



VINATI ORGANICS LIMITED



18th Annual Report 2006-2007



NOTICE

NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING OF VINATI ORGANICS LIMITED (the "Company") will be held on Saturday, 29th September, 2007 at 3.00 P. M. at the Registered Office of the Company, at B-12 & B-13/1, MIDC Industrial Area, Mahad 402 301, Dist. Raigad, Maharashtra to transact, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007, Profit & Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To declare Dividend on equity shares.
3. To appoint a Director in place of Shri A. A. Krishnan who retires by rotation at this meeting and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Girish M. Dave who retires by rotation at this meeting and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint another person (whether a shareholder or not) as his/her proxy to attend and vote instead of himself/herself, but a proxy so appointed shall not have any right to speak at the meeting. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 20th September 2007 to Saturday, the 29th September 2007 (both days inclusive).
3. Members are requested to intimate to the Corporate Office situated at Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai 400072 the changes, if any, in their registered addresses, quoting their Folio Numbers.
4. As per the provisions of the Companies Act, 1956 facility for making nominations is available for the shareholders. The prescribed nomination form can be obtained from the Company's share department situated at Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai - 400 072, Maharashtra.
5. Registrars and Transfer Agents:
The Company has appointed M/s. Sharex Dynamic (India) Pvt. Ltd., 17/B, Dena Bank Building, 2nd Floor, Homiman Circle, Fort, Mumbai - 400 001 as the Registrars and Transfer Agents ("R&TA") for all aspects of investor servicing relating to shares.
6. The Company's securities are listed at the Stock Exchange, Mumbai (Regional Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001, Maharashtra.
7. The Annual Listing Fee as prescribed has been paid to the above stock exchange.
8. The dividend on equity shares as recommended by the Directors for the year ended 31st March 2007, if declared at the meeting, will be made payable on or after 30th September 2007 to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 19th September 2007 or those whose names appear as beneficial owners as at the end of business on 19th September 2007 as per lists to be furnished by the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.
Shareholders are hereby informed that after the amendment of the Act w. e. f. 31.10.1998, the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund (the "Fund") established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or Fund in respect of Individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the date it became first due for payment and no payment shall be made in respect of any such claim.
9. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.



10. Re-appointment of Directors:

Section 255 of the Companies Act, 1956 provides inter alia that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-thirds of the total number of directors of a public company, or a private company which is a subsidiary of a public company, shall (a) be persons whose period of office is liable to determination by retirement of directors by rotation; and (b) save as otherwise expressly provided in the Companies Act, 1956, be appointed by the company in the general meeting.

Accordingly at the ensuing Annual General Meeting, Shri A. A. Krishnan and Shri Girish M. Dave, retiring by rotation and being eligible to offer themselves for re-appointment.

The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange is furnished in the statement on Corporate Governance published in this Annual Report.

Details of Directors seeking re-appointment

Particulars	Shri A. A. Krishnan	Shri Girish M. Dave
Date of Birth	17.07.1933	12.07.1938
Date of Appointment	27.03.1992	24.09.1990
Qualifications	Chemical Engineer	M Com, L.L.B. & CAIIB
Directorships held in other public Company	1. Andhra Petrochemicals Ltd. 2. Petron Engineering & Construction Ltd.	1. PCS Technology Ltd. 2. IL&FS Investsmart Ltd. 3. PSI Data Systems Ltd. 4. Ultratech Cement Ltd. 5. Tajir Investment and Properties Ltd.
Memberships/Chairman of committees of other public companies	No	1. PCS Technology Ltd.-Chairman & Member 2. IL&FS Investsmart Ltd.-Member 3. PSI Data Systems Ltd. - Member 4. Ultratech Cement Ltd. - Member 5. Tajir Investment & Properties Ltd. — Member

Registered Office

B-12 & B-13/1, MIDC Industrial Area,
Mahad - 402 309, Dist. Raigad, Maharashtra.
Mumbai, 31st May 2007

By order of the Board of Directors

Gunvant. S. Singhi
Company Secretary
Cum Finance Controller

ADDENDA TO NOTICE DATED 31ST MAY 2007

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

" RESOLVED THAT

- (a) pursuant to the recommendation of the Board of Directors and Article 195 of the Articles of Association of the Company and subject to all applicable provisions, if any, of the Companies Act, 1956 (including and amendment thereto or re-enactment thereof for the time being in force) and subject to the guidelines issued by the Securities & Exchange Board of India in this behalf and subject to such approvals, consent, permissions and sanctions, as may be necessary from appropriate authorities or bodies and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions a sum of Rs.2,39,15,000/- being, the amount standing to the credit of the Profit & Loss Account and a sum of Rs.90,00,000/- standing to the credit of the General Reserve Account of the Company aggregating Rs.3,29,15,000/- be and the same are hereby capitalized and that the said sums be accordingly set free for paying up in full at par 3291500 equity shares of Rs.10/- each in the capital of the Company to be allotted and distributed as fully paid up bonus shares (herein after referred to as



"Bonus Shares") to the shareholders of the Company whose names appear on the Register of Members of the Company or as beneficial owners of shares in the record of the Depository appointed by the Company, on the date to be hereafter fixed by the Board (herein after referred to as "Record Date") in proportion of one Bonus Share for existing two equity shares in the capital of the Company and the Board of Directors of the Company or any Committee thereof (herein after referred to as "the Board") be and is hereby authorized to issue and allot such numbers of Bonus Shares and for such purpose transfer the aforementioned amounts standing to the credit of "Profit & Loss Account" and "General Reserve Account" respectively forming part of the "Reserves and Surplus" in the books of account of the Company as on March 31, 2007 to the "Share Capital Account" and that the Bonus Shares to be allotted shall be treated for all purposes as an increase in the nominal amount of the capital of the Company, held by each such member and not as income;

- (b) the Bonus Shares to be issued in pursuance of this resolution shall be allotted subject to the provisions in the Memorandum and Articles of Association of the Company and shall, in all respects, rank *pari passu* with the existing fully paid Equity Shares of the Company, and shall be entitled to participate in any dividend to be declared by the Company after the Bonus Shares are issued and allotted;
- (c) the members to whom the Bonus Shares shall be allotted in accordance to paragraph (a) hereof shall accept the same in full and final settlement, satisfaction and discharge of their respective rights and interests in the capitalized sum of Rs. 3,29,15,000/-
- (d) no letter of allotment shall be issued to the allottees in respect of the Bonus Shares but in the case of allottees holding Shares in dematerialized form, bonus shares shall be credited to the respective beneficiary accounts of the allottees with their respective Depository Participants within the stipulated time as may be allowed by the concerned authorities and in the case of the allottees holding shares in physical form, the share certificates in respect thereof shall be delivered within such time as may be prescribed by the concerned authorities/applicable law;
- (e) no fractional shares, if any, arising out of the issue and allotments of the Bonus Shares be allotted by the Company and the Company shall not issue any certificate or coupon in respect of such fractional shares but all such fractional entitlements, if any, shall be allotted by the Board, to a nominee to be appointed by the Board who shall hold the same as trustee for the members entitled thereto, and such nominee shall consolidate all such fractions and sell the Equity Shares so arising at the prevailing market rate and pay to the Company the net sale proceeds thereof, after adjusting there from the cost and expenses in respect of such sale for being distributed among members who were entitled to such fractions;
- (f) the issue and allotment of the Bonus Shares to Non-Resident Indians (NRIs), Persons of Indian Origin (PIOs), Foreign Institutional Investors (FIIs) and other Foreign Investors of the Company and distribution of sale proceeds in respect of fractions will be subject to the approval of the Reserve Bank of India, if any, as may be required;
- (g) for the purpose of giving effect to this Resolution and for removal of any doubts or difficulties, the Board be and is hereby authorized to do all such acts, deeds, matters and things and to give, from time to time, such directions as may be necessary, expedient, usual or proper and to settle any question or doubt that may arise in relation thereto or as the Board in the absolute discretion may think fit and its decision shall be final and binding on all members and other interested persons;
- (h) the Board be and is hereby authorized to delegate all or any of its powers to any Committee of Directors of the Company, to give effect to this Resolution".

NOTES

11. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956, in setting out material facts relating to the special business at item no.6 of the Notice as set out above is annexed hereto.

Registered Office

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Mahad - 402 309, Dist. Raigad, Maharashtra.
Mumbai, 31st July 2007

By order of the Board of Directors
Gunvant. S. Singhi
Company Secretary
Cum Finance Controller



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

For Item No. 6

The present issued, subscribed and paid up capital of the Company is Rs.6,58,30,000/- (Rupees Six Crores Fifty Eight Lacs Thirty Thousand only) divided into 65,83,000 equity shares of the face value of Rs.10/- each. The Company has a balance of Rs.2211.36 Lacs including amounts received during the current year, in the Profit & Loss Account and a balance of Rs.90 Lacs in the General Reserve Account.

Since there has been a substantial build up of Reserves, the Board of Directors has, at its meeting held on 31st July 2007, decided to recommend capitalization of such free reserves by issue of fully paid up Bonus Shares to the members of the Company in the proportion of one Bonus Share for every two Equity Shares of the face value as existing and held by the members on such date as may hereafter be fixed by the Board of Directors (hereafter referred to as the 'Record Date'). It is accordingly proposed to capitalize the requisite amount from the Profit & Loss Account and other free reserves of the Company.

The Bonus Shares so allotted shall rank *pari passu* in all respects, including dividend entitlement, with the existing fully paid up Equity Shares of the Company.

The Board of Directors recommends the passing of the Ordinary Resolution at Item No.6 of the accompanying Notice.

Section 81 of the Companies Act, 1956 deals with the provisions regarding further issue of capital by a company. Further Chapter XV of SEBI Guidelines, 2000 lays down *inter alia* that a listed company proposing to issue bonus shares shall comply with the following:

1. The bonus issue shall be made out of free reserves built out of the genuine profits or share premium collected in cash only.
2. The Company-
 - (a) has not defaulted in payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption thereof; and
 - (b) has sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity; bonus etc.
3. The Company which announce its bonus issue after the approval of the Board of directors must implement the proposal within a period of six months form the date of such approval and shall not have the option of changing the decision.
4. The Articles of Association of the Company shall contain a provision for capitalization of reserves etc.

Article 195 of the Articles of Association of the Company authorizes the Company the issue of bonus shares.

None of the Directors of the Company may be considered to be interested in the said Resolution except to the extent they, together with their relatives in the Company, shall be entitled to the Bonus Shares.

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Mumbai, 31st July 2007

By order of the Board of Directors

Gunvant. S. Singhi
Company Secretary
Cum Finance Controller



DIRECTORS' REPORT

To the Members,

your Directors have pleasure in presenting their Eighteenth Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2007.

1) FINANCIAL RESULTS

The summarized position of these results is given below:

	Rs. In Lacs	
	2006-2007	2005-2006
Sales and other income	9234.87	6598.24
Profit before Interest, Depreciation & Taxes	1022.39	659.05
Interest	196.57	123.94
Profit before Depreciation & Taxes	825.82	535.11
Depreciation & Non-cash Charges	273.14	239.48
Profit before Taxation	552.68	295.63
Provision for Taxation - Current	178.00	82.00
- Deferred	17.61	27.45
- Fringe Tax Benefit	5.60	5.20
Provision for earlier year W/back/Provided	0.08	(14.37)
Net Profit	351.39	195.35
Balance brought forward	1962.40	1842.11
Balance available for appropriations	2313.79	2037.46
Appropriations		
Dividend	79.00	65.83
Tax on Dividend	13.43	9.23
Transfer to General Reserve	10.00	-
Surplus carried to Balance sheet	2211.36	1962.40

2) REVIEW OF OPERATIONS

Members will be pleased to note that the operations of your company have shown satisfactory performance. For the year under review sales have gone up by, 1292.87 metric tons in terms of quantity and about Rs. 2526.29 Lacs in terms of value. The profitability has gone up due to management's thrust on exports, which have gone up by a healthy Rs. 2823.59 Lacs during the year.

3) DIVIDEND

Considering results of the Company, your Board of Directors are pleased to recommend a dividend of 12% i.e. Rs.1.20 per equity share. Your Board seeks your approval for the same.

The total outgo on dividend account will be Rs.92.43 Lacs (inclusive of corporate tax on dividend).

The dividend is tax free in the hands of the shareholders.

4) PROSPECTS

The project work on the proposed modernization-cum-expansion programme is on schedule. The project aims at establishing manufacturing facilities to match International Standards. After full implementation, the production capacity of your company will also go up.

We expect continued growth in operations with growing demand in the chemical industry.



Your company has gone under new expansion and diversification programme and also continued to see strong and profitable growth in the financial year 2006-2007 across all markets driven by good performance in existing and new areas of business.

(i) Expansion of IBB Plant at Mahad

In order to cater increased export demand, the Company has undertaken expansion of IBB plant to increase the capacity from 10000 TPA to 14000 TPA. (Increment of 40%).

(ii) Expansion of 2-Acrylamido 2 Methylpropane Sulfonic Acid (ATBS) Plant at Lote

In order to cater higher exports demand, the Company is planning to increase existing capacity from 3000 TPA to 8000 TPA. (Increment of approx. 166.66 %)

The matter of concern is the steep rise in Indian rupee vis-a-vis US Dollar. However the management is taking judicious decisions to safeguard the Company's interest.

5) TURNOVER AND PROFIT (OPERATING RESULTS)

The Company achieved turnover of Rs.9046.22 Lacs as compared to Rs.6519.94 Lacs in the previous year. The net profit increased to Rs.351.39 Lacs as compared to Rs.195.35 Lacs in the previous year.

6) INSURANCE

The properties and insurable interest of your company like Building, plant and machinery, stocks etc are properly insured.

7) DIRECTORATE

As per the statute, two-third of the Directors should be retiring Directors. One-third of these retiring Directors are required to retire every year and if eligible, these Directors qualify for re-appointment.

Accordingly, Mr. A.A. Krishnan, Director and Mr. Girish M. Dave, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Directors' profile

(i) Mr. A.A. Krishnan, Chemical Engineer

Mr. A. A. Krishnan has very wide experience in Petrochemical industry. He is Director of other Public Limited Companies namely Andhra Petrochemicals Limited and Petron Engineering Construction Limited. The Company has benefited by his 45 years of experience. He was appointed as a director long back and has vast and diversified technological and chemical expertise of running the manufacturing unit in such industries. Due to his commitment for technological advancement in continuously improving the systems and procedures, he has substantially contributed to the growth of the Company. Therefore with a view to get benefit out of his past experience and technical competence, the Board recommends his reappointment.

(ii) Mr. Girish M. Dave, M Com, L.L.B. & CAIIB

Mr. Girish M. Dave is an eminent advocate and senior partner of the well-known Law Firm M/s. Dave & Girish & Company, Advocates and has over 40 years experience in the legal field. The Company has benefited substantially from his advice and guidance and also due to his immense knowledge in the said field he has contributed to the Company with a wide range of advancement in the respective fields so as to reap the fruitful benefit in the long run. He has served on the Board of your company and has given valuable advice on legal and administrative matters to the management. Therefore with a view to his contribution, the Board recommends his reappointment.

8) AUDITORS

Members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration. The Statutory auditors M/s. Karnavat & Co., Chartered Accountants retire at the ensuing Annual General Meeting and being eligible under section 224 (1B) of the Companies Act, 1956, offer themselves for re-appointment.

9) AUDITORS' REPORT

The observations of Auditors as referred to in the Auditors' Report are suitably explained in the Notes to the Accounts.

10) COST AUDITOR

As per the order of Central Government, Mr. P.C. Jain has been appointed as Cost Auditor with the approval of Central Government for the year ending 31.03.2007. The Company has made necessary application for approval of the same.



11) FIXED DEPOSIT

During the year under review the Company did not invite or accept any Fixed Deposit from public.

12) EMPLOYEES

The Company is not required to make any disclosure under section 217(2A) of the Companies Act, 1956 as none of its employees is drawing remuneration in excess of Rs.24 Lacs per annum or Rs.2 Lac per month.

13) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING & OUTGO

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1983, relating to the above head are given in **Annexure 'B'** forming part of this report.

14) LISTING

The Company's Equity shares continue to be listed at BSE. We confirm that the Listing fees for the Financial year 2006-2007 has been paid to them.

15) DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956 and based on the representations received from the operating management, the Directors hereby confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2007 and the profit of the Company for the year ended 31st March 2007;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared annual accounts on a going concern basis.

16) CORPORATE GOVERNANCE AND MANAGEMENT'S DISCUSSION AND ANALYSIS REPORTS

The corporate Governance and Management's discussion and Analysis Reports, which form an integral part of this report, are set out in a separate annexure to this report, along with the certificate from the Auditors of the Company certifying compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange. **(See Annexure 'A' 'C' & 'D')**

17) APPRECIATION & ACKNOWLEDGEMENTS

Your Directors take this opportunity of placing on record their sincere gratitude for overwhelming cooperation and assistance received from Central & State Governments, banks, financial institutions, shareholders, business associates and esteemed customers for their continued support and assistance during the year.

Your Directors also wish to place on record their appreciation for whole-hearted commitment, contribution, sincere and dedicated efforts put in by the Officers, Staff and Workers for maintaining continued improvement in Company's overall performance and well being of them.

For and on behalf of the Board of Directors

Vinod Saraf

Chairman & Managing Director

Mumbai, 31st May 2007

**ANNEXURE - 'A' - Directors report
CORPORATE GOVERNANCE REPORT**

(Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange)

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

Your company believes that transparency, accountability, fair dealing and ethical practices lead to conduct of business in efficient and effective manner. This in turn creates wealth for all stakeholders on one hand and safeguards their interest on the other.

Your company is led by distinguished Board. The Board consists of Directors having expertise in diverse fields, which includes technical, managerial and finance backgrounds.

It is due to this reason that the Board provides a strong oversight and strategic counsel to the management based on SWOT analysis.

The Company has established systems and procedures to ensure that the Board is well informed and well equipped to take decisions on strategic and managerial aspects.

The objective of your Company is not only to meet the statutory requirements of the code but to go well beyond it by instituting such systems and procedures as are in accordance with the latest global trend of making management completely transparent and institutionally sound.

2. BOARD OF DIRECTORS

(a) Composition

The Company has a combination of Executive and Non-Executive Directors. The Company has an Executive Chairman. The number of Independent Directors is 50% of the total number of Directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(IV) (B)) across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions occupied by them in other companies.

The Company's Board at present has 6 Directors comprising one Executive Chairman, one Executive Director and four Non-Executive Directors.

The number of independent directors or the number of non-executive directors is as per the revised clause 49 of the Listing Agreement with the Stock Exchange.

(b) Attendance at Board Meeting and details of Membership of Directors in other Boards & Board Committees

During the year all the requirements under code of conduct adapted under clause 49 of the Listing agreement have been complied with.

The Board met four times on the following dates during the financial year 2006 - 2007 and the gap between two meetings did not exceed four months. Details are given as under:

Date of the Meeting	Total Strength	No. of Directors present
20 th May 2006	7	6
29 th July 2006	6	5
25 th October 2006	6	4
22 nd January 2007	6	6

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee positions as held by them in other public limited companies as on 31st March, 2007 are given below:



Name	Category	No. of Board Meetings Attended during 2006-07	Whether attended AGM held on 23rd Sep. 2006	No. of Directorships in other public limited Companies	No. of Committee positions held in other public limited Companies	
					Chairman	Member
Mr. Vinod Saraf (Chairman & Managing Director)	Promoter, Not-Independent Executive	4	Yes	1	-	-
Mr. Girish M. Dave (Director)	Independent Non-Executive	3	Yes	5	1	5
Mr. Anandkumar Tibrewala (Director, up to 20.05.2006)	Not Independent Non-Executive	1	N.A.	-	-	-
Mr. C.B. Gokhale (Director)	Independent Non-Executive	4	No	-	-	-
Mr. A.A. Krishnan (Director)	Independent Non-Executive	2	No	2	-	-
Mr. Sunil Saraf Director	Promoter, Not-Independent Non - Executive	3	No	1	-	-
Ms. Vinati Saraf Executive Director (from 20.05.2006)	Promoter, Not-Independent Executive	4	Yes	1	-	-

Mr. Anandkumar Tibrewala has ceased to be director with effect from 21st May 2006.

There was no nominee director on the Board during the year. The information as required in Annexure 1 of the Listing Agreement was made available to the Board regularly.

The Company did not have any pecuniary relationship or transactions with the Non Executive Directors during 2006-2007.

Transaction of loan taken from Executive Director is disclosed in note No. 6 of schedule 18 to the Accounts in Annual Report.

(c) Code of Conduct

The Company has laid down a Code of Conduct for all its Board members and Senior Management personnel for avoidance of conflicts of interest. It has received from all of them the necessary declarations affirming compliance with the Code of Conduct for the year 2007. There were no material financial and commercial transactions in which the Senior Management personnel had personal interest, which could lead potential conflict of interest of the Company during the year. The Code of Conduct is available on Company's website.

3. AUDIT COMMITTEE

(a) Constitution

The Audit Committee, which was constituted on 31st January 2001 pursuant to the provisions contained in section 292A of the Companies Act, 1956 was reconstituted as per Clause 49 of Listing Agreement

for Corporate Governance on 24th January 2002 and was reconstituted on 20th May 2006. The terms of reference of the Audit Committee as stipulated by the Board are in accordance with the all the items listed in Clause 49(II)(D) of the Listing Agreement and Section 292A of the Companies Act, 1956.

(b) Composition

The Audit Committee of the Company as on 31st March, 2007 comprised the following 3 Directors of the Company:

1.	Mr. Girish M. Dave	:	Independent Director
2.	Mr. C. B. Gokhale	:	Independent Director
3.	Mr. A.A. Krishnan	:	Independent Director

With effect from 21st May 2006 Mr. A.A. Krishnan is inducted in place of Mr. Anandkumar Tibrewala.

The members of the committee are well versed in matters relating to finance, accounts, company law, other economic legislation and general management practices.

(c) Meetings & Attendances

The Audit Committee met four times on the following dates during the last financial year.

Date of the Meeting	Total Strength	No. of Members present
20 th May 2006	3	3
29 th July 2006	3	2
25 th October 2006	3	2
22 nd January 2007	3	3

The necessary quorum was present at the meetings.

Audit committee at all its meetings had reviewed the information as mandatory required to be placed before the committee from time to time.

Mr. G.S. Singhi being the Company Secretary Cum Finance Controller of the Company acts as the Secretary to the Committee.

(d) Terms of reference

The terms of reference of the Audit Committee include review of Quarterly, Half-yearly and Annual Financial statements before submission to the Board for its approval, to review adequacy of internal control systems, to apprise the Board on the impact of the scope and content of the audit and to review the Company's financial and risk management policies.

The Statutory Auditors, Internal Auditors of the Company and the Cost Auditors are invited to join the Audit Committee Meetings.

The Committee discusses with the Cost Auditor about his observations in the Annual Cost Audit Reports and allied matters.

4. SHARE TRANSFER COMMITTEE

The Share Transfer Committee was constituted on 24th January 2002 for approving transfers, transmission of shares etc. It comprises of following Directors:

- (i) Mr. Vinod Saraf, Chairman & Managing Director
- (ii) Mr. Sunil Saraf, Director

Mr. G.S. Singhi being the Company Secretary cum Finance Controller of the Company acts as the secretary to the Committee. The Committee met 12 times during the year 2006-2007 for approving transfers, transmissions etc. All transfers & transmissions etc. were approved and share certificates were dispatched within 30 days and requests for dematerialization were confirmed within 21 days.



5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

(a) Terms of Reference

The Company has an independent Shareholders' Grievance Committee, which was constituted on 24th January 2002 and reconstituted on 20th May 2006 to look into redressal of investor's complaints and requests like delay in transfer of shares, non-receipt of dividend, annual report, etc.

(b) Composition

The Shareholders'/Investors' Grievance Committee of the Company comprises of the following 3 Directors of the Company:

1. Mr. Girish M. Dave : Chairman-Independent Director (from 20.05.2006)
2. Mr. Vinod Saraf : Member - Chairman & Managing Director
3. Mr. Anandkumar Tibrewala : Member - Director (up to 20.05.2006)
4. Mr. Sunil Saraf : Member - Director (up to 20.05.2006)
5. Ms. Vinati Saraf : Member - Executive Director (from 20.05.2006)

(c) Meetings & Attendances

The Shareholders'/Investors' Grievance Committee met as given below:

Date of the Meeting	Total Strength	No. of Directors present
31 st March 2007	3	3

The Committee oversees the matter relating to transfer of shares, demat of shares, issue of duplicate share certificates, redressal of grievances and complaints regarding non-receipt of dividends, annual reports, etc.

During the year 2006-2007 a total number of 16 complaints were received and all of which were generally solved and redressed by the Company to the satisfaction of complainants and there was no pending complaint.

G.S. Singhi being the Company Secretary Cum Finance Controller of the Company acts as the Compliance officer.

6. DETAILS OF REMUNERATION PAID / PAYABLE TO THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2007

Managerial Remuneration

Name	Salary & Allowances (Rs.)	Contribution to PF (Rs.)	Other Perquisites (Rs.)
Mr. Vinod Saraf Chairman & Managing Director	13,54,125	1,50,000	50,680
Ms. Vinati Saraf Executive Director (from 20.5.2006)	7,18,424	62,323	-
Total	20,72,549	2,12,323	50,680



7. GENERAL BODY MEETING

Location, date and time of Annual General Meetings held during the last 3 years:

Year	Location	Date	Day	Time	No. of Special resolutions passed
15 th AGM2004	Regd. Office: B/12 & B-13/1, MIDC Indl. Area, Mahad - 402 309, Dist. Raigad, Maharashtra.	23.09.2004	Thursday	12.30 p.m.	Nil
16 th AGM 2005	- d o -	30.09.2005	Friday	3.00 p.m.	Nil
17 th AGM 2006	- d o -	23.09.2006	Saturday	3.00 p.m.	Nil

8. DISCLOSURES

(a) Related Party Transactions

There have been no materially significant related party transactions with the Company's Promoters, Directors, the Management or relatives, which may have potential conflict with the interests of the Company at large. However, attention is drawn to note No.6 of schedule 18 under Notes to the Accounts in Annual report.

(b) Statutory Compliance, Penalties and strictures

There have been no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authorities relating to capital market and listing.

(c) Compliance with mandatory / Non-mandatory requirements

The Company has complied with all the applicable mandatory requirements and most of the non-mandatory requirements specified in the revised Clause 49 of the listing Agreement.

9. MEANS OF COMMUNICATION

The quarterly results, half yearly and annual financial results of the Company are published in leading English and Marathi Newspapers as per the prescribed guidelines. The financial results, shareholding pattern & code of conduct are displayed on www.sebiedifar.nic.in

10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The discussion on financial performance with respect to the operational performance, review of operations, exports and prospects have been covered in the Director's Report.

The Company has adequate system of internal control system with regard to purchase of stores, raw materials including components, plant & machinery, equipments, sale of goods and other assets. The internal control system is supplemented by well Documented policies and guidelines and the internal audit report are periodically put to and is revised by the top management.

The industrial relations during the year continued to be cordial. The Company is committed to provide necessary human resource development and training opportunities to equip them with the required modern skill and knowledge.

11. COMPLIANCE OFFICER

Mr. Gunvant S. Singhi, Company Secretary Cum Finance Controller acts as a Compliance Officer of the Company.



12. GENERAL SHAREHOLDER INFORMATION

a. Annual General meeting

Date 29th September 2007

Time 3.00 P.M.

Venue Regd. Office, at B/12 & B-13/1, MIDC Indl. Area, Mahad -402 309,
Dist. Raigad, Maharashtra]

b. Financial Calendar

Annual General Meeting : 29th September' 07

Unaudited results for the quarter ending June 2007 : 4th week of July'07

Unaudited results for the quarter/half year ending September 30, 2007 : 4th week of Oct' 07

Unaudited results for the quarter ending December 31,2007 : 4th week of January'08

Unaudited results for the quarter ending March 31, 2008 : 4th week of April'08

Date of book Closure : 20th September 2007 to 29th September 2007.
(both days inclusive)

Dividend payment date 19th October 2007

c. Listing on Stock Exchange : The Company's Securities are listed on the following Stock exchange in India
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400 001, Maharashtra.

d. Stock Code: The Stock Exchange, Mumbai (Physical Segment) : 524200

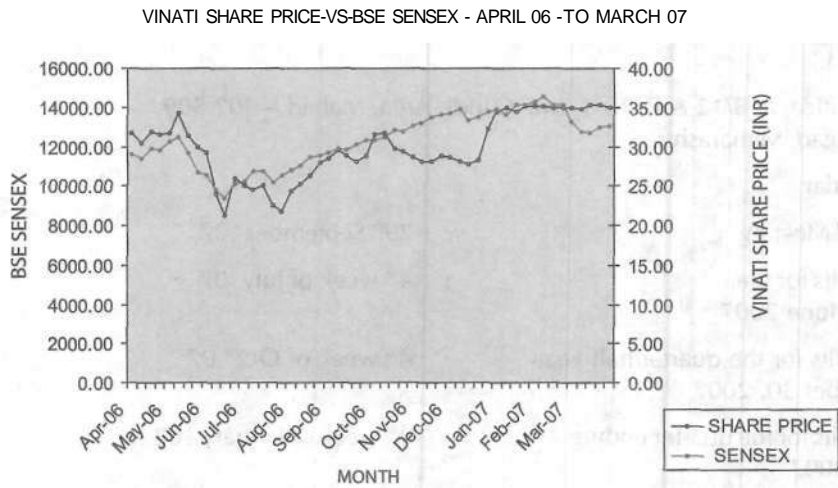
Demat ISIN in NSDL and CDSL for Equity Shares : INE410B01011

e. Market Price Data

Month	Bombay Stock Exchange (in Rs.)	
	High	Low
Apr - 2006	35.35	29.10
May - 2006	35.60	26.00
Jun - 2006	31.00	18.00
Jul-2006	26.65	19.65
Aug - 2006	29.15	22.75
Sep - 2006	33.50	26.55
Oct - 2006	33.75	28.00
Nov - 2006	31.85	27.00
Dec - 2006	37.50	26.80
Jan - 2007	37.50	32.45
Feb - 2007	36.00	33.15
Mar - 2007	37.95	32.70



- f. The performance of the Company's shares relative to the BSE Index for the year 2006 - 2007 is given below:



g. Share Registrars and Transfer Agents

Sharex Dynamic (India) Pvt. Ltd.
17/B, Dena Bank Bldg., 2nd Floor,
Homiman Circle, Fort,
Mumbai - 400 001. Maharashtra.

Tel : 2270 2485/2264 1376
Fax : 22641349
E-mail : sharexindia@vsnl.com
Website : www.sharexindia.com
Business Hours: 11.00 A.M. to 1.00 P.M. &
2.00 P.M. to 4.00 P.M.
(Monday to Friday)

h. Share Transfer System

The Company has appointed common agency, name & address of which is given in the report for electronic connectivity and to process share transfers in physical form.

The transfers are normally processed and share certificates are dispatched within 30 days from the date of receipt if the documents are complete in all respects. Requests for dematerialization are confirmed within 15 days.

i. Distribution of Shareholding as on 31st March 2007

Category No. of Shares	No. of Share holders	% of holders	No. of Shares	% of Shares
1 To 100	6788	77.66	665257	10.10
101 To 200	832	9.52	164416	2.50
201 To 500	732	8.37	290026	4.41
501 To 1000	215	2.46	179801	2.73
1001 To 5000	139	1.59	294168	4.47
5001 To 10000	12	0.14	84975	1.29
10001 To 100000	13	0.15	367351	5.58
100001 and above	10	0.11	4537006	68.92
Total	8741	100.00	6583000	100.00



j. Shareholding pattern as on 31st March 2007

Category	No. of share holders	Voting strength (%)	No. of Ordinary shares
Individuals	8614	26.04	1713907
Promoters	17	68.80	4529007
Other Companies	95	5.08	335330
Non-Resident Individuals	12	0.04	2356
Nationalized Banks, Mutual funds and trusts	3	0.04	2400
Total	8741	100.00	65,83,000

k. Dematerialisation of shares and liquidity

The Company's shares are under demat mode and they are regularly traded on the Stock Exchange, Mumbai as indicated in the Table containing market information. The ISIN of the Company is INE410B01011. Members who have not yet dematerialised their physical holding are advised to avail the facility of Dematerialisation at the earliest.

As on 31st March 2007, 25.85% (Total shares demated with NSDL is 1104763 & CDSL is 596721) of the Company's share capital have been in dematerialized mode.

l. Address of Registered Office:

B/12 & B-13/1, MIDC Industrial Area,
Mahad - 402 309,
Dist. Raigad, Maharashtra.

m. Address of Plant Locations:

Mahad Works:
B/12 & B-13/1, MIDC Industrial Area,
Mahad - 402 309, Dist. Raigad,
Maharashtra.

Lote Works:
A-20, MIDC,
Lote-Parashuram-415 722,
Taluka - Khed, Dist. Ratnagiri, Maharashtra

n. Address for Investor's correspondence:

For shares held in Physical form &
for Annual report

Mr. Gunvant s. Singhi
Shiv - Ashish, 2nd Floor, Andheri - Kurla Road,
Sakinaka, Mumbai - 400 072.

For shares in Demat form

Sharex Dynamic (India) Pvt. Ltd.
17/B, Dena Bank Bldg., 2nd Floor, Horniman Circle,
Fort, Mumbai - 400 001. Maharashtra.

DECLARATION

I, Vinod Saraf, Managing Director of Vinati Organic Limited, hereby declare that all the members of the Board of Directors and the Senior management personnel have affirmed compliance with the code of conduct for the year ended 31st March 2007.

I confirm that the Company has in respect of the said financial year, received from the senior management team and the members of the board of the Company a declaration of compliance with the code of conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial officer, Chief Operating Officer, Executive President and the Company Secretary as on 31st March 2007.

On behalf of the Board of Directors

Vinod Saraf

Chairman & Managing Director

Mumbai, 31st May 2007

ANNEXURE - 'B' - Directors report
PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988
a) CONSERVATION OF ENERGY

The Company is engaged in the continuous process of further energy conservation through improved operational and maintenance practices and also undertaken effective measures to minimize energy consumption and the measures have resulted / will result in the consumption of fuel and power, ultimately resulting in savings in the cost of production.

Total energy consumption as per prescribed 'Form A' together with the comparative figures for the last year is mentioned hereunder:

I) Power & Fuel Consumption	2006-07	2005-06
1) Electricity		
a) Purchased (MSEB)		
Unit (KWH in Lacs)	58.55	50.08
Total Amount (Rs. in Lacs)	265.69	177.54
Cost per unit (in Rs.)	4.54	3.55
Unit Consumed/Kg. Of IBB	0.37	0.36
Unit Consumed /Kg. Of ATBS & Na - ATBS	1.87	3.45
b) Own Generation		
Through Diesel Generator		
Units	27328	32044
Amount (Diesel Cost in Rs.)	390140	377945
Cost per unit (in Rs.)	14.28	11.79

b) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION
(i) Efforts, in brief, made towards technology absorption, adoption and innovation

The technologies acquired by the Company in the past for the production of IBB, ATBS & Na-ATBS have been fully absorbed. The technologies have been further upgraded over the years through in-house innovation and knowledge engineering to achieve better material and energy efficiencies.

(ii) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc

Full understanding of the technology helped the Company to identify and develop schemes for the recovery of by-products. Better process knowledge and simulation facilitated achievement of higher production volumes, quality improvement and energy conservation.

c) RESEARCH & DEVELOPMENT
(i) Specific areas in which R & D is carried out by the Company

The R&D unit is engaged in developmental activities such as developing alternate products and attaining better production efficiencies.

To foster technical excellence and to maintain its leadership position, your Company continues to accord high priority to R&D.

The details of the expenditure on R&D made by Company are as under:

Date	Paid to	Particulars	Amount (Rs.)
26.05.2006	IICT, Hyderabad	Paid for Benzaldehyde Pilot Plant Installation work	99,000
31.07.2006	Omkar Traders	Paid for Benzaldehyde Project.	5,020
30.08.2006	IICT, Hyderabad	Paid for Benzaldehyde Project	2,24,480
Total			3,28,500



(ii) Benefits derived as a result of the above efforts

The Company has been successful in new products and process development, quality, safety, standard, environmental protection measures and conservation of energy improvement.

At Mahad we recover pure NBB, (C-10 aromatic solvent), which is byproduct and make value added product from it.

At Lote we make Tertiary Butyl Acrylamide.

(iii) Future plans of action

R&D in the relevant areas of business operations will continue. Emphasis will be on adopting products and process to improve performance, be more environments friendly with a view to meeting customer needs.

The Company is increasing existing production capacity for ATBS & Na ATBS from 3000 TPA to 8000 TPA.

d) FOREIGN CURRENCY EARNINGS AND OUTGO

During the year under review, the Company has earned and spent Foreign Exchange as detailed below:

(i) Earnings on FOB value basis	:	Rs.4297.00 Lacs (Previous year Rs. 1595.14 Lacs)
(ii) Foreign Exchange outgo	:	Rs.907.35 Lacs (Previous year Rs.446.53 Lacs)
(iii) Expenditure on Import of capital goods	:	Rs.11.31 lacs (Previous year - Nil)
(iv) Expenditure on Travelling, commission and professional fees	:	Rs.71.67 lacs (Previous year Rs.23.43 Lacs)
(v) Others	:	Rs. 0.31 lacs (Previous year Rs.12.58 Lacs)

ANNEXURE - 'C' - Directors report

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

VINATI ORGANICS LIMITED

We have examined the compliance of conditions of Corporate Governance by **VINATI ORGANICS LIMITED**, for the year ended on 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements or the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the condition of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
KARNAVAT & CO
 Chartered Accountants

Mumbai, 1st June 2007

(Sunil Hirawat)
 Partner (Membership No.: 33951)

ANNEXURE - 'D' - Directors report MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

Isobutyl Benzene (IBB)

IBB is the basic ingredient of Ibuprofen, an anti-inflammatory and analgesic bulk drug. India is a net exporter of both IBB and Ibuprofen. The world market for Ibuprofen is estimated to grow at 5-6% annually.

2-Acrylamido-2-Methylpropane Sulfonic Acid (ATBS), Sodium salt of ATBS (Na-ATBS), N-tert-Butylacrylamide (TBA)

These specialty monomers have wide applications mainly in oil-field recovery, water treatment, acrylic fiber manufacturing, adhesives and personal care products. They are also used in mining industry, coatings and as dispersing and flocculating agents. Globally, the demand for these products is growing as newer applications are being developed based on these monomers. There are very few manufacturers of these products world-wide. With the growth of the above industries in India, these products will find new applications domestically. The world market for these products is growing rapidly.

2. "SWOT" Analysis

STRENGTHS & OPPORTUNITIES

- 15 years of manufacturing experience with world class, inimitable technology
- Proximity to Mumbai and JNPT port provides great ease of logistics and access to advanced infrastructure facilities.
- State of the Art, competitive and cost effective manufacturing.
- Environment friendly operations including waste product recycling.
- Fully equipped laboratories with high-tech advanced instruments and highly qualified technical personnel.
- Commitment to manufacturing quality products using GMP as per internationally accepted norms
- Growing export market
- India emerging as a global hub for pharma/agro intermediates.
- Superior product and customer satisfaction
- Growth by adding value to customers
- Long term business associations.

IBB

- The Company is the world's largest manufacturer and supplier of IBB.
- The manufacturing costs are significantly lower in India and the Company has employed efficient manufacturing practices. Thus it has been able to capture market-share from domestic IBB producers worldwide.
- Market share of Indian Ibuprofen manufacturers is increasing globally. As a result domestic demand and prices for IBB are expected to rise.
- The Company has entered into a long-term supply agreement with BASF Corporation, USA, World's largest producer of Ibuprofen.
- The supply agreement warrants BASF to buy majority of its IBB requirements from the Company up to 2011.
- According to the agreement the monthly selling price of IBB is adjusted based on monthly world prices of key raw materials and USD/ INR exchange rate, thus minimizing the Company's exposure to these variables.

ATBS / Na-ATBS & TBA

- The technology to manufacture these products is scarce. Currently there are only 2 other major producers of these monomers in the world.
- As suppliers of these products are limited, customers are very keen to work for a new source of supply.
- All the major users of these products are based in Europe or U.S.A., thus they prefer to enter into annual contracts.
- Due to manufacturing and cost advantages as well as consistent sales efforts, the Company has been successful in establishing long-term contracts with World's largest buyers based in USA and Europe.
- The Company has also undertaken an application development program and has successfully initiated business in new user industries in the domestic market.
- The Company is conducting an expansion programme thereby increasing capacity from 3000 TPA to 8000 TPA
- The world demand for these monomers is growing rapidly, which is expected to increase 2 to 3 folds with the production of enhanced oil recovery polymers.



3. RISK CONCERNS AND RISK MITIGATION:

- **Availability of skilled personnel:**

The Company's labour turnover has increased.

Mitigation: The Company has undertaken expansion programme due to which efficient and skilled management will be the pre-requisite. The Company is also implementing world-class human resource development programme and surveys on employee trainee, payroll /contracts.

- **Risk of Foreign Exchange:**

The Company's revenues are largely generated from exports and hence denominated in foreign currency, predominantly US \$. Given the nature of business, a large proportion of the costs are denominated in Indian rupees (INR) leading to currency exposure.

Mitigation: The Company is aiming at minimizing foreign currency exposure by entering in to forward contracts and negotiating currency risk-sharing deals with customers.

- **Product risk**

ATBS, Na-ATBS AND TBA

The Company faces competition from large and established organizations. Also, the testing and approval process for these products is time-intensive. Majority of sales of these monomers are in export market and hence the sales are in USD currency.

Recent appreciation of the Indian Rupee has put the margins for these monomers under pressure.

IBB

The Company faces competition from domestic and Chinese players. Increase in IBB capacity worldwide can result in lower margins.

Mitigation: The Company is entering in to long-term contracts with the buyers and constantly upgrading its technology to remain cost competitive.

- **Business portfolio risk**

The Company's business portfolio may not be synergic; besides, an over dependence on any one segment could be detrimental to the Company over the long term.

- **Industry risk**

Any downturn in the user industry demand across any business vertical could impact the Company's growth.

Mitigation— each business vertical carers to sectors that enjoy moderate - to -high growth.

- **Quality risk**

In the Company's specialized business erratic quality could lead to customer attrition.

Mitigation: The quality of product is monitored rigorously by a dedicated quality assurance department and technically qualified executives.

Quality assurance:

This Department supervises quality control and assurance requirements in addition to providing technical service to customers, certifies the sample (specifications) given by the client that will need to be developed by the Company and provides certificate of approval for what has been produced, clearing it for dispatch.

- **Technology risk**

A technology - intensive business, the kind of which the Company is present in, could attract technology obsolescence and expensive overhaul.

Mitigation - The Company continuously upgrades technical support used in its manufacturing, research and development facilities.

- **Client concentration risk**

An over dependence on a handful of customers could prove detrimental in the event of their attrition.

Mitigation-The Company's strong client list is comprised of brand enhancing international and domestic companies. The Company's product customisation capability in the specialty chemicals business has resulted in strong customer growth and satisfaction.

- **Receivable risk**

The poor management and selection of customers could result in bad debts which, in turn, affects the working capital requirement of the Company and profitability of the Company.

Mitigation— the Company conducts a thorough financial analysis to check the credibility of its customers.

The Company also conducts a continuous ageing analysis to monitor probable defaults with proactive speed.



4. MISSION AND GOAL OBJECTIVE:

The Company expects to reinforce its culture of operational excellence through the following initiatives:

- Implementation of TQM programme (Standard quality assurance given by ISO)
- Extension from preventive and shut down maintenance to predictive one.
- Upgradation of facilities in line with the demanding requirements of the global chemical industry
- Maintained focus on delivering value to its clients using Geography, Delivery centre and Corporate functions in a collaborative mode.
- The Company has undertaken expansion activities in both the units. The benefits of the expansion will start accruing from the year 2007-2008.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has appropriate internal control systems for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. to ensure that all assets are protected against losses and unauthorized use.

The Company also has an adequate system commensurate with its size and nature of its operations.

All operating parameters are ministered and controlled.

Regular internal audits and checks ensure that responsibilities are executed efficiently. No significant internal control lapses were identified.

The Audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them from time to time. The Audit Committee of the Board met four times during the period.

6. FINANCIAL PERFORMANCE AND OUTLOOK:

The Company followed the mercantile system of accounting and recognized income & expenditure on an accrual basis. This conservative approach enabled it to maintain the quality and credibility of its financial statements.

The financial status of the Company as per Indian GAAP is discussed as under:

While the total sales increased from Rs. 6519.94 Lacs for the Year Ended 31st March 2006 to Rs.9046.22 Lacs for the Year Ended 31st March 2007, the net profit aftertax increased from Rs. 195.35 Lacs to Rs.351.39 Lacs for the same period.

The growth in sales is attributed to aggressive manufacturing and marketing practice in IBB and due to increased acceptance of new product ATBS.

The financial statements are prepared in compliance with the Companies act,1956 and generally accepted accounting principles and conventions.

Through persistent efforts, the Company has mastered the scarce technology to produce these specialty monomers while adhering to strict quality specifications. Also by building customer relationships, the Company has been successful in developing a significant market presence for these products. Also the Company is expecting sizeable growth from export sales in U.S.A. and China in the coming year for IBB.

The results of these improvements can be seen in the financials for the final quarter ending March 2007, where the net profit rose to Rs.182.08 Lacs.

7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES:

In a knowledge - driven business, the quality of the Company's human capital influences what business the Company will be present in , what it will manufacture and how it will do so.

The Company had 300 employees as on 31st March 2007. This was reinforced through an ongoing training - behavioural and functional which helped upgrade employee skill sets.

To meet various emerging challenges, the Company has made significant strides in an organizational renewal programme, with focus on enhancing organizational efficiencies, employee competencies and commitment.

8. MANAGEMENT MONITORING AND IMPLEMENTATION OF COMPANY STRATEGIES:

The Company's senior management monitors performance and constantly strives to improve performance on quarter basis. The Company has deployed techniques for measuring and monitoring the performance of the Company and its units.

On behalf of the Board of Directors

Vinod Saraf

Chairman & Managing Director

Mumbai, 31st May 2007



AUDITORS' REPORT

TO THE MEMBERS OF
VINATI ORGANIGS LIMITED

1. We have audited the attached Balance Sheet of VINATI ORGANIGS LIMITED as at 31ST March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31ST March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31ST March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31ST March 2007; and
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - (c) in case of the cash flow statement, of the cash flows for the year ended on that date

For and on behalf of

KARNAVAT & CO.
Chartered Accountants
(Sunil Hirawat)
Partner
Membership No. 33951

Mumbai, 31ST May, 2007

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date,

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of fixed assets over a period of three years which is, in our opinion, reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.



- (c) In our opinion during the year, the Company has not disposed off a substantial part of the plant and machinery so as to affect the going concern status of the company.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) In respect of the loans, secured or unsecured, granted or taken by the company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - (a) The Company has not granted any loans during the year.
 - (b) The company has taken loans of Rs. 793.50 lacs during the year and outstanding amount at the beginning of the year and at the year end aggregates to Rs. 290.64 lacs and Rs. 415.01 lacs respectively from eight parties.
 - (c) In our opinion the rate of interest and other terms and conditions on which loans have been taken are not, prima facie, prejudicial to the interest of the company.
 - (d) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system. There is no sale of services.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of The Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of The Companies Act, 1956 and exceeding the value of five lakhs rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public to which provisions of Sections 58 A and 58 AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of The Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) (a) According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, service tax, wealth tax, custom duty, excised-duty, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty were outstanding, as at 31-03-2007, for a period of more than six months from the date they became payable.



- (c) As on 31-03-2007, according to the records of the company, the following are the particulars of disputed dues on account of sale tax, income tax, customs /wealth-tax /excise duty/cess that have not been deposited

Name of Statute	Nature of Dues	Amount of Demand net of deposits (Rs.)	Period to which amount relates	Forum where dispute is pending
Central Excise Act 1944	Demand raise by Deptt. alleging wrong availment of modvat credit and other issues.	4,03,987	Sept 1996 to June 1999	Asst. Commissioner
Central Excise Act 1944	Demand on valuation of by-product transferred from one unit to other	3,70,150	Aug 2002 to Sept. 2004	CESTAT
Central Excise Act 1944	Demand on valuation of by-product transferred from one unit to other	1,75,386	Dec.2004 to Nov.2005	Commissioner (Appeal)

- (x) The Company does not have accumulated losses. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institution and bank.
- (xii) Based on our examination of documents and records, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provision of any special statute as specified under paragraph 4 (xiii) of the said order are not applicable to the company.
- (xiv) During the year, company has not dealt with or traded in shares, securities, debentures and other investments. Paragraph 4 (xiv) of the order is not applicable.
- (xv) The company has not given any guarantee for loans taken by others from bank or financial institution.
- (xvi) In our opinion and according to the information and explanations given to us, no further term loans were raised during the year.
- (xvii) According to the cash flow statement on the Balance Sheet date, and information and explanations given to us and on an overall examination of the balance sheet of the company, we report that there are no funds raised on short term basis have, prima-facie, been used for long term investments.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of The Companies Act, 1956 and therefore paragraph 4 (xviii) of the said order is not applicable.
- (xix) During the period covered by our audit report, the company has not issued debentures and therefore paragraph 4 (xix) of the said order is not applicable.
- (xx) During the period covered by our audit report, the company has not raised money by Public Issues and therefore paragraph 4 (xx) of the said order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For and on behalf of

KARNAVAT & CO.
Chartered Accountants
(Sunil Hirawat)
Partner

Mumbai, 31st May, 2007

Membership No. 33951



BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31/03/2007 Rs.	As at 31/03/2006 Rs.
SOURCES OF FUNDS:			
Shareholders' Funds:			
Share Capital	1	65,830,000	65,830,000
Reserves & Surplus	2	233,175,558	207,279,231
Loan Funds:			
Secured Loans	3	210,402,597	190,886,685
Unsecured Loans	4	46,501,479	34,063,562
Deferred Tax Liability		48,409,725	46,648,234
TOTAL		604,319,359	544,707,712
APPLICATION OF FUNDS:			
Fixed Assets:			
Gross Block	5	562,604,465	542,756,581
Less: Depreciation		202,726,355	175,821,285
Net Block		359,878,110	366,935,296
Capital Work in Progress		16,340,196	3,864,391
		376,218,306	370,799,687
Current Assets, Loans and Advances:			
Inventories	6	82,079,974	78,902,078
Sundry Debtors	7	197,014,616	132,626,918
Cash and Bank Balances	8	8,796,459	13,810,948
Loans and Advances	9	57,159,465	30,571,852
		345,050,514	255,911,796
Less : Current Liabilities & Provisions:	10	116,949,461	82,003,771
Net Current Assets		228,101,053	173,908,025
TOTAL		604,319,359	544,707,712
Significant Accounting Policies	17		
Notes forming part of Accounts	18		

As per our Report of even date attached
For and on behalf of
Karnavat & Co.
Chartered Accountants

Sunil Hirawat
Partner
Membership No. 33951

Mumbai, 31st May, 2007

Vinod Saraf
Chairman & Managing Director

Sunil Saraf
Director

G. S. Singhi
Company Secretary cum
Finance Controller

N. K. Goyal
Senior Vice President (Finance)



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Year ended 31/03/2007 Rs.	Year ended 31/03/2006 Rs.
INCOME :			
Gross Sales		913,615,796	661,471,681
Less : Inter Unit Transfer		8,993,552	9,478,069
		904,622,244	651,993,612
Less : Excise Duty		84,136,459	78,471,726
Net Sales		820,485,785	573,521,886
Other Income	11	18,864,552	7,830,146
TOTAL		839,350,337	581,352,032
EXPENDITURE :			
Raw Materials Consumed	12	543,204,879	371,951,402
Decrease/(Increase) in Finished Stock	13	8,340,846	25,671,115
Manufacturing Expenses	14	65,879,303	40,307,266
Payments to and provision for employees	15	52,852,504	42,930,504
Administrative & Other Expenses	16	86,491,075	46,980,054
		756,768,607	527,840,341
PROFIT BEFORE DEPRECIATION, NON-CASH CHARGES & TAXES:		82,581,730	53,511,691
Less: Depreciation		27,126,091	23,760,872
Amortisation of Lease hold land		187,626	187,626
PROFIT BEFORE TAXATION		55,268,013	29,563,193
Provision for taxation			
Current		17,800,000	8,200,000
Deferred (Refer note no. 8)		1,761,491	2,745,199
Fringe Benefit Tax		560,000	520,000
for Earlier Year (W/back) provided		8,058	(1,436,513)
NET PROFIT AFTER TAX		35,138,464	19,534,507
Balance brought forward from last year		196,239,231	184,210,997
AMOUNT AVAILABLE FOR APPROPRIATION		231,377,695	203,745,504
APPROPRIATIONS			
Proposed Dividend		7,899,600	6,583,000
Tax on Dividend		1,342,537	923,273
Transfer to General Reserve		1,000,000	-
Balance Carried to Balance Sheet		221,135,558	196,239,231
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (in rupees) Basic & Diluted		5.34	2.97

As per our Report of even date attached
For and on behalf of
Karnavat & Co.
Chartered Accountants

Sunil Hirawat
Partner
Membership No. 33951

Mumbai, 31st May, 2007

Vinod Saraf
Chairman & Managing Director
Sunil Saraf
Director
G. S. Singhi
Company Secretary cum
Finance Controller
N. K. Goyal
Senior Vice President (Finance)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

	Year Ended 31.03.2007 Amount (Rs.)	Year Ended 31.03.2006 Amount (Rs.)
A. Cash flow from operating activities:		
<i>Net profit before tax and extra ordinary item</i>	55,268,013	29,563,193
Adjustments for:		
Depreciation	27,126,091	23,760,872
Loss on sale of fixed assets/assets discarded	177,642	69,044
Interest paid	19,657,327	12,393,526
Non-cash charges	187,626	187,626
<i>Operating profit before working capital changes</i>	102,416,699	65,974,261
Adjustments for:		
Trade and other receivables	(90,975,311)	(39,645,610)
Inventories	(3,177,896)	10,303,656
Trade and other payables	34,945,690	2,874,784
<i>Cash generated from operations</i>	43,209,182	39,507,091
Income tax paid incl. Fringe benefit Tax	(18,368,058)	(7,283,487)
Dividend & Tax thereon	(9,242,137)	(7,506,273)
Cash flow before extra ordinary items	15,598,987	24,717,331
Extra ordinary items	-	-
Net cash from operating activities	15,598,987	24,717,331
B. Cash flow from investing activities		
Purchase of fixed assets	(33,315,565)	(68,294,038)
Less: sale of fixed assets	405,587	145,908
Net cash used in investing activities	(32,909,978)	(68,148,130)
C. Cash flow from financing activities		
Receipt of borrowings	31,953,829	64,447,051
Interest paid	(19,657,327)	(12,393,526)
<i>Net cash from financing activities</i>	12,296,502	52,053,525
Net increase in cash and cash equivalents	(5,014,489)	8,622,726
Cash and cash equivalents (opening balance)	13,810,948	5,188,222
Cash and cash equivalents (closing balance)	8,796,459	13,810,948

As per our Report of even date attached
For and on behalf of
Karnavat & Co.
Chartered Accountants

Sunil Hirawat
Partner
Membership No. 33951

Mumbai, 31st May, 2007

Vinod Saraf
Chairman & Managing Director
Sunil Saraf
Director
G. S. Singhi
Company Secretary cum
Finance Controller
N. K. Goyal
Senior Vice President (Finance)



SCHEDULES FORMING PART OF ACCOUNTS

	As at 31/03/2007 Rs.	As at 31/03/2006 Rs.
SCHEDULE "1"		
SHARE CAPITAL:		
Authorised:		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
	150,000,000	150,000,000
Issued, Subscribed and Paid Up:		
6,583,000 Equity Shares of Rs. 10/- each fully Paid.	65,830,000	65,830,000
	65,830,000	65,830,000
SCHEDULE "2"		
RESERVES & SURPLUS :		
i) Capital Reserve	3,040,000	3,040,000
ii) General Reserve	9,000,000	8,000,000
iii) Profit and Loss Account	221,135,558	196,239,231
	233,175,558	207,279,231
SCHEDULE "3"		
SECURED LOANS :		
i) Term loan from Technology Development Board (TDB)	54,000,000	75,700,000
ii) Working capital advances from Bank	156,402,597	115,186,685
	210,402,597	190,886,685
Notes :		
1. Loan from TDB is secured by first charge on all the fixed assets (present and future) of Lote works, second charge on Current Assets, save and except book debts of the Company and also by personal irrevocable guarantee of the Managing Director and One more Director and Corporate Guarantee of the Company.		
2. Working Capital Advances from Bank are secured by hypothecation of inventories, all the present and future book debts & other receivables, first charge on all present and future fixed assets situated at Mahad works and Residential Buildings at Mahad and second charge on all fixed assets situated at Lote works and personal guarantee of two Directors.		
3. Loans falling due within one year Rs.216 Lacs. (Previous Year- 218 Lacs).		
SCHEDULE "4"		
UNSECURED LOANS :		
ICICI -Spread Loan	5,000,000	5,000,000
From a Director	143,140	143,140
Inter Corporate Deposits	41,358,339	28,920,422
	46,501,479	34,063,562
1. Loans falling due within one year Rs.46.00 Lacs. (Previous Year -Rs. NIL).		



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE "5"

FIXED ASSETS :

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 31.03.06	Additions	Deductions	As at 31.03.07	Up to 31.03.06	For the year	Written Back	Up to 31.03.07	As at 31.03.07	As at 31.03.06
Leasehold Land & Site Development	16521732	-	187626	16334106	-	-	-	-	16334106	16521732
Buildings	73342080	111188	17500	73435768	13121423	2002307	-	15123730	58312038	60220657
Plant & Machinery	432243187	19144360	530987	450856560	152066670	23369143	71440	175364373	275492187	280176517
Furniture & Fixtures	7600177	91460	-	7691637	4731007	529706	-	5260713	2430924	2869170
Office Equipments	1581066	-	-	1581066	576859	75101	-	651960	929106	1004207
Computers	2820013	615513	-	3435526	1488361	434997	-	1923358	1512168	1331652
Air Conditioners	2272594	30490	-	2303084	821116	106562	-	927678	1375406	1451478
Vehicles	6375732	846749	255763	6966718	3015849	608275	149581	3474543	3492175	3359883
TOTAL	542756581	20839760	991876	562604465	175821285	27126091	221021	202726355	359878110	366935296
Previous Year	471916075	71849576	1009070	542756581	152666905	23760872	606492	175821285	366935296	-

SCHEDULE "6"

INVENTORIES :

(as taken ,valued & certified by the management)

Raw Materials

30,596,774

24,216,044

Stock In Process

14,909,910

11,791,591

Finished Goods

19,268,995

27,609,841

Stores, Spares & other consumables

17,304,295

15,284,602

82,079,974**78,902,078**

SCHEDULE "7"

SUNDRY DEBTORS

Unsecured, Considered Good:

Outstanding for a period exceeding six months

9,344,408

5,520,047

Others

187,670,208

127,106,871

197,014,616**132,626,918**



SCHEDULES FORMING PART OF ACCOUNTS

	As at 31/03/2007 Rs.	As at 31/03/2006 Rs.
SCHEDULE "8"		
CASH AND BANK BALANCES :		
Cash in Hand	10,312	35,158
BALANCE WITH SCHEDULED BANKS:		
IN CURRENT ACCOUNTS	1,230,347	5,715,141
IN FIXED DEPOSIT ACCOUNT	7,555,800	8,060,649
[Includes Rs.7,065,800/- (previous year Rs.7,370,649/-)] against margin money		
	8,796,459	13,810,948
SCHEDULE "9"		
LOANS AND ADVANCES (Unsecured, Considered Good):		
Advances recoverable in cash or kind or for value to be received	47,101,254	20,998,005
Income tax Deposits	7,404,839	7,220,238
Accrued Interest	288,208	180,676
Deposits :		
With Government & Semi Government Departments.	2,304,244	2,153,828
With Others	60,920	19,105
	57,159,465	30,571,852
SCHEDULE "10"		
CURRENT LIABILITIES AND PROVISIONS:		
Current Liabilities :		
Sundry Creditors		
Due to Small Scale Industries	501,065	922,835
Due to Others	68,968,285	43,601,477
Other liabilities	32,052,926	26,623,964
Interest accrued but not due	229,315	321,466
Sundry Deposits	444,339	485,180
Unclaimed Dividend	1,699,019	1,403,664
Provisions:		
Provision for Dividend	7,899,600	6,583,000
Tax on Dividend	1,342,537	923,273
Provision for taxation(Net of taxes paid)	3,812,375	1,138,912
	116,949,461	82,003,771



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE "11"**OTHER INCOME :**

	Year Ended 31/03/2007 Rs.	Year Ended 31/03/2006 Rs.
Interest Received - Gross (TDS Rs.102,872/- Pr. year Rs.61,089/-)	627,723	702,134
Cash Discount received	207,332	75,811
Miscellaneous Credit Balances Written Back	94,473	192,795
Scrap Sales	684,601	799,127
Liability No Longer Required Written Back	385,647	150,572
Miscellaneous receipts	274,404	379,810
Export Benefits/Import Entitlements	16,590,372	5,529,897
	18,864,552	7,830,146

SCHEDULE "12"**RAW MATERIALS CONSUMED :**

Opening Stock	24,216,044	15,990,255
Add : Purchases	552,703,928	388,927,885
Less : Closing Stock	30,596,774	24,216,044
	546,323,198	380,702,096
Add : Opening Stock in Process	11,791,591	3,040,897
Less : Closing Stock in Process	14,909,910	11,791,591
	543,204,879	371,951,402

SCHEDULE "13"**DECREASE/(INCREASE) IN FINISHED STOCK**

Opening Stock	27,609,841	53,280,956
Less : Closing Stock	19,268,995	27,609,841
	8,340,846	25,671,115

SCHEDULE "14"**MANUFACTURING EXPENSES :**

Power, Fuel & Water Charges	32,106,741	19,126,898
Stores, Spares & Other consumables	23,497,824	14,053,827
Repairs to : Plant & Machinery	3,922,559	2,226,984
: Buildings	1,257,530	1,152,437
Contractors Wages	4,687,649	3,396,120
Other Operational Charges	407,000	351,000
	65,879,303	40,307,266



SCHEDULES FORMING PART OF ACCOUNTS

	Year Ended 31/03/2007 Rs.	Year Ended 31/03/2006 Rs.
SCHEDULE "15"		
PAYMENT TO AND PROVISIONS FOR EMPLOYEES :		
Salaries, Wages & Allowances	47,428,097	38,549,211
Contribution to Provident & Other funds	3,341,804	2,747,528
Employees Welfare Expenses	1,408,440	1,158,472
Contribution to Gratuity fund	674,163	475,293
	52,852,504	42,930,504
SCHEDULE "16"		
ADMINISTRATIVE AND OTHER EXPENSES :		
Rent (Including Leave & Licence Fees)	1,110,568	324,204
Rates & Taxes	1,035,958	865,568
Insurance	2,594,200	1,967,160
Research & Development Expenses	328,500	300,000
Interest on : Term Loan	3,386,310	4,465,877
: Others	16,271,017	7,927,649
Remuneration to Auditors:		
Audit Fees	140,000	140,000
Tax Audit Fees	40,000	40,000
Taxation Matters	57,250	55,000
Other Matters	55,200	45,000
Reimbursement of expenses	5,340	1,000
Freight & Forwarding Charges	23,620,029	5,364,599
Cash Discount	2,422,891	3,941,095
Selling Commission	7,066,527	3,161,890
Loss on sale of Fixed Assets	177,642	69,044
Bad-Debts Written off	933,045	-
Exchange Fluctuation Difference	2,692,731	250,976
Royalty	7,237,130	3,720,379
Other Expenses	17,316,737	14,340,613
	86,491,075	46,980,054



SCHEDULE "17"
SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation of Financial Statements:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

2 Recognition of Income & Expenditure:

Revenue/Income and Cost/Expenditure are generally accounted on accrual basis as they are earned or incurred.

3 Fixed Assets:

All Fixed Assets are stated at cost (net of Cenvat) less accumulated depreciation. Leasehold land is amortised equally over the period of lease.

The carrying amount of cash generating unit/assets are reviewed at Balance sheet date to determine whether there is any indication of impairment. If any such indication exist, the recoverable amount is estimated as the higher of net selling price and value in use. Impairment loss is recognized wherever carrying amount exceeds recoverable amount.

4 Depreciation:

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and the manner prescribed under Schedule XIV of the Companies Act,1956..

5 Expenditure during construction period:

All costs including borrowing costs relating to the acquisition and installation of fixed assets, till commencement of commercial production, are capitalized.

6 Research & Development Expenditure:

Expenditure on Research & Development is charged as expense in the year in which it is incurred.

7 Inventories:

Inventories including goods in transit are valued at the lower of cost or estimated net realisable value. Finished goods and work-in-progress include an appropriate proportion of overheads and where applicable, excise duty.

Provision for obsolescence is made wherever necessary.

Cost is determined using first in first out (FIFO) method.

8 Foreign Currency Transactions:

Export/Import transactions during the year are accounted on the basis of prevailing exchange rate (as declared/assessed by Customs Department) on the date of export/import.

The difference between the amount realized/paid and the amount already booked is accounted for as "Exchange fluctuation difference" in the year of realization/payment.

Current assets and current liabilities are translated at forward cover rate, if applicable, or at the year end exchange rates. Exchange gains and losses are fully recognised in the Profit and Loss Account and those arising on account of forward cover, are amortised over the life of the forward cover.

9 Retirement Benefits:

Contributions to the Provident Fund are made at a pre-determined rate and charged to the Profit and Loss Account.

To discharge the gratuity liability, the Company is maintaining the fund with the Life Insurance Corporation of India (LIC) and Aviva Life Insurance Company India Pvt. Ltd. under the Group Gratuity Scheme. The contribution to the fund as determined by Aviva is charged to Profit and Loss Account.

10 Leave Encashment:

Provision for Leave encashment is made on accrual basis on estimates as at the year end and is charged to the Profit and Loss Account.



11 Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.

Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future.

SCHEDULE "18"

NOTES ON ACCOUNTS.

1 Contingent Liabilities not provided for in respect of:

- Counter Guarantees given by the company in respect of guarantees issued/Letter of Credit established by banks on behalf of the company Rs.70,508,363/- (Previous Year Rs.45,770,166/-).
- Estimated amount of contracts remaining to be executed on Capital Account (Net of Advance) Rs.25,492,080/- (Previous Year Rs.4,511,802/-).
- Disputed Excise duty demands of Rs.4,331,244/- (previous year Rs.2,243,499) against which a sum of Rs.251,411/- has been paid.
- Disputed Income tax demands of Rs.21,286,523/- against which a sum of Rs.7,404,839/- has been paid (Previous year Rs.25,137,806/- L i d Rs.7,245,684/-).
- Custom duty, other duties and interest which may arise if obligation for exports is not fulfilled against import of raw materials Rs.226,839/- (Previous year Rs.NIL).
- Claims against the Company not acknowledged as debts Rs. 15,232/- (Previous Year Rs. Nil).

2 Details of capital work in progress / pre-operative expenses:-

Sr. No.	Particulars	2006-2007 Rs.	2005-2006 Rs.
A.	Work in progress	15,408,919	3,864,391
	[Including advances to suppliers Rs.9,141,100/-] (Previous year Rs.1,833,037/-)		
	Total 'A'	15,408,919	3,864,391
B.	Pre-operative expenses:		
	Opening balance	-	-
	Add: Incurred during the year:		
	Rates & Taxes	-	19,650
	Interest	439,846	1,942,000
	Legal & Prof. Charges	597,331	-
	Insurance charges	20,878	74,214
	Less: Capitalized during the year	126,778	2,035,864
	Total 'B'	931,277	-
	Total (A+B)	16,340,196	3,864,391

3 Names of the SSI's to whom the Company owes any sum together with interest if any, which is outstanding for more than 30 days are as under:

Deepson Valves & Controls
 Fuelpack Boilers & Eng. I. P. Ltd.
 KSD Technologies
 Liberty Valve P. Ltd
 Tri- Flp Engineers P. Ltd.
 Swellore Engineering P. Ltd.
 Pluto Plastics Pvt. Ltd.
 Super Mechanical Seal P.Ltd.

Fainger Engineering
 H K Industries
 Leakproof Engineering I. Pvt. Ltd
 R.K.DuttaConsorns
 Sigma Seals
 Arem Engineers
 Inmarco Industrial Maintanance P. Ltd
 Universal Pollution Control I. P. Ltd

4 The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and hence disclosures, if any relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

5 **Segment reporting (AS-17)**

The company is engaged in manufacturing of Chemicals, which as per AS-17 is considered the only reportable business segment.

6 **Related parties Disclosures (AS-18)**

a. **Information about related parties:**

Sr.	Particulars	Name of Related Party.
1	Key Management Personnel	i) Mr. Vinod Saraf Chairman & Managing Director ii) Mrs. Vinati Saraf Executive Director (from 20.05.2006)
2	Relatives of Key Management Personnel	i) Mr. Anandkumar Tibrewala (upto 20.05.2006) ii) Mrs. Kavita Saraf iii) Mr. Sunil Saraf
3	Enterprises owned or significantly influenced by any management personnel or their relatives.	1) Viral Alkalis Limited 2) Vinati Wax Industries Pvt. Ltd. 3) Shilpa Pharma Pvt. Ltd. 4) Mithali Chemicals Pvt. Ltd. 5) Viral Chemicals Pvt. Ltd. 6) Viral Pharma Pvt. Ltd. 7) Suchir Chemicals Pvt. Ltd. 8) Suchir Investment & Finance Pvt. Ltd. 9) Manan Pharma Pvt. Ltd. 10) Nishit Pharma Chem Pvt. Ltd. 11) Kavita Organics Pvt. Ltd.



b. Information about Related Parties Transactions:	2006-2007 (Rs.)	2005-2006 (Rs.)
i) Key Management Personnel:		
Managerial remuneration	2,335,552	1,511,612
Loan taken	-	-
Loan outstanding at the year end	143,140	143,140
ii) Relatives of Key Management Personnel:		
Rent	96,000	96,000
Sitting fees	34,000	34,000
iii) Enterprises owned or significantly influenced by any management personnel or their relatives:		
Rent, rates & taxes	1,220,882	408,702
Interest paid	2,976,197	1,637,985
Sale of Material	75,426	87,307
Purchase of Material - Others	299,432	702,326
Sale of Material - Capital items	358,087	197,581
Loan taken	79,350,000	47,650,000
Outstanding Loan at year end	41,358,339	28,920,422
7 Earning Per Share (AS-20)		
Profit after taxation	35,138,464	19,534,507
Weighted number of equity share outstanding	6,583,000	6,583,000
Basic and diluted earning per share (Face value of Rs.10/- per share)	5.34	2.97

8 Accounting for Taxes on income (AS-22):

The break up of net deferred tax liability as at 31st March 2007 is as under:

	2006-2007		2005-2006	
	Deferred Tax Assets Rs.	Deferred Tax Liability Rs.	Deferred Tax Assets Rs.	Deferred Tax Liability Rs.
Timing difference on account of:				
Difference between book depreciation and depreciation under the Income-tax, 1961		49,196,555		47,680,607
Expenditure U/s. 43B of the Income-tax Act, 1961	786,830		1,032,373	
	786,830	49,196,555	1,032,373	47,680,607



	2006-2007	2005-2006
Deferred Tax Assets Rs.	Deferred Tax Liability Rs.	Deferred Tax Assets Rs.
	Deferred Tax Liability Rs.	Deferred Tax Liability Rs.
Net Deferred Tax Liability	48,409,725	46,648,234
Less:- Net Deferred Tax Liability at beginning	46,648,234	43,903,035
Net Deferred Tax Liability (Asset) for the year 2006-2007	1,761,491	2,745,199

9 In the opinion of the Board of Directors, the Current Assets, Loans and Advances have value on realisation in the ordinary course of business, at least equal to the amount at which they are stated in the foregoing Balance Sheet and adequate provision for all known liabilities on the Company has been made.

10 Managerial Remuneration:

	Year Ended 31.03.2007 (Rs.)	Year Ended 31.03.2006 (Rs.)
Chairman & Managing Director:		
Salary & Allowances	1,354,125	1,012,435
Contribution to P.F.	150,000	121,495
Other Perquisites	50,680	55,628
	1,554,805	1,189,558
Executive Director: (Part of the year)		
Salary & Allowances	718,424	268,420
Contribution to P.F.	62,323	17,570
Other Perquisites	-	36,064
	780,747	322,054

11 a) Figures of the previous year have been reworked/regrouped/reclassified wherever necessary,
b) Figures have been rounded off to the nearest rupee.



- 12) Additional information pursuant to the provisions of Paragraphs 3,4-C & 4-D of the Part II of Schedule VI of the Companies Act, 1956.

Sr. Particulars No	2006-2007		2005-2006	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
A. Licenced and Installed Capacity (As certified by the Management and accepted by the Auditors):				
Isobutyl Benzene				
Licenced Capacity	N.A.		N.A.	
Installed Capacity	10000.00		10000.00	
2 Acrylamido 2Methylpropane Sulphonic Acid				
Licenced Capacity	N.A.		N.A.	
Installed Capacity	3000.00		2500.00	
B. Production:				
Isobutyl Benzene	6626.85		5996.38	
2 Acrylamido 2Methylpropane Sulphonic Acid	1808.17*		647.55*	
C. Sales & Stocks:				
Opening Stock:				
Isobutyl Benzene	148.84	10,888,526	51.13	3,555,589
2 Acrylamido 2Methylpropane Sulphonic Acid	120.59	12,189,993	410.81	46,501,435
Others		4,531,322		3,223,932
Sales:				
Isobutyl Benzene	6703.84	630,231,495	5898.67	484,389,407
2 Acrylamido 2Methylpropane Sulphonic Acid	1407.10	173,910,206	919.40	118,786,929
Others		100,480,543		48,817,276
Closing Stock:				
Isobutyl Benzene	71.86	5,458,474	148.84	10,888,526
2 Acrylamido 2Methylpropane Sulphonic Acid	60.88	6,644,629	120.59	12,189,993
Others		7,165,892		4,531,322

* It includes the quantity used for manufacturing of other products.

	Unit	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Toluene	Kg.	5,750,638	244,844,352	5,077,795	170,494,338
Propylene	Kg.	4,397,625	153,712,160	3,874,912	126,100,187
Others			147,766,686		84,107,571
			546,323,198		380,702,096

E. Total value of Raw Material, Stores, Spares & Other Consumables consumed:

	Value (Rs.)	%	Value (Rs.)	%
i) Raw Materials:				
Imported	91,709,118	16.79	52,019,861	13.66
Indigenous	454,614,080	83.21	328,682,235	86.34
	546,323,198	100.00	380,702,096	100.00
ii) Stores, Spares & Other Consumables:				
Imported	-	-	-	-
Indigenous	23,497,824	100.00	14,053,827	100.00
	23,497,824	100.00	14,053,827	100.00

F. Value of Imports calculated on CIF basis:

Raw materials	82,407,728	41,051,253
Stores, Spares & Other Consumables	-	-

G. Expenditure in Foreign Currency:

i) Travelling expenditure	346,712	152,896
ii) Commission on sales	6,308,514	1,603,690
iii) Prof. Fees	511,453	586,913
iv) Import of capital goods	1,130,610	-
iv) Others	30,345	1,258,150

H. Earnings in Foreign Exchange

Export of goods calculated on FOB basis	429,699,505	159,514,264
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13) Balance sheet Abstract and Company's General Profile:

I) Registration Details:

Registration No.	52224	State Code:	11
Balance Sheet Date:	31.03.2007		

II) Capital Raised during the year (Amount in Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III) Position of Mobilisation and Deployment of Funds (Amount in Thousands):

Total Liabilities	721269	Total Assets	721269
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Source of Funds:

Paid-up Capital	65830	Reserves & Surplus	233176
Secured Loans	210403	Deferred Tax Liability	48410
Unsecured Loans	46500		

Application of Funds:

Net fixed Assets (including Capital work in progress)	376218
Net Current Assets	228101
Accumulated Losses	NIL

IV) Performance of the Company (Amount in Thousands)

Turn Over	839350	Total Expenditure	784082
Profit Before Tax	55268	Profit after Tax	35138
Earning per share	5.34	Dividend	12%

V) Principal product of the Company

Product Description:	Item Code No.
ISOBUTYL BENZENE	(ITC Code) 2902.9050
2ACRYLAMIDO 2METHYLPROPANE SULPHONIC ACID	(ITC Code) 2924.1900

As per our Report of even date attached

For and on behalf of
Karnavat & Co.

Chartered Accountants

Sunil Hirawat

Partner

Membership No. 33951

Mumbai, 31st May, 2007

Vinod Saraf

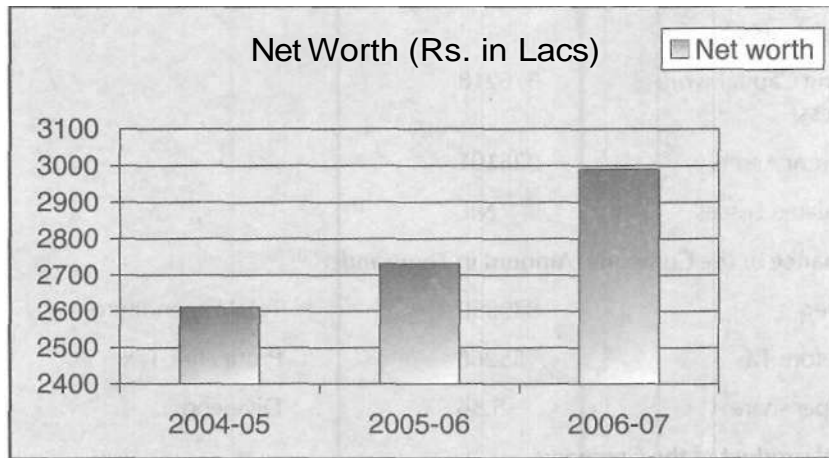
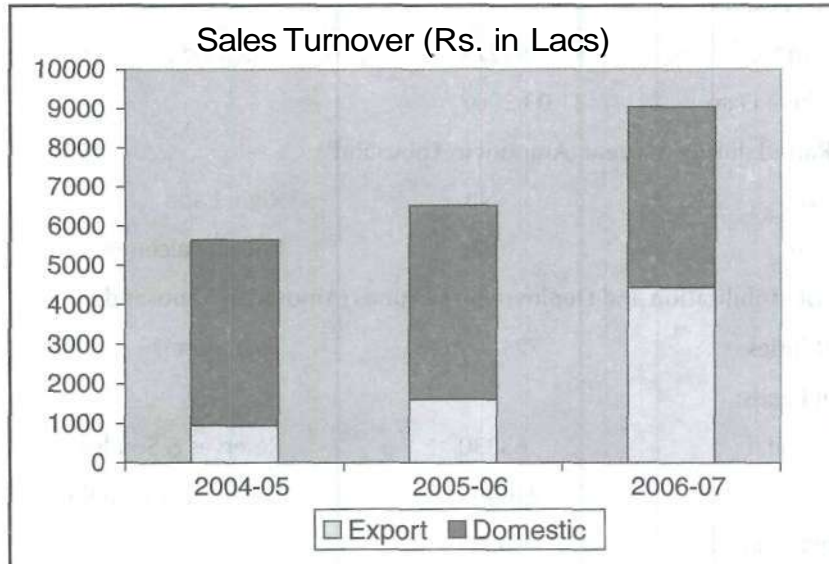
Chairman & Managing Director

Sunil Saraf

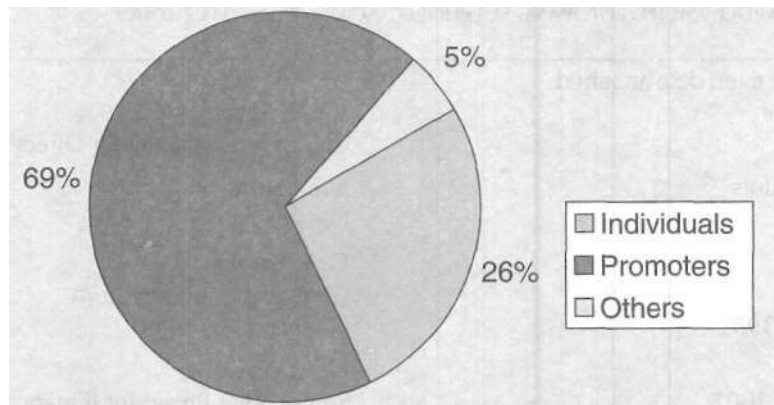
Director

G. S. SinghiCompany Secretary cum
Finance Controller**N. K. Goyal**

Senior Vice President (Finance)

SIGNIFICANT GRAPHS OF VINATI ORGANICS LIMITED


Shareholding Pattern (%)



VINATI ORGANICS LIMITED

Registered Office : B-12 & B-13/1 MIDC Industrial Area, Mahad - 402 309, Dist Raigad, Maharashtra.

ATTENDANCE SLIP

Full Name of Shareholder

(in Block Letters) _____

Ledger Folio No.: _____ No. of Shares held : _____

DP. ID – Client ID : _____

Name of Proxy

(in Block Letters) _____

I hereby record my presence at the 18th Annual General Meeting of the Company to be held at B-12 & B-13/1 MIDC Industrial Area, Mahad 402 309, Dist Raigad, Maharashtra, on Saturday the 29th day of September, 2007 at 3.00 p.m.

* To be signed at the time of handing over this slip

_____ Member's/Proxy's Signature



VINATI ORGANICS LIMITED

Registered Office : B-12 & B-13/1 MIDC Industrial Area, Mahad - 402 309, Dist Raigad, Maharashtra.

FORM OF PROXY

(Regd. Folio No./DP ID – Client ID & Name of the Shareholder to be furnished below)

I/We _____ of _____

being a member/members of **VINATI ORGANICS LIMITED** hereby appoint _____

_____ of _____ or failing him/her

_____ of _____ as my/our Proxy

to vote for me/us on my/our behalf at the EIGHTEENTH ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 29th day of September 2007 at 3.00 p.m.

Signed this _____ day of _____ 2007.



NOTES:

1. The form should be signed across the stamp as per specimen signature registered with the company.
2. The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. A proxy need not be a member.

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ORGANICS
LIMITED**

Shiv Ashish, 2nd Floor,
Andheri - Kurla Road, Sakinaka,
Mumbai - 400 072.