



**MEGHMANI ORGANICS LIMITED**



**ANNUAL REPORT**  
**2010 - 2011**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Jayanti M Patel  
Ashish N Soparkar  
Natwarlal M Patel  
Ramesh M Patel  
Anand I Patel  
Ashvin K. Raythatha (Resigned on 09.05.2011)  
Balkrishna T Thakkar  
Chinubhai R Shah  
Jayaraman Vishwanathan  
Chandan Bhattacharya (Resigned on 21.04.2011)  
Kantibhai H Patel  
Akthar Hassen G Shaik

### **AUDIT COMMITTEE**

Balkrishna T Thakkar  
Chinubhai R Shah  
Jayaraman Vishwanathan

### **NOMINATING COMMITTEE**

Chinubhai R Shah  
Balkrishna T. Thakkar  
Jayanti M Patel

### **REMUNERATION COMMITTEE**

Chinubhai R Shah  
Balkrishna T Thakkar  
Natwarlal M Patel

### **THE SHAREHOLDERS' / INVESTORS' GRIEVANCE, SHARE ALLOTMENT AND SHARE TRANSFER COMMITTEE**

Chinubhai R Shah  
Balkrishna T Thakkar  
Ashish N. 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

**CORPORATE OFFICE**

Meghmani House,  
Shreenivas Society,  
Off. Vikas Gruh Road,  
Paldi, Ahmedabad - 380 007.  
Telephone No. : 91-79-26640668 / 669  
Fax No. : 91-79-26640670  
E-mail : helpdesk@meghmani.com

**MUMBAI OFFICE**

22/23, Vellard View Co. Op. Housing Society,  
Tardeo Road,  
Mumbai - 400 007

## **CORPORATE INFORMATION**

### **PLANT LOCATION**

#### **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. 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

#### **3. 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

#### **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,  
58, Shreemali Society,  
Navrangpura,  
Ahmedabad 380 009

HDFC Bank Limited  
Mithakhali,  
Ahmedabad 380 009

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

Standard Chartered Bank,  
Ground Floor, Abhijeet II,  
Mithakhali Six Roads,  
Ahmedabad - 380 006

**AUDITORS**

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

## CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me immense pleasure to welcome all members of the Company at the 17th Annual General meeting. I am very happy to note your high level of interest in Meghmani Organics Limited (Meghmani), India's one of the fastest growing chemicals manufacturing Company.

### **Agrochemical outlook :**

The Agrochemical outlook for Megamani is improving qualitatively. The outlook for future is also being driven by other factors like, the per-capita consumption of pesticides being still very low, providing opportunities for growth, increased demand for food grains and the rising awareness about pesticide usage among the farming community. Also the Indian Economy has recovered quickly thanks to its strong fundamentals. In combating the recession effectively with our strategies Meghmani has emerged stronger and entirely capable of meeting the future challenges.

Meghmani has been laying emphasis on increasing the number of product registrations in countries such as USA, Australia, Brazil, Bangladesh, China, Mexico, Malaysia, Turkey and Taiwan. The Company currently holds 80 registrations world wide and has more than 387 registrations pending in over 50 countries globally. The Company considers registration as crucial and considerable investments are focused on registrations. Our focus on formulation sales have translated, into 150 registration of Central Insecticides Board (CIB) of India.

### **Pigment Outlook:**

Almost all industrial sectors need Pigments, with printing inks, paints, and plastics and thus they all constitute growth markets for Pigments. More and more manufacturers use new colours and visual effects for their packaging and advertising material. In addition, sectors such as cosmetics, paper, and textile, building material, ceramics and glass create big demands on Pigments.

### **The Year in Numbers:**

Our relentless efforts to push for growth in spite of tough market conditions have enabled us to stay in the profit street. The Company recorded a Profit After Tax of Rs 474 million on the back of a revenue generation of Rs 8447 million for the year ended March 31, 2011. Once again Agrochemicals segment was the main contributor to revenues totaling Rs 4405 million, up from Rs 4120 million in fiscal 2010. The revenues generated by the Pigment Division totaled Rs 3549 million compared to Rs 2814 million a year ago. Together they contributed a growth of 15.8% for fiscal 2011.

### **Review of Core Business segments:**

The year under review saw growth in both Pigment and Agrochemicals businesses in spite of the modest growth in world pesticides industry. But Meghmani's quick responses and cost cutting measures ensured that the Company stayed on the growth track without confidence levels diminishing a wee bit. Our focus on growth has resulted in sustaining not only the momentum of recovery but forge ahead in the market place.

In spite of difficult market conditions, the Company has performed exceedingly well on the export front. Pigment exports realized better prices as well as increased volumes. Earnings from Agrochemicals increased due to higher quantity Sales.

Overall, the Company's export earnings for the year under review from both Pigments and Agrochemicals have aggregated to Rs 5889 million, an increase of 15% on year-on-year basis. Exports of Pigments fetched revenue of Rs 2640 million, a 21% increase over fiscal 2010 while the earnings from Agrochemicals rose by a modest 7.2% to Rs 2806 million compared to Rs 2617 million in the previous year.

Over the years, Meghmani has rapidly expanded its geographical coverage from India to overseas markets in Europe, the US, Latin America and Asia Pacific. For the financial year ended 31 March 2011, export sales accounted for about 70% and the domestic market in India accounted for 30% of the Company's total revenue. Asia (excluding India) contributed about 15% to the Company's revenue, while the North America and Europe contributed 21% and 17% respectively to the Company's revenue. The remaining contributions came from Meghmani's other markets in South America 11%, Australia 4% and Africa 2%.

**Environmental Awareness:-**

As a responsible corporate citizen and as a chemicals manufacturer environmental safety has been one of the key concerns of Meghmani. It is the constant endeavour of the Company to strive for pollution abatement and be compliant with stipulated pollution control norms. During the year for Second Consecutive year, the Company has won the most prestigious 2nd Level Silver Safety Award for the year 2009 from the National Safety Council of India (NSCI).

**Strategy of The Company:-**

To offer a complementary set of products and to expand the product basket, the Agrochemicals Division has started production of one of the most widely used herbicide 2,4-D at its Dahej site. The site is backward integrated to manufacture the intermediates like MCAA, TCAC. We are now one of the top 5 largest producers of this herbicide in the world based on installed production capacity.

The recently set up formulation plant at GIDC Panoli, Ankleshwar has also started performing at its peak capacity, despite issues of labor shortage.

The Company has purchased land of 100,000 Square Meter at GIDC Dahej - II, Dahej, District Bharuch. The Company is evaluating the option to set up new products of Pigment or derivatives of Basic Chemicals. The members will be informed once the plan is crystallized.

**Outlook for 2011-12**

It is said that the tough gets going when the going gets tough. This is precisely what we experienced in FY 2011 counteracting the challenges posed by sudden and abnormal increase in the prices of raw materials and cost of utilities.

But the situation is still not entirely favorable. There could be fresh bouts of increases in crude oil prices, which will result in higher prices of raw materials that are derivatives of crude. The bullish trend in the metal market continues pushing up copper and aluminum prices. If this trend of rising raw materials costs continues, our Company's profitability will be affected in FY 2012 as well. We have been making efforts to pass the higher raw material costs on to customers. However, this is a market-dependent and a time consuming process.

The global market for Pigment and Agrochemicals continued to show signs of stabilizing with recovery in the sale price.

**Acknowledgement**

On behalf of the Board of Directors, I would like to express our sincere thanks to all customers, vendors, investors, bankers, insurance companies, consultants and advisors for their continued support throughout the year.

On behalf of management, I sincerely acknowledge the contribution made by all the employees for their dedicated services to the Company.

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## DIRECTORS' REPORT

To,  
The Members,  
Meghmani Organics Limited

Your Directors have pleasure in presenting Seventeenth Annual report and Audited Statement of Accounts of the Company for the Financial Year ended on 31st March, 2011.

### FINANCIAL RESULTS

(Rs. in Millions)

PARTICULARS	YEAR ENDED ON MARCH 31, 2011	YEAR ENDED ON MARCH 31, 2010
(a) Net Sales & Other Income	8668.67	7521.25
(b) Profit before Interest & Depreciation	943.98	1154.65
(c) Financial Expenses	194.30	136.01
(d) Depreciation	203.46	170.16
<b>(e) Profit Before Exceptional Item &amp; Tax</b>	<b>546.22</b>	<b>848.48</b>
(f) Exceptional Item	(56.70)	11.20
(g) Extra Ordinary Item	2.50	-
(h) Profit Before Tax	600.42	837.28
(i) Payment & Provision of Current Tax	115.00	230.36
(j) Deferred Tax Expenses/(Income)	13.61	(8.88)
<b>(k) Profit After Tax</b>	<b>471.81</b>	<b>615.80</b>
<b>Profit Available for Appropriation</b>	<b>471.81</b>	<b>615.80</b>
<b>Appropriations:-</b>		
General Reserve	50.00	65.00
Proposed / Final Dividend	101.73	101.73
Tax on Proposed/ Final Dividend	16.50	16.89
<b>Balance carried forward</b>	<b>303.58</b>	<b>550.80</b>
<b>Total of Appropriations</b>	<b>471.81</b>	<b>615.80</b>

### DIVIDEND:-

Your Directors are pleased to recommend dividend of Rs. 0.40 (Forty Paise) per Equity share of Rs. 1/- each 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:-

#### TURN OVER :-

Net Turn Over of the Company has increased from Rs. 7292.18 Mn in FY 2010 to Rs. 8446.99 Mn in FY 2011, showing increase of Rs. 1154.81 Mn i.e. 15.84%.

#### DOMESTIC SALES:-

The Domestic Sales of the Company increased from Rs. 2175.18 Mn in FY 2010 to Rs. 2557.83 Mn in FY 2011 showing increase of Rs. 382.65 Mn i.e. 17.59%.

The Domestic Sales of Pigment Division increased by Rs. 264.95 Mn (41.10%) i.e. from Rs. 644.56 Mn in FY 2010 to Rs. 909.51 Mn in FY 2011 due to higher quantity sales and better price realization.

The Domestic sales of Agro Division increased by Rs. 96.49 Mn (6.42%) i.e. from Rs. 1502.80 Mn in FY 2010 to Rs. 1599.29 Mn in FY 2011. The pressure on pricing remained for all Agro Products.

### EXPORT SALES

The Export Sales increased from Rs. 5117.01 Mn in FY 2010 to Rs. 5889.16 Mn in FY 2011 showing an increase of Rs. 772.15 Mn i.e. 15.09%.

The Export Sales of Pigment Division increased by Rs. 470.28 Mn (21.67%) i.e. from Rs. 2170.13 Mn in FY 2010 to Rs. 2640.41 Mn in FY 2011 due to better price realization and higher quantity sales..

The Export Sales of Agro Division increased by Rs. 188.71 Mn (7.21%) i.e. from Rs. 2617.13 Mn in FY 2010 to Rs. 2805.84 Mn in FY 2011 due to higher quantity sales.

### TRADING SALES

The trading sales increased by Rs. 134.38 Mn.

### OTHER INCOME

Other income decreased marginally by Rs. 0.74 Mn.

### PROFITABILITY:-

Pre-tax profits decreased to Rs. 600.42 Mn i.e. by 28.89% while Post-tax profits decreased to Rs. 471.81 Mn i.e. by 23.38% .

Earnings Per Share for the year stands at Rs. 1.86 (previous year Rs. 2.42).

### 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.

### FIRE AT NEW BETA BLUE PLANT :-

An accidental Fire had broken out on Tuesday, 01 February, 2011, in New Beta Blue Plant (one of the manufacturing facilities) of Pigment Division situated at Plot No. 21, 21/1, GIDC Industrial Estate Panoli, Ankleshwar, Gujarat, (India).

The fire spread to entire New Beta Blue plant, was brought under control after considerable efforts by Fire fighters. No casualty had taken place and all the staff members were safe.

The other manufacturing plants at this site Viz., CPC (Copper Phthalocyanine Crude), Alpha Blue, Beta Blue (old Plant) which were not affected due to fire, restarted the production on:-

- |                             |                              |
|-----------------------------|------------------------------|
| 1. C P C Blue Crude Plant - | Tuesday, 08th February, 2011 |
| 2. Alpha Blue Plant :-      | Tuesday, 08th February, 2011 |
| 3. Beta Blue (Old Plant) :- | Monday, 14th February, 2011. |

To mitigate loss the Company has restarted certain portion of New Beta Blue Plant on 12th April, 2011. The Company expects to complete reconstruction of the remaining manufacturing facility of New Beta Blue Plant by August, 2011.

The Company has Industrial All Risk Policy from Oriental Insurance Company Limited and the Company is adequately covered. The financial loss of Rs. 320 Mn has been estimated on account of Fire. This includes Business Interruption loss.

The Company had lodged the First on account payment claim with Oriental Insurance Company Limited, Ahmedabad and has received Rs. 80 Mn on 22 March, 2011. The papers for Second on account Claim of Rs. 200 Mn have been submitted to insurance company on 02 May, 2011. We are awaiting the payment of Second on Account claim.