

Chemistry of success at work



MEGHMANI ORGANICS LIMITED



ANNUAL REPORT
2009 - 2010

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MEGHMANI ORGANICS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Jayanti M Patel
Ashish N Soparkar
Natwarlal M Patel
Ramesh M Patel
Anand I Patel
Ashvin Raythatha
Balkrishna T Thakkar
Chinubhai R Shah
Jayaraman Vishwanathan
Chandan Bhattacharya
K H Patel
Akthar Hassen G Shaik (29.01.2010)

AUDIT COMMITTEE

Balkrishna T Thakkar
Chinubhai R Shah
Jayaraman Vishwanathan

NOMINATING COMMITTEE

Chinubhai R Shah
Chandan Bhattacharya
Jayanti M Patel

REMUNERATION COMMITTEE

Chinubhai R Shah
Balkrishna T Thakkar
Natwarlal M Patel

THE SHAREHOLDERS' / INVESTORS' GRIEVANCES, SHARE ALLOTMENT AND SHARE TRANSFER COMMITTEE

Balkrishna T Thakkar
Chinubhai R Shah
Ashish Soparkar

COMPANY SECRETARY

Kamlesh Dinkerray Mehta

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup (West),
Mumbai 400 078, India.
Tel: +91 22 2596 0320
Fax: +91 22 2596 0329



CORPORATE INFORMATION

SINGAPORE DEPOSITORY SHARES ("SDSs") REGISTRAR AND SDSs OFFICE

Tricor Barbinder Share Registration Services
8 Cross Street # 11,
PWC Building,
Singapore 048424
Telephone No. (65) 6236 3552
Fax No. (65) 6236 3405
E-mail : helpdesk@meghmani.com

SINGAPORE SECRETARIAL AGENT

Tricor Evatthouse Corporate Services
8 Cross Street # 11,
PWC Building,
Singapore 048424
Telephone No. (65) 6236 3510
Fax No. (65) 6236 4399
E-mail : helpdesk@meghmani.com

REGISTERED OFFICE

Plot No. 184, Phase II,
G.I.D.C. Vatva, Ahmedabad -382 445
Telephone No. 91-79-25831210
Fax No. 91-79-25833403
E-mail : helpdesk@meghmani.com

MEGHMANI ORGANICS LIMITED

CORPORATE INFORMATION

PLANT LOCATIONS :

1. Pigment Green - Division

Plot No. 184, Phase II,
G.I.D.C. Vatva, Ahmedabad -382 445
Telephone No. 91-79-25831210
Fax No. 91-79-25833403
E-mail : helpdesk@meghmani.com

2. Agro Division - I

Plot No. 402,403,404 & 452,
Village Chharodi,
Taluka Sanand,
District :- Ahmedabad
Telephone No. 91-2717-273251
Fax No. 91-2717-273254
E-mail : helpdesk@meghmani.com

3. Pigment Blue - Division

Plot No. 21,21/1,
G.I.D.C. Panoli,
District :- Bharuch
Telephone No. 91-2646-276352
Fax No. 91-2646-276374
E-mail : helpdesk@meghmani.com

4. Agro Division - II

5001/B, G.I.D.C. Ankleshwar,
District :- Bharuch
Telephone No. 91-2646-222971
Fax No. 91-2646-222965
E-mail : helpdesk@meghmani.com

5. Agro Division - III

Plot No - Ch-1+2/A
GIDC Dahej Taluka - Vagra
Dahej - Bharuch -392130
Telephone No. 91-2641-256677 /88
E-mail : helpdesk@meghmani.com

6. Agro Division - IV

Plot No. 22/2,
G.I.D.C. Panoli,
District :- Bharuch
Telephone No. 91-2646- 276577
E-mail : helpdesk@meghmani.com



CORPORATE INFORMATION

PRINCIPAL BANKERS

State Bank of India,
CAG Branch,
57, Shrimali Society,
Navrangpura,
Ahmedabad 380 009

HDFC Bank Limited,
HDFC House,
Mithakhali Six Road,
Ahmedabad 380 009

ICICI Bank Limited
JMC House, Opp. Parimal Garden,
Ambawadi, Ahmedabad 380 009

AUDITORS

M/s Patel & Khandwala
204, Akik,
Opp. Lions Hall,
Mithakhali, Ahmedabad 380 009

MEGHMANI ORGANICS LIMITED

CHAIRMAN'S STATEMENT

Dear shareholders,

It gives me immense pleasure to extend a very warm welcome to all the members of the company at the 16th Annual General Meeting of India's expeditiously growing chemical company, Meghmani Organics Limited (MOL).

At Meghmani, we believe that end of growth and expansion is the end of the company in itself, and to keep this relentless spirit of growth alive; MOL has set up two new agrochemicals manufacturing units last year in addition to one more overseas subsidiary in Indonesia for marketing our own branded formulations in that market. We have strengthened our worldwide marketing network for Agrochemicals and Pigments and currently focusing on exporting technical grade pesticides as well as various formulations to our customers across the globe. We also have a strong pipeline of registrations of several new products for various markets worldwide for Agrochemicals.

To leverage these strengths, we have identified to manufacture 2, 4-D, a widely used and environment friendly herbicide which has a good growth potential. To have advantage of backward/forward integration we have also identified to manufacture Monochloroacetic Acid (MCAA) a major intermediate used in the production of 2, 4-D Acid. In the manufacture of MCAA, Trichloroacetyl Chloride (TCAC) will be generated which is a key raw material for one of our existing technical product Chlorpyrifos, which we manufacture at our Ankleshwar plant. The planned annual installed capacity of 2, 4-D Acid is 9600 MT and MCAA 12,000 MT. MCAA plant will generate TCAC 2400 MT.

The plant is strategically located in the vicinity of Caustic Chlorine complex of the Subsidiary viz., Meghmani Finechem Limited (MFL). The basic advantage will be the availability of Chlorine from MFL through pipeline for production of MCAA as well as for the production of 2, 4-D. This will help us in reducing the cost of production of MCAA. It will also ensure steady supply base of chlorine for MOL's new subsidiary, MFL.

The cost of the Project is firmed up at Rs. 84 Crores. The Project will be funded by way of term loan of Rs. 51 Crores and Rs. 33 Crores by way of Internal Accruals.

The project is expected to commence its first phase of operation by July 2010. We expect to achieve top line of about Rs. 130 Crores by FY 2011.

We have also set up plant of Agrochemical Formulation of Agrochemical Technical products such as Chlorpyrifos and Cypermethrin etc. at Panoli. The administrative advantage of the plot is that it is exactly opposite to our Pigment Manufacturing facility. The investment of around Rs. 3 Crore has already been made. The Company expects to increase turn over by Rs. 50 Crore in coming two years. The Plant commenced its operational by 30th September, 2009 as per schedule. In the last few years the Company has increased its registration strength, sales depots and sales team. This will facilitate the marketing of formulated products.

Last year, our in house Research and Development unit at our Chharodi plant got recognition from Department of Scientific and industrial Research (DSIR), Government of India, Ministry of Science and Technology. It will boost the R&D activities of the Company in off-patent molecules, improvements in process parameters, time cycle optimization, waste management, cost reduction and scale up of new technology from laboratory to production level. The newly set up R&D set up will also enhance the Company's efforts towards attracting contract manufacturing projects.



Our newly set up overseas subsidiary at Indonesia will focus on selling our own branded agrochemicals in Indonesia and nearby markets. We have established our office, warehouse and dedicated sales team to take up this challenging job. And now, with great pride; I shall proceed to share with you, the highlights of MOL's performance in the Fiscal year 2009-10.

The present fiscal year has turned out to be a considerably good year for both our Agrochemical and Pigment businesses. As we persistently struggled our way out of a dismal and recessionary global business market, we crossed several hurdles such as constantly battling with exchange rate fluctuations, ever increasing oil and other raw material prices and erosion of prices in our end products. Our vigorous and stringent policies and cost cutting measures have without fail; kept us on the track of what we always believed in- "growth". This year we have embarked upon an extraordinary and phenomenal increase of 22% in PAT leading us to a gigantic increase in profit of Rs 0.11 Billion. Our Administrative, Finance, Sales and Distribution Expenses have experienced a sharp cut of 84%, 43% and 0.3% respectively.

Also Standing Firm against the turbulent recessionary winds is our Domestic sales embarking upon an increase by Rs. 0.32 Billion, i.e. a Himalyan 17%. Our Agrochemicals division contributed Rs. 4.12 Billion and Pigment division contributed Rs. 2.81 Billion to the revenue against Rs. 4.30 Billion and Rs. 2.66 Billion in the year ago period. It is out of both bliss and gratification that I inform you; that this vast increase was achieved despite having several competitors in the domestic market. It is hence needless to say that our standards in terms of quality, services, customer satisfaction, technical competence, and logistic amenities are unparalleled, unequalled and beyond compare.

The earnings per share rose to Rs 2.42 per share from Rs.1.99 per share of last year.

On the strength of this performance our Board is recommending a dividend of 40% per share.

On behalf of Board and the Management team, we wish to thank you for your undivided commitment, trust and faith in us. We will continue to build and deliver attractive returns. We would also like to thank our customers, vendors, bankers, insurance companies, consultants and advisors who always stood by us and extended strong support to us in all circumstances. We also take this opportunity to appreciate our employees who with their powerful sense of commitment and belonging helped the company to achieve enviable growth in the sectors of Agrochemicals and Pigments.

Our company is built over a period of three decades. We stood firm on four pillars of transparency, fairness, accountability and merit based professional environment. We value in being a caring member of the society, an equal opportunity provider, fair to our stake holders and a preferred source for our invaluable customers.

I, the Chairman of MOL, promise you all that no efforts will be spared and no opportunity will be wasted to ensure that MOL growth story continues further and stronger in years to come.

MEGHMANI ORGANICS LIMITED

DIRECTORS' REPORT

To,
The Members,
Meghmani Organics Limited

Your Directors have pleasure in presenting Sixteenth Annual report and Audited Statement of Accounts of the Company for the Financial Year ended on 31st March, 2010.

FINANCIAL RESULTS

Rs. in Millions

PARTICULARS	Year Ended On March 31, 2010	Year Ended On March 31, 2009
(a) Net Sales & Other Income	7521.25	7945.92
(b) Profit before Interest & Depreciation	1154.65	1240.28
(c) Financial Expenses	136.01	240.05
(d) Depreciation	170.16	153.63
(e) Profit Before Exceptional Item & Tax	848.48	846.60
(f) Exceptional Item	11.20	225.36
(g) Profit Before Tax	837.28	621.24
(h) Payment / Provision for Current Tax and FBT	230.36	120.17
(i) Deferred Tax Expenses/(Income)	(8.88)	(4.24)
(j) Profit After Tax	615.80	505.31
Profit Available for Appropriation	615.80	505.31
Appropriations:-		
General Reserve	65.00	55.00
Proposed / Final Dividend	101.73	83.93
Tax on Proposed/ Final Dividend	16.89	14.26
Balance carried forward	550.80	352.12
Total of Appropriations	615.80	505.31

DIVIDEND:-

Your Directors are pleased to recommend dividend of Rs. 0.40 per Equity share (40%) on 254,314,211 Equity Shares of Rs. 1/- each, for your approval. The proposed dividend is tax free in the hands of shareholders.

OPERATIONS:-

The Net Sales of the Company has decreased to Rs. 7292.18 Mn in FY 2010 as against Rs. 7683.69 Mn in FY 2009, showing decrease of 5.10%.

DOMESTIC SALES:-

The Domestic Sales of the Company increased by Rs. 323.07 Mn i.e. 17.44% from Rs. 1852.11 Mn in FY 2009 to Rs. 2175.18 Mn FY 2010. The Domestic Sales of Pigment Division increased by Rs. 239.24 million from Rs. 405.32 million in FY 2009 to Rs.644.56 million in FY 2010. The Sales of Pigment Division increased due to new Customer base.



The sales of Agro Division increased by Rs. 56.01 million from Rs. 1446.79 million in FY 2009 to Rs. 1502.80 million in FY 2010, due to good monsoon season.

EXPORT SALES

The Export Sales decreased by Rs. 714.57 Mn i.e. 12.25% from Rs. 5831.58 Mn in FY 2009 to Rs. 5117.01 Mn in FY 2010. The Agrochemical Export sales decreased by Rs. 233.57 million i.e. from Rs. 2850.70 Mn in FY 2009 to Rs. 2617.13 Mn in FY 2010 and Pigment Division decreased by Rs. 87.63 million from Rs. 2257.76 Mn in FY 2009 to Rs. 2170.13 Mn in FY 2010. The major impact in export sales is decrease in trading sales by Rs. 393.37 million.

OTHER INCOME

Other income decreased by Rs.33.17 Mn. The lower export sales resulted in decrease in DEPB (Duty Entitlement Pass Book) income.

EXCEPTIONAL ITEMS:-

As per the guide lines issued by Institute of Chartered Accountants of India and Ministry of Corporate Affairs the Company has booked the foreign exchange gain /loss on mark to market basis.

FUTURE STRATEGIES:-

Pigments:

Global demand to rise 3.9% yearly through 2013

The size of the global pigment and dyestuff market is estimated at USD 13.9 Bn in 2009. Of this, the size of the organic pigment market is estimated at USD 9.1 Bn. The market is forecast to grow at a CAGR of 3.9% to emerge as a USD 16.9 Bn market by 2013.

The organic pigment market is expected to grow at a faster pace as compared to the dyestuff market. In volume terms, demand will grow 3.5 percent annually to 2.3 million metric tons. While the textile industry will remain the largest consumer of dyes and organic pigments, faster growth is expected in other markets such as printing inks, paint and coatings, and plastics. Strong gains will occur in the Asia/Pacific region and, to a lesser extent, other developing regions such as the Africa/Mideast region and Eastern Europe, while market maturity will limit advances in North America and Western Europe.

The downturn seen in 2009 continued in 2010 with some improvements. We expect the market to stabilize in 2011. High raw material cost will no longer be a critical issue in 2011. Despite this expected market condition, we continue to expect pigment users to seek alternate sources affording reasonable growth in 2011 and beyond.

Agrochemicals

The global agrochemical industry is expected to grow at 8.9% CAGR to touch USD 78.3 Bn by 2014, on account of many reasons unparalleled grain prices resulting in increase in demand for pesticides, favorable weather conditions in many parts of the world, increase in crop acreage, etc while Indian market is set to grow 12-15%, given the low penetration and the rising income levels of farmers.