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## Meghmani Organics Limited (MOL)

Q2 FY20 Results Presentation

Nov 2019

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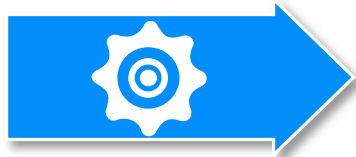
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## Q2 FY20 Results Update



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Business Overview



Strategy & Outlook



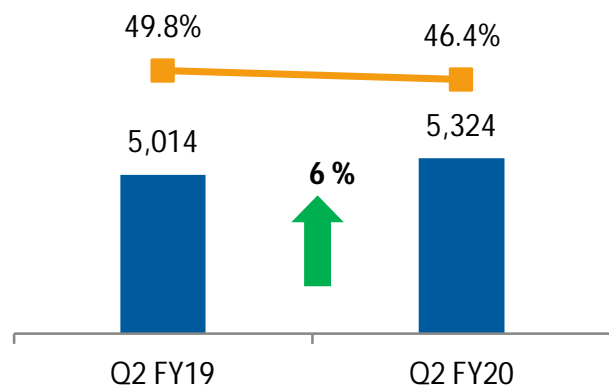
Financial Overview

# Q2 & H1FY20 Results: Key Highlights

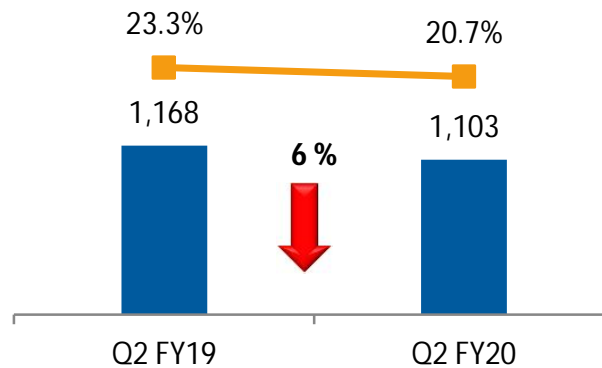


Rs Mn

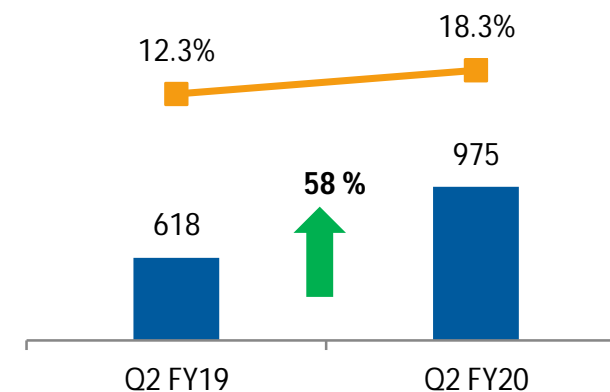
## Revenues & Gross Margin



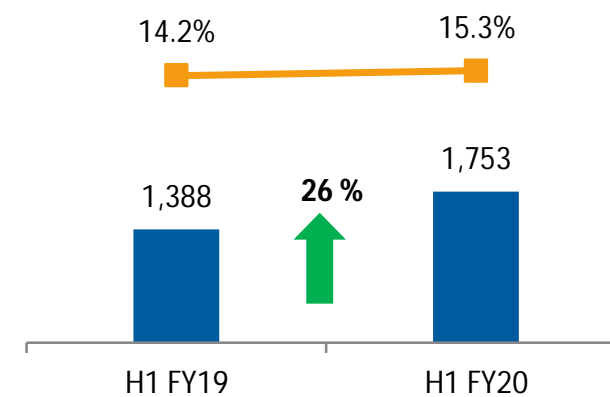
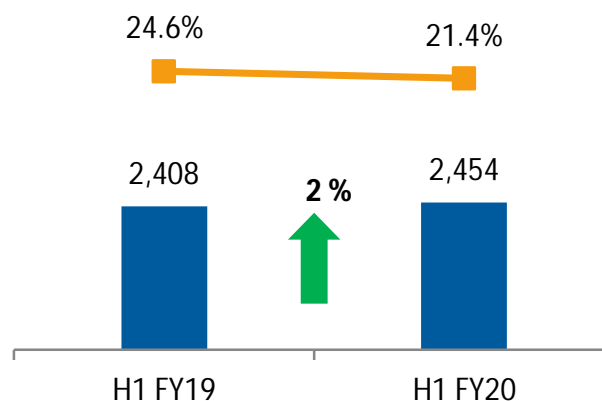
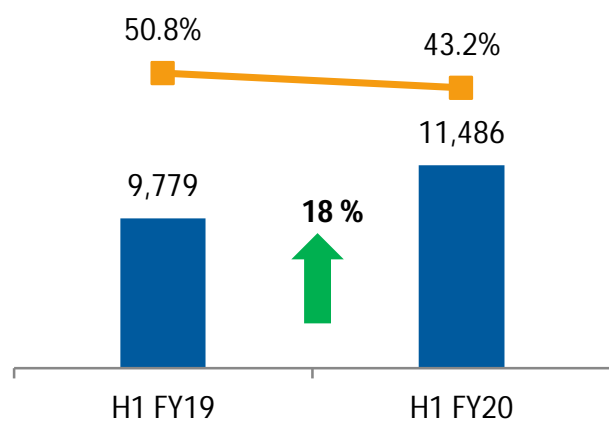
## EBITDA & EBITDA Margin



## PAT & PAT Margin\*



## H1 FY20 YoY Analysis



Note: \* PAT & PAT Margin are after NCI

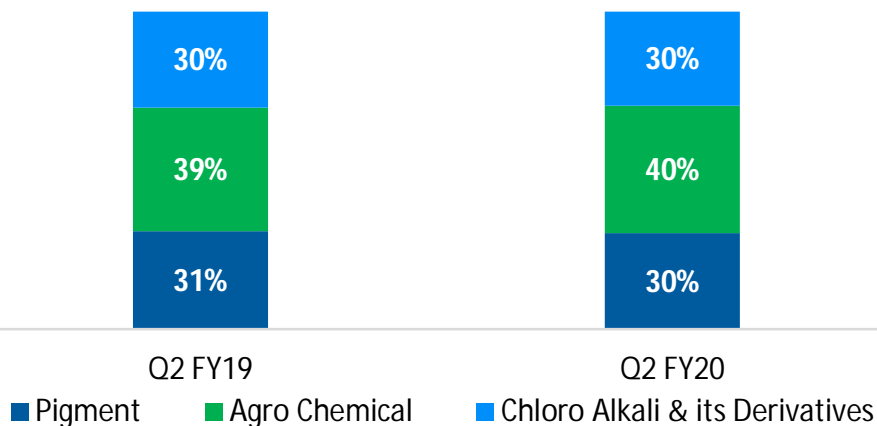
# Q2 & H1 FY20 Results: Revenue Analysis



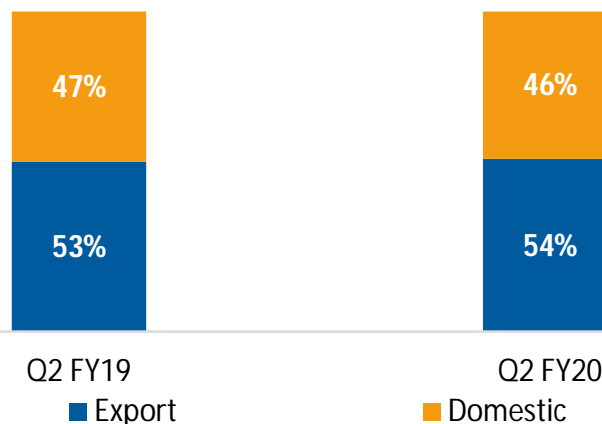
## Q2 FY20 YoY Analysis

Rs Mn

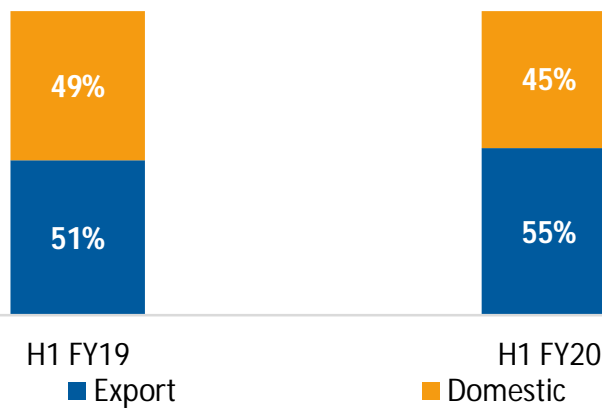
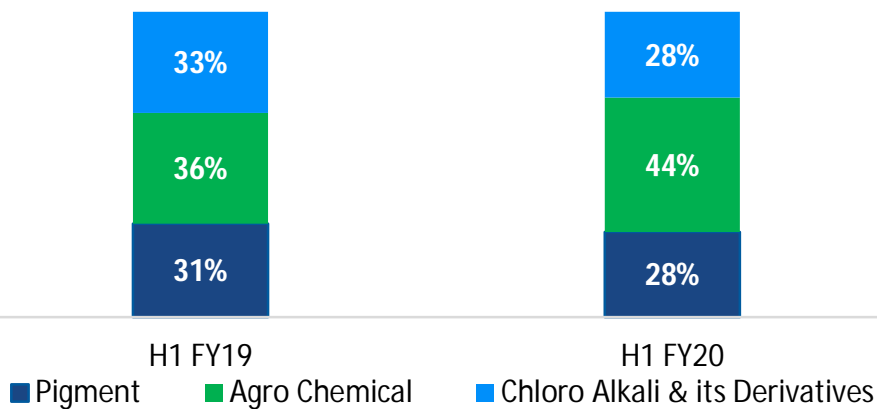
### Segment wise Breakup



### Region wise Breakup



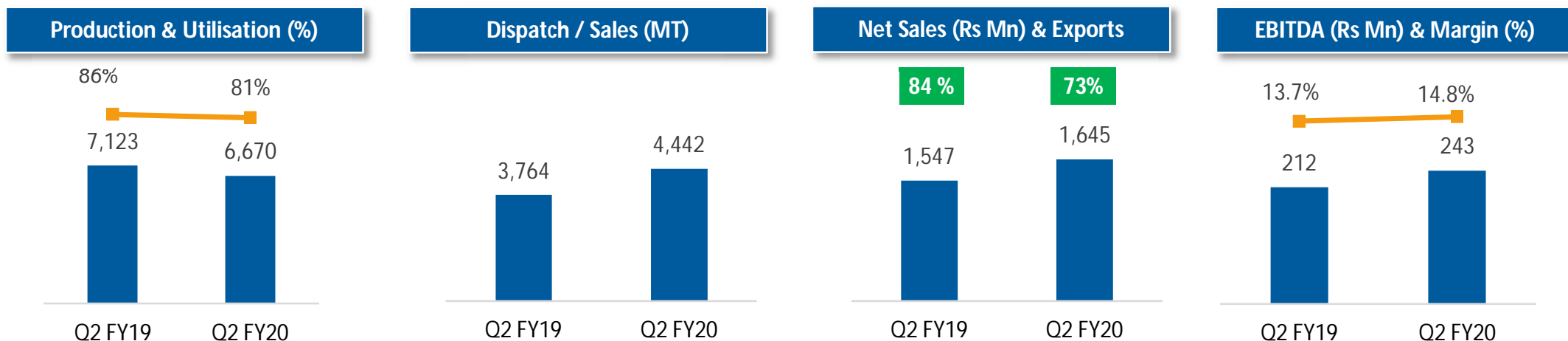
## H1 FY20 YoY Analysis



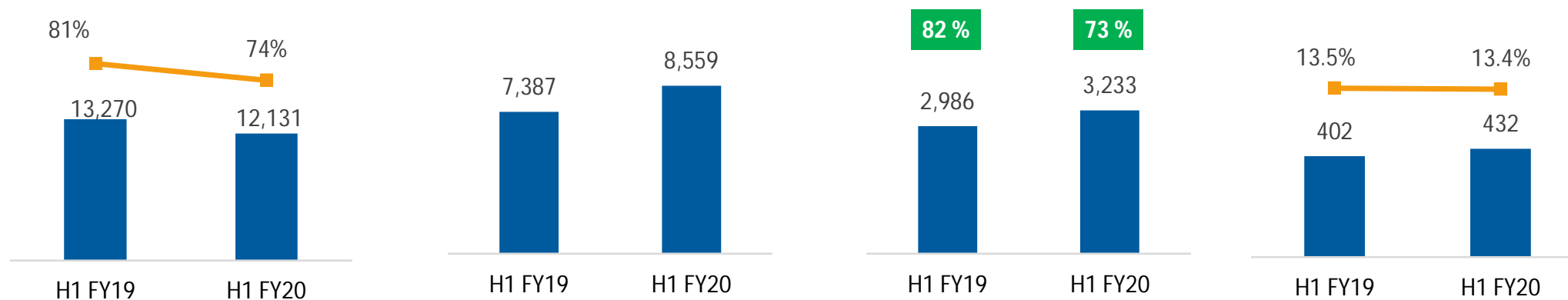
# Q2 & H1 FY20 Results: Pigments Business



## Q2 FY20 YoY Analysis



## H1 FY20 YoY Analysis



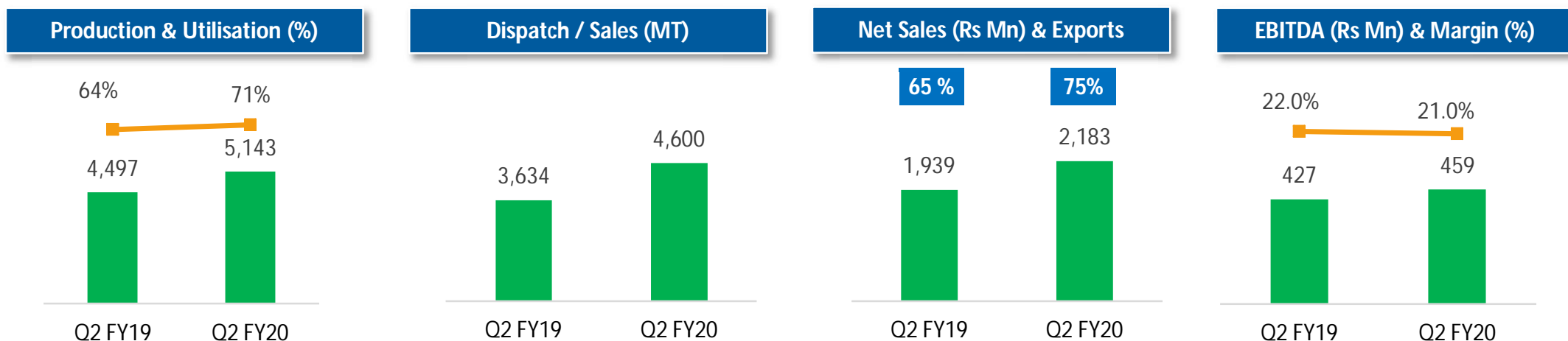
Net Sales including intersegment sales

**Exports**

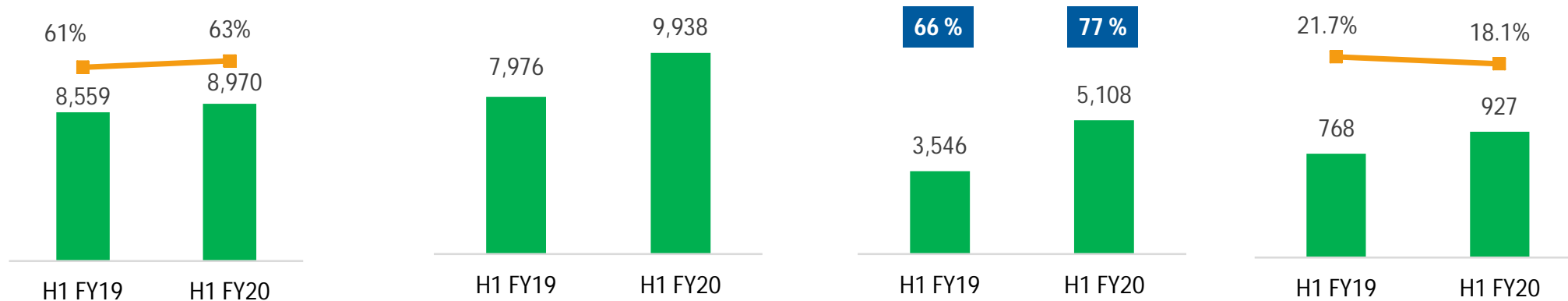
# Q2 & H1 FY20 Results: Agrochemicals Business



## Q2 FY20 YoY Analysis



## H1 FY20 YoY Analysis



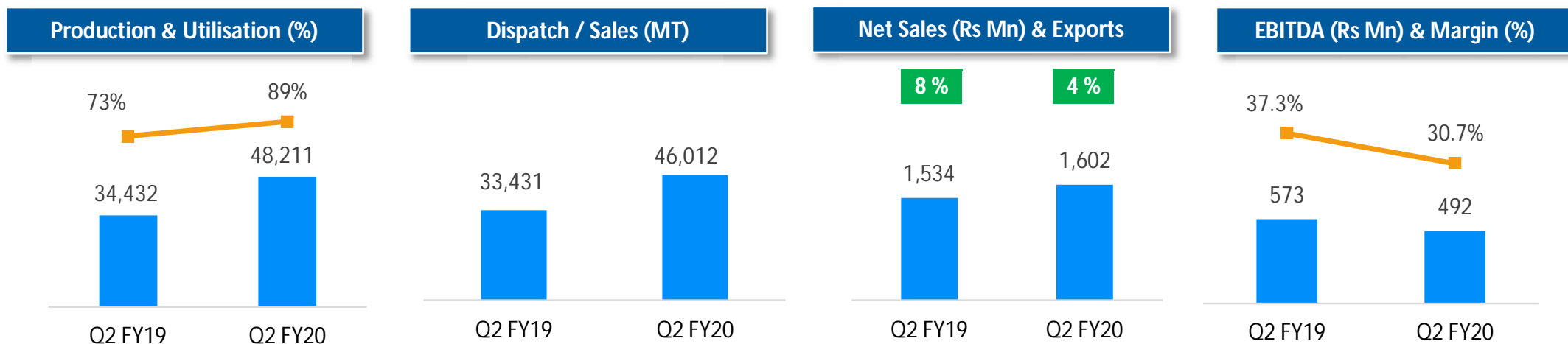
Net Sales including intersegment sales

Exports

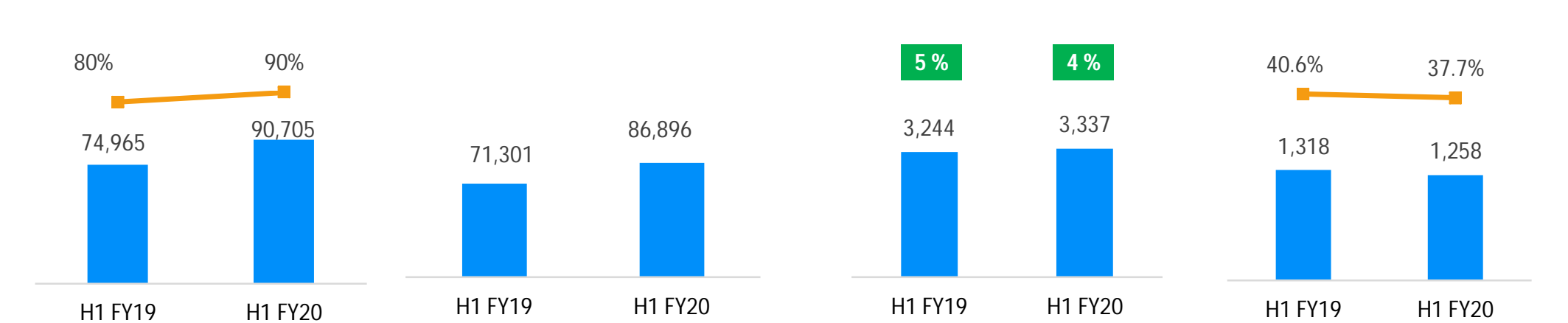
# Q2 & H1 FY20 Results: Chloro Alkali & its Derivatives Business



## Q2 FY20 YoY Analysis



## H1 FY20 YoY Analysis



Net Sales including intersegment sales

Exports



## Q2 & H1 FY20 Results: Consolidated Profit & Loss Statement



Particulars (Rs. in Mn)	Q2 FY20	Q2 FY19	YoY%	H1 FY20	H1 FY19	YoY%
Revenue from Operations	5,324	5,014	6.2%	11,486	9,779	17.5%
COGS	2,853	2,518	13.3%	6,523	4,812	35.6%
<b>Gross Profit</b>	<b>2,471</b>	<b>2,496</b>	<b>-1.0%</b>	<b>4,963</b>	<b>4,967</b>	<b>-0.1%</b>
<b>Gross Margins %</b>	<b>46.4%</b>	<b>49.8%</b>	<b>-337 bps</b>	<b>43.2%</b>	<b>50.8%</b>	<b>-758 bps</b>
Employee Expenses	335	372	-9.7%	691	587	17.8%
Other Expenses	1,033	957	8.0%	1,819	1,973	-7.8%
<b>EBITDA</b>	<b>1,103</b>	<b>1,168</b>	<b>-5.6%</b>	<b>2,454</b>	<b>2,408</b>	<b>1.9%</b>
<b>EBITDA Margin %</b>	<b>20.7%</b>	<b>23.3%</b>	<b>-258 bps</b>	<b>21.4%</b>	<b>24.6%</b>	<b>-326 bps</b>
Depreciation	220	245	-10.0%	439	488	-10.0%
<b>EBIT</b>	<b>882</b>	<b>923</b>	<b>-4.4%</b>	<b>2,015</b>	<b>1,920</b>	<b>4.9%</b>
Finance Cost	61	168	-64.0%	134	303	-55.7%
Other Income	179	171	4.3%	217	313	-30.8%
<b>PBT</b>	<b>1,000</b>	<b>926</b>	<b>8.0%</b>	<b>2,097</b>	<b>1,930</b>	<b>8.7%</b>
Taxes	26	309	-91.7%	344	542	-36.5%
<b>PAT</b>	<b>975</b>	<b>618</b>	<b>57.9%</b>	<b>1,753</b>	<b>1,388</b>	<b>26.3%</b>
<b>PAT Margin %</b>	<b>18.3%</b>	<b>12.3%</b>	<b>599 bps</b>	<b>15.3%</b>	<b>14.2%</b>	<b>106 bps</b>
<b>PAT after Minority</b>	<b>843</b>	<b>548</b>	<b>53.8%</b>	<b>1,412</b>	<b>1,185</b>	<b>19.2%</b>

## Q2 & H1 FY20 Results: Consolidated Balance Sheet Statement



Particulars (Rs. in Mn)	Sep 20	Mar 19
<b>Equity &amp; Liabilities</b>		
Share Capital	254	254
Reserves & Surplus	11,065	9,782
<b>Shareholder's Funds</b>	<b>11,320</b>	<b>10,036</b>
<b>Minority Interest</b>	<b>1,832</b>	<b>1,492</b>
Long-term borrowings	4,875	4,506
Deferred tax liabilities (Net)	408	504
Other long term liabilities	292	152
<b>Non - Current Liabilities</b>	<b>5,575</b>	<b>5,164</b>
Short-term Borrowings	1,427	2,019
Trade Payables	3,186	2,519
Other Current Liabilities	2,638	2,394
Current Tax Liabilities (Net)	166	141
<b>Current Liabilities</b>	<b>7,417</b>	<b>7,075</b>
<b>Total Equity &amp; Liabilities</b>	<b>26,144</b>	<b>23,768</b>

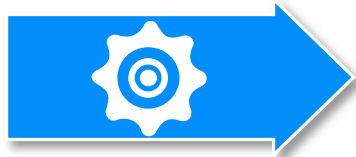
Particulars (Rs. in Mn)	Sep 19	Mar 19
<b>Assets</b>		
Property,Plant & Equipment	8,962	7,250
Capital WIP	5,681	5,127
Intangible Assets	272	164
Financial Aseets	96	110
Other Non-current assets	840	399
Deferred Tax Assets (Net)	-	3
<b>Non - Current Assets</b>	<b>15,851</b>	<b>13,054</b>
Inventories	3,959	4,109
Trade Receivables	4,149	4,314
Cash & Cash Equivalents	719	1,347
Investment	619	-
Loans and advances	6	6
Other Current Assets	840	938
<b>Current Assets</b>	<b>10,293</b>	<b>10,714</b>
<b>Total Assets</b>	<b>26,144</b>	<b>23,768</b>



Q2 FY20 Results Update



**About Us**



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Strategy & Outlook

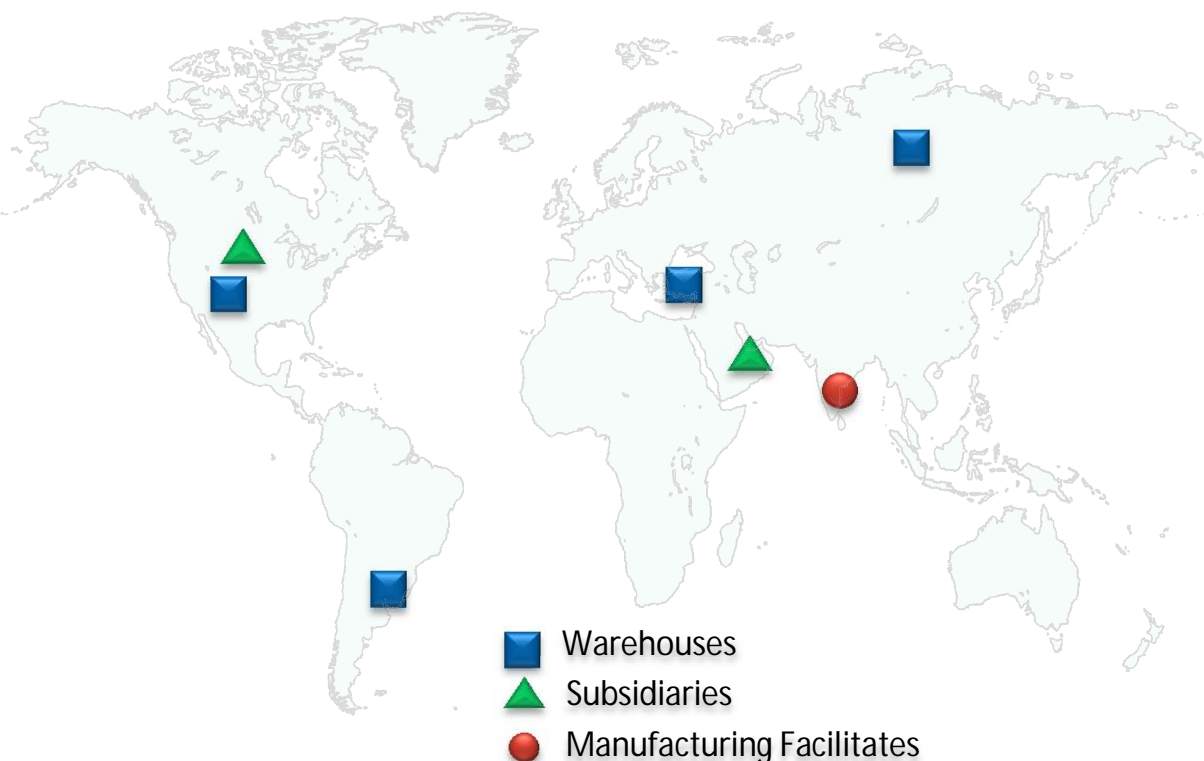


Financial Overview

# 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

Meghmani Organics USA INC.

Meghmani Overseas FZE (Dubai)

## Share of Exports

Pigments	Agrochemicals	Basic Chemicals	Total Revenues
81%	74%	5%	53%

# 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



## Chloro Alkali & its Derivatives

- 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 – Rs 5,445 Mn  
(28.0% CAGR\*)

PAT – Rs 2,954 Mn  
(58.8% CAGR\*)

EBITDA Margin – 26.1%  
PAT Margin – 14.1%

Debt / Equity – 0.62x

ROCE – 29.2%  
ROE – 26.3%

# 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 material 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



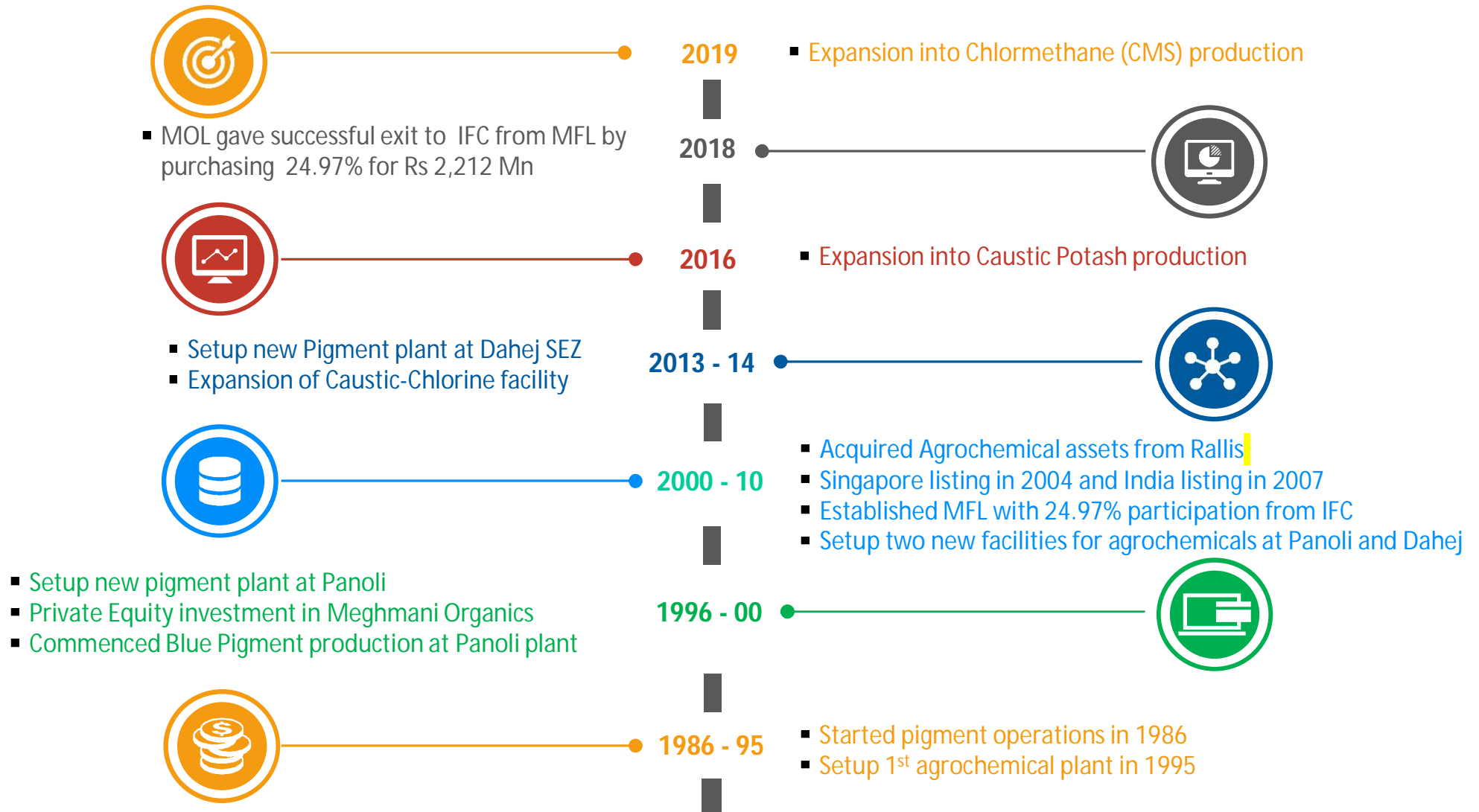
## Robust Return Ratios

- 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**

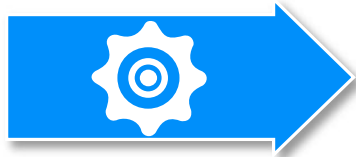
- 11 yrs of experience
- Heads liaisoning & procurement
- Diploma & BSc (Chemical)



Q2 FY20 Results Update



About Us



**Business Overview**



Strategy & Outlook



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# 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

**CPC Blue**

**Upstream product:**  
Sold to other pigments manufacturers

**Pigment Blue**

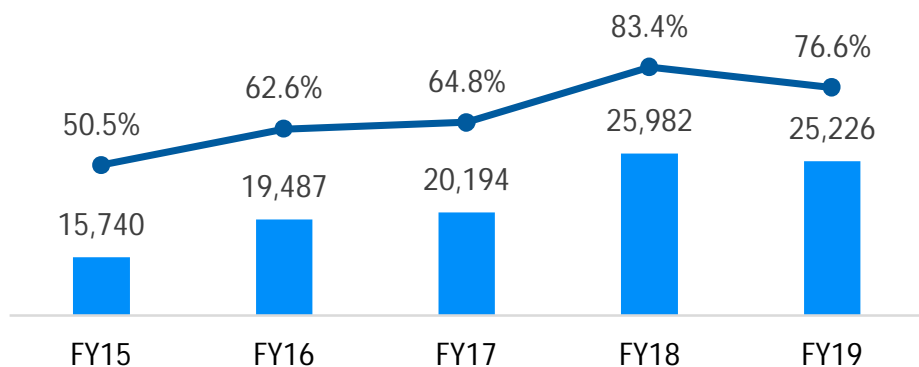
**Pigment Green**

**End products:** Sold to industrial users  
**Robust demand** due to multiple applications - printing inks, plastics, paints, coatings, textiles, leather, paper and rubber

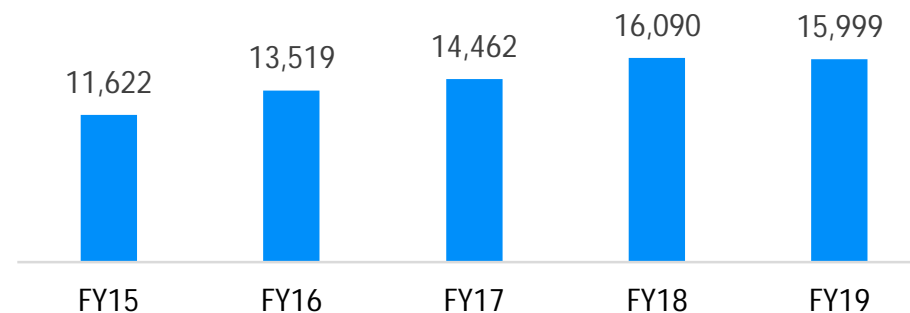
# Pigments Business: Operational Overview



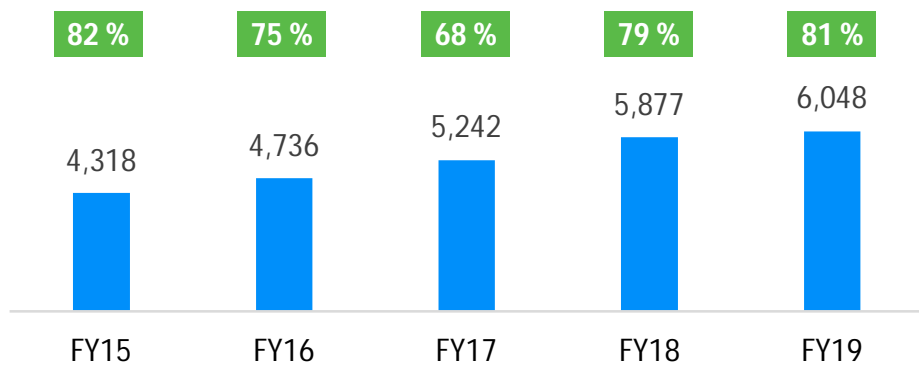
### Production (MT) & Capacity Utilisation (%)



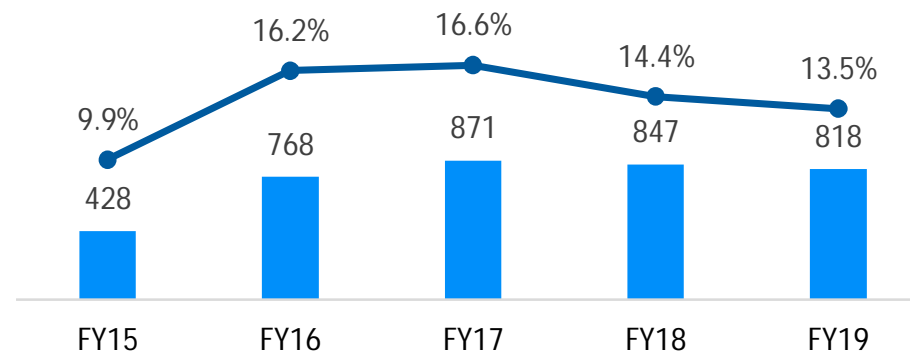
### Dispatch / Sales (MT)



### Net Sales (Rs Mn)



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



Net Sales (excl. excise duty) including intersegment sales

Exports %

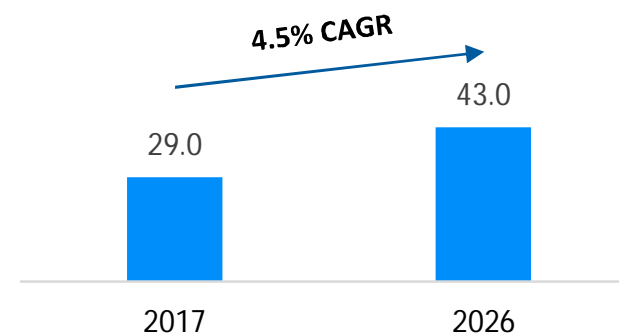
# Pigments Business: Industry Overview



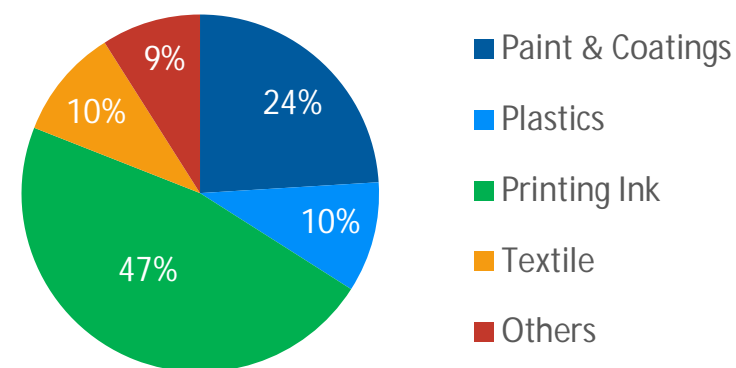
## Global Pigments Market

- 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

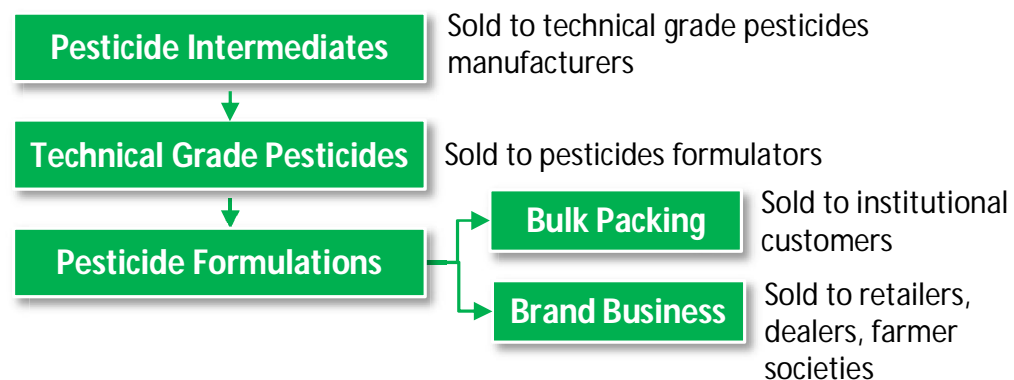
- Leading manufacturer of pesticides – products across entire value chain
- Established global presence across Africa, Brazil, LatAm, US and Europe
- Strong pan-India presence across 17 states, with ~2,800 stockists, agents, distributors, and dealers network
- Major products – 2,4-D, Cypermethrin, Permethrin, 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	15,240

## Product Profile



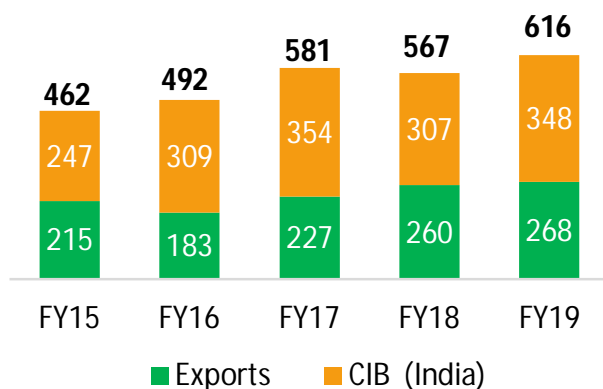
## Branded Agrochemical Formulations



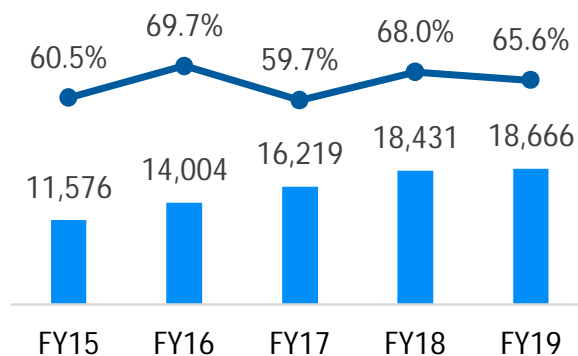
# Agrochemicals Business: Operational Overview



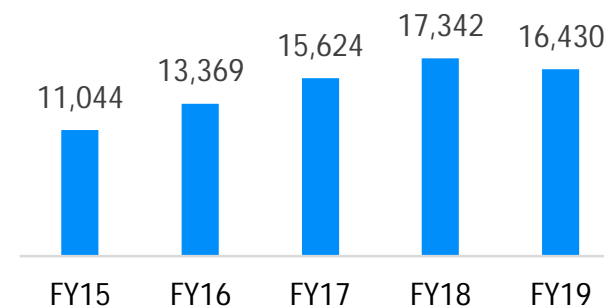
## Registrations Base



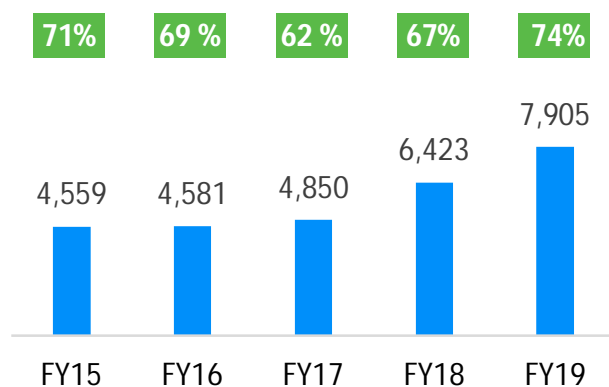
## Production (MT) & Capacity Utilisation (%)



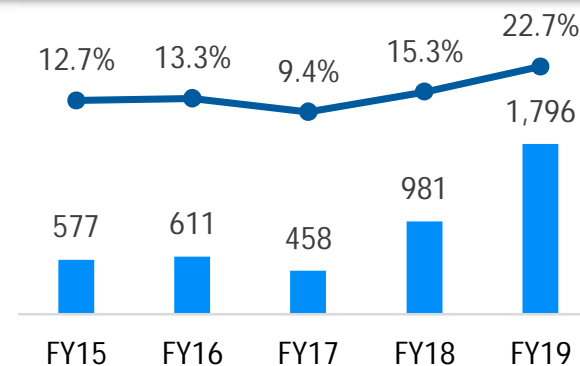
## Dispatch / Sales (MT)



## Net Sales (Rs Mn)



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



Exports %

Net Sales (excl. excise duty) including intersegment sales

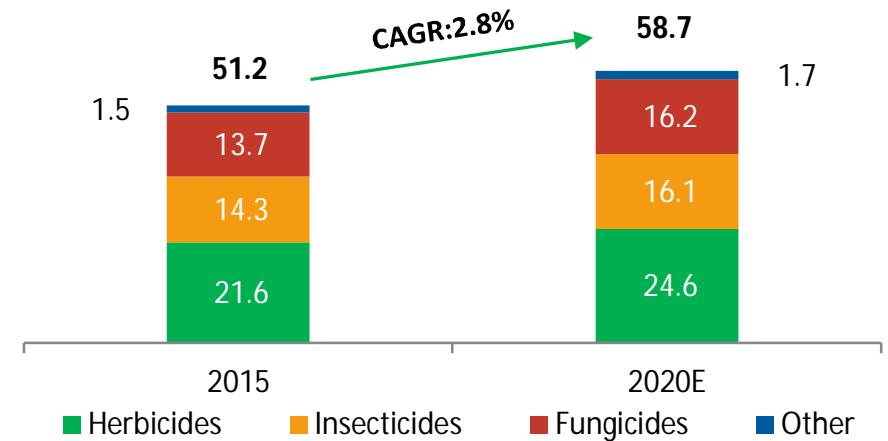
# Agrochemicals Business: Crop-protection Industry Overview



## Global Crop Protection Market

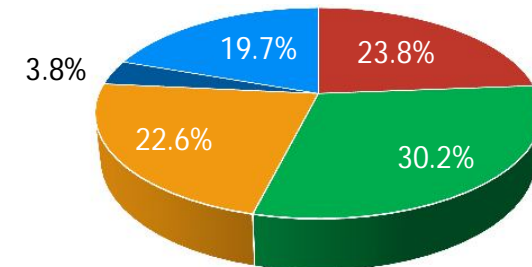
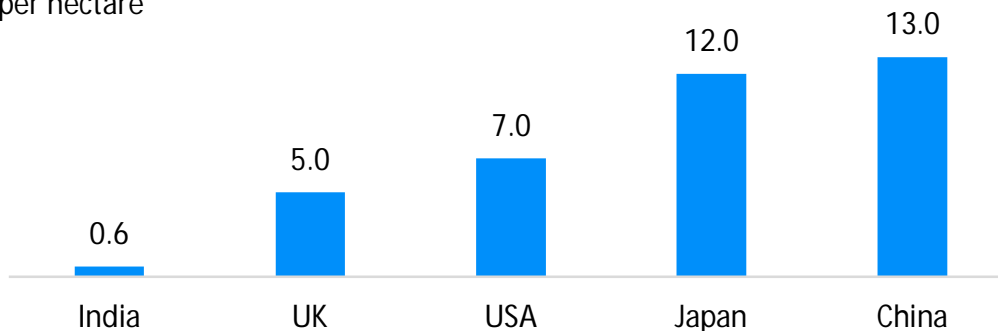
- The global crop protection market is set to grow steadily to reach USD 58.7 Bn by 2020
- Key drivers - growing population, declining arable land & rising pest concerns
- Products worth ~USD 3 Bn to go off-Patent over 2017-20, gives strong opportunity to generic agrochemical players
- India is the 4<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

Kg per hectare



■ Latin America ■ Asia ■ Europe ■ Middle East/Africa ■ NAFTA

Source – Phillip McDougall



# Chloro Alkali & its Derivatives 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

## Products Profile

### Caustic Soda

Used in soap & detergents, pulp & paper, textiles processing, Organic & Inorganic Chloro solvents

### Chlorine

Used in PVC manufacturing, alumining, dyes & dyes intermediates, organic & inorganic chemicals, drinking water disinfection, pharmaceuticals

### Caustic Potash

Used in Soaps, Detergents, Fertilizers Chemicals

### CMS

Used in Pharma, Agro Chemicals and Refrigerant gas

## Vertically Integrated Manufacturing Facilities

### Dahej Facility

Products	Capacity (MTPA)
Caustic-Chlorine	166,600
Caustic Potash	21,000
CMS Products	50,000

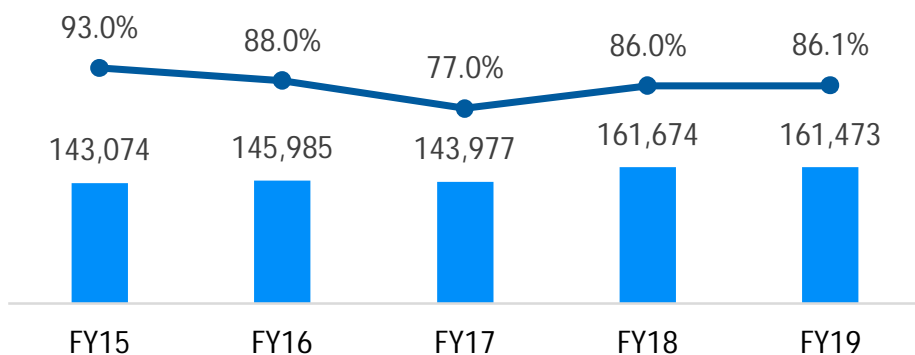
## Rs 6.4 Bn Capex Plan:

- **Strategic investment in 3 projects to expand basic chemicals business**
- **Project 1:** CMS project of 50,000 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 Q4FY20)
- **Project 3:** Hydrogen Peroxide capacity of 30,000 MTPA (operational by Q4FY20)
- **The expansion will be margin accretive at company level due to higher EBITDA margins in the basic chemicals business**

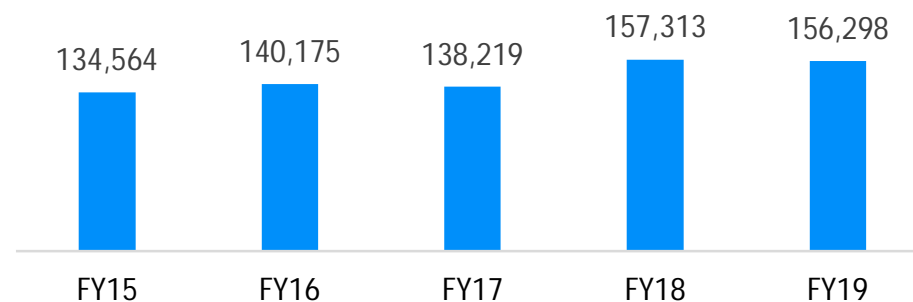
# Chloro Alkali & its Derivatives Business: Operational Overview



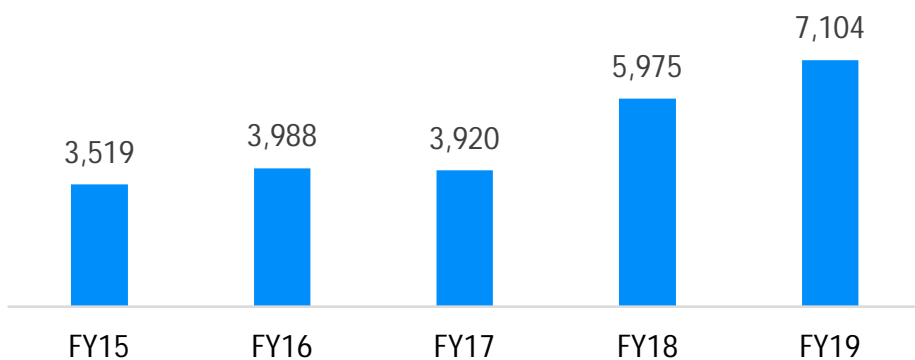
**Production (MT) & Capacity Utilisation (%)**



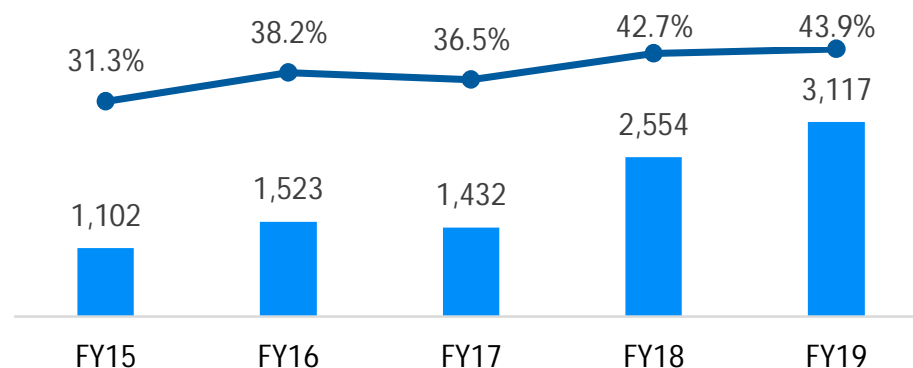
**Dispatch / Sales (MT)**



**Net Sales (Rs Mn)**



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



Net Sales (excl. excise duty) including intersegment sales

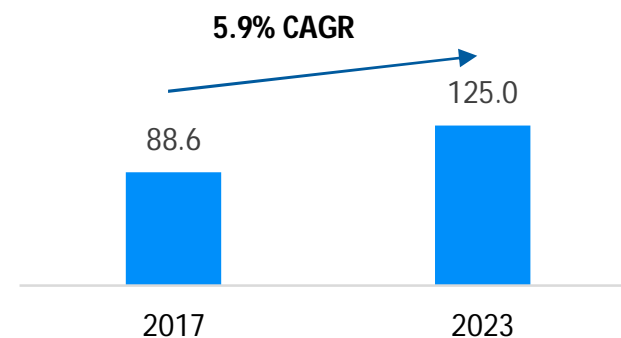
# Chloro Alkali & its Derivatives Business: Industry Overview



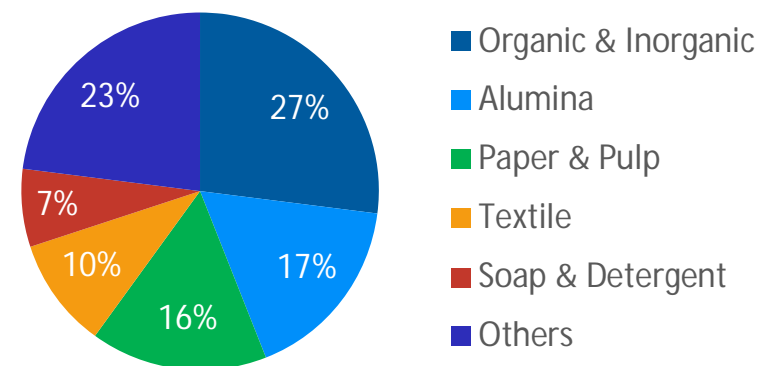
## Global Chlor-Alkali Market

- 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

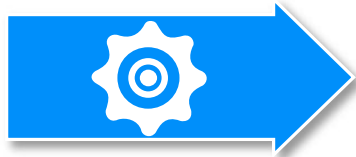




Q2 FY20 Results Update



About Us



Business Overview

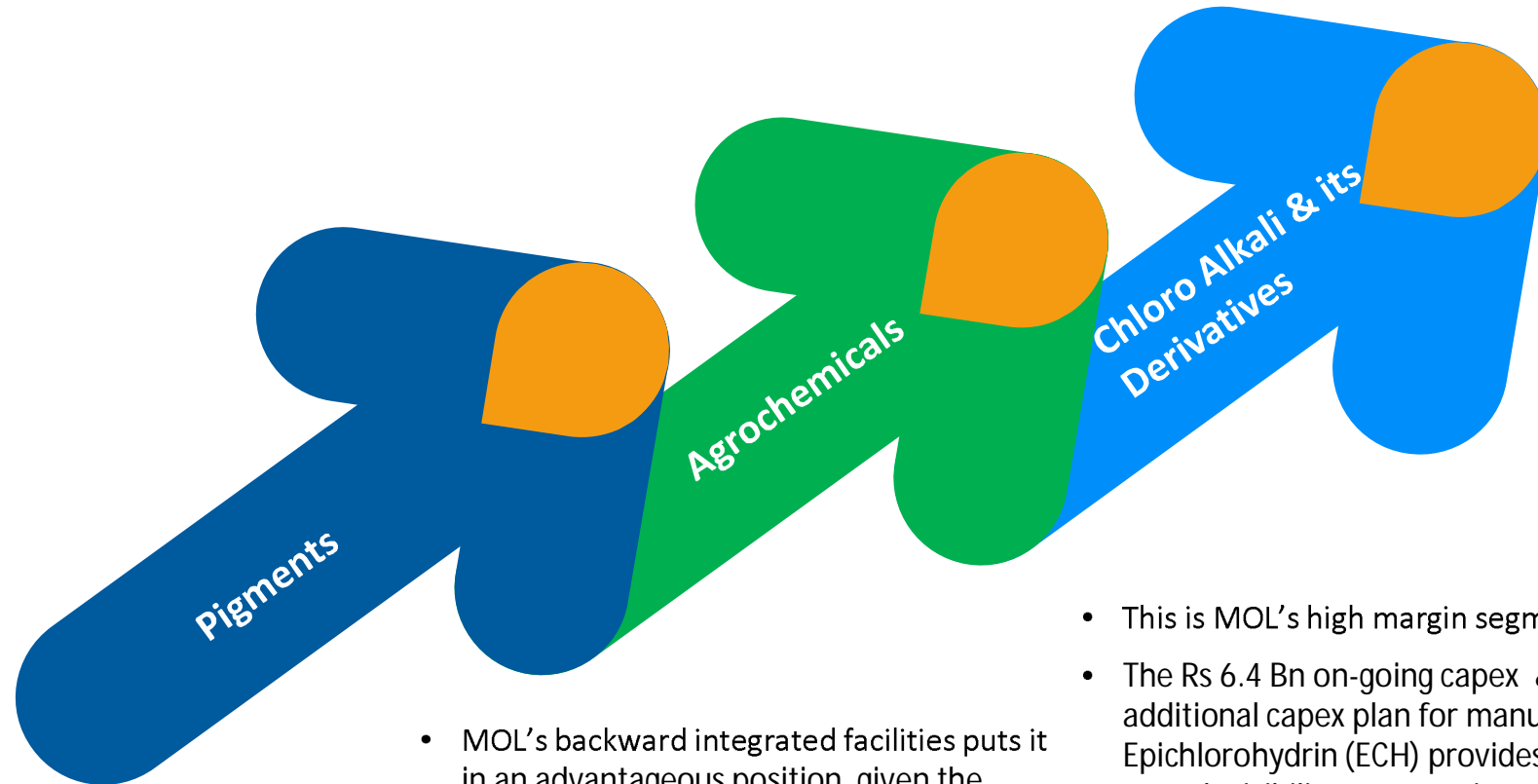


**Strategy & Outlook**



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

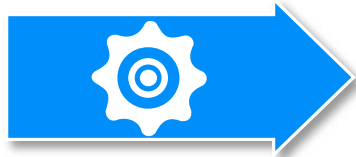
- This is MOL's high margin segment
- The Rs 6.4 Bn on-going capex & Rs 2.75 bn additional capex plan for manufacturing Epichlorohydrin (ECH) provides a solid revenue growth visibility over coming years
- Continue to leverage the market leadership position and capitalise on domestic market demand



Q2 FY20 Results Update



About Us



Business Overview



Strategy & Outlook



**Financial Overview**

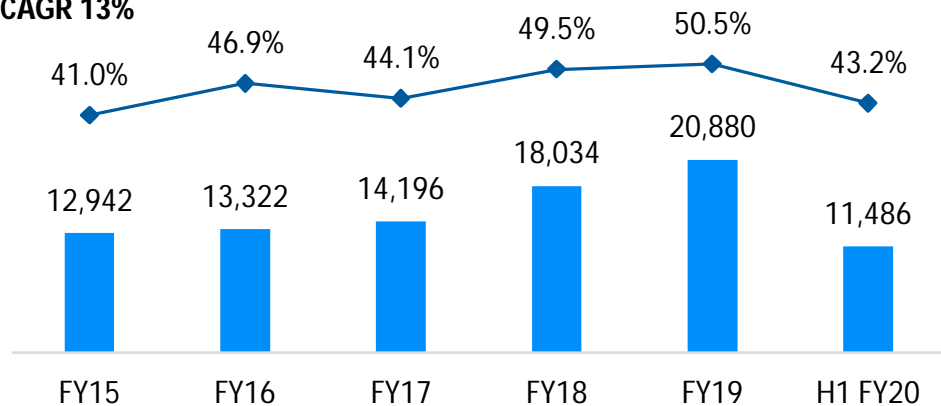
# Financial Summary



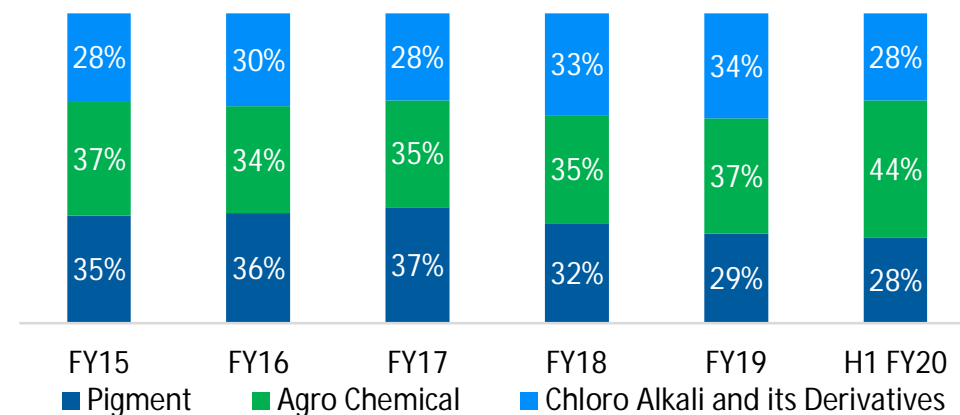
Rs Mn

## Revenues \* & Gross Margin

\* CAGR 13%

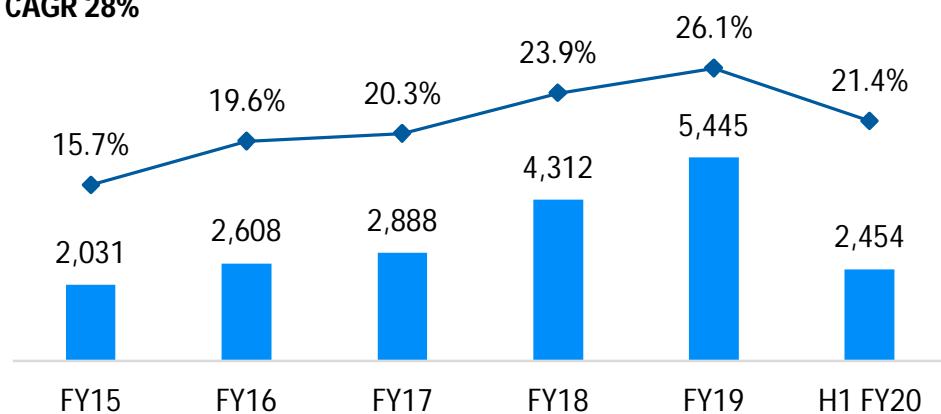


## Revenues - Segment Breakup



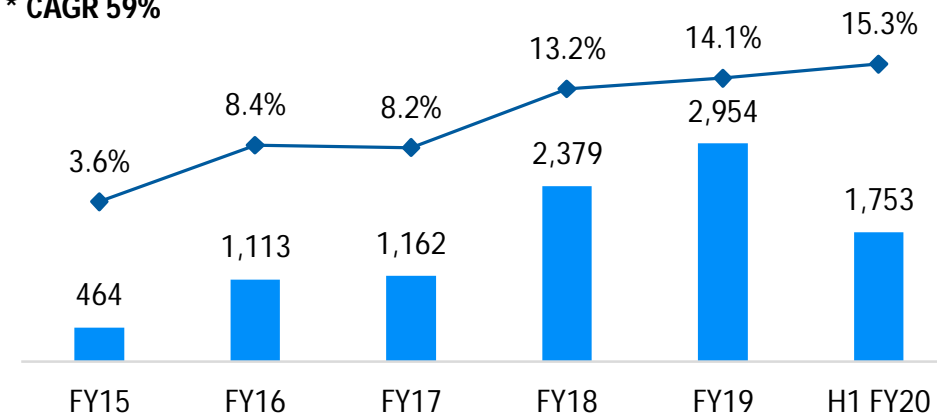
## EBITDA & EBITDA Margin

\* CAGR 28%



## PAT & PAT Margin

\* CAGR 59%



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

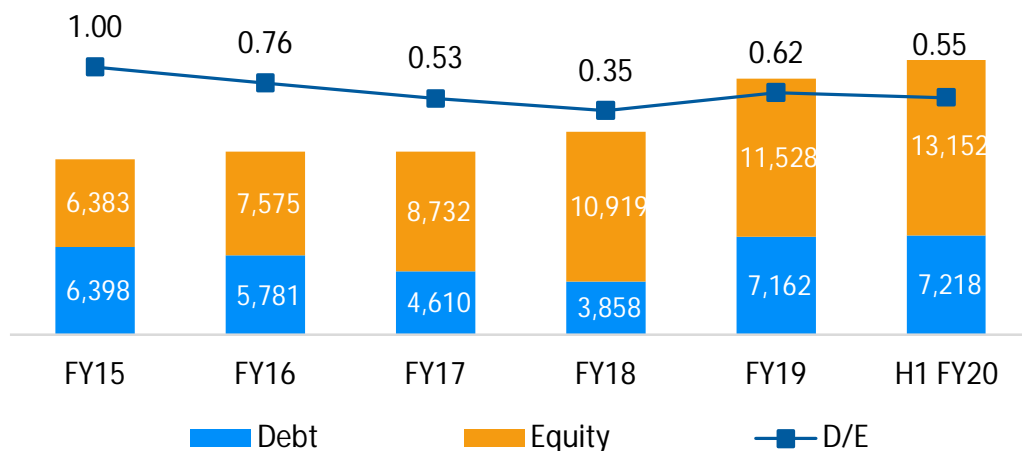
\* CAGR calculated for FY15-19

# Financial Summary

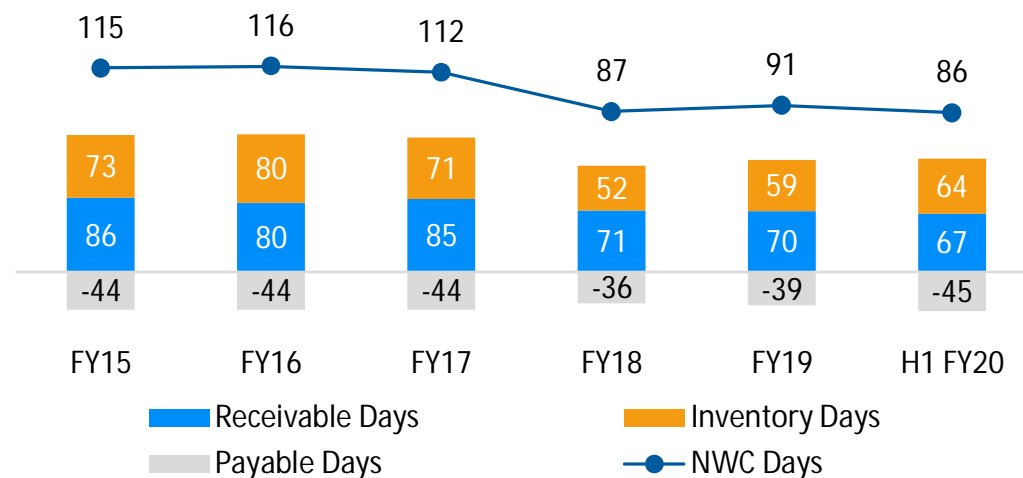


Rs Mn

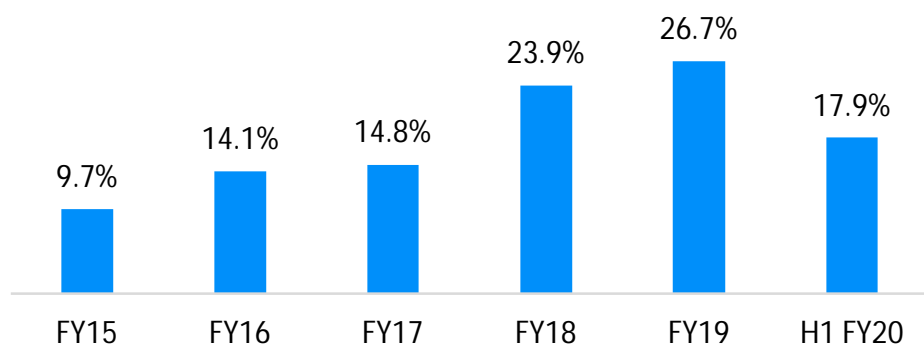
## Leverage Analysis



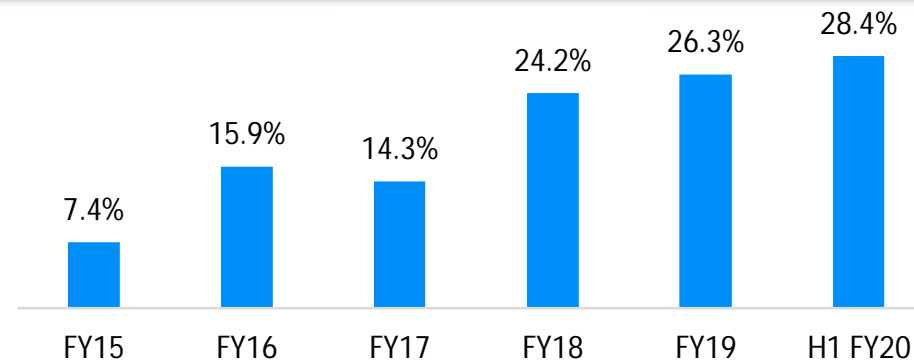
## Working Capital Analysis \*



## Return on Capital Employed



## Return on Equity



\* 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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