Ref: MOL/2024-25/55
October 30, 2024

To, **National Stock Exchange of India Limited** “Exchange Plaza”, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051 **SYMBOL:- MOL**	To, **BSE Limited** Floor- 25, P J Tower, Dalal Street, Mumbai 400 001 **Scrip Code:- 543331**

Dear Sir,

Sub: Transcript of Earnings Conference call held on October 28, 2024 to discuss Q2 FY25 Financial Results

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of Earnings Conference Call held on October 28, 2024 to discuss Q2 FY25 Financial Results.

The said transcript is also available at www.meghmani.com in the investor section.

You are requested to kindly take the same on your record.

Thanking you,
Yours faithfully,
For Meghmani Organics Limited

JAYESH
RAVJIBHAI
PATEL

Digitally signed by JAYESH RAVJIBHAI PATEL
DN: c=IN, o=Personal,
pseudonym=97BD5E7019E8731393D598B203A2A5213B9BA8F7,
2.5.4.20=9c6760401a349b2cfab40f07539b88229b48fc1821bb222944abe410c508220b, postalCode=380058,
st=Gujarat,
serialNumber=C39D869609EE0908072DAFB75A616264536BD76C5261FF1C9895A39885BDF0D8, cn=JAYESH RAVJIBHAI PATEL
Date: 2024.10.30 16:50:53 +05'30'

Jayesh Patel
Company Secretary & Compliance Officer
Mem.No: A14898

"Meghmani Organics Limited
Q2 FY25 Earnings Conference Call"
October 28, 2024

MANAGEMENT: **MR. ANKIT PATEL – CHAIRMAN AND MANAGING DIRECTOR – MEGHMANI ORGANICS LIMITED**
MR. GURJANT SINGH CHAHAL – CHIEF FINANCIAL OFFICER – MEGHMANI ORGANICS LIMITED
MR. NISHANT VYAS – INVESTOR RELATIONS – MEGHMANI ORGANICS LIMITED

MODERATOR: **MR. AMAN JAIN – ARIHANT CAPITAL MARKETS**

Moderator: Ladies and gentlemen, good day and welcome to Meghmani Organics Limited. Q2 FY25 Earnings Conference Call hosted by Arihant Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aman Jain from Arihant Capital. Thank you and over to you, sir.

Aman Jain: Yes, thank you. Good morning, everyone and welcome to the Q2 FY25 earnings conference call of Meghmani Organics. I would like to thank the management for giving us this opportunity.

Today, from the management side, we have Mr. Ankit Patel, the Chairman and Managing Director of the company. We have Mr. Gurjant Singh Chahal, Chief Financial Officer and we also have Mr. Nishant Vyas, Investor Relations. So, without further ado, I would now like to hand over the call to the management. Thank you.

Ankit Patel: Thank you, Amanji. Good morning everyone and thank you for joining us on our Q2 FY25 earnings call. I believe you have got a chance to go through the financial results and investor presentation uploaded on the stock exchanges and the website. I am pleased to share that we have achieved a positive growth momentum in this quarter, reflecting in our quarterly performance.

This was on the back of healthy volume growth witnessed in both the segments during the quarter. Considering the current market momentum in the demand recovery, we anticipate that pricing should also improve going forward. As in the current quarter, price realization has remained flattish across the markets.

In Q2 FY25, on a standalone basis, revenue from operations stood at about INR532 crores, reporting a growth of 42% Y-o-Y and 30% quarter-on-quarter basis. EBITDA for the quarter grew to INR41.2 crores, increasing by 179% year-on-year and 190% on quarter-on-quarter basis. Net profit for the quarter stood at INR8.6 crores against a loss of INR3.6 crores in the corresponding previous year.

If I talk about the revenue mix in Q2 FY25, Crop protection constitutes about 75% of the total revenue, while the balance 25% comes from the Pigment segment.

Now, let us look at our segment-wise performance in Q2 FY25.

In the Crop protection segment, production stood at about 11,473 metric tons, up by about

38% year-on-year.

Capacity utilization for the segment stood at about 84%. The segment reported revenue of close to INR397 crores, which is up by 50% year-on-year, and EBITDA of INR43.2 crores, which is up by 75% year-on-year.

For Pigment segment, production stood at about 3,692 metric tons, which is up by 24% year-on-year. Capacity utilization for the segment stood at about 45%. The segment reported the revenue of about INR135 crores, which is up by 23% year-on-year, and EBITDA of INR4.2 crores against the negative EBITDA of INR2.5 crores in the corresponding previous year.

In our Crop Nutrition segment, we have been conducting extensive field activities with farmers to showcase the efficacy of Meghmani nano urea on different crops in Gujarat, in Rajasthan, Maharashtra, Madhya Pradesh and other states, as a result of which we are witnessing gradual traction on the ground level.

In titanium dioxide, there has been significant improvement in the product quality, resulting in improved price realization, and with the interim anti-dumping duty on TiO_2 from China expected in Q3 FY'25, we anticipate further improvement in price realization going forward. If I talk about the capacity utilization, we are currently running the plant at about 40% capacity. It should improve gradually going forward.

To conclude, after a prolonged period, we are now witnessing a gradual recovery in overall demand and to leverage the current momentum, we have all the enablers given our state-of-the-art infrastructure, plant capability, wider product range, and geographical product reach. Our long-term growth prospect remains intact, and we are positive to regain our normal double-digit growth trajectory, which we have demonstrated throughout all these years.

With this, I hand over the call to the moderator to open the floor for the questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity and congratulations for the recovery that we have seen in this quarter. My first question was on the Agrochemical segment. So, Ankit, you alluded to some confidence about price realization.

Ankit Patel: Ankit bhai, Can you be a little louder?

Ankit Gupta: Sure, sure. I'll be more loud. So, my first question was on the agrochemical side. So, if you can, in your opening commentary, you talked about improving price realization of the segment. So if you can talk about, has there been some improvement in pricing in the month of October? What is giving you confidence and visibility that the price realizations are expected to improve?

Ankit Patel: Thank you Ankit. Still, we are not very satisfied with the number, though it has been on improvement trend, but I would say there is a long way to go and there will be significant improvement going forward. As our strategy, whatever we have planned, we are very confident that it will work in that line.

Regarding the price realization, the first of all, the demand and supply has to play a very important role for the price improvement. And currently, what we see, the channel inventory, what was there, because of the destocking going on, there was less demand and the prices were under a lot of pressure. Now, I would say in majority of the market for majority of the products, the destocking has already been taken place and gradually the demand has started improving.

Though there has been from the supply side, a lot of supply, so still there is a pressure on the pricing side. So pricing is still at the lower level, which is not improving, but we feel somewhere from January onwards or from the first quarter onwards in the next financial year, there should be gradual improvement in the pricing also, which will not be significant like which used to be in the old days. But there will be reasonable price improvement, that is what we feel.

At the same time, the logistic cost, which has increased drastically in the last few months that has also started going down a little bit. And again, we feel that it will be at a reasonable level in the next one quarter.

Ankit Gupta: Sure. And on the demand side, given the low crop prices globally, are you seeing improvement in demand? As you were saying, the channel inventory destocking is over. So, if you can talk about key geographies like Latin America, US and Europe, like how is the demand in each of these geographies?

Ankit Patel: Yes. So, yes, the agricultural commodity prices have also fallen in the last few quarters. So, there has been pressure from that point of view as well, which has also impacted a little bit consumption. But ultimately, there will be demand for sure because the whole world is looking at the food security. And from that point of view, there will be some demand going on and the growth will be there for sure. And now the destocking has taken place, as I mentioned, for majority of the product in majority of the market. So we see that from fourth quarter onwards or the first quarter in the next financial year, there will be improvement in the demand also.

Ankit Gupta: My second question is on the TiO_2 segment. So if I look at the performance of the pigment segment in standalone as well as consolidated. So in standalone, we have been almost INR135 crores sales. And in consolidated, we have done almost of the same sales. So, TiO2 sales should be the difference between the consolidated as well as the standalone pigment sales. So I hardly see any sales of the TiO2. So if you can talk about that, how much was our revenue in TiO2 in quarter 2 compared to quarter 1? And like what kind of losses are we incurring there?

Gurjant Chahal: Ankit, as far as top line from TiO2 in the consolidation, so during the month of September, on 16th September, we have capitalized the TiO2 plant. So up to the date of capitalization, all these entries has been adjusted into pre-operative. So that's why it is not getting reflected. From next quarter onward, you will be able to see the top line added into the consolidated.

Ankit Gupta: Sure. So, basically, when are we expecting -- so let's say the fixed costs and other costs of the TiO2 will start reflecting in our numbers from quarter 3 for the entire quarter.

Gurjant Chahal: Correct.

Ankit Gupta: So what kind of fixed costs are there? Our depreciation will also increase there as well as the interest cost for the case that we have taken, that we have learned. So if you can talk about how much will be the fixed cost depreciation interest on a quarterly basis because of this TiO2 plant? And when do you expect to reach breakeven there?

Ankit Patel: So first of all, the antidumping is expected in the third quarter. So once the antidumping will be there, interim antidumping, then we see the price realization should start improving, which is under pressure globally. And because of China's heavy dumping globally, there has been antidumping, which has come in European market. There has been interim antidumping, which has also come into Brazil. Saudi Arabia has also initiated antidumping duty. India, yes, we have also initiated antidumping duty. Japan is initiating now the antidumping duty on China.

So we can understand there has been significant dumping of TiO2 from Chinese market globally in different, different markets, which is creating a major pressure. But we see that as the price will go up, we will also be able to sell more quantity in the domestic market. The utilization of the plant will also improve. And looking at all the scenarios, the financial number will also start improving in the TiO2 segment.

Ankit Gupta: And what about fixed cost interest and depreciation on quarterly basis for the TiO2 plant?

Ankit Patel: So I think let it run for one or two quarters. We will be able to give you a better idea in the next one or two quarters.

Ankit Gupta: And this is the last question on TiO2. So let's say if the antidumping duty comes and if in both the scenarios if the antidumping duty doesn't come, when do you expect to break even for the TiO2 plant?

Ankit Patel: First of all, we are very confident that the antidumping duty will come. If it doesn't come, then also we have different plans so that we can come out of this problem as fast as possible. With antidumping duty, the scenario will be better. Without antidumping duty, it's going to be a little difficult, but we are confident that it will come.

Ankit Gupta: Okay. But at least one or two quarters will take time to ramp up. But technically, it's a challenging plant to operate TiO2. So have we been able to stabilize the plant now?

Ankit Patel: Yes, we have been able to stabilize the plant. The quality has also improved. And because of the quality improvement, the price realization in the market has also started improving. Currently, as I mentioned, the plant is running at about 40%. Once the interim antidumping duty comes, the demand in the domestic market will be catered from the domestic suppliers more rather than material coming from China, which will lead to the demand in the domestic market. And we feel because of that, we should be able to run our plant at the higher capacity.

Moderator: Our next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: I have a few questions regarding TiO2.

Ankit Patel: Rohan bhai, your voice is not clear. Can you be a little loud?

Rohan Patel: Is it okay now?

Ankit Patel: Yeah.

Rohan Patel: Okay. Help us understand how did the Kilburn went on to develop some of the technology for TiO2 and then they had some challenges in operating the plant and how are we going to overcome the same situation? And if you can help that we are on sulphate process and where do we get this technology from?

Ankit Patel: Yeah. So the technology, there are two grades of technology. One is chloride, other is a sulphate. So our technology is a sulphate-based process. And because we purchased the company from NCLT, there was already the plant. Though there has been a lot of changes after acquiring the asset, we have made in the plant. We also understand with the help of experts from the other industry and we have taken some technical support from the market, which has helped us to improve the technology. And now the plant technology is running very well with the better quality.

Rohan Patel: Okay. So the sulphate technology is going over to chloride technology. What China has done since 2010 till now is they have increased the chloride technology -- sorry, increased the chloride technology due to chloride being less environmentally harmful and more, they have better operating margins as well. So why have we not chosen a chloride technology considering that one of our group companies is a big chloroalkali and chlorine chemical players that could be really helpful for us? So why did we…?

Ankit Patel: Yeah. So, Rohan bhai, both the technologies have got its own pros and cons. So it's not that the sulphate technology is not good. In certain markets, and based on the certain application and based on the certain scenarios, the technologies can be different. At the same time, as I mentioned, we acquired the asset from NCLT. So there was already the ready plant with the sulphate-based technology process.

Now if we want to go for the chloride technology, then we need to completely revamp. It's all put together. We cannot use anything from this plant. We need to completely revamp and we need to put up a completely new plant. So at this juncture, our plan is to first run at the maximum capacity this plant. As we grow, then we can think of, in future, going for the chloride technology, but not at this point.

Rohan Patel: Thanks for that answer. And another question that I want to ask is, what we have also seen is the margin experienced by TiO2 players in chloride is around, say, 18% to 20% or 22%. And what we are also guiding, seeing that we are having a sulphate technology, it is also seen that you also guided for 18% to 20%.. So, does the margin differentiate between two technologies? And another, what's the difference between the quality of two products, one coming from sulphur and one coming from chloride? Is there any difference between the both?

Ankit Patel: Yeah. So, as I mentioned, depending on the market, because in certain markets, certain material prices are different. So, sulphate process is based on the sulfuric acid. So, sulfuric acid prices in the different market based on the logistic cost, it can be different. We are located in the Dahej, so the cost of sulfuric acid is different. Chloride process in India, chlorine price is different compared to chlorine price in the various markets.

So, in most of the countries, chlorine price is always positive or more than certain dollars. There is, in India, chlorine prices, we know that it is always in the range of zero or below zero. So, depending on the market conditions and depending on the location, the cost can be different.

Rohan Patel: That was another question. So, can we expect at peak utilization of TiO2 plant? We can do somewhere around INR300 crores-INR350 crores of top line and your guided margin range of 18% to 20%?

Ankit Patel: So, yes. So, in the normal scenario, we expect that it should generate this kind of revenue and profitability. Currently, as I mentioned, globally, China is dumping titanium dioxide in the different market because if you know that Chinese real estate segment is not doing good, the majority of the application of TiO2 is in the paint.

And because the real estate segment is not doing good, there is less demand of paint in China. And because of that, China is dumping the material globally in different, different markets. So, that has created a major problem.

So, that is why all the countries have initiated, majority of the countries have initiated the anti-dumping duty against China only, no other market. So, we can understand that this is the scenario. And going forward, this anti-dumping duty will help. And we hope that the stimulus which is getting announced by the Chinese government for their domestic market, if that improves the real estate in China, then Chinese companies will be able to sell majority of the volume in the domestic market in China, which will also lead to betterment for the supply chain point of view. So, all the scenario going forward will help overall for this company.

Rohan Patel: Okay. So, what I understood from your point is, it all depends upon the government bringing the anti-dumping duty. So, if say, you are confident enough that anti-dumping duty will come from quarter 3, but what are your plans? If you can elaborate, how will you go on to make sure that even if anti-dumping duty does not come, so how will you improve the underlying economics of TiO2 plan? Because we cannot be dependent on the government?

Ankit Patel: That's correct. We cannot be dependent on the government. We have to be self-sustained. But in this current scenario, it has been a little difficult. So, initially, as we thought, we would be focusing more on the domestic market only. But now, as there is an anti-dumping duty in EU, in other export markets also, and we are very strong in the export market.

So, we also started looking at the export potential, where we can have a better realization because of the anti-dumping duty on Chinese goods in various other markets. So, this is again a scenario where we will be working based on the policy of anti-dumping only. But to fight against China in this current situation, we need to work like this only.

So, that will lead to the better utilization of the plant and which will improve the cost position as well as the realization because of anti-dumping duty either in India or in other markets like Europe, US, Brazil.

Moderator: Thank you very much. The next question is from the line of Viraj Mehta. Please go ahead.

Viraj Mehta: Yeah. Hi, sir. Sir, my question is regarding TiO2 first. If you look at the domestic market, you are talking about price improvement. But if I look at the channel checks, the price has actually gone down in the last few months from INR175 odd, what we were hearing for some grades, it has gone to INR165. The quotes are coming even lower.

So, in such a cutthroat environment, how are we planning to kind of compete if the, I mean, I understand the dumping is necessary or duty on dumping is necessary. But I mean, if that does not happen, 165 bucks just makes our plant non-competitive.

Ankit Patel: First of all, yes, there has been pressure on pricing. But even today, the price realization is varying between INR175 to INR180. We are able to sell in this price range. And definitely, as I mentioned, the plan is to work on government policy where the domestic industry should get the support against the dumping from China. That is what the plan is. At the same time, you know, we are working on certain other things also. How do we improve? Because we cannot improve beyond a certain limit of our raw material cost. Then only remains the operation cost.

So, with the current capacity, whatever we have, our fixed costs are at a certain level. Our manufacturing cost is at a certain level. So, we are working on, in the same plant, how do we increase the capacity by doing small small de-bottling. If we do that, then our overall cost should go down in manufacturing. With the better cost position, we should be able to sell more quantity. So, we are working on different strategies. It is difficult time, no doubt about it. But we are very confident that going forward, it should improve.

Viraj Mehta: Right. Sir my second question is on the acquisition of TiO2. Now, there has been some time which has passed post we bid for this plant in NCLT and got this plant and obviously did a lot of capex. And we are expected to do a lot more capex in Phase 2.

Do you think when you actually bid for the plant with the kind of capex and the ROE or the payback you thought, and the way the economics are turning out, even if the anti-dumping duty comes, the payback is actually much longer than the normal payback Meghmani would expect in their other operations. Isn't there a vast difference of payback when you look at your Agrochem or even your other company, Epigral, when they look at payback, the numbers look starkly different, isn't it?

Ankit Patel: Yes, correct. So, Viraj, the thing is when we took over the plant, the initiation, somewhere we started in 2020. And at that time, the TiO2 scenario was completely different. The pricing was much, much better. So, the calculation, even with the realistic pricing point of view, whatever calculation we did was making perfect sense. But in the last one and a half, two years, there's not only titanium dioxide, but I would say overall, all the chemicals has been facing a lot of pricing-related problem.

It has reached to the bottom most level, majority of the product, which has created certain problems. So, in this scenario, we need to apply different strategies. So, over there, the anti-dumping came into picture.

At the same time, with the same setup, how do we have a better utilization? How do we increase the capex? Now, as initially we mentioned about the phase two, now we are working that without doing phase two, how do we increase the capacity? Maybe a little bit, 15% 20%, 30%. So, we are working on different, different scenarios where we improve the current plant capacity and bring down our manufacturing costs. At the same time, the anti-dumping should help.

Viraj Mehta: Right. And my last question, Ankitji, is on the overall plant maintenance. If we look at, and I understand that all chemical companies and agrochemical companies do go through some hazard from year-to-year basis sometimes, but the frequency with which we are having incidents is actually quite worrying for a minority shareholder.

If you can elaborate, what can we do to avoid such frequent accidents? And what steps are we taking so that such incidents do not keep reoccurring on like almost on a regular yearly occurrence?

Ankit Patel: Yes. First of all, I'm really sorry that there has been occurrence of the incident in the plant. But just to clarify more on the last incident which has happened, there was no operation. The plant was under shut down for maintenance and the incident took place in one of the isolated scrap area. So, which has not impacted any damage on human life, which has no one is even injured. Even asset damage is not, it's also very, very low. It's that low that we are not even going for the insurance claim because it's not significant. So, it was a very low, but the only thing is the media which has covered the scenario, it has hyped a little bit.

But in future, we'll take care that media should not create so much problem. We'll work on our PR. At the same time from the safety point of view, we have been working significantly in improving our safety scenario. In the chemical industry, the process safety is considered to be the most important thing. In majority of our operations, we have been trying to convert our operation in automation, where any manual error can be taken care by the automated system called ECS. So, every plant is slowly gradually getting converted on ECS.

So, in our Agro division, we have worked extensively on improvement. And because of that only, we got the responsible care certificate initially for first year. Then again after the audit, after one year, we got it extended for another three years. So, the same thing we are doing for the pigment division, we have started working on responsible care where we are improving our plant operations significantly.

And responsible care certificate is very difficult to get where the audit by the ICC team members done for extensively for at least three to five days. And after they get satisfied, then and then only the certificate is given for one year. And again, after one year, they do the auditing and if they get satisfied again, then they extend it for 3 years. So, like we did it in our agro division, we are also working for the pigment division. And I would say the EHS is a continuous improvement.

We cannot just mention that we have improved and we stopped. We need to keep on improving it and as a management, we are very much concerned about EHS and we are working extensively on EHS. And we hope that in future, we keep on improving and such kind of incident doesn't take place.

Viraj Mehta: Just last follow up on this. When we kind of are expanding our divisions except pigment across the company, especially in agrochemicals and as an outsourcing partner of some of the large companies and even companies which are looking to do longer term tie up with us, such small incidents, do you think it will hamper our ability or capability to get some of the larger European or other clients doing a slightly longer tie up with us?

Ankit Patel: Definitely, yes, it affects, but in the case of as I mentioned when we communicate properly that it has happened in the pigment division, in the agro division. Normally, whenever we sign any agreement, any business, this kind of big companies, they come, the team comes and they do the detail auditing. And when they find everything proper as per their standard then and then only such kind of contract is being signed.

So, in the case of Agrochemical division, as I mentioned, we have improved drastically in last 3 years to 5 year’s time. The same initiation has started in the pigment division. In the pigment division, we don't have any much long term contract, we have few rather because the segment is not significantly growing. So, over there, we don't have much long-term contract, but we are working for certain long-term contracts in agrochemical division with few companies.

Viraj Mehta: And my last question is bookkeeping on finance cost. Our finance cost seems to have more than doubled this quarter and there was one note which was written, I mean, I didn't really understand it too much. Can our CFO please clarify what exactly in a layman language does it mean?

Gurjant Chahal: Actually, if you see in finance cost, in standalone basis, we have more than 80% exports and our borrowings remain in foreign currency. So, we have seen at the end of September, there was a sudden volatility into the currency. So, Euro got depreciated significantly, it touched about 94. So, there was an MTM during this quarter around INR15 crores and on YTD basis also it was INR14 crores, that reflects in the finance cost, but if you see the overall foreign currency gain or loss, so there is a roughly INR14 crores gain in that other income. And there is a INR16 crores loss into the finance cost. So, net- to- net there is a INR2 crores impact on account of foreign currency, but due to accounting, it has to be differentiated between other income and the finance cost.

Viraj Mehta: But sir, if I look at our other, you're saying INR12 crores. Okay. So, this is more like one off rather than on a - because our borrowing has also not gone up, so which is why I was wondering why your finance cost has gone up so much?

Gurjant Chahal: No, borrowing cost has not gone up. In general, also, if you see so overall on currency levels we will be always in net gain because our currency is deprecating.

Viraj Mehta: Okay. Thank you so much, sir and best of luck.

Moderator: Thank you very much. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I'm trying to understand that how come on a standalone basis quarter-on-quarter basis, our pigment volumes have declined marginally and so have the revenues and EBITDA has also gone down significantly it has more than half. So, basically whereas if we look at other pigment players, there has been a significant improvement on a quarter-on-quarter basis. So, what is the reason for the same?

Ankit Patel: Yes. Keshavji, in the case of the Pigment division, in last one quarter was certain raw material prices have increased drastically. So, because of that, normally we have got contracts, we signed the agreement for one quarter or two quarters. So, we cannot change the pricing model immediately with our customers. Now, based on the current pricing model, now we will be - we are passing on in the next quarter. So, we just started improving.

So, because of one quarter where certain raw material prices increased drastically, that has created a pressure on the margin.

Keshav Garg: So, for how long is this expected to continue and sir the same should the raw material price increase should impact the whole sector? I mean, then why is it that only we seem to have got impacted?

Ankit Patel: See, certain raw materials like urea, I cannot comment about the other companies, but pigment is the industry where there are a lot of unregulated, I would say small scale companies are also there. So, this small players, unregulated players they do certain things which we as a corporate, we cannot do. So, because of that our cost remains a little high. We need to use the industrial grade urea, which is of very high cost whereas certain small companies, I cannot comment about them, but there are ways and means of keeping it low.

Keshav Garg: Sir, but, sir, so is urea a raw material for the pigment division?

Ankit Patel: Yes, urea is one of the key raw material for the pigment division.

Keshav Garg: But like, for example, we are making blue pigment and sir similarly, Asahi Songwon if you see it's a significant and basically a reputed player. So, their quarter-on-quarter revenues have increased from INR108 crores to INR117 crores and EBITDA has increased from INR8 crores to INR10 crores. So, I mean, shouldn't this be the same for everybody, the input price increase?

Ankit Patel: That's correct. So, they have shown good numbers Asahi Songwon. So, I think in the coming quarters also as I mentioned now normally there is a lag of one or two quarters to pass on the price. Asahi Songwon was able to do it as it Meghmani we will be able to do it in coming quarters. So, it will improve.

Keshav Garg: Sir, so now that China has imposed anti-dumping duty on this green and blue pigment, so what percentage of our revenues were coming from exports to China?

Ankit Patel: Now, earlier it was little more, but now there is not any significant revenue which is coming from China. It is relatively low. We have been exporting to other markets now. I would say it would be probably 8% to 10%.

Keshav Garg: Sir, it is still 8% to 10% of total Pigment revenues as of now?

Ankit Patel: Yes.

Keshav Garg: Okay. So, basically, I am trying to understand that what percentage of the total green and blue pigment market of Phthalocyanine was being exported to China on overall basis. I am trying to understand because the point is that all that supply has to, whether we were supplying or someone else was supplying, now all that supply has to get diverted.

Sir, so, it will take that much more time for our utilization to increase. Sir so, in that context, I am trying to understand that how do you foresee the utilization picking up, how much time you think it will take for the utilization to reach optimal level?

Ankit Patel: So, as I mentioned, Keshav Ji, there has been competition in Pigment division from unorganized players also. And in the case of, because of anti-dumping duty in China on Indian pigment manufacturers, there is again a pressure on Indian companies. And so, as a Meghmani, we are not expanding, we are not doing expansion in pigment green and blue as a strategy.

So, we will try to do some sell in other markets where we will have a better realization. But as a growth point of view, this segment, we are not looking at significant growth point of view.

Keshav Garg: Sir, are our CPC blue realizations similar to Asahi Songwon or superior or we sell at a discount?

Ankit Patel: I think not, because this becomes more of a B2B industrial product. So, on an average, if you look at it, then everyone is selling more or less at the same price.

Keshav Garg: But since we are the largest in the world, so are we the largest in CPC blue in the world?

Ankit Patel: We are in India, in the globally, we are second or third largest.

Keshav Garg: And sir, how does our cost of production compare with the other, let's say the market leader?

Ankit Patel: Definitely, our cost for the manufacturing remains low. But as compared to other companies, we are relatively little bigger organization. So, overall, as a corporate, our cost will be little high. At the same time, as I mentioned, we are regulated players, there are also small, small unorganized players, their cost will be lower than Meghmani.

Keshav Garg: Sir, are there any synergies between our Agrochem and Pigments division or they are totally separate?

Ankit Patel: They are totally separate in terms of chemistry, it's an organic chemistry. So, yes, it is similarity. But otherwise, it's completely the plant are separate, manufacturing team is separate, sales team is separate. Only the common areas like HR, finance, accounts, that remains common.

Keshav Garg: Sir, what percentage of our agrochem is coming from B2C products under our own brand?

Ankit Patel: In Agrochem, it would be, I would say, less than 10% in our own brand is the revenue for the B2C segment. We do formulation in export, but that is not in our own brand, that is our customer's brand, but there is a value addition. So, in terms of formulation, there is a volume of close to 25% plus revenue comes from the formulation.

Keshav Garg: Sir, since there is no synergy between our pigments and Agrochem, sir, so at a future date, sir, once Pigment division stabilizes, do you think that it makes sense to just hive off two separate, sir, because the valuations of both sectors are different. So, maybe it will unlock significant value, I mean, in the midterm I'm talking about?

Ankit Patel: I think, Keshav Ji, probably we may think that's a good suggestion. So, I think going forward, that can be once market stabilizes, once the segment is better, then we can think of it.

Keshav Garg: Sir, and as far as the Titanium Dioxide is concerned, sir, though I appreciate that we bought this from a NCLT, so generally buying things from bankruptcy generally turns out to be good, sir, but now the concern is that, sir, INR600 crores capex we have incurred and, sir, on this, sir, I'm sure there'll be some additional working capital also over and above this INR600 crores.

Now, sir, even if we consider the best-case scenario of INR350 crores top line and 20% margin, so that is, sir, basically around INR70 crores. So, it is like roughly 10% EBITDA level. So, at a post-tax level, it would be in single digit return. Sir so, then this we are talking about once the anti-dumping comes and once ramp-up happens.

So, as things stand, even in the best case scenario, it doesn't seem that this investment is turning out to be beneficial for us.

Ankit Patel: Yes. So, when we acquired the asset from NCLT, we also realized this was our first acquisition and normally the operations, if the chemical plant in running condition, then the scenario is different. But in this case, what happened, the plant was under shutdown for more than three years.

So, when any chemical plant remains under shutdown for more than three years, then there has to be a more and more maintenance is required, the equipment plant gets damaged because it remains in an acidic environment for, in shutdown condition for quite a long time. So, this was the realization we had it after we acquired it and a lot of changes required after acquisition of the plant.

So, which has led to increase in the capex. So, this is one of the fact which has created an issue. But as I mentioned, we are applying different, different strategies to improve the operation, to improve the revenue and profitability.

Keshav Garg: Sir, and since our raw material feedstock is basically…

Moderator: May we request…

Keshav Garg: So, let me just ask the last question. So, I am trying to understand, sir that is our input for titanium dioxide synthetic rutile that DCW is manufacturing?

Ankit Patel: I am sorry, can you repeat your question?

Keshav Garg: Sir, is our raw material for titanium dioxide synthetic rutile that DCW is manufacturing?

Ankit Patel: Raw material is not synthetic rutile. We start from Ilmenite.

Keshav Garg: And sir, is that imported Ilmenite or it is available domestically?

Ankit Patel: So, it is imported also, it is available locally also. So, currently our volume is not that significant. So, we are buying it from the Indian Rare Earth.

Keshav Garg: Thank you very much and best of luck.

Moderator: Our next question is from the line of Mr. Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: I wanted to, as in, in your press release and now also you are saying the agri side there, we are seeing an improvement which will help us in better margins. So, can we comment, as in, historically we have done quite very much better margins. So, can we comment how much improvement can -- are we expecting over the coming time?

Ankit Patel: So, Ankur Ji, I think in the next financial year, as I mentioned, there will be improvement in terms of demand. And so, the top line will also grow better. At the same time, bottom line will also grow better. In terms of the profitability EBITDA margin, you have seen that in the past, we have done significantly well, but those scenarios were completely different. So, it is difficult to reach at those levels.

So, first target somewhere for the Agrochemical division, we target to reach at 15% EBITDA margin. That is the first target. Once we reach at that level, then we will think of taking it to the next level.

Ankur Kumar: So, this 15%, sir, can we see in second half or that will be like next year?

Ankit Patel: So, next year. Second half looks a little difficult.

Ankur Kumar: And sir, on Pigment side, there are a lot of questions. We are still seeing loss. Can we comment?

Ankit Patel: So, in the Pigment segment also, first of all, our target is to reach at about 10% EBITDA level.

Ankur Kumar: Can we move to black in the next half also?

Ankit Patel: Yes.

Moderator: Our next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: So, sorry if my question is repeating because I missed out in between. So, basically on the agrochemical side, we see strong growth in terms of revenue as well as the margin side also. So, how much this is, we can say, sustainable for the coming quarter as well as or is there any volume which was showing a lag effect from the Q1 number?

Ankit Patel: Rohit Ji, from the volume point of view, we tried to – for the Agrochemical division, we plan to run our plants at more than 80% capacity. In this quarter, we have run at about 84%. So, our plan is to run in the range of 80% to 90% utilization level going forward. And so, that will drive the growth. At the same time, we are lot of new products have been introduced in the last 2 years, but global market scenario was not doing good.

So, those new products have not started performing well. But now, we see those new products will also give good growth. And we are expecting a lot of new, so we are expecting some registrations in different markets for these new products which will let the growth going forward. These are relatively high-value, high-profitability products.

Rohit Sinha: Okay. And just to separate for our earlier agrochemical business and the new MPP, right? So how has been the attraction for this MPP segment and what we should see the better opportunity coming ahead for this segment?

Ankit Patel: So, you are mentioning about multipurpose plant?

Rohit Sinha: Yeah.

Ankit Patel: So, the multipurpose plant, as I mentioned, we have introduced a lot of new products. So, as a Meghmani, we completed for the Crop Protection division, we completed about 25 years in 2020. So, we had a vision that whatever products we have in the basket, same number of products we need to introduce over a period of next 5 to 7 years.

So, whatever we have done in 25 years, we plan to do it in next 7 years. So, that is the vision. Somewhere in this strategy, the global scenario which has created a problem in 2023 and 2024, but we are still very bullish about the new product, what we have introduced. So, in the multiproduct, multipurpose plant, the second plant operation we have also started.

So, the product, if I give you the idea, then a lot of new products like Flonicamid, Ethiprole, Cyfluthrin, Beta Cyfluthrin, Dinotefuran, Spiromesifen. So, a lot of new products we have introduced. So, these are the products that are either being manufactured by one company or two companies in India, or for a few products, we are the only company manufacturing in India. So, these products are relatively niche products, which has not been focused by many other players. So we have selected this kind of product, which will lead the growth going forward.

Rohit Sinha: Okay. So, this MPP growth will be largely driven by the domestic side or export market is also lucrative for us?

Ankit Patel: It will be in both the segments. We have, as I mentioned, about 80% revenue coming from the export. See from the volume point of view, we need to have an export market. If we just focus on the domestic market, then the kind of investment, whatever we have done, we cannot run our plant for 12 months. We just require 1 or 2 months, that kind of volume is sufficient for the domestic market. Now, to run the plant at higher capacity, to keep the cost at lower level, we need to also focus on the export market.

So, we are doing export to U.S., Brazil, Latin American country, Africa, Asia. Apart from Europe, we are focusing on all other continents. And the major growth is coming from Latin America, mainly from the Brazil market and from the U.S. market.

Rohit Sinha: Okay. And just on the capex and the debt side, what would be the annual capex we'll be expecting for FY '25 and debt level by the end of FY '25?

Ankit Patel: So, I think we did the capex, significant capex in the year of '21, '22. And we were ready with all the elements, but somehow the market was not supportive. So, now, with the improvement, we should be able to utilize, we should be able to sweat these new assets in a better way. So, I think for Agrochemical division and the Pigment division, we don't need to do any significant capex over a period of next 1 or 2 years' time. So, we will be rather repaying the debt and we'll bring down our cost of finance and we'll maintain relatively low-level debt in the company.

Rohit Sinha: Okay. That's it from my side, sir. Thank you and best of luck.

Ankit Patel: Thank you.

Moderator: Thank you very much. Our next question is from the line of Mr. Aman Jain from Arihant Capital. Please go ahead.

Aman Jain: Yeah. Thank you for the opportunity, sir. So, just wanted to get the status on our so we were planning to set up a subsidiary in Brazil. So, if you could share some, what is the status on that?

Ankit Patel: Sure. So, the subsidiary which we are planning to create in Brazil, it is going on. It is at the final stage of approval from different government authorities, mainly from RBI. And we should be soon announcing about it. This subsidiary which we are creating is mainly from the registration point of view. We are doing a lot of new product registration and we would like to hold it by ourself.

So, normally what used to happen, we were working on with one customer, with one customer we were registering the product. And then we were able to sell only to one customer. But Brazil is biggest market for the crop protection products. So, with our own registration, we can work with various customers in Brazil. We don't need to work with just one or two customers. So, that will open up the market significantly.

At the same time, Brazil is highly entry barrier oriented, because the cost of the registration is high. At the same time, the time of getting the registration is also significantly high. It takes nearly 5 years to get the registration. So, we started focusing on the Brazil market somewhere after 2015. And we have received few registration, we have received so far few registration and a lot of new registrations are in pipeline. So, over a period of next 2 to 3 years, we will be getting many, many new registrations.

Aman Jain: Okay, yeah, sure sir. So, what are the product launches that we have done in this quarter?

Ankit Patel: So, from the product launch point of view, not just this quarter, I would say overall in last 2 years. So, in last one quarter, we have started manufacturing of particularly three products. We started manufacturing of Dinotefuran. We started manufacturing of Ethiprole. We started manufacturing of Flubendiamide. So, three products commercial production we have started in last one quarter.

But I would say not just one quarter in last 2 years or rather than last 1 year, we have introduced a lot of new products. We have started Flubendiamide, we have started Cyhalothrin, we have started Beta Cyfluthrin, we have started Spiromesifen apart from the three products which I mentioned just now.

Aman Jain: Okay. So, just one last question. So, if you could tell us what was the volume growth in this quarter for Agrochemicals and Pigments?

Ankit Patel: So, volume growth for the Crop Protection division is about 38%. About year-on-year basis is about more than 50% and for the Pigment is more than 20%.

Aman Jain: Okay sir. Thank you.

Moderator: Thank you very much. I would now like to hand the conference over to the management for closing comments.

Ankit Patel: On behalf of the management, we thank you for joining us today. We appreciate your trust and support on us. With this, we hope that we have been able to address most of your queries.

In case of further queries, you may reach out to Mr. G. S. Chahal and Mr. Nishant Vyas and they will connect with you offline. Wish you all a very happy Diwali and a prosperous new year. Thank you very much.

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