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"The Company's Strong Product Portfolio Acts As The Current Growth Driver"

What is your outlook on the global and domestic speciality chemicals sector?

The important aspect of chemicals and speciality chemicals is that it is the basic block-building resource for a plethora of manufacturing industries. Pharmaceuticals, agrochemicals, textiles, paper and pulp, oil and natural gas, additives, cosmetics, food and beverages all leverage speciality chemicals for their sustenance. As per a recent forecast, the global speciality chemicals industry is set to grow from USD 641.2 billion in 2021 to USD 882.6 billion in 2028 at a CAGR of 4.7 per cent.

We believe India is a consumption story and hence the demand for all the consumption items is going to increase substantially. Moreover, through PLI schemes there is a boost to various manufacturing facilities in India and this will ultimately lead to high demand for chemicals and speciality chemicals. Hence, we see very good scope for the chemical segment in India. Also, globally every country is spending on infrastructure for their respective economy to boom and hence that will again boost the demand for the chemical segment. Additionally, as the world is looking for China plus 1 substitute, India is perfectly placed to get the benefit of the same.

Net profit of Meghmani Finechem rose 183.77 per cent to Rs 69.73 crore in the Q3FY22 against Rs 24.57 crore recorded in Q3FY21. What factors have contributed the most to help you outperform?

Two factors have contributed to the increase of PAT by 183.77 per cent. The largest contributor is the increase in the realization of all the products for Q3FY22. Though there was inflationary pressure on the input cost, but because of good demand, the hike in raw material was set off against the realization price. The second contributor was the increase in the volume of hydrogen peroxide, the capital expenditure we did in hydrogen peroxide is giving fruits in FY22. So, the capital expenditure we did in the past has led the growth in FY21 as well as in the ongoing FY22, and the current capex that we are doing will lead growth in the coming years.

Are you implementing any cost rationalization measures to safeguard profit margins from inflationary pressure on raw material prices, primarily coal?

Cost rationalization is the top priority and is in the culture of the company, irrespective of inflationary pressure on the raw material prices. We take various measures for cost rationalization, such as:

1. Using best technology – for better output from less input.
2. Very well integrated plant.
3. 50 per cent of the co-products generated are used for value-added products.
4. Serving customers next to our plant through a pipeline – saving on logistic cost.
5. Plant design for better efficiency and less wastage.
6. Strategic location of the plant, close to raw material requirements and customers.

Even after these steps, there are situations like what everyone faced in terms of a rise in coal price. But a hike in the prices of raw material was absorbed by the increase in the price of finished goods, as the demand for all products is very robust and we expect that to continue for the time to come.

What are your growth triggers?

The company's strong product portfolio acts as the current growth driver: chlor-alkali, chloromethanes and hydrogen peroxide. Demand for all these products is high and it is expected to be at this level in coming years and hence there will be growth led by these segments. Also, this is the year when our hydrogen peroxide plant will be utilized for an entire year. Medium-term growth drivers are the new product segments we are entering, i.e. epichlorohydrin (ECH) and CPVC resin, and additional capacity expansion in chlor-alkali production. ECH is currently fully imported in India and we will be the first in India to manufacture the same, it is expected to grow at 15 per cent CAGR.

CPVC resin's 95 per cent demand in India is fulfilled through importing and the demand for the same is expected to grow at a CAGR of 13 per cent. Hence there is vast scope in these two products. Full utilization of existing capacity and new capacity additions will lead to further growth. For long-term growth, the management is strategizing to get into more speciality chemicals, which will improve our margins and be based on our core strengths (fully forward and backward integrated plant) hence further improving our efficiency. We have announced to get into chlorotoluene and its value chain and setting up an R&D facility as a step toward strengthening our position in speciality chemical which will be our long-term growth driver.