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February 02, 2024

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

Dear Sir,

Sub: Transcript of Earnings Conference Call held on January 30, 2024 to discuss Q3 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 January 30, 2024 to discuss Q3 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 RAVJIBHAI PATEL
Digitally signed by JAYESH RAVJIBHAI PATEL
Date: 2024.02.02 12:57:34 +05'30'

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

“Meghmani Organics Limited

Q3 FY24 Earnings Conference Call”

January 30, 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. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q3 FY24 Results Conference Call of Meghmani Organics hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Meet Vora from Emkay Global Financial Services. Thank you and over to you, sir.

Meet Vora: Thank you. Good evening, everyone. I would like to welcome the management and thank them for giving us this opportunity to host them. We have with us today Mr. Ankit Patel, Chairman and Managing Director, Mr. Gurjant Singh Chahal, Chief Financial Officer and Mr. Nishant Vyas, Investor Relations.

I shall now hand over the call to the management for their opening remarks. Thank you and over to you, sir.

Ankit Patel: Thank you, Meet. Good evening, everyone and thank you for joining us on our third quarter's earnings call. We concluded our Board meeting this afternoon and I believe you have got a chance to go through the financial result and investor presentation uploaded on the stock exchanges and the website.

In Q3 FY24, the company reported revenue of INR 345 crores and EBITDA of negative INR 0.4 crores, impacted by the sluggish global demand and the lower product price realization across the markets. If I talk about the revenue mix, crop protection contributes about 69% of the total revenue and the balance 31% comes from the pigments segment.

The revenue from our crop protection segment stood at INR 239 crores with EBITDA of INR 5.1 crores in the Q3 FY24. The segment performance was impacted as the global demand continues to remain sluggish, owing to the high channel inventory and the high interest rate scenario. We are optimistic that once the situation starts stabilizing, we are well positioned to leverage our state-of-the-art infrastructure along with the backward integration.

Pigment industry has been on the downtrend since Q2 FY23 and the prevailing price erosion in the pigment industry due to demand contraction globally has impacted the segment's performance during this quarter. In Q3 FY24, the segment reported revenue and EBITDA of INR 105 crores and INR 0.9 crores respectively.

We anticipate that the overall scenario will start normalizing from the next financial year and we have all the enablers to regain our normal double-digit growth trajectory which we had demonstrated throughout all these years. Nano-urea and Titanium Dioxide would also start contributing meaningfully from FY25 which would 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.

As of 31st December 2023, we have received INR 30 crores towards redemption of redeemable preference shares from Epigral.

To conclude, once again I would like to reiterate that our long-term growth prospects remain intact, given our state-of-the-art manufacturing 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 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. Ankit, if you can talk about how is the industry scenario globally and when is the situation expected to stabilize, especially when there will be a stocking situation in the global markets, on the agrochemical side, I am talking about?

Ankit Patel: Thank you, Ankitji. Yes, as we know, there is a global pressure on the chemical industry. The last 3 to 4 years were fantastic for the chemical industry and particularly for the agrochemical industry, it was good.

The demand was very high and that was mainly because of the supply chain related issues during the COVID situation and after the COVID situation. But suddenly the supply chain became normal. Things were easily available, logistic cost came down, the timing came down and then at the same time people were holding a lot of inventory and the interest rates started going up.

Because of this situation, now people stopped buying from the future point of view which has impacted in this financial year. We feel that now the inventory has started going down drastically in different markets. But still there is an inventory we feel for the next 3 to 4 months time. So we feel from the next financial year, from the first quarter onwards, things should start improving from the export market point of view.

Ankit Gupta: Sure, sure, sure. And how are the prices behaving now? Have we seen some stability in prices now of agrochemicals?

Ankit Patel: Yes, now the prices have bottomed out completely. It is very much at the lower level. So we feel that once the demand improves, there will be correction in the prices as well. The price will start improving as well. So we feel that from the first quarter onwards both things should happen. Demand should first improve and parallely once that happens the price should start going up.

At the manufacturing level also now the inventory has come down drastically. And companies are running their plant at the lower capacity. And they are not building up the inventory any further.

Ankit Gupta: Let's say if the prices don't move up and remain at the current level, however demand comes back, how is that expected to impact the long-term profitability of our company on the agrochemical side?

Ankit Patel: So we also see that immediate price correction will not happen. Initially the demand will start improving. Once the demand will improve, only after that slowly gradually the price will start going up.

But currently the prices are at very much lower level. From this level there will be certain percent of increase will definitely happen. Because at this pricing level it is very difficult to run. But even with the proper utilization of the plant, there will be some improvement in the numbers.

Ankit Gupta: And how is the scenario on the pigment side? How is the demand and pricing on the pigment side?

Ankit Patel: On the pigment side also the prices have bottomed out completely. Now it is not going down further. So we also see that demand improving in pigment segment will also lead to the price improvement. At the same time the demand has started, slightly improvement in demand has started in the pigment segment as well.

Ankit Gupta: Is it particularly one of the segment like CPC Blue or the entire segment including Azo and CPC Blue which are seeing the recovery?

Ankit Patel: So I would say now entire pigment but particularly as a Meghmani we are mainly into Phthalocyanine based pigment which is pigment green and pigment blue. So in that segment there is slightly improvement in the demand.

Ankit Gupta: Sure. And my last question is on the titanium dioxide capacity that you have set up. So how is that operating? And I think globally also there has been pressure on titanium dioxide players. So how are we dealing with the situation?

Ankit Patel: Yes, there is a pressure because of the titanium dioxide. But we are very bullish on titanium dioxide because ultimately we are targeting the domestic market where the demand is more than 3 lakh ton and the main application is into the paint segment. And when we talk about the paint segment in Indian market it is growing in a double digit.

And lot of big corporates are entering into the paint business. So which will lead to good demand for the titanium dioxide. And so we are going to target mainly domestic market. And thus we would like to balance our revenue portfolio. So as of now we are very much dependent on the exports market. So for many many years we were always beneficial but when we analyze this financial year because of our over exposure to the export market we have been more impacted compared to other players. So we have realized this and now we are going to focus on the domestic market as well. So that will balance the export and domestic market revenue profile.

Ankit Gupta: And how are the prices? I think the prices have also crashed for titanium dioxide. So at current prices when do you expect to break even? Do you think we can break even in next year or it will take longer time?

Ankit Patel: So yes again as for the other products the prices are at the bottom level. So we don't see the prices going down any further. So if anything happens from here the improvement will take place in terms of pricing.

At the same time in India because we are targeting domestic market Indian manufacturing companies together have filed for the anti-dumping duty for the titanium dioxide. It has already been filed.

Ankit Gupta: Ok. But I think large part of the titanium dioxide demand in India is to be met by imports.

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

Ankit Gupta: Large part of India's Titanium Dioxide demand was met through imports?

Ankit Patel: Yes.

Ankit Patel: Majority I would say more than 90% of the demand is met through the imports.

Gurjant Chahal: Domestic capacity is 80,000 ton and actual production is around 70,000 ton. Against total consumption of 3 lakh plus ton.

Ankit Gupta: Okay. Do you think we can break even let's say if not for the full year, next year but let's say in the second half of FY'25 in Titanium Dioxide per ton?

Ankit Patel: So we are very optimistic. We have taken the corrective actions in Titanium Dioxide business because in that business the majority cost is for the utilities. Steam, power, the utility cost is quite high. And now we are in the phase of commissioning our captive power plant also for the Kilburn which is a Titanium Dioxide plant. So which will happen somewhere in this quarter, fourth quarter. That will reduce the utility cost drastically and help in stabilizing the plant from the financial point of view.

Ankit Gupta: How much is the capacity utilization of the Titanium Dioxide plant currently?

Ankit Patel: As of now it is running low. Now it is ramping up slowly. So we feel that in next two months' time we will be reaching 70% capacity.

Ankit Gupta: Ok. So currently it will be like 20%, 30% capacity?

Ankit Patel: You can say about 30% - 40% capacity.

Ankit Gupta: Ok. Thank you. Thank you and wish you all the best.

Ankit Patel: Thank you.

Moderator: Thank you. And the next question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Am I audible?

Ankit Patel: Yes, Viraj bhai. You are audible.

Viraj: Yes. Hi. Thanks for the opportunity. Just couple of questions. First is on the crop protection side of the business. You know if you look at our overall business, synthetic pyrethroid is still a large part of our overall molecule base. So if you can just probably give some more color in terms of the demand supply dynamics generally in the Agchem space and especially for the synthetic pyrethroid range.

Why I am asking is because if you look at say last 8-10 years, this particular family of molecules has seen a very healthy growth. And due to disruption in China, we have seen a fairly large amount of expansion happening on Indian ecosystem as well, including for us.

So if you can just give some perspective in terms of the demand supply dynamics now in this business, this family of molecules and is it still a profitable play for us, going forward whenever the market recovers? Do you still see opportunities for a profitable play in this market?

Ankit Patel: Sure, Viraj bhai. So I am sure you are quite aware of the product range into crop protection business. So the pyrethroid segment product is a very, very relatively stable and safe product compared to other crop protection insecticides. So like in the, there are different segments as far as the chemistry is concerned like organophosphate, like neonicotinoid, synthetic pyrethroid.

So in among all the segments, synthetic pyrethroid is relatively stable and has got a better shelf life and these products are gradually growing globally. And part of the synthetic pyrethroid products are being manufactured only in India. I would say India is more competitive than China. It is being exported from India to China.

So over there, India has got upper edge and part of the pyrethroid products, China has got upper edge, but over there now as a Meghmani, we are partly backward integrated. So we are at par with China. So as a Meghmani, we have a very strong portfolio for the synthetic pyrethroid products and it will always remain very strong.

In this financial year where the demand is under pressure, there is some pressure on synthetic pyrethroid range product as well. But going forward in the next financial year, we see the demand will be back and it will help company to grow in this segment significantly.

Viraj: Just a follow up. You said that you expect maybe in three, four months of time, some improvement in the overall dispatches or shipments given that the inventory liquidation may happen. But if you see major markets, say in US or Europe or even that data, the season has not been that great per se.

The consumption levels are still weaker than what a normal season would require. So this correction in inventory or the material, what is this aiding by? Are you seeing any supply side adjustment or any shutdowns or you can give any perspective.

Ankit Patel: So Viraj bhai, yes, because of the seasonal issues into different markets and the high inventory, it took a long time to liquidate this inventory. Otherwise, normally it doesn't take this much time. So this time what happened, there was a high inventory at the consumer level. At the same time, partly it got impacted because of the weather.

Now, no matter how bad the weather is, there will be certain amount of consumption, routine consumption will always be there. Now, that consumption was taking place and we feel now that inventory, whatever is there, will be cleared in next three to four months time.

And from the first quarter onwards, the new fresh demand will also start picking up. At the same time, in the recent time, because of the Red Sea scenario, the logistic time has increased by 25 to 30 days. So keeping that in mind, now the customer who are anticipating to buy, let's say from the logistic point of view, now they need to buy their purchase approximately 25 to 30 days in advance, keeping Red Sea scenario in mind. So that will also happen partially. So we feel that from the first quarter, things should start improving.

Viraj: But in your supply side, are you seeing any -- maybe either in China or in India, are you seeing any capacity shutdowns, either permanently or non-rolling of capacity? Any of those indications you're already seeing or hearing in the marketplace?

Ankit Patel: So in the good times, people were making money and every company was looking at different, different products, expanding into those products. Sometimes the companies were not even backward integrated. But it was an opportunity kind of a situation where people took an advantage.

But now looking at the long-term perspective, companies will only be making the product where they have a competitive advantage and where they are backward integrated. So a lot of companies which were not fully backward integrated or not having a proper manufacturing base or having an opportunistic approach will be going out of the market or will be stopping certain products from their basket. And it has already started happening.

Viraj: Okay. Two more questions, sir. You talked about in the presentation that the utilization in crop chem was around 70%, right? So it's still a quite healthy utilization to achieve in the environment we are in. But when you look at the, say, the operating margin in the business, you've seen a significant moderation. So was there further provision in terms of inventory markdowns or are prices still moderating Q-on-Q?

Ankit Patel: No, there was not much provision in this quarter. This quarter is mainly because we have got now more formulation sales was there in this quarter. So there is a positive, more volume in formulation rather than technical sales. So some of our technical plants were not running at full capacity.

But for the technical plant, there will be certain overheads which will continue. So that has impacted. At the same time, because of our expansion, there has been interest costs and depreciation costs, which has also been impacting us in this quarter.

Viraj: Okay. And in terms of funnel in the crop chem business, say, in the new molecule pipeline outside of synthetic pyrethroids, how should one understand that pipeline for us?

Ankit Patel: Yes, we have a new product pipeline already. And some of the new products we are also adding in the next financial year. But as far as the new product line is concerned, in the last one year, we have added a couple of new products like Flubendamide, Spiromesifen, Cyfluthrin, Beta Cyfluthrin, Pymetrozine, so a lot of products we have added.

But those products will take, I think, one or two years' time to gain the market share, because we are doing registrations in different, different markets for these products. So it will take one or two years to have more revenue apart from pyrethroid range products.

Viraj: Okay. Just last question on the pigment side. Any color on pricing and inventory situation?

Ankit Patel: I'm sorry. Can you repeat your question?

Viraj: Any color you can give on the pricing and on the inventory level?

Gurjant Chahal: Inventory, in case of pigment, generally it remains around one and a half month sale. So it is at that level only. Pricing is more stabilized compared to previous quarters, so more or less at the same level. So no further reduction in selling price.

Viraj: Okay. Sure. Thank you very much. Good luck.

Ankit Patel: Thank you, Viraj.

Moderator: Thank you. And the next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Good evening, Ankit bhai. Am I audible?

Ankit Patel: Good evening, Rahul. Yes, Rahul bhai.

Rahul Jain: Ankit bhai, just to take further to the previous participant question in terms of pyrethroids and the other products which we have been introducing. So first of all, as you mentioned, you visualized the next three, four months, there should be improvement on the demand side. And if that happens, pricing will also improve.

But given the capacity expansion, which has been done by a lot of domestic guys as well as some expansions in other countries. So what could be the change this time compared to what has been seen in last five to six years when the demand really gradually picks up? Or it will take some time for certain category of products and certain category of products will do much better. If you can understand, because one, you said that, agrochemical as a sector, you might see improvement from quarter one.

But will it be across the Board or it will be different for certain category of products? Your thoughts on the same.

Ankit Patel: So Rahul Bhai, as I mentioned, first, demand will start improving from the first quarter. Once that happens, then definitely there is still a huge supply of various products. So the second phase would be increase in the price. But now if I give you the example, on an average, there has been a price reduction by 45% to 50% depending on the product range. So it will not go back to the same level. It will take very much long time to go back at the same level or it may not go in the future. I don't know that. But from this level, definitely there will be some increase, maybe 5%, 10%, 15%. So because at the current level, all the manufacturers, they realize that it is not very much sustainable. So there has to be increase in the price for sure. But it will happen based on the demand situation. So first demand will pick up and later on the price will start improving.

Rahul Jain: Right. Ankit Bhai, what I wanted to understand, I understand when demand goes up, gradually the price will go up. But given the broad, the sector, within that sector you have some different category of products. On one side you have the synthetic pyrethroids. And then there are certain specialized products. So how do you see the difference between the various category of products?

Say going ahead for next one, one and a half years. Leave aside next three, four months or six months. But once things improve, probably you feel this time it will not be the same for across. If not, which are the products or which category will do much better than the other?

Ankit Patel: Rahul Bhai, it would be difficult to category wise identify the situation. But I can say broadly that from this bottom level, the price should go up by at least 5% to 10%. That is what we feel because it is at very much bottom level.

Rahul Jain: Sure. One more question. So the way you are talking to your export customers and before COVID and after COVID. So during the time of COVID of whatever 12 to 18 months, of course, there were a lot of supply disturbances across the globe including from China. But now when we talk about, so what do you feel could be the change this time from these customers, the global customers for us?

Ankit Patel: So from the global customer point of view, immediately after COVID, people realized there were a lot of issues from supply point of view from China. And even before COVID, because of certain environment related issues in China, people were looking at China Plus One strategy. And when it comes to the chemical market, so definitely the second comes to India. Second chance comes to India.

Now, after COVID, in China also, there has been a significant increase in the capacity. And they have lowered the price significantly in the current market situation. But globally, every company understands that China's dependency is very difficult. You never know what will happen in China. Today, they want to reduce the price. They are keeping the price at very low level. Once everyone will be out, they may increase the price. So there is no sustainability.

So from the sustainability point of view, global market wants to have the second source. So the first, let's say, they will give priority to L1. Let's say today it's China. But the second priority will always be there to India. Now, it may be one-third, two-third situation. You never know.

But part of the business will always be coming to the Indian market. And company, if we talk particularly in the case of Meghmani, even before COVID situation when the price was normal, at that time also, since 1995, we have always been export-oriented company. So we have always been capable to fight against China in terms of the pricing model. And even today, we are very much confident.

So once the demand will improve, we will be able to gain a good amount of market share globally again. And we'll try to improve the profitability. It will be difficult to reach at the level before two years where we were. But definitely from this year level, there will be significant improvement.

Rahul Jain: Sure. One last question, sir. Last, the disturbance on the export side and the inventory destocking from the export market, lot of the domestic players are now focusing more on the domestic market, which we have been also doing for last three to six months. So if typically lot of players now who were earlier not focusing on the domestic market start focusing on this market, do you feel the competitiveness, which will be much higher and thereby the domestic market might actually yield lower margins than what you would have expected?

Ankit Patel: So when we are talking about the domestic market, I would say if we will stick to B2B in domestic, then definitely there will be pressure on margin. But somewhere down the line, we need to increase our market share in branding. So with that, we would like to balance our portfolio.

Rahul Jain: Sure. Thanks, Ankit. That's very helpful. Wish you all the best. Thank you.

Ankit Patel: Thank you very much. Rahul.

Moderator: Thank you. And the next question is from the line of Bhavya Gandhi from Dalal & Rocha Stock Broking. Please go ahead.

Bhavya Gandhi: Yes, thank you. Thank you so much for the opportunity. Couple of questions from my end. One, you said that post normalization, you are expecting double-digit revenue growth. This is with respect to AgroChem or a company as a whole?

Ankit Patel: The majority growth will happen in Agro. At the same time, the titanium dioxide revenue will also come in the next financial year. And the nano urea, Meghmani Crop Nutrition Limited revenue will also come. And this year's base has been very low. So keeping that in mind, we see there will be good growth.

Bhavya Gandhi: Okay. And also just wanted to know with respect to some of your key products, top 5 to 7, can you just give us a broad pricing? I mean, pre-COVID level and during COVID and current levels. So we can sort of get an understanding of how prices have moved.

Ankit Patel: So on an average, if we talk for the agrochemical, the prices have gone down by 45% to 50%.

Bhavya Gandhi: Yes. But if you can at least for the, I mean, top five products, lambda-cyhalothrin or Flubendamide or anything like that, any, any few of them at least?

Ankit Patel: Flubendamide is a very new product as of now. So still it is not in top five. But for us, the key product is 2,4-D, cypermethrin, permethrin, bifenthrin, lambda-cyhalothrin. These are some of the key products we have in our basket. And on an average, there has been reduction by nearly 45% to 50%.

Bhavya Gandhi: And how, I mean, what was the price? Maybe let's take an example of 100. So pre-COVID, what was the price? And during COVID and post-COVID, you are saying it's closer to INR55 now. So what are the, I mean, pricing trend at least?

Ankit Patel: So let's see if I give you the example of 2,4-D, then it was somewhere in the range of $4 in the good times. It has come down to below $2 level today.

Bhavya Gandhi: Okay. Fair enough. And with respect to backward integration, how much backward integrated are we with respect to key products? I mean, N minus what level do we go up to?

Ankit Patel: So for majority of our products, we are fully backward integrated.

Bhavya Gandhi: Okay. And our pricing, is it more or less similar to Chinese pricing, Chinese product pricing? Or are we not competent when it comes to pricing in the international markets?

Ankit Patel: No, we are able to compete against China, even in this situation. There has been pressure, no doubt about it. But even in this situation, we are able to compete with China.

Bhavya Gandhi: Okay. And also, I mean, like two, three, four quarters back, the narrative was China plus one and all our agrochemical companies were giving very good guidance, adding capacities. But now again, that China Plus One, is it like more of a hoax? Are we still seeing the trend or it's only near term inventory de-stocking which has taken a toll on overall revenue?

Ankit Patel: So I would say it is across the industry. Every company has passed through a similar situation. But the companies which were more domestic and brand oriented companies, on those companies, there has been less impact. In the case of Meghmani, we were more than 85% of our revenue was coming from the exports market and that too on B2B segment. So there is a significant pressure on companies like us.

Bhavya Gandhi: Okay. And you mentioned that you want to expand your B2C brand in India also. So I mean, five years down the line, what sort of revenue are we targeting and if you can provide some mix on that front?

Ankit Patel: So Bhavyaji, now we are coming with the Nano Urea project which is in Meghmani Crop Nutrition and which is going to be a very much target oriented product for Meghmani. So we are entering into nutrition segment and with this product, we would like to take advantage into crop protection segment as well and expand our revenue.

So down the line in the next five years, we would like to be, I don't want to give you the wrong number, but there will be significant growth from this level in brand business for sure. So the growth rate will be much more in the brand business compared to the export business.

Bhavya Gandhi: Got it. And since, you know, I mean broadly if I talk, you know, pyrethroid industry is a small size when you compare to overall Agchem. So is it like, are we planning to move into other chemistries as well, organophosphates or I mean the larger neonics or something of that sort?

Ankit Patel: Globally, organophosphate chemistry is day-by-day getting banned in different markets like Chloropyriphos is one of the biggest organophosphate product profenofos, so these products are getting banned day-by-day. So we are not targeting organophosphate segment. We are targeting the new segment. So flubendamide is a new segment. Then some of the spiromesifen, pymetrozine, these are the new products we have launched in this year.

So we have planned to add couple of new products in the next financial year or in next two to three years' time.

Bhavya Gandhi: Okay, got it. Anything on the biorationals front?

Ankit Patel: I'm sorry, bio?

Bhavya Gandhi: Biorationals or bioorganic chemistry, I mean?

Ankit Patel: No, we are not targeting any bio product as of now.

Bhavya Gandhi: Okay, got it, got it. Thank you so much. Yes, that's it from my end. Thank you very much.

Moderator: Thank you. The next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: Yes, thank you for taking my question. Good evening, Ankit Bhai. One question is on the pigment side. I mean, first of all, on this TiO2, as you have mentioned that utilization level will probably be reached around 70% by end of FY25. So, are we good enough in terms of taking these volumes and, I mean, how the customer side we are placed?

And secondly, apart from this TiO2, in pigment side, if we have to see recovery or some kind of improvement, so which industry, end-user industry we should be seeing, which would help us to improve from here on?

Ankit Patel: Sure. So, Rohitji, as far as the titanium dioxide is concerned, we have already started getting the right quality product, which is the main thing. So, our product quality has already been set. And we have already started giving samples in the market and we're looking at our experience in the pigment segment. We feel that we will be getting the approval very fast.

Regarding the pigment industry, again, I would say it is a similar situation where we were more of an export driven company. We would like to focus from the pigment point of view in domestic market as well. Because even today in Indian market, there has been a positive growth in printing ink segment, in plastic segment, as well as in the paint segment. So, we would like to focus for the pigment business in Indian market.

Rohit Sinha: And what timeline, basically, it will need to crack these customers in the domestic market?

Ankit Patel: So, we were already there in domestic market, but we were not as a management or as a company, we were not putting much focus because the demand and the volume is low. So, you need to give more service to more customers. There will be small, small volume. But as a company now, we are changing the strategy. We need to provide more service to the small, small customers and expand our basket.

So, we feel that in next three years' time, we will be able to do that. And we will be rationalizing between export and domestic over a period of next three years.

Rohit Sinha: Okay. And one thing just taking on my mind. This Red Sea issue, as we are talking about, and somehow we are even anticipating that there would be some kind of better ordering or some kind of improvement could be possible because of these issues. I am just doubting that if maybe we get some kind of bump up in the volume because of this issue.

What will happen again after sometime when again this inventory stocking would be again haunting back as already we after a long time, we basically I would say come to that level where inventory situation has somehow been considered as normalizing but again, if this Red Sea issue creates inventory situation in the system.

Then again there would be coming few quarters, we will be seeing again that pressure. So, I mean, how you are seeing this situation and what we should be reading on this?

Ankit Patel: So, Rohitji, in the last one year, not only the manufacturer, but also the customer paid a heavy cost because they were carrying the high price inventory and the prices dropped. So, like the manufacturing companies made loss, also I would say the distributing company, the branding company, those companies also made a huge loss because they were carrying high price inventory.

So, even in this current situation where the Red Sea issue has arised, nobody is panicking and started buying in a big way. Looking at the situation, people will only buy as per the requirement. But now they will only buy little bit in advance. Let's say if the requirement is up to three months, then normally they will start discussing today because now the lead time has increased little bit.

But nobody is going to be panicked and like they will be buying more quantity like during the COVID time. Now, that is not going to happen. People have learned a lesson. So, that will not happen. And we feel this Red Sea situation should also become normal over a period of next one or two months' time, this kind of situation will create global disturbance from the supply chain point of view. So nobody afford to have that kind of effect. So, I believe that the situation should go back to normal in next few months' time.

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

Ankit Patel: Thank you.

Moderator: Thank you. And the next question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Yes. Thanks for the opportunity. Just two, three specific questions on crop chem business. You know your earlier comment that the market globally insecticides are shifting from all kind of phosphates to chemistry like synthetic pyrethroids. Now, if you look at the end growth, consumption growth in AgChem over a long period, it slightly been around 2.5%, 3%. For a category like synthetic pyrethroids, it may be around mid-single digit.

So, the end molecule growth itself has been around mid-single digit. But the kind of capacity increase which we have seen in last four, five years has been significant. So, based on assessment right now, what is the kind of overcapacity we would have seen in synthetic pyrethroids right now? And any rough color on the how many serious players will be there, based on background indication and other elements you talked about?

Ankit Patel: Yes. So, first of all, Viraj, let me correct. Synthetic pyrethroids cannot replace organophosphate fully. Only part of the consumption will be shifted and the part is majority will be going to the new chemistry. And regarding the supply situation, yes, there has been an increase in the supply situation. Now, as you know, these are all regulated products.

Now, without registration, regulation, these companies will not be able to sell. Now, as a Meghmani, we are well versed with registration in different, different markets for all these products. So we have got a ready customer base and registration available.

Now, these companies who are to whom we are selling, no matter what it is, they will not be keep on adding new sources. It doesn't make sense in spending time and money for the same product and keep on expanding their base. So if they have a two supplier, three suppliers, and normally they don't look at the thing, there will be negotiation, but the priority will be given to the only the supplier who are registered.

So as a Meghmani, we have we are having registration based in various market for all of our products. So that will differentiate compared to other players.

Viraj: Any color of the overcapacity in the market, compared to say and demand is 100. What are the kind of overcapacity in the market take of synthetic pyrethroids and other chemistry which we have say 2,4-D, etc.?

Ankit Patel: So for different, different products, there has been some overcapacity. But we see that certain capacities are already getting shifted to some different products because people realize that for how long you will continue with the same product. So some shifting has happened.

So if we talk about Meghmani, we earned in last four years, we have seen significant growth in our products, but we have not expanded into the same old products. Rather than whatever we have earned, we have spent into new product line. So that is what makes difference between Meghmani and other companies.

Viraj: And given where the prices are currently for key technical. Would it be positive for us at the gross-contribution level? I mean, say 2,4-D or synthetic pyrethroids or another new chemistry?

Ankit Patel: Yes, so even today it is difficult, I am sure, because of the base has come down drastically. So it is difficult, but still it is comfortable.

Viraj: So where I am coming from, if you see globally also, a lot of customers also own the registration. If I want to add, say, one more vendor, two more vendors, the timeline of the process is not that significant. So is it that if I have to look at our next two, three years, given the way the capacity is available in the market, would it be right to think that the kind of strategy earning is maybe a new normal at least for next couple of years, till demand itself catches up and, supply is fully absorbed?

Ankit Patel: So, Viraj bhai, as far as when we analyzed the business, definitely because of the more supply, there will be pricing pressure. But when it comes to doing the business, the customer will buy only from the registered source. So the first priority will come to the registered source.

Now in this current situation, when your business is not doing good, even at the customer level, they will not spend time and money on adding the new supplier, which is for the old product, right? They will only look at it from the new product point of view. So if someone has expanded the capacity, if someone, let's say, if I'm not there in Pyrethroid and I see the other company has earned a lot of money in Pyrethroid, and if I put up the plant in Pyrethroid, then it will be difficult for me to get added with the customer for the old products which customer is buying already.

Viraj: Okay, and just last query, what about the capacity expansion of Crop Chem? We were earlier planning about it. So, any thoughts are we now looking at it?

Ankit Patel: Viraj bhai, your voice is breaking. Can you repeat your question?

Viraj: Yes, earlier we were also planning for a phase-II in Crop Chem, right? Now given where the market is right now and given many players are in distress, any thoughts on acquisitions?

Ankit Patel: We have kept, as of now, phase-II on hold. So we will wait till the time things go back to normal. But now we have got the basic infrastructure ready. So even for the phase-II, we can go very fast because we have got the environment clearance, the basic plant infrastructure is already ready. So if we come up with any project, then we can go very fast. But for the time being, I would say for the next one year, we are not going to do anything for the phase-II.

Viraj: Okay, thank you and good luck.

Ankit Patel: Thank you.

Moderator: Thank you. And the next question is from the line of Nitin Gandhi from Inoquest. Please go ahead.

Nitin Gandhi: Yes, thanks for taking my question. Can you share something on MPP? What are the utilizations in Q3 and how do you expect that to go ahead?

Ankit Patel: For the new plant, multipurpose plant?

Nitin Gandhi: Yes

Ankit Patel: Yes, so for the multipurpose plant, utilization was quite low. But now we feel the utilization will start improving from the first quarter.

Nitin Gandhi: Was it below 25 and where do you see?

Ankit Patel: Below 25, yes, below 25.

Nitin Gandhi: And likely to be what, 50 plus or 70 plus in Q4 or not?

Ankit Patel: We feel 50 plus, it should happen from the first quarter onwards.

Nitin Gandhi: Can you just share like what were the asset turnover plan when you started thinking of this MPP and TIO2 and Nano?

Ankit Patel: Nano is different. For the multipurpose plant, we were targeting based on investment about two times asset turnover ratio.

Nitin Gandhi: And for TIO2?

Ankit Patel: TIO2, it is going to be kind of a little less than one or 1:1.

Nitin Gandhi: Okay. So in that case, margin for TIO2 is expected to be much higher about 35 plus, right? That is what we envisage. It will happen, it is a different issue. But when you conceive the project and when you went ahead, this was the plan, right?

Ankit Patel: So yes, at that time, the market condition was like that.

Nitin Gandhi: Correct, correct. Yes. Yes. Okay. And regarding Nano, it is 100% subsidiary of MOL, right?

Ankit Patel: It is 100% subsidiary of Meghmani Organics Limited.

Nitin Gandhi: Right. So can you share some vision on that? How is the liquid acceptance? Where do you see what you expect the utilizations level, acceptance level product post year? Because you have done a lot of fields when you are likely to be just one quarter away. So where do you see the things happening? Can you share whatever your experience of last, whatever it is two?

Ankit Patel: So Nitin, when it comes to the Nano-Urea, we all know in India, there is a huge subsidy on the conventional fertilizer like Urea, DAP and all. So with this last year, it was INR 250,000 crores as a subsidy amount. So government has got a vision and target to reduce the subsidy level drastically.

So, and because of that, they came up with this new technology. As of now, it is difficult to convince the farmer because the farmer is using this conventional fertilizer since many, many years. So it is difficult to convince them and shift them to the new fertilizer, which is a Nano-Urea.

So we have started doing activity in the field, promotional activity, giving field trials to the farmers. So demonstration is the key area where the farmer needs to see the result by themselves. And once they will be satisfied with the result, then slowly, gradually they will be shifting.

So if you see currently, because when IFFCO they came up with the product, there was not proper demonstration at down the line field. They linked the product with the conventional Urea and they were pushing to the dealers as well as farmers to use it. But how to use it, that was not clear.

And at the same time, there was a miscommunication that it can replace Urea completely. Now Nano-Urea will never replace Urea completely. It can only replace partly. So as a Meghmani, we have started doing this activity. We have also informed IFFCO because IFFCO, in a way, we have taken the technology from them. So we also informed IFFCO that they also do the marketing in a right way.

And from the top level, we have passed on the message and they realized their mistake. And now IFFCO has also started doing the field activity in a right manner. So it will take some time, but I would say in future, definitely there will be substantial reduction in Urea and the market will start shifting to Nano-Urea.

So we have a big vision when it comes to the crop nutrition segment. And Nano-Urea is not just one product. We have a plan to add many more products in the basket. So in next one year time, we'll be adding a lot of products in the nutrition segment.

Nitin Gandhi: Generally, based on whatever feedback you have, what do you think could be the acceptance level, whether it could be two crops, three crops, or two years for farmers to actually start, say, shift 10% of the area, 25% of the area to this?

Ankit Patel: So based on the government's number, if we go, then the Urea market is close to 34 million tons in India. Out of 34 million tons, 9 million tons is being imported. So government's target is to completely reduce the import, which is 9 million tons of urea by somewhere in 2025.

So our analysis says it will not happen in 2025. They'll be delayed by one year. So by 2026, government will take certain actions where they want to reduce import completely or they don't want to import anything as a Urea product.

So 9 million tons of Urea will be converted into Nano-Urea by 2026. That is what our analysis says. And later on, once that happens, slowly, gradually, the remaining 25 million tons of Urea, slowly, gradually, if the farmers get acquainted with the product, then they will be using more Nano-Urea.

Nitin Gandhi: Is there any research paper, something which by your study or IFFCO where something is shared on the expected change behavior of farmers on this side?

Ankit Patel: They don't have any such study, but they have conducted a lot of field trials. As a Meghmani, we have also conducted a lot of field trials. In fact, as a company, we are planning to showcase to the investors also, where we take the investors to certain rural area and showcase the results and have a meeting with the farmers, where farmers can explain to the investors directly. So we are trying to arrange that kind of meeting.

Nitin Gandhi: I look forward to being in the first batch.

Ankit Patel: Sure.

Nitin Gandhi: Yes. Thank you very much and all the best.

Ankit Patel: Okay. Thank you very much, Nitinbhai.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Ankit Patel: Thank you very much, everyone. So on the 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, our CFO, or Mr. Nishant Vyas, our IR person, and they will connect with you offline. Thank you very much.

Moderator: On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.