



“Meghmani Finechem Limited  
Q2 and H1 FY2022 Earnings Conference Call”

**October 26, 2021**



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**Moderator:** Ladies and gentlemen, welcome to the Q2 & H1 FY2022 results conference call of Meghmani Finechem Limited hosted by Emkay Financial Services. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal for an operator by pressing "\*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Nagraj, Emkay Global Financial Services. Thank you and over to you, Sir!

**Rohit Nagraj:** Thank you Inba. Good evening everyone. Hope you all are in good health. I would like to welcome the management and thank them for this opportunity for hosting the call. We have with us today the senior management team of Meghmani Finechem represented by Mr. Maulik Patel – Chairman and Managing Director, Mr. Kaushal Soparkar – Managing Director, Mr. Sanjay Jain – Chief Financial Officer, Mr. Milind Kotecha – Investor Relations Officer and Mr. B. Ravi, Management Advisor the erstwhile CFO of Adani Ports. I shall now hand over the call to the management for their opening remarks. Over to you Sirs!

**Maulik Patel:** Thank you Rohit. Good evening, Ladies and gentlemen, I welcome you to the briefing of our Q2 and H1 FY2022 performance. I trust you had the opportunity to run through the earnings presentation, which were shared earlier today.

We are glad to report a good performance for the first half of FY2022. The business environment remains challenging, despite normalization of the pandemic. The ongoing energy crisis, supply chain disruption and geopolitical issues have made it a volatile quarter.

Our plants have achieved higher capacity utilization and our projects are on track for completion as per the schedule provided. While the demand environment remains robust, our margins were marginally impacted due to the inflationary pressures on the overall prices primarily on coal. Even though we have adequate supply of raw materials to ensure continuity of our operations, there is significant uncertainty in the market about the input cost.

Despite this, we are confident that our margins would be sustained in the range of 28% to 32% on account of focus on improving efficiency, addition of value-added derivative products in our basket and strengthening our fully integrated complex.



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As per the growth outlook, we are convinced that the demand will continue to be robust and we are strategically positioned to capture this demand. We are reiterating our long-term revenue guidance of Rs.2000 Crores by FY2024. Now I will hand over to the call to Mr. Sanjay Jain, our CFO who will walk you through the financials. Over to you Sanjay.

**Sanjay Jain:**

Good evening all of you. To begin with, the overall plant utilization is 90% which has improved by 16% on year-on-year basis. The production of hydrogen peroxide has ramped up to 85% in its second year operation. The sales realization of caustic soda increased by 28% and chloromethane the sales realization growth of 53% on year-on-year basis.

Higher sales volume and increase in realization led to revenue growth of 61% at Rs.340 Crores, on year-on-year basis. The EBITDA in absolute terms improved by 41% on year-on-year basis; however, EBITDA margin stands at 30% against 34% same quarter last year. EBITDA margin was low since the inflationary pressure of input prices especially the key raw materials like coal, salt, and ethanol were higher and could not be fully offset against the higher product realization. Our PAT was up by 83% at Rs.47 Crores.

On half-yearly basis, revenue from operation grew by 81% to Rs.630 Crores backed by higher volume on both segments and better realization. EBITDA grew by 71% to Rs.193 Crores and PAT grew by 93% Rs.84 Crores. Long-term debt has increased by Rs.138 Crores in September 2022. The company has borrowed additional debt of Rs.190 Crores and made repayment as per the schedule of Rs.60 Crores. Our long-term debt which was at Rs.463 Crores in FY2021 has increased to Rs.600 Crores in H1 FY2022. But that shown in financial and presentation is Rs.811 Crores considering the preference share of Rs.211 Crores which was part of equity till FY2021 but now reclassified as a debt pursuant to the scheme of arrangement, even after considering the preference share as a part of debt, debt to EBITDA stands at 2.2x as on September 30, 2022. For apple to apple comparison, we have to exclude the preference share, then debt to EBITDA for H1FY2022 improved to 1.7x against 2.1x of FY2021.

Our return on capital employed for H1 FY2022 has improved substantially at 23% against 16% on FY2021. With respect to expansion plan, we are well on track as of today and expanded all three expansion projects, commissioned as per the scheduled plan. We have incurred cash outflow of Rs.230 Crores in the last six months related to the three projects which is going on as of now.

With this we can open the floor for questions. Thank you.



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**Moderator:** Thank you very much. Ladies and gentlemen 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 just a quick question, how was logistics and coal price trending as of now?

**Maulik Patel:** The coal price is moving up continuously, but the same time finished goods prices also going up continuously. There is no import coming right now because of the global scenario and global demand. So coal price whichever is increasing in the power source we are able to pass on immediately on all the finished goods. Anything more you would like to ask about coal?

**Rahul Veera:** In terms of availability, is there challenge because government has allocated towards the power plants so companies like ours is it a challenge to procure coal or in terms of RM like any of the raw material, are you seeing any challenges for ourselves?

**Maulik Patel:** I just would like to say that in the western part of India, we are located on the port area and Gujarat is a big coastal line so in one of the other port, the coal is lying in abundance and it is continuously coming. So definitely because of the coal shortage we are not suffering anything in terms of production loss and we are not going to face in incoming time as well, because of the location of the plant..

**Rahul Veera:** Sure sounds great. Thank you so much and best wishes for the coming quarter Sir.

**Moderator:** Thank you. The next question is from the line of Meherwan Kotwal from B&K Securities. Please go ahead.

**Meherwan Kotwal:** Good afternoon Sir. Congrats on a decent set of numbers. For checking our presentation where we mentioned that as compared to Q1, our caustic ECU realizations have increased from say 25000 to 27000, just wanted to understand because the feeler which we get from markets and speaking to various dealers seems to suggest a much greater spike in caustic prices so what would be the reason for just about like 8% jump on a quarter-on-quarter basis for caustic ECU realizations and also just wanted to check that in this ECU how has been the quarter-on-quarter performance of chlorine as a contributor?

**Maulik Patel:** It is good observation. Normally all caustic soda plants are continuous plant, so we do have the customer booking of almost 15 to 30 days. So the rise of coal, the caustic soda, and the chlorine price has gone up has started in last 45 days so you will not see in Q2 but I think all the effect, what people are talking right now, we will see in Q3 results. so that is the major reason.



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- Meherwan Kotwal:** Basically in Q3 do you see a much significant delta in ECU realizations vis-à-vis whatever cost increase we are seeing right now am I correct?
- Maulik Patel:** That is right and this hike started in the month of September and it is continuously moving up, so as we seeing, you can see in Q3 and Q4 it will continue like this, then you will see that results what you are expecting.
- Meherwan Kotwal:** Sir on the chlorine side, have we seen sequentially some kind of improvement so that has been flattish?
- Maulik Patel:** Chlorine side also we are seeing significant improvement; it is coming from the month of October. We have almost reached to around and the positive side target moving from October 1, 2021 and we are moving in the higher realization of the chlorine as well along with the caustic soda.
- Meherwan Kotwal:** Right and broadly what is our reading of the market, from your comments basically, there are no imports which are coming in I am sure there will be lot of export potential right now also because globally prices are also trending upwards so and of course on third side we have got a lot of capacities which are seemingly coming online may be towards the end of 1Q, beginning of 2Q next calendar year, so are we seeing market has been short supplied at this moment and do we expect this trend to continue or do we see it has been temporary till the time that you capacities come in?
- Maulik Patel:** This is a scenario, which we had not expected, after COVID, that all the manufacturing is coming online, same time the infrastructure spending by all the countries just to boost up their economy, so demand of alumina has gone up substantially, that is the outcome we are seeing it right now. So first of all, Nalco and Vedanta like big customers in India, who are alumina producer, they have stopped buying from import because the import price was much expensive than the domestic price. So that has helped us to running our capacity in an optimized manner. So these all results and affect us on the better in terms of caustic realization.
- Meherwan Kotwal:** Right Sir and any progress on the export front in terms of us wanting to capture some markets globally?
- Maulik Patel:** In Q2, there were some opportunities for the export as the disruptions happen in Hurricane Ida in North America, so it started increasing the export opportunities. Many of the companies has taken the export opportunity but the same time the disruptions also happened in the other part of the countries like China and the demand itself increased in India. So,



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better realizations people are getting in the domestic rather than the export. So people stopped focusing on the export compared to the domestic market, so this is a trend currently right now.

- Meherwan Kotwal:** Great Sir. Thank you Sir. That is all from my side.
- Moderator:** Thank you. We will take the next question from the line of Darshit Shah from Nirvana Capital. Please go ahead.
- Darshit Shah:** Thank you for the opportunity. Sir year-on-year comparison versus last year in Q2 and the realizations in all the caustic soda is up around 28%, chloromethane is up more than 50%, hydrogen peroxide almost flat but gross margin have gone out from around 55% to 45% so that is presumably because of raw material pressures so can you just say where is pressure is coming from and what has led to this decrease in gross margin by 10% year-on-year despite realization being so firm?
- Maulik Patel:** As I mentioned all the infrastructure happened at the same time and after COVID and everything started moving in all economy and also manufacturing activity started on the full-fledge compared to the last year's that was one of the reasons. Actual demand has picked up drastically worldwide, not only in India. So that was the major reason why this is happening. Second thing in terms of volume wise and in terms of value wise also we have grown this financial year because last three years, we have done capex on our caustic soda expansion and the hydrogen peroxide both the plants we have commissioned in the end of Q2 last financial year so that result in terms of volume also, we are seeing in this financial year. So I think because of that, we are seeing a huge growth in terms of the numbers.
- Darshit Shah:** Sir my question was with respect of gross margins being down year-on-year compared to last quarter where it was 55%, this quarter is around 45% despite realization up versus last year Q2?
- Sanjay Jain:** You are rightly observed that our realization has gone up on quarter-to-quarter basis, like 28% jump in realization of caustic as well as 53% jump in chloromethane realizations, but at the same time gross margin is down by 10%. This is mainly on account of input cost which has gone up substantially, if you consider key raw material prices of coal or salt, the salt prices quarter-to-quarter is up almost by 33% and if you look at coal prices that is up by almost 88% so this is the main reason apart from that if you look at our overheads, that is well under control. So basic reasons of down in the margin is input cost which has gone up substantially, pertaining to the coal, salt and ethanol.



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- Darshit Shah:** Despite this raw material inflationary pressure we still seem to maintain that overall EBITDA margin mainly because of the operating leverage tax would probably come in will be in the range of 28% to 32% is that correct?
- Sanjay Jain:** If you look at EBITDA in absolute term it has gone up from Rs.113 Crores to Rs.193 Crores, that is almost up by 71% compared to H1 of last year. But yes if you look at the EBITDA margin we expect that apart from increase in raw material prices, we expect that EBITDA margin may remain in the range of 28% plus minus 2% here and there.
- B Ravi:** What is important at this stage is to understand that the absolute EBITDA is more important than the margins per se, because the new capex which is coming adds to the topline far more and even with the lower margins than as per the existing ones, because asset turnover being higher, the absolute EBITDA is always higher. What you really need to say is along with the margins what has happened to the ROCE if you see ROCE, it will give the right indication and Sanjay if you can tell what the return on capital employed has been and that will be the proper indication.
- Sanjay Jain:** The return on capital employed which was at 16% FY2021 that has jumped to 23% in H1 FY2022 so you can see that what are the return on capital employed was there because the EBITDA profit in the absolute term has increasing from the last year level.
- Darshit Shah:** Sir my last question pertaining to be here lot of companies saying that power, the procurement of coal and all is an issue so do we kind of foresee that issue popping up for us as well or we had confident that there would not be any supply side issues in the coming quarters?
- Maulik Patel:** Coal is global issue right now, not only coal but energy in terms of gas also there is a big concern right now, throughout worldwide. The demand is also accepting whatever the price we are getting increase in the energy that is biggest thing. Second positive point is for us our location. We have strategically located at the western part of India, Dahej PCPIR, where our coal port is only 5 kilometers from our location so there is huge amount of coal is continuously coming and so we do not find any major concern in terms of the supply for the coal. Definitely cost is concern, it is continuously going up but looking at current demand we are able to pass on to the consumer, so this is a scenario right now about the coal.
- Darshit Shah:** Thank you so much for the clarification all the best.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.



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- Giriraj Daga:** Couple of questions from my side. First I would like to understand when will be the cost if I may talk about like per kg kind of performance so as the spread in October being higher compared to September average on a per kg basis?
- Maulik Patel:** Yes, absolutely. As the energy cost is going up definitely we are able to pass on the costs to the consumer. The ECU you will see in the next quarter, it is continuously moving upward month-by-month also.
- Giriraj Daga:** You said that the issue increases higher than the cost increase what we are witnessing on a per kg basis?
- Maulik Patel:** This is continuous plant, as I mentioned but we are able to pass on to the consumers. Definitely we have a backlog of 15-20 days because as everybody knows that this is going to be the situation in coming three, four months. We do not take big orders on a long-term basis and we have become conscious and we buy only for 15-20 days inventory so definitely, we are able to pass on the cost whatever increased in the energy in 15-20 days' time.
- Giriraj Daga:** Second in terms of raw material mix like how much percentage in salt, coal and methanol as a percentage of revenue?
- Sanjay Jain:** The total raw material cost is almost 51% comprises of methanol as well as coal, as well as salt altogether as a company, as a whole against the revenue.
- Giriraj Daga:** But if you can do some break up there between these three items?
- Maulik Patel:** Company as a whole it is 51%. We do not disclose individual items.
- Sanjay Jain:** May be substantial is 40% coal over there and rest is the other raw material.
- Giriraj Daga:** Okay next question is like what is coal sourcing mix, like what percentage is domestic or international and do we also use lignite also in the mix?
- Maulik Patel:** Yes, we do mixing of lignite. But lignite availability is very less so mainly we are dependent on the imported coal, you can say roughly around 90-10 ratiokind of thing.
- Giriraj Daga:** 85% imported and 15% raw material?



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- Maulik Patel:** So we are located in Gujarat and Gujarat has availability of lignite but it is not clean that much quantities available, which can cater to all the users.
- Giriraj Daga:** Thanks a lot. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** Just wanted to understand the capex plan that we have three projects that we are expecting would be commercialize next year and 550-odd Crores capex that we are doing, what is the expected asset turn for this capex that we are doing?
- Sanjay Jain:** The total capex plan for the ongoing expansion which is going on as of now comprises Epichlorohydrin, CPVC and third phase of caustic is round about 700 Crores, out of that 135 Crores we have already incurred in FY2021. This year in the last six months we have incurred round about Rs.230 Crores and we expect that another 120 Crores or 125 Crores may also be there in the second half of this year. The rest will be taken in the next year like Rs.200 Crores in next year. So that is the way we have managed our cash flow and that is the way we planned about the outflow of the projects expenditure. About the topline when we consider the project that time the raw material price what we have considered we have expected that we are going to have topline of Rs.1000 Crores but in today's scenario, if you look at sales realization of ECH and CPVC we are expecting that more than 1700 topline will be there once it commissioned this three plants with optimized level of utilization of full year of operation.
- Alisha Mahawla:** Okay so if I may just clarified 700-odd Crores capex that you are doing on steady state basis the revenue expected Rs.1000 Crores obviously considering elevated realizations that we are witnessing currently it will be much higher. So if we see say that large part of 2000 Crores revenue target we have 2024 is coming from these projects but are we expecting that to be completely utilized in six to eight months to achieve this target?
- Maulik Patel:** Yes, every project has a different timing in terms of the capacity utilization but yes we will be able to utilize completely. I think, we will do reach optimum capacity within six months' time in all three projects.
- Alisha Mahawla:** Sure and the margin guidance that you are giving of 28% to 32% will the three projects help in achieving margins more towards the higher end of this range or any comment on that?



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- Sanjay Jain:** Actually, if you look at the margin, the sales prices include the topline what we have considered at the time of completion of these projects but at the same time if you look at raw material prices that has also gone up almost three times what was there initially at the consume of the project time. so we do not expect any change in the margin as far as the sales price realization is concerned. Margin may remain in the range of 28% to 30% as the company as a whole.
- Milind Kotecha:** Just to add to that, positive point here will be like we are getting into this new project so asset turnover in this projects are higher which will ultimately lead to the higher EBITDA in terms absolute amount so the ROCE, which was on FY2021 16% will move up to 24% or even above that. So the margins will be in the range what we expected by 28% to 32% but ROCE is something which will move up.
- Alisha Mahawla:** Just one last question if I may our current capacity utilization in caustic soda is almost 90%, is this, the peak or can we go higher to say 95% or more, current capacity utilization?
- Sanjay Jain:** As a year as a whole we are going to remain around 90% but as a quarter wise it can vary minor. As you are aware about it we are expanding caustic soda plant along with our ECH and CPVC plant as well so definitely once we commission that plant we will reach from 294000 tonnes per annum capacity to 400000 tonnes per annum in the second half of next financial year.
- Alisha Mahawla:** Thank you Sir.
- Moderator:** Thank you. We will take the next question from the line of Aditya Jhawar from Individual Investor. Please go ahead.
- Aditya Jhawar:** I have a general question talking about the industry sector it is like commodity right, there is no entry barrier each and every company are doing into derivative segment like multiple companies, they are going into derivatives like ECH or chloromethane, based on that they are building the capacity and what MFL has edge so that we enjoys great margins and is it related to the manufacturing unit how it is situated or again the derivative segments, which we are going into, it will be volume based like whoever builds great volume, they will gain market share so can you give some points on this?
- Milind Kotecha:** So caustic soda and caustic potash, the chlor-alkali, we are into that. If you look at the history of Meghmani Finechem we have always maintained and earned the EBITDA margin of more than 32%. So that is because of efficiency and the focus of the company on the plant design where we can actually generate more by inputting less so that is one of the



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edge of Meghmani Finechem where we are doing good even in Chlor-Alkali. But I understand your point where you are coming from that okay, it is Chlor-Alkali so price go up and down, so the margins are higher as good as 47% in FY2019. So we have got into the value added derivative products, like chloromethane and hydrogen peroxide to bring the consistency in our topline, as well as the bottomline so that is there plus another thing, the strength of the company you can see it is a very well invested infrastructure. Generally, you would see a company where you have a small image, but if you come to our plant it is almost 60 hectares of land so management had a vision in 2007 of creating a Chlor-Alkali ecosystem, because we are having Chlor-Alkali and chloromethane and hydrogen peroxide, now we are getting into the CPVC, and ECH so that is where we are doing the Chlor-Alkali ecosystem that is where our efficiency goes up and that is where our margins are constant. Like in FY2021 when caustic soda prices were lowest at that time also we maintained EBITDA margin of 32% because we were in chloromethane and hydrogen peroxide so add to other point in terms of CPVC and ECH like in you would be aware, ECH we are first only in India to do that and that also on 100% renewable resources. So again it adds in a first mover advantage and also a management's vision to do something, which no one else is doing. So that is where continuous innovation in terms of getting into new products is happening, for the company to do continuously well. In CPVC once we commission plant, we will be the largest manufacturer in terms of CPVC Resin. Down the line also, the management has very much clear focus to get into specialty chemicals, where it will serve to agrochem and the pharmaceutical industries. So the focus is more on a proper allocation of the capital so that is focus and that is what is the edge of the Meghmani Finechem.

**Aditya Jhawar:** Okay that was very great Sir. Thank you for that and regarding you said we will be go into agrochem and pharmaceutical it will be like this derivatives or it will be totally another acquisition kind of company where you will expand your space because through this also it is possible that you can go to agrochem and pharmaceutical?

**Maulik Patel:** As a company we have plan to remain only into the agro intermediates or pharma intermediates, we are not aiming to enter into the pharma and agro market.

**Aditya Jhawar:** Intermediates I am asking?

**Maulik Patel:** In last five years lot of specialty chemical company has grown in India as a China plus one strategy, they are getting a lot of opportunity from the multinational companies to set up and a second source from India, not dependent only on China, so it gives a lot of advantage in some of the chemicals. This specialty chemical substance depends on the China and so as a replacement of those molecules, we are planning to set up in India in coming times.



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- Aditya Jhawar:** It not be like some derivatives segments, it will be totally another plant so will be focused on those internet that is longer time vision you are saying after may be 4 or 5 years?
- Maulik Patel:** Absolutely. We are focusing as an integrated complex. We will add on as chlorine derivatives.
- Aditya Jhawar:** Thank you. All the best.
- Moderator:** Thank you. We will take the next question is from the line of Vibha Batra from Fairconnect. Please go ahead.
- Vibha Batra:** Thank you for taking my question. My question is on your long-term vision. You have given turnover vision for FY2024, would it be possible to give what would be your growth rate in that year and to achieve this turnover would you need further capex or the current capex is enough?
- Sanjay Jain:** See whatever we have announced already 695 Crores capex, with that capex only we are going to cross 2000 Crores by financial year 2024 and so we do not need any more capex to reach at this level. But definitely companies continuously looking out for new products, that is also our continuous aim, but once we commission the ECH project then we will focus about the new project in the coming time.
- Vibha Batra:** What would be ROCE when you achieve this kind in FY2024?
- Milind Kotecha:** In FY2024 once we reach 2000 Crores of revenue ROCE will be around 24% or higher than that. I hope I answered your question.
- Vibha Batra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Raj Nahar from Mili Consultant. Please go ahead.
- Raj Nahar:** Thank you. Congratulations on an excellent number. I have some specific questions if you can throw light about current prices ruling for chloromethane and caustic potash and chlorine?
- Maulik Patel:** As I mentioned the infrastructure in the country is growing, after COVID all the manufacturing is on full-fledge and this is not the situation only in India but throughout the world. So the demand of all the products are moving up and add on there is logistic issue



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because of the demand suddenly came after COVID. Many products are import substitute or net import in India like chloromethane India is net importer, caustic soda India is net importer in those kind of product people are finding logistic issue and the demand has picked up so this all gives the caustic soda, chloromethane as well as caustic potash to move upward directions.

**Raj Nahar:** Can you give the specific number for chloromethane, caustic potash and how is the chlorine going up?

**Maulik Patel:** So you need specific price, this is based on the raw material situation currently it is continuously moving and it keeps changing so there is no particular number as of now you can say. Based on the raw material changing like methanol price we change the chloromethane prices, based on the KPL price keep changing we change the KOS price, based on the salt and coal it keep changing, we keep changing. That is the reason why it keeps on moving upwards, yes.

**Raj Nahar:** Can you be specific if it is possible basically there is nothing great about it. Everybody knows in the market from the leader also it is known but if you can throw some specific number which will be helpful, how is the market and how is going to perform in this quarter or the next quarter, if it is possible?

**Sanjay Jain:** In terms of ECU that we have already shared it is around 27000 as on date.

**Raj Nahar:** Current price I am asking Sir?

**Maulik Patel:** Current price if you see of the caustic soda it is on the continuously increasing as I mentioned but it has crossed 60000 per tonne. In chloromethane, as I mentioned it is also net importer. So that price also it is more than 110 and I am talking MDC price.

**Raj Nahar:** Caustic potash?

**Maulik Patel:** Caustic potash price is also based on the KCL and price increase, we are also passing onto the customer it has reached to around 120 levels.

**Raj Nahar:** On the last question just to one lot of new chloromethane capacity is coming is coming and that is a large capacity so is it going to be is also starting so will there be glut clutch situation because a huge capacities are coming?



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- Maulik Patel:** The capacity of chloromethane is increasing in India. It is based on two major sectors because one sector is pharmaceutical division which is growing very fast and as I mentioned the chloromethane India is a net importer so we are irrespective of our Indian capacity is not sufficient as of now so we required a more manufacturing capacity in coming time that is one. Second thing refrigerant gases, India is a hot country and we required continuous air conditioning and that demand is increasing in India so definitely the people are expanding on the refrigerant gases site all manufactures and they also need enough as feedstock as MDC for the new refrigerants which is coming up in coming times. Because of this demand is increasing, people are not only expanding chloromethane but they are also expanding the downstream of refrigerant gases and pharmaceutical intermediates which consumes more MDC.
- Raj Nahar:** Thank you so much and all the best for the coming times.
- Moderator:** Thank you. The next question is from the line of Dr Amit Vora from The Homoeopathic Clinic. Please go ahead.
- Amit Vora:** My question is regarding this price rise of caustic soda in the international market so how much percentage it will see in margins in Q3 an approximate number?
- Sanjay Jain:** Looking at the current situation, the coal prices are moving up simultaneously even the caustic soda prices are moving up so in terms of absolute EBITDA that we have, we can maintain that, we can review that so how far it will go no one knows but one can maintain price hike and coal by absorbing in the selling price.
- Amit Vora:** So you mean say we will be able to sustain in spite of margins of coal being higher?
- Sanjay Jain:** Because of the demand situation it is easily absorbed as the feedstock cost is increased, it is easily absorbed by the customers so definitely we are able to pass on in 15-20 days to the consumers.
- Amit Vora:** Thank you from my side.
- Moderator:** Thank you. The next question is from the line of Sanket Shah from Individual Investor. Please go ahead.
- Sanket Shah:** Congratulations for very good results for the quarter and H1 FY2022. My question again on realization price, I think international prices gone up to \$1000 so as likely mentioned that India prices also in the range of 60K so do you see the price may go down in future or do



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you see that this price may continue to remain at this level so what is your sense on that?  
What is your take?

**Maulik Patel:** In terms of demand we do not see this demand is going to come down very easily, but yes, in terms of the energy prices the situation, which is right now nobody knows till what time it is going to continue like this, but in terms of demand, in terms of infrastructure, in terms of the manufacturing demand in India, we do not see any downward in coming times.

**Sanket Shah:** Sir my next question is on the power mix so can you please let us know how much of our currently power we are having from our own power plant and are we buying anything from the grid or any other renewable sources?

**Sanjay Jain:** The total capacity of our captive power plant is 96 megawatt and running the present plant operation we do not need outside power from grid or something like that but we do have arrangement of sourcing power from grid.

**Maulik Patel:** We have 20 megawatt capacity we can consume from grid and remaining used from the captive power plant so we have that kind of infrastructure as a backup plan.

**Sanket Shah:** Can you throw some light on what was the power that we had in previous quarters and what is the power currently for this quarter?

**Milind Kotecha:** Usually, it consumes from the captive power plant and as Sanjay said we are actually not taking it from the grid majorly almost 90% or 98% will be from in-house so the power cost will be in range with high in the coal price.

**Sanket Shah:** Currently in the range of current quarter power cost would be in the range of 4.5 to 5 because of own power plant? Is it safe to assume?

**Maulik Patel:** As you see people are talking about the coal price increase than the power cost to increase so we are able to pass on to the consumers.

**Sanket Shah:** Okay Q2 price would be in the range of Rs.4.5 to Rs.5 or power rate per kilowatt?

**B Ravi:** These prices can vary from time to time depending on coal may be today it could be around Rs.6 or coal comes down it could go back to Rs.4.5 levels. Generally the prices are around what you said but if you are really to take it from the grid, it is about Rs.2 ahead than this.



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- Sanket Shah:** Understood can I just get a sense on Q2 right so I can begin build on that what will be the rate addressing the coal price?
- Sanjay Jain:** Actually captive of power may be around 6.5 but as Ravi said that the different between the power which we source from outside vis-à-vis our own generation differences Rs.2 to Rs.2.5 as of now.
- Sanket Shah:** Sir my next question is on the chlorine so can you please let us know how much chlorine currently we are captively consuming and how much chlorine we are selling it to outside market?
- Sanjay Jain:** Actually right now we are producing 294000 of capacity than caustic again and we are getting round about 260000 tonnes of chlorine, out of that we are looking to infrastructure and looking to value addition derivative productions, we have round around 60% in house consumption but once we commission the ECH and CPVC the consumption in house consumption will go up a little bit 10% plus over there.
- Sanket Shah:** Okay so it will be 10% in house including the cost capacity which we are adding so it will increase up to 70%?
- Sanjay Jain:** Yes on the enhanced capacity of caustic.
- Sanket Shah:** Okay and any pipeline sales, are we adding any pipeline sales also?
- Maulik Patel:** Yes we have pipeline sales of chlorine couple of customers we are getting by pipeline.
- Sanket Shah:** Okay and what would be approximate percentage of pipeline sale?
- Maulik Patel:** This 50% which Sanjay mentioned is including pipeline customers.
- Sanket Shah:** Thank you Sir that is from my side. Best of luck for the next quarter. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rohit Nagaraj from Emkay Global Financial Services. Please go ahead.
- Rohit Nagaraj:** Sir in terms of our caustic sales how much of it is usually contracted and how much of it is spot because given that price rise has happened completely it would not be accruing to us because there will be some contractors sales which we have negotiated earlier and



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obviously for those margins will be on a normalized basis and for spot sales we will have higher margins so how is the arrangement generally on the contractor side? Thank you.

**Maulik Patel:** Normally, it depends on the company to company, some of the big multinational, some of the big companies, they do a quarterly contract so, we have a maximum up to two months or three months contract with a big company and over and above, in current situation, many companies wanted to do quarterly, because to just to secure the raw material, and everybody knows about the energy prices, what is going on, but we are not entertaining those customer who wanted to enter. who never purchased in the past in terms of quarterly contract. But with the customer in the big companies were buying with us since many years with a quarterly contract, we are supporting them in terms of the current pricing. Around 80%, we have on the spot and the 20% based on the quarterly contract in the current situation. Many companies right now, approaching us for the quarterly contract to secure their raw materials, but as we are not aware about the current situation, what is going on in the coal and we are unable to pass one immediately, so we do not entertain those kind of customers right now. We deal maximum with monthly basis with them.

**Rohit Nagaraj:** Fair enough and have been started any exports given that the environment is positive, and the demand is also there?

**Maulik Patel:** Currently, we are not focusing on the export because we export purely on the realization point of view. So we add the logistic cost then we think it makes more sense to sell in the domestic or export. So currently because if it is export FOB, then definitely people are not ready to take it that, then we do not entertain those customer. But in terms of FOB people are ready to take with us then we entertain them but it is purely based on the realization. How much realization we are going to get if it is realizing affecting the domestic prices we are not entertaining any of those kind of export, we are not interested and we are not preferred to do export, if we are not getting better realization than the domestic. We take a call based on the realization. We do not have any preference for the export or something.

**Rohit Nagaraj:** Got it. Thank you so much and best of luck.

**Moderator:** Thank you. We will take the next question from the line of Dr. Amit Vora from The Homoeopathic Clinic. Please go ahead.

**Amit Vora:** Thank you for taking my second question so what I would like to ask us that apart from the coal price rise and other input cost, do you foresee any other risk for the future for the company?



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- Maulik Patel:** We see that in the current situation, we are able to pass on the hike in the cost to the customer. But if the price will go down, definitely till what time it is going to be, so we try to avoid the long-term contract with the customers. In terms of the working capital utilization, raw material price are almost double than what was in the last quarter so definitely in terms of working capital utilization that is one particular thing which we see is not from our side. We see, that is going to be the one particular problem we can see in the future.
- Amit Vora:** Any idea how do you plan to address that risk?
- Sanjay Jain:** Just to add of that in the coming quarter we expect that there will be challenges from the working capital utilization looking into the prices which is going substantially on the higher side but for that also we have planned, we already close to increasing our existing limits from one level almost double from the existing level.
- Maulik Patel:** As a backup plan, we already applied to the bank and they have approved in our limit so I do not think so we face any issue but yes that is going to be global issue with each and every customers because as the price of the many chemical products are growing almost two times or three times, definitely everybody might face issue in the coming times about the working capital.
- Amit Vora:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Meherwan Kotwal from B&K Securities. Please go ahead.
- Meherwan Kotwal:** Sir just wanted to understand what would be our current mix between flakes and lye overall mix for caustic soda especially and second question is that have prices of caustic soda so started hitting the higher prices which caustic players have been enjoying for the last month or so? What is the breakup between the caustic soda flakes and caustic soda lye in our current mix and my second question was that have prices of caustic soda lye because I think that was feedback some companies were sharing that lye prices have not moved up to the same extent as flake prices so would there be a fair assessment or now seeing even lye prices that we contracted at a much higher rate?
- Maulik Patel:** This situation of caustic soda lye and flakes it keeps changing. So lye is mostly traded product worldwide, in the bulk shipments, you cannot do it flakes. There is a limitation because the the solid product, and the logistic issues, which right now every country is suffering. Definitely but we have a capacity of 800 tonnes of caustic soda lye out of so we



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can manufacture 200 tonnes of flakes that is our production capacity but as if we do not get enough delta in the caustic soda flakes, we try to sell more hydrogen in the market so we keep evaluating how much value added product like caustic soda flakes we are getting in terms of realization and based on that we decide whether you wanted to make flakes or we want to reduce the capacity of flakes so we do not, it is not fix that we can run our plan on continuously on 200 tonnes per day which is our production capacity. We keep changing based on the realization of the caustic soda flakes versus what we are getting it additional sales from the hydrogen selling in the market.

**Meherwan Kotwal:** Right Sir so but right now what would spread between flakes and nice in our selling mix, how much would lye be lower as compared to flakes?

**Maulik Patel:** Sir currently out of 200 tonnes per day capacity we are running around 150 tonnes per day plant on based on the caustic soda flakes. So we are running 50 tonnes per day less and then we are selling more hydrogen so I think you can able to understand that the caustic soda lye has a better realization as on today so it is keep changing so we can change this plant is in on the daily basis as well as, so it is a completely automized plant. So it is nothing, it can fix for a month or for a week or something like that.

**Meherwan Kotwal:** Right Sir. Sir my final question is that we ran our hydrogen peroxide unit also 85%-90% capacity utilization for this quarter. So how do I read it to the margin profile of this business? Is it much higher in terms of EBITDA margin as compared to our overall EBITDA or is it more or less similar?

**Maulik Patel:** It is definitely EBITDA margin will keep changing in the products but as our overall product portfolio, we have given overall view that we will keep 28% to 32% EBITDA level as a company as a whole so individual EBITDA of the particular product we are not discussing in the common forum.

**Meherwan Kotwal:** Sir how much would be capex that put on this hydrogen peroxide unit totally?

**Sanjay Jain:** Hydrogen peroxide total capacity of 60,000 TPA is created from capex of Rs. 225 Cr

**Meherwan Kotwal:** Thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Manish Bohra from Param Capital. Please go ahead.



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- Manish Bohra:** You said that 40% of our requirements of coal as a percentage of raw material majority coal so like you said in the fuel mix 85% coal and 15% lignite so just wanted to know like out of that it is 85% how much it coal is imported and how much has been domestic?
- Sanjay Jain:** I think Maulik already answered that it is mix of coal and the imported coal as well as lignite 10% to 15%.
- Sanjay Jain:** We have coal imported over there and 15% round about is there which we are using as lignite so the ratio you cannot say 85% to 15%.
- Manish Bohra:** Okay so basically 85% of imported coal and 15% domestically met?
- Milind Kotecha:** In terms of coal, the whole coal is imported, and that is Indonesian coal.
- Manish Bohra:** Thank you so much Sir.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management for closing comments. Over to you Sir!
- Kaushal Soparkar:** In conclusion, let me highlight that MFL is very well suited for numerous end user segment. Our roadmap for our near term as well as long-term appears promising as we incorporate new downstream and value added product offering and also strengthening our exiting platform resources. Once again, I would like to thank you ladies and gentlemen, for joining us today. If you have any further questions, please feel free to contact our investor relations team. I would like to wish you all a Happy Diwali and Prosperous New Year on behalf of Meghmani Finechem Limited. Thank you very much once again.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.