

## MEGHMANI ORGANICS LIMITED

### First Quarter Financial Statements And Dividend Announcement

The Board of Directors of Meghmani Organics Limited ("MOL" or "the Company" or "the Issuer") wishes to make the announcement of the Group's results for the first quarter ended **June 30, 2017** 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		%
	30.06.2017	30.06.2016	Increase / (Decrease)
	Rs. '000	Rs. '000	
Revenue	4,140,135	3,541,946	16.9
Cost of sales	(3,112,914)	(2,838,579)	9.7
<b>Gross Profit</b>	<b>1,027,221</b>	<b>703,367</b>	<b>46.0</b>
Other operating income	67,766	62,264	8.8
Distribution expenses	(263,725)	(197,838)	33.3
Administrative expenses	(87,124)	(66,663)	30.7
Other operating expenses	(14,743)	44,076	n.m.
<b>Profit from operations</b>	<b>729,395</b>	<b>545,206</b>	<b>33.8</b>
Finance cost	(109,332)	(143,869)	-24.0
Income from investments	-	-	n.m.
<b>Profit before tax</b>	<b>620,063</b>	<b>401,337</b>	<b>54.5</b>
Income tax	(186,813)	(121,903)	53.2
<b>Profit after income tax</b>	<b>433,250</b>	<b>279,434</b>	<b>55.0</b>
Other Comprehensive Income (net of tax)	(829)	-	n.m.
<b>Total Comprehensive Income Attributable to</b>			
Minority Interest	(104,586)	(90,974)	15.0
<b>Owners of the Company</b>	<b>327,835</b>	<b>188,460</b>	<b>74.0</b>

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

	Group		
	3 months ended		%
	30.06.2017	30.06.2016	Increase / (Decrease)
	Rs '000	Rs '000	
Bad trade receivables written off / recovered	(47,128)	(248)	n.m.
Foreign currency exchange adjustment (loss)	32,551	44,890	-27.5
Loss on sale of investments	(166)	(566)	-70.7
Research and development expenditure	(5,136)	(4,006)	28.2

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 30.06.2017	As at 31.03.2017	As at 30.06.2017	As at 31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash & bank balances	128,241	125,083	91,185	92,274
Available for sale investments	300,520	285,270	-	-
Trade receivables	3,946,318	3,309,102	3,405,186	2,977,664
Other receivables and prepayments	1,491,650	1,488,233	1,261,388	1,320,268
Inventories	2,696,178	2,416,807	2,336,150	2,090,362
Income tax recoverable	443,922	591,937	11,915	118,942
<b>Total current assets</b>	<b>9,006,829</b>	<b>8,216,432</b>	<b>7,105,824</b>	<b>6,599,510</b>
<b>Non – current assets</b>				
Property, plant and equipments	7,924,472	7,972,420	4,044,141	4,001,477
Interest in subsidiaries	-	-	1,244,543	1,244,340
Available for sale investments	5,853	5,853	5,843	5,843
<b>Total non – current assets</b>	<b>7,930,325</b>	<b>7,978,273</b>	<b>5,294,527</b>	<b>5,251,660</b>
<b>Total assets</b>	<b>16,937,154</b>	<b>16,194,705</b>	<b>12,400,351</b>	<b>11,851,170</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Bank borrowings	3,209,520	3,417,307	2,376,007	2,625,407
Trade payables	2,167,381	1,468,761	2,046,215	1,475,248
Other payables	791,581	615,733	466,485	378,390
<b>Total current liabilities</b>	<b>6,168,482</b>	<b>5,501,801</b>	<b>4,888,707</b>	<b>4,479,045</b>
<b>Non – current liabilities</b>				
Long Term Loan	925,447	1,206,622	700,007	765,917
Deferred tax liabilities	749,908	752,037	289,276	274,808
<b>Total non – current liabilities</b>	<b>1,675,355</b>	<b>1,958,659</b>	<b>989,283</b>	<b>1,040,725</b>
<b>Capital &amp; reserves</b>				
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	2,295	2,301	2,295	2,301
Currency translation reserve	(6,387)	71,502	-	-
Hedge reserve	(1,555)	(2,166)	-	-
Other Comprehensive Reserves	(1,737)	(2,457)	(1,987)	(1,496)
Accumulated profits	4,711,843	4,380,793	3,784,418	3,592,960
Minority interest	1,651,987	1,547,401	-	-
<b>Total equity</b>	<b>9,093,317</b>	<b>8,734,245</b>	<b>6,522,361</b>	<b>6,331,400</b>
<b>Total liabilities and equity</b>	<b>16,937,154</b>	<b>16,194,705</b>	<b>12,400,351</b>	<b>11,851,170</b>

**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 2017		As at 31 March 2017	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
3,209,520	2,376,007	3,417,307	2,625,407

As at 30 June 2017		As at 31 March 2017	
Un –Secured		Un –Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
-	-	-	-

**Amount repayable after one year**

As at 30 June 2017		As at 31 March 2017	
Secured		Secured	
Group	Company	Group	Company
925,447	700,007	1,206,622	765,917

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, 2017, bank borrowings amounting to Group **Rs 737,317,000** & Company **Rs.594,562, 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, 2017, bank borrowings amounting to Group **Rs.1,433,114,000** & Company **Rs. 1,283,010,000** 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, 2017, bank borrowings amounting to Rs. 663,725,000 are secured

As at March 31, 2017, bank borrowings amounting to Rs. 364,316,000 are secured.

**Bank B (HDFC Bank Limited – Term Loan)**

As at June 30, 2017, HDFC Term Loan Dahej – SEZ of Rs. 165,000,000 which is secured and repayable after one year. and Rs. 60,000,000 repayable within one year.

As at March 31, 2017, HDFC Term Loan Dahej – SEZ of Rs. 180,000,000 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, 2017, SBI Term Loan of Rs. 535,007,000 which is secured and repayable after one year. and Rs. 205,000,000 repayable within one year.

As at March 31, 2017, SBI Term Loan of Rs. 585,917,000 which is secured and repayable after one year. and Rs. 205,000,000 repayable within one year.

**Bank D (State Bank of India)**

As at June 30, 2017, bank borrowings amounting to Rs. 550,000,000 are secured.

As at March 31, 2017, bank borrowings amounting to Rs. 600,000,000 are secured.

**Bank E (Standard Chartered Bank Limited)**

As at June 30, 2017, bank borrowings amounting to Rs. 64,021,000 are secured.

As at March 31, 2017, bank borrowings amounting to Rs. 97,275,000 are secured.

**Bank F (ICICI Bank Limited)**

As at June 30, 2017, bank borrowings amounting to Rs. 200,000,000 are secured.

As at March 31, 2017, bank borrowings amounting to Rs. Nil are secured.

**Bank G (Buyers Credit)**

As at June 30, 2017, bank borrowings amounting to Rs. 38,699,000 are secured.

As at March 31, 2017, bank borrowings amounting to Rs. 15,806,000 are secured.

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

As at June 30, 2017, bank borrowings amounting to **Rs. 225,440,000** (repayable after one year) and **Rs. 506,244,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2017, bank borrowings amounting to **Rs. 348,062,000** (repayable after one year) and **Rs. 456,510,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

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

As at June 30, 2017, bank borrowings amounting to **Rs. Nil** (repayable after one year) and **Rs.184,514,000** (repayable within one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2017, bank borrowings amounting to **Rs. 92,643,000** (repayable after one year) and **Rs.185,286,000** (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 30.06.2017 Rs '000	3 months ended 30.06.2016 Rs '000
<b>Cash flows from operating activities</b>		
Profit from operations	729,395	545,206
Adjustments for :		
Depreciation of property, plant and equipment	230,247	253,593
Unrealized Foreign Exchange Gain	70,987	37,932
Interest Received	(4,831)	(3,084)
Actuarial Valuation of Gratuity	(1,292)	-
Loss on disposal of Property, Plant & Equipments	166	566
<b>Operating cash flows before movements in working capital</b>	<b>1,024,672</b>	<b>834,213</b>
Trade receivables	(711,197)	(515,057)
Other receivables and prepayments	(74,379)	33,730
Inventories	(279,371)	298,518
Trade payables	698,620	41,436
Bills payables	(117,826)	96,899
Other payables	175,849	103,463
<b>Cash generated from (used in) operations</b>	<b>716,368</b>	<b>893,202</b>
Income taxes paid (Net)	(37,962)	(50,782)
Interest and finance charges paid	(109,332)	(143,869)
<b>Net cash from (used in) operating activities</b>	<b>569,074</b>	<b>698,551</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipments	(182,783)	(167,685)
Proceeds from property, plant and equipments	319	2,004
Interest Received	2,304	2,735
<b>Net cash used in investing activities</b>	<b>(180,160)</b>	<b>(162,946)</b>
<b>Cash flows from financing activities:</b>		
Dividend paid	(6)	(2,223)
Proceeds from (repayment of) bank borrowings	(560,184)	(315,150)
Proceeds from (repayment of) other borrowings	189,048	(199,427)
Hedge Reserve	611	(2,125)
<b>Net cash used in financing activities</b>	<b>(370,531)</b>	<b>(518,925)</b>
Net effect of exchange rate change on consolidation	25	(2,421)
<b>Net increase in cash and cash equivalents</b>	<b>18,408</b>	<b>14,259</b>
Cash and cash equivalents at beginning of period	410,353	132,703
<b>Cash and cash equivalents at end of period</b>	<b>428,761</b>	<b>146,962</b>

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

**Group**

**Rs. '000**

	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Hedge Reserve	Dividend reserve	Current translation reserve	Accumulated Profits	Other Comprehensive Income	Minority Interest	Total
<b>Balance as at March 31, 2016</b>	254,314	1,565,048	895,558	3,518	18,433	(2,672)	4,471	74,130	3,504,071	-	1,262,950	7,579,821
Net profit for the year	-	-	-	-	-	-	-	-	188,460	-	-	188,460
Addition during the year	-	-	-	-	-	(2,126)	(1,898)	-	-	-	90,974	86,950
Currency Translation Reserve	-	-	-	-	-	-	-	(2,421)	-	-	-	(2,421)
<b>Balance as at June 30, 2016</b>	254,314	1,565,048	895,558	3,518	18,433	(4,798)	2,573	71,709	3,692,531	-	1,353,924	7,852,810
<b>Balance as at March 31, 2017</b>	254,314	1,565,048	895,558	3,518	18,433	(2,166)	2,301	71,502	4,380,793	(2,457)	1,547,401	8,734,245
Net profit for the year									327,835			327,835
Addition during the year						611	(6)	(77,889)	3,215	720	104,586	31,237
<b>Balance as at June 30, 2017</b>	254,314	1,565,048	895,558	3,518	18,433	(1,555)	2,295	(6,387)	4,711,843	(1,737)	1,651,987	9,093,317

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 31,2016	254,314	1,565,048	896,718	3,122	18,433	4,471		3,178,323	5,920,429
Net profit for the year	-	-	-	-	-	-		72,820	72,820
Addition during the year	-	-	-	-	-	(1,898)		-	(1,898)
Balance as at June 30,2016	254,314	1,565,048	896,718	3,122	18,433	2,573		3,251,143	5,991,351
Balance as at March 31,2017	254,314	1,565,048	896,718	3,122	18,433	2,301	(1,496)	3,592,960	6,331,400
Net profit for the year	-	-	-	-	-	-	-	190,967	190,967
Addition during the year	-	-	-	-	-	(6)	(491)	491	(6)
Balance as at June 30,2017	254,314	1,565,048	896,718	3,122	18,433	2,295	(1,987)	3,784,418	6,522,361



- 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 2017	31 March 2017
Total number of issued ordinary shares Excluding treasury shares	17,216,240	18,458,940

- 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 2017.

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	
	30.06.2017	31.03.2017	30.06.2017	31.03.2017
(a) Based on weighted average number of ordinary shares in issue (Rs)	1.29	3.44	0.75	1.62
Earnings per SDS (Rs)	0.65	1.72	0.38	0.81
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	1.29	3.44	0.75	1.62
Earnings per SDS (Rs.)	0.65	1.72	0.38	0.81

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 30.06.2017	As at 31.03.2017	As at 30.06.2017	As at 31.03.2017
Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	35.76	34.34	25.65	24.90

- 8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following :-

- (a) any significant factors that affected the turnover , costs , and earnings of the Group for the current financial period reported on , including ( where applicable) seasonal or cyclical factors ; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

The principal activities of the Group are (i) manufacturing and trading of Pigments, Agrochemicals, Basic Chemicals and (ii) trading of intermediates, bulk and small packing of Agrochemicals technical and intermediates products.

#### **Revenue - Group**

Group revenue for Q1 FY 2018 increased by 16.9% from Rs. 3541.95 million in Q1 FY 2017 to Rs. 4140.14 million in Q1 FY 2018.

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

Products	Q 1 FY 2017-18	Q 1 FY 2016-17	Increase/ (Decrease)	%
Pigments	1327.06	1142.56	184.50	16.1
Agrochemicals	1548.26	1320.22	228.04	17.3
Basic Chemicals	1102.50	869.57	232.93	26.8
Trading	162.32	209.60	-47.28	-22.6
<b>Total</b>	<b>4140.14</b>	<b>3541.95</b>	<b>598.19</b>	<b>16.9</b>

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

Domestic Sales	Q 1 FY 2017-18	Q 1 FY 2016-17	Increase/ (Decrease)	%
Pigments	365.86	377.66	-11.80	-3.1
Agrochemicals	509.48	537.33	-27.85	-5.2
Basic Chemicals	1001.63	833.85	167.78	20.1
Trading	0	1.41	-1.41	-100.0
<b>Total</b>	<b>1876.97</b>	<b>1750.25</b>	<b>126.72</b>	<b>7.2</b>

**Reasons for Increase / (Decrease) in Domestic Sales**

- 1) Domestic sales of Pigment Division decreased marginally by 3.1% due to decrease in quantity sales of CPC Blue.
- 2) Domestic sales of Agrochemical Division decreased by 5.2% due to decrease quantities sales of CMAC, CPP, Cypermethrin and Profenophos.
- 3) Domestic sales of Basic Chemicals increased by 20.1 % mainly due to increase in sales quantity of Caustic.

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

Export Sales	Q 1 FY 2017-18	Q 1 FY 2016-17	Increase/ (Decrease)	%
Pigments	961.20	764.90	196.30	25.7
Agrochemicals	1038.78	782.89	255.89	32.7
Basic Chemicals	100.87	35.72	65.15	182.4
Trading	162.32	208.19	-45.87	-22.0
<b>Total</b>	<b>2263.17</b>	<b>1791.70</b>	<b>471.47</b>	<b>26.3</b>

**Reasons for Increase / (Decrease) in Export Sales**

- 1) Export sales of Pigment Division increased by 25.7%. This was mainly due to increase in sales quantity of Beta Blue.
- 2) Export sales of Agrochemical Division increased by 32.7% on account of increase in quantity sales of MPB and Zeta Cypermethrin and also increase in sales price.

## **Gross profit - Group**

### **Breakdown of Gross Profit by Division**

<b>(Rs. in Millions)</b>						
<b>Division</b>	<b>Q1 FY 2018</b>	<b>GP Margin Q 1FY 2018 (%)</b>	<b>Q1 FY 2017</b>	<b>GP Margin Q 1FY 2017 (%)</b>	<b>Increase/ Decrease</b>	<b>%</b>
Pigments	238.75	18.0	254.37	22.3	-15.62	-6.1
Agrochemicals	419.83	27.1	137.16	10.4	282.67	206.1
Basic Chemicals	360.47	32.7	297.68	34.2	62.79	21.1
Trading	8.17	5.0	14.16	6.8	-5.99	-42.3
<b>Total</b>	<b>1027.22</b>	<b>24.8</b>	<b>703.37</b>	<b>19.9</b>	<b>323.85</b>	<b>46.0</b>

### **Reasons for increase / (decrease) in GP margin**

#### **GP of Pigment**

The amount of gross profit of Pigment Division decreased by 6.1%, while GP margin of Pigment Division decreased from 22.3% in Q1 FY 2017 to 18.0 % in Q1 FY 2018 due to decrease in quantity sales of CPC Blue, Alpha Blue and PG7.

#### **GP of Agrochemical**

The amount of gross profit of Agrochemical Division increased by 206.1% and GP margin increased from 10.4 % in Q1 FY 2017 to 27.1 % in Q1 FY 2018 due to increase in sales price and decrease in raw material cost of MPB and Cypermethrin.

#### **GP of Caustic Chlorine**

The amount of gross profit of Caustic Chlorine Division increased by 21.1 %, while GP margin of Caustic Chlorine Division decreased from to 34.2 % in Q1 FY 2017 to 32.7 % in Q1 FY 2018 due to increase in sales quantity.

## **OTHER OPERATING INCOME – GROUP & COMPANY**

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

Other operating income increased by Rs. 5.51 million to Rs. 67.77 million in Q1 FY 2018 respectively mainly due to increase in export sales. The Government has introduced new export incentive scheme MEIS.

## **DISTRIBUTION, ADMINISTRATIVE AND OTHER OPERATING EXPENSES – GROUP**

### **Distribution expenses**

Distribution expenses of Group increased by Rs. 65.88 million, i.e. by 33.3%. This is due to increase in export clearing & forwarding, transportation and packing material consumption.

### **Administrative expenses**

Administrative expenses of Group increased by Rs. 20.46 million i.e. by 30.7% mainly due to increase in rent, rates & taxes, insurance premium, legal and professional fees and directors remuneration.

### **Other Operating Expenses**

Other operating expenses indicates income mainly on account of favorable foreign currency exchange adjustment. The fluctuations in the exchange rate of the Indian Rupee against the US dollar is main contributory. Other operating expenses reflect income in current and previous financial year. The expenses has been increased by Rs. 58.82 million.

### **Finance costs**

Finance costs of the Group decreased by Rs. 34.54 million, i.e. by 24.0 % due to repayment of term loan and lower utilization of working capital.

### **Income from investments**

During the year there is no change in Income from investments in Q1 FY 2018 .

### **Taxation**

Income tax at the Group level increased by Rs. 64.91 million in Q1 FY 2018 Due to increase in profit of Meghmani Organics Limited and Meghmani Finechem Limited (MFL – Subsidiary).

### **Interest in Subsidiaries**

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

### **SGX Rule 716**

As per Rule 716, we declare that no one of the above Subsidiaries or Associates 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.

## **Balance sheet**

### **Trade receivables**

Trade receivables of Group increased by Rs.637.22 million from Rs. 33.09.10 million in FY 2017 to Rs. 3946.32 million in Q1 FY 2018. Trade receivables at Company level increased by Rs. 427.52 million from Rs. 2977.66 million in FY 2017 to Rs. 3405.19 million in Q1 FY 2018. Trade Receivables has increased due to increase in sales.

### **Other receivables & Prepayments**

During the first quarter, other receivables & prepayments at Group increased by Rs. 3.42 million (or 0.2%) and at Company level decreased by Rs. 58.88 million (4.5 %) due to utilization of excise balance on account of increase in sales.

### **Inventories**

Inventories at group level increased by Rs. 279.37 million from Rs. 2416.81 million in FY 2017 to Rs. 2696.18 million in Q1 FY 2018 due to increase in raw material stock at Meghmani Finechem Limited (MFL – Subsidiary) While inventories at Company level increased by Rs. 245.79 million from Rs.2090.36 million in FY 2017 to Rs. 2336.15 million in Q1 FY 2017 due to increase in finished goods stock and raw material stock.

### **Property, plant and equipment**

Property, plant and equipments at Group level decreased by Rs. 47.95 million. and at Company level increased by Rs. 42.66 million.

### **Bank Borrowings and Long Term Loan**

Bank borrowings at Group level (current and non current) decreased by Rs. 488.96 million and at Company level decreased by Rs. 315.31 million respectively due to repayment of term loan.

### **Trade payables and Other payables**

Trade payables at Group level increased by Rs. 698.62 million and at Company level increased by Rs. 570.97 million respectively due to increase in operational activity.

Other payables at Group level increased by Rs. 175.85 million and at Company level increased by Rs. 88.09 million respectively.

### **Cash flow statement**

During the period, the Group has generated positive net cash flow of Rs. 569.07 million from operation.

## Financial Analysis

Group Key financial highlights	Rs. in millions			
	As at 30.06.2017	As at 30.06.2016	Variance	Variance (%)
<b>Profitability</b>				
Sales	4,140	3,542	598	16.9
Gross Profit	1,027	703	324	46.1
Gross Profit Margin (%)	24.8	19.8	5.0	25.2
Profit before tax	620	401	219	54.6
Profit before tax Margin (%)	15.0	11.3	3.7	32.7
Net profit	328	188	140	74.5
Earning per Share (EPS in Rs.)	1.29	0.74	0.55	74.3
<b>Financial position</b>				
Net tangible assets	9,093	7,853	1,240	15.8
Debt (short term +long term)	4,135	5,379	-1244	-23.1
Capital Gearing ratio	0.45	0.68	-0.23	-33.8
Net tangible assets per share	29.26	25.55	3.71	14.5
Stock turnover (days)	79	91	-12	-13.2
Trade debts turnover (days)	87	97	-10	-10.3

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

Not applicable.

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

### INDUSTRY STRUCTURE: -

#### Pigments:-

Pigments are classified as either organic or inorganic. Organic pigments include azo pigments, which contain a nitrogen group; they account for most of the organic red, orange, and yellow pigments. Copper phthalocyanines provide brilliant, strong blues and greens that are unusually colourfast for organic colours. Some pigments, such as fluorescent ones, are simply dyes that have been rendered insoluble by chemical reaction. Traditionally organic pigments are used as mass colorants. They are popular in plastics, synthetic fibres and as surface coatings-paints and inks. In recent years, the organic pigments are used for hi-tech applications that include photo-reprographics, opto-electronic displays and optical data storage.

#### Organic Pigments Market Dynamics :-

Major factors driving growth of the organic pigments market include their increasing use in plastic, paint, coatings and textile industries.

Moreover, upswing in number of textile industries and increasing demand of plastic products owing to various macro-economic factors is expected to boost the demand of organic pigments, in turn, fuelling the growth of global organic pigments market over the forecast period.

Manufacture of organic pigments with good light fastness property is gaining traction among global manufacturers. Besides, developing countries such as China & India are shifting towards becoming the center of global organic pigments market, both from the demand and supply side. Moreover, owing to their ability to providing a wide color spectrum compared to their inorganic counterpart, organic pigments are expected to substitute inorganic pigments for some specific applications over the coming years.

#### **Organic Pigments Market: Segmentation :-**

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

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

#### **Organic Pigments Market: Regional Outlook :-**

Global organic pigments market is segmented into seven key regions namely North America, Latin America, Eastern Europe, Western Europe, Asia-Pacific Excluding Japan (APEJ), Japan and Middle East and Africa (MEA). Upsurge in development of textile & plastic industries in Asia-Pacific is expected to boost the demand of organic pigments market in the region by 2026 end.

#### **Overview of the global organic pigments market :-**

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

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



### **Competitive landscape and key vendors**

The global organic pigments market is extremely competitive owing to the presence of several vendors both at international and regional levels. BASF, Clariant, DIC, Heubach, and LANXESS are some of the global vendors who primarily dominate the market.

The printing inks segment was the largest application segment of organic pigments in 2016 and will continue its dominance during the forecast period. Organic pigments are preferred in printing inks because of their brilliance and rich tinctorial strength. Disazo pigments and naphthol AS pigments are the commonly used organic pigments in the manufacture of printing inks.

Moreover, the rapidly changing consumer demands, along with the growing importance of packaging as a means of branding and advertising, have increased the applications of organic pigments in the packaging sector; which will further drive the market growth for organic pigments for printing inks.

Based on in-depth research, TMR projects the global pigments market to exhibit a moderate CAGR of 3.8% between 2015 and 2023. If the projection holds true, the global pigments market will reach US\$31.98 bn by 2023, from a valuation of US\$22.86 bn in 2014. Volume-wise the market is expected to report a CAGR of 2.9% during the forecast period (Source: - Transparency Market Research)

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.

In its latest study, Ceresana forecasts global revenues generated with pigments to increase to US\$34.2 billion in 2020. The main factors that are contributing to the growth in the industry are increase in demand for high performance pigments (HPP), growth in end-user industries and increasing preference for environmentally-friendly products.

The paints & coatings industry is recording significant growth due to growing infrastructure. According to the industry estimates, the global demand for paints & coating is anticipated to grow at a CAGR of 5.4% during the next five years. Printing ink is another application of the colorants market. The demand for printing ink is driven by various factors such as technological developments and increasing demand for digital inks.

### **ASIA PACIFIC REGION TO REMAIN FASTEST GROWING**

The report confirmed that the Asia Pacific region is anticipated to witness highest regional gains at over 5% CAGR.

Pigment market growth in Asia Pacific is primarily driven by the automotive and construction industries, as well as increasing manufacturing and infrastructure development (specifically in China and India). 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 key countries covered in Asia-Pacific Pigments Market are China, India and others. Eastern Europe, the Middle East and South America will see demand rise by more than 3% p.a. each as well and thus contribute to the positive development of the pigment industry. The rather saturated markets in Western Europe and North America will slowly return onto a growth path after they suffered losses in the past couple of years. (Source: Ceresana.)

## 1) **AGROCHEMICALS - INDUSTRY STRUCTURE:-**

There are broadly 5 categories of crop protection products:

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

In India, there are about 125 technical grade manufacturers (10 multinationals), 800 formulators, over 145,000 distributors. 60 technical grade pesticides are being manufactured indigenously.

Many technical producers are forward-integrated into formulations, unlike in the pharmaceutical industry where there are who make nothing but active pharmaceutical ingredients (APIs).

## 2) **GLOBAL AGROCHEMICALS MARKET:-**

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

Development in technology to boost farm production with increasing government investments in agriculture to increase crop yields provides huge opportunities to this market. Asia-Pacific dominates the global agrochemicals market, accounting for major share in overall market and expected to remain the largest market in the near future due to the increasing demand for food crops from its key countries such as China and India

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

Growth in revenue is expected to be higher than volume, owing to the increasing cost of pesticides. Development and registration of a pesticide active ingredient is one of the biggest components of cost for a pesticide company.

Presently, the cost of innovation and registration of an active ingredient is about \$200 million, which is a 25% increase from 2000. Companies spend extensively on the research and development of new chemicals and improving the performance of the existing ones.

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

As the study indicates, a large untapped market, shrinking of arable land in recent years, increasing demand for food grain production, and increasing population are anticipated to drive the global agrochemicals industry. The industry is expected to face certain challenges such as regulatory standards to reduce toxicity, high inventory, low profit margins, and patent expirations.

The global market has been witnessing lot of technological advancements and developments over the past few years. The changing buyers' preferences, stringent environmental regulations, changing weather conditions, increased agricultural trade and improved farming practices are triggering the innovations and research efforts of the industry.

North America dominates the global herbicide market and has the largest market share in terms of volume and revenue. Europe is the second largest market for herbicides. North America and Europe are mature markets and are dominated by a few major players. To survive intense competition, companies in this region are focused on new product development.

The global agrochemicals industry experienced robust growth over the last five years but is expected to experience moderate CAGR of 5.4% over next five years (2012-2017) and reach approximately US \$262 billion in 2017. New product development and innovation at competitive prices are anticipated to drive the agrochemicals industry.

### 3) INDIAN MARKET:-

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

India is fourth largest producer of agrochemicals worldwide, after United States, Japan and China. Indian Agrochemical industry is valued at USD 4.76 billion in FY15 and is estimated to grow at a CAGR of 12% to reach USD 8.38 billion by FY19. Out of this, the domestic market is ~USD 2.43 billion in FY15. Almost 50% is constituted by exports, which is expected to grow by 16% CAGR to reach USD 4.87 billion by FY19, resulting in 60% market share in Agrochemical industry. On the other hand, domestic market will grow at ~8% CAGR to reach USD 3.57 billion by FY19. Indian Agrochemical consumption is one of the lowest in the world (0.6kg/ha). Compared to agrochemical usage, India's fertilizer consumption (~144 kg/ha) is much higher than the global average (~122 kg/ha). This reflects a large potential for agrochemical usage in India.

Availability of cheap labour and low processing costs offers opportunity for MNCs to setup their manufacturing hubs in India for their export markets. The sector is also driven by huge opportunity for contract manufacturing and research for Indian players due to large availability of technically skilled labour.

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

Agrochemicals play a critical role in ensuring food and nutrition security of the nation. With estimated 355 MMTPA (million metric tonne per annum) food grain requirement by 2030 from current 253 MMTPA, efficient usage of crop protection products and solutions for Indian agriculture are the need of the hour. In order to realise the true potential, industry, government and

regulatory bodies need to work in tandem and embrace digital technologies to further improve farmer connect,” (Source :- National Conference on Agrochemicals 2016 in New Delhi.)

The Companies in this sector should increase their investment in the field of research and development of agrochemicals which in turn will spur the exports increasing competitiveness in the global scenario.

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.

### **Outlook for FY 2018**

#### **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 1Q FY 2018.

#### **Market Price**

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

#### **Profitability**

The Group and Company revenue for 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 and Company level has increased in FY 2017. The Group Profitability may be affected due to unpredictable market trends, rupee/dollar exchange rate and crude oil prices Fluctuation in ECU prices of Caustic Chlorine.

The erratic monsoon season might have impact on the sales and profitability of Agrochemicals in 1Q FY 2018

### **11. Dividend**

#### **(a) Current financial period reported on 30 June 2017**

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 2017** 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 2017** are as under:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 (equivalent to approximately Rs 4,653,000) 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
<b>Purchases</b>				
Meghmani Pigments <sup>(1)</sup>	24689256	531	-	-
Meghmani Finechem Limited <sup>(2)</sup>	119757733	2574		
Vidhi Global Chemicals Ltd. <sup>(3)</sup>	77752509	1671	-	-
Meghmani LLP	7570317	163		
Meghmani Industries Ltd.	5363404	115		
<b>Sales</b>				
Ashish Chemicals (EOU) <sup>(4)</sup>	11015158	237	-	-
Vidhi Global Chemicals Ltd. <sup>(3)</sup>	68293500	1468	-	-
Meghmani Organics USA INC	62244856	1338		

**Note – Rs. 46.53 = \$1 (Average Rate of 30.06.2017)**

- <sup>(1)</sup> Meghmani Pigments is a partnership firm owned by Mr. Jayanti Patel (Executive Chairman) and Mr. Ashish Soparkar (Managing Director) and their immediate family.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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).
- <sup>(4)</sup> Ashish Chemicals (EOU) is a partnership firm owned by Mr Jayanti Patel (Executive Chairman) and Mr Ashish Soparkar (Managing Director).

The above interested person transactions conducted fall within the related party transactions shareholders' mandate obtained for a period of three year at the Annual General Meeting held on 28 July 2014

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

On behalf of the Board of Directors of the Company, I the undersigned, hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the first quarter ended **30 June, 2017** 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**

Meghmani Organics Limited confirms that undertakings 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 – Singapore has been appointed as Joint Auditor for Financial Year 2017-18 to comply with the requirements of SGX Listing rules. The reconciliation between IND AS and IFRS has shown the increase in profit after minority interest by Rs. 2.67 Million. The Company has not considered the variance in the profit reported under the quarter ended 30th June, 2017.

BY ORDER OF THE BOARD  
MEGHMANI ORGANICS LIMITED  
K D Mehta  
Company Secretary  
**Date: 11/08/2017**

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