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Dear Sir,

**Sub: Transcript of Earnings Conference Call held on November 7, 2023 for
Q2 FY24 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 November 7, 2023 to discuss Q2 FY24 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 Patel
Company Secretary & Compliance Officer
Mem.No: A14898



“Meghmani Organics Limited Q2 FY-24 Earnings Conference Call”

November 07, 2023



**MANAGEMENT: MR. ANKIT PATEL – CHAIRMAN AND MANAGING
DIRECTOR**

**MR. GURJANT SINGH CHAHAL – CHIEF FINANCIAL
OFFICER**

MR. NISHANT VYAS – INVESTOR RELATIONS

**MODERATOR: MR. GAGAN DIXIT – ELARA SECURITIES PRIVATE
LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to the Meghmani Organics Limited Q2 FY24 Earnings Conference Call hosted by Elara Securities Private Limited.

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 “*” then “0” on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Gagan Dixit from Elara Securities. Thank you and over to you, sir.

Gagan Dixit: Thank you. Very good evening and warm welcome to everyone. It is our pleasure to be able to bring to you the Management of Meghmani Organics Limited, led by Mr. Ankit Patel, Chairman and Managing Director, Mr. Gurjant Singh Chahal, Chief Financial Officer and Mr. Nishant Vyas, Investor Relations.

I would now hand over the conference to the Meghmani Organics management. Over to you.

Ankit Patel: Thank you Gaganji. Good evening everyone and thank you for joining us on our second quarter earnings call. We concluded our Board Meeting this afternoon. I believe you have got a chance to go through the financial result and investors presentation uploaded on the Stock Exchanges and the website.

Let me start by sharing a brief operation update for the quarter. This was yet another challenging quarter for the company. As the industry continued to be under pressure due to sharp price erosion, high channel inventory and subdued global demand. Even the demand from developed economies were not encouraging due to high inflation and emerging geopolitical tension. This resulted in lower capacity utilization in both the segments.

During the second quarter FY24, the company revenue stood at Rs. 374 crore impacted by persisting demand slowdown globally due to high channel inventory and decline in prices across the industry. If I talk about the revenue mix, crop protection constitutes about 71% of the total revenue, and the remaining 29% comes from the pigment segment. EBITDA for the quarter stood at Rs. 15 crore impacted by lower sales volume and lower price realization across the market.

In the crop protection segment, the major cause for downtrend is on account of lower price realization and high channel inventory across the market. All these factors put together has led to lower capacity utilization, impacting our operational efficiency and profitability. Revenue and EBITDA for the segment stood at Rs. 265 crore and Rs. 25 crore respectively.

We are optimistic that once the situation start stabilizing, we are well positioned to leverage our state of the art infrastructure along with the backward integration. Also, the key raw materials

which are used in crop protection are available locally which will make us competitive in the global marketplace.

In the pigments, the industry has been on downtrend since second quarter last year, and is witnessing demand contraction globally resulting into companies cutting down the inventory pipeline, which is further hampering the demand and causing the pricing pressure. We expect the trend to continue for the next two quarters. In the second quarter FY24 revenue and EBITDA from the segment stood at Rs. 109 crore with a Rs. 2.5 crore loss respectively.

On the CAPEX front, we are progressing in a calibrated manner and we are optimistic that Nano Urea and Titanium Dioxide would start contributing meaningful from the next financial year. This would also help us make further inroads into the domestic market increasing its contribution to our total revenue base thus, enabling us to strike a balance between both the markets.

To conclude this as one off year, and once the overall situation stabilizes, we have all the enablers to regain our normal double digit growth trajectory, which we had demonstrated throughout all these years. As a management we are working on navigating this tough time by proactively undertaking cost control measures, clearing the high price inventory, optimizing the working capital utilization, and enhancing the cash conversion cycle to maintain our balance sheet strength.

Lastly, I would like to reiterate that our long term growth prospect remains intact, given our state of the art infrastructure, plant compatibility, wider product range and geographical reach, which will help Meghmani Organics to command sustainable long term position.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Sir, wanted to understand in terms of the prices of 2, 4-D and Bifenthrin. Can you just give me what are the current prices going on?

Ankit Patel: Yes, Rahul. Now currently the prices have bottomed out completely, I would say not just one or two product, but across all the product range. Currently 2,4-D price would be in the range of about \$1.9 to \$2 range. And Bifenthrin price is somewhere in the range of nearly \$20.

Rahul Veera: Okay and lambda sir?

Ankit Patel: Lambda is somewhere in the range of about \$15 - \$16.

Rahul Veera: Sure, sir. And has the plant for Titanium Dioxide stabilized?

- Ankit Patel:** I'm sorry, can you repeat your question?
- Rahul Veera:** The Titanium Dioxide plant has we got stabilization volumes now?
- Ankit Patel:** Yes. Now the Titanium Dioxide plant is on the last stage of the stabilization. We hope to stabilize the plant completely by this quarter end. And by this quarter end, we are also starting the captive cogeneration power plant. So, both the things will align together and from the fourth quarter onwards slowly gradually the revenue will start. So we hope that, we will get full next year for the Titanium Dioxide as a business.
- Rahul Veera:** Sure. So the volume of take that we are targeting would be like close to 12,000 tonnes next year?
- Ankit Patel:** You can say that somewhere if we are able to run in the range of about 75%, 80% capacity, then yes nearly 12,000 tonnes. Yes, you can say that.
- Rahul Veera:** Sure, and Sir Nano Urea, will we be able to start off for this Kharif season or directly it will be the next Rabi season?
- Ankit Patel:** So we plan to commission somewhere in the end of fourth quarter. Let's say by end of March, we plan to commission the Nano Urea plant. So we will have the Kharif season for the next financial year for sure.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir, we were listening to the concall of one of the formulation players one of the large formulation players in the industry and they were indicating that the prices continue to be in the downtrend. But as you were saying, pricing seems to have bottomed out. So have the prices decline even in the month of October compared to let's say September for some of the products?
- Ankit Patel:** Ankit, the thing is we are more into technical which is B2B.
- Ankit Gupta:** I am talking from technical; they were talking about technical only.
- Ankit Patel:** Technical product is completely bottomed out, it is not going down any further for sure. Maybe 1% or 2% here and there, otherwise it is completely bottomed out in fact at this cost even the Chinese players are losing money.
- Ankit Gupta:** Okay. We are also hearing that a lot of Chinese chemical companies are making losses taking, significant losses in fact.
- Ankit Patel:** Yes, so everyone knows in the industry that even Chinese companies are not running at full capacity, because the global destocking of inventory is going on and there is a pressure from the demand point of view. So, these two factors are creating a major pricing pressure which is going

on, so it has already bottomed out. Even in China now people are not running the plant if the prices are going below this level. So, they are shutting down the plant beyond certain limit.

Ankit Gupta: And the other issue was on demand, we have seen a lot of global agro chemical companies revising their outlook for the current year downwards. And some of them are expecting that the situation to continue in the first half of next year as well. So, what is your view on how the demand is expected to revive going forward?

Ankit Patel: So, you are correct Ankit, what global companies are giving the forecast is correct, we have been moving in the market, we are also getting the similar feedback that somewhere till the first quarter end of as far as the calendar year is concerned. So, for us the last quarter up to March end there will be some pressure for sure, we see the improvement taking place somewhere from April onwards. So, this financial year will be definitely under pressure.

Ankit Gupta: One other thing which the industry is currently facing is, a lot of not just Chinese, not just the competition from Chinese player but the domestic, in domestic market also a lot of expansion has taken place over the past, three, four years a lot of capacity has come in. So, many people are expecting that demand is even after demand comes back, the supply is expected to remain higher as compared to what it was a year or two years back. So, this is expected to lead to pressure on pricing. So, what are your views on the same?

Ankit Patel: Yes, there has been some capacity expansion across a few of the products which is beyond the demand limit. And once the market improves, even after that there will be some difficulties to utilize the plant at full capacity for those products. So, there may be some pressure for sure, but this is not across all the products I would say this across few products. And so, in those products this kind of situation will arise where people need to reduce the capacity or switch to some other product or may shut down the plant or something like that.

Ankit Gupta: Okay, because some of our large products like Lambda and Bifenthrin have seen significant capacity additions coming online, let's say have already come online or expected to come online in the next near to medium term?

Ankit Patel: In fact, when the time was good, when the prices were very high, there were a lot of people which started manufacturing this product. And today, when the prices have come down many of the companies have already stopped manufacturing this product already. So, I would say this is a cleaning year, where people, which companies are not having a long term vision will go out of the products or the market. So, we like this kind of cleaning year where non-regulated or non-vision oriented companies will go out of the market or with the less backward integration companies will go out of the market. In the case of Meghmani we are well positioned with the backward integration, so we feel that we'll have a strong future for many of our products.

Moderator: Thank you. The next question is from the line of Niharika Jain from Aequitas Investment. Please go ahead.

- Niharika Jain:** I just want to clarify one thing. So, have you cleared out the high price inventory in quarter two or we are still carrying some for quarter three?
- Ankit Patel:** Niharika as Meghmani we have cleared out I would say more than 90% of our high price inventory, you can say almost clear. So, now whatever new production is happening is happening with the new raw material prices.
- Niharika Jain:** Okay. And on the Nano Urea front how is the on-ground acceptability of the product, are the farmers using it or the feedback from them?
- Ankit Patel:** Sure. So, from the Nano Urea point of view, this is a new concept of fertilizer. So, a lot of field activity has to be taken, one needs to do. So, as a company, as Meghmani we have already started field activity, demonstrating the product, showing the field trial in different, different markets. So, the acceptability will take some time for sure, but once it will be accepted by the farmer, it will be a permanent kind of a thing. So, both IFFCO, Meghmani everyone is doing a lot of field activity. And I think you might have heard the radio advertisement where our Prime Minister Mr. Narendra Modi himself promoting the Nano Urea as a product. So, slowly, gradually with proper knowledge, proper application, the farmers are getting the right result, but if they are using the product without any proper knowledge or without any proper application, then the results are not up to the mark. So, that kind of training and adaptability is been given to the farmer in the field. So, it is a I would say a little long journey, but in the future definitely it will happen.
- Niharika Jain:** Yes, because we were reading some article, which said the yields are not very good with Nano Urea and hence the farmers are not very willing to kind of experiment on their crops with this new product.
- Ankit Patel:** Yes, so initially what happened when the IFFCO started selling this product, they were not doing the concept marketing, they tried to link the product with the regular urea to just to show the sales. So, it was more of a push sale rather than pull sale. And this feedback we have been discussing regularly to IFFCO sales and marketing team, our team and both companies are working very hard and demonstrating the field activity, down the line to the farmer. In fact, IFFCO has conducted more than 1100 trials showing the results are positive in different, different crops. So, with the right application, definitely the results are good.
- Niharika Jain:** And what kind of margins are we anticipating to make on Nano Urea for us, any kind of working if we have done?
- Ankit Patel:** It is going to be somewhere in the range of about 17% to 19%
- Niharika Jain:** Okay, 17% to 19%. And on the pigment business considering that we have cleared out inventory and everything. So do we feel that EBITDA per tonne at least would be positive in quarter three?

- Ankit Patel:** So corrective action has been taken for the pigment division, the old inventory is already clear. And as of now the demand is still under pressure. So, we feel that the demand will continue under pressure for next one or two quarters for sure. So, the prices are not going to improve, but at the same time, the EBITDA margin slowly gradually will improve from the next quarter onwards.
- Niharika Jain:** Okay. And on the TIO₂ front Titanium Dioxide. So, we were planning to manufacture Anatase grade first. So, do we have some tie ups already or are we in talks with some customers because we are going to start selling in quarter four? So, do have some concrete customers in hand?
- Ankit Patel:** As far as the Titanium Dioxide market is concerned, the application in the market is way, way big. And we have been in touch with different, different companies as far as the product marketing is concerned. So sales point of view, we don't see much pressure in the Titanium Dioxide and as and when we will start getting the approval from different, different customers, our customer base will increase.
- Niharika Jain:** So, basically the stabilization is done from our part and it is just the customer approval that is pending, like what state are we in exactly?
- Ankit Patel:** We are at the stage of plant stabilization right now, production stabilization.
- Niharika Jain:** And once it stabilizes then we are going to start with the approval process from customers?
- Ankit Patel:** Approval process we have already started partly so, it is not that we have not started because with the small, small production which is going on in the trial production we have already started the approval process. So that is going on parallelly.
- Niharika Jain:** And are we confident that we are going to stabilize the plant this quarter, because we are expecting that at least by end of quarter two also it might stabilize so?
- Ankit Patel:** These are all chemical plants, so there will be different, different troubles and for us also it's a new product, new technology so we are facing different challenges, but looking at the current situation we are quite hopeful that in this quarter the plant will stabilize.
- Moderator:** Thank you. The next question is from the line of Yash Dedhia from Maximal Capital. Please go ahead.
- Yash Dedhia:** I just wanted to know, the volume break up for crop protection for international and domestic customers?
- Ankit Patel:** What is the breakup between the sales of domestic and export?
- Yash Dedhia:** Yes, volume breakup?

- Ankit Patel:** Volume breakup in terms of revenue breakup, I can tell you the revenue is almost 71% is the export and 29% is the domestic.
- Yash Dedhia:** Okay. So, this is revenue in terms of INR Crore, but I just want you to know the volume breakup. So, in order to understand whether the domestic volume has grown up or not?
- Gurjant Singh Chahal:** As compared to previous year it has definitely has gone up because domestic sale is almost at par with the last year while the prices have gone down. But normally in the domestic market we are selling in the brand which is in smaller packs. So, in that case it is not directly comparable with the export where we are exporting the technical and bulk volume.
- Yash Dedhia:** Okay. And I just wanted to know if there are any fixed control cost measures which are specifically coming for our next second half?
- Ankit Patel:** Yes, definitely. We have been taking cost control measures across both the segments and across all the plants. So, that is going on because of that only, you can say that there has been reduction in the loss in the second quarter and from the third quarter onwards we see things improving slowly gradually.
- Yash Dedhia:** So, can you just quantify any incremental benefit which is going to happen in half two?
- Ankit Patel:** Yash, it is difficult to predict in current market situation when the dynamics are not favorable.
- Yash Dedhia:** Just an estimate.
- Ankit Patel:** I would say it is difficult at this stage to predict.
- Moderator:** Thank you. The next question is from the line of Raghav Sumi an Individual Investor. Please go ahead.
- Raghav Sumi:** As you have already addressed with 90% of the highest cost inventory has there any in second quarter?
- Gurjant Singh Chahal:** High cost inventory has already been taken in the first quarter which was almost Rs. 48 crore.
- Raghav Sumi:** Okay. Sir going forward what type of margins we can envisage in agrochemicals in H2?
- Ankit Patel:** Raghav as I mentioned it is difficult to predict the margins in the second quarter. But on an average if you see the agro chemical as the industry in the past everyone was making the margin in the range of about 15% to 18% on an average. So, once things goes back to the normal which I predict somewhere in the next year, then slowly gradually industry margin will reach to that level.

- Raghav Sumi:** Okay. And third question is regarding the resignation. So, this is in a normal course of business I think Mr. Mehta has resigned.
- Ankit Patel:** Mr. Shalin Mehta is an Independent Director, has resigned from the Board because of his not able to attend the Board Meeting on regular basis as well as because of his personal reason. So, that is the reason he has resigned from the Board.
- Moderator:** Thank you. The next question is from the line of Raghav Sumi an Individual Investor. Please go ahead.
- Raghav Sumi:** I will just ask the question. So, my last question is on the level of receivables. So, what is the status of these receivables?
- Ankit Patel:** So, receivables is also when the market dynamics are tight difficult, the receivable also get delayed a little bit. So, as of now if we look at our outstanding days, then it is in the range of somewhere 100 to 110 days.
- Raghav Sumi:** And previously like in FY23 like if we compare with FY23?
- Ankit Patel:** It used to be between 90 to 100 days. So, from there it has increased 100 to 110 days.
- Moderator:** Thank you. The next question is from the line of Akshada Deo from Vivog Commercial Limited. Please go ahead.
- Akshada Deo:** I just wanted to know what are the CAPEX numbers that we have done so far in the year and what we would be ending FY24 and FY25 by?
- Gurjant Singh Chahal:** Can you repeat your question?
- Akshada Deo:** Yes, I just wanted to know about the CAPEX trajectory for this year as well as the next year, how much has been already done, how much is planned and what would be the CAPEX/maintenance CAPEX for next year?
- Gurjant Singh Chahal:** Okay. As far as CAPEX is concerned looking into the current market scenario, we had the CAPEX plan which we have put on hold and just to give you example, in agro for phase two, we were planning for expansion, but looking into current market scenario, so that is put on hold. Current CAPEX which is going on is on Kilburn Chemicals for our Titanium Dioxide, where we have already completed phase one and we have spent Rs. 275 crore and as far as the cogeneration power plant is concerned. So, we will be spending around Rs. 110 crore and that will be completed in this quarter. And another is Meghmani Crop Nutrition Limited, so that project is going on and we have total CAPEX of Rs. 150 crore and by March we should be spending almost Rs. 75 crore.
- Akshada Deo:** Okay. You started with Titanium Dioxide, Rs. 275 crore is already spent?

- Gurjant Singh Chahal:** Yes.
- Akshada Deo:** And this for the cogeneration another Rs. 110 crores is already spent?
- Gurjant Singh Chahal:** Around Rs. 100 crore we have already spent so, balance is around Rs. 10 - 12 crores.
- Akshada Deo:** Okay. And do you have any maintenance CAPEX coming up next year?
- Gurjant Singh Chahal:** Sustenance CAPEX remained around Rs. 10 to 15 crore.
- Ankit Patel:** That's the routine maintenance CAPEX.
- Akshada Deo:** Okay. And sir the capacity that you are coming up for the Dioxide plant, the Titanium Dioxide plant which if you believe 12000 tonnes can be achieved next year at 75% to 80% capacity, what are the revenue numbers that you believe can happen from this specific plant at this capacity?
- Ankit Patel:** So, we believe with that kind of capacity we should be able to generate about Rs. 225 to 250 crore revenue. Looking at the current market pricing situation.
- Akshada Deo:** Okay. And would you be maintaining your margins as well, for the capacity?
- Ankit Patel:** So, it is a little early to predict because currently the market dynamics are under pressure. So, the margins are also under pressure. So, we hope that this being the domestic product and the demand increasing in the paint segment. And the next season, next year we hope the dynamics should improve, the margins will be improving parallel.
- Moderator:** Thank you. The next question is from the line of Gagan Dixit. Please go ahead, sir.
- Gagan Dixit:** Sir, regarding your expectation of the recovery from FY25 so where do you see the recovery first will come whether it's the Agrochem or more on the pigment side sir?
- Ankit Patel:** I would say more from the agro chemical side, because the consumption in the different market wherever the channel inventory was lying that consumption have started happening. And we believe that in the world, every country is talking about the food security. So, the agro chemicals, crop protection segment consumption is going to be there for sure once the channel inventory gets clear. So, we feel that market will improve in the next financial year first.
- Gagan Dixit:** Okay. And what about this pigment business, do you think that it will, might be normalization will take further might be FY26 and what's the reason for the delay in the recovery in this site sir?
- Ankit Patel:** So, the pigment business as far as the profitability is concerned, we are very confident that in the next financial year it will not be in red. So, for sure that is what we predict in the pigment

division. But as far as the demand is concern, I think it will be somewhere from the second quarter is the next financial year.

Gagan Dixit: And do you see any consolidation especially in the pigment side because I see commentary from the other companies also that they expect more than one year of delay of the normalization. So, might be some global, some consolidation or some closure might be that something you foresee that ultimately will benefit you after one year might be.

Ankit Patel: So we have been waiting for that moment already, because this kind of situation is going on since little more time so we thought this consolidation or closing down all certain unit will happen. But so far as the situation is concerned, it is difficult and there is a more pressure from the domestic player I would say, domestic unorganized player, but even at this price they are also under huge pressure, huge loss I would say. And they also want market to improve, price to improve, to make a reasonable profit margin.

Gagan Dixit: And crude oil is also not in favor might be the basic raw materials?

Ankit Patel: Correct, so the crude oil is not in favor, basic chemical prices have also not gone down to that level where our product prices have gone down. So, this kind of pressure is there. As, I mentioned once the situation normalizes then only this will improve.

Moderator: Thank you. As there are no further participants in the question queue, I now hand the conference over to 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 or Nishant Vyas and they will connect with you offline. Thank you very much.

Gagan Dixit: Thank you, sir. Happy Diwali.

Ankit Patel: Happy Diwali in advance to everyone. Thank you.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.