**Ankit Patel:**

So last year when we achieved the EBITDA margin particularly in the case of Agrochemical was more than 22% and that short time when we were meeting different investors, they were asking about consistency in this kind of profitability. We mentioned that it is a situation where the whole industry is getting the benefit of it but this is not sustainable. Typically in Agrochemical, average EBITDA margin of the industry is in the range of about 16 to 18% or 16 to 19% and we are committed to have better EBITDA margin than the industry standard, so that is what our commitment is and regarding the debt, I think Chahal sir will give you the idea about it.

**G. S. Chahal:**

As far as debt is concerned, as we mentioned on the standalone basis, our debt-equity is less than 0.3, and we will continue with the same ratio and it will not exceed. The debt we are talking about Rs. 100 crores, is for the future CAPEX and depending upon the project progress we will take because now we are getting @ 1.31% and to add what Chairman has said just

now, we have converted our INR loan which was there in small amount, Rs 70 crores and Rs. 20 crores, that also we have converted into foreign currency @ 1.75%, which was at 8.9%, and it is now at 1.75%. So, you will see significant reduction into interest cost going forward.

**Runjhun Jain:** Sir, just on the Agrochemicals margins, I appreciate that this is higher than the industry, I am just trying to understand is there any one-off because the realizations are going up and still the margins have come down, so is there any one-off during this period?

**G. S. Chahal:** You are talking about quarter 3 specifically?

**Runjhun Jain:** Yes Sir.

**G. S. Chahal:** In the case of quarter 3, as you see in case of Agrochemicals, there is slight correction in the finished goods price. Because there is a pipeline finished goods inventory and Raw material inventory which is a higher cost inventory got consumed in Q3FY20, so to that extent there is an impact on the margin.

**Runjhun Jain:** And my last question is, can you just little explain the ratio of the swap ratio between the MFL and MOL, so it is 940, I understand the face value is different but can you just give more detail and explain the mechanism behind that?

**K. D. Mehta:** Basically, in the swap ratio, whatever we are talking about is we have register valuer Mr. Jagdish Shah and we hired a financial services merchant banker, both these institutions have considered the swap ratio. The swap ratio has been arrived based on PE multiple and enterprise value but as you know this is an arithmetic calculation and in such a forum it is very difficult to explain it, however, when we are filing the papers under LODR, the valuation report, the share exchange ratio, all these reports will be submitted for approval may be within a week time, so you can have it.

**Runjhun Jain:** And the preference share what we have the MFL has issued to MOL?

**K. D. Mehta:** Yes.

**Runjhun Jain:** So that preference share would remain in the MOL?

**K. D. Mehta:** Yes, that would remain as it is.

**Vikash Verma:** I will request everybody to please mention the name and firm name before asking your questions.

**Sagar Shah:** Myself Sagar Shah from Alphaline Wealth Advisors. First of all, many congratulations being in the the Fortune 500 list actually. I have just two questions. My first question is regarding to, can you throw some light on the Pigment's market actually for the next few years outlook domestically as well as on the global front and secondly as you had said actually in the

Pigment business, you are looking towards some new colours in your pigment portfolio. I think right now, you are manufacturing blue and green, so what are the new colours and you said you will be replicating the model of Sudarshan and Sudarshan as far as I know he is market leader in HPP, high performance pigments, so can you throw light on these two questions?

**Ankit Patel:**

As far as the pigment industry is concerned, typically application-wise, it goes into inks for the printing plastic master batch and paints. In India, typically, all these segments are growing. We have huge population and the demand for the PVC is increasing. The demand for the paint is increasing, at the same time, the ink is also growing, so in India the growth momentum will continue. Globally, there has been not much increase as far as the growth is concerned, because printing media globally is not growing much. The digital media is increasing, but at the same time packaging ink is growing at the same rate. Plastic and paint is growing at little low momentum. So as far as the pigment business is concerned, we are the leader in the Copper Phthalocyanine which is blue and green, so we feel that it doesn't make sense to expand the same product. That is why we are expanding in the other pigment which is AZO pigment; orange, yellow, red.

**Sagar Shah:**

So you will not be focusing on inorganic pigments, you will be focusing on organic pigments?

**Ankit Patel:**

That is correct.

**Jash:**

I am Jash from Val-Q investment Advisors. My question is, what kind of impact do you see from Corona Virus to our business side at the present situation, of course, we don't know to what extent it can go in the future but according to right now?

**Ankit Patel:**

Regarding the Corona Virus in China, the last 15 days they were having Lunar New Year holidays, so nobody was working. We have a China office; we have a China Manager over there and we are in touch with him constantly as far as situation is concerned. It is little early to mention what exactly the situation is. Probably, we will start getting more information from this week onwards, because they just started opening from today and still not all the industrial area are opened, slowly gradually as far as the situation will normalize, it will get back to normal but as far as our business is concerned, caustic chlorine is not at all depend on China, Pigment we export from India to China, so we are not dependent on pigment business. In Agrochemicals, as far as sourcing is concerned, we are more of a backward integrated, so we won't import much of the raw material from China. Partly, few of our material comes from China, so we are evaluating the situation and we hope that there will not be much of a problem as far as the material supply is concerned. Industry-wise, if they face any problem as far as the production is concerned, then it will lead to an increase in the price which everybody will get benefit out of it, but it is too early to comment on it.

**Josh:**

Sir, but our exports can be hampered right if China is in lockdown?

**Ankit Patel:** It is very low percentage. We are exporting much to China so it is very less, so it will not have significant impact.

**Vipul Shah:** I am Vipul Shah from Ripplewave Equity. It was nice hearing the Chairman talk about keeping the sanctity of minority investors in all future endeavours. I think that is a welcome change. Just one question on the OCPRS which has to be paid by the whole structuring of IFC transaction, can you remember last time you mentioned that the amount actually will be paid from MFL to MOL, so we just wanted to understand because it has a big cash flow impact depending on which company we are, so if you can just share by when this cash will move from one subsidiary to the other? Will it be prior to the entire scheme being closed out or it will be post that and secondly, on the debt which each company has today, will it follow the same structure or is there going to be under the scheme. Obviously, we still don't have the nitty-gritties of the scheme but will there be any further structuring of the debt within the companies?

**K. D. Mehta:** Let me reply to the question of OCPRS. Basically, as an integral part of the scheme itself, with the demerger, OCPRS also will go to the new company Meghmani Organochem Limited, it will continue to remain the same as it is. Basically, the term of OCPRS is now as per the scheme as mentioned to 20 years at the option of the Meghmani Organochem Limited to ask for the repayment, so cash flow would not be affected immediately any part because the term is now of 20 years and the coupon rate is 8%.

**Vipul Shah:** So what you are saying is now the discounting cash flow of, I mean the principal amount the Meghmani Organics as it is today, we don't have any visibility of getting that for the next 20 years from Finechem?

**K. D. Mehta:** Basically as I said, it's at the option of the Meghmani to call back for the money.

**Vipul Shah:** But why will we, on the one hand, we have debt outstanding, on the other, we have this investment, for me as a minority shareholder, it is a significant leakage, so why should we have that? Why can't we have a cleaner structure which benefits all shareholders and the promoters are the biggest stakeholders both. I understand the effective stake is 70% in Finechem and whatever it is in Organics, so I think last time around there was some talk about we would unwind the structure soon, obviously no commitment, I understand. What is your take?

**G.S.Chahal:** As far as debt is concerned, in the case of Meghmani Finechem, there is a Rs. 500 crore debt and in the case of MOL, it is Rs. 100 crores. The MOL standalone now with new restructuring in the debt we have done, our maximum cost is 1.75% for the rupee term loan which we have converted and the new term loan which you are talking about will be at 1.31%. So that is the cost and the coupon rate for Rs. 211 crores, MOL investment for which is Rs. 109 crores, because that is the book value which is Rs. 211 crores and the original investment is Rs 109 by MOL. Coupon rate on Rs. 211 is 8% and MOL will continue to get till the time it is repaid, so

now the future perspective for Meghmani Finechem, Rs. 500 crores debt , with new CAPEX coming up, we don't see it is going beyond Rs. 550 crores. It is the maximum cap that we are keeping. In MFL, it will not exceed Rs. 550, so with generating the good cash flow it will get repaid, so I think within 4 to 5 years, it is going to be cash rich as far as MFL is concerned. So, the 20 year which Mr. Mehta is saying that is the term of the issue of that OCPRS, so it is not that it will be paid after 20 years, it is even much before that.

**Vipul Shah:** Sir, we all understand how and what the structuring was done, so I don't think we need to get into that. The only short point was that there is a significant amount that is non-project related. Let me put it this way, it is an IFC exit legacy; earlier you get it done the better it is. Obviously, I am sure Mr. Mody also realizes that the market pays a very good premium to high corporate governance clean structures. You have able advisors and the sooner the unwind happens, the better it is for everyone.

**Bharat Mody:** We appreciate your point of view and we definitely in appropriate time we will be looking into this, in fact, at the back door we have also been trying to see about the best we can do about this. The only concern that sometimes if you are finding that okay, Meghmani Finechem also has a tremendous amount of CAPEX lined up in terms of raising capacities in I think few derivative products and therefore we are just trying to balance it out, but your point is well taken and we appreciate what you are trying to say.

**Vipul Shah:** Legacy issue will only hurt.

**Bharat Mody:** I appreciate fully and therefore; our Chairman has made a statement here that look the minority shareholder's interest is close to our chest now. So any future decisions that we are taking will be more all for both the company shareholders and he has shown you about this, so in a given time we definitely would look into it more seriously in all this but thank you for your suggestions on this. We will take care of this.

**Vipul Shah:** Sir, one final question and it is very important on the leadership, now we have two companies, so how does the leadership stake up for both and do we still have common pools of leadership or how is it?

**Bharat Mody:** Well, in fact, both the leaders, we have brought in here. The Chairman who is an umbrella Group Chairman on this, so we have Maulik bhai, he is the Chairman of Meghmani Finechem, he would be, anyways was looking after very independently on that part. The operations would be under his leadership and guidance. Similarly, Ankit bhai would be taking care of the Agrochem business, so he has been with the Agrochem and the Meghmani Organics for a very long time, so Pigment and Agrochemical business, he would be looking into it. Of course, under the able guidance and the board of directors which is very rich experience having us our chairman said that we have also independent directors. Now, we have Mr. Yadav, he is a dignitary, he is a Padma Shri and he has joined our board also request Jayantibhai to elaborate more on that.

**Jayantilal Patel:**

I just forgot to tell we have just inducted as an independent director, Dr. G. D. Yadav, who is Padma Shri with multiple patents registered in his name in chemicals, so we were taking his advice frequently. Once we requested him to join our board. He met our team from promoters and junior promoters from the second generation. We all are chemical engineers and MBA. So, he was happy to join our board. He opened our R&D. He is taking interest that we should look for new molecules and we should have a pilot plan. He is a visionary. Slowly, we will take his advice. He is such a well-known person in the chemical world. Everybody knows his name; how great he is. He is on the board of Aarti also, so he is just thinking like promoters who are technical, that is why we were very lucky. We will take his advice for our R&D and pilot plans to have new molecules like our peers so that Meghmani can come with such products.

**Bharat Mody:**

So, both the young generation, Maulik bhai and Ankit bhai are right here, they are the leaders, so I believe I have answered your question for us. Thank you. Since there are no more questions, we invite you to the high tea and we always will have management. If anybody has any further questions, we are right there for some time, but we have a flight to catch back so we will be leaving by about quarter to six, so for next at least half an hour we are here, so thank you, thank you for being with us. Please join us.