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**MEGHMANI FINECHEM LTD.**

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To

National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (East) <u>Mumbai 400 051</u>	BSE Limited Floor- 25, P J Tower, Dalal Street, <u>Mumbai 400 001</u>
<b>SYMBOL:- MFL</b>	<b>Scrip Code 543332</b>

Dear Sir/s

**Sub:- transcript of the concall held on 11th November 2021.**

We forward herewith transcript of a Conference Call on strategic update held on **11th November 2021** for information of members.

Thanking you.

**Yours faithfully,  
For Meghmani Finechem Limited**

*KD Mehta*

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



Encl: As above



“Meghmani Finechem Limited Conference Call hosted  
by Go India Advisors”

**November 11, 2021**



**MANAGEMENT:** **MR. MAULIK PATEL – CHAIRMAN AND MANAGING  
DIRECTOR, MEGHMANI FINECHEM LIMITED  
MR. KAUSHAL SOPARKAR – MANAGING DIRECTOR,  
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MR. B. RAVI – MANAGEMENT ADVISOR AND  
ERSTWHILE CFO OF ADANI PORT  
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**MODERATOR:** **MS. SURABHI SUTARIA – GO INDIA ADVISORS**



*Meghmani Finechem Limited  
November 11, 2021*

**Moderator:** Good Day, Ladies and Gentlemen and a very warm welcome to the Meghmani Finechem Limited Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. I now hand the conference over to Ms. Surabhi Sutaria from Go India Advisors. Over to you, Ma'am.

**Surabhi Sutaria:** Thank you Good afternoon everybody and welcome to the strategic update call for Meghmani Finechem Limited. We have on the call Mr. Maulik Patel – Chairman and Managing Director, Mr. Kaushal Soparkar – Managing Director, Mr. Sanjay Jain – Chief Financial Officer, Mr. B. Ravi – Management Advisor and erstwhile CFO of Adani Port, Mr. Milind Kotecha – Investor Relation Officer.

We must remind you that the discussion on today's call may include certain forward-looking statement and must be therefore viewed in conjunction with the risk that the company faces. May I now request Mr. Maulik Patel to take us through the agenda for this call subsequent to which we will open the floor for Q&A. Thank you and over to you, Sir.

**Maulik Patel:** Good evening everyone and thank you for sparing time for the concall at the short notice. I am sure you all would have got a chance to review the presentation that we had shared. Let me give you brief overview about it. We are pleased to announce that we are expanding into Chlorotoluene and its value chain. It will produce intermediates for manufacturing pharmaceutical and agro chemical ingredient which are amongst the fastest growing segment. This facility will be set up in existing chlor-alkali complex Dahej. The project CAPEX of Rs. 180 crore will be fully funded through internal accruals, expected revenue from this project would be around Rs. 300 crore with EBITDA margin around 28% to 32% which is in line with companies overall margin.

Absolute EBITDA will be high considering the high asset turnover ratio of 1.6x which will ultimately lead to ROCE of around 30% and this will boost up the expected ROCE of 24% by its financial year 2024. Also, debt-to-EBITDA will improve with this new product and the project is expected to commission by Quarter 4 financial year 2024. This is a new set of opportunity for value addition of chlorine for completely new vertical. This facility will be facilitating with various reaction capabilities. It will be the first time in India as such kind of intermediate facility which will be backward integrated with toluene chlorination plant. This new reaction capability will enhance our product offerings and strengthen customer relationships thus driving future growth of the company. This facility will create a significant benefit as India is looking forward to strengthen its position and market share in global supply chain that are looking to source from fully integrated players with no dependency on China.



*Meghmani Finechem Limited*  
*November 11,2021*

Indian Chlorotoluene and value chain products demand are fulfilled through imports and hence this facility will cater the requirement for domestic as well as export market. This will also contribute in Make in India initiative to become Atmanirbhar Bharat launched by our visionary honorable Prime Minister. Along with this project MFL is also announcing investment in setting up a world class research and development center in Changodar Ahmadabad. It will help the company identify new molecules in Chlorotoluene ecosystem and further strengthened the fully integrated facility. This investment in R&D center will be foundation for the next phase of growth of specialty chemical markets. We are extremely excited about the new project which further strengthened our product portfolio and makes us a diversify and fully integrated specialty chemical player. Our focus at MFL is to create a superior shareholder value and this new high ROCE product and setting up R&D center is a step in that direction. Thank you. So, we can start Q&A.

**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 Srishti from Wellwin Consulting. Please go ahead.

**Srishti:** Sir first I would like to know about the export opportunities are we looking at exports also and how much of chlorine production will not be used in house and how much will be left for sales and second would be whatever competitive advantages and who are the main suppliers currently for the company?

**Maulik Patel:** This is very good question, just let me brief you about, because of China plus one strategy, all specialty chemical company they got a huge opportunity and looking at the PLI scheme in the chemical segment, in the pharma segments, more and more units are coming up and all multinational they are giving a lot of projects not only to China, but India as well. So, more and more opportunities diversifying from Europe or from China towards India. So, in last five years if you see Deccan Fine Chemicals, SRF, PI industries and all pharma companies who are producing new APIs, all agro companies which is giving contract manufacturing to the Indian manufacturing, lot of Indian manufacturing company is getting listed in recent times, but there ingredients are dependent on China. So, this Chlorotoluene opportunity we are doing first time in India and it is a replacement of their dependency from China and the Western part of the countries. The same time we are also able to export these products to the manufacturing facility in Europe. There are some manufacturing they are still continuing in Europe for the European manufacturers so they are our customers going to be in the future for this product line. This specialty chemical companies which are available in India and which is growing at a faster pace in India. So these are all our customers going to be in future. Your question about the chlorine you know so chlorine because we are doing this project in a completely chlor-alkali ecosystem as a backward integration and we have captive chlorine including the ECH, CPVC will be commissioned probably in the beginning of next financial year and this will be commissioned by financial year 2024. So, if you consider including this project, we will be



*Meghmani Finechem Limited  
November 11,2021*

more than 50%, around 55% will be the captive consumption and including the pipeline customer the chlorine will 70% of our capacity.

**Srishti:** And who are the main suppliers of raw materials for this?

**Maulik Patel:** Toluene is a major raw material and other is chlorine. So, chlorine is completely in house by pipeline and all other utilities, we already have an infrastructure since many years. So, that is the same utility infrastructure we are going to use in this along with chlorine. Toluene we are going to procure it from the outside company including Reliance or IOC or other companies in India or we can also import toluene from other countries. So, it is a mix and match depends on the price and strategy.

**Moderator:** Thank you. The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

**Bhavesh Chauhan:** Sir my question is in terms of EBITDA margin for this project we have given between a range of 28% to 32% which gives us a very strong ROCE of 30%, so my question is on what realization are we assuming because we believe today the chemical price have gone up extremely I mean last one year have been very good for prices what is the realization that we are assuming and how this product realization can fluctuate and also in terms of wider range how much EBITDA margin can we make?

**Maulik Patel:** So, Bhavesh it is a very good question you asked. In the current time where all the chemical products are sky rocketed and the demand is also very high. So, at this juncture we do not calculate forecast price of the project or the EBITDA of the project. So, we are considering one year before situation, based on that we have considered everything, because any chemical project will be feasible as on today's situation, but as everybody knows that current situation is not going to continue for in the future in the same manner. So, we consider last five years excluding the last financial year and then we do analysis and then based on that we have calculated this.

**Bhavesh Chauhan:** And in terms of clientele are we going to find the client after we commence our plant or we have some readymade client base where we are already in talks with them?

**Maulik Patel:** No, this is a mix of product, this is not a dedicated product or one single product will be coming out from this particular complex. So, it is multiple products, so it is not going to be dependent on the one particular customer. Various customers depend on their end molecule of agro chemical and the end molecule of pharmaceutical they will procure multiple range of products. So, we are going to cater them because currently they are highly dependent on the import, they are not having a domestic manufacturing of this molecule as of now. So,



*Meghmani Finechem Limited  
November 11,2021*

definitely we do not have tie up right now, but everybody in the chemical segment are looking for a local source.

**Bhavesh Chauhan:** So any idea I mean it is a good which other Indian company would be manufacturing these products?

**Maulik Patel:** Actually, this chemical is a huge in a general word. Multiple products you can manufacture from this range. So, as of now nobody knows which product other companies are going to manufacture, we have no idea. So, definitely as of now we are going to be the first one to establish this plant in India, but as a downstream manufacturing there are small scale companies, they are manufacturing, they are importing some raw material and they are just adding one step. But we are going to be completely backward integrated and we are not dependent on anything on the import for this product range, but there are small couple of manufacturers, who are manufacturing in this product line, but it is not the substantial quantity as well.

**Moderator:** Thank you. The next question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

**Nirav Jimudia:** Sir just wanted to understand the market for this products in India so since totally they are being imported to India and we are the first to setup this capacity if you can help us explain what is the market size in India currently and at what rate it is growing and a related question would be so are we planning to produce the entire range of Chlorotoluene including para, meta, 2,4-dichlorotoluene or first we will start with one and then probably with the success of one we will move down the value chain?

**Maulik Patel:** This market, as I have explain, because of the specialty chemical is growing in India and I think this specialty chemical segment has a highest market share from the world market compared to the other chemical, so this market has grown in a double digit in India since last five years data. In the coming times also it will be sustained in the double digit growth for this range of product. The global market is not growing same as Indian market because last five years the Indian market is growing exceptionally well. So, this will continue in India for next five years at least and overall the international market this growth is about around 8% to 9%. You rightly said for the product which we are going to manufacture. In the chlorination section we are going to manufacture everything and the downstream product we are going to select which product we wanted to manufacture. So, that we have identified, but we will not be able to disclose in the common forum, as of now.

**Nirav Jimudia:** And sir one more question so if you can quantify the tonnages like in terms of the Indian market in terms of tonnages or in terms of some indication in terms of absolute amount in terms of rupees, crore the market size in India that would be helpful?



*Meghmani Finechem Limited  
November 11,2021*

**Maulik Patel:** You have given couple of products name, three products, but there are multiple products in this range and for each product range there is a huge market and that market is growing in double digit. So, it is very difficult to generalize like a bulk chemical, that this much capacity we are coming. This is very complex chemistry and we are coming in the full range. So, it is very difficult to answer in one line like a caustic soda capacity or chloromethane capacity or hydro peroxide capacity.

**Nirav Jimudia:** And sir last question would be if you can help us understand the affluent part, so how we are able to treat the affluent coming out of this new product range because then probably we have to set up the separate affluent treatment plant and that can be a separate CAPEX for this and this 180 crore CAPEX includes everything so far as affluent treatments are also concerned?

**Maulik Patel:** So, normally whoever is finalizing new capacity they evaluate this point as a topmost priority and based on this everything calculated backward in terms of the CAPEX. So, definitely in 180 crore we have already calculated, some part of the affluent. It is the chlorination reaction so we are going to generate the HCL. So HCL infrastructure already we have it in our existing infrastructure so that we do not need to invest, only affluent plant that we need to take care and that is based on what kind of downstream we are going to select based on that we are going to invest in the affluent treatment as well.

**Moderator:** Thank you. The next question is from the line of Anil Sharma from AB Capital. Please go ahead.

**Anil Sharma:** Just a couple of questions from my side so I wanted to understand like in terms of this particular value chain how much with the derivative segment contribute to our revenues and will you be able to sell it to the existing customers that we have and if you can please provide a brief or some light how will we source the raw materials for this value chain?

**Maulik Patel:** The major raw material for this is toluene which is coming mainly from Reliance in Gujarat or from import, because our plant is at coastal. Many people who are consuming toluene they are making dual policy either they will buy a partial quantity, they will buy from the local source and partial they will buy on the import. So, we will use the same strategy in the future and for the chlorine and other utilities definitely we already have the infrastructure in our existing complex and we are going to use that. Another question about the customer, for this customer definitely it is not going to be the same customer what we have already and we are going to introduce this is to the new customer which is agro chemical companies and the pharmaceutical companies. Definitely we do have a pharmaceutical and the agro chemical customers, but this is little bit on the specialty side, so definitely the purchase team of the existing customers, existing products and the specialty chemical is always different. So, the customer will be the common, but the purchase will be in a different way we have to make an effort for this products.



*Meghmani Finechem Limited*  
*November 11,2021*

- Anil Sharma:** Is it contribution about the revenue?
- Maulik Patel:** So contribution for this as we have already mentioned after the Chlor-alkali segment and the derivative segment which ECH and CPVC even after our expansion of caustic soda plant our revenue more than 50% revenue from the derivative segment as we have announced in the past. So, definitely this will add up in that and in the future if you add this revenue of 300 crore definitely it will be more than 55% in the future from the specialty chemical and derivative segment together.
- Anil Sharma:** And another aspect sir I wanted your opinion on so this will be Grasim has also added chloromethane capacity and some of our competitors are also adding ECH, so here I wanted to understand our first mover advantage how does it protect us from the apply pressures coming in as the demand is still pretty low?
- Maulik Patel:** Mr. Anil this is chloromethane you are talking about and we are coming with a Chlorotoluene so this is a specialty chemical segment and as of now in India nobody is there and we are going to be the first one in India to setup this plant. So, you are talking about chloromethane which is completely different which we already commissioned the plant in 2020.
- Moderator:** Thank you. The next question is from the line of Prateek an Individual Investor. Please go ahead.
- Prateek:** I just have one question it is mentioned that we will be the first one in India to do this manufacturing and Meghmani would be the first company to manufacture it and we also understand that it is not completely reliant on selling the product in the market it is a backward and forward integration so consumption will be there, just wanted to understand in terms of selling it to the open market rest of the all of the people who are importing it today what will be the unique selling point in terms of selling it to the Indian market and exporting it when Meghmani is doing it, will there be any kind of unique selling points for this product in terms of quality or lower cost, can you elaborate on that please?
- Maulik Patel:** In today's time everybody is facing a logistic problem in India because everyone knows that the logistic is a major concern for everyone so if people need to plan well then they need to plan earlier they used to import and they plan it in 30 days now it takes minimum 60 days. So definitely the people prefer to have a local manufacturing and people now understand the local manufacturing strength and they would like to procure from the local. So, this is now going to be the very unique because everyone wanted raw material toluene we are going to source from locally as well as import. So, same way people will keep the two source at least one will be local and one will be import. So, this is going to be the huge help to the local manufacturing and they can increase their efficiency by having their local source.



*Meghmani Finechem Limited*  
*November 11,2021*

**Prateek:** Are there any special logistic considerations in terms of transporting this product from one location to another?

**Maulik Patel:** No, this is not very hazardous, in terms of toxic, so to the small manufactures it can be transferred in the drums, like a liquid drum in a 200 liter drums and if any bulk customer will be there and it will be transferred in a tanker. So, majority of the products are liquid so it is very easy to transport.

**Moderator:** Thank you. The next question is from the line of Shristi from Wellwin Consulting. Please go ahead.

**Shristi:** I just had a small follow up question the more products are possible using the remainder chlorine and also do we have space to increase caustic capacity beyond the current expansion at the same side?

**Maulik Patel:** You must be knowing that we have started a chlor-alkali caustic soda plant in 2009 and that time our capacity was 150,000 tons and then we have debottleneck to make it 176,000 tons then in 2019 we have expanded further to 294,000 tons and currently along with our ECH and CPVC expansion where we are consuming chlorine and hydrogen and caustic soda captively we are increasing further to 400,000 tons per annum. So, every expansion of derivatives we are also expanding our backward Chlor-alkali, which is our strength. So by next year we are up and running 400 KT plant of caustic soda and further there is always a chance of debottlenecking the plant, but that we have not explored. Once we commission the plant of 400,000 KTA next financial year probably after that we will do a further study and then we will announce if required.

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

**Maulik Patel:** Thank you for all the participants and if you have any further questions you can be in touch with our IR team and we are here to answer all your questions anytime. Thank you all.

**Moderator:** Thank you very much. Ladies and gentlemen on behalf of Go India Advisors that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.