

MEGHMANI ORGANICS LIMITED

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, 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			Group		
	3 months ended		%	6 months ended		%
	30/09/2016	30/09/2015	Increase (Decrease)	30/09/2016	30/09/2015	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Revenue	3,742,492	3,401,401	10.0	7,197,756	6,732,183	6.9
Cost of sales	(2,995,686)	(2,647,775)	13.1	(5,735,971)	(5,326,421)	7.7
Gross Profit	746,806	753,626	-0.9	1,461,785	1,405,762	4.0
Other operating income	63,160	59,438	6.3	125,424	116,672	7.5
Distribution expenses	(227,685)	(210,373)	8.2	(404,521)	(403,752)	0.2
Administrative expenses	(81,402)	(61,781)	31.8	(148,066)	(124,203)	19.2
Other operating expenses	(1,368)	34,163	n.m.	42,708	78,941	-45.9
Profit from operations	499,511	575,073	-13.1	1,077,330	1,073,420	0.4
Finance cost	(129,701)	(189,942)	-31.7	(272,796)	(372,606)	-26.8
Income from investments	-	-		-	-	
Profit before tax	369,810	385,131	-4.0	804,534	700,814	14.8
Income tax	(67,045)	(133,726)	-49.9	(196,257)	(261,192)	-24.9
Profit after income tax	302,765	251,405	20.4	608,277	439,622	38.4
Minority Interest	(80,295)	(40,542)	98.1	(177,739)	(79,752)	122.9
Profit after Minority Interest	222,470	210,863	5.5	430,538	359,870	19.6

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

	Group			Group		
	3 months ended		%	6 months ended		%
	30/09/2016	30/09/2015	Increase (Decrease)	30/09/2016	30/09/2015	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Bad trade receivables written off /recovered	(745)	(7,103)	-89.5	(993)	(18,924)	-94.8
Foreign currency exchange adjustment loss/ gain	(662)	41,472	n.m.	44,228	96,042	-53.9
Research and development expenditure	(3,524)	(3700)	-4.8	(7,530)	(7,946)	-5.2
Loss/Profit on sales of property, plant	39	(206)	n.m.	(527)	1,823	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 30.09.2016 Rs. '000	As at 31.03.2016 Rs. '000	As at 30.09.2016 Rs. '000	As at 31.03.2016 Rs. '000
ASSETS				
Current assets				
Cash & bank balances	255,276	133,409	92,402	97,288
Available for sale investments	110,000	-	-	-
Trade receivables	4,224,493	4,051,819	3,886,145	3,805,128
Other receivables and prepayments	1,353,275	974,838	1,195,757	790,987
Inventories	1,867,106	2,446,986	1,424,253	1,900,180
Income tax recoverable	431,748	422,532	139,919	210,452
Total current assets	8,241,898	8,029,584	6,738,476	6,804,035
Non – current assets				
Property, plant and equipments	8,019,172	8,273,598	3,894,978	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	8,085,025	8,339,451	5,200,002	5,360,291
Total assets	16,326,923	16,369,035	11,938,478	12,164,326
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	3,335,785	3,640,492	2,536,531	2,868,877
Trade payables	1,756,155	1,761,240	1,554,824	1,545,480
Other payables	612,906	542,052	395,912	380,138
Total current liabilities	5,704,846	5,943,784	4,487,267	4,794,495
Non – current liabilities				
Long Term Loan	1,739,814	2,180,764	905,000	1,037,500
Deferred tax liabilities	608,122	571,587	327,628	295,939
Total non – current liabilities	2,347,936	2,752,351	1,232,628	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	2,307	4,471	2,307	4,471
Currency translation reserve	72,324	74,130	-	-
Debenture redemption reserve	-	-	-	-
Hedge reserve	(5,738)	(2,672)	-	-
Accumulated profits	4,042,641	3,612,103	3,478,641	3,294,286
Minority interest	1,425,736	1,247,997	-	-
Total equity	8,274,141	7,672,900	6,218,583	6,036,392
Total liabilities and equity	16,326,923	16,369,035	11,938,478	12,164,326

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 2016		As at 31 March 2016	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
3,287,349	2,536,531	3,640,492	2,868,877

As at 30 September 2016		As at 31 March 2016	
Un -Secured		Un -Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
48,436	-	-	-

Amount repayable after one year

As at 30 September 2016		As at 31 March 2016	
Secured		Secured	
Group	Company	Group	Company
1,739,814	905,000	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 September 30, 2016, bank borrowings amounting to **Group Rs.1,917,286,000 & Company Rs. 1,759,598,000** 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.1,731,327,000 & Company Rs. 1,640,082,000** 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 September 30, 2016, HDFC Term Loan Dahej – SEZ of **Rs. 210,000,000** (repayable after one year) and **Rs. 60,000,000** (repayable within one year) are secured.

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

Bank C (SBI – Term Loan)

As at September 30, 2016, SBI Term Loan of **Rs. 695,000,000** (repayable after one year) and **Rs. 205,000,000** (repayable within one year) are secured.

As at March 31, 2016, SBI Term Loan of **Rs. 797,500,000** (repayable after one year) and **Rs. 205,000,000** (repayable within one year) are secured.

Bank D (State Bank of India)

As at September 30, 2016, bank borrowings amounting to **Rs. 200,000,000** are secured.

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

Bank E (HDFC Bank Limited)

As at September 30, 2016, bank borrowings amounting to **Rs. 311,933,000** are secured.

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

Bank F (ICICI Bank Limited)

As at September 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 (ICICI Bank Limited – Meghmani Finechem Limited (MFL))

As at September 30, 2016, bank borrowings amounting to **Rs. 644,485,000** (repayable after one year) and **Rs. 402,802,000** (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 H (Buyers Credit - MFL)

As at September 30, 2016, bank borrowings amounting to **Rs. 48,436,000** are unsecured.

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

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

As at September 30, 2016, bank borrowings amounting to **Rs.190,329,000** (repayable after one year) and **Rs.190,328,000** (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- (MFL))

As at September 30, 2016, bank borrowings amounting to **Rs Nil** (repayable after one year) and **Rs. Nil** (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		Company	
	Half Year ended		Half Year ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities:				
Profit from operations	1,077,330	1,073,420	539,080	560,284
Adjustments for :				
Depreciation on property, plant and equipment	493,050	384,533	191,610	180,610
Unrealised foreign exchange gain (loss)	7,108	(24,982)	(6,271)	(17,412)
Interest Received	(6,152)	(4,190)	(5,070)	(3,045)
Loss on disposal of property, plant and equipment	527	(1,823)	527	168
Operating cash flows before movement in working capital	1,571,863	1,426,958	719,876	720,605
Trade receivables	(172,674)	(661,668)	(81,017)	(616,832)
Other receivables and prepayments	(385,544)	25,891	(398,500)	159,276
Inventories	579,880	(195,931)	475,927	(164,298)
Trade payables	(5,085)	619,296	9,344	435,410
Bills payables	15,906	(125,068)	15,907	(125,068)
Other payables	70,853	190,348	15,775	166,122
Cash generated from operations	1,675,199	1,279,826	757,312	575,215
Income taxes paid/refund received	(168,265)	(118,369)	(60,661)	(70,835)
Interest and finance charges paid	(272,796)	(372,606)	(191,168)	(214,917)
Net cash from operating activities	1,234,138	788,851	505,483	289,463
Cash flows from investing activities:				
Purchase of property, plant & equipments	(241,373)	(464,856)	(34,071)	(174,480)
Proceeds on disposal of property, plant & equipments	2,223	827	2,223	447
Interest received	5,803	3,837	4,721	2,692
Investment income received`	-	-	-	-
Purchase of Investment	-	(60,250)	-	(727)
Net cash used in investing activities	(233,347)	(520,442)	(27,127)	(172,068)
Cash flows from financing activities:				
Dividend paid	(2,489)	(882)	(2,489)	(882)
Tax on dividend paid	-	-	-	-
Decrease in Hedge Reserve	(3,066)	53,403	-	53,560
Proceeds from bank borrowings, net of repayments	(508,136)	(781,135)	(178,890)	(557,134)
Proceeds from other borrowings, net of repayments	(253,427)	409,524	(301,863)	409,524
Net cash from financing activities	(767,118)	(319,090)	(483,242)	(94,932)
Net effect of exchange rate change in consolidation	(1,806)	3,652	-	-
Net (decrease) increase in cash and cash equivalents	231,867	(47,029)	(4,886)	22,463
Cash and cash equivalents at the beginning of the year	133,409	351,795	97,288	112,570
Cash and cash equivalents at the end of the year	365,276	304,766	92,402	135,033

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	Debenture Redemption Reserve	Dividend reserve	Currency Translation Reserve	Accumulated Profits	Minority Interest	Total
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
Dividend Paid	-	-	-	-	-	-	-	(260)	-	-	-	(260)
Net profit for the period	-	-	-	-	-	-	-	-	-	210,863	-	210,863
Addition during the year	-	-	-	-	-	29,490	6,298	-	-	(6,298)	40,542	70,032
Currency Translation Reserve	-	-	-	-	-	-	-	-	3,083	-	-	3,083
Balance as at 30 September, 2015	254,314	1,565,048	743,058	3,518	18,433	(9,065)	124,179	2,676	78,516	3,154,215	1,023,245	6,958,137
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
Net profit for the period	-	-	-	-	-	-	-	-	-	222,470	-	222,470
Addition during the year	-	-	-	-	-	(940)	-	(266)	-	-	80,295	79,089
Currency Translation Reserve	-	-	-	-	-	-	-	-	615	-	-	615
Balance as at 30 September, 2016	254,314	1,565,048	895,558	3,518	18,433	(5,738)	-	2,307	72,324	4,042,641	1,425,736	8,274,141

1(d)(i) Company

Rs 000

Company	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Debenture redemption reserve	Dividend reserve	Hedge Reserve	Accumulated Profits	Total
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
Dividend Paid	-	-	-	-	-	-	(260)		-	(260)
Net profit for the period	-	-	-	-	-	-	-		109,929	109,929
Addition during the year	-	-	-	-	-	6,298	-	33,621	(6,298)	33,621
Balance as at 30 September, 2015	254,314	1,565,048	744,218	3,122	18,433	124,179	2,676	(9,591)	3,186,444	5,888,843
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
Net profit for the period	-	-	-	-	-	-	-	-	98,631	98,631
Addition during the year	-	-	-	-	-	-	(266)	-		(266)
Balance as at 30 September, 2016	254,314	1,565,048	896,718	3,122	18,433	-	2,307	-	3,478,641	6,218,583

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 2016	31 March 2016
Total number of issued ordinary shares Excluding treasury shares	24,482,600	37,433,450

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’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 2016 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.

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	
	30.09.2016	31.03.2016	30.09.2016	31.03.2016
(a) Based on weighted average number of ordinary shares in issue Rs)	1.69	3.25	0.72	1.58
Earning per SDS (Rs)	0.85	1.63	0.36	0.79
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	1.69	3.25	0.72	1.58
Earning per SDS (Rs.)	0.85	1.63	0.36	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.

	Group		Company	
	As at 30.09.2016	As at 31.03.2016	As at 30.09.2016	As at 31.03.2016
Net assets value per ordinary share based on issued share capital at the end of the period / year reported in Rs.	32.54	30.17	24.45	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.

Revenue –Group

The principal activities of the Group are (i) manufacturing of Pigments, Agrochemicals, Basic Chemicals (Caustic Chlorine) (ii) trading of Pigments and its intermediates (iii) trading of Agrochemical technical, intermediate products and small packing.

Quarter to Quarter:- Analysis

Breakdown of Revenue by Product

(Rs. in Millions)

Products	Q 2 FY 2016-17	Q 2 FY 2015-16	Variance	%
Pigments	1214.77	928.75	286.02	30.8
Agrochemicals	1344.05	1280.47	63.58	5.0
Caustic Chlorine	934.08	898.85	35.23	3.9
Trading	249.60	293.33	-43.73	-14.9
Total	3742.50	3401.40	341.10	10.0

Group revenue increased by 10.0 %, from Rs. 3401.40 million in Q2 FY 2016 to Rs. 3742.50 million in Q2 FY 2017 this is on account of increase in sales of Pigment and Agrochemical.

Breakdown of Domestic Sales by Product

(Rs. in Millions)

Domestic Sales	Q 2 FY 2016-17	Q2 FY 2015-16	Variance	%
Pigments	503.09	218.74	284.35	130.0
Agrochemicals	606.56	479.63	126.93	26.5
Caustic Chlorine	899.19	870.54	28.65	3.3
Trading	5.87	6.16	-0.29	-4.7
Total	2014.71	1575.07	439.64	27.9

Domestic sales - increased

Group revenue derived from Domestic sales increased by 27.9% from Rs. 1575.07 million in Q2 FY 2016 to Rs. 2014.71 million in Q2 FY 2017. Domestic sales of Pigment and Agrochemicals increased due to increase in new customers.

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	Q 2 FY 2016-17	Q2 FY 2015-16	Variance	%
Pigments	711.68	710.01	1.67	0.2
Agrochemicals	737.49	800.84	-63.35	-7.9
Caustic Chlorine	34.89	28.31	6.58	23.2
Trading	243.73	287.17	-43.44	-15.1
Total	1727.79	1826.33	-98.54	-5.4

Export sales - decreased

Group revenue derived from export sales decreased by 5.4 % i.e. from Rs. 1826.33 million in Q2 FY 2016 to Rs. 1727.79 million in Q2 FY 2017. Export sales of Agrochemicals decreased due to decrease in sales prices while Trading due to Lack of market orders.

Quarter to Quarter:- Analysis - Gross Profit

Gross profit - Group

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	Q2 FY 2017	GP Margin Q2 FY 2017 (%)	Q2 FY 2016	GP Margin Q2 FY 2016 (%)	Variance	%
Pigments	187.44	15.4	196.34	21.1	-8.90	-4.5
Agrochemicals	276.14	20.5	326.15	25.5	-50.01	-15.3
Caustic Chlorine	258.62	27.7	235.51	26.2	23.11	9.8
Trading	24.60	9.9	-4.38	-1.5	28.98	-661.6
Total	746.80	19.9	753.62	22.2	-6.82	-0.9

Overall, gross profit of the Group decreased by Rs. 6.82 million (or 0.9%) from Rs. 753.62 million in Q2 FY 2016 to Rs 746.80 million in Q2 FY 2017. While, the gross profit margin decreased from 22.2 % in Q2 FY 2016 to 19.9% in Q2 FY 2017. The margin of Pigments and Agrochemicals decreased.

GP Percentage of Pigment

The gross profit percentage of Pigment Division decreased by 4.5% while GP margin decreased from 21.1% in Q2 FY 2016 to 15.4% in Q2 FY 2017 due to decrease in sales price of Alpha Blue and Beta Blue.

GP Percentage of Agrochemicals

The amount of gross profit percentage of Agrochemical Division decreased by 15.3% and GP margin decreased from 25.5% in Q2 FY 2016 to 20.5% in Q2 FY 2017 due to decrease in sales prices of Cypermethrin, Zeta Cypermethrin, Alpha Cypermethrin and Chlorpyrifos.

GP Percentage of Caustic Chlorine

The amount of gross profit of Caustic Chlorine Division increased by 9.8%, while GP margin of Caustic Chlorine Division increased from 26.2% in Q2 FY 2016 to 27.7% in Q2 FY 2017 due to increase in 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 2016 increased by Rs. 3.72 million to Rs.63.16 million in Q2 FY 2017 due to increase in export incentive.

Quarter to Quarter:- Analysis

Distribution, Administrative and Other Operating Expenses

Distributions costs of Group increased by 8.2% to Rs 227.69 million in Q2 FY 2017. This is due to increase in sales.

Administrative costs of the Group increased by 31.8 % to Rs 81.40 million in Q2 FY 2017 mainly due to increase in rent rate and taxes, Directors Remuneration, Stamp Expenses, Swachh Bharat Cess and Krishi Kalyan cess at etc.

Other operating expenses increased by Rs 35.53 million in Q2 FY 2017 mainly due to foreign exchange fluctuations and Loss due to fire in Dahej – SEZ Unit.

Finance costs

Finance costs of 3 months decreased by Rs 60.24 million (or 31.7%). in Q2 FY 2017 mainly due to decrease in bank interest rate across the board and repayment of term loans.

Income from Investments :-

During the quarter Income from investments was Rs. nil.

Taxation

Income tax expenses decreased by Rs.66.68 million i.e. from Rs. 133.73 million in Q2 FY 2016 to Rs. 67.05 million in Q2 FY 2017. This is due to decrease in profit at the Company level and decrease in deferred tax expenses in Meghmani Finechem Limited.

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 are listed on any of the Stock Exchanges

Half year to Half year:- Analysis

Breakdown of Revenue by Product

(Rs. in Millions)

Division	H1 FY 2016-17	H1 FY 2015-16	Variance	%
Pigments	2411.66	2039.35	372.31	18.3
Agrochemicals	2546.48	2368.55	177.93	7.5
Caustic Chlorine	1803.65	1754.06	49.59	2.8
Trading	435.97	570.22	-134.25	-23.5
Total	7197.76	6732.18	465.58	6.9

Division wise Domestic Sales

(Rs. in Millions)

Particulars	H1 FY 2016-17	H1 FY 2015-16	Variance	%
	Rs.	Rs.	Rs.	
Pigment	880.75	471.48	409.27	86.8
Agro	1143.89	784.30	359.59	45.8
Caustic Chlorine	1733.04	1719.42	13.62	0.8
Trading	7.28	8.64	-1.36	-15.7
Total	3764.96	2983.84	781.12	26.2

Division wise Export Sales

(Rs. in Millions)

Particulars	H1 FY 2016-17	H1 FY 2015-16	Variance	%
	Rs.	Rs.	Rs.	
Pigment	1530.91	1567.87	-36.96	-2.4
Agro	1402.59	1584.25	-181.66	-11.5
Caustic Chlorine	70.61	34.64	35.97	103.8
Trading	428.69	561.58	-132.89	-23.7
Total	3432.80	3748.34	-315.54	-8.4

Break down of Revenue By Product

Group revenue increased by Rs. 465.58 million (i.e by 6.9%) from Rs. 6732.18 million for H1 FY 2016 to Rs. 7197.76 million for H1 FY 2017 on account of increase in sales of Pigment and Agrochemicals.

Domestic sales

Group revenue from domestic sales increased by Rs. 781.12 million (i.e. by 26.2%) from Rs . 2983.84 million in H1 FY 2015 to Rs. 3764.96 million in H1 FY 2017. The sales of Pigment and Agrochemicals sales increased due to increase in new customers.

Half year to Half year:- Analysis

Export sales

Group revenue from export sales decreased by Rs. 315.54 million (i.e. by 8.4%) from Rs. 3748.34 million in H1 FY 2016 to Rs. 3432.80 million in H1 FY 2017. Export sales of Agrochemicals decreased due to decrease in sales prices while Trading due to Lack of orders.

Gross Profit

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	H1 FY 2016-17	GP Margin H1 FY 2016-17 (%)	H1 FY 2015-16	GP Margin H1 FY 2015-16 (%)	Variance	%
Pigments	431.08	17.9	359.43	17.6	71.65	19.9
Agrochemicals	425.56	16.7	578.78	24.4	-153.22	-26.5
Caustic Chlorine	556.30	30.8	454.54	25.9	101.76	22.4
Trading	48.84	11.2	13.01	2.3	35.83	275.4
Total	1461.78	20.3	1405.76	20.9	56.02	4.0

Group Gross Profit of the Group for H1 FY 2017 increased by Rs. 56.02 million (i.e. 4.0%) from Rs. 1405.76 million H1 FY 2016 to Rs. 1461.78 million H1 FY 2017 and, the gross profit margin decreased from 20.9 % in H1 FY 2016 to 20.3% in H1 FY 2017.

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 7.5% to Rs. 125.42 million in H1 FY 2017 due to increase in export incentive.

Distribution, Administrative and Other Operating Expenses

Distribution expenses of the Group increased by Rs. 0.77 million in H1 FY 2017 mainly due to increase in Sales.

Administrative expenses of the Group increased by Rs.23.87 million in H1 FY 2017 mainly due to increase in rent rate and taxes, Directors Remuneration, Stamp Expenses, Swachh Bharat cess and Krishi Kalyan cess at etc.

Other operating of the Group expenses increased by Rs. 36.23 million in H1 FY 2017 the main driver is foreign exchange fluctuations and Loss due to fire in Dahej – SEZ Unit.

Half year to Half year:- Analysis - continued

Finance costs

Finance costs of the Group decreased by Rs. 99.81 million (or 26.8 %) in H1 FY 2017. This is mainly due to decrease in bank interest rate across the board and repayment of term loans.

Balance sheet – Group & Company

Trade receivables

Trade receivables of Group increased by Rs.172.67 million from Rs. 4051.82 million in FY 2016 to Rs. 4224.49 million in H1 FY 2017.

Trade receivables at Company level increased by Rs. 81.02 million from Rs. 3805.13 million in FY 2016 to Rs. 3886.15 million in H1 FY 2017 due to increase in sales.

Other receivables & Prepayments

During the first half, other receivables & prepayments at Group level increased by Rs. 378.44 million to Rs. 1353.28 million (or 38.8%) in H1 FY 2017, and at Company level increased by Rs. 404.77 million (or 51.2%) respectively on account of increase in export benefit receivable, advance payment to Vendors and Estimated Insurance Claim Receivable Rs. 344.29 million.

Inventories

Inventories at group level decreased by Rs. 579.88 million from Rs. 2446.99 million in H1 FY 2016 to Rs.1867.11 million in H1 FY 2017. While Inventories at Company level decreased by Rs.475.93 million from Rs. 1900.18 million in H1 FY 2016 to Rs. 1424.25 million in H1 FY 2017. This is due to Fire in Dahej SEZ unit and moving of Agrochemical inventory as a result of good monsoon.

Property, plant and equipment

Fixed assets at H1 FY 2017 at Group and Company level decreased by Rs. 254.43 million and at Company level decrease by Rs.160.29 million respectively. This is due to loss of plant and machinery of Beta Plant in fire at Dahej SEZ unit

Bank Borrowings and Long Term Loan

Bank borrowings at H1 FY 2017 at Group and Company level (current and non current) decreased by Rs.745.66 million and Rs. 464.85 million respectively due to repayment of term loan.

Trade payables and other payables

Trade payables at H1 FY 2017 at Group level decreased by Rs. 5.08 million and at Company level increased by Rs. 9.34 million respectively.

Other payables at H1 FY 2016 at Group and Company level increased by Rs.70.85 million and Rs. 15.77 million respectively.

Cash flow statement

During the six month period, the Group has generated positive net cash flow of Rs. 1234.14 million in H1 FY 2017 from operating activities.

Financial Analysis

(Rs. in millions)

Group Key Financial Highlights	As at 30.09.2016	As at 30.09.2015	Variance	Variance (%)
<u>Profitability</u>				
Sales	7197.76	6732.18	465.58	6.9
Gross Profit	1461.78	1405.76	56.02	4.0
Gross Profit Margin (%)	20.3	20.9	-0.6	-2.9
Profit before tax	804.53	700.81	103.72	14.8
Profit before tax Margin (%)	11.2	10.4	0.8	7.7
Net profit	608.28	439.62	168.66	38.4
Net profit Margin (%)	8.4	6.5	1.9	29.2
Earning per Share (EPS in Rs.)	1.69	1.42	0.27	19.0
<u>Financial position</u>				
Net tangible assets	8274.14	6958.14	1316.00	18.9
Debt (short term +long term)	5075.60	5949.67	-874.07	-14.7
Capital Gearing ratio	0.61	0.86	-0.25	-29.1
Net tangible assets per share	26.93	27.36	-0.43	-1.6
Stock turnover (days)	60	81	-21	-25.9
Trade debts turnover (days)	107	104	3	2.9

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 and raw material prices may impact on finished goods prices; as a result, our profitability is likely to be affected in Q3 FY 2017.

Market Price

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

Profitability

The Group and Company revenue for Q2 FY 2017 has increased due to higher production. We expect to see the improvements in revenue from our Agro – III Plant and Dahej SEZ Pigment Plant.

The Market Dynamics are changing rapidly, while Net Profit after tax at Group level has increased in H1 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.

11. Dividend

(a) **Current financial period reported on 30th September, 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/recommended, a statement to that effect.

No dividend for the period ended 30th September, 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.

Interested Person Transactions:

[22]

Particulars of interested person transactions for the half year ended 30 September 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 4,934,000) 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 4,605,000))	
	Amount in Rs.	Amount in S\$,000	Amount in Rs.	Amount in S\$,000
Purchases				
Meghmani Pigments ⁽¹⁾	67679321	1372	-	-
Meghmani Finechem Limited ⁽²⁾	186906935	3788		
Vidhi Global Chemicals Ltd. ⁽³⁾	76517782	1551	-	-
Meghmani LLP ⁽⁵⁾	20740032	420		
Panchratna Corporation	5700000	116		
Sales				
Ashish Chemicals (EOU) ⁽⁴⁾	23429759	475	-	-
Vidhi Global Chemicals Ltd. ⁽³⁾	83028833	1683	-	-

Note – Rs. 49.34 = \$1 (Average Rate of 30.09.2016)

- (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).
- (5) Meghmani LLP is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director) and their immediate family.

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 26 July 2016.

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

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

KPMG is appointed as Joint Auditor to comply with IFRS requirements of Singapore Stock Exchange. The variance between IGAAP and IFRS in the Un audited profit reported under the quarter ended 30th September, 2016 is not material and hence has not considered by the Group.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED
K D Mehta
Company Secretary
Date: 28/10/2016