

Second 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 second quarter ended on September 30, 2018 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			Group		
	3 months ended		%	6 months ended		%
	30/09/2018	30/09/2017	Increase (Decrease)	30/09/2018	30/09/2017	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Revenue	4,826,542	4,651,587	3.8	9,494,652	8,791,722	8.0
Cost of sales	(3,502,627)	(3,331,240)	5.1	(6,688,913)	(6,444,154)	3.8
Gross Profit	1,323,915	1,320,347	0.3	2,805,739	2,347,568	19.5
Other operating income	117,531	80,209	46.5	200,800	147,975	35.7
Distribution expenses	(186,291)	(365,936)	-49.1	(422,422)	(629,661)	-32.9
Administrative expenses	(260,752)	(149,404)	74.5	(524,906)	(236,528)	121.9
Other operating expenses	58,121	11,931	387.1	111,014	(2,812)	n.m.
Profit from operations	1,052,524	897,147	17.3	2,170,225	1,626,542	33.4
Finance cost	(126,406)	(100,595)	25.7	(240,185)	(209,927)	14.4
Income from investments	-	153	n.m.	-	153	n.m.
Profit before tax	926,118	796,705	16.2	1,930,040	1,416,768	36.2
Income tax	(308,514)	(245,797)	25.5	(541,704)	(432,610)	25.2
Profit after income tax	617,604	550,908	12.1	1,388,336	984,158	41.1
Other Comprehensive Income (net of tax)	(3,159)	(460)	586.7	(1,360)	(1,289)	5.5
Total Comprehensive Income Attributable to						
Minority Interest	(68,782)	(102,844)	-33.1	(202,926)	(207,430)	-2.2
Owners of the Company	545,663	447,604	21.9	1,184,050	775,439	52.7

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

	Group			Group		
	3 months ended		%	6 months ended		%
	30/09/2018	30/09/2017	Increase (Decrease)	30/09/2018	30/09/2017	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Bad trade receivables written off /recovered	(26,423)	(40,547)	-34.8	(50,397)	(87,675)	-42.5
Foreign currency exchange adjustment loss/ gain	106,555	50,685	110.2	183,345	83,236	120.3
Research and development expenditure	(4,448)	(3,339)	33.2	(8,415)	(8,475)	-0.7
Loss/Profit on sales of property, plant	(22,011)	1,793	n.m.	(21,934)	1,627	n.m.

Note: n.m. means not meaningful.

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 30.09.2018 Rs. '000	As at 31.03.2018 Rs. '000	As at 30.09.2018 Rs. '000	As at 31.03.2018 Rs. '000
ASSETS				
Current assets				
Cash & bank balances	426,161	115,102	21,478	10,751
Available for sale investments	1,110,475	714,181	-	-
Trade receivables	4,147,122	3,745,016	3,555,765	3,028,366
Other receivables and prepayments	1,512,327	1,734,500	871,060	1,223,606
Inventories	3,743,933	2,677,392	3,258,582	2,326,525
Income tax recoverable	112,668	410,240	(126,151)	508
Total current assets	11,052,686	9,396,431	7,580,734	6,589,756
Non – current assets				
Property, plant and equipments	9,743,214	8,983,024	4,846,890	4,728,818
Interest in subsidiaries	-	-	4,041,745	2,331,477
Available for sale investments	5,741	5,741	5,741	5,741
Total non – current assets	9,748,955	8,988,765	8,894,376	7,066,036
Total assets	20,801,641	18,385,196	16,475,110	13,655,792
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	3,287,302	1,670,382	3,067,295	936,577
Loan from Corporate	-	-	-	1,098,554
Trade payables	2,611,845	1,802,293	2,419,056	1,639,721
Other payables	912,869	933,565	477,628	419,190
Total current liabilities	6,812,016	4,406,240	5,963,979	4,094,042
Non – current liabilities				
Long Term Loan	3,096,944	2,181,226	2,072,344	2,172,226
Deferred tax liabilities	764,044	876,480	420,778	410,332
Total non – current liabilities	3,860,988	3,057,706	2,493,122	2,582,558
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	975,161	975,558	976,718	976,718
Capital reserve	3,518	3,518	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	2,933	2,210	2,933	2,210
Currency translation reserve	(1,786)	(6,077)	-	-
Other Comprehensive Income	(5,170)	(1,160)	(3,064)	(494)
Accumulated profits	6,060,857	5,895,731	5,200,505	4,159,841
Minority interest	1,255,329	2,213,675	-	-
Total equity	10,128,637	10,921,250	8,018,009	6,979,192
Total liabilities and equity	20,801,641	18,385,196	16,475,110	13,655,792

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 September 2018		As at 31 March 2018	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
3,287,302	3,067,295	1,670,382	936,577

Amount repayable after one year

As at 30 September 2018		As at 31 March 2018	
Secured		Secured	
Group	Company	Group	Company
3,096,944	2,072,344	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 September 30, 2018 bank borrowings amounting to **Group Rs 1,660,421,000 & Company Rs. 1,605,414,000** 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 borrowings from a consortium of banks (Group and Company) (SBI, HDFC and ICICI)

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 September 30, 2018, bank borrowings amounting to **Rs. 513,593,000** 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 September 30, 2018, HDFC Term Loan Dahej – SEZ of Rs. 90,000,000 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 September 30, 2018, SBI Term Loan of Rs. 278,177,000 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 (Standard Chartered Bank Limited)

As at September 30, 2018, bank borrowings amounting to Rs. 217,455,000 are secured.

As at March 31, 2018, bank borrowings amounting to Rs. Nil are secured.

Bank E (ICICI – Term Loan)

As at September 30, 2018, ICICI Term Loan of Rs. 937,500,000 which is secured and repayable after one year and Rs. 312,500,000 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 F (AXIS Bank –Term Loan)

As at September 30, 2018, Axis Bank Term Loan of Rs. 766,667,000 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 G (ICICI Bank Limited – Meghmani Finechem Limited (MFL))

As at September 30, 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.

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 H (HDFC Bank Limited – MFL)

As at September 30, 2018, bank borrowings amounting to **Rs. 935,000,000** (repayable after one year) and **Rs. 165,000,000** (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 September 30, 2018, bank borrowings amounting to **Rs. 89,600,000** (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 together with a comparative statement for the corresponding period of the immediately preceding financial year.

Particulars	Group		Company	
	Half Year ended		Half Year ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities:				
Profit from operations	2,170,225	1,626,542	1,688,029	918,190
Adjustments for :				
Depreciation on property, plant and equipment	487,753	465,844	230,776	203,717
Unrealised foreign exchange gain (loss)	66,456	121,682	72,382	121,036
Interest Received	(16,183)	(11,092)	(11,231)	(10,016)
Actuarial Valuation of Gratuity	(6,380)	(2,583)	(3,950)	(1,503)
Provision for Diminution in Investment	-	-	-	12,330
Loss on disposal of property, plant and equipment	21,934	(1,627)	21,930	(1,778)
Operating cash flows before movement in working capital	2,723,805	2,198,766	1,997,936	1,241,976
Trade receivables	(402,106)	(1,205,133)	(527,398)	(929,996)
Other receivables and prepayments	160,007	(376,493)	280,164	(295,976)
Inventories	(1,066,541)	(224,087)	(932,057)	(189,891)
Trade payables	809,553	842,860	779,335	826,196
Bills payables	51,095	(132,286)	51,095	(132,286)
Other payables	(20,698)	360,545	58,436	140,327
Cash generated from operations	2,255,115	1,464,172	1,707,511	660,350
Income taxes paid/refund received	(354,961)	(163,053)	(165,468)	(73,080)
Interest and finance charges paid	(240,185)	(209,927)	(220,105)	(156,869)
Net cash from operating activities	1,659,969	1,091,192	1,321,938	430,401
Cash flows from investing activities:				
Purchase of property, plant & equipments	(1,270,053)	(826,509)	(370,952)	(747,946)
Purchase of Investment	(2,212,169)	-	(1,710,267)	(506)
Proceeds on disposal of property, plant & equipments	175	2,519	175	2,519
Interest received	16,183	9,009	11,231	7,933
Investment income received`	-	153	-	-
Net cash used in investing activities	(3,465,864)	(814,828)	(2,069,813)	(738,000)
Cash flows from financing activities:				
Dividend paid	(101,675)	(102,198)	(101,675)	(102,198)
Tax on dividend paid	(20,910)	(20,709)	(20,910)	(20,709)
Decrease in Hedge Reserve	-	378	-	-
Proceeds from bank borrowings, net of repayments	2,257,700	(365,668)	1,755,898	31,613
Proceeds from other borrowings, net of repayments	223,843	326,429	(874,711)	326,429
Minority Interest (net)	150,000	-	-	-
Net cash from financing activities	2,508,958	(161,768)	758,602	235,135
Net effect of exchange rate change in consolidation	4,290	611	-	-
Net (decrease) increase in cash and cash equivalents	707,353	115,207	10,727	(72,464)
Cash and cash equivalents at the beginning of the year	829,283	410,353	10,751	92,274
Cash and cash equivalents at the end of the year	1,536,636	525,560	21,478	19,810

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.

Rs 000

Group	Issued capital	Share premium	General reserve	Capital reserve	Capital redemption reserve	Hedge Reserve	Dividend reserve	Currency Translation Reserve	Accumulated Profits	Other Comprehensive Income	Minority Interest	Total
Balance as at June 30, 2017	254,314	1,565,048	895,558	3,518	18,433	(1,555)	2,295	(6,387)	4,711,843	(1,737)	1,651,987	9,093,317
Net profit for the period	-	-	-	-	-	-	-	-	447,604	-	-	447,604
Addition during the year	-	-	-	-	-	(233)	122,435	-	(120,328)	(2,107)	102,845	102,612
Dividend Paid during the year	-	-	-	-	-	-	(122,172)	-	-	-	-	(122,172)
Currency Translation Reserve	-	-	-	-	-	-	-	586	-	-	-	586
Balance as at 30 September, 2017	254,314	1,565,048	895,558	3,518	18,433	(1,788)	2,558	(5,801)	5,039,119	(3,844)	1,754,832	9,521,947
Balance as at June 30, 2018	254,314	1,565,048	975,161	3,518	18,433	-	2,210	(3,895)	5,633,698	(1,038)	1,186,547	9,633,996
Net profit for the period	-	-	-	-	-	-	-	-	545,663	-	-	545,663
Addition during the year	-	-	-	-	-	-	122,636	-	(118,504)	(4,132)	68,782	68,782
Dividend Paid during the year	-	-	-	-	-	-	(121,913)	-	-	-	-	(121,913)
Currency Translation Reserve	-	-	-	-	-	-	-	2,109	-	-	-	2,109
Balance as at 30 September, 2018	254,314	1,565,048	975,161	3,518	18,433	-	2,933	(1,786)	6,060,857	(5,170)	1,255,329	10,128,637

1(d)(i) Company

Rs 000

Company	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Dividend reserve	Other Comprehensive Income	Accumulated Profits	Total
Balance as at June 30,2017	254,314	1,565,048	896,718	3,122	18,433	2,295	(1,987)	3,784,418	6,522,361
Net profit for the period	-	-	-	-	-	-	-	287,489	287,489
Addition during the year	-	-	-	-	-	122,435	(492)	(121,943)	-
Dividend Paid during the year	-	-	-	-	-	(122,172)	-	-	(122,172)
Balance as at 30 September, 2017	254,314	1,565,048	896,718	3,122	18,433	2,558	(2,479)	3,949,964	6,687,678
Balance as at June 30,2018	254,314	1,565,048	976,718	3,122	18,433	2,210	(244)	5,010,572	7,830,173
Net profit for the period	-	-	-	-	-	-	-	309,749	309,749
Addition during the year	-	-	-	-	-	122,636	(2,820)	(119,816)	-
Dividend Paid during the year	-	-	-	-	-	(121,913)	-	-	(121,913)
Balance as at 30 September, 2018	254,314	1,565,048	976,718	3,122	18,433	2,933	(3,064)	5,200,505	8,018,009

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 September 2018	31 March 2018
Total number of issued ordinary shares Excluding treasury shares	12,892,190	12,977,040

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 has not issued 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 2018.

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.

No changes in accounting policies.

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.

Earnings per Ordinary shares	Group		Company	
	6 months ended		6 months ended	
	30.09.2018	31.03.2018	30.09.2017	31.03.2018
(a) Based on weighted average number of ordinary shares in issue (Rs)	4.66	6.74	4.57	3.03
Earning per SDS (Rs)	2.33	3.37	2.29	1.52
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	4.66	6.74	4.57	3.03
Earning per SDS (Rs.)	2.33	3.37	2.29	1.52

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 30.09.2018	As at 31.03.2018	As at 30.09.2018	As at 31.03.2018
Net assets value per ordinary share based on issued share capital at the end of the period / year reported in Rs.	39.83	42.94	31.53	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.

Revenue –Group

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.

Quarter to Quarter:- Analysis

Breakdown of Revenue by Product

(Rs. in Millions)

Products	Q 2 FY 2018-19	Q 2 FY 2017-18	Variance	%
Pigments	1366.70	1289.68	77.02	6.0
Agrochemicals	1859.11	1921.69	-62.58	-3.3
Basic Chemicals	1345.00	1283.96	61.04	4.8
Trading	255.73	156.25	99.48	63.7
Total	4826.54	4651.58	174.96	3.8

Group revenue by product increased by 3.8 %, from Rs. 4651.58 million in Q2 FY 2018 to Rs. 4826.54 million in Q2 FY 2019 this is on account of increase in sales of Pigment, Basic Chemicals and Trading.

Breakdown of Domestic Sales by Product

(Rs. in Millions)

Domestic Sales	Q 2 FY 2018-19	Q 2 FY 2017-18	Variance	%
Pigments	184.26	243.92	-59.66	-24.5
Agrochemicals	659.69	841.72	-182.03	-21.6
Basic Chemicals	1231.35	1274.73	-43.38	-3.4
Trading	5.25	0.29	4.96	1710.3
Total	2080.55	2360.66	-280.11	-11.9

Domestic Sales

Group revenue derived from Domestic sales decreased by 11.9% from Rs. 2360.66 million in Q2 FY 2018 to Rs. 2080.55 million in Q2 FY 2019. Domestic sales of Pigment division decreased mainly of CPC Blue, Agrochemicals decreased mainly of MPB, Chlorpyrifos Cypermethrin, Profenophos and Bifenthrine and Basic Chemicals decreased due to lower volume of sales quantity.

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	Q 2 FY 2018-19	Q 2 FY 2017-18	Variance	%
Pigments	1182.44	1045.76	136.68	13.1
Agrochemicals	1199.42	1079.97	119.45	11.1
Basic Chemicals	113.65	9.23	104.42	1131.3
Trading	250.48	155.96	94.52	60.6
Total	2745.99	2290.92	455.07	19.9

Export sales

Group revenue derived from Export sales increased by 19.9 % i.e. from Rs. 2290.92 million in Q2 FY 2018 to Rs. 2745.99 million in Q2 FY 2019. Export sales of Pigment division increased mainly of PG7 and Alpha Blue due to repeat orders and Agrochemicals increased due to increase in sales prices of Cypermethrin, Peremethrin and Bifenthrine.

Quarter to Quarter:- Analysis - Gross Profit

Gross profit - Group

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	Q2 FY 2019	GP Margin Q2 FY 2019 (%)	Q2 FY 2018	GP Margin Q2 FY 2018 (%)	Variance	%
Pigments	259.94	19.0	254.90	19.8	5.04	2.0
Agrochemicals	558.17	30.0	517.93	26.9	40.24	7.8
Basic Chemicals	497.74	37.0	539.03	42.0	-41.29	-7.7
Trading	8.07	3.2	8.49	5.4	-0.42	-4.9
Total	1323.92	27.4	1320.35	28.4	3.57	0.3

Overall, gross profit of the Group increased marginally by Rs. 3.57 million (or 0.3%) from Rs 1320.35 million in Q2 FY 2018 to Rs 1323.92 million in Q2 FY 2019. While, the gross profit margin decreased from 28.4% in Q2 FY 2018 to 27.4% in Q2 FY 2019.

GP Percentage of Pigment

The gross profit percentage of Pigment Division increased marginally by 2.0% while GP margin decreased from 19.8% in Q2 FY 2018 to 19.0% in Q2 FY 2019.

GP Percentage of Agrochemicals

The amount of gross profit percentage of Agrochemical Division increased by 7.8% and GP margin increased from 26.9% in Q2 FY 2018 to 30.0% in Q2 FY 2019 due to in sales prices of Cypermethrin, Permethrin and Bifenthrin.

GP Percentage of Basic Chemicals

The amount of gross profit of Basic Chemicals Division decreased by 7.7%, while GP margin of Basic Chemicals Division decreased from 42.0% in Q2 FY 2018 to 37.0% in Q2 FY 2019 due to decrease in sales quantity and ECU.

Other Operating Income

Other operating income of the Group consists mainly of new incentive Scheme MEIS introduced by the government.

Other operating income of Q2 FY 2019 increased by Rs. 3.73 million to Rs.117.53 million in Q2 FY 2019 due to higher export resulting increase in export incentive.

Quarter to Quarter:- Analysis

Distribution, Administrative and Other Operating Expenses

Distributions costs of Group decreased by 49.1% to Rs 186.29 million in Q2 FY 2019. This is due to decrease in Quantity rebate to Customers.

Administrative costs of the Group increased by 74.5 % to Rs 260.75 million in Q2 FY 2019 mainly due to increase in Provision of Directors Performance Bonus.

Other operating expenses decreased by Rs 46.19 million in Q2 FY 2018 mainly due to foreign exchange fluctuations.

Finance costs

Finance costs of Q2 FY 2019 increased by Rs 25.81 million (or 25.7%) mainly due to increase in utilization of working capital facilities.

Income from Investments:-

During the quarter there was no Income from investments.

Taxation

Income tax expenses increased by Rs.62.71 million i.e. from Rs. 245.80 million in Q2 FY 2018 to Rs. 308.51million in Q2 FY 2019. This is due to increase in deferred tax expenses.

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 Subsidiary of the company manufacturing Caustic Chlorine (BasicChemical).
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 are listed on any of the Stock Exchanges

Other Comprehensive income.

Other comprehensive income (OCI) is defined as 'items comprising of income and expense (including reclassification adjustments) that are not recognized in profit or loss.

Half year to Half year:- Analysis

Breakdown of Revenue by Product

(Rs. in Millions)

Division	H1 FY 2018-19	H1 FY 2017-18	Variance	%
Pigments	2664.73	2616.74	47.99	1.8
Agrochemicals	3429.35	3469.95	-40.60	-1.2
Basic Chemicals	2957.51	2386.46	571.05	23.9
Trading	443.06	318.57	124.49	39.1
Total	9494.65	8791.72	702.93	8.0

Division wise Domestic Sales

(Rs. in Millions)

Particulars	H1 FY 2018-19 Rs.	H1 FY 2017-18 Rs.	Variance Rs.	%
Pigment	415.29	609.78	-194.49	-31.9
Agro	1172.04	1351.20	-179.16	-13.3
Basic Chemicals	2809.81	2276.36	533.45	23.4
Trading	19.17	0.29	18.88	6510.3
Total	4416.31	4237.63	178.68	4.2

Division wise Export Sales

(Rs. in Millions)

Particulars	H1 FY 2018-19 Rs.	H1 FY 2017-18 Rs.	Variance Rs.	%
Pigment	2249.44	2006.96	242.48	12.1
Agro	2257.31	2118.75	138.56	6.5
Basic Chemicals	147.70	110.10	37.60	34.2
Trading	423.89	318.28	105.61	33.2
Total	5078.34	4554.09	524.25	11.5

Break down of Revenue By Product

Group revenue increased by Rs.702.93 million (i.e. by 8.0%) from Rs. 8791.72 million for H1 FY 2018 to Rs. 9494.65 million for H1 FY 2019 on account of increase in sales of Basic Chemicals and Trading.

Half year to Half year:- Analysis - continued

Domestic sales

Group revenue from domestic sales increased by Rs. 178.68 million (i.e. by 4.2%) from Rs. 4237.63 million in H1 FY 2018 to Rs. 4416.31 million in H1 FY 2019. Domestic sales of Agrochemicals decreased mainly of MPB, Chlorpyrifos Cypermethrin, Profenophos and Bifenthrine and Basic Chemicals increased due to increase in ECU.

Export sales

Group revenue from Export sales increased by Rs. 524.25 million (i.e. by 11.5%) from Rs. 4554.09 million in H1 FY 2018 to Rs. 5078.34 million in H1 FY 2019. Export sales of Pigment division increased mainly of PG7 and Alpha Blue due to repeat orders and Agrochemicals increased due to increase in sales prices of Agro Formulation, Peremethrin and Bifenthrine.

Gross Profit

Breakdown of Gross Profit by Division

Division	H1 FY 2018-19	GP Margin H1 FY 2018-19 (%)	(Rs. in Millions)			
			H1 FY 2017-18	GP Margin H1 FY 2017-18 (%)	Variance	%
Pigments	476.96	17.9	493.65	18.9	-16.69	-3.4
Agrochemicals	961.19	28.0	937.76	27.0	23.43	2.5
Basic Chemicals	1348.30	45.6	899.50	37.7	448.80	49.9
Trading	19.29	4.4	16.66	5.2	2.63	15.8
Total	2805.74	29.6	2347.57	26.7	458.17	19.5

Group Gross Profit of the Group for H1 FY 2018 increased by Rs. 458.17 million (i.e. 19.5%) from Rs. 2347.57 million H1 FY 2018 to Rs. 2805.74 million H1 FY 2019 and the gross profit margin increased from 26.7% in H1 FY 2018 to 29.6% in H1 FY 2019.

Other Operating Income

Other operating income of the Group consists mainly of new incentive Scheme MEIS introduced by the government. Other Operating Income of the Group increased by 35.7% to Rs. 200.80 million in H1 FY 2019 due to increase in export incentive.

Distribution, Administrative and Other Operating Expenses

Distribution expenses of the Group decreased by Rs. 207.24 million in H1 FY 2019 mainly due to decrease in Quantity rebate to Customers.

Administrative expenses of the Group increased by Rs.288.38 million in H1 FY 2019 mainly due to increase in Provision of Directors Performance Bonus and Legal and Professional Fees etc.

Half year to Half year:- Analysis - continued

Other operating of the Group expenses decreased by Rs. 113.83 million in H1 FY 2019 the main driver is foreign exchange fluctuations.

Finance costs

Finance costs of the Group increased by Rs. 30.26 million (or 14.4 %) in H1 FY 2019. This is mainly due to increase in utilization of working capital facilities.

Balance sheet – Group & Company

Trade receivables

Trade receivables of Group increased by Rs.402.10 million from Rs. 3745.02 million in FY 2018 to Rs. 4147.12 million in H1 FY 2019 due to increase in sales.

Trade receivables at Company level increased by Rs. 527.40 million from Rs. 3028.37 million in FY 2018 to Rs. 3555.77 million in H1 FY 2019 due to increase in sales.

Other receivables & Prepayments

Other receivables & prepayments at Group level decreased by Rs. 222.17 million to Rs. 1512.33 million (or -12.8%) in H1 FY 2019 mainly due to GST Refund Received.

Other receivables & prepayments at Company level decreased by Rs. 352.55 million to Rs. 877.06 million (or -28.8%) on account of decreased mainly due to GST Refund Received.

Inventories

Inventories at group level increased by Rs. 1066.54 million from Rs.2677.39 million in FY 2018 to Rs. 3743.93 million in H1 FY 2019 This is due to increase in finished goods and raw materials.

Inventories at Company level increased by Rs.932.05 million from Rs. 2326.53 million in FY 2018 to Rs. 3258.58 million in H1 FY 2019. This is due to increase in finished goods and raw materials.

Property, plant and equipment

Fixed assets at H1 FY 2019 at Group level increased by Rs. 760.19 million mainly due to basic chemical expansion.

Fixed assets at H1 FY 2019 at Company level increased by Rs.118.07 million due to installation of wind mill for Vatva unit.

Bank Borrowings and Long Term Loan

Bank borrowings at H1 FY 2019 at Group (current and non-current) increased by Rs.2532.64 million due to increase in working capital

Bank borrowings at H1 FY 2019 at Company level (current and non-current) increased by Rs. 2030.84 million due increase in working capital.

Trade payables and other payables

Trade payables at H1 FY 2019 at Group level increased by Rs. 809.55 million and at Company level increased by Rs. 779.34 million respectively.

Other payables at H1 FY 2019 at Group level decreased by Rs. 20.70 million and at Company level increased by Rs. 58.44 million respectively.

Cash flow statement

During the six month period, the Group has generated positive net cash flow of Rs. 1659.97 million in H1 FY 2019 from operating activities.

Financial Analysis

(Rs. in millions)

Group Key Financial Highlights	As at 30.09.2018	As at 30.09.2017	Variance	Variance (%)
<u>Profitability</u>				
Sales	9494.65	8791.72	702.93	8.0
Gross Profit	2805.74	2347.57	458.17	19.5
Gross Profit Margin (%)	29.6	26.7	2.9	
Profit before tax	1930.04	1416.77	513.27	36.2
Profit before tax Margin (%)	20.3	16.1	4.2	
Net profit	1184.05	775.44	408.61	52.7
Net profit Margin (%)	12.5	8.8	3.7	
Earning per Share (EPS in Rs.)	4.66	3.05	1.61	52.8
<u>Financial position</u>				
Net tangible assets	10128.64	9521.95	606.69	6.4
Debt (short term +long term)	6384.25	4452.40	1931.85	43.4
Capital Gearing ratio	0.63	0.47	0.16	34.0
Net tangible assets per share	34.89	30.54	4.35	14.2
Stock turnover (days)	102	75	27	36.0
Trade debts turnover (days)	80	92	-12	-13.0

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.**

INDUSTRY STRUCTURE: -

Pigments:-

Pigments are classified as either organic or inorganic. Organic pigments include azo pigments, which contain a nitrogen group; they account for most of the organic red, orange, and yellow pigments. Copper phthalocyanines provide brilliant, strong blues and greens that are unusually colourfast for organic colours.

Traditionally organic pigments are popular in plastics, synthetic fibres and as surface coatings-paints and inks. In recent years, the organic pigments are used for hi-tech applications that include photo-reprographics, opto-electronic displays and optical data storage.

Organic Pigments Market Dynamics :-

Major factors driving growth of the organic pigments market include their increasing use in plastic, paint, coatings and textile industries. Manufacture of organic pigments with good light fastness property is gaining traction among global manufacturers. Besides, developing countries such as China & India are shifting towards becoming the center of global organic pigments market, both from the demand and supply side. Organic pigments are expected to substitute inorganic pigments for some specific applications over the coming years.

Organic Pigments Market: Segmentation :-

Global organic pigments market is segmented on the basis of source of production and application.

- ⇒ On the basis of production source, global organic pigments market is categorized into natural and synthetic segments.
- ⇒ On the basis of application, global organic pigments market is segmented into paints and coatings, plastics, printing inks, textiles, cosmetics, food, chemical, and others.

Overview of the global organic pigments market :-

Organic pigments have peculiarly unique properties that ensure hues that other kinds of pigments fail to produce. They provide metallic finishes and elastic properties. Organic pigments are highly preferred in specialized applications in the original equipment manufacturers (OEMs), refinished, and high-end automobile industries. Organic pigments are also being used to improve aesthetics and the functional values in both paints and plastics segments. These pigments are used in paints that can protect against harsh weather, dampness, corrosion, fungi, and other destructive influences on the building. Moreover, some of them are also used as a plasticizer dampened powders that allow functional advantages such as light reflection, heat reflection, opacity, and gas and vapour barrier. With paints and coatings with low VOC content gaining prominence, the market for organic pigments is expected to witness massive growth during the forecast period.

Overview of the Asia pacific :-

In terms of geography, Asia Pacific (APAC) is the largest and dominating region in the global market due to the presence of several manufacturers who offer pigments at lower costs in comparison with other regions. APAC is anticipated to lead the market in terms of consumption over the next four years due to increase in infrastructural activities that require paints and coatings with functional benefits. Moreover, the sustainability factor of organic pigments is expected to drive the overall market globally throughout the predicted period.

Market Forecast:-

Based on in-depth research, TMR projects the global pigments market to exhibit a moderate CAGR of 3.8% between 2015 and 2023. If the projection holds true, the global pigments market will reach US\$31.98 bn by 2023, from a valuation of US\$22.86 bn in 2014.

Volume-wise the market is expected to report a CAGR of 2.9% during the forecast period (Source: - Transparency Market Research)

The main factors that are contributing to the growth in the industry are increase in demand for high performance pigments (HPP), growth in end-user industries and increasing preference for environmentally-friendly products.

Asia Pacific Region To Remain Fastest Growing

The report confirmed that the Asia Pacific region is anticipated to witness highest regional gains at over 5% CAGR. Pigment market growth in Asia Pacific is primarily driven by the automotive and construction industries, as well as increasing manufacturing and infrastructure development (specifically in China and India). Eastern Europe, the Middle East and South America will see demand rise by more than 3% p.a. each as well and thus contribute to the positive development of the pigment industry. The rather saturated markets in Western Europe and North America will slowly return onto a growth path after they suffered losses in the past couple of years. (Source: Cersana.)

THREAT:-

The volatility of Rupee versus Dollar is a major concern. Another major concern is time required for acceptance of the product by overseas customer, sometimes it takes considerable period. Sometimes proposals do not get converted in to order.

Unstable prices, various environmental regulations and limited availability of raw materials are some of the factors expected to impede the growth of global organic pigments market. Manufacture of organic pigments with good light fastness property is gaining traction among global manufacturers. Besides, developing countries such as China & India are shifting towards becoming the center of global organic pigments market, both from the demand and supply side. Regulatory environment, labor laws and wages in Asia Pacific are expected to remain major factors impacting this global market shift (Source :Future Market insight).

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.

1) GLOBAL AGROCHEMICALS MARKET:-

The global agrochemicals market is estimated to reach USD 265.04 Billion by 2022 at a CAGR of 4.51%. Factors like growing demand for food and consumer awareness, changing agrochemicals usage patterns, advantages of fertilizers and pesticides in crop production, increasing horticulture industries are the drivers for the market.

Development in technology to boost farm production with increasing government investments in agriculture to increase crop yields provides huge opportunities to this market.

Lucintel's research indicates that developing countries such as China and India are demanding higher volumes of nutritious food, which will increase demand for agrochemicals. Agrochemicals have significantly increased farm productivity in both developed and developing countries.

Presently, the cost of innovation and registration of an active ingredient is higher. Companies spend extensively on the research and development of new chemicals and improving the performance of the existing ones.

The pressure, therefore, is for the agriculture industry to increase yields per acre, which can be achieved through increased usage of agrochemical products.

As the study indicates, a large untapped market, shrinking of arable land in recent years, increasing demand for food grain production, and increasing population are anticipated to drive the global agrochemicals industry.

The global market has been witnessing lot of technological advancements and developments over the past few years. The changing buyers' preferences, stringent environmental regulations, changing weather conditions, increased agricultural trade and improved farming practices are triggering the innovations and research efforts of the industry. New product development and innovation at competitive prices are anticipated to drive the agrochemicals industry.

2) INDIAN MARKET:-

Insecticides are largest sub-segment of agrochemicals with 60% market share whereas herbicides with 16% market share are the fastest growing segment in India. Other segments are rodenticides/ nematocides with 15% and 4%, respectively.

India is fourth largest producer of agrochemicals worldwide, after United States, Japan and China. Indian Agrochemical industry is valued at USD 4.76 billion in FY15 and is estimated to grow at a CAGR of 12% to reach USD 8.38 billion by FY19.

On the other hand, domestic market will grow at ~8% CAGR to reach USD 3.57 billion by FY19. Indian Agrochemical consumption is one of the lowest in the world (0.6kg/ha). Compared to agrochemical usage, India's fertilizer consumption (~144 kg/ha) is much higher than the global average (~122 kg/ha). This reflects a large potential for agrochemical usage in India.

Indian population is expected to be 1.4 billion by 2020. The increasing population, coupled with growing income will generate increased demand for food grains and non-food grain crops. Therefore, Indian agriculture has to achieve and maintain a consistent and higher growth rate of 4 per cent per annum.

The sector is also driven by huge opportunity for contract manufacturing and research for Indian players due to large availability of technically skilled labour.

Agrochemicals play a critical role in ensuring food and nutrition security of the nation. With estimated 355 MMTPA (million metric tonne per annum) food grain requirement by 2030 from current 253 MMTPA, efficient usage of crop protection products and solutions for Indian agriculture are the need of the hour. In order to realise the true potential, industry, government and regulatory bodies need to work in tandem and embrace digital technologies to further improve farmer connect,” (Source :- National Conference on Agrochemicals 2016 in New Delhi.)

3) 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. Low awareness amongst farmers regarding agrochemical products and its usage.

Outlook for FY 2019

The Group and Company revenue of Pigment and Agrochemical Segment for FY 2018 has increased due to higher production. 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 2018.

While Net Profit after tax at Group and Company level has increased in FY 2018. 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 2019

The erratic monsoon season might have impact on the sales and profitability of Agrochemicals in 2Q FY 2019

11. Dividend

- (a) **Current financial period reported on 30th September, 2018**
Any dividend for the current financial period reported on? No
- (b) **Corresponding Period of the Immediately Preceding Financial Year: No**
- (c) **Date payable:** Not applicable
- (d) **Books closure date:** Not applicable

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

No dividend for the period ended 30th September, 2018 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.

Interested Person Transactions:

Particulars of interested person transactions for the half year ended 30 September 2017 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 5,100,000) 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 4,694,000))	
	Amount in Rs.	Amount in S\$,000	Amount in Rs.	Amount in S\$,000
Purchases				
Meghmani Pigments ⁽¹⁾	80,451,932	1577	-	-
Vidhi Global Chemicals Ltd. ⁽³⁾			-	-
Meghmani LLP ⁽⁵⁾	27,971,840	548		
Panchratna Corporation ⁽⁶⁾	8,071,200	158		
Meghmani Industries Ltd. ⁽⁷⁾				
Sales				
Ashish Chemicals (EOU) ⁽⁴⁾	21,080,700	413	-	-
Vidhi Global Chemicals Ltd. ⁽³⁾			-	-
Meghmani Dyes & Intermediate LLP ⁽⁸⁾	6,324,800	124		

Note – Rs. 51.00 = \$1 (Average Rate of 30.09.2018)

- (1) Meghmani Pigments is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director) and their immediate family.
- (3) Vidhi Global Chemicals Ltd. is a limited company with 62.5% owned by the immediate family of Mr Ramesh Patel (Executive Director), Mr Ashish Soparkar (Managing Director), Mr Natwarlal Patel (Managing Director) and Mr Ramesh Patel (Executive Director).
- (4) Ashish Chemicals (EOU) is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director).
- (5) Meghmani LLP is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director) and their immediate family.

48% of Equity Shares of Meghmani Industries Limited are held directly by Mr Natwarlal Patel (Managing Director), and Mr Ramesh Patel (Executive Director).

The above interested person transactions conducted fall within the related party transactions shareholders' mandate obtained for a period of three year at the Annual General Meeting held on **16 July 2018**.

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 Second quarter ended **30 September, 2018** 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 IND AS and IFRS

Ernst & Young LLP – Singapore has been appointed as Joint Auditor for Financial Year 2018-19 to comply with the requirements of SGX Listing rules. The Company has not considered the variance in the profit reported under the quarter ended 30th September, 2018.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED
K D Mehta
Company Secretary
Date: 30/10/2018