

Chemistry of success at work

ANNUAL REPORT

IND 2017-2018



MEGHMANI ORGANICS LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Jayanti Patel	Executive Chairman
Mr. Ashish Soparkar	Managing Director
Mr. Natwarlal Patel	Managing Director
Mr. Ramesh Patel	Executive Director
Mr. Anand Patel	Executive Director
Mr. Balkrishna Thakkar	Independent Director
Mr. Chander Kumar Sabharwal	Independent Director
Ms. Urvashi Shah	Independent Woman Director
Mr. Manubhai Patel	Independent Director (Appointed on 10.02.2018)
Mr. Bhaskar Rao	Independent Director (Appointed on 10.02.2018)
Mr. C. S. Liew	Independent Director (Appointed on 10.02.2018)
Mr. Chinubhai Shah	Independent Director (Resigned on 14.05.2018)
Mr. Jayaraman Vishwanathan	Independent Director (Resigned on 08.11.2017)
Mr. Kantibhai Patel	Independent Director (Resigned on 10.02.2018)
Mr. A. L. Radhakrishnan	Independent Director (From 20.10.2017 to 10.02.2018)

AUDIT COMMITTEE

Mr. Balkrishna Thakkar	Chairman
Mr. Manubhai Patel	Member (Appointed on 10.02.2018)
Mr. Chander Kumar Sabharwal	Member (Appointed on 26.05.2018)
Mr. Chinubhai Shah	Member (Resigned on 14.05.2018)
Mr. Jayaraman Vishwanathan	Member (Resigned on 8.11.2017)

NOMINATION COMMITTEE

Mr. Balkrishna Thakkar	Member
Ms. Urvashi Shah	Member (Appointed on 10.02.2018)
Mr. Manubhai Patel	Member (Appointed on 26.05.2018)
Mr. Kantibhai Patel	Member (Resigned on 10.02.2018)
Mr. Chinubhai Shah	Chairman (Resigned on 14.05.2018)

REMUNERATION COMMITTEE

Mr. Balkrishna Thakkar	Member
Ms. Urvashi Shah	Member (Appointed on 10.02.2018)
Mr. Manubhai Patel	Member (Appointed on 26.05.2018)
Mr. Kantibhai Patel	Member (Resigned on 10.02.2018)
Mr. Chinubhai R Shah	Chairman (Resigned on 14.05.2018)

CORPORATE INFORMATION

THE SHAREHOLDERS' / INVESTORS' GRIEVANCE, SHARE ALLOTMENT AND SHARE TRANSFER COMMITTEE	Mr. Balkrishna Thakkar Mr. Ashish Soparkar Mr. Manubhai Patel Mr. Chinubhai Shah	Member Member Member (Appointed on 26.05.2018) Chairman (Resigned on 14.05.2018)
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	Mr. Balkrishna Thakkar Mr. Ashish Soparkar Mr. Jayanti Patel Mr. Natwarlal Patel Mr. Chinubhai Shah	Member Member Member Member Chairman (Resigned on 14.05.2018)
CHIEF EXECUTIVE OFFICER	Mr. Ankit Patel	
COMPANY SECRETARY	Mr. Kamlesh Mehta	
CHIEF FINANCIAL OFFICER	Mr. Gurjant Singh Chahal	
REGISTRAR & SHARE TRANSFER AGENT- INDIA	Link Intime India Private Limited C 101, 247 Park, L. B. S. Marg, Vikhroli (West), Mumbai - 400083. Tel: +91 22 4918 6270, Fax: +91 22 4918 6060	
INVESTOR SERVICES E - MAIL ID	helpdesk@meghmani.com	
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, B/h Safal Profitaire, Corporate Road, Pralhad Nagar, Ahmedabad 380 015 Telephone No. 91-79-2970 9600/ 7176 1000, Fax No. 91-79-2970 9605, E-mail : helpdesk@meghmani.com	
MUMBAI OFFICE PRESENT OFFICE	A1& B1, Ground Floor, Kalamandir Co. Op. Housing Society, Chitrakar Ketakar Marg, Near Sathye College, Ville Parle [East], Mumbai – 4000 057 Telephone No. 91 22 2612 2640	
PERMANENT OFFICE (BUILDING UNDER RECONSTRUCTION)	Flat No. 22/23, Vellard View Co.op. Housing Society, Vellard View Co. op. Housing Society, Tardeo Road, Mumbai	

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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. 91-9879606337, 38, 39
E-mail : helpdesk@meghmani.com |
| 3. Pigment Blue – Division | Plot No. Z-31, Z-32,
Dahej SEZ Limited, - Dahej
Taluka :- Vagra, District :- Bharuch
Telephone No. 91-7567144279
E-mail : helpdesk@meghmani.com |
| 4. Agro Division – I | Plot No. 402,403,404 & 452,
Village Chharodi,
Taluka Sanand, District :- Ahmedabad
Telephone No. 91-2717-273251
E-mail : helpdesk@meghmani.com |
| 5. Agro Division – II | 5001/B,
G.I.D.C. Ankleshwar,
District :- Bharuch
Telephone No. 91-2646-222971
E-mail : helpdesk@meghmani.com |
| 6. Agro Division – III | Plot No - Ch-1+2/A
GIDC Dahej, Taluka – Vagra
District :- Bharuch - 392130
Telephone No. 91-2641-291017
E-mail : helpdesk@meghmani.com |
| 7. 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

STATUTORY AUDITOR

S R B C & CO LLP
Assurance Services
2nd Floor, Shivalik Ishan,
Near C.N. Vidhyalaya,
Ambawadi,
Ahmedabad – 380 015,

INTERNAL AUDITOR

C N K Khandwala & Associates
Chartered Accountants,
2nd Floor, "HRISHIKESH",
Vasantbaug Society,
Opposite Water Tank,
Gulbai Tekra,
Ahmedabad – 380006

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CHAIRMAN'S STATEMENT

Dear Shareholders,

We are happy to report that FY18 was another successful year for Meghmani Organics. The Company has clocked year-on-year growth of 27% in Revenue, 49% in EBITDA and 95% in PAT. Better monsoon, focus on high margin product mix, better capacity utilization has led to fuel for continued growth.

Guided by our vision to be a 'leading global conglomerate in chemicals', we have today built a robust foundation with three high growth businesses in one company. The businesses i.e. Pigments, Agrochemicals and Basic Chemicals are bonded by the common theme of "Chemistry" but, at the same time, are well-diversified to lower risk at all times. Our aggressive expansion in scale across each business, accompanied with backward integration, large client base with significant repeat business, strong product bouquet and wide global presence are what defines Meghmani Organics' key competitive advantages.

In FY18, we achieved 1.3x increase in revenue over 2017 to reach ₹17,747 mn. Our Five Year Plan envisages our 3 businesses reaching a revenue of ₹ 10 bn each.

₹6.4-bn Capex progresses, leading us to a strong future

Last year, we initiated a landmark capex plan involving investment of ₹6.4 bn. The capex involves three projects starting with the Chlormthane (CMS) Project, already at the construction level, is expected to be commissioned by December'18. For the Second and Third project, involving expansion of Caustic Soda and Hydrogen Peroxide, we have finalized the technology and signed the agreement for the Power Plant. Both are expected to be commissioned by June'19.

Strong Growth in both Revenue and Profitability

During the year, our production crossed 2 Lakh MT while utilization levels increased to 84%. Our consolidated net Sales were ₹17,747 mn compared to ₹13,963 mn in FY17 buoyed by strong performance in exports as well as in the Domestic market. Exports saw 29% growth while Domestic market increased by 25%. Our strategy of expanding our diversified product portfolio, with focus on higher-value products, spurred EBITDA for the period by 49% to ₹4,312 mn resulting in 360 bps expansion in EBITDA Margin to 24.3%. On the back of our vertically integrated business model, we effectively managed fluctuating raw material costs in the market and boosted our profitability. PAT for the year almost doubled to reach ₹1,713 mn as compared to ₹877 mn last year with PAT Margin reaching 9.7%. Interest cost declined by 22% on account of repayment of debt by ₹751 mn during the year. This has helped to increase the ROCE to 32.0% from 21.2% in FY17. As we continue to deliver growth in profits with a comfortable leverage position, our Board has recommended a Dividend of 40% to reward our shareholders for their support.

Segmental Performance:

Pigments- Continued Market Leadership with growth momentum

Net sales in Pigments for the year were up 12% at ₹5,747 mn driven by robust growth of 29% in Exports which contributed 79% of Pigments FY18 revenue whereas Net Sales in the Domestic Market were down. Volumes grew 11% to 16,090 MT while blended realizations remained flat. EBITDA was slightly down at ₹847 mn for the year as higher input cost could not be passed on to customers fully. Despite this, EBITDA margin stood at a healthy 15%. Utilization levels increased to 81%, as compared to 65% last year, driven by 29% growth in production.

Agrochemicals- Delivering Revenue Growth, led by strong volumes and increased margins

FY18 was a strong year on account of good monsoons, higher margins on products and expanded distribution network. Net sales for the year in Agrochemicals grew 33%, to reach ₹6,273 mn driven by strong growth of 43% in Exports and 15% in Domestic market. Exports contribution was up at 67% from 62% in FY17 while Domestic contribution was 33%. Volumes were up 11% at 17,342 MT coupled with strong growth of 19% in blended realizations. EBITDA grew 114% driven by positive market conditions and better price realization to reach ₹981 mn. EBITDA margin also increased reaching 16% as compared to 10% last year. Utilization levels were up from 60% to 68% while production grew by 14% in FY18.

CHAIRMAN'S STATEMENT

Basic Chemicals- Delivering Profitability along with long-term plans

Our Basic Chemicals Net Sales for the year grew 52%, to reach ₹5,971 mn on the back of strong growth in both domestic and exports market. Volumes were up 14% YoY while realizations were up 34% for FY18. EBITDA for the period grew by 78% to ₹2,554 mn and EBITDA margin was up at 43% on account of better price realisations. Utilization levels increased to 86% from 77% last year and production grew by 12% during the year.

Industry Outlook: Promising for each of our three segments both globally and domestically.

Global Pigments is expected to grow at a CAGR of 4.1% between 2017- 2023 reaching \$27.6 bn by 2023. Indian pigment sales have been growing at a rate of 13-14% over the past five years. This growth is driven by boost in exports. Capacity utilization in the Pigment industry has been only 67% which shows that there is a great potential of increasing the production and business in this industry.

The Global Agrochemicals market is likely to grow at a CAGR of 4.1% from 2017-2025, crossing \$309 bn by 2025. Growing population, declining arable land and increasing pest concerns are driving the Agrochemicals market. Demand for Agrochemicals is the highest in the Asia Pacific (APAC) region (53%). In FY18, Indian Agrochemicals performed better than FY17 due to a good monsoon.

Global Chlor-Alkali market is expected to grow at a CAGR of 5.3% to 5.9% to reach \$125 bn by 2023. Increased exposure of different end-user areas, such as Glass, Alumina, Vinyl, and Water treatment etc. are expected to boost demand. The Indian Chlor-Alkali Industry is poised to grow at a CAGR of 6.5% during 2017-2022. Major consuming industries are Soaps & Detergents, Pulp & Paper and Textile processing. The fact that products of Chlor-Alkali industry find increasing use in daily products shows the potential for growth of this industry.

Company Outlook: Strong FY19 expected as all our businesses are on a promising path

Meghmani Organics is the largest producer for the Copper Phthalocyanine Pigment and enjoys about 14% market share globally. Pigment Segment is expected to continue with strong performance and growth. We are focusing on development of high-margin product-mix for increasing presence in the Domestic market.

In Agrochemicals, we are expecting more share in the Domestic market in FY19 as our backward integration can prove to be a major competitive edge for pricing and margins. This will help in avoiding the drastic price increments of raw materials coming from China. FY18 Agrochemical performances were driven by a better monsoon and we are hopeful of the same for the next year. Various measures and policies introduced in the Budget 2018-19 are expected to increase farm income and provide a boost to demand for Agrochemical products.

Basic Chemicals also promises a strong FY19 on the back of increasing global demand and better utilization of our Caustic Potash Capacity. CMS Project of 40,000 MTPA is expected to be up by December 2018 and will further drive growth in the segment. The Government has already levied an anti-dumping duty on Caustic Chlorine and Hydrogen Peroxide which will boost the Domestic sales of the segment.

Government's emphasis on 'Make in India' initiative in the Indian Chemicals Sector and its support from Pesticides Manufacturers & Formulators Association of India (PMFAI), promises to curb the imports and boost domestic demand across all the three segments in the future.

CHAIRMAN'S STATEMENT

Acknowledgement

On behalf of the Board, I take the opportunity to thank our Customers, Suppliers, Bankers, Business Partners/Associates, Financial Institutions and Government for their consistent support, faith and encouragement to the Company. I convey my sincere appreciation to the employees and staff of the company for their hard work and commitment. Their dedication and competence has ensured the continued growth of the company. I am also grateful to my fellow directors for their guidance, foresight and efforts that helped steer the group's business through an increasingly competitive industry landscape.

Finally, I thank our shareholders for the trust and confidence they have placed in us. With your belief in us, we are confident of keeping up the growth momentum and achieve greater heights in the years to come.

Thank you and best wishes.

Jayanti Patel
Executive Chairman

DIRECTORS' REPORT

To,
The Members,
Meghmani Organics Limited

Your Directors have pleasure in presenting Twenty Fourth Annual Report and Audited Statement of Accounts of the Company for the Financial Year ended on 31st March, 2018.

1. FINANCIAL RESULTS

(₹ in Lakhs)

PARTICULARS	YEAR ENDED ON 31 st MARCH, 2018	YEAR ENDED ON 31 st MARCH, 2017
Revenue from Operations (Net of Excise Duty)	120978.18	102301.00
Other Operating Revenue	2822.01	2318.09
Revenue from Operations	123800.19	104619.09
Other Income	2610.59	1096.35
Total Revenue	126410.78	105715.44
Profit Before Finance Cost and Depreciation	19729.76	14416.78
Finance Cost	3087.17	3641.66
Depreciation	4261.95	3846.98
Profit Before Extra Ordinary Item & Tax	12380.64	6928.14
Exceptional item	235.82	381.06
Profit Before Tax	12144.82	6547.08
Payment and Provision of Current Tax	3050.00	2250.00
Deferred Tax Expenses/(Income)	1349.86	95.26
(Excess)/short provision of tax for earlier year	51.80	50.76
Profit After Tax	7693.16	4151.06

2. OVERVIEW OF COMPANY'S OPERATING RESULTS:-**Sales:-**

The Company is in the business of manufacturing of Pigments and Agrochemicals.

The Sales increased by ₹ 18677.18 Lakhs (18.26%) i.e. from ₹ 102301.00 Lakhs in FY 2017 to ₹ 120978.18 Lakhs in FY 2018.

The Sales of Pigment Division increased by ₹ 6038.92 Lakhs (11.74%) i.e. from ₹ 51428.05 Lakhs in FY 2017 to ₹ 57466.97 Lakhs in FY 2018.

The Sales of Agrochemical Division has increased by ₹ 15426.12 Lakhs (32.61%) i.e. from ₹ 47299.03 Lakhs in FY 2017 to ₹ 62725.15 Lakhs in FY 2018.

1) DOMESTIC SALES:-

The Domestic Sales decreased by ₹ (1618.75) Lakhs (4.81%) i.e. from ₹ 33635.52 Lakhs in FY 2017 to ₹ 32,016.77 Lakhs in FY 2018.

The Domestic Sales of Pigment Division decreased by ₹ (4362.78) Lakhs (27.95%) i.e. from ₹ 15604.46 Lakhs in FY 2017 to ₹ 11241.68 Lakhs in FY 2018.

The Domestic Sales of Agro Division increased by ₹ 2783.96 Lakhs (15.47%) i.e. from ₹ 17999.54 Lakhs in FY 2017 to ₹ 20783.50 Lakhs in FY 2018.