MEGHMANI ORGANICS LIMITED **12.08.2020**

First Quarter Financial Statements And Dividend Announcement

The Board of Directors of Meghmani Organics Limited ("MOL" or "the Company" or "the Issuer") wishes to make the announcement of the Group's results for the first quarter ended **June 30, 2020** as follows:

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF YEAR AND FULL YEAR RESULT

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	03 months ended		**%**
	30.06.2020	**30.06.2019**	**Increase / (Decrease)**
	Rs. '000	**Rs. '000**	
Revenue	4,199,477	6,057,553	-30.7
Cost of sales	(3,196,210)	(4,555,995)	-29.8
Gross Profit	**1,003,267**	**1,501,558**	**-33.2**
Other operating income	96,393	102,304	-5.8
Distribution expenses	(229,778)	(235,857)	-2.6
Administrative expenses	(124,098)	(224,358)	-44.7
Other operating expenses	(34,514)	25,501	n.n.
Profit from operations	711,270	1,169,148	**-39.2**
Finance cost	(51,284)	(72,609)	-29.4
Income from investments	-	116	n.m.
Profit before tax	**659,986**	**1,096,655**	**-39.8**
Income tax	(191,833)	(318,594)	-39.8
Profit after income tax	**468,153**	**778,061**	**-39.8**
Other Comprehensive Income (net of tax)	**(6,132)**	**(3,568)**	**71.9**
Total Comprehensive Income Attributable to			
Minority Interest	(76,459)	(208,998)	-63.4
Owners of the Company	**385,562**	**565,495**	**-31.8**

1(a) (ii) The net profit attributable to the shareholders includes the following (charges) / credits:

	Group		
	3 months ended		**%**
	30.06.2020	**30.06.2019**	**Increase / (Decrease)**
	Rs '000	**Rs '000**	
Bad trade receivables written off / recovered	1,803	282	n.m.
Foreign currency exchange adjustment (loss)	(35,404)	26,456	n.m.
Loss on sale of investments	(913)	(1,237)	-26.2
Research and development expenditure	(4,828)	(5,558)	-13.1

Note: n.m. means "not meaningful".

MEGHMANI ORGANICS LTD. AHMEDABAD

1(b) (i) A balance sheet of the Group and the Company together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30.06.2020	**As at 31.03.2020**	**As at 30.06.2020**	**As at 31.03.2020**
	Rs. '000	**Rs. '000**	**Rs. '000**	**Rs. '000**
ASSETS				
Current assets				
Cash & bank balances	121,139	162,697	94,565	137,487
Available for sale investments	50,022	-	50,022	-
Trade receivables	3,967,865	5,305,197	3,172,267	4,637,902
Other receivables and prepayments	1,142,529	1,104,651	1,010,885	979,766
Inventories	3,289,522	3,516,074	2,768,689	2,965,433
Income tax recoverable	263,671	262,716	(145,177)	(111,677)
Total current assets	**8,834,748**	**10,351,335**	**6,951,251**	**8,608,911**
Non – current assets				
Property, plant and equipments	17,546,553	17,182,082	5,936,329	5,812,766
Interest in subsidiaries	-	-	1,825,155	1,825,155
Available for sale investments	5,721	5,721	5,721	5,721
Total non – current assets	**17,552,274**	**17,187,803**	**7,767,205**	**7,643,642**
Total assets	**26,387,022**	**27,539,138**	**14,718,456**	**16,252,553**
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	2,568,300	3,165,630	954,496	2,086,424
Trade payables	2,650,659	3,655,447	2,042,720	2,770,976
Other payables	1,474,997	1,289,529	706,812	648,528
Total current liabilities	**6,693,956**	**8,110,606**	**3,704,028**	**5,505,928**
Non – current liabilities				
Long Term Loan	4,455,622	4,738,683	549,981	555,830
Deferred tax liabilities	785,424	701,856	268,325	278,111
Total non – current liabilities	**5,241,046**	**5,440,539**	**818,306**	**833,941**
Capital & reserves				
Issued capital	254,314	254,314	254,314	254,314
Share premium	1,565,048	1,565,048	1,565,048	1,565,048
General reserve	1,245,558	1,245,558	1,246,718	1,246,718
Capital reserve	(897,175)	(897,175)	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	6,537	4,627	6,537	4,627
Currency translation reserve	(862)	(959)	-	-
Other Comprehensive Income	(36,071)	(32,861)	(37,146)	(31,617)
Accumulated profits	10,327,013	9,938,241	7,139,096	6,852,039
Minority interest	1,969,225	1,892,767	-	-
Total equity	**14,452,020**	**13,987,993**	**10,196,122**	**9,912,684**
Total liabilities and equity	**26,387,022**	**27,539,138**	**14,718,456**	**16,252,553**

MEGHMANI ORGANICS LTD. AHMEDABAD

1(b) (ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 June 2020		As at 31.03.2020	
Secured		Secured	
Group	Group	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,568,300	954,496	3,165,630	2,086,424

Amount repayable after one year

As at 30 June 2020		As at 31.03.2020	
Secured		Secured	
Group	Group	Group	Company
4,455,622	549,981	4,738,683	555,830

The details of bank borrowings from various banks and securities are shown below:

Bank borrowings from a consortium of banks **(Group and Company) (SBI, HDFC and ICICI)**

As at **June 30, 2020**, bank borrowings amounting to **Group Rs. 1,085,273,000 & Company Rs. 611,463,000** are secured by:

(a) first ranking pari passu charge in favour of a consortium of banks by way of hypothecation on the Company's trade receivables and inventories ; and

(b) first ranking pari passu charge in favour of a consortium of banks by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

As at **March 31, 2020**, bank borrowings amounting to **Group Rs. 1,732,962,000 & Company Rs. 1,535,763,000** are secured by:

(a) first ranking pari passu charge in favour of a consortium of banks by way of hypothecation on the Company's trade receivables and inventories ; and

(b) first ranking pari passu charge in favour of a consortium of banks by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

Bank A (HDFC Bank Limited)

As at **June 30, 2020**, bank borrowings amounting to **Rs.3,837,000** are secured.

As at **March 31, 2020**, bank borrowings amounting to **Rs.3,541,000** are secured

Bank B (ICICI Bank Limited)

As at **June 30, 2020**, bank borrowings amounting to **Rs. Nil** are secured.

As at **March 31, 2020**, bank borrowings amounting to **Rs.486,000** are secured.

MEGHMANI ORGANICS LTD. AHMEDABAD

.

Bank C (SBI Bank Limited)

As at **June 31, 2020**, bank borrowings amounting to **Rs. 50,000,000** are secured.

As at **March 31, 2020**, bank borrowings amounting to **Rs.134,000,000** are secured.

Bank D (HDFC Bank Limited – Term Loan)

As at June 30, 2020, HDFC Term Loan Dahej – SEZ of **Rs. Nil** which is secured and repayable after one year. and **Rs. 45,000,000** repayable within one year.

As at March 31, 2020, HDFC Term Loan Dahej – SEZ of **Rs. Nil** which is secured and repayable after one year and **Rs. 60,000,000** repayable within one year.

Bank E (SBI – Term Loan)

As at June 30, 2020, SBI Term Loan of **Rs. 56,073,000** which is secured and repayable after one year. and **Rs. 79,560,000** repayable within one year.

As at March 31, 2020, SBI Term Loan of **Rs. 73,504,000** which is secured and repayable after one year and **Rs. 111,471,000** repayable within one year.

Bank F (AXIS Bank –Term Loan)

As at June 30, 2020, Axis Bank Term Loan of **Rs. 493,908,000** which is secured and repayable after one year and **Rs. 164,636,000** repayable within one year.

As at March 31, 2020, Axis Bank Term Loan of **Rs. 482,326,000** which is secured and repayable after one year and **Rs. 241,163,000** repayable within one year.

Bank G (Standard Chartered Bank – ECB - Euro – MFL)

As at June 30, 2019, bank borrowings amounting to **Rs. 1,118,799,000** (repayable after one year) and **Rs. 406,836,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2020, bank borrowings amounting to **Rs. 1,191,888,000** (repayable after one year) and **Rs. 297,972,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank H (HDFC Bank Limited – MFL)

As at June 30, 2020, bank borrowings amounting to **Rs. 1,800,000,000** (repayable after one year) and **Rs. 470,000,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2020, bank borrowings amounting to **Rs. 1,938,333,000** (repayable after one year) and **Rs. 386,667,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank I (Fedral Bank – MFL)

As at June 30, 2020, bank borrowings amounting to **Rs. 986,842,000** (repayable after one year) and **Rs. 263,158,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2020, bank borrowings amounting to **Rs. 1,052,632,000** (repayable after one year) and **Rs. 197,368,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

1(c) **A cash flow statement of the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Particulars	Group	
	3 months ended 30.06.2020	3 months ended 30.06.2019
	Rs '000	Rs '000
Cash flows from operating activities		
Profit from operations	711,270	1,169,148
Adjustments for :		
Depreciation of property, plant and equipment	231,585	218,603
Unrealized Foreign Exchange Gain	(142,390)	42,903
Interest Received	(964)	(5,136)
Actuarial Valuation of Gratuity	(8,428)	(5,486)
Loss on disposal of Property, Plant & Equipments	913	3,087
Operating cash flows before movements in working capital	**791,986**	**1,423,119**
Trade receivables	1,337,333	(796,029)
Other receivables and prepayments	104,609	(310,396)
Inventories	226,551	685,683
Trade payables	(1,004,788)	25,104
Other payables	185,467	(27,922)
Cash generated from (used in) operations	**1,641,158**	**999,559**
Income taxes paid (Net)	(107,020)	(56,258)
Interest and finance charges paid	(51,284)	(72,609)
Net cash from (used in) operating activities	**1,482,854**	**870,692**
Cash flows from investing activities:		
Purchase of property, plant and equipments	(597,297)	(1,395,559)
Proceeds from property, plant and equipments	326	253
Interest Received	964	5,136
Investment Income	-	116
Net cash used in investing activities	**(596,007)**	**(1,390,054)**
Cash flows from financing activities:		
Dividend paid	1,911	(9,165)
Proceeds from (repayment of) bank borrowings	(880,201)	368,612
Proceeds from (repayment of) other borrowings	(190)	17,367
Net cash used in financing activities	**(878,480)**	**376,814**
Net effect of exchange rate change on consolidation	97	1
Net increase in cash and cash equivalents	**8,464**	**(142,547)**
Cash and cash equivalents at beginning of period	162,697	1,382,013
Cash and cash equivalents at end of period	**171,161**	**1,239,466**

MANI ORGANICS LTD. AHMEDABAD

1(d)(i) **A statement (Group and Company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group

Rs. '000

	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Dividend reserve	Currency translation reserve	Accumulated Profits	Other Comprehensive Income	Minority Interest	Total
Balance as at March 31,2019	254,314	1,565,048	1,125,558	(897,175)	18,433	12,296	(2,662)	7,985,453	(12,965)	1,492,382	11,540,682
Net profit for the year	-	-	-	-	-	-	-	565,495		-	565,495
Transfer to (from) reserve	-	-	-	-	-	-	-	(640)	640	-	-
Addition during the year	-	-	-	-	-	(8,732)	1	-	-	208,998	200,267
Balance as at June 30, 2019	254,314	1,565,048	1,125,558	(897,175)	18,433	3,564	(2,661)	8,550,308	(12,325)	1,701,380	12,306,444
Balance as at March 31,2020	254,314	1,565,048	1,245,558	(897,175)	18,433	4,627	(959)	9,938,241	(32,861)	1,892,767	13,987,993
Net profit for the year	-	-	-	-	-	-	-	385,562	-	-	385,562
Transfer to (from) reserve	-	-	-	-	-	-	-	3,210	(3,210)	-	-
Addition during year	-	-	-	-	-	1,910	97	-	-	76,458	78,465
Balance as at June 30, 2020	254,314	1,565,048	1,245,558	(897,175)	18,433	6,537	(862)	10,327,013	(36,071)	1,969,225	14,452,020

1(d)(i) Company

Rs '000

	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Dividend reserve	Other Comprehensive Income	Accumulated Profits	Total
Balance as at March 31,2019	254,314	1,565,048	1,126,718	3,122	18,433	12,296	(9,502)	5,421,524	8,391,953
Net profit for the year	-	-	-	-	-	-	-	280,724	280,724
Transfer to (from) reserve	-	-	-	-	-	-	(2,534)	2,534	-
Addition during the year	-	-	-	-	-	(8,732)	-	-	(8,732)
Balance as at June 30,2019	254,314	1,565,048	1,126,718	3,122	18,433	3,564	(12,036)	5,704,782	8,663,945
Balance as at March 31,2020	254,314	1,565,048	1,246,718	3,122	18,433	4,627	(31,617)	6,852,039	9,912,684
Net profit for the year	-	-	-	-	-	-	-	281,529	281,529
Transfer to (from) reserve	-	-	-	-	-	-	(5,529)	5529	-
Addition during the year	-	-	-	-	-	1,910	-	-	1,910
Balance as at June 30,2020	254,314	1,565,048	1,246,718	3,122	18,433	6,537	(37,146)	7,139,096	10,,196,122

MEGHMANI ORGANICS LTD.
AHMEDABAD

1(d)(ii) **Details of any changes in the Group's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities , issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There is no change in the Company's share capital.

1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	30 June 2020	31 March 2020
Total number of issued ordinary shares **Excluding treasury shares**	12,849,340	12,849,340

1(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and/or issuse of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company does not have any treasury shares.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual Financial Statements have been applied.**

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting year compared with the audited financial statements for the year ended 31 March 2020.

5. **If there are any changes in the accounting policies and methods of computation , including any required by an accounting standard , what has changed , as well as the reasons for and the effect of , the change.**

There is no change in accounting policy.

MEGHMANI ORGANICS LTD. AHMEDABAD

6. **Earning per ordinary share of the Group and the Company for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting and provision for preference dividends.**

	Group		**Company**	
Earnings per Ordinary shares	**Year ended**		**Year ended**	
	30.06.2020	**31.03.2020**	**30.06.2020**	**31.03.2020**
(a) Based on weighted average number of ordinary shares in issue (Rs)	1.52	9.35	1.11	7.50
Earnings per SDS (Rs)	0.76	4.68	0.56	3.75
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	1.52	9.35	1.11	7.50
Earnings per SDS (Rs.)	0.76	4.68	0.56	3.75

7. **Net asset value (for the issuer and Company) per ordinary share based on issued share capital of the issuer at the end of the :-**

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		**Company**	
	As at 30.06.2020	**As at 31.03.2020**	**As at 30.06.2020**	**As at 31.03.2020**
Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	56.83	55.00	40.09	38.98

8 **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following :-**

(a) any significant factors that affected the turnover , costs , and earnings of the Group for the current financial period reported on , including (where applicable) seasonal or cyclical factors ; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

The principal activities of the Group are (i) manufacturing of Pigments, Agrochemicals, Chlor-alkali & Its derivatives (ii) Trading of Pigments and its intermediates (iii) Trading of Agrochemicals, Technical, Intermediates products and Small Packing.

Revenue - Group

Group revenue for Q1 FY 2021 decreased by **30.7%** from **Rs. 6057.55 million** in Q1 FY 2020 to **Rs. 4199.48 million** in Q1 FY 2021.

Breakdown of Revenue by Product

(Rs. in Millions)

Products	**Q 1 FY 2020-21**	**Q 1 FY 2019-20**	**Increase/ (Decrease)**	**%**
Pigments	976.31	1414.20	-437.89	-31.0
Agrochemicals	1816.72	2853.85	-1037.13	-36.3
Basic Chemicals	1302.20	1665.86	-363.66	-21.8
Trading	104.25	123.64	-19.39	-15.7
Total	**4199.48**	**6057.55**	**-1858.07**	**-30.7**

Breakdown of Domestic Sales by Product

(Rs. in Millions)

Domestic Sales	**Q 1 FY 2020-21**	**Q 1 FY 2019-20**	**Increase/ (Decrease)**	**%**
Pigments	202.56	349.40	-146.84	-42.0
Agrochemicals	427.19	622.96	-195.77	-31.4
Basic Chemicals	1246.41	1585.82	-339.41	-21.4
Trading	5.60	0.05	5.55	n.m.
Total	**1881.76**	**2558.23**	**-676.47**	**-26.4**

Reasons for Increase / (Decrease) in Domestic Sales

1) Domestic sales of Pigment Division decreased by **42.0%** due to decrease in quantity sales of CPC Blue, Alpha Blue, Beta Blue and Pigment Green 7.

2) Domestic sales of Agrochemical Division decreased by **31.4%** due to decrease in quantity sales of Chlorpyriphos Tech , MPB, and Bifenthrin.

3) Domestic sales of Basic Chemicals decreased by **21.4%** due to decrease in quantity sales.

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	**Q 1 FY 2020-21**	**Q 1 FY 2019-20**	**Increase/ (Decrease)**	**%**
Pigments	773.75	1064.80	-291.05	-27.3
Agrochemicals	1389.53	2230.89	-841.36	-37.7
Basic Chemicals	55.79	80.04	-24.25	-30.3
Trading	98.65	123.59	-24.94	-20.2
Total	**2317.72**	**3499.32**	**-1181.60**	**-33.8**

Reasons for Increase / (Decrease) in Export Sales

1) Export sales of Pigment Division decreased by **27.3%** due to decrease in quantity sales of Beta Blue and PG7.

2) Export sales of Agrochemical Division decreased by **37.7%** due to decrease in quantity sales of Bifenthrine and Permethrin.

Gross profit - Group

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	Q1 FY 2021	GP Margin Q 1FY 2021 (%)	Q1 FY 2020	GP Margin Q 1FY 2020 (%)	Increase/ Decrease	%
Pigments	169.64	17.4	195.96	13.9	-26.32	-13.4
Agrochemicals	450.72	24.8	508.97	17.8	-58.25	-11.4
Basic Chemicals	369.87	28.4	797.03	47.8	-427.16	-53.6
Trading	13.04	12.5	-0.40	-0.3	13.44	n.m.
Total	**1003.27**	**23.9**	**1501.56**	**24.8**	**-498.29**	**-33.2**

Reasons for increase / (decrease) in GP margin

GP of Pigment

The amount of gross profit of Pigment Division decreased by **13.4%** while GP margin of Pigment Division increased from **13.9%** in Q1 FY 2020 to **17.4%** in Q1 FY 2021 due to increase in selling price of Alpha Blue and Beta Blue and PG 7.

.

GP of Agrochemical

The amount of gross profit of Agrochemical Division decreased by **11.4%** while GP margin increased from **17.8%** in Q1 FY 2020 to **24.8%** in Q1 FY 2021 due to increase in selling price of Zeta Cypermethrin,, Chlorpyriphos and Profenophos.

GP of Caustic Chlorine

The amount of gross profit of Caustic Chlorine Division decreased by **53.6%,** while GP margin of Caustic Chlorine Division decreased from **47.8%** in Q1 FY 2020 to **28.4%** in Q1 FY 2021 due to decrease in Selling Prices (ECU).

COST OF SALES :-

The Cost of Sales at Group level decreased by **29.8%** due to better product mix.

OTHER OPERATING INCOME – GROUP

Other operating income of the Group decreased by **Rs. 5.91 million.** due to decrease in export sales.

DISTRIBUTION, ADMINISTRATIVE AND OTHER OPERATING EXPENSES – GROUP

Distribution expenses

Distribution expenses of Group decreased marginally by **Rs. 6.08 million** i.e. by **2.6%.**

Administrative expenses

Administrative expenses of Group decreased by **Rs. 100.26 million** i.e. by **44.7%** mainly due to decrease in Directors Remuneration, Travelling expenses, and Donation.

Other Operating Expenses

Other operating expenses indicates income mainly on account of favorable foreign currency exchange adjustment. The fluctuations in the exchange rate of the Indian Rupee against the US dollar is main contributory. Other operating expenses reflect income in current and previous financial quarter. The expense has been decreased by **Rs. 60.02 million** on account of foreign currency exchange adjustment.

Finance costs

Finance costs of the Group decreased by **Rs. 21.33 million**, i.e. by **29.40%** due to repayment of high cost term loan, short term low cost borrowing in foreign currency and lower utilization of working capital.

Income from investments

Income from investment During the period **Rs.Nil** in Q1 FY 2021 .

Taxation

Income tax at the Group level decreased by **Rs. 126.76 million** i.e. by **39.8%** in Q1 FY 2021. This is due to decrease in Profit.

Interest in Subsidiaries

1. Meghmani Organics USA Inc., is a 100% wholly owned subsidiary of the Company is in the trading business.
2. Meghmani Finechem Limited (MFL) is subsidiary company in which Meghmani Organics Limited holds 57% of the Equity, is in the business of Caustic and Chlorine Derivatives.
3. P T Meghmani Indonesia is a 100% wholly owned subsidiary of the Company is in the trading business.
4. Meghmani Overseas FZE, Sharjah is a 100% wholly owned subsidiary of the Company is in the trading business.
5. Meghmani Organochem Limited is a 100% wholly owned subsidiary of the Company set for manufacturing activity

SGX Rule 716

As per Rule 716, we declare that no one of the above Subsidiaries is listed on any of the Stock Exchanges.

Other Comprehensive income.

Other comprehensive income (OCI) is defined as comprising 'items of income and expense (including reclassification adjustments) that are not recognized in profit or loss. Other comprehensive income at group level decreased by **Rs. 2.56 million**.

MEGHMANI ORGANICS LTD. AHMEDABAD

Balance sheet

Trade receivables

Trade receivables of Group decreased by **Rs. 1337.33 million** from **Rs. 5305.20 million** in FY 2020 to **Rs. 3967.87 million** in Q1 FY 2021. Trade receivables at Company level decreased by **Rs. 1465.63 million** from **Rs. 4637.90 million** in FY 2020 to **Rs. 3172.27 million** in Q1 FY 2021. Trade Receivables decreased due to decrease in sales.

Other receivables & Prepayments

During the first quarter, other receivables & prepayments at Group increased by **Rs. 37.88 million (or 3.4%)** mainly due to increase in down payment made to vendors. and at Company level increased by **Rs. 31.12 million (3.2%).**

Inventories

Inventories at group level decreased by **Rs.226.55 million** from **Rs. 3516.07 million** in FY 2020 to **Rs. 3289.52 million** in Q1 FY 2021 due to decrease in raw material and finished goods. While inventories at Company level decreased by **Rs. 196.74 million** i.e. from **Rs. 2965.43 million** in FY 2020 to **Rs. 2768.69 million** in Q1 FY 2021 due to decrease in raw material and finished goods stock.

Property, plant and equipment

Property, Plant and equipments at Group level increased by **Rs. 364.47 million**. Due to ongoing project expansion and at Company level increased by **Rs.123.56 million**.

Bank Borrowings and Long Term Loan

Bank borrowings at Group level (current and non current) decreased by **Rs. 880.39 million** and at Company level decreased by **Rs. 1137.78 million** respectively.

Trade payables and Other payables

Trade payables at Group level decreased by **Rs. 1004.79 million** and at Company level decreased by **Rs. 728.26 million** respectively due to decrease in operational activity.

Other payables at Group level increased by **Rs. 185.47 million** and at Company level increased by **Rs. 58.28 million** respectively.

Cash flow statement

During the period, the Group has generated positive Net Cash Flow of **Rs. 1482.85 million** from operation.

MEGHMANI ORGANICS LTD. AHMEDABAD

Financial Analysis

Rs. in millions

Group Key financial highlights	**As at 30.06.2021**	**As at 30.06.2020**	**Variance**	**Variance (%)**
Profitability				
Sales	4,199	6,058	-1859	-30.7
Gross Profit	1,003	1,502	-499	-33.2
Gross Profit Margin (%)	23.9	24.8	-0.9	-
Profit before tax	660	1,097	-437	-39.8
Profit before tax Margin (%)	15.7	18.1	-2.4	-
Net profit	386	565	-179	-31.7
Earning per Share (EPS in Rs.)	1.52	2.24	-0.72	-32.1
Financial position				
Net tangible assets	14,452	12,306	2146	17.4
Debt (short term +long term)	7,024	7,560	-536	-7.1
Capital Gearing ratio	0.49	0.61	-0.12	-19.7
Net tangible assets per share	49.08	41.70	7.38	17.7
Stock turnover (days)	94	68	26	38.2
Trade debts turnover (days)	86	77	9	11.7

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

COVID-19 pandemic impact on Indian Economy:-

There is no doubt that COVID-19 will have a large impact on the Indian economy. The recovery of the underlying economy will be slow, and it will take around 2 years for normalcy to come back across sectors. The overall economy might take a hit because of the government lockdown.

The COVID-19 pandemic is one of the few episodes in recorded history where all of humanity faces a common existential threat. Within four months, the virus has spread around the world and imperilled not just our health and wellbeing, but also our social and economic networks. We have entered, an era of radical uncertainty in which we are racing to craft appropriate responses, not only to secure safe health outcomes for all, but also to ensure that lifestyles and livelihoods are protected.

Like other countries, India is also seeking to steer a judicious path between the need to insulate the population, and to revive the economic engine. The rigorous national lockdown has succeeded in slowing the spread of the virus, and the government is opening the country for business in a carefully calibrated manner, focusing on reviving sectors like agriculture, manufacturing, and services; while isolating geographic hotspots and vulnerable groups.

ORGANICS LTD. AHMEDABAD

The most compelling requirement for reviving the economy is to effectively manage the emergence from the lockdown, ensuring that supply chains are reopened, that manufacturing and service enterprises are free to operate, while ensuring basic health hygiene.

India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown. Abrupt stoppage of urban activity could lead to a steep fall in consumption of non- essential goods. Around 37% of regular wage/ salaried employees in urban areas are informal workers, who will face uncertain income.

However after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1 FY21. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector.

Global Economy

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3% in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario--which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8% in 2021 as economic activity normalizes, helped by policy support.(Source :IMF website).

Growth in East Asia and Pacific region is projected to fall to 0.5% in 2020, the lowest rate since 1967, reflecting disruptions caused by the pandemic. Economic activity in the East Asia and Pacific (except China) is forecast to contract by 1.2% in 2020 before rebounding to 5.8% in 2021

PIGMENT: INDUSTRY STRUCTURE: -

The global dyes and pigments market size is projected to reach USD 54.64 billion by 2026, exhibiting a CAGR of 4.9% during the forecast period. Increasing demand for ink for diverse applications will be a central growth driver for this market, shares Fortune Business Insights in its report, titled "Dyes and Pigments Market Size, Share & Industry Analysis, By Type (Dyes, {Reactive, Disperse, Vat, Acid, and Others}, and Pigment {Inorganic, and Organic}), By End-use Industry (Textiles, Leather, Paper, Paints & Coatings, Plastics, Printing Inks, and Others), and Regional Forecast, 2019-2026". Inks are essentially liquids that are made from dyes and pigments and serve a variety of purposes such as writing, printing, and tattooing. They are also used to prevent anti-counterfeiting activities. For instance, special inks are manufactured for printing currency notes, which react with the cellulose in the paper and produce inimitable colors and textures, making it almost impossible to replicate.

MEGHMANI ORGANICS LTD AHMEDABAD

Furthermore, advanced ink-based liquids are being extensively employed in 3D printing operations. Many companies are using these liquids on small- and medium-scale to manufacture customized spare parts for machines, gourmet food products, and prosthetics. Thus, widening the applicability of inks and ink-based liquids and pastes will lead the Dyes and Pigments market trends in the forthcoming years.

Market Driver

Rapid Urbanization Worldwide to Fuel the Market

The Dyes and Pigments market growth is premised on the fact that there is a rising demand for these ingredients in the paints and coatings industry. The growth of this industry is based on the escalating demand for these materials from the residential and commercial spaces across the globe. One of the major factors causing the proliferation of such spaces is rapid urbanization around the world.

According to the UN Department of Economic and Social Affairs (DESA), roughly two-third of the global population will be living in urban areas by 2050, jumping by 13% from the current levels. More importantly, around 90% of this jump will be witnessed in the developing nations of Africa and Asia, where the process of urbanization is getting further intensified by steady economic growth. As a result, expansion of residential and commercial areas in these countries will stoke the demand for Dyes and Pigments during the forecast period.

Asia-Pacific to Offer Promising Growth Prospects for the Market

With a market size of USD 15.05 billion in 2018, Asia-Pacific is set to dominate the Dyes and Pigments market share in the coming years. The main factor propelling the market in this region is the expanding middle-class in India and China, which is increasingly demanding higher value textiles, plastics, and other products, thereby augmenting the uptake of dyes and pigments. Furthermore, countries in Asia-Pacific, mainly China, India, Bangladesh, and Vietnam, lead the world production of textiles and with greater investments in the textile industry, their production capacity has risen substantially in the past few years. With the majority of these products being exported to Europe and North America, the demand for dyes and pigments is surging in the developed countries.

Pigment Business Overview of the Company

The Company is amongst the top 3 (capacity wise) global pigment manufacturers of Phthalocyanine-based Pigments. The Company has vertically integrated facilities manufacturing CPC Blue (an upstream product, which too is 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 strong global presence with exports accounting for 82% of net sales. The Company's relationship with its clients is consistent, with 90% business arising from repeat customers. The Company has global presence in more than 65 countries with subsidiary in the US which helps in maintaining a front-end presence along with the ability to work closely with end-user customers. The Company continues to focus on increasing its domestic presence and increase the market share, given the significant market opportunities.

The Company has three dedicated manufacturing facilities for Pigments products. These are located at:

- GIDC Vatva, Ahmedabad, (2,940 MTPA) where Pigment Green is manufactured
- GIDC Panoli, (17,400 MTPA), where CPC Blue, Alfa and Beta Blue are manufactured
- Dahej SEZ Ltd, (12,600 MTPA) where CPC Blue, Alfa and Beta Blue are manufactured Outlook and Strategy:

Risks, Concerns and Threats

Drastic changes and continuous fluctuations in the prices of key raw materials are critical challenges to the growth of this industry. As the Company's revenue comprises a significant portion of business from exports, volatility of the rupees vis-a-vis the Dollar and the Euro may affect realisations. The Company is engaged in a business involving different areas such as procurement, backward and forward integration, quality, technical competence, logistics facilities, after-sales service and customer relationship. Changing competitive landscape and emergence of new technologies may impact the Company's business and prospects. The biggest concern is the effect of Corona Virus in the export market.

AGROCHEMICALS - INDUSTRY STRUCTURE:-

There are broadly 5 categories of crop protection products:

1. Insecticides: Manage the pest population below the economic threshold level
2. Fungicides: Prevent the economic damage due to fungal attack on crops
3. Herbicides: Prevent/ inhibit/ destroy the growth of unwanted plants in a crop field
4. Bio pesticides: These are derived from natural substances like plants, animals, bacteria & certain minerals. These are non-toxic & environmental friendly
5. Plant growth regulators India's agrochemical industry can be divided into producers of technical agrochemicals - the bulk actives - and formulators who compound actives in forms that enable use.

Agrochemical Market

The global Agrochemicals market is estimated to reach US$ 281.7 Bn at the end of forecast period, while growing at a CAGR of 4.9%, by value. Rising demand for pesticides and increasing consumption of agrochemicals as a liquid form are some of the key factors are expected to boost the demand for agrochemicals in the global market..

Huge opportunity for generic pesticides players:

Agrochemical worth $6.3 billion are going off patent between 2014 - 2020 and as per the Enigma Report 19 more agrochemical active ingredients (Als) will lose patent protection between 2019 - 2026. Over last 20 years, there has been a decline in the discovery of new active ingredients.

At the same time, there has been a substantial increase in the number .of mixture products entering the market. It is projected that, from 2019 to 2026, approximately 70 mixture products will lose the patent protection. With so many products coming off patent, industry players have the opportunity to choose the right off-patent/generic Active ingredients or their product development strategies.

India Agrochemical Industry:

The agrochemicals industry has played a great role since first green revolution to transform India's ship-to mouth economy to a farm-to ship economy. At an estimated size of 2.8 Billion USD in 2019, Indian agrochemicals is the second largest and a fast-growing segment in the Indian agri-input industry.

Use of agrochemicals contributes not only to healthy growth of crops but also to improve farm work efficiency and stable supply of tasty agricultural produce. The onset of agrochemicals era transformed Indian agriculture from food deficient to food surplus country. Going ahead, increase in agricultural yields itself will contribute ~60% towards the vision of doubling farmer income by 2025 (NITI Aayog). Doubling of farmer income will result in a significant increase in rural disposable income and hence spending, which is integral to push economic growth.

Also, exports of agrochemicals in India have been growing at a CAGR of 12.8% during 2014-18. Furthermore, agrochemicals worth 4.1 Billion USD will be off patent by 2020, which will further boost Indian generic agrochemical production ability. Therefore, agrochemicals industry, through increase in yields and contribution to exports will play a major role in achieving the vision of 5 Trillion USD economy.

Indian pesticides market is expected to reach INR 316 billion by 2024, growing at CAGR of 8.1% between 2019-2024. The significance of pesticides has been rising over the last few decades catalysed by the requirement to enhance the overall agricultural production and the need to safeguard adequate food availability for the continuously growing population in the country. In India, pests and diseases, on an average eat away around 20-25% of the total food produced.

Key growth driver of pesticides:

- Due to increasing urbanisation levels, per capita arable land has been reducing in recent years and expected to reduce further in coming years. Driven by rising population levels, food demand is expected to continue increasing in the coming years and pesticides to play a key role in increasing the average crop yields.
- Government initiatives and incentives to provide credit facilities to farmers due to covid outbreak, is expected to provide a strong boost to the pesticides industry. Increasing availability, low interest rates on farm loan and farm loans waivers are expected to encourage farmers to use more pesticides in order to improve yields.
- Increasing awareness of pesticides among farmers.
- The penetration levels of pesticides in India are significantly lower than other major countries such as the US and China and world average. This indicates that the market for pesticides is still un penetrated India.

Agrochemical Business Overview of the Company

The Company is a leading vertically-integrated Agrochemicals player with the presence in entire value chain - intermediate, technical grade and formulations {bulk and branded).

The Company's vertical integration of business allows the Company to effectively manage raw material costs and assure a constant supply of consistent quality. The Agrochemicals industry is highly regulated and the Company enjoys competitive advantage via presence in entire value chain (less dependent on raw material) and 297 export registrations, 238 registrations in pipeline, 356 CIB registrations, and 35 registered trademarks.

The Company has a strong global client base with exports accounting for 79% of its Agrochemical sales. The Company is exporting technical as well as formulation (bulk and branded) products to Africa, Brazil, Latin, the US and European countries.

Major products include 2, 4-D, Cypermethrin, Permethrin, Chlorpyrifos and Profenophos. In branded formulations, the Company has established a strong pan-India presence with about 3000 stockists, agents, distributors, and dealers spread across pan India. Key brands include Megastar, Megacyper, Megaban, Synergy, Courage, Correct and Mega Claim.

The Company has three state-of-the-art manufacturing facilities where capacities have been increased via debottlenecking. These are located at:

- GIDC Ankleshwar, (6,840 MTPA)
- GIDC Panoli, (Formulation) (7,200 MTPA)
- GIDC Dahej, (18,240 MTPA)

Outlook and Strategy

FY 2020 was a strong year for the Agrochemicals segment on the back of favourable market conditions. FY2020 shall also sustain the same growth levels as the raw material prices from China has increased significantly affecting the margins, but, the Company's backwards integration facilities put it in an advantageous position and thus, we are constantly improving the margins. Going forward, the Company plans to expand the capacity of 2-4,D by 10,800 MTPA with capex of ~1NR 1.27 billion and it is expected to be operational.by Q3 FY21.

Challenges:-

The industry is expected to face certain challenges such as regulatory standards to reduce toxicity, high inventory, low profit margins, and patent expirations. Low farm output is a major challenge faced by most farmers across India. The chief reasons for the poor yield are fragmented land holdings, inadequate use of technology and modern methods of farming, poor soil health, and lack of access to irrigation facilities. Increase in investment in the field of research and development of agrochemicals which in turn will spur the exports increasing competitiveness in the global scenario. Development and registration of a pesticide active ingredient is one of the biggest components of cost for a pesticide company.

The demand is also seasonal. Low literacy rate translates into low efficiency and low agriculture productivity. Despite strong growth drivers, the Indian Agrochemicals industry faces challenges in terms of low awareness levels among farmers about Agrochemical products and their usage. The performance of the Indian agrochemical industry is dependent on the monsoon. Erratic rainfall affects crop acreages, pest application and overall productivity, directly impacting the Company's sales performance.

The Company exports its products to various countries. Thus, any adverse changes in the political, climatic, economic, regulatory or social conditions of these countries might impact the Company's business prospects in these countries. Any change in the policies implemented by the Governments of these countries, which result in currency and interest rate fluctuations, capital restrictions, changes in duties & taxes and a registration regime detrimental to the Company's business could adversely affect its operations and future growth. Increase in crude prices will also impact the costs and prices of various products.

Chloro Alkali & Its Derivatives - Chlor Alkali Industry

Globally, Chlor-alkali market represents one of the largest chemical industries. Chlor-alkali market is expected to reach $124.6 billion by 2022, growing at CAGR of 6.8% between 2016 - 2022. The market is broadly categorised into three segments namely Caustic Soda (NaOH), Chlorine & Soda Ash, which are collectively known as Chlor-alkali chemicals. The main application areas of Chlor-Alkali chemicals are in soap & detergent industry, paper and pulp, textiles, water treatment, plastic industry, industrial solvents, alumina, pharmaceuticals etc.

Indian Chlor-alkali Industry:

The Indian alkali industry is regarded by global peers as among the most efficient, eco-friendly and progressive industries. It is to the industry's credit that its constituent units had taken a unified stand to move ahead of other countries in phasing out mercury and adopting the latest energy-efficient and eco-friendly membrane cell technology for producing caustic soda.

Despite increase in capacity, industry is continuously operating above 80% and demand remains higher than the production. Caustic soda capacity expected to increase by 329,450 MTPA (up by 8.5%) and 205,950 MTPA (up by 4.9%) during FY 19 and FY 20 respectively.

Significant growth potential for Alkali and Chlor-Vinyl industry in next 5 years as the alkalis are the basic building blocks that find application in product of everyday use including aluminium, paper, textile and plastic. With growing aspirations of a rising middle class, higher disposable income and currently low level of penetration, demand for these products is bound to grow. There is a vast untapped market, which will significantly drive demand. India has one of the lowest per capita consumption of 1.9 kg caustic soda, 2.3 kg soda ash and 2.0 kg PVC compared to 32.0 kg, 28.0 kg and 12.7 Kg in the US and 12 Kg, 11 Kg and 10 Kg in China for Caustic Soda, Soda Ash and PVC respectively.

Group & Company - Outlook for FY 2021

The Group and Company revenue of Pigment and Agrochemical Segment for FY 2020 has increased. The business operation may impact due to Covid - 19.

11. Dividend

(a) **Current financial period reported on 30 June 2020**
(b) **Any dividend for the current financial period reported on?** No
(c) **Corresponding Period of the Immediately Preceding Financial Year:** No
(d) **Date payable:** Not applicable
(e) **Books closure date:** Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend for the period ended **30 June 2020** has been recommended or declared.

13. The aggregate value of IPTs as per Rule 920(1)(a)(ii) if a general mandate from shareholders for IPTs had been obtained. If no IPT mandate has been obtained, a statement to that effect. In this regard, please make the requisite disclosure to comply with the requirements of Appendix 7.2(13) of the Listing Manual.

MEGHMANI ORGANICS LTD AHMEDABAD

Particulars of interested person transactions for the quarter ended **30 June 2020** are as under:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 (equivalent to approximately Rs 5,364,000) and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) (excluding transactions less than S$100,000 (equivalent to approximately Rs 4,948,000)	
	Amount in Rs.	Amount in S$,000	Amount in Rs.	Amount in S$,000
Purchases				
Meghmani Pigments [1]	29,615,073	522	-	-
Meghmani LLP[2]	13,112,426	244	-	-

Note – Rs. 53.64 = $1 (Average Rate of 30.06.2020)

(1) Meghmani Pigments is a partnership firm owned by Mr. Jayanti Patel (Executive Chairman) and Mr. Ashish Soparkar (Managing Director) and their immediate family.

(2) Meghmani LLP is a partnership firm owned by Mr. Jayanti Patel (Executive Chairman) and Mr. Ashish Soparkar (Managing Director) and their immediate family.

14. Confirmation by Directors pursuant to Rule 705(5) of the Listing Manual of the SGX-ST.

On behalf of the Board of Directors of the Company, I the undersigned, hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the first quarter ended **30 June, 2020** to be false or misleading.

15. Undertaking from Directors and officers of the Company stating that they are responsible for ensuring that the Company complies with its obligations under the Listing Rules

The Company confirms that undertaking under Rule 720 (1) have been obtained from all its Directors and Executive officers in the Format set out in Appendix 7.7.

16. Reconciliation between INDAS and IFRS

Ernst & Young LLP – Singapore has been re-appointed as Joint Auditor to comply with SGX Listing rules requirements. The Group has not considered the variance in the profit reported under the quarter ended 30th June, 2020.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED
K D Mehta
Company Secretary
Date: 12/08/2020

MEGHMANI ORGANICS LTD.
AHMEDABAD

*****