

## MEGHMANI ORGANICS LIMITED

### Full year Financial Statement And Dividend Announcement for the Year Ended 31 March 2019

The Board of Directors of Meghmani Organics Limited (“MOL” or the “Company” or “the Issuer”) wishes to make the following announcement of the Company’s results for the year ended 31 March, 2019 as follows:-

#### **PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS**

##### **1(a)(i) An income statement (for the Company and Group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group			Company		
	Year ended		%	Year ended		%
	31.03.2019	31.03.2018		31.03.2019	31.03.2018	
	Rs. ‘000	Rs. ‘000	Increase / (Decrease)	Rs. ‘000	Rs. ‘000	Increase / (Decrease)
Revenue	20,412,637	18,101,396	12.8	13,657,254	12,048,664	13.4
Cost of sales	(14,118,829)	(12,752,268)	10.7	(10,646,130)	(9,554,232)	11.4
<b>Gross Profit</b>	<b>6,293,808</b>	<b>5,349,128</b>	<b>17.7</b>	<b>3,011,124</b>	<b>2,494,432</b>	<b>20.7</b>
Other operating income	408,674	333,577	22.5	389,334	326,589	19.2
Distribution expenses	(914,605)	(1,360,594)	-32.8	(812,802)	(895,045)	-9.2
Administrative expenses	(1,129,316)	(722,256)	56.4	(549,664)	(441,336)	24.5
Other operating expenses	(36,791)	69,045	n.m.	502,120	51,752	n.m.
<b>Profit from operations</b>	<b>4,621,770</b>	<b>3,668,900</b>	<b>26.0</b>	<b>2,540,112</b>	<b>1,536,392</b>	<b>65.3</b>
Finance cost	(536,549)	(411,907)	30.3	(471,784)	(321,910)	46.6
Income from investments	375	154	143.5	153,584	-	n.m.
<b>Profit before tax</b>	<b>4,085,596</b>	<b>3,257,147</b>	<b>25.4</b>	<b>2,221,912</b>	<b>1,214,482</b>	<b>83.0</b>
Income tax	(1,131,924)	(877,876)	28.9	(535,005)	(445,166)	20.2
<b>Profit after income tax</b>	<b>2,953,672</b>	<b>2,379,271</b>	<b>24.1</b>	<b>1,686,907</b>	<b>769,316</b>	<b>119.3</b>
Other Comprehensive Income (net of tax)	(10,551)	1,738	n.m.	(9,008)	1,002	n.m.
<b>Total Comprehensive Income Attributable to</b>						
Minority Interest	(439,979)	(666,274)	-34.0			
<b>Owners of the Company</b>	<b>2,503,142</b>	<b>1,714,735</b>	<b>46.0</b>	<b>1,677,899</b>	<b>770,318</b>	<b>117.8</b>

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

	Group			Company		
	Year ended		%	Year ended		%
	31.03.2019	31.03.2018		31.03.2019	31.03.2018	
	Rs. ‘000	Rs. ‘000	Increase (Decrease)	Rs. ‘000	Rs. ‘000	Increase (Decrease)
Foreign currency exchange adjustment loss/(gain)	11,505	178,681	-93.6	35,366	184,408	-80.8
Loss on disposal of plant and equipment and Investment	38,904	19,797	96.5	553,675	(3,631)	N.M.
Research and Developments expenditure	(15,275)	(15,331)	-0.4	(13,753)	(14,477)	-5.0
Sundry Balance written off	(87,200)	(129,433)	-32.6	(86,921)	(129,025)	-32.6

Note: n.m. means not meaningful.

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

	<b>Group</b>		<b>Company</b>	
	<b>As at 31.03.2019</b>	<b>As at 31.03.2018</b>	<b>As at 31.03.2019</b>	<b>As at 31.03.2018</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash & bank balances	1,382,013	115,102	34,985	10,751
Available for sale investments	-	714,181	-	-
Trade receivables	4,313,533	3,745,016	3,541,238	3,028,366
Other receivables and prepayments	1,266,900	1,734,500	996,407	1,223,606
Inventories	4,109,390	2,677,392	3,636,080	2,326,525
Income tax recoverable	195,469	410,240	(41,913)	508
<b>Total current assets</b>	<b>11,267,305</b>	<b>9,396,431</b>	<b>8,166,797</b>	<b>6,589,756</b>
<b>Non – current assets</b>				
Property, plant and equipments	12,541,530	8,983,024	4,886,499	4,728,818
Interest in subsidiaries	-	-	1,824,655	2,331,477
Available for sale investments	5,741	5,741	5,741	5,741
<b>Total non – current assets</b>	<b>12,547,271</b>	<b>8,988,765</b>	<b>6,716,895</b>	<b>7,066,036</b>
<b>Total assets</b>	<b>23,814,576</b>	<b>18,385,196</b>	<b>14,883,692</b>	<b>13,655,792</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Bank borrowings	2,668,957	1,670,382	2,425,295	936,577
Loan from Corporate	-	-	-	1,098,554
Trade payables	2,925,665	1,802,293	2,167,816	1,639,721
Other payables	1,467,236	933,565	638,519	419,190
<b>Total current liabilities</b>	<b>7,061,858</b>	<b>4,406,240</b>	<b>5,231,630</b>	<b>4,094,042</b>
<b>Non – current liabilities</b>				
Long Term Loan	4,504,636	2,181,226	851,231	2,172,226
Deferred tax liabilities	707,399	876,480	408,878	410,332
<b>Total non – current liabilities</b>	<b>5,212,035</b>	<b>3,057,706</b>	<b>1,260,109</b>	<b>2,582,558</b>
<b>Capital &amp; reserves</b>				
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	1,125,558	975,558	1,126,718	976,718
Capital reserve	(897,175)	3,518	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	12,296	2,210	12,296	2,210
Currency translation reserve	(2,662)	(6,077)	-	-
Other Comprehensive Income	(12,964)	(1,160)	(9,502)	(494)
Accumulated profits	7,985,453	5,895,731	5,421,524	4,159,841
Minority interest	1,492,382	2,213,675	-	-
<b>Total equity</b>	<b>11,540,683</b>	<b>10,921,250</b>	<b>8,391,953</b>	<b>6,979,192</b>
<b>Total liabilities and equity</b>	<b>23,814,576</b>	<b>18,385,196</b>	<b>14,883,692</b>	<b>13,655,792</b>

**1(b) (ii) Aggregate amount of Group and Company borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 31.03.2019		As at 31.03.2018	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,668,957	2,425,295	1,670,382	936,577

As at 31.03.2019		As at 31.03.2018	
Un –Secured		Un –Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
-	-	-	-

**Amount repayable after one year**

As at 31.03.2018		As at 31.03.2018	
Secured		Secured	
Group	Company	Group	Company
4,504,636	851,231	2,181,226	2,172,226

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 March 31, 2019, bank borrowings amounting to **Group Rs. 2,019,393,000 & Company Rs. 1,995,731,000** are secured by:

- 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
- 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, 2018, bank borrowings amounting to **Group Rs. 800,403,000 & Company Rs. 466,872,000** are secured by:

- 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
- 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 March 31, 2019, bank borrowings amounting to **Rs.11,231,000** are secured.

As at March 31, 2018, bank borrowings amounting to **Rs.7,205,000** are secured.

**Bank B (HDFC Bank Limited – Term Loan)**

As at March 31, 2019, HDFC Term Loan Dahej – SEZ of **Rs. 60,000,000** which is secured and repayable after one year. and **Rs. 60,000,000** repayable within one year.

As at March 31, 2018, HDFC Term Loan Dahej – SEZ of **Rs. 120,000,000** which is secured and repayable after one year. and **Rs. 60,000,000** repayable within one year.

**Bank C (SBI – Term Loan)**

As at March 31, 2019, SBI Term Loan of **Rs. 177,897,000** which is secured and repayable after one year. and **Rs. 205,000,000** repayable within one year.

As at March 31, 2018, SBI Term Loan of **Rs. 379,726,000** which is secured and repayable after one year. and **Rs. 205,000,000** repayable within one year.

**Bank D (ICICI – Term Loan)**

As at March 31, 2019, ICICI Term Loan of **Rs. Nil** which is secured and repayable after one year and **Rs. Nil** repayable within one year.

As at March 31, 2018, ICICI Term Loan of **Rs. 875,000,000** which is secured and repayable after one year and **Rs. 125,000,000** repayable within one year.

**Bank E (AXIS Bank –Term Loan)**

As at March 31, 2019, Axis Bank Term Loan of **Rs. 613,334,000** which is secured and repayable after one year and **Rs. 153,333,000** repayable within one year.

As at March 31, 2018, Axis Bank Term Loan of **Rs. 797,500,000** which is secured and repayable after one year and **Rs. 72,500,000** repayable within one year.

**Bank F (ICICI Bank Limited – Meghmani Finechem Limited (MFL))**

As at March 31, 2019, bank borrowings amounting to **Rs. Nil** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2018, bank borrowings amounting to **Rs. Nil** (repayable after one year) and **Rs. 399,274,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

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

As at March 31, 2019, bank borrowings amounting to **Rs. 1,398,105,000** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2018, bank borrowings amounting to **Rs. Nil** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

**Bank H (HDFC Bank Limited – MFL)**

As at March 31, 2019, bank borrowings amounting to **Rs. 1,575,000.000** (repayable after one year) and **Rs. 220,000,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2018, bank borrowings amounting to **Rs. 9,000.000** (repayable after one year) and **Rs. 1,000,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

**Bank I (Federal Bank – MFL)**

As at March 31, 2019, bank borrowings amounting to **Rs. 680,300,000** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2018, bank borrowings amounting to **Rs. Nil** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

**1(c) A Cash Flow statement of the Group and Company, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Particulars	Group		Company	
	Year ended		Year ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash flows from operating activities:</b>				
Profit from operations	4,621,770	3,668,900	2,540,112	1,536,392
Adjustments for :				
Depreciation on property, plant and equipment	972,594	947,726	462,904	426,195
Unrealised foreign exchange gain (loss)	(184,090)	117,170	(117,986)	119,935
Actuarial Valuation of Gratuity	(19,633)	2,335	(13,846)	1,540
Interest received	(43,361)	(43,769)	(29,366)	(40,868)
Diminution in Investment	-	82	-	12,412
Loss on disposal of property, plant and equipment	37,838	4,482	37,854	3,815
<b>Operating cash flows before movement in working capital</b>	<b>5,385,118</b>	<b>4,696,926</b>	<b>2,879,672</b>	<b>2,059,421</b>
Trade receivables	(568,517)	(509,894)	(512,872)	(50,703)
Other receivables and prepayments	657,957	(363,101)	345,185	(23,273)
Inventories	(1,431,999)	(260,585)	(1,309,556)	(236,163)
Trade payables	1,123,373	333,531	528,095	164,472
Bills payables	-	(198,220)	-	(198,220)
Other payables	533,675	317,829	219,329	40,801
<b>Cash generated from operations</b>	<b>5,699,607</b>	<b>4,016,486</b>	<b>2,149,853</b>	<b>1,756,335</b>
Income taxes paid	(1,082,550)	(572,367)	(488,329)	(191,445)
Interest and finance charges paid	(536,549)	(411,907)	(471,784)	(321,910)
<b>Net cash from operating activities</b>	<b>4,080,508</b>	<b>3,032,212</b>	<b>1,189,740</b>	<b>1,242,980</b>
<b>Cash flows from investing activities:</b>				
Purchase of property, plant & equipments	(4,587,112)	(1,994,661)	(676,361)	(1,188,964)
Proceeds on disposal of property, plant & equipments	18,174	31,849	17,924	31,612
(Purchase) / Sale of Investment	(2,211,966)	-	506,822	(1,099,467)
Interest received	43,361	43,769	29,366	40,868
Income from Investments	375	266	153,584	102
<b>Net cash used in investing activities</b>	<b>(6,737,168)</b>	<b>(1,918,777)</b>	<b>31,335</b>	<b>(2,215,849)</b>
<b>Cash flows from financing activities:</b>				
Dividend paid	(245,099)	(102,199)	(245,099)	(102,199)
Tax on dividend paid	(20,910)	(20,709)	(20,910)	(20,709)
Decrease in Hedge Reserve	-	2,166	-	-
Proceeds from bank borrowings, net of repayments	3,317,960	(453,907)	163,697	35,892
Proceeds from other borrowings, net of repayments	4,025	(120,192)	4,025	(120,192)
Other Borrowings	-	-	(1,098,554)	1,098,554
Minority Interest	150,000	-	-	-
<b>Net cash from financing activities</b>	<b>3,205,976</b>	<b>(694,841)</b>	<b>(1,196,841)</b>	<b>891,346</b>
Net effect of exchange rate change in consolidation	3,414	336	-	-
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>552,730</b>	<b>418,930</b>	<b>24,234</b>	<b>(81,523)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>829,283</b>	<b>410,353</b>	<b>10,751</b>	<b>92,274</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,382,013</b>	<b>829,283</b>	<b>34,985</b>	<b>10,751</b>

**1 (d)(i) A statement ( for the issuer and Group) 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**

	<b>Issued capital</b>	<b>Share premium</b>	<b>General reserve</b>	<b>Capital Reserve</b>	<b>Capital redemption reserve</b>	<b>Hedge Reserve</b>	<b>Dividend reserve</b>	<b>Currency translation reserve</b>	<b>Accumulated Profits</b>	<b>Other Comprehensive Income</b>	<b>Minority Interest</b>	<b>Total</b>
<b>Balance as at March 31,2017</b>	<b>254,314</b>	<b>1,565,048</b>	<b>895,558</b>	<b>3,518</b>	<b>18,433</b>	<b>(2,166)</b>	<b>2,301</b>	<b>71,502</b>	<b>4,380,793</b>	<b>(2,457)</b>	<b>1,547,401</b>	<b>8,734,245</b>
Net profit for the year	-	-	-	-	-	-	-	-	1,714,735	-	-	1,714,735
Dividend	-	-	-	-	-	-	122,435	-	(122,435)	-	-	-
Transfer to (from) reserve	-	-	80,000	-	-	-	-	-	(81,297)	1,297	-	-
Amount written off in standalone now accounted for Consolidation	-	-	-	-	-	-	-	-	3,935	-	-	3,935
Dividend Paid	-	-	-	-	-	-	(122,526)	-	-	-	-	(122,526)
Addition during year	-	-	-	-	-	2,166	-	(77,579)	-	-	666,274	590,861
<b>Balance as at March 31,2018</b>	<b>254,314</b>	<b>1,565,048</b>	<b>975,558</b>	<b>3,518</b>	<b>18,433</b>	<b>-</b>	<b>2,210</b>	<b>(6,077)</b>	<b>5,895,731</b>	<b>(1,160)</b>	<b>2,213,675</b>	<b>10,921,250</b>
Net profit for the year	-	-	-	-	-	-	-	-	2,503,142	-	-	2,503,142
Dividend	-	-	-	-	-	-	275,224	-	(275,224)	-	-	-
Transfer to (from) reserve	-	-	150,000	-	-	-	-	-	(138,196)	(11,804)	-	-
Acquisition of a Non-controlling Interest (NCI)	-	-	-	(900,693)	-	-	-	-	-	-	-	(900,693)
Dividend Paid	-	-	-	-	-	-	(265,138)	-	-	-	-	(265,138)
Addition during year	-	-	-	-	-	-	-	3,415	-	-	(721,293)	(717,878)
<b>Balance as at March 31,2019</b>	<b>254,314</b>	<b>1,565,048</b>	<b>1,125,558</b>	<b>(897,175)</b>	<b>18,433</b>	<b>-</b>	<b>12,296</b>	<b>(2,662)</b>	<b>7,985,453</b>	<b>(12,964)</b>	<b>1,492,382</b>	<b>11,540,683</b>

Company

Rs. '000

	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Dividend reserve	Other Comprehensive Income	Accumulated Profits	Total
<b>Balance as at March 31,2017</b>	<b>254,314</b>	<b>1,565,048</b>	<b>896,718</b>	<b>3,122</b>	<b>18,433</b>	<b>2,301</b>	<b>(1,496)</b>	<b>3,592,960</b>	<b>6,331,400</b>
Net profit for the year	-	-	-	-	-	-	-	770,318	770,318
Dividend	-	-	-	-	-	122,435	-	(122,435)	-
Transfer to (from) reserve	-	-	80,000	-	-	-	1,002	(81,002)	-
Dividend Paid	-	-	-	-	-	(122,526)	-	-	(122,526)
<b>Balance as at March 31,2018</b>	<b>254,314</b>	<b>1,565,048</b>	<b>976,718</b>	<b>3,122</b>	<b>18,433</b>	<b>2,210</b>	<b>(494)</b>	<b>4,159,841</b>	<b>6,979,192</b>
Net profit for the year	-	-	-	-	-	-	-	1,677,899	1,677,899
Dividend	-	-	-	-	-	275,224	-	(275,224)	-
Transfer to (from) reserve	-	-	150,000	-	-	-	(9,008)	(140,992)	-
Dividend Paid	-	-	-	-	-	(265,138)	-	-	(265,138)
<b>Balance as at March 31,2019</b>	<b>254,314</b>	<b>1,565,048</b>	<b>1,126,718</b>	<b>3,122</b>	<b>18,433</b>	<b>12,296</b>	<b>(9,502)</b>	<b>5,421,524</b>	<b>8,391,953</b>



- 31(d)(ii) Details of any changes in the Company'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.**

	31 March 2019	31 March 2018
Total number of issued ordinary shares <b>Excluding treasury shares</b>	12,892,190	12,997,040

**During the year the Company has issued 84,850 Equity Shares on conversion of SDS.**

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use 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 been audited in accordance with the provisions of Generally Acceptable Accounting Practices (GAAP) in India.

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

There is no qualification or adverse remarks by Auditors. The Auditors' Report will be circulated along with Annual Report.

- 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 Company has prepared the accounts in accordance with Generally Acceptable Accounting Principles in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standard) Rules, 2015 (as amended) under Section 133 of the Indian Companies Act, 2013.

- 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.**

The Company has prepared the accounts in accordance with the accounting principles Generally Accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standard) Rules, 2015 (as amended) under Section 133 of the Indian Companies Act, 2013.

The reasons for change are mandatory requirements. These Standards are adopted to put the accounts prepared in India at Par with International Financial Reporting System (IFRS).

There is no effect on the Profitability due to changes in the accounting policies and methods.

**6 Earnings per ordinary share of 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.**

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
Earnings per Ordinary shares				
(a) Based on weighted average number of ordinary shares in issue (Rs)	9.88	6.74	6.63	3.03
Earnings per SDS (Rs)	4.94	3.37	3.32	1.52
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	9.88	6.74	6.63	3.03
Earnings per SDS (Rs.)	4.94	3.37	3.32	1.52

**7. Net asset value ( for the issuer and Group ) 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.

	<b>Group</b>		<b>Company</b>	
	<b>As at 31.03.2019</b>	<b>As at 31.03.2018</b>	<b>As at 31.03.2019</b>	<b>As at 31.03.2018</b>
Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	45.38	42.94	33.00	27.44

**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 and Basic Chemicals (Caustic Chlorine and Caustic Potash) (ii) trading of Pigments and its intermediates (iii) trading of Agrochemicals, Technical, Intermediates products and Small Packing.

## **Review of results for the year ended on 31 March, 2019**

### **Revenue -Group**

Group revenue for FY 2019 increased by **12.8%** from **Rs.18101.40 million** in FY 2018 to **Rs. 20412.64 million** in FY 2019.

### **Breakdown of Revenue by Product**

(Rs. in Millions)

Products	FY 2019	FY 2018	Increase/ (Decrease)	%
Pigment	5389.54	5261.98	127.56	2.4
Agrochemical	7668.85	6276.26	1392.59	22.2
Basic Chemicals	6553.84	5931.02	622.82	10.5
Trading / Subsidiary	800.41	632.14	168.27	26.6
<b>Total</b>	<b>20412.64</b>	<b>18101.40</b>	<b>2311.24</b>	<b>12.8</b>

### **Breakdown of Exports Sales by Product**

(Rs. in Millions)

Export Sales	FY 2019	FY 2018	Increase/ (Decrease)	%
Pigment	4479.86	4249.24	230.62	5.4
Agrochemical	5648.22	4176.47	1471.75	35.2
Basic Chemicals	312.01	253.94	58.07	22.9
Trading / Subsidiary	779.23	631.76	147.47	23.3
<b>Total</b>	<b>11219.32</b>	<b>9311.41</b>	<b>1907.91</b>	<b>20.5</b>

### **Breakdown of Domestic Sales by Product**

(Rs. In Millions)

Domestic Sales	FY 2019	FY 2018	Increase/ (Decrease)	%
Pigment	909.68	1012.74	-103.06	-10.2
Agrochemical	2020.63	2099.79	-79.16	-3.8
Basic Chemicals	6241.83	5677.08	564.75	9.9
Trading	21.18	0.38	20.80	n.m.
<b>Total</b>	<b>9193.32</b>	<b>8789.99</b>	<b>403.33</b>	<b>4.6</b>

### **Reasons for Increase / (Decrease) in Export Sales**

- 1) Export sales of Pigment Division increased by **5.4%** due to increase in sales quantity of Alpha Blue.
- 2) Export sales of Agrochemical Division increased by **35.2%** due to increase in sales quantity of Profenophos, Permethrin, Bifenthrine and 2 4 Dichlorophenoxy.
- 3) Export sales of Basic Chemicals increased by **22.9%** due to increase in trading export orders.

### **Reasons for Increase / (Decrease) in Domestic Sales**

- 1) Domestic sales of Pigment Division decreased by **10.2%** due to decrease in sales quantity of CPC Blue and Beta Blue.
- 2) Domestic sales of Agrochemical Division decreased by **3.8%** due to decrease in sales quantity of Chlorpyrifos and Cypermethrin.
- 3) Domestic sales of Basic Chemical Division increased by **9.9%** due to higher quantity sales of Caustic potash and increase in ECU (Price) during the year.

### **Revenue - Company**

Company revenue for FY 2019 increased by **Rs. 1608.59 million** i.e. by **13.3%** from **Rs. 12048.66 million** in FY 2018 to **Rs. 13657.25 million** in FY 2019.

### **BREAKDOWN OF REVENUE BY PRODUCT**

(Rs. in Millions)

Products	FY 2019	FY 2018	Increase/ (Decrease)	%
Pigment	5780.49	5674.41	106.08	1.9
Agrochemical	7724.88	6293.95	1430.93	22.7
Trading / Subsidiary	151.88	80.30	71.58	89.1
<b>Total</b>	<b>13657.25</b>	<b>12048.66</b>	<b>1608.59</b>	<b>13.4</b>

### **Breakdown of Exports Sales by Product**

(Rs. in Millions)

Export Sales	FY 2019	FY 2018	Increase/ (Decrease)	%
Pigment	4870.81	4661.67	209.14	4.5
Agrochemical	5704.25	4194.16	1510.09	36.0
Trading	130.70	79.92	50.78	63.5
<b>Total</b>	<b>10705.76</b>	<b>8935.75</b>	<b>1770.01</b>	<b>19.8</b>

### **Breakdown of Domestic Sales by Product**

(Rs. in Millions)

Domestic Sales	FY 2019	FY 2018	Increase/ (Decrease)	%
Pigment	909.68	1012.74	-103.06	-10.2
Agrochemical	2020.63	2099.79	-79.16	-3.8
Trading	21.18	0.38	20.80	n.m.
<b>Total</b>	<b>2951.49</b>	<b>3112.91</b>	<b>-161.42</b>	<b>-5.2</b>

### **Reasons for Increase / (Decrease) in Export Sales**

- 1) Export sales of Pigment Division increased by **4.5%** due to increase in sales quantity of Alpha Blue.

- 2) Export sales of Agrochemical Division increased by **36.0%** due to increase in sales quantity of Profenophos, Permethrin, Bifenthrine and 2 4 Dichlorophenoxy
- 3) Export sales of Trading Division increased by **63.5%** due to increase in trading export orders.

#### **Reasons for Increase / (Decrease) in Domestic Sales**

- 1) Domestic Sales of Pigment Division decreased by **10.2%** due to decrease in sales quantity of CPC Blue and Beta Blue.
- 2) Domestic Sales of Agrochemical Division decreased by **3.8 %** due to decrease in sale quantity of Chlorpyrifos and Cypermethrin.
- 3) Domestic Sales of Trading Division increased by **Rs. 20.80 million** mainly due to increase in quantity sales.

#### **Gross profit - Group**

The gross profit increased by **17.7%** from to **Rs. 5349.13 million** in FY 2018 to **Rs. 6293.81 million** in FY 2019. The gross profit margin increased from **29.6%** in FY 2018 to **30.8%** in FY 2019.

#### **Breakdown of Gross Profit by Division**

(Rs. in Millions)						
Division	FY 2019	GP Margin FY 2019 (%)	FY 2018	GP Margin FY 2018 (%)	Increase/ (Decrease)	Increase/ Decrease (%)
Pigment	912.14	16.9	1014.65	19.3	-102.51	-10.1
Agrochemical	2089.86	27.3	1482.07	23.6	607.79	41.0
Basic Chemicals	3249.17	49.6	2783.03	46.9	466.14	16.7
Trading/Subsidiary	42.64	5.3	69.38	11.0	-26.74	-38.5
<b>Total</b>	<b>6293.81</b>	<b>30.8</b>	<b>5349.13</b>	<b>29.6</b>	<b>944.68</b>	<b>17.7</b>

#### **REASONS FOR INCREASE / (DECREASE) IN GP MARGIN**

##### **GP of Pigment**

The gross profit of Pigment Division decreased by **10.1%** due to increase raw material cost of CPC Blue and Beta Blue. While GP margin decreased from **19.3%** in FY 2018 to **16.9%** in FY 2019 due to decrease in sales quantity of CPC Blue and Beta Blue.

##### **GP of Agrochemical**

The gross profit of Agrochemical Division increased by **41.0%** . because of better realization of sales prices. The GP margin increased from to **23.6%** in FY 2018 to **27.3%** in FY 2019 due to increase in Sales Quantity of Profenophos, Permethrin, Bifenthrine and 2 4 Dichlorophenoxy

### **GP of Basic Chemicals**

The gross profit of Caustic Chlorine Division increased by **16.7%**. This is due to increase in Sales quantity of Caustic Potash. The GP margin increased from **46.9%** in FY 2018 to **49.6%** in FY 2019 due to increase in ECU.

### **Gross profit – Company**

The gross profit at Company level has increased by **20.7%** from **Rs. 2494.43 million** in FY 2018 to **Rs. 3011.12 million** in FY 2019. The gross profit margin increased from **20.7%** in FY 2018 to **22.0%** in FY 2019. The main contributories for increase in gross profit are Agrochemical Division.

### **BREAKDOWN OF GROSS PROFIT BY DIVISION**

(Rs. in Millions)						
Division	FY 2019	GP Margin FY 2019 (%)	FY 2018	GP Margin FY 2018 (%)	Increase/ (Decrease)	%
Pigment	912.14	15.8	1014.65	17.9	-102.51	-10.1
Agrochemical	2089.86	27.1	1482.07	23.5	607.79	41.0
Trading / Subsidiary	9.12	6.0	-2.29	-2.9	11.41	-498.3
<b>Total</b>	<b>3011.12</b>	<b>22.0</b>	<b>2494.43</b>	<b>20.7</b>	<b>516.69</b>	<b>20.7</b>

### **Reasons for increase / (decrease) in GP margin**

#### **GP margin of Pigment**

The amount of gross profit of Pigment Division decreased by **10.1%** due to increase in raw material cost of CPC Blue and Beta Blue. The GP margin decreased marginally from to **17.9%** in FY 2018 to **15.8%** in FY 2019 due to decrease in sales quantity of CPC Blue and Beta Blue.

#### **GP of Agrochemical**

The amount of gross profit of Agrochemical Division increased by **41.0%**, because of better realization on sales prices. The GP margin increased from **23.5%** in FY 2018 to **27.1%** in FY 2019 due to increase in Sales Quantity of Zeta Cypermethrin, Permethrin, Chlorpyrifos and 2 4 Dichlorophenoxy.

### **COST OF SALES:-**

The Cost of Sales at Group level increased by **10.7%** and at Company level increased by **11.4%** mainly due to increase in raw material prices.

### **OTHER OPERATING INCOME – GROUP & COMPANY**

Other operating income of the Group and the Company which consists mainly of export benefits such as Focus Product Market Incentive Scheme, duty drawback, and higher scrap sales etc. has increased by **Rs. 75.09 million** and **Rs. 62.74 million** in FY 2017 respectively mainly due to increase in export.

## **DISTRIBUTION, ADMINISTRATIVE AND OTHER OPERATING EXPENSES – GROUP & COMPANY**

### **Distribution expenses**

Distribution expenses of Group decreased by **Rs. 445.98 million**, i.e. by **32.8%** and the Company decreased by **Rs. 82.25 million** i.e. **by 9.2%**. Distribution Expenses decreased mainly due to a/c Consumption, loading unloading charges at depot and quantity rebate to customers at etc.

### **Administrative expenses – Group & Company**

Administrative expenses of Group increased by **Rs. 407.06 million** i.e. by **56.4%** and at Company level increased by **Rs. 108.32 million** i.e. by **24.5%**. This is mainly due to increase in (1) Rent, Rates and taxes **(Rs. 55.32 million)** (2) Legal & professional fees **(Rs. 164.04 million)** (3) director remuneration to Working Director **(Rs. 115.14 million)** and Stamp expenses etc..

### **Other Operating Expenses**

Other operating expenses decreased mainly on account of unfavourable foreign currency exchange adjustment. The fluctuations in the exchange rate of the Indian Rupee against the US dollar and mark to market on derivatives are main contributory. Other operating expenses reflect income in previous financial year and expenses in current financial year.

### **Finance costs**

Finance costs of the Group during FY 2019 increased by **Rs. 124.64 million**, i.e. by **30.3%** and at Company level by **Rs. 149.87 million** i.e. by **46.6%** the reason is increased in Term Loan for Capex.

### **Income from investments**

During the year Group and Company level income from investment is **Rs. 0.22 million** and **Rs. 153.58 million**.

### **Taxation**

Income tax of the Group increased by **Rs. 254.04 million** in FY 2019 and at the Company level increased by **Rs. 89.84 million** in FY 2019 due to increase in profit.

### **Interest in Subsidiaries**

1. Meghmani Organics USA Inc., is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.
2. Meghmani Finechem Limited (MFL) is a company formed to set up Rs. 555 Crore Caustic Chlorine project. Meghmani Organics Limited holds 57% of the Equity.
3. P T Meghmani Indonesia is a 100% wholly owned subsidiary of the Company set up for the trading purpose.
4. Meghmani Overseas FZE, Sharjah is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.
5. Meghmani Agrochemicals Private Limited is a 100% wholly owned subsidiary of the Company.

## **SGX Rule 716**

**As per Rule 716, we declare that no one of the above Subsidiaries or Associates 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 recognised in profit or loss. Other comprehensive income at group level increased by **Rs.12.29 million** and at Company Level increased by **Rs. 10.01 million**.

## **BALANCE SHEET**

### **Trade receivables**

Group Trade Receivables increased by **Rs. 568.52 million**, i.e. by **15.2%** and at the Company level by **Rs. 512.87 million** i.e. by **16.9%**. The receivables turnover ratio increased from **76 days as at 31 March 2018** to **77 days as at 31 March 2019**.

### **Inventories**

The Group Inventories for FY 2019 increased by **Rs.1432.00 million** and at the Company level by **Rs. 1309.56 million**. The Finished Goods and Raw material Inventories increased.

### **Property, Plant and Equipments**

Property, Plant and Equipment at Group level increased by **Rs. 3558.51 million** and at Company level increased by **Rs. 157.68 million** in FY 2019 respectively.

### **Bank Borrowings and Long Term Loan**

Bank borrowings (current and non current liabilities) in FY 2019 at Group level increased by **Rs 3321.98 million** due to capital expansion, while at the Company level it increased by **Rs. 167.72 million** mainly due to decrease in working capital loan.

### **Trade payables**

Trade Payables of Group increased by **Rs. 1123.37 million** in FY 2019 while that of Company level by **Rs. 528.09 million**. This indicates increase in payable for material domestic and foreign.

### **Other payables**

The Other Payables of Group increased by **Rs 533.67 million** in FY 2019 while that of Company increased by **Rs. 219.33 million**.

### **Cash flow statement**

During the year, the Group generated positive Cash Flow of **Rs. 4080.51 million** while Company generated **Rs. 1189.74 million** from operating activities.



## FINANCIAL ANALYSIS – GROUP LEVEL

(Rs. in millions)

Group Key financial highlights	As at 31.03.2019	As at 31.03.2018	Variance	Variance (%)
<u>Profitability</u>				
Sales	20,413	18,101	2313	12.8
Gross Profit	6,294	5,349	945	17.7
Gross Profit Margin (%)	30.8	29.6	1.2	
Profit before tax	4,086	3,257	829	25.5
Profit before tax Margin (%)	20.0	18.0	2.0	
Net profit	2,503	1,715	788	45.9
Earnings Per Share (EPS in Rs.)	9.88	6.74	3.14	46.6
Annualised return on equity (ROE)	21.67	15.70	5.97	
<u>Financial position</u>				
Net Tangible Assets	11,541	10,921	620	5.7
Debt (short term + long term)	7,174	3,851	3323	86.3
Capital Gearing ratio	0.62	0.35	0.27	77.1
Net Tangible Assets per share	39.51	34.24	5.27	15.4
Stock Turnover (days)	106	77	29	37.7
Trade Debts Turnover (days)	77	76	1	1.3

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 company operates and any known factors or events that may affect the company in the next reporting period and the next 12 months.**

### INDUSTRY STRUCTURE: -

#### I. Global Economy

After a strong growth in 2017 and early 2018, the second half of 2018 experienced a slowdown. Global economic growth softened to 3.6% in 2018 and it is projected to decline further to 3.3% in 2019. International trade and investments are moderating, trade tensions remain elevated, and financing conditions are tightening. Amid recent episodes of financial stress, growth in emerging markets and developing economies have lost momentum, with a weaker-than-expected rebound in commodity exporters accompanied by deceleration in commodity importers. Downside risks have become more acute. Financial market pressures and trade tensions could escalate, denting global activity.

However, growth is expected to pick up in the second half of 2019, driven by the absence of inflationary pressure and monetary policy accommodations by major economies. Moreover, the fiscal and monetary policy stimulus by China has helped to counter the looming negative effects of imposed trade tariffs, improving the outlook for US - China trade tensions.

## **II. Indian Economy**

India's GDP growth for FY 2019 is expected at 7.2%. The Index of Industrial Production (IIP) grew by 3.6% in FY 2019 and was majorly driven by growth in Infrastructure/Construction goods sector. Furthermore, inflation has remained well in control. The Wholesale Price Index (WPI) and Consumer Price Index (CPI) based inflation was at 3.18% and 3.41% respectively in FY 2019. Additionally, the Reserve Bank of India (RBI) announced multiple rate cuts to ease the liquidity tightening. The Repo rate now stands at 6%.

The Indian economy grew steadily on account of various reforms like recapitalisation of public sector banks, amendments to goods and service tax, clean-up of Non-performing assets through National Company Law Tribunal (NCLT), implementation of Insolvency and bankruptcy code.

## **III. Pigment:**

### **Industry Overview:**

The global pigment market was valued at \$29 billion in 2017 and is expected to grow at 4.5% CAGR to reach \$43 billion by 2026.

The global pigment market is driven by the rise in demand for packaging ink, paints & coatings and plastic industry. Paints and coatings are used in various end-user industries such as aerospace, automotive, architectural & refinishing and building & construction. Rise in population coupled with increase in per capita income has boosted the consumption of paints and coatings in building & construction, automotive, and consumer goods industries over the last few years. This, in turn, generated considerable demand for pigments in the paints & coatings segment, making it the leading end-user segment.

Plastics are one of the major consumers of pigments. It imparts unique appearance and styling effect to plastic products. Hence, rise in the production of plastics plays a key role in driving the demand for pigments. Consumption of plastics has increased substantially in both developed and developing countries over the last few years. Factors such as economic growth, rise in disposable income, and rapid urbanisation in developing countries such as China, India, Brazil, and South Africa are expected to drive the demand for plastics.

In recent years, due to the rise of the Internet, global publications with organic pigments show a downward trend, but high-performance pigments and packaging ink pigments are growing year by year. Global packaging and printing market are expected to grow by 4.9% CAGR to reach \$19.27 billion in 2026. Asia-Pacific region, such as China and India and other emerging economies, are the key drivers for the development of packaging and printing market.

## **IV. Business Overview**

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 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, near Ankleshwar, (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:

The Company is currently one of the largest producers for the Copper Phthalocyanine Pigment and going forward, the Company is looking to diversify by adding new Pigments. The Company continues to focus on increasing its domestic presence and increase the market share, given the significant market opportunities.

## **V. 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

## **VI. 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.

## **VII. Agrochemical Market**

Global chemical-based crop protection sales increased by 4.2%, from \$54.2 billion in 2017 to \$56.5 billion 2018. Rising demand for pesticides and increasing consumption of agrochemicals in liquid form are some of the key factors expected to boost the demand for agrochemicals in the global market.

Recovery in the Brazilian market (one of the largest agrochemical consumers in the world), is the major driver of growth in 2018. The excessive crop protection inventories, which resulted in the 2017 decline have been addressed and are no longer such an issue.

High crop protection prices are mainly on the account of supply shortages, particularly higher prices of products originating from China as a result of the environmental pressures from government, consolidation in the national industry and shifting of all chemical production in chemical zone/parks. Higher prices have also driven higher tariffs imposed by the US on some Chinese chemical products. As a result, industry has passed on the higher price to consumers.

#### **VIII. 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 (AIs) 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 AIs for their product development strategies.

#### **IX. India Agrochemical Industry:**

Indian pesticides market valued at INR 197 billion in 2018 and 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.

#### **X. 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 to provide credit facilities to farmers 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 unpenetrated India.

## **XI. Business Overview**

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 268 export registrations, 238 registrations in pipeline, 348 CIB registrations, and 35 registered trademarks. The Company has a strong global client base with exports accounting for 74% 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, (6,420 MTPA)
- GIDC Panoli, (7,200 MTPA)
- GIDC Dahej, (14,640 MTPA)

## **XII. Outlook and Strategy**

FY 2019 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 ~INR 1.27 billion and it is expected to be operational by Q1 FY21.

## **XIII. 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.

#### **XIV. Basic Chemicals - 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.

#### **XV. 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.

During financial year 2018, caustic soda capacity stood at 3.8 MMTPA (Million Metric Tonne Per Annum) with capacity utilisation of 84%. Over last 5 years, despite increase in capacity from 3.3 MMTPA to 3.9 MMTPA between FY 14 - 18, 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.

## **XVI. Group & Company - Outlook for FY 2020**

The Group and Company revenue of Pigment and Agrochemical Segment for FY 2019 has increased. We expect to see the improvements in revenue in Agrochemical Products as Market Dynamics are changing rapidly. While in Pigment the pressure on pricing prevailed throughout FY 2019.

While Net Profit after tax at Group and Company level has increased in FY 2019. This is due to increase in production, higher quantity sale and better price/ ECU in Agrochemicals and Basic Chemicals.

The Group Profitability may be affected due to unpredictable market trends, rupee/dollar exchange rate and crude oil prices Fluctuation in ECU prices of Caustic Chlorine and the erratic monsoon season in 1Q FY 2020

### **11. Dividend**

#### **(a) Current Financial Period Reported on 31.03.2019**

**Any dividend declared for the financial period reported on? Yes**

Name of the dividend:	Interim Dividend
Dividend Type	Cash
Dividend amount per Share (IN INR)	Rs. 0.60 Per Share
Par value of Share	Rs. 1/- per Ordinary share

Name of the dividend:	Final Dividend
Dividend Type	Cash
Dividend amount per Share (IN INR)	Rs. 0.40 Per Share
Par value of Share	Rs. 1/- per Ordinary share

#### **(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year? Yes**

Name of the dividend:	Final Dividend
Dividend Type	Cash
Dividend amount per Share (IN INR)	Rs. 0.40 Per Share
Par value of Share	Rs. 1/- per Ordinary share

**(c) Date payable:** The date will be announced once the dividend is approved by the members at AGM

**(d) Books closure date:** Book closure date will be announced subsequently.

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

Final dividend recommended.

**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.**

Particulars of interested person transactions for the year ended 31 March, 2019 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 5,148,000) 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 4,771,000))	
	Amount in Rs.	Amount in S\$,000	Amount in Rs.	Amount in S\$,000
<b>Purchases</b>				
Meghmani Pigments <sup>(1)</sup>	157,775,536	3,065	-	-
Meghmani LLP <sup>(2)</sup>	69,259,540	1,345	-	-
Panchratna Corporation	16,142,400	314	-	-
<b>Total</b>	<b>243,177,476</b>	<b>4,724</b>		
<b>Sales</b>				
Ashish Chemicals (EOU) <sup>(3)</sup>	29,470,500	572	-	-
Meghmani Dyes & Intermediate LLP	6,324,800	123	-	-
Meghmani Industries Limited <sup>(4)</sup>	10,465,200	203	-	-
<b>Total</b>	<b>46,260,500</b>	<b>898</b>		

**Note – Rs. 51.48 = S\$1 (Average Rate of Financial Year 2018-2019)**

- <sup>(1)</sup> Meghmani Pigments is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director) and their immediate family.
- <sup>(2)</sup> Ashish Chemicals (EOU) is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director).
- <sup>(3)</sup> Meghmani LLP is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director) and their immediate family.
- <sup>(4)</sup> Meghmani Industries Limited - 48% of Equity Shares are held directly by Mr Natwarlal Patel (Managing Director), and Mr Ramesh Patel (Executive Director).



The above interested person transactions conducted fall within the Interested party transactions shareholders' mandate obtained under Indian Companies Act and Indian Stock Exchange Rules for a period of three year at the Annual General Meeting held on 28 July 2016.

**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 Full year ended **31 March, 2019** 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.

Contd.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1,Q2,Q3 or Half Year Results)**

16. Segmented revenue and results for business or geographical segments ( of the group) in the form presented in the issuer’s most recently audited annual financial statements , with comparative information for the immediately preceding year .

Segment Results – Group

a) Analysis by business segment -

Financial year ended March 31, 2019

	<u>Pigments</u>	<u>Agro chemicals</u>	<u>Basic chemicals</u>	<u>Others*</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenue:</b>						
External Sales	5,389,541	7,668,843	6,553,844	800,409	-	20,412,637
Sales to Subsidiaries	390,954	56,035	528,299	-	(975,288)	-
<b>Total Revenue</b>	<b>5,780,495</b>	<b>7,724,878</b>	<b>7,082,143</b>	<b>800,409</b>	<b>(975,288)</b>	<b>20,412,637</b>
<b>Results</b>						
Segment results	818,445	1,711,665	2,639,913	8,757	(557,010)	4,621,770
Unallocated Expenses						-
Profit from Operations						4,621,770
Finance Costs						(536,549)
Income from Investments						375
<b>Profit before Tax</b>						<b>4,085,596</b>
Income Tax						(1,131,924)
Other Comprehensive Income (net of tax)						(10,551)
Minority Interest						(439,979)
<b>Profit after Tax</b>						<b>2,503,142</b>

	<u>Pigments</u>	<u>Agro chemicals</u>	<u>Basic chemicals</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
<b>Other information:</b>						
Capital additions	228,720	515,914	3,910,706	5,485	0	4,660,825
Depreciation	(219,711)	(222,827)	(540,988)	(20,713)	31,645	(972,594)
<b>Balance Sheet:</b>						
Segment assets	5,958,729	7,103,536	10,643,738	269,857	(1,963,562)	22,012,298
Unallocated						1,802,278
Corporate assets						-
<b>Total assets</b>						<b>23,814,576</b>
Segment liabilities	707,059	1,794,078	5,512,809	166,074	(152,955)	8,027,065
Unallocated						2,688,199
Corporate liabilities						851,230
Deferred Tax Liabilities						707,399
<b>Total liabilities</b>						<b>12,273,893</b>

\*Others include trading activity.

b) Analysis by business segment -

Financial year ended March 31, 2018

	<u>Pigments</u>	<u>Agro chemicals</u>	<u>Basic chemicals</u>	<u>Others*</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenue:</b>						
External Sales	5,261,984	6,276,257	5,931,020	632,135	-	18,101,396
Sales to Subsidiaries	412,430	17,693	437,968	-	(868,091)	-
<b>Total Revenue</b>	<b>5,674,414</b>	<b>6,293,950</b>	<b>6,368,988</b>	<b>632,135</b>	<b>(868,091)</b>	<b>18,101,396</b>
<b>Results</b>						
Segment results	741,837	809,507	2,041,231	40,639	35,686	3,668,900
Unallocated Expenses						-
Profit from Operations						3,668,900
Finance Costs						(411,907)
Income from Investments						154
<b>Profit before Tax</b>						<b>3,257,147</b>
Income Tax						(877,876)
Other Comprehensive Income (net of tax)						1,738
Minority Interest						(666,274)
<b>Profit after Tax</b>						<b>1,714,735</b>

	<u>Pigments</u>	<u>Agro chemicals</u>	<u>Basic chemicals</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
<b>Other information:</b>						
Capital additions	527,222	616,695	813,119	45,046	-	2,002,082
Depreciation	(208,610)	(197,189)	(552,715)	(20,858)	31,646	(947,726)
<b>Balance Sheet:</b>						
Segment assets	6,102,622	5,097,842	7,037,678	1,384,696	(3,663,046)	15,959,792
Unallocated						2,419,404
Corporate assets						-
<b>Total assets</b>						<b>18,379,196</b>
Segment liabilities	788,844	1,085,201	1,493,431	179,778	(1,311,100)	2,236,154
Unallocated						2,173,086
Corporate liabilities						2,172,226
Deferred Tax Liabilities						876,480
<b>Total liabilities</b>						<b>7,457,946</b>

\*Others include trading activity.

c) **Analysis by geographical segment**

Segment revenue:

Segment revenue is analysed based on the location of customers regardless of where the goods are produced. The following provides an analysis of the Group's sales by geographical markets:

<b>Continent</b>	<b>2019</b>	<b>2018</b>
	<b>Rs'000</b>	<b>Rs'000</b>
Africa	874,629	615,309
Asia	4,316,041	3,802,062
Australia	96,711	51,416
Europe	2,261,113	2,287,747
India	9,505,334	9,043,929
North America	2,328,800	1,421,989
South America	1,030,009	878,944
<b>Total</b>	<b>20,412,637</b>	<b>18,101,396</b>

17. **In the review of performance, the factors leading to any material changes in contributions to turnover and earning by the business or geographical segments.**

Please refer Point No. 8 above

18. **A breakdown of Sales:**

	<b>FY 2019</b>	<b>FY 2018</b>	<b>% Increase</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>(Decrease)</b>
<b>Sales</b>			
a) Sales reported for first Quarter	4,668,110	4,140,135	12.8
b) Sales reported for second Quarter	4,826,542	4,651,587	3.8
c) Sales reported for third Quarter	5,425,637	4,479,019	21.1
d) Sales reported for fourth Quarter	5,492,348	4,830,655	13.7
<b>Total Sales</b>	<b>20,412,637</b>	<b>18,101,396</b>	<b>12.8</b>
<b>Profit after tax</b>			
a) Profit after tax reported for first Quarter	638,387	327,835	94.7
b) Profit after tax reported for second Quarter	545,663	447,604	21.9
c) Profit after tax reported for third Quarter	660,793	433,740	52.3
d) Profit after tax reported for fourth Quarter	658,299	505,556	30.2
<b>Total Profit after tax</b>	<b>2,503,142</b>	<b>1,714,735</b>	<b>46.0</b>

19. **Disclosure of person occupying a Managerial Position :**

20.

<b>Name</b>	<b>Age</b>	<b>Family Relationship</b>	<b>Current Position and duties of the year of position held</b>	<b>Details of changes in duty and position held</b>
Mr. Karana Patel	36	Son of Mr. R M Patel - ED	Chief Operating Officer (COO)	No
Mr. Ankit Patel	32	Son of Mr. N M Patel – MD	Chief Executive Officer (CEO)	No

Name	Age	Family Relationship	Current Position and duties of the year of position held	Details of changes in duty and position held
Mr. Darshan Patel	31	Son of Mr. A I Patel – ED	Chief Operating Officer (COO)	No
Mr. Maulik Patel	36	Son of Mr. J M Patel – Executive Chairman	Chairman & MD – Meghmani Finechem Limited	No
Mr. Kaushal Soparkar	36	Son of Mr. A N Soparkar - MD	Managing Director Meghmani Finechem Limited	No

21. **A breakdown of the total Annual Dividend ( in dollar / rupee value) for the issuer’s latest full year and its previous full year:**

**Total Annual Dividend (Refer to Para 11 of Appendix 7.2 for the required details)**

	<b>FY 2019 (Rs. ‘000) Final (40%)</b>	<b>FY 2019 (Rs. ‘000) Interim (60%)</b>	<b>FY 2018 (Rs. ‘000)</b>
Ordinary	101,725.68	152,588.52	101,725.68
Preference	-	-	-
<b>Total</b>	<b>101,725.68</b>	<b>152,588.52</b>	<b>101,725.68</b>

**Final dividend of 31.03.2019 recommended on 24.05.2019.**

22. **Annual General Meeting :**

The Annual General Meeting of the group will be held on **25 July, 2019** at Ahmedabad, Gujarat, India

23. The Company has been granted waiver by SGX ST in compliance with Rule 220 (1) of the listing manual and the Company is allowed to release its periodical finance report as well as annual report under the Indian GAAP. Provided it is accompanied by a reconciliation of statement to IFRS of the materially affected line items. The Annual Report 2019 will give full reconciliation carried out under IFRS of the materially affected line items.

24. **Reconciliation between IGAAP and IFRS**

There is no variance in the profit reported for the year ended 31<sup>st</sup> March, 2019.

BY ORDER OF THE BOARD  
Kamlesh Dinkerray Mehta  
Company Secretary  
Date : 28.05.2019