MEGHMANI
ORGANICS LIMITED
(Incorporated as a limited liability company in India)

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RESPONSE TO SGX QUERIES ON Q2 2015 RESULTS ANNOUNCEMENT

The Board of Directors of Meghmani Organics Limited (the "Company") wishes to announce its response to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX") on 1 December 2014 relating to the Company's Q2 2015 results announcement:

Query 1

On page 2 of the Financial Statements, it is stated that 'Available for sale investments' increased by Rs 165M. Please provide details of the increase in 'Available for sale investments'

Company's response

Meghmani Finechem Limited, a subsidiary company, has invested its surplus fund for a short term period to earn interest rather than keeping the fund idle in its bank account. This will be withdrawn as and when fund is required. If they would not have invested surplus in mutual fund then these surplus would have appeared in the Bank account. This investment is in normal business routine nature and hence no detailed disclosure has been made in the financial statement.

Name of Mutual Fund	Amount in Rs.
Reliance Regular savings Fund - Debt Option	10000000
Tata Short Term Bond Fund	130000000
DSP Black Rock Income Opportunities Fund	10000000
UTI Mutual Fund	15308670
Total	**165308670**

Query 2

On page 13 of the Financial Statements, it is stated that distribution costs of the Group increased by 35.7% to Rs 240.77M due to increase in sales. Please provide a breakdown of the distribution expenses and elaborate on the material fluctuations.

Company's response

Particulars	Q2 FY 2015 Amount in Rs.	Q2 FY 2014 Amount in Rs.	Variance Amount in Rs.
Export Clearing & Forwarding Expenses	15350118	16541886	-1191768
Transportation Expenses	65088052	38212518	26875534
Marine Insurance	1416969	1110341	306628
Sales Commission	29854347	20091305	9763042
Business promotion Expenses	2429183	3125597	-696414
Packing Material Consumption	78738162	58578191	20159971
Other Selling Expenses	47890085	39814049	8076036
Total	**240766916**	**177473887**	**63293029**
			35.7%

The main contributories are transportation cost including shipping freight and packing material consumption. The shipping freight has effect of exchange rate, while the packing material cost has effect of increase in packing cost and turn over.

Query 3

On page 13 of the Financial Statements, it is stated that other operating expenses increased by Rs 44.26M mainly due to foreign exchange fluctuations. Given that gain on foreign currency change only decreased by ~Rs 21M, please provide a breakdown of other operating expenses and explain for the material fluctuations.

Company's response

Particulars	Q2 FY 2015Amount in Rs.	Q2 FY 2014Amount in Rs.	Variance Amount in Rs.
Bad debts W/off and Provision	- 7354832	-79371	- 7275461
Loss on sale of assets	-15011864	972738	-15984602
Exchange Rate difference	5473786	26468383	-20994597
Total	**-16892910**	**27361750**	**-44254660**

The explanation has already been given on page No. 1 of the Q2 2015 Results Announcement.

Query 4

On page 13 of the Financial Statements, it is stated that finance costs increased by Rs 39.69M mainly due to full utilization of working capital management.

a) Please elaborate on how does the full utilization of working capital management lead to increased finance costs.
b) Given the decrease in the aggregate amount of Group's borrowings, please explain why did finance costs increased.

Company's response

Particulars	Q2 FY 2015 Amount in Rs.	Q2 FY 2014 Amount in Rs.	Variance Amount in Rs.
Bank Interest	196498405	160247299	36251106
Loan Processing Charges	9385443	5943323	3442120
Total	**205883848**	**166190622**	**39693226**

(a) The cost has been increased because of Term Finance cost.
(b) The rate of interest has increased by 0.3%.

When the operations or turnover of the Company increases the working capital requirement will also naturally go up and consequently the finance cost will also go up. When the operation/turnover of the Company is lower, the working capital requirement also will be less with consequential effect on finance cost. This is the one phenomenon. The other reasons could be increase in term finance and increase in borrowing rate of interest across the industry.

By Order of the Board
Kamlesh Dinkerray Mehta
Company Secretary
5 December 2014