

*Chemistry of success at work*

# ANNUAL REPORT

2013-2014



**MEGHMANI  
ORGANICS LIMITED**



## CONTENTS

Corporate Information.....	02
Chairman's Statement.....	06
Directors' Report.....	08
Management Discussion and Analysis.....	15
Corporate Governance.....	22
Independent Auditor's Report (Standalone).....	38
Balance Sheet.....	43
Statement of Profit & Loss .....	44
Cash Flow Statement.....	45
Statement on Significant Accounting Policies.....	47
Notes to the Financial Statement.....	52
Independent Auditor's Report (Consolidated) .....	82
Consolidated Balance Sheet .....	84
Consolidated Statement of Profit and Loss.....	85
Consolidated Cash Flow Statement.....	86
Statement on Significant Accounting Policies to Consolidated Accounts.....	88
Notes to Consolidated Financial Statement.....	89
Statement Pursuant to Section 212 of the Companies Act, 1956.....	118
Notice of Annual General Meeting.....	120
Secretarial Audit Report .....	152
Proxy Form and Attendance Slip.....	155

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Jayanti M Patel  
Ashish N Soparkar  
Natwarlal M Patel  
Ramesh M Patel  
Anand I Patel  
Balkrishna T Thakkar  
Chinubhai R Shah  
Jayaraman Vishwanathan  
Kantibhai H Patel  
Chander Kumar Sabharwal (Appointed on 02.08.2013)

### **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 AND STAKE HOLDERS RELATIONSHIP COMMITTEE**

Chinubhai R Shah  
Balkrishna T Thakkar  
Ashish Soparkar

### **COMPANY SECRETARY**

Kamlesh Dinkerray Mehta

### **REGISTRAR & SHARE TRANSFER AGENT - INDIA**

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

### **INVESTOR SERVICES E - MAIL ID**

helpdesk@meghmani.com

**CORPORATE INFORMATION****SINGAPORE DEPOSITORY SHARES (“SDSs”)  
REGISTRAR AND SDSs OFFICE**

Tricor Barbinder Share Registration Services  
80, Robinson Road, #02-00,  
Singapore 068898  
Telephone No. (65) 6236 3552  
Fax No. (65) 6236 3405  
E-mail : helpdesk@meghmani.com

**SINGAPORE SECRETARIAL AGENT**

Tricor Evatthouse Corporate Services  
80, Robinson Road, #02-00,  
Singapore 068898  
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. 91-79-26640 668/669  
Fax No. 91-79-26640670  
E-mail : helpdesk@meghmani.com

**MUMBAI OFFICE**

Present Office :-  
3/24, AC Market,  
Tardeo Road, Mumbai 400 034

**PERMANENT OFFICE –  
(BUILDING UNDER RECONSTRUCTION)**

Flat No. 22/23,  
Vellard View Co.op. Housing Society,  
Tardeo Road, Mumbai

**CORPORATE INFORMATION**

**PLANT LOCATION**

- |  |  |
|--|--|
| <b>1. Pigment Green – Division</b>       | Plot No. 184, Phase II,<br>G.I.D.C. Vatva,<br>Ahmedabad -382 445<br>Telephone No. 91-79-25831210<br>Fax No. 91-79-25833403<br>E-mail : helpdesk@meghmani.com                               |
| <b>2. Pigment Blue – Division</b>        | Plot No. 21,21/1,<br>G.I.D.C. Panoli,<br>District :- Bharuch<br>Telephone No. 91-2646-276352<br>Fax No. 91-2646-276374<br>E-mail : helpdesk@meghmani.com                                   |
| <b>3. Pigment – Division – Dahej SEZ</b> | Plot No. Z-31, Z-32,<br>Dahej SEZ Limited, - Dahej<br>Taluka :- Vagra, District :- Bharuch<br>Telephone No. 91-7567144279<br>Fax No. 91-2646-276374<br>E-mail : helpdesk@meghmani.com      |
| <b>4. Agro Division – I</b>              | Plot No. 402,403,404 & 452,<br>Village :- Chharodi,<br>Taluka :- Sanand, District :- Ahmedabad<br>Telephone No. 91-2717-273251<br>Fax No. 91-2717-273254<br>E-mail : helpdesk@meghmani.com |
| <b>5. Agro Division – II</b>             | 5001/B,<br>G.I.D.C. Ankleshwar,<br>District :- Bharuch<br>Telephone No. 91-2646-222971<br>Fax No. 91-2646-222965<br>E-mail : helpdesk@meghmani.com   |
| <b>6. Agro Division – III</b>            | Plot No - Ch-1+2/A<br>GIDC Dahej<br>Taluka : Vagra, District : Dahej-Bharuch-392130<br>Telephone No. 91-2641-256677 /88<br>E-mail : helpdesk@meghmani.com                                  |
| <b>7. Agro Division – IV</b>             | Plot No. 22/2,<br>G.I.D.C. Panoli,<br>District :- Bharuch<br>Telephone No. 91-2646- 276577<br>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

**AUDITOR**

M/s Khandwala & Khandwala  
2nd Floor, "HRISHIKESH",  
Vasantbaug Society,  
Opposite Water Tank,  
Gulbai Tekra,,  
AHMEDABAD – 380006

**JOINT -AUDITOR**

KPMG  
Commerce House-V,  
9th Floor, 902 & 903  
Nr. Vodafone House,  
Corporate Road, Prahladnagar,  
Ahmedabad – 380 051

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## **CHAIRMAN'S STATEMENT**

### **Dear Shareholders,**

During the year under review, our Group - a leading manufacturer of pigment, pesticide and basic chemicals products in India faced many challenges like higher input costs, fluctuations in rupee dollar exchange rate, increase in borrowing costs etc. Despite the odd the Group has showed improvement in the financial results.

### **Financial Results:-**

With the right strategies, we have mitigated our risks and ended Financial Year 2014 ("FY 2014") with a surge in Group Net Profit to ₹ 355 million with a increase in revenue to ₹ 11.57 billion. The main driver for increase in profitability is increase in turn over of Domestic sales of Agrochemicals and Exports of Pigment products arising from our vertically integrated business model. The Gross Profit of the group decreased to ₹ 146.4 million i.e. 7.7% in FY 2014 and Gross Margin reduced from 18.1% to 15%.

Despite challenges in FY 2014, the Board has proposed final dividend of ₹ 0.10 per share in FY 2014.

### **Financial Review:-**

In FY 2014, revenues of Pigments and Agrochemicals both increased with Agrochemicals registering a growth of 16.8% year on year (yoy) ₹ 4.0 billion while revenue for Pigments increased by 27.7% yoy to ₹ 3.3 billion. While Caustic Chlorine, which overtook Pigments as the Group's second largest revenue contributor in FY 2014, registered a fell 9.1% yoy in revenue to ₹ 2.6 billion, due to decrease in production.

The Group's Agrochemical segment saw a 18.4% and 12.2% increase in revenue contribution from the export and domestic markets to ₹ 2.9 billion and ₹ 1.08 billion respectively from higher quantity sales as well completion of relocation of our operations at the Chharodi Plant to the Dahej Plant. As a result, the Group's Gross Profit from the Agrochemical segment in FY 2014 increased by 46.0% to ₹ 534.8 million while our margin increased from 10.8% to 13.5%. We also expect to see some improvements in revenue once our operations there are stabilized.

Our Pigments segment experienced a significant 94.8% revenue increase in the domestic market, caused by increase in quantity sales of CPC Blue and PG7. The revenue increase of 16.7% in the export market is driven by the increase in quantity sales of PG7, Alpha Blue and CPC Blue.

Despite increase in sales, our gross profit of Pigment declined by 28.6% yoy to ₹ 319.6 million while our margin of Pigment slipped from 17.2% to 9.6% in FY 2014. This is due to decrease in quantity sales of Beta Blue and differential payment of excise duty of earlier years.

Meanwhile, the revenue of Caustic Chlorine decreased by 9.0% in domestic sales, underpinned by higher sales quantity of our value added product Caustic Soda flake, our gross profit for this segment decreased by 21.8% to ₹ 781.2 million while our margin declined from 34.6% to 29.8% in FY 2014.

Our domestic market of India remained our largest revenue contributor in FY 2014, accounting for ₹ 4.4 billion or 38.5% of the Group's total revenue. North America accounted for the next biggest share of the revenue pie of ₹ 1.7 billion or 14.8%. The remaining regions accounted for the following share of revenues – Asia at 22.8% (₹ 2.6 billion), Europe at 7.3% (₹ 842.2 million), South America at 11.1% (₹ 1282.9 million), Africa at 4.7% (₹ 541.6 million) and Australia at 0.9% (₹ 102.6 million).

### **Industry Outlook:-**

Globally, the agrochemical industry is expected to grow at a moderate rate of 5.4% annually over next five years (2012-2017) to US\$ 262 billion in 2017. New product development and innovation at competitive prices are anticipated to drive the agrochemicals industry. Amongst others, a large untapped market, shrinking of arable land in recent years, increasing demand for food grain production, and increasing population are the anticipated key drivers behind this growth. In particular, growth will come from developing countries like China, demanding higher crop volumes and better quality produce, as well as Africa, which needs more fertilizers due to its rising soil infertility.

The global pigment market will earn revenues of over US \$ 14.7 billion in 2018. The emerging markets of Asia are expected to experience the strongest and fastest growth in terms of demand for the dye and organic pigments. While China is regarded as the largest single consumer globally, there are also sizeable growth opportunities in our home market of India as well. In particular, the Indian market is expected to enjoy double digit growth in the Paint, Plastics and Inks market. Also, additional market support is expected to come from an increasing demand for environmentally-friendly products. Despite their higher prices, demand for organic pigments is expected to surpass that of dyes due to their ability to provide intense bright colours.



**CHAIRMAN'S STATEMENT****Business Strategies:-**

Despite the positive landscape painted above, we remain vigilant as the Group faces an increasingly competitive global environment. In addition, we are exposed to volatility in the foreign exchange market, raw materials prices and finance cost. As such, we will remain watchful of exchange rate fluctuations, especially of the Rupee versus the Dollar and maintain our current vertically-integrated production structure to help us control costs as well as reduce supply chain disruptions.

For our Agrochemical business, we plan to launch at least three new generic products in CY 2015 and continue our efforts to develop new product formulations. We also plan to obtain new trademark registrations in regulated markets like the USA, Brazil and EU to aid in the marketing of our products overseas. At the same time, we will continue our focus on R & D to extend our pipeline of potential registrations, which is an important part of our future growth. As part of this strategy, we plan to invest in data generation and registrations, which could then be used in non-regulated markets. To-date, Meghmani has 131 export registrations, made applications for another 920 registrations worldwide, holds 222 registrations with the Central Insecticides Board (CIB), Faridabad and has 27 registered trademarks relating to our corporate identity and products, an improvement over FY 2014.

The Indian agrochemicals market is projected to more than double to US\$ 5 billion by 2017. Given the impeccable quality record of Meghmani's products, there is potential for increasing the uptake of agrochemical products among farmers. To better harness the potential in our home market, we intend to increase utilization of our existing plants to raise production levels. To raise and stabilize our output, we intend to enter into strategic long-term tie ups with suppliers of key raw materials. We have also grown our own domestic sales forces to 17 states, which we believe will be go a long way to help the Group achieve better market penetration domestically. We have also employed local staff supported by warehousing facilities at the strategic locations to better cater to the needs of our domestic customers. Further, we plan to leverage on our available economies of scale to produce specialized products at the best possible prices to our customers.

Even though there are competitors in India offering similar products as us, we are confident that we can compete effectively based on our consistent product quality, strong technical competence, vertically integrated capabilities, strategically located logistics facilities, excellent after sales service and robust customer relationships.

Meghmani Finechem a Limited (MFL) has completed capacity expansion of Caustic chlorine manufacturing from 340 TPD to 476 TPD and Captive power plant capacity from 40 MW to 60 MW and has commenced the commercial production of expanded capacity. MFL with expanded capacity is expected to earn total revenue of ₹ 475 Crore and Profit before Tax (PBT) of ₹ 75 Crores from full year of operation in FY 2015.

Meghmani Organics Limited (MOL) has also installed and commissioned ₹ 120 Crore eco friendly manufacturing facility situated at Plot No. Z 31 & Z 32, Dahej SEZ Limited, Dahej, Bharuch to manufacture CPC Blue, Beta Blue and Alpha Blue with less hazardous and eco friendly raw material. MOL is expected to generate estimated revenue of ₹ 200 Crore and Profit before Tax (PBT) of ₹ 20 Crores from full year of operation in FY 2015.

**Acknowledgements:-**

On behalf of the Board, I want to thank the management and staff of Meghmani, who have worked hard and dealt with various challenges to maintain our profitable position in FY 2014. I am also grateful to my fellow directors for their continued guidance, advice and foresight that helped steer the Group's business through the increasingly competitive industry landscape. Thank you also to our customers for your continued faith in our products and our business partners for your support of our business. Finally, I want to thank our shareholders for the trust and confidence you have given us. We will continue to strive for better results and returns for you.

**Jayanti Patel**  
Executive Chairman



## **DIRECTORS' REPORT**

To,  
The Members,  
Meghmani Organics Limited

Your Directors have pleasure in presenting Twentieth Annual Report and Audited Statement of Accounts of the Company for the Financial Year ended on 31<sup>st</sup> March, 2014.

### **FINANCIAL RESULTS**

₹ in Lacs

<b>PARTICULARS</b>	<b>YEAR ENDED ON 31<sup>st</sup> MARCH, 2014</b>	<b>YEAR ENDED ON 31<sup>st</sup> MARCH, 2013</b>
Net Revenue from operations	89328.40	74974.22
Other Income	418.48	1033.59
Total Revenue	89746.88	76007.81
<b>Profit before Finance Cost &amp; Depreciation</b>	<b>8141.95</b>	<b>6326.97</b>
Financial Cost	3501.50	2723.64
Depreciation	3134.41	2636.07
<b>Profit Before Extra Ordinary Item &amp; Tax</b>	<b>1506.04</b>	<b>967.25</b>
Extra Ordinary Item	49.54	87.28
<b>Profit Before Tax</b>	<b>1456.50</b>	<b>879.97</b>
Payment & Provision of Current Tax	115.00	66.58
Deferred Tax Expenses/(Income)	183.78	235.14
Profit After Tax	1157.72	578.25
Profit Available for Appropriation	1157.72	578.25
Transfer to Debenture Redemption Reserve	562.15	562.15
Transfer to General Reserve	30.00	0
Proposed Dividend	254.31	254.31
Dividend Tax	43.22	43.22
<b>Balance Carried forward</b>	<b>268.04</b>	<b>(281.43)</b>

### **DIVIDEND:-**

Your directors have recommended a dividend of ₹ 0.10 per Equity share on 254,314,211 Equity Shares of ₹ 1/- each fully paid up for Financial year 2013-2014. The dividend will entail an out flow of ₹ 297.53 Lacs including dividend distribution tax. The proposed dividend is tax free in the hands of shareholders. The dividend is declared out of Profit of the current year.

### **OPERATING RESULTS:-**

The Sales Turn over of the Company has increased by ₹ 14,034.93 Lacs (19.18%) i.e. from ₹ 73,166.67 Lacs in FY 2013 to ₹ 87,201.60 Lacs in FY 2014.

#### **1) DOMESTIC SALES:-**

The Domestic Sales increased by ₹ 4,476.72 Lacs (32.49%) i.e. from ₹ 13,778.75 Lacs in FY 2013 to ₹ 18,255.47 Lacs in FY 2014.

The Domestic Sales of Pigment Division increased by ₹ 3,510.37 Lacs (94.78%) i.e. from ₹ 3,703.86 Lacs in FY 2013 to ₹ 7,214.23 Lacs in FY 2014.

The Domestic sales of Agro Division increased by ₹ 1,105.15 Lacs (12.16%) i.e. from ₹ 9085.24 Lacs in FY 2013 to ₹ 10,190.39 Lacs in FY 2014.

**DIRECTORS' REPORT****2) EXPORT SALES :-**

The Export Sales increased by ₹ 9,558.21 Lacs (16.09%) i.e. from ₹ 59,387.92 Lacs in FY 2013 ₹ 68,946.13 Lacs in FY 2014.

The Export Sales of Pigment Division increased by ₹ 2,289.75 Lacs (7.64%) i.e. from ₹ 29,981.97 Lacs in FY 2013 to ₹ 32,271.72 Lacs in FY 2014.

The Export Sales of Agro Division increased by ₹ 4,364.36 Lacs (17.33%) i.e. from ₹ 25,187.91 Lacs in FY 2013 to ₹ 29,552.27 Lacs in FY 2014.

**3) OTHER INCOME :-**

Other income decreased by ₹ 615.11 Lacs in FY 2014. This is due to reduction in Mark to Market gain on Derivative.

**4) PROFITABILITY :-**

Profit before tax increased by ₹ 576.53 Lacs i.e. by 65.52% while Profit after tax increased by ₹ 579.47 Lacs i.e. by 100.21%. The main reason for increase in Profitability is due to increase in sales.

**INSURANCE:-**

The Company's plant, property, equipments and stocks are adequately insured under the Industrial All Risk Policy. The Company also has insurance covers particularly for product liability and public liability. The Company has also taken Directors' and Officers' Liability Policy to provide coverage against the liabilities arising on them.

**1) ACCIDENT AT ANKLESHWAR FORMULATION PLANT:-**

A fire accident had taken place on 05.06.2013 in formulation plant of the Company situated at Plot No. 22/2, (Phase-IV), GIDC Panoli, Ankleshwar. No casualty had taken place. The Company had lodged the insurance claim of ₹1.61 Crore out of which the Company has received ₹ 1.47 Crore from Oreintal Insurance Company Limited, Ahmedabad.

**2) ACCIDENT AT GIDC ANKLESHWAR AGROCHEMICAL PLANT:-**

A fire accident had taken place on 20.02.2014 in Agrochemical plant of the Company situated at Plot 5001 B, GIDC Ankleshwar. No casualty had taken place. The Company has lodged the insurance claim of ₹ 1.74 Crore . The claim is under process.

**FINANCE:-****RENEWAL OF WORKING CAPITAL FACILITY:-**

During the year under review, the Company has availed the long term Rupee Loan of ₹ 30 Crore from HDFC Bank Limited and ₹ 45 Crore from ICICI Bank Limited for its Pigment expansion project at Dahej SEZ Limited, Dahej, Taluka Vagra, Bharuch.

The consortium bank has also renewed Fund based and Non Fund based Working Capital Credit facilities up to ₹ 378 Crore. To avail the enhancement in facility execution of Security documents are in process.

**CREDIT RATING:-**

CARE has reaffirmed domestic credit ratings of Care A on 18<sup>th</sup> December, 2013 for Non Convertible Debentures of ₹ 100 Crore issued by the Company.

CRISIL has reaffirmed its rating outlook on the long-term bank facilities of Meghmani Organics Ltd. (MOL) to 'CRISIL A (Negative)'. The rating on MOL short-term bank facilities has also been reaffirmed as 'CRISILA1' on 11<sup>th</sup> November, 2013.