



## MEGHMANI ORGANICS LIMITED

(Incorporated as a limited liability company in India)

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### RESPONSE TO SGX QUERIES ON SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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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-ST") on 13 November 2017 relating to the Company's second quarter results for the period ended 30 September 2017:-

#### Query 1

*Please provide further information on the incentive scheme MEIS introduced by the government.*

#### Response to Query 1

The new five years Foreign Trade Policy (FTP) 2015-20 has introduced two new schemes namely Merchandise Export from India Scheme (MEIS) for export of specific goods to specified market and other scheme Services Export from India Scheme (SEIS). The policy provides a net work for increasing export of goods and services as well as generation of employment and increasing value addition in the country in keeping **Make India** vision. A reformative step by the Department of Foreign Trade is the introduction of a novel and comprehensive Scheme for promoting export of merchandise from India – the MEIS

The MEIS replaces the earlier five Schemes viz. Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agriculture Infrastructure Incentive Scrip, VKGUY with different kinds of duty scrips issued with varying conditions attached to their use. The unconditional utilization of the scrips issued under the Scheme will ensure a hassle free export of merchandise from India.

#### Query 2

*Please elaborate how does the incentive scheme MEIS contributes to the operating income of the Group.*

### Response to Query 2

The objective of MEIS is “to provide rewards to exporters for offsetting infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced/manufactured in India , especially those having high export intensity, employment potential and thereby enhancing India’s export competitiveness”. Under MEIS, exports of notified goods to notified markets will be eligible for rewards in the form of duty credit scrips.

The key features of the MEIS are as follow

Entitlement	2% / 3% / 5% of incentive on FOB value of notified goods exported to notified markets are given. ♣ FOB value of exports in free foreign exchange or FOB value of exports as given in the Shipping Bills in free foreign exchange, whichever is less, is considered for incentive.
Eligibility	♣ Can be claimed by the Company/Firm who has realized foreign exchange.
Transferability	Duty credit scrip can be utilized for a wide range of duty/tax/fee payments.
Utilization	The duty credit scrips can be used for Payment of Customs duties for import of inputs or goods, except items specified.

### Query 3

*Please provide breakdown and reasons for the significant increase of 60.7% and 85.4% in Distribution costs and Administrative costs despite an increase in Revenue of 21.1% for the Group.*

### Response to Query 3

Distribution expenses	30/09/2017	30/09/2016
Particulars	Rs '000	Rs '000
Export Clearing & Forwarding Expenses	15,923	15,110
Transportation Expenses	71,874	49,184
Marine Insurance	1,521	1,129
Sales Commission	28,282	26,275
Business promotion Expenses	3,322	1,418
Packing Material Consumption	104,744	88,632
Other Selling Expenses	140,270	45,936
<b>Total</b>	<b>365,936</b>	<b>227,684</b>

Notes:-

- (1) Transportation and Packing material increased due to increase in Sales.
- (2) Other Selling Expenses mainly increased of (1) Quantity Rebate to Customer (Rs. 87.67 Million) and (3) Special and Turn Over Discount to Customers (Rs.11.25 Million), while the Other selling expenses have decreased.

<b>Administrative expenses</b>	<b>30/09/2017)</b>	<b>30/09/2016)</b>
<b>Particulars</b>	<b>Rs '000</b>	<b>Rs '000</b>
Rent , rates & taxes	9,024	11,455
Travelling expenditures	7,007	4,644
Postage and telephone	1,745	3,340
Insurance premium	18,023	6,825
Stationery & printing expenses	1,333	1,908
Legal & Professional Fees	11,360	10,309
Advertisement expenses	2,608	1,124
Audit fees	450	625
Donations	17,235	572
Repairs & maintenance to others	1,071	571
Directors remuneration	52,800	18,400
Directors sitting fees	425	415
Vehicle expenses	4,065	3,508
Stock exchange expenses	3,555	1,228
Software expenses	2,704	1,137
Other administrative expenses	15,999	14,514
<b>Total</b>	<b>149,404</b>	<b>80,575</b>

Notes:-

- (1) Insurance Premium increased due to increase in rate of premium.
- (2) Donations given under Corporate Social Responsibility.
- (3) Payment of Performance Bonus and Remuneration to Directors.

#### **Query 4**

*Please explain whether and how has the Company complied with LR 905 and LR 906 in relation to the interested person transactions.*

#### **Response to Query 4**

Yes. Any interested person transaction is not exceeding 3% of Net Tangible assets.

#### **Query 5**

*Please explain whether and how has the Company complied with LR 920 in seeking general mandate from shareholders for the interested person transactions at AGM held on 27 July 2017.*

#### **Response to Query 5**

Please refer to page No. 225 and 231 of Notice of AGM dated 22 May 2017 given for compliance of LR 920.

**Query 6**

*Please explain if the Company has obtained shareholder approval on the appointment of Ernst & Young – Singapore as company auditor in accordance to LR 1203(5) and LR 1204 which states that an issuer is required to submit its circular for a proposed change of auditors to the Exchange for its review and no circulars should be made available publicly until the Exchange approves of it.*

**Response to Query 6**

We have discussed the proposed change of the Auditor with SGX officials in person during our visit in January, 2017 and March 2017. Accordingly the resolution No. 5 was placed before the members for approval at AGM held on 27<sup>th</sup> July, 2017. The resolution has already been passed.

By Order of the Board



Kamlesh Dinkerray Mehta  
Company Secretary  
20 November 2017