

MEGHMANI ORGANICS LIMITED

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, 2007 as follows:

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF Q1 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 | | |
|--------------------------------|-----------------|----------------|-----------------------|
| | 03 months ended | | % |
| | 30.06.2007 | 30.06.2006 | Increase / (Decrease) |
| | Rs. '000 | Rs. '000 | |
| Revenue | 1,131,082 | 1,014,327 | 11.5 |
| Cost of sales | (863,879) | (794,315) | 8.8 |
| Gross Profit | 267,203 | 220,012 | 21.4 |
| Other operating income | 14,398 | 10,163 | 41.7 |
| Distribution expenses | (96,754) | (96,083) | 0.7 |
| Administrative expenses | (33,135) | (29,284) | 13.2 |
| Other operating expenses | (11,882) | 23,028 | (151.6) |
| Profit from operations | 139,830 | 127,836 | 9.4 |
| Finance cost | (40,404) | (22,306) | 81.1 |
| Income from investments | 5,958 | - | n.m. |
| Share of associates profits | 624 | 2,508 | (75.1) |
| Profit before tax | 106,008 | 108,038 | -1.9 |
| Income tax | (22,153) | (17,642) | 25.6 |
| Profit after income tax | 83,855 | 90,396 | (7.2) |

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

| | Group | | |
|---|----------------|------------|-----------------------|
| | 3 months ended | | % |
| | 30.06.2007 | 30.06.2006 | Increase / (Decrease) |
| | Rs '000 | Rs '000 | |
| Bad trade receivables written off / recovered | 114 | 99 | 15.2 |
| Foreign currency exchange adjustment (loss) | (11,760) | 23,400 | (150.3) |
| Loss on sale of investments | (236) | (471) | (49.9) |
| Research and development expenditure | (2,527) | (7,242) | (65.1) |

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 30.06.2007 Rs '000 | As at 31.03.2007 Rs '000 | As at 30.06.2007 Rs '000 | As at 31.03.2007 Rs '000 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash & bank Balances | 221,803 | 82,531 | 206,142 | 79,116 |
| Available for sale investment | 750,000 | 250,000 | 750,000 | 250,000 |
| Trade receivables | 1,858,589 | 1,850,769 | 1,878,382 | 1,888,291 |
| Other receivables and prepayments | 611,638 | 396,034 | 596,450 | 426,005 |
| Inventories | 1,119,519 | 905,240 | 1,108,225 | 891,121 |
| Income tax recoverable | 28,062 | 24,841 | 28,056 | 24,835 |
| Total current assets | 4,589,611 | 3, 509,415 | 4,567,255 | 3, 559,368 |
| Non - current assets | | | | |
| Property, plant and equipments | 1,603,887 | 1,557,479 | 1,485,415 | 1,465,686 |
| Interests in subsidiaries | - | - | 28,553 | 28,553 |
| Interest in associate | 997 | 1,858 | 373 | 373 |
| Available for sale investments | 5,497 | 5,497 | 5,462 | 5,462 |
| Total non - current assets | 1,610,381 | 1,564,834 | 1,519,803 | 1,500,074 |
| Total assets | 6,199,992 | 5,074,249 | 6,087,058 | 5,059,442 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Bank borrowings | 1,507,029 | 1,718,568 | 1,405,516 | 1,718,568 |
| Other borrowings | - | 9,300 | - | - |
| Trade payables | 481,898 | 352,712 | 510,829 | 374,008 |
| Other payables | 249,541 | 78,777 | 218,078 | 55,111 |
| Total current liabilities | 2,238,468 | 2, 159,357 | 2,134,423 | 2, 147,687 |
| Non - current liabilities | | | | |
| Deferred tax liabilities | 108,788 | 98,835 | 108,788 | 98,835 |
| Total non - current liabilities | 108,788 | 98,835 | 108,788 | 98,835 |
| Capital & reserves | | | | |
| Issued capital | 254,314 | 200,630 | 254,314 | 200,630 |
| Share premium | 1,629,575 | 663,259 | 1,629,575 | 663,259 |
| General reserve | 485,130 | 485,130 | 485,130 | 485,130 |
| Capital redemption reserve | 18,433 | 18,433 | 18,433 | 18,433 |
| Dividend reserve | 12,275 | 84,502 | 12,275 | 84,502 |
| Currency translation reserve | (1,754) | (44) | - | - |
| Accumulated profits | 1,442,759 | 1,352,143 | 1,444,120 | 1,360,966 |
| Minority interest | 12,004 | 12,004 | - | - |
| Total equity | 3,852,736 | 2,816,057 | 3,843,847 | 2,812,920 |
| Total liabilities and equity | 6,199,992 | 5,074,249 | 6,087,058 | 5,059,442 |

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 2007 | | As at 31 March 2007 | |
|--------------------|-----------|---------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| 857,029 | 650,000 | 544,292 | 1,174,275 |

Amount repayable after one year

| As at 30 June 2006 | | As at 31 March 2007 | |
|--------------------|-----------|---------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| 101,513 | - | - | - |

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

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

As at June 30, 2007, bank borrowing amounting to **Rs. 629,246,000** 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, 2007, bank borrowing amounting to Rs. 544,292,000 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, 2007, bank borrowing amounting to **Rs. 126,270,000** 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, 2007, bank borrowing amounted to Rs. Nil

Bank B (ICICI Bank Limited - ECB)

As at June 30, 2007, bank borrowings amounting to **Rs 101,513,000** are secured.

As at March 31, 2007, bank borrowings amounted to Rs. Nil.

Bank C (HDFC Bank Limited – Buyers Credit)

As at June 30, 2007, bank borrowings amounting to **Rs 650,000,000** are unsecured.

As at March 31, 2007, bank borrowings amounting to Rs 798,946,000 are unsecured

Bank D (ICICI Bank Limited)

As at June 30, 2007, bank borrowings amounting to **Rs Nil** are unsecured.

As at March 31, 2007, bank borrowings amounting to Rs 250,159,000 are unsecured

Bank E (CITI Bank Limited)

As at June 30, 2007, bank borrowings amounting to **Rs Nil** are unsecured.

As at March 31, 2007, bank borrowings amounting to Rs 125,170,000 are unsecured

- 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 30.06.2007 Rs '000 | 3 months ended 30.06.2006 Rs '000 |
| Cash flows from operating activities | | |
| Profit from operations | 139,830 | 127,836 |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 36,594 | 31,316 |
| Unrealized Foreign Exchange Gain | 11,760 | (27,701) |
| Balance of Subsidiary eliminated (see note below) | 7,623 | - |
| Loss on disposal of Property, Plant & Equipments | 236 | 471 |
| Share of Profit in Associate | 624 | 2,508 |
| Operating cash flows before movements in working capital | 196,667 | 134,430 |
| Trade receivables | (7,820) | 18,551 |
| Other receivables and prepayments | (227,364) | (79,395) |
| Inventories | (214,280) | (151,461) |
| Trade payables | 129,186 | 123,081 |
| Bills payables | 93,819 | (157,734) |
| Other payables | 170,764 | 18,316 |
| Cash generated from (used in) operations | 140,972 | (94,210) |
| Income taxes paid | (15,421) | (15,010) |
| Interest and finance charges paid | (40,404) | (22,306) |
| Net cash from (used in) operating activities | 85,147 | (131,526) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipments | (83,744) | (44,061) |
| Proceeds from property, plant and equipments | 505 | - |
| Purchase of available-for-sale investments | - | (1,314) |
| Investment income received | 5,958 | - |
| Net cash used in investing activities | (77,281) | (45,375) |
| Cash flows from financing activities: | | |
| Dividend paid | (72,227) | - |
| Proceeds from (repayment of) bank borrowings | (305,358) | 235,107 |
| Proceeds from (repayment of) other borrowings | (9,300) | - |
| Proceeds from issue of share capital | 1,020,000 | - |
| Net cash used in financing activities | 633,115 | 235,107 |
| Net effect of exchange rate change on consolidation | (1,709) | - |
| Net (decrease) increase in cash and cash equivalents | 639,272 | 58,206 |
| Cash and cash equivalents at beginning of period | 332,531 | 50,335 |
| Cash and cash equivalents at end of period | 971,803 | 108,541 |

The figures for Meghmani Europe 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.

Group

Rs '000

| | Issued capital | Share premium | General reserve | Capital redemption reserve | Dividend reserve | Currency Translation Reserve | Accumulated Profits | Minority Interest | 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 June 30, 2006 | 200,630 | 663,259 | 444,130 | 18,433 | 80,069 | - | 1,161,989 | - | 2,568,510 |
| Balance as at March 31, 2007 | 200,630 | 663,259 | 485,130 | 18,433 | 84,502 | (44) | 1,352,143 | 12,004 | 2,816,057 |
| Shares issued during the quarter | 53,684 | 966,316 | - | - | - | - | - | - | 1,020,000 |
| Net profit for the period | - | - | - | - | - | - | 83,855 | - | 83,855 |
| Dividend Paid | - | - | - | - | (72,227) | - | - | - | (72,227) |
| Currency Translation Reserve | - | - | - | - | - | 86 | - | - | 86 |
| Balance of subsidiary eliminated | - | - | - | - | - | (1,796) | 6,761 | - | 4,965 |
| Balance as at 30 June, 2007 | 254,314 | 1,629,575 | 485,130 | 18,433 | 12,275 | (1,754) | 1,442,759 | 12,004 | 3,852,736 |

Company

Rs '000

| | Issued capital | Share premium | General reserve | Capital redemption reserve | Dividend reserve | Currency Translation Reserve | Accumulated Profits | Minority Interest | 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 | - | - | - | - | - | - | 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 |
| Balance as at March 31, 2007 | 200,630 | 663,259 | 485,130 | 18,433 | 84,502 | - | 1,360,966 | - | 2,812,920 |
| Shares issued during the quarter | 53,684 | 966,316 | - | - | - | - | - | - | 1,020,000 |
| Net profit for the period | - | - | - | - | - | - | 83,154 | - | 83,154 |
| Dividend Paid | - | - | - | - | (72,227) | - | - | - | (72,227) |
| Balance as at 30 June, 2007 | 254,314 | 1,629,575 | 485,130 | 18,433 | 12,275 | - | 1,444,120 | - | 3,843,847 |

- 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.**

During the quarter, following changes occurred in the Group's share capital:

| Particulars | No. of Shares | (Rs.) |
|--|---------------|-------------|
| Opening Balance at the beginning of the year | 200,630,000 | 200,630,000 |
| Add: Ordinary shares issued for cash on 20.06.2007 | 53,684,211 | 53,684,211 |
| Closing Balance at the Quarter ended on 30.06.2007 | 254,314,211 | 254,314,211 |

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 2007.

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.**

There is no dilution as a share options were granted during the financial period.

| Earnings per Ordinary shares | Group | |
|--|----------------|-------------|
| | 3 months ended | |
| | 30.06.2007 | 30.06.2006 |
| (a) Based on weighted average number of ordinary shares in issue (Rs) | 0.40 | 0.45 |
| Earning per SDS (Rs) | 0.20 | 0.23 |
| (b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs) | 0.40 | 0.45 |
| Earning per SDS (Rs.) | 0.20 | 0.23 |
| Weighted average number of ordinary shares (Nos.) | 207,119,300 | 200,630,000 |

Weighted average number of ordinary shares has been calculated as under:

| | |
|--|-------------|
| Ordinary shares at the beginning of the year | 200,630,000 |
| New ordinary shares issued on 20 th June 2007 | 53,684,211 |
| Ordinary shares at the end of the period | 254,314,211 |
| Weighted ordinary shares (200,630,000*80/91+254,314,211*11/91) | 207,119,300 |

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 30.06.2007 | As at 31.03.2007 | As at 30.06.2007 | As at 31.03.2007 |
| Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs. | 15.10 | 13.98 | 15.11 | 14.02 |

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.

The principal activities of the Group are (i) manufacturing and trading of Pigments and Agrochemicals and (ii) trading of dyes, dyes intermediates and Agrochemicals technical and intermediates products.

Revenue - Group

Breakdown of Revenue by Product

(Rs. in Millions)

| Products | Q 1 FY 2007-08 | Q 1 FY 2006-07 | Increase/ (Decrease) | % |
|---------------|-------------------|-------------------|-------------------------|-------------|
| Pigments | 623.33 | 489.11 | 134.22 | 27.4 |
| Agrochemicals | 478.99 | 507.51 | -28.52 | -5.6 |
| Trading | 28.76 | 17.71 | 11.05 | 62.4 |
| Total | 1131.08 | 1014.33 | 116.75 | 11.5 |

Breakdown of Domestic Sales by Product

(Rs. in Millions)

| Domestic Sales | Q 1 FY 2007-08 | Q 1 FY 2006-07 | Increase/ (Decrease) | % |
|----------------|-------------------|-------------------|-------------------------|-------------|
| Pigments | 169.96 | 113.18 | 56.78 | 50.2 |
| Agrochemicals | 212.85 | 146.63 | 66.22 | 45.2 |
| Total | 382.81 | 259.81 | 123.00 | 47.3 |

Breakdown of Exports Sales by Product

(Rs. in Millions)

| Export Sales | Q 1 FY 2007-08 | Q 1 FY 2006-07 | Increase/ (Decrease) | % |
|---------------|-------------------|-------------------|-------------------------|--------------|
| Pigments | 453.37 | 375.93 | 77.44 | 20.6 |
| Agrochemicals | 266.14 | 360.88 | (94.74) | (26.3) |
| Trading | 28.76 | 17.71 | 11.05 | 62.4 |
| Total | 748.27 | 754.52 | (6.25) | (0.8) |

Increase in export sales

The Group exports sales were marginally affected due to decrease in export sales of Agrochemicals. The effect was neutralized by increase in exports of Pigment.

Increase in domestic sales

The Group achieved 47.3% of its revenue from domestic activities, which increased by Rs. 123.00 million from Rs 259.8 million in Q 1 FY 2007 to Rs 382.8 million in Q 1 FY 2008.

Gross Profit

Gross profit - Group

Breakdown of Gross Profit by Division

(Rs. in Millions)

| Division | Q1 FY 2008 | GP Margin Q 1FY 2008 (%) | Q 1 FY 2007 | GP Margin Q 1 FY 2007 (%) | Increase/ Decrease | % |
|---------------|---------------|--------------------------------|----------------|------------------------------------|-----------------------|-------------|
| Pigments | 162.01 | 26.0 | 103.06 | 21.1 | 58.95 | 57.2 |
| Agrochemicals | 104.22 | 21.8 | 115.72 | 22.8 | -11.50 | -9.9 |
| Trading | 0.97 | 3.4 | 1.23 | 6.9 | -0.26 | -21.1 |
| Total | 267.20 | 23.6 | 220.01 | 21.7 | 47.19 | 21.4 |

Overall, gross profit of the Group increased by Rs 47.19 million (or 23.4%) from Rs 220.0 million to Rs 267.2 million. The gross profit %, however, increased marginally from 21.7% in Q1 FY 2007 to 23.6% in Q1 FY 2008 due to increase in sales price of pigment.

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 increased by 41.7% to Rs.14.4 million. This was due to increase in DEPB rates.

Distribution, Administrative and Other Operating Expenses

Distribution costs of the Group marginally increased by 0.7% to Rs 96.7 million.

Administrative costs of the Group increased by 13.2% to Rs. 33.1 million mainly due to reclassification of corporate salary and depreciation on corporate assets from cost of sales.

Other operating expenses increased by Rs 34.9 million mainly due to appreciation in Indian Rupee against US Dollar.

Finance costs

Finance costs increased by Rs 18.1 million (or 81.1%) mainly due to higher utilization of working capital facilities.

Share of associate's profit / loss

From April 2006, Meghmani Europe BVBA ceased to be a subsidiary of the Company and is an associate. Profit / Loss of the associate, to the extent of 49% is shown as share of profit / loss in the associate in the figures for the Group.

Interest in Subsidiaries

Meghmani Organics USA Inc., a wholly owned subsidiary of the Company, has commenced its commercial transactions from February 2, 2007. Accordingly, profit / loss of Meghmani Organics USA Inc. for the period ended on 30 June, 2007 has been included in the profit / loss of the Group.

During the year ended March 31, 2007, the Company invested in a Special Vehicle company viz. Meghmani Energy Limited (MEL) to set up a Captive Power Plant near its Agrochemical Unit at Chharodi and has subscribed to 70% of its share capital, making MEL subsidiary of the Company. Till the end of the quarter, the subsidiary has not commenced commercial operations.

Taxation

Income tax increased by Rs. 4.5 million in Q 1 FY 2008 i.e. by 25.6% to Rs. 22.1 million from Rs. 17.6 million in Q1 FY 2007.

Balance sheet

Share Capital:-

The initial public offer was made by the Company on 4 June, 2007. The issue received overwhelming response and was over subscribed by 26 times. During the quarter, the Company issued 53,684,211 Ordinary shares of Rs. 1/- each at a premium of Rs. 18/-. The said Ordinary shares were listed on 28 June, 2007 at the National Stock Exchange and Bombay Stock Exchange.

Trade receivables

Trade receivables of Group increased by Rs. 7.8 million from Rs. 1850.8 million in FY 2007 to Rs. 1858.6 million in Q1 FY 2008. This is because of inclusion of trade receivables of Meghmani Europe BVBA as a subsidiary in Q 1FY 2007.

Trade receivables at Company level decreased by Rs. 9.9 million from Rs. 1888.3 million in FY 2007 to Rs. 1878.4 million in Q1 FY 2008 due to better recovery.

Other receivables & Prepayments

During the first quarter, other receivables & prepayments at Group and Company level increased by Rs. 215.6 million (or 54.4 %), and Rs. 170.4 million (or 40.0 %) due to advance payment made for purchase of raw materials.

Inventories

Inventories at group level increased by Rs. 214.3 million from Rs. 905.2 million in FY 2007 to Rs. 1119.5 million in Q1 FY 2008. While inventories at Company level increased by Rs. 217.1 million from Rs. 891.1 million in FY 2007 to Rs. 1108.2 million in Q1 FY 2008 mainly due to increase in Agrochemical inventories.

Property, plant and equipment

Property, plant and equipments at Group and Company level increased by Rs. 46.4 million and Rs. 19.7 million respectively. The reason for increase in Q 1 FY 2008 is mainly due to capital investments in high performance Pigment at Pigment plant - Vatva.

Bank Borrowings

Bank borrowings at Group and Company level (current) decreased by Rs. 211.5 million and Rs. 313.1 million respectively, due to repayment of working capital loans from receipt of IPO funds.

Trade payables and other payable

Trade payables and other payable at Group and Company level increased by Rs. 299.9 million and Rs. 299.8 million respectively, on account of increase in payable for materials and capital expenditure.

Cash flow statement

During the period, the Group has generated positive net cash flow of Rs. 85.1 million from operating activities because of higher credit limits available.. Overall, cash and cash equivalents increased by Rs. 639.3 million due to inflow of proceeds from IPO.

Financial Analysis

| Group Key financial highlights | Rs. in millions | | | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------|-------------------------|
| | As at 30.06.2006 | As at 30.06.2006 | Variance | Variance (%) |
| <u>Profitability</u> | | | | |
| Sales | 1131 | 1,014 | 117 | 11.5 |
| Gross Profit | 267 | 220 | 47 | 21.4 |
| Gross Profit Margin (%) | 23.6% | 21.7% | 1.9% | - |
| Profit before tax | 106 | 108 | -2 | -1.9 |
| Profit before tax Margin (%) | 9.4% | 10.7% | -1.3% | - |
| Net profit | 84 | 90 | -6 | -6.7 |
| Earning per Share (EPS in Rs.) | 0.40 | 0.45 | -0.05 | 11.1 |
| <u>Financial position</u> | | | | |
| Net tangible assets | 3841 | 2,568 | 1273 | 50.0 |
| Debt (short term +long term) | 1507 | 1107 | 400 | 36.1 |
| Capital Gearing ratio | 0.39 | 0.43 | -0.04 | -9.3 |
| Net tangible assets per share | 15.10 | 12.80 | 2.30 | 18.0 |
| Stock turnover (days) | 119 | 103 | 16 | 15.5 |
| Trade debts turnover (days) | 150 | 148 | 2 | 1.4 |

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

Pigment

Although the pigments market must continue to deal with the challenges of volatile prices for key raw materials and fuel, improving economic conditions in Europe and increased growth in the Asia Pacific market offer pigment suppliers a ray of hope for the year 2007. On a global basis, consumption of organic pigments is growing at a rate of 2 - 3%.

The ink, paints and plastics industries continue to witness steady and sustained 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 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.

To position itself better from increased demand from local market, the group has increased the production capacity of its Pigment Green 7 plant at Vatva. This year, the Group is also evaluating the possibilities of expanding capacities at its Pigment Blue Plant, Panoli. To meet the demand of its global customers' base, the group is in process to introduce new range of High Performance Pigments.

Agrochemical

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

Last year, the Agrochemicals market remained very depressed globally due to droughts, severe cold or excess rain in certain parts of the world. The markets is expected to remain slow this year also. The Group did well on the domestic front last year as Indian monsoon was good. The Group expect to continue the same this year on the domestic branded formulations sale.

Registrations

The Group continued to make its concentrated efforts to obtain overseas registrations. The Group has received 13 new registrations worldwide during the period under review taking the total to 109.

The Group also expects to gain from the new registration received from Brazil in the Q 1, 2008. Recently allowed direct trade of agrochemicals between Pakistan and India will also help the Group to expand into newer but known territories.

The registrations efforts of the Group are in countries such as Australia, Brazil, Bangladesh, China, Indonesia, Malaysia, Nigeria, Paraguay, Thailand, Turkey, and Vietnam. The group has 471 new registrations in pipeline in 60 countries at various stages which will further strengthen the growth plan of the Group.

Outlook for FY 2008

Raw Material Price

During FY 2007 crude oil price continued to increase resulting in higher raw materials cost 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 increase in the prices of Copper and Aluminium.

Nevertheless, should the trend of rising raw material costs resume, our profitability is likely to be affected in the Q 2 FY 2008. We are also continuously negotiating with customers to pass on the higher raw material costs. With political uncertainty in the Middle East still an issue, and double digit growth in China creating strong demand for metal, energy and raw materials, we do not see an end to upward pressure on raw material prices in 2008, as well.

Market Price

The global market for pigment products continued to show signs of recovery in the sales price of the products. The agro product witnessed pressure on pricing during FY 2007, which is expected to remain the same during FY 2008.

Profitability

The Group achieved higher revenue in FY 2007. Gross profit and Net Profit after tax increased. Although the gross profit margins are under pressure. The Company endeavours to manage finance cost, inventory level, and speedy realization of trade receivables. The unfavourable exchange rate fluctuations may hamper the profitability of the Group. The Group has targeted to minimize the effect by better Finance Management and Treasury Operations.

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/recommendeded, a statement to that effect.

No dividend for the period ended 30 June 2007 is recommended or declared.

13. Confirmation by Directors pursuant to Rule 705(4) 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 first quarter ended 30 June, 2007 to be false or misleading.

BY ORDER OF THE BOARD
MEGHMANI ORGANICS LIMITED

K D Mehta
Company Secretary
1 August 2007