



Setting trends.  
Going beyond them.



**Vinati Organics Ltd**  
Annual Report 2009-10

## Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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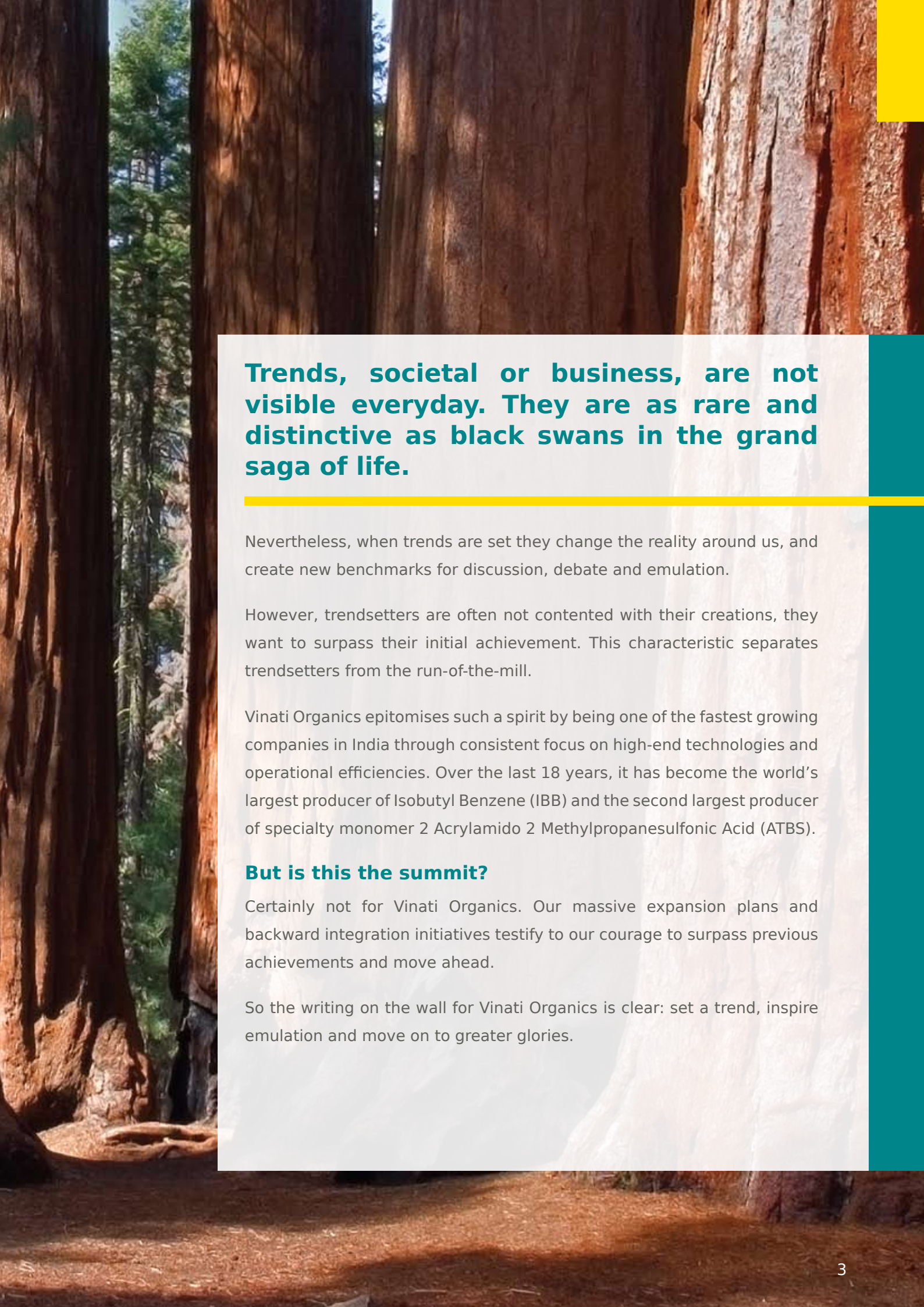




“ They want to go beyond and rise above their initial achievement. This characteristic separates trendsetters from the run-of-the-mill. ”







**Trends, societal or business, are not visible everyday. They are as rare and distinctive as black swans in the grand saga of life.**

Nevertheless, when trends are set they change the reality around us, and create new benchmarks for discussion, debate and emulation.

However, trendsetters are often not contented with their creations, they want to surpass their initial achievement. This characteristic separates trendsetters from the run-of-the-mill.

Vinati Organics epitomises such a spirit by being one of the fastest growing companies in India through consistent focus on high-end technologies and operational efficiencies. Over the last 18 years, it has become the world's largest producer of Isobutyl Benzene (IBB) and the second largest producer of specialty monomer 2 Acrylamido 2 Methylpropanesulfonic Acid (ATBS).

### **But is this the summit?**

Certainly not for Vinati Organics. Our massive expansion plans and backward integration initiatives testify to our courage to surpass previous achievements and move ahead.

So the writing on the wall for Vinati Organics is clear: set a trend, inspire emulation and move on to greater glories.

# Our chronicle as a growing corporate

**Promoted in 1989 by the first generation entrepreneur Mr. Vinod Saraf, Vinati Organics Ltd (VOL) is one of India's leading manufacturers and exporters of specialty organic intermediaries, monomers, and polymers.**

Vinati Organics primarily produces two chemicals – Isobutyl Benzene (IBB) & 2-Acrylamido 2-Methylpropanesulfonic Acid (ATBS) through a closely guarded technology, which very few companies in the world possess. IBB, a specialty organic intermediary is used as a basic raw material for the manufacture of Ibuprofen, an anti-inflammatory analgesic bulk drug, whereas ATBS, a specialty monomer finds several applications in oil-field recovery, water treatment, acrylic fibre manufacturing, adhesives, personal care products, as well as in mining industry, coatings and as dispersing and flocculating agents.

From a modest beginning with a production capacity of 1,200 MT, VOL has emerged as the world's largest producer of IBB commanding 60% global market share with the current production capacity of 14,000 MT. VOL is also the second largest manufacturer of ATBS in the world with around 25% global market share. With a production capacity of 10,000 MT, it is only the third company in the world to manufacture ATBS.

It exports nearly 75% of its production to USA, Europe, Asia, Middle East and China, and has some of the largest chemical companies in the world as its clients.

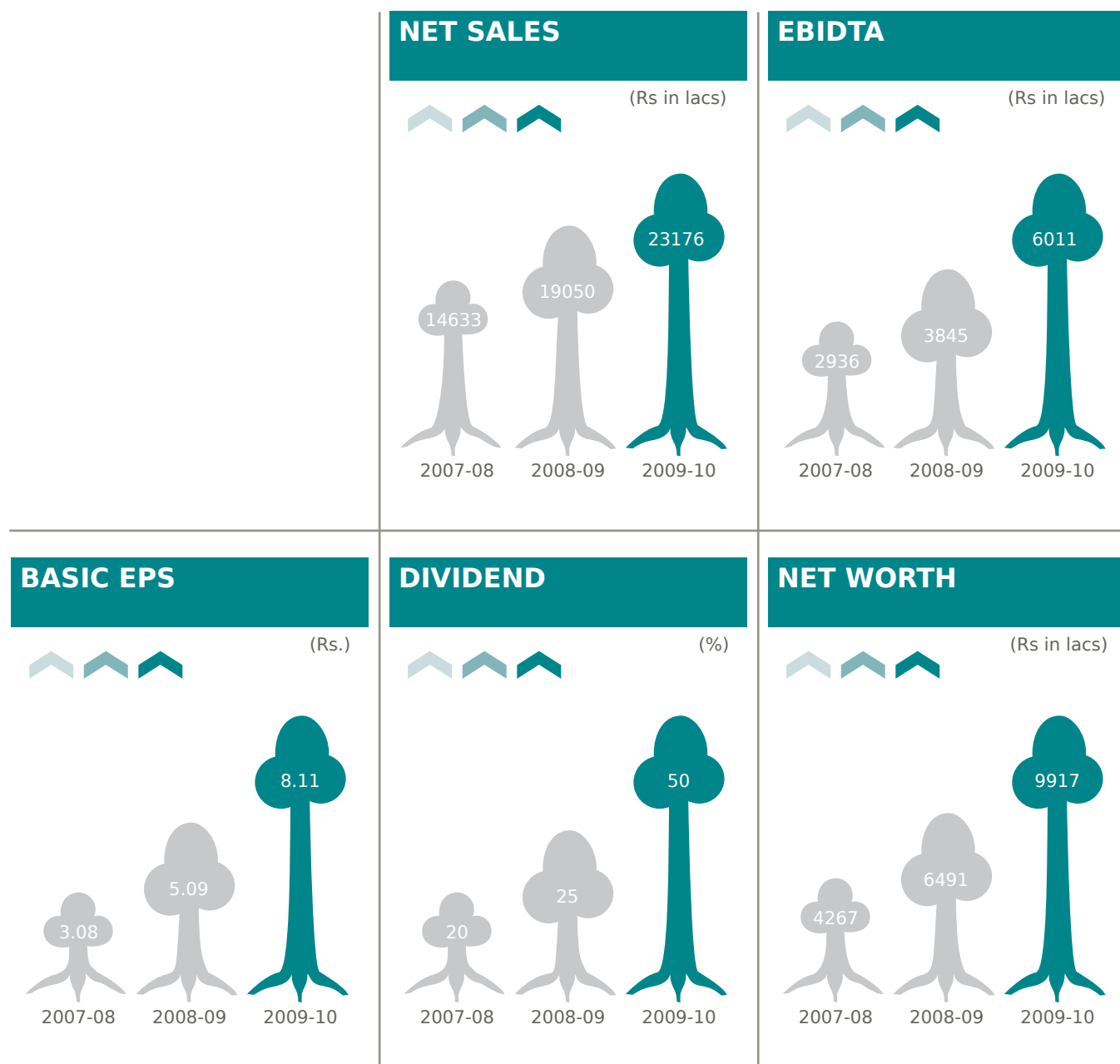
**During the year, VOL was ranked among the 'Top 10 Fastest Growing Companies in India' for 2009 by Economic Times Intelligence Group.**

The Company's equity shares are traded on the Bombay Stock Exchange (BSE) and from 28th July, 2009 it also got listed on the National Stock Exchange (NSE). As on 31st March, 2010, VOL enjoyed the market capitalisation of around Rs. 3,550 lacs. The total returns to the shareholders of the Company during FY10, including both capital appreciation and dividends, was a 405%. The equity shares of VOL were split from Rs. 10 each to a face value of Rs. 2 each during FY09.





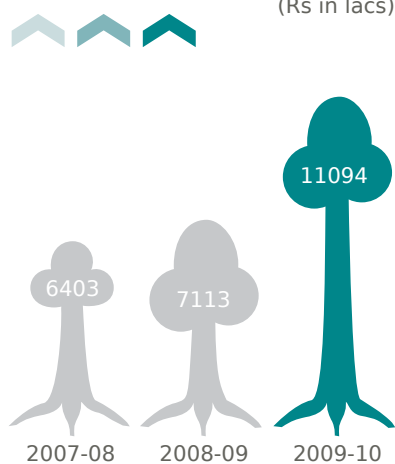
# Our numbers testify our financial credibility



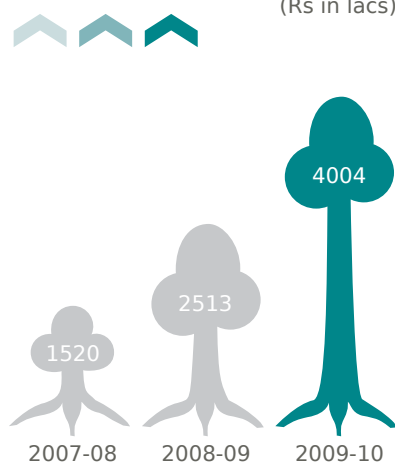


**GROSS FIXED ASSETS**

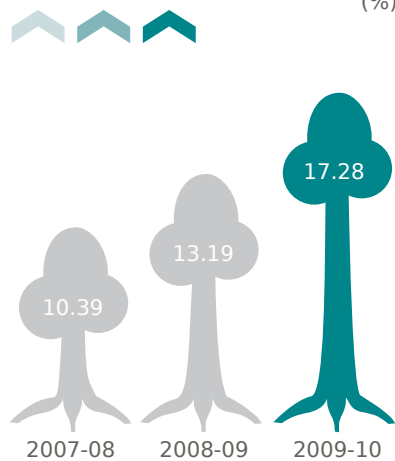
(Rs in lacs)

**PAT**

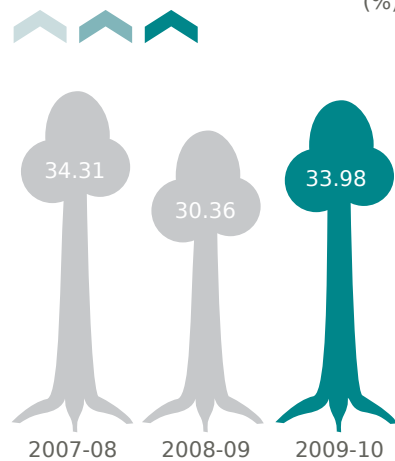
(Rs in lacs)

**NET PROFIT MARGIN (NPM)**

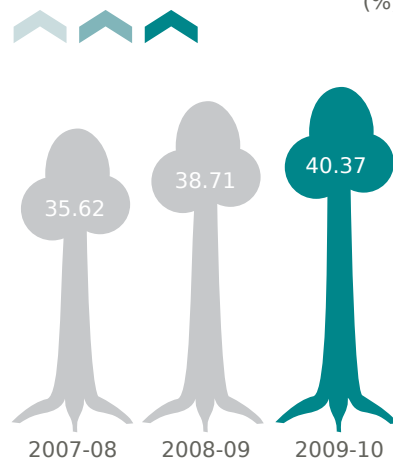
(%)

**ROCE**

(%)

**RONW**

(%)



**In a year marked by external adversities, Vinati did the near impossible, it continued to grow at a brisk pace.**

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At Vinati Organics, we have recently doubled the capacity of our ATBS plant to 10,000 tonnes. The capacity addition is expected to result in higher revenues and better operating margins.





“The IB plant having a capacity of 12,000 MT has commenced production from June 2010.”

**But there was no peace of mind. The question people asked was, ‘what next?’**

**Our response is this.**

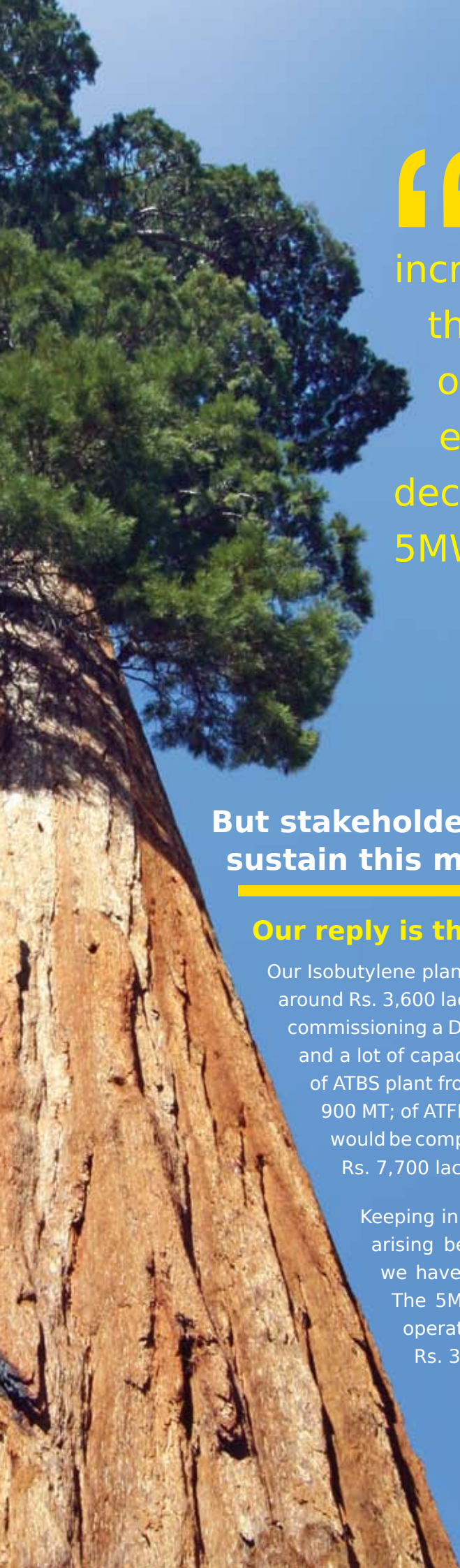
VOL executed a backward integration project for the ATBS plant to manufacture Isobutylene (IB), which is one of the major raw materials. The IB plant having a capacity of 12,000 MT has commenced production from June 2010. Besides, VOL also manufactures Normal Butylbenzene (NBB), Sodium Salt of 2-Acrylamido 2-methylpropanesulfonic Acid (NaATBS), N-Tertiary Butyl Acrylamide (TBA), Hexenes and other industrial monomers in small scale. Its cutting-edge research and development unit is engaged in developing product applications and attaining better production efficiencies.



## **In a not-so-buoyant economy, a small growth in profitability brings a huge satisfaction. But Vinati sprang a 'small' surprise.**

In the last five years, Vinati Organics' net profits witnessed a cumulative annual growth rate (CAGR) of 112.7%, while the net sales grew at 41.8%. VOL for the first time crossed Rs. 200 crores in net sales during FY10 and ended the year with Rs. 231.76 crores and PAT of Rs. 40.04 crores. Sales increased by 22% and PAT grew by 59%.





“ Keeping in mind the increased energy consumption that would be arising because of our new facilities and expanded capacities, we have decided to set up a captive 5MW co-generation plant. ”

## But stakeholders asked ‘how would you sustain this momentum?’

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### Our reply is this.

Our Isobutylene plant with a capacity of 12,000 MT and involving a capex of around Rs. 3,600 lacs has been commissioned in June 2010. Besides, we are commissioning a Diacetone Acrylamide (DAAM) plant of 1,000 MT capacity, and a lot of capacity expansions are on the anvil: expanding the capacity of ATBS plant from 10,000 MT to 15,000 MT; of TBA plant from 300 MT to 900 MT; of ATFE capacity from 1,000 MT to 3,500 MT. These expansions would be completed by FY11 and would require an approximate capex of Rs. 7,700 lacs.

Keeping in mind the increased energy consumption that would be arising because of our new facilities and expanded capacities, we have decided to setup a captive 5MW co-generation plant. The 5MW co-generation plant (coal based) is expected to be operational by end of FY11. It would involve a capex of around Rs. 3,300 lacs and would entail significant cost savings.



# Managing Director's message



“We have continued to invest in our business in order to ensure the reliability of our plants and to further the growth and integration that we have envisioned for ourselves.”



### Dear Shareholders,

I'm very pleased to report that, in a year, which has witnessed global economic recession, Vinati Organics Limited has emerged financially stronger and strategically on course. For FY10 our net sales grew by an impressive 22% to reach Rs. 23,176 lacs and the PAT grew by a phenomenal 59%, over its corresponding previous year, and stood at Rs. 4,004 lacs. This is indeed a significant achievement for VOL as it derives almost 75% of its revenues through exports.

We were well aware of the challenges that lay before us and are very proud of the entire team at VOL for their ability to perform superlatively amid the exigencies of a tumultuous and uncertain business climate. Higher operational efficiency, sustained and involved customer contact and a focused strategy towards higher growth have led us to emerge from this recession stronger and well positioned for future growth.

We have continued to invest in our business in order to ensure the reliability of our plants and to further the growth and integration that we have envisioned for ourselves. Our notable achievements during FY 10 comprise the following:

- Ranked amongst the 'Top 10 Fastest Growing Companies' in India for 2009 by The Economic Times
- Doubled the capacity of our ATBS Plant at Lote from 5,000MT to 10,000MT to become the second largest manufacturer of ATBS in the world
- Highest ever sales of IBB, surpassing 12,000MT
- Increased dividend by 100% over the previous year

We have continuously demonstrated sustained growth and are fairly confident in making further concrete progress in this regard. With our continued focus on organic growth, a broader product mix, financial flexibility and discipline, we are well positioned to take advantage of the opportunities that the global economy will present, as it continues its journey to recovery. We remain committed to our principle of manufacturing superior products through an environment, friendly process, while maintaining high standards of safety.

We are grateful for the confidence reposed in Vinati Organics Limited by all our stakeholders and look forward to reporting another successful year in our journey of being a trend-setter and going beyond it.

**Vinod Saraf**

Managing Director

# Our infrastructure is supported by cutting-edge technologies preferred across the world



	Plant 1	Plant 2
	Mahad – Raigad, Maharashtra	Lote - Ratnagiri, Maharashtra
<b>Year of establishment</b>	<b>1989</b>	<b>2002</b>
<b>Area</b>	7.97 acres	21.73 acres
<b>Products manufactured</b>	Isobutylbenzene (IBB) Normalbutylbenzene (NBB)	2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS), Sodium salt of ATBS (NaATBS), n-tertiary butyl acrylamide (TBA)
<b>Technical knowhow</b>	Institut Francais du Petrole (IFP), France	National Chemical Laboratories (NCL), Pune
<b>Production capacity</b>	IBB – 14,000 MT	ATBS/NaATBS– 10,000 MT TBA – 300 MT
<b>Certification</b>	<b>ISO 9001:2000</b>	<b>ISO 9001:2000</b>
<b>People strength</b>	175	207



# Product portfolio



## Aromatics

- Isobutylbenzene (IBB)
- Normal Butylbenzene (NBB)
- Hexenes (C<sub>6</sub>H<sub>12</sub>) (C-6 Aliphatic Hydrocarbons)
- C 10 Aromatic Solvent

## Industrial Monomers

- 2-Acrylamido 2- methylpropanesulfonic Acid (ATBS)
- Sodium Salt of 2-Acrylamido 2-methylpropanesulfonic Acid (NaATBS)
- N-Tertiary Butyl Acrylamide (TBA)

## Industrial Polymers

- |                  |                  |
|------------------|------------------|
| • Vintreat - 243 | • Vintreat - 245 |
| • Vintreat - 343 | • Vintreat - CAP |
| • Vintreat - 238 | • Vintreat - 140 |
| • Vintreat - 230 |                  |

## New Products

- Isobutylene
- High Purity MTBE
- Methanol
- N-Tertiary Octyl Acrylamide (TOA)
- Diacetone Acrylamide (DAAM)

# Our global footprint











# Our corporate conscience is reflected in our enduring commitment towards safe products and processes, health of our people and environment protection.

## We belong to the global community and we are committed to act responsibly as one of its citizens.

VOL is committed to protecting the Safety Health, Environment and Security of all its stakeholders. Managing safety, health and environment is integral to our businesses, operations and practices. Our management is committed to maintaining the highest standards of health and safety, and is also dedicated to comply with all applicable statutory requirements and prevention of pollution. At VOL, economic considerations do not take precedence over safety and health issues and environmental protection. Our round-the-clock priority remains ensuring stakeholder wellbeing and limiting our impact on the natural environment. Our efforts begin with providing a safe plant and create hazard-free working conditions. To accomplish these goals, VOL adheres to the following principles:

- Prevent pollution, reduce waste emissions and encourage reuse, recovery and recycling. Both our plants are zero-effluent plants.
- Secure and maintain all applicable permits and other regulatory approvals required for operations
- Enforce special care for the safe use, handling, storage and transport of articles, materials and chemical substances.
- Focus on the manufacture of products through an environment-friendly process

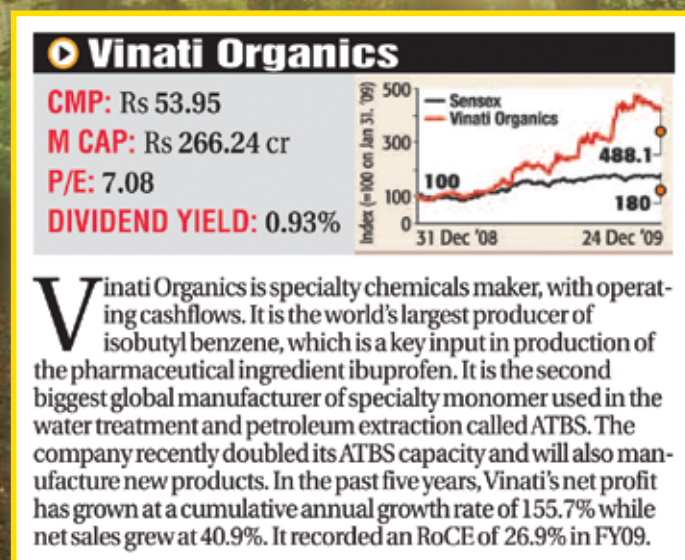
We believe that all accidents are preventable and all identifiable health hazards are avoidable. We believe, ensuring safety is a 24x7 commitment. Notably, VOL has received the National Safety Award for outstanding performance in Industrial Safety in 2005.



# Our awards and recognition enhance our responsibility as a corporate citizen







**Ranked amongst the  
Top 10 Fastest Growing  
Companies in India for 2009  
by The Economic Times**



# Five years' financial snapshot

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>INCOME, PROFIT &amp; DIVIDEND</b>					
Net Sales	23175.63	19050	14632.53	8204.86	5735.22
Other Income	844.92	532.27	403.52	188.65	78.30
<b>TOTAL INCOME</b>	<b>24020.55</b>	<b>19582.27</b>	<b>15036.05</b>	<b>8393.51</b>	<b>5813.52</b>
EBITDA	6010.51	3845.06	2935.90	1022.39	659.05
Depreciation	495.64	327.45	295.36	273.14	239.49
Interest	335.61	328.86	325.93	196.57	123.94
PBT	5179.26	3188.75	2314.61	552.68	295.62
Tax	1175.11	675.94	794.84	201.29	100.28
PAT	4004.15	2512.81	1519.77	351.39	195.34
EPS (Rs.)*	8.11	5.09	3.08	1.07	0.59
Dividend (%)	50	25	20	12	10

\* EPS for FY 09 and earlier year has been adjusted to reflect stock split.

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Profitability Ratios (%)</b>					
Operating Profit Margin	23.80%	18.47%	18.05%	9.13%	7.32%
Net Profit Margin	17.28%	13.19%	10.39%	4.28%	3.41%
Return on Net worth	40.37%	38.71%	35.62%	11.75%	7.15%
Return on Capital Employed	33.98%	30.36%	34.31%	13.48%	8.42%



	2009-10	2008-09	2007-08	2006-07	2005-06
<b>SHARE CAPITAL &amp; CAPITAL EMPLOYED</b>					
Share Capital	987.45	987.45	987.45	658.30	658.30
Reserves & Surplus	8931.31	5503.47	3279.46	2331.76	2072.79
Net Worth	9918.76	6490.92	4266.91	2990.06	2731.09
Loans (Secured + Unsecured)	6311.74	5095.69	3428.64	2569.04	2249.51
<b>TOTAL CAPITAL EMPLOYED</b>	<b>16230.50</b>	<b>11586.61</b>	<b>7695.55</b>	<b>5559.10</b>	<b>4980.60</b>
Fixed Assets (Net)	11799.47	8812.67	5175.95	3762.18	3708.00
Investments	-	-	-	-	-
Net Current Assets	4431.03	2773.94	2519.60	1796.92	1272.60
<b>Total Assets</b>	<b>16230.50</b>	<b>11586.61</b>	<b>7695.55</b>	<b>5559.10</b>	<b>4980.60</b>

# Board of Directors

## **1. Mr. Girish M. Dave, Non Executive Chairman and Director**

He is an M.Com, LLB and CAIIB graduate. He is an eminent advocate and senior partner of well-known law firm, M/s. DAVE & GIRISH & CO., Advocates, with over 45 years of experience in the legal field. The Company has benefited substantially from his advice and guidance. Due to his immense knowledge, he has catalysed a wide range of advancements, resulting in long-term benefits for the Company.

## **2. Mr. Vinod Saraf, Managing Director**

Mr. Vinod Saraf is the founder of Vinati Organics Ltd. He is a management graduate from BITS, Pilani with 19 years of previous industrial experience with Bhilwara Group, Modern Syntex (I) Ltd. and Grasim Industries Ltd. As Vice President of a chemical division of Grasim industries, he was responsible for the identification of chemical/petrochemical projects, technical tie-up and feasibility studies among others. During this period he was involved in the implementation of the gas based sponge iron project of Grasim. Subsequently he was nominated as "Managing Director (Finance and Administration)" on the Board of Directors of Mangalore Refinery & Petrochemical Ltd.

## **3. Mr. Chintaman Bhaskar Gokhale, Director**

He is on the Building Advisory Committee of a number of financial institutions viz. NSE, CCIL, NSDL, CARE. He conducted studies in Project Management in Building Construction at Rachana Sansad in Mumbai and is the Director of Project Management Institute. He was a nominee on the Board of Directors of a number of companies on behalf of LIC and ICICI. He is on the Board of Directors of the Company since 1994 and is a member of its Audit Committee.

He was an Associate of The Royal Institute of British Architects and also a Fellow of The Indian Institute of Architects. He is a former Executive Director (Buildings) of Life Insurance Corporation of India. He is registered with the Council of Architecture and is now practicing as a Consulting Architect. The Company has benefited by his 47 years of experience.

## **4. Mr. Ayilur Akileswaraiyer Krishnan, Director**

He is a Chemical Engineer and has 47 years of experience in the Petro Chemical Industry. He is also Director of other public limited companies, namely Andhra Petrochemical Limited. He was appointed as a Director 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.

## **5. Ms. Vinati Saraf Mutreja, Executive Director**

Ms. Vinati Saraf Mutreja joined Vinati Organics Ltd. in 2006. She is instrumental in securing long-term sales contracts with several MNC customers as well as in streamlining finance and production processes. Prior to joining Vinati Organics, Ms. Vinati worked as a consultant for Mercer Oliver Wyman, a New York based consulting firm specialising in financial services and risk management. Vinati attended the University of Pennsylvania where she received Bachelors in Economics (Finance) from the Wharton School and Bachelors in Applied Science, Biotech and Pharmaceutical Development from the School of Engineering and Applied Sciences.

## **6. Ms. Viral Saraf, Director-Corporate Strategy**

Ms. Viral Saraf joined Vinati Organics Ltd. in May, 2009. She graduated from the University of Pennsylvania with a Bachelors in Economics, Finance and Management from the Wharton School. Prior to joining Vinati Organics, Ms. Viral worked as an analyst at Citi Private Bank in New York. She also worked as a summer analyst at Ernst & Young and ICICI Bank in Mumbai.

## **7. Mr. Sunil Saraf, Director**

He is a Commerce Graduate from the Rajasthan University with a rich 22-year experience. He is Director on the Board since inception of the Company.

## **8. Mr. Anandkumar Tibrewala, Director**

He is a Fellow member of The Institute of Chartered Accountants of India. He is an Associate Member of The Institute of Company Secretaries of India. He stood third on all India basis in the overall ranking in the final examination held by the Institute in June 1986. He has been instrumental in developing back end processes for a leading multinational company in India. He is involved in accounting assignments for UK based clients from India on off site basis. Mr. Anandkumar Tibrewala is a full-time Director of V-Source Solutions (India) Pvt. Ltd.

## **9. Mr. Mohit Mutreja, Director**

Mr. Mohit Mutreja attended the University of Pennsylvania, where he graduated summa cum laude in Bachelor of Science in Economics (Finance) from the Wharton School and Bachelor of Engineering in Computer Science. Mr. Mohit previously worked at Goldman, Sachs and Co., Deutsche Bank Securities Inc. and Citadel Investment Group. Mr. Mohit currently works full-time at DE Shaw & Co. in public equities and credit derivatives.



# Profile of senior management



## **1. Mr. Nandkishore Goyal, Chief Financial Officer (CFO)**

He is having a degree of Chartered Accountancy with 24 years of experience in Finance & Accountancy including seven years of previous experience with M/s. Modern Treads (India) Ltd. & GSL (India) Ltd. He has substantially contributed to the growth of the Company.

## **2. Mr. Jayesh Assar, Chief Operating Officer (COO)**

He is a chemical engineer with post-graduation in management. He has more than 23 years of experience. He has previously worked with companies like M/s. Dalal Consultant, M/s. Rallies India Ltd. & M/s. Time Technoplast Ltd. He has been associated with the Company in all projects from initial stages and contributed to their successful commercialisation.

## **3. Mr. B. S. Lathi, Executive President - Mahad Plant**

He is having a degree in Master of Management Studies from BITS, Pilani with 30 years of industrial experience including 14 years previous experience with Companies like M/s. Bhilwara Processors Ltd., M/s. Modern Threads (India) Ltd., Shree Rajasthan Syntex Ltd., M/s. Modern Suitings Ltd. & M/s. Rajasthan Spinning & Weaving Mills Ltd.

## **4. Mr. R. K. Dammani, Executive President Works – Lote Plant**

He is a Chemical Engineering graduate with 34 years of previous experience in various chemical & petrochemical industries like M/S Hindustan Development Corporation Cyanides & Chemicals, M/S Kanoria Chemicals & Industries Ltd., M/S Orient Paper Mills, M/S Shree Synthetics Ltd. and in a Swedish MNC Perstorp Chemicals India Pvt. Ltd.

## **5. Mr. Mahendra Kumar Churiwala, Sr. Vice President (Marketing)**

He is a B.Com graduate from Calcutta University in 1973 with 30 years of experience in marketing. He has substantially contributed to the growth of the Company. He had 10 years of previous experience with Prabhat General Agencies, Calcutta and 4 years experience with Vikram Cement a unit of Grasim Industries Ltd.

## **6. Mr. Amit Thanawala, Vice President – Marketing**

He is a graduate in Polymer Engineering from Pune University and Masters in Marketing Management from Mumbai University with 18 years of experience in selling and marketing of chemical and polymers. He was earlier associated with various companies like M/s. Kanoria Petro Products Limited, M/s. Remik Marketing services. He has been with VOL for more than six years.

## **7. Mr. Gunvant S. Singhi, Company Secretary cum Finance Controller**

He holds a degree of FCA & CS with 30 years of experience in Secretarial & Finance including 18 years of previous experience with M/s. Ramgopal Textiles Ltd., M/s. Chembond Chemicals Ltd., Beekay Textile Mills Ltd. and M/s. Hindustan Transmission Products Ltd. He has substantially contributed to the growth of the Company.

# Management Discussion and Analysis



## ECONOMY OVERVIEW

The financial year 2009-10 has witnessed de-growth in global economies with some of the major economies still reeling under one of the worst recessions in living memory. Surely, there have been signs of recovery, but there seems to be some pain still left. The recovery process is expected to be slow and uneven across global markets. For 2010, the IMF expects the developed countries to witness lackluster growth in GDP, but expects the emerging countries to regain the momentum, mainly due to the improved forecasts of China and India.

India's economy grew at 8.6%, its fastest pace in six months in the quarter through March 2010, fuelled primarily by government and consumer spending. India's GDP growth for the whole fiscal 2009-10 was estimated to be 7.2, compared with the 6.8% attained in 2008-09, ending with better-than-expected growth rate. The IIP numbers have also shown an improvement in the economic situation. The industrial production grew at 10%, for the 11-month period, i.e. from April 2009 to February 2010, which is much higher than the growth achieved in the previous year. However, inflation and fiscal deficit continue to be major concerns for the government.

## INDUSTRY OVERVIEW

The size of Indian chemical market is around 95 billion dollars, while the US remains the largest with revenue of around 700 billion dollar at present. Global chemical industry, consisting of petrochemicals, inorganic compounds and specialty products and gases, generated around three trillion dollar in sales in 2008. During 2004-08, the Indian chemicals market, with a compounded annual growth rate of 16.7 per cent, was the second fastest growing market after China. India has a great potential as currently the per capita consumption of chemical products is just 1/10th of the world average.





India's chemical industry is expected to grow into a 150 billion dollar (about Rs.7.04 lac crore) market by 2013, riding on fast economic growth and strong domestic demand. India's chemical industry has a promising future and is expected to see around 9-10 per cent growth annually.

The main drivers propelling the growth include the lower cost advantage, superior talent, substantial domestic demand, government focus on providing incentives, along with improving infrastructure capabilities. Moreover, India also possesses a rich source of talent and skilled people, which also makes it attractive for global firms [Source: *The Financial Express*].

#### IBB

Isobutyl benzene (IBB) is a high-value specialty chemical, widely used as an intermediate in the preparation of Ibuprofen, an anti-inflammatory/anti-arthritic/analgesic medicine for pain management. Ibuprofen is primarily manufactured in India, China and the US. IBB is also used in the perfumery industry.

#### **2-ACRYLAMIDO-2-METHYLPROPANESULFONIC ACID (ATBS), SODIUM SALT OF ATBS (NA-ATBS), N-TERT-BUTYLACRYLAMIDE (TBA)**

These specialty monomers have wide applications and 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. A major potential application for the monomer is for EOR (Enhanced Oil Recovery). With the big increase in oil prices, many major companies are in the process of developing these projects. ATBS is a specialty monomer used in oilfield and mining chemicals, water-

treatment, acrylic fiber, personal care, emulsions and adhesives, among others. The global demand of ATBS is growing at 10-15% annually, due to increased usage of the specialty monomer. There are very few manufacturers of these products world-wide. Demand for ATBS in India is at present very limited. A major portion of the production in India is exported. The main destinations for exports are Europe, America and other Asian countries. At present, there are only three manufacturers of ATBS in the world.

#### COMPANY OVERVIEW

Incorporated in 1989, Vinati Organics Limited (VOL) has been manufacturing specialty organic intermediaries and monomers. It is listed on BSE and NSE and has over 350 employees.

VOL is the world's largest manufacturer of Isobutyl benzene (IBB). It began commercial production of IBB at its factory in Mahad, Maharashtra in 1992, based on technology from the renowned Institut Francais du Petrole (IFP) in France. It has since expanded its capacity in phases to 14,000 MT and supplies to all major Ibuprofen manufacturers globally.

VOL is also the second largest manufacturer of 2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS) in the world. ATBS is a specialty monomer with several applications including the manufacture of acrylic fibers, personal care products, water treatment chemical, enhanced oil recovery chemical and so on. It began commercial production of ATBS at its plant in Lote Parshuram, Maharashtra in 2002, based on technology sourced from the National Chemical Laboratories, Pune. It has since expanded its capacity to 10,000 MT.

## PERFORMANCE OVERVIEW

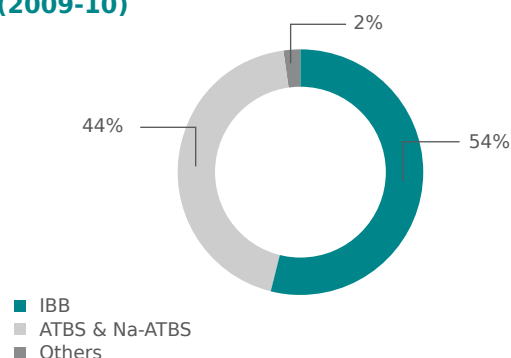
	2009-10	2008-09	% growth (Y-O-Y)
Total Income	24,021	19,582	22.67%
Profit after Taxes	4,004	2,513	59.33%
Net Worth	9,919	6,491	52.81%
Earnings per share (Rs.)	8.11	5.09*	59.33%
Net Current Assets	5,303	3,360	57.83%
Gross Block	14,931	11,455	30.34%
Net Block	11,799	8,813	33.88%

\* adjusted for stock split

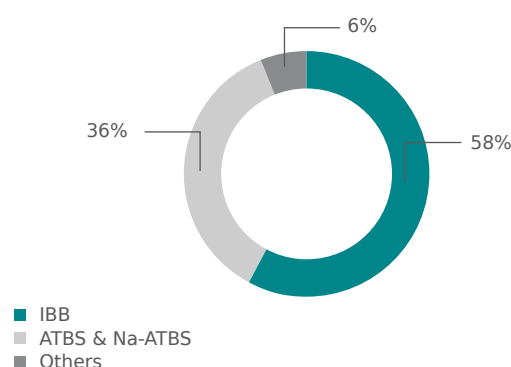
## SEGMENTAL ANALYSIS

(Sales Mix as a % of total sales)

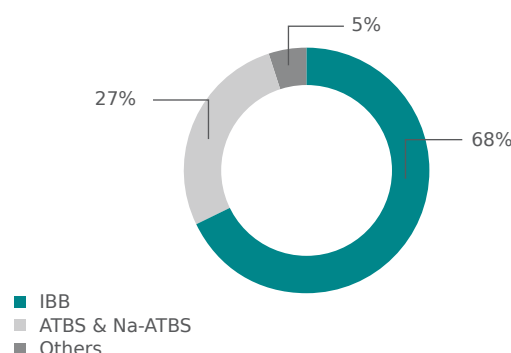
(2009-10)



(2008-09)



(2007-08)



## SWOT ANALYSIS

### Strengths

- 18 years of manufacturing experience
- World-class, inimitable technology
- State-of-the-art, competitive and cost-effective manufacturing
- Proximity to Mumbai and JNPT port provides greater ease of logistics and access to advanced infrastructure facilities
- Environment-friendly operations include waste product recycling
- Fully equipped laboratories with hi-tech advanced instruments and highly qualified technical personnel
- Commitment to manufacturing quality products using GMP as per internationally accepted norms

### Weaknesses

- The Company suffers from the vagaries of currency fluctuation as it has a considerable export presence.

### Opportunities

- The global demand for ATBS is growing steadily and is expected to increase two to three fold with the production of enhanced oil recovery polymers.
- Growing export markets.
- Backward integration into IB will assist in VOL's quest for leadership position in ATBS
- The demand for the Company's products in India (especially ATBS) is nascent and is expected to surge ahead in the times to come.

### Threats

- A slowdown in the global economy is likely to have a business impact.





## INTERNAL CONTROL

The Company's appropriate internal control systems for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations ensure that all assets are protected against losses and unauthorised use. It also has an adequate system, commensurate with its size and nature of operations.

All operating parameters are complied with 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.

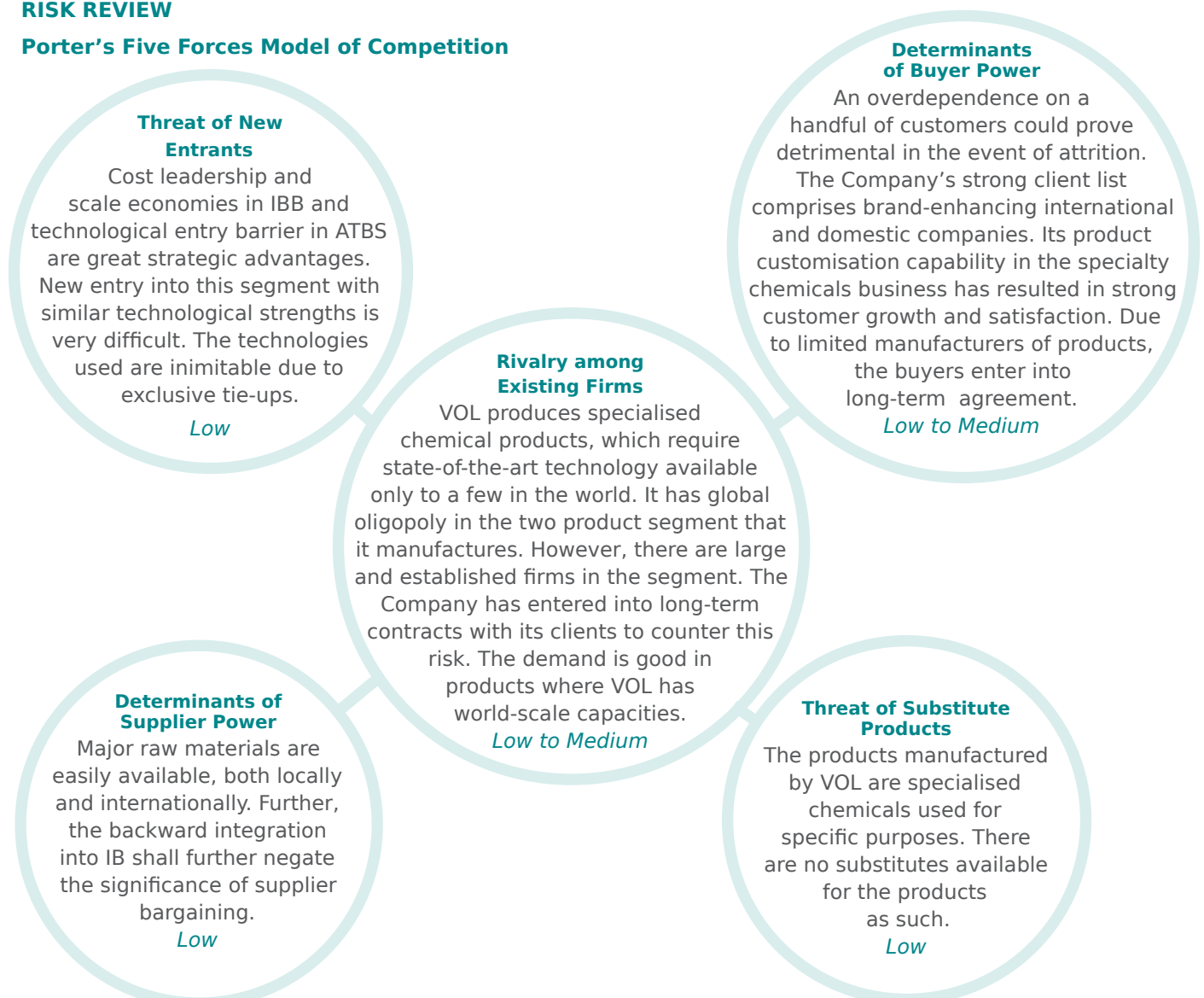
## HUMAN RESOURCES

As on 31st March, 2010, Vinati Organics Limited had 382 employees, compared with 348 employees as on 31st March, 2009.

We encourage employees to be entrepreneurial and think from the perspective of a stakeholder in the company. At VOL, we thus promote and compensate employees, solely based on how proactive they are in taking up responsibility, the quality of their work and their contribution to the Company.

## RISK REVIEW

### Porter's Five Forces Model of Competition



**OTHER RISKS****1) Availability of skilled personnel**

The Company's success depends upon its ability to attract and retain skilled personnel. Any failure in being able to do so would adversely affect the business and operations.

**Mitigation**

The Company has undertaken expansion programmes under which efficient and skilled management will be a prerequisite. It is also implementing human resource development programme, survey of employee training and payroll/contracts, among others.

**2) Risk of foreign exchange**

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

**Mitigation**

The Company procures raw materials through import and local purchases, where local purchases track import parity price. Also, contracts entered into with customers have provision to share the forex risk.

**3) Economic downturn**

A downturn in the economy could adversely affect demand for the products. Overall, the chemical industry has been affected during the downturn and there was a downfall in production globally.

**Mitigation**

Products of VOL are exported to countries around the world. VOL has been actively engaged in widening its geographical presence worldwide and is also continuously expanding its product portfolio.

**4) Price risk**

The main raw materials to manufacture IBB are petroleum products and hence the prices are linked to that of crude oil. Weakening of dollars may trigger a margin drop, as most of our export orders are negotiated in this currency.

**Mitigation**

The Company has hedged itself against such risks. We have long-term contracts in which the pricing changes regularly as it is benchmarked to the crude prices, so we don't suffer because of fluctuating crude. Also, our contracts mention rupee equivalent, so even the forex loss doesn't apply to us.

**5) Quality risk**

In the Company's specialised 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. This department supervises quality control and quality 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.

**6) Technology risk**

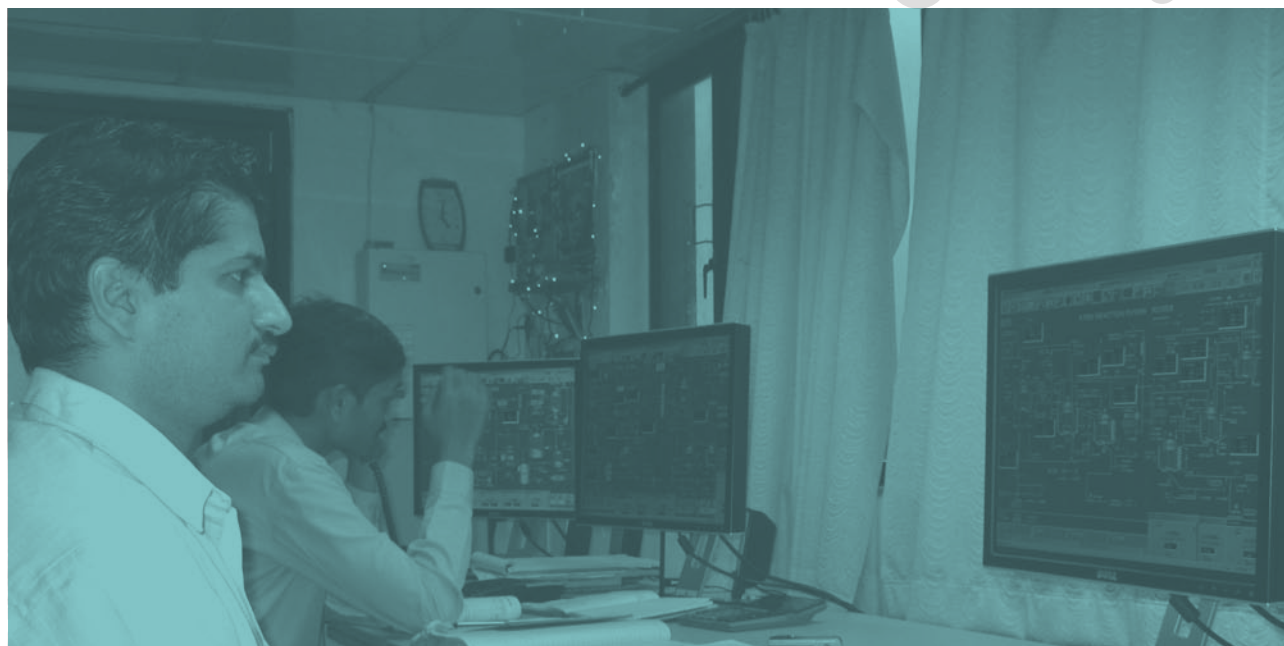
A technology-intensive business like that of VOL could attract technology obsolescence and expensive overhaul.

**Mitigation**

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



# DIRECTORS' REPORT



## To the Members,

Your Directors have pleasure in presenting their Twenty First Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2010.

## 1) FINANCIAL RESULTS

The summarised position of these results is given below:

		Rs. in Lacs	
		2009-2010	2008-2009
Net Sales up by 22%	Net Sales	23,175.63	19,050.00
	Other Income	844.92	532.27
	<b>Total Income</b>	<b>24,020.55</b>	<b>19,582.27</b>
	Profit before Interest, Depreciation & Taxes	6,010.51	3,845.06
	Interest	335.61	328.86
	<b>Profit before Depreciation &amp; Taxes</b>	<b>5,674.90</b>	<b>3,516.20</b>
EBITDA up by 49%	Depreciation & Non-cash Charges	495.65	327.44
	Profit before Taxation	5,179.25	3,188.76
	Provision for Taxation - Current	889.00	613.21
	- Deferred	285.67	59.45
	- Fringe Benefit Tax	--	8.00
	Provision for earlier year W/back/Provided	0.44	(4.73)
PAT up by 59%	<b>Net Profit</b>	<b>4,004.14</b>	<b>2,512.83</b>
	Balance brought forward	5,106.07	3,134.06
	Balance available for appropriations	9,110.21	5,646.89
	<b>Appropriations</b>		
	Interim Dividend	148.12	--
	Final Proposed Dividend	345.61	246.86
	Tax on above	82.57	41.96
	Transfer to General Reserve	405.00	252.00
	Surplus carried to Balance sheet	8,128.91	5,106.07



## 2) REVIEW OF OPERATIONS

The Company's operations have shown impressive growth during the year under review. The net sales during the year have gone up to Rs.23,175.63 Lacs from Rs.19,050.00 Lacs, registering a growth of 22% over the previous year.

The performance was driven mainly due to the growth in export sales across the developed and emerging markets. Continuous efforts on cost optimisation, research and development have resulted in increased operating efficiency. IBB sale of the Company constitutes 60% of the global sales thereby making it a market leader. The Company's Net profit before tax has also gone up from Rs.3,188.76 Lacs in previous year to Rs.5,179.25 Lacs in current year registering a robust growth of 62%.

## 3) DIVIDEND

During the year company had paid interim dividend of 15% i.e. Rs.0.30 per equity share of face value of Rs.2/- each.

Your Directors recommend a final dividend of 35% i.e. Rs.0.70 per equity share of face value of Rs.2/- each for the year 2009-10. The total dividend (including interim dividend) for the financial year 2009-2010 is 50% i.e. Rs.1.00 per share of face value of Rs.2/- each.

The total outgo on dividend account including interim dividend is Rs.576.30 Lacs (inclusive of corporate tax on dividend).

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

## 4) PROSPECTS

The Company is backward integrating into manufacture of Isobutylene (IB) - 12000 TPA which is a key raw material for 2-Acrylamido 2 Methyl Propane Sulfonic Acid (ATBS). The project is expected to be commissioned in June 2010.

Di-Acetone Acrylamide (1000 TPA) is expected to be commissioned by December 2010. This acrylonitrile based product, synergic with ATBS, is used in manufacture of coatings, adhesives, laminates and sealers.

Expansion of TBA (300 TPA to 700 TPA) and ATFE Bottom Polymers (1000 TPA to 3000 TPA) is expected to be completed by September

2010. This will reduce the effluent load and contribute to the revenue of the Company. The Company is optimistic about the future demand and foresees a strong and robust growth in the coming year across all markets driven by existing and new products.

## 5) TURNOVER AND PROFIT (OPERATING RESULTS)

The Company achieved gross turnover of Rs.23,844.43 Lacs as compared to Rs. 20,347.14 Lacs in the previous year. The net profit after tax increased to Rs.4,004.14 Lacs as compared to Rs.2,512.83 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) DIRECTORS

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. Anandkumar Tibrewala and Mr. Mohit Mutreja, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## 8) AUDITORS

Members are requested to appoint Auditors for the current year and to authorise 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, M/s. N. Ritesh & Associates has been appointed as a Cost Auditor subject to the approval of Central Government for the year ending on 31.03.2010. The Company has made necessary application to the Government for approval of the same.





### 11) FIXED DEPOSITS

During the year under review the Company did not invite or accept any Fixed Deposits within the meaning of 58A of the Companies Act, 1956 and as such, no amount of principal or interest was outstanding as on date of balance sheet from public.

### 12) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & 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, 1988, relating to the above head are given in **Annexure 'A'** forming part of this report.

### 13) LISTING

The Company's Equity shares continue to be listed at BSE & NSE. We confirm that the Listing fee for the financial year 2009-2010 has been paid to them. The stock code of the Company at BSE is 524200 and NSE is VINATIORGA.

### 14) 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 2010 and the profit of the Company for the year ended on 31st March 2010;
- (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.

### 15) 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 'B' & 'C')**

### 16) EMPLOYEES

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are given as an **Annexure 'D'** to this report.

### 17) APPRECIATION & ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their sincere gratitude for assistance and cooperation 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 place on record their appreciation for the excellent contribution made by all employees of Vinati Organics Limited through their commitment, competence, co-operation and diligence to duty in achieving consistent growth of the Company.

For and on behalf of the Board of Directors

Vinod Saraf Vinati Saraf Mutreja

Mumbai  
19th May, 2010

Managing  
Director

Executive  
Director

# ANNEXURE – ‘A’ 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 power, fuel and coal, 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	2009-2010	2008-2009
1) Electricity		
a) Purchased (MSEB)		
Unit (KWH in Lacs)	148.94	104.87
Total Amount (Rs. in Lacs)	782.04	501.24
Cost per unit (in Rs.)	5.25	4.78
Unit Consumed/Kg. of IBB	0.34	0.32
Unit Consumed /Kg. of ATBS	1.57	1.52
b) Own Generation		
Through Diesel Generator		
Units (Litres)	29,226	41,916
Amount (Diesel cost in Rs. in Lacs)	3.44	5.35
Cost per unit (in Rs.)	11.76	12.77
2) Coal		
Units (Kg.)	6,638,407	1,166,280
Amount (Rs. in Lacs)	319.34	61.23
Cost per kg (in Rs.)	4.81	5.25
3) Furnace Oil		
Units (Kg.)	256,226	656,240
Amount (Rs. in Lacs)	58.11	176.38
Cost per kg (in Rs.)	22.68	26.88

### 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.

(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.

At Lote we manufacture 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 processes to improve performance, be more environment friendly with a view to meeting customer needs.

**d) FOREIGN CURRENCY EARNINGS AND OUTGO**

The details of Foreign Exchange Earnings & Expenditure in Foreign Currency is given in Note No.16 G & H of Schedule 19.

# CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd.)

## ANNEXURE – ‘B’ DIRECTORS’ REPORT



### 1. COMPANY’S PHILOSOPHY ON THE CODE OF GOVERNANCE

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.

Your Company has always believed in the concept of good Corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhance stake holder value. The Company has professionals on its Board of Directors who are actively involved in the deliberations of the Board on all important policy matters.

### 2. BOARD OF DIRECTORS

#### (a) Composition

The Company has a combination of Executive and Non-Executive Directors. The Company has Non-Executive Chairman. The number of Independent Directors is 1/3rd of the total number of Directors i.e. 3.

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 9 Directors comprising one Non-Executive Chairman, one Managing Director, one Executive Director, one Director – Corporate Strategy and five Non-Executive Directors.

None of the directors are disqualified under section 274 (1) (g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under section 274 (1) (g) of the Companies Act, 1956) Rules, 2003.

Mr. Anandkumar Tibrewala and Mr. Mohit Mutreja, Directors’ retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.



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

The Board met six times on the following dates during the financial year 2009 - 2010 and the gap between two meetings did not exceed four months:

Date of the Meeting	Total Strength	No. of Directors present
19th May 2009	7	6
18th June 2009	9	3
24th July 2009	9	8
21st October 2009	9	8
23rd January 2010	9	9
12th March 2010	9	3

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, 2010 are given below:

Name	Category	No. of Board Meetings Attended during 2009-10	Whether attended AGM held on 19th Sep. 2009	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Vinod Saraf (Managing Director)	Promoter, Non-Independent Executive	6	Yes	1	-	-
Mr. Girish M. Dave (Chairman – Non-Executive)	Independent Non-Executive	4	Yes	6	1	7
Mr. C.B. Gokhale (Director)	Independent Non-Executive	4	No	-	-	-
Mr. A.A. Krishnan (Director)	Independent Non-Executive	3	No	1	-	-
Mr. Sunil Saraf (Director)	Promoter, Non-Independent Non-Executive	5	No	1	-	-
Ms. Vinati Saraf Mutreja (Executive Director)	Promoter, Non-Independent Executive	5	No	1	-	-
Ms. Viral V. Saraf (Director – Corporate Strategy)	Promoter, Non-Independent Executive	6	Yes	-	-	-
Mr. Mohit Mutreja (Director)	Non-Independent Non-Executive	2	No	-	-	-
Mr. Anandkumar Tibrewala (Director)	Non-Independent Non-Executive	3	No	-	-	-

(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 2010. There were no material financial and commercial transactions in which the Senior Management personnel had personal interest, which could lead to a potential conflict of interest with the Company during the year. The Code of Conduct is available on the Company's website.

(d) Non-executive directors were paid only sitting fees during the year. The details are as under:

Sr. No.	Name of Directors – Non-executive	Rs. in Lacs
1.	Mr. Girish M. Dave	0.40
2.	Mr. C. B. Gokhale	0.30
3.	Mr. A. A. Krishnan	0.15
4.	Mr. Sunil Saraf	0.35
5.	Mr. Anandkumar Tibrewala	0.30
6.	Mr. Mohit Mutreja	0.10

(e) Shareholdings of Directors as on 31.03.2010 are as under:

Sr. No.	Name of Directors	No. Equity Shares
1.	Mr. Vinod Banwarilal Saraf	79,37,250
2.	Ms. Vinati Saraf Mutreja	6,07,335
3.	Ms. Viral Vinod Saraf	4,57,500
4.	Mr. Sunil Banwarilal Saraf	3,750
5.	Mr. Anandkumar Tibrewala	750

(f) Additional Directors appointed during the year:

Mr. Anandkumar Tibrewala, Mr. Mohit R. Mutreja & Ms. Viral V. Saraf are appointed during the year as Additional Directors pursuant to Section 260 of the Companies Act, 1956.





### 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 and again it was reconstituted on 18th June 2009. The terms of reference of the Audit Committee as stipulated by the Board are in accordance with 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, 2010 comprised the following 3 Directors of the Company:

1. Mr. Girish M. Dave : Independent Director
2. Mr. C.B. Gokhale : Independent Director
3. Mr. Anandkumar Tibrewala : Non-Independent Director

All members of audit Committee have good exposure to finance as well as general management. Mr. Girish M. Dave is Chairman of the Committee.

#### (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 Directors present
19th May 2009	3	2
24th July 2009	3	3
21st October 2009	3	2
23rd January 2010	3	3

The necessary quorum was present at the meetings.

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 Statutory Auditors, Internal Auditors of the Company and the Cost Auditors are invited to join the Audit Committee Meetings. The Audit Committee holds discussions with the Statutory Auditors on the 'Limited Review' of the half-yearly accounts, quarterly accounts, the yearly Audit Plan, matters relating to compliance of Accounting Standards, their observations arising from the annual audit of the Company's accounts and other related matters. The Committee discusses with the Cost Auditor about his observations in the Annual Cost Audit Reports and allied matters.

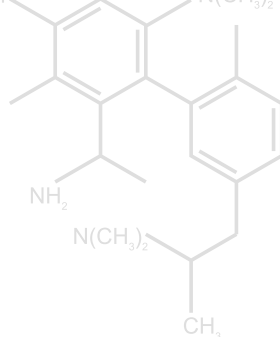
The terms of reference includes (a) power of the Audit Committee, (b) role of the Audit Committee and (c) review of information by the Audit Committee

### 4. SHARE TRANSFER COMMITTEE

The Share Transfer Committee was constituted on 25th January 2008 for approving transfers, transmission etc. It comprises of following Directors:

- (i) Mr. Vinod Saraf, Managing Director
- (ii) Ms. Vinati Saraf Mutreja, Executive Director
- (iii) 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 2009-2010 for approving transfers, transmissions etc. All transfers & transmissions etc. were approved and share certificates were dispatched within 30 days and requests for dematerialisation 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 and 12th March 2010 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. A. A. Krishnan : Chairman - Independent
2. Mr. Vinod Saraf : Member - Managing Director
3. Ms. Vinati Saraf Mutreja : Member - Executive Director

### (c) Meetings & Attendances

The Shareholders'/Investors' Grievance Committee met on the following dates during the last financial year.

Date of the Meeting	Total Strength	No. of Directors present
31st March 2010	3	3

A total number of 21 complaints were received and all of which were, redressed by the Company during the year 2009 - 2010.

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

## 6. DETAILS OF REMUNERATION PAID / PAYABLE TO THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2010.

Managerial Remuneration:

(Rs in Lacs)			
Name	Salary & Allowances	Contribution to PF	Other Perquisites
Mr. Vinod Saraf Managing Director	27.65	3.30	1.10
Ms. Vinati Saraf Mutreja Executive Director	26.96	2.48	1.29
Ms. Viral V. Saraf Director – Corporate Strategy	13.70	1.25	0.00
<b>Total</b>	<b>68.31</b>	<b>7.03</b>	<b>2.39</b>

## 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
18th AGM 2007	Regd. Office, B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.	29/09/2007	Saturday	03.00 p.m.	Nil
19th AGM 2008	- do -	27/09/2008	Saturday	12.30 p.m.	Nil
20th AGM 2009	- do -	19/09/2009	Saturday	12.30 p.m.	Nil

None of the special resolutions were put through postal ballot.



## 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. Transactions with related parties are disclosed in note No. 8(b) of schedule 19 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 of the revised Clause 49 of the listing Agreement.

### (d) No personnel have been denied access to Audit Committee. The Board periodically reviews risk assessment and minimisation and procedure through properly defined framework

## 9. MEANS OF COMMUNICATION

The quarterly results, half yearly and annual financial results are published in leading English and Marathi Newspapers.

The financial results, shareholding pattern & code of conduct are displayed on [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com).

## 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 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 reviewed 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

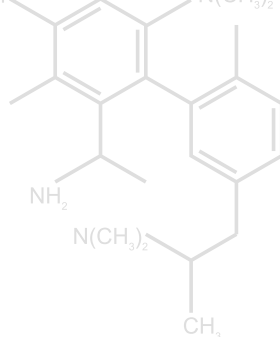
Mr. Gunvant S. Singhi, Company Secretary Cum Finance Controller is the Compliance Officer.

## 12. GENERAL SHAREHOLDER INFORMATION

(a) Annual General meeting	: 24th July 2010 at 12.30 P.M. at Regd. Office,
Date and Time	at B/12 & B-13/1, MIDC Indl. Area,
Venue	Mahad – 402 309, Dist. Raigad, Maharashtra

### (b) Financial Calendar

Annual General Meeting	: 24th July '10
Unaudited results for the quarter ending June 2010	: 4th week of July '10
Unaudited results for the quarter / half year ending September 30, 2010	: 4th week of Oct ' 10
Unaudited results for the quarter ending December 31, 2010	: 4th week of Jan ' 11
Unaudited results for the quarter ending March 31, 2011	: 4th week of April ' 11
<b>Date of book Closure</b>	: 15th July 2010 to 24th July 2010.
<b>Dividend payment date</b>	: 29th July 2010



(c) Listing on Stock exchange

: The Company's Securities are listed on the following stock exchanges in India:

**Bombay Stock Exchange Ltd.**

Phiroze Jeejeebhoy Towers

Dalal Street, Mumbai – 400 001, Maharashtra

**National Stock Exchange of India Ltd.**

Exchange Plaza, Plot No. C/1, 'G' Block,

Bandra-Kurla Complex, Bandra (East),

Mumbai – 400 051, Maharashtra.

(d) Stock Code:

Bombay Stock Exchange Ltd. : 524200

National Stock Exchange of India Ltd. : VINATIORGA

Demat ISIN in NSDL and CDSL for Equity Shares : INE410B01029

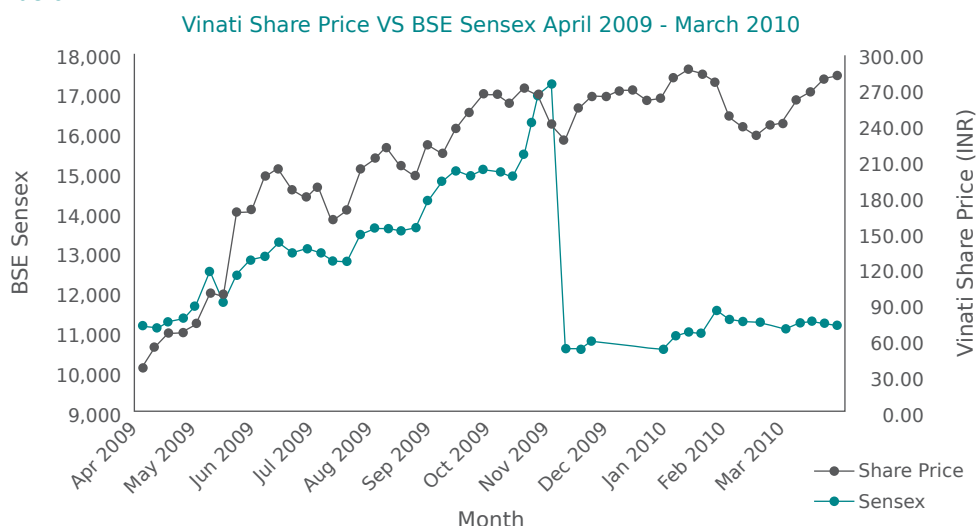
(e) Market Price Data

(in Rs.)

Month & Year	Bombay Stock Exchange Ltd.		National Stock Exchange of India Ltd.	
	High	Low	High	Low
Apr – 2009	95.00	67.60	N. A.	N. A.
May – 2009	134.90	86.10	N. A.	N. A.
Jun – 2009	150.25	124.00	N. A.	N. A.
Jul – 2009	169.85	118.50	170.00	146.10
Aug – 2009	207.40	144.10	207.20	147.70
Sep – 2009	230.00	178.10	231.80	178.30
Oct – 2009	290.10	54.05*	290.10	190.30
Nov – 2009	62.50	51.35	62.50	51.50
Dec – 2009	70.20	53.50	70.45	52.70
Jan – 2010	97.50	66.00	97.75	66.25
Feb – 2010	82.30	69.25	82.20	69.25
Mar – 2010	81.50	71.00	81.70	71.05

The price is for the share having the face value of Rs.2 each.

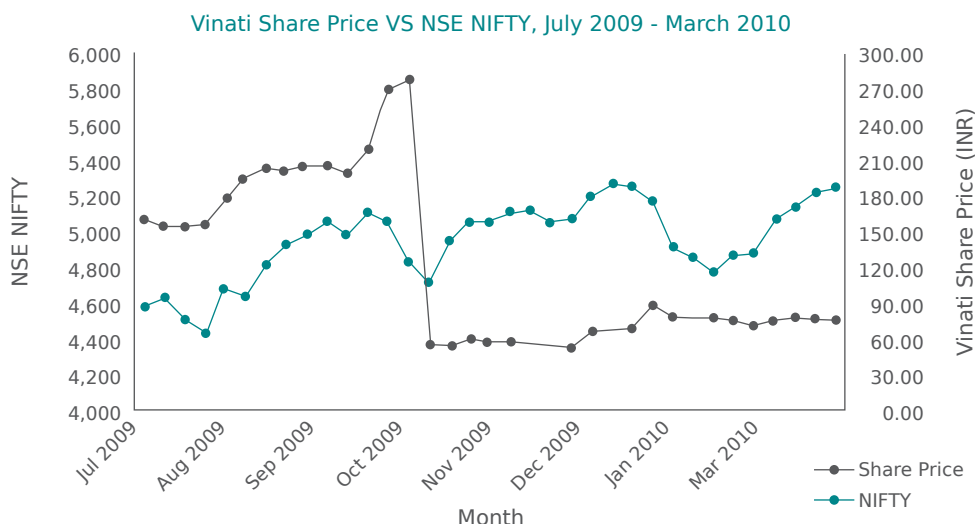
(f) \* The performance of the Company's shares relating to the BSE Index for the year 2009-2010 is given below:



The Equity shares of face value of Rs.10/- each has been split into face value of Rs.2/- each on 3rd November 2009.



- (g) The performance of the Company's shares relating to the NSE Index for the year 2009-2010 is given below:



The Equity shares of face value of Rs.10/- each has been split into face value of Rs.2/- each on 3rd November 2009. The equity shares of the Company was listed on NSE from 28th July 2009.

(h) **Share Registrars and Transfer Agents – Sharex Dynamic (India) Pvt. Ltd.**

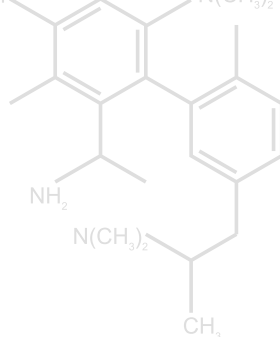
17/B, Dena Bank Bldg.,	Tel	: 2270 2485 / 2264 1376
2nd Floor, Horniman Circle,	Fax	: 22641349
Fort, Mumbai – 400 001.	E-mail	: sharexindia@vsnl.com
Maharashtra.	Website	: www.sharexindia.com
Business Hours : 11.00 a.m. to 1.00 p.m. & 2.00 p.m. to 4.00 p.m. (Monday to Friday)		

(i) **Share Transfer System:**

The Company has appointed Common Agency, name and address of which is given in the report for electronic connectivity and to process share transfer 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 dematerialisation are confirmed within 15 days.

(j) **Distribution of Shareholding as on 31st March 2010**

Category No. of Shares	No. of share holders	% of holders	Total Shares	% of Shares
1 To 100	2,147	18.23	130,545	0.26
101 To 200	858	7.29	148,604	0.30
201 To 500	1,636	13.89	618,054	1.25
501 To 1000	5,464	46.40	4,146,439	8.40
1001 To 5000	1,415	12.02	3,182,899	6.45
5001 To 10000	133	1.13	947,544	1.92
10001 To 100000	98	0.83	2,425,602	4.91
100001 and above	24	0.20	37,772,813	76.51
<b>Total</b>	<b>11,775</b>	<b>100.00</b>	<b>49,372,500</b>	<b>100.00</b>



(k) **Categories of shareholders as on 31st March 2010.**

Category	No. of share holders	Voting strength (%)	No. of ordinary shares
Individuals	11,279	22.88	11,298,038
Promoters	19	74.88	36,967,670
Other Companies	347	2.01	995,157
Non-Resident Individuals	126	0.19	93,635
Nationalised Banks, Mutual funds and trusts	4	0.04	18,000
<b>Total</b>	<b>11,775</b>	<b>100.00</b>	<b>49,372,500</b>

(l) **Dematerialisation of shares and liquidity**

14151920 (Total shares demated with NSDL is 12214808 & CDSL is 1937112) of the Company's share capital is dematerialised as on 31.03.2010. The Company's shares are regularly traded on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. as indicated in the Table containing market information.

(m) **Address of Registered Office**

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

(n) **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.

(o) **Investor's Correspondence Address:**

Mr. Gunvant S. Singhi

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

**CEO / CFO Certificate**

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31.03.2010 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered in to by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee.
- (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Mumbai  
19th May, 2010

**Vinod Saraf**  
Chief Executive Officer

**N.K Goyal**  
Chief Financial Officer

**DECLARATION**

I, Vinod Saraf, Managing Director of Vinati Organics 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, 2010.

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 2010.

On behalf of the Board of Directors

Mumbai  
19th May, 2010

**Vinod Saraf**  
Managing Director



# 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, 2010, 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 of 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 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.

192, Dr. D. N. Road  
Mumbai - 400001  
Dated: 19th May, 2010

For and on behalf of  
**KARNAVAT & CO.**  
Chartered Accountants  
Firm Regn. No. 104863W  
**(Shashikant Gupta)**  
Partner  
Membership No. 045629

# ANNEXURE – ‘D’ DIRECTORS’ REPORT

Statement of particulars of employees pursuant to Section 217 (2a) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 1975 and forming part of the Directors’ Report for the year ending March 31, 2010 employed for whole of the year.

Sr. No.	Name	Designation & nature of duties (as at March 31, 2010)	Qualification	Age (Yrs.)	Date of Joining	Experience	Gross Remuneration received (Rs. in Lacs)	Previous employer	Designation
1	Mr. Vinod Banwarilal Saraf	Managing Director	Management Graduate from BITS, Pilani	60	15.06.1989	37	32.05	Mangalore Refinery & Petrochemicals Ltd.	Managing Director (Finance & Admin.)
2	Ms. Vinati Saraf Mutreja	Executive Director	Bachelors in Science in Economics & Engineering from University of Pennsylvania	26	20.05.2006	5	30.73	Mercer Oliver Wyman	Consultant

# **FINANCIAL STATEMENTS**



# AUDITORS' REPORT

TO THE MEMBERS OF

## VINATI ORGANICS LIMITED

1. We have audited the attached Balance Sheet of **VINATI ORGANICS LIMITED** as at **31st March, 2010**, the Profit and Loss Account and also Cash Flow Statement 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, 2010 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2010 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 2010; 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*

ICAI Firm Regn No. 104863W

192, Dr. D. N. Road

Mumbai - 400001

Dated: 19th May, 2010

**(Shashikant Gupta)**

*Partner*

Membership No. 45629

# 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 regular programme of physical verification of fixed assets 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) (a) The Company has not granted any loans, secured or unsecured from Companies, firms or other parties in the register maintained under Section 301 of the Companies Act, 1956 and hence provisions of paragraph 4(iii)(b) to 4(iii)(d) of the aforesaid Order are not applicable to the Company.
- (b) The Company has not taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. In respect of the loans taken in the earlier years, the outstanding balance as at 31st March, 2010 is NIL and the maximum balance outstanding during the year is Rs.611.62 lacs.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest, and other terms and conditions for such loan are not *prima facie* prejudicial to the interest of the Company.
- (d) There is no stipulation on repayment of loan and payment of interest. The opening outstanding amount of loan has been repaid in full.
- (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 lacs 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, excise-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 31-03-2010, for a period of more than six months from the date they became payable.

- (c) As on 31-03-2010, according to the records of the company, the following are the particulars of disputed dues on account of Income tax and Central 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
Income Tax Act 1961	Demand of penalty raised u/s 271(1) (C)	202,560	A.Y. 2004-05	CIT (Appeal)
Income Tax Act 1961	Demand of penalty raised u/s 271(1) (C)	1,708,630	A.Y. 2003-04	ITAT
Central Excise Act, 1944	Demand on valuation of by-product transferred from one unit to other	370,150	Aug 2002 to Sept 2004	CESTAT

- (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. Therefore, the provisions of clause 4(xii) of the said order are not applicable.
- (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. According provision of Paragraph 4 (xiv) of the aforesaid 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, term loans raised during the year were applied for the purpose for which the loans were obtained.
- (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 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 aforesaid 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 Issue 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  
ICAI Firm Regn No. 104863W

192, Dr. D. N. Road  
Mumbai - 400001  
Dated: 19th May, 2010

**(Shashikant Gupta)**  
Partner  
Membership No. 45629



# Balance Sheet

as at 31st March 2010

		(Rs. in Lacs)	
	Schedule	As at 31/03/2010	As at 31/03/2009
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share Capital	1	987.45	987.45
Reserves & Surplus	2	8,931.31	5,503.47
Loan Funds			
Secured Loans	3	5,698.60	4,484.08
Unsecured Loans	4	613.14	611.62
Deferred Tax Liability		871.72	586.05
<b>TOTAL</b>		<b>17,102.22</b>	<b>12,172.67</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	5	11,094.47	7,112.82
Less : Depreciation		3,131.51	2,642.73
Net Block		7,962.96	4,470.09
Capital Work in Progress		3,836.51	4,342.59
		<b>11,799.47</b>	<b>8,812.68</b>
Current Assets, Loans and Advances			
Inventories	6	1,889.22	1,205.83
Sundry Debtors	7	3,587.05	2,791.68
Cash and Bank Balances	8	178.88	188.97
Loans and Advances	9	1,058.49	746.60
		<b>6,713.64</b>	<b>4,933.08</b>
Less : Current Liabilities & Provisions	10	1,410.89	1,573.09
Net Current Assets		5,302.75	3,359.99
<b>TOTAL</b>		<b>17,102.22</b>	<b>12,172.67</b>
Significant Accounting Policies	18		
Notes forming part of Accounts	19		

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**

Chartered Accountants

**Shashikant Gupta**

Partner

**Vinod Saraf**

Managing Director

**N. K. Goyal**

Chief Financial Officer

**Vinati Saraf Mutreja**

Executive Director

**G. S. Singhi**

Company Secretary cum Finance Controller

Membership No. 45629

Mumbai, 19th May, 2010

# Profit & Loss Account

for the year ended 31st March 2010

		(Rs. in Lacs)	
	Schedule	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>INCOME</b>			
Gross Sales		23,860.45	20,382.97
Less : Inter Unit Transfer		16.02	35.83
		23,844.43	20,347.14
Less : Excise Duty		668.80	1,297.14
Net Sales		23,175.63	19,050.00
Other Income	11	844.92	532.27
<b>TOTAL</b>		<b>24,020.55</b>	<b>19,582.27</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	12	13,793.90	12,135.20
Decrease/(Increase) in Stock	13	(510.66)	57.12
Manufacturing Expenses	14	2,102.60	1,254.92
Payments to and provision for employees	15	1,148.83	883.56
Financial Charges	16	441.52	414.29
Administrative & Other Expenses	17	1,369.46	1,320.98
		<b>18,345.65</b>	<b>16,066.07</b>
<b>PROFIT BEFORE DEPRECIATION, NON-CASH CHARGES &amp; TAXES</b>		<b>5,674.90</b>	<b>3,516.20</b>
Less: Depreciation		493.24	325.06
Amortisation of Lease hold land		2.41	2.38
<b>PROFIT BEFORE TAXATION</b>		<b>5,179.25</b>	<b>3,188.76</b>
Provision for taxation			
Current Tax		889.00	613.21
Deferred Tax (Refer note no. 11 )		285.67	59.45
Fringe Benefit Tax		-	8.00
For Earlier Years		0.44	(4.73)
<b>NET PROFIT AFTER TAX</b>		<b>4,004.14</b>	<b>2,512.83</b>
Balance brought forward from last year		5,106.07	3,134.06
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>9,110.21</b>	<b>5,646.89</b>
Less : Appropriations			
Interim Dividend		148.12	-
Final Proposed Dividend		345.61	246.86
Tax on above		82.57	41.96
Transfer to General Reserve		405.00	252.00
Balance Carried to Balance Sheet		<b>8,128.91</b>	<b>5,106.07</b>
Significant Accounting Policies	18		
Notes forming part of Accounts	19		
Earnings per share (Refer Note No. 10 of Schedule 19)			
Basic & Diluted (Face Value of Rs.10/- per share) in Rupees		-	25.45
Adjusted Basic & Diluted EPS (Face Value of Rs. 2/- per share) in Rupees		8.11	-

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**  
Chartered Accountants

**Vinod Saraf**  
Managing Director

**Vinati Saraf Mutreja**  
Executive Director

**Shashikant Gupta**  
Partner

**N. K. Goyal**  
Chief Financial Officer

**G. S. Singhi**  
Company Secretary cum Finance Controller

Membership No. 45629  
Mumbai, 19th May, 2010

# Cash Flow Statement

For the year ended 31st March 2010

(Rs. in Lacs)

	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and extra ordinary item	<b>5,179.26</b>	<b>3,188.76</b>
Adjustments for :		
Depreciation	493.24	325.06
Amortisation	2.41	2.38
Loss /(Gain)on sale of fixed assets/assets discarded	0.25	(0.48)
Interest paid	335.61	328.86
Unrealised Foreign Exchange (Gain)/Loss (net)	(172.82)	48.41
Provisions for expenses and liabilities	195.99	147.55
Excess Liability written back	4.56	4.02
Other Provisions and write offs (net)	(91.62)	(94.97)
Interest income	(10.71)	(12.51)
<b>Operating profit before working capital changes</b>	<b>5,936.17</b>	<b>3,937.08</b>
Adjustments for :		
Trade and other receivables	(1,017.70)	(162.22)
Inventories	(683.39)	6.53
Trade and other payables	(386.64)	(260.89)
Cash generated from operations	3,848.44	3,520.50
Direct taxes (including earlier years) and fringe benefit tax paid	(971.25)	(552.54)
Cash flow before extra ordinary items	2,877.19	2,967.96
Extra ordinary items	-	-
<b>Net cash generated from operating activities</b>	<b>2,877.19</b>	<b>2,967.96</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets purchased, sold/discarded(net and excluding CWIP capitalised)	(3,209.02)	(688.80)
Decrease in Capital Work-in-Progress (including capital advances)	(264.00)	(3,702.01)
Adjustment for foreign exchange year end revaluation	(9.66)	425.11
Interest received	1.70	7.60
Cash generated from investing activities	(3,480.98)	(3,958.10)
Tax deducted at source on interest income	(1.43)	(3.03)
<b>Net cash (used in) investing activities</b>	<b>(3,482.41)</b>	<b>(3,961.13)</b>



# Cash Flow Statement

For the year ended 31st March 2010 (Contd.)

	(Rs. in Lacs)	
	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of long-term borrowings (net of repayment)	1,214.51	1,667.07
Receipt of short-term borrowings (net of repayment)	1.52	-
Adjustment for foreign exchange year end revaluation	168.55	(63.85)
Interest paid (excluding interest of Rs.74.58 Lacs capitalised)	(335.61)	(328.86)
Dividend paid	(386.55)	(195.78)
Tax on dividend	(67.12)	(33.56)
Net cash flow from financing activities	<b>595.30</b>	<b>1,045.02</b>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	<b>(9.92)</b>	<b>51.85</b>
Cash and cash equivalents (opening balance)	<b>188.97</b>	<b>137.12</b>
Cash and cash equivalents (closing balance)	<b>179.05</b>	<b>188.97</b>
<b>Notes:</b>		
<b>1 Reconciliation of cash and cash equivalents</b>		
As per Balance Sheet - schedule 8	178.88	188.97
Add: Foreign exchange loss on revaluation	0.17	-
As per cash flow statement	<b>179.05</b>	<b>188.97</b>
<b>2 Cash and cash equivalents comprises of</b>		
a. Cash in hand	0.12	0.79
b. Bank balance in current accounts	31.96	30.77
c. In fixed deposit account (Margin money)	146.97	157.41
	<b>179.05</b>	<b>188.97</b>
<b>3</b> Balance in current account unavailable for utilisation on account of balance lying in unclaimed dividend account as it represents corresponding liability.	17.92	15.75
<b>4</b> Previous year figures have been regrouped, wherever necessary to confirm to current year's classification.		

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**  
Chartered Accountants

**Shashikant Gupta**  
Partner

**Vinod Saraf**  
Managing Director

**N. K. Goyal**  
Chief Financial Officer

**Vinati Saraf Mutreja**  
Executive Director

**G. S. Singhi**  
Company Secretary cum Finance Controller

Membership No. 45629

Mumbai, 19th May, 2010

# Schedules

forming part of Accounts

(Rs. in Lacs)

	As at 31/03/2010	As at 31/03/2009
<b>SCHEDULE "1"</b>		
<b>SHARE CAPITAL</b>		
Authorised		
75,000,000 Equity Shares of Rs.2/- each	1,500.00	1,500.00
(Previous Year 15,000,000 Equity Shares of Rs.10/- each)		
	<b>1,500.00</b>	<b>1,500.00</b>
Issued, Subscribed and Paid Up		
49,372,500 (Previous Year 9,874,500) Equity Shares Fully Paid up	987.45	987.45
(Refer Note No. 2 of Schedule 18)		
	<b>987.45</b>	<b>987.45</b>
<b>SCHEDULE "2"</b>		
<b>RESERVES &amp; SURPLUS</b>		
i) Capital Reserve	30.40	30.40
ii) General Reserve	367.00	
Add : Transfer During The Year	405.00	772.00
iii) Profit and Loss Account	8,128.91	5,106.07
	<b>8,931.31</b>	<b>5,503.47</b>
<b>SCHEDULE "3"</b>		
<b>SECURED LOANS</b>		
i) Term loan from State Bank Of India (FCNR-B)	443.51	974.24
ii) Term loan from Barclays and Axis Bank (FCNR)	3,456.84	2,605.21
iii) Working capital advances from Bank	1,798.25	904.63
	<b>5,698.60</b>	<b>4,484.08</b>

**Notes :**

1. Term loan from State Bank of India ( FCNR-B) is 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.
2. Term Loan from Barclays Bank and Axis Bank are secured by first Pari Passu charge on all the fixed assets (present and future) of Lote works, and second pari passu charges on all the Fixed Assets (present and future) at Mahad Works; Second Pari Passu charges on entire Current Assets of the Company (present & future) and also by personal irrevocable guarantee of Directors.
3. 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.
4. Loans falling due within one year Rs.1,193.59 Lacs (Previous Year-Rs. 1,209.81 Lacs).

**SCHEDULE "4"**

**UNSECURED LOANS**

Short Term Loan from Bank	613.14	-
Inter Corporate Deposits	-	611.62
	<b>613.14</b>	<b>611.62</b>

1. Short Term Loan falling due within one year Rs.613.14 Lacs (Previous Year Nil)

# Schedules

forming part of Accounts(Contd.)

(Rs. in Lacs)

Particulars	Gross Block			Depreciation				Net Block	
	As at 31/03/2009	Additions during the year	Deductions during the year	As at 31/03/2010	Up to 31/03/2009	For the Year	Written Back	Up to 31/03/2010	As at 31/03/2010
<b>SCHEDULE "5"</b>									
<b>FIXED ASSETS</b>									
Leasehold Land & Site Developments	197.15	2.66	2.41	197.40	0.00	0.00	0.00	0.00	197.40
Buildings	972.46	945.30	0.00	1,917.76	197.10	52.47	0.00	249.57	1,668.19
Plant & Machinery	5,658.17	3,008.67	0.00	8,666.84	2,285.56	419.16	0.00	2,704.72	5,962.12
Furniture & Fixtures	82.42	12.41	0.00	94.83	62.35	4.65	0.00	67.00	27.83
Office Equipments	17.61	1.02	0.00	18.63	7.85	0.85	0.00	8.70	9.93
Computers	51.20	8.51	2.09	57.62	29.18	6.21	2.00	33.39	24.23
Air Conditioners	26.32	7.12	0.05	33.39	11.51	1.31	0.03	12.79	20.60
Vehicles	107.49	3.07	2.56	108.00	49.18	8.59	2.43	55.34	52.66
<b>TOTAL</b>	<b>7,112.82</b>	<b>3,988.76</b>	<b>7.11</b>	<b>11,094.47</b>	<b>2,642.73</b>	<b>493.24</b>	<b>4.46</b>	<b>3,131.51</b>	<b>7,962.96</b>
Previous Year	6,403.18	714.30	4.66	7,112.82	2,318.42	325.06	0.75	2,642.73	4,470.09



# Schedules

forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	As at 31/03/2010	As at 31/03/2009
<b>SCHEDULE "6"</b>		
<b>INVENTORIES</b> (as taken, valued & certified by the management)		
Raw Materials	534.12	467.45
Stock In Process	312.56	388.53
Finished Goods	670.55	83.92
Stores, Spares & other consumables	371.99	265.93
	<b>1,889.22</b>	<b>1,205.83</b>
<b>SCHEDULE "7"</b>		
<b>SUNDRY DEBTORS</b> (Unsecured, Considered Good)		
Outstanding for a period exceeding six months	6.48	136.64
Others	3,580.57	2,655.04
	<b>3,587.05</b>	<b>2,791.68</b>
<b>SCHEDULE "8"</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	0.12	0.79
Balance with Scheduled Banks		
In Current Accounts*	31.79	30.77
In Fixed Deposit Account (Margin Money)	146.97	157.41
* Includes Rs.24.18 Lacs (Previous year Rs.15.75 Lacs) on unpaid dividend account		
	<b>178.88</b>	<b>188.97</b>
<b>SCHEDULE "9"</b>		
<b>LOANS AND ADVANCES</b> (Unsecured, Considered Good)		
Advances recoverable in cash or kind or for value to be received	955.86	639.42
Income tax Deposits	85.70	85.71
Accrued Interest	4.28	5.41
Deposits		
With Government & Semi Government Departments	9.82	14.30
With Others	2.83	1.76
	<b>1,058.49</b>	<b>746.60</b>
<b>SCHEDULE "10"</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
Total Outstanding		
Due to Micro, Small and Medium Enterprises	-	-
Due to Other Enterprises	569.50	881.40
Other liabilities	369.69	269.89
Sundry Deposits	16.88	5.81
Unclaimed Dividend*	24.18	15.75
<b>Provisions</b>		
For Proposed Dividend	345.61	246.86
Tax on Dividend	57.40	41.95
For Taxation (Net of taxes paid)	27.63	111.43
	<b>1,410.89</b>	<b>1,573.09</b>

\*Not due for credit to "Investors Education & Protection Fund"

# Schedules

forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>SCHEDULE "11"</b>		
<b>OTHER INCOME</b>		
Interest Received - Gross	11.72	13.22
(TDS Rs.1.43 Lacs Previous Year Rs.3.03 Lacs)		
Cash Discount received	39.18	7.69
Miscellaneous Credit Balances Written Back	0.82	3.92
Scrap Sales	29.57	12.48
Liability No Longer Required Written Back	4.56	4.02
Miscellaneous receipts	1.13	0.36
Gain on sale of Fixed Assets	-	0.48
Exchange Fluctuation Difference	305.63	115.47
Export Benefits/Import Entitlements	452.31	374.63
	<b>844.92</b>	<b>532.27</b>
<b>SCHEDULE "12"</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	467.45	486.71
Add : Purchases	13,860.57	12,115.94
Less : Closing Stock	534.12	467.45
	<b>13,793.90</b>	<b>12,135.20</b>
<b>SCHEDULE "13"</b>		
<b>DECREASE/(INCREASE) IN STOCK</b>		
<b>I) Finished Stock</b>		
Opening Stock	83.92	374.60
Less : Closing Stock	670.55	83.92
	<b>(586.63)</b>	<b>290.68</b>
<b>II) Process Stock</b>		
Opening Stock	388.53	154.97
Less : Closing Stock	312.56	388.53
	75.97	(233.56)
	<b>(510.66)</b>	<b>57.12</b>

# Schedules

forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	Year Ended 31/03/2010	Year Ended 31/03/2009
<b>SCHEDULE "14"</b>		
<b>MANUFACTURING EXPENSES</b>		
Power & Fuel Charges	1,146.37	713.00
Water Charges	54.76	46.92
Stores, Spares & Other consumables	547.85	310.23
Repairs to:		
Plant & Machinery	93.70	36.56
Buildings	42.80	7.39
Wages to Contractual Labour	181.01	111.20
Other Operational Charges	36.11	29.62
	<b>2,102.60</b>	<b>1,254.92</b>
<b>SCHEDULE "15"</b>		
<b>PAYMENT TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Allowances	1,037.88	792.06
Contribution to Provident & Other funds	66.67	49.72
Employees Welfare Expenses	30.19	20.27
Contribution to Gratuity fund	14.09	21.51
	<b>1,148.83</b>	<b>883.56</b>
<b>SCHEDULE "16"</b>		
<b>FINANCIAL CHARGES</b>		
Interest On		
Term Loan	213.93	80.23
Others	121.68	248.63
Bank Charges	105.91	85.43
	<b>441.52</b>	<b>414.29</b>
<b>SCHEDULE "17"</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent (Including Leave & Licence Fees)	15.56	14.89
Rates & Taxes	13.63	9.06
Insurance	36.82	32.43
Remuneration to Auditors		
Audit Fees	2.25	2.00
Tax Audit Fees	0.50	0.50
Certification Charges	0.40	0.41
Other Matters	1.80	0.79
Reimbursement of expenses	0.11	-
Directors' Sitting Fees	1.60	1.30
Repairs - Others	22.61	11.06
Freight & Forwarding Charges	955.13	962.77
Cash Discount	1.07	6.19
Selling Commission	42.26	65.43
Bad Debts Written Off	23.82	-
Loss on Fixed Assets discarded	0.25	-
Other Expenses	251.65	214.15
	<b>1,369.46</b>	<b>1,320.98</b>



# Schedules

forming part of Accounts (Contd.)

## SCHEDULE “18”

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. Nature of Operations

The Company was established in 1989 and is engaged in manufacturing of speciality organic intermediates and monomers, namely IBB (Isobutyl Benzene), ATBS(2 Acrylamido 2MethylpropaneSulphonicAcid), NATBS(Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid). The manufacturing facilities are located at Mahad and Lote Parshuram, Maharashtra.

#### 2. Basis of Preparation

- The financial statement have been prepared to comply in all material aspects in respect with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- Financial statement are based on historical cost and are prepared on accrual basis, except where impairment is made.
- Accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### 3. Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimate and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statement and the result of operation during the reporting period end. Although these estimate are based upon management's best knowledge of current events and action, actual result could differ from these estimates.

#### 4. Revenue Recognition

- Revenue/Income and Cost/Expenditure are generally accounted on accrual basis as they are earned or incurred.
- Export entitlement by the way of Duty Free License/ DEPB are recognised as income of the year on accrual basis .In case of utilisation for Import purpose the same is recognised as raw material cost in the year of import.

#### 5. 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 recognised wherever carrying amount exceeds recoverable amount.
- All costs including borrowing costs & exchange gain or loss on foreign currency loan utilised for the acquisition and installation of fixed assets, till commencement of commercial production, are capitalised.

#### 6. 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. Fixed Assets whose Written Down Value as at the beginning of the year is less than 5% of the cost are not depreciated.

#### 7. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying assets are capitalised as part of the cost of that asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 8. Research & Development Expenditure

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

# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "18" (Contd.)

### 9. Inventories

All Inventories other than finished goods are valued at cost. Finished goods are valued at the lower of cost or estimated net realisable value. Cost includes an appropriate proportion of overheads and excise duty, where applicable.

Provision for obsolescence is made wherever necessary. Cost is determined using first in first out (FIFO) method.

### 10. Cenvat/Value Added Tax

Cenvat/Value Added Tax Benefit is accounted for by reducing the purchase cost of the materials/ fixed assets.

### 11. 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 realised/paid and the amount already booked is accounted for as "Exchange fluctuation difference" in the year of realisation/payment.

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

### 12. Retirement Benefits

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

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The liability so provided is represented substantially by creation of separate fund and is considered

sufficient to meet the liability as and when it accrues for payment in future.

### 13. 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.

### 14. Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

### 15. 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 or as on date of approval of Statement of Accounts whichever is later. 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.

### 16. Provision, Contingent Liabilities and Contingent Assets (AS-29)

Provision involving substantial degree of estimates in measurement are recognised when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19"

### 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.1,204.43 Lacs (Previous Year Rs.1,590.96 Lacs)
- Estimated amount of contracts remaining to be executed on Capital Account (Net of Advance) Rs.956.88 Lacs (Previous Year Rs.385.62 Lacs).
- Disputed Excise duty demands of Rs.38.78 Lacs (Previous Year Rs.117.70 Lacs)
- Disputed Income tax demands of Rs.266.00 Lacs pertaining to various assessment years against which a sum of Rs.67.34 Lacs has been paid (Previous Year Rs.336.43 Lacs and paid Rs.77.34 Lacs).
- Disputed Custom duty (Anti Dumping Duty) demands of Rs.Nil (Previous Year Rs.1.76 Lacs)

2 During the year the Face Value of One Equity Share of Rs.10/- each was split and sub-divided into 5 Equity Share of Rs.2/- each consequently the number of paid up Equity Shares has increased from 9874500 to 49372500 shares.

#### 3 Details of Capital Work in progress / Pre-operative expenses:

		(Rs. in Lacs)			
Sr. No.	Particulars	2009-2010		2008-2009	
A.	Work in progress [Including advances to suppliers Rs.635.89 Lacs] (Previous year Rs.105.07 Lacs)		3,127.65		3,401.74
	<b>Total 'A'</b>		<b>3,127.65</b>		<b>3,401.74</b>
B.	Pre-operative expenses:				
	Opening balance	940.85		137.58	
	Add: Incurred during the year:				
	Travelling Expenses	2.61		-	
	Technical Know How Fee	271.30		112.24	
	Exchange gain/loss	(78.52)		447.32	
	Interest	74.58		169.08	
	Bank charges	53.35		21.62	
	Legal & Professional charges	216.87		76.72	
	Rates & taxes	3.64		-	
	Insurance charges	3.93		1.79	
			<b>1,488.61</b>		<b>966.35</b>
	Less: Capitalised during the year		779.75		25.50
	<b>Total 'B'</b>		<b>708.86</b>		<b>940.85</b>
	<b>Total (A+B)</b>		<b>3,836.51</b>		<b>4,342.59</b>

4 The Company has sought the confirmation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act 2006. Based on the confirmations received from the suppliers.

- No principal amount and the interest due thereon are outstanding at on 31st March 2010 : Nil
- The amount of interest paid by the Company along with the amount of the payment made to the supplier beyond the appointed day for the year ending 31st March 2010 : Nil



# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19" (Contd.)

- c) The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year) : Nil
- d) The amount of interest accrued and remaining unpaid for the year ending 31st March 2010 : Nil
- e) The amount of further interest remaining due and payable for the earlier years : Nil

5 The balance of Debtors, Creditors are subject to confirmation & reconciliation.

### 6 Disclosure pursuant to Accounting Standard 15 (Revised):

The Company has a Defined Benefit Gratuity Plan. The Scheme is funded through the Company's own trust managed by the Insurance Company.

	31.03.2010	31.03.2009
<b>a) Assumptions as at</b>		
Mortality		LIC (1994-96) Ult.
Interest/Discount Rate	8.00%	8.00%
Rate of increase in compensation	2.00%	2.00%
Rate of return (expected) on plan assets	PS:0 to 5:5%	PS:0 to 5:5%
Employee attrition rate (Past Service [PS])	PS:5 to 40: 0.5%	PS:5 to 40: 0.5%
Expected average remaining service	17.28	13.45
<b>b) Changes in present value of obligations:</b>		
PVO at the beginning of period	59.98	48.69
Interest cost	4.69	3.52
Current service cost	13.25	7.95
Benefits paid	(2.73)	(9.30)
Actuarial (gain)/loss on obligation	3.90	9.12
PVO at end of period	79.09	59.98
<b>c) Amount recognised in the Balance Sheet as at the end of the year:</b>		
Present Value of Defined Benefit Obligation	79.09	59.98
Fair Value of Plan Assets	75.88	46.40
Funded status - Surplus/(Deficit)	(3.21)	(13.58)
Net Asset/(Liability)	(3.21)	(13.58)
<b>d) Expense recognised in the statement of P &amp; L A/c.:</b>		
Current service cost	13.25	7.95
Interest cost	4.69	3.52
Expected return on plan assets	(5.15)	(3.70)
Net actuarial (gain)/loss recognised for the period	1.30	13.74
Expense recognised in the statement of P & L A/c.	14.09	21.51

The above figures are as certified by actuary and relied upon by auditor.

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

# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19" (Contd.)

### 8 Related parties Disclosures (AS-18) (as certified by the management)

#### a. Information about related parties:

Sr. No.	Particulars	Name of Related Party.
<b>1</b>	<b>Key Management Personnel</b>	i) Mr. Vinod Saraf - Managing Director
		ii) Mrs. Vinati Saraf Mutreja - Executive Director
		iii) Ms. Viral Saraf - Director (Corporate Strategy)
<b>2</b>	<b>Relatives of Key Management Personnel</b>	i) Mr. Sunil Saraf
		ii) Mr. Anandkumar Tibrewala
		iii) Mr. Mohit Mutreja
<b>3</b>	<b>Enterprises owned or significantly influenced by any management personnel or their relatives.</b>	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.
		12) Pluspoint Securities Pvt. Ltd.

#### b. Information about Related Parties Transactions:

	(Rs. in Lacs)	
	2009-2010	2008-2009
<b>i) Key Management Personnel:</b>		
Managerial remuneration		
Mr. Vinod Saraf	32.05	29.11
Mrs. Vinati Saraf Mutreja	30.73	27.50
Ms. Viral Saraf	14.95	-
<b>ii) Relatives of Key Management Personnel:</b>		
Rent - Mrs. Kavita Saraf	-	0.48
Sitting fees		
Mr. Sunil Saraf	0.35	0.30
Mr. Mohit Mohtreja	0.10	-
Mr. Anandkumar Tibrewala	0.30	-
<b>iii) Enterprises owned or significantly influenced by any management personnel or their relatives:</b>		
Rent, rates & taxes:		
Vinati Wax Industries Pvt. Ltd.	5.03	5.03
Shilpa Pharma Pvt. Ltd.	4.95	4.95
Mithali Chemicals Pvt. Ltd.	2.03	2.03

# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19" (Contd.)

### b. Information about Related Parties Transactions: (Contd.)

	(Rs. in Lacs)	
	2009-2010	2008-2009
<b>Interest paid:</b>		
Suchir Investment & Finance Pvt. Ltd.	-	1.28
Nishit Pharma Pvt. Ltd.	-	0.79
Suchir Chemicals Pvt. Ltd.	-	0.53
Vinati Wax Industries Pvt. Ltd.	-	0.33
Sale of By-Product - Viral Alkalis Ltd.	1.51	1.25
Purchase of Material - Viral Alkalis Ltd.	10.36	19.03
<b>Loan taken:</b>		
Suchir Investment & Finance Pvt. Ltd.	-	450.00
Vinati Wax Industries Pvt. Ltd.	-	349.62
Mithali Chemicals Pvt. Ltd.	-	212.00
<b>Loan repaid:</b>		
Suchir Chemicals Pvt. Ltd.	-	384.00
Suchir Investment & Finance Pvt. Ltd.	250.00	272.68
Vinati Wax Industries Pvt. Ltd.	149.62	203.07
Mithali Chemicals Pvt. Ltd.	212.00	-
Nishit Pharma Pvt. Ltd.	-	154.19
Outstanding amount of loan payable at year end:		
Suchir Investment & Finance Pvt. Ltd.	-	250.00
Vinati Wax Industries Pvt. Ltd.	-	149.62
Mithali Chemicals Pvt. Ltd.	-	212.00

## 9 Leases (AS - 19)

### Operating Leases :

The Company has taken containers, residential/office premises under operating lease. The Lease arrangement are normally renewable on expiry of the lease period. There is no sub lease and all the leases are cancelable in nature. There are no restrictions imposed by the lease arrangements. There is no contingent rent in the lease agreements. There is no escalation clause in the lease agreements. The future minimum lease payment in respect of the aforesaid leases are as follows:

i) Payable not later than one year	52.51	61.26
ii) Payable later than one year and not later than five years	12.00	24.00
iii) Payable later than five years	Nil	Nil

The lease payments recognised in the statement of profit and loss for the period is Rs.129.95 Lacs.  
(Previous year Rs.21.47)

## 10 Earning Per Share (AS-20)

Profit after taxation	4,004.14	2,512.83
Weighted number of equity shares outstanding as at 31-03-2009 and used for calculating EPS	-	9,874,500
Weighted number of equity shares outstanding as at 31-03-2010 and used for calculating adjusted EPS	49,372,500	-
Basic and diluted earning per share (Face value of Rs.10/- per share) in Rupees	-	25.45
Adjusted Basic and diluted earning per share (Face value of Rs.2/- per share) in Rupees	8.11	-

(Weighted average equity shares outstanding as at 31-03-2010 has increased due to sub-division of one equity shares of Rs.10/-each into five equity shares of Rs. 2/- each and the same has been considered in calculating EPS in accordance with the requirement of AS-20)



# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19" (Contd.)

### 11 Accounting for Taxes on income (AS-22)

The break up of net deferred tax liability as at 31st March 2010 is as under:

	(Rs. in Lacs)	
	2009-2010 Deferred Tax Asset/ (Liability)	2008-2009 Deferred Tax Asset/ (Liability)
<b>Timing difference on account of:</b>		
Depreciation	(889.31)	(599.40)
Disallowances u/s 43B and 40 A(7) of the Income-tax Act, 1961	17.59	13.35
<b>Net Deferred Tax Assets/(Liability)</b>	<b>(871.72)</b>	<b>(586.05)</b>
Less: Net Deferred Tax Asset/(Liability) at beginning of the period	(586.05)	(526.60)
<b>Net Deferred Tax Asset/(Liability) Charged to Profit &amp; Loss Account</b>	<b>(285.67)</b>	<b>(59.45)</b>

**12** Based on exercise of impairment of assets undertaken by the management in due cognizance of paragraphs 5 to 13 of AS-28 issued by ICAI, the Company has concluded that no impairment loss is required to be booked.

**13** 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.

### 14 Managerial Remuneration

	(Rs. in Lacs)	
	Year Ended 2009-2010	Year Ended 2008-2009
<b>Managing Director:</b>		
Salary & Allowances	27.65	25.00
Contribution to P.F.	3.30	3.00
Other Perquisites	1.10	1.11
	<b>32.05</b>	<b>29.11</b>
<b>Executive Director:</b>		
Salary & Allowances	26.96	24.38
Contribution to P.F.	2.48	2.25
Other Perquisites	1.29	0.87
	<b>30.73</b>	<b>27.50</b>
<b>Director (Corporate Strategy):</b>		
Salary & Allowances	13.70	-
Contribution to P.F.	1.25	-
	<b>14.95</b>	<b>-</b>

"The Directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to Directors is not ascertainable".

**15** Lease rent paid for the containers taken on lease and used exclusively for transport of raw material has been considered as part of purchase cost of raw material.

# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19" (Contd.)

### 16 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.

(Rs. in Lacs)					
Sr. No.	Particulars	2009-2010		2008-2009	
		Qty.(M.T.)	Value	Qty.(M.T.)	Value
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	14,000.00		14,000.00	
	<b>2 Acrylamido 2Methylpropane Sulphonic Acid</b>				
	Licenced Capacity	N.A.		N.A.	
	Installed Capacity	10,000.00		5,000.00	
B.	Production:				
	Isobutyl Benzene	12,735.85		11,144.72	
	2 Acrylamido 2Methylpropane Sulphonic Acid	6,764.55*		4,563.39	
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	5,794.81**		4,812.00	
C.	Sales & Stocks:				
	<b>Opening Stock:</b>				
	Isobutyl Benzene	12.86	7.70	320.56	265.65
	2 Acrylamido 2Methylpropane Sulphonic Acid	8.60	8.53	19.35	21.41
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	50.39	24.44	143.05	69.19
	By-products		43.25		18.34
	<b>Sales:</b>				
	Isobutyl Benzene	12,522.96	12,066.12	11,452.42	11,878.49
	2 Acrylamido 2Methylpropane Sulphonic Acid	3,874.88	5,732.74	2,328.36	3,397.37
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	5,518.85	4,066.50	4,904.67	3,909.38
	By-products		1,979.07		1,161.90
	<b>Closing Stock:</b>				
	Isobutyl Benzene	225.75	188.27	12.86	7.70
	2 Acrylamido 2Methylpropane Sulphonic Acid	198.54 <sup>#</sup>	221.24	8.60	8.53
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	326.35 <sup>#</sup>	156.92	50.39	24.44
	By-products		104.12		43.25

<sup>#</sup> It includes goods in transit and stock lying in third party premises.

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

\*\* It includes quantity manufactured through third party.

# Schedules

forming part of Accounts (Contd.)

## SCHEDULE "19" (Contd.)

### D. Raw materials consumed:

(Rs. in Lacs)

	Unit	2009-2010		2008-2009	
		Quantity	Amount	Quantity	Amount
Toluene	Kg.	10,760,984	4,415.30	9,652,422	4,080.78
Propylene	Kg.	8,652,699	3,356.87	7,680,099	3,268.90
Acrylonitrile	Kg.	3,184,424	2,317.15	2,145,389	1,558.37
Isobutylene	Kg.	2,431,639	1,943.13	1,678,407	1,629.25
Others			1,761.45		1,597.90
			<b>13,793.90</b>		<b>12,135.20</b>

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

(Rs. in Lacs)

	2009-2010		2008-2009	
	Value	%	Value	%
<b>i) Raw Materials:</b>				
Imported	3,500.71	25.38	3,149.68	25.95
Indigenous	10,293.19	74.62	8,985.52	74.05
	<b>13,793.90</b>	<b>100.00</b>	<b>12,135.20</b>	<b>100.00</b>
<b>ii) Stores, Spares &amp; Other Consumables:</b>				
Imported	0.10	0.02	-	0.00
Indigenous	547.75	99.98	310.23	100.00
	<b>547.85</b>	<b>100.00</b>	<b>310.23</b>	<b>100.00</b>

### F. Value of Imports calculated on CIF basis:

Raw materials	3,168.91		2,969.69	
Stores, Spares & Other Consumables	50.32		15.85	
Capital Goods	55.81		-	

### G. Expenditure in Foreign Currency (on Payment Basis):

i) Travelling expenditure	7.08		4.56	
ii) Commission on sales	42.15		44.57	
iii) Technical know how fee	248.17		100.39	
iv) Lease Rent	114.39		-	
v) Others	30.50		1.96	

### H. Earnings in Foreign Exchange

Export of goods calculated on FOB basis	17,515.80		14,456.85	
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Figures of the previous year have been reworked/regrouped/reclassified wherever necessary.

## Signatures to Schedules 1 to 19

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**

Chartered Accountants

**Vinod Saraf**

Managing Director

**Vinati Saraf Mutreja**

Executive Director

**Shashikant Gupta**

Partner

**N. K. Goyal**

Chief Financial Officer

**G. S. Singhi**

Company Secretary cum Finance Controller

Membership No. 45629

Mumbai, 19th May, 2010



Additional Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956

# Balance Sheet Abstract

and Company's General Profile:

## I. REGISTRATION DETAILS:

Registration No. :    5 2 2 2 4 State Code :       1 1

Balance Sheet Date :  3 1  0 3  2 0 1 0

Date Month Year

## II. CAPITAL RAISED DURING THE YEAR (Amount In Lacs)

Public Issue :      N I L Right Issue :      N I L

Bonus Issue :       0 Private Placement :      N I L

## III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount In Lacs)

Total Liabilities :  1 8 5 1 3 . 1 1 Total Assets :  1 8 5 1 3 . 1 1

### Sources of Funds

Paid-up Capital :   9 8 7 . 4 5 Reserves & Surplus :  8 9 3 1 . 3 1

Secured Loans :  5 6 9 8 . 6 0 Deferred Tax Liability :   8 7 1 . 7 2

Unsecured Loans :   6 1 3 . 1 4

### Application of Funds

Net Fixed Assets :  1 1 7 9 9 . 4 7

(including Capital work in progress)

Net Current Assets :  5 3 0 2 . 7 5

Accumulated Losses :     N I L

## IV. PERFORMANCE OF THE COMPANY (Amount in Lacs)

Turn Over :  2 4 0 2 0 . 5 5 Total Expenditure :  1 8 8 4 1 . 3 0

Profit Before Tax :  5 1 7 9 . 2 5 Profit After Tax :  4 0 0 4 . 1 4

Earning per share in Rs. :    8 . 1 1 Dividend :     5 0 %

## V. PRINCIPAL PRODUCT OF THE COMPANY

### Product Description

### Item Code No.

Isobutyl Benzene (ITC Code) :  2 9 0 2 . 9 0 5 0

2 Acrylamido 2Methylpropane Sulphonic Acid (ITC Code) :  2 9 2 4 . 1 9 0 0

Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid (ITC Code) :  2 9 0 4 . 1 0 9 0

**Karnavat & Co.**

Chartered Accountants

**Shashikant Gupta**

Partner

Mumbai, 19th May, 2010

**Vinod Saraf**

Managing Director

**N. K. Goyal**

Chief Financial Officer

**Vinati Saraf Mutreja**

Executive Director

**G. S. Singhi**

Company Secretary cum Finance Controller

## Notes

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# Corporate Information

## BOARD OF DIRECTORS

**Mr. Girish M. Dave**, *Non-Executive Chairman*

**Mr. Vinod Saraf**, *Managing Director*

**Mr. C. B. Gokhale**

**Mr. A. A. Krishnan**

**Ms. Vinati Saraf Mutreja**, *Executive Director*

**Ms. Viral Saraf**, *Director (Corporate Strategy) - from 19.05.2009*

**Mr. Sunil Saraf**

**Mr. Anandkumar Tibrewala** - *from 19.05.2009*

**Mr. Mohit Mutreja** - *from 19.05.2009*

## COMPANY SECRETARY CUM FINANCE CONTROLLER

**Mr. Guvant S. Singhi**

## BANKERS

State Bank of India

Barclays Bank PLC

Axis Bank Ltd.

## AUDITORS

M/s. Karnavat & Co.

Chartered Accountants

Mumbai.

## REGISTERED OFFICE & MAHAD WORKS

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

## WORKS

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

## CORPORATE OFFICE

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

## REGISTRAR & TRANSFER AGENTS

M/s. Sharex Dynamic (India) Pvt. Ltd.,  
Dena Bank Bldg., 2nd Floor, Horniman Circle, Fort,  
Mumbai – 400 001.







**Vinati Organics Ltd**

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