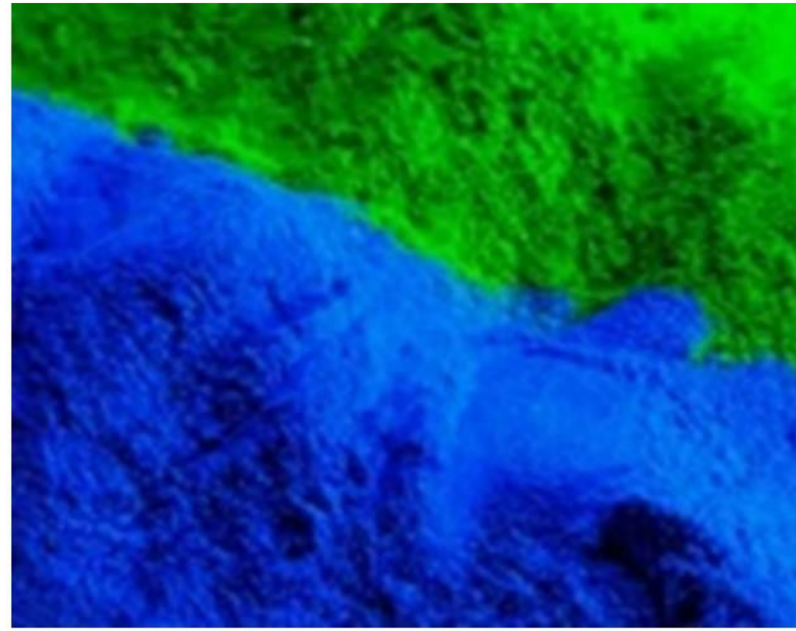

MEGHMANI ORGANICS LIMITED

INITIATING COVERAGE REPORT

MEGHMANI ORGANICS LTD

Market Cap.	52 Week H/L	CMP	Target Price
Rs. 2,009.1 Cr	Rs.88/32	Rs.79	Rs.97

CHEMICALS

STOCK DATA

BUY

Reuters Code	MEGH.BO
Bloomberg Code	MEGH IN
BSE Code	532865
NSE Symbol	MEGH
Face Value	1
Shares Outstanding	25.4 Cr.
Avg. Daily Vol. (6m)	1,603,963

Price Performance (%)

1M	3M	6M
(8)	10	25

200 Days EMA Rs. 71

SHARE HOLDING (%)

Promoters	49.0
FII	1.5
FI/Bank	-
Body Corporate	5.0
Public & Others	44.5

RESEARCH ASSOCIATE

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Meghmani's Agrochemical business to grow due to increased demand of pesticides globally, setting up of new plants and addition of new molecules.

India is the fourth largest producer of pesticides followed by US, Japan and China where the industry is worth USD 5.1 Bn in 2019. The rising exports from India is primarily due to the increased demand of agrochemicals globally, environment issues in China and India being the next best destination in terms of sourcing cheaper agrochemicals compared to rest of the world. Meghmani being one of the largest producers of agrochemical products in the country in expected to benefit the most from the above mentioned factors. Additionally, efforts like backward integrating manufacturing facilities, setting up of new plants and adding new molecules is also expected to grow the business.

Capex drive in the agrochemical and Chlor alkali businesses to provide additional impetus to the company's business operations.

The company has setup a capex plan of ~Rs. 1200 Cr to be completed by FY2023 in the agrochemical and the Chlor alkali business. In the agrochemical business the company has a capex target of Rs. 462 Cr and in the Chlor alkali business the capex target is ~Rs. 700 Cr. The expected revenue from agrochemical business and Chlor alkali segment is Rs. 950 Cr and Rs. 1,025 Cr after the plants are operating at full capacity.

OUTLOOK & VALUATION

Owing to the growth in the agrochemical sector and the capex cycle of the company, we expect the company to show above par growth in the next 2-3 years. Hence, we have forecasted the revenue of the company to increase by 9.8% in FY22E and 8.5% in FY23E. The EBITDA margins of the company at the end of FY22E and FY23E is 22.2% & 23.8% respectively. We expect the company to earn a NET PROFIT of Rs. 264.2 Cr in FY22E and Rs. 311.1 Cr in FY23E. Additionally, we expect the EPS of the company in FY22E and FY23E to be Rs. 9.29 and Rs. 10.87 respectively. We have assigned a PE ratio of ~9.0 to arrive at a target price of ~Rs. 97 which provides us with an upside of ~23% from yesterday's closing price of Rs. 79 with an investment horizon of 18-24 months. Hence, we recommend you to BUY the stock at current levels.

Particulars	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY2020	2,191.2	434.1	289.0	13.2%	9.44	8.4	1.4	5.9
FY2021E	**2,114.4**	**477.2**	**250.5**	**11.8%**	**8.81**	**9.0**	**1.2**	**5.5**
FY2022E	**2,321.9**	**515.5**	**264.2**	**11.4%**	**9.29**	**8.5**	**1.0**	**5.2**
FY2023E	**2,518.3**	**598.1**	**311.1**	**12.4%**	**10.87**	**7.3**	**0.9**	**4.6**

INVESTMENT RATIONALE- Meghmani's Agrochemical business to grow due to increased demand of pesticides globally.

MINIMIZE THE CROP LOSS

The yearly crop losses due to pests and diseases accounts for 15-20% of India's total output as per the industry estimates. Hence, it becomes important to utilize appropriate crop protection chemicals viz. insecticides, fungicides and herbicides for protecting the crop.

LOW AVERAGE CONSUMPTION

The average consumption of pesticides in India stands at 0.65 gm/ha vis-à-vis the global average of 3 kg/ha. The Indian agrochemical sector presents a huge untapped potential as compared to the global norms.

RISING USAGE OF BIO-PESTICIDES

Bio-pesticides account for 3% of the crop protection market in India. However, this segment is growing due to the government's promotion to increase the usage of biological products for plant protection. The Government's focus on Doubling Farmers Income and proactive steps for improving agricultural productivity has pushed the demand for biological products for crop protection.

ESTABLISH INDIA AS A GLOBAL AGROCHEMICAL SOURCING DESTINATION

The ongoing US-China trade war provides a huge opportunity for the Indian agrochemical industry to be an alternate global source point for agrochemicals. Despite having advanced pesticide technical and formulation research capabilities, India's manufacturing capacity is under-utilized. The Indian companies are increasing their investments for tapping the export business opportunities.

LUCRATIVE GENERIC AGROCHEMICAL MARKET

According to FICCI, agrochemicals worth US$ 4.1 billion are expected to go off-patent by 2020 boosting Indian agrochemical production capacities. The agrochemical industry through improving yields and rising export contributions is set to play a key role in achieving the government's vision of US$ 5 trillion economy.

ADVANTAGES FOR MEGHMANI ORGANICS LTD

The industry dynamics may be highly advantageous for Meghmani and thus result in growth of its agrochemical segment as it is one of the largest players in the space with total manufacturing capacity of 31,860 TPA. Additionally, backward integrated facilities put the company in an advantageous position, given the current rising RM prices from China. MOL is doubling its 2,4-D Capacity by addition of 10,800 MTPA and its new formulation plant, both operational by Q3FY21. A New Multipurpose plant (MPP) at Dahej with backward integration incurring a capex of INR 3.0 billion in next 2 years is also under planning stage. The Company is also expanding its branded products portfolio by addition of new molecules.

Source: Sushil Finance Research, Company Research

INVESTMENT RATIONALE- Capex drive in the agrochemical and Chlor alkali businesses to provide additional impetus.

Projects	Capex (Rs. Crs)	Capacity	Expected Date of Completion	Expected Revenue (Rs. Crs)
(A) AGRO CHEMICALS BUSINESS				
2.4 D Plant	127	10,000 TPA	Q3FY21	200
Formulation Plants	25		Q3FY21	150
Multi-Purpose Plant	310		Q4FY22	600
Total (A)	**462**			**950**
(B) CHLORO ALKALI BUSINESS				
Epichlorohydrin (ECH)		50,000 TPA	Q4FY22	475
CPVC Resin		30,000 TPA	Q3FY23	300
Caustic Expansion		1,06,000 TPA	Q1FY23	250
CPP Expansion		36 MW	Q1FY23	-
Total (A)	**695**			**1,025**
Total (A) +(B)	**1,157**			**1,975**

Epichlorohydrin is an import substitute. Domestic imports at ~ 70 KTA and growing @ 14.5%

Wide Application across industries as Feed Stock in Epoxy Resins in corrosion protection coatings in industries automobile & packaging and Resins in composites used in Aerospace, windmill & Automobile industries 1st Largest Plant in India based on 100% Renewal sources.

CPVC Resin is an import substitute. Domestic imports at ~ 116 KTA and growing @ 13%.

Industry Wide Application as Key raw material for pipe and fittings with excellent heat and Chemical resistance properties.

Source: Sushil Finance Research, Company Research

SWOT ANALYSIS

STRENGTHS
- Investment in Manufacturing Infrastructure.
- Enough Manufacturing capacity to support growth plan.
- Geographically Diversified Business.
- Focus on Backward Integration
- 90% Customer retention.
- Enough Land bank with regulatory approvals along with basic infrastructure

OPPORTUNITIES
- Make in India initiative by the Govt.
- Backward integration for higher value addition and reduce dependence.
- Merger and Acquisition for Inorganic growth.
- Preference for Indian Manufacturers in Global Market

WEAKNESSES
- Legacy issues of the management.
- Large compensation booked by the management.
- Management compensation grew by ~110% whereas avg workforce compensation grew by ~10%
- Huge capex cycle might lead the company to increase debts.
- Large portion of sales being export, leads to stretched debtors.

THREATS
- Threats:
- Rampant unorganized players (Pigment)
- Volatility in crude oil prices

Source: Sushil Finance Research, Company Research

COMPANY OVERVIEW

Meghmani Organics Ltd is a leading diversified chemical company poised for growth across its three (Pigment, Agro Chemicals and Chlor- Alkali & Derivatives) high potential businesses. Across the three sectors, the Company is one of the leading global pigment players along with a vertically integrated Agro Chemical player and India's one of the leading low-cost Caustic-Chlorine player. The Company operates 7 facilities in Gujarat, including 3 major facilities for Pigments, Agro Chemicals each and one facility for Chlor- Alkali & Derivatives in Dahej, the chemicals zone of Gujarat.

Over the years, the Company has built an extensive pan-India and global footprint with a presence in over 75 countries and a portfolio of over 400 marquee clients. Company continues to strengthen its stance to become one of the leading diversified chemical Company in Organic Chemistry aiming worldwide presence and product acceptability. To set up world class development center to facilitate upgrading technical capabilities and cost effective measures. The Company has a sustainable business model, well-integrated manufacturing base and plants located in the chemical hub of Gujarat. The Company has fairly well-balanced plant capacities and layouts with multiple locations that support the economy of scale. MOL constantly explores more possibilities for backward integration and try to implement them. This results in reduced dependency on input supplies and the company is able to convert effluents into valuable by-products.

PIGMENTS

- Started in 1986.
- Amongst top 3 global Phthalocyanine based pigment players.
- 14% global market share
- FY20 Revenues: Rs 641 Cr
- EBITDA Margin: 14.3%
- 29% of Overall Company Revenues
- Expanding into new geographies and exploring new pigments

AGROCHEMICALS

- Started in 1995
- One of the largest producers of pesticides in India
- Products across entire value chain
- FY20 Revenues: Rs 9,734 Mn
- EBITDA Margin: 17.9%
- 44% of Overall Company Revenues
- Expansion in 2,4-D, Formulation and setting up a New multipurpose plant

CHLORO ALKALI & its DERIVATIVES (MFL)

- Started in 2009
- 4th largest Chloro-Alkali & its Derivatives complex in India
- FY20 Revenues: Rs 6,098 Mn
- EBITDA Margin: 32.4%
- 27% of Overall Company Revenues
- Setting up backward integrated ECH, CPVC resin and additional Caustic Soda capacity & CPP project to ensure continual growth.

Source: Sushil Finance Research, Company Research

BUSINESS OVERVIEW- PIGMENTS BUSINESS

Meghmani Organics is amongst the top 3 global pigment manufacturers of Phthalocyanine-based Pigments with 14% global market share. The Company has vertically integrated facilities manufacturing CPC Blue (an upstream product sold to other Pigments manufacturers) and end products — Pigment Green and Pigment Blue. These Pigments products are used in multiple applications, including paints, plastics and printing inks.

The Company's Pigments business enjoys a strong global presence with exports accounting for 77% of net sales. The Company has forged a deep relationship with its clients resulting in 90% business from its repeat customers. The Company has a global presence in more than 70 countries with a subsidiary in the US which helps in maintaining a front-end presence along with the ability to work closely with end-user customers.

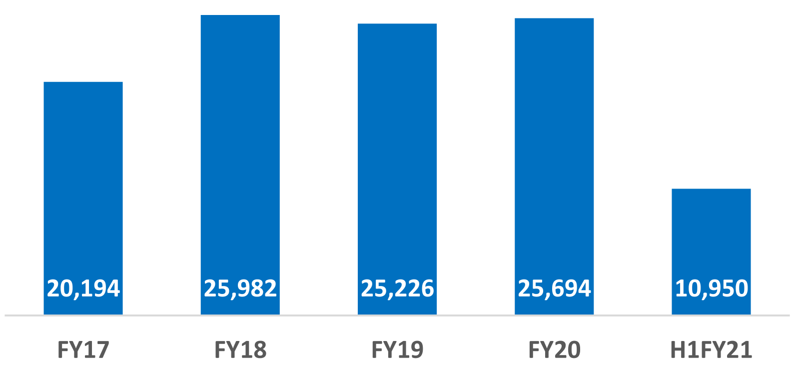
Meghmani Organics is amongst the largest producers for the Copper Phthalocyanine Pigment. In the coming years, the Company plans to diversify further with the addition of new pigments. The Company has regulatory approvals and infrastructure in place for expansion at its Dahej facility. Meghmani Organics continues to focus on strengthening its domestic presence, enhance its global market share tapping the prevailing market opportunities in growing end-user industries.

Location	Capacity	Products Manufactured
GIDC Vatva, Ahmedabad, Gujarat	3,180 MTPA	Pigment Green & Azo Pigments
GIDC Panoli, Ankleshwar, Gujarat	17,400 MTPA	CPC Blue, Alpha & Beta Blue
SEZ Dahej, Gujarat	12,600 MTPA	CPC Blue, Alpha & Beta Blue

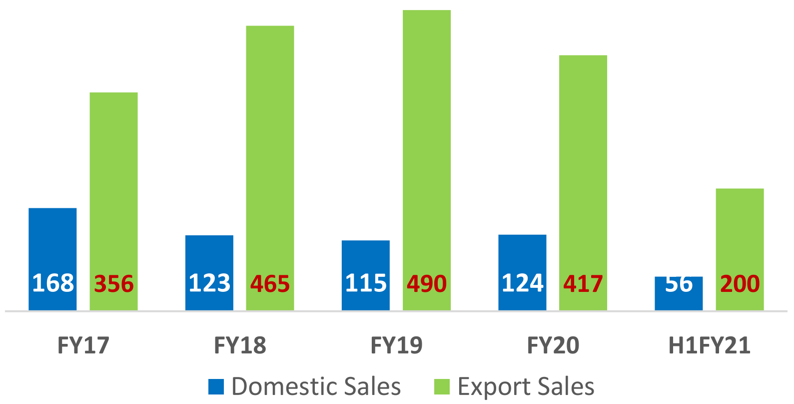
Source: Sushil Finance Research, Company Research

BUSINESS OVERVIEW- PIGMENTS BUSINESS

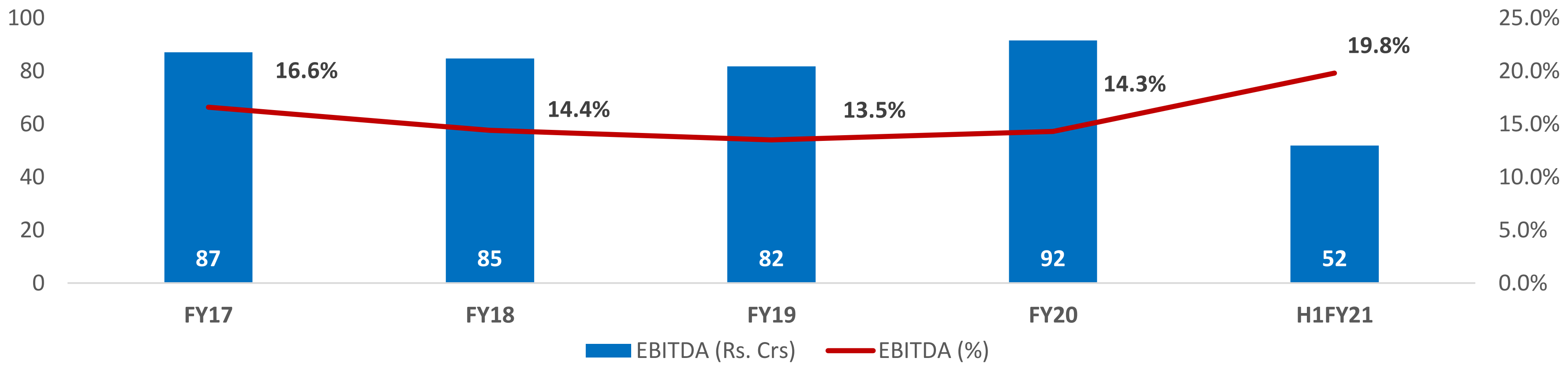
TOTAL PRODUCTION (MT)



NET SALES & EXPORTS



MARGIN PROFILE



Source: Sushil Finance Research, Company Research

BUSINESS OVERVIEW- AGROCHEMICALS BUSINESS

Meghmani Organics has established itself as one of India's leading vertically integrated Agro Chemicals player with the presence in the entire value chain — Intermediate, Technical grade and Formulations (bulk and branded). The Company effectively manages its raw material costs and ensures a constant supply of consistent quality due to its vertical business integration.

Meghmani Organics enjoys a competitive advantage via presence in the entire value chain (less dependent on raw material) in the highly regulated Agrochemicals industry. The Company has a strong portfolio of 297 export registrations, 356 CIB registrations. Meghmani Organic's diverse global client base accounts for 79% of its Agro Chemical export sales. The Company exports Technical as well as Formulation (bulk and branded) products to Africa, Brazil, LATAM, US and European countries.

Meghmani Organics major products include 2,4D, Cypermethrin, Bifenthrin, Permethrin, Chlorpyrifos and Profenophos. In branded formulations, the Company has established a strong pan India presence with about 3000 channel partners. Megastar, Megacyper, Megaban, Synergy, Courage, Correct and Mega Claim are its key agrochemical brands.

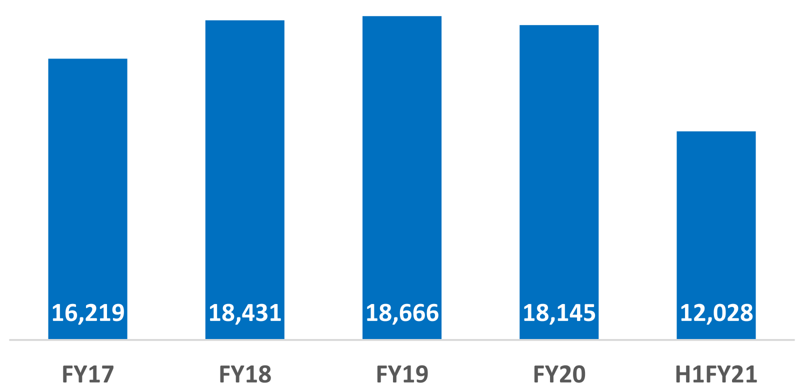
The company has 3 state of the art manufacturing facilities located at **GIDC Ankleshwar: 6,420 MTPA; GIDC Panoli: 7,200 MTPA and GIDC Dahej: 18,240 MTPA.**

Meghmani Organics's backward integrated facilities put it in an advantageous position, given the current rising raw material prices from China. Company is doubling its 2,4-D Capacity by addition of 10,800 MTPA which will be operational by Q3 FY21 and its new formulation plant will be operational by Q3FY21. The Company is also planning a New Multipurpose plant (MPP) at Dahej with backward integration with capex of INR 3.0 billion which will be spent in next 2 years. The Company is expanding its branded products portfolio by addition of new molecules.

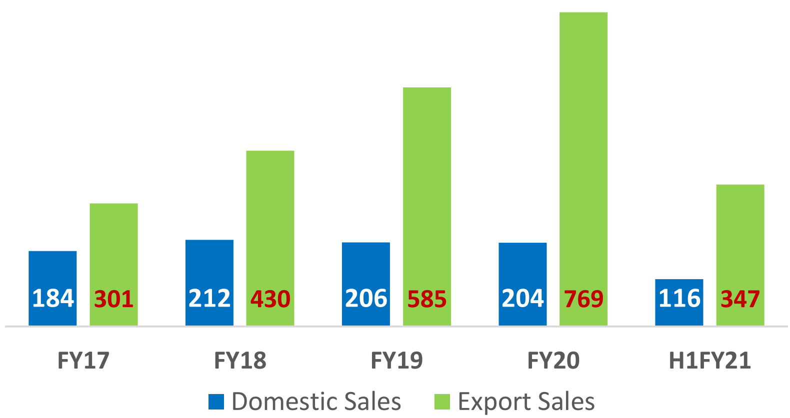
Source: Sushil Finance Research, Company Research

BUSINESS OVERVIEW- AGROCHEMICALS BUSINESS

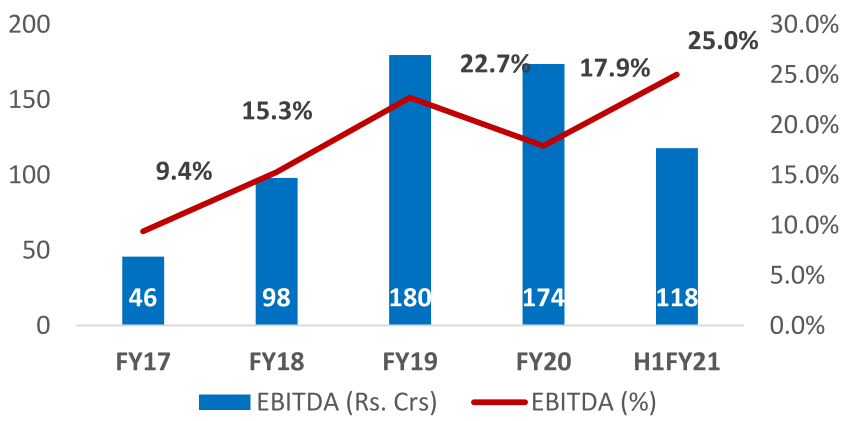
TOTAL PRODUCTION (MT)



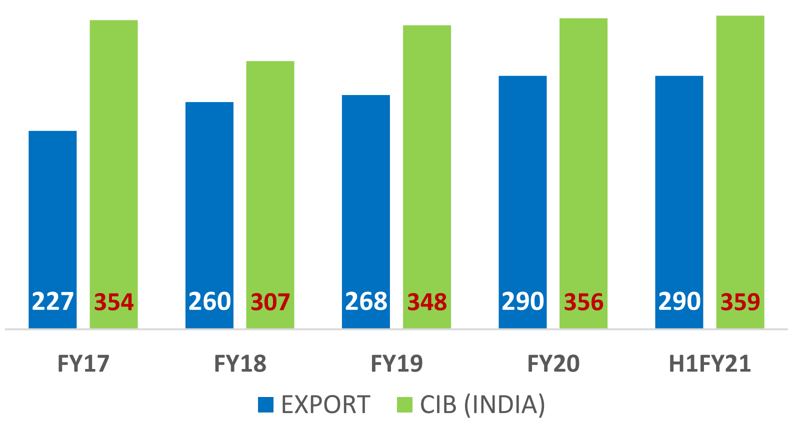
NET SALES & EXPORTS



MARGIN PROFILE



REGISTRATION BASE



Source: Sushil Finance Research, Company Research

BUSINESS OVERVIEW- CHLOR ALKALI & ITS DERIVATIVES

Meghmani Organics Ltd is 4th largest and one of the most efficient manufacturers of Chloro-Alkali & its Derivatives with forward integrated facilities. Manufacturing capacity of Meghmani Organic's key products are as follows:

- Caustic soda: 294,000 TPA
- Caustic Potash: 21,000 TPA
- CMS (Chloromethane): 50,000 TPA

The company has also expanded its integrated captive power plant capacity from 60MW to 96MW in Q1 FY21. The power cost consists of 60% of the total raw material cost in Caustic Soda production. The Company's captive power plant lowers the power cost thereby resulting in a higher margin. The Chlor-Alkali facility is strategically located at Dahej with proximity to the port (importing coal) and customers (Caustic Soda & Chlorine supplied via pipeline), leading to lower logistics costs. Meghmani Organics deploys the latest fourth generation 'Membrane Cell Technology' sourced from Asahi Kasei Chemical Corp, Japan, (one of the most established technology providers of Chlor Alkali products).

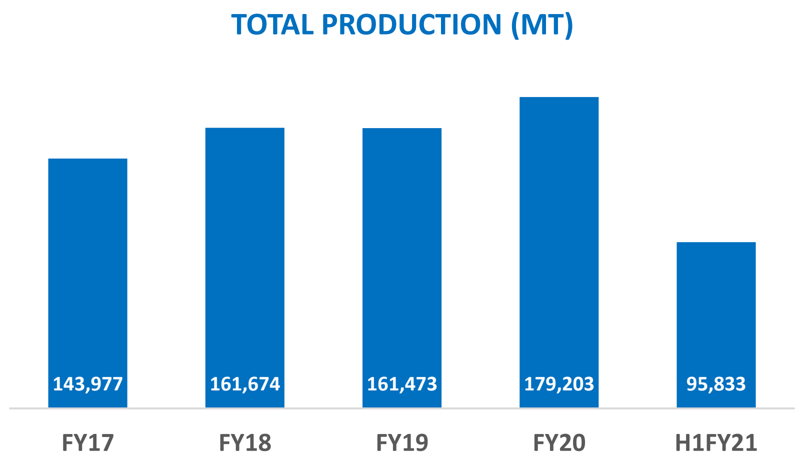
The Company's planned capex of INR 10.45 billion involving multiple projects are aligned with its strategic goal of expanding the chemicals business. In the Phase 1 the Company invested INR 7.6 billion for expansion of the following projects:

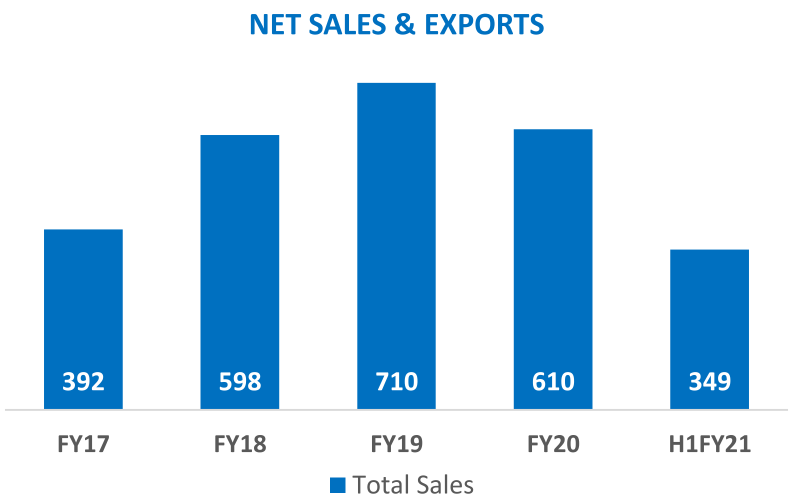
1. Chloromethane project of 50,000 MTPA to produce MDC, Chloroform and Carbon Tetra Chloride. The project was commissioned in Q1 FY20. The project facilitates in-house availability of Chlorine empowering cost optimization and enhanced profitability.
2. Hydrogen Peroxide capacity of 60,000 MTPA. The project is expected to be commissioned in Q2 FY21.
3. Expansion of its Caustic soda plant capacity from 1,66,600 TPA to 2,94,000 TPA and Captive Power Plant capacity to 96MW from 60 MW which became operational in Q1FY21.

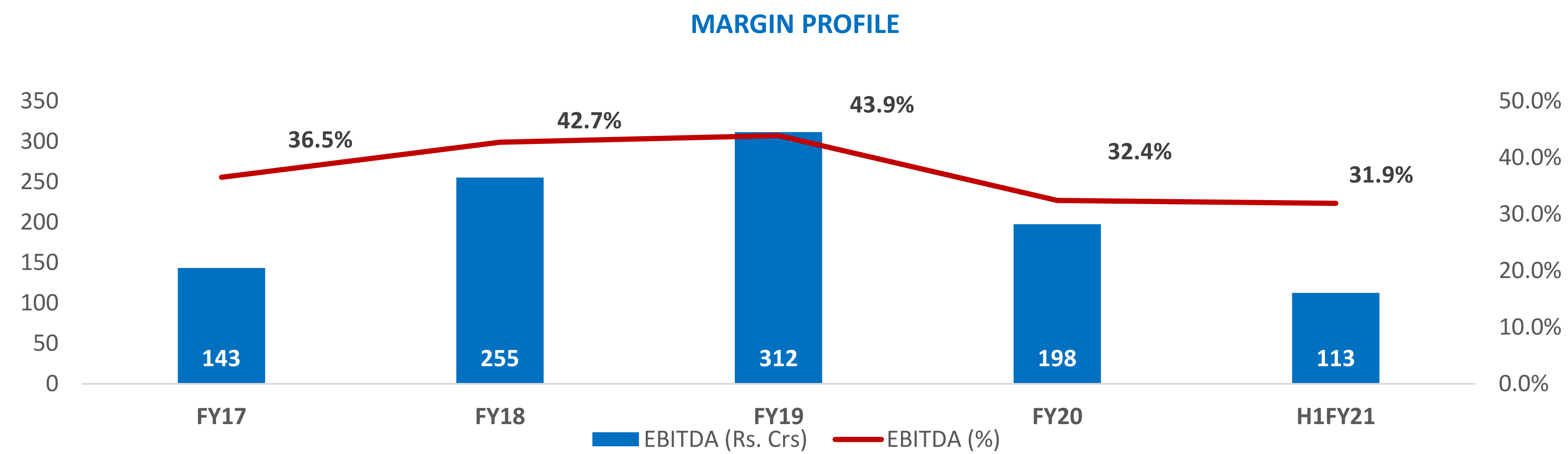
Meghmani Organics' strategic investment as progressing as planned. The key drivers for profitable growth are timely completion of capex projects backed with the strong performance of the Chlor Alkali Industry. Meghmani Organics plans to incur a capex of INR 2.75 Bn to set up Epichlorohydrin (ECH) project of 50,000 TPA capacity which is expected to be operational by Q4 FY22. The Company's ECH project is 1st largest plant in India based on 100% Renewal sources. The Company has also announced new investment for CPVC Resin project of 30,000 TPA capacity expected to be operational by Q3 FY 2023. With new downstream derivatives projects, Meghmani to take the share of value-added products to 57% by FY 24.

Source: Sushil Finance Research, Company Research

BUSINESS OVERVIEW- CHLOR ALKALI & ITS DERIVATIVES







Source: Sushil Finance Research, Company Research

INDUSTRY OVERVIEW- PIGMENT BUSINESS

According to Grand View Research, the global dyes and pigments industry was pegged at US$ 33.2 billion in 2019 and is expected to grow at 5% CAGR from 2020 to 2027. The pigment industry growth is fueled from rising demand from various applications such as packaging inks, textiles, paints and coatings, construction, and plastics. The demand for dyes in printing inks application is expected to experience a rising trend with the growing digital printing industry. Additionally, increasing construction activities in the US, UK, China, Indonesia, India, Saudi Arabia, and UAE is poised to contribute to the demand for dyes and pigments. On the other hand, rising environmental concerns have coerced the industry players to upgrade their manufacturing processes by deploying advanced technologies for efficient removal of hazardous pollutants.

The Asia Pacific continued to lead the regional market accounting for over 62% of the global market share in 2019. The industry experienced strict regulations thereby obstructing the production and usage of dyes and pigments in North America and Europe. Hence, Asia Pacific witnessed a rise shift in production facilities owing to favorable manufacturing conditions and lenient regulations supported by the availability of raw materials, cheap labor, and skilled manpower. Europe’s overall market share stood at 18.1% in 2019 with rising production capacities of dyes in the region due to higher demand.

According to various research report, India’s pigments market is projected to surpass Rs 20,000 crore by 2022. The Indian players are making prudent investments in R&D within the regulatory framework with rising pigment end-user expectations in terms of price and quality. The companies optimizing the manufacturing cost by adopting a backward integration model, procuring raw materials well in advance and manufacturing the product as per the customers’ needs. The Pigment industry in India is expected to register 5.5% CAGR in 2017-2022E. The radical changes happening in the Chinese chemical industry is likely to provide huge opportunities for Indian manufacturers to increase their exports in pigment emulsions in major countries including US, Germany, China, Brazil, Italy and others.

PRODUCT TYPE	PIGMENT TYPE	DESCRIPTION
ORGANIC PIGMENT	Phthalocyanine, Azo & HPPs	Phthalocyanine is the most produced organic pigment type in India. Azo Pigments is mainly used as industry colorant in plastics, building paints & inks. High Performance Pigments (HPPs) is generally used in automotive, plastics and ink jet printing.
INORGANIC PIGMENT	Titanium Oxide, Iron Oxide, Chrome Oxide & others.	Dyestuff and pigment manufacturers operating within India have started to incorporate the use of natural substance including natural dyes and organic pigments owing to environmentally friendly nature and safe usage of the product.

Source: Sushil Finance Research, Company Research

INDUSTRY OVERVIEW- AGROCHEMICAL BUSINESS

As per Phillips McDougal, the global market for crop protection products contracted by 0.8% to US$ 59.8 billion in 2019 weighed by extreme global weather conditions from severe flooding in North America to dry conditions and drought across major areas of Europe and Asia Pacific. The global agrochemical industry in 2019 was impacted by rising trade tensions between the US and China, increasing regulatory pressures in Europe leading to the ban of 'notable chemistries' and strengthening of the US dollar. China manufactured generic products garnered better prices in 2019. Latin America performed well thanks to the normalized inventory levels. The industry saw a rise in the adoption of alternative genetically modified traits, experimenting with new products resulting in demand shift from glyphosate to expensive herbicides such as glufosinate-ammonium, dicamba and 2,4-D. The Non-Crop Pesticides market registered 4% in 2019 mirroring global growth.

The Herbicide segment held a lion share of 43.8% amongst the global crop protection market in 2019, despite 1.5% contracting sales to US$ 26.2 billion. Adverse weather in most geographies and unfavourable currency impacted the herbicides usage. However, the positive highlights for the year include high prices for Chinese manufactured generic products, favourable market conditions in Latin America and rising acceptance of alternative and expensive Genetically Modified (GM) products.

PARTICULARS (US$ Bn)	2018	2019	Change
CROP PROTECTION	60.3	59.8	-0.8%
NON-CROP PESTICIDES	7.5	7.8	4.0%
TOTAL	67.8	67.6	-0.3%

The Fungicides sales contracted by 0.7% to US$ 16.4 billion with 27.3% market share in 2019. Hot, dry conditions in key regions lead to reduced disease pressure which hindered the fungicides sales.

The Insecticide market registered a tepid growth of 0.2% at US$ 15.1 billion, thereby accounting for 25.3% share of the crop protection industry. The insecticides sales were impacted by currency fluctuations hurting dollar valuations negating positive sales in various national currencies.

The Asia Pacific continued to lead the Crop protection industry with a market share of 31% in 2019. However, the sales are expected to slip by 2% to US$ 18.3 billion due to adverse currency and unfavourable weather conditions in key markets. Latin America's agrochemical market grew for a second consecutive year, reaching US$ 15.9 billion sales, registering 7.4% growth in 2019. The region's market share is projected to improve by 100 bps to 26% in 2019. The European crop protection market is expected to contract by 3.2% to US$ 12.0 billion in 2019 weighed by the declining demand for crop protection products in France, Germany and the UK owing to adverse weather. North America's agrochemical sales experienced a sharp decline of 6.7% to US$ 11.2 billion due to the US-China trade war. China's imposition of tariffs on US soybeans in 2018, lead to a drop in US acreages and agrochemical demand.

Source: Sushil Finance Research, Company Research

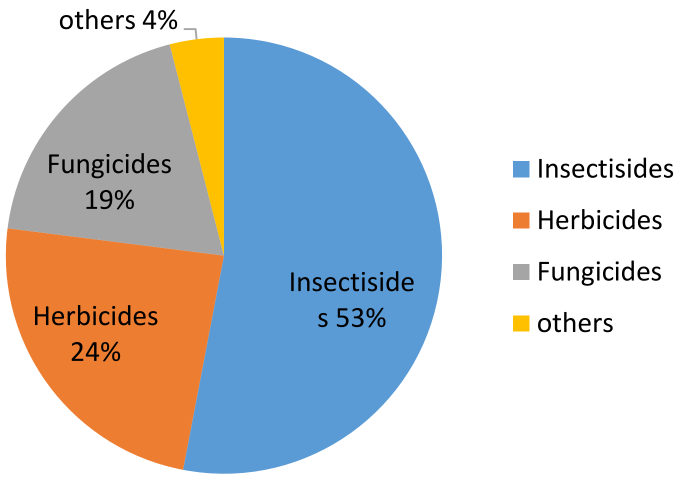
INDUSTRY OVERVIEW- AGROCHEMICAL BUSINESS

The Middle East and African region agrochemical sales is expected to reach US$ 2.4 billion in 2019, with a global market share of 4%. The region's demand was dented by a continued severe drought in South Africa. The ranking of the leading countries marginally changed in 2019. Brazil continues to lead the chart in 2019 with 9.3% YoY growth to US$ 10.9 billion. The US, i.e. the second-largest agrochemicals market declined by 8.4% to US$ 8.1 billion due to the adverse impact of the US-China trade war. China, Japan and India for the Asia Pacific region held the next three ranks. Argentina and Canada frog-leaped France with 6th and 7th rank in 2019. France's agrochemical market was largely impacted by adverse weather conditions propelled to minimize pesticide usage weighed by strict regulations.

According to Agropages, India is the fourth-largest global producer of Pesticides followed by US, Japan and China. The pesticides industry was worth US$ 5.08 billion in 2019. The domestic consumption of pesticides was pegged at US$ 2.77 billion and the exports accounted for US$ 2.31 billion. The rising export contribution from the Indian companies is attributed to the generic segment ranging wide range of world-class formulation.

Key drivers of growth in the Agrochemical Industry:

- Minimize Crop loss
- Low Average Consumption
- Rising Usage of Bio pesticides
- Establish India as a Global agrochemical sourcing destination.
- Lucrative generic agrochemical market.



Source: Sushil Finance Research, Company Research

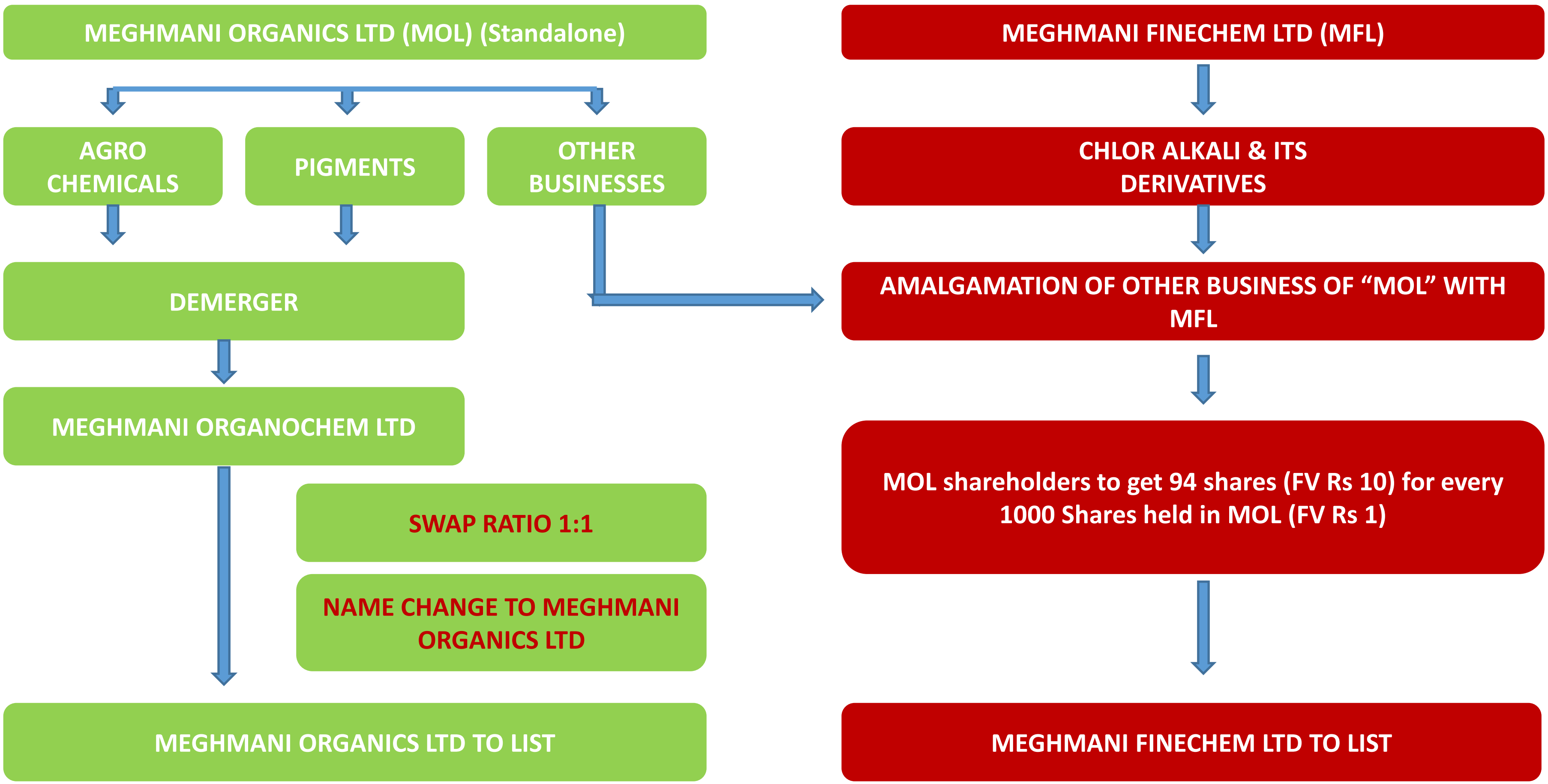
INDUSTRY OVERVIEW- CHLOR ALKALI BUSINESS

According to Market Watch, the global Chlor-Alkali industry is valued at US$ 76.0 billion in 2020. It is expected to surpass US$ 94.2 billion in 2026 registering 3.1% CAGR during 2021-26. Chlor Alkali chemicals are broadly classified into three segments namely Caustic Soda (NaOH), Chlorine & Soda Ash. The chemicals have widely used in soap & detergent industry, paper and pulp, textiles, water treatment, plastic industry, industrial solvents, alumina, pharmaceuticals, etc.

The Chlor-Alkali industry is recognized by global peers as one of the most efficient, eco-friendly and progressive industries. The Indian Chlor-Alkali industry was amongst few of the nations to embrace modern energy-efficient and eco-friendly membrane cell technology. During the financial year 2019, caustic soda capacity stood at 4.3 MMTPA (Million Metric Tonne Per Annum) with capacity utilization of 84.7%. The total exports during 2018-19 stood flat at 161.1 KMT. Alkalis products act as the basic building blocks having applications in aluminum, paper, textile and plastic industries. Thus, Alkali and Chlor-Vinyl industry is expected to witness substantial growth potential in the coming years. Additionally, the demand for these products is projected to be in an uptrend with rising middle-class aspirations, higher disposable income coupled with low penetration.

Source: Sushil Finance Research, Company Research

DEMERGER & SEPERATE LISTING- SCHEME OF ARRANGEMENT



MEGHMANI ORGANICS LTD & MEGHMANI FINECHEM LTD WILL BE LISTED INDEPENDENTLY ON BSE & NSE

Source: Sushil Finance Research, Company Research

SHAREHOLDING OF DEMERGED ENTITIES

PARTICULARS		NO OF SHARES
Meghmani Organics Ltd- Pre & Post Demerger shareholding	**(A)**	**25,43,14,211**
Meghmani Finechem Ltd- Shareholding Pre Demerger	(B)	4,11,93,114
SWAP Ratio (MOL shareholders to get 94 Shares (FV Rs. 10) of MFL for every 1000 shares (FV Rs. 1) held in MOL)	(C)	0.94
Add: New shares to be issues by MFL to shareholders of MOL	(D)= (A) * (C)	2,39,01,336
Less: Share held my MOL to be cancelled	(E)	2,35,45,985
Total Shares in MFL Post Demerger	**(B)+(D)-(E)**	**4,15,48,465**

MFL SHARE HOLDING PRE DEMERGER		
Particulars	**No of Shares**	**%age**
MOL	2,35,45,985	57.16%
Individual promoters	1,76,47,129	42.84%
Total Shares	**4,11,93,114**	**100.00%**

MFL SHARE HOLDING POST DEMERGER (FV. Rs 10)		
Particulars	**No of Shares**	**%age**
Promoters	2,91,65,197	70.20%
Public	1,23,83,268	29.80%
Total Shares	**4,15,48,465**	**100.00%**

MOL SHARE HOLDING PRE & POST DEMERGER (FV Rs.1)		
Individual promoters	12,25,54,167	48.19%
Public	11,88,67,854	46.74%
Custodian Shares	1,28,92,190	5.07%
Total Shares	**25,43,14,211**	**100.00%**

Source: Sushil Finance Research, Company Research

INCOME STATEMENT

(Rs. Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Revenue	**2,191.2**	**2,114.4**	**2,321.9**	**2,518.3**
Cost of Goods Sold	1,238.8	1,134.4	1,253.8	1,346.7
Employee Cost	128.7	130.1	144.0	150.9
Other Expenses	389.6	372.7	408.7	422.6
EBITDA	**434.1**	**477.2**	**515.5**	**598.1**
EBITDA (%)	***19.8%***	***22.6%***	***22.2%***	***23.8%***
Depreciation	88.6	98.0	112.4	125.9
Finance Cost	42.6	42.5	48.8	62.7
Other Income	56.1	17.9	23.2	34.8
PBT (as reported)	**359.0**	**354.6**	**377.5**	**444.4**
Tax	70.0	104.1	113.2	133.3
PAT	**289.0**	**250.5**	**264.2**	**311.1**
PAT (%)	***13.2%***	***11.8%***	***11.4%***	***12.4%***
Profit attributable to Owners	240.1	213.0	224.6	262.9
Minorty Interest	48.9	37.5	39.6	48.2
EPS	***9.44***	***8.81***	***9.29***	***10.87***

BALANCE SHEET STATEMENT

(Rs. Cr)

Particulars (Rs. Crs)	FY20	FY21E	FY22E	FY23E
PP&E (Incl. CWIP)	1,693.7	2,039.7	2,275.6	2,552.7
Other Non Current Assets	66.4	62.1	65.3	64.8
Inventories	351.6	318.6	330.8	365.7
Trade Receivables	530.5	492.4	508.9	565.8
Cash & Cash Equivalents	9.2	10.1	9.3	11.4
Other Current Assets	85.5	79.9	86.4	83.9
Total Assets	**2,736.9**	**3,002.9**	**3,276.2**	**3,644.1**
Share Capital	25.4	25.4	25.4	25.4
Reserves & Surplus	1,183.6	1,354.3	1,532.5	1,744.9
Minority Interest	189.3	226.8	266.4	314.7
Long Term Debt	473.9	482.0	529.1	604.7
Short Term Debt	187.0	255.4	237.2	250.2
Other Non Current Liabilities	58.8	53.9	56.7	58.7
Trade Payables	274.7	278.1	292.6	289.8
Other Current Liabilities	344.2	327.0	336.4	355.8
Total Equity & Liabilities	**2,736.9**	**3,002.9**	**3,276.2**	**3,644.1**

Source: Sushil Finance Research, Company Research

Sushil Finance
ACTIONABLE KNOWLEDGE

CASH FLOW STATEMENT

(Rs. Cr)

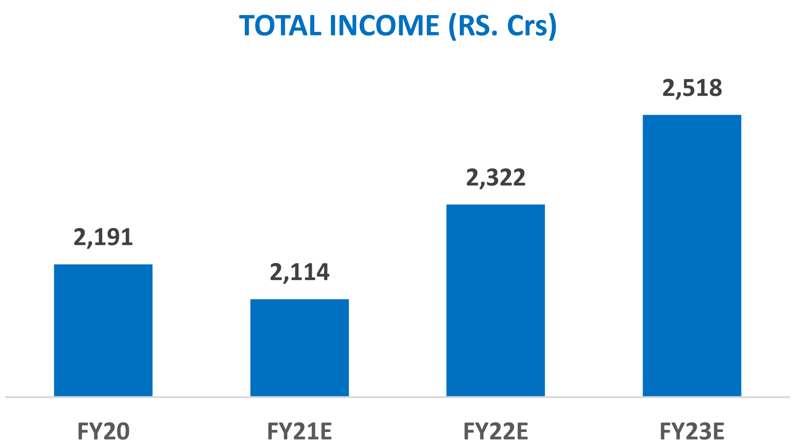
Particulars	FY20	FY21E	FY22E	FY22E
Cash Flow from Operating				
PBT	359.0	354.6	377.5	444.4
Depreciation & Amortization	88.6	98.0	112.4	125.9
Finance Cost	42.6	42.5	48.8	62.7
Income Tax paid	(70.0)	(104.1)	(113.2)	(133.3)
Changes in Inventory	59.3	33.0	(12.2)	(34.9)
Changes in Debtors	(99.2)	38.1	(16.5)	(56.8)
Changes in other Current Assets	8.9	5.5	(6.5)	2.5
Changes in Trade Payables	18.6	3.3	14.6	(2.8)
Changes in other Current Liabilities	(3.6)	(17.2)	9.4	19.4
Cash Flow from Operations	**404.3**	**453.8**	**414.3**	**426.9**
Cash flow from Investing				
Capex/(Sales)	(544.6)	(444.0)	(348.3)	(402.9)
Changes in non Current assets	63.8	4.3	(3.2)	0.5
Cash flow from Investing	**(480.8)**	**(439.8)**	**(351.5)**	**(402.4)**
Cash Flow from Financing				
Dividend Paid	(42.1)	(42.3)	(46.4)	(50.4)
Changes in Non Current Liabilities	(6.1)	29.1	(17.2)	28.0
Cash Flow from Financing	**(48.2)**	**(13.2)**	**(63.6)**	**(22.4)**
Increase/ Decrease in Cash	(124.7)	0.9	(0.8)	2.1
Opening Cash	133.3	8.6	9.5	8.6
Closing Cash	**8.6**	**9.5**	**8.6**	**10.8**
Bank Balance	0.6	0.6	0.6	0.6
Total Cash & Cash Equivalent	**9.2**	**10.1**	**9.3**	**11.4**

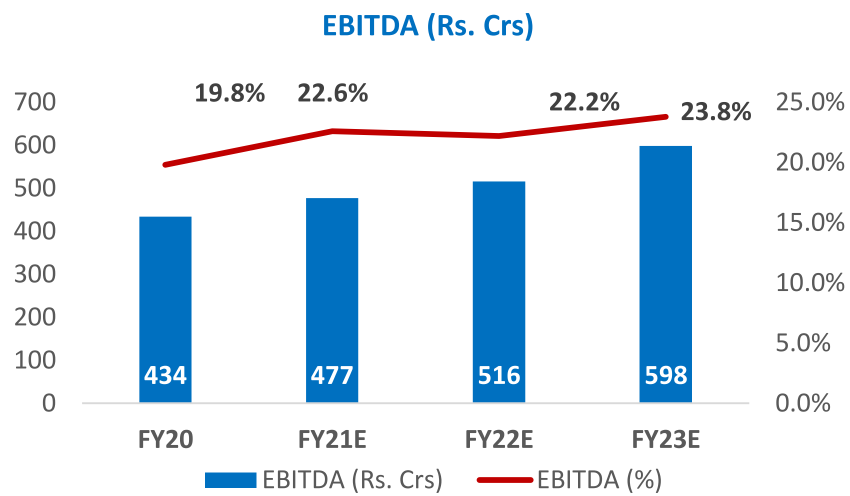
Source: Sushil Finance Research, Company Research

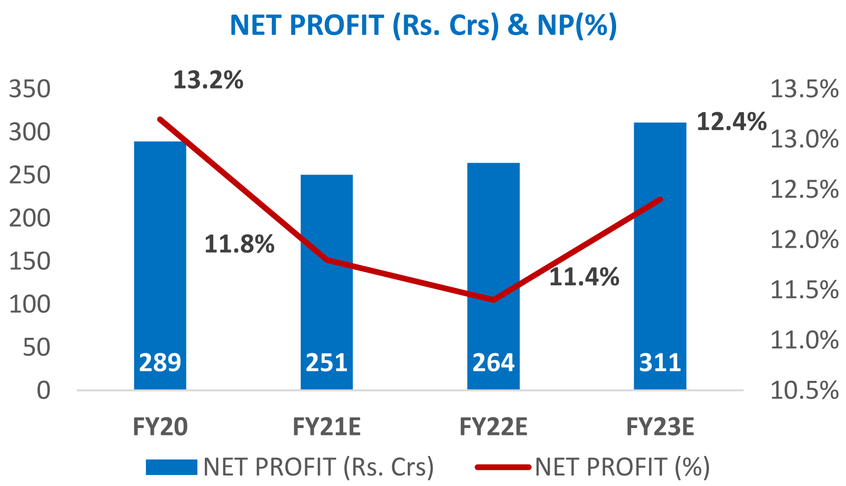
FINANCIAL RATIOS

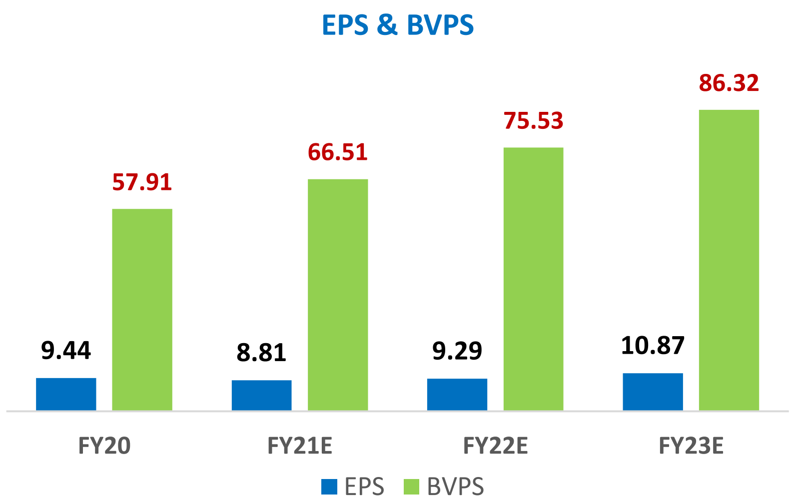
Ratios	FY20	FY21E	FY22E	FY22E
Growth (%)				
Revenue	4.9%	-3.5%	9.8%	8.5%
EBITDA	-20.3%	9.9%	8.0%	16.0%
PAT	-2.2%	-13.3%	5.5%	17.7%
Profitability (%)				
EBITDA Margin	19.8%	22.6%	22.2%	23.8%
PAT Margin	13.2%	11.8%	11.4%	12.4%
ROCE	19.5%	16.9%	16.5%	17.2%
ROE	20.7%	15.6%	14.5%	14.9%
Per Share Data				
EPS	9.44	8.81	9.29	10.87
BVPS	57.91	66.51	75.53	86.32
Sales per share	90.75	87.53	96.13	104.26
Gearing Ratio				
Debt/Equity	0.47	0.46	0.42	0.41
Valuations (x)				
P/E	8.4	9.0	8.5	7.3
P/BV	1.4	1.2	1.0	0.9
P/Sales	0.9	0.9	0.8	0.8
EV / EBITDA	5.9	5.5	5.2	4.6
Turnover Days				
Debtors Days	88.4	85.0	80.0	82.0
Inventory Days	58.6	55.0	52.0	53.0
Creditors Days	45.8	48.0	46.0	42.0
WC Cycle	**101.2**	**92.0**	**86.0**	**93.0**
Others				
Current Ratio	1.6	1.5	1.5	1.6
Quick Ratio	1.0	1.0	1.0	1.0
Interest Coverage	9.4	9.3	8.7	8.1

FINANCIAL CHARTS





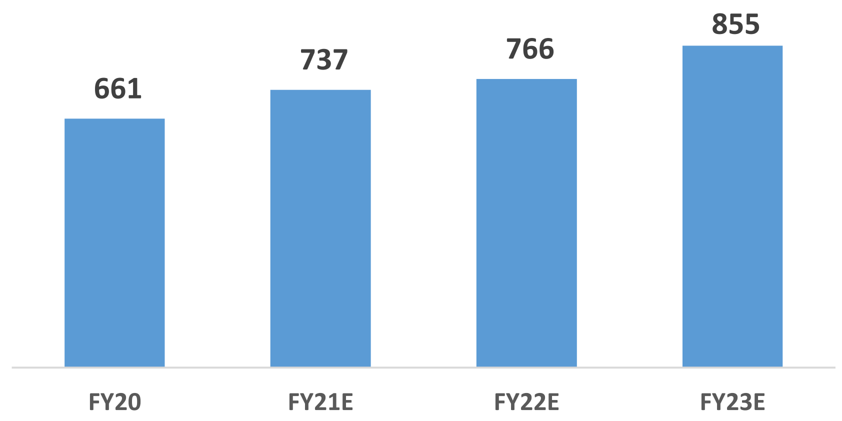




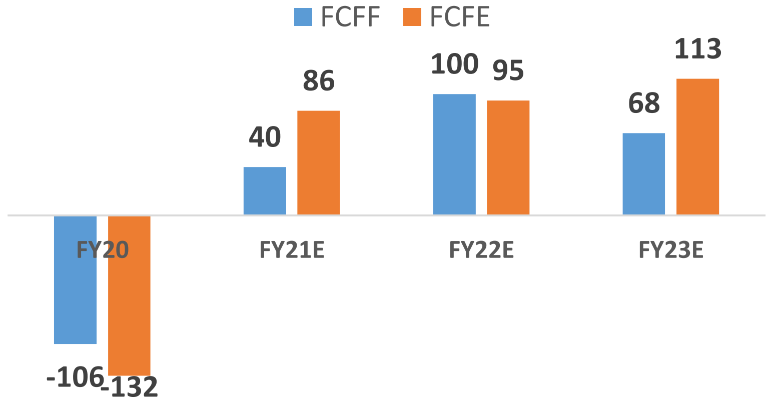
Source: Sushil Finance Research, Company Research

Meghmani Organics Ltd.

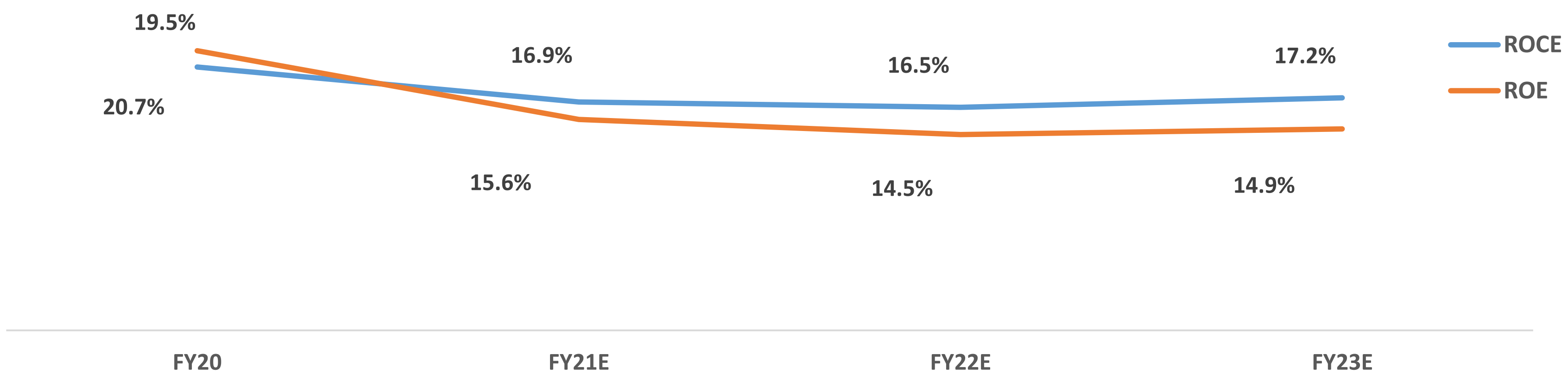
TOTAL DEBT (RS. Crs)



FCFF & FCFE (RS. Crs)



ROCE & ROE

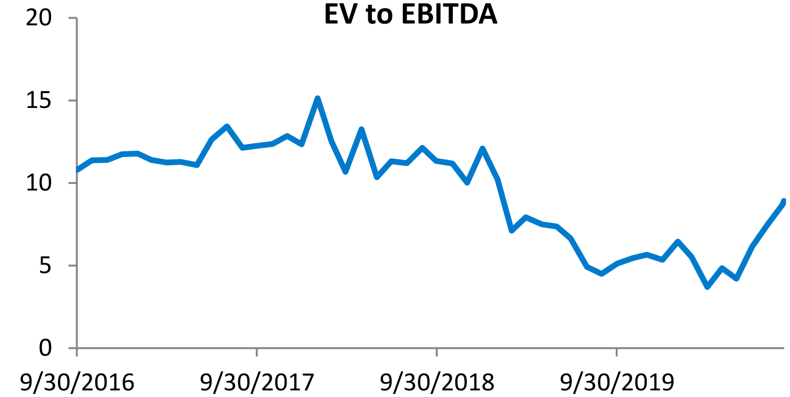


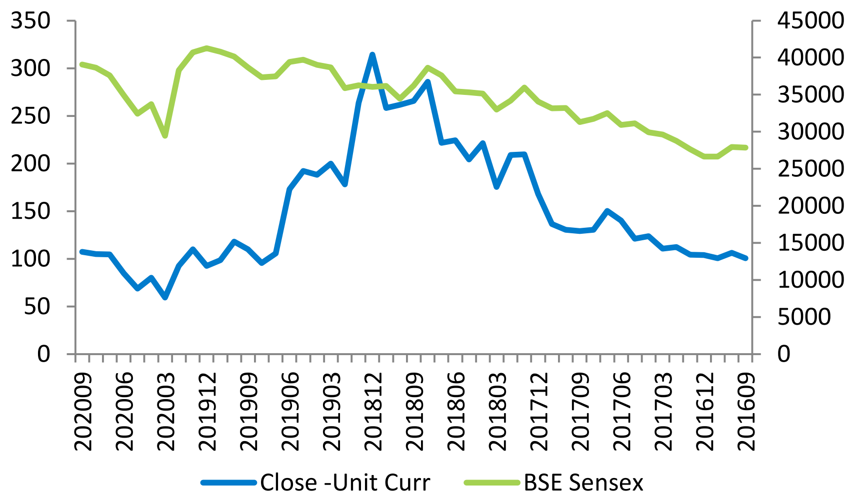
Source: Sushil Finance Research, Company Research

MARKET INFORMATION

Price to Earning

EV to EBITDA





Price Chart

Source: Sushil Finance Research, Company Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%

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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No