

Sustained weakness in pigment continue to weigh on overall profitability

CMP: INR 53

Rating: BUY

Target Price: INR 75

Stock Info

BSE	543331
NSE	MOL
Sector	Agrochemicals
Face Value (INR)	1
Equity Capital (INR Cr)	25.4
Mkt Cap (INR Mn)	18,510
52w H/L (INR)	106 / 53
Avg Yearly Vol (in 000')	24

Shareholding Pattern %

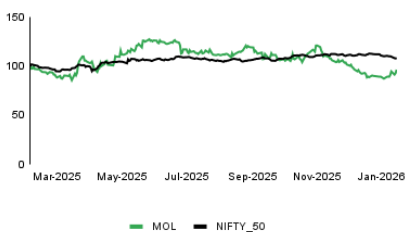
(As on Sept, 2025)

Promoters	48.98
Public & Others	51.02

Stock Performance (%)

	1m	6m	12m
MOL	-16.69	-42.49	-32.24
Nifty	-4.43	4.18	7.39

MOL Vs Nifty



Meghmani Organics Ltd reported a muted Q3FY26 amid US tariff uncertainties and softer export demand, with standalone revenue at INR ~4.9 bn (down 13% YoY) and EBITDA margin contracting to 10.6%. While crop protection at INR ~3.8 bn (down 7% YoY) remains relatively resilient at 14% EBITDA margins at 66% capacity utilization, pigments and TiO2 (Kilburn) continue to drag profitability, exacerbated by elevated raw material costs and temporary ADD withdrawal. Management's confidence in recovery hinges on ADD reimposition (expected shortly), raw material normalization (sulfuric acid), and operational fixes in pigments (renewable power, process efficiencies). We remain optimistic about long term profitable growth in agrochemical segment, however persistent sector headwinds in pigments are expected to weigh on overall earnings.

Agrochemicals: The segment delivered a relatively softer albeit steady performance with segment EBIT remaining flat at INR 521 mn despite 14% YoY decline in volumes driven by increasing contribution of formulations (higher margin) driving ~100bps YoY segment margin expansion to 15.3%. Revenues were declined by 7% YoY to INR 3.8 bn driven by US tariff uncertainty (25% exposure), seasonal softness, and indirect market spillovers, though recovery is anticipated from Feb/Mar'26 on demand normalization and potential India-US trade deal. Technicals (~60%) and formulations (~40%) mix remains balanced, with management targeting formulation-led margin expansion through improving MPP utilization (66%) and select market approvals. Management remains confident of sustaining double-digit CAGR driven by innovation, formulation expansion, and geographic diversification.

Pigments: The Pigments segment continues to remain suppressed with revenue declining 30% YoY in Q3 to INR 1.03bn due to persistent weakness in global demand, pricing challenges, and intensified competition from domestic unorganized players as well as Chinese dumping. Capacity utilization was muted at 38%, impacting operating leverage and resulting diminishing profitability. Management remains cautious and patient for market normalization while optimizing cost and operational efficiencies.

TiO2 Business: TiO2 segment (Kilburn) posted Q3FY26 revenue of ~INR 186 mn with an EBITDA loss of INR ~130 mn, prompting a full plant shutdown from late November to curtail losses amid elevated sulfuric acid costs (INR 15–18/kg vs. prior INR 4–5/kg), stagnant realizations post-ADD withdrawal, and persistent Chinese dumping. ADD, imposed in May 2025, was overturned by Kolkata HC on procedural grounds following IPA challenge, DGTR has rectified lapses paving way for imminent reimposition. Management targets mid-CY26 restart post raw material normalization, with post-restart losses contained to single-digits (vs. Q3's ~INR 200 mn EBIT loss) and pricing stabilization expected 2–3 months after ADD reinstatement, enabling Q2FY27 recovery.

Valuation & View: We forecast 24% EBITDA CAGR over FY25–28E (14% revenue CAGR, +190bps to 8.8% margins), led by MPP ramp-up, improved agchem mix/new launches, and double-digit Nano Urea export growth. While agchems drive outperformance, pigments headwinds are likely to keep earnings growth limited. Accordingly, we maintain our "Buy" rating, albeit on a lower 10x EV/EBITDA multiple on Dec'27 EBITDA (versus 12x earlier), with a target price of INR 75.

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Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenues	20,797	25,889	30,549	36,658
EBITDA	1,427	2,289	2,597	3,226
EBITDA Margins	6.9%	8.8%	8.5%	8.8%
PAT	-106	711	1,116	1,666
EPS	-0.4	2.8	4.4	6.5
P/E	-251.9	37.5	23.9	16.0
EV/EBITDA	18.6	11.3	9.9	16.6

Source: Arihant Research, Company Filings

Q3FY26 Consolidated Performance

Meghmani Organics (Consolidated)

(INR Mn)

Particulars (INR Mns)	Q3FY26	Q3FY25	YoY	Q2FY26	QoQ
Revenue from operations	5,087	5,685	-11%	5,773	-12%
COGS	3,042	3,447	-12%	3,420	-11%
Gross Profit	2,045	2,238	-9%	2,353	-13%
Gross Profit Margins	40.20%	39.37%	83bps	40.75%	-55bps
Expenses					
Employee Benefits Expenses	371	282	32%	367	1%
Other Expenses	1,297	1,548	-16%	1,464	-11%
EBITDA	377	408	-8%	521	-28%
EBITDA Margins	7.42%	7.18%	24bps	9.02%	-161bps
Other Income	148	91	62%	278	-47%
EBITDA (incl. OI)	526	500	5%	799	-34%
EBITDA Margins	10.33%	8.79%	155bps	13.83%	-350bps
Depreciation	299	297	1%	300	0%
EBIT	226	203	12%	499	-55%
EBIT Margins	4.45%	3.57%	88bps	8.64%	-419bps
Finance Cost	181	129	41%	238	-24%
PBT	45	74	-39%	261	-83%
Exceptional Items	0	0		0	
Profit Before Tax	45	74	-39%	261	-83%
Tax Expenses	80.4	118.0	-32%	145.4	-45%
PAT	-35.28	-43.92	NA	115.53	-131%

Source: Arianth Research, Company Filings

Q3FY26 Concall Key Highlights**Crop Protection**

- Q3FY26 production at 9,283 MT, capacity utilization at 66%; revenue at INR 3.82 bn, EBITDA at INR 580 mn, EBITDA margin at 15.3%.
- Technicals ~60%, formulations ~40% mix; management targeting higher formulations contribution for margin accretion given superior profitability.
- Q3 volume decline of ~14% YoY attributed to US tariff uncertainty (25% US exposure), seasonal softness (calendar year-end), and indirect spillover to other markets; inventories at customer end moderate, with pragmatic buying in smaller lots.
- Multi-purpose plant (MPP) utilization improving YoY; formulation approvals in select markets to aid further ramp-up and profitability.

Pigments

- Q3FY26 production at 3,144 MT, capacity utilization at 38%; revenue at INR 1.03 bn, EBITDA at INR 70 mn.
- European economic weakness and stagnant realizations pressuring performance; incremental revenue of ~INR 200 mn.
- Operational improvements underway: process modifications for lower energy/steam consumption, manpower rationalization via automation, group captive renewable power from Q2/Q3FY27 (targeting 60% renewable energy mix by FY27-end).

Titanium Dioxide (TiO₂ – Kilburn)

- Q3FY26 revenue ~INR 190 mn, EBITDA loss of INR 130 mn; full plant shutdown from late November to minimize losses amid weak dynamics.
- Pressures from elevated key raw material costs (sulfuric acid up from INR 4–5/kg to INR 15–18/kg), stagnant realizations post-ADD withdrawal, and Chinese imports.
- ADD imposed in May 2025, withdrawn after IPA challenge in Kolkata HC due to procedural lapses; DGTR has reworked process, industry representations complete – new notification and finance ministry order expected imminently (matter of weeks/months).
- Post-restart losses to be single-digit (vs. ~INR 200 mn EBIT loss in Q3); restart targeted mid-CY26 once sulfuric acid prices normalize.

Crop Nutrition (Nano Urea – MCNL)

- Q3FY26 revenue ~INR 50 mn, EBITDA loss of INR 4 mn due to low utilization and fixed overheads.
- Current EBITDA margins ~20–22%; expected to sustain/improve with scale (breakeven at ~INR 100–120 mn).
- International expansion: ongoing field trials, sample dispatches to new markets; initial commercial orders secured, with positive trial results; portfolio expansion underway.

Balance Sheet and Debt Metrics

- Standalone total debt at INR 5.73 bn as of 31 Dec 2025 (INR 4.55 bn short-term, INR 1.18 bn long-term); D/E at 0.33x.
- Consolidated total debt at INR 7.83 bn (INR 4.64 bn short-term, INR 3.19 bn long-term); D/E at 0.51x.
- YTD debt repayment of INR 1.28 bn

Strategic Initiatives and Guidances

- Near-term catalysts: Pigments improvement from Q1FY27 via ops fixes; TiO₂ recovery from Q2FY27 post-ADD and raw mat normalization.
- No major CAPEX planned for next 2 years (only routine/debottlenecks/maintenance); focus on deleveraging and profitability recovery.
- No immediate demerger plans for pigments vs. agchem despite independent operations/sales forces.

Key Management Commentary

- US tariffs (50% post-Trump admin) have led to pragmatic customer buying, impacting direct US (~25% in agchem) and indirect other markets; expect recovery from Feb/Mar FY26 as demand normalizes, potentially aided by India-US trade deal.
- Agchem US ADD advantage (lowest duty among Indian players) eroded by overriding tariffs; end-farmer economics limit price pass-through amid flat crop prices (corn/soybean).
- TiO₂ Chinese dumping persists despite prior ADD; post-reimposition, expect 2–3 months inventory liquidation before pricing stabilizes.
- Nano urea positivity from trials/orders; FY27 to see further export ramp-up post-regulatory nods.

Financials

(INR Mn)

Income statement

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross Sales	25,526	15,663	20,797	22,694	26,098	30,535
Net Sales	25,526	15,663	20,797	22,694	26,098	30,535
YoY (%)	2.2%	-38.6%	32.8%	9.1%	15.0%	17.0%
Adjusted COGS	15,091	10,231	12,639	13,587	15,789	18,474
YoY (%)	3.8%	-32.2%	23.5%	7.5%	16.2%	17.0%
Employee benefit expenses	1,295	1,159	1,144	1,351	1,566	1,740
Other Expenses	5,730	4,475	5,588	5,447	6,525	7,634
Total Expenditure	22,116	15,866	19,370	20,385	23,880	27,848
EBITDA	3,410	-203	1,427	2,309	2,218	2,687
YoY (%)	-9.9%	-105.9%	840.0%	61.8%	-3.9%	21.1%
EBITDA Margin (%)	13.4%	-1.3%	6.9%	10.2%	8.5%	8.8%
Depreciation	771	922	1,081	1,554	1,604	1,651
EBIT	2,640	-1,125	346	756	614	1,036
EBIT Margin (%)	10.3%	-7.2%	1.7%	3.3%	2.4%	3.4%
Interest Expenses	657	464	690	394	383	373
Non-operating/ Other income	960	377	439	736	901	1,090
PBT	3,131	-1,212	95	1,097	1,132	1,752
Tax-Total	754	-152	201	433	424	660
Adj. Net Profit	2,377	-1,060	-106	665	708	1,092
Reported Profit	2,377	-1,060	-106	665	708	1,092
PAT Margin	9.3%	-6.8%	-0.5%	2.9%	2.7%	3.6%
Shares o/s/ paid up equity sh capital	254	254	254	254	254	254
Adj EPS	9.3	-4.2	-0.4	2.6	2.8	4.3

Balance sheet

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	254	254	254	254	254	254
Reserves & Surplus/ Other Equity	16,438	15,023	14,898	15,385	15,838	16,676
Networth	16,692	15,277	15,153	15,639	16,093	16,930
Unsecured Loans/ Borrowings/ Lease Liabilities	8,239	8,368	8,292	7,888	7,671	7,464
Other Liabilities	958	655	833	983	1,192	1,445
Total Liabilities	31,984	30,386	30,854	31,475	32,601	33,455
Total Funds Employed	58,977	56,284	58,043	58,508	60,726	62,345
Application of Funds						
Net Fixed Assets	11,760	11,643	15,804	14,960	15,392	15,784
Capital WIP	3,456	5,086	771	771	771	771
Current assets	14,657	12,116	13,501	14,970	15,662	16,120
Inventory	6,517	5,172	5,990	6,392	6,555	6,853
Days	156	209	161	183	146	146
Debtors	5,234	4,329	5,668	6,134	6,525	6,107
Days	76	111	88	99	91	73
Other Current Assets	1,382	1,369	1,110	1,132	1,154	1,178
Cash and Cash equivalent	311	169	227	685	756	1,144
Current Liabilities/Provisions	10,300	10,621	12,036	11,394	12,032	11,959
Creditors / Trade Payables	4,478	4,919	5,505	5,695	6,087	5,686
Days	84	118	94	100	92	74
Liabilities	1,616	1,149	1,055	1,251	1,540	1,910
Net Current Assets	4,356	1,494	1,465	3,576	3,630	4,161
Total Asset	31,984	30,386	30,854	31,475	32,601	33,455
Total Capital Employed	27,628	28,891	29,389	27,899	28,971	29,295

Source: Arianth Research, Company Filings

Cash Flow Statement

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	2,377	-1,060	-106	665	708	1,092
Adjustments: Add						
Depreciation and amortisation	771	922	1,081	1,554	1,604	1,651
Interest adjustment	-303	87	251	-342	-518	-717
Change in assets and liabilities	2,488	-51	1,100	1,698	1,540	1,772
Inventories	-123	1,345	-818	-402	-163	-298
Trade receivables	194	906	-1,339	-466	-391	418
Trade payables	-1,259	442	585	190	392	-401
Other Liabilities and provisions	1,171	-333	1,047	-717	384	494
Other Assets	145	27	790	-40	-41	-42
Taxes	-3	-4	3	16	34	41
Net cash from operating activities	1,256	1,984	390	1,375	1,795	2,023
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-4,982	-2,430	-975	-710	-2,036	-2,043
Net Sale/(Purchase) of investments	1,243	1,065	1,551	749	907	1,094
Net cash (used) in investing activities	-3,796	-1,331	405	35	-1,133	-953
Interest expense	1,413	-692	-1,734	250	-522	-493
Dividend paid	-356	0	-127	-178	-254	-254
Other financing activities	-347	-355	41	-178	-313	-254
Net cash (used) in financing activities	2,754	-777	-686	-780	-566	-536
Closing Balance	326	203	312	942	1,039	1,572
FCF	-2,082	1,199	-4,821	661	-243	-24
Capex (% of sales)	3,320	784	300	681	2,000	2,001

Key Ratios

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.5	0.5	0.5	0.5	0.5	0.4
Net Debt / Equity	0.5	0.5	0.5	0.4	0.4	0.3
Debt / EBITDA	2.4	-41.2	5.8	3.4	3.5	2.8
Current Ratio	2.3	-40.2	5.6	3.0	3.0	2.2
DuPont Analysis						
Sales/Assets	0.8	0.5	0.7	0.7	0.8	0.9
Assets/Equity	1.9	2.0	2.0	2.0	2.0	2.0
RoE	14.2%	-6.9%	-0.7%	4.3%	4.4%	6.4%
Per share ratios						
Reported EPS	9.3	-4.2	-0.4	2.6	2.8	4.3
Dividend per share	1.4	0.0	0.5	0.7	1.0	1.0
BV per share	65.6	60.1	59.6	61.5	63.3	66.6
Cash per Share	1.2	0.7	0.9	2.7	3.0	4.5
Revenue per Share	100.4	61.6	81.8	89.2	102.6	120.1
Profitability ratios						
Net Profit Margin (PAT/Net sales)	12.2%	9.3%	-6.8%	-0.5%	2.9%	2.7%
Gross Profit / Net Sales	40.9%	34.7%	39.2%	40.1%	39.5%	39.5%
EBITDA / Net Sales	13.4%	-1.3%	6.9%	10.2%	8.5%	8.8%
EBIT / Net Sales	10.3%	-7.2%	1.7%	3.3%	2.4%	3.4%
ROCE (%)	12.2%	-5.7%	1.8%	3.8%	3.0%	4.8%
Activity ratios						
Inventory Days	156.1	208.5	161.2	182.5	146.0	146.0
Debtor Days	76.2	111.4	87.7	98.6	91.3	73.0
Creditor Days	83.8	118.1	94.2	100.0	92.4	73.7
Leverage ratios						
Interest coverage	4.0	-2.4	0.5	1.9	1.6	2.8
Debt / Asset	0.3	0.3	0.3	0.3	0.2	0.2
Valuation ratios						
EV / EBITDA	6.3	-106.7	15.0	8.8	9.1	7.2
PE (x)	5.7	-12.7	-127.1	20.3	19.0	12.3

Source: Arian Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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