

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, 2018** as follows:

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

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

	Group		
	03 months ended		%
	30.06.2019	30.06.2018	Increase / (Decrease)
	Rs. '000	Rs. '000	
Revenue	6,057,553	4,668,110	29.8
Cost of sales	(4,555,995)	(3,186,286)	43.0
Gross Profit	1,501,558	1,481,824	1.3
Other operating income	102,304	83,269	22.9
Distribution expenses	(235,857)	(236,131)	-0.1
Administrative expenses	(224,358)	(264,154)	-15.1
Other operating expenses	25,501	52,893	-51.8
Profit from operations	1,169,148	1,117,701	4.6
Finance cost	(72,609)	(113,779)	-36.2
Income from investments	116	-	n.m.
Profit before tax	1,096,655	1,003,922	9.2
Income tax	(318,594)	(233,190)	36.6
Profit after income tax	778,061	770,732	1.0
Other Comprehensive Income (net of tax)	(3,568)	1,799	n.m.
Total Comprehensive Income Attributable to			
Minority Interest	(208,998)	(134,144)	55.8
Owners of the Company	565,495	638,387	-11.4

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

	Group		
	3 months ended		%
	30.06.2019	30.06.2018	Increase / (Decrease)
	Rs '000	Rs '000	
Bad trade receivables written off / recovered	282	(23,974)	n.m.
Foreign currency exchange adjustment (loss)	26,456	76,790	-65.5
Loss on sale of investments	(1,237)	77	n.m.
Research and development expenditure	(5,558)	(3,967)	40.1

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 30.06.2019	As at 31.03.2019	As at 30.06.2019	As at 31.03.2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<u>ASSETS</u>				
Current assets				
Cash & bank balances	868,483	1,382,013	74,693	34,985
Available for sale investments	370,983	-	370,983	-
Trade receivables	5,109,563	4,313,533	4,410,431	3,541,238
Other receivables and prepayments	1,534,394	1,266,900	985,936	996,407
Inventories	3,423,707	4,109,390	2,938,745	3,636,080
Income tax recoverable	(100,880)	195,469	(228,213)	(41,913)
Total current assets	11,206,250	11,267,305	8,552,575	8,166,797
Non – current assets				
Property, plant and equipments	13,715,146	12,541,530	5,044,513	4,886,499
Interest in subsidiaries	-	-	1,824,655	1,824,655
Available for sale investments	5,741	5,741	5,741	5,741
Total non – current assets	13,720,887	12,547,271	6,874,909	6,716,895
Total assets	24,927,137	23,814,576	15,427,484	14,883,692
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank borrowings	2,815,964	2,668,957	2,547,639	2,425,295
Trade payables	2,950,769	2,925,665	2,309,127	2,167,816
Other payables	1,439,316	1,467,236	719,258	638,519
Total current liabilities	7,206,049	7,061,858	5,576,024	5,231,630
Non – current liabilities				
Long Term Loan	4,743,608	4,504,636	785,358	851,231
Deferred tax liabilities	671,036	707,399	402,157	408,878
Total non – current liabilities	5,414,644	5,212,035	1,187,515	1,260,109
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	1,125,558	1,125,558	1,126,718	1,126,718
Capital reserve	(897,175)	(897,175)	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	3,564	12,296	3,564	12,296
Currency translation reserve	(2,661)	(2,662)	-	-
Other Comprehensive Income	(12,325)	(12,964)	(12,036)	(9,502)
Accumulated profits	8,550,308	7,985,453	5,704,782	5,421,524
Minority interest	1,701,380	1,492,382	-	-
Total equity	12,306,444	11,540,683	8,663,945	8,391,953
Total liabilities and equity	24,927,137	23,814,576	15,427,484	14,883,692

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 2019		As at 31 March 2019	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,815,964	2,547,639	2,668,957	2,425,295

Amount repayable after one year

As at 30 June 2019		As at 31 March 2018	
Secured		Secured	
Group	Company	Group	Company
4,743,608	785,358	4,504,636	851,231

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, 2019, bank borrowings amounting to **Group Rs. 1,849,033,000 & Company Rs. 1,800,708,000** 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.

As at March 31, 2019, bank borrowings amounting to **Group Rs. 2,019,393,000 & Company Rs. 1,995,731,000** are secured by:

- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation on the Company's trade receivables and inventories ; and
- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

Bank A (HDFC Bank Limited)

As at June 30, 2019, bank borrowings amounting to **Rs.262,293,000** are secured.

As at March 31, 2019, bank borrowings amounting to **Rs.11,231,000** are secured.

Bank B (HDFC Bank Limited – Term Loan)

As at June 30, 2019, HDFC Term Loan Dahej – SEZ of **Rs. 45,000,000** which is secured and repayable after one year. and **Rs. 60,000,000** repayable within one year.

As at March 31, 2019, HDFC Term Loan Dahej – SEZ of **Rs. 60,000,000** 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, 2019, SBI Term Loan of **Rs. 127,024,000** which is secured and repayable after one year. and **Rs. 205,000,000** repayable within one year.

As at March 31, 2019, SBI Term Loan of **Rs. 177,897,000** which is secured and repayable after one year. and **Rs. 205,000,000** repayable within one year.

Bank D (AXIS Bank –Term Loan)

As at June 30, 2019, Axis Bank Term Loan of **Rs. 613,334,000** which is secured and repayable after one year and **Rs. 153,333,000** repayable within one year.

As at March 31, 2019, Axis Bank Term Loan of **Rs. 613,334,000** which is secured and repayable after one year and **Rs. 153,333,000** repayable within one year.

Bank E (SBI Bank Limited)

As at June 30, 2019, bank borrowings amounting to **Rs.50,000,000** are secured.

As at March 31, 2019, bank borrowings amounting to **Rs.Nil** are secured.

Bank F (ICICI Bank Limited)

As at June 30, 2019, bank borrowings amounting to **Rs.16,305,000** are secured.

As at March 31, 2019, bank borrowings amounting to **Rs.Nil** are secured.

Bank G (Standard Chartered Bank – ECB - Euro – MFL)

As at June 30, 2019, bank borrowings amounting to **Rs. 1,413,450,000** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2019, bank borrowings amounting to **Rs. 1,398,105,000** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank H (HDFC Bank Limited – MFL)

As at June 30, 2019, bank borrowings amounting to **Rs. 1620,000,000** (repayable after one year) and **Rs. 220,000,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2019, bank borrowings amounting to **Rs. 1,575,000,000** (repayable after one year) and **Rs. 220,000,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank I (Federal Bank – MFL)

As at June 30, 2019, bank borrowings amounting to **Rs. 924,800,000** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2019, bank borrowings amounting to **Rs. 680,300,000** (repayable after one year) and **Rs. Nil** (repayable within one year) are secured by Mortgage/hypothecation of assets.

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

Particulars	Group	
	3 months ended 30.06.2019 Rs '000	3 months ended 30.06.2018 Rs '000
Cash flows from operating activities		
Profit from operations	1,169,148	1,117,701
Adjustments for :		
Depreciation of property, plant and equipment	218,603	242,860
Unrealized Foreign Exchange Gain	42,903	38,783
Interest Received	(5,136)	(4,763)
Actuarial Valuation of Gratuity	(5,486)	584
Loss on disposal of Property, Plant & Equipments	3,087	(77)
Operating cash flows before movements in working capital	1,423,119	1,395,088
Trade receivables	(796,029)	19,923
Other receivables and prepayments	(310,396)	(85,981)
Inventories	685,683	(635,989)
Trade payables	25,104	643,017
Bills payables	-	-
Other payables	(27,922)	(92,107)
Cash generated from (used in) operations	999,559	1,243,951
Income taxes paid (Net)	(56,258)	(99,224)
Interest and finance charges paid	(72,609)	(113,779)
Net cash from (used in) operating activities	870,692	1,030,948
Cash flows from investing activities:		
Purchase of property, plant and equipments	(1,395,559)	(487,117)
Proceeds from property, plant and equipments	253	175
Acquisition of Business	-	(2,213,675)
Interest Received	5,136	4,763
Investment Income	116	-
Net cash used in investing activities	(1,390,054)	(2,695,854)
Cash flows from financing activities:		
Dividend paid	(9,165)	-
Proceeds from (repayment of) bank borrowings	368,612	981,609
Proceeds from (repayment of) other borrowings	17,367	339,498
Minority Interest Received	-	150,000
Net cash used in financing activities	376,814	1,471,107
Net effect of exchange rate change on consolidation	1	2,181
Net increase in cash and cash equivalents	(142,547)	(191,618)
Cash and cash equivalents at beginning of period	1,382,013	829,283
Cash and cash equivalents at end of period	1,239,466	637,665

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	Dividend reserve	Current translation reserve	Accumulated Profits	Other Comprehensive Income	Minority Interest	Total
Balance as at March 31, 2018	254,314	1,565,048	975,558	3,518	18,433	2,210	(6,077)	5,895,731	(1,160)	2,213,675	10,921,250
Net profit for the year								638,387		134,144	772,531
Transfer to (from) reserve								(350)	350		-
Purchase of Minority Interests			(397)					(900,069)	(228)	(1,311,272)	(2,211,966)
Addition during the year							2,182			150,000	152,182
Balance as at June 30, 2018	254,314	1,565,048	975,161	3,518	18,433	2,210	(3,895)	5,633,699	(1,038)	1,186,547	9,633,997
Balance as at March 31, 2019	254,314	1,565,048	1,125,558	(897,175)	18,433	12,296	(2,662)	7,985,453	(12,965)	1,492,382	11,540,682
Net profit for the year								565,495			565,495
Transfer to (from) reserve								(640)	640		-
Addition during the year						(8,732)	1			208,998	200,267
Balance as at June 30, 2019	254,314	1,565,048	1,125,558	(897,175)	18,433	3,564	(2,661)	8,550,308	(12,325)	1,701,380	12,306,444

1(d)(i) Company

Rs '000

	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Dividend reserve	Other Comprehensive Income	Accumulated Profits	Total
Balance as at March 31, 2018	254,314	1,565,048	976,718	3,122	18,433	2,210	(494)	4,159,841	6,979,192
Net profit for the year	-	-	-	-	-	-	-	850,981	850,981
Addition during the year	-	-	-	-	-	-	250	(250)	-
Balance as at June 30, 2018	254,314	1,565,048	976,718	3,122	18,433	2,210	(244)	5,010,572	7,830,173
Balance as at March 31, 2019	254,314	1,565,048	1,126,718	3,122	18,433	12,296	(9,502)	5,421,524	8,391,953
Net profit for the year	-	-	-	-	-	-	-	280,724	280,724
Transfer to (from) reserve	-	-	-	-	-	-	(2,534)	2,534	-
Addition during the year	-	-	-	-	-	(8,732)	-	-	(8,732)
Balance as at June 30, 2018	254,314	1,565,048	1,126,718	3,122	18,433	3,564	(12,036)	5,704,782	8,663,945

- 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 2019	31 March 2019
Total number of issued ordinary shares		
Excluding treasury shares	12,892,190	12,892,190

- 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 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 2019.

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. 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	
	Year ended		Year ended	
	30.06.2019	31.03.2019	30.06.2019	31.03.2019
(a) Based on weighted average number of ordinary shares in issue (Rs)	2.24	9.88	1.11	6.63
Earnings per SDS (Rs)	1.12	4.94	0.56	3.32
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	2.24	9.88	1.11	6.63
Earnings per SDS (Rs.)	1.12	4.94	0.56	3.32

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 30.06.2019	As at 31.03.2019	As at 30.06.2019	As at 31.03.2019
Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	48.39	45.38	34.07	33.00

- 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 of Pigments, Agrochemicals and Basic Chemicals (Caustic Chlorine and Caustic Potash) (ii) trading of Pigments and its intermediates (iii) trading of Agrochemicals, Technical, Iintermediates products and Small Packing.

Revenue - Group

Group revenue for Q1 FY 2020 increased by 29.8% from **Rs. 4668.11 million** in Q1 FY 2019 to **Rs. 6057.55 million** in Q1 FY 2020.

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

Products	Q 1 FY 2019-20	Q 1 FY 2018-19	Increase/ (Decrease)	%
Pigments	1414.20	1298.03	116.17	8.9
Agrochemicals	2853.85	1570.24	1283.61	81.7
Basic Chemicals	1665.86	1612.51	53.35	3.3
Trading	123.64	187.33	-63.69	-34.0
Total	6057.55	4668.11	1389.44	29.8

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

Domestic Sales	Q 1 FY 2019-20	Q 1 FY 2018-19	Increase/ (Decrease)	%
Pigments	349.40	231.03	118.37	51.2
Agrochemicals	622.96	512.35	110.61	21.6
Basic Chemicals	1585.82	1578.46	7.36	0.5
Trading	0.05	13.92	-13.87	-99.6
Total	2558.23	2335.76	222.47	9.5

Reasons for Increase / (Decrease) in Domestic Sales

- 1) Domestic sales of Pigment Division increased by 51.2% due to increase in quantity sales of CPC Blue and Alpha Blue.
- 2) Domestic sales of Agrochemical Division increased by 21.6% due to increase in quantity sales of 2 4D, MPB, Chlorpyrifos Technical.
- 3) Domestic sales of Basic Chemicals increased marginally by 0.5%.

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

Export Sales	Q 1 FY 2019-20	Q 1 FY 2018-19	Increase/ (Decrease)	%
Pigments	1064.80	1067.00	-2.20	-0.2
Agrochemicals	2230.89	1057.89	1173.00	110.9
Basic Chemicals	80.04	34.05	45.99	135.1
Trading	123.59	173.41	-49.82	-28.7
Total	3499.32	2332.35	1166.97	50.0

Reasons for Increase / (Decrease) in Export Sales

- 1) Export sales of Pigment Division decreased marginally by 0.2%.
- 2) Export sales of Agrochemical Division increased by 110.9% due to increase in quantity sales of Cypermethrin, Zeta Cypermethrin, Bifenthrin and Permethrin.

Gross profit - Group

Breakdown of Gross Profit by Division

(Rs. in Millions)						
Division	Q1 FY 2020	GP Margin Q 1FY 2020 (%)	Q1 FY 2019	GP Margin Q 1FY 2019 (%)	Increase/ Decrease	%
Pigments	195.96	13.9	217.02	16.7	-21.06	-9.7
Agrochemicals	508.97	17.8	403.02	25.7	105.95	26.3
Basic Chemicals	797.03	47.8	850.56	52.7	-53.53	-6.3
Trading	-0.40	-0.3	11.22	6.0	-11.62	-103.6
Total	1501.56	24.8	1481.82	31.7	19.74	1.3

Reasons for increase / (decrease) in GP margin

GP of Pigment

The amount of gross profit of Pigment Division decreased by 9.7% while GP margin of Pigment Division decreased from 16.7% in Q1 FY 2019 to 13.9% in Q1 FY 2020 due to decrease in selling price of CPC Blue and Beta Blue. Increase in Raw Material Prices could not be fully passed on to Customer.

GP of Agrochemical

The amount of gross profit of Agrochemical Division increased by 26.3% while GP margin decreased from 25.7% in Q1 FY 2019 to 17.8% in Q1 FY 2020 due to decrease in sales quantity of CMAC, Chlorpyrifos, Cypermethrin and 2 4D and sudden decrease in prices of few finished goods products.

GP of Caustic Chlorine

The amount of gross profit of Caustic Chlorine Division decreased by 6.3%, while GP margin of Caustic Chlorine Division decreased from 52.7 % in Q1 FY 2019 to 47.8% in Q1 FY 2020 due to decrease in Selling Prices (ECU).

COST OF SALES :-

The Cost of Sales at Group level increased by 43.0% due to higher Raw Material consumption of Agro.

OTHER OPERATING INCOME – GROUP

Other operating income of the Group increased by Rs. 19.04 million. The main contributories are Focus Product Market Incentive Scheme, duty drawback, and higher scrap sales etc.

DISTRIBUTION, ADMINISTRATIVE AND OTHER OPERATING EXPENSES – GROUP

Distribution expenses

Distribution expenses of Group decreased marginally by Rs. 0.27 million i.e. by 0.1%.

Administrative expenses

Administrative expenses of Group decreased by **Rs. 39.80 million** i.e. by **15.1%** mainly due to decrease in legal and professional fees – Promoter Success fees paid to directors.

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 quarter. The expense has been decreased by **Rs. 27.39 million** on account of foreign currency exchange adjustment.

Finance costs

Finance costs of the Group decreased by **Rs. 41.17 million**, i.e. by **36.2%** due to repayment of high cost term loan and increase in short term low cost foreign currency borrowing.

Income from investments

Income from investment During the year increase by **Rs.0.12 million** in Q1 FY 2020 .

Taxation

Income tax at the Group level increased by **Rs. 85.40 million** i.e. by **36.6%** in Q1 FY 2020. This is due to increase in deferred tax expenses.

Interest in Subsidiaries

1. Meghmani Organics USA Inc., is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.
2. Meghmani Finechem Limited (MFL) is a company formed to set up Rs. 555 Crore Caustic Chlorine project. Meghmani Organics Limited holds 57% of the Equity.
3. P T Meghmani Indonesia is a 100% wholly owned subsidiary of the Company set up for the trading purpose.
4. Meghmani Overseas FZE, Sharjah is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.

SGX Rule 716

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

Other Comprehensive income.

Other comprehensive income (OCI) is defined as comprising 'items of income and expense (including reclassification adjustments) that are not recognized in profit or loss. Other comprehensive income at group level decreased by **Rs.5.37 million**.

Balance sheet

Trade receivables

Trade receivables of Group increased by **Rs. 796.03 million** from **Rs. 4313.53 million** in FY 2019 to **Rs. 5109.56 million** in Q1 FY 2020. Trade receivables at Company level increased by **Rs. 869.19 million** from **Rs.3541.24 million** in FY 2019 to **Rs. 4410.43 million** in Q1 FY 2020. Trade Receivables increased due to increase in sales.

Other receivables & Prepayments

During the first quarter, other receivables & prepayments at Group increased by **Rs. 267.49 million (or 21.1%)** mainly due to increase in down payment made to vendors, and at Company level decreased by **Rs. 10.47 million (1.1%)**.

Inventories

Inventories at group level decreased by **Rs. 685.68 million** from **Rs. 4109.39 million** in FY 2019 to **Rs. 3423.71 million** in Q1 FY 2020 due to decrease in finished goods. While inventories at Company level decreased by Rs. 697.33 million i.e. from **Rs. 3636.08 million** in FY 2019 to **Rs. 2938.75 million** in Q1 FY 2020 due to decrease in finished goods stock.

Property, plant and equipment

Property, Plant and equipments at Group level increased by **Rs. 1173.62 million**. Due to ongoing project expansion and at Company level increased by **Rs.158.01 million**.

Bank Borrowings and Long Term Loan

Bank borrowings at Group level (current and non current) increased by Rs. 385.98 million and at Company level increased by Rs. 56.47 million respectively.

Trade payables and Other payables

Trade payables at Group level increased by **Rs. 25.10 million** and at Company level increased by **Rs. 141.31 million** respectively due to increase in operational activity.

Other payables at Group level decreased by **Rs. 27.92 million** and at Company level increased by **Rs. 80.74 million** respectively.

Cash flow statement

During the period, the Group has generated positive Net Cash Flow of **Rs. 870.69 million** from operation.

Financial Analysis

Group Key financial highlights	Rs. in millions			
	As at 30.06.2020	As at 30.06.2019	Variance	Variance (%)
Profitability				
Sales	6,058	4,668	1,390	29.8
Gross Profit	1,502	1482	20	1.3
Gross Profit Margin (%)	24.8	31.7	-6.9	
Profit before tax	1,097	1,004	93	9.3
Profit before tax Margin (%)	18.1	21.5	-3.4	
Net profit	565	638	-73	-11.4
Earning per Share (EPS in Rs.)	2.24	2.50	-0.26	-10.4
Financial position				
Net tangible assets	12,306	9,634	2,672	27.7
Debt (short term +long term)	7,560	5,173	2,387	46.1
Capital Gearing ratio	0.61	0.54	0.07	13.0
Net tangible assets per share	41.70	33.22	8.48	25.5
Stock turnover (days)	68	95	-27	-28.4
Trade debts turnover (days)	77	73	4	5.5

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

INDUSTRY STRUCTURE: -

1) Global Economy

After a strong growth in 2017 and early 2018, the second half of 2018 experienced a slowdown. Global economic growth softened to 3.6% in 2018 and it is projected to decline further to 3.3% in 2019. International trade and investments are moderating, trade tensions remain elevated, and financing conditions are tightening. Amid recent episodes of financial stress, growth in emerging markets and developing economies have lost momentum, with a weaker-than-expected rebound in commodity exporters accompanied by deceleration in commodity importers. Downside risks have become more acute. Financial market pressures and trade tensions could escalate, denting global activity.

However, growth is expected to pick up in the second half of 2019, driven by the absence of inflationary pressure and monetary policy accommodations by major economies. Moreover, the fiscal and monetary policy stimulus by China has helped to counter the looming negative effects of imposed trade tariffs, improving the outlook for US - China trade tensions.

2) Indian Economy

India's GDP growth for FY 2019 is expected at 7.2%. The Index of Industrial Production (IIP) grew by 3.6% in FY 2019 and was majorly driven by growth in Infrastructure/Construction goods sector. Furthermore, inflation has remained well in control. The Wholesale Price Index (WPI) and Consumer Price Index (CPI) based inflation was at 3.18% and 3.41% respectively in FY 2019. Additionally, the Reserve Bank of India (RBI) announced multiple rate cuts to ease the liquidity tightening. The Repo rate now stands at 6%.

The Indian economy grew steadily on account of various reforms like recapitalisation of public sector banks, amendments to goods and service tax, clean-up of Non-performing assets through National Company Law Tribunal (NCLT), implementation of Insolvency and bankruptcy code.

3) Pigment:

Industry Overview:

The global pigment market was valued at \$29 billion in 2017 and is expected to grow at 4.5% CAGR to reach \$43 billion by 2026.

The global pigment market is driven by the rise in demand for packaging ink, paints & coatings and plastic industry. Paints and coatings are used in various end-user industries such as aerospace, automotive, architectural & refinishing and building & construction. Rise in population coupled with increase in per capita income has boosted the consumption of paints and coatings in building & construction, automotive, and consumer goods industries over the last few years. This, in turn, generated considerable demand for pigments in the paints & coatings segment, making it the leading end-user segment.

Plastics are one of the major consumers of pigments. It imparts unique appearance and styling effect to plastic products. Hence, rise in the production of plastics plays a key role in driving the demand for pigments. Consumption of plastics has increased substantially in both developed and developing countries over the last few years. Factors such as economic growth, rise in disposable income, and rapid urbanisation in developing countries such as China, India, Brazil, and South Africa are expected to drive the demand for plastics.

In recent years, due to the rise of the Internet, global publications with organic pigments show a downward trend, but high-performance pigments and packaging ink pigments are growing year by year. Global packaging and printing market are expected to grow by 4.9% CAGR to reach \$19.27 billion in 2026. Asia-Pacific region, such as China and India and other emerging economies, are the key drivers for the development of packaging and printing market.

4) Business Overview

The Company is amongst the top 3 (capacity wise) global pigment manufacturers of Phthalocyanine-based Pigments. The Company has vertically integrated facilities manufacturing CPC Blue (an upstream product, which too is sold to other Pigments manufacturers) and end products - Pigment Green and Pigment Blue. These Pigments products are used in multiple applications, including paints, plastics and printing inks.

The Company's Pigments business enjoys strong global presence with exports accounting for 82% of net sales. The Company's relationship with its clients is consistent, with 90% business arising from repeat customers. The Company has global presence in more than 65 countries with subsidiary in the US which helps in maintaining a front-end presence along with the ability to work closely with end-user customers.

The Company has three dedicated manufacturing facilities for Pigments products. These are located at:

- GIDC Vatva, Ahmedabad, (2,940 MTPA) where Pigment Green is manufactured
 - GIDC Panoli, near Ankleshwar, (17,400 MTPA), where CPC Blue, Alfa and Beta Blue are manufactured
 - Dahej SEZ Ltd, (12,600 MTPA) where CPC Blue, Alfa and Beta Blue are manufactured
- Outlook and Strategy:

The Company is currently one of the largest producers for the Copper Phthalocyanine Pigment and going forward, the Company is looking to diversify by adding new Pigments. The Company continues to focus on increasing its domestic presence and increase the market share, given the significant market opportunities.

5) **Risks, Concerns and Threats**

Drastic changes and continuous fluctuations in the prices of key raw materials are critical challenges to the growth of this industry. As the Company's revenue comprises a significant portion of business from exports, volatility of the rupees vis-a-vis the Dollar and the Euro may affect realisations. The Company is engaged in a business involving different areas such as procurement, backward and forward integration, quality, technical competence, logistics facilities, after-sales service and customer relationship. Changing competitive landscape and emergence of new technologies may impact the Company's business and prospects

6) **AGROCHEMICALS - INDUSTRY STRUCTURE:-**

There are broadly 5 categories of crop protection products:

1. Insecticides: Manage the pest population below the economic threshold level
2. Fungicides: Prevent the economic damage due to fungal attack on crops
3. Herbicides: Prevent/ inhibit/ destroy the growth of unwanted plants in a crop field
4. Bio pesticides: These are derived from natural substances like plants, animals, bacteria & certain minerals. These are non-toxic & environmental friendly
5. Plant growth regulatorsIndia's agrochemical industry can be divided into producers of technical agrochemicals - the bulk actives - and formulators who compound actives in forms that enable use.

7) Agrochemical Market

Global chemical-based crop protection sales increased by 4.2%, from \$54.2 billion in 2017 to \$56.5 billion 2018. Rising demand for pesticides and increasing consumption of agrochemicals in liquid form are some of the key factors expected to boost the demand for agrochemicals in the global market.

Recovery in the Brazilian market (one of the largest agrochemical consumers in the world), is the major driver of growth in 2018. The excessive crop protection inventories, which resulted in the 2017 decline have been addressed and are no longer such an issue.

High crop protection prices are mainly on the account of supply shortages, particularly higher prices of products originating from China as a result of the environmental pressures from government, consolidation in the national industry and shifting of all chemical production in chemical zone/parks. Higher prices have also driven higher tariffs imposed by the US on some Chinese chemical products. As a result, industry has passed on the higher price to consumers.

8) Huge opportunity for generic pesticides players:

Agrochemical worth \$6.3 billion are going off patent between 2014 - 2020 and as per the Enigma Report 19 more agrochemical active ingredients (AIs) will lose patent protection between 2019 - 2026. Over last 20 years, there has been a decline in the discovery of new active ingredients. At the same time, there has been a substantial increase in the number of mixture products entering the market. It is projected that, from 2019 to 2026, approximately 70 mixture products will lose the patent protection. With so many products coming off patent, industry players have the opportunity to choose the right off-patent/generic AIs for their product development strategies.

9) India Agrochemical Industry:

Indian pesticides market valued at INR 197 billion in 2018 and expected to reach INR 316 billion by 2024, growing at CAGR of 8.1% between 2019-2024. The significance of pesticides has been rising over the last few decades catalysed by the requirement to enhance the overall agricultural production and the need to safeguard adequate food availability for the continuously growing population in the country. In India, pests and diseases, on an average eat away around 20-25% of the total food produced.

10) Key growth driver of pesticides:

- Due to increasing urbanisation levels, per capita arable land has been reducing in recent years and expected to reduce further in coming years. Driven by rising population levels, food demand is expected to continue increasing in the coming years and pesticides to play a key role in increasing the average crop yields.
- Government initiatives to provide credit facilities to farmers is expected to provide a strong boost to the pesticides industry. Increasing availability, low interest rates on farm loan and farm loans waivers are expected to encourage farmers to use more pesticides in order to improve yields.
- Increasing awareness of pesticides among farmers.

- The penetration levels of pesticides in India are significantly lower than other major countries such as the US and China and world average. This indicates that the market for pesticides is still unpenetrated India.

11) Business Overview

The Company is a leading vertically-integrated Agrochemicals player with the presence in entire value chain - intermediate, technical grade and formulations (bulk and branded). The Company's vertical integration of business allows the Company to effectively manage raw material costs and assure a constant supply of consistent quality.

The Agrochemicals industry is highly regulated, and the Company enjoys competitive advantage via presence in entire value chain (less dependent on raw material) and 268 export registrations, 238 registrations in pipeline, 348 CIB registrations, and 35 registered trademarks. The Company has a strong global client base with exports accounting for 74% of its Agrochemical sales. The Company is exporting technical as well as formulation (bulk and branded) products to Africa, Brazil, Latin, the US and European countries.

Major products include 2, 4-D, Cypermethrin, Permethrin, Chlorpyrifos and Profenophos. In branded formulations, the Company has established a strong pan-India presence with about 3000 stockists, agents, distributors, and dealers spread across pan India. Key brands include Megastar, Megacyper, Megaban, Synergy, Courage, Correct and Mega Claim.

The Company has three state-of-the-art manufacturing facilities where capacities have been increased via debottlenecking. These are located at:

- GIDC Ankleshwar, (6,420 MTPA)
- GIDC Panoli, (7,200 MTPA)
- GIDC Dahej, (14,640 MTPA)

12) Outlook and Strategy

FY 2019 was a strong year for the Agrochemicals segment on the back of favourable market conditions. FY2020 shall also sustain the same growth levels as the raw material prices from China has increased significantly affecting the margins, but, the Company's backwards integration facilities put it in an advantageous position and thus, we are constantly improving the margins. Going forward, the Company plans to expand the capacity of 2-4,D by 10,800 MTPA with capex of ~INR 1.27 billion and it is expected to be operational by Q1 FY21.

13) Challenges:-

The industry is expected to face certain challenges such as regulatory standards to reduce toxicity, high inventory, low profit margins, and patent expirations.

Low farm output is a major challenge faced by most farmers across India. The chief reasons for the poor yield are fragmented land holdings, inadequate use of technology and modern methods of farming, poor soil health, and lack of access to irrigation facilities.

Increase in investment in the field of research and development of agrochemicals which in turn will spur the exports increasing competitiveness in the global scenario.

Development and registration of a pesticide active ingredient is one of the biggest components of cost for a pesticide company.

The demand is also seasonal. Low literacy rate translates into low efficiency and low agriculture productivity.

Despite strong growth drivers, the Indian Agrochemicals industry faces challenges in terms of low awareness levels among farmers about Agrochemical products and their usage. The performance of the Indian agrochemical industry is dependent on the monsoon. Erratic rainfall affects crop acreages, pest application and overall productivity, directly impacting the Company's sales performance.

The Company exports its products to various countries. Thus, any adverse changes in the political, climatic, economic, regulatory or social conditions of these countries might impact the Company's business prospects in these countries. Any change in the policies implemented by the Governments of these countries, which result in currency and interest rate fluctuations, capital restrictions, changes in duties & taxes and a registration regime detrimental to the Company's business could adversely affect its operations and future growth. Increase in crude prices will also impact the costs and prices of various products.

14) Basic Chemicals - Chlor Alkali Industry

Globally, Chlor-alkali market represents one of the largest chemical industries. Chlor-alkali market is expected to reach \$124.6 billion by 2022, growing at CAGR of 6.8% between 2016 - 2022. The market is broadly categorised into three segments namely Caustic Soda (NaOH), Chlorine & Soda Ash, which are collectively known as Chlor-alkali chemicals. The main application areas of Chlor-Alkali chemicals are in soap & detergent industry, paper and pulp, textiles, water treatment, plastic industry, industrial solvents, alumina, pharmaceuticals etc.

15) Indian Chlor-alkali Industry:

The Indian alkali industry is regarded by global peers as among the most efficient, eco-friendly and progressive industries. It is to the industry's credit that its constituent units had taken a unified stand to move ahead of other countries in phasing out mercury and adopting the latest energy-efficient and eco-friendly membrane cell technology for producing caustic soda.

During financial year 2018, caustic soda capacity stood at 3.8 MMTPA (Million Metric Tonne Per Annum) with capacity utilisation of 84%. Over last 5 years, despite increase in capacity from 3.3 MMTPA to 3.9 MMTPA between FY 14 - 18, industry is continuously operating above 80% and demand remains higher than the production. Caustic soda capacity expected to increase by 329,450 MTPA (up by 8.5%) and 205,950 MTPA (up by 4.9%) during FY 19 and FY 20 respectively.

Significant growth potential for Alkali and Chlor-Vinyl industry in next 5 years as the alkalis are the basic building blocks that find application in product of everyday use including aluminium, paper, textile and plastic. With growing aspirations of a rising middle class, higher disposable income and currently low level of penetration, demand for these products is bound to grow. There is a vast untapped market, which will significantly drive demand. India has one of the lowest per capita consumption of 1.9 kg caustic soda, 2.3 kg soda ash and 2.0 kg PVC compared to 32.0 kg, 28.0 kg and 12.7 Kg in the US and 12 Kg, 11 Kg and 10 Kg in China for Caustic Soda, Soda Ash and PVC respectively.

11. Dividend

(a) Current financial period reported on 30 June 2019

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 2019** 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 2019** are as under:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 (equivalent to approximately Rs 5,089,000) 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⁾	47,211,446	928	-	-
Meghmani LLP ⁽²⁾	7,293,690	143		
Sales				
Ashish Chemicals (EOU) ⁽³⁾	6,077,000	119	-	-

Note – Rs. 50.89 = \$1 (Average Rate of 30.06.2019)

- ⁽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⁾ Meghmani LLP is a partnership firm owned by Mr. Jayanti Patel (Executive Chairman) and Mr. Ashish Soparkar (Managing Director) and their immediate family.
- ⁽³⁾ Ashish Chemicals (EOU) is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director).

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, 2019 to be false or misleading.

15. Undertaking from Directors and officers of the Company stating that they are responsible for ensuring that the Company complies with its obligations under the Listing Rules


The Company confirms that undertaking under Rule 720 (1) have been obtained from all its Directors and Executive officers in the Format set out in Appendix 7.7.

16. Reconciliation between INDAS and IFRS

Ernst & Young LLP – Singapore has been re-appointed as Joint Auditor for FY 2019-20 to comply with SGX Listing rules requirements. The Group has not considered the variance in the profit reported under the quarter ended 30th June, 2018.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED
K D Mehta
Company Secretary
Date: 13/08/2019

For MEGHMANI ORGANICS LTD.


(K. D. MEHTA)
COMPANY SECRETARY