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NEWS RELEASE

Meghmani delivers robust 1H results despite increase in raw material costs

- **Revenue and Net Profit both grew 21% to Rs 1.9 billion (S$74 million) and Rs 183 million (S$7 million), respectively**
- **Group's Gross Profit Margin stands at a healthy 24.1%**
- **Global pigments and agrochemical markets expected to grow in 2005-06**

Rs in Mn	Quarter ended 30 September			Half Year ended 30 September		
	2005	**2004**	**% Change**	**2005**	**2004**	**% Change**
Revenue	1,065	994	7.1	1,929	1,601	20.5
Gross Profit	268	238	12.9	464	382	21.4
Profit from operations	160	161	(0.5)	272	249	9.5
Profit before tax	144	148	(2.6)	245	223	10.1
Income tax	(38)	(46)	(16.5)	(62)	(71)	(12.4)
Profit after tax	106	102	3.6	183	152	20.7

Below conversion to SGD is based on an average exchange rate of S$1: Rs 26.0752 for September 2005.

Singapore, 11 November 2005 — SGX Main Board-listed **Meghmani Organics Limited** ("Meghmani" or "the Group"), an India-based global manufacturer of pigments and agrochemicals, today reported a solid set of financial results for the six months ended 30 September 2005 ("1H FY2006"), despite a continued increase in Crude oil and Metal prices.

For the half-year ended 30 September 2005, the Group's net profit expanded 20.7% to Rs 183 million (S$7.0 million) from Rs152 million (S$5.8 million) in the prior year period. This was achieved on the back of an operating revenue which totaled Rs 1.9 billion (S$74 million), up 20.5% from Rs1.6 billion (S$61.4 million) in the year ago period.

During the latest quarter, on a year-on-year basis, the Group recorded a revenue growth of 7.1% from Rs 994 million (S$38.1 million) to Rs 1,065 million (S$40.8 million) while net profit rose 3.6% from Rs 102 million (S$3.9 million) to Rs 106 million (S$4.1 million).

Top- and Bottomline Growth (6-months ended 30 September 2005)

Meghmani's key business segments of Agrochemicals and Pigments continued to see topline growth in 1H FY2006. Agrochemicals registered a 25.8% growth in revenue to Rs 1.1 billion (S$42.2 million), compared to Rs 875 million (S$33.5 million) previously while Pigments recorded a 5.7% expansion in revenue to Rs 711 million (S$ 27.3 million), versus Rs 673 million (S$ 25.8 million) in the year ago period.

The increase in revenue was underpinned by the Group's healthy gross profit figure, which saw a hike of 21.4% to Rs 464 million (S$17.8 million) in 1H FY2006 from Rs 382 million (S$14.7 million) in the earlier corresponding period. In spite of an increase in the cost of raw materials, Meghmani's overall gross profit margin also increased marginally to 24.1%, from 23.9% previously.

At the segmental level, the gross profit margin for Pigments increased from 22.1% in 1H FY2005 to 24.5% in 1H FY2006 as a result of better sales realization. The gross profit margin for Agrochemicals, however, slipped from 26.4% in 1H FY2005 to 24.9% in 1H FY2006 due to pressure from higher raw material costs.

Domestic and Export Sales (6-months ended 30 September 2005)

The Group saw a significant uplift in export sales, which increased 32.1% to reach Rs 1.3 billion (S$50.4 million), compared to Rs 995 million (S$38.1 million) previously. Domestic sales held relatively steady with a 1.5% increase to Rs 616 million (S$23.6 million) compared to Rs 607 million (S$23.3 million) a year ago.

Meghmani's growth in 1H FY2006 was spearheaded by its export sales for Agrochemicals, which soared 71.7% due to strong sales to countries such as Belgium, Brazil, Paraguay and the US. While on the domestic front, Pigments witnessed a 47.5% growth to Rs 150 million (S$5.8 million), up from Rs 102 million (S$3.9 million) previously. This was attributable to the Group's ability to expand its customer base, resulting in higher sales of two key products – Copper Phthelocynine Crude and Alpha Blue.

In tandem with the Group's higher proportion of export sales in the first half of fiscal year, distribution expenses rose 39.7% to Rs 158 million (S$6 million) from Rs 113 million (S$4.3 million), as a result of increased freight, clearing, forwarding and packing costs.

The Group continued its strong rein on its administrative costs which dropped 1.9% to Rs 61 million (S$2.3 million). On the taxation front, Meghmani saw a 12.4% dip in 1H FY2006 in view of the increase in its exempted profits of the approved Export Oriented Unit (EOU) at Panoli, the effect of the conversion of Agro Chemicals unit at Ankleshwar as an EOU in the last quarter of FY2005, and an almost 3 percentage points reduction in corporate tax rate to about 33.7%.

In the period under review, the Group maintained its unrelenting commitment to Research and Development (R&D) in a bid to introduce more innovative products to the marketplace. More than Rs 6 million (S$0.23 million) was utilized for R&D expenses, compared to about Rs 5 million (S$0.19 million) in the previous half-year period.

"We continued to build on the strong foundation laid down by the Group's record set of 1Q performance and are delighted to deliver a commendable set of results for 1H FY2006. Meghmani has seen double digit growth in both its topline and bottomline in 1H FY2006, despite increasing costs in raw materials. With our established track record and entrenched relationships with our customers, the Group has, to date, been trying to pass on the higher raw material costs to customers as there are no direct substitutes for our products. We have also maintained our focus in expanding our customer base and product portfolio, while leveraging growth opportunities in the global arena, said Mr Ashish Soparkar, Managing Director of the Group.

Based on the weighted average ordinary shares in issue during the period, earnings per share was Rs 0.91 (3.5 Singapore cents) as compared to Rs 0.81 (3.1 Singapore cents) previously whilst earnings per SDS was Rs 0.46 (1.8 Singapore cents) compared to Rs 0.41 (1.6 Singapore cents) a year ago. The Group's net asset value per share increased to Rs 11.40 (S$0.44) as at 30 September 2005, Rs 10.81 (S$0.41) as at 31 March, 2005.

Outlook for FY2006

Pigments

The Ink, Paints and Plastics industries are expected to see a steady growth in demand both within India and at the global level. Further, the increased outsourcing trend is expected to benefit India, given its capability in providing high quality pigments. Additionally, countries such as the US, Europe, Central and South America, as well as Japan are also increasing their direct supplies from India. Within India, the Ink industry is also expected to consume more pigments.

While the global demand for organic pigments is forecast to increase 6.4% per year to US$5.5 billion in 2005-06, driven primarily by continued expansion in the printing ink and coating markets which account for 80% of demand. Pigment demand will benefit from rising global production levels and trends toward products that feature higher pigment loadings to create brighter colours.

Notwithstanding the anticipated increase in global demand for pigments, increasing raw material prices and rising fuel costs are challenges facing the industry today.

Agrochemicals

The global agrochemical market experienced robust growth for the first time in 2004 since mid-1990s with sales up by 12.6% to US$32.2 billion. Growth in this sector is expected to continue with demand coming primarily from Latin America, Asia and Europe.

In a bid to meet growing demand, the Group has installed an additional production capacity of 1,000 metric tones to produce Cypermethric Acid Chloride at the Ankleshwar plant. Following the successful completion of trial production, commercial production will begin from 1 January 2006.

In the latest financial quarter, increases in the crude oil price resulted in higher prices for raw materials that are derivatives of crude oil, such as Phathlic, Ortho Nitro Toulene and solvents. There was also a bullish trend in the metal market, resulting in increases in the prices of copper and aluminium while the price of chlorine gas has also risen.

The price of crude oil has increased in recent months and should the trend of rising raw material costs resume, the Group's profitability is likely to be affected in 3Q FY2006. However, as there are no direct substitutes for Meghmani's products, the Group endeavours to improve its management of raw materials and continue to negotiate with customers for better price realisation.

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 2005, export sales accounted for more than 72% of the Company's total revenue. For the year ended March 31 2005 ("FY2005"), Asia (excluding India) contributed to 13% of the Company's revenue. The domestic market in India accounted for 27% while the North America and Europe contributed 26% 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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