

NEWS RELEASE

**Meghmani 1Q revenue crosses Rs 1.0 billion;
Achieves net profit of Rs 90.4 million**

- *All round improvements in profit margins despite continued rise in raw materials and crude oil prices*

Rs million	Quarter ended 30 June 2006 (1Q FY07)	Quarter ended 30 June 2005 (1Q FY06)	Change (%)
Revenue	1,014.3	864.8	+17.3
Gross profit	220.0	195.5	+12.5
Profit from operations	127.8	111.7	+14.4
Profit before tax	108.0	101.0	+6.9
Income tax	(17.6)	(24.0)	(26.5)
Profit after tax	90.4	77.0	17.3

Below conversion to SGD is based on an average exchange rate of S\$1: Rs 28.8389 as at June 2006

Singapore, 14 August 2006 — SGX Main Board-listed **Meghmani Organics Limited** ("Meghmani" or "Company"), an India-based global manufacturer of pigments and agrochemicals, today reported a healthy set of financial results for the three months ended 30 June 2006 (1Q FY07).

For the period under review, Group revenue reached a historic high of Rs 1.0 billion (S\$35.2 million), an increase of 17.3% over Rs 864.8 million (S\$ 30.0 million) in 1Q FY06. Net profit improved 17.3% to Rs 90.4 million (S\$ 3.1 million) from Rs 77.0 million (S\$ 2.7 million) previously.

Based on the weighted average ordinary shares in issue during the period, earnings per share was Rs 0.45 (1.6 Singapore cents) as compared to Rs 0.38 (1.3 Singapore cents) previously whilst earnings per SDS was Rs 0.23 (0.8 Singapore cents) compared to Rs 0.19 (0.7 Singapore cents) a year ago. The Group's net asset value per share increased to Rs 12.80 (S\$ 0.4) as at 30 June 2006, from Rs 12.27 (S\$ 0.4) as at 31 March, 2006.

Top- and Bottomline Growth Segment-wise

Rs million	Quarter ended 30 June 2006 (1Q FY07)	Quarter ended 30 June 2005 (1Q FY06)	Change (%)
Agrochemicals			
Revenue (Rs million)	507.5	486.6	4.3
Gross profit (Rs million)	115.7	106.5	8.6
Gross profit margin (%)	22.8	21.9	-
Pigments			
Revenue (Rs million)	489.1	359.1	36.2
Gross profit (Rs million)	103.1	87.2	18.2
Gross profit margin (%)	21.1	24.3	-

In terms of revenue by business segments, the Group's key segments **Agrochemicals** grew marginally while **Pigments** continued to grow well in 1H FY07.

Revenue contribution from Agrochemicals grew 4.3% to Rs 507.5 million (S\$17.6 million), from Rs 486.6 million (S\$16.9 million) in the year ago period, whilst Pigments expanded 36.2% to Rs 489.1 million (S\$17.0 million) versus Rs 359.1 million (S\$12.5 million) previously.

In spite of increase in quantity sales, profit was affected due to pressure on pricing on some of the products. In line with this, the gross profit margin of Agrochemicals increased marginally to 22.8% from 21.9% while the gross profit margin of Pigments decreased to 21.1% from 24.3%, previously.

Exports and Domestic Sales

Of the Rs 1.0 billion revenue that was achieved in 1Q FY07, **Export** sales accounted for 74.4.0% whilst 25.6% came from **Domestic** sales.

For 1Q FY07, Export sales of the Group improved 17.0% to Rs 754.5 million (S\$ 26.2 million) from Rs 644.9 million (S\$ 22.4 million), driven mainly by higher sales of pigment products such as Green -7, Alpha Blue and Beta Blue.

At the same time, Domestic sales also experienced a respectable year-on-year growth of 18.1% to Rs 259.8 million (S\$ 9.0 million) from Rs 219.9 million (S\$ 7.6 million). This was mainly attributable to increased sales of pigments product, CPC Blue, as the Group further expanded its customer base.

On a year-on-year basis, gross profit for the Group in 1Q FY07 improved 12.5% to Rs 220.0 million (S\$ 7.6 million) from Rs 195.5 million (S\$ 6.8 million) previously. This was the result of higher sales of Pigments in Export and Domestic markets and in Agrochemicals due to higher sales of Chlorpyrifos.

Gross profit margins, however, dipped marginally to 21.6% in this quarter from 22.6% in 1Q FY06 due primarily to the continued increase in prices of raw materials used for pigment and agrochemicals products arising from crude oil price hikes. These raw materials include derivatives of crude oil, such as Phathlic, Ortho Nitro Toluene and solvents.

Said Mr Ashish Soparkar, Managing Director of the Group, “Despite the continued cost pressures presented by higher raw materials and crude oil prices, we managed to successfully pull in record revenues and respectable profits this quarter. This was achieved through strategic policies that Meghmani implemented in the past to lay the groundwork for future sustainable growth. Such policies included fostering strong ties with our customers as well as our tireless efforts in negotiating for better pricing with them.”

Profitability of the Group also received a positive boost from its investment in an IT platform by way of implementing ERP in July 2005, allowing Meghmani to enhance productivity and optimize cost efficiencies.

Reflecting the Group’s overall growth and the higher contribution of Export activities to revenue, **Distribution Expenses** in 1Q FY07 rose 37.7% to Rs 96.1 million (S\$ 3.3 million) from Rs 69.8 million (S\$ 2.4 million) previously.

Finance Costs also increased 105.2% to Rs 22.3 million (S\$ 0.8 million) from higher utilization of working capital facility and bank borrowings. The latter was attributable to a number of reasons which include; pre-monsoon stocking up of Agrochemicals inventories; advance payments for purchases of critical raw materials; and a capital investment at Ankleshwar for Tri Chloro Acid Chloride (CTAC) plant.

Other Operating Income of the Group decreased 48.3% to Rs 9.4 million (S\$ 0.3 million) from reduced export benefits such as duty entitlement pass benefit (“DEPB”) and Duty Drawback.

At the same time, due to a strengthening of the Indian Rupee against both the US Dollar and the Euro, there was a net gain of Rs 23.0 million (S\$ 0.8 million) to **Other Operating Expenses** this quarter as compared to a net outflow of Rs 3.9 million (S\$ 0.1 million) in 1Q FY06.

Industry Prospects

Looking ahead, Meghmani notes that there continues to be demand growth for pigments arising from inks, paints and plastics industries in India as well as countries such as the US, Europe, Central and South America and Japan. In line with this demand, the Group has installed facilities to manufacture 17 DA additives and is gearing up to manufacture high performance pigments.

Meghmani also believes that its concerted efforts to obtain overseas registrations for agrochemicals products will further strengthen the growth plan of the Group. To date, it has received 61 registrations worldwide, including China, Bangladesh, Indonesia, Nigeria, Paraguay, Thailand, Turkey and Vietnam; and have sent registration dossiers to a further 53 countries.

“Meghmani is among the leading pigments and agrochemicals manufacturer in the world and our scale of operations is adequate to compete strongly in India. But we have invested in further capital expansion, such as the TCAC plant and added in multi-faceted production facilities in Ankleshwar, and expanded our product basket to include high performance pigments. We are confident that, with these investments, we will widen the gap between ourselves and competition and strategically position ourselves for future growth.”

Nevertheless, the Group remains cautious in view of continued hikes in crude oil, its raw material derivatives, copper and aluminum prices.

“Though the demand for our pigments and agrochemicals products remains healthy, with improving sales price in certain products, raw materials costs are also climbing. Indeed crude oil prices have risen of late to hit a high of US\$ 76.58 per barrel on August 10, 2006. To counter the pressure on our gross margins, we are continuously negotiating with our customers to absorb the higher raw material cost. In addition, we remain dedicated to managing our finance cost, inventory levels and debtors realisation effectively.”

About Meghmani Organics Limited

Established in Gujarat (India) in 1986, Meghmani is a manufacturer of pigments and pesticides. The Company specializes in the manufacture of green and blue pigment products that span multiple applications such as printing inks, plastics, paints, textiles, leather and rubber. Its pigment customers comprise mainly MNCs who are leading players in their respective industries.

Meghmani also produces a broad spectrum of commonly used pesticides for crop and non-crop applications such as public health, insect control in wood preservation and food grain storage. The Company counts amongst its customers leading pesticide manufacturers from North America, Europe, Latin America and Asia.

Over the years, Meghmani has rapidly expanded its geographical coverage from India to overseas markets in Europe, the US, Latin America and Asia Pacific. For the last financial year ended 31 March 2006, export sales accounted for more than 74% of the Company's total revenue. For the year ended March 31 2006 (“FY 2006”), Asia (excluding India) contributed to 8 % of the Company's revenue. The domestic market in India accounted for 26% while the North America and Europe contributed 32% and 22% respectively to the Company's revenue. The remaining contributions came from Meghmani's other markets in Africa (3%), South America (7%), and Australia (2%).

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