



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Meghmani Organics Limited

Security: Meghmani Organics Limited

Meeting details:

Date: 27 July 2018

Time: 10.00 a.m.

Venue: J B Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad - 380 015

Company Description

Meghmani Organics Limited manufactures, distributes, and sells pigments and pesticides. The company operates through three divisions: Pigments, Agrochemicals, and Basic Chemicals. The Pigments division offers phthalocynine green 7, copper phthalocynine blue, alpha blue, and beta blue pigments that are used in various applications, including printing inks, plastics, paints, textiles, leather, paper, and rubber. The Agrochemicals division provides technical, intermediates, and formulations of insecticides, fungicides, and herbicides, which are used in crop protection, public health, termite and insect control, and veterinary applications. The Basic Chemicals division offers caustic chlorine and caustic potash, which are used by the agriculture sector, industry, and directly by the consumers. It is also involved in the trading of pigment and chemicals. The company primarily operates under the Megastar, Megacyper, Megaban, Synergy, and Courage brand names. Meghmani Organics Limited offers its products to customers through direct sales teams and distributors/agents in North America, Europe, Central and Latin America, the Asia-Pacific, and internationally. The company was formerly known as Gujarat Industries. Meghmani Organics Limited was founded in 1986 and is based in Ahmedabad, India.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M30)

1. On 18 May 2017, the company announced that the board would be considering the delisting of its Singapore Depository Receipts (SDRs) from the Singapore Exchange at its board meeting on 22 May 2017.

Following the board meeting held on 22 May 2017, the company announced that, inter alia, subject to certain conditions being met, the “board of directors has granted in principle approval for delisting of the SDRs listed on SGX”.

- (i) Would the board and the company update shareholders on the proposed delisting as there has been no further update?**
- (ii) If the delisting has been scrapped or postponed indefinitely, would the board update shareholders accordingly so that it removes the risk of delisting of the SDRs to any investors who may be interested to buy more shares/new investors?**

2. In the financial year, there have been significant changes to the board composition. From 8 November 2017 to 14 May 2018, there were four resignations of independent directors from the board and four appointments of independent directors to the board, including Mr. A. L. Radhakrishnan who was appointed on from 20 October 2017 and resigned on 10 February 2018. The reason given by Mr. A. L. Radhakrishnan was “due to Pre-occupation with other business”.

- (i) Would the board explain if such major changes to the composition of the board caused any undue disruptions?**
- (ii) What was the reason for the multiple appointments and cessation of board directors in such a short period?**

In addition, the changes to the composition of the board committees are shown below:





AUDIT COMMITTEE

Mr. Balkrishna Thakkar	Chairman
Mr. Manubhai Patel	Member (Appointed on 10.02.2018)
Mr. Chander Kumar Sabharwal	Member (Appointed on 26.05.2018)
Mr. Chinubhai Shah	Member (Resigned on 14.05.2018)
Mr. Jayaraman Vishwanathan	Member (Resigned on 8.11.2017)

NOMINATION COMMITTEE

Mr. Balkrishna Thakkar	Member
Ms. Urvashi Shah	Member (Appointed on 10.02.2018)
Mr. Manubhai Patel	Member (Appointed on 26.05.2018)
Mr. Kantibhai Patel	Member (Resigned on 10.02.2018)
Mr. Chinubhai Shah	Chairman (Resigned on 14.05.2018)

REMUNERATION COMMITTEE

Mr. Balkrishna Thakkar	Member
Ms. Urvashi Shah	Member (Appointed on 10.02.2018)
Mr. Manubhai Patel	Member (Appointed on 26.05.2018)
Mr. Kantibhai Patel	Member (Resigned on 10.02.2018)
Mr. Chinubhai R Shah	Chairman (Resigned on 14.05.2018)

(Source: Company annual report)

- (iii) Can the board and the board committees confirm that the effectiveness of the board committees has been maintained even with the major changes in the composition?**
- (iv) Would the board consider it more prudent to manage a gradual and progressive renewal of the board to better preserve institutional knowledge?**
- (v) Can the board also confirm that directors, especially the independent directors, do not submit themselves for re-appointment at regular intervals and at least once every year as recommended by the 2012 Code of Corporate Governance (Guideline 4.2)?**

3. As noted in the Chairman's Statement, the group reported a year-on-year growth of 27% in revenue and a 95% increase in profit after tax. Within the group are the three high growth businesses namely Pigments, Agrochemicals and Basic Chemicals.

The ₹6.4 billion capital expenditure plans began last year with the Chloromethane plant expected to be commissioned in mid 2018 and the Caustic soda plant and the Hydrogen peroxide plant to be ready in mid 2019.

Exports of products grew 29% in FY2017, and is expected to be a main driver for the expansion.

- (i) As trade tensions begin to escalate between the major trading nations, what are the risks to the group's expansion plans?**
- (ii) Has management evaluated the risks and the impact of any potential trade wars on the group's cash flow and earnings?**

- (iii) Other than trade tensions, what are the other risks factors that have been identified by the board/management with regard to the group's large scale expansion plans?**

The group's debt to equity ratio was as high as 1.6x in FY12 and the group gradually decreased the gearing to 1.2x in FY15 and to 0.6x in FY16. As 31 March 2018, the adjusted net debt to adjusted net equity ratio is 0.6x, up from 0.53x as at 31 March 2017.

- (iv) Given that the group had over the past 5-6 years deleveraged its balance sheet and significantly reduced its gearing, has the board reviewed its capital management approach and set a limit to the leverage that can be employed by the group?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=238

The company's response could be found here: -----