

Meghmani Organics Limited



Market Cap	₹ 2,878 Cr.	Current Price	₹ 113	High / Low	₹ 152 / 88.5
Stock P/E	8.32	Book Value	₹ 63.1	Dividend Yield	1.24 %
ROCE	24.1 %	ROE	22.6 %	Face Value	₹ 1.00
Pledged percentage	0.00 %				

Shareholding Pattern:

	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022
Promoters +	51.51	49.36	49.41	49.29	49.37
FIs +	1.34	1.25	1.25	1.44	1.64
DIs +	0.00	0.00	0.00	0.00	0.08
Government +	0.00	0.00	0.04	0.05	0.05
Public +	47.14	49.38	49.29	49.23	48.87

Source: Screener.in

About the Group: The Meghmani group was established in 1986, promoted by Mr. Jayanti Patel, Mr. Ashish Soparkar, Mr. Natwarlal Patel, Mr. Ramesh Patel, and Mr. Anand Patel. The group manufactures green and blue pigment products, which are used to manufacture printing ink, plastic, paints, textiles, leather, and rubber. It also manufactures a wide variety of commonly used pesticides for crop and non-crop applications. The latter includes insect control in wood preservation and food grain storage.

MOL mainly operates in 3 segments: [Pigments](#), [Agro-chemicals](#) & [Titanium Dioxide](#)

[Pigments segment \(30% of Overall Company Revenues\):](#) Within Pigments, MOL specializes in green and blue pigments, which have varied end user applications in printing inks, paints and coatings and plastics. MOL has 3 Pigment manufacturing facilities at Vatva, Panoli and Dahej SEZ in the state of Gujarat. A majority of its Pigments are exported and about 80% of its pigment revenues come from exports. **MOL is the largest producer of copper phthalocyanine (CPC) blue and is among the top 3 pigment blue players globally, and enjoys long-standing relationship with key customers.**

[Titanium Dioxide \(TiO₂\) \(White Pigment\) Segment:](#) MOL, through the acquisition of Kilburn Chemicals under NCLT order, has also ventured into the manufacture of TiO₂ which is a white pigment primarily used in paints and coatings industry. There is a large demand supply gap in India in this segment due to limited number of players. **TiO₂ is an import substitute and finds application in mainly Paints, Coatings, Plastic, Ink, Dyes, Paper and Cosmetics.**

[Agro-Chemicals segment \(70% of Overall Company Revenues\):](#) MOL is also a leading agro-chemical manufacturing Company with significant presence worldwide. It has a strong customer base includes prominent MNC's and extends to more than 75 countries globally. MOL manufacture three broad categories of Agrochemical products, namely, pesticide intermediates, technical and

formulations. Its agrochemical products find primary application in Crop Protection, Veterinary, Public Health and Wood Protection.

In agrochemicals also, the group is among the largest manufacturer of pesticides in India having presence across the value chain in both technical and formulations. The group has more than 30 brands of various pesticides formulations in India.

KEY STRENGTHS:

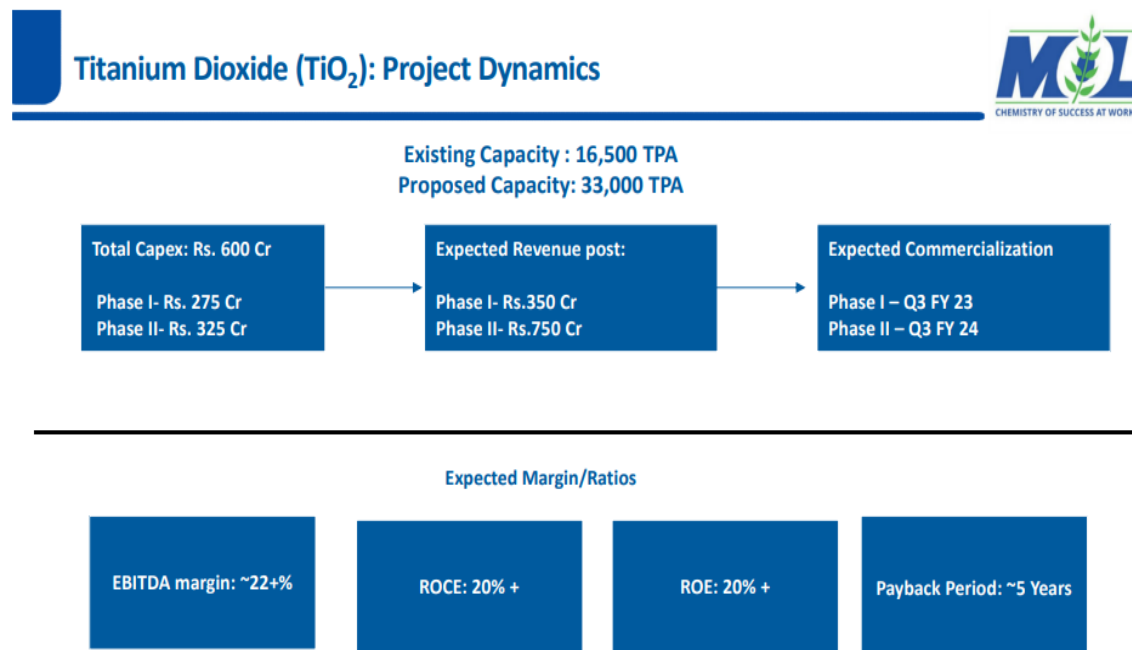
Integrated operations, leading to cost advantages: The Meghmani group has integrated backwards into manufacturing CPC blue, resulting in considerable savings. In its agrochemicals business, the group has facilities for manufacturing cypermethric acid chloride, meta phenoxy benzaldehyde and meta phenoxy benzyl alcohol, which are key intermediates in crop-protection products, thus reducing reliance on import.

Focus on Import Substitution products like TiO₂: India's total production Titanium Dioxide (TiO₂) capacity: 81,000 MTPA with 80% demand fulfilled by imports. India's Titanium Dioxide (TiO₂) expected to grow at 4.2% CAGR reaching 3,00,000 MTPA by 2026. MOL forayed into white pigments (TiO₂) by the acquisition of KCL.

KEY CONCERNS:

Large working capital requirement: MOL has large working capital requirements as its key businesses are seasonal. A large proportion of agrochemical sales in the domestic market and pigment sales in the overseas market are made in the second and fourth quarters, respectively, of the fiscal. Although export partially offsets dependence on the seasonal domestic agrochemicals market, it exerts pressure on working capital management as the group has to provide credit of 3-4 months to overseas clients, resulting in large receivables.

Proposed Capex Plans:



MOL has planned a capex of around Rs, 350-750 Crores up-to fiscal 2025. **Expected EBITDA Margins from this segment is +20%** compared to current 9% from the Pigment segment. Apart from Capex in TiO₂ segment, **MOL has commercialized their newly MPP (multi purpose plant) in the current quarter.**

Sub: Commencement of Multi Product Plant at Dahej, Gujarat

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), we are pleased to inform that the Company has commenced backward integrated Multi Product Plant situated at Dahej, Gujarat on 09 November 2022 to manufacture high value insecticides. This initiative is in line with Atmanirbhar Bharat initiative by Govt. of India and is in continuation to our strategic decision to meet growing agrochemical demand in domestic and Global market. The total capacity of this Plant will be 5000 TPA and total turnover of this Plant will be Rs. 600 Cr. plus on full year of operation.

The disclosure as required under Schedule III of the Listing Regulations read with SEBI Circular No. CIR/CFD/CMD/4/2015 dated 09 September, 2015 is disclosed hereunder:

Name of Products	:	Lambdacyhalothrin Tech, Flubendamide and Beta Cyfluthrin, Cyfluthrin and Spiromesifen
Date of Launch(commencement)	:	09 November 2022
Category of Product	:	Insecticides/Agrochemical Products
Whether caters to domestic/international market	:	Both Domestic and International Market
Name of countries in which the product is launched (in case of international)	:	NA.

Management Guidance:

Pigments

- Among Top 3 producer of phthalocyanine pigments globally
- Continue to focus on increasing domestic presence and capture market share
- Expanding into new geographies
- Diversification into new and lucrative white pigment TiO₂.
- **The management eyes a revenue target of Rs. 1,500 Cr by FY25 for the Pigments Division**

Agrochemicals

- MOL's backward integrated facilities ensure sustainability and lower dependency on raw material prices from China
- Completed projects in FY21: 2,4-D Capacity addition of 10,800 MTPA and new formulation plant to cater the growing agrochemicals demand in the domestic and global market
- New Multipurpose plant (MPP) at Dahej expected to be commissioned in Q3 FY23
- Expand branded products portfolio to penetrate into the growing domestic market
- **The management eyes a revenue target of Rs. 3,000 Cr by FY25 for Agrochemicals Division**

Profit & Loss Statement:

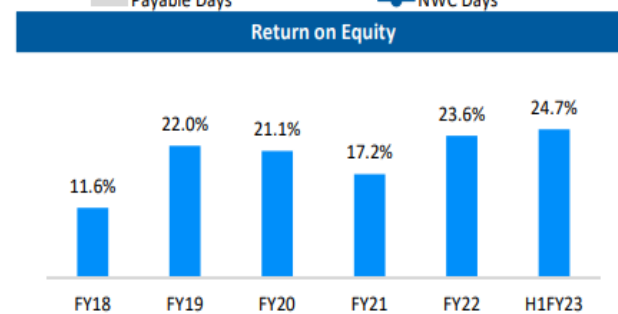
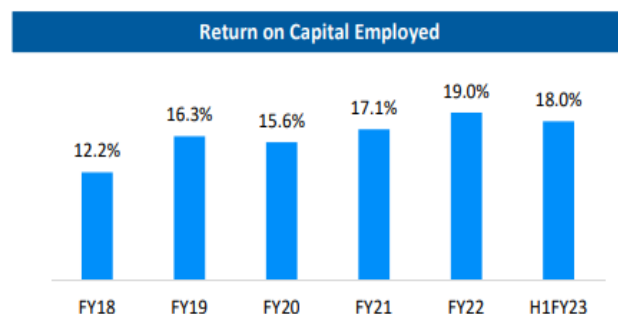
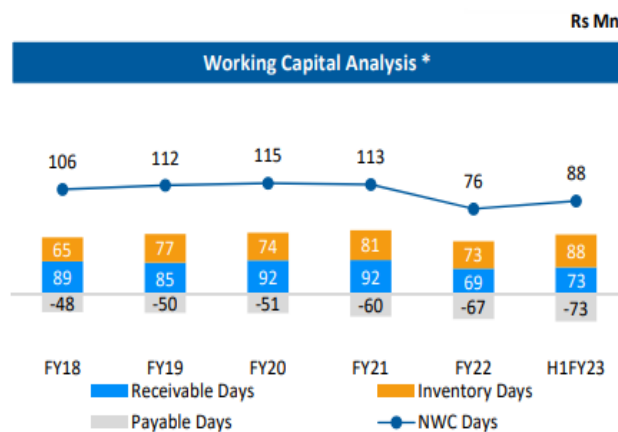
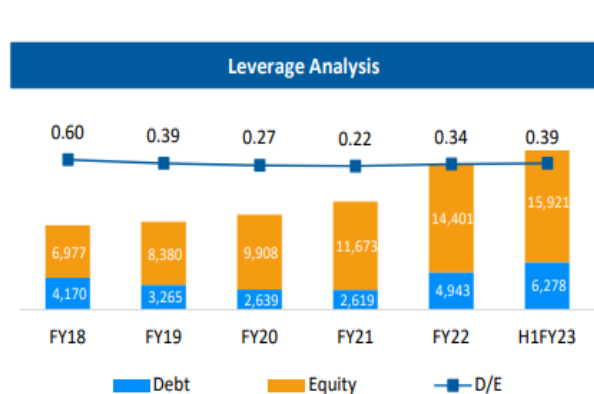
Particulars (Rs. in Mn)	Q2 FY23	Q2 FY22	YoY%	H1 FY23	H1 FY22	YoY%	FY22
Revenue from Operations	6,552	5,457	20.1%	14,383	10,414	38.1%	24,940
COGS	3,984	3,112	28.0%	8,369	5,887	42.2%	14,539
Gross Profit	2,568	2,345	9.5%	6,014	4,527	32.9%	10,401
Gross Margins %	39.2%	43.0%	(377 bps)	41.8%	43.5%	(166 bps)	41.7%
Employee Expenses	273	293	(6.7%)	667	582	14.7%	1,170
Other Expenses	1,447	1,275	13.5%	3,157	2,294	37.7%	5,437
EBITDA	848	777	9.1%	2,189	1,651	32.6%	3,794
EBITDA Margin %	12.9%	14.2%	(130 bps)	15.2%	15.9%	(64 bps)	15.2%
Depreciation	161	146	10.2%	319	299	6.8%	600
EBIT	687	631	8.8%	1,870	1,352	38.3%	3,194
Finance Cost	(28)	(35)	(19.6%)	65	59	9.9%	93
Other Income	259	150	72.6%	634	433	46.4%	962
Exceptional Items	-	(61)	N.A.	-	(61)	N.A.	(61)
PBT	974	878	11.0%	2,439	1,788	36.5%	4,124
Taxes	240	229	4.9%	565	457	23.7%	1,045
PAT	734	649	13.1%	1,874	1,330	40.8%	3,080
PAT Margin %	11.2%	11.9%	(69 bps)	13.0%	12.8%	25 bps	12.3%
EPS	2.89	2.55	13.3%	7.37	5.23	40.9%	12.11

Consolidated Balance Sheet:

Particulars (Rs. in Mn)	Sep 22	Mar 22
Equity & Liabilities		
Share Capital	254	254
Reserves & Surplus	15,666	14,146
Shareholder's Funds	15,921	14,400
Long-term borrowings	3,058	2,088
Other financial liabilities	136	46
Provisions	171	160
Deferred tax liabilities (Net)	584	620
Non - Current Liabilities	3,948	2,914
Short-term Borrowings	3,220	2,855
Trade Payables	5,758	5,724
Other Current Liabilities	1,832	1,246
Current Tax Liabilities (Net)	506	189
Current Liabilities	11,317	10,014
Total Equity & Liabilities	31,186	27,329

Particulars (Rs. in Mn)	Sep 22	Mar 22
Assets		
Property, Plant & Equipment	7,215	7,317
Capital WIP	3,628	1,792
Intangible Assets	110	110
Financial Assets	2,123	2,237
Other Non-current assets	205	167
Non-current assets (Tax)	91	205
Investment in Subsidiaries	1,845	1,369
Non - Current Assets	15,217	13,197
Inventories	7,573	6,279
Trade Receivables	6,084	5,431
Cash & Cash Equivalents	293	98
Investment	300	
Loans and advances	4	5
Other Current Assets	1,714	2,319
Current Assets	15,968	14,133
Total Assets	31,186	27,329

FY22 Key Financial Highlights:



Technical Analysis:



In daily scale, MOL is in a sideways to down-trend as the stock seen trading well below its key 50 & 200 simple moving averages. The trend reversal point seen on closing above 122 on weekly basis. Support is seen around 105-107 levels (previous swing low)

Conclusion: MOL's capex plans are progressing well as planned. The Company continues to be optimistic about the overall growth with a huge untapped opportunity market in India led by the Government's Atmanirbhar Bharat initiatives pushing the Indian Chemical industry towards **import substitution** and strengthening R&D capabilities. Additionally, the growing China plus one strategy amongst global nations has put the Indian Chemical industry in a sweet spot. MOL is well placed to benefit from favourable government policies.

27 Novemeber'2022

Research Note on: [Meghmani Organics Ltd \(MOL\)](#)



Source: Some extracts taken from Reports of rating agencies available in Public domain and Investor Presentation of MOL.

Report Compiled by: JRK Research Team

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