



VINATI ORGANICS LTD

Twentieth Annual Report 2008-09



Unique ideas. Unique results.

# whats unique?

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# About this report

## 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.

## Topics and Structure

This report combines our financial, operational and sustainability reporting and is addressed to interested users and readers from all fields. This year we report in detail on how well the Company has performed, what has enabled us to do so and how we are going to carry forward the same into the future. The report contains information on the detailed profile of the Company, its operations and its people, the Central Theme, the economy and the industry in addition to the Directors' Report, Auditors' Report and the Company financials.

The information on the financial position and financial performance of the Company is based on the requirements of accounting principles generally accepted in India, Companies Act, 1956 and conformity to other laws and principles wherever required.

## External Auditing and Validation

Our reporting is audited by a third party. Karnavat & Co. have audited the financial statements of the Company for the year 2008-09 and have stated therein that the financial statements present a true and fair view without any qualification. The audit was conducted in accordance with auditing standards generally accepted in India.

'Unique' is the attribute that sets an entity apart from the throng of faces. Our record books are filled with the stories of the 'unique'.

When Pasteur explored the nebulous possibility of a vaccine or when Columbus beheld the New World, unique instances came into being representing the superlative strive to go beyond the obvious.



## So what spurs a unique action? What makes an entity unique?

In simple words, it is the 'idea'. It is that slight nibble in the grey cells which has fascinated man to rub the flint stones together to bring forth fire to the day when the desktop came to your room.

Vinati Organics Limited represents this very spirit. This is an organisation that thrives on the inspiration of unique ideas and enjoys the resultant successes of its innovative solutions. It is the unique facet of the ideas that enabled Vinati Organics Limited to position itself as a powerful entity in an industry where entry is only a mirage and merely a dream or hope to many.

Unique Products • Unique Technology • Unique Resource Utilisation • Unique Results



## About Us

Incorporated in 1989, Vinati Organics Limited (VOL) has been operating in the chemical manufacturing industry since 1992. The Company was co-promoted by Mr. Vinod Saraf along with Maharashtra Petrochemicals Corporation Limited. The Company has successfully implemented technology which is available to only few in the world. It has always focused on using a technology that is more efficient than the previous one. This has enabled it to achieve economies of scale. VOL produces organic intermediaries and monomers.

## Operations

VOL primarily produces IBB (Iso-Butylbenzene) and ATBS (2-Acrylamido 2 Methylpropanesulfonic Acid). Its manufacturing facilities are located at Mahad and Lote Parshuram, Maharashtra. IBB and ATBS contribute practically to whole of its revenue and profits. Since domestic market for its products is small, the Company exports bulk of its products to USA, Europe, Asia, Middle East and China. The first manufacturing unit was installed in Mahad, Maharashtra in collaboration with Institut of Francais du Petrole (IFP), France.

With a strong consumer base, which includes some of the leading companies of the world, the Company has attained a leadership position. Vinati Organics is now the world's largest producer of best quality of Iso-Butylbenzene (IBB) and N-Butylbenzene (NBB). It is also only the third company in the world to produce 2-Acrylamido 2-methylpropanesulfonic Acid (ATBS). ATBS is produced in the Company's second plant installed at Lote Parshuram, Maharashtra based on advanced technologies developed with the aid of National Chemical Laboratories (NCL), Pune.



## Milestones

**1989:** Vinati Organics Limited (VOL) established

**1992:** Isobutylbenzene (IBB) plant comes onstream with 1,200 MTA production capacity

**1996:** IBB capacity expansion to 3,000 MTA

**1997:** IBB capacity expansion to 5,000 MTA

**2002:** ATBS plant onstream with 1,000 MTA production capacity

**2006:** IBB capacity expansion to 10,000 MTA. ATBS capacity expansion to 3,600 MTA

**2007:** Started n-tertiary Butylacrylamide (TBA) production

**2008:** IBB capacity expansion to 14,000 MTA

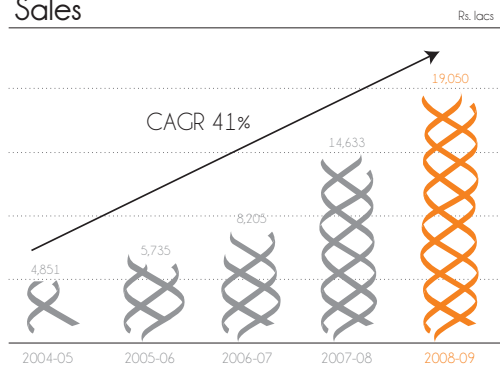
**2009:** ATBS capacity expansion to 10,000 MTA. TBA capacity expansion to 500 MTA

## Servicing the World

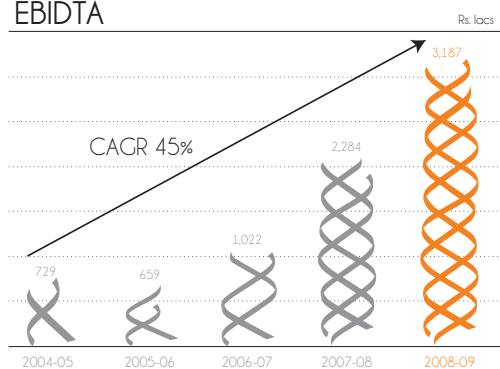
India, UK, USA, China, France, Germany, Belgium, Thailand, Korea, Taiwan, Italy and many more.

# Financial Overview

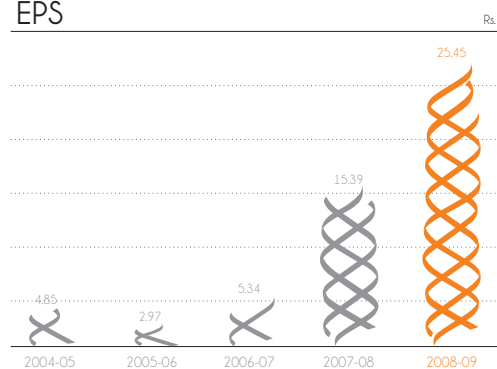
## Sales



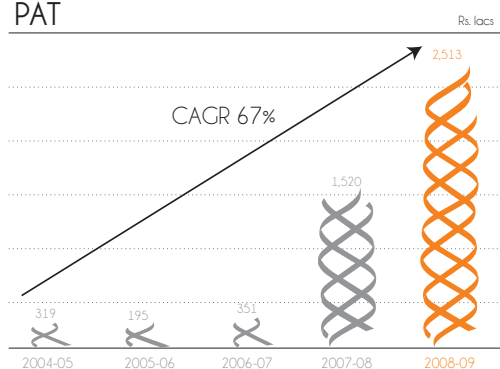
## EBIDTA



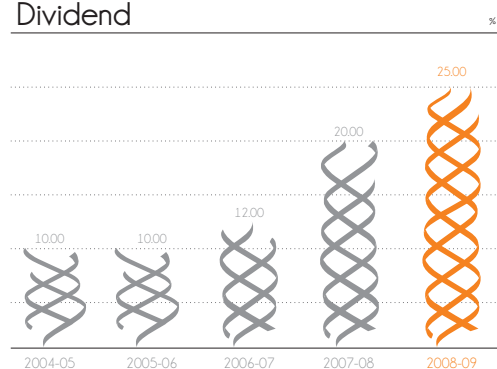
## EPS



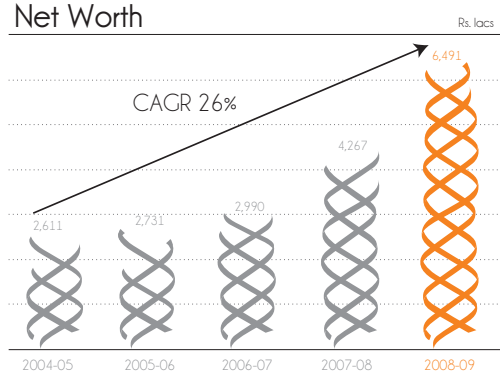
## PAT



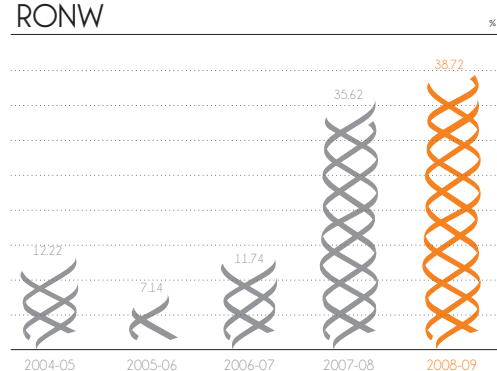
## Dividend



## Net Worth



## RONW







Rs. 19,050.00 lacs Net Sales

Rs. 6,490.92 lacs Net Worth

Rs. 2,512.83 lacs Profit After Taxes

Rs. 11,586.63 lacs Capital Employed

Rs. 25.45 Earnings Per Share (EPS)

Rs. 2.50 Dividend Per Share (DPS)

Rs. 65.73 Book Value Per Share

Rs. 192.92 Net sales Per Share

Other  
Significant  
Figures



## Managing Director's Message

We have continuously worked towards providing an enabling work environment which encourages people to acquire newer skills and knowledge so as to make them more effective, productive and tuned to the environment changes. Attracting, recruiting and selecting, developing and retaining talented employees have been a thrust area to meet the needs of growth across various units.



## Dear Shareholders,

Vinati Organics continued to deliver strong performance by focusing on a niche and specialised chemical segment with a very sound technological base in the year ended 31 March 2009. In a challenging economic environment, we grew net sales by 30.19% to a record Rs. 19,050.00 lacs, with net profits increasing by 65.34%. For fourth year in a row, we increased our Return on Net Worth. Earnings per share for the year were Rs. 25.45, an increase of over 65%. Our Compounded Annual Growth Rate (CAGR) in EPS was 104.64% over the last 3 years.

The solid earnings situation allows us to continue our policy of dividend continuity in 2008-09. For FY09, the Board has recommended a dividend of Rs. 2.50 per share, as against Rs. 2.00 per share during FY08. We feel it is imperative for us to ensure that our shareholders share appropriately in our successes and thereby make our stock an attractive long term investment.

### Expansion

At VOL, we are not only taking steps to improve operational efficiencies but also looking to expand. We have regularly invested in technology and newer products as a part of the strategy for growth. We are going for backward integration into manufacture of Isobutylene (IB), a key raw material for 2-Acrylamido 2 Methyl Propane Sulfonic Acid (ATBS). Currently Isobutylene is imported from Europe and Taiwan. Thus VOL will be saving significant logistics costs. Capex for the above project is Rs. 3,800 lacs and the project is expected to go on stream by end of FY10. We have planned to use half of the Isobutylene capacity for our own manufacturing purpose while the remaining will get utilised for our domestic customers needs.

In addition to this we are also looking to enter into IB derivative products.

We are also building a pilot plant to run trials for manufacturing Para-Amino Phenol (PAP) using a highly environment friendly and cost-effective technology.

Recently, we have doubled the production capacity of ATBS at Lote Parshuram.

### Our People. Our Future.

VOL has a highly qualified, experienced and motivated workforce and management team. Our current workforce of almost 400 is able and willing to give their best to the Company and our future. They have proved this time and again in the past. We are also implementing human resource development programmes, survey of employee training, payroll/contracts.

We have continuously worked towards providing an enabling work environment which encourages people to acquire newer skills and knowledge so as to make them more effective, productive and tuned to the environment changes. Attracting, recruiting and selecting, developing and retaining talented employees have been a thrust area to meet the needs of growth across various units.

### Conclusion

We hope to continue on our path of sustained growth and performance despite the dismal global climate. Our optimal combination of technology and human resource is the calling card for latching on to available and prospective opportunities.

We thank all our stakeholders for their continuous trust and confidence. We hope that they shall continue to do so while we strive to create value for them years after years.

Vinod Saraf  
Managing Director

# Our Facilities

## Mahad Factory

The plant was installed in technical collaboration with Institut Francais du Petrole (IFP), France.

### Factory Location

B-12 & B-13/1, MIDC Industrial Area, Dist. Raigad, Mahad-402309, Maharashtra, India.

### Products Manufactured

Isobutylbenzene (IBB), Normalbutylbenzene (NBB)



## Lote Factory

The Plant was installed based on breakthrough technology developed with the aid of National Chemical Laboratories (NCL), Pune.

### Factory Location

Plot No. A-20, MIDC, Industrial Area, Lote Parashuram - 415722  
Tal. Khed, Dist. Ratnagiri, Maharashtra, India.

### Products Manufactured

2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS), Sodium Salt of ATBS (NaATBS), n-tertiary Butylacrylamide (TBA)





# UNIQUE products

Vinati Organics' global oligopolistic position in both of its key products positions it on a very strong footing. Cost leadership & scale economies in IBB and technological entry barrier in ATBS are great strategic advantages. Going forward, the Company wants to get into only niche products that offer technological edge or cost competitiveness and this augurs well for its continued strategic edge.

**Generic Chemical Name** - Isobutyl Benzene (IBB)

**Synonyms** - 2-Methyl-1-Phenyl, Propane

**Applications** - It is used for manufacturing Ibuprofen, an anti-inflammatory analgesic bulk drug. It is also used in the perfumery industry and as a specialty solvent.

Vinati Organics Limited is a market leader in IBB with over 60% market share. Its IBB production capacity is 14,000 TPA and FY09 production was around 11,500 tonnes. IBB global market is growing at around 5% annually, as Ibuprofen is at a mature stage of product lifecycle. However, the Company has been growing at a little faster rate due to gain in market share. It is expected to gain further market share this year, as production in China is going down.

**Generic Chemical Name** - 2 Acrylamido 2 Methylpropane Sulfonic Acid & its sodium salt (ATBS & Na-ATBS)

**Synonyms** - Acrylamido Tertiary Butyl Sulfonic Acid

**Applications** - These specialty monomers have wide applications & mainly in oil-field recovery, water treatment, acrylic fiber manufacturing, adhesives and personal care products. It is used as Co-Monomer in acrylic fiber industry, Co-Monomer in surfactants for personal care products, in water treatment chemical for Corrosion inhibitor silt control, in paper and pulp as a filter aid sizing dispersant and in mining as a flocculant.

The Company is focusing on increasing revenues from this segment. ATBS global demand continues to be strong. ATBS, Na-ATBS and other derivatives that the Company makes are monomers and are supplied to polymer manufacturers who then sell the polymers to users through their distribution channels. Direct sales are only to acrylic fiber industry. The Company has a 15-20% market share with a capacity of 10,000 TPA. There are only 3 manufacturers of ATBS in the world.

**Backward Integration into Isobutylene (IB)**

The Company is currently in the process of setting up backward integration project for making Isobutylene (IB), which is a key input in the making of ATBS. Currently IB is imported from Europe & Taiwan in pressurized tanks. The project will cost Rs. 3,800 lacs

and save significant logistics costs. The project is expected to commence towards the end of FY10 and hence will contribute to growth in FY11. India imported about 6,000 tonnes of IB last year. Of the 8,000+ TPA capacity being set up, about 4,000 ton will be captive consumption and balance will be for sale to manufacturers of agro-chemicals, antioxidants, etc.

**Other Products**

**1) Normal Butylbenzene (NBB)**

Applications

- It is used as a speciality solvent
- It is used in the synthesis of intermediates like Ortho-Butyl Aniline & Para-Butyl Aniline.
- It is used for application in LCD.

**2) Hexenes (C<sub>6</sub>H<sub>12</sub>)(C-6 Aliphatic Hydrocarbons)**

Applications

- Used as a Low boiling Point Solvent
- As Thinners
- For Solvent Extractions
- In Tyre Retreading
- As Octane Booster for Gasoline.
- For Manufacturing C-5 / C-6 Aliphatic Petroleum Hydrocarbon Resins

**3) C 10 AROMATIC SOLVENT**

Applications

In Paints & Coatings, Inks, Cleaning Solvents, Environmental friendly Agrochemical & Pesticides formulations.

**4) N-Tertiary Butyl Acrylamide (TBA)**

Applications

- Photo.
- Monomer for cosmetics.
- Monomer for Acrylic Polymers.
- Adhesives.

**Forward Integration**

Vinati Organics is considering to enter into IB derivatives products.



UNIQUE  
technology



Vinati Organics Limited uses world-class, inimitable technology. The Company is focused on products with technological entry barriers. Both the plants are fully computerised with modern day production facilities. The Company is manufacturing products which have a very sound technological base and chemical composition, and are therefore niche and specialised.

The first plant at Mahad was installed in technical collaboration with Institut Francais du Petrole (IFP). The Company has successfully absorbed this technology to emerge as the world's largest producer of IBB.

ATBS technology for the plant at Lote was developed by Pune-based National Chemicals Laboratory and licensed to the Company.

VOL uses a novel catalyst due to which it has attained a very high level of operational efficiency. This enables the Company to produce high quality products at costs far lower than its peers. The segments where the Company operates are high value added as well as quality sensitive products. Cost and quality objectives can be achieved only with the help of powerful technologies.

**VOL is a constant investor in technology and products as a strategy for growth.**

## Achievements

VOL has achieved a record purity level of 99.8% for Isobutyl Benzene as against the prevailing international standards of 99.5% by adopting the latest and most sophisticated technology and backed up by our well equipped in-house R&D and Personnel training center.

As Isobutylbenzene is mainly consumed by Pharmaceutical industry the Company's main thrust is on Production under hygienic and safe conditions. To maintain this we have set high standards and they are strictly being implemented at every stage. Thus VOL is preferred by all Ibuprofen manufacturers.

VOL is the preferred source for some of the largest chemical manufacturing companies which use ATBS. The technology used, enables the Company to recover, purify and resell the waste generated from the manufacturing process of ATBS.

Vinati Organics has not only focused on investing in newer technologies but most importantly has also ensured that it focuses on manufacturing products through an environmentally friendly process, that involves avoiding polluting chemicals in the manufacturing process and treating the effluents to make profitable by products from them.

The Company now recycles all residual streams and organic wastes. The resultant products are then sold to industries that use them. The Company achieved success in its initiative to minimise waste and recycle it into usable products and thus created an additional revenue stream.

At the Lote Parshuram plant, the Company has been able to successfully purify and produce a marketable by-product – Tertiary butyl acrylamide (TBA).

In order to enhance eco friendliness, we are re-utilising the ATBS waste and making a polymer called 'vintreat cap'.

- Its application is as a water-reducing used in construction concrete project.
- It can improve mixture character and the quality of project, as cohesive agent.
- It can be used to mould ceramic and fireproofing and enhancement agent, as floating agent.
- It can be engaged in mineral separation and as bonding agent in metallurgical dust industry, as mixture diluents used in producing concrete.
- It can improve mixture fluidity, save water and energy.
- It can be used as agricultural additive and emulsifying agent.

UNIQUE  
resource utilisation

# UNIQUE

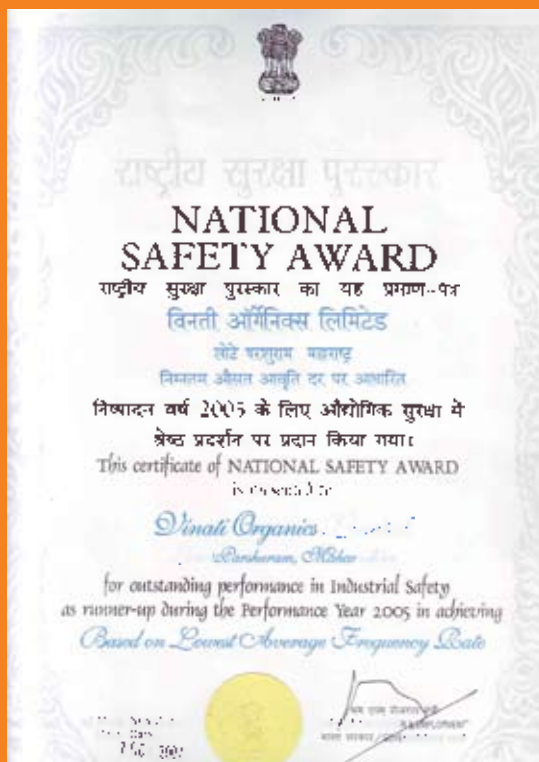
## results

Despite negative scenario in the global economies including the Chemical industry segments, Vinati Organics was able to register an outstanding performance. The turnover for the year crossed the figure of Rs. 20,000 lacs while at the same time the total income rose by over 30%. Profit after taxes increased by over 65% to cross Rs. 2,500 lacs. The Company's competitive and significantly low cost of manufacturing and scale economies are the key success factors here.

This was enabled due to the focus of the Company on niche segments, good demand and operational efficiency. ATBS is experiencing strong demand. The share of ATBS in total sales has risen strongly during 2008-09. Revenues from ATBS & NaATBS increased by about 65% to stand at Rs. 7,306.74 lacs as against Rs. 4,433.47 lacs during the previous year. The Company also generates revenues from recycling, purifying and marketing of waste products. However, revenue from this is not very significant.

The world-class technologies used are highly efficient and cost effective. The Company has been able to manufacture products at costs far lower than some of its peers. This is one of the reasons why the Company's net profit margins have improved despite pressures on the cost front. The Company has benchmarked its long term contracts to oil prices, to hedge itself against volatility in international oil prices. In addition to this, the Company enters into export contracts in Indian currency and uses the import parity price mechanism to hedge itself against foreign exchange rate fluctuations.

# Awards and Accolades



**National Safety Award** for outstanding performance in Industrial Safety



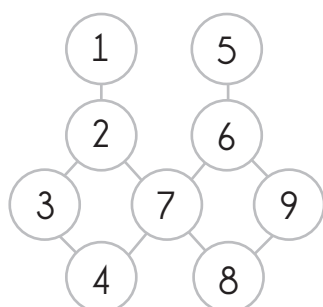
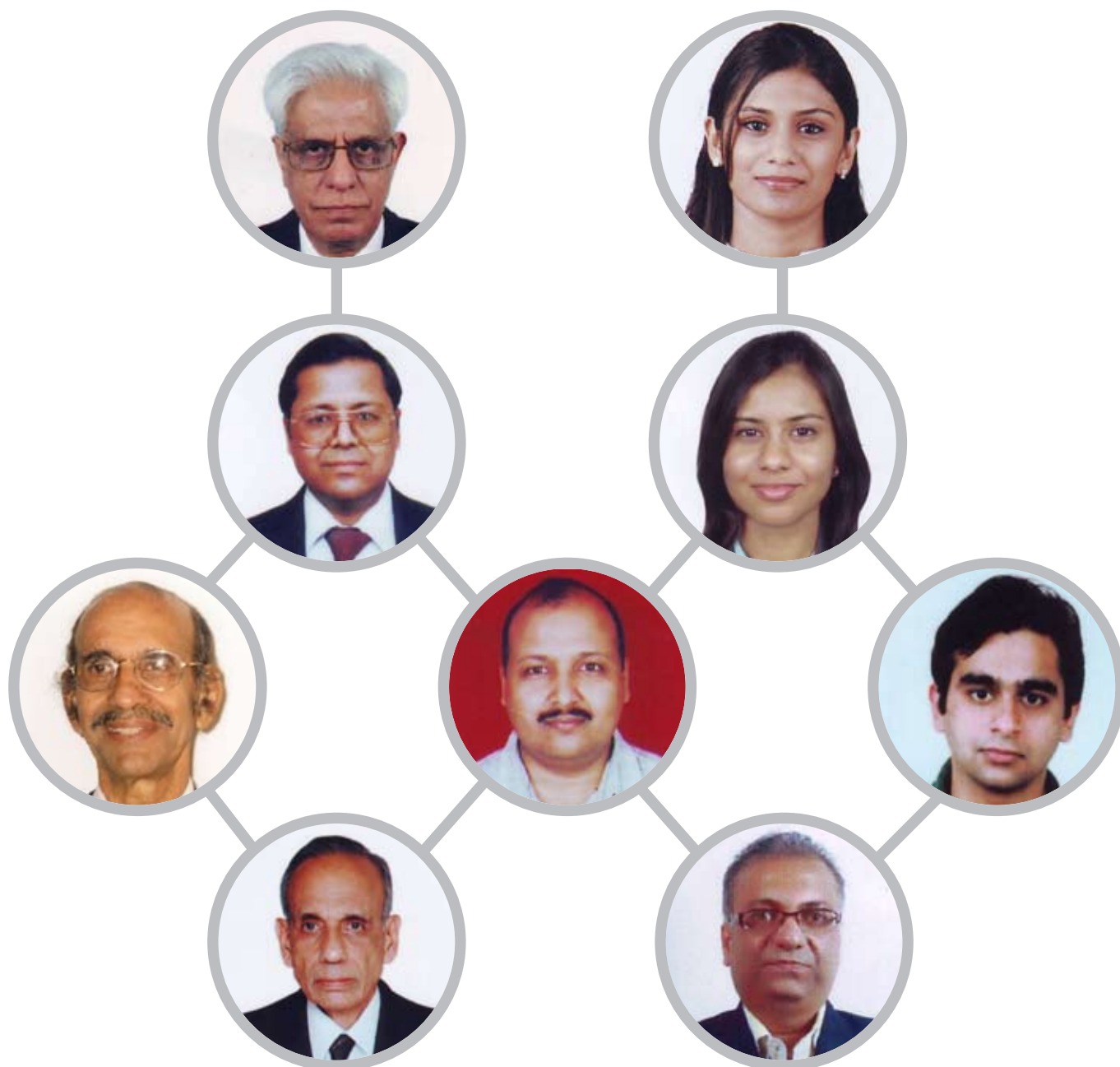
**Certificate of Export Recognition**



ISO 9001:2000 Certificate  
for plant at Mahad



ISO 9001:2000 Certificate  
for plant at Lote Parshuram



## Profile of the Board of Directors

1. Mr. Girish M. Dave   2. Mr. Vinod Saraf   3. Mr. Chintaman Bhaskar Gokhale  
 4. Mr. Ayilur Akileswaraiyer Krishnan   5. Ms. Vinati Saraf Mutreja   6. Ms. Viral Saraf   7. Mr. Sunil Saraf  
 8. Mr. Anandkumar Tibrewala   9. Mr. Mohit Mutreja



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

He is an M.Com, LLB, & CAIIB graduate. He is an eminent advocate and senior partner of well-known Law Firm, M/s. DAVE & GIRISH & CO., Advocates, and has over 45 years experience in the legal field. The Company has benefited substantially from his advice and guidance and also due to his immense knowledge in the said field he has contributed to the Company with a wide range of advancement in the respective fields so as to reap the fruitful benefit in the long run.

### 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 chemical division of Grasim industries he was responsible for identification of chemical/petrochemical projects, technical tie-up and feasibility studies etc. 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 number of financial Institutions viz. NSE, CCIL, NSDL, CARE. He has started 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 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 Audit Committee of the Company.

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 Petro Chemical Industry. He is Director of other public limited companies namely Andhra Petrochemical Limited. He was appointed as a director long back and has vast and diversified technological and chemical expertise of running the manufacturing unit in such industries. Due to his commitment for technological advancement in continuously improving the systems and procedures, he has substantially contributed to the growth of the Company.

### 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, 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 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 Rajasthan University. He is having rich experience of 22 years. He is Director on the Board since inception of the Company.

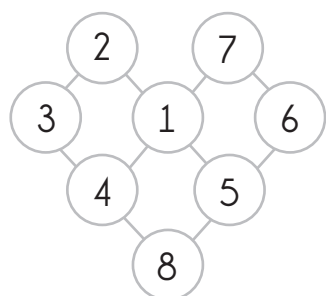
### 8. Mr. Anandkumar Tibrewala, Director

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 leading multinational Company in India. He is involved in accounting assignments for U. K. 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.





## Other Key Managerial Personnel

1. Mr. Nandkishore Goyal   2. Mr. Vinod Kumar Behl   3. Mr. Jayesh Assar   4. Mr. B. S. Lathi  
5. Mr. R. K. Dammani   6. Mr. Mahendra Kumar Churiwala   7. Mr. Amit Thanawala   8. Mr. Gurnvant S. Singhi



**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 7 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. Vinod Kumar Behl, Chief Operating Officer (COO)**

He graduated in Chemical Engineering with honours from Punjab University, Chandigarh. He has 38 years of previous industrial experience with several well known Companies like M/s. Unichem Laboratories Ltd., M/s. Ranbaxy Laboratories Ltd., M/s. Armour chemical, M/s. Nocil Ltd., M/s. Union Carbide India Ltd., M/s. Indian Oil Corporation Ltd. & M/s. Hindustan Industries, Faridabad etc.

**3. Mr. Jayesh Assar, Executive President, Projects**

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.

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

He is having 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.

**5. 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.

**6. 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.

**7. 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.

**8. 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

Financial Year 2008-09 was indeed a very tough one for all economies especially large and advanced economies. The related side effects spread to Emerging Market Economies like India and China. Inflationary conditions witnessed sharp volatility during this period. It went upto 13% at around August, 2008 and came down to under 1% towards the end of the period.

During the year 2008-09 and also post this period, large institutions around the globe have faced high distress. Indian economy witnessed the slowdown as well growing at around 6.7% after growing for over 9% in the preceding 3 financial years. However, the fundamentals of the economy are still strong. During a time when economies have decelerated, Indian economy has surged ahead. IIP figures for the first quarter of 2009-10 indicate the quick recovery of the economy. Fiscal deficit, however, still remains a concern.

## INDUSTRY OVERVIEW

Without any reservation, year 2008-09 was a tough year for the chemical industry. Prices for raw materials skyrocketed and remained volatile throughout the year. No one in the industry forecast that oil prices would reach nearly \$150 per barrel, sending material costs soaring. Economic conditions around the world, which initially seemed weak but essentially stable, suddenly worsened dramatically.

Mixed, often conflicting economic signals throughout 2008 made it hard for chemical companies to lock in medium and long-term commitments. As the reality of a global recession became all but certain, it became increasingly difficult to pass along price increases, particularly to clients with contracts that were fixed for six to 12 months. The rate of innovation in the chemical industry continued to slow.

### Isobutyl benzene (IBB)

Isobutyl Benzene (IBB) is manufactured out of toluene and propylene. It is an organic, aromatic, neutral, colourless liquid. It is also known as 2-methyl-1 phenylpropene. Conventionally, isobutyl benzene is produced industrially by the side chain alkylation of toluene with propylene using an alkali metal catalyst.

IBB is a high value speciality chemical and is a basic raw material for manufacturing Ibuprofen, an anti-inflammatory/anti-arthritic/analgesic medicine for pain management. It is also used in Perfume industry.

The total demand of ibuprofen is estimated at around 22,000 tonnes globally, translating into a consumption of around 18,000 tonnes of IBB. Ibuprofen is mainly manufactured in India, China and the US. India is a net exporter of both IBB and Ibuprofen. The world market for Ibuprofen is estimated to grow at 5-6% annually.

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

These specialty monomers have wide applications & mainly in oil-field recovery, water treatment, acrylic fiber manufacturing, adhesives and personal care products. It is used as Co-Monomer in acrylic fiber industry, Co-Monomer in surfactants for personal care products, in water treatment chemicals for Corrosion inhibitor silt control, in paper and pulp as a filter aid sizing dispersant and in mining as a flocculant.



“Vinati Organics Ltd. (VOL) was established in 1989 and manufactures specialty organic intermediaries and monomers. It is listed on the Bombay Stock Exchange and has over 300 employees.”

Acrylonitrile and isobutylene are the key inputs for this chemical which are derivatives of petroleum crude, the price of which has shot up globally.

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 process of developing these projects. The world demand for ATBS is growing steadily and is expected to increase 2 to 3 fold with the production of enhanced oil recovery polymers.

There are very few manufacturers of these products world-wide. At present there are only 3 manufacturers of ATBS in the world. With the growth of the above industries in India, these products will find new applications domestically. Demand for ATBS in India at present is very limited. A major portion of the production in India is exported. The main destinations for exports are Europe, America and other Asian countries.

#### COMPANY OVERVIEW

Vinati Organics Ltd. (VOL) was established in 1989 and manufactures specialty organic intermediaries and monomers. It is listed on the Bombay Stock Exchange and has over 300 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 TPA and supplies to all major Ibuprofen manufacturers in the world.

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 fibres, personal care products, water treatment chemical, enhanced oil recovery chemical, etc. It began commercial production of ATBS at its plant in Lote Parshuram, Maharashtra in 2002 based on technology sourced from National Chemical Laboratories, Pune. It has since expanded its capacity to 10,000 TPA.

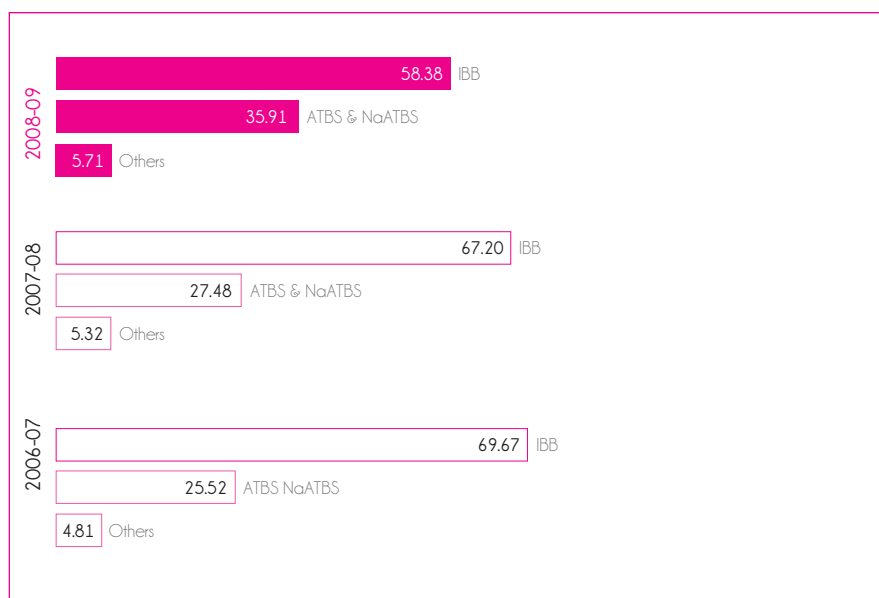
#### Performance Overview

Countering the adverse economy and industry conditions, the Company has achieved an impressive growth in sales and profitability during 2008-09. Even though there was high input cost volatility, the Company's profitability was protected from it due to its efficient contract structuring.

	2008-09	2007-08	% growth (Y-O-Y)
Total Income	19,582.27	15,035.96	30.24%
Profit after Taxes	2,512.83	1,519.77	65.34%
Net Worth	6,490.92	4,266.91	52.12%
Earnings per share (Rs.)	25.45	15.39	65.37%
Net Current Assets	3,359.99	3,046.19	10.30%
Gross Block	11,455.41	7,494.37	52.85%
Net Block	8,812.68	5,175.95	70.26%

Rs. lacs

## Segmental Analysis (Sales Mix as a % of total sales)



## Safety &amp; Quality

As a crucial element of any organisation in the manufacturing sector, reputation is built on control over safety and quality. Vinati Organics Ltd. always gives prime importance and top-most priority to the safety and health of employees and the protection of the environment. We believe that all accidents are preventable and all identifiable health hazards are containable.

The Company is an ISO 9001:2001 certified Company at both its plants at Mahad & Lote, Maharashtra. The Certificate of National Safety Award was presented to the Company for outstanding performance in Industrial Safety as runner-up during the Performance Year 2005.

## Technology &amp; Environment

We use innovative methods for operations while at the same time reducing environmental pollution. The Company has devised scheme to treat waste products and polluting agents and sell them to industries that can re-use them. Efforts are being undertaken to captively use the products in the plant itself. The technology used at the plant recovers, recycles and purifies and then reuses the products. The success lies in the fact that the Company converts a large portion of the residuaries after neutralisation into a low-cost saleable polymer, which can be once again be used in a number of applications. While this does not add significantly to the revenues, the major benefit is yielded in terms of significant reduction in ETP (effluent treatment plant) load both in terms of quantity as well as the almost total elimination of organic waste.



## SWOT ANALYSIS





### Strengths

-  17 years of manufacturing experience.
-  World-class, inimitable technology.
-  State-of-art, competitive and cost-effective manufacturing.
-  Proximity to Mumbai and JNPT port provides great ease of logistics and access to advanced infrastructure facilities.
-  Environment friendly operations including 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 falls on the vagaries of currency fluctuation as it exports its products mostly.

### Opportunities

-  The world 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.
-  India emerging as a global hub for pharma/agro intermediates.
-  The demand for the Company's products in India (especially ATBS) is at a nascent stage and is expected to surge ahead in the times to come.

### Threats

-  A slowing global economy likely to have an impact on the business.

## INTERNAL CONTROL

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

All operating parameters are ministered and controlled. Regular internal audits and checks ensure that responsibilities are executed efficiently. No significant internal control lapses were identified.

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

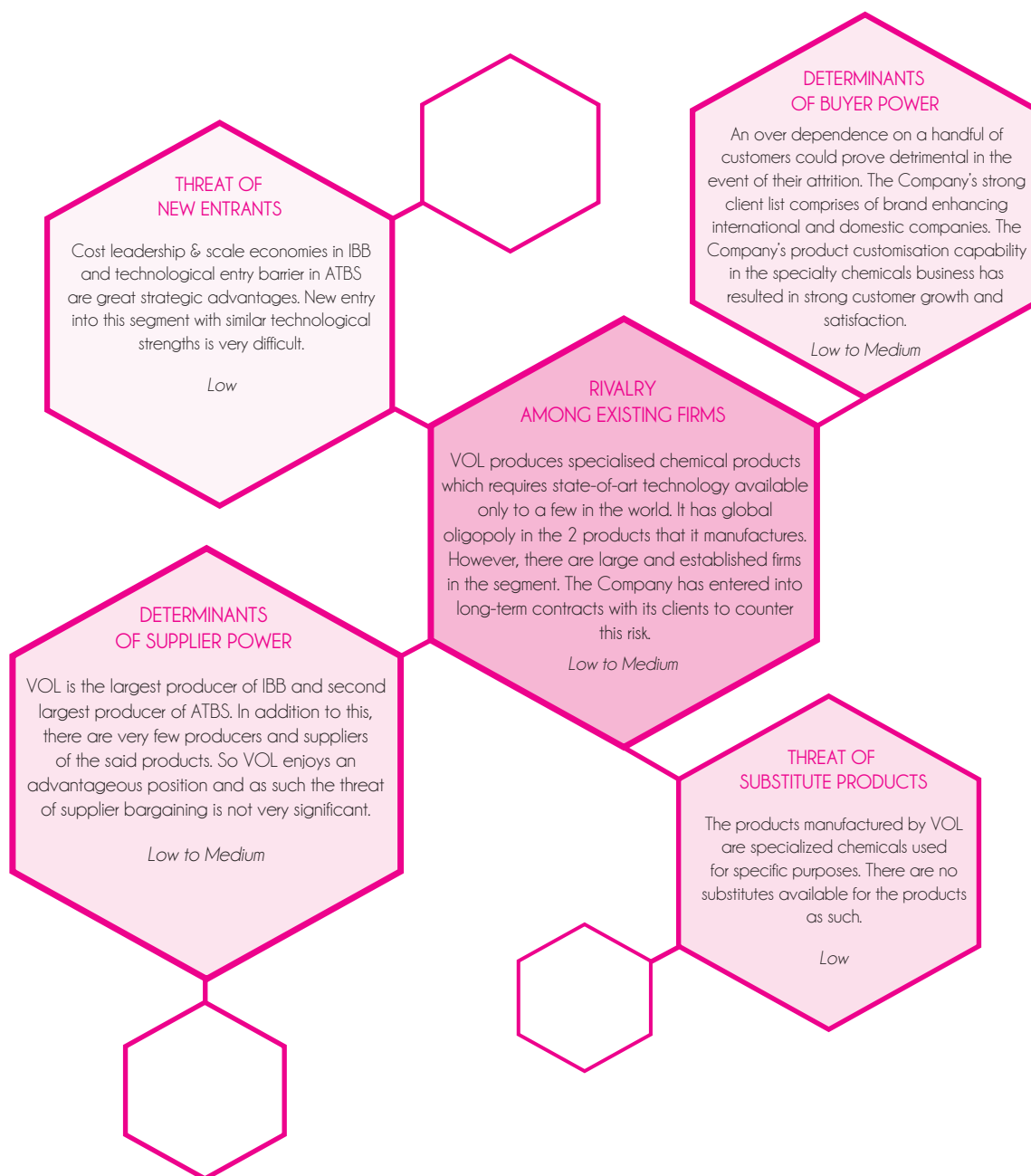
## HUMAN RESOURCES

As of 31 March 2009, Vinati Organics Limited had 348 employees in comparison to 319 employees as on 31 March 2008.

We encourage employees to be entrepreneurial and think from the perspective of a stakeholder in the company. 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

##### a) 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 the operations.

##### *Mitigation*

The Company has undertaken expansion programme due to which efficient and skilled management will be the pre-requisite. The Company is also implementing human resource development programme, survey of employee training, payroll/contracts etc.

##### b) Risk of Foreign Exchange

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

##### *Mitigation*

The risk is limited to the contribution margin, as the company procures raw material through imports and local purchases and even locally sourced raw material track import parity price. Even the contribution margin is not fully exposed as long term contracts have provision to share the forex risk

##### c) Economic Downturn

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

##### *Mitigation*

Products of VOL are exported to a lot of countries around the world. The Company is expanding its product base at the same time.

##### d) 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 Dollar may cause a drop in margins as most of our export orders are negotiated in this currency.

##### *Mitigation*

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

##### e) Quality Risk

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

##### *Mitigation*

The quality of product is monitored rigorously by a dedicated Quality Assurance Department and technically qualified executives. This Department supervises quality control and assurance requirements in addition to providing technical service to customers; certifies the sample (specifications) given by the client that will need to be developed by the Company and provides certificate of approval for what has been produced, thus clearing it for dispatch.

##### f) Technology Risk

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

##### *Mitigation*

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



## Directors' Report

To the Members,

Your Directors have pleasure in presenting their Twentieth Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31 March 2009.

### 1. FINANCIAL RESULTS

The summarized position of these results is given below:

		Rs. in Lacs.	
		2008-09	2007-08
Net sales up by 30%	Sales and other income	20,879.41	16,539.00
	Profit before Interest, Depreciation & Taxes	3,845.06	2,935.90
	Interest	328.86	325.93
	Profit before Depreciation & Taxes	3,516.20	2,609.97
EBITDA up by 32%	Depreciation & Non-cash Charges	327.44	295.36
	Profit before Taxation	3,188.76	2,314.61
	Provision for Taxation		
	- Current	613.21	748.60
	- Deferred	59.45	42.50
	- Fringe Benefit Tax	8.00	8.00
	Provision for earlier year W/back/Provided	(4.73)	(4.26)
PAT up by 65%	Net Profit	2,512.83	1,519.77
	Balance brought forward	3,134.06	2,211.36
	Balance available for appropriations	5,646.89	3,731.13
	Appropriations		
	Capitalised for bonus shares	-	239.15
	Gratuity liability for transitional period	-	11.86
	Dividend	246.87	197.49
	Tax on Dividend	41.95	33.57
	Transfer to General Reserve	252.00	115.00
	Surplus carried to Balance sheet	5,106.07	3,134.06





The performance was driven mainly due to the growth in export sales across the developed and emerging markets.

## 2. REVIEW OF OPERATIONS

The Company's operations have shown impressive growth during the year under review. The total sales during the year have gone up from Rs. 16,135.58 Lacs to Rs. 20,347.14 Lacs, registering a growth of 26.10 % 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 optimization & research and development have resulted in increased operating efficiency. IBB sale of the Company constitutes 60% of the global sales there by making it a market leader.

The Company's Net profit before tax has also gone up from Rs. 2,314.61 Lacs in 2007-08 to Rs. 3,188.76 Lacs in 2008-09 registering a robust growth of 37.77%.

## 3. DIVIDEND

Your Directors are pleased to recommend a dividend of 25% i.e. Rs. 2.50 per equity share. The total outgo on dividend account will be Rs. 288.82 Lacs (inclusive of corporate tax on dividend). The dividend is tax free in the hands of the shareholders.

## 4. PROSPECTS

The project work on the proposed modernization-cum-expansion programme of ATBS project is mechanically completed. The expansion of ATBS (2-Acrylamido 2 Methyl Propane Sulfonic Acid) Plant to increase the capacity to 10,000 TPA from 5,000 TPA has been completed w.e.f. 16 May 2009.

The Company is backward integrating into manufacture of Isobutylene (IB) which is a key raw material for 2-Acrylamido 2 Methyl Propane Sulfonic Acid (ATBS).

Currently Isobutylene is imported from Europe & Taiwan in pressurized tanks. Thus VOL will be saving significant logistics costs. Budgetary cost for the above project is Rs. 3,800 Lacs and the project is expected to go on stream by end of financial year 2009-10.

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

The Company is optimistic about the future demand and foresees a strong and robust growth in the financial year 2009-10 across all markets driven by good performance in existing and new areas of business.

## 5. TURNOVER AND PROFIT (OPERATING RESULTS)

The Company achieved turnover of Rs. 20,347.14 Lacs as compared to Rs. 16,135.58 Lacs in the previous year. The net profit after tax increased to Rs. 2,512.83 Lacs as compared to Rs. 1,519.77 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. A. A. Krishnan and Mr. Girish M. Dave, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Anandkumar Tibrewala, Mr. Mohit R. Mutreja & Ms. Viral V. Saraf are appointed as additional directors pursuant to Section 260 of the Companies Act, 1956 and they hold office upto the date of forthcoming Annual General Meeting. The Board recommends their reappointment.

Ms. Viral V. Saraf is appointed as Director – Corporate Strategy on the terms and conditions mentioned in the notice. This needs ratification by the members. The Board recommends her appointment as Director – Corporate Strategy.

## 8. AUDITORS

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

## 9. AUDITORS' REPORT

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

## 10. COST AUDITOR

As per the order of Central Government, 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 March 2009. 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 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. We confirm that the Listing fee for the financial year 2008-09 has been paid to them.

## 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 31 March 2009 and the profit of the Company for the year ended on 31 March 2009;
- (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, 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')

A detailed review of operational performance and future outlook of the Company is given under the Management Discussion and Analysis report which forms a part of the annual report.

## 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.

On behalf of the Board of Directors

Vinod Saraf  
Managing Director

Place : Mumbai  
Date : 19 May 2009



## ANNEXURE – 'A' - Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

### 1) 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	2008-09	2007-08
1. Electricity		
a) Purchased (MSEB)		
Unit (KWH in Lacs)	104.87	86.43
Total Amount (Rs. in Lacs)	501.24	375.90
Cost per unit (in Rs.)	4.78	4.35
Unit Consumed/Kg. Of IBB	0.32	0.28
Unit Consumed/Kg. Of ATBS & SMAS	1.52	1.60
b) Own Generation		
Through Diesel Generator		
Units	41916	41785
Total Amount (Rs. in Lacs)	5.35	4.69
Cost per unit (in Rs.)	12.77	11.22
2. Coal		
Units (Kg.)	1,166,280	-
Total Amount (Rs. in Lacs)	61.23	-
Cost per kg (in Rs.)	5.25	-
3. Furnace Oil		
Units (Kg.)	656,240	821,118
Total Amount (Rs. in Lacs)	176.38	180.81
Cost per kg (in Rs.)	26.88	22.02

### 2) 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.

### 3) 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.

### 4) FOREIGN CURRENCY EARNINGS AND OUTGO

The details of Foreign Exchange Earnings & Expenditure in Foreign Currency are given in Note No. 16 G & H of Schedule 18.



# Corporate Governance Report

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

## 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 an Non-Executive Chairman. The number of Independent Directors is one-third 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.

The number of Independent Directors or the number of Non-Executive Directors is as per the revised clause 49 of the Listing Agreement with the Stock Exchange.

#### (b) Attendance at Board 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 2008-09 and the gap between two meetings did not exceed four months

Date of the Meeting	Total Strength	No. of Directors present
31 May 2008	6	6
20 June 2008	6	2
25 July 2008	6	5
17 September 2008	6	2
27 October 2008	6	4
29 January 2009	6	6



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 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 31 March 2009 are given below

Name	Category	No. of Board Meetings Attended during 2008-09	Whether attended AGM held on 27 Sep. 2008	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, Not-Independent Executive	6	Yes	1	-	-
Mr. Girish M. Dave (Non-Executive Chairman)*	Independent Non-Executive	2	No	7	-	7
Mr. C.B. Gokhale (Director)	Independent Non-Executive	3	No	-	-	-
Mr. A.A. Krishnan (Director)	Independent Non-Executive	4	Yes	1	-	-
Mr. Sunil Saraf (Director)	Promoter, Not-Independent Non-Executive	4	No	1	-	-
Ms. Vinati Saraf Mutreja (Executive Director)	Promoter, Not-Independent Executive	6	No	1	-	-

\* He is the Non-Executive Chairman w.e.f. 19 May 2009

#### (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 2009. 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.

### 3) AUDIT COMMITTEE

#### (a) Constitution

The Audit Committee, which was constituted on 31 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 24 January 2002 and was reconstituted on 20 May 2006. 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 31 March 2009 comprised the following 3 Directors of the Company

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

All members of Audit Committee have good exposure to finance as well as general management.

## (c) Meetings &amp; 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
31 May 2008	3	3
25 July 2008	3	2
27 October 2008	3	2
29 January 2009	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.

## 4) SHARE TRANSFER COMMITTEE

The Share Transfer Committee was constituted on 25 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 2008-09 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 24 January 2002 and reconstituted on 20 May 2006 to look into redressal of investor's complaints and requests like delay in transfer of shares, non-receipt of dividend, annual report, etc.

## (b) Composition

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

- 1. Mr. Girish M. Dave : Chairman - Independent Director
- 2. Mr. Vinod Saraf : Member - Managing Director
- 3. Ms. Vinati Saraf Mutreja : Member - Executive Director

## (c) Meetings &amp; 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
31 March 2009	3	3

A total number of 19 complaints were received and all of which were, redressed by the Company during the year 2008-09.

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 31 MARCH 2009.

### Managerial Remuneration

Name	Salary & Allowances	Contribution to PF	Amount in Rs.
			Other Perquisites
Mr. Vinod Saraf Managing director	2,500,000	300,000	110,650
Ms. Vinati Saraf Mutreja Executive Director	2,437,500	225,000	87,418
<b>Total</b>	<b>4,937,500</b>	<b>525,000</b>	<b>198,068</b>

## 7) GENERAL BODY MEETING

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

Year	Location	Date	Day	Time	Number of Special resolutions passed
17th AGM 2006	Regd. Office, B/12 & B-13/1, MIDC Indl. Area, Mahad - 402 309, Dist. Raigad, Maharashtra.	23.09.2006	Saturday	03.00 p.m.	Nil
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	Regd. Office, B/12 & B-13/1, MIDC Indl. Area, Mahad - 402 309, Dist. Raigad, Maharashtra.	27.09.2008	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. 7(b) of schedule 18 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.

## 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.sebiedifarnic.in](http://www.sebiedifarnic.in)

## 10) MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The discussion on financial performance with respect to the operational performance, review of operations, exports and prospects have been covered in the Management Discussion and Analysis 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. Guntant S. Singhi, Company Secretary Cum Finance Controller is the Compliance Officer.

## 12) GENERAL SHAREHOLDER INFORMATION

(a) Annual General meeting Date and Time Venue	:	19 September 2009 at 12.30 P.M. at Regd. Office, at B/12 & B-13/1, MIDC Indl. Area, Mahad - 402 309, Dist. Raigad, Maharashtra.
(b) Financial Calendar		
Annual General Meeting	:	19 September 2009
Unaudited results for the quarter ending June 2009	:	4th week of July 2009
Unaudited results for the quarter/half year ending September 30, 2009	:	4th week of October 2009
Unaudited results for the quarter ending December 31, 2009	:	4th week of January 2010
Unaudited results for the quarter ending March 31, 2010	:	4th week of April 2010
Date of book Closure	:	10 September 2009 to 19 September 2009.
Dividend payment date	:	29 September 2009
(c) Listing on Stock exchange	:	The Company's Securities are listed on the following Stock exchange in India <b>Bombay Stock Exchange Limited</b> Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001, Maharashtra.
(d) Bombay Stock Exchange Limited (Physical Segment)	:	524200
Demat ISIN in NSDL and CDSL for Equity Shares	:	INE410B01011

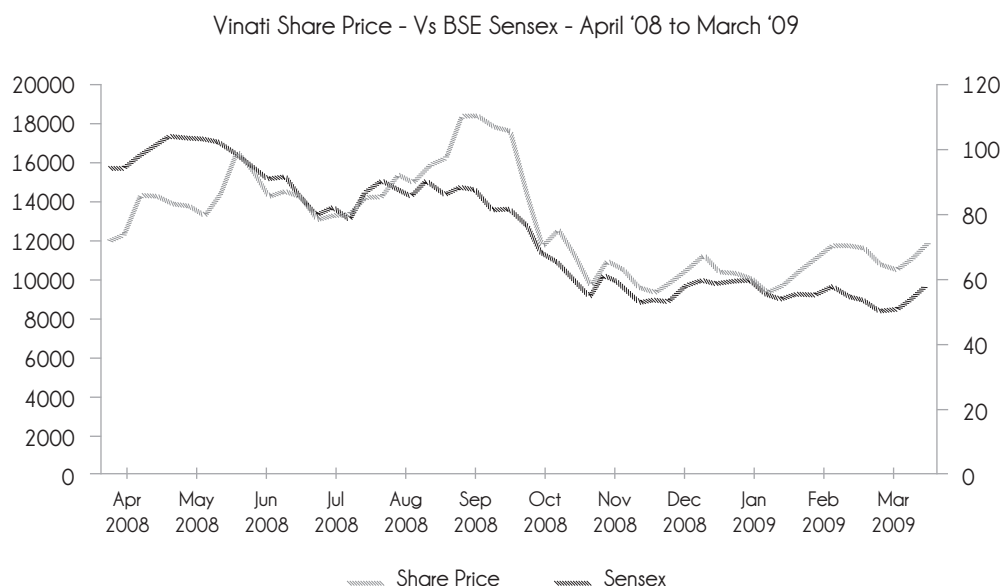
## (e) Market Price Data

Month	Bombay Stock Exchange Ltd. (in Rs.)	
	High	Low
April - 2008	91.50	68.50
May - 2008	105.75	75.30
June - 2008	108.00	77.00
July - 2008	93.30	72.50
August - 2008	108.00	80.85
September - 2008	122.00	82.00
October - 2008	93.00	52.50
November - 2008	69.80	53.00
December - 2008	70.95	54.00
January - 2009	65.35	53.50
February - 2009	75.00	57.85
March - 2009	78.00	50.75





- (f) The performance of the Company's shares relating to the BSE Index for the year 2008-09 is given below



- (g) Share Registrars and Transfer Agents – Sharex Dynamic (India) Pvt. Ltd.

17/B, Dena Bank Bldg, 2nd Floor, Horniman Circle, Fort, Mumbai – 400 001. Maharashtra.	Tel	: 2270 2485 / 2264 1376
	Fax	: 2264 1349
	E-mail	: sharexindia@vsnl.com
	Website	: www.sharexindia.com
	Business Hours	: 11.00 a.m. to 1.00 p.m. & 2.00 p.m. to 4.00 p.m. (Monday to Friday)

- (h) Share Transfer System

The Company has appointed Common Agency, name 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 dematerialization are confirmed within 15 days.

- (i) Distribution of Shareholding as on 31 March 2009.

Category	No. of Shares	No. of share holders	% of holders	Total Shares	% of Shares
1 To 100		1,594	17.81	98,653	1.00
101 To 200		5,672	63.39	857,182	8.68
201 To 500		1,007	11.25	340,029	3.44
501 To 1,000		401	4.48	294,592	3.01
1,001 To 5,000		215	2.40	432,725	4.38
5,001 To 10,000		26	0.29	188,819	1.91
10,001 To 100,000		22	0.25	686,516	6.95
100,000 & above		11	0.12	6,972,984	70.62
<b>Total</b>		<b>8,948</b>	<b>100.00</b>	<b>9,874,500</b>	<b>100.00</b>

## (j) Categories of shareholders as on 31 March 2009.

Category	No. of share holders	Voting strength (%)	No. of Ordinary shares
Individuals	8,769	24.04	2,374,239
Promoters	21	72.79	7,187,222
Other Companies	123	3.07	303,483
Non-Resident Individuals	29	0.06	5,656
Nationalized Banks, Mutual funds and trusts	6	0.04	3,900
<b>Total</b>	<b>8,948</b>	<b>100.00</b>	<b>9,874,500</b>

## (k) Dematerialization of shares and liquidity

2,711,584 (Total shares demated with NSDL is 1,901,635 & CDSL is 809,949) of the Company's share capital is dematerialized as on 31.03.2009. The Company's shares are regularly traded on the Bombay Stock Exchange Limited as indicated in the Table containing market information.

## (l) Address of Registered Office

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

## (m) Address of Plant Locations

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

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

## (n) Investor's Correspondence Address

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

## 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 31 March 2009.

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 31 March 2009.

On behalf of the Board of Directors

Vinod Saraf  
Managing Director

Place : Mumbai  
Date : 19 May 2009



## 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 31 March 2009, 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 abovementioned Listing Agreement.

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

For and on behalf of  
KARNAVAT & CO.  
Chartered Accountants

Shashikant Gupta  
Partner  
Membership No. 45629

Place : Mumbai  
Date : 19 May 2009

192, Dr. D. N. Road,  
Mumbai 400 001

## 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, 2009 employed for whole of the year.

	Name	Designation & nature of duties (as at March 31, 2009)	Age (Yrs.)	Date of Joining	Experience	Gross Remuneration received (Rs.)	Previous employer	Designation
1	Mr. Vinod B. Saraf	Managing Director	59	15.06.1989	36	29,10,650/-	Mangalore Refinery & Petrochemicals Ltd.	Managing Director (Finance & Admin.)
2	Ms. Vinati Saraf Mutreja	Executive Director	25	20.05.2006	4	27,49,918/-	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 31 March 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the directors, as on 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 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 31 March 2009; 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

Shashikant Gupta  
Partner  
Membership No. 45629

Place : Mumbai  
Date : 19 May 2009

192, Dr. D. N. Road,  
Mumbai 400 001

# Annexure to the Auditors' Report

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

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The Company has a programme of physical verification of fixed assets over a period of three years which is, in our opinion, reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- c) In our opinion during the year, the Company has not disposed off a substantial part of the plant and machinery so as to affect the going concern status of the Company.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) In respect of the loans, secured or unsecured, granted or taken by the Company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
  - a) The Company has not granted any loans during the year.
  - b) The Company has taken loans of Rs. 1,011.61 lacs during the year from three parties and maximum outstanding balance is of Rs. 1,199.14 lacs and outstanding amount at the beginning of the year and at the year end aggregates to Rs. 611.62 lacs and Rs. 611.62 lacs balance respectively.
  - c) In our opinion the rate of interest and other terms and conditions on which loans have been taken are not, prima facie, prejudicial to the interest of the Company.
  - d) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system. There is no sale of services.
- v) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of The Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of The Companies Act, 1956 and exceeding the value of five lakhs rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public to which provisions of Sections 58 A and 58 AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of The Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, service tax, wealth tax, custom duty, 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 31-03-2009, for a period of more than six months from the date they became payable.



- c) As on 31-03-2009, according to the records of the Company, the following are the particulars of disputed dues on account of sale tax, income tax, customs/wealth-tax/excise duty/cess that have not been deposited

Name of Statute	Nature of Dues	Amount of Demand net of deposits (Rs.)	Period to which amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax Demand raised u/s 143 (3)	4,807,334	A.Y. 2005-06	ITAT
The Income Tax Act, 1961	Demand of penalty raised u/s 271(1) (C)	202,560	A.Y. 2004-05	CIT (Appeal)
The 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 raised by Dept. alleging wrong availment of modvat credit and other issues.	403,987	Sept 1996 to June 1999	Asst. Commissioner
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.
- xiii) The provision of any special statute as specified under paragraph 4 (xiii) of the said order are not applicable to the Company.
- xiv) During the year, Company has not dealt with or traded in shares, securities, debentures and other investments. Paragraph 4 (xiv) of the order is not applicable.
- xv) The Company has not given any guarantee for loans taken by others from bank or financial institution.
- xvi) In our opinion and according to the information and explanations given to us, term loans were raised during the year and 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 there are no funds raised on short term basis have, prima-facie, been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of The Companies Act, 1956 and therefore paragraph 4 (xviii) of the said order is not applicable.
- xix) During the period covered by our audit report, the Company has not issued debentures and therefore paragraph 4 (xix) of the said order is not applicable.
- xx) During the period covered by our audit report, the Company has not raised money by Public Issues and therefore paragraph 4 (xx) of the said order is not applicable.
- xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For and on behalf of  
KARNAVAT & CO.  
Chartered Accountants

Shashikant Gupta  
Partner  
Membership No. 45629

Place : Mumbai  
Date : 19 May 2009

192, Dr. D. N. Road,  
Mumbai 400 001

# Balance Sheet as at 31 March 2009

		Amount in Rs.	
	SCHEDULES	As at 31 March 2009	As at 31 March 2008
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share Capital	1	98,745,000	98,745,000
Reserves & Surplus	2	550,347,355	327,946,242
Loan Funds			
Secured Loans	3	448,408,702	281,701,655
Unsecured loans	4	61,161,633	61,161,633
Deferred Tax Liability		58,604,601	52,659,462
<b>Total</b>		<b>1,217,267,291</b>	<b>822,213,992</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	5	711,281,818	640,317,797
Less : Depreciation		264,272,958	231,841,646
Net Block		447,008,860	408,476,151
Capital Work in Progress		434,259,491	109,119,084
		881,268,351	517,595,235
Current Assets, Loans & Advances			
Inventories	6	120,582,637	121,235,911
Sundry Debtors	7	279,167,871	220,690,453
Cash and Bank Balances	8	18,896,637	13,711,285
Loans and Advances	9	74,660,487	106,625,473
		493,307,632	462,263,122
Less : Current Liabilities & Provisions	10	157,308,692	157,644,365
<b>Net Current Assets</b>		<b>335,998,940</b>	<b>304,618,757</b>
<b>Total</b>		<b>1,217,267,291</b>	<b>822,213,992</b>
Significant Accounting Policies	17		
Notes forming part of Accounts	18		

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

**Vinod Saraf**  
Managing Director

**Vinati Saraf Mutreja**  
Executive Director

**Shashikant Gupta**  
Partner  
Membership No. 45629

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

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

Place : Mumbai  
Date : 19 May 2009





# Profit & Loss Account for the year ended 31 March 2009

Amount in Rs.

	SCHEDULES	Year ended 31 March 2009	Year ended 31 March 2008
<b>INCOME</b>			
Gross Sales		2,038,296,644	1,620,185,027
Less : Inter Unit Transfer		3,583,017	6,626,964
		<b>2,034,713,627</b>	<b>1,613,558,063</b>
Less : Excise Duty		129,713,162	150,304,647
Net Sales		1,905,000,465	1,463,253,416
Other Income	11	53,226,937	40,342,240
<b>Total</b>		<b>1,958,227,402</b>	<b>1,503,595,656</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	12	1,190,164,605	961,706,582
Decrease/(Increase) in Finished Stock	13	29,066,821	(18,190,229)
Manufacturing Expenses	14	125,491,529	90,867,779
Payments to and provision for employees	15	88,357,597	65,806,751
Administrative & Other Expenses	16	173,526,794	142,408,254
		<b>1,606,607,346</b>	<b>1,242,599,137</b>
<b>PROFIT BEFORE DEPRECIATION, NON-CASH CHARGES &amp; TAXES</b>		<b>351,620,056</b>	<b>260,996,519</b>
Less : Depreciation		32,506,389	29,327,805
Amortisation of Leasehold land		237,326	208,176
<b>PROFIT BEFORE TAXATION</b>		<b>318,876,341</b>	<b>231,460,538</b>
<b>Provision for taxation</b>			
Current		61,321,000	74,860,000
Deferred (Refer note no. 9)		5,945,139	4,249,737
Fringe Benefit Tax		800,000	800,000
For Earlier Year (W/back) provided		(472,589)	(426,385)
<b>NET PROFIT AFTER TAX</b>		<b>251,282,791</b>	<b>151,977,186</b>
Balance brought forward from last year		313,406,242	221,135,558
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>564,689,033</b>	<b>373,112,744</b>
<b>Appropriations</b>			
Capitalised for bonus shares		-	23,915,000
Gratuity Liability for Transitional Period		-	1,186,159
Proposed Dividend		24,686,250	19,749,000
Tax on Dividend		4,195,428	3,356,343
Transfer to General Reserve		25,200,000	11,500,000
<b>Balance Carried to Balance Sheet</b>		<b>510,607,355</b>	<b>313,406,242</b>
<b>Significant Accounting Policies</b>	17		
<b>Notes forming part of Accounts</b>	18		
Earnings per share Basic & Diluted		25.45	15.39

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  
Membership No. 45629

G. S. Singhi  
Company Secretary cum Finance Controller

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

Place : Mumbai  
Date : 19 May 2009

# Cash Flow Statement for the year ended 31 March 2009

	Amount in Rs.	
	Year Ended 31 March 2009	Year Ended 31 March 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extra ordinary item	318,876,341	231,460,538
Adjustments for		
Depreciation	32,506,389	29,327,805
Loss on sale of fixed assets/assets discarded	(47,877)	196,606
Interest paid	32,886,054	32,593,357
Non-cash charges	237,326	208,176
Gratuity Liability for Transitional Period	-	(1,186,159)
<b>Operating profit before working capital changes</b>	<b>384,458,233</b>	<b>292,600,323</b>
Adjustments for		
Trade and other receivables	(26,512,431)	(73,141,845)
Inventories	653,274	(39,155,937)
Trade and other payables	(335,672)	40,694,904
<b>Cash generated from operations</b>	<b>358,263,404</b>	<b>220,997,445</b>
Income tax paid including Fringe Benefit Tax	(61,648,411)	(75,233,615)
Dividend & Tax thereon	(28,881,678)	(23,105,343)
<b>Cash flow before extra ordinary items</b>	<b>267,733,314</b>	<b>122,658,487</b>
Extra ordinary items	-	-
<b>Net cash from operating activities</b>	<b>267,733,314</b>	<b>122,658,487</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(396,570,505)	(171,167,516)
Less : sale of fixed assets	201,552	58,000
<b>Net cash used in investing activities</b>	<b>(396,368,954)</b>	<b>(171,109,516)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of borrowings	166,707,047	85,959,212
Interest paid	(32,886,054)	(32,593,357)
<b>Net cash from financing activities</b>	<b>133,820,993</b>	<b>53,365,855</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,185,351</b>	<b>4,914,826</b>
Cash and cash equivalents (opening balance)	13,711,285	8,796,459
<b>Cash and cash equivalents (closing balance)</b>	<b>18,896,636</b>	<b>13,711,285</b>

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  
Membership No. 45629

G. S. Singhi  
Company Secretary cum Finance Controller

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

Place : Mumbai  
Date : 19 May 2009



## Schedules forming part of accounts

Amount in Rs.		
	As at 31 March 2009	As at 31 March 2008
<b>SCHEDULE "1"</b>		
<b>SHARE CAPITAL</b>		
Authorised		
15,000,000 Equity Shares of Rs. 10/- each	150,000,000	150,000,000
	150,000,000	150,000,000
Issued, Subscribed and Paid Up		
9,874,500 (PY. 9,874,500) Equity Shares of Rs. 10/- each Fully Paid	98,745,000	98,745,000
<b>Total</b>	<b>98,745,000</b>	<b>98,745,000</b>
<b>SCHEDULE "2"</b>		
<b>RESERVES &amp; SURPLUS</b>		
Capital Reserve	3,040,000	3,040,000
General Reserve 11,500,000		
Add : Transfer During The Year 25,200,000	36,700,000	11,500,000
Profit and Loss Account	510,607,355	313,406,242
<b>Total</b>	<b>550,347,355</b>	<b>327,946,242</b>
<b>SCHEDULE "3"</b>		
<b>SECURED LOANS</b>		
Term loan from State Bank Of India (FCNR-B)	97,423,516	37,891,132
Term loan from Barclays Bank (FCNR)	260,520,982	72,793,901
Working capital advances from Bank	90,464,204	171,016,622
<b>Total</b>	<b>448,408,702</b>	<b>281,701,655</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 is secured by first Pari Passu charge on all the fixed assets (present and future) of Lote works, and also by personal irrevocable guarantee of the two 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. 1,209.81 lacs (Previous Year - Rs. 189.16 lacs).

Amount in Rs.		
	As at 31 March 2009	As at 31 March 2008
<b>SCHEDULE "4"</b>		
<b>UNSECURED LOANS</b>		
Inter Corporate Deposits	61,161,633	61,161,633
<b>Total</b>	<b>61,161,633</b>	<b>61,161,633</b>

# Schedules forming part of accounts

## SCHEDULE "5" FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at 31 March 2008	Additions during the year	Deductions during the year	As at 31 March 2009	Up to 31 March 2008	For the Year	Written Back	Up to 31 March 2009	As at 31 March 2009
Leasehold Land & Site Development	19,740,930	211,721	237,326	19,715,325	-	-	-	-	19,715,325
Buildings	82,538,537	14,706,887	-	97,245,424	17,319,489	2,390,995	-	19,710,484	77,534,940
Plant & Machinery	513,113,904	52,702,528	-	565,816,432	200,635,544	27,920,820	-	228,556,364	337,260,068
Furniture & Fixtures	8,055,063	187,361	-	8,242,424	5,733,368	501,656	-	6,235,024	2,007,400
Office Equipments	1,633,866	127,201	-	1,761,067	701,749	82,728	-	784,477	976,590
Computers	4,788,759	331,488	-	5,120,247	2,362,127	555,549	-	2,917,676	2,202,571
Air Conditioners	2,414,145	218,027	-	2,632,172	1,033,845	116,759	-	1,150,604	1,481,568
Vehicles	8,032,593	2,944,885	228,751	10,748,727	4,055,524	937,882	75,077	4,918,329	5,830,398
<b>Total</b>	<b>640,317,797</b>	<b>71,430,098</b>	<b>466,077</b>	<b>711,281,818</b>	<b>231,841,646</b>	<b>32,506,389</b>	<b>75,077</b>	<b>264,272,958</b>	<b>447,008,860</b>
Previous Year	562,604,465	78,388,628	675,296	640,317,797	202,726,355	29,327,805	212,514	231,841,646	408,476,151
									-

Amount in Rs.



## Schedules forming part of accounts

	Amount in Rs.	
	As at 31 March 2009	As at 31 March 2008
<b>SCHEDULE "6"</b>		
<b>INVENTORIES</b>		
(as taken, valued & certified by the management)		
Raw Materials	46,745,100	48,671,371
Stock In Process	38,852,517	15,497,225
Finished Goods	8,392,403	37,459,224
Stores, Spares & other consumables	26,592,617	19,608,091
<b>Total</b>	<b>120,582,637</b>	<b>121,235,911</b>
<b>SCHEDULE "7"</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured, Considered Good		
Outstanding for a period exceeding six months	13,663,449	4,999,573
Others	265,504,422	215,690,880
<b>Total</b>	<b>279,167,871</b>	<b>220,690,453</b>
<b>SCHEDULE "8"</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	78,740	55,532
Balance with Scheduled Banks		
In Current Accounts	3,076,849	1,479,012
In Fixed Deposit Account	15,741,048	12,176,741
[Includes Rs. 15,741,048/- (previous year Rs. 12,176,741/-)] against margin money		
<b>Total</b>	<b>18,896,637</b>	<b>13,711,285</b>
<b>SCHEDULE "9"</b>		
<b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Advances recoverable in cash or kind or for value to be received	63,942,409	95,835,173
Income tax Deposits	8,570,796	6,070,796
Accrued Interest	540,510	429,964
Deposits :		
With Government & Semi Government Departments	1,430,324	4,182,961
With Others	176,448	106,579
<b>Total</b>	<b>74,660,487</b>	<b>106,625,473</b>

## Schedules forming part of accounts

	Amount in Rs.	
	As at 31 March 2009	As at 31 March 2008
<b>SCHEDULE "10"</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
Due to Small Scale Industries	358,093	185,835
Due to Others	87,781,926	86,655,755
Other liabilities	26,987,914	40,286,695
Sundry Deposits	580,545	317,345
Unclaimed Dividend	1,575,451	1,404,343
<b>Provisions</b>		
Provision for Dividend	24,686,250	19,749,000
Tax on Dividend	4,195,428	3,356,343
Provision for taxation (Net of taxes paid)	11,143,085	5,689,049
<b>Total</b>	<b>157,308,692</b>	<b>157,644,365</b>
		Amount in Rs.
	Year Ended 31 March 2009	Year Ended 31 March 2008
<b>SCHEDULE "11"</b>		
<b>OTHER INCOME</b>		
Interest Received - Gross	1,322,067	865,032
(TDS Rs. 302,915/- Previous year Rs. 170,951/-)		
Cash Discount received	769,409	463,612
Miscellaneous Credit Balances Written Back	391,789	763,306
Scrap Sales	1,247,610	1,349,200
Liability No Longer Required Written Back	402,007	58,470
Miscellaneous receipts	35,898	415,533
Gain on sale of Fixed Assets	47,877	-
Exchange Fluctuation Difference	11,546,547	-
Export Benefits/Import Entitlements	37,463,733	36,427,087
<b>Total</b>	<b>53,226,937</b>	<b>40,342,240</b>
<b>SCHEDULE "12"</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	48,671,371	30,596,774
Add : Purchases	1,211,593,627	980,368,494
Less : Closing Stock	46,745,101	48,671,371
	<b>1,213,519,897</b>	<b>962,293,897</b>
Add : Opening Stock in Process	15,497,225	14,909,910
Less : Closing Stock in Process	38,852,517	15,497,225
<b>Total</b>	<b>1,190,164,605</b>	<b>961,706,582</b>
<b>SCHEDULE "13"</b>		
<b>DECREASE/(INCREASE) IN FINISHED STOCK</b>		
Opening Stock	37,459,224	19,268,995
Less : Closing Stock	8,392,403	37,459,224
<b>Total</b>	<b>29,066,821</b>	<b>(18,190,229)</b>



## Schedules forming part of accounts

	Amount in Rs.	
	Year Ended 31 March 2009	Year Ended 31 March 2008
<b>SCHEDULE "14"</b>		
<b>MANUFACTURING EXPENSES</b>		
Power, Fuel & Water Charges	75,991,815	53,797,452
Stores, Spares & Other consumables	31,022,680	23,550,347
Repairs to : Plant & Machinery	3,656,447	5,501,512
: Buildings	739,413	564,171
Contractors Wages	11,119,872	6,240,436
Other Operational Charges	2,961,302	1,213,861
<b>Total</b>	<b>125,491,529</b>	<b>90,867,779</b>
<b>SCHEDULE "15"</b>		
<b>PAYMENT TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Allowances	79,207,819	59,104,297
Contribution to Provident & Other funds	4,971,902	4,032,435
Employees Welfare Expenses	2,027,058	1,777,480
Contribution to Gratuity fund	2,150,818	892,539
	<b>88,357,597</b>	<b>65,806,751</b>
<b>SCHEDULE "16"</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent (Including Leave & Licence Fees)	1,489,443	1,507,918
Rates & Taxes	906,214	662,752
Insurance	3,243,202	2,755,096
Interest on : Term Loan	8,023,214	3,375,186
: Others	24,862,840	29,218,171
Remuneration to Auditors		
- Audit Fees	200,000	165,000
- Tax Audit Fees	50,000	50,000
- Taxation Matters	46,100	117,956
- Other Matters	73,767	56,600
- Reimbursement of expenses	-	4,390
Freight & Forwarding Charges	96,276,892	59,623,793
Cash Discount	618,905	515,228
Selling Commission	6,542,787	5,033,863
Loss on sale of Fixed Assets	-	196,606
Exchange Fluctuation Difference	-	2,327,236
Royalty	-	7,406,774
Other Expenses	31,193,430	29,391,685
	<b>173,526,794</b>	<b>142,408,254</b>

# Schedules forming part of accounts

## SCHEDULE "17"

### SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PREPARATION

1. 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.
2. Financial statement are based on historical cost and are prepared on accrual basis, except where impairment is made.
3. Accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### B. 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.

#### C. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Revenue Recognition

- a) Revenue/Income and Cost/Expenditure are generally accounted on accrual basis as they are earned or incurred.
- b) 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 own consumption for Import purpose of the same is recognised as raw material cost.

##### 2. Fixed Assets

- a) All Fixed Assets are stated at cost (net of Cenvat) less accumulated depreciation.
- b) Leasehold land is amortised equally over the period of lease.
- c) The carrying amount of cash generating unit/assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exist, the recoverable amount is estimated as the higher of net selling price and value in use. Impairment loss is recognized wherever carrying amount exceeds recoverable amount.

##### 3. 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.

##### 4. Expenditure during construction period

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 capitalized.

##### 5. Research & Development Expenditure

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

##### 6. Inventories

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

Provision for obsolescence is made wherever necessary.

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

##### 7. Foreign Currency Transactions

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

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

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





## Schedules forming part of accounts

### 8. 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.

### 9. 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.

### 10. Provision for Current and Deferred Tax

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

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

### 11. 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.

## SCHEDULE "18"

### NOTES ON ACCOUNTS

#### 1. Contingent Liabilities not provided for in respect of

- a) Counter Guarantees given by the company in respect of guarantees issued/Letter of Credit established by banks on behalf of the company Rs. 159,095,750/- (Previous Year Rs. 127,071,885/-)
- b) Estimated amount of contracts remaining to be executed on Capital Account (Net of Advance) Rs. 38,561,723/- (Previous Year Rs. 166,607,424/-)
- c) Disputed Excise duty demands of Rs. 11,769,958/- (previous year Rs. 8,769,222/-)
- d) Disputed Income tax demands of Rs. 33,643,398/- against which a sum of Rs. 7,734,354/- has been paid (Previous year Rs. 30,184,918/- paid Rs. 5,234,354/-)
- e) i) Custom duty, other duties and interest which may arise if obligation for exports is not fulfilled against import of raw materials Rs. Nil (Previous year Rs. 134,896/-)
- ii) Disputed Custom duty (Anti Dumping Duty) demands of Rs. 176,166/- (Previous year Rs. Nil)

#### 2. During the year Lote unit has been converted from DTA to Export Oriented Unit w.e.f. 28.07.2008 and are eligible for the benefits u/s 10B of the Income Tax Act, 1961.

## Schedules forming part of accounts

### 3. Details of Capital work in progress/pre-operative expenses

Amount in Rs.

Particulars	As at 31 March 2009	As at 31 March 2008
<b>a) Work in progress</b>		
[Including advances to suppliers Rs. 10,506,584/- (Previous year Rs. 52,805,144/-)]	340,174,722	95,361,496
<b>Total 'A'</b>	<b>340,174,722</b>	<b>95,361,496</b>
<b>b) Pre-operative expenses</b>		
Opening balance	13,757,588	931,277
Add : Incurred during the year:		
Testing Charges	-	36,450
Technical Know How Fee	11,223,830	
Exchange Gain/Loss	44,732,457	
Interest	16,907,765	1,421,298
Bank Charges	2,162,500	1,800,000
Legal & Prof. Charges	7,671,543	11,413,596
Insurance charges	179,372	298,541
	96,635,055	15,901,162
Less : Capitalised during the year	2,550,286	2,143,574
<b>Total 'B'</b>	<b>94,084,769</b>	<b>13,757,588</b>
<b>Total (A+B)</b>	<b>434,259,491</b>	<b>109,119,084</b>

### 4. Names of the SSIs to whom the Company owes any sum together with interest if any, which is outstanding for more than 30 days are as under:

Deepson Valves &amp; Controls

H K Industries

Leakproof Engineering I. Pvt. Ltd.

Swellore Engineering P.Ltd.

Super Mechanical Seal P.Ltd.

### 5. The Company has a Defined Benefit Gratuity Plan. The Scheme is funded through the Company's own trust.

### 6. 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 outstanding at on 31 March.
- 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 31 March. Nil
- The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year) Nil
- The amount of interest accrued and remaining unpaid for the year ending 31 March Nil
- The amount of further interest remaining due and payable for the earlier years. Nil

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

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



## Schedules forming part of accounts

### 9. Related parties Disclosures (AS-18)

#### a) Information about related parties

Particulars	Name of Related Party
i) Key Management Personnel	i) Mr. Vinod Saraf – Managing Director
	ii) Mrs. Vinati Saraf Mutreja – Executive Director
ii) Relatives of Key Management Personnel	i) Mr. Sunil Saraf
	ii) Mrs. Kavita Saraf
iii) Enterprises owned or significantly influenced by any management personnel or their relatives	i) Viral Alkalies Limited
	ii) Vinati Wax Industries Pvt. Ltd.
	iii) Shilpa Pharma Pvt. Ltd.
	iv) Mithali Chemicals Pvt. Ltd.
	v) Viral Chemicals Pvt. Ltd.
	vi) Viral Pharma Pvt. Ltd.
	vii) Suchir Chemicals Pvt. Ltd.
	viii) Suchir Investment & Finance Pvt. Ltd.
	ix) Manan Pharma Pvt. Ltd.
	x) Nishit Pharma Chem Pvt. Ltd.
	xi) Kavita Organics Pvt. Ltd.

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

	Amount in Rs.	
	2008-09	2007-08
i) Key Management Personnel		
Managerial remuneration	5,660,568	3,792,965
ii) Relatives of Key Management Personnel		
Rent	47,500	114,000
Sitting fees	30,000	30,000
iii) Enterprises owned or significantly influenced by any management personnel or their relatives		
Rent, rates & taxes	1,200,000	1,200,000
Interest paid	292,603	6,115,989
Sale of Material	125,203	128,744
Purchase of Material - Others	1,903,442	1,737,447
Loan taken	101,161,633	66,000,000
Outstanding Loan at year end	61,161,633	61,161,633

## Schedules forming part of accounts

### 10. Basic and Diluted Earning Per Share (AS-20)

	Amount in Rs.	
	2008-09	2007-08
Profit after taxation	251,282,791	151,977,186
Weighted number of equity share used as denominator for calculating EPS	9,874,500	9,874,500
Basic And Diluted Earning per share (Face Value of Rs.10/- per share)	25.45	15.39

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

The break up of net deferred tax liability as at 31 March 2009 is as under

	Amount in Rs.			
Particulars	2008-09		2007-08	
	Deferred Tax Assets	Deferred Tax Liability	Deferred Tax Assets	Deferred Tax Liability
Timing difference on account of:				
Difference between book depreciation and depreciation under the Income-tax Act, 1961		59,939,549		54,019,218
Expenditure u/s. 43B/u/s. 40 A(7) of the Income-tax Act, 1961	1,334,948		1,359,756	
Total	1,334,948	59,939,549	1,359,756	54,019,218
Net Deferred Tax Liability		58,604,601		52,659,462
Less : Net Deferred Tax Liability at beginning		52,659,462		48,409,725
Net Deferred Tax Liability (Asset) for the year		5,945,139		4,249,737

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

	Amount in Rs.	
	Year Ended 31 March 2009	Year Ended 31 March 2008
Managing Director		
Salary & Allowances	2,500,000	1,880,000
Contribution to P.F.	300,000	212,400
Other Perquisites	110,650	84,445
	2,910,650	2,176,845
Executive Director		
Salary & Allowances	2,437,500	1,465,016
Contribution to P.F.	225,000	135,232
Other Perquisites	87,418	15,872
	2,749,918	1,616,120

15. a) Figures of the previous year have been reworked/regrouped/reclassified wherever necessary.

b) Figures have been rounded off to the nearest rupee.



## Schedules forming part of accounts

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.

Particulars	2008-09		2007-08	
	Qty.(M.T.)	Value (Rs.)	Qty.(M.T.)	Value (Rs.)
<b>a) Licenced and Installed Capacity (As certified by the Management and accepted by the Auditors)</b>				
Isobutyl Benzene				
Licenced Capacity	N.A.		N.A.	
Installed Capacity	14,000.00		14,000.00	
2 Acrylamido 2 Methylpropane Sulphonic Acid				
Licenced Capacity	N.A.		N.A.	
Installed Capacity	5,000.00		4,000.00	
<b>b) Production</b>				
Isobutyl Benzene	11,144.72		11,094.27	
2 Acrylamido 2 Methylpropane Sulphonic Acid	4,563.39 *		3,441.28 *	
Sodium Salt of 2 Acrylamido 2 Methylpropane Sulphonic Acid	4,812.00		3,509.32	
<b>c) Sales &amp; Stocks</b>				
<b>Opening Stock</b>				
Isobutyl Benzene	320.56	26,564,985	71.86	5,458,474
2 Acrylamido 2 Methylpropane Sulphonic Acid	19.35	2,140,964	60.88	6,644,629
Sodium Salt of 2 Acrylamido 2 Methylpropane Sulphonic Acid	143.05	6,918,886	21.70	1,209,388
Others		1,834,389		5,956,504
<b>Sales</b>				
Isobutyl Benzene	11,452.42	1,187,849,326	10,845.57	1,084,382,107
2 Acrylamido 2 Methylpropane Sulphonic Acid	2,328.36	339,736,714	1,791.11	226,706,562
Sodium Salt of 2 Acrylamido 2 Methylpropane Sulphonic Acid	4,904.67	390,937,572	3,387.97	216,640,464
Others		116,190,015		85,828,930
<b>Closing Stock</b>				
Isobutyl Benzene	12.86	770,479	320.56	26,564,985
2 Acrylamido 2 Methylpropane Sulphonic Acid	8.60	853,009	19.35	2,140,964
Sodium Salt of 2 Acrylamido 2 Methylpropane Sulphonic Acid	50.39	2,443,543	143.05	6,918,886
Others		4,325,372		1,834,389

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

## Schedules forming part of accounts

Particulars	2008-09		2007-08	
	Qty. (Kg.)	Value (Rs.)	Qty. (Kg.)	Value (Rs.)
<b>d) Raw materials consumed</b>				
Toluene	9,652,422	408,077,781	9,450,229	368,523,773
Propylene	7,680,099	326,890,253	7,181,028	304,925,139
Acrylonitrile	2,145,389	155,837,459	1,466,874	123,240,128
Others		322,714,404		165,604,857
		<b>1,213,519,897</b>		<b>962,293,897</b>
	Value (Rs.)	%	Value (Rs.)	%
<b>e) Total value of Raw Material, Stores, Spares &amp; Other Consumables consumed</b>				
<b>i) Raw Materials</b>				
Imported	314,968,021	25.95	145,210,961	15.09
Indigenous	898,551,876	74.05	817,082,936	84.91
	<b>1,213,519,897</b>	<b>100.00</b>	<b>962,293,897</b>	<b>100.00</b>
<b>ii) Stores, Spares &amp; Other Consumables</b>				
Imported	-	-	-	-
Indigenous	31,022,680	100.00	23,550,347	100.00
	<b>31,022,680</b>	<b>100.00</b>	<b>23,550,347</b>	<b>100.00</b>
<b>f) Value of Imports calculated on CIF basis</b>				
Raw materials	296,969,213		137,502,526	
Stores, Spares & Other Consumables	-		-	
<b>g) Expenditure in Foreign Currency</b>				
i) Travelling expenditure	455,952		596,250	
ii) Commission on sales	4,456,836		3,871,760	
iii) Professional Fees	10,038,874		626,672	
iv) Import of capital goods/spares	1,585,251		2,001,569	
v) Others	196,167		553,576	
<b>h) Earnings in Foreign Exchange</b>				
Export of goods calculated on FOB basis	1,445,684,802		930,752,317	

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  
Membership No. 45629

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

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

Place : Mumbai  
Date : 19 May 2009



# Schedules forming part of accounts

## 1 Registration Details

Registration No.   
 State Code   
 Balance Sheet Date     
 Date Month Year

## 2 Capital raised during the year (Amount in Rs. 000)

Public Issue  Rights Issue   
 Bonus Issue  Private Placement

## 3 Position of Mobilisation and Deployment of Funds (Amount in Rs. 000)

Total Liabilities  Total Assets   
 Sources of Funds  
 Paid - up Capital  Reserves and Surplus   
 Secured Loans  Deferred Tax Liability   
 Unsecured Loans   
 Application of Funds  
 Net Fixed Assets (including Capital Work in Progress)  Net Current Assets   
 Accumulated Losses

## 4 Performance of Company (Amount in Rs. 000)

Turnover  Total Expenditure   
 Profit Before Tax  Profit After Tax   
 Earnings per Share  Dividend (%)

## 5 Principal product of the Company

Product Description Item Code No.

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  
 Membership No. 45629

G. S. Singhi  
 Company Secretary cum Finance Controller

N. K. Goyal  
 Chief Financial Officer

Place : Mumbai  
 Date : 19 May 2009

# Notice

NOTICE is hereby given that the TWENTIETH ANNUAL GENERAL MEETING OF VINATI ORGANICS LIMITED (the "Company") will be held on Saturday, 19 September 2009 at 12.30 P.M. at the Registered Office of the Company, at B-12 & B-13/1, MIDC Industrial Area, Mahad 402 309, Dist. Raigad, Maharashtra to transact, the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March, 2009, Profit & Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To declare Dividend on equity shares.
3. To appoint a Director in place of Shri A. A. Krishnan who retires by rotation at this meeting and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Girish M. Dave who retires by rotation at this meeting and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

## SPECIAL BUSINESS

6. To appoint a Director Mr. Anandkumar Tibrewala who was appointed additional director pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of Annual General Meeting of the Company, and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.
7. To appoint a Director Mr. Mohit Rajesh Mutreja who was appointed additional director pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of Annual General Meeting of the Company, and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.

8. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION

"RESOLVED THAT pursuant to Sections 198, 269, 309 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, Ms. Viral V. Saraf be and is hereby appointed as the Whole Time Director designated as "Director - Corporate Strategy" of the Company for a period of 5 years with effect from 19.05.2009 to 18.05.2014 on the following terms and conditions and whose appointment shall not be liable to retire by rotation until she is occupying the position as Director - Corporate Strategy :

Salary : Rs.1,00,000/- per month.

## PERQUISITES:

- i) HOUSE:- In case of unfurnished accommodation hired by the Company, the expenditure incurred by the Company on hiring of such accommodation, shall not exceed 60% of the salary, over and above 10% payable by Director - Corporate Strategy if posted in Mumbai, Kolkata, Delhi or Chennai or 50% if posted at any other place.

OR

HOUSE RENT ALLOWANCE:- @ 30% of the salary.

- ii) MEDICAL REIMBURSEMENT:- Expenses incurred by the Director - Corporate Strategy and her family subject to ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.
- iii) LEAVE TRAVEL CONCESSION:- Reimbursement of expenses incurred for the Director - Corporate Strategy and her family subject to ceiling of 1 month's salary once in a year or 3 months' salary over a period of 3 years in accordance with the rules of the Company.
- iv) CLUB FEES:- Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) GAS & ELECTRICITY CHARGES:- Reimbursement of Gas & Electricity Charges incurred.
- vi) PROVIDENT FUND:- Contribution to Provident Fund shall be such percentage as may be allowed under respective law from time to time.
- vii) GRATUITY:- It shall not exceed one half a month's salary for each completed year of service as per the provisions of the Gratuity Act.
- viii) COMPANY CAR AND TELEPHONE:- Provision of Car for use of Company's business and telephone at residence. Use of car and telephone for private purpose will be billed to her.
- ix) PERSONAL ACCIDENT INSURANCE:- Premium not to exceed Rs.5,000/- per annum.
- x) LEAVE AND LEAVE ENCASHMENT:- As per Company's rule and regulations applicable to the Senior Executives of the Company.
- xi) There will be 10% increase every year in salary and perquisites."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as the board may in its absolute discretion deem necessary, expedient, usual and proper."





## Notice (Contd.)

9. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of such mortgages, charges in addition to the existing mortgages/charges, hypothecation created by the Company in such form and manner as the Board of Directors may direct on such of the Company's movables and immovable properties, both present and future, and in such manner as the Board may direct together with power to take over the management and concern of the Company in certain events in favour of the All India Financial Institutions viz, ICICI, IDBI, IFCI, HDFC and such other institutions and/or Bank/s to secure the loans that may be granted by them not exceeding a sum of Rs. 500 Crores (Rupees Five Hundred Crores only), in such proportion or in individual amount/s as any one/more of the said Financial Institutions/Banks may sanction the term loans either singly, or together, aggregating to the said sum of Rs. 500 Crores (Rupees Five Hundred Crores), together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company to them under the loan agreement(s) entered into between them and the Company.

"RESOLVED FURTHER that the Board of directors of the Company be and is hereby authorised to finalise the terms and conditions of the loans to the maximum extent mentioned above and the documents for creating the aforesaid mortgages, charges and hypothecations, and to do all such acts and things and execute such documents or writings as may be necessary for giving effect to the above resolution"

10. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION

"RESOLVED THAT pursuant to Section 293 (1) (d) of the Companies Act, 1956 and other applicable provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time all such sums of money which together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business for working capital requirement) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the total amount of money(s) so borrowed by the Company shall not any time exceed the limit of Rs.500 Crores (Rupees Five Hundred Crores only)

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person (whether a shareholder or not) as his/her proxy to attend and vote instead of himself/herself, but a proxy so appointed shall not have any right to speak at the meeting. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 10 September 2009 to Saturday, the 19 September 2009 (both days inclusive).
3. Members are requested to intimate to the Corporate Office situated at Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai 400072 the changes, if any, in their registered addresses, quoting their Folio Numbers.
4. As per the provisions of the Companies Act, 1956 facility for making nominations is available for the shareholders. The prescribed nomination form can be obtained from the Company's share department situated at Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai - 400 072, Maharashtra.
5. Registrars and Transfer Agents:  
The Company has appointed M/s. Sharex Dynamic (India) Pvt. Ltd., 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400 001 as the Registrars and Transfer Agents ("R&TA") for all aspects of investor servicing relating to shares.
6. The Company's securities are listed at the Stock Exchange, Mumbai (Regional Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001, Maharashtra.
7. The Annual Listing Fee as prescribed has been paid to the above stock exchange.
8. The dividend on equity shares as recommended by the Directors for the year ended 31 March 2009, if declared at the meeting, will be made payable on or after 20 September 2009 to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 9 September 2009 or those, whose names appear as beneficial owners as at the end of business on 9 September 2009 as per lists to be furnished by the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

Shareholders are hereby informed that after the amendment of the Act w.e.f. 31.10.1998, the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund (the "Fund") established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or Fund in respect of Individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the date it became first due for payment and no payment shall be made in respect of any such claim.

9. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.

## Notice (Contd.)

### 10. Re-appointment of Directors

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

Accordingly at the ensuing Annual General Meeting, Shri A. A. Krishnan and Shri Girish M. Dave, retiring by rotation and being eligible offer themselves for reappointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange is furnished in the statement on Corporate Governance published in this Annual Report.

#### Details of Directors seeking re-appointment

Particulars	Shri A. A. Krishnan	Shri Girish M. Dave
Date of Birth	17.07.1933	12.07.1938
Date of Appointment	27.03.1992	24.09.1990
Qualifications	Chemical Engineer & post graduate in Petro Chemicals	M Com, LL.B. & CAIIB
Directorships held in other public Company	1. Andhra Petrochemicals Ltd.	1. PCS Technology Ltd. 2. PSI Data Systems Ltd. 3. Ultratech Cement Ltd. 4. Cinemax India Ltd. 5. Grasim Bhiwani Textiles Ltd. 6. Aditya Birla Retail Ltd. 7. Camphor & Allied Prod. Ltd.
Memberships / Chairman of committees of other public companies.	No	No

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

##### Item No. 6

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 leading multinational Company in India. He is involved in accounting assignments for U. K. based clients from India on off site basis. Mr. Anandkumar Tibrewala is a full time director of V-Source Solutions (India) Pvt. Ltd.

None of the directors of the Company other than Mr. Vinod Saraf and Mr. Sunil Saraf (being relatives) are interested in this resolution. Mr. Anandkumar Tibrewala is holding 150 Equity Shares of the Company.

##### Item No. 7

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.

None of the directors of the Company other than Mr. Vinod Saraf, Ms. Vinati Saraf Mutreja and Ms. Viral V. Saraf (being relatives) are interested in this resolution.

##### Item No. 8

Ms. Viral V. Saraf joined Vinati Organics Ltd. from 19 May 2009. Prior to joining Vinati Organics Ltd., Ms. Viral V. Saraf worked as Analyst with an Investment Strategy Team for Citi Private Bank New York, New York based Investment Portfolio Management firm and also she was worked with Ernst & Young, Mumbai, India as a summer consultant with the Risk and Business Solutions Department. Ms. Viral V. Saraf attended the University of Pennsylvania, where she received a Bachelor of Science in Economics (Finance & Management) from the Wharton School.

She is devoting her whole time on the Company's day-to-day affairs as related to accounts, finance and new project, hence the Board recommends that its action in appointing Ms. Viral V. Saraf as Director - Corporate Strategy for the Company with effect from 19 May 2009, be ratified and confirmed by the members.

The appointment of Ms. Viral V. Saraf is proposed in order to assist Mr. Vinod Saraf in looking after the increased and wide based operations of the Company spread not only all over India but even outside India. Having regard to her qualifications and experience and also taking in to consideration the work, which she will be doing for the Company it is most appropriate that a person as such to be appointed and such appointment is not against public interest and the shareholders. The terms and conditions of the appointment of Ms. Viral V. Saraf having regard to the work shouldered by her are fair and reasonable.



In this connection Section 309 (1) of the Companies Act, 1956, provides interalia that the remuneration payable to the Directors of the Company including any Managing Director or whole time Director shall be determined in accordance with and subject to the provisions of Section 198 and Section 309 either by the Articles of the Company or by a Resolution or if the Articles so require by a special Resolution passed by the Company in General Meeting. Accordingly this Resolution has been proposed in terms of Section 309 read with a schedule XIII of the Companies Act, 1956.

The agreement between the Company and Ms. Viral V. Saraf, providing the terms conditions of her appointment is available for inspection by the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

The remuneration stated above shall be minimum remuneration in the case of inadequacy of profits or loss and is within the ceiling specified in Schedule XIII of the Company's Act, 1956.

Except Mr. Vinod Saraf, Ms. Vinati Saraf Mutreja, Mr. Sunil Saraf and Mr. Mohit Mutreja (being relatives) no other Director is interested in this resolution. Ms. Viral V. Saraf is holding 90,000 equity shares of the Company.

**Item No. 9**

The Company may be required, in future, to mortgage its fixed assets and/or movable assets in favour of these Institutions and/or other such Institutions and/or Banks for the term loans that may be sanctioned to the Company for expansion and/or diversification projects. Hence the Board recommends passing of this resolution by the members.

None of the Directors is interested in the resolution.

**Item No. 10**

The Company's present borrowing power is Rs. 200 Crores which was approved to by the members at the 19th Annual General Meeting held on 27 September 2008.

The Company is examining the possibilities of expanding its present activities and/or diversification in the other chemical products, which may require to borrow more funds. The present borrowing powers therefore may fall short for this purpose. In view of this, the Board recommends that the proposed resolution be passed by the members.

None of the Directors is interested in the resolution.

By Order of the Board of Directors

Gurvant S. Singhi

Company Secretary cum Finance Controller

**Registered Office:**

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

Place : Mumbai

Date : 19 May 2009

## Addenda to Notice Dated 19 May 2009

### SPECIAL BUSINESS

11. To consider and to thought fit to pass with or without modification(s) the following resolution as an ordinary Resolution:

#### SUB-DIVISION OF THE FACE VALUE OF EQUITY SHARES:

"RESOLVED THAT pursuant to the provisions of Section-94 and all the other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment therefore for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and subject to other such approvals, consents, sanctions, if any, required from any authority and subject to such conditions as may be prescribed while granting such approvals, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall also include any Committee thereof), the consent of the members is hereby accorded for sub-dividing the face value of the Equity Shares of the Company, such that the Equity Shares of the Company of the face value of Rs. 10/- (Rupees ten each) be sub-divided into five Equity Shares of the Company of the face value of Rs. 2/- (Rupees two) each and consequently the Authorised Share Capital of the Company of Rs. 150,000,000/- (Rupees Fifteen Crores only) would comprise of 75,000,000 (Seven Crores Fifty Lacs) Equity Shares of Rs. 2/- each with effect from the "Record Date" to be determined by the Board for the purpose".

"RESOLVED FURTHER THAT pursuant to the sub-division of the Equity Shares of the Company, the paid up Equity Shares of the Company of the face value of Rs. 10/- (Rupees Ten) each, as existing on the Record Date shall stand sub-divided into five Equity Shares of the face value of Rs. 2/- (Rupees two) each fully paid up, with effect from the Record Date".

"RESOLVED FURTHER THAT the existing physical share certificates in relation to the issued Equity Shares of the Company be cancelled and the Board be and is hereby authorised to call back the same from the shareholders, if necessary and to issue new share certificates in lieu thereof, with regard to the sub-divided Equity Shares in accordance with the provisions of the Companies (Issue of Share Certificate) Rules, 1960 and in case of Members who hold the Equity Shares/opt to receive the Sub-divided Equity Shares in dematerialised form, the sub-divided Equity Shares shall be credited to the respective beneficiary account of the Members, with their respective Depository Participants and the Company shall take such corporate actions as may be necessary in relation to the existing Equity Shares."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and give such directions as may be necessary, in the best interests of the Company, for giving effect to the aforesaid resolution, including but not limited to signing and execution of necessary forms, papers, writings, agreements and documents, including giving customary representations and warranties, together with such indemnities as may be deemed necessary and expedient in its discretion and settling any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decisions shall be final and binding on all the Members."

"RESOLVED FURTHER THAT for the purpose of giving effect to these resolutions and to effect the Sub-division, Shri Vinod Saraf, Managing Director, Ms. Vinati Saraf Mutreja, Executive Director and Mr. Gurnant S. Singhi, Company Secretary cum Finance Controller of the Company be and are hereby severally authorised in the name of and on behalf of the Company to :

- (a) Make the relevant filings with respect to the Sub-division with the Registrars of Companies, Mumbai, Maharashtra
- (b) Intimate and get Sub-division effected at Depositories.
- (c) Ensure to issue fresh share certificates to the members of the Company to the extent required.
- (d) Intimate and instruct (M/s. Sharex and Dynamic (India) Pvt. Ltd.), the Registrar & Transfer Agents of the Company about the Sub-division.
- (e) To do all such acts, deeds, matters and things as may be in their description deemed necessary, proper or desirable in relation to the sub-division and to settle any question, difficulties or doubts that may arise in this regard".

12. To consider and it thought fit to pass with or without modification(s) the following resolution as a special resolution:

#### ALTERATION TO THE CAPITAL CLAUSE OF MEMORANDUM OF ASSOCIATION:

"RESOLVED THAT pursuant to the provision of Section-16 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Clause-V of the Memorandum of Association of the Company be and is hereby altered by substituting the existing 'Clause V' as under:

V. The authorised share capital of the Company is Rs.150,000,000/- (Rupees Fifteen Crores only) divided in to 75,000,000 (Seven Crores Fifty Lacs) Equity shares of Rs. 2/- (Rupees two only) each, with power to increase or reduce the capital of the company and to divide the shares in the capital for the being into several classes and to attach thereto respectively such preferential deferred, qualified or special rights privileges or conditions as may be determined and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided".

13. To consider and it thought fit to pass with or without modification(s) the following resolution as a special resolution:

#### ALTERATION OF THE ARTICLES OF ASSOCIATION:

"RESOLVED THAT pursuant to the provisions of Section-31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article No.4 of the Articles of Association of the Company be and is hereby altered by substituting existing 4 Article as under:-

4. The Authorised Share Capital of the Company is Rs.150,000,000/- (Rupees Fifteen Crores only) divided in to 75,000,000 (Seven Crores Fifty Lacs) equity shares of Rs. 2/- (Rupees two only) with power to increase or reduce in accordance with the regulations of the company and the legislative provisions for the time being in force in this behalf and the powers to divide the shares in the capital for the time being in to other classes and attach share capital and attach there to respectively such preferential, qualified or special rights, privileges or conditions as may be determined.



Notes: The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956, in setting out material facts relating to the special business at item No.9, 10 & 11 of the notice as set out above is annexed hereto.

By Order of the Board of Directors

Gurvant S. Singhi

Company Secretary cum Finance Controller

**Registered Office:**

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

Place : Mumbai

Date : 24 July 2009

**EXPLANATORY STATEMENT U/S - 173 (2) OF THE COMPANIES ACT, 1956:**

**Item No.11**

**Sub-Division of the Face Value of Equity Shares:**

Currently, the Company has a small capital base and the number of its floating shares in the Stock Market is quite minimal as compared to peer companies in the Industry. With a view to increase the number of floating shares and increase the liquidity in stock market, the Board has recommended sub-division of the face value of the Equity Shares from Rs. 10/- per share to Rs. 2/- per share. After the proposed split, each Equity share holders holding one Equity share of Rs. 10/- each in the Share Capital of the Company will get five Equity shares of Rs. 2/-each. Thus this proposal will benefit the Equity shareholders of the Company and in turn will also be in the interest of the Company. This will also facilitate the small investors to purchase the shares of the Company.

The proposed resolution placed at Item no. 9 of this Notice, is intended to give effect to the above proposal and the Board of Directors of the Company accordingly, commends the resolution for approval by the members.

None of the Directors of the Company is in any way concerned or interested in the Resolution except to the extent of sub-divided Equity Shares to be issued to them in lieu of their holding of Equity Shares of the face value of Rs. 10/- each.

**Item Nos. 12 & 13**

**Alteration to the Capital Clause of Memorandum and Articles of Association:**

Consequent to the sub-division of the face value of the Equity Shares of the Company (as per item No. 10 & 11 of this Notice), it is necessary to alter the Capital Clause of the Memorandum and Articles of Association of the Company.

Section-16, Section-31 read with Section-94 of the Companies Act, 1956, provides inter alia, that subject to the provisions of the Companies Act, 1956 and the conditions contained in its Memorandum, the Company may, alter its Memorandum and Articles by passing a Special Resolution at Annual General Meeting. Accordingly, the Special Resolution at item No. 10 and the Special Resolution at item no.11 are placed before the meeting to approve the corresponding amendments in Clause V of the Memorandum of Association and Article 4 of the Articles of Association in the manner set out in the text of the respective resolutions, as to reflect the alteration in the Authorised Share Capital of the Company.

The Board of Directors of the Company accordingly, commends the resolution for approval by the members.

None of the Directors of the Company is in any way concerned or interested in the Resolution except to the extent of sub-divided Equity Shares to be issued to them in lieu of their holding of Equity Shares of the face value of Rs. 10/- each.

By Order of the Board of Directors

Gurvant S. Singhi

Company Secretary cum Finance Controller

**Registered Office:**

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

Place : Mumbai

Date : 24 July 2009

# 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. Gurnant S. Singhi

## BANKERS

State Bank of India  
 Barclays Bank PLC

## 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.

## LOTE 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.

## 20TH ANNUAL GENERAL MEETING

Date	September 19, 2009
Day	Saturday
Time	12.30 p.m.
Venue	Regd. Office at B-12 & B-13/1, MIDC Indl Area, Mahad - 402 309, Dist. Raigad, Maharashtra.



## Notes





## VINATI ORGANICS LIMITED

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

### ATTENDANCE SLIP

Full Name of Shareholder (in Block Letters) \_\_\_\_\_

Ledger Folio No.: \_\_\_\_\_ No. of Shares held : \_\_\_\_\_

DP ID - Client ID : \_\_\_\_\_

Name of Proxy (in Block Letters) of \_\_\_\_\_

I hereby record my presence at the 20th Annual General Meeting of the Company to be held at B-12 & B-13/1 MIDC Industrial Area, Mahad 402 309, Dist Raigad, Maharashtra, on Saturday the 19th day of September, 2009 at 12.30 p.m.

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

Member's/Proxy's Signature



## VINATI ORGANICS LIMITED

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

### FORM OF PROXY

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

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/ members of VINATI ORGANICS LIMITED hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him/her \_\_\_\_\_

of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the TWENTIETH ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 19th day of September 2009 at 12.30 p.m.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

Affix Re.  
1/- Revenue  
Stamp

#### NOTES

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







VINATI ORGANICS LIMITED

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