

MEGHMANI ORGANICS LIMITED

Third 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 Third quarter ended December 31, 2015 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		%	9 months ended		%
	31.12.2015	31.12.2014	Increase (Decrease)	31.12.2015	31.12.2014	Increase (Decrease)
	Rs '000	Rs '000		Rs' '000	Rs' '000	
Revenue	3,074,299	2,958,105	3.9	9,806,482	9,803,155	0.03
Cost of sales	(2,348,797)	(2,548,337)	-7.8	(7,675,218)	(8,228,287)	-6.7
Gross Profit	725,502	409,768	77.1	2,131,264	1,574,868	35.3
Other operating income	46,029	87,431	-47.4	162,701	221,904	-26.7
Distribution expenses	(184,799)	(198,766)	-7.0	(588,551)	(616,941)	-4.6
Administrative expenses	(55,447)	(69,446)	-20.2	(179,650)	(188,603)	-4.7
Other operating expenses	(7,481)	3,307	n.m.	71,460	(9,586)	n.m.
Profit from operations	523,804	232,294	125.5	1,597,224	981,642	62.7
Finance cost	(149,019)	(214,143)	-30.4	(521,625)	(606,942)	-14.1
Income from investments	-	-	-	-	25	n.m.
Profit before tax	374,785	18,151	1964.8	1,075,599	374,725	187.0
Income tax	(34,715)	(99,627)	-65.2	(295,907)	(140,994)	109.9
Profit after income tax	340,070	(81,476)	-517.4	779,692	233,731	233.6
Minority Interest	(109,568)	35,900	-405.2	(189,320)	49,694	-481.0
Profit after Minority Interest	230,502	(45,576)	-605.8	590,372	283,425	108.3

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

	Group			Group		
	3 months ended		%	9 months ended		%
	31.12.2015	31.12.2014	Increase (Decrease)	31.12.2015	31.12.2014	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Bad trade receivables written off /recovered	(24,374)	(2,962)	722.9	(43,298)	(8,924)	385.2
Foreign currency exchange adjustment loss/ gain	16,758	18,395	-8.9	112,800	26,599	324.1
Research and development expenditure	(3,497)	(3,212)	8.9	(11,443)	(11,189)	2.3
Loss/Profit on sales of property, plant	135	(12,126)	n.m.	1,958	(27,261)	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 31.12.2015	As at 31.03.2015	As at 31.12.2015	As at 31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<u>ASSETS</u>				
Current assets				
Cash & bank balances	297,405	178,384	97,507	112,570
Available for sale investments	-	173,412	-	-
Trade receivables	3,882,530	3,167,009	3,567,805	3,026,039
Other receivables and prepayments	1,098,119	1,323,451	784,129	1,055,016
Inventories	2,496,641	2,157,818	2,177,433	1,808,220
Income tax recoverable	379,039	358,201	110,065	174,730
Total current assets	8,153,734	7,358,275	6,736,939	6,176,575
Non – current assets				
Property, plant and equipments	8,179,994	8,042,642	4,023,186	4,034,812
Interest in Subsidiaries / Associate	60,000	-	1,320,802	1,320,325
Available for sale investments	5,853	5,603	5,843	5,593
Total non – current assets	8,245,847	8,048,245	5,349,831	5,360,730
Total assets	16,399,581	15,406,520	12,086,770	11,537,305
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank borrowings	3,689,146	3,317,001	2,712,811	2,548,330
Trade payables	1,810,588	1,317,130	1,597,830	1,221,015
Other payables	647,201	709,736	417,788	495,168
Total current liabilities	6,146,935	5,343,867	4,728,429	4,264,513
Non – current liabilities				
Long Term Loan	2,359,769	3,129,348	1,103,750	1,335,000
Deferred tax liabilities	589,003	470,962	292,707	274,642
Total non – current liabilities	2,948,772	3,600,310	1,396,457	1,609,642
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	743,058	743,058	744,218	744,218
Capital reserve	3,518	3,518	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	2,377	3,558	2,377	3,558
Currency translation reserve	75,220	74,865	-	-
Debenture redemption reserve	125,000	111,651	125,000	111,651
Hedge reserve	196	(62,468)	-	(63,150)
Accumulated profits	3,383,897	2,806,873	3,249,372	3,025,956
Minority interest	1,132,813	943,493	-	-
Total equity	7,303,874	6,462,343	5,961,884	5,663,150
Total liabilities and equity	16,399,581	15,406,520	12,086,770	11,537,305

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

Amount repayable in one year or less, or on demand

As at 31 December 2015		As at 31 March 2015	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,959,762	1,983,427	3,206,637	2,437,966

As at 31 December 2015		As at 31 March 2015	
Un -Secured		Un -Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
729,384	729,384	110,364	110,364

Amount repayable after one year

As at 31 December 2015		As at 31 March 2015	
Secured		Secured	
Group	Company	Group	Company
2,359,769	1,103,750	3,129,348	1,335,000

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 December 31, 2015, bank borrowings amounting to **Group Rs 2,004,614,000 & Company Rs. 1,752,177,000** 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, 2015, bank borrowings amounting to **Group Rs.1,872,966,000 & Company Rs.1,872,966,000** 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 (ICICI Bank Limited)

As at December 31, 2015, bank borrowings amounting to Rs. 416,200,000 are unsecured.

As at March 31, 2015, bank borrowings amounting to Rs.,Nil are secured.

Bank B (HDFC Bank Limited)

As at December 31, 2015, bank borrowings amounting to Rs. 313,184,000 are unsecured.

As at March 31, 2015, bank borrowings amounting to Rs.110 364,000 are unsecured.

Bank C (SBI Bank Limited – Term Loan)

As at December 31, 2015, SBI Term Loan amounting to Rs. 848,750,000 which is secured and (repayable after one year) and Rs.186,250,000 (repayable within one year).

As at March 31, 2015, bank borrowings amounting to Rs.Nil are secured.

Bank D (Non-Convertible Debenture)

As at December 31, 2015, issued NCD of Rs. Nil which is secured and (repayable after one year). and Rs. Nil (repayable within one year).

As at March 31, 2015, NCD of Rs. Nil are secured (repayable after one year) and Rs. 500,000,000 (repayable within one year).

Bank E (HDFC Bank Limited – Term Loan Dahej - SEZ)

As at December 31, 2015, HDFC Term Loan Dahej – SEZ of Rs. 255,000,000 which is secured and (repayable after one year) and Rs.45,000,000 (repayable within one year).

As at March 31, 2015, HDFC Term Loan Dahej – SEZ of Rs. 300,000,000 which is secured and (repayable after one year).

Bank F (ICICI Bank Limited – Term Loan Dahej - SEZ)

As at September 30, 2015, ICICI Term Loan Dahej – SEZ of Rs. Nil which is secured and (repayable after one year) and Rs. Nil (repayable within one year).

As at March 31, 2015, ICICI Term Loan Dahej – SEZ of Rs. 450,000,000 is secured and (repayable after one year).

Bank G (YES Bank Limited)

As at December 31, 2015, Yes Bank Term Loan of Rs. Nil (repayable after one year) and Rs.Nil (repayable within one year is secured).

As at March 31, 2015, Yes Bank Term Loan of Rs. 585,000,000 (repayable after one year) and Rs. 65,000,000 (repayable within one year is secured).

Bank H (KBC Bank Limited – Meghmani Europe BVBA)

As at December 31, 2015, Bank borrowings amounting to Rs. 5,771,000 are secured by the assets purchased at Europe.

As at March 31, 2015, Bank borrowings amounting to Rs.5,582,000 are secured by the assets purchased at Europe.

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

As at December 31, 2015, bank borrowings amounting to Rs.966,727,000 (repayable after one year) and Rs.322,242,000 (repayable within one year) are secured by Mortgage/hypothecation of assets

As at March 31, 2015, bank borrowings amounting to Rs.1,208,409,000 (repayable after one year) and Rs. 322,242,000 (repayable within one year) are secured by Mortgage/hypothecation of assets.

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

As at December 31, 2015, bank borrowings amounting to Rs.283,521,000 (repayable after one year) and Rs.189,015,000 (repayable within one year) are secured by Mortgage/hypothecation of assets

As at March 31, 2015, bank borrowings amounting to Rs. 446,428,000 (repayable after one year) and Rs.178,572,000 (repayable within one year) are secured by Mortgage/hypothecation of assets.

Bank K (ECB - Standard Chartered Bank)

As at December 31, 2015, bank borrowings amounting to Rs. Nil (repayable after one year) and Rs.212,641,000 (repayable within one year) first pari passu charge on movable fixed assets of Meghmani Finechem Ltd. including moveable plant and equipment.

As at March 31, 2015, bank borrowings amounting to Rs. 133,929,000 (repayable after one year) and Rs. 267,857,000 (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	
	Nine Months ended		Nine Months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities:				
Profit from operations	1,597,224	981,642	764,879	532,848
Adjustments for :				
Depreciation on property, plant and equipment	577,135	548,916	271,775	259,774
Unrealized foreign exchange gain (loss)	(38,377)	(113,899)	(33,535)	(73,977)
Interest Received	(14,307)	(18,769)	(12,739)	(5,448)
Loss on disposal of property, plant and equipment	(1,958)	27,260	33	1,700
Operating cash flows before movement in working capital	2,119,717	1,425,150	990,413	714,897
Trade receivables	(715,520)	(62,733)	(541,766)	(181,843)
Other receivables and prepayments	263,709	507,121	304,421	339,563
Inventories	(338,823)	105,976	(369,213)	80,656
Trade payables	493,457	136,043	376,814	9,292
Bills payables	(167,490)	310,802	(167,490)	310,802
Other payables	(62,535)	(113,835)	(77,376)	(157,957)
Cash generated from operations	1,592,515	2,308,524	515,803	1,115,410
Income taxes paid	(198,352)	(107,112)	(110,839)	(29,557)
Interest and finance charges paid	(521,625)	(606,942)	(334,194)	(377,758)
Net cash from operating activities	872,538	1,594,470	70,770	708,095
Cash flows from investing activities:				
Purchase of property, plant & equipments	(713,658)	(537,275)	(260,931)	(334,528)
Proceeds on disposal of property, plant & equipments	1,129	14,861	749	6,961
Purchase of Investment	(60,250)	-	(727)	-
Depreciation adjusted Due to revised estimated useful life of assets as prescribed in Schedule - II of Companies Act - 2013)	-	(34,533)	-	(31,429)
Interest received	13,955	18,769	12,386	5,448
Investment income received`	-	25	-	145,633
Net cash used in investing activities	(758,824)	(538,153)	(248,523)	(207,915)
Cash flows from financing activities:				
Dividend and Dividend tax paid	(1,182)	(182,073)	(1,182)	(29,654)
Decrease in Hedge Reserve	62,663	73,253	63,150	90,223
Proceeds from bank borrowings, net of repayments	(648,963)	(1,093,312)	(318,299)	(621,899)
Proceeds from other borrowings, net of repayments	419,021	5,005	419,021	5,005
Increase in Unsecured Loan	-	44,000	-	44,000
Net cash from financing activities	(168,461)	(1,153,127)	162,690	(512,325)
Net effect of exchange rate change in consolidation	356	36,778	-	-
Net (decrease) increase in cash and cash equivalents	(54,391)	(60,032)	(15,063)	(12,145)
Cash and cash equivalents at the beginning of the year	351,796	394,736	112,570	77,079
Cash and cash equivalents at the end of the year	297,405	334,704	97,507	64,934

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
Balance as at 30 September, 2014	254,314	1,565,048	612,270	19,871	18,433	(108,527)	223,166	2,111	79,342	2,762,547
Dividend Paid	-	-	-	-	-	-	-	(63)	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	(45,576)
Addition during the year	-	-	125,000	-	-	20,563	(117,676)	-	-	(7,324)
Currency Translation Reserve	-	-	-	-	-	-	-	-	30	-
Depreciation adjusted (net of deferred tax)*	-	-	(22,520)	-	-	-	-	-	-	20,746
Balance as at 31 December, 2014	254,314	1,565,048	714,750	19,871	18,433	(87,964)	105,490	2,048	79,372	2,730,393
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	3,154,216
Dividend Paid	-	-	-	-	-	-	-	(299)	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	230,502
Addition during the year	-	-	-	-	-	9,261	821	-	-	(821)
Currency Translation Reserve	-	-	-	-	-	-	-	-	(3,296)	-
Balance as at 31 December, 2015	254,314	1,565,048	743,058	3,518	18,433	196	125,000	2,377	75,220	3,383,897

Rs 000

Company	Issued capital	Share premium	General reserve	Capital Reserve	Capital redemption reserve	Hedge Reserve	Debenture redemption reserve	Dividend reserve	Accumulated Profits	Total
Balance as at 30 September, 2014	254,314	1,565,048	612,270	3,122	18,433	(124,774)	223,166	2,111	3,089,455	5,643,145
Dividend Paid	-	-	-	-	-	-	-	(63)	-	(63)
Net profit for the period	-	-	-	-	-	-	-	-	43,890	43,890
Addition during the year	-	-	125,000	-	-	27,800	(117,676)	-	(7,324)	27,800
Depreciation adjusted (net of deferred tax)*	-	-	(20,746)	-	-	-	-	-	20,746	-
Balance as at 31 December, 2014	254,314	1,565,048	716,524	3,122	18,433	(96,974)	105,490	2,048	3,146,767	5,714,772
Balance as at 30 September, 2015	254,314	1,565,048	744,218	3,122	18,433	(9,591)	124,179	2,676	3,186,444	5,888,843
Dividend Paid	-	-	-	-	-	-	-	(299)	-	(299)
Net profit for the period	-	-	-	-	-	-	-	-	63,749	63,749
Addition during the year	-	-	-	-	-	9,591	821	-	(821)	9,591
Balance as at 31 December, 2015	254,314	1,565,048	744,218	3,122	18,433	-	125,000	2,377	3,249,372	5,961,884

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- 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.

	31 December 2015	31 March 2015
Total number of issued ordinary shares	37,655,450	40,248,150

- 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 does not have any treasury shares.

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

These figures have not been audited or reviewed.

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

Not applicable.

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

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

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2015.

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	
	9 months ended		9 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
(a) Based on weighted average number of ordinary shares in issue (Rs)	2.32	1.11	0.93	0.97
Earning per SDS (Rs)	1.16	0.56	0.47	0.49
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	2.32	1.11	0.93	0.97
Earning per SDS (Rs.)	1.16	0.56	0.47	0.49
Weighted average number of ordinary shares (Nos.)	254,314,211	254,314,211	254,314,211	254,314,211

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 31.12.2015	As at 31.03.2015	As at 31.12.2015	As at 31.03.2015
Net assets value per ordinary share based on issued share capital at the end of the period / year reported in Rs.	24.27	21.70	23.44	22.27

- 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 Agrochemicals, technical, intermediates products and small packing.

Quarter to Quarter:-

Breakdown of Revenue by Product

(Rs. in Millions)

Products	Q3 FY 2015-16	Q3 FY 2014-15	Increase/ Decrease	%
Pigments	928.23	890.82	37.41	4.2
Agrochemicals	874.43	1014.48	-140.05	-13.8
Caustic Chlorine	939.33	733.07	206.26	28.1
Trading	332.31	319.74	12.57	3.9
Total	3074.30	2958.11	116.19	3.9

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

Domestic Sales	Q3 FY 2015-16	Q3 FY 2014-15	Increase/ Decrease	%
Pigments	272.60	145.44	127.16	87.4
Agrochemicals	292.21	280.45	11.76	4.2
Caustic Chlorine	905.97	728.06	177.91	24.4
Trading	2.40	15.38	-12.98	-84.4
Total	1473.18	1169.33	303.85	26.0

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

Export Sales	Q3 FY 2015-16	Q3 FY 2014-15	Increase/ Decrease	%
Pigments	655.63	745.38	-89.75	-12.0
Agrochemicals	582.22	734.03	-151.81	-20.7
Caustic Chlorine	33.36	5.01	28.35	565.9
Trading	329.91	304.36	25.55	8.4
Total	1601.12	1788.78	-187.66	-10.5

Group revenue increased marginally by 3.9% from Rs. 2958.11 million in Q3 FY 2015 to Rs. 3074.30 million in Q3 FY 2016. This is on account of increase in Sales of Pigments and Caustic Chlorine.

Increase in domestic sales

Group revenue from domestic sales increased by 26.0% from Rs. 1169.33 million in Q3 FY 2015 to Rs. 1473.18 million in Q3 FY 2016. This is on account of increase in Sales of Pigments and Caustic Chlorine.

Decrease in export sales

Group revenue derived from export sales decreased by 10.5% from Rs. 1788.78 million in Q3 FY 2015 to Rs. 1601.12 million in Q3 FY 2016. This is on account of decrease in Sales of Pigments and Agro Chemicals.

Gross profit Analysis – Group - Quarter to Quarter:-**Breakdown of Gross Profit by Division****(Rs. in Millions)**

Division	Q3 FY 2016	GP Margin Q3 FY 2016 (%)	Q3 FY 2015	GP Margin Q3 FY 2015 (%)	Variance	%
Pigments	248.31	26.7	135.50	15.2	112.81	83.3
Agrochemicals	142.70	16.3	179.21	17.7	-36.51	-20.4
Power*	0.00	n.m.	-0.11	n.m.	0.11	n.m.
Caustic Chlorine	324.21	34.5	92.42	12.6	231.79	250.8
Trading	10.28	3.1	2.75	0.9	7.53	273.8
Total	725.50	23.6	409.77	13.9	315.73	77.1

Overall, gross profit of the Group increased by Rs. 315.73 million (or 77.1%) from to Rs 409.77 million in Q3 FY 2015 to Rs 725.50 million in Q3 FY 2016. The gross profit percentage increased from 13.9 % in Q3 FY 2015 to 23.6 % in Q3 FY 2016. The gross profit margin of Pigment increased from 15.2%, to 26.7%, mainly due to decrease in raw material cost. while Agrochemical decreased marginally from 17.7% to 16.3% mainly due to decrease in export sales and pressure in sales prices.

The gross profit margin of Caustic Chlorine increased from 12.6%, to 34.5% due to increase in ECU.

Other Operating Income

Other operating income of the Group consists mainly of export benefits such as duty entitlement passbook benefit (DEPB), Duty Draw Back, etc, which decreased by Rs. 41.40 million to Rs. 46.03 million in Q3 FY 2016. The other income decreased due to decrease in export sales and in MEIS rate compared to Focus Product Scheme.

Distribution, Administrative and Other Operating Expenses

Distributions costs of the Group decreased by 7.0 % to Rs 184.80 million in Q3 FY 2016, due to decrease in export clearing & forwarding, Transportation Cost, and Sales Commission.

Administrative costs of the Group decreased by 20.2% to Rs 55.48 million in Q3 FY 2016, due to decrease in Legal & Professional fees and Repairs to other assets.

Other operating expenses decreased by Rs.7.48 million in Q3 FY 2016 mainly due to foreign exchange fluctuations.

Finance costs

Finance costs in Q3 FY 2016 decreased by Rs. 65.12 million (or 30.4%). as a result of repayment of term loan and decrease in interest rate of working capital loan.

Income from Investments :-

During the quarter Income from investments is Rs. Nil.

Taxation

Income tax decreased by Rs. 64.91 million i.e. from Rs. 99.63 million in Q3 FY 2015 to Rs. 34.72 million in Q3 FY 2016, due to decrease in deferred tax expenses of 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.

Group Revenue Analysis :- Nine Months to Nine Months:-

Breakdown of Revenue by Product

(Rs. in Millions)

Division	9 months FY 2016 Actual	9 months FY 2015 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigments	2,967.58	2793.13	174.45	6.2
Agrochemicals	3,242.98	3447.78	-204.80	-5.9
Power	0.00	0.00	0.00	n.m.
Caustic Chlorine	2,693.39	2474.00	219.39	8.9
Trading	902.53	1088.25	-185.72	-17.1
Total	9,806.48	9803.16	3.32	0.03

Division wise Domestic Sales

(Rs. in Millions)

Particulars	9 months FY 2016 Actual	9 months FY 2015 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigment	744.08	566.89	177.19	31.3
Agro	1076.51	1170.75	-94.24	-8.0
Power	0.00	0.00	0.00	n.m.
Caustic Chlorine	2625.39	2456.00	169.39	6.9
Trading	11.04	61.32	-50.28	-82.0
Total	4457.02	4254.96	202.06	4.7

Division wise Export Sales

(Rs. in Millions)

Particulars	9 months FY 2015 Actual	9 months FY 2014 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigment	2223.50	2226.24	-2.74	-0.1
Agro	2166.47	2277.03	-110.56	-4.9
Caustic Chlorine	68.00	18.00	50.00	277.8
Trading	891.49	1026.93	-135.44	-13.2
Total	5349.46	5548.20	-198.74	-3.6

Group revenue for 9 months FY 2016 increased marginally by Rs. 3.32 million (by 0.03%) i.e. from Rs. 9803.16 million in 9 Months FY 2015 to Rs. 9806.48 million in 9 Months FY 2016 on account of increase in Pigments and Caustic Chlorine.

Increase in domestic sales

Group revenue of domestic sales has increased by Rs.202.06 million (by 4.7%) i.e. from Rs 4254.96 million in 9 Months FY 2015 to Rs 4457.02 million in 9 Months FY 2016. This is due to increase in sales of Pigments and Caustic Chlorine.

Decrease in export sales

Group revenue derived from export sales decreased by Rs. 198.74 million (3.6%) from Rs. 5548.20 million in 9 Months FY 2015 to Rs. 5349.46 million in 9 Months FY 2016. This is due to decrease in sales of Agrochemicals and Trading activity.

Group Gross Profit Analysis :- Nine Months to Nine Months:-

Breakdown of Gross Profit by Division

Division	(Rs. in Millions)					
	9 months FY 2016	GP Margin 9 months FY 2015 (%)	9 months FY 2015	GP Margin 9 months FY 2015 (%)	Increase/ Decrease	%
Pigments	607.74	20.5	388.20	13.9	219.54	56.6
Agrochemicals	721.48	22.2	597.80	17.3	123.68	20.7
Power*	0..00	n.m.	-5.86	n.m.	5.86	n.m.
Caustic Chlorine	778.75	28.9	559.11	22.6	219.64	39.9
Trading	23.29	2.6	35.62	3.3	-12.33	-34.6
Total	2131.26	21.7	1574.87	16.1	556.39	35.3

Group gross profit for 9 Months FY 2016 increased by Rs. 556.39 million (i.e. 35.3 %) from Rs 1574.87 million in 9 Months FY 2015 to Rs 2131.26 million in 9 Months FY 2016. The main Contributor are Pigments, Agrochemicals and Caustic Chlorine. The Profit increased mainly to reduction in raw material cost.

Other Operating Income

Other Operating Income of the Group which consists mainly of export benefits such as Duty Entitlement Passbook Benefit (DEPB), and duty drawback etc. has decreased by 26.7% to Rs. 162.70 million in 9 Months FY 2016. The other income decreased due to decrease in export sales and in MEIS rate compare with focus product.

Distribution, Administrative and Other Operating Expenses

Distribution expenses of the Group for 9 Months FY 2016 decreased by 4.6% i.e. by Rs. 28.39 million, due to decrease in Packing Material Cost, Transportation Cost and Sales Commission.

Administrative expenses for 9 Months FY 2016 decreased by Rs. 8.95 million from Rs. 188.60 million in 9 Months FY 2015 to Rs. 179.65 million in 9 Months FY 2016, due to decrease in Legal & Professional fees, Repairs to other assets and Vehicle Expenses.

Other operating expenses of the Group for 9 Months FY 2016 increased by Rs. 81.05 million mainly due to foreign currency exchange adjustment.

Finance costs

Finance costs of the Group for 9 Months FY 2016 decreased by Rs.85.32 million (or 14.1%). mainly due to repayment of term loan and decrease in interest rate of working capital loan.

Balance sheet

Trade receivables

Trade receivables of Group increased by Rs.715.52 million from Rs. 3167.01 million in FY 2015 to Rs. 3882.53 million in 9 Months FY 2016.

Trade receivables at Company level increased by Rs. 541.77 million from Rs. 3026.04 million in FY 2015 to Rs. 3567.81 million in 9 Months FY 2016.

Other receivables & Prepayments

During 9 Months period FY 2016, other receivables & prepayments at Group level decreased by Rs. 225.33 million (or 17.0%), and Company level decreased by Rs. 270.89 million (or 25.7%) .This is on account of receipt of VAT Refund, Duty Drawback, and Excise balance utilized.

Inventories

The Inventories at Group level increased by Rs. 338.82 million i.e. from Rs. 2157.82 million in at FY 2015 to Rs. 2496.64 million in at 9 Months FY 2016 and Inventories at Company level increased by Rs. 369.21 million from Rs. 1808.22 million in at FY 2015 to Rs. 2177.43 million in at 9 Months FY 2016.

Property, plant and equipment

Fixed assets at 9 Months FY 2016 at Group level increased by Rs. 137.35 million and at Company level decreased by Rs. 11.63 million respectively. The expenses at group level increased due to KOH Project of Meghmani Finechem Limited.

Bank Borrowings and Long Term Loan

Bank borrowings at 9 Months FY 2016 at Group and Company level decreased by Rs. 397.43 million and Rs. 66.77 million respectively due to Payment of Term Loan Installment.

Trade payables

Trade payables at 9 Months FY 2016 at Group and Company level increased by Rs.493.46 million and Rs. 376.81 million respectively.

Other payable

Other payable at 9 Months FY 2016 at Group and Company level decreased by Rs. 62.53 million and at Company level decreased by Rs. 77.38 million respectively.

Cash flow statement

At 9 Months FY 2016 period, the Group has generated a positive net cash flow of Rs. 872.54 million.

Financial Analysis**Rs. in millions**

Group Key Financial Highlights	As at 31.12.2015	As at 31.12.2014	Variance	Variance (%)
<u>Profitability</u>				
Sales	9,806	9,803	3	0.03
Gross Profit	2,131	1,575	556	35.3
Gross Profit Margin (%)	21.7	16.1	5.6	34.8
Profit before tax	1,076	375	701	186.9
Profit before tax Margin (%)	11.0	3.8	7.2	189.5
Net profit	590	283	307	108.5
Net profit Margin (%)	6.0	2.9	3.1	106.9
Earning per Share (EPS in Rs.)	2.32	1.11	1.21	109.0
Annualized return on equity (ROE)	8.08	4.52	3.56	78.8
<u>Financial position</u>				
Net tangible assets	7,304	6,274	1,030	16.4
Debt (short term +long term)	6,049	6,770	-721	-10.6
Capital Gearing ratio	0.83	1.08	-0.25	-23.1
Net tangible assets per share	28.72	21.24	7.48	35.2
Stock turnover (days)	89	80	9	11.3
Trade debts turnover (days)	109	101	8	7.9

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: -

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.

The global pigments (organic, Inorganic and Speciality) market revenues are expected to reach USD 14.7 billion in 2018, growing at a CAGR of 4.5% from 2013 to 2018. In terms of volumes, pigments demand is expected to reach 4.4 million tons by 2018.

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)

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.

The main consumer industries for pigments are printing inks, paints, plastics, rubber, etc., accounting for 70% of the end use.

Large proportion of the organic pigments produced is exported. The industry has grown at 10% p.a. between FY07 and FY12 with exports growth at 14.5% p.a. Exports are estimated to grow to \$4.9 billion by 2017. (Source: - Transparency Market Research).

In its latest study, Ceresana forecasts global revenues generated with **pigments** to increase to US\$34.2 billion in 2020. One of 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.

Paints and varnishes are the by far most important sales market for pigments worldwide. More than 43% of global demand originates in this segment. The processing of plastics reports the second largest market volume and accounts for 27% of pigment demand. Plastics will develop at the second highest growth rates in the future; only the segment printing inks will develop more dynamically, due to the growing market for printed [packaging](#). Ceresana expects the least dynamic development for the segment paper, as the completely revised 3rd edition explains.

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.

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 demand for organic pigments will increase in inks and coatings as these have an ability to provide intense and bright colors. China's consumption will increase as the government has made expansion of 10 industries such as automobile, iron & steel, shipbuilding, textile, petrochemical, light that are all its important user. 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.)

3) INDIAN MARKET

The Size of Indian Colorants industry is \$ 3.4 billion in Fy 2011 with exports accounting for 68%. Pigment Consumption in India stood 700,000 tons in 2011 of which 115,000 tons was for color and special effect.

Out of total Pigment consumption 47% accounts for Ink, 24% Coatings, 10% textiles, 10% Plastics and 9% Others. 'Indian paint industry forecast to 2015', the pigment market is expected to witness CAGR growth of 15% during FY 2012-2015.

4) **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).

5) **GLOBAL AGROCHEMICALS MARKET:-**

The global agrochemicals industry is expected to reach an estimated value of \$261.9 billion by 2019. The major drivers of agrochemicals industry are increasing demand for food with rising population and consumer awareness associated with the benefits of fertilizers and pesticides in crop production.

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.

6) INDIAN MARKET:-

Indian crop protection industry is largely dominated by [insecticides](#) which form about 65% of share of the industry. Other segments like herbicides, [fungicides](#) and other (rodenticides/ nematocides) form 16%, 15% and 4%, respectively.

Indian [agrochemical industry](#) is expected to grow at 12-13 per cent per annum to reach \$ 7.5 billion by FY'19. "Indian crop protection industry was estimated at \$ 4.25 billion in FY14 of which 50 per cent was exports. The crop protection industry has experienced strong growth in the past and is expected to grow further at 12-13 per cent per annum to reach \$ 7.5 billion by FY2018-19. (Source :- Business Standard).

Lower per hectare yield at 3 tonne/ha in [India](#) as compared to global average of 4 tonne/ha highlights the need of agrochemicals for Indian agriculture. In order to realise true potential, industry, government and regulatory bodies need to work in tandem."

Tropical climatic conditions and high production of paddy, cotton, sugarcane and other cereals in India drive the consumption of insecticides. Availability of cheap labor for manual weed picking also contributed to low consumption of herbicides in India. However, the trend is expected to change in future as herbicides, now, are the fastest growing segment due to increasing farm labour wages in India.

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.

India's global rank is fourth as a supplier of agrochemicals in the global market, after USA, Japan and China thereby indicating the significance of agrochemical industries in India.

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.

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

Outlook for FY 2016

Raw Material Price

The volatility in foreign exchange market may impact on finished goods prices; as a result, our profitability is likely to be affected in Q4 FY 2016.

Market Price

The global markets for Pigment and Agrochemicals products are under pressure. The Caustic Chlorine prices are cyclical but have showed improvement.

Profitability

The Group and Company revenue for Q3 FY 2016 has increased marginally.

While Net Profit after tax at Group and Company level has increased in Q3 FY 2016.

The Group Profitability may be affected in Q4 FY 2016 due to unpredictable market trends, rupee/dollar exchange rate and crude oil prices fluctuation and ECU prices of Caustic Chlorine etc.

11. Dividend

(a) Current financial period reported on 31.12.2015

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 31.12.2015 has been declared/ recommended.

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:

Particulars of interested person transactions for the month ended 31 December 2015 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 4,700,000) 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 4,798,000))	
	Amount in Rs.	Amount in S\$,000	Amount in Rs.	Amount in S\$,000
Purchases				
Meghmani Pigments ⁽¹⁾	67,993,911	1,447	-	-
Meghmani Finechem Limited ⁽²⁾	272,425,940	5,796	-	-
Vidhi Global Chemicals Ltd. ⁽³⁾	234,332,139	4,986	-	-
Matangi Industries ⁽⁶⁾	7,022,086	149	-	-
Meghmani LLP ⁽⁵⁾	23,198,148	494	-	-
Sales				
Ashish Chemicals (EOU) ⁽⁴⁾	16,075,500	342	-	-
Vidhi Global Chemicals Ltd. ⁽³⁾	236,407,989	5,030	-	-
Meghmani Industries Limited. ⁽⁷⁾	440,510,477	9,373	-	-

Note – Rs. 47.00 = \$1 (Average Rate of 31.12.2015)

- (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.
- (6) Matangi Industries is a partnership firm owned jointly 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) and by Mr. Ruchit Jani.
- (7) 48% of Equity Shares of Meghmani Industries Limited are held directly by Mr Natwarlal Patel (Managing Director), and Mr Ramesh Patel (Executive 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 Third quarter ended **31 December, 2015** to be false or misleading.

15. Reconciliation between IGAAP and IFRS

KPMG – Joint Auditor for IFRS has made limited review of the quarter ended on 31st December, 2015. The reconciliation between IGAAP and IFRS has shown the increase in profit after minority interest by Rs. 38.10 Million. The Company has not considered the variance in the profit reported under the quarter ended 31st December, 2015.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED
K D Mehta
Company Secretary
Date: 05/02/2016