



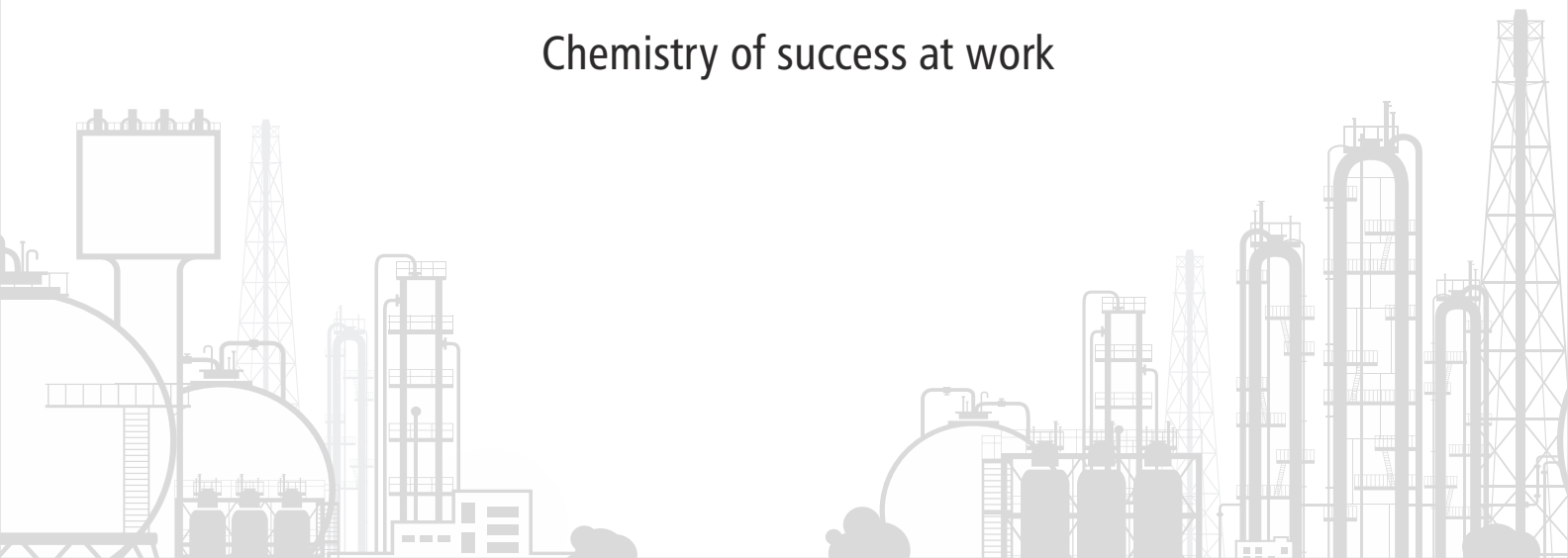
ANNUAL REPORT

2019-2020 **IND**



MEGHMANI ORGANICS LIMITED

Chemistry of success at work



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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
Ms. Urvashi Shah	Independent Director
Mr. Manubhai Patel	Independent Director
Mr. Bhaskar Rao	Independent Director
Mr. C. S. Liew	Independent Director
Prof.(Dr.) Ganapati Yadav	Independent Director (Appointed on 09th August,2019)
Mr. Chander Kumar Sabharwal	Independent Director (Ceased on 25th July, 2019)
Mr. Balkrishna Thakkar	Independent Director (Ceased on 25th July, 2019)

AUDIT COMMITTEE

Mr. Manubhai Patel	Chairman
Ms. Urvashi Shah	Member
Prof.(Dr.) Ganapati Yadav	Member

NOMINATION COMMITTEE

Mr. Manubhai Patel	Chairman
Ms. Urvashi Shah	Member
Prof.(Dr.) Ganapati Yadav	Member

REMUNERATION COMMITTEE

Mr. Manubhai Patel	Chairman
Ms. Urvashi Shah	Member
Prof.(Dr.) Ganapati Yadav	Member

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

Mr. Manubhai Patel	Chairman
Mr. Ashish Soparkar	Member
Ms. Urvashi Shah	Member

**CORPORATE SOCIAL RESPONSIBILITY
COMMITTEE**

Mr. Manubhai Patel	Chairman
Mr. Jayantilal Patel	Member
Mr. Ashish Soparkar	Member
Mr. Natwarlal Patel	Member

CORPORATE INFORMATION

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	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 (BUILDING UNDER RECONSTRUCTION)	Flat No. 22/23, Vellard View Co. op. Housing Society, Tardeo Road, Mumbai

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CORPORATE INFORMATION

PLANT LOCATIONS

- | | |
|----------------------------------|--|
| 1. Pigment Green Division | Plot No. 184, Phase II,
G.I.D.C. Vatva,
Ahmedabad -382 445
Telephone No. 91-9979882209
E-mail : helpdesk@meghmani.com |
| 2. Pigment Blue Division | Plot No. 21,21/1,
G.I.D.C. Panoli,
District: - Bharuch
Telephone No. 91-9979606337/38/39
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. 91-9099960742, 9099958371
E-mail : helpdesk@meghmani.com |
| 4. Agro Division – I | Plot No. 402,403,404 & 452,
Village Chharodi,
Taluka Sanand,
District :- Ahmedabad
Telephone No. 91-987960330
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, 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. 91-6359605548
E-mail : helpdesk@meghmani.com |

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CORPORATE INFORMATION**PRINCIPAL BANKERS****State Bank of India**

Overseas Branch,
Iscon Elegance,
Near Prahladnagar Cross Roads, SG Highway,
Ahmedabad 380015

HDFC Bank Limited

HDFC Bank House,
Near Mithakhali Six Roads, Navrangpura,
Ahmedabad 380 009

ICICI Bank Limited

JMC House Branch,
Opp. Parimal Garden, Ambawadi,
Ahmedabad 380009

Axis Bank Limited,

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

DBS Bank India Ltd.,

Surat Branch,
GIDC Bhatpore,
Surat 394510.

STATUTORY AUDITOR**S R B C & CO LLP**

Chartered Accountant
21st floor, B Wing, Privilon,
Ambli BRT Road, Behind Iscon Temple,
Off. S.G. highway, Ahmedabad – 380059

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,

It gives me immense pleasure connecting with you all and share the glimpses of performance during FY 2020. My fellow shareholders, I am pleased to announce that your Company is now a Fortune 500 company ranked at 490th place. This is just the beginning of our milestone journey; I am sure we will have more such milestones to achieve and feel proud of. Despite challenging COVID-19 pandemic environment and its far-reaching impact in terms of mortality and health-related issues, your Company delivered notable performance across all the three segments namely Pigments, Agro Chemicals and Chlor Alkali and its Derivatives. Your Company continues to strengthen its stance to become one of the leading diversified chemical conglomerate in 'Organic Chemistry' using cost-effective measures and technology backed up by in-house product and process development aiming worldwide presence and product acceptability.

Resilient Financial Performance – The Tough gets Going

Your Company exhibited financial performance with the consolidated growth of 5% Year-on-Year (YoY) to INR 21,912 million in FY 2020. Meghmani Organics' top-line was impacted by 3-4% due to COVID-19. EBITDA remained at INR 4,341 million during the year. PAT for the year was INR 2,401 million. Your Company continues to deliver a strong return ratio, with Return on Equity of 23% and Return on Capital Employed of 17% in FY 2020.

Segmental Performance: Every Business Share Matters

Agrochemicals

Meghmani Organics' Agrochemical segment exhibited a strong performance in FY 2020 with a 23% YoY increase in net sales to INR 9,734 million. Exports accounted for 79% of sales during FY 2020. EBITDA during the year INR 1,738 million and EBITDA margin for the period was 17.9%.

Pigments

Meghmani Organics' Pigment segment recorded a 6% YoY increase in net sales to INR 6,406 million in FY 2020. Exports accounted for 77% of sales during the year.

EBITDA during the year surged by 12% YoY to INR 915 million due to favourable market conditions and better price realizations and operational efficiencies. EBITDA margin for the period grew by 80 bps YoY to 14.5%.

Chlor Alkali and its Derivatives

Meghmani Organics' Chlor-Alkali segment recorded net sales INR 6,098 million in FY2020 lower by 14%. EBITDA during the year INR 1,976 million lower by 36% and EBITDA margin for the period at 32.4% compared to 43.9% in Previous Year (PY). The decrease in EBITDA during the year was mainly due to the following reasons:

- a) Exceptionally higher ECU realization in FY 2018-19
- b) Plant shutdowns during FY 2020 for commissioning of the new projects
- c) Impact on sales due to COVID 19 lockdown in March'20.

Industry Outlook: Tapping the New Trend

Agrochemicals

As per Phillips McDougal, the global crop protection industry contracted by 0.8% to US\$59.8 billion in 2019 owing to extreme global weather conditions across major geographies. The industry experienced an increase in the acceptance of alternative genetically modified traits. The end users experimented with new products which resulted in demand shift from glyphosate to high-end herbicides such as glufosinate-ammonium, dicamba and 2,4-D. The Pesticides industry was pegged at US\$ 5.08 billion in 2019. The growing export contribution from the Indian companies is thanks to the generic segment with a wide range of world-class formulation.

CHAIRMAN'S STATEMENT

Pigments

As per Grand View Research, the global Dyes and Pigments Industry was valued at US\$ 33.2 billion in 2019 and is expected to grow at 5% CAGR from 2020 to 2027. The pigment industry growth is driven by increasing demand from various applications such as packaging inks, textiles, paints and coatings, construction, and plastics. As per Ken Research, India's Pigments market is pegged at INR 20,000 crore by 2022 and is poised to achieve 5.5% CAGR in 2017-22.

There lies a huge opportunity for Indian players to tap the radical changes happening in the Chinese Chemical Industry and grow their exports in pigment emulsions in major countries including the US, Germany, China, Brazil, Italy and others.

Chlor Alkali and its Derivatives

As per Market Watch, the global Chlor-Alkali industry is estimated to reach US\$ 76.0 billion in 2020. The industry's market is expected to exceed US\$ 94.2 billion in 2026 clocking 3.1% CAGR during 2021-26. Alkalis products form the basic building blocks with wide applications in Aluminium, Paper, Textile and Plastic industries.

Indian Chemical Industry – In a sweet spot

India is aiming to be a US\$ 5 trillion economy by 2025. The Chemical and Fertilizers is pegged at US\$ 160 billion contributing nearly 7.8% of the manufacturing and has potential to clock 20-25% in 2025 taking the industry to US\$ 304 billion. The government market-friendly policy framework will enable companies to undertake bold investment decisions coupled with enabling reforms such as GST, relaxed FDI norms, Labour reforms and Bankruptcy laws. 'Make in India' and 'Ease of doing business' initiatives of the Government coupled with curb on imports will provide enormous opportunities across all the three segments in the future.

Management Vision and Values

Your Company is committed to follow transparent business practices. These values **shall be the base and backbone for all the future actions to achieve our 'Corporate Vision' to become one of the leading diversified chemical company in 'Organic Chemistry' aiming global presence and worldwide product acceptability. To Setup world class development Centre to facilitate upgrading technical capabilities and cost effective measures.**

The Board of Directors of the Company and every single Senior personnel of management are committed to ensure that the interest of every shareholder remains close to their heart.

Your Company is committed to stick to its core businesses in organic chemistry offering innumerable growth opportunities, create and build high standard manufacturing base, adhere to prescribed 'Environmental & Safety Standards' and strive continuously to upgrade them, respect minority shareholders and their trust in management and to create sustainable 'Value' for all the stakeholders.

Your Company has sustainable business model, **well integrated manufacturing base and plants located in chemical hub of Gujarat, relatively most stable and peaceful state with robust infrastructure.**

The Company has fairly well-balanced plant capacities and layouts with multiple locations that support the economy of scale. We constantly explore more possibilities for backward integration and try to implement them. This helps sizably in eliminating the dependency on input supplies and is able to convert effluents into valuable by-products.

The Company has strong pool of product basket. **The product reach and distribution too, are well diversified geographically with presence in almost every continent, empowering consistency in products off take all throughout the year.**

The Company has ambitious but cautious capital allocation plans ahead, we however, will stick to our core business strengths only.

CHAIRMAN'S STATEMENT

Besides, the Company has a very low leveraged debt-equity as well as low interest cost due to hedging possibilities always available against underlying exports. This helps the balance sheet to become stronger and healthier.

The management follows well-articulated financial policies and is committed to adhere to stringent working capital norms and discrete forex policies.

The consistent HR Policies of the Company helps in attracting best talent pool; retention and controlling low attrition rate

I may like to add very candidly, the entire chemical sector is poised for sustainable long-term growth. India is being seen by the world as an option to China in many product categories. With right business strategies, we envisage favourable business conditions and market dynamics for the Company in the years ahead.

As we all know, the Company has 'on going' ambitious business expansion plans largely funded with combination of internal accruals and low cost debts. We are committed to create a valuable business organization.

We have aspiring 'Corporate Vision' to become one of the leading diversified chemical company in 'Organic Chemistry'. This reflects that the journey ahead is going to be more exciting for we all. Needless to say, that the company has immense value which is yet to be realized.

Together, we are committed to create a valuable business organization.

Capacity Addition – The New Multiplier

Chlor-Alkali and its Derivatives

Your Company has planned a capex of INR 10.35 billion involving multiple projects aligned with its strategic goal of expanding its Chloro-Alkali business.

Capex of INR 7.6 billion in the Phase-1, includes the following projects:

- Chloromethane project of 50,000 TPA for producing MDC, Chloroform and Carbon Tetra Chloride. The project was commissioned in Q1 FY2020. The project enables in-house accessibility of Chlorine encouraging cost optimization and higher profitability.
- Hydrogen Peroxide project of 60,000 TPA. Hydrogen Peroxide is widely used in Pharma and Agrochemicals industry. The project is likely to be commissioned in Q2 FY2021.
- Caustic Soda capacity expansion from 1,66,600 TPA to 2,94,000 TPA and increase the Captive Power Plant capacity from 60 MW to 96MW by Q1 FY2021.

Your Company plans a new capex of INR 2.75 billion for setting up India's first Epichlorohydrin (ECH) project of 50000 TPA capacity. It will be 1st largest plant in India based on 100% renewable resources and expected to be operational by Q4 FY2022.

Your Company has also announced a new 30,000 TPA capacity CPVC Resin project which will be operational by Q3 FY 2023.

Your Company is continuously increasing the basket of products and after the completion of the above projects, share of value-added products in Chloro-Alkali division will be more than 50% by FY 2024.

Agrochemicals

Your Company envisage favourable business conditions and market dynamics for Agro Chemicals and has expansion plans for Agro division to capture these opportunities:

- Double its 2,4D (Herbicides) capacity by adding 10,800 TPA by incurring a capex of INR 1.27 billion.
- New formulation unit by incurring a capex of INR 0.25 billion to expand its share of value-added products (Branded products).

CHAIRMAN'S STATEMENT

These projects are expected to be operational by Q3 FY21.

Your Company is also planning a new multipurpose plant with backward integration at Dahej with capex of INR 3 billion which will be spent within next 2 years.

Pigments

Meghmani Organics plans to increase the basket of products in Pigment division with addition of new pigments in the coming years. Your Company has regulatory approvals and infrastructure in place for expansion in Pigment Division at Dahej.

Vote of Thanks

It has been a remarkable year for your Company. I believe we have just scratched the surface and the best of Meghmani Organics performance is yet to come. My fellow stakeholders, going by the famous lines of Robert Frost, 'And miles to go before I sleep', your Company will continue to walk on the path for creating value for all its stakeholders.

On behalf of the board, I would like to thank you for all your unwavering support, trust and perennial belief in our capabilities and competencies. 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 would like to express my gratitude for our 'Human Capital' for their hard work and commitment. Your dedication and competency have continuously fuelled Meghmani Organics' growth engine. Lastly, I am also grateful to our Board of Directors for their guidance and enlightenment for steering the business in a dynamic business environment.

I look forward to meeting and interacting with you, our fellow owners, and quench all your questions at our shareholder's meeting.

Best Regards,

Jayantilal Patel
Executive Chairman
Meghmani Organics Limited