

# MEGHMANI ORGANICS LIMITED



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13/08/2019

National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (East) <u>Mumbai 400 051</u>	BSE Limited Floor- 25, P J Tower, Dalal Street, <u>Mumbai 400 001</u>
<b>SYMBOL:- MEGH</b>	<b>Scrip Code 532865</b>

Dear Sir

**Sub: - Investor Presentation on – Q1 FY 20**

We forward herewith the Investor Presentation prepared on Un-Audited Financial of the Company for the **First Quarter ended on 30.06.2019** for information of the Member.

Thanking you.

**Yours faithfully,  
For Meghmani Organics Limited**

**(K D Mehta)  
Company Secretary & Compliance Officer**

C C to:- Singapore Stock Exchange

**:- For information of Members**



## Meghmani Organics Limited (MOL)

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Q1 FY20 Results Presentation

Aug 2019

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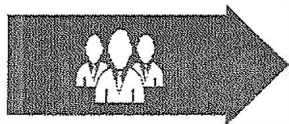
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# Discussion Summary

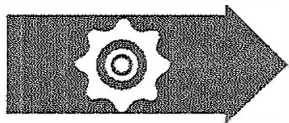
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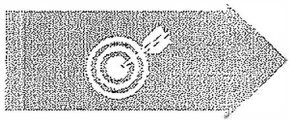
**Q1 FY20 Results Update**



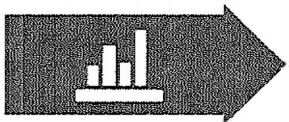
**About Us**



**Business Overview**



**Strategy & Outlook**



**Financial Overview**

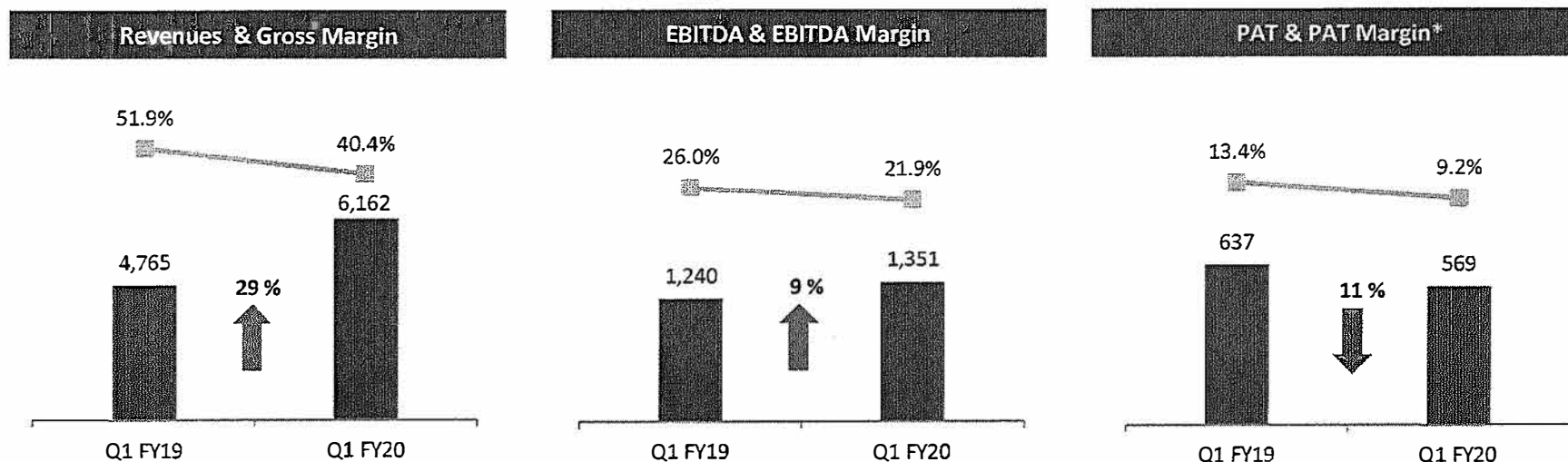


# Q1 FY20 Results: Key Highlights



Rs Mn

## Q1 FY20 YoY Analysis



Note: \* PAT & PAT Margin are after NCI

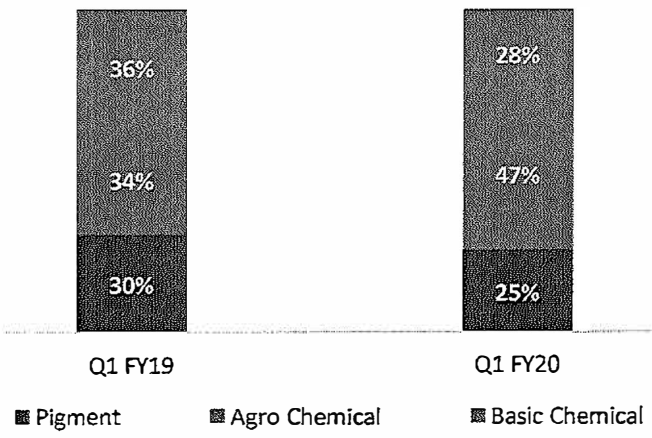
# Q1 FY20 Results: Revenue Analysis



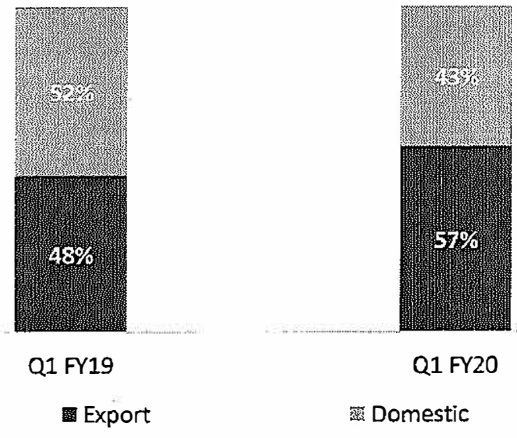
Rs Mn

## Q1 FY20 YoY Analysis

Segment wise Breakup



Region wise Breakup

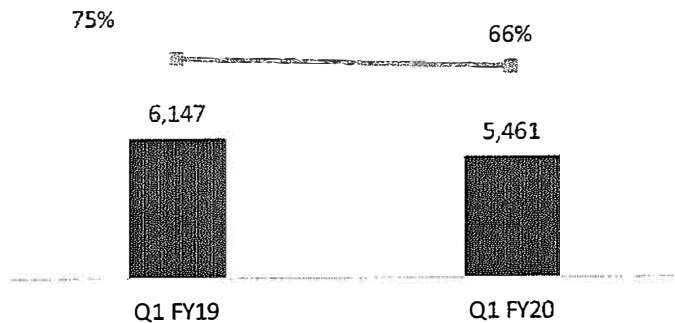


# Q1 FY20 Results: Pigments Business



## Q1 FY20 YoY Analysis

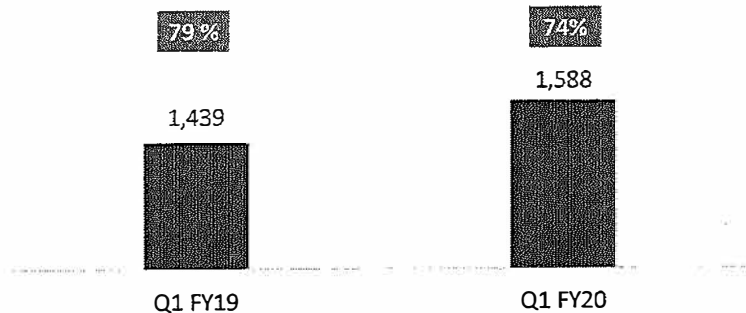
**Production & Utilisation (%)**



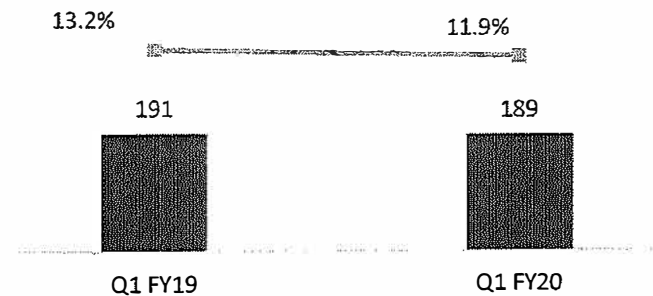
**Dispatch / Sales (MT)**



**Net Revenue (Rs Mn) & Exports**



**EBITDA (Rs Mn) & Margin (%)**



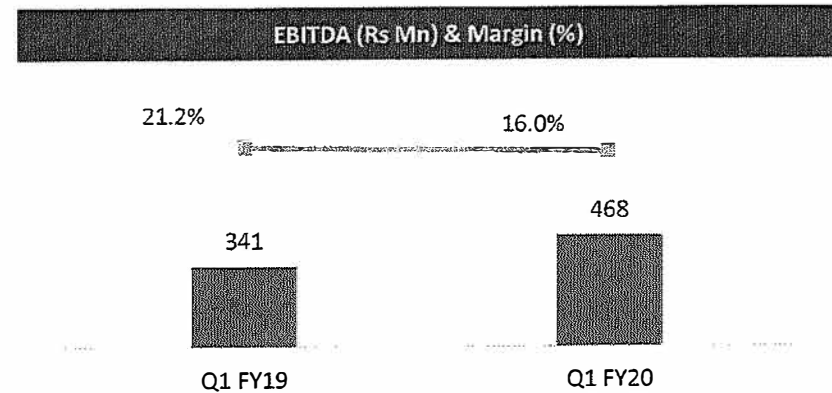
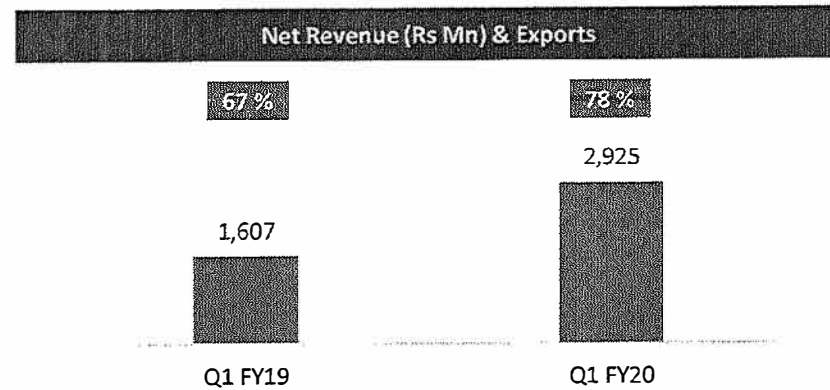
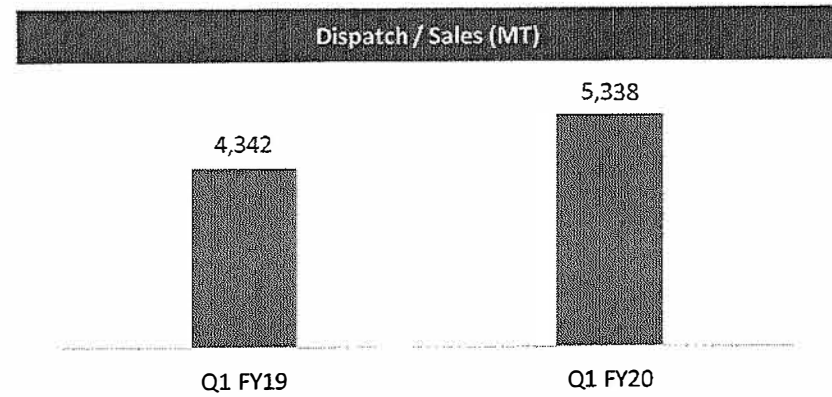
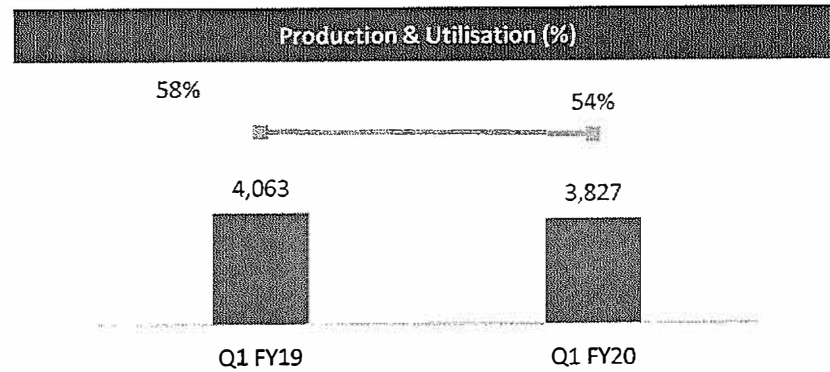
Net Revenue including intersegment sales

Exports

# Q1 FY20 Results: Agrochemicals Business



## Q1 FY20 YoY Analysis



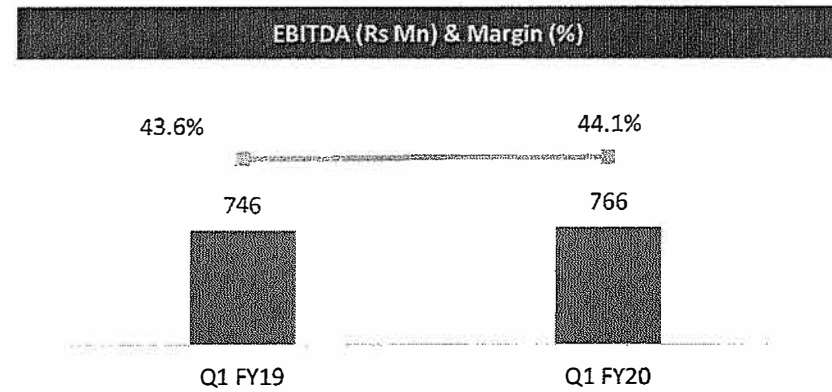
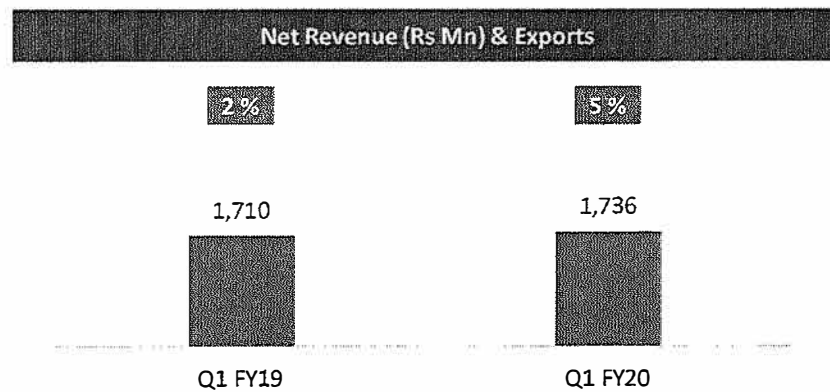
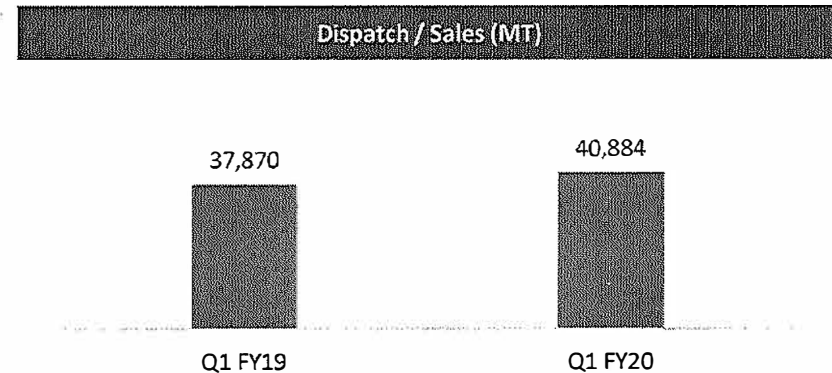
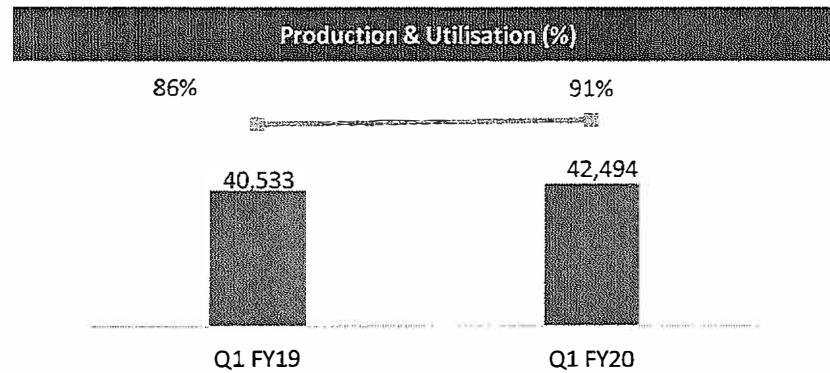
Net Revenue including intersegment sales

Exports

# Q1 FY20 Results: Basic Chemicals Business



## Q1 FY20 YoY Analysis



Net Revenue including intersegment sales

Exports

## Q1 FY20 Results: Consolidated Profit & Loss Statement



Particulars (Rs. in Mn)	Q1 FY20	Q1 FY19	YoY%	FY19
Revenue from Operations	6,162	4,765	29.3%	20,880
COGS	3,670	2,294	60.0%	10,330
<b>Gross Profit</b>	<b>2,492</b>	<b>2,471</b>	<b>0.8%</b>	<b>10,550</b>
<b>Gross Margins %</b>	<b>40.4%</b>	<b>51.9%</b>	<b>-1142 bps</b>	<b>50.5%</b>
Employee Expenses	356	215	65.2%	1,247
Other Expenses	785	1,016	-22.7%	3,859
<b>EBITDA</b>	<b>1,351</b>	<b>1,240</b>	<b>9.0%</b>	<b>5,445</b>
<b>EBITDA Margin %</b>	<b>21.9%</b>	<b>26.0%</b>	<b>-410 bps</b>	<b>26.1%</b>
Depreciation	219	243	-10.0%	973
<b>EBIT</b>	<b>1,132</b>	<b>997</b>	<b>13.6%</b>	<b>4,472</b>
Finance Cost	74	135	-45.3%	560
Other Income	38	141	-73.3%	332
Exceptional Items	-	-	-	159
<b>PBT</b>	<b>1,097</b>	<b>1,004</b>	<b>9%</b>	<b>4,086</b>
Taxes	319	233	36.6%	1,132
<b>PAT</b>	<b>778</b>	<b>771</b>	<b>1.0%</b>	<b>2,954</b>
<b>PAT Margin %</b>	<b>12.6%</b>	<b>16.2%</b>	<b>-355 bps</b>	<b>14.1%</b>
<b>PAT after Minority</b>	<b>569</b>	<b>637</b>	<b>-10.7%</b>	<b>2,513</b>

# Discussion Summary

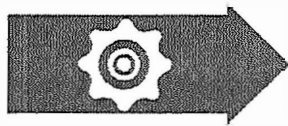
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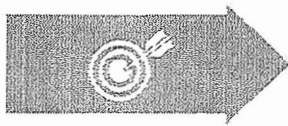
Q1 FY20 Results Update



About Us



Business Overview



Strategy & Outlook



Financial Overview

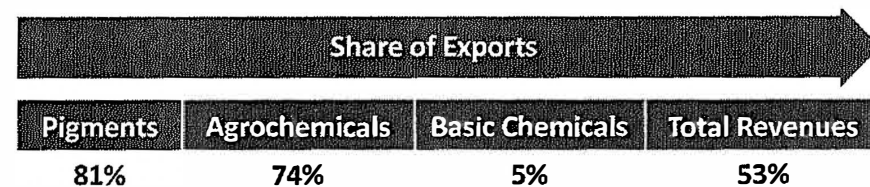
## Well-Established Presence Across International & Domestic Markets



- ✓ Presence in more than 75 countries, serving over 400 customers across all three business segments
- ✓ Global distribution network with subsidiaries in the US, Dubai and a representative office in China
- ✓ 4 Warehouses in Turkey, Russia, USA and Uruguay
- ✓ 7 Dedicated manufacturing facilities in India




### 2 Distribution Subsidiaries






# Leading Diversified Chemicals Company Poised for Rapid Growth


**Pigments**

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



**Agrochemicals**

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



**Basic Chemicals**

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

## Consolidated Financials Highlights: FY18-19

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

EBITDA Margin – 26.1%  
PAT Margin – 14.1%

EBITDA – Rs 5,445 Mn  
(28.0% CAGR\*)

Debt / Equity – 0.62x

PAT – Rs 2,954 Mn  
(58.8% CAGR\*)

ROCE – 29.2%  
ROE – 26.3%

Based on FY19 Financials, \* FY15-FY19 CAGR

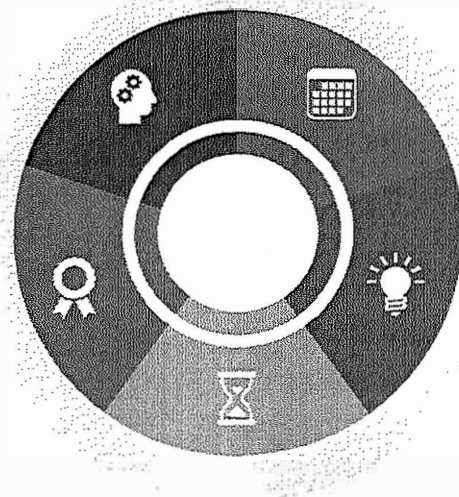
# Sustainable Competitive Advantages

## Experienced & Qualified Management and Technical Team

- Rich experience of many decades in chemical sector among the founding members of the company
- Highly qualified technical staff having earlier experience with MNCs and large Indian corporates

## Highly Respected Name in Global Chemical Industry

- Amongst top 3 global pigment players
- 7<sup>th</sup> largest caustic-chlorine player in India
- Well-recognized agrochemical brands (Megaking, Megastar, Megacyper, Megaban, Synergy, and Courage)
- More than 36 brands of various pesticides formulations in India



## Diversified Customer Base

- 400+ customer base in Pigments & Agro-Chemicals across diverse industries
- 2,800 stockists, agents, distributors and dealers across India
- Close to 50% of revenue derived from export market

## Strong Financial Performance

- Consistent Revenue Growth
- Improving Profitability & Return Ratios
- Healthy Balance Sheet

## Distinct Cost Advantage

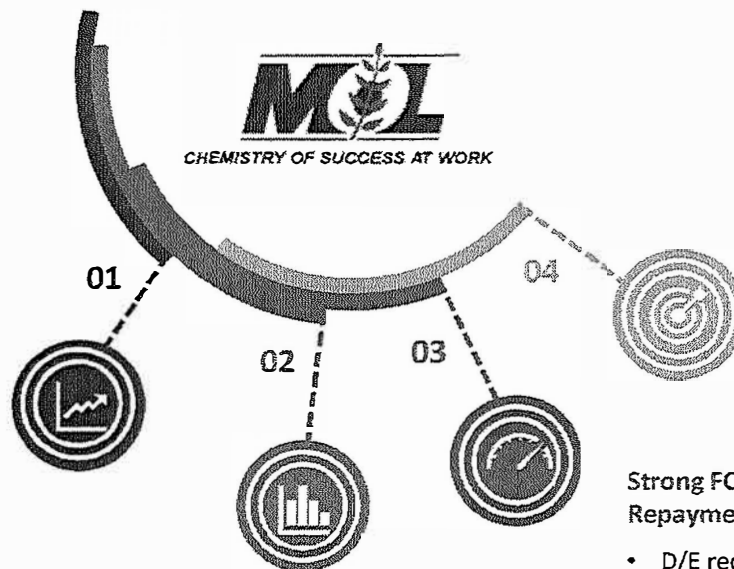
- Vertical integration of production processes
- Effective control on costs & raw materials supply
- Produce agrochemical products across entire value chain (intermediates, technical, formulations)
- Strategic location of production facilities with close proximity to sources of raw materials
- Proximity to port leading to easier access to exports market

# Key Financial Metrics



### Consistent Revenue Growth

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



### Consistent Improvement in EBITDA margins

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

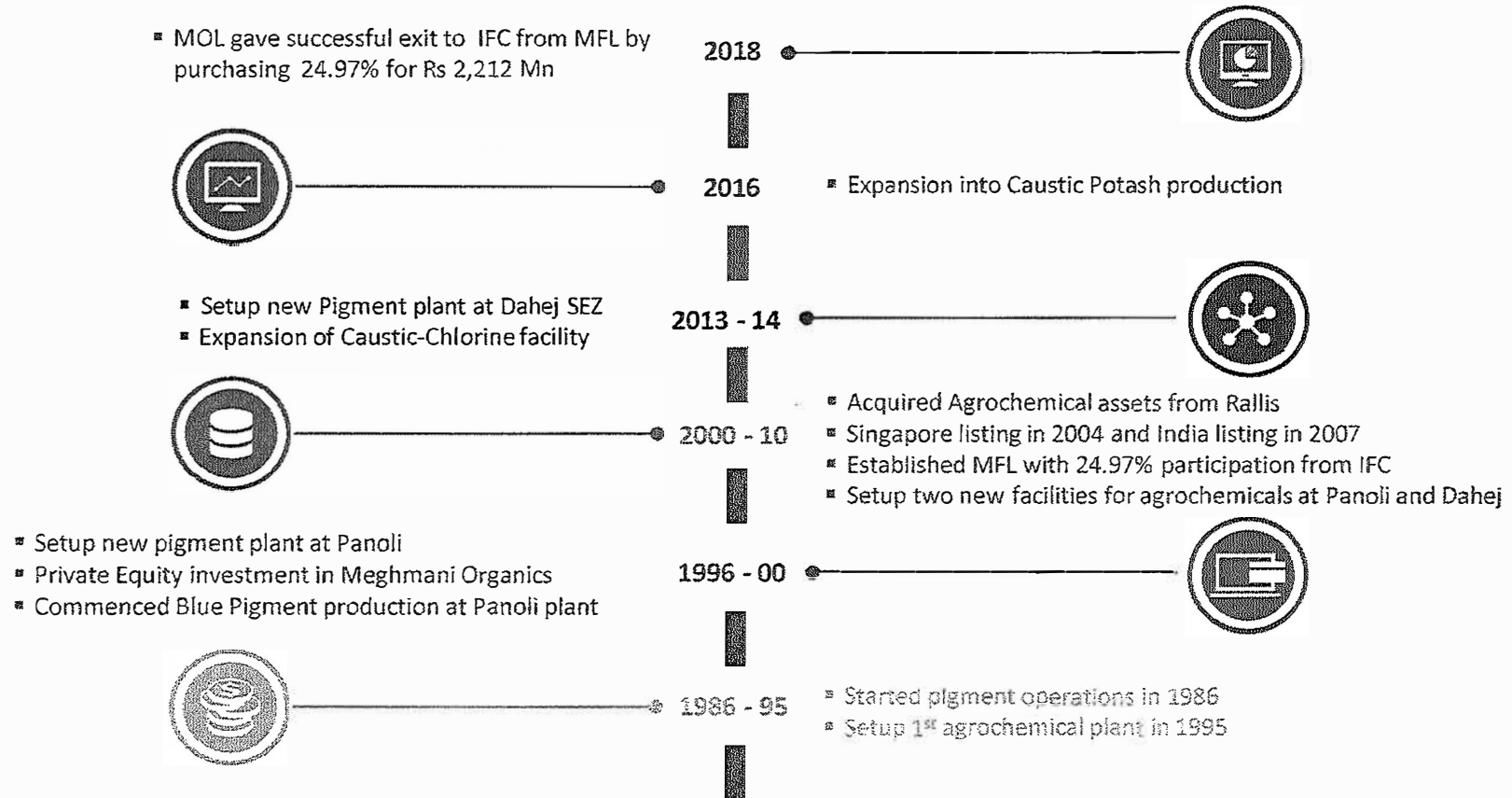
### Robust Return Ratios

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

### Strong FCF Generation leading to Significant Debt Repayment

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

# Key Milestones



# Strong Leadership Team to Deliver Long Term Growth



## Experienced Leadership Team



**Mr. Jayanti Patel**  
Executive Chairman

- 37 yrs of experience
- Overseas international marketing
- B.E (Chemical)



**Mr. Ashish Soparkar**  
Managing Director

- 37 yrs of experience
- Overseas corporate affairs & finance
- B.E (Chemical)



**Mr. Natwarlal Patel**  
Managing Director

- 35 yrs of experience
- Overseas technical matters & marketing in Agrochemical division
- MSc degree



**Mr. Ramesh Patel**  
Executive Director

- 31 yrs of experience
- Overseas purchasing function & liaisons with govt. / regulatory bodies
- B.A degree



**Mr. Anand Patel**  
Executive Director

- 28 yrs of experience
- Overseas pigments marketing, manufacturing
- BSc degree

## Well-qualified Second Generation of Management



**Mr. Ankit Patel**  
CEO (MOL)

- 10 yrs of experience
- Executive Director at MFL
- M.S. (Engg Management) from Australia & MBA from Singapore



**Mr. Maulik Patel**  
CMD (MFL)

- 12 yrs of experience
- Heads Basic Chemicals
- M.S. (Chemical) & MBA from USA



**Mr. Kaushal Soparkar**  
MD (MFL)

- 11 yrs of experience
- Heads Basic Chemicals
- B.S (Chemical) and M.S (Engg Management) from USA



**Mr. Darshan Patel**  
COO (Pigments) MOL

- 7 yrs of experience
- Heads Pigments
- M.S. (Engg Management) from Australia



**Mr. Karana Patel**  
COO (Agrochemicals) MOL

- 11 yrs of experience
- Heads liaisoning & procurement
- Diploma & BSc (Chemical)

## Discussion Summary

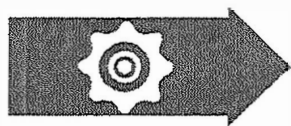
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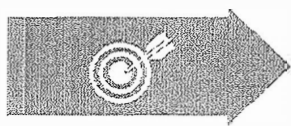
Q1 FY20 Results Update



About Us



**Business Overview**



Strategy & Outlook



Financial Overview

# Pigments Business: Key Highlights



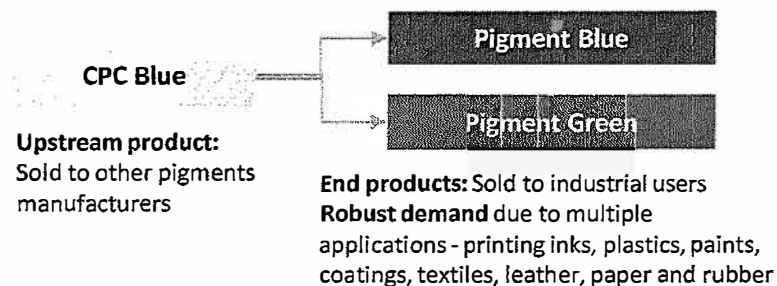
## Established Business Profile

- Largest manufacturers of Phthalocyanine-based pigments with 14% global market share & amongst top 3 (capacity wise) global pigments players
- Strong global presence in 70 countries,
- Global distribution network - direct presence with subsidiaries in the US, Dubai and a representative office in China
- Strong client relationships (90% business from repeat clients). High degree of product customisation, consistent quality and compliance regulations add to client stickiness.

## Vertically Integrated Manufacturing Facilities

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

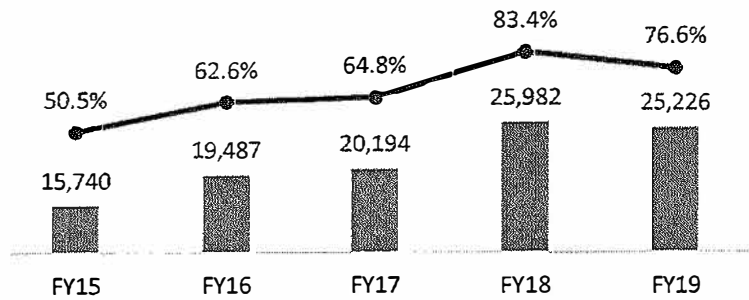
## Products Portfolio



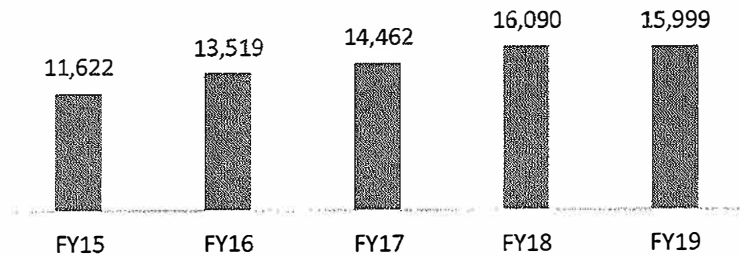
# Pigments Business: Operational Overview



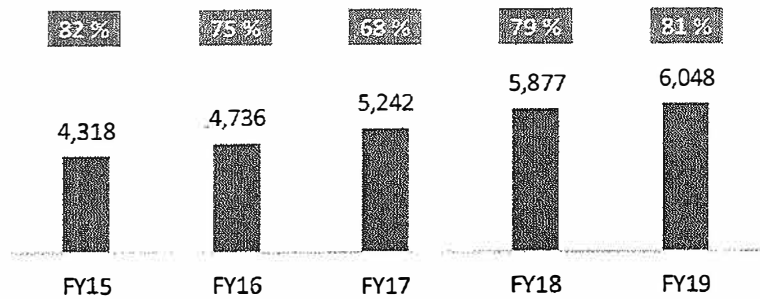
**Production (MT) & Capacity Utilisation (%)**



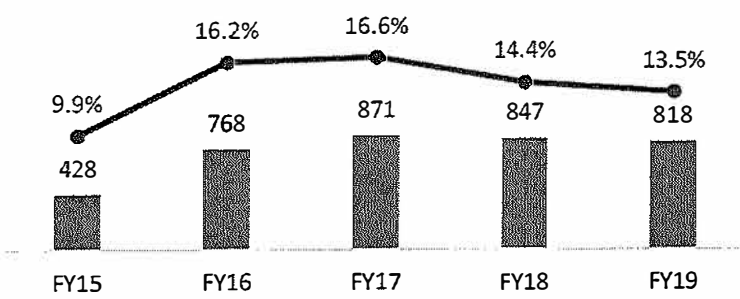
**Dispatch / Sales (MT)**



**Net Sales (Rs Mn)**



**EBITDA (Rs Mn) & EBITDA Margin (%)**



Net Sales (excl. excise duty) including intersegment sales Exports %



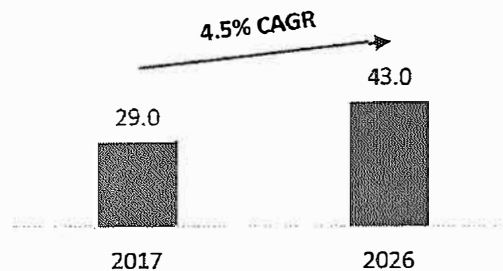
# Pigments Business: Industry Overview



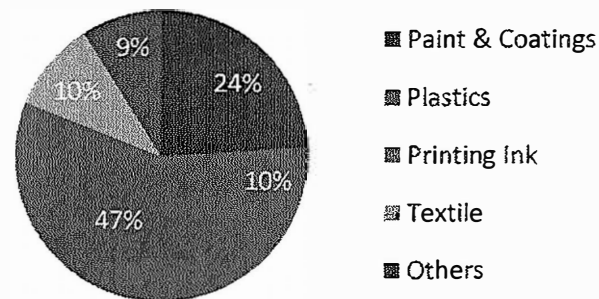
## Global Pigments Market

- The global pigments industry consists of three segments – organic, in-organic and specialty pigment
- Organic pigments account for 35-40% mkt. share out of total pigments industry
- Organic pigments include Azo Pigments (yellow & red) (50-55% share), Phthalocyanine Pigments (blue & green) (20% share) and other Pigments (25-30% share)
- Organic Pigments growth is linked to end-user industries mainly printing inks, paints and coatings and textile industries
- Paints & coatings and plastics industry have been the major growth drivers (especially from automotive sector)
- India and China are fast becoming the centre of the global Organic Pigments market
- India is leader in Phthalocyanine blue and green pigments
- India’s pigment sales have been growing at 13-14% CAGR driven by exports due to India’s good quality products, stricter environmental standards and higher regulatory compliance

## Global Pigments Market Size (USD Bn)



## Demand Driver – Diverse Industrial Use



# Agrochemicals Business: Key Highlights



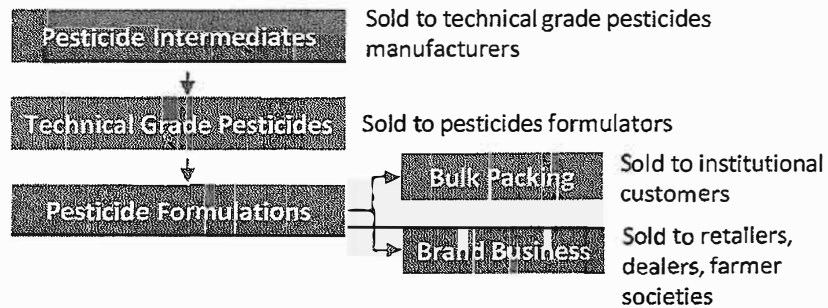
## Established Business Profile

- Leading manufacturer of pesticides – products across entire value chain
- Established global presence across Africa, Brazil, LatAm, US and Europe
- Strong pan-India presence across 17 states, with ~2,800 stockists, agents, distributors, and dealers network
- Major products – 2,4-D, Cypermethrin, Permethrin, Chlorpyrifos and Profenophos
- Well-recognized formulation brands – Megastar, Megacyper, Megaban, Synergy, Courage
- **Phase 1 Capex:** Doubling 2,4-D Capacity by addition of 10,800 MTPA with capex of Rs 127 crores (Operational by June 2020).

## Vertically Integrated Manufacturing Facilities

Total Capacity – 28,260 MTPA	
Location	Capacity (MTPA)
GIDC Panoli	7,200
GIDC Ankleshwar	6,420
GIDC Dahej	14,640

## Product Profile



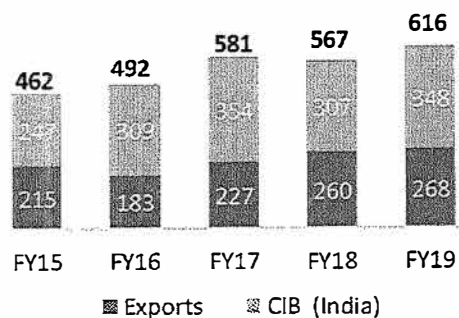
## Branded Agrochemical Formulations



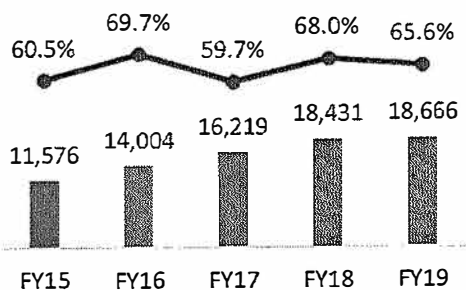
# Agrochemicals Business: Operational Overview



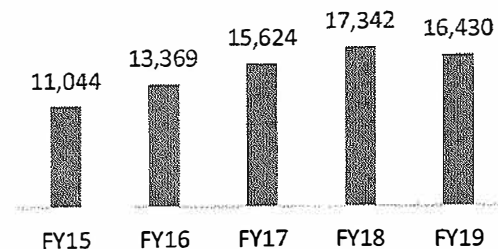
**Registrations Base**



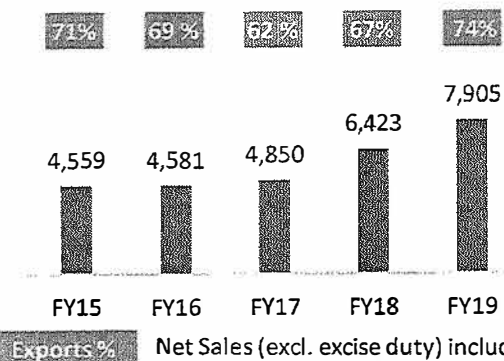
**Production (MT) & Capacity Utilisation (%)**



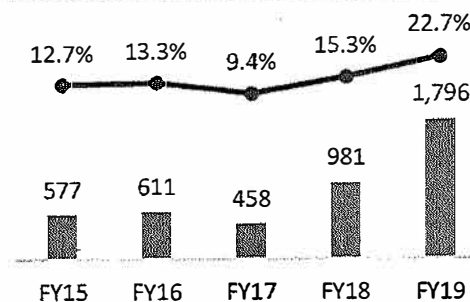
**Dispatch / Sales (MT)**



**Net Sales (Rs Mn)**



**EBITDA (Rs Mn) & EBITDA Margin (%)**



Exports% Net Sales (excl. excise duty) including intersegment sales

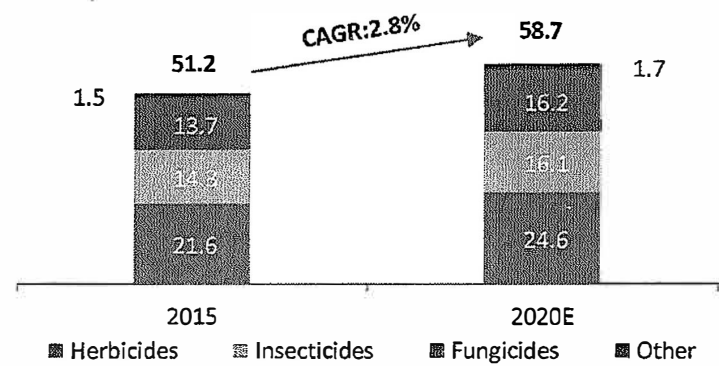
# Agrochemicals Business: Crop-protection Industry Overview



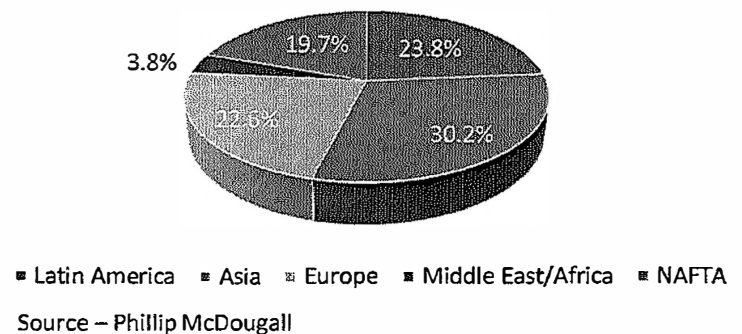
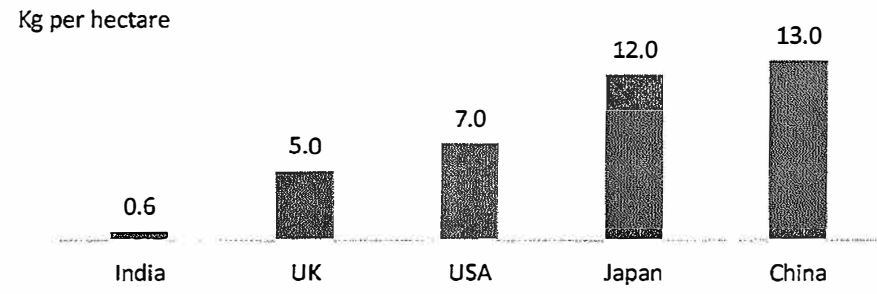
## Global Crop Protection Market

- The global crop protection market is set to grow steadily to reach USD 58.7 Bn by 2020
- Key drivers - growing population, declining arable land & rising pest concerns
- Products worth ~USD 3 Bn to go off-Patent over 2017-20, gives strong opportunity to generic agrochemical players
- India is the 4<sup>th</sup> largest global producer of Pesticides with an estimated market size of USD 4.9 Bn in FY17 after United States, Japan and China
- The demand for agrochemicals in India is split in equal proportions between domestic consumers and exports

## Global Crop Protection Market (USD Bn)



## Pesticide Consumption is still Lowest in India



## Basic Chemicals Business: Key Highlights



### Established Business Profile

- 7<sup>th</sup> largest (by capacity) Caustic-Chlorine producer in India
- Latest 4<sup>th</sup> generation 'Zero Gap Membrane Technology' sourced from Asahi Kasei Chemical Corp, Japan
- One of the most efficient caustic soda producers (CPP of 60MW)
- Strategically located with close proximity to the port (importing coal) and customers (Caustic Soda & Chlorine supplied via pipeline), leading to lower logistics costs
- New 60 TPD facility to manufacture Caustic Potash

### Products Profile

<b>Caustic Soda</b>	Used in soap & detergents, pulp & paper, textiles processing, Organic & Inorganic Chloro solvents
<b>Chlorine</b>	Used in PVC manufacturing, alumining, dyes & dyes intermediates, organic & inorganic chemicals, drinking water disinfection, pharmaceuticals
<b>Caustic Potash</b>	Used in Soaps, Detergents, Fertilizers Chemicals

### Vertically Integrated Manufacturing Facilities

Dahej Facility	
Products	Capacity (MTPA)
Caustic-Chlorine	166,600
Caustic Potash	21,000
CMS	40,000

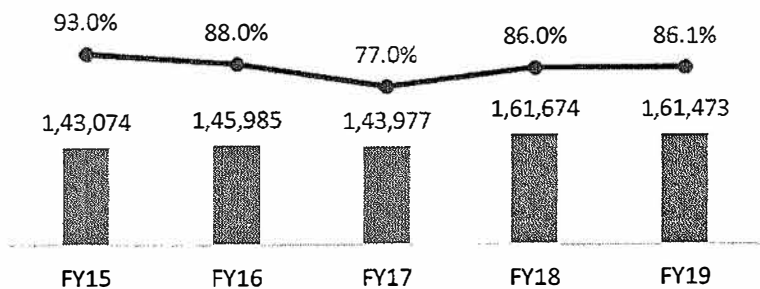
#### Rs 6.4 Bn Capex Plan:

- **Strategic investment in 3 projects to expand basic chemicals business**
- **Project 1:** CMS project of 40,000 MTPA (commenced in July 2019)
  - Produce MDC, Chloroform and Carbon Tetra Chloride
- **Project 2:** Expansion of Caustic Soda capacity to 2,71,600 MTPA and CPP capacity to 96 MW (operational by Q3FY20)
- **Project 3:** Hydrogen Peroxide capacity of 30,000 MTPA (operational by Q3FY20)
- **The expansion will be margin accretive at company level due to higher EBITDA margins in the basic chemicals business**

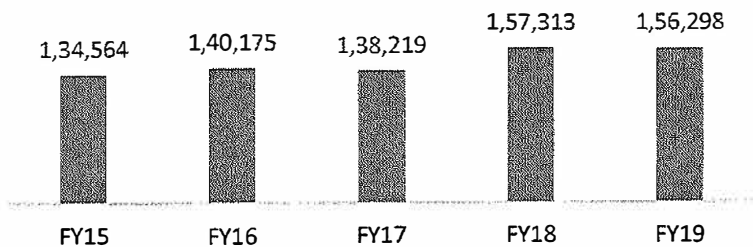
# Basic Chemicals Business: Operational Overview



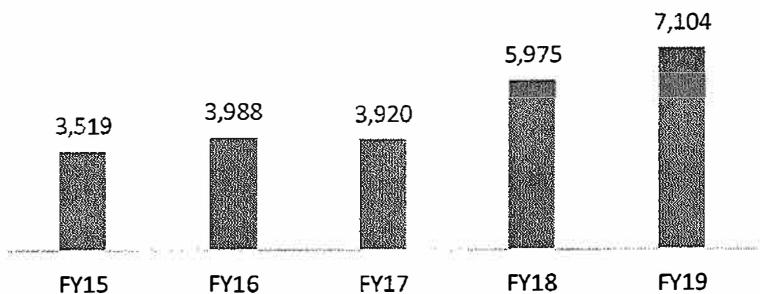
**Production (MT) & Capacity Utilisation (%)**



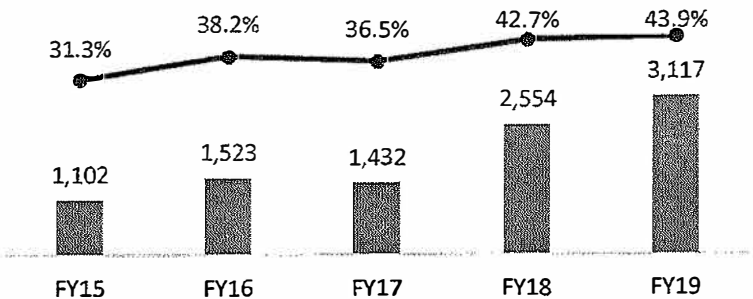
**Dispatch / Sales (MT)**



**Net Sales (Rs Mn)**



**EBITDA (Rs Mn) & EBITDA Margin (%)**



Net Sales (excl. excise duty) including intersegment sales

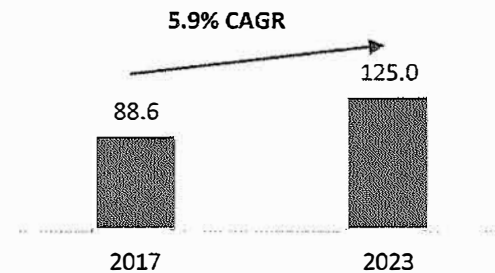
# Basic Chemicals Business: Industry Overview



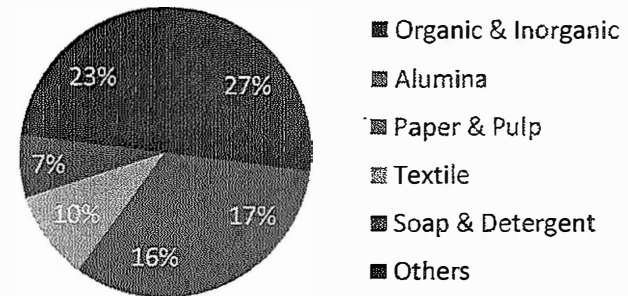
## Global Chlor-Alkali Market

- The global Chlor-Alkali industry is expected to grow at 5.3-5.9% CAGR (2017-2023), to reach USD 125 Bn by 2023
- The global demand for Chlor-Alkali products will continue to grow driven by diverse industrial uses - glass, alumina, vinyl, water treatment, polyvinyl Chloride (PVC) plastics, soaps, detergents, pulp and paper, textiles etc
- APAC region will continue to dominate the market due to its growing economies, increasing infrastructure and manufacturing base and large population base
- Indian Chlor-Alkali Industry is poised to grow a CAGR of 6.5% during 2017-2022
- The Indian Caustic industry is a well-established mature industry with a capacity of 3.8 Mn MTPA (Caustic Soda) and an annual turnover of Rs 70 Bn
- The Indian industry is regarded by global peers as being among the most efficient, eco-friendly and progressive industries

## Global Chlor-Alkali Market Size (USD Bn)

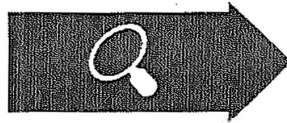


## Demand Driver – Diverse Industrial Use



## Discussion Summary

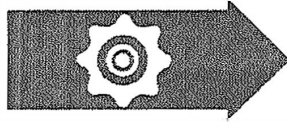
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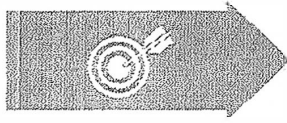
Q1 FY20 Results Update



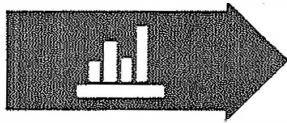
About Us



Business Overview



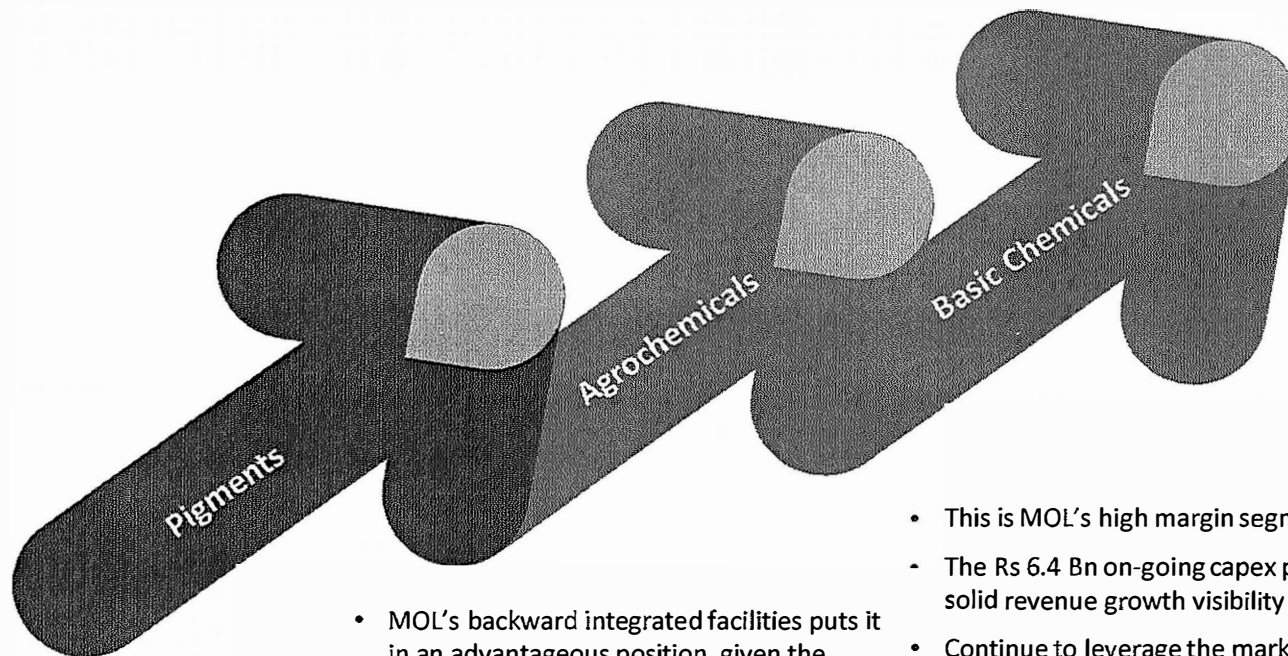
Strategy & Outlook



Financial Overview



## Revenue Target Rs 10 Bn From Each Business Segment



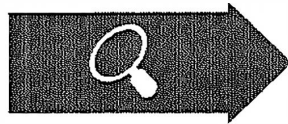
- MOL is one of the largest producer of phthalocyanine pigments
- Diversify into new pigment products
- Continue to focus on increasing domestic presence and capture market share

- MOL's backward integrated facilities puts it in an advantageous position, given the current rising raw material prices from China
- **Phase 1 Capex:** Doubling 2,4-D Capacity by addition of 10,800 MTPA with capex of Rs 127 crores (Operational by June 2020).
- Expand branded products portfolio

- This is MOL's high margin segment
- The Rs 6.4 Bn on-going capex plan provides a solid revenue growth visibility over coming years
- Continue to leverage the market leadership position and capitalise on domestic market demand

# Discussion Summary

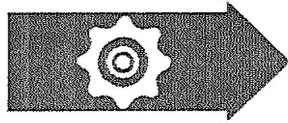
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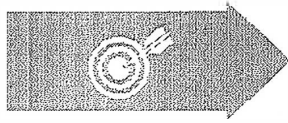
Q1 FY20 Results Update



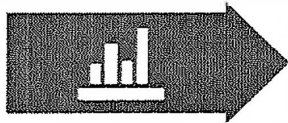
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Business Overview



Strategy & Outlook

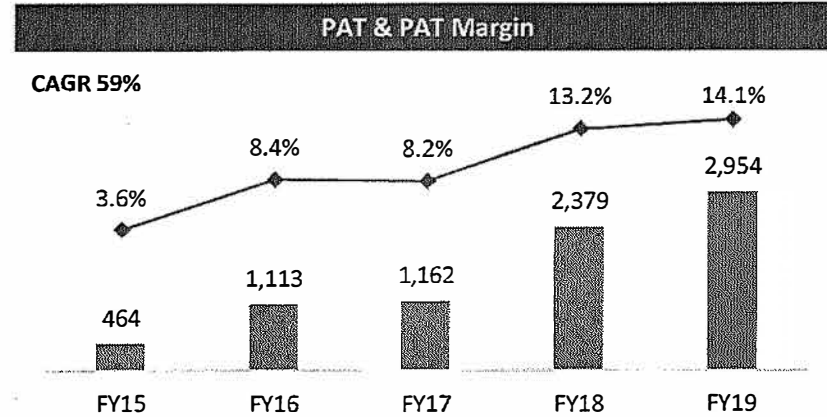
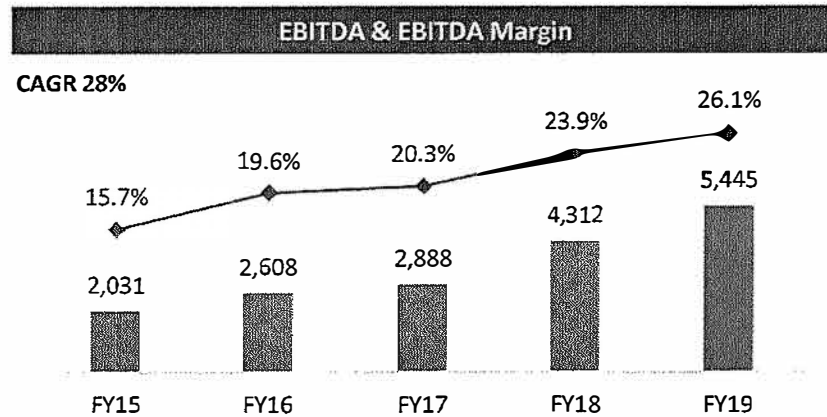
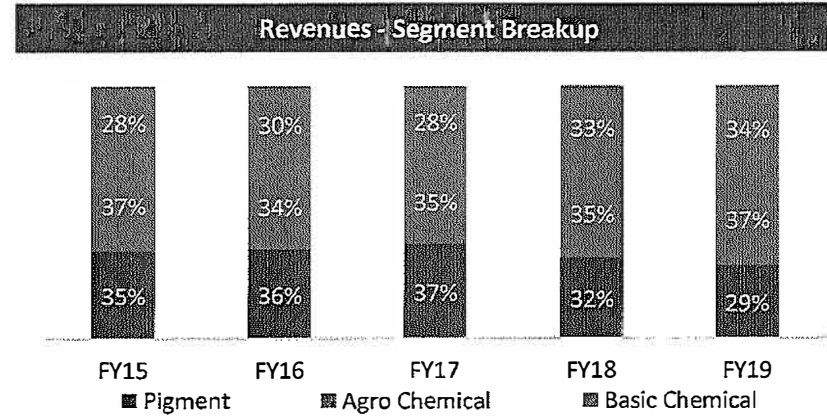
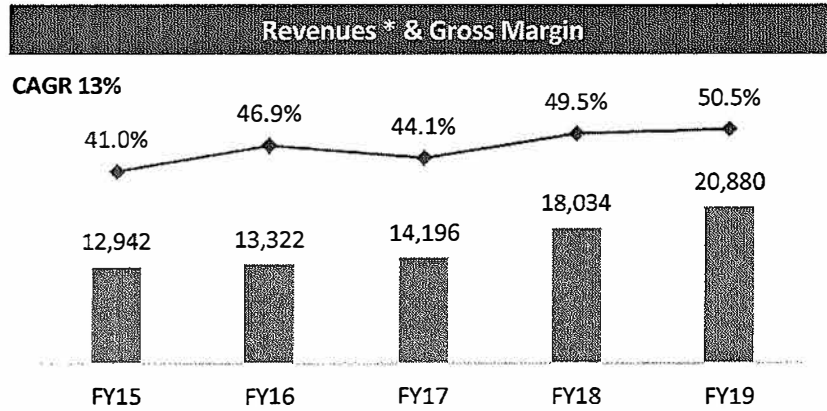


Financial Overview

# Last Five Years Summary



Rs Mn

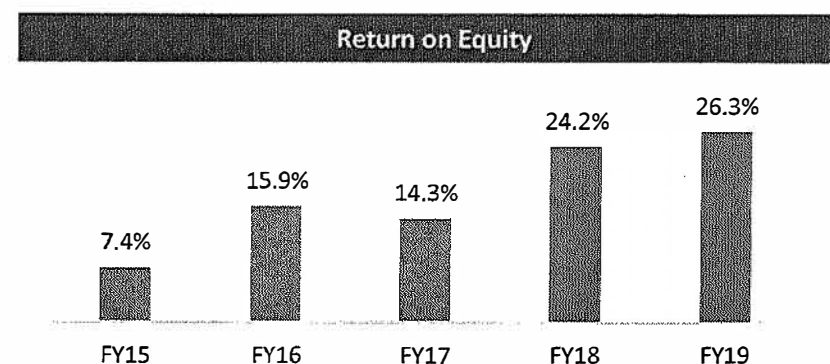
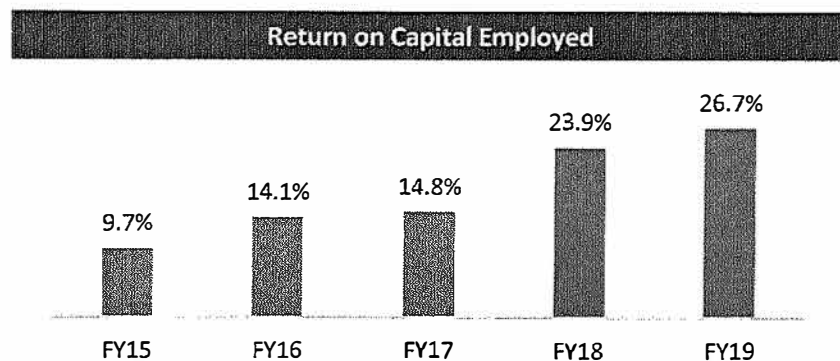
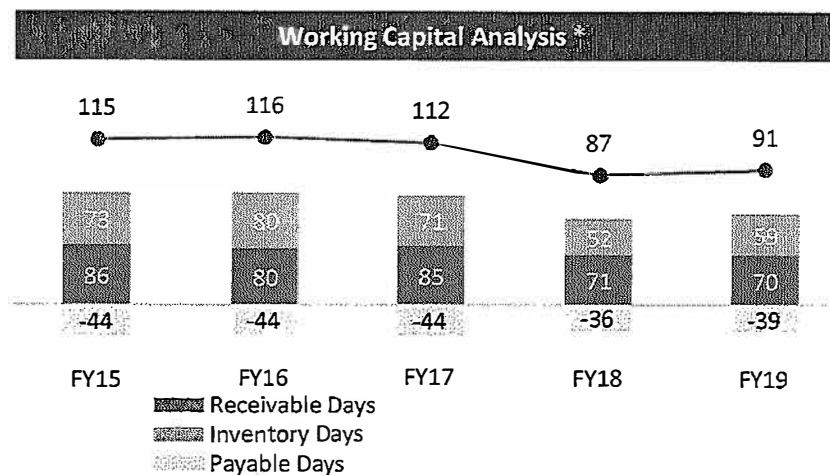
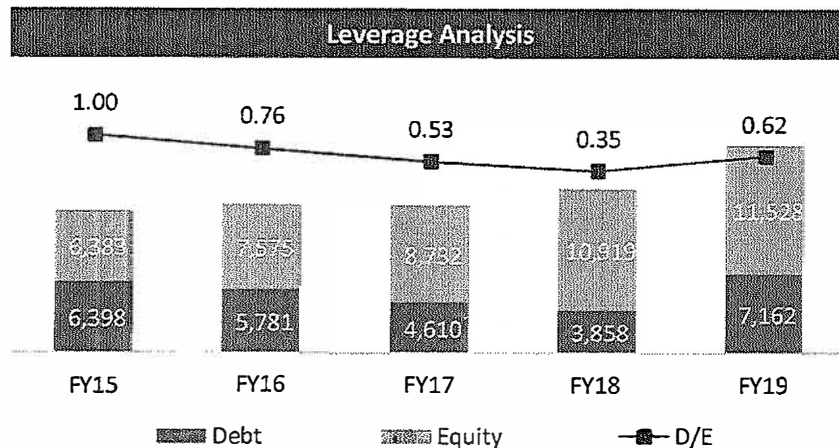


Revenues net of excise duty, P&L for FY14 & FY15 are I-GAAP while FY16 – 19 are IND-AS

# Last Five Years Summary



Rs Mn



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

**For Further Queries:**



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