

MEGHMANI ORGANICS LIMITED

First Quarter Financial Statements And Dividend Announcement

The Board of Directors of Meghmani Organics Limited (“MOL” or “the Company” or “the Issuer”) wishes to make the announcement of the Group’s results for the first quarter ended **June 30, 2016** as follows:

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

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

	Group		
	03 months ended		%
	30.06.2016	30.06.2015	Increase / (Decrease)
	Rs. '000	Rs. '000	
Revenue	3,455,264	3,330,782	3.7
Cost of sales	(2,740,285)	(2,678,646)	2.3
Gross Profit	714,979	652,136	9.6
Other operating income	62,264	57,234	8.8
Distribution expenses	(176,836)	(193,379)	-8.6
Administrative expenses	(66,664)	(62,422)	6.8
Other operating expenses	44,076	44,778	-1.6
Profit from operations	577,819	498,347	15.9
Finance cost	(143,095)	(182,664)	-21.7
Income from investments	-	-	-
Profit before tax	434,724	315,683	37.7
Income tax	(129,212)	(127,466)	1.4
Profit after income tax	305,512	188,217	62.3
Minority Interest	(97,444)	(39,210)	n.m.
Profit after minority interest	208,068	149,007	39.6

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

	Group		
	3 months ended		%
	30.06.2016	30.06.2015	Increase / (Decrease)
	Rs '000	Rs '000	
Bad trade receivables written off / recovered	(248)	(11,821)	-97.9
Foreign currency exchange adjustment (loss)	44,890	54,570	-17.7
Loss on sale of investments	(566)	2,029	n.m.
Research and development expenditure	(4,006)	(4,246)	-5.7

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 30.06.2016	As at 31.03.2016	As at 30.06.2016	As at 31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Current assets				
Cash & bank balances	146,962	132,703	92,074	96,582
Trade receivables	4,480,194	4,051,819	4,104,700	3,805,128
Other receivables and prepayments	901,969	974,838	739,942	790,987
Inventories	2,246,762	2,446,986	1,763,795	1,900,180
Income tax recoverable	381,958	422,532	169,730	210,452
Total current assets	8,157,845	8,028,878	6,870,241	6,803,329
Non – current assets				
Property, plant and equipments	8,185,121	8,273,598	4,038,061	4,055,267
Interest in subsidiaries	60,000	60,000	1,299,181	1,299,181
Available for sale investments	5,853	5,853	5,843	5,843
Total non – current assets	8,250,974	8,339,451	5,343,085	5,360,291
Total assets	16,408,819	16,368,329	12,213,326	12,163,620
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	3,484,811	3,639,786	2,692,867	2,868,171
Trade payables	1,781,675	1,761,240	1,674,277	1,545,480
Other payables	645,518	542,052	421,654	380,138
Total current liabilities	5,912,004	5,943,078	4,788,798	4,793,789
Non – current liabilities				
Long Term Loan	1,916,079	2,180,764	971,250	1,037,500
Deferred tax liabilities	608,769	571,587	333,060	295,939
Total non – current liabilities	2,524,848	2,752,351	1,304,310	1,333,439
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	895,558	895,558	896,718	896,718
Capital reserve	3,518	3,518	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	2,573	4,471	2,573	4,471
Currency translation reserve	71,709	74,130	-	-
Debenture redemption reserve	-	-	-	-
Hedge reserve	(4,798)	(2,672)	-	-
Accumulated profits	3,820,171	3,612,103	3,380,010	3,294,286
Minority interest	1,345,441	1,247,997	-	-
Total equity	7,971,967	7,672,900	6,120,218	6,036,392
Total liabilities and equity	16,408,819	16,368,329	12,213,326	12,163,620

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

Amount repayable in one year or less, or on demand

As at 30 June 2016		As at 31 March 2016	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
3,384,811	2,592,867	3,639,786	2,868,171

As at 30 June 2016		As at 31 March 2016	
Un -Secured		Un -Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
100,000	100,000	-	-

Amount repayable after one year

As at 30 June 2016		As at 31 March 2016	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,916,079	971,250	2,180,764	1,037,500

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

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

As at June 30, 2016, bank borrowings amounting to **Group Rs. 1,864,219,000 & Company Rs. 1,713,499,000** 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, 2016, bank borrowings amounting to **Group Rs.,1,730,621,000 & Company Rs., 1,639,376,000** 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 B (HDFC Bank Limited – Term Loan Dahej - SEZ)

As at June 30, 2016, HDFC Term Loan Dahej – SEZ of Rs. 225,000,000 which is secured and (repayable after one year) and Rs. 60,000,000 (repayable within one year).

As at March 31, 2016, HDFC Term Loan Dahej – SEZ of Rs. 240,000,000 which is secured and repayable after one year. and Rs. 60,000,000 repayable within one year.

Bank C (SBI – Term Loan)

As at June 30, 2016, SBI Term Loan of Rs. 746,250,000 which is secured and repayable after one year. and Rs. 205,000,000 repayable within one year.

As at March 31, 2016, SBI Term Loan of Rs. 797,500,000 which is secured and repayable after one year. and Rs. 205,000,000 repayable within one year.

Bank D (State Bank of India)

As at June 30, 2016, bank borrowings amounting to Rs.300,000,000 are secured.

As at March 31, 2016, bank borrowings amounting to Rs. 250,000,000 are secured.

Bank E (HDFC Bank Limited)

As at June 30, 2016, bank borrowings amounting to Rs. 314,368,000 are secured.

As at March 31, 2016, bank borrowings amounting to Rs. 416,108,000 are secured.

Bank F (ICICI Bank Limited)

As at June 30, 2016, bank borrowings amounting to Rs. Nil are secured.

As at March 31, 2016, bank borrowings amounting to Rs. 297,687,000 are secured.

Bank G (IDFC Bank Limited)

As at June 30, 2016, bank borrowings amounting to Rs. 100,000,000 are unsecured.

As at March 31, 2016, bank borrowings amounting to Rs. Nil are unsecured.

Bank H (ICICI Bank Limited – Meghmani Finechem Limited (MFL))

As at June 30, 2016, bank borrowings amounting to Rs. 751,900,000 (repayable after one year) and Rs. 375,948,000 (repayable within one year) are secured by Mortgage/hypothecation of assets

As at March 31, 2016, bank borrowings amounting to Rs.859,314,000 (repayable after one year) and Rs. 349,095,000 (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank I (International Financial Corporation (IFC) – MFL)

As at June 30, 2016, bank borrowings amounting to **Rs. 192,929,000** (repayable after one year) and **Rs.192,928,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2016, bank borrowings amounting to **Rs. 283,950,000** (repayable after one year) and **Rs.189,300,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank J (ECB - Standard Chartered Bank)

As at June 30, 2016, bank borrowings amounting to **Rs Nil** (repayable after one year) and **Rs.72,348,000** (repayable within one year) first pari passu charge on movable fixed assets of Meghmani Finechem Ltd. including moveable plant and equipment.

As at March 31, 2016, bank borrowings amounting to **Rs Nil** (repayable after one year) and **Rs.141,975,000** (repayable within one year) first pari passu charge on movable fixed assets of Meghmani Finechem Ltd. including moveable plant and equipment.

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

Particulars	Group	
	3 months ended 30.06.2016 Rs '000	3 months ended 30.06.2015 Rs '000
Cash flows from operating activities		
Profit from operations	577,819	498,347
Adjustments for :		
Depreciation of property, plant and equipment	253,593	191,862
Unrealized Foreign Exchange Gain	37,932	4,595
Interest Received	(3,084)	(1,413)
Loss on disposal of Property, Plant & Equipments	566	(2,029)
Operating cash flows before movements in working capital	866,826	691,362
Trade receivables	(428,374)	(470,607)
Other receivables and prepayments	34,937	(61,818)
Inventories	200,224	(519,594)
Trade payables	20,435	951,943
Bills payables	96,899	9,332
Other payables	103,464	134,386
Cash generated from (used in) operations	894,411	735,004
Income taxes paid	(50,782)	(30,101)
Interest and finance charges paid	(143,095)	(182,664)
Net cash from (used in) operating activities	700,534	522,239
Cash flows from investing activities:		
Purchase of property, plant and equipments	(167,686)	(198,161)
Proceeds from property, plant and equipments	2,004	479
Interest Received	2,735	1,064
Acquisition of Business	-	(60,000)
Purchase of available for Sale Investment	-	(255)
Net cash used in investing activities	(162,947)	(256,873)
Cash flows from financing activities:		
Dividend paid	(2,223)	(622)
Proceeds from (repayment of) bank borrowings	(317,132)	(624,770)
Proceeds from (repayment of) other borrowings	(199,427)	294,914
Hedge Reserve	(2,125)	23,912
Net cash used in financing activities	(520,907)	(306,566)
Net effect of exchange rate change on consolidation	(2,421)	568
Net increase in cash and cash equivalents	14,259	(40,632)
Cash and cash equivalents at beginning of period	132,703	351,795
Cash and cash equivalents at end of period	146,962	311,163

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

Group

	Rs. '000											
	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Hedge Reserve	Debtore Redemption reserve	Dividend reserve	Currency translation reserve	Accumulated Profits	Minority Interest	Total
Balance as at March 31,2015	254,314	1,565,048	743,058	3,518	18,433	(62,468)	111,651	3,558	74,865	2,806,873	943,493	6,462,343
Net profit for the year	-	-	-	-	-	-	-	-	-	149,007	-	149,007
Transfer to (from) reserve	-	-	-	-	-	-	6,230	-	-	(6,230)	-	-
Addition during the year	-	-	-	-	-	23,913	-	(622)	-	-	39,210	62,501
Currency Translation Reserve	-	-	-	-	-	-	-	-	568	-	-	568
Balance as at June 30, 2015	254,314	1,565,048	743,058	3,518	18,433	(38,555)	117,881	2,936	75,433	2,949,650	982,703	6,674,419
Balance as at March 31,2016	254,314	1,565,048	895,558	3,518	18,433	(2,672)	-	4,471	74,130	3,612,103	1,247,997	7,672,900
Net profit for the year	-	-	-	-	-	-	-	-	-	208,068	-	208,068
Addition during the year	-	-	-	-	-	(2,126)	-	(1,898)	-	-	97,444	93,420
Currency Translation Reserve	-	-	-	-	-	-	-	-	(2,421)	-	-	(2,421)
Balance as at June 30, 2016	254,314	1,565,048	895,558	3,518	18,433	(4,798)	-	2,573	71,709	3,820,171	1,345,441	7,971,967

1(d)(i) Company

Rs '000

	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Debenture Redemption reserve	Dividend reserve	Hedge Reserve	Accumulated Profits	Total
Balance as at March 31,2015	254,314	1,565,048	744,218	3,122	18,433	111,651	3,558	(63,150)	3,025,956	5,663,150
Net profit for the year	-	-	-	-	-	-	-	-	63,087	63,087
Transfer to (from) reserve	-	-	-	-	-	6,230	-	-	(6,230)	-
Addition during the year	-	-	-	-	-	-	(622)	19,938	-	19,316
Balance as at June 30,2015	254,314	1,565,048	744,218	3,122	18,433	117,881	2,936	(43,212)	3,082,813	5,745,553
Balance as at March 31,2016	254,314	1,565,048	896,718	3,122	18,433	-	4,471	-	3,294,286	6,036,392
Net profit for the year	-	-	-	-	-	-	-	-	85,724	85,724
Addition during the year	-	-	-	-	-	-	(1,898)	-	-	(1,898)
Balance as at June 30,2016	254,314	1,565,048	896,718	3,122	18,433	-	2,573	-	3,380,010	6,120,218

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

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

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

	30 June 2016	31 March 2016
Total number of issued ordinary shares		
Excluding treasury shares	26,480,150	37,433,450

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

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

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

These figures have not been audited or reviewed.

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

Not applicable

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

The Group’s financial statements have been prepared from those accounting records maintained under General Accepted Accounting Practices in India (‘Indian GAAP’).

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 2015 under Indian GAAP.

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

There is no change in accounting policy.

6. **Earnings 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	
	Year ended		Year ended	
	30.06.2016	31.03.2016	30.06.2016	31.03.2016
(a) Based on weighted average number of ordinary shares in issue (Rs)	0.82	3.25	0.34	1.58
Earnings per SDS (Rs)	0.41	1.63	0.17	0.79
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	0.82	3.25	0.34	1.58
Earnings per SDS (Rs.)	0.41	1.63	0.17	0.79

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.**

Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	Group		Company	
	As at	As at	As at	As at
	30.06.2016	31.03.2016	30.06.2016	31.03.2016
	31.35	30.17	24.07	23.74

- 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 and trading of Pigments, Agrochemicals, Basic Chemicals and (ii) trading of intermediates, bulk and small packing of Agrochemicals technical and intermediates products.

Revenue - Group

Group revenue for Q1 FY 2017 increased by 3.7% from Rs. 3330.78 million in Q1 FY 2016 to Rs. 3455.26 million in Q1 FY 2017.

Breakdown of Revenue by Product**(Rs. in Millions)**

Products	Q 1 FY 2016-17	Q 1 FY 2015-16	Increase/ (Decrease)	%
Pigments	1196.89	1110.60	86.29	7.8
Agrochemicals	1202.43	1088.08	114.35	10.5
Caustic Chlorine	869.57	855.21	14.36	1.7
Trading	186.37	276.89	-90.52	-32.7
Total	3455.26	3330.78	124.48	3.7

Breakdown of Domestic Sales by Product**(Rs. in Millions)**

Domestic Sales	Q 1 FY 2016-17	Q 1 FY 2015-16	Increase/ (Decrease)	%
Pigments	377.66	252.74	124.92	49.4
Agrochemicals	537.33	304.67	232.66	76.4
Caustic Chlorine	833.85	848.88	-15.03	-1.8
Trading	1.41	2.48	-1.07	-43.1
Total	1750.25	1408.77	341.48	24.2

Reasons for Increase / (Decrease) in Domestic Sales

- 1) Domestic sales of Pigment Division increased by 49.4% due to increase in quantity sales of CPC Blue & Alpha Blue.
- 2) Domestic sales of Agrochemical Division increased by 76.4% due to increase quantities sales of CMAC, CPP, Cypermethrin and Profenophos.
- 3) Domestic sales of Caustic Chlorine decreased marginally by 1.8 % mainly due decrease in sales quantity

Breakdown of Exports Sales by Product**(Rs. in Millions)**

Export Sales	Q 1 FY 2016-17	Q 1 FY 2015-16	Increase/ (Decrease)	%
Pigments	819.23	857.86	-38.63	-4.5
Agrochemicals	665.10	783.41	-118.31	-15.1
Caustic Chlorine	35.72	6.33	29.39	464.3
Trading	184.96	274.41	-89.45	-32.6
Total	1705.01	1922.01	-217.00	-11.3

Reasons for Increase / (Decrease) in Export Sales

- 1) Export sales of Pigment Division decreased by 4.5%. This was mainly due to Pressure on sales price.
- 2) Export sales of Agrochemical Division decreased by 15.1% on account of decrease in quantity sales of MPB and Pressure on sales price.

Gross profit - Group

Breakdown of Gross Profit by Division

Division	(Rs. in Millions)					
	Q1 FY 2017	GP Margin Q 1FY 2017 (%)	Q1 FY 2016	GP Margin Q 1FY 2016 (%)	Increase/ Decrease	%
Pigments	243.64	20.4	163.09	14.7	80.55	49.4
Agrochemicals	149.42	12.4	252.63	23.2	-103.21	-40.8
Caustic Chlorine	297.68	34.2	219.03	25.6	78.65	35.9
Trading	24.24	13.0	17.39	6.3	6.85	39.4
Total	714.98	20.7	652.14	19.6	62.84	9.6

Reasons for increase / (decrease) in GP margin

GP of Pigment

The amount of gross profit of Pigment Division increased by 49.4%, while GP margin of Pigment Division increased from 14.7 % in Q1 FY 2016 to 20.4 % in Q1 FY 2017 due to increase in quantity sales of CPC Blue, Alpha Blue and Beta Blue.

GP of Agrochemical

The amount of gross profit of Agrochemical Division decreased by 40.8% and GP margin decreased from 23.2% in Q1 FY 2016 to 12.4 % in Q1 FY 2017 due to pressure on sales price and increase in raw material consumption.

GP of Caustic Chlorine

The amount of gross profit of Caustic Chlorine Division increased by 35.9 %, while GP margin of Caustic Chlorine Division increased from 25.6% in Q1 FY 2016 to 34.2 % in Q1 FY 2017 due to higher ECU and decrease in raw material consumption.

Other Operating Income

Other operating income of the Group consists mainly of export benefits such as duty entitlement passbook benefit (DEPB), Duty Draw Back and MEIS, etc.

Other operating income increased by 8.8 % to Rs.62.26 million in Q1 FY 2017. The Government has introduced new export incentive scheme MEIS.

DISTRIBUTION, ADMINISTRATIVE AND OTHER OPERATING EXPENSES – GROUP

Distribution expenses

Distribution expenses of Group decreased by Rs. 16.54 million, i.e. by 8.6%. This is due to decrease in export clearing & forwarding, transportation and sales commission expenses.

Administrative expenses

Administrative expenses of Group increased by Rs. 4.24 million i.e. by 6.8 % mainly due to increase in rent, rates & taxes, stamp expenses, travelling expenses and swachh bharat cess expenses.

Other Operating Expenses

Other operating expenses indicates income mainly on account of favorable foreign currency exchange adjustment. The fluctuations in the exchange rate of the Indian Rupee against the US dollar is main contributory. Other operating expenses reflect income in current and previous financial year.

Finance costs

Finance costs of the Group decreased by Rs. 39.57 million, i.e. by 21.7 % due to repayment of term loan.

Income from investments

During the year there is no change in Income from investments in Q1 FY 2017 .

Taxation

Income tax at the Group level increased marginally by Rs. 1.75 million in Q1 FY 2017 Due to increase in profit of Meghmani Finechem Limited (MFL – Subsidiary).

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 Europe BVBA is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.
3. 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.
4. P T Meghmani Indonesia is a 100% wholly owned subsidiary of the Company set up for the trading purpose.
5. Meghmani Overseas FZE, Sharjah is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.

SGX Rule 716

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

Balance sheet

Trade receivables

Trade receivables of Group increased by Rs.428.37 million from Rs. 4051.82 million in FY 2016 to Rs. 4480.19 million in Q1 FY 2017. Trade receivables at Company level increased by Rs. 299.57 million from Rs. 3805.13 million in FY 2016 to Rs. 4104.70 million in Q1 FY 2017. The receivables turnover ratio increased from 111 days as at 31 March 2016 to 118 days in Q1 FY 2017.

Other receivables & Prepayments

During the first quarter, other receivables & prepayments at Group decreased by Rs. 72.87 million (or -7.5%) and at Company level decreased by Rs. 51.05 million (or -6.5 %) due to utilization of excise balance.

Inventories

Inventories at group level decreased by Rs. 200.23 million from Rs. 2446.99 million in FY 2016 to Rs. 2246.76 million in Q1 FY 2017 due to decrease in raw material stock at Meghmani Finechem Limited (MFL – Subsidiary) While inventories at Company level decreased by Rs. 136.38 million from Rs.1900.18 million in FY 2016 to Rs. 1763.80 million in Q1 FY 2017 due to decrease in finished goods stock.

Property, plant and equipment

Property, plant and equipments at Group level decreased by Rs. 88.48 million and at Company level decreased by Rs. 17.21 million. This has depreciation effect.

Bank Borrowings and Long Term Loan

Bank borrowings at Group level (current and noncurrent) decreased by Rs. 419.66 million and at Company level decreased by Rs. 241.55 million respectively due to repayment of term loan.

Trade payables and Other payables

Trade payables at Group level increased by Rs. 20.44 million and at Company level increased by Rs. 128.80 million respectively due to increase in operational activity.

Other payables at Group level increased by Rs. 103.47 million and at Company level increased by Rs. 41.52 million respectively. This is due to payment of basic excise duty of Meghmani Finechem Limited.

Cash flow statement

During the period, the Group has generated positive net cash flow of Rs. 700.53 million from operation.

Financial Analysis

Rs. in millions

Group Key financial highlights	As at 30.06.2017	As at 30.06.2016	Variance	Variance (%)
<u>Profitability</u>				
Sales	3,455	3,331	124	3.7
Gross Profit	715	652	63	9.7
Gross Profit Margin (%)	20.7	19.6	1.1	5.6
Profit before tax	435	316	119	37.7
Profit before tax Margin (%)	12.6	9.5	3.1	32.6
Net profit	208	149	59	39.6
Earning per Share (EPS in Rs.)	0.82	0.59	0.23	39.0
<u>Financial position</u>				
Net tangible assets	7,972	6,674	1298	19.4
Debt (short term +long term)	5,401	6,126	-725	-11.8
Capital Gearing ratio	0.68	0.92	-0.24	-26.1
Net tangible assets per share	26.06	26.24	-0.18	-0.7
Stock turnover (days)	75	91	-16	-17.6
Trade debts turnover (days)	118	99	19	19.2

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.**

1) **INDUSTRY STRUCTURE: -**

Pigments are organic or inorganic compounds, which can impart a wide range of colors to various substrates. Pigments can offer versatile range of colors in paints and coatings, plastics, inks, etc., while improving aesthetic properties. These help to enhance various properties such as opacity, hiding power, light and weather fastness, heat stability, and tinting strength. Pigments are mostly insoluble in common solvents and remain physically and chemically unaffected after application on different substrates. These absorb light of selective wavelengths to produce vibrant colors via reflection or transmission

Paints & coatings was the largest end-user segment of the pigments market in 2015. Rapid urbanization and economic progress in developing countries have propelled the construction industry in the recent past. On the other hand, the automotive industry has witnessed promising trends in emerging economies in the past few years. Consequently, growth in the decorative and architectural paints and coatings industries has fueled demand for pigments in the past couple of years. Plastics end-user segment of the pigments is estimated to grow at a significant rate in the next few years owing to increased consumption in various applications such as packaging, health care, building & construction, and automotive. Consequently, steady growth in the plastics industry is likely to propel demand for pigments in the next couple of years.

Specialty pigments is anticipated to exhibit the fastest growth rate during the forecast period owing to rising demand for high performance pigments with excellent aesthetic features in various end-user industries.

The global pigments market has witnessed impressive growth in the past few years. Rise in population coupled with increase in per capita income has boosted the consumption of paints and coatings in the building and construction, automotive, and consumer goods industries in the past few years. This, in turn, generated considerable demand for pigments in paints & coatings, enabling it to be the largest end-user segment in 2015. Furthermore, the per capita consumption of paints and coatings is expected to rise significantly in developed and developing economies in the next few years.

Therefore, paints & coatings is projected to be the fastest growing segment of the pigments market during the forecast period. Moreover, rise in global plastics production is estimated to spur demand for pigments in the next couple of years. Emerging use of nanoparticles is anticipated create lucrative opportunities in the global pigments market during the forecast period.

Global - Pigment Markets:-

Transparency Market Research has published a new report titled, "Pigments (Inorganic, Organic, and Specialty Pigments) Market - Global Industry Analysis, Size, Share, Growth, Trends and Forecast 2015 - 2023." According to the report, the [global pigments market](#) was valued at US\$ 22.86 bn in 2014 and is anticipated to reach US \$31.98 bn by 2023, expanding at a CAGR of 3.8% between 2015 and 2023.

Global - High performance & Speciality Pigment Markets:-

A new report from [Smithers Rapra](#), Shropshire, UK, examines the future of high-performance and specialty pigments. Smithers Rapra forecasts an annual growth rate of 2.7% over the next five years to reach \$5 billion, by 2019

Global -Organics Pigment Markets:-

Organic Pigment business (coloured) is estimated to be close US \$ 6 billion market, of which Phthlocyanine, Azo and High Performance Pigment are main areas. In case of Phthlocyanine pigments, market size is in the range of 20% i.e. about US \$ 1 to 1.25 billion in size. In its latest study, Ceresana forecasts global revenues generated with pigments to increase to US\$34.2 billion in 2020.

Global - Speciality Pigment Markets

Specialty pigments are expected to be the most promising product segment, and are estimated to grow at a CAGR of 4.7% from 2013 to 2018. Under growing regulatory pressure, specialty and organic pigments are being increasingly investigated for substitution potential over their inorganic counterparts. . (Source: - Transparency Market Research)

Paints & Coatings Industry market share

The paints & coatings industry continues to take away major share of the global pigments market, accounting for 38.5% of the overall end user market.

This is mainly due to growth in this industry along with the preference of consumers towards unique optical effect colors in certain segments such as automobiles. The global paints and coatings end use market is projected to grow at a CAGR of 5.1% during the forecast period.

Paints and varnishes account for the most important sales market for pigments worldwide. More than 43 percent of global demand originates in this segment. "Processing plastics accounts for 27 percent of total demand for pigments. This segment will develop at the second-highest growth rate in the future," explained Oliver Kutsch, CEO of Ceresana. Only the printing inks segment will grow at higher rates, thanks to an increase in demand for printed packaging.

2) ASIA PACIFIC REGION TO REMAIN FASTEST GROWING

Asia-Pacific region, organic pigment demand is expected to reach 316.2 thousand MT by 2018, at a high CAGR of 6.6% from 2013 to 2018. The Asia Pacific pigments market revenue is expected to reach market size of over USD 6.4 billion by 2018

The relocation of the pigments market towards emerging economies such as Asia Pacific, particularly India and China has been a major trend observed in the industry. Since the past few decades, production of these pigments has rapidly increased in India and China with the latter becoming the largest manufacturer of organic color pigments, particularly for commodity pigments. However, the production scenario in emerging regions and economies such as United States, Europe and Japan is expected to be on a downward trend due to certain factors such as globalization of the market as well as reduction in profit margins resulting in plant restructurings and shutdowns. Moreover, as more finished pigments are being imported from China, market trends such as imports of unfinished pigments to Japan, Europe and North America for finishing is expected to fall down over the next few years.

In terms of volume, Asia Pacific dominated the global pigments market in 2014. The pigments market in Asia Pacific is anticipated to exhibit the fastest growth rate during the forecast period. Increasing population and rising per capita income in developing countries in Asia Pacific have generated significant demand for paints and coatings in the building & construction and automotive industries. On the other hand, Asia Pacific is expected to be the major producer of plastics during the forecast period.

This, in turn, is projected to generate significant demand for pigments in the paints & coatings and plastics industries in Asia Pacific. Europe accounted for the second-largest share of the global pigments market in 2015. Middle East & Africa and Latin America are estimated to be the emerging market for pigments, exhibiting promising growth rate during the forecast period.

3) AGROCHEMICALS - INDUSTRY STRUCTURE:-

The Indian crop protection industry is dominated by generic products with more than 80% of molecules being non-patented. This results in very low entry barriers for the industry. Hence, strong distribution network, appropriate pricing, brand recall and dealer margins are some of the critical factors for companies to succeed. Crop protection chemicals are manufactured as technical grades and converted into formulations for agricultural use.

The Indian Agrochemical value chain comprises of technical grade manufacturers, formulators producing the end products, distributors and end use customers. According to the Pesticide Monitoring Unit, GOI, there are about 125 technical grade manufacturers, including about 10 multinationals, more than 800 formulators and over 145,000 distributors in India. More than 60 technical grade pesticides are being manufactured indigenously.

Erstwhile Andhra Pradesh (Seemandhra and Telangana), Maharashtra and Punjab are top three states contributing to 45% of pesticide consumption in India. Erstwhile Andhra Pradesh is the leading consumer with 21% share. The top seven states together account for more than 70% of crop protection chemicals usage in India

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.

4) GLOBAL AGROCHEMICALS MARKET:-

The world's population currently stands at 7 billion and is estimated to rise to 9.3 billion by 2050. This will require global food production to increase by 70% over the same time period in order to meet the increased demand. To add to the problem, 25% to 40% of world crop output is lost due to the attack of pests, weeds and diseases. To minimize these losses, and to enhance yield, it is essential to use crop protection chemicals responsibly.

The adoption of new technologies that increases crop production through the optimal use of scarce resources such as land, water, and fertilizers is gaining attention in the field of agriculture. The high growth potential in emerging markets and untapped regions, provides new growth opportunities for the market players. The growth of this market is driven by growing farmer's attention towards superior quality agrochemicals, which should be balanced and nutritive.

Growing population and declining arable land to feed the resultant population are driving the overall agrochemicals market. Increasing pest concerns and emergence of a variety of agrochemicals are expected to drive the demand for agrochemicals in the near future. The agrochemicals market is also driven by factors such as rigorous research & sharing of intellectual property rights and shifting R&D investments.

Expansion in crops such as oilseeds and sugarcane is mainly expected due to the widening applications such as food, feed, fuel, and other industrial uses, which in turn drive the agrochemicals market. Development of safe alternatives such as bio-farming and organic pesticides is restraining the growth of the agrochemicals market.

The global market for agrochemicals was valued at USD 207.5 billion in 2014. It is projected to reach USD 250.5 billion by 2020, at a CAGR of 3.2% from 2015 to 2020. Asia-Pacific dominated the global market with a share of around 36.7%. The European region is expected to be the fastest-growing market in the near future, for the growing concentration of farmers towards technology driven agriculture practices.

Market for agrochemicals is being driven by increasing awareness among the farmers across developing nations with the technology driven farm practices. The regional government supports to increase the agricultural crop output with minimized use of agrochemicals.

5) **INDIAN MARKET:-**

The Indian crop protection industry is estimated to be USD 4.25 billion in FY14 and is expected to grow at a CAGR of 12% to reach USD 7.5 billion by FY19. Exports currently constitute almost 50% of Indian crop protection industry and are expected to grow at a CAGR of 16% to reach USD 4.2 billion by FY19, resulting in 60% share in Indian crop protection industry.

Domestic market on the other hand would grow at 8% CAGR, as it is predominantly monsoon dependent, to reach USD 3.3 billion by FY19. Globally, India is fourth largest producer of crop protection chemicals, after United States, Japan and China. The crop protection companies in India can be categorized into three types –Multi-National, Indian including public sector companies and small sector units

Per hectare yield in India is amongst the lowest in the world. Yields in India stand at 3 tons/ha compared to the global average of 4 tons/ha. Developed countries like USA, UK, France and Germany are able to achieve higher per hectare yields than India due to better farming practices.

The demand is also seasonal. India due to its inherent strength of low cost manufacturing and qualified low cost manpower is a net exporter of pesticides to countries such as USA and some European and African Countries.

However, the consumption of agrochemicals in India is surprisingly low (0.58 kg/hectare) as compared to USA where the consumption of agrochemicals is as high as 4.5 kg/hectare and Japan with an even higher consumption of 11 kg/hectare. Paddy (one of the chief crops of India) has the maximum pesticide consumption of 28% followed by cotton (20%) of the total agrochemicals consumption. (Source 3rd National Agrochemicals conclave 2013)

India has raised the level of its export competency with a consistent quality and supply record and possession of a vast unexplored market. Chemicals manufacturers have targeted product awareness campaigns at Indian farmers, as the country's affordability has increased with the cultivation of high-value crops.

Outlook for FY 2017

Raw Material Price

The volatility in foreign exchange market, increase in crude oil prices may impact raw material prices, as a result, our profitability is likely to be affected in Q2 FY 2017.

Market Price

The global markets prices for Pigment and Agrochemical products are under pressure, while Caustic Chlorine ECU has shown sign of improvement.

Profitability

The Group and Company revenue for Q1 FY 2017 has increased due to higher production. We expect to see the improvements in revenue from our Agro – III Plant.

The Market Dynamics are changing rapidly. The Net Profit after tax at Group level has increased in Q1 FY 2017. 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.

The monsoon season might have impact on the sales and profitability of Agrochemicals in Q2 FY 2017

11. Dividend

(a) Current financial period reported on 30 June 2016

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/recommendeded, a statement to that effect.

No dividend for the period ended **30 June 2016** 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.

Particulars of interested person transactions for the quarter ended **30 June 2016** 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 4,948,000) and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000 (equivalent to approximately Rs 4,948,000))	
	Amount in Rs.	Amount in S\$,000	Amount in Rs.	Amount in S\$,000
Purchases				
Meghmani Pigments ⁽¹⁾	21863520	442	-	-
Meghmani Finechem Limited ⁽²⁾	105472167	2132		
Vidhi Global Chemicals Ltd. ⁽³⁾	68665754	1388	-	-
Meghmani LLP	7973643	161		
Sales				
Ashish Chemicals (EOU) ⁽⁴⁾	15604767	315	-	-
Vidhi Global Chemicals Ltd. ⁽³⁾	77942541	1575	-	-
Meghmani Organics USA INC	62508010	1263		

Note – Rs. 49.48 = \$1 (Average Rate of 30.06.2016)

- (1) Meghmani Pigments is a partnership firm owned by Mr. Jayanti Patel (Executive Chairman) and Mr. Ashish Soparkar (Managing Director) and their immediate family.
- (2) 17.87% of Meghmani Finechem Limited is held directly by the Mr. Jayanti Patel (Executive Chairman), Mr. Ashish Soparkar (Managing Director), Mr. Natwarlal Patel (Managing Director), Mr. Ramesh Patel (Executive Director) and Mr. Anand Patel (Executive Director) and their 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).

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 28 July 2014

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

On behalf of the Board of Directors of the Company, I the undersigned, hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the first quarter ended **30 June, 2016** 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

Under the amended Singapore Listing Rule 720(1), the Company has procured the undertakings from Mr. Ashish Soparkar – Managing Director and CEO and Mr. Kamlesh Mehta – Company Secretary that they are responsible for ensuring that the Company complies with its obligations under the Listing Rules. The aforesaid undertakings will be submitted to SGX upon request.

16. Reconciliation between IGAAP and IFRS

The reconciliation between IGAAP and IFRS has shown decrease in profit after minority interest by Rs.19.61 Million. The Company has not considered the variance in the profit reported under the quarter ended 30th June, 2016.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED
K D Mehta
Company Secretary
Date: 10/08/2016
