



**VINATI
ORGANICS
LIMITED**

19th Annual Report 2007-2008

■ BOARD OF DIRECTORS

Mr. Vinod Saraf Chairman &
 Managing Director

Mr. Girish M. Dave

Mr. C.B. Gokhale

Mr. A.A. Krishnan

Mr. Sunil Saraf

Ms. Vinati Saraf Mutreja Executive Director

■ COMPANY SECRETARY CUM FINANCE CONTROLLER

Mr. Guntant S. Singhi

■ BANKERS

State Bank of India

■ AUDITORS

M/s. Karnavat & Co.
Chartered Accountants
Mumbai.

■ 19TH ANNUAL GENERAL MEETING

Date : September 27, 2008

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.

■ REGISTRAR & TRANSFER AGENTS

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

■ 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.

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NOTICE

NOTICE is hereby given that the NINETEENTH ANNUAL GENERAL MEETING OF VINATI ORGANICS LIMITED (the "Company") will be held on Saturday, 27th September, 2008 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 March 31, 2008, 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 Mr. C. B. Gokhale who retires by rotation at this meeting and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Sunil Saraf 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 consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:

Revision in the terms of Remuneration of Mr. Vinod Saraf, Chairman & Managing Director:

To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED THAT in partial modification of Special Resolution No.7 passed at the 16th Annual General Meeting of the Company held on 30th September 2005 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any of the Companies Act, 1956 (the Act), and with schedule XIII of the Act, the Company hereby approves of the revision in the remuneration payable to Mr. Vinod Saraf, Chairman & Managing Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st November 2007 for the remainder of the tenure of his contract up to 31st October 2010."

"FURTHER RESOLVED THAT

A. Remuneration :

- a. Salary – up to a limit Rs.2,50,000/- per month, as may be decided by the Board, based on merit and taking into account the company's performance.
- b. Benefits, Perquisites and Allowances – such benefits, perquisites and allowances as may be determined by the Board from time to time.
- c. Incentive remuneration and / or Commission as may be determined by the Board.

B. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Vinod Saraf, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration, as specified above.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under sections 198, 309, 310 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended from time to time."



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

Revision in the terms of Remuneration of Ms. Vinati Saraf Mutreja, Executive Director:

To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

“RESOLVED THAT in partial modification of Special Resolution No.8 passed at the 17th Annual General Meeting of the Company held on 23rd September 2006 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any of the Companies Act, 1956 (the Act), and with schedule XIII of the Act, the Company hereby approves of the revision in the remuneration payable to Ms. Vinati Saraf Mutreja, Executive Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of her appointment) with effect from 1st November 2007 for the remainder of the tenure of her contract up to 19th May 2011.”

“FURTHER RESOLVED THAT

A. Remuneration :

- a. Salary – up to a limit Rs.2,00,000/- per month, as may be decided by the Board, based on merit and taking into account the company’s performance.
- b. Benefits, Perquisites and Allowances – such benefits, perquisites and allowances as may be determined by the Board from time to time.
- c. Incentive remuneration and / or Commission as may be determined by the Board.

B. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Ms. Vinati Saraf Mutreja, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration, as specified above.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under sections 198, 309, 310 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended from time to time.”

8. 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 / Banks 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. 200 Crores (Rupees Two 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.200 Crores (Rupees Two 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 authorized to finalize 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”



9. 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 at any time exceed the limit of Rs.200 Crores (Rupees Two 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 18th September 2008 to Saturday, the 27th September 2008 (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 Bombay Stock Exchange Ltd. (Regional Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001, Maharashtra.
7. The Annual Listing Fee as prescribed has been paid to the above stock exchange.
8. The dividend on equity shares as recommended by the Directors for the year ended 31st March 2008, if declared at the meeting, will be made payable on or after 28th September 2008 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 17th September 2008 or those whose names appear as beneficial owners as at the end of business on 17th September 2008 as per lists to be furnished by the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

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

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



10. Re-appointment of Directors:

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

Accordingly at the ensuing Annual General Meeting, Mr. C. B. Gokhale and Mr. Sunil Saraf, 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	Mr. C. B. Gokhale	Mr. Sunil Saraf
Date of Birth	22.09.1931	14.02.1966
Date of Appointment	05.08.1994	15.6.1989
Qualifications	Fellow of The Indian Institute of Architects	B. Com.
Directorships held in other public companies	No	1. Viral Alkalies Ltd.
Memberships / Chairman of committees of other public companies	No	No

Registered Office

B-12 & B-13/1, MIDC Industrial Area,
Mahad - 402 309, Dist. Raigad, Maharashtra.
Mumbai, 31st May 2008

By order of the Board of Directors

Gunvant. S. Singhi
Company Secretary
Cum Finance Controller

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

Item No. 6

Mr. Vinod Saraf was reappointed as Chairman & Managing Director of the Company for a period from 1st November 2005 to 31st October 2010 on the terms and conditions and remuneration as approved by the members at the 16th Annual General Meeting of the Company held on 30th September 2005.

In order to give flexibility to the Board of Directors (the board) to decide upon the perquisites and allowances to be granted to Mr. Vinod Saraf, from time to time, within the overall ceilings prescribed under the Companies Act, 1956 (the Act), it is proposed to revise the terms of remuneration relating to the benefits, perquisites and allowances of Mr. Vinod Saraf with effect from 1st November 2007, for the remaining tenure of his contract up to 31st October 2010. At the same time, taking into consideration the present salary of Mr. Vinod Saraf, it is also proposed to revise his salary from Rs.1,10,000/- to 2,00,000/- per month up to a limit of Rs.2,50,000/- per month with effect from 1st November 2007, subject to approval of members in the Annual General Meeting. All other terms and conditions of appointment of Mr. Vinod Saraf would remain unchanged.

The Board recommends the Resolution at item No.6 of the Notice for acceptance by the members.

Mr. Vinod Saraf is concerned or interested in Item No.6 of the Notice.

This may be treated as an abstract under Section 302 of the Companies Act for revision in the terms of remuneration of Mr. Vinod Saraf.

**Item No. 7**

Ms. Vinati Saraf Mutreja was appointed as Executive Director of the Company for a period from 20th May 2006 to 19th May 2011 on the terms and conditions and remuneration approved by the members at the 17th Annual General Meeting of the Company held on 23rd September 2006.

In order to give flexibility to the Board of Directors (the board) to decide upon the perquisites and allowances to be granted to Ms. Vinati Saraf Mutreja, from time to time, within the overall ceilings prescribed under the Companies Act, 1956 (the Act), it is proposed to revise the terms of remuneration relating to the benefits, perquisites and allowances of Ms. Vinati Saraf Mutreja with effect from 1st November 2007, for the remaining tenure of her contract up to 19th May 2011. At the same time, taking into consideration the present salary of Ms. Vinati Saraf Mutreja, it is also proposed to revise her salary from Rs.55,000/- to 1,50,000/- per month up to a limit of Rs.2,00,000/- per month with effect from 1st November 2007, subject to approval of members in the Annual General Meeting. All other terms and conditions of appointment of Ms. Vinati Saraf Mutreja would remain unchanged.

The Board recommends the Resolution at item No.7 of the Notice for acceptance by the members.

Ms. Vinati Saraf Mutreja is concerned or interested in Item No.7 of the Notice.

This may be treated as an abstract under Section 302 of the Companies Act for revision in the terms of remuneration of Ms. Vinati Saraf Mutreja.

Item No. 8

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. 9

The Company's present borrowing power is Rs.50 Crores which was approved to by the members at the Fifth Annual General Meeting held on 30th September 1994.

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

Registered Office:

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

Mumbai, 31st May, 2008

Gunvant S. Singhi

Company Secretary cum Finance Controller

**ADDENDA TO NOTICE DATED 31ST MAY 2008****SPECIAL BUSINESS**

10. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (the Act), the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") or any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, provisions of any other applicable laws or regulations and listing agreement entered into by the Company with the stock exchange where the securities of the company are listed and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions or modification(s) as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee including ESOS compensation committee which the Board has constituted to exercise its powers including the powers conferred by the resolution), consent of the company be and is hereby accorded to the introduction of the "Employee Stock Option Scheme 2008" (hereinafter referred to as ESOS 2008" or the Scheme"), the salient features of which are furnished in the explanatory statement to the Notice and the consent of the company be and is hereby accorded to the Board to create, grant, offer, issue and allot at any time to or to the benefit of such person who are in permanent employment of the company in the management cadre, whether working in India or out of India, including managing / whole time directors of the company (hereinafter referred to collectively as the "Employees") as are proposed to be covered in the scheme, option exercisable into not more than 2,00,000 equity shares of Rs.10/- each of the company in one or more tranches and on such terms and conditions as may be fixed or determined in accordance with the provisions of the law or guidelines issued by the relevant authorities.

RESOLVED FURTHER THAT without prejudice to the generality of the above but subject to the terms as approved by the members, the Board be and is hereby authorized to formulate a scheme including terms relating to eligibility of the employees under the scheme, to grant the options under the scheme (detailing the terms of option) at such time or times as it may decide in its absolute discretion and is also authorized to determine in its absolute discretion as to when the said equity shares are to be issued, the number of shares to be issued in each tranche, the terms and conditions, subject to which the said shares are to be issued, the conditions under which option vested in employees may lapse, terms relating to specified time within which the employees should exercise his option in the event of his termination or resignation, terms relating to dividend on the shares to be issued and all such other terms as could be applicable to the offering of similar nature.

RESOLVED FURTHER THAT in case of any corporate action such as rights issue, bonus issue, mergers, demergers, amalgamation, sale of division and any other form of corporate restructuring, if any, additional equity shares are issued by the company to the option grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 2,00,000 equity shares of Rs.10/- each shall be deemed to be increased or modified to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot equity shares upon exercise of options from time to time in accordance with the scheme and such equity shares shall rank pari passu in all respect with the then existing equity shares of the company.

RESOLVED FURTHER THAT in case the equity shares of the company are either sub-divided or consolidated, then the number of equity shares to be allotted and the price of acquisition payable by the option grantees under the scheme shall automatically stand augmented or reduced, as the case may be in the same proportion as the present face value of Rs.10/- each per equity share bears to the revised face value of the equity share of the company after such sub-division or consolidation without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the scheme on the stock exchange, where the securities of the company are listed as per

the provisions of the listing agreement with the concerned stock exchange, the SEBI Guidelines and other applicable laws and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary expedient or proper and to settle all queries, questions, difficulties or doubts that may arise in relation to the formulation and implementation of the scheme at any stage including at the time of listing of the securities issued therein without requiring the Board to secure any further consent or approval of the members of the company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modification(s), changes, variations, alterations, or revision in the scheme as it may deem fit from time to time in conformity with the provisions of the Act, Memorandum and Articles of the Company, SEBI Guidelines and any other applicable laws, unless such variation, amendments, modifications or alterations are detrimental to the interest of present and future employees of the company.

NOTES:

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

By Order of the Board of Directors

Registered Office:

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

Mumbai, 25th July, 2008

Gunvant S. Singhi
Company Secretary cum Finance Controller

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

Item No. 10

Your company appreciates the significant role its employees play in its growth. Your Company strongly feels that the value created by its employees should be shared with them. To motivate and reward and retain the key performers and also to promote the culture of employee ownership in your company, the Board of Directors of your company at its meeting held on 25th July 2008 resolved to introduce the “Employee Stock Option Scheme 2008” (hereinafter referred to as the “ESOS-2008” or the “Scheme”) subject to approval of the members and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended from time to time (the “SEBI Guidelines”). The Board of Directors of your company also constituted Committee comprising of majority of independent directors to formulate the detailed terms and conditions of ESOS-2008 and once formulated to administer and implement the scheme in accordance with the SEBI Guidelines.

Your approval is being sought for issue of stock option to the employees of your company by introduction of ESOS-2008. The salient features of ESOS-2008 are as under:

1. Options to be granted

Options would be available for being granted under the scheme, detailed terms of which are to be formulated by the Board of Directors of your company (“the Board”) which expression includes any committee constituted by the Board in this behalf, but subject to the broad parameters of the scheme to be approved by the shareholders. Aggregate of options when exercised will not exceed 2,00,000 equity shares of Rs.10/- each of the company in one or more tranches and on such terms and conditions as may be fixed in accordance with the provisions of the law and guidelines issued by the relevant authorities. Each option, when exercised would be converted into one equity share of Rs.10/- each as fully paid-up of your company. Vested options that lapse due to non-exercise or unvested options that get cancelled due to the resignation or termination of the employees or otherwise, would be available for being regranted at a future date.



The SEBI Guidelines require that in case of any corporate action such as Rights Issue, Bonus Issue, Mergers, Demergers, Amalgamation, Sale of Division and any other form of corporate re-structuring, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by your company, to the option grantees for making such fair and reasonable adjustments, the ceiling of 2,00,000 equity shares shall be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in ESOS-2008

All permanent employees of your company in the management cadre, whether working in India including the chairman / managing / whole time directors and all permanent employees of your subsidiary / associate / holding companies in the management cadre, whether working in India or out of India including the chairman / managing / whole time directors, if any, (hereinafter referred to as employees), but excluding the promoters or persons belonging to the promoter group of the company as may be decided by Committee from time to time would be entitled to be granted stock option under the scheme.

3. Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be renounced, pledged, hypothecated, mortgaged or otherwise alienated in any manner. However in the event of death of an employee stock option holder while in employment, the right to exercise all the vested options granted to him till such date and unvested options scheduled to be vested within six months from the date of the death of such employee shall be transferred to his/her legal heirs or nominees.

4. Requirement of vesting, period of vesting and maximum period within which the option shall be vested

The stock options granted shall vest so long as the employee continues to be in employment of the company. The Committee, may at its discretion, lay down certain criteria including but not limited to performance matrix on the achievement of which the granted options would vest, the detailed terms and conditions relating to such criteria for vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The Stock options would vest not earlier than one year and not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Exercise Price

The Exercise price shall be the average price of the equity shares of the company in the immediate preceding seven day period (at a stock exchange as determined by the Committee) on the date prior to the date on which the ESOS Committee finalizes the specific number of options to be granted to the employees discounted by such percentage not exceeding 50% (Fifty percent) to be determined by the Committee in the best interest of the various stakeholders in the prevailing market conditions.

6. Exercise period and the Process of Exercise

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the employees by a written application accompanied by payment of the exercise price to the company to exercise the options in such manner, and on execution of such documents as may be prescribed by the Committee from time to time after which shares would be allotted. The options will lapse if not exercised within the specified exercise period.

7. Appraisal Process for determining the eligibility of the employees to ESOS-2008

The appraisal process for determining the eligibility of the employees will be specified by the Committee, and will be based on criteria such as role/level of the employee, past performance record, future potential of the employee, balance number of years of service until normal retirement age and/or such other criteria that may be determined by the Committee at its sole discretion.



8. Maximum number of options to be issued per employee in aggregate

The number of options that may be granted to an employee under the scheme shall be decided by the Board. However the number of options that may be granted to a single employee under the scheme shall not exceed 0.1% of the paid-up equity share capital of your company at the time of grant of options. The aggregate of all such options shall not result into more than 2,00,000 equity shares of your company. Lapsed options to be eligible for reissue.

9. Disclosure and Accounting Policies

Your company shall comply with the accounting policies prescribed under clause 13.1 of the SEBI Guidelines and all other disclosure requirements and accounting policies prescribed as per the SEBI Guidelines and other applicable laws and regulations.

To calculate the employee compensation cost, your company shall use the intrinsic Value Method for valuation of the options granted. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it has used the Fair Value of the options shall be disclosed in the Directors' Report and the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.

As the scheme provides for issue of shares to persons other than existing members of your company, your consent is being sought by way of special resolution pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per Clause 6 of the SEBI Guidelines.

The Board recommends passing of the Special Resolution.

None of the Director is interested or concerned in the resolution, except to the extent of their future probable option entitlements.

By Order of the Board of Directors

Registered Office:

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

Mumbai, 25th July, 2008

Gunvant S. Singhi
Company Secretary cum Finance Controller

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting their Nineteenth Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2008.

1) FINANCIAL RESULTS

The summarized position of these results is given below:

(Rs. in Lacs)

		2007-2008	2006-2007
Sales up by 78% ↑	Sales and other income	16539.00	9234.87
	Profit before Interest, Depreciation & Taxes	2935.90	1022.39
	Interest	325.93	196.57
	Profit before Depreciation & Taxes	2609.97	825.82
EBITDA up by 187% ↑	Depreciation & Non-cash Charges	295.36	273.14
	Profit before Taxation	2314.61	552.68
	Provision for Taxation – Current	748.60	178.00
	– Deferred	42.50	17.61
	Fringe Benefit Tax	8.00	5.60
	Provision for earlier year W/back/Provided	(4.26)	0.08
PAT up by 333% ↑	Net Profit	1519.77	351.39
	Balance brought forward	2211.36	1962.40
	Balance available for appropriations	3731.13	2313.79
	APPROPRIATIONS		
	Capitalised for bonus shares	239.15	—
	Gratuity liability for transitional period	11.86	—
	Dividend	197.49	79.00
	Tax on Dividend	33.56	13.43
	Transfer to General Reserve	115.00	10.00
	Surplus carried to Balance sheet	3134.07	2211.36

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.9046.22 Lacs to Rs.16135.58 Lacs, registering a growth of 78.37 % 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.552.68 Lacs in 2006-07 to Rs.2314.61 Lacs in 2007-08 registering a robust growth of 319 %.

3) DIVIDEND

Your Directors are pleased to recommend a dividend of 20% i.e. Rs.2/- per equity share.

The total outgo on dividend account will be Rs.231.05 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 on schedule. The project aims at establishing manufacturing facilities to match International standards. After full implementation, the production capacity of ATBS project will increase by 5000 M.T.

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

The Company is optimistic about the future demand and foresee a strong and robust growth in the financial year 2008–09 across all markets driven by good performance in existing and new areas of business.

(i) Expansion of IBB Plant at Mahad

In order to cater to increased export demand, the Company has increased the capacity of IBB Plant to 14000 TPA. (Increase of 40%).

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

In order to cater to higher exports demand, the Company has undertaken expansion of ATBS plant to increase existing capacity from 3000 TPA to 8000 TPA. The work on project is going as per schedule and is likely to be completed by 30th September 2008. However the impact on profitability shall be visible only in the last quarter of the year when the production goes in full stream after successful trial runs.

5) TURNOVER AND PROFIT (OPERATING RESULTS)

The Company achieved turnover of Rs.16135.58 Lacs as compared to Rs.9046.22 Lacs in the previous year. The net profit after tax increased to Rs.1519.77 Lacs as compared to Rs.351.39 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. C.B. Gokhale, Director and Mr. Sunil Saraf, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re–appointment.

Directors' profile

Mr. C.B. Gokhale is a Fellow of The Indian Institute of Architects. He is on the Board of Directors since 1994 and is a member of Audit Committee of the Company.

Mr. Sunil Saraf is Commerce Graduate from Rajasthan University. He is having rich experience of 21 years. He is Director on the Board since inception of the Company.

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. Talati & Associates have been appointed as Cost Auditor with the approval of Central Government for the year ending on 31.03.2008. 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) EMPLOYEES

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

13) 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 'B'** forming part of this report.

14) LISTING

The Company's Equity shares continue to be listed at BSE. We confirm that the Listing fee for the Financial year 2007-2008 has been paid to them.

15) DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2008 and the profit of the Company for the year ended on 31st March 2008;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared annual accounts on a going concern basis.

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

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

17) APPRECIATION & ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board of Directors

Vinod Saraf

Chairman & Managing Director

Mumbai, 31st May 2008



ANNEXURE – A TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

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

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 Executive Chairman. The number of Independent Directors is 50% of the total number of Directors.

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

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

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

(b) Attendance at Board 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 2007 – 2008 and the gap between two meetings did not exceed four months:

Date of the Meeting	Total Strength	No. of Directors present
31 st May 2007	6	5
31 st July 2007	6	6
1 st September 2007	6	3
30 th October 2007	6	5
28 th November 2007	6	2
25 th January 2008	6	6

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee positions as held by them in other public limited companies as on 31st March, 2008 are given below:



Name	Category	No. of Board Meetings Attended during 2007-08	Whether attended AGM held on 29th Sept. 2007	No. of Directorships in other public limited Companies	No. of Committee positions held in other public limited Companies	
					Chairman	Member
Mr. Vinod Saraf (Chairman & Managing Director)	Promoter, Not-Independent Executive	6	Yes	1	–	–
Mr. Girish M. Dave (Director)	Independent Non-Executive	3	Yes	7	1	6
Mr. C.B. Gokhale (Director)	Independent Non-Executive	4	No	–	–	–
Mr. A.A. Krishnan (Director)	Independent Non-Executive	5	No	3	–	–
Mr. Sunil Saraf (Director)	Promoter, Not-Independent Non – Executive	4	Yes	1	–	–
Ms. Vinati Saraf Mutreja (Executive Director)	Promoter, Not-Independent Executive	5	Yes	1	–	–

(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 2008. There were no material financial and commercial transactions in which the Senior Management personnel had personal interest, which could lead potential conflict of interest of the Company during the year. The Code of Conduct is available on Company's website.

3. **AUDIT COMMITTEE**

(a) **Constitution**

The Audit Committee, which was constituted on 31st January 2001 pursuant to the provisions contained in section 292A of the Companies Act, 1956 was reconstituted as per Clause 49 of Listing Agreement for Corporate Governance on 24th January 2002 and was reconstituted on 20th May 2006. The terms of reference of the Audit Committee as stipulated by the Board are in accordance with all the items listed in Clause 49(II)(D) of the Listing Agreement and Section 292A of the Companies Act, 1956.

(b) **Composition**

The Audit Committee of the Company as on 31st March, 2008 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 & 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 st May 2007	3	3
31 st July 2007	3	3
30 th October 2007	3	2
25 th January 2008	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 25th January 2008 for approving transfers, transmission etc. It comprises of following Directors:

- (i) Mr. Vinod Saraf, Chairman & 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 2007–2008 for approving transfers, transmissions etc. All transfers & transmissions etc. were approved and share certificates were dispatched within 30 days and requests for dematerialization were confirmed within 15 days.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

(a) Terms of Reference

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

(b) Composition

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

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

(c) Meetings & Attendances

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

Date of the Meeting	Total Strength	No. of Directors present
31 st March 2008	3	3

A total number of 4 complaints were received and all of which were, redressed by the Company during the year 2007 – 2008.

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



6. DETAILS OF REMUNERATION PAID / PAYABLE TO THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2008.

Managerial Remuneration:

Name	Salary & Allowances (Rs.)	Contribution to PF	Other Perquisites
Mr. Vinod Saraf Chairman & Managing director	1880000	212400	84445
Ms. Vinati Saraf Mutreja Executive Director	1465016	135232	15872
Total:	3345016	347632	100317

7. GENERAL BODY MEETING

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

Year	Location	Date	Day	Time	No. of Special resolutions passed
16 th AGM 2005,	Regd. Office B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.	30.09.2005	Friday	03.00 p.m.	Nil
17 th AGM 2006	– do –	23.09.2006	Saturday	03.00 p.m.	Nil
18 th AGM 2007	– do –	29.09.2007	Saturday	03.00 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.sebiedifar.nic.in

10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

The Company has adequate 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 reports 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

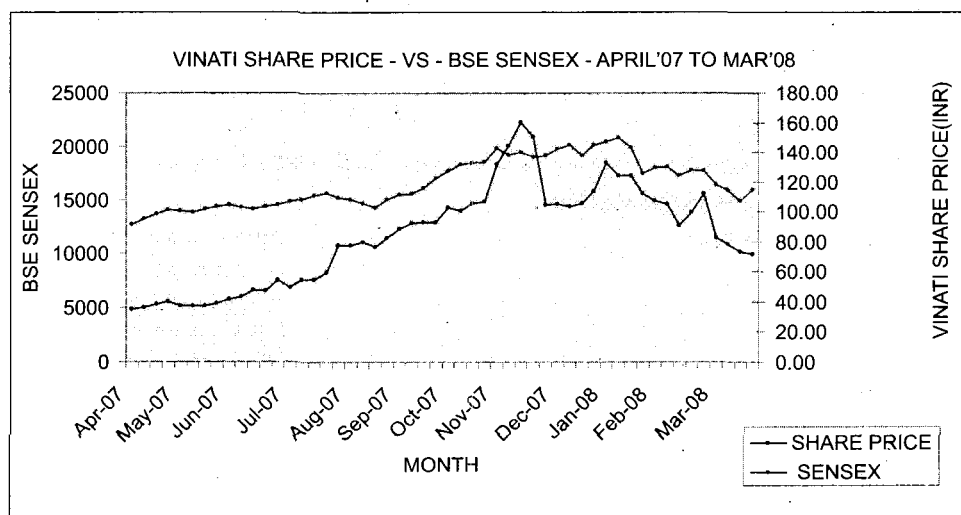
- | | | |
|--|---|--|
| (a) Annual General meeting | : | 27 th September 2008 |
| Date and Time | : | at 12.30 P.M. |
| Venue | : | at Regd. Office, at B/12 & B-13/1,
MIDC Indl. Area, Mahad – 402 309,
Dist. Raigad, Maharashtra. |
| (b) Financial Calendar | | |
| Annual General Meeting | : | 27 th September 2008 |
| Unaudited results for the quarter ending June 2008 | : | 4 th week of July '08 |
| Unaudited results for the quarter / half year ending September 30, 2008 | : | 4 th week of Oct ' 08 |
| Unaudited results for the quarter ending December 31, 2008 | : | 4 th week of Jan ' 09 |
| Unaudited results for the quarter ending March 31, 2009 | : | 4 th week of April ' 09 |
| Date of book Closure | : | 18 th September 2008 to
27 th September 2008. |
| Dividend payment date | : | 22 nd October 2008 |
| (c) Listing on Stock exchange | : | The company's Securities are listed on
the following Stock exchange in India
Bombay Stock Exchange, Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001,
Maharashtra. |
| (d) Stock Code: The Bombay Stock Exchange Ltd.,
(Physical Segement) | : | 524200 |
| Demat ISIN in NSDL and CDSL for Equity Shares | : | INE410B01011 |

(e) Market Price Data

Month	Bombay Stock Exchange (in Rs.)	
	High	Low
Apr – 2007	43.00	35.00
May – 2007	41.00	35.60
Jun – 2007	58.50	42.10
Jul – 2007	80.20	47.00
Aug – 2007	90.00	70.00
Sep – 2007	99.00	83.00
Oct – 2007	131.60	94.20
Nov – 2007	183.00	100.00
Dec – 2007	128.55	100.00
Jan – 2008	141.65	101.00
Feb – 2008	110.00	82.65
Mar – 2008	90.50	61.25



(f) The performance of the Company's shares relating to the BSE Index for the year 2007 – 2008 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 : 22641349

E-mail : sharexindia@vsnl.com

Website : www.sharexindia.com

Business Hours : 11.00 a.m. to 1.00 p.m.
to & 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 31st March 2008.**

Category No. of Shares	No. of share holders	% of holders	Total Shares	% of Shares
1 To 100	1506	16.24	93505	0.95
101 To 200	5895	63.55	889491	9.01
201 To 500	1116	12.03	376868	3.82
501 To 1000	448	4.83	331517	3.36
1001 To 5000	253	2.73	509180	5.16
5001 To 10000	27	0.29	196081	1.99
10001 To 100000	21	0.23	672349	6.81
100001 and above	10	0.11	6805509	68.92
Total	9276	100.00	9874500	100.00

(j) **Categories of shareholders as on 31st March 2008.**

Category	No. of share holders	Voting strength (%)	No. of Ordinary shares
Individuals	9,083	25.03	24,72,715
Promoters	17	68.80	67,93,510
Other Companies	148	6.04	5,96,380
Non-Resident Individuals	23	0.08	7,367
Nationalized Banks, Mutual funds and trusts	5	0.05	4,528
Total	9,276	100.00	98,74,500

(k) **Dematerialization of shares and liquidity**

2659584 (Total shares demated with NSDL is 1824372 & CDSL is 835212) of the Company's share capital is dematerialized as on 31.03.2007. The Company's shares are regularly traded on the Bombay Stock Exchange Ltd. 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. Gunvant 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 31st March, 2008.

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

For the purpose of this declaration, senior management team means the Chief Financial officer, Chief Operating Officer, Executive President and the Company Secretary as on 31st March 2008.

On behalf of the Board of Directors

Mumbai
31st May 2008

Vinod Saraf
Chairman & Managing Director

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

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

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

I) Power & Fuel Consumption	2007-08	2006-07
1) Electricity		
a) Purchased (MSEB)		
Unit (KWH in Lacs)	86.43	58.55
Total Amount (Rs. in Lacs)	375.90	265.69
Cost per unit (in Rs.)	4.35	4.54
Unit Consumed/Kg. Of IBB	0.28	0.37
Unit Consumed /Kg. Of ATBS & Na-ATBS	1.60	1.87
b) Own Generation		
Through Diesel Generator		
Units	41785	27328
Amount (Diesel Cost in Rs.)	468643	390140
Cost per unit (in Rs.)	11.22	14.28

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

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

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

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

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

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

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

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

The Company has been successful in achieving new products and process development, higher standards of quality, safety, environmental protection, and conservation of energy.

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.

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

d) FOREIGN CURRENCY EARNINGS AND OUTGO

The details of Foreign Exchange Earnings & Expenditure in Foreign Currency is given in Note No.13 F & G of Schedule 18.

ANNEXURE – C TO DIRECTORS' REPORT

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
VINATI ORGANICS LIMITED

We have examined the compliance of conditions of Corporate Governance by VINATI ORGANICS LIMITED, for the year ended on 31st March, 2008, 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

192, Dr. D. N. Road,
Mumbai 400 001
Mumbai, 31st May, 2008

(Shashikant Gupta)
Partner
Membership No. 45629



ANNEXURE – D TO DIRECTORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

Isobutyl Benzene (IBB)

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

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

These specialty monomers have wide applications & mainly in oil-field recovery, water treatment, acrylic fiber manufacturing, adhesives and personal care products. They are also used in mining industry, coatings and as dispersing and flocculating agents. 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. Hence on completion of successful trials of the polymers, the demand for the monomer is expected to see tremendous growth. There are very few manufacturers of these products world-wide. With the growth of the above industries in India, these products will find new applications domestically.

2. "SWOT" ANALYSIS

STRENGTHS & OPPORTUNITIES

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

IBB

- ✱ The Company is the world's largest manufacturer and supplier of IBB.
- ✱ The manufacturing costs are significantly lower in India and the Company has employed efficient manufacturing practices. Thus it has been able to capture market-share from IBB producers worldwide.

ATBS / Na-ATBS & TBA

- ✱ The technology to manufacture these products is scarce. Currently there are only 2 other major producers of these monomers in the world.
- ✱ As suppliers of these products are limited, customers are very keen to work for a new source of supply.
- ✱ All the major users of these products are based in Europe or U.S.A., thus they prefer to enter into annual contracts.
- ✱ Due to manufacturing cost advantages as well as consistent sales efforts, the Company has been successful in establishing long-term contracts with World's largest buyers based in USA and Europe. These contracts have provisions to change prices based on the changes in the critical cost components – raw material and currency.

- ✖ The company is diversifying the currency risk by selling material in both USD and Euros.
- ✖ The Company has also undertaken an application development program and has successfully initiated business in new user industries in the domestic market.
- ✖ The Company has conducted an expansion programme thereby increasing capacity from 3000 TPA to 8000 TPA.
- ✖ The world demand for these monomers is growing rapidly, which is expected to increase 2 to 3 folds with the production of enhanced oil recovery polymers.

3. RISK CONCERNS AND RISK MITIGATION

✖ **Availability of skilled personnel**

The Company's labour turnover has increased.

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

✖ **Risk of Foreign Exchange**

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

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

✖ **Product risk**

ATBS, Na-ATBS AND TBA

The Company faces competition from large and established organizations. Also, the testing and approval process for these products is time-intensive.

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

IBB

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

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

✖ **Business portfolio risk**

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

✖ **Industry risk**

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

Mitigation—Each business vertical caters to sectors that enjoy moderate – to –high growth.

✖ **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.



At present prices of other raw materials in Ibuprofen are increasing and on the other side the Price of Ibuprofen is under pressure, hence putting pressure on the margins of Ibuprofen and this may reflect on demand of IBB.

✧ **Quality risk**

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

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

Quality assurance:

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

✧ **Technology risk**

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

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

✧ **Client concentration risk**

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

Mitigation— The Company's strong client list comprises of brand enhancing international and domestic companies.

The Company's product customisation capability in the specialty chemicals business has resulted in strong customer growth and satisfaction.

✧ **Receivables risk**

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

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

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

4. MISSION AND GOAL

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

- ✧ Implementation of TQM programme (Standard quality assurance given by ISO)
- ✧ Extension from preventive and shut down maintenance to predictive one.
- ✧ Upgradation of facilities in line with the demanding requirements of the global chemical industry
- ✧ Maintained its focus on delivering value to its clients using the Practice, Geography, Delivery centre and Corporate functions in a collaborative mode.
- ✧ The Company has undertaken expansion activities in both the units. The benefits of the expansion will start accruing from the year 2008–2009.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

All operating parameters are ministered and controlled.

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

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

6. FINANCIAL PERFORMANCE AND OUTLOOK

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

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

While the total sales increased from Rs.9046.22 Lacs for the year ended March 2007 to Rs.16135.58 Lacs for the year ended March 2008, the net profit after tax increased from Rs. 351.39 Lacs to Rs.1515.98 Lacs for the same period.

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

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

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

The results of these improvements can be seen in the financials for the final quarter ending March 2008, where the profit rose to Rs.440.10 Lacs.

7. HUMAN RESOURCES

Human Resources are a valuable asset at Vinati Organics and the Company seeks to attract and retain the best talent available. The Company has, as always, stood by its commitment of harnessing and developing its people resources in the best possible manner for achievement of its business goals & objectives. All through the year the level of people engagement has been of the highest order, which has impacted the process of business growth and up gradation of various systems in a significant way.

8. HR INITIATIVES AND GROWTH

The year gone by has been an eventful one with efforts focused towards meeting the challenges of business expansion and growth across the Organization. Attracting, recruiting and selecting, developing and retaining talented employees have been a thrust area to meet the needs of growth across various units.

9. TRAINING AND DEVELOPMENT

The Organization has 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.

10. MANAGEMENT MONITORING AND IMPLEMENTATION OF COMPANY STRATEGIES

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

On behalf of the Board of Directors

Mumbai
31st May 2008

Vinod Saraf
Chairman & Managing Director



AUDITORS' REPORT

TO THE MEMBERS OF VINATI ORGANICS LIMITED

1. We have audited the attached Balance Sheet of **VINATI ORGANICS LIMITED** as at **31st March, 2008** and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at **31st March 2008**; 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

192, Dr. D. N. Road,
Mumbai 400 001
Mumbai, 31st May, 2008

(Shashikant Gupta)
Partner
Membership No. 45629



ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a 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.660 lacs during the year from three parties and outstanding amount at the beginning of the year and at the year end aggregates to Rs. 415.01 lacs and Rs. 611.62 lacs 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 31-03-2008, for a period of more than six months from the date they became payable.
- (c) As on 31-03-2008, 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)	58,07,334	A.Y. 2005-06	CIT (Appeal)
The Income Tax Act 1961	Demand of penalty raised u/s 271(1)(C)	32,08,630	A.Y. 2003-04	CIT (Appeal)
Central Excise Act, 1944	Demand raised by Dep'tt. alleging wrong availment of modvat credit and other issues.	4,03,987	Sept 1996 to June 1999	Asst. Commissioner
Central Excise Act, 1944	Demand on valuation of by-product transferred from one unit to other	3,70,150	Aug 2002 to Sept. 2004	CESTAT
Central Excise Act, 1944	Demand on valuation of by-product transferred from one unit to other	3,80,760	Dec 2005 to Nov 2006	Commissioner (Appeal)
Central Excise Act, 1944	Demand on excess freight collected from buyer	1,16,278	Dec 2005 to Nov 2006	Commissioner (Appeal)

- (x) The Company does not have accumulated losses. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institution and bank.
- (xii) Based on our examination of documents and records, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provision of any special statute as specified under paragraph 4 (xiii) of the said order are not applicable to the company.

- VINAY CHANDAN & CO. CHARTERED ACCOUNTANTS
- (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

192, Dr. D. N. Road,
Mumbai 400 001
Mumbai, 31st May, 2008

(Shashikant Gupta)
Partner
Membership No. 45629

**BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule	As at 31/03/2008 Rs.	As at 31/03/2007 Rs.
SOURCES OF FUNDS :			
Shareholders' Funds:			
Share Capital	1	98,745,000	65,830,000
Reserves & Surplus	2	327,946,242	233,175,558
Loan Funds :			
Secured Loans	3	281,701,655	210,402,597
Unsecured Loans	4	61,161,633	46,501,479
Deferred Tax Liability		52,659,462	48,409,725
TOTAL		822,213,992	604,319,359
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	5	640,317,797	562,604,465
Less : Depreciation		231,841,646	202,726,355
Net Block		408,476,151	359,878,110
Capital Work in Progress		109,119,084	16,340,196
		517,595,235	376,218,306
Current Assets, Loans and Advances :			
Inventories	6	121,235,911	82,079,974
Sundry Debtors	7	220,690,453	197,014,616
Cash and Bank Balances	8	13,711,285	8,796,459
Loans and Advances	9	106,625,473	57,159,465
		462,263,122	345,050,514
Less : Current Liabilities & Provisions :	10	157,644,365	116,949,461
Net Current Assets		304,618,757	228,101,053
TOTAL		822,213,992	604,319,359
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

Shashikant Gupta
Partner
Membership No. 45629

Mumbai, 31st May, 2008

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

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
INCOME :			
Gross Sales		1,620,185,027	913,615,796
Less : Inter Unit Transfer		6,626,964	8,993,552
		1,613,558,063	904,622,244
Less : Excise Duty		150,304,647	84,136,459
Net Sales		1,463,253,416	820,485,785
Other Income	11	40,342,240	18,864,552
TOTAL		1,503,595,656	839,350,337
EXPENDITURE :			
Raw Materials Consumed	12	961,706,582	543,204,879
Decrease/(Increase) in Finished Stock	13	(18,190,229)	8,340,846
Manufacturing Expenses	14	90,867,779	65,879,303
Payments to and provision for employees	15	65,806,751	52,852,504
Administrative & Other Expenses	16	142,408,254	86,491,075
		1,242,599,137	756,768,607
PROFIT BEFORE DEPRECIATION, NON-CASH CHARGES & TAXES:		260,996,519	82,581,730
Less: Depreciation		29,327,805	27,126,091
Amortisation of Lease hold land		208,176	187,626
PROFIT BEFORE TAXATION		231,460,538	55,268,013
Provision for taxation			
Current		74,860,000	17,800,000
Deferred (Refer note no. 9)		4,249,737	1,761,491
Fringe Benefit Tax		800,000	560,000
for Earlier Year (W/back) provided		(426,385)	8,058
NET PROFIT AFTER TAX		151,977,186	35,138,464
Balance brought forward from last year		221,135,558	196,239,231
AMOUNT AVAILABLE FOR APPROPRIATION		373,112,744	231,377,695
APPROPRIATIONS			
Capitalised for bonus shares		23,915,000	-
Gratuity Liability for Transitional Period (Refer note no. 4)		1,186,159	-
Proposed Dividend		19,749,000	7,899,600
Tax on Dividend		3,356,343	1,342,537
Transfer to General Reserve		11,500,000	1,000,000
Balance Carried to Balance Sheet		313,406,242	221,135,558
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (in rupees) Basic & Diluted		15.39	3.56

As per our Report of even date attached

For and on behalf of

Karnavat & Co.

Chartered Accountants

Shashikant Gupta

Partner

Membership No. 45629

Mumbai, 31st May, 2008

Vinod Saraf

Chairman & Managing Director

Vinati Saraf Mutreja

Executive Director

G. S. Singhi

Company Secretary cum

Finance Controller

N. K. Goyal

Senior Vice President (Finance)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2008

	Year Ended 31.03.2008 Amount (Rs.)	Year Ended 31.03.2007 Amount (Rs.)
A. Cash flow from operating activities :		
Net profit before tax and extra ordinary item	231,460,538	55,268,013
Adjustments for :		
Depreciation	29,327,805	27,126,091
Loss on sale of fixed assets/assets discarded	196,606	177,642
Interest paid	32,593,357	19,657,327
Non-cash charges	208,176	187,626
Gratuity Liability for Transitional Period	(1,186,159)	—
Operating profit before working capital changes	292,600,323	102,416,699
Adjustments for :		
Trade and other receivables	(73,141,845)	(90,975,311)
Inventories	(39,155,937)	(3,177,896)
Trade and other payables	40,694,904	34,945,690
Cash generated from operations	220,997,445	43,209,182
Income tax paid incl.Fringe benefit Tax	(75,233,615)	(18,368,058)
Dividend & Tax thereon	(23,105,343)	(9,242,137)
Cash flow before extra ordinary items	122,658,487	15,598,987
Extra ordinary items	—	—
Net cash from operating activities	122,658,487	15,598,987
B. Cash flow from investing activities		
Purchase of fixed assets	(171,167,516)	(33,315,565)
Less: sale of fixed assets	58,000	405,587
Net cash used in investing activities	(171,109,516)	(32,909,978)
C. Cash flow from financing activities		
Receipt of borrowings	85,959,212	31,953,829
Interest paid	(32,593,357)	(19,657,327)
Net cash from financing activities	53,365,855	12,296,502
Net increase in cash and cash equivalents	4,914,826	(5,014,489)
Cash and cash equivalents (opening balance)	8,796,459	13,810,948
Cash and cash equivalents (closing balance)	13,711,285	8,796,459

As per our Report of even date attached

For and on behalf of

Karnavat & Co.

Chartered Accountants

Shashikant Gupta

Partner

Membership No. 45629

Mumbai, 31st May, 2008**Vinod Saraf**

Chairman & Managing Director

Vinati Saraf Mutreja

Executive Director

G. S. Singhi

Company Secretary cum

Finance Controller

N. K. Goyal

Senior Vice President (Finance)



SCHEDULES FORMING PART OF ACCOUNTS

	As at 31/03/2008 Rs.	As at 31/03/2007 Rs.
SCHEDULE "1"		
SHARE CAPITAL :		
Authorised:		
15,000,000 Equity Shares of Rs. 10/- each	150,000,000	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid Up:		
9,874,500 (P.Y. 6,583,000) Equity Shares of Rs. 10/- each	98,745,000	65,830,000
Fully Paid.		
Note: 3,291,500 Equity shares of Rs.10/each Fully Paid		
Alloted as bonus shares by capitalisation of Reserves & Surplus		
	<u>98,745,000</u>	<u>65,830,000</u>
SCHEDULE "2"		
RESERVES & SURPLUS :		
i) Capital Reserve	3,040,000	3,040,000
ii) General Reserve	9,000,000	
Less: Capitalised	9,000,000	
Add: Transfer During The Year	11,500,000	9,000,000
iii) Profit and Loss Account	313,406,242	221,135,558
	<u>327,946,242</u>	<u>233,175,558</u>
SCHEDULE "3"		
SECURED LOANS :		
i) Term loan from State Bank Of India (FCNR-B)	37,891,132	-
ii) Term loan from Barclays Bank (FCNR)	72,793,901	-
iii) Term loan from Technology Development Board (TDB)	-	54,000,000
iv) Working capital advances from Bank	171,016,622	156,402,597
	<u>281,701,655</u>	<u>210,402,597</u>

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 Managing Director and Executive Director.
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.189.16 Lacs (Previous Year -Rs. 216.00 Lacs).



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE "4"

UNSECURED LOANS:

ICI – Spread Loan
From a Director
Inter Corporate Deposits

Loans falling due within one year
Rs. NIL (Previous Year – Rs. 46.00 Lacs).

As at 31/03/2008 Rs.	As at 31/03/2007 Rs.
–	5,000,000
–	143,140
61,161,633	41,358,339
61,161,633	46,501,479

SCHEDULE "5"

FIXED ASSETS:

(Amount in Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.07	Additions	Deduc- tions	As at 31.03.08	Up to 31.03.07	For the year	Written Back	Up to 31.03.08	As at 31.03.08	As at 31.03.07
Leasehold Land & Site Development	16334106	3615000	208176	19740930	–	–	–	–	19740930	16334106
Buildings	73435768	9102769	–	82538537	15123730	2195759	–	17319489	65219048	58312038
Plant & Machinery	450856560	62381104	123760	513113904	175364373	25300838	29667	200635544	312478360	275492187
Furniture & Fixtures	7691637	363426	–	8055063	5260713	472655	–	5733368	2321695	2430924
Office Equipments	1581066	145391	92591	1633866	651960	75625	25836	701749	932117	929106
Computers	3435526	1353233	–	4788759	1923358	438769	–	2362127	2426632	1512168
Air Conditioners	2303084	134375	23314	2414145	927678	112040	5873	1033845	1380300	1375406
Vehicles	6966718	1293330	227455	8032593	3474543	732119	151138	4055524	3977069	3492175
TOTAL	562604465	78388628	675296	640317797	202726355	29327805	212514	231841646	408476151	359878110
Previous Year	542756581	20839760	991876	562604465	175821285	27126091	221021	202726355	359878110	–

SCHEDULE "6"

INVENTORIES:

(as taken, valued & certified by the management)

Raw Materials
Stock In Process
Finished Goods
Stores, Spares & other consumables

As at 31/03/2008 Rs.	As at 31/03/2007 Rs.
48,671,371	30,596,774
15,497,225	14,909,910
37,459,224	19,268,995
19,608,091	17,304,295
121,235,911	82,079,974



SCHEDULES FORMING PART OF ACCOUNTS

	As at 31/03/2008 Rs.	As at 31/03/2007 Rs.
SCHEDULE "7"		
SUNDRY DEBTORS		
Unsecured, Considered Good:		
Outstanding for a period exceeding six months	4,999,573	9,344,408
Others	215,690,880	187,670,208
	<u>220,690,453</u>	<u>197,014,616</u>
SCHEDULE "8"		
CASH AND BANK BALANCES :		
Cash in Hand	55,532	10,312
BALANCE WITH SCHEDULED BANKS :		
In Current Accounts	1,479,012	1,230,347
In Fixed Deposit Account	12,176,741	7,555,800
[Includes Rs.12,176,741– (previous year Rs.7,065,800/–)] against margin money	<u>13,711,285</u>	<u>8,796,459</u>
SCHEDULE "9"		
LOANS AND ADVANCES (Unsecured, Considered Good) :		
Advances recoverable in cash or kind or for value to be received	95,835,173	47,101,254
Income tax Deposits	6,070,796	7,404,839
Accrued Interest	429,964	288,208
DEPOSITS :		
With Government & Semi Government Departments.	4,182,961	2,304,244
With Others	106,579	60,920
	<u>106,625,473</u>	<u>57,159,465</u>
SCHEDULE "10"		
CURRENT LIABILITIES AND PROVISIONS :		
Current Liabilities :		
Sundry Creditors		
Due to Small Scale Industries	185,835	501,065
Due to Others	86,655,755	68,968,285
Other liabilities	40,286,695	32,052,926
Interest accrued but not due	–	229,315
Sundry Deposits	317,345	444,339
Unclaimed Dividend	1,404,343	1,699,019
Provisions:		
Provision for Dividend	19,749,000	7,899,600
Tax on Dividend	3,356,343	1,342,537
Provision for taxation(Net of taxes paid)	5,689,049	3,812,375
	<u>157,644,365</u>	<u>116,949,461</u>



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE "11"**OTHER INCOME :**

	Year Ended 31/03/2008 Rs.	Year Ended 31/03/2007 Rs.
Interest Received – Gross	865,032	627,723
(TDS Rs.1,70,951/- Pr. year Rs.102,872/-)		
Cash Discount received	463,612	207,332
Miscellaneous Credit Balances Written Back	763,306	94,473
Scrap Sales	1,349,200	684,601
Liability No Longer Required Written Back	58,470	385,647
Miscellaneous receipts	415,533	274,404
Export Benefits/Import Entitlements	36,427,087	16,590,372
	40,342,240	18,864,552

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

Opening Stock	30,596,774	24,216,044
Add : Purchases	980,368,494	552,703,928
Less : Closing Stock	48,671,371	30,596,774
	962,293,897	546,323,198
Add : Opening Stock in Process	14,909,910	11,791,591
Less : Closing Stock in Process	15,497,225	14,909,910
	961,706,582	543,204,879

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

Opening Stock	19,268,995	27,609,841
Less : Closing Stock	37,459,224	19,268,995
	(18,190,229)	8,340,846

SCHEDULE "14"**MANUFACTURING EXPENSES :**

Power , Fuel & Water Charges	53,797,452	32,106,741
Stores, Spares & Other consumables	23,550,347	23,497,824
Repairs to : Plant & Machinery	5,501,512	3,922,559
: Buildings	564,171	1,257,530
Contractors Wages	6,240,436	4,687,649
Other Operational Charges	1,213,861	407,000
	90,867,779	65,879,303



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE "15"

PAYMENT TO AND PROVISIONS FOR EMPLOYEES :

	Year Ended 31/03/2008 Rs.	Year Ended 31/03/2007 Rs.
Salaries, Wages & Allowances	59,104,297	47,428,097
Contribution to Provident & Other funds	4,032,435	3,341,804
Employees Welfare Expenses	1,777,480	1,408,440
Contribution to Gratuity fund	892,539	674,163
	65,806,751	52,852,504

SCHEDULE "16"

ADMINISTRATIVE AND OTHER EXPENSES :

Rent (Including Leave & Licence Fees)	1,507,918	1,110,568
Rates & Taxes	662,752	1,035,958
Insurance	2,755,096	2,594,200
Research & Development Expenses	-	328,500
Interest on : Term Loan	3,375,186	3,386,310
: Others	29,218,171	16,271,017
Remuneration to Auditors:		
- Audit Fees	165,000	140,000
- Tax Audit Fees	50,000	40,000
- Taxation Matters	117,956	57,250
- Other Matters	56,600	55,200
- Reimbursement of expenses	4,390	5,340
Freight & Forwarding Charges	59,623,793	23,620,029
Cash Discount	515,228	2,422,891
Selling Commission	5,033,863	7,066,527
Loss on sale of Fixed Assets	196,606	177,642
Bad-Debts Written off	-	933,045
Exchange Fluctuation Difference	2,327,236	2,692,731
Royalty	7,406,774	7,237,130
Other Expenses	29,391,685	17,316,737
	142,408,254	86,491,075

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE "17"****SIGNIFICANT ACCOUNTING POLICIES :****1 Basis of preparation of Financial Statements:**

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

2 Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3 Recognition of Income & Expenditure:

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

4 Fixed Assets:

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

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

5 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.

6 Expenditure during construction period:

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

7 Research & Development Expenditure:

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

8 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.

9 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.

SCHEDULES FORMING PART OF ACCOUNTS**SCHEDULE "17" (Contd.)****SIGNIFICANT ACCOUNTING POLICIES**

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.

10 Retirement Benefits:

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

The liability for gratuity are accounted for in accordance with actuarial valuation.

To discharge the gratuity liability, the Company is maintaining the fund with Aviva Life Insurance Company India Ltd. under the Group Gratuity Scheme. The contribution to the fund as determined by Aviva are charged to profit and loss account.

11 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.

12 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.

13 Provision, Contingent Liabilities and Contingent Assets (AS-29):

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



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE "18"

NOTES ON ACCOUNTS :

1 Contingent Liabilities not provided for in respect of:

- Counter Guarantees given by the company in respect of guarantees issued / Letter of Credit established by banks on behalf of the company Rs.127,071,885/- (Previous Year Rs.70,508,363/-).
- Estimated amount of contracts remaining to be executed on Capital Account (Net of Advance) Rs.166,607,424/- (Previous Year Rs.25,492,080/-).
- Disputed Excise duty demands of Rs.8,769,222/- (previous year Rs.4,331,244) against which a sum of Rs.251,411/- has been paid.
- Disputed Income tax demands of Rs.30,184,918/- against which a sum of Rs.5,234,354/-has been paid (Previous year Rs.21,286,523/- paid Rs.7,404,839/-).
- Custom duty, other duties and interest which may arise if obligation for exports is not fulfilled against import of raw materials Rs.134,896/- (Previous year Rs.226,839/-).
- Claims against the Company not acknowledged as debts Rs. Nil. (Previous Year Rs.15,232/-).

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

Sr. No.	Particulars	2007-2008		2006-2007	
		Rs.	Rs.	Rs.	Rs.
A.	Work in progress		95,361,496		15,408,919
	[Including advances to suppliers Rs.52,805,144/-] (Previous year Rs.9,141,100/-)				
	Total 'A'		<u>95,361,496</u>		<u>15,408,919</u>
B.	Pre-operative expenses:				
	Opening balance	931,277		-	
	Add: Incurred during the year:				
	Testing Charges	36,450		-	
	Interest	1,421,298		439,846	
	Bank Charges	1,800,000		-	
	Legal & Prof. Charges	11,413,596		597,331	
	Insurance charges	298,541	15,901,162	20,878	1,058,055
	Less: Capitalized during the year		<u>2,143,574</u>		<u>126,778</u>
	Total 'B'		<u>13,757,588</u>		<u>931,277</u>
	Total (A + B)		<u>109,119,084</u>		<u>16,340,196</u>

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

Deepson Valves & Controls	Advance Tech Energy additives
H K Industries	Leakproof Engineering I. Pvt. Ltd.
Liberty Valve P. Ltd.	Tri- Flp Engineers P. Ltd.
Swellore Engineering P. Ltd.	Super Mechanical Seal P.Ltd.

- 4 The Company has during the year adopted Revised Accounting Standard 15 on "Employee Benefit". Pursuant to such adoption the transitional liability amounting Rs.1,186,159/- towards gratuity has been appropriated from surplus in profit & loss account instead of general reserve, as there being no sufficient balance.
- 5 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 : Nil
outstanding at on 31st March.
 - The amount of interest paid by the company along with the amount of the : Nil
payment made to the supplier beyond the appointed day
for the year ending 31st March.
 - The amount of interest due and payable for the period of delay in : Nil
making payment (beyond the appointed day during the year)
 - The amount of interest accrued and remaining unpaid for the year ending 31st March : Nil
 - The amount of further interest remaining due and payable for the earlier years. : Nil
- 6 The company is engaged in manufacturing of Chemicals, which as per AS-17 is considered the only reportable business segment.

7 Related parties Disclosures (AS-18)

a. Information about related parties:

Sr. No.	Particulars	Name of Related Party
1	Key Management Personnel	i) Mr. Vinod Saraf Chairman & Managing Director
		ii) Ms. Vinati Saraf Mutreja Executive Director
2	Relatives of Key Management Personnel	i) Mr. Sunil Saraf
		ii) Mrs Kavita Saraf
3	Enterprises owned or significantly influenced by any management personnel or their relatives.	1) Viral Alkalis Limited 2) Vinati Wax Industries Pvt. Ltd. 3) Shilpa Pharma Pvt. Ltd. 4) Mithali Chemicals Pvt. Ltd. 5) Viral Chemicals Pvt. Ltd. 6) Viral Pharma Pvt. Ltd. 7) Suchir Chemicals Pvt. Ltd. 8) Suchir Investment & Finance Pvt. Ltd. 9) Manan Pharma Pvt. Ltd. 10) Nishit Pharma Chem Pvt. Ltd. 11) Kavita Organics Pvt. Ltd.



b. Information about Related Parties Transactions:

	2007-2008 Rs.	2006-2007 Rs.
i) Key Management Personnel:		
Managerial remuneration	3,792,965	2,335,552
Loan taken	—	—
Loan outstanding at the year end	—	143,140
ii) Relatives of Key Management Personnel:		
Rent	114,000	96,000
Sitting fees	30,000	34,000
iii) Enterprises owned or significantly influenced by any management personnel or their relatives:		
Rent ,rates & taxes	1,200,000	1,220,882
Interest paid	6,115,989	2,976,197
Sale of Material	128,744	75,426
Purchase of Material – Others	1,737,447	299,432
Sale of Material – Capital items	—	358,087
Loan taken	66,000,000	79,350,000
Outstnading Loan at year end	61,161,633	41,358,339
8 Earning Per Share (AS-20)		
Profit after taxation	151,977,186	35,138,464
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)	15.39	3.56*
*(Recalculated as per AS – 20)		

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

The break up of net deferred tax liability as at 31st March 2008 is as under:

	2007-2008 Deferred Tax Assets Rs.	2007-2008 Deferred Tax Liability Rs.	Deferred tax Assets Rs.	2006-2007 Deferred Tax Liability Rs.
Timing difference on account of:				
Difference between book depreciation and depreciation under the Income-tax, 1961		54,019,218		49,196,555
Expenditure U/s. 43B/U/s. 40 A(7) of the Income-tax Act, 1961	1,359,756		786,830	—
	1,359,756	54,019,218	786,830	49,196,555
Net Deferred Tax Liability		52,659,462		48,409,725
Less:- Net Deferred Tax Liability at beginning		48,409,725		46,648,234
Net Deferred Tax Liability (Asset) for the year		4,249,737		1,761,491



Sr. Particulars No.	2007-2008		2006-2007	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
C. Sales & Stocks:				
Opening Stock:				
Isobutyl Benzene	71.86	5,458,474	148.84	10,888,526
2 Acrylamido 2Methylpropane Sulphonic Acid	60.88	6,644,629	120.59	12,189,993
Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	21.70	1,209,388	56.88	3,026,949
Others		5,956,504		1,504,373
Sales:				
Isobutyl Benzene	10845.57	1,084,382,107	6703.84	630,231,495
2 Acrylamido 2Methylpropane Sulphonic Acid	1791.11	226,706,562	1407.10	173,910,206
Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	3387.97	216,640,464	1032.68	57,001,046
Others		85,828,930		43,479,497
Closing Stock:				
Isobutyl Benzene	320.56	26,564,985	71.86	5,458,474
2 Acrylamido 2Methylpropane Sulphonic Acid	19.35	2,140,964	60.88	6,644,629
Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	143.05**	6,918,886	21.70	1,209,388
Others		1,834,389		5,956,504

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

** It includes the quantity at port 101200 kgs.

D. Raw materials consumed:

	Unit	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Toluene	Kg.	9,450,229	368,523,773	5,750,638	244,844,352
Propylene	Kg.	7,181,028	304,925,139	4,397,625	153,712,160
Acrylonitrile	Kg.	1,466,874	123,240,128	716,719	54,540,355
Others			165,604,857		93,226,331
			962,293,897		546,323,198

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

	Value (Rs.)	%	Value (Rs.)	%
i) Raw Materials:				
Imported	145,210,961	15.09	91,709,118	16.79
Indigenous	817,082,936	84.91	454,614,080	83.21
	962,293,897	100.00	546,323,198	100.00



	Value (Rs.)	%	Value (Rs.)	%
ii) Stores, Spares & Other Consumables:				
Imported	-	-	-	-
Indigenous	23,550,347	100.00	23,497,824	100.00
	<u>23,550,347</u>	<u>100.00</u>	<u>23,497,824</u>	<u>100.00</u>

F. Value of Imports calculated on CIF basis:

Raw materials	137,502,526	82,407,728
Stores, Spares & Other Consumables	-	-

G. Expenditure in Foreign Currency:

i) Travelling expenditure	596,250	346,712
ii) Commission on sales	3,871,760	6,308,514
iii) Prof. Fees	626,672	511,453
iv) Import of capital goods/Spares	2,001,569	1,130,610
v) Others	553,576	30,345

H. Earnings in Foreign Exchange

Export of goods calculated on FOB basis	930,752,317	429,699,505
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14 Balance sheet Abstract and Company's General Business Profile:

I) Registration Details:

Registration No.	52224	State Code:	11
Balance Sheet Date:	31.03.2008		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	32915	Private Placement	NIL

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

Total Liabilities	979858	Total Assets	979858
--------------------------	--------	---------------------	--------

Source of Funds:

Paid-up Capital	98745	Reserves & Surplus	327946
Secured Loans	281702	Deferred Tax Liability	52659
Unsecured Loans	61162		

Application of Funds:

Net fixed Assets (including Capital work in progress)	517595
Net Current Assets	304619
Accumulated Losses	NIL

**IV) Performance of the Company (Amount in Thousands)**

Turn Over	1503596	Total Expenditure	1272135
Profit Before Tax	231461	Profit after Tax	151977
Earning per share	15.39	Dividend	20%

V) Principal product of the Company

Product Description:	Item Code No.	
Isobutyl Benzene	(ITC Code)	2902.9050
2 Acrylamido 2Methylpropane Sulphonic Acid	(ITC Code)	2924.1900
Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	(ITC Code)	2904.1090

Signatures to schedule 1 to 18

As per our Report of even date attached

For and on behalf of

Karnavat & Co.

Chartered Accountants

Shashikant Gupta

Partner

Membership No. 45629

Mumbai, 31st May, 2008**Vinod Saraf**

Chairman & Managing Director

Vinati Saraf Mutreja

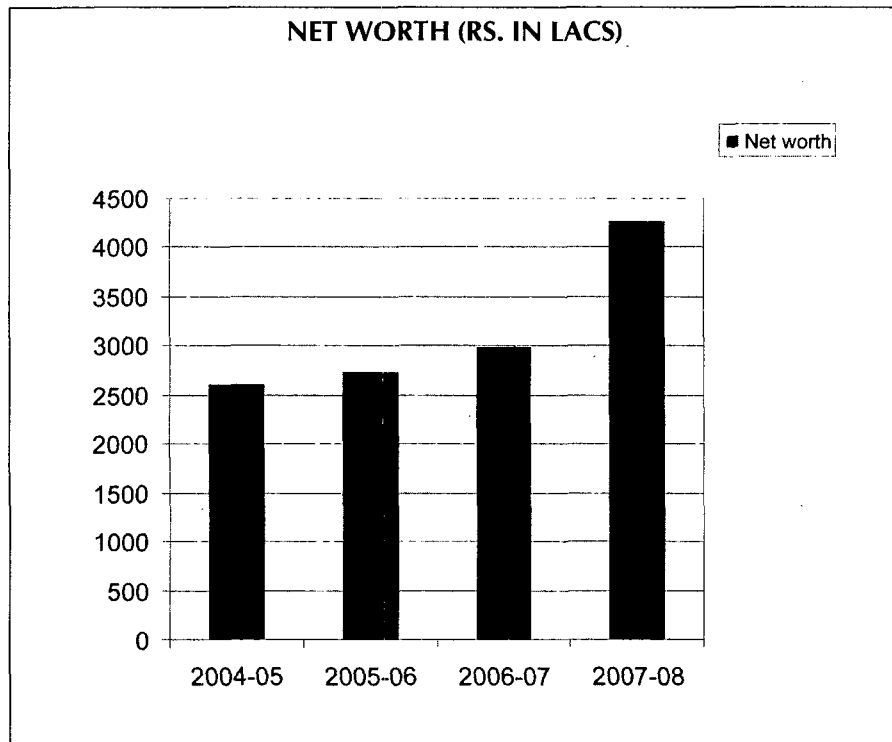
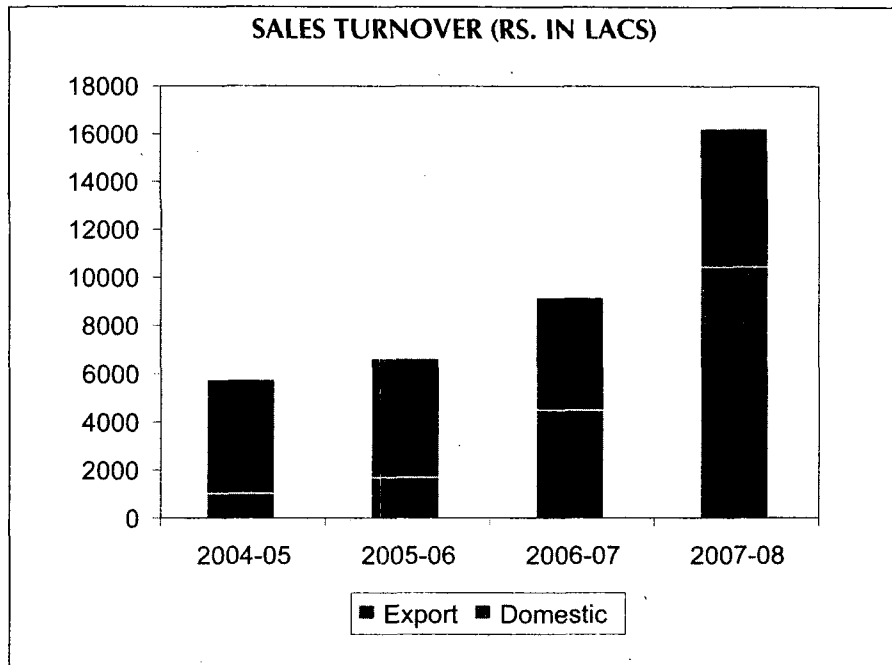
Executive Director

G. S. Singhi

Company Secretary cum Finance Controller

N. K. Goyal

Senior Vice President (Finance)

**SIGNIFICANT GRAPHS OF VINATI ORGANICS LIMITED**



CERTIFICATE OF EXPORT RECOGNITION



सत्यमेव जयते

महाराष्ट्र शासन

CERTIFICATE OF EXPORT
RECOGNITION
Awarded to

M/s. VINATI ORGANICS, Mumbai (Raigad)

*in appreciation of their
export achievement in respect
of the following product group*

BASIC CHEMICALS (LSI)

for the year 2006-07

Ashok
Ashok Chavan

**Minister,
Industries and Mines, Cultural Affairs and Protocol
Government of Maharashtra**

VINATI ORGANICS LIMITED

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

ATTENDANCE SLIP

Full Name of Shareholder

(in Block Letters) _____

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

DP. ID – Client ID : _____

Name of Proxy

(in Block Letters) _____

I hereby record my presence at the 19th 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 27th day of September, 2008 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 NINETEENTH ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 27th day of September 2008 at 12.30 p.m.

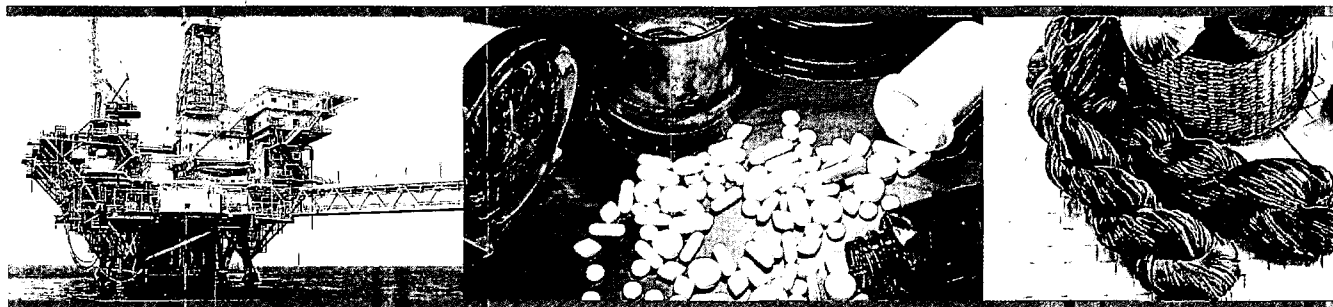
Signed this _____ day of _____ 2008.

Affix
15 Paise
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.

Growth with Excellence



Growth with Excellence

If undelivered, please return to :



**VINATI
ORGANICS
LIMITED**

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