

MEGHMANI ORGANICS LIMITED

Third 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 Third quarter ended December 31, 2009 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		%	9 months ended		%
	31.12.2009	31.12.2008	Increase (Decrease)	31.12.2009	31.12.2008	Increase (Decrease)
	Rs '000	Rs '000		Rs' '000	Rs' '000	
Revenue	2,089,749	1,651,011	26.6	5,945,930	6,214,205	-4.3
Cost of sales	(1,789,766)	(1,248,484)	43.4	(4,890,519)	(4,946,298)	-1.1
Gross Profit	299,983	402,527	-25.5	1,055,411	1,267,907	-16.8
Other operating income	54,476	55,803	-2.4	158,844	175,943	-9.7
Distribution expenses	(148,161)	(126,434)	17.2	(437,926)	(444,256)	-1.4
Administrative expenses	(49,128)	(34,563)	42.1	(158,703)	(176,723)	-10.2
Other operating expenses	35,459	(118,805)	-129.8	89,731	(143,997)	-162.3
Profit from operations	192,629	178,528	7.9	707,357	678,874	4.2
Finance cost	(162,850)	(71,787)	126.9	(333,195)	(203,215)	64.0
Income from investments	23	28	-17.9	1,186	37	n.m.
Profit before tax	29,802	106,769	-72.1	375,348	475,696	-21.1
Income tax	54,416	(22,023)	- n.m.	(86,297)	(129,412)	-33.3
Profit after income tax	84,218	84,746	-0.6	289,051	346,284	-16.5
Minority Interest	34,827	3,240	n.m.	94,646	7,861	n.m.
Profit after Minority Interest	119,045	87,986	35.3	383,697	354,145	8.3

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

	Group			Group		
	3 months ended		%	9 months ended		%
	31.12.2009	31.12.2008	Increase (Decrease)	31.12.2009	31.12.2008	Increase (Decrease)
	Rs '000	Rs '000		Rs '000	Rs '000	
Bad trade receivables written off /recovered	(26,792)	(390)	n.m.	41,708	406	n.m.
Foreign currency exchange adjustment loss/ gain	(29,260)	118,999	-124.6	(152,653)	141,745	-207.7
Research and development expenditure	(1,975)	(2,037)	-3.0	(5,585)	(5,997)	-6.9
Loss/Profit on sales of property, plant	20,593	196	n.m.	21,214	1,846	n.m.

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 31.12.2009	As at 31.03.2009	As at 31.12.2009	As at 31.03.2009
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<u>ASSETS</u>				
Current assets				
Cash & bank balances	183,189	234,339	105,542	85,880
Available for sale investments	80,000	404,154	80,000	-
Trade receivables	3,375,772	2,707,800	3,467,207	2,846,823
Other receivables and prepayments	1,609,403	1,866,959	1,205,677	1,274,781
Inventories	1,193,575	1,132,091	1,045,333	1,054,449
Total current assets	6,441,939	6,345,343	5,903,759	5,261,933
Non – current assets				
Property, plant and equipments	6,714,253	6,178,779	1,724,785	1,501,187
Interest in subsidiaries	-	-	1,110,530	1,097,116
Available for sale investments	5,583	5,583	5,573	5,573
Total non – current assets	6,719,836	6,184,362	2,840,888	2,603,876
Total assets	13,161,775	12,529,705	8,744,647	7,865,809
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank borrowings	1,791,030	1,770,158	1,769,767	1,749,025
Other borrowings	11,044	31,073	-	-
Trade payables	1,058,689	868,308	1,044,888	704,659
Other payables	630,321	750,452	503,419	633,795
Current Tax Payable	8,644	(78589)	4,445	(80732)
Total current liabilities	3,499,728	3,341,402	3,322,519	3,006,747
Non – current liabilities				
Long Term Loan	4, 282,914	3, 887,322	325,710	152,160
Deferred tax liabilities	7,971	119,348	119,697	126,709
Total non – current liabilities	4,290,885	4,006,670	445,407	278,869
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	489,270	489,270	489,270	489,270
Capital Reserve	3,520	3,520	3,122	3,122
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	681	98,463	681	98,463
Currency translation reserve	1,684	3,424	-	-
Accumulated profits	2,330,612	1,946,915	2,645,853	2,151,543
Minority interest	707,600	802,246	-	-
Total equity	5,371,162	5,181,633	4,976,721	4,580,193
Total liabilities and equity	13,161,775	12,529,705	8,744,647	7,865,809

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

Amount repayable in one year or less, or on demand

As at 31 December, 2009		As at 31 March 2009	
Secured		Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
851,440	830,177	458,888	437,755

As at 31 December, 2009		As at 31 March 2009	
Un -Secured		Un -Secured	
Group	Company	Group	Company
Rs. '000	Rs. '000	Rs. '000	Rs. '000
939,590	939,590	1,311,270	1,311,270

Amount repayable after one year

As at 31 December, 2009		As at 31 March 2009	
		Un -Secured	
Group	Company	Group	Company
4,282,914	325,710	3,887,322	152,160

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 December 31, 2009, bank borrowing amounting to Rs. 830,177,000 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, 2009, bank borrowings amounting to Rs. 437,755,000 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 A (ICICI Bank Limited)

As at December 31, 2009, bank borrowings are amounting to Rs. Nil (repayable after one year) are secured by:

- first ranking pari passu charge by way of hypothecation on the Company's current assets; and
Bank A (ICICI Bank Limited)

As at March 31, 2009, bank borrowings are amounting to Rs. 152,160,000 are secured by:

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

Bank B (ICICI Bank Limited - Bahrain)

As at December 31, 2009, bank borrowings are amounting to Rs. 67,857,000 (repayable after one year) and Rs. 21,263,000 (repayable within one year)

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

Bank B (ICICI Bank Limited - Bahrain)

As at March 31, 2009, bank borrowings are amounting to Rs. 95,100,000 (repayable after one year) and Rs. 21,133,000 (repayable within one year)

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

Bank C (Standard Chartered Bank - ECB)

As at December 31, 2009, bank borrowings amounting to Rs. 325,710,000 are secured.

As at March 31, 2009, bank borrowings amounting to Rs. Nil are unsecured

Bank D (HDFC Bank Limited)

As at December 31, 2009, bank borrowings amounting to Rs. 350,000,000 are unsecured.

As at March 31, 2009, bank borrowings amounting to Rs. 756,633,000 are unsecured.

Bank E (ICICI Bank Limited)

As at December 31, 2009, bank borrowings amounting to Rs. 350,000,000 are unsecured.

As at March 31, 2009, bank borrowings amounting to Rs. 350,489,000 are unsecured.

Bank F (Standard Chartered Bank)

As at December 31, 2009, bank borrowings amounting to Rs. 139,590,000 are unsecured

As at March 31, 2009, bank borrowings amounting to Rs. 204,148,000 are unsecured.

Bank G (Kotak Mahindra Bank Limited)

As at December 31, 2009, bank borrowings amounting to Rs. 100,000,000 are unsecured

As at March 31, 2009, bank borrowings amounting to Rs. Nil are unsecured.

Bank H (KBC Bank Limited – Meghmani Europe BVBA)

As at December 31, 2009, bank borrowings amounting to Rs. 29,254,000 are secured (with the assets purchased at Europe).

As at March 31, 2009, bank borrowings amounting to Rs. 30,620,000 are secured (with the assets purchased at Europe).

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

As at December 31, 2009, bank borrowings amounting to Rs. 2,929,493,000 (repayable after one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2009, bank borrowings amounting to Rs. 2,740,000,000 (repayable after one year) are secured by Mortgage/hypothecation of assets.

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

As at December 31, 2009, bank borrowings amounting to Rs. 930,600,000 (repayable after one year) are secured by Mortgage/hypothecation of assets.

As at March 31, 2009, bank borrowings amounting to Rs. 869,442,000 (repayable after one year) are secured by Mortgage/hypothecation of assets.

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	
	Nine Months ended		Nine Months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities:				
Profit from operations	707,357	678,874	780,668	710,015
Adjustments for :				
Depreciation on property, plant and equipment	354,701	128,790	127,129	114,308
Unrealized foreign exchange gain (loss)	60,241	163,998	82,238	163,998
Interest Received	(2,630)	(4,979)	(6,103)	(4,979)
Loss on disposal of property, plant and equipment	21,214	1,846	(7,221)	1,846
Operating cash flows before movement in working capital	1,140,883	968,529	976,711	985,188
Trade receivables	(667,972)	(269,732)	(620,384)	(384,571)
Other receivables and prepayments	197,315	(442,614)	(13,134)	(230,291)
Inventories	(61,485)	(340,441)	9,116	(328,831)
Trade payables	190,380	124,422	340,229	10,824
Bills payables	(152,501)	(35,683)	(152,501)	(35,683)
Other payables	(120,130)	107,641	(130,376)	79,075
Cash generated from operations	526,490	112,122	409,661	95,711
Income taxes paid	(110,440)	(94,370)	(102,824)	(94,067)
Interest and finance charges paid	(333,195)	(203,215)	(105,986)	(187,018)
Net cash from operating activities	82,855	(185,463)	200,851	(185,374)
Cash flows from investing activities:				
Purchase of property, plant & equipments	(926,598)	(3,307,063)	(358,716)	(179,147)
Proceeds on disposal of property, plant & equipments	15,210	5,062	15,210	5,062
Purchase of available for sale investments	-	(5)	(13,413)	(305)
Interest received	2,630	4,979	6,103	4,979
Investment income received`	1,186	37	615	37
Minority interest	-	158,600	-	-
Net cash used in investing activities	(907,572)	(3,138,390)	(350,201)	(169,374)
Cash flows from financing activities:				
Dividend and Dividend tax paid	(97,782)	(88,486)	(97,782)	(88,486)
Proceeds from bank borrowings, net of repayments	940,644	3,893,559	718,474	562,477
Proceeds from other borrowings, net of repayments	(391,709)	7,642	(371,680)	-
Increase in Share Capital - Indian IPO	-	-	-	-
Increase in Share Premium – Indian IPO	-	-	-	-
Net cash from financing activities	451,153	3,812,715	249,012	473,991
Net effect of exchange rate change in consolidation	(1,740)	2,532	-	-
Net (decrease) increase in cash and cash equivalents	(375,304)	491,394	99,662	119,243
Cash and cash equivalents at the beginning of the year	638,493	401,088	85,880	65,623
Cash and cash equivalents at the end of the year	263,189	892,482	185,542	184,866

*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 30 September, 2008	254,314	1,565,048	434,270	3,122	18,433	927	(1,710)	1,995,045	488,274	4,757,723
Dividend Paid	-	-	-	-	-	-	-	-	63,361	63,361
Net profit for the period	-	-	-	-	-	(152)	-	-	-	(152)
Addition during the year	-	-	-	-	-	-	-	87,986	-	87,986
Currency Translation Reserve	-	-	-	-	-	-	856	-	-	856
Balance as at 31 December, 2008	254,314	1,565,048	434,270	3,122	18,433	775	(854)	2,083,031	551,635	4,909,774
Balance as at 30 September, 2009	254,314	1,565,048	489,270	3,520	18,433	832	2,257	2,211,567	742,427	5,287,668
Dividend Paid	-	-	-	-	-	(151)	-	-	-	(151)
Net profit for the period	-	-	-	-	-	-	-	119,045	-	119,045
Addition during the year	-	-	-	-	-	-	-	-	(34,827)	(34,827)
Currency Translation Reserve	-	-	-	-	-	-	(573)	-	-	(573)
Balance as at 31 December, 2009	254,314	1,565,048	489,270	3,520	18,433	681	1,684	2,330,612	707,600	5,371,162

Rs '000								
Company	Issued capital	Share premium	General reserve	Capital reserve	Capital redemption reserve	Dividend reserve	Accumulated Profits	Total
Balance as at 30 September, 2008	254,314	1,565,048	434,270	3,122	18,433	927	2,094,739	4,370,853
Dividend Paid	-	-	-	-	-	(152)	-	(152)
Net profit for the period	-	-	-	-	-	-	99,456	99,456
Balance as at 31 December, 2008	254,314	1,565,048	434,270	3,122	18,433	775	2,194,195	4,470,157
Balance as at 30 September, 2009	254,314	1,565,048	489,270	3,122	18,433	832	2,455,217	4,786,236
Dividend Paid	-	-	-	-	-	(151)	-	(151)
Net profit for the period	-	-	-	-	-	-	190,636	190,636
Balance as at 31 December, 2009	254,314	1,565,048	489,270	3,122	18,433	681	2,645,853	4,976,721

- 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.

	31 December 2009	31 March 2009
Total number of issued ordinary shares	64,143,650	71,569,650
Excluding treasury shares	-	-

During the quarter the company has issued 3,438,000 underline equity shares to SDS holders under two way fungibility mechanisms.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company does not have any treasury shares.

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 2009.

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.

Earnings per Ordinary shares	Group		Company	
	9 months ended		9 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
(a) Based on weighted average number of ordinary shares in issue (Rs)	1.51	1.39	1.94	1.55
Earning per SDS (Rs)	0.76	0.70	0.97	0.78
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	1.51	1.39	1.94	1.55
Earning per SDS (Rs.)	0.76	0.70	0.97	0.78
Weighted average number of ordinary shares (Nos.)	254,314,211	254,314,211	254,314,211	254,314,211

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 31.12.2009	As at 31.03.2009	As at 31.12.2009	As at 31.03.2009
Net assets value per ordinary share based on issued share capital at the end of the period / year reported in Rs.	21.12	20.37	19.57	18.01

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 ,intermediates and formulation products.

Quarter to Quarter:- Analysis
Breakdown of Revenue by Product

Products	(Rs. in Millions)			
	3 Q FY 2009-10	3 Q FY 2008-09	Increase/ Decrease	%
Pigments	678.94	390.88	288.06	73.7
Agrochemicals	948.14	988.89	-40.75	-4.1
Power *	13.39	0.00	13.39	n.m.
Caustic Chlorine	266.74	0.00	266.74	n.m.
Trading	182.54	271.24	-88.70	-32.7
Total	2089.75	1651.01	438.74	26.6

* Meghmani Energy Limited Sold of Power Rs. 46.54 million out of which power worth Rs. 33.15 million sold to holding Company and balance Rs. 13.39 million to JV Company.

Breakdown of Domestic Sales by Product

(Rs. in Millions)

Domestic Sales	3 Q FY 2009-10	3 Q FY 2008-09	Increase/ Decrease	%
Pigments	157.66	49.16	108.50	220.7
Agrochemicals	349.59	184.64	164.95	89.3
Power	13.39	0.00	13.39	n.m.
Caustic Chlorine	266.74	0.00	266.74	n.m.
Trading	19.60	0.00	19.60	n.m.
Total	806.98	233.80	573.18	245.2

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	3 Q FY 2009-10	3 Q FY 2008-09	Increase/ Decrease	%
Pigments	521.28	341.72	179.56	52.5
Agrochemicals	598.55	804.25	-205.70	-25.6
Trading	162.94	271.24	-108.30	-39.9
Total	1282.77	1417.21	-134.44	-9.5

Group revenue increased by 26.6% from Rs. 1651.01 million in 3Q FY 2009 to Rs. 2089.75 million in 3Q FY 2010. This is on account of increase in Sales of Pigment and Caustic Chlorine.

Increase in domestic sales

Group revenue from domestic sales increased by 245.2% from Rs. 233.80 million in 3Q FY 2009 to Rs. 806.98 million in 3Q FY 2010.

Domestic sales of Pigment increased due to increase in customer base. While Agrochemical Sales increased due to increase in quantity sales.

Decrease in export sales

Group revenue derived from export sales decreased by 9.5 % from Rs. 1417.21 million in 3Q FY 2009 to Rs.1282.77 million in 3Q FY 2010. The sales decreased due to pressure on pricing.

Gross profit – Group

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	3 Quarter FY 2010	GP Margin 3 Q FY 2010 (%)	3 Quarter FY 2009	GP Margin 3 Q FY 2009 (%)	Increase/ Decrease	%
Pigments	200.74	29.6	168.18	43.0	32.56	19.4
Agrochemicals	163.87	17.3	221.08	22.4	-57.21	-25.9
Power	20.12	43.2*	0.00	0.00	20.12	n.m.
Caustic Chlorine	-45.42	-17.0	0.00	0.00	-45.42	n.m.
Trading	-39.33	-21.5	13.27	4.9	-52.60	-396.4
Total	299.98	14.4	402.53	24.4	-102.55	-25.5

* GP Percentage of power is calculated on total sales made by Meghmani Energy Limited

Overall, gross profit of the Group decreased by Rs. 102.55 million (or 25.5%) from Rs 402.53 million in Q3 FY 2009 to Rs 299.98 million in Q3 FY 2010. The gross profit percentage decreased from 24.4 % in Q3 FY 2009 to 14.4 % in Q3 FY 2010. The gross profit margin of Pigment decreased from 43.0% to 29.6%, while of Agrochemical decreased from 22.4% to 17.3% on account of less 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 decreased by Rs. 1.3 million to Rs. 54.5 million in Q3 FY 2010. The other income decreased due to less export sales resulting in less DEPB income.

Distribution, Administrative and Other Operating Expenses

Distributions costs of the Group increased by 17.2 % to Rs 148.2 million in Q3 FY 2010. This is in line with increase in sales.

Administrative costs of the Group increased by 42.1 % to Rs 49.1 million in Q3 FY 2010.

Other operating expenses decreased by Rs 154.3 million in Q3 FY 2010 mainly due to foreign exchange fluctuations.

Finance costs

Finance costs in Q3 FY 2010 increased by Rs. 91.1 million (or 126.9%) due to higher utilization of working capital facilities on account of increase in operations.

Income from Investments :-

During the quarter Income from investments decreased marginally.

Taxation

Income tax decreased by Rs. 76.4 million i.e. from Rs. 22.0 million in 3Q FY 2009 to Rs. (54.4) million in Q3 FY 2010. This is due to increase in profitability of Panoli EOU Unit which is tax exempt and deferred tax income in Caustic Chlorine Project.

Interest in Subsidiaries

Meghmani Organics USA Inc., is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.

Meghmani Europe is a 100% wholly owned subsidiary of the Company. The Company is in the trading business.

Meghmani Energy Limited (MEL) is a Special Purpose Vehicle (SPV) company formed to set up a Captive Power Plant near its Agrochemical Unit at Chharodi. Meghmani Organics Limited holds 70% of the Equity.

Meghmani Finechem Limited (MFL) is a company formed to set up Rs. 555 Crore Caustic Chlorine project. MFL has commenced commercial production from 30th June, 2009. Meghmani Organics Limited holds 57% of the Equity.

Meghmani Chemtech Limited has been formed to set up the project in Special Economic Zone. Meghmani Organics Limited holds 60% of the Equity.

P T Meghmani Indonesia is a 100% wholly owned subsidiary of the Company set up for the trading purpose.

Nine Months to Nine Months:- Analysis

Breakdown of Revenue by Product

(Rs. in Millions)

Division	9 months FY 2010 Actual	9 months FY 2009 Actual	Variance	%
Pigments	1700.97	1912.77	-211.80	-11.1
Agrochemicals	3097.73	3235.72	-137.99	-4.3
Power	40.80	0.00	40.80	n.m.
Caustic Chlorine	451.53	0.00	451.53	n.m.
Trading	654.90	1065.71	-410.81	-38.5
Total	5945.93	6214.20	-268.27	-4.3

Division wise Domestic Sales

Rs. in Mn

Particulars	9 months FY 2010 Actual	9 months FY 2009 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigment	449.55	330.28	119.27	36.1
Agro	1239.60	1338.40	-98.80	-7.4
Power	40.80	0.00	40.80	n.m.
Caustic Chlorine	451.53	0.00	451.53	n.m.
Trading	19.60	0.00	19.60	n.m.
Total	2201.08	1668.68	532.40	31.9

Division wise Export Sales

Rs. in Mn

Particulars	9 months FY 2010 Actual	9 months FY 2009 Actual	Variance	%
	Rs.	Rs.	Rs.	
Pigment	1251.42	1582.49	-331.07	-20.9
Agro	1858.13	1897.32	-39.19	-2.1
Trading	635.30	1065.71	-430.41	-40.4
Total	3744.85	4545.52	-800.67	-17.6

Group revenue for 9 months FY 2010 decreased by Rs. 268.27 million (4.3%) i.e. from Rs. 6214.20 million in 9 Months FY 2009 to Rs. 5945.93 million in 9 Months 2010 on account of decrease in Pigment and Trading Sales.

Increase in domestic sales

Group revenue of domestic sales of the Company increased by 31.9% i.e. from Rs 1668.68 million in 9 months FY 2009 to Rs 2201.08 million in 9 Months FY 2010. This is due to introduction of Caustic chlorine and increase in sales of Pigment.

Decrease in export sales

Group revenue derived from export sales decreased by 17.6% from Rs. 4545.52 million in 9 Months FY 2009 to Rs. 3744.85 million in 9 Months FY 2010.

Gross Profit

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	9 Months FY 2010	9 Months FY 2009	Increase/ Decrease	%
Pigments	312.61	455.41	-142.80	-31.4
Agrochemicals	758.47	727.99	30.48	4.2
Power	59.29	0.00	59.29	n.m.
Caustic Chlorine	-96.70	0.00	-96.70	n.m.
Trading	21.74	84.51	-62.77	-74.3
Total	1055.41	1267.91	-212.50	-16.8

Group gross profit for 9 Months FY 2010 decreased by Rs. 212.5 million (i.e.-16.8 %) from Rs 1267.9 million in 9 Months FY 2009 to Rs 1055.4 million in Nine Months FY 2010. However, the gross profit margin decreased from 20.4% in 9 Months FY 2009 to 17.7 % in 9 Months FY 2010.

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 decreased by 9.7% to Rs. 158.8 million in 9 Months FY 2010 mainly due to decrease in export sales resulting decrease in DEPB income.

Distribution, Administrative and Other Operating Expenses

Distribution expenses of the Group for 9 Months FY 2010 decreased by Rs. 6.4 million to Rs. 437.9 million.

Administrative expenses decreased by Rs. 18.0 million to 9 Months to Rs. 158.7 million in 9 Months FY 2010.

Other operating expenses of the Group for 9 Months FY 2010 decreased by Rs. 233.7 million mainly due to foreign currency exchange adjustment.

Finance costs

Finance costs of the Group for 9 Months FY 2010 increased by Rs. 130.0 million (or 64.0%). The same is mainly due to higher utilization of working capital facilities on account of increase in operation of Caustic Chlorine besides Meghmani Organics.

Balance sheet

Trade receivables

Trade receivables of Group as at the end of 9 Months FY 2010 increased by Rs. 668.0 million from Rs. 2707.8 million in at 9 Months FY 2009 to Rs. 3375.8 million in at 9 Months FY 2010.

Trade receivables at Company level as at the end of 9 Months increased by Rs. 620.4 million from Rs. 2846.8 million in at 9 Months FY 2009 to Rs. 3467.2 million in at 9 Months FY 2010.

Other receivables & Prepayments

During 9 Months period, other receivables & prepayments at Group and Company level decreased by Rs. 257.6 million (or -13.8%), and Rs. 69.1 million (or -5.4%) .

Inventories

The Inventories at Group level increased by Rs. 61.5 million i.e. from Rs. 1132.1 million at 9 Months FY 2009 to Rs. 1193.6 million at 9 Months FY 2010. While Inventories at company level decreased by Rs. 9.1 million from Rs. 1054.4 million at 9 Months FY 2009 to Rs. 1045.3 million in 9 Months FY 2010.

Property, plant and equipment

Fixed assets at 9 Months FY 2010 at Group and Company level increased by Rs. 535.5 million and Rs. 223.6 million respectively.

Bank Borrowings

Bank borrowings at 9 Months FY 2010 at Group and Company level (current) increased by Rs. 416.5 million and Rs. 194.3 million respectively,.

Trade payables and other payable

Trade payables and other payable at 9 Months FY 2010 at Group and Company level increased by Rs. 70.2 million and Rs. 209.9 million respectively.

Cash flow statement

At 9 Months FY 2010 period, the Group has generated a positive net cash flow of Rs. 83 million.

Financial Analysis

Rs. in millions

Group Key Financial Highlights	As at 31.12.2009	As at 31.12.2008	Variance	Variance (%)
<u>Profitability</u>				
Sales	5,946	6,214	-268	-4.3
Gross Profit	1,055	1,268	-213	-16.8
Gross Profit Margin (%)	17.7	20.4	-2.7	
Profit before tax	375	476	-101	-21.2
Profit before tax Margin (%)	6.3	7.7	-1.4	
Net profit	384	354	30	8.5
Net profit Margin (%)	6.5	5.7	0.8	
Earning per Share (EPS in Rs.)	1.51	1.39	0.12	8.6
Annualized return on equity (ROE)	7.14	7.21	-0.07	-1.0
<u>Financial position</u>				
Net tangible assets	5,371	4,910	461	9.4
Debt (short term +long term)	6,074	5,924	150	2.5
Capital Gearing ratio	1.13	1.21	-0.08	-6.6
Net tangible assets per share	18.34	17.14	1.20	7.0
Stock turnover (days)	67	72	-5	-6.9
Trade debts turnover (days)	156	129	27	20.9

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

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.

Pigments

Global demand to rise 3.9% yearly through 2013

World demand for dyes and organic pigments is forecast to increase 3.9 percent per year to \$16.2 billion in 2013, in line with real (inflation-adjusted) gains in manufacturing activity. In volume terms, demand will grow 3.5 percent annually to 2.3 million metric tons. While the textile industry will remain the largest consumer of dyes and organic pigments, faster growth is expected in other markets such as printing inks, paint and coatings, and plastics. Strong gains will occur in the Asia/Pacific region and, to a lesser extent, other developing regions such as the Africa/Mideast region and Eastern Europe, while market maturity will limit advances in North America and Western Europe.

Asia/Pacific region to grow the fastest

The established trends seen over the past decade, the Asia/Pacific region will experience the strongest growth and increase its share of the global dye and organic pigment market representing one-half of world demand in 2013, up from 37 percent in 1998. China is by far the largest single consumer in the world and the fastest growing national market. India will also post rapid increases, but demand levels will remain well below that of China. China alone is expected to account for about two-fifths of global value gains in dye and organic pigment demand between 2008 and 2013.

Agrochemicals

The industry grew at an unprecedented level in 2008-09 on account of many reasons unparalleled grain prices resulting in increase in demand for pesticides, favorable weather conditions in many parts of the world, increase in crop acreage, etc. This trend is expected to continue in 2009-10, though not at the same rate of growth. The global Agrochemicals market for crop application stands at \$ 43 billion today, growing at the rate of 8-10%. The non-crop application segment stands at \$ 5.5 billion and is expected to grow at more than 10% in next 5 years. In order to meet the demand and continue with the market penetration process that was started last year, the Company has invested in adding production capacities for the existing product lines. Capacity was increased for Chlorpyrifos, Acephate and Synthetic pyrethroids with minimal investment. This is likely to boost our presence in markets like Asia, North & Latin America, Africa, Central Asia & East European markets. In-house R&D efforts for launch of new generation pesticides are currently on at a priority level.

Outlook for FY 2010

Raw Material Price

The recent meltdown coupled with volatility in foreign exchange market the raw material prices are going to be reduced and this will have impact on finished goods prices, as a result, our profitability is likely to be affected in Q4 FY 2010.

Market Price

The global markets for pigment products have shown signs of recession. But the recessionary trend in this quarter and the coming quarters would witness pressure on pricing. The Agrochemical market may sustain its growth.

Profitability

The Group revenue, Gross profit and Net Profit after tax for FY 2009 increased despite global meltdown. The Market Dynamics are changing rapidly. The Group Profitability may be affected due to recessionary trends.

Registrations

The Company expects further penetration in both the markets in the current year. Based on the success that has been seen in the largest agrochemical market – Brazil in 2008-09 through our strategic partners, it has been decided to proceed with having our own registrations in this market. This would involve some investment in data generation. A few molecules have also been identified.

The focus for the year will remain Brazil and the African market, as well as getting registrations of three products with the World Health Organization (WHO) and Food & Agriculture Organization (FAO) under United Nations, which would allow us access to vast tenders floated by these agencies for humanitarian work.

The Company has floated its own subsidiary in Indonesia in 2008-09 and three product registrations have already been received in 2008-09. Three other products will be registered in 2009-10 and it will give us access to this huge pesticides market. To date, 162 registrations have already been received and 440 registrations are applied for in different parts of the world.

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:** No

(c) **Date payable:** Not applicable

(d) **Books closure date:** Not applicable

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

No dividend for the period ended 31 December, 2009 has been recommended or declared.

13. **Confirmation by Directors pursuant to Rule 705(5) 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 third quarter ended 31 December, 2009 to be false or misleading in any material aspect.

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 of statement to IFRS of the materially affected line items.

The Board is of the view that the variance of the profit reported under the quarter ended 31st **December 2009** is not material.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED

K D Mehta
Company Secretary
Date: 02/02/2010