



MEGHMANI ORGANICS LIMITED
(Incorporated in Gujarat, India)

First 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 first quarter ended June 30, 2006 as follows:

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

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

	Group		
	03 months ended		%
	30.06.2006	30.06.2005	Increase (Decrease)
	Rs' '000	Rs' '000	
Revenue	1,014,327	864,830	17.3
Cost of sales	(794,315)	(669,287)	18.7
Gross Profit	220,012	195,543	12.5
Other operating income	10,163	19,647	(48.3)
Distribution expenses	(96,083)	(69,794)	37.7
Administrative expenses	(29,284)	(29,796)	(1.7)
Other operating expenses	23,028	(3,853)	n.m
Profit from operations	127,836	111,747	14.4
Finance cost	(22,306)	(10,868)	105.2
Income from investments	-	151	n.m.
Share of associates profits	2,508	-	n.m.
Profit before tax	108,038	101,030	6.9
Income tax	(17,642)	(23,990)	(26.5)
Profit after income tax	90,396	77,040	17.3

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

	Group		
	3 months ended		%
	30.06.2006	30.06.2005	Increase (Decrease)
	Rs '000	Rs '000	
Bad trade receivables written off / recovered	99	(1)	n.m.
Foreign currency exchange adjustment (loss)	23,400	(3,124)	n.m.
Loss on sale of investments	(471)	(27)	n.m.
Research and development expenditure	(7,242)	(2,201)	229.0

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 30.06.2006 Rs '000	As at 31.03.2006 Rs '000	As at 30.06.2006 Rs '000	As at 31.03.2006 Rs '000
ASSETS				
Current assets				
Cash & bank Balances	108,541	57,302	108,541	50,335
Trade receivables	1,646,800	1,545,123	1,651,030	1,665,351
Other receivables and prepayments	419,491	314,163	419,491	312,394
Inventories	896,278	842,460	892,451	744,819
Income tax recoverable	20,240	18,431	20,240	18,431
Total current assets	3,091,350	2,777,479	3,091,753	2,791,330
Non - current assets				
Property, plant and equipments	1,234,636	1,224,415	1,234,636	1,223,555
Interests in subsidiaries / associate	2,880	-	373	373
Available for sale investments	5,462	5,462	5,462	5,462
Total non – current assets	1,242,978	1,229,877	1,240,471	1,229,390
Total assets	4,334,328	4,007,356	4,332,224	4,020,720
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	1,106,936	1,030,142	1,106,936	1,029,562
Trade payables	482,315	361,455	482,315	359,234
Other payables	69,417	51,247	69,417	51,103
Total current liabilities	1,658,668	1,442,844	1,658,668	1,439,899
Non - current liabilities				
Deferred tax liabilities	107,150	102,707	107,150	102,707
Total non – current liabilities	107,150	102,707	107,150	102,707
Capital & reserves				
Issued capital	200,630	200,630	200,630	200,630
Share premium	663,259	663,259	663,259	663,259
General reserve	444,130	444,130	444,130	444,130
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	80,069	80,069	80,069	80,069
Currency translation reserve	-	5,967	-	-
Accumulated profits	1,161,989	1,049,317	1,159,885	1,071,593
Total equity	2,568,510	2,461,805	2,566,406	2,478,114
Total liabilities and equity	4,334,328	4,007,356	4,332,224	4,020,720

On dilution to 49% of the Company's controlling interest in Meghmani Europe BVBA, Belgium ("Meghmani BVBA"), by March 31, 2006, Meghmani BVBA ceased to be a subsidiary of the company and is an associate. The Group figures for the year ended March 31, 2006 included the figures of Meghmani BVBA as subsidiary and the same for the quarter ended June 30, 2006 have been included as an associate. Under the circumstances, figures are not comparable.

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 June 2006		As at 31 March 2006	
Secured	Unsecured	Secured	Unsecured
Rs '000	Rs '000	Rs '000	Rs '000
342,536	764,400	685,475	344,667

Amount repayable after one year

As at 30 June 2006		As at 31 March 2006	
Secured	Unsecured	Secured	Unsecured
Rs '000	Rs '000	Rs '000	Rs '000
-	-	-	-

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

Bank borrowing from a consortium banks (SBI, Corporation and ICICI)

As at June 30, 2006, bank borrowing amounting to **Rs. 284,320,000** 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.

As at March 31, 2006, bank borrowing amounting to Rs. 518,700,000 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 borrowing from other banks

Bank A (ICICI Bank Limited – Working Capital)

As at June 30, 2006, bank borrowing amounting to **Rs. 58,050,000** are secured by :

- first ranking pari passu charge by way of hypothecation on the Company's current assets; and
- first ranking pari passu charge by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

As at March 31, 2006, bank borrowing amounting to Rs. 165,946,000 are secured by :

- first ranking pari passu charge by way of hypothecation on the Company's current assets; and
- first ranking pari passu charge by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

Bank B (HDFC Bank Limited – Buyers Credit)

As at June 30, 2006, bank borrowings amounting to **Rs 764,400,000** are unsecured.

As at March 31, 2006, bank borrowings amounting to Rs 344,667,000 are unsecured

As at June 30, 2006, motor vehicle loans amounting to **Rs 166,000** (March 31,2006 : Rs 249,000) are secured by hypothecation of the respective motor vehicles purchased.

As at March 31, 2006 Motor Vehicle loans amounting to Rs. 829,000 are secured by way of hypothecation of the respective motor vehicles purchased.

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	
	3 months ended 30.06.2006	3 months ended 30.06.2005
	Rs '000	Rs '000
Cash flows from operating activities		
Profit from operations	127,836	111,747
Adjustments for :		
Depreciation of property, plant and equipment	31,316	27,743
Unrealised Foreign Exchange Gain	(27,701)	-
Loss on disposal of Property, Plant & Equipments	471	-
Share of Profit in Associate	2,508	-
Operating cash flows before movements in working capital	134,430	137,236
Trade receivables	18,551	(16,783)
Other receivables and prepayments	(79,395)	(148,637)
Inventories	(151,461)	(172,534)
Trade payables	123,081	301,535
Bills payables	(157,734)	(24,796)
Other payables	18,316	(42,646)
Cash generated from operations	(94,210)	35,629
Income taxes paid	(15,010)	(18,065)
Interest and finance charges paid	(22,306)	(10,868)
Net cash from operating activities	(131,526)	6,696
Cash flows from investing activities:		
Purchase of property, plant & equipments	(44,061)	(76,698)
Purchase of available-for-sale investments	(1,314)	-
Investment income received	-	151
Net cash used in investing activities	(45,375)	(76,547)
Cash flows from financing activities:		
Proceeds from bank borrowings, net of repayments	235,107	120,327
Proceeds from other borrowings, net of repayments	-	-
Net cash used in financing activities	235,107	120,327
Net effect of exchange rate change on consolidation	-	1,351
Net (decrease) increase in cash and cash equivalents	58,206	51,827
Cash and cash equivalents at beginning of period	50,335	54,870
Cash and cash equivalents at end of period	108,541	106,697

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 redemption reserve	Dividend reserve	Currency Translation Reserve	Accumulated Profits	Total
Balance as at March 31, 2005	200,630	663,259	404,130	18,433	68,055	(698)	816,676	2,170,485
Net profit for the period	-	-	-	-	-	-	77,040	77,040
Add (Less) currency translation reserve	-	-	-	-	-	1,351	-	1,351
Balance as at June 30, 2005	200,630	663,259	404,130	18,433	68,055	653	893,716	2,248,876

	Issued capital	Share premium	General reserve	Capital redemption reserve	Dividend reserve	Currency Translation Reserve	Accumulated Profits	Total
Balance as at March 31, 2006	200,630	663,259	444,130	18,433	80,069	-	1,071,593	2,478,114
Net profit for the period	-	-	-	-	-	-	90,396	90,396
Balance as at 30 June, 2006	200,630	663,259	444,130	18,433	80,069	-	1,161,989	2,568,510

Rs '000

Company

	Issued capital	Share premium	General reserve	Capital redemption reserve	Dividend reserve	Accumulated Profits	Total
Balance as at March 31, 2005	200,630	663,259	404,130	18,433	68,055	824,972	2,179,479
Net profit for the period	-	-	-	-	-	74,306	74,306
Balance as at June 30, 2005	200,630	663,259	404,130	18,433	68,055	899,278	2,253,785

Balance as at March 31, 2006	200,630	663,259	444,130	18,433	80,069	1,071,593	2,478,114
Net profit for the period	-	-	-	-	-	88,292	88,292
Balance as at 30 June, 2006	200,630	663,259	444,130	18,433	80,069	1,159,885	2,566,406

- 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") and adjusted to comply, in all material respects, with the requirements of the International Financial Reporting Standards ("IFRS").

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 2006.

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 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	
	3 months ended	
	30.06.2006	30.06.2005
(a) Based on weighted average number of ordinary shares in issue (Rs)	0.45	0.38
Earning per SDS (Rs)	0.23	0.19
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	0.45	0.38
Earning per SDS (Rs.)	0.23	0.19
Weighted average number of ordinary shares (Nos.)	200,630,000	200,630,000

7. Net asset value (for the issuer and Group) 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 30.06.2006	As at 31.03.2006	As at 30.06.2006	As at 31.03.2006
Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	12.80	12.27	12.79	12.35

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 are manufacture and sale of Pigments, Agrochemicals and trading of dyes, dyes intermediates and Agrochemicals technical and intermediates products which are not manufactured by the group.

Group revenue for 1 Q FY 2007 rose by 17.3 %, from Rs 864.8 million to Rs 1014.3 million compared to same period of last year.

Increase in export sales

The Group achieved 17.0 % of its revenue from export activities, which increased by Rs. 109.6 million from Rs. 644.9 million in 1Q FY 2006 to Rs. 754.5 million in 1Q FY 2007.

Increase in domestic sales

The Group achieved 18.1 % of its revenue from domestic activities, which increased by Rs. 39.9 million from Rs 219.9 million in 1Q FY 2006 to Rs 259.8 million in 1Q FY 2007.

Gross Profit

Overall, gross profit of the Group increased by Rs 24.5 million (or 12.5%) from Rs 195.5 million to Rs 220.0 million. The gross profit %, however, declined marginally from 22.6% in Q1 FY 2006 to 21.7% in Q1 FY 2007 due to increase in Raw Material cost of pigment and agrochemical products consequent to increase in crude oil price.

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 48.3% to Rs 10.2 million. The policy to make export sales against the Advance Licenses reduced the other income. The other factors such as Pigment Panoli and Agrochemical Unit – II at Ankleshwar being export oriented unit not entitled for DEPB benefit and over all reduction in DEPB rate also contributed to reduction in other income.

Distribution , Administrative and Other Operating Expenses

Distributions costs of the Group increased by Rs 26.3 million (or 37.7%). Apart from Increase in sales and higher proportion of export sales in the current period, the main driver for increase in cost are transportation expenses and Packing material consumption.

Administrative cost decreased negligibly.

Other operating expenses decreased by Rs 26.2 million mainly due to favourable exchange rate of Indian Rupee vis a vis US Dollar (Rs.44.45 V/s Rs. 45.83) and Indian Rupee vis a vis Euro (Rs. 53.90 V/s. 58.09)

Finance costs

Finance costs increased by Rs 11.5 million (or 105.2%) mainly due to higher utilization of working capital facility. The bank borrowings increased by Rs. 23.5 million due to followings:-

1. Other receivables (statutory receivables from government)
2. Inventories (for increase in operation)
3. Bills Payable (market conditions)
4. Purchase of property

Share of associates profit :-

On dilution to 49% of the Company's controlling interest in Meghmani Europe BVBA, Belgium ("Meghmani BVBA"), by March 31, 2006, Meghmani BVBA ceased to be a subsidiary of the company and is an associate. Profit of associate to the extent of 49% is shown as share of profit of the Group.

Balance sheet

Trade receivables

Trade receivables of group increased by Rs. 101.7 million from Rs.1545.1 million in FY 2006 to Rs. 1646.8 million in Q1 FY 2007. This is because of elimination of trade receivables of subsidiary in FY 2006.

Trade receivables at Company level decreased by Rs. 14.4 million from Rs.1665.4 million in FY 2006 to Rs. 1651.0 million in Q1 FY 2007 due to better recovery.

Other receivables & Prepayments

During the first quarter, other receivables & prepayments at Group and Company level increased by Rs. 107.1 million (or 34%), due to advance payment made for purchase of raw materials from Reliance Industries Limited, Indian Petrochemicals Limited, etc.

Inventories

Inventories at group level increased by Rs. 53.8 million from Rs. 842.5 million in FY 2006 to Rs. 896.3 million in Q1 FY 2007. While Inventories at company level increased by Rs. 147.7 million from Rs. 744.8 million in FY 2006 to Rs. 892.5 million in Q1FY 2007 mainly due to increase in stocking of Agrochemical inventory of Rs. 122.5 for pre-monsoon.

Property, plant and equipment

Fixed assets at Group and Company level increased by Rs. 10.2 million and Rs. 11.1 million respectively. The reason for increase in 1Q FY 2007 is mainly due to capital investments at Ankleshwar for Tri Chloro Acid Chloride (TCAC) plant.

Bank Borrowings

Bank borrowings at Group and Company level (current) increased by Rs. 76.8 million and Rs. 77.4 million respectively, due to down payments made towards capital expansion and purchase of critical raw materials.

Trade payables and other payable

Trade payables and other payable at Group and Company level increased by Rs. 139.3 million and Rs. 141.4 million respectively, on account of increase in payable for materials.

Cash flow statement

During the period, the Group has generated negative net cash flow of Rs. 131.5 million from operating activities because of higher bills payable and other prepayments. The company will have sufficient cash flow to meet its working capital requirement in the next quarter. Overall, cash and cash equivalents increased by Rs. 58.2 million due to inflow of proceeds from bank borrowings to meet capital expansion and operational requirements.

Financial Analysis

Group Key financial highlights	Rs. in millions			
	As at 30.06.2006	As at 30.06.2005	Variance	Variance (%)
<u>Profitability</u>				
Sales	1,014	865	149	17.3
Gross Profit	220	195	24	12.5
Gross Profit Margin (%)	21.7%	22.6%	-	-
Profit before tax	108	101	7	6.9
Profit before tax Margin (%)	10.7%	11.7%	-	-
Net profit	90	77	13	17.3
Earning per Share (EPS in Rs.)	0.45	0.38	0.07	18.4
<u>Financial position</u>				
Net tangible assets	2,568	2,249	319	14.2
Debt (short term +long term)	1107	594	513	86.4
Capital Gearing ratio	0.43	0.26	0.17	65.4
Net tangible assets per share	12.80	11.21	1.59	14.2
Stock turnover (days)	103	99	4	4.0
Trade debts turnover (days)	148	140	8	n.m.

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

Pigments

The Ink, Paints and Plastics industries continue to witness steady growth in demand. India's ability to provide high quality manufacturing is also attracting a higher level of outsourcing from more companies from the developed countries. In addition, companies in the US, Europe, Central and South America, and Japan are also increasing their direct supplies of Pigments from India. The Indian ink industry is also expected to consume more Pigments.

The scale of operation installed by the group is adequate to withstand the competition within the country. To better position itself group has installed the facility to manufacture 17 DA additives and gearing it self to manufacture high performance pigments to offer more products in his basket.

Agrochemicals

To meet the growing demand for Organo phosphorous and Synthetic pyrothid, the Group installed multifaceted production capacities to produce Permethrin, Alpha Cypermethrin and Acephate at the Ankleshwar Plants.

Registrations

The Group continued to make its concerted efforts to obtain overseas registrations. The Group has already sent registration dossiers to 53 countries. The Group has received 61 registrations worldwide.

The registrations are in countries such as China, Bangladesh, Indonesia, Nigeria, Paraguay, Thailand, Turkey, and Vietnam. These new registrations will further strengthen the growth plan of the Group.

Outlook for FY 2007

Raw Material Price

During FY 2006 crude oil price continued to increase resulting in higher prices for raw materials 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 increases in the prices of Copper and Aluminium.

In recent months, the price of crude oil has once again begun to increase. Nevertheless, should the trend of rising raw material costs resume, our profitability is likely to be affected in the second quarter of FY 2007. We are also continuously negotiating with customers to pass on the higher raw material costs.

Market Price

The global market for pigment and agro products continued to show signs of recovery in the sales price of some products.

Profitability

The Group achieved higher revenue in 1 Q FY 2007 on a Qtr-on-Qtr basis. Gross profit and Net Profit increased. Although the gross profit margin are under pressure. The company endeavours to manage finance cost, inventory level, and speedy realisation of debtors and is continuously negotiating with customers for better prices so as to pass on cost increases.

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/recommended, a statement to that effect.

No dividend for the period ended 30 June 2006 is recommended or declared.

**BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED**

Kamlesh Dinkerray Mehta
Company Secretary
Date : 14/08/2006