



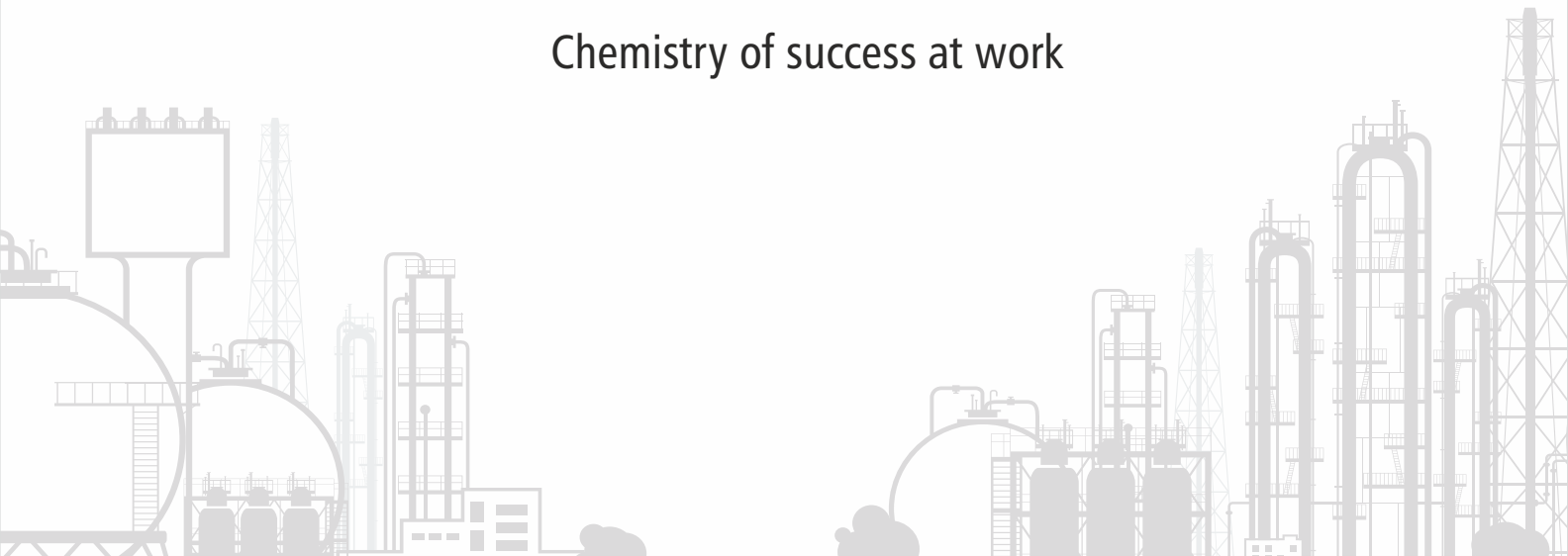
ANNUAL REPORT

2018-2019 IND



MEGHMANI ORGANICS LIMITED

Chemistry of success at work



CONTENTS

CORPORATE INFORMATION	002
CHAIRMAN'S STATEMENT	006
DIRECTORS' REPORT	008
SECRETARIAL AUDIT AND COMPLIANCE REPORT	030
MANAGEMENT DISCUSSION AND ANALYSIS	035
CORPORATE GOVERNANCE.....	042
INDEPENDENT AUDITOR'S REPORT (STANDALONE)	070
STANDALONE BALANCE SHEET	080
STANDALONE STATEMENT OF PROFIT & LOSS	081
STANDALONE CASH FLOW STATEMENT	082
STANDALONE STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES.....	085
STANDALONE NOTES TO THE FINANCIAL STATEMENT	102
INDEPENDENT AUDITOR'S REPORT (CONSOLIDATED)	147
CONSOLIDATED BALANCE SHEET	155
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	156
CONSOLIDATED CASH FLOW STATEMENT	157
STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES TO CONSOLIDATED ACCOUNTS.....	160
NOTES TO CONSOLIDATED FINANCIAL STATEMENT	178
STATEMENT PURSUANT TO SECTION 129(3) OF THE COMPANIES ACT, 2013	227
NOTICE OF ANNUAL GENERAL MEETING	228
PROXY FORM AND ATTENDANCE SLIP	249

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Jayantilal 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 Director
Mr. Manubhai Patel	Independent Director
Mr. Bhaskar Rao	Independent Director
Mr. C. S. Liew	Independent Director

AUDIT COMMITTEE

Mr. Manubhai Patel	Chairman
Mr. Balkrishna Thakkar	Member
Mr. Chander Kumar Sabharwal	Member

NOMINATION COMMITTEE

Mr. Balkrishna Thakkar	Chairman
Mr. Manubhai Patel	Member
Ms. Urvashi Shah	Member

REMUNERATION COMMITTEE

Mr. Balkrishna Thakkar	Chairman
Mr. Manubhai Patel	Member
Ms. Urvashi Shah	Member

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

Mr. Balkrishna Thakkar	Chairman
Mr. Manubhai Patel	Member
Mr. Ashish Soparkar	Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Balkrishna Thakkar	Chairman
Mr. Ashish Soparkar	Member
Mr. Jayantilal Patel	Member
Mr. Natwarlal Patel	Member

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

CORPORATE INFORMATION

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 – 400 057 Telephone No. 91 22 2612 2640
PERMANENT OFFICE (BUILDING UNDER RECONSTRUCTION)	Flat No. 22/23, Vellard View Co.op. Housing Society, Tardeo Road, Mumbai.

★ ★ ★

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,
CCG 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

Axis Bank Limited,
Corporate Banking Branch,
3rd Eye One, 2nd Floor, Nr. Panchawati Circle,
C. G. Road, Ahmedabad – 380 009.

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

★ ★ ★

CHAIRMAN'S STATEMENT

Dear Shareholders,

The financial year 2018-19 was another year of positive progress for Meghmani Organics Limited with the strong performance across all three businesses i.e. Pigments, Agro Chemicals and Basic Chemicals. We will continue to build a strong position as a leading Indian Chemical Company by diversifying the geographical presence as well as the product portfolio. In Agro Chemicals, the Company is doubling the capacity of 2,4D (Herbicides) and expanding the share of value-added products (Branded products). In Pigments, the Company is planning to add new pigments and in case of Basic Chemicals, the Company is expanding the capacity of Caustic Soda, Captive Power Plant (CPP) and adding new products.

Fire Incident during the year :

The accidental fire broke out in one of the manufacturing section of Agro Chemicals Plant at GIDC Dahej, District – Bharuch, Gujarat, (India) on 26th March, 2019. The Company is taking all the appropriate safety measures to avoid recurrence of any such eventuality in future. The Company has All Risk Insurance Policy (including Loss of Profit Policy) and is fully covered as far as insurance is concerned.

Strategic investments to drive future growth :

Meghmani's planned capex of INR 6.4 billion involving 3 projects for Basic Chemical business will be commissioned in FY 2020. The first is the CMS project of 40,000 MTPA, which will result in captive consumption of Chlorine (co-product of company's Caustic Soda production). This will help the Company to improve the margins. This project is expected to be commissioned by Q1 FY 2020. The Second project involves the capacity expansion of Caustic Soda to 2,71,600 MTPA and expansion of Captive Power Plant (CPP) Capacity to 96 MW. The Third project is to set up a Hydrogen Peroxide plant with the capacity of 30,000 MTPA, which is used in pharma and Agro Chemicals industry. The expansion of Caustic Soda capacity along with Captive Power Plant (CPP) and Hydrogen Peroxide projects expected to be commissioned by early Q3 FY 2020. The Company is also planning for the capex of INR 1.27 billion in Agro Chemicals segment to increase the capacity of 2,4D by 10,800 MTPA, which is expected to be commissioned by June 2020.

Significant improvement in profitability, led by better operational performance and revenue mix

Consolidated revenue increased by 16% YoY to INR 20880 million in FY 2019 on the back of strong growth in Agro Chemicals and Basic Chemicals segment while Pigment business remained stable. EBITDA for the period increased by 26% YoY to INR 5445 million, on the back of improved operational performance, product mix and better realization. This resulted in expansion of EBITDA margin by 220 bps to 26.1%. Profit After Tax increased by 47% to INR 2513 million with the margin of 12%. The company reported strong return ratios with Return on Equity of 26.3% and Return on Capital Employed of 29.2%.

Segmental Performance :

Agro Chemicals- Delivering strong revenue growth, led by improvement in realisation

Meghmani reported a strong performance in FY2019 and the net sales grew by 23%, to INR 7707 million from INR 6,273 million in FY 2018. This was driven by robust growth of 36% in exports, favorable market conditions and better price realization. Volumes for the year stood at 16430 MT. EBITDA was significantly increased by 83%, from INR 981 million in FY 2018 to INR 1796 million in FY 2019. On the back of our vertically integrated business model, we effectively managed fluctuating raw material costs in the market and boosted our profitability. EBITDA margin has been improved by 760 bps to 22.7%.

Pigments- Continued market leadership with growth momentum

Net sales in Pigments for the year were up 2.5% at INR 5893 million. Export sales stood at 81% in FY 2019. Sales volume were at 15999 MT in FY 2019 compared to 16,090 MT in FY 2018. Utilization levels remain robust at 77% in FY 2019. EBITDA during FY 2019 stood marginally declined to INR 818 million on the back of higher input cost. EBITDA margin slightly declined by 90 bps to 13.5% in FY 2019.

CHAIRMAN'S STATEMENT**Basic Chemicals - Delivering superior profitability**

Our Basic Chemicals net sales for the year grew by 19% to reach INR 710.4 million on the back of strong demand in domestic. Sales volumes remain stable at 156,298 MTPA, while realization improved by 14% to INR 41,702 per tonne. EBITDA for the period grew by 22% to INR 3117 million and EBITDA margin was at 43.9% on account of better price realisations. Utilization levels stood at 86%

Industry Outlook :

The global pigment market was valued at \$29 billion in 2017 and is expected to grow at 4.5% CAGR to reach \$43 billion by 2026. The global pigment market is driven by the rise in demand for packaging ink, paints & coatings and plastic industry.

Global chemical-based crop protection sales increased by 4.2%, from \$54.2 billion in 2017 to \$56.5 billion 2018. Rising demand for pesticides and increasing consumption of Agro Chemicals in liquid form are some of the key factors expected to boost the demand for Agro Chemicals in the global market. Growing population, declining arable land and increasing pest concerns in the face of a growing population are driving the Agro Chemicals market.

Globally, Chlor-Alkali market represents one of the largest chemical industries. Chlor-Alkali market is expected to reach \$124.6 billion by 2022, growing at CAGR of 6.8% between 2016-2022. 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 FY 2020 expected as all our businesses are on a promising path

Meghmani Organics is one of the largest producers for the Copper Phthalocyanine Pigment. Going forward the Company is looking to diversify by adding new kinds and colours of Pigments.

In Agro Chemicals, we are expecting more share in the domestic market in FY2020 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. Going forward, the Company plans to double the capacity of 2, 4D by adding 10,800 MTPA with capex of ~ INR 1.27 billion and it is expected to be operational by Q1 FY 2021.

Basic Chemicals delivered a strong FY 2019 on the back of increasing demand for Caustic Soda and Chlorine which has led to improvement in realization. The INR 6.4 billion on-going capex plan gives strong revenue visibility over coming year in Basic Chemicals business.

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

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.

Thank you and best wishes.

Jayantilal Patel
Executive Chairman

DIRECTORS' REPORT

To,
The Members,
Meghmani Organics Limited

Your Directors have pleasure in presenting Twenty Fifth Annual Report and Audited Statement of Accounts of the Company for the Financial Year ended on 31st March, 2019.

1. FINANCIAL RESULTS

(₹ in Lakhs)

PARTICULARS	YEAR ENDED ON 31st MARCH, 2019	YEAR ENDED ON 31st MARCH, 2018
Revenue from Operations (excluding excise duty)	137513.63	120978.18
Other Operating Revenue	3528.37	2822.01
Revenue from Operations	141042.00	123800.19
Other Income	3882.19	2610.59
Total Revenue	144924.19	126410.78
Profit Before Finance Cost and Depreciation	27108.85	19729.76
Finance Cost	4589.20	3087.17
Depreciation	4629.04	4261.95
Profit Before Extra Ordinary Item & Tax	17890.61	12380.64
Exceptional item	(4328.51)	235.82
Profit Before Tax	22219.12	12144.82
Payment and Provision of Current Tax	5390.00	3050.00
Deferred Tax Expenses/(Income)	33.84	1349.86
(Excess)/Short provision of tax for earlier year	(73.79)	51.80
Profit After Tax	16869.07	7693.16

2. COMPANY'S PERFORMANCE REVIEW

Sales:-

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

The Sales increased by **Rs. 16,535.45 Lakhs** (13.67%) i.e. from **Rs. 1,20,978.18 Lakhs** in FY 2018 to **Rs. 1,37,513.63 Lakhs** in FY 2019.

The Sales of Pigment Division increased by **Rs. 1,467.94 Lakhs** (2.55%) i.e. from **Rs. 58,247.16 Lakhs** in FY 2018 to **Rs. 58,934.91 Lakhs** in FY 2019.

The Sales of Agrochemical Division has increased by **Rs. 14,341.10 Lakhs** (22.86%) i.e. from **Rs. 64,192.07 Lakhs** in FY 2018 to **Rs. 77,066.25 Lakhs** in FY 2019.

1) DOMESTIC SALES:-

The Domestic Sales decreased by **Rs. 1,259.00 Lakhs** (-3.93%) i.e. from **Rs. 32,016.77 Lakhs** in FY 2018 to **Rs. 30,757.78 Lakhs** in FY 2019.

The Domestic Sales of Pigment Division decreased by **Rs. (713.11) Lakhs** (-6.34%) i.e. from **Rs. 11,241.68 Lakhs** in FY 2018 to **Rs. 10,528.57 Lakhs** in FY 2019.

The Domestic Sales of Agro Division decreased by **Rs. (759.74) Lakhs** (-3.66%) i.e. from **Rs. 20,783.50 Lakhs** in FY 2018 to **Rs. 20,023.77 Lakhs** in FY 2019.

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

The Export Sales increased by **Rs. 17,794.45 Lakhs** (20.00%) i.e. from **Rs. 88,961.42 Lakhs** in FY 2018 to **Rs. 1,06,755.85 Lakhs** in FY 2019.

The Export Sales of Pigment Division increased by **Rs. 2,181.05 Lakhs** (4.72 %) i.e. from **Rs. 46,225.29 Lakhs** in FY 2018 to **Rs. 48,406.34 Lakhs** in FY 2019.

The Export Sales of Agro Division increased by **Rs. 15,100.84 Lakhs** (36.00%) i.e. from **Rs. 41,941.64 Lakhs** in FY 2018 to **Rs. 57,042.48 Lakhs** in FY 2019.

3) OTHER INCOME :-

Other income increased by **Rs. 1,271.60 Lakhs** mainly due to Dividend income from Subsidiary Company.

4) PROFIT :-

Profit Before Tax (PBT) increased by **Rs. 10,074.30 Lakhs** i.e. by (82.95%) while

Profit After Tax (PAT) increased by **Rs. 9,175.91 Lakhs** i.e. by (119.27 %)

3. DIVIDEND:-

The Board of Directors on 08th March, 2019 declared an interim dividend of Rs. 0.60 (60%) per equity share of face value of Rs. 1/- each for the Financial year 2018-19. The above dividend was paid to the Shareholders on March 25, 2019. The Members are requested to approve the interim dividend paid by the Company.

Further, your Directors have also recommended, a final dividend of Rs. 0.40 (40%) per equity share of face value of Rs. 1/- each, for the Financial Year ended March 31, 2019 subject to approval of Shareholders at the Annual General Meeting. The final dividend, if approved, will be paid on or before August, 05th August, 2019.

The dividend payout amount for the current year is **Rs. 2,543.14 Lakhs** as compared to **Rs. 1,224.35 Lakhs** in the previous year.

During the year, unclaimed dividend amount of **Rs. 6,00,921.00** pertaining to financial year 2010-11 were transferred to Investor Education & Protection Fund (IEPF) established by the Central Government, while Unclaimed Dividend relating to Financial Year 2011-12 is due for transfer on 10.08.2019 to IEPF.

Transfer of Shares in favor of Investor Education and Protection Fund (IEPF) Authority

Pursuant to the applicable provisions of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the shares on which dividends have not been claimed for 7 consecutive years were required to be transferred in favor of IEPF authority. Accordingly, the Company has transferred 36128 Equity shares in favor of IEPF Authority during the Financial Year 2018-19 with this total 102874 Equity shares have been transferred till FY 2018-19.

4. AUDITORS' REPORT :-

There is no qualification, reservation or adverse remarks or disclaimer made by the Auditors in their report on the financial statement of the Company for the Financial Year ended on 31st March, 2019.

5. SHARE CAPITAL :-

The Paid up Equity Share Capital as on March 31, 2019 was Rs. 2543.14 Lakhs. During the year under review, the Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme. The Company has not issued any convertible instrument during the year.

No disclosure is required under Section 67(3)(c) of the Companies Act, 2013 (Act) in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said Section are not applicable.