



## **NEWS RELEASE**

# **Meghmani's expansion plans unveiled: Meghmani to set up S\$186.5 million Caustic Chlorine Complex in Dahej, under SPV Meghmani Finechem Ltd, to drive long-term sustainable growth**

- *Achieves inorganic growth and vertical integration that will boost future earnings potential*
  - *Commercial production targeted to commence by January 2009*

**Singapore, 30 October 2007** - SGX Main Board-listed **Meghmani Organics Limited ("Meghmani" or "MOL" or "the Group")**, an India-based global manufacturer of Pigments and Agrochemicals, today unveiled its plans to set up a Caustic Chlorine Complex ("CCP") in Dahej under a special purpose vehicle (SPV), **Meghmani Finechem Ltd ("MFL")**. The large-scale, integrated complex, when completed, will be used for the production of Caustic Soda Lye/Flakes, Chlorine Gas and Hydrogen Gas in the first phase. MFL plans to set up downstream/derivative projects based on caustic/chlorine in the subsequent phases.

The estimated cost of the proposed CCP project is approximately Rs 503.16 crores (S\$186.47 million) through a proposed funding comprising Rs 344.18 crores (S\$ 127.55 million] by Debt and Rs 158.98 crores (S\$ 58.92 million) by Equity/Quasi equity. The equity/Quasi equity contribution will be partly made by MOL/promoters and partly by the Private equity/strategic investors. [Conversion rate INR 26.98401 = 1 SGD]

The proposed complex will utilize latest 4<sup>th</sup> generation Membrane Cell Technology from Asahi Kasei Chemicals Corporation ("AKCC") Japan, one of the most established technology providers for the manufacture of Chlor-alkali chemicals in the world.

Meghmani's move to establish the CCP stems from a number of reasons. For a start, the project presents a sound opportunity for the Group to **achieve inorganic growth** in a diversified yet

chemistry-related business with positive growth potential. With its established track record and R&D capabilities gleaned from its years in the Pigments and Agrochemicals industries, the Group is able to leverage on an excellent infrastructure for MFL such as its integrated manufacturing facilities, R&D laboratories and skilled work force.

Said Mr Ashish Soparkar, Managing Director of Meghmani, “This exciting business development will be a key force driving future sustainable growth for Meghmani. Caustic Soda and Chlorine Gas are an inseparable part of everyday lives and given their wide ranging applications in major end-consumer markets, demand for these two basic chemicals is steadily on the rise. We are optimistic that our vertical integration into the production of Caustic Soda and Chlorine Gas will yield sound and viable growth opportunities for us in the future.”

He added, “Our revenue generation will be further boosted once we move into the second phase of the complex, which is the production of chlorine derivatives or downstream products. Being high value-add, those products will yield improved profitability for the Group. We will announce our second phase expansion at an appropriate time once its techno-commercial success is finalized.”

The caustic-chlorine chemicals are used in a multitude of industries including Pigments, Pesticides, production of metals and resource materials; pulp and paper; petroleum and natural gas extraction; manufacture of organic chemicals, plastics, industrial solvents, water treatment chemicals and pharmaceuticals. Due to their wide ranging applications across industries, **demand for Caustic Soda and Chlorine Gas are increasing.**

From Meghmani’s perspective, the Group consumes significant quantities of Caustic soda, Chlorine Gas and derivatives of chlorine gas for its Pigments and Agrochemicals operations. Hence MFL will provide **a ready and captive source of some of the basic chemicals** for Meghmani.

Elaborated Mr Soparkar, “Given the present level of our Pigments and Agrochemicals products production, Meghmani’s captive consumption of direct and indirect Chlorine Gas will be approximately 25% of what will be produced at MFL. By the time the complex is completed, our scale of operations, and hence captive consumption of Chlorine Gas, will increase to almost 40%. Taking into account demand and supply fundamentals, we believe that the market can easily absorb the additional capacity from MFL.”

The proposed plant will be located at Dahej, district Bharuch, in the state of Gujarat. Meghmani acquired the 161-acre (approximately 650,000 sq m) site in Dahej in December 2006. Dahej is widely considered a **strategic location** for chemical and related industries as it is an approved Chemical Special Economic Zone (“SEZ”) with a high concentration of chemicals companies. Dahej also has important infrastructure in place such as communications, effluent treatment, power and water / sanitation facilities. In addition, Dahej possesses a Chemical Port, which has jetties capable of handling gaseous, liquid and solid cargoes and is well-connected by rail, road and sea for easy transportation of raw materials and end products. The Dahej port will be vital to the import of coal from countries such as South Africa and Indonesia amongst others for Meghmani’s 40 MW coal based power plant.

Another benefit of Dahej is its easy accessibility to salt, a major raw material for the CCP, and other basic chemicals which are important for chemical manufacturing operations.

Mr Soparkar further commented, “MFL is very strategically located. Apart from the 40MW captive power plant at the complex to supply all of MFL’s power requirements, Dahej status as an SEZ is crucial in the marketing of Chlorine Gas, a chemical that is not easily stored and transported. The upcoming SEZ as well as other near-by industrial estates will enable us to sell MFL’s surplus Chlorine Gas and Caustic Soda to the chemical belt in the periphery of 10 to 15 kilometers.”



The commercial production of the first phase is targeted to commence by December 2008 / January 2009. Phase 2 will comprise the production of derivative products with higher value-add. The annual manufacturing capacity of the complex will be as follows:

- Caustic Soda – 113,000 Ton per Annum (TPA)
- Chlorine Gas – 100,000 TPA
- Hydrogen Gas – 258,000 NM3

- Diluted Sulphuric Acid – 2,600 TPA
- Hydrochloric Acid – 9,970 TPA
- Sodium Hypo Chloride – 8,300 TPA

The directors of MFL will be Mr. Jayanti Patel, Mr. Ashish Soparkar, Mr. Natwarlal Patel, Mr. Ramesh Patel and Mr. Anand Patel.

Concluded Mr Soparkar, “Meghmani is infinitely excited about the potential of the CCP in Dahej. Meghmani’s established track record and R&D experience in the chemicals industry, coupled with healthy demand global and domestic for Caustic Soda and Chlorine Gas across industries and the highly strategic location of our complex will position the Group strongly for growth. We firmly believe that will be able to build a stronger and bigger Meghmani for the benefit of all investors. While the promoting company MOL will continue to grow in the Pigments and Agrochemicals businesses, the proposed CCP in MFL will be another major growth segment in the group.”

#### **About Meghmani Organics Limited**

*Established in Gujarat (India) in 1986, Meghmani is a manufacturer of Pigments and Agrochemicals. 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 2007, export sales accounted for about 70% of the Company’s total revenue. For the year ended 31 March 2007 (“FY 2007”), Asia (excluding India) contributed almost 8 % to the Company’s revenue. The domestic market in India accounted for 30% while the North America and Europe contributed 20% and 25% respectively to the Company’s revenue. The remaining contributions came from Meghmani’s other markets in Africa (5%), South America (10%), and Australia.*

*In Singapore, where it is listed on the main board of SGX, it won the “Most transparent company award” for the last two consecutive years. Meghmani also successfully completed its secondary listing in India at the Bombay Stock Exchange and the National Stock Exchange.*

**CONTACT INFORMATION**

**August Consulting**

Tel: (65) 6733 8873

Fax: (65) 6733 9913

Winston CHOO – [winston@august.com.sg](mailto:winston@august.com.sg)

Silvia HENG – [silvia@august.com.sg](mailto:silvia@august.com.sg)

**Meghmani Organics Limited**

Tel: 91-79-26640668 / 69

Fax: 91-79-26640670

Deval SOPARKAR – [deval@meghmani.com](mailto:deval@meghmani.com)