

MEGHMANI ORGANICS LIMITED

Second Quarter Financial Statements and Dividend Announcement

The Board of Directors of Meghmani Organics Limited (“MOL” or “the Company” or “the Issuer”) wishes to make the announcement of the Group’s results for the second quarter ended September 30, 2008 as follows:

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF YEAR AND FULL YEAR RESULT

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3 months ended		%	6 months ended		%
	30 /09/2008	30 /09/2007	Increase (Decrease)	30 /09/2008	30 /09/2007	Increase (Decrease)
	Rs '000	Rs '000		Rs' '000	Rs' '000	
Revenue	2,560,261	1,711,126	49.6	4,616,960	2,838,253	62.7
Cost of sales	(2,011,680)	(1,420,487)	41.6	(3,724,563)	(2,272,695)	63.9
Gross Profit	548,581	290,639	88.7	892,397	565,558	57.8
Other operating income	82,686	20,949	294.7	120,069	35,347	239.7
Distribution expenses	(210,328)	(143,679)	46.4	(345,180)	(240,433)	43.6
Administrative expenses	(92,626)	(10,856)	753.2	(141,748)	(52,696)	169.0
Other operating expenses	(78,316)	(16,983)	361.1	(25,192)	(29,075)	-13.4
Profit from operations	249,997	140,070	78.5	500,346	278,701	79.5
Finance cost	(71,604)	(36,121)	98.2	(131,428)	(76,525)	71.7
Income from investments	9	8,385	-99.9	9	14,343	-99.9
Share of Loss in Associate	-	4,845	-100.0	-	5,469	-100.0
Profit before tax	178,402	117,179	52.2	368,927	221,988	66.2
Income tax	(46,661)	(24,643)	89.3	(107,389)	(48,459)	121.6
Profit after income tax	131,741	92,536	42.4	261,538	173,529	50.7
Minority Interest	2,203	-	n.m.	4,622	-	n.m.
Profit after Minority Interest	133,944	92,536	44.7	266,160	173,529	53.4

1(a) (ii) The net profit attributable to the shareholders includes the following (charges) / credits:

	Group			Group		
	3 months ended		%	6 months ended		%
	30 /09/2008	30 /09/2007	Increase (Decrease)	30 /09/2008	30 /09/2007	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Bad trade receivables written off /recovered	(63)	(259)	-75.7	796	(163)	-588.3
Foreign currency exchange adjustment loss/ gain	76,888	16,997	352.4	22,746	28,757	-20.9
Research and development expenditure	(1,731)	(4,148)	-58.3	(3,960)	(6,675)	-40.7
Loss/Profit on sales of property, plant	1,491	245	508.6	1,650	481	243.0

Note: n.m. means not meaningful.

1(b)(i) A balance sheet of the Group and the Company together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30 /09/2008	As at 31.03.2008	As at 30 /09/2008	As at 31.03.2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Current assets				
Cash & bank balances	264,646	361,088	183,530	65,623
Available for sale investments	750,000	40,000	-	-
Trade receivables	3,319,643	2,646,897	3,468,551	2,661,751
Other receivables and prepayments	1,997,840	1,417,189	1,117,451	853,069
Inventories	1,233,954	955,303	1,145,145	854,445
Income tax recoverable	14,219	53,155	14,821	53,336
Total current assets	7,580,302	5,473,632	5,929,498	4,488,224
Non – current assets				
Property, plant and equipments	4,308,158	2,119,747	1,382,407	1,375,063
Interest in subsidiaries	-	-	1,084,486	1,084,486
Available for sale investments	5,578	5,578	5,568	5,568
Total non – current assets	4,313,736	2,125,325	2,472,461	2,465,117
Total assets	11,894,038	7,598,957	8,401,959	6,953,341
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	2,764,027	1,854,119	2,648,340	1,721,971
Other borrowings	31,445	22,750	-	-
Trade payables	1,061,011	714,810	889,510	683,181
Other payables	287,869	171,119	220,532	133,008
Total current liabilities	4,144,352	2,762,798	3,758,382	2,538,160
Non – current liabilities				
Long Term Loan	2,860,752	212,302	140,895	120,360
Deferred tax liabilities	131,209	130,688	131,829	130,951
Total non – current liabilities	2,991,961	342,990	272,724	251,311
Capital & reserves				
Issued capital	254,314	254,314	254,314	254,314
Share premium	1,565,048	1,565,048	1,565,048	1,565,048
General reserve	434,270	434,270	434,270	434,270
Capital Reserve	3,122	3,122	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	927	89,260	927	89,260
Currency translation reserve	(1,710)	(1,061)	-	-
Accumulated profits	1,995,047	1,728,887	2,094,739	1,799,423
Minority interest	488,274	400,896	-	-
Total equity	4,757,725	4,493,169	4,370,853	4,163,870
Total liabilities and equity	11,894,038	7,598,957	8,401,959	6,953,341

During FY 2008 due to purchase of shares from Payam Properties UK , Meghmani Europe BVBA has become subsidiary of the Company.

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 September 2008		As at 31 March 2008	
Secured	Unsecured	Secured	Unsecured
Rs '000	Rs '000	Rs '000	Rs '000
1,517,512	1,246,515	1,253,519	600,600

Amount repayable after one year

As at 30 September 2008		As at 31 March 2008	
Secured	Unsecured	Secured	Unsecured
Rs '000	Rs '000	Rs '000	Rs '000
2,860,752	-	212,302	-

The details of bank borrowing from various banks and securities are shown below:

Bank borrowings from a consortium of banks (Group and Company) (SBI, HDFC and ICICI)

As at September 30, 2008, bank borrowing amounting to **Rs. 1,173,988,000** are secured by:

- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation on the Company's trade receivables and inventories ; and
- First ranking pari passu charge in favour of a consortium of banks by way of hypothecation and/or legal mortgage over certain of Group's present and future properties, plant and equipment.

Bank borrowings from a consortium of banks (Group and Company) (SBI, HDFC and ICICI)

As at March 31, 2008, bank borrowings amounting to Rs. 1,121,371,000 are secured by:

- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation on the Company's trade receivables and inventories ; and
- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

Bank borrowings from other banks (Group and Company)

Bank A (ICICI Bank Limited - ECB)

As at September 30, 2008, bank borrowings amounting to **Rs. 140,895,000** (repayable after one year) are secured by.

- first ranking pari passu charge by way of hypothecation on the Company's current assets; and

As at March 31, 2008, bank borrowings are amounting to Rs. 120,360,000.

Bank B (ICICI Bank Limited - Bahrain)

As at September 30, 2008, bank borrowings amounting to **Rs. 97,844,000** (repayable after one year) and **Rs. 3,669,000** (repayable within one year) are secured by.

(b) first ranking pari passu charge by way of hypothecation on the Company's current assets; and

As at March 31, 2008, bank borrowings are amounting to Rs. 91,942,000 (repayable after one year) and Rs. 8,358,000 (repayable within one year) are secured by.

Bank C (HDFC Bank Limited)

As at September 30, 2008, bank borrowings amounting to **Rs. 1,050,000,000** are unsecured.

As at March 31, 2008, bank borrowings amounting to Rs. 400,000,000 are unsecured.

Bank D (ICICI Bank Limited – Buyers Credit)

As at September 30, 2008, bank borrowings amounting to **Rs. 5,936,000** are secured.

As at March 31, 2008, bank borrowings amounting to Rs. Nil .

Bank E (ICICI Bank Limited – PCFC in USD)

As at September 30, 2008, bank borrowings amounting to **Rs. 221,900,000** are secured.

As at March 31, 2008, bank borrowings amounting to Rs. Nil.

Bank F (Standard Chartered Bank)

As at September 30, 2008, bank borrowings amounting to **Rs. 196,515,000** are unsecured.

As at March 31, 2008, bank borrowings amounting to Rs.200,600,000.

Bank G (ABN Amro Bank – Meghmani Europe BVBA)

As at September 30, 2008, bank borrowings amounting to **Rs. 80,177,000** are secured.

As at March 31, 2008, bank borrowings amounting to Rs. 123,790,000. are secured

Bank H (KBC Bank Limited – Meghmani Europe BVBA)

As at September 30, 2008, bank borrowings amounting to **Rs. 31,842,000** are secured.

As at March 31, 2008, bank borrowings amounting to Rs. Nil.

Bank I (Consortium of banks – Meghmani Finechem Limited (MFL))

As at September 30, 2008, bank borrowings amounting to **Rs. 1,900,000,000** (repayable after one year) are secured.

As at March 31, 2008, bank borrowings amounting to Rs. Nil.

Bank J (International Financial Corporation (IFC) – MFL)

As at September 30, 2008, bank borrowings amounting to Rs. 722,013,000 (repayable after one year) are secured.

As at March 31, 2008, bank borrowings amounting to Rs. Nil.

1(c) A cash flow statement of the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Particulars	Group		Company	
	Half Year ended		Half Year ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities:				
Profit from operations	500,346	278,701	519,379	282,724
Adjustments for :				
Depreciation on property, plant and equipment	86,395	72,506	76,472	72,369
Unrealised foreign exchange gain (loss)	59,285	28,758	59,285	28,758
Interest Received	(1,533)	-	(1,533)	-
Balance of subsidiary eliminated (see note below)	-	8,247	-	-
Loss on disposal of property, plant and equipment	1,650	481	1,650	481
Operating cash flows before movement in working capital	646,143	388,693	655,253	384,332
Trade receivables	(672,746)	(494,138)	(806,800)	(480,634)
Other receivables and prepayments	(639,936)	(430,181)	(323,667)	(396,075)
Inventories	(279,512)	15,860	(290,699)	18,531
Trade payables	346,201	264,010	206,328	242,714
Bills payables	(91,767)	108,292	(91,767)	108,292
Other payables	116,751	(1,469)	87,524	17,972
Cash generated from operations	(574,866)	(148,933)	(563,828)	(104,868)
Income taxes paid	(67,932)	(36,037)	(67,738)	(36,037)
Interest and finance charges paid	(131,428)	(76,525)	(116,940)	(76,498)
Net cash from operating activities	(774,226)	(261,495)	(748,506)	(217,403)
Cash flows from investing activities:				
Purchase of property, plant & equipments	(2,281,372)	(177,105)	(90,286)	(129,280)
Proceeds on disposal of property, plant & equipments	4,820	1,040	4,820	1,040
Purchase of available for sale investments	-	245	-	210
Interest received	1,533	14,343	1,533	14,343
Investment income received`	9	-	9	-
Minority interest	92,000	-	-	-
Net cash used in investing activities	(2,183,010)	(161,477)	(83,924)	(113,687)
Cash flows from financing activities:				
Dividend paid	(75,368)	(72,227)	(75,368)	(72,227)
Tax on dividend paid	(12,966)	(12,275)	(12,966)	(12,275)
Proceeds from bank borrowings, net of repayments	3,650,125	(424,358)	1,038,671	(525,871)
Proceeds from other borrowings, net of repayments	8,695	(3,300)	-	-
Increase in Share Capital - Indian IPO	-	53,684	-	53,684
Increase in Share Premium – Indian IPO	-	966,316	-	966,316
Net cash from financing activities	3,570,486	507,840	950,337	409,627
Net effect of exchange rate change in consolidation	308	(1,776)	-	-
Net (decrease) increase in cash and cash equivalents	613,558	83,092	117,907	78,537
Cash and cash equivalents at the beginning of the year	401,088	332,531	65,623	329,116
Cash and cash equivalents at the end of the year	1,014,646	415,623	183,530	407,653

*Note: The figures for Meghmani BVBA have been included as an associate.

1(d)(i) A statement (Group and Company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Rs '000										
Group	Issued capital	Share premium	General reserve	Capital reserve	Capital redemption reserve	Dividend reserve	Currency Translation Reserve	Accumulated Profits	Minority Interest	Total
Balance as at June 30,2007	254,314	1,629,575	392,526	3,122	18,433	84,502	(44)	1,626,546	12,004	4,020,978
Dividend Paid	-	-	-	-	-	(84,502)	-	-	-	(84,502)
Net profit for the period	-	-	-	-	-	-	-	90,873	-	90,873
Balance of Subsidiary Eliminated	-	-	-	-	-	-	-	6,762	-	6,762
Currency Translation Reserve	-	-	-	-	-	-	(1,776)	-	-	(1,776)
Balance as at 30 September, 2007	254,314	1,629,575	392,526	3,122	18,433	-	(1,820)	1,724,181	12,004	4,032,335

Balance as at June 30,2008	254,314	1,565,048	434,270	3,122	18,433	89,260	(2,766)	1,861,103	405,594	4,628,378
Dividend Paid	-	-	-	-	-	(88,333)	-	-	-	(88,333)
Net profit for the period	-	-	-	-	-	-	-	133,944	-	133,944
Addition during the year	-	-	-	-	-	-	-	-	82,680	82,680
Currency Translation Reserve	-	-	-	-	-	-	1,056	-	-	1,056
Balance as at 30 September, 2008	254,314	1,565,048	434,270	3,122	18,433	927	(1,710)	1,995,047	488,274	4,757,725

Rs '000										
Company	Issued capital	Share premium	General reserve	Capital reserve	Capital redemption reserve	Dividend reserve	Currency Translation Reserve	Accumulated Profits	Minority Interest	Total
Balance as at June 30,2006	254,314	1,629,575	392,526	3,122	18,433	84,502	-	1,634,667	-	4,017,139
Dividend Paid	-	-	-	-	-	(84,502)	-	-	-	(84,502)
Net profit for the period	-	-	-	-	-	-	-	90,155	-	90,155
Balance as at 30 September, 2006	254,314	1,629,575	392,526	3,122	18,433	-	-	1,724,822	-	4,022,792

Balance as at June 30,2008	254,314	1,565,048	434,270	3,122	18,433	89,260	-	1,940,635	-	4,305,082
Dividend Paid	-	-	-	-	-	(88,333)	-	-	-	(88,333)
Net profit for the period	-	-	-	-	-	-	-	154,104	-	154,104
Balance as at 30 September, 2008	254,314	1,565,048	434,270	3,122	18,433	927	-	2,094,739	-	4,370,853

- 1(d)(ii) Details of any changes in the Group's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities , issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Group's share capital during the reporting period since the end of the previous reported period.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed , the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual Financial Statements have been applied.

The Group's financial statements have been prepared from those accounting records maintained under General Accepted Accounting Practices in India ("Indian GAAP") The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2008.

5. If there are any changes in the accounting policies and methods of computation , including any required by an accounting standard , what has changed , as well as the reasons for and the effect of, the change.

There is no change in accounting policy.

6. Earning per ordinary share of the Group and the Company for the current financial period reported on and the corresponding period of the immediately preceding financial year , after deducting and provision for preference dividends.

There is no dilution as no share options were granted during the financial period.

Earnings per Ordinary shares	Group		Company	
	6 months ended		6 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
(a) Based on weighted average number of ordinary shares in issue (Rs)	1.05	0.75	1.16	0.75
Earning per SDS (Rs)	0.53	0.38	0.58	0.38
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	1.05	0.75	1.16	0.75
Earning per SDS (Rs.)	0.53	0.38	0.58	038
Weighted average number of ordinary shares (Nos.)	254,314,211	230,845,703	254,314,211	230,845,703

Equity shares at the beginning of the year	200,630,000
New equity shares issued on 20 th June 2008	53,684,211
Equity shares at the end of the period	254,314,211
Weighted equity shares	230,845,703

For comparative purposes, the basic and diluted earnings per ordinary share for the period ended September 30, 2007 have been computed based on the profit after tax of Rs 173,529,137 divided by 200,630,000 ordinary shares of Rs 1 each and 230, 845,703 ordinary shares of Rs 1 each after Indian Initial Public Offer. (Calculation of weighted equity shares: 200,630,000*80/183+254,314,211*103/183)

7. Net asset value (for the issuer and Company) per ordinary share based on issued share capital of the issuer at the end of the :-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30.09.2008	As at 31.03.2008	As at 30.09.2008	As at 31.03.2008
Net assets value per ordinary share based on issued share capital at the end of the period / year reported in Rs.	18.71	17.67	17.19	16.37

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Revenue –Group

The principal activities of the Group include manufacturing and trading of pigments, agrochemicals, dyes, dyes intermediates and agrochemicals technical and intermediates products.

Quarter to Quarter:- Analysis

Breakdown of Revenue by Product

Products	(Rs. in Millions)			
	2 Q FY 2008-09	2 Q FY 2007-08	Increase/ Decrease	%
Pigments	903.63	537.76	365.87	68.0
Agrochemicals	1227.81	1001.15	226.66	22.6
Trading	428.82	172.21	256.61	149.0
Total	2560.26	1711.12	849.14	49.6

Breakdown of Domestic Sales by Product

Domestic Sales	(Rs. in Millions)			
	2 Q FY 2008-09	2 Q FY 2007-08	Increase/ Decrease	%
Pigments	172.52	85.37	87.15	102.1
Agrochemicals	568.05	614.97	-46.92	-7.6
Total	740.57	700.34	40.23	5.7

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	2 Q FY 2008-09	2 Q FY 2007-08	Increase/ Decrease	%
Pigments	731.11	452.39	278.72	61.6
Agrochemicals	659.76	386.18	273.58	70.8
Trading	428.82	172.21	256.61	149.0
Total	1819.69	1010.78	808.91	80.0

Group revenue increased by 49.6%, from Rs. 1711.1 million for 2Q FY 2008 to Rs. 2560.3 million for 2Q FY 2009 on account of increase in Pigment Sales and Trading Sales.

Increase in domestic sales

Group revenue from domestic sales increased marginally by 5.7% from Rs 700.3 million in 2Q FY 2008 to Rs. 740.6 million in 2Q FY 2009. Domestic sales of Pigment increased due to increase in production and sales of CPC Blue

Agrochemical Sales decreased marginally was compensated by increase in export sales.

Increase in export sales

Group revenue derived from export sales increased by 80.0 % from Rs.1010.8 million in 2Q FY 2008 to Rs. 1819.7 million in 2Q FY 2009.

Gross Profit

Gross profit - Group

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	2 Quarter FY 2009	GP Margin 2 Q FY 2009 (%)	2 Quarter FY 2008	GP Margin 2 Q FY 2008 (%)	Increase / Decrease	%
Pigments	185.16	20.5	109.04	20.3	76.12	69.8
Agrochemicals	330.44	26.9	155.55	15.5	174.89	112.4
Trading	32.98	7.7	26.05	15.1	6.93	26.6
Total	548.58	21.4	290.64	17.0	257.94	88.7

Overall, gross profit of the Group increased by Rs. 257.9 million (or 88.7%) from Rs 290.6 million to Rs 548.5 million. The gross profit percentage increased from 17.0% in Q2 FY 2008 to 21.4 % in Q2 FY 2009. The gross profit margin of Pigment increased marginally, while of Agrochemical increased substantially from 15.5% to 26.9% on account of increase in quantity sales and better price realization.

Other Operating Income

Other operating income of the Group consists mainly of export benefits such as duty entitlement passbook benefit (DEPB), Duty Draw Back, etc, which increased by Rs. 61.7 million to Rs 82.7 million.

Distribution, Administrative and Other Operating Expenses

Distributions costs of the Group increased by 46.4 % to Rs 210.3 million. This is in line with increase in sales.

Administrative costs of the Group increased by 753.2 % to Rs 92.6 million mainly due to increase in excise duty expenses provided on closing stock of finished goods.

Other operating expenses increased by Rs 61.3 million mainly due to gain o foreign exchange fluctuations.

Finance costs

Finance costs increased by Rs 35.5 million (or 98.2%) due to increase in operations.

Income from Investments :-

Income from investments was decreased by Rs. 8.4 million on account of receipt of dividend in last year from investment of surplus fund of IPO in mutual funds for a temporary period, pending specific utilization.

Share of associate's profit / loss

Meghmani BVBA ceased to be a subsidiary of the Company and is an associate. Profit / Loss of the associate, to the extent of 49% is shown as share of profit / loss in the associate in the figures for the Group.

Taxation

Income tax increased by Rs. 22.1 million in Q 2 FY 2008 from Rs. 24.6 million in 2Q FY 2009 to Rs. 46.7 million in Q 2 Fy 2008. This is due to increase in profitability of Agrochemical income and EOU benefit to Panoli division – I withdrawn on expiry of statutory exemption period.

Interest in Subsidiaries

Meghmani Organics USA Inc., a wholly owned subsidiary of the Company, has commenced its commercial transactions. Accordingly, profit / loss of Meghmani Organics USA Inc. for the period ended on 30 September, 2008 has been included in the profit / loss of the Group.

Due to acquisition of shares from Payam Properties Limited UK, Meghmani Europe has now become subsidiary of the Company. Income statement prepared for the quarter ended 30 September 2008 considered Meghmani Europe BVBA as Subsidiary.

The Company has invested in a Special Vehicle company viz. Meghmani Energy Limited (MEL) to set up a Captive Power Plant near its Agrochemical Unit at Chharodi and has subscribed to 70% of its share capital, making MEL subsidiary of the Company. Till the end of the quarter, the subsidiary has not commenced commercial operations.

Meghmani Finechem Limited (MFL) has been formed as a Special Purpose Vehicle (SPV) company to implement Rs. 555 Crore Caustic Chlorine project. The Project is at advanced stage of implementation and is expected o be commissioned by February/March 2009.

Half year to Half year:- comparison

Breakdown of Revenue by Product

Division	(Rs. in Millions)			
	30.09.2008 Actual	30.09.2007 Actual	Variance	%
Pigments	1522.37	1161.09	361.28	31.1
Agrochemicals	2296.40	1476.19	820.21	55.6
Trading	798.19	200.97	597.22	297.2
Total	4616.96	2838.25	1778.71	62.7

Division wise Domestic Sales

Particulars	Rs. in Mn			
	30.09.2008 Actual	30.09.2007 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigment	281.12	255.33	25.79	10.1
Agro	1203.31	827.82	375.49	45.4
Total	1484.43	1083.15	401.28	37.0

Division wise Export Sales

Particulars	Rs. in Mn			
	30.09.2008 Actual	30.09.2007 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigment	1241.25	905.76	335.49	37.0
Agro	1093.09	648.37	444.72	68.6
Trading	798.19	200.97	597.22	297.2
Total	3132.53	1755.10	1377.43	78.5

Group revenue increased by 62.7% from Rs. 2838.3 million for 1 H FY 2008 to Rs. 4617.0 million for 1 H FY 2009 on account of increase in Agrochemical Sales and Trading Sales.

Increase in domestic sales

Group revenue from domestic sales increased by 37.0% from Rs 1083.2 million in 1H FY 2008 to Rs 1484.4 million in 1H FY 2009. Agrochemical Sales increased due to good domestic monsoon season.

Increase in export sales

Group revenue derived from export sales increased by 78.5 % from Rs.1755.1 million in 1 H FY 2008 to Rs. 3132.5 million in 1 HFY 2009.

Gross Profit

Group gross profit for 1H FY 2009 increased by Rs. 326.8 million (i.e. 57.8 %) from Rs 565.6 million 1H FY 2008 to Rs 892.4 million 1H FY 2009. However, the gross profit margin decreased from 19.9% in 1H FY 2008 to 19.3 % in 1H FY 2009.

Other Operating Income

Other Operating Income of the Group which consists mainly of export benefits such as Duty Entitlement Passbook Benefit (DEPB), duty drawback, dividend income etc. has increased by 239.7% to Rs. 120.1 million in 1 H FY 2009 mainly due to increase in DEPB rate and dividend income.

Distribution, Administrative and Other Operating Expenses

Distribution expenses of the Group increased by Rs. 104.8 million to Rs. 345.2 million in 1H FY 2009.

Administrative expenses increased by Rs. 89.1 million to 1H FY 2009 mainly due to increase in excise duty expenses provided on closing stock of finished goods.

Other operating expenses decreased marginally by Rs. 3.9 million in 1H FY 2009 mainly due to foreign currency exchange adjustment.

Finance costs

Finance costs of the Group increased by Rs. 54.9 million (or 71.7%) in 1H FY 2009. The same is mainly due to higher utilization of working capital facilities in 1H FY 2009 because of increase in operation.

Balance sheet

Trade receivables

Trade receivables of group increased by Rs. 672.7 million from Rs. 2646.9 million in FY 2008 to Rs. 3319.6 million in 1H FY 2009.

Trade receivables at Company level increased by Rs. 806.8 million from Rs. 2661.8 million in FY 2008 to Rs. 3468.6 million in 1H FY 2009.

Other receivables & Prepayments

During the first half, other receivables & prepayments at Group and Company level increased by Rs.580.6 million (or 41.0 %), and Rs. 264.4 million (or 31.0 %) due to advance payment made for purchase of raw materials.

Inventories

Inventories at group level increased by Rs. 278.7 million from Rs. 955.3 million in FY 2008 to Rs. 1234.0 million in 1 H FY 2009. While Inventories at company level increased by Rs. 290.7 million from Rs. 854.4 million in FY 2008 to Rs. 1145.1 million in 1 H FY 2009.

Property, plant and equipment

Fixed assets at Group and Company level increased by Rs. 2188.4 million and Rs. 7.3 million respectively.

Bank Borrowings

Bank borrowings at Group and Company level (current) increased by Rs. 3558.4 million and Rs. 946.9 million respectively,.

Trade payables and other payable

Trade payables and other payable at 1HF 2009 at Group and Company level increased by Rs.463.0 million and Rs. 293.9 million respectively.

Cash flow statement

During the period, the Group has generated negative net cash flow of Rs. 774.2 million from operating activities because of higher bills payable and other prepayments.

Financial Analysis

Rs. in millions

Group Key Financial Highlights	As at 30.09.2008	As at 30.09.2007	Variance	Variance (%)
<u>Profitability</u>				
Sales	4616.96	2838.25	1778.71	62.7
Gross Profit	892.40	565.56	326.84	57.8
Gross Profit Margin (%)	19.3	19.9	-0.6	-3.0
Profit before tax	368.93	221.99	146.94	66.2
Profit before tax Margin (%)	8.0	7.8%	0.2	
Net profit	266.16	173.53	92.63	53.4
Net profit Margin (%)	5.8%	6.1%	-0.3	
Earning per Share (EPS in Rs.)	1.05	0.75	0.30	40.0
<u>Financial position</u>				
Net tangible assets	4757.73	4032.33	725.40	18.0
Debt (short term +long term)	5624.78	1402.50	4222.28	301.1
Capital Gearing ratio	1.18	0.35	0.83	237.1
Net tangible assets per share	16.79	15.81	0.98	6.2
Stock turnover (days)	61	76	-15	-19.7
Trade debts turnover (days)	132	155	-23	-14.8

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

Industry Prospects

Pigment

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approx., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US\$ 60 billion The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals.

The pigments market continued to deal with the challenges of volatile prices for key raw materials and fuel, improving economic conditions in Europe and increased growth in the Asia Pacific market offer pigment suppliers a ray of hope for the year 2009.

To meet the demand of its global customers' base, the group is in process to introducing new range of High Performance Pigments.

Agrochemical

Indian exports of agrochemicals have shown an impressive growth over the last five years. The key export destination markets are USA, U.K., France, Netherlands, Belgium, Spain, South Africa, Bangladesh, Malaysia and Singapore.

India is the 4th largest producer of agrochemicals after USA, Japan and China. The agrochemicals market in India is Rs.4500 crores.

To meet the growing demand for Organ phosphorous and Synthetic Pyrethroid, the Group has installed multifaceted production capacities at the Ankleshwar Plants.

Last year, the Agrochemicals market remained very depressed. The market has started improving this year. The Group performed well on the domestic front last year and expect to continue the same this year on the domestic branded formulations sale.

Outlook for FY 2009

Raw Material Price

During FY 2008 crude oil price continued to increase resulting in higher raw materials cost that are derivatives of crude oil, such as Phathlic, Ortho Nitro Toluene and solvents. There was also a bullish trend in the metal market, resulting in increase in the prices of Copper and Aluminum.

With recent meltdown the raw material prices are expected to go down but this will also have effect fin in finished goods prices, as a result, our profitability is likely to be affected in the 3Q FY 2009.

Market Price

The global market for pigment products continued to show signs of recovery in the sales price of some products. The agro product witnessed pressure on pricing during FY 2008. During two quarters of FY 2009 prices were increased. The recessionary trend in the coming two quarters may witness affect in pricing.

Profitability

The Group achieved higher revenue in FY 2008. Gross profit and Net Profit after tax decreased. Although the gross profit margins are under pressure. The Company endeavours to manage global meltdown to maintain profitability growth.

Market Dynamics are changing rapidly. To insulate from external threats , we are adding more products to our portfolio.

Registrations

The Group continued to make its concentrated efforts to obtain overseas registrations. The Group has received total 137 registrations. The registration efforts of the Group are in countries such as Australia, Brazil, Bangladesh, China, Indonesia, Malaysia, Nigeria, Paraguay, Thailand, Turkey and Vietnam. The group has 406 new registrations in pipeline in 55 countries at various stages which will further strengthen the growth plan of the Group.

11. Dividend

(a) Current financial period reported on

Any dividend for the current financial period reported on? **No**

(b) Corresponding Period of the Immediately Preceding Financial Year : **Nil**

(c) Date payable: Not applicable

(d) Books closure date: Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend for the period ended 30 September, 2008 is recommended or declared.

13 Confirmation by Directors pursuant to Rule 705(4) of the Listing Manual of the SGX-ST

On behalf of the Board of Directors of the Company, I the undersigned, hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the second quarter ended 30 September 2008 to be false or misleading.

14 The Company has been granted waiver by SGX ST in compliance with Rule 220 (1) of the listing manual and the Company is allowed to release its periodical finance report as well as annual report under the Indian GAAP. Provided it is accompanied by a reconciliation statement.

The Board is of the view that the variance of the profit reported under the quarter ended 30 September, 2008 is not material.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED

K D Mehta
Company Secretary
Date: 28 October 2008