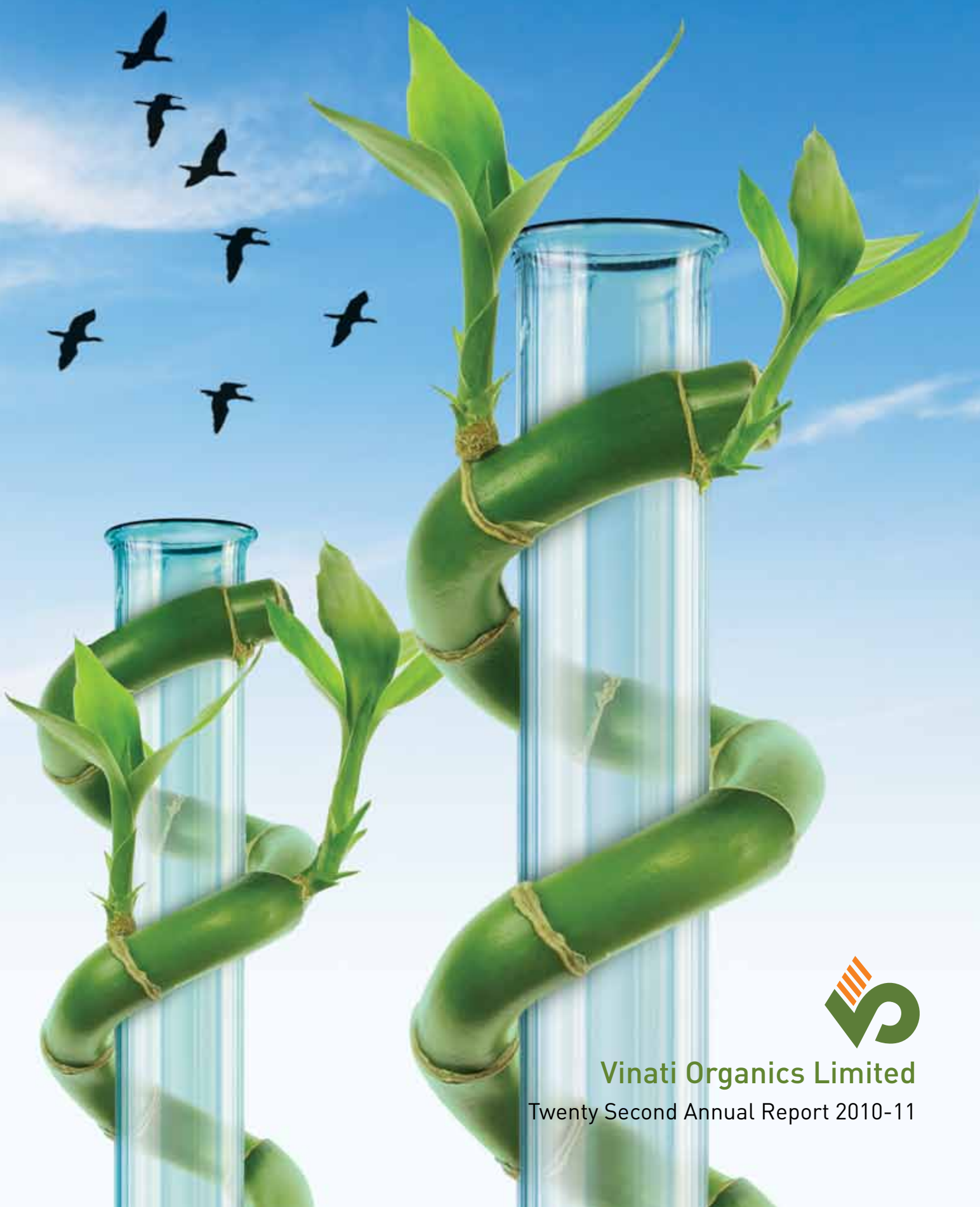


# Greenwise

Eco-gearred for growth



**Vinati Organics Limited**  
Twenty Second Annual Report 2010-11

## Forward-looking statement

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

## Content

**Greenwise** Eco-gearred for growth | 01

Financial Highlights | 06

VOL Portrait | 08

Managing Director's Communiqué | 14

Growth Drivers | 16

Our Portfolio of Products | 17

Social Intervention and Sensitivity | 18


Management Team | 20

Management Discussion & Analysis | 22

Directors' Report | 26

Corporate Governance Report | 30

Financial Statements | 42



## We often hear the assertion, 'green is good, so let's go green'.

But it sounds a weak defence against green sceptics, especially in a developing economy like India. Sceptics accept the argument about carbon footprints and environmental degradation, but maintain that in a growing economy like ours, there are too many pressing concerns (infrastructure development, healthcare, education, employment generation and corruption) which demand urgent attention and redress; green can wait.

It can't. Environmental issues are no longer topics that well-meaning NGOs fight for, they have moved centre stage, and are high on the agenda of companies, consumers, investors and lawmakers, nationally and internationally.

So what could be the cost for not going green for the Indian economy? If quantified in rupee terms it could well be over Rs 12, 63,000 crores by 2030\*, besides irate customers, angry investors and government censure.

As a responsible organisation, Vinati Organics Limited (VOL) has always been at the forefront of the green campaign. It is producing zero waste products by leveraging clean and green technologies. Our aim is to emerge as a globally competitive organisation for all our products in cost and quality, without amplifying the environmental footprint.

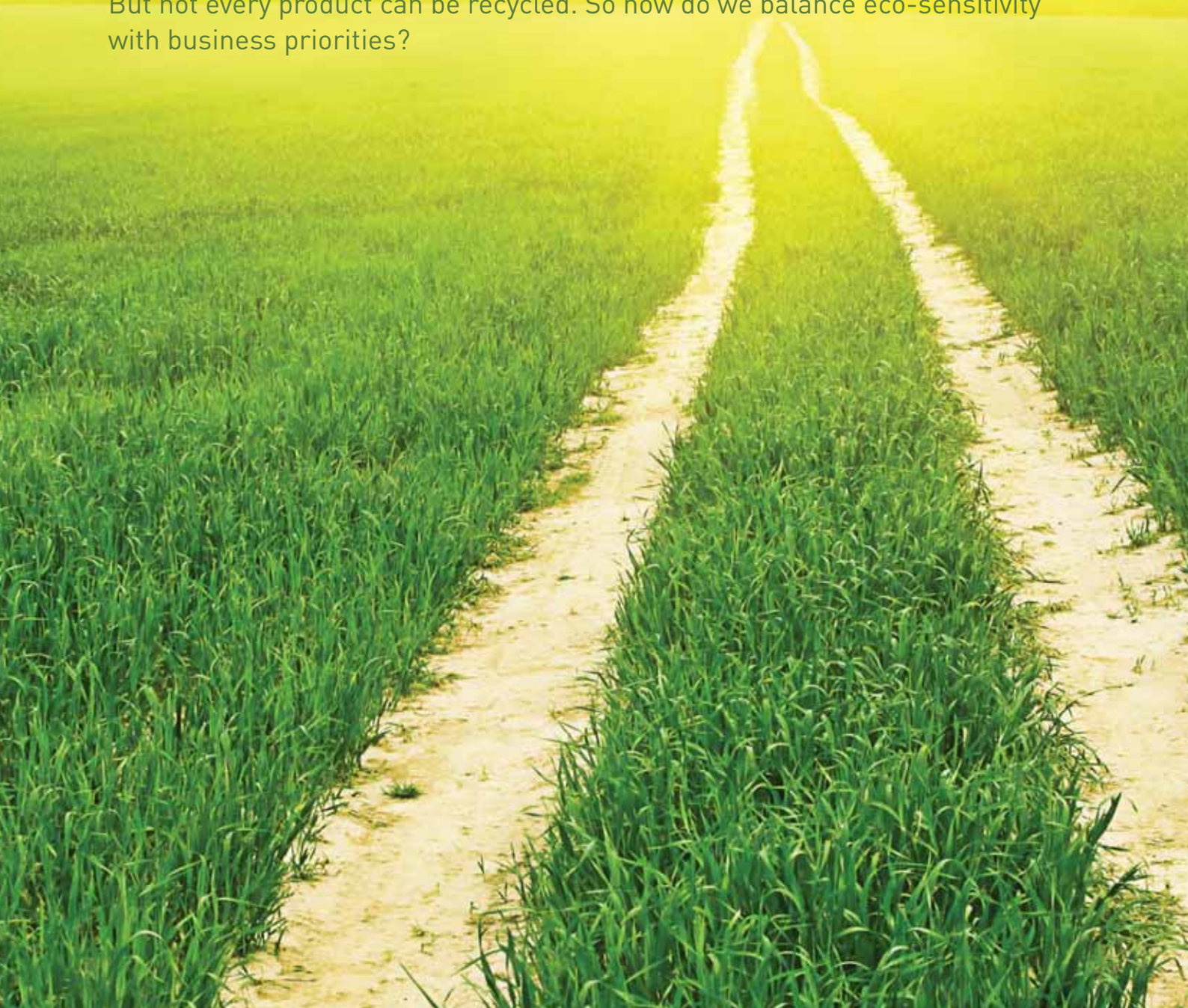
We are investing considerably in our research and product development as part of our green journey. So that 'green is not just good', it makes great business sense.

\*[McKinsey's estimate]



# Value creation represents our business imperative, but how it is created is equally important

Reduce, reuse and recycle is the green slogan for business sustainability. But not every product can be recycled. So how do we balance eco-sensitivity with business priorities?







In its drive towards eco-gearred growth, VOL invested considerable time and energy and succeeded in converting the entire balance residual from the ATBS process to get low-cost saleable polymers.

VOL has invested in a new Effluent Processing Plant which comprises of bio treatment & Reverse Osmosis (RO), besides chemical treatment, and has the provision to recycle the water and the residue back in process.

VOL thus goes for a complete Zero Waste production, which substantially contribute to our environment stewardship. Our advanced technologies and state-of-the art manufacturing processes help attain the objective.

We have also received a certificate of Merit for achieving Zero Accident Frequency Rate (2002-2005) & (2007-2009) from National Safety Council - Maharashtra Chapter (Lote Plant), which substantiates our commitment to maintaining the highest standards of safety and health.

# Green growth is the new norm

Can we align a green strategy with growth? Or does it impact short-term corporate performance. The debate rages on with full fury. VOL is unperturbed by these controversies, proving a point through sound strategies and sustainable financials.







We have significantly reduced the quantum of waste products and invested in new technology and R&D to enhance cost efficiency and to manufacture environment-friendly products. This emphasis on Zero Waste production has not only helped us in being environment friendly, but has also allowed us to generate new streams of revenue, thus adding to our top line and bottom line.

Our green agenda is not an ad-hoc strategy; we will continue to strengthen our green quotient in line with global standards and norms.



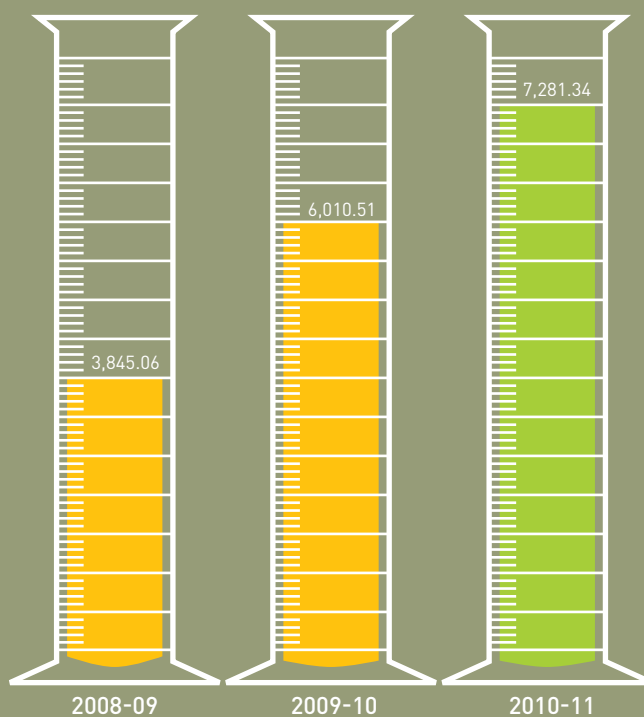
## NET SALES

(Rs.in Lacs)



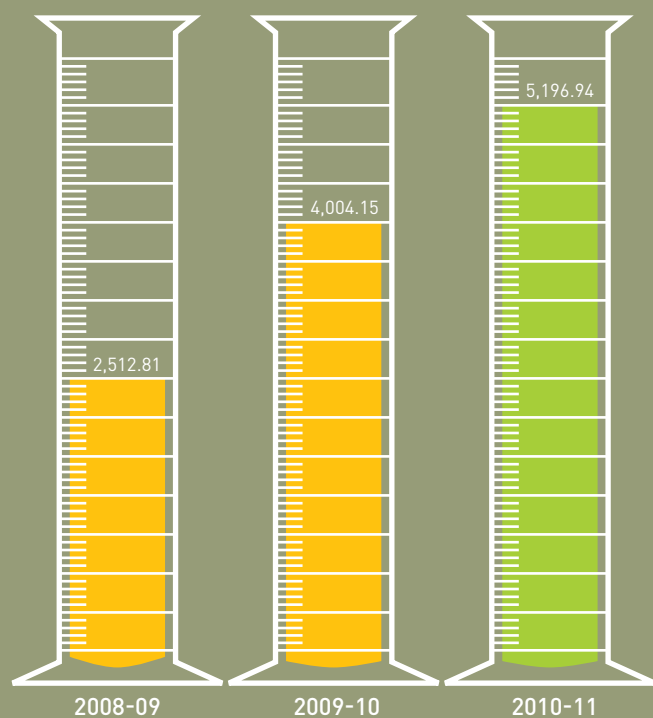
## EBIDTA

(Rs.in Lacs)



## PAT

(Rs.in Lacs)



## BASIC EPS

(Rs.)





## BOOK VALUE

(Rs.)



## NET WORTH

(Rs.in Lacs)



## GROSS FIXED ASSETS

(Rs. in lacs)



## DIVIDEND

(%)





# A portrait of responsible growth



World's **No. 1** manufacturer of Isobutyl benzene

---

World's **second largest manufacturer** of 2-Acrylamido  
2-Methylpropne Sulfonic Acid

---

**Largest Isobutylene plant** in India

---

**Two** state-of-the-art manufacturing facilities at Mahad and Lote

---

Over **400** employees

---

**ISO 9001:2008** certified

---

**41%** CAGR growth in **sales** in the preceding five years

---

**93%** CAGR growth in **PAT** in the last five years

---

Ranked amongst 200 Best Under A Billion Companies by Forbes Asia  
for 2010

---

Ranked yet again among the **Top 10 Fastest Growing  
Companies** in India by the Economic Times in 2010

---



VOL is a global leader in the manufacture of certain speciality organic intermediaries and monomers, since its inception in 1989.



The superior technology and strategic capacity expansion plans made us the world's largest Isobutyl Benzene (IBB) manufacturer, with a 60%-plus global market share.

IBB is the main raw material of Ibuprofen drug. We are also the second largest manufacturer of 2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS) globally, with over 30% global market share. ATBS is a specialty monomer enjoying several applications, including the manufacture of acrylic fibres, personal care products, water treatment chemicals, enhanced oil recovery chemicals, among others. VOL is listed on the Bombay Stock Exchange and the National Stock Exchange with a market capitalisation of over Rs. 35,000 Lacs.

## ACHIEVEMENTS DOWN THE YEARS

**1989:** Incorporation of VOL

**1992:** IBB plant comes on stream with 1,200 MT production capacity

**1996:** Capacity expansion of IBB to 3,000 MT

**1997:** Capacity expansion of IBB to 5,000 MT

**2002:** ATBS plant started operations with 1,000 MT production capacity

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

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

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

**2009:** ATBS capacity expansion to 12,000 MT. TBA capacity expansion to 500 MTA

**2010:** Isobutylene plant comes on stream with a capacity of 12,000 MT





## SHAREHOLDING PATTERN

Shareholders	Shareholding (%)
Promoters	74.99
Individuals	22.54
Other Companies	1.97
NRI's/ MF/ Banks/Trusts	0.50

## VOL PLANTS

Particulars	Plant 1	Plant 2
Location	Mahad – Raigad, Maharashtra	Lote - Ratnagiri, Maharashtra
Distance from nearest port (JNPT)	140 km	210 km
Year of establishment	1989	2002
Area	7.97 acres	21.73 acres
Products manufactured	Isobutylbenzene (IBB) Normalbutylbenzene (NBB)	2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS) Sodium salt of ATBS (NaATBS)  n-tertiary butyl acrylamide (TBA) Isobutylene (IB)
Technical knowhow	Institut Francais du Petrole (IFP) , France	National Chemical Laboratories (NCL), Pune (for ATBS)
Production capacity	IBB – 14,000 MT	Saipem SpA, Italy (for IB) ATBS/NaATBS– 12,000 MT TBA – 700 MT IB - 12000 MT
Certification	ISO 9001:2008	ISO 9001:2008





# More products. More customers. More de-risked business model

Although we commenced our journey as a single-product company, we have consistently invested in diversifying our product portfolio, to enhance visibility, evolve a de-risked business model and accelerate growth.

In 2002, VOL diversified into the manufacture of ATBS/NaATBS and became only the third company in the world to do so. The product portfolio was further expanded with the inclusion of TBA, increasing product offerings for customers.

The conversion of the entire waste stream from the ATBS process gave us the opportunity to add to our product portfolio in the form of low-cost saleable polymers.

To fortify its position in ATBS, VOL executed a backward integration project for the manufacture of IB, one of the key raw materials for ATBS. The IB plant (12000 MT), India's largest, has commenced production from June 2010. The IB plant fully satisfies the captive requirement and also adds to the turnover of the Company with the rest of the production being sold in the open market.

VOLs product portfolio comprises IBB, ATBS/NaATBS, IB, TBA, Industrial Polymers and is going to be further enriched with the expected commissioning of the DAAM plant in FY12.





## CUSTOMERS WE SERVE

---

BASF	DOW CHEMICAL
CHEMTALL	NALCO
PERRIGO	SHASUN
AZKONOBEL	CLARIANT
SNF	

---

# Managing Director's communiqué



The writing on the wall is clear: Green is non-negotiable, whether you consider it as a quick response to an imminent threat (global warming, climate change) or a nascent business opportunity.

## Dear Shareholders',

Before I apprise you about our annual performance in 2010-11, it is imperative that I share a few words about our conviction in green growth. In a post-recessionary world, we believe, a green strategy is going to fuel new growth and opportunities globally. In fact, advanced countries of the world are aggressively pursuing green growth, defying temporary challenges. Even in India, green awareness is steadily rising, and discerning consumers and investors are embracing brands with green strategies and investments.

The writing on the wall is clear: Green is non-negotiable, whether you consider it as a quick response to an imminent threat (global warming, climate change) or a nascent business opportunity.

During the past year, the global economy has demonstrated some definite signs of recovery, although the effects of global financial meltdown can still be felt. The Indian economy has grown steadily, registering 8.6% growth in the past year, and has the potential to cross 9% in 2011-12.

VOL has once again delivered robust performance on the operational front. Our Net Income grew by 36% to reach Rs. 31,688 Lacs and PAT grew by a healthy 30% to reach Rs. 5,197 Lacs. For VOL, 2010-11 was significant, as we commissioned our IB plant in June 2010 and ended the year with ATBS sales exceeding 11,000 MT. Going ahead, we are further expanding our ATBS facility, which would make us the largest manufacturer globally in ATBS as well.

In addition to the ATBS expansion we are also setting up a 1,000 MT DAAM plant. This would entail a capital investment of Rs. 10,000 Lacs and is being funded through US\$ 16 million of finance from International Finance Corporation and rest through internal accruals.

The spectacular growth achieved by your Company has been acknowledged and appreciated in the form of multiple awards and recognitions we have won in the previous year:

➤ Awarded the **Business Leader of the Year (Innovation)** by **CHEMTECH CEW Leadership & Excellence Awards 2011**

➤ **Forbes Asia** listed VOL amongst **200 Best Under A Billion** companies for 2010

➤ VOL was ranked amongst the **Top 10 Fastest Growing Companies** in India for the Year 2010 by The Economic Time Intelligence Group January 2011); We were ranked amongst the Top 10 in 2009 as well

➤ VOL was ranked #7 amongst the **Top 100 Fastest Growing Small Companies** in India by The Economic Times Intelligence Group (September 2010); We were ranked #14 in 2009

➤ **Certificate of Merit** for achieving **Zero Accident Frequency Rate** (2007-2009) received from National Safety Council - Maharashtra Chapter (Lote Plant)

Our business has an enormous growth prospect and we shall continue investing to tap the growth opportunities. I would like to take this opportunity to thank all our stakeholders – shareholders, clients, suppliers, banks, financial institutions and most importantly our employees, for having supported us all these years in our quest for global leadership and eco-gearred growth.

**VINOD SARAF**  
Managing Director





# Right chemistry to grow

Right products. Right customers. Right niche. This chemistry has accelerated VOL's growth since inception. It has strategically selected to be associated with top brands, manufacturing products with high-growth potential.

ATBS has been and will continue to be a high growth segment. This conviction is based on some ground-breaking research being conducted on ATBS-based polymers in the energy sector. With the augmented capacity of 18,000 MT due to be completed by FY12, VOL will be able to cater to the increasing demand.

IB, primarily being manufactured for captive consumption is also expected to increase its share in the sales mix. The backward integration into IB allows VOL a competitive advantage over its other competitors. Besides, we sell our products directly to the end users, without any intermediation. This strategy strengthens the business model.

## FUTURE ROADMAP

During FY12, VOL would be completing its planned capital investment of Rs. 10,000 Lacs, through significant expansion of its ATBS, TBA and Industrial polymers capacity and with the commissioning of the new DAAM plant. The expansion of ATBS capacity and launch of DAAM will expedite growth, whereas forward integration (with the manufacture of polymers based on VOL's monomer) will lead to uninterrupted operations.

Besides, VOL is planning to set up a new captive co-generation power plant, subject to the approval from the government. In addition, we are also concentrating on pilot projects for the manufacture of new drug intermediaries.





# Our portfolio of products

## AROMATICS

The Company manufactures a wide range of organic chemicals, which can be formulated as per the customised requirements of the clients. These products are usually used in the production of plastics, dyes and pharmaceutical products.

The aromatic products of the Company include:

### Isobutylbenzene (IBB)

**Applications:** Main raw material of Ibuprofen Bulk Drug, Perfumery

### Normal Butylbenzene (NBB)

**Applications:** Specialty Solvent, Synthesis of intermediate, Liquid Crystal Display

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

### C 10 Aromatic Solvent

## INDUSTRIAL MONOMERS

The advanced technology and enriched talent pool also helped the Company to produce a wide variety of monomers with high purity, thermal and hydrolytic stability and the products are safe and easy to handle. The Company has the following range of monomers:

### 2-Acrylamido 2- methylpropanesulfonic Acid (ATBS)

### Sodium Salt of 2-Acrylamido 2-methylpropanesulfonic Acid (NaATBS)

### N-Tertiary Butyl Acrylamide (TBA)

**Applications:** Acrylic Fiber, Water Treatment Chemicals, Emulsions for Paints and Paper Coatings, Adhesives, Hydrogels and Super Absorbent, Textile Auxiliaries, Oilfield and Mining chemicals, Construction Chemicals Super Plasticizers, Agrochemicals

## NEW PRODUCTS

### N-Tertiary Octyl Acrylamide (TOA )

### Diacetone Acrylamide ( DAAM )

## INDUSTRIAL POLYMERS

An array of industrial polymers is also offered by VOL. It is widely recognised for its thermally excellent and chemically stable products, with ease of handling. The Industrial Polymers of VOL comprise:

Vintreat – 243 | Vintreat – 343 | Vintreat – 238

Vintreat – 230 | Vintreat – 245 | Vintreat – CAP

Vintreat – 140

## ISOBUTYLENE

**Applications:** Raw material for ATBS and for making agro-pesticides

# Social intervention and sensitivity







Apart from direct involvement in environment and safety, VOL is also contributing significantly for community uplift. To improve the local economy and generate employment at the lower middle-class and bottom of the pyramid, it has set up both its factories in backward and interior areas of Maharashtra.

VOL also trains local students under Apprentice Scheme, where deserving candidates get formal and on-job training to improve their skills in Mechanical, Electrical and Instrumentation. A number of interns have also worked at VOL and other leading manufacturing companies in India.

The Company also extends small contracts to local contractors, so that local people can be benefited directly and indirectly.

VOL has also contributed to local community welfare by participating in local panchayat's social programmes. It regularly contributes to the welfare of local girl students by donating uniforms and other educational aids. The Company has provided financial assistance for the purchase of computers, fans and other facilities in local schools. VOL also regularly participates in campaigns for awareness on global warming and its reduction through the intervention of local people, along with other environmental, health and safety issues.



# Management Team

## BOARD OF DIRECTORS

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

**Mr. Vinod Saraf**, Managing Director

**Mr. Chintaman Bhaskar Gokhale**, Director

**Mr. Ayliur Akileswaraiyer Krishnan**, Director

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

**Mr. Mohit Mutreja**, Director - Finance

**Ms. Viral Saraf Mittal**, Director - Corporate Strategy

**Mr. Sunil Saraf**, Director

**Mr. R K Saraswat**, Additional Director (From 24th January 2011)

## SENIOR MANAGEMENT

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

**Mr. Jayesh Ashar**, Chief Operating Officer (COO)

**Mr. B.S. Lathi**, Executive President – Mahad Plant

**Mr. M D Purohit**, Vice President (Technical) – Lote Plant

**Mr. Mahendra Kumar Churiwala**, Sr. Vice President - Marketing

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

**Mr. Gunvant S. Singhi**, Company Secretary Cum Finance Controller

# Governance

## Content

Management Discussion & Analysis | 22

Directors' Report | 26

Corporate Governance Report | 30



## Management Discussion and Analysis



### ECONOMY OVERVIEW

The global economy which had witnessed negative growth during 2009-10 managed a smart recovery during 2010-11. The extent of recovery varied across countries with the emerging markets once again putting in a better performance and pullback as compared to the developed economies. India along with China and Brazil clocked in impressive growth over the last year. This growth has improved the business sentiments but there are still points of worry in the nature of economic instability in a few countries of Europe and political unrest in the Middle East.

The Indian economy has shown notable ability with which it has faced the global financial crisis. As per the Central Statistics Office (CSO), there are clear indications that the Indian economy is well and truly on its way to attaining the growth which was seen prior to the global financial crisis. As per the Advanced Estimates of the CSO, the Indian economy has clocked in an impressive 8.6% growth in 2010-11. This growth is attributed to a strong rebound in agriculture and the sustained growth in the manufacturing sector. Based on the performance of the economy over the last five years and analysis of the underlying trends, India's real GDP is expected to grow by 9% in 2011-12. [Source: CSO]

### INDUSTRY OVERVIEW

The chemical industry as a whole managed a smart recovery in 2010-11 on the back of improved business environment triggered by a stronger global economy. According to Moody's Investors Service, the sector outlook for the chemical industry in North America and Europe has changed from negative to stable reflecting a marked improvement in the industrial demand across these regions.

The global chemical industry is valued at about US\$3400

billion. The total size of Indian chemical industry is estimated to be around US\$ 83 billion and is ranked 12th in world. While the Indian chemical industry has been recognised for its competitiveness in cost and quality it is yet to make its presence felt in a big way in the international markets.

Though the global chemical industry took a nosedive due to the global economic slowdown, the Indian chemical industry has been resilient and has been able to recover faster mainly due to strong domestic demand. The Indian chemical industry is expected to reach US\$130 billion by 2015. A growing economy, low per capital chemical consumption and growing middle class are some of the key drivers for sustained demand growth in end-use industries.

[Source: Handbook on Indian Chemical Industry, FICCI]

### COMPANY OVERVIEW

Incorporated in 1989, Vinati Organics Limited (VOL) has been manufacturing specialty organic intermediaries and monomers. It is listed on Bombay Stock Exchange and National Stock Exchange and has over 400 employees.

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

VOL is also the second largest manufacturer of 2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS) in the world. It began commercial production of ATBS at its plant in Lote Parashuram, Maharashtra in 2002, based on technology sourced from the National Chemical Laboratories, Pune. It has since expanded its capacity to 12,000 MT.

VOL commissioned its Isobutylene (IB) plant, the largest in India, in June 2010, with a capacity of 12,000 MT.

### IBB

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

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

These specialty monomers have wide applications and mainly in oil-field recovery, water treatment, acrylic fiber manufacturing, adhesives and personal care products. They are also used in mining industry, coatings and as dispersing and flocculating agents. A major potential application for the monomer is for Enhanced Oil Recovery (EOR). With the big

increase in oil prices, many major companies are in the process of developing these projects. ATBS is a specialty monomer used in oilfield and mining chemicals, water-treatment, acrylic fiber, personal care, emulsions and adhesives, among others. The global demand of ATBS is growing at 10-15% annually, due to increased usage of the specialty monomer. There are very few manufacturers of these products world-wide. Demand for ATBS in India is at present very limited. A major portion of the production in India is exported. The main destinations for exports are Europe, America and other Asian countries. At present, there are only 3 manufacturers of ATBS in the world.

### IB

Isobutylene (IB) is a hydrocarbon of significant industrial importance. It is used as an intermediate in the production of variety of products. The output from the IB plant is being used for captive consumption, as raw material for ATBS, as well as domestic sales.

## PERFORMANCE OVERVIEW

Particulars	Rs. Lacs		
	2010-11	2009-10	% growth (Y-O-Y)
Total Income	32,655	24,021	36%
Profit After Tax	5,197	4,004	30%
Net Worth	14,370	9,919	45%
Earnings Per Share (Rs.)	10.53	8.11	30%
Net Current Assets	8,202	5,303	55%
Gross Block	18,469	14,931	24%
Net Block	14,721	11,799	25%

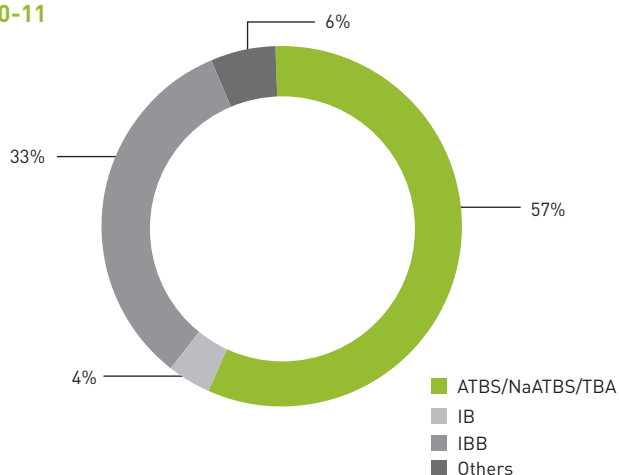
During the previous year, our Profit After Tax grew by 30% on the back of a 36% growth in the Total Income. The financial performance of VOL in the past 5 years has been stellar:

- Net Sales has grown from Rs. 5,735 Lacs in FY06 to Rs. 31,670 Lacs in FY11; CAGR of 41%
- PAT has grown from mere Rs. 195 Lacs in FY06 to Rs. 5197 Lacs in FY11; CAGR of 93%
- Net Worth has more than quadrupled from Rs. 2,731 Lacs to Rs. 14,370 Lacs; CAGR of 39%

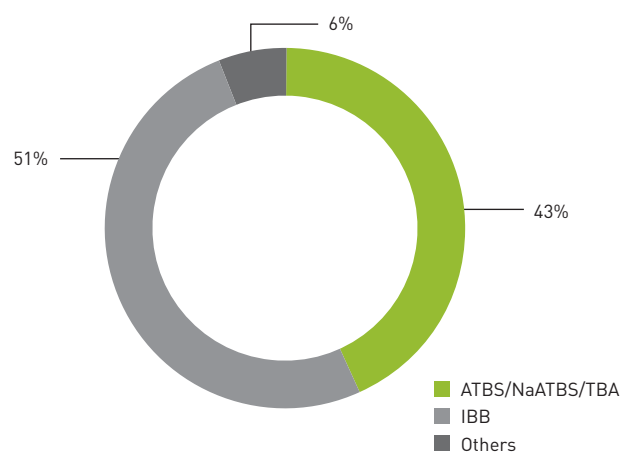
## SEGMENTAL ANALYSIS

(Sales Mix As A % of Total Sales)

2010-11



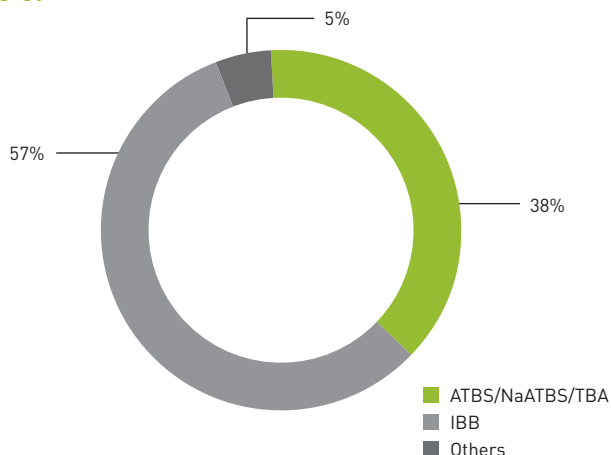
2009-10



## SEGMENTAL ANALYSIS

(Sales Mix As A % of Total Sales)

2008-09



IBB, which used to form 57% of our sales mix in 2008-09 has now dropped to 33% in 2010-11 and ATBS/NaATBS/TBA now constitute 57% of the sales mix. This change in the sales mix has resulted in better margins for the company.

## STRENGTHS & OPPORTUNITIES

At VOL, our business is driven by 4 important philosophies:

- Enter into niche products with technological entry barrier
- The technology should be clean and green
- Be globally competitive for all our products in quality and cost
- Benefit all stakeholders, foremost being the environment

We aim to be the top 3 global manufacturers in each of our products.

The growth and global leadership that has been achieved by VOL, since its incorporation in 1989, has been truly commendable. Today VOL is one of India's leading manufacturers and exporters of specialty organic intermediaries, monomers and polymers.

We have global leadership in 2 of our main products, IBB and ATBS. In IBB, we are the world's largest player in both capacity and market share. We command over 60% of the global market share of IBB and are running with a capacity of 14,000 MT.

In ATBS, we are the 2nd largest manufacturer in the world, with a global market share of over 30%. We are running at a capacity of 12,000 MT and are soon to become the largest in the world with the expansion of the capacity to 18,000 MT.

The global leadership in both these products is a result of consistent focus and drive on high-end technology and operational efficiency.

We at VOL believe that going ahead the ATBS segment shall be growing at a robust rate. The ATBS demand world over has been increasing at 10-15% p.a. and VOL has been growing at more than 30% in the ATBS market. There is significant research being done on polymers based on ATBS

for applications in Energy sector. Some of this research is at pilot scale implementation. With success of this application the EOR business is expected to grow exponentially, resulting in significant increase in demand for ATBS. The commercialisation of these technologies is expected 2012 / 2013 onwards.

We had doubled the ATBS capacity from 5,000 to 10,000 MT in May 2009 and further expanded it to 12,000 MT in the previous year through some debottlenecking. Considering the robust growth of the world-wide ATBS market, we are now expanding it further to 18,000 MT. We shall also expand the capacity of TBA to 1,000 MT and that of ATFE Bottom Polymers (Industrial Polymers) to 4,500 MT. All the expansions are expected to be completed by the end of FY12.

In June 2010, VOL backward integrated itself with the commissioning of its 12,000 MT (IB) plant. This puts VOL on a higher footing vis-à-vis its other competitors in the ATBS market, as none of the other competitors are backward integrated in IB. The Company expects to enjoy a competitive advantage through this backward integration as it has ensured the supply of one of its major raw materials to cater the growing demand of ATBS.

In addition to the above expansions, we are also setting up a new plant of Di-Acetone Acrylamide (DAAM) with a capacity of 1,000 MT and this is expected to be commissioned by December 2011.

The total capital expenditure to be completed during FY12 is to the tune of Rs. 10,000 Lacs and is being funded with US\$16 million of finance from International Finance Corporation, Washington, in the form of US\$5 million FCCB (convertible @ Rs. 100 per share) and US\$ 11 million ECB. The balance is being funded through internal accruals. These expansions and the new product shall add significantly to the top line and bottom line of the Company.

Our quest for using clean and green technology has not only allowed us to be environment friendly but has also added to the bottom-line of the Company. Both our plants are zero effluent plants.

## INTERNAL CONTROL

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

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

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



## HUMAN RESOURCES

As on 31st March, 2011, Vinati Organics Limited had 423 employees, compared with 382 employees as on 31st March, 2010.

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

## RISK REVIEW

As it is with any business, VOL's financial results are influenced by the business environment in which we operate. VOL's risk exposures are mitigated and managed by management's strategy for handling risks within the business. While the management of VOL assesses the risks and takes comprehensive steps to pre-empt, manage and control, and all the productive assets are insured, some of the risks are reviewed.

### Growth

The global economy, which was in the throes of recession, has now shown signs of recovery and is on the way to regain the growth levels that were seen prior to the global financial crisis. The global chemical industry, in particular, has shown a smart pullback in the previous year, with growth seen in the Asian and American markets. Lower than expected growth could affect the business fortunes.

VOL is geared up for growth and has invested in assets aimed at capacity expansion to meet the growing demand of its products. Moreover, VOL's products are specialty chemicals so their demand is not very correlated to global growth.

### Competition Amongst Existing Firms

VOL has global oligopoly in two of the main products it manufactures. The Company also enters into contracts with its clients to counter this risk and with the demand for its products looking good, your Company is confident of maintaining its leadership position.

### Product Substitution

The products manufactured by VOL are specialty chemicals used for specific purposes. There are no known substitutes available for these products as such.

### Margin Risks

The main raw materials to manufacture IBB and ATBS are petroleum products and hence their prices are linked to crude oil prices. Volatility in crude prices could lead to margin pressures.

The Company has hedged itself against such risk through contracts wherein the prices are benchmarked against the crude prices. The price escalation, depending on products, can vary from monthly to quarterly basis. But in case of spot sales, margins could be affected if we are not able to pass on the price increase in raw materials.

In case of IBB, oversupply due to increased global capacity could lead to some pressures on margins. We have already

reduced the dependence of IBB in the sales mix and further we are working on producing new products from the same plant which will spread the overheads and reduce the burden on IBB

### Raw Materials

VOL has taken leadership role in ensuring supply of one of its major raw material through setting up of the IB plant. The other major raw materials required are easily available, both locally and internationally. Further, VOL also enters into annual contract with its suppliers to protect itself from the vagaries of price and for constancy of supply.

### Environment

One of the guiding philosophies of VOL is the use of clean and green technology. Both our plants are zero effluent and VOL takes a pro-active role in the adoption of the latest technology in furthering the quest towards an eco-geared growth.

### 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.

The company procures raw materials through import and local purchases, where local purchases track import parity price. Also, contracts entered into with customers have provision to share the forex risk. Further, the long term loans of the Company are all in US\$ terms and this acts as a natural hedge.

### Technology

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

To counter this Company continuously upgrades the technical support used in its manufacturing, research and development facilities.





## Directors' Report

To the Members,

Your Directors have pleasure in presenting their Twenty Second Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2011.

### 1) FINANCIAL RESULTS

The summarised position of these results is given below:

		(Rs. in Lacs)	
		2010-2011	2009-2010
Net sales up by 36%	Net Sales/Income from Operations	31688.87	23210.00
	Other Income	965.91	844.92
	<b>Total Income</b>	<b>32654.78</b>	<b>24054.92</b>
	Profit before Interest, Depreciation & Taxes	7281.33	6010.51
	Interest	385.75	335.61
	<b>Profit before Depreciation &amp; Taxes</b>	<b>6895.58</b>	<b>5674.90</b>
EBITDA up by 21%	Depreciation & Non-cash Charges	644.93	495.65
	Profit before Taxation	6250.65	5179.25
	Provision for Taxation - Current	1242.26	889.00
	- Deferred	301.96	285.67
	- Fringe Benefit Tax	-	-
	- MAT credit entitlement	(490.67)	-
	Provision for earlier year W/back/Provided	0.18	0.44
	<b>Net Profit</b>	<b>5196.92</b>	<b>4004.14</b>
PAT up by 30%	Balance brought forward	8128.91	5106.07
	Balance available for appropriations	13325.83	9110.21
	<b>Appropriations</b>		
	Interim Dividend	-	148.12
	Final Proposed Dividend	641.84	345.61
	Tax on above	104.12	82.57
	Transfer to General Reserve	520.00	405.00
	Surplus carried to Balance sheet	12059.87	8128.91

## 2) REVIEW OF OPERATIONS

The Company's operations have shown impressive growth during the year under review. The net sales during the year have gone up to Rs.31,669.73 Lacs from Rs.23,210.00 Lacs, registering a growth of 36% over the previous year.

The robust growth in sales can be attributed to the phenomenal growth in ATBS sales which grew by more than 65% as compared to previous year. During FY11 we have crossed sales of 11,000 MT of ATBS.

The Company's Profit Before Tax has also gone up from Rs.5,179.25 Lacs in previous year to Rs.6,250.65 Lacs in current year registering a robust growth of 21%.

## 3) DIVIDEND

Your Directors are pleased to recommend a dividend of 65% i.e. Rs.1.30 per equity share.

The total outgo on dividend account will be Rs.745.96 Lacs (inclusive of corporate tax on dividend).

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

## 4) PROSPECTS

As we go into the next year, we expect to keep growing furthermore in ATBS and accordingly have decided to augment the ATBS capacity with a further expansion to 18,000 MT and this expansion is expected to be commissioned by March 2012.

Di-Acetone Acrylamide (1000 MT) is expected to be commissioned by December 2011. This acrylonitrile based product, synergic with ATBS, is used in manufacture of coatings, adhesives, laminates and sealers.

Expansion of TBA (700 MT to 1,000 MT) and ATFE Bottom Polymers (1,500 MT to 4,500 MT) is expected to be completed by March 2012. This will reduce the effluent load and contribute to the revenue of the Company.

The Company is optimistic about the future demand and foresees a strong and robust growth in the coming year across all markets driven by existing and new products.

## 5) TURNOVER AND PROFIT (OPERATING RESULTS)

The Company achieved gross turnover of Rs.32,931.06 Lacs as compared to Rs. 23,844.43 Lacs in the previous year. The net profit after tax increased to Rs.5,196.92 Lacs as compared to Rs.4,004.14 Lacs in the previous year.

## 6) INSURANCE

The properties and insurable interest of your company like Building, Plant and Machinery, Inventories etc. are properly insured.

## 7) DIRECTORS

Mr. R K Saraswat has been appointed as an Additional Director on the Board with effect from January 24, 2011. He is a Chartered Accountant with over 40 years of extensive domestic & international experience in Accounting, Auditing, Project Financing and Financial

Management. He is presently serving on the Board of Datamatics Global Services Ltd., Datamatics Software Services Ltd., and Priya Ltd. He last served Datamatics Group of companies as their Finance Director and earlier served as President of S. M. Dyechem Limited and Sr. Vice President of Grasim, where he was interalia engaged in setting up the Mangalore Refinery plant. In accordance with the provisions of the Companies Act, 1956, resolution seeking approval of the members for his appointment has been incorporated in the Notice of the ensuing Annual General Meeting and the Explanatory Statement thereto.

Mr. Anandkumar Tibrewala ceased to be a Director with effect from January 24, 2011. The Board wishes to place on record its appreciation for his valuable contribution during his association with the Company.

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 and Mr. Sunil Saraf, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## 8) AUDITORS

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

## 9) AUDITORS' REPORT

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

## 10) COST AUDITOR

As per the order of Central Government within the meaning of Section 233 A of the Companies Act, 1956, M/s. N. Ritesh & Associates has been appointed as a Cost Auditor subject to the approval of Central Government for the year ending on 31.03.2011. The Company has made necessary application to the Government for approval of the same.

## 11) FIXED DEPOSITS

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

## 12) AWARDS AND RECOGNITIONS

- Mr. Vinod Saraf was awarded the Business Leader of the Year (Innovation) by CHEMTECH CEW Leadership & Excellence Awards 2011



- Forbes Asia listed VOL amongst 200 Best Under A Billion companies for 2010
- VOL was ranked amongst the Top 10 Fastest Growing Companies in India for the Year 2010 by The Economic Time Intelligence Group (January 2011); We were ranked amongst the Top 10 in 2009 as well
- VOL was ranked #7 amongst the Top 100 Fastest Growing Small Companies in India by The Economic Times Intelligence Group (September 2010); We were ranked #14 in 2009
- VOL awarded with special citation for Development of Indigenous Technology by Indian Chemical Council
- Certificate of Merit for achieving Zero Accident Frequency Rate (2007-2009) received from National Safety Council - Maharashtra Chapter (Lote Plant)
- Lote and Mahad Plant certified with ISO 9001:2008

### 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 'A' forming part of this report.

### 14) LISTING

The Company's Equity shares continue to be listed at BSE & NSE. We confirm that the Listing fee for the financial year 2010-2011 has been paid to them. The stock code of the Company at BSE is 524200 and NSE is VINATIORGA.

### 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:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 2011 and the profit or loss

of the Company for the year ended on 31st March 2011;

- 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;
- 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 'B' & 'C')

### 17) 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.60 Lacs per annum or Rs.5 Lacs per month.

### 18) 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

Mumbai  
21st May 2011

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

## Annexure - 'A' Directors report

### Particulars Required Under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

#### A) CONSERVATION OF ENERGY

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

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

Power & Fuel Consumption		2010-11	2009-10
<b>1) Electricity</b>			
<b>a) Purchased (MSEB)</b>			
Unit (KWH in Lacs)		197.56	148.94
Total Amount (Rs. in Lacs)		1,126.57	782.04
Cost per unit (in Rs.)		5.70	5.25
Unit Consumed / Kg. Of IBB		0.36	0.34
Unit Consumed / Kg. of ATBS		1.37	1.57
Unit Consumed / Kg. of IB		0.23	-
<b>b) Own Generation</b>			
(i) Through Diesel Generator			
Units (Litres)		53,474	29,226
Total Cost (Diesel cost in Rs.)		724,614	343,652
Cost per unit (in Rs.)		13.55	11.76
<b>2) Coal</b>			
Units (Kg.)		7,473,271	6,638,407
Total Cost (Rs. in Lacs)		420.08	319.34
Average Cost (Rs. /Kg)		5.62	4.81
<b>3) Furnace Oil</b>			
Units (KL)		912,787	256,226
Amount (Rs. in Lacs)		253.21	58.11
Average Cost (Rs./KL)		27.74	22.68

## B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- (i) Efforts, in brief, made towards technology absorption, adoption and innovation

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

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

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

## C) RESEARCH & DEVELOPMENT

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

The R&D unit is engaged in developmental activities

such as developing alternate products and attaining better production efficiencies.

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

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

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

At Mahad we recover pure NBB.

At Lote we manufacture Tertiary Butyl Acrylamide.

### (iii) Future plans of action

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

## D) FOREIGN CURRENCY EARNINGS AND OUTGO

The details of Foreign Exchange Earnings & Expenditure in Foreign Currency is given in Note No.16 G & H of Schedule 20.

# Corporate Governance Report



## Annexure - 'B' Directors' Report

(Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd. & National Stock Exchange of India 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 Non-Executive Chairman. The number of Independent Directors is 4.

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(I) (C) (ii)) across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions occupied by them in other companies.

The Company's Board at present has 9 Directors comprising one Non-Executive Chairman, one Managing Director, one Executive Director, one Director – Corporate Strategy, one Director – Finance and four Non-Executive Directors.

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

Mr. C. B. Gokhale and Mr. Sunil Saraf, Directors' retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.



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

The Board met six times on the following dates during the financial year 2010 - 2011 and the gap between two meetings did not exceed four months:

Date of the Meeting	Total Strength	No. of Directors present
19th May 2010	9	7
28th July 2010	9	8
1st October 2010	9	6
30th October 2010	9	7
12th November 2010	9	4
24th January 2011	9	9

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, 2011 are given below:

Name	Category	No. of Board Meetings Attended during 2010-11	Whether attended AGM held on 24th July 2010	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Vinod Saraf (Managing Director)	Promoter, Non-Independent Executive	5	Yes	1	-	-
Mr. Girish M. Dave (Chairman – Non-Executive)	Independent Non-Executive	4	Yes	6	1	7
Mr. C.B. Gokhale (Director)	Independent Non-Executive	4	No	-	-	-
Mr. A.A. Krishnan (Director)	Independent Non-Executive	3	No	1	-	-
Mr. Sunil Saraf Director	Promoter, Non-Independent Non - Executive	4	No	1	-	-
Ms. Vinati Saraf Mutreja Executive Director	Promoter, Non-Independent Executive	6	No	1	-	-
Ms. Viral Saraf Mittal Director – Corporate Strategy	Promoter, Non-Independent Executive	6	Yes	1	-	-
Mr. Mohit Mutreja Director - Finance	Non-Independent Executive	6	No	-	-	-
Mr. Anandkumar Tibrewala (Director) (upto 24.01.2011)	Non- Independent Non-Executive	4	No	-	-	-

**(c) Code of Conduct**

The Company has laid down a Code of Conduct for all its Board members and senior management personnel for avoidance of conflicts of interest. It has received from all of them the necessary declarations affirming compliance with the Code of Conduct for the year 2011. There were no material financial and commercial transactions in which the Senior Management personnel had personal interest, which could lead to a potential conflict of interest with the Company during the year. The Code of Conduct is available on the Company's website.

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

Sr. No.	Name of Directors – Non-executive	Rs. in Lacs
1.	Mr. Girish M. Dave	0.70
2.	Mr. C. B. Gokhale	0.70
3.	Mr. A. A. Krishnan	0.30
4.	Mr. Sunil Saraf	0.40
5.	Mr. Anandkumar Tibrewala	0.80
6.	Mr. Mohit Mutreja	0.10

**(e) Shareholdings of Directors as on 31.03.2011 are as under:**

Sr. No.	Name of Directors	No. Equity Shares
1.	Mr. Vinod Banwarilal Saraf	79,37,250
2.	Ms. Vinati Saraf Mutreja	6,07,335
3.	Ms. Viral Saraf Mittal	5,14,177
4.	Mr. Sunil Banwarilal Saraf	3,750
5.	Mr. Anandkumar Tibrewala	750

**(f) Additional Directors appointed during the year:**

Mr. R. K. Saraswat was appointed during the year as Additional Director pursuant to Section 260 of the Companies Act, 1956 and he retires at the Annual General Meeting and the Company has received a notice for his reappointment at the Annual General Meeting. Rs. 500/- has also been deposited as stipulated under Section 257 of the Companies Act, 1956.

**3. AUDIT COMMITTEE****(a) Constitution**

The Audit Committee, which was constituted on 31st January 2001 pursuant to the provisions contained in section 292A of the Companies Act, 1956 was reconstituted as per Clause 49 of Listing Agreement for Corporate Governance on 24th January 2002 and was reconstituted on 20th May 2006 and 18th June 2009 and once again it was reconstituted on 24th January 2011. 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, 2011 comprised the following 3 Directors of the Company:

1. Mr. Girish M. Dave	:	Member - Independent Director
2. Mr. C.B. Gokhale	:	Member - Independent Director
3. Mr. R. K. Saraswat	:	Chairman - 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
19th May 2010	3	2
28th July 2010	3	3
30th October 2010	3	2
24th January 2011	3	3

The necessary quorum was present at the meetings.

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

**(d) Terms of reference**

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

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

**4. SHARE TRANSFER COMMITTEE**

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

- (i) Mr. Vinod Saraf, Managing Director
- (ii) Ms. Vinati Saraf Mutreja, Executive Director
- (iii) Mr. Sunil Saraf, Director

Mr. G. S. Singhi being the Company Secretary cum Finance Controller of the Company acts as the Secretary to the Committee. The Committee met 12 times during the year 2010-2011 for approving transfers, transmissions etc. All transfers & transmissions etc. were approved and share certificates were dispatched within 30 days and requests for dematerialisation were confirmed within 21 days.

**5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE****(a) Terms of Reference**

The Company has an independent Shareholders' Grievance Committee, which was constituted on 24th January 2002 and reconstituted on 20th May 2006 and 12th March 2010 and again it was reconstituted on 24th January 2011 to look into redressal of investor's complaints and requests like delay in transfer of shares, non-receipt of dividend, annual report, etc.

**(b) Composition**

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

- |                             |   |                                 |
|-----------------------------|---|---------------------------------|
| 1. Mr. A. A. Krishnan       | : | Chairman - Independent Director |
| 2. Mr. Vinod Saraf          | : | Member - Managing Director      |
| 3. Ms. Vinati Saraf Mutreja | : | Member - Executive Director     |

**(c) Meetings & Attendances**

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

Date of the Meeting	Total Strength	No. of Directors present
31st March 2011	3	2

A total number of 43 complaints were received and all of which were, redressed by the Company during the year 2010 - 2011.

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



## 6. REMUNERATION COMMITTEE

### (a) Constitution

The Remuneration Committee was constituted on 28th July 2010 as per Clause 49 of Listing Agreement for Corporate Governance. This committee comprised the following 3 directors of the Company:

- |                              |   |                                   |
|------------------------------|---|-----------------------------------|
| 1. Mr. C.B. Gokhale          | : | Independent Director - Chairman   |
| 2. Mr. A. A. Krishnan        | : | Independent Director - Member     |
| 3. Mr. Anand Kumar Tibrewala | : | Non-Independent Director - Member |

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

### (b) Composition

On resignation of Mr. Anand Kumar Tibrewala Remuneration Committee was reconstituted on 24th January 2011 comprised the following 3 Directors of the Company:

- |                       |   |                                   |
|-----------------------|---|-----------------------------------|
| 1. Mr. R. K. Saraswat | : | Independent Director - Chairman   |
| 2. Mr. C.B. Gokhale   | : | Independent Director - Member     |
| 3. Mr. Sunil Saraf    | : | Non-Independent Director - Member |

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

### (c) Meetings & Attendances

The Remuneration Committee met once on the following date during the last financial year.

Date of the Meeting	Total Strength	No. of Directors present
28th July 2010	3	2

The necessary quorum was present at the meetings.

### (d) Remuneration Policy

As per policy of the Company and after taking into account the recommendation by the Remuneration Committee, the remuneration will be paid to the executive directors.

### (e) Details of remuneration paid /payable to the directors for the year ended 31st March 2011

Managerial remuneration

(Rs. in Lacs)			
Name	Salary & Allowances	Contribution to PF	Other Perquisites
Mr. Vinod Saraf <i>Managing Director</i>	30.34	3.62	0.64
Ms. Vinati Saraf Mutreja <i>Executive Director</i>	29.64	2.72	0.82
Ms. Viral Saraf Mittal <i>Director – Corporate Strategy</i>	17.10	1.57	0.36
Mr. Mohit Mutreja <i>Director – Finance</i>	20.55	1.88	-
<b>Total</b>	<b>97.63</b>	<b>9.79</b>	<b>1.82</b>

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

## 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
19th AGM 2008	Regd. Office, B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.	27/09/2008	Saturday	12.30 p.m.	Nil
20th AGM 2009	- do -	19/09/2009	Saturday	12.30 p.m.	Nil
21st AGM 2010	- do -	24/07/2010	Saturday	12.30 p.m.	Nil

None of the special resolutions were put through postal ballot.

## 8. DISCLOSURES

### (a) Related Party Transactions

There have been no materially significant related party transactions with the Company's Promoters, Directors, the Management or relatives, which may have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in note No. 7(b) of schedule 20 to the Accounts in Annual report.

### (b) Statutory Compliance, Penalties and strictures

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

### (c) Compliance with mandatory / Non-mandatory requirements:

The Company has complied with all the applicable mandatory requirements of the revised Clause 49 of the listing Agreement.

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

## 9. MEANS OF COMMUNICATION

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

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

## 10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

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

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

## 11. COMPLIANCE OFFICER

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

## 12. GENERAL SHAREHOLDER INFORMATION

<b>(a)</b>	<b>Annual General meeting</b>	Date and Time : 30th July 2011 at 12.30 P.M. at Regd. Office, at B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.
<b>(b)</b>	<b>Financial Calendar</b>	Annual General Meeting : 30th July '11 Unaudited results for the quarter ending June 2011 : 4th week of July '11 Unaudited results for the quarter / half year ending September 30, 2011 : 4th week of Oct ' 11 Unaudited results for the quarter ending December 31, 2011 : 4th week of Jan ' 12 Unaudited results for the quarter ending March 31, 2012 : 4th week of April ' 12 Date of book Closure : 21st July 2011 to 30th July 2011. Dividend payment date : 4th August 2011
<b>(c)</b>	<b>Listing on Stock exchange</b>	: The Company's Securities are listed on the following stock exchanges in India: Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001, Maharashtra. National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra.
<b>(d)</b>	<b>Stock Code</b>	: 524200 : VINATIORGA : INE410B01029



**(e) Market Price Data**

(in Rs.)

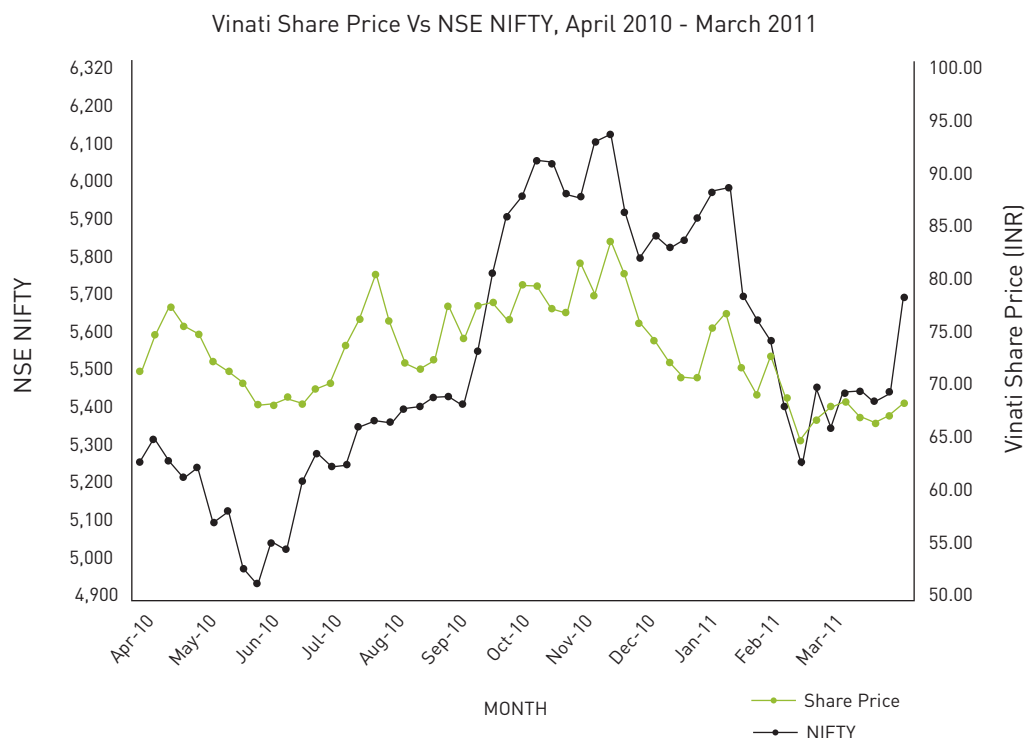
Month & Year	Bombay Stock Exchange Ltd.		National Stock Exchange of India Ltd.	
	High	Low	High	Low
Apr - 2010	87.40	71.15	87.40	72.10
May - 2010	77.35	66.35	88.00	66.00
Jun - 2010	76.00	68.00	76.45	66.10
Jul - 2010	85.85	70.00	84.50	68.00
Aug - 2010	83.40	70.20	83.10	70.35
Sep - 2010	84.45	74.60	84.90	74.20
Oct - 2010	90.50	77.50	90.60	77.55
Nov - 2010	97.40	70.00	100.00	67.50
Dec - 2010	83.35	69.75	83.20	69.45
Jan - 2011	83.30	69.55	83.70	68.15
Feb - 2011	72.45	61.10	71.95	61.50
Mar - 2011	72.00	65.00	71.30	64.70

**(f) The performance of the Company's shares relating to the BSE Index for the year 2010-2011 is given below:**

Vinati Share Price Vs BSE Sensex April 2010 - March 2011



(g) The performance of the Company's shares relating to the NSE Index for the year 2010-2011 is given below:



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

Unit No.1, Luthra Indl. Premises,	Tel	: 2851 5606 / 2851 5644 / 2851 6338
Safed Pool, Andheri-Kurla Road,	Fax	: 2851 2885
Mumbai – 400 072.	E-mail	: sharexindia@vsnl.com
	Website	: www.sharexindia.com
	Business Hours	: 11.00 a.m. to 1.00 p.m. & 2.00 p.m. to 4.00 p.m. (Monday to Friday)

(i) Share Transfer System:

The Company has appointed Common Agency, name and address of which is given in the report for electronic connectivity and to process share transfer in physical form. The transfers are normally processed and share certificates are dispatched within 30 days from the date of receipt if the documents are complete in all respects. Requests for dematerialisation are confirmed within 15 days.

(j) Distribution of Shareholding as on 31st March 2011.

Category No. of Shares	No. of share holders	% of holders	Total Shares	% of Shares
1 To 100	3083	23.83	186064	0.38
101 To 200	1142	8.83	199202	0.40
201 To 500	1863	14.40	705345	1.43
501 To 1000	5224	40.38	3977904	8.06
1001 To 5000	1365	10.55	3058711	6.19
5001 To 10000	143	1.10	1031830	2.09
10001 To 100000	99	0.76	2394706	4.85
100001 and above	19	0.15	37818738	76.60
<b>Total</b>	<b>12938</b>	<b>100.00</b>	<b>49372500</b>	<b>100.00</b>

**(k) Categories of shareholders as on 31st March 2011.**

Category	No. of share holders	Voting strength (%)	No. of ordinary shares
Individuals	12411	22.54	11129115
Promoters	14	74.99	37024347
Other Companies	286	1.97	972225
Non-Resident Individuals	190	0.38	190657
Nationalised Banks, Mutual Funds and Trusts	7	0.07	33740
Clearing Members	30	0.05	22416
<b>Total</b>	<b>12938</b>	<b>100.00</b>	<b>49372500</b>

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

46,368,420 (Total shares demated with NSDL is 29,049,879 & CDSL is 17,318,541) of the Company's share capital is dematerialised as on 31/03/2011. The Company's shares are regularly traded on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. as indicated in the table containing market information.

**(m) Address of Registered Office:**

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

**(n) Address of Plant Locations:****Mahad Works:**

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

**Lote Works:**

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

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

Mr. Gunvant S. Singhi

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

**CEO / CFO CERTIFICATE**

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2011 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered in to by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
- (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Mumbai  
21st May 2011

**Vinod Saraf**  
Chief Executive Officer

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

**DECLARATION**

I, Vinod Saraf, Managing Director of Vinati Organics Limited, hereby declare that all the members of the Board of Directors and the Senior Management Personnel have affirmed compliance with the code of conduct for the year ended 31st March, 2011.

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, 2011.

On behalf of the Board of Directors

Mumbai  
21st May 2011

**Vinod Saraf**  
Managing Director



## Annexure - 'C' Directors' Report

### Auditors' Certificate On Corporate Governance

To the Members of

#### VINATI ORGANICS LIMITED

We have examined the compliance of conditions of Corporate Governance by VINATI ORGANICS LIMITED, for the year ended on 31st March, 2011, 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*

Firm Reg. No.: 104863W

**(Krishna Karundia)**

Partner

Membership No. 036681

192, Dr. D. N. Road

Mumbai - 400001

Dated: 21st May, 2011

# Financial Statements

## Content

Auditors' Report | 42

Balance Sheet | 46

Profit and Loss Account | 47

Cash Flow Statement | 48

Schedules | 50

Balance Sheet Abstract | 65

# 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, 2011**, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the aforesaid 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, 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2011 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 aforesaid 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 2011; 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*  
Firm Regn. No. 104863W

192, Dr. D. N. Road  
Mumbai - 400001  
Dated: 21st May, 2011

**(Krishna Karundia)**  
*Partner*  
Membership No. 036681

## Annexure to the Auditors' Report

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets
- (b) The Company has a regular programme of physical verification of fixed assets which is, in our opinion, reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion during the year, the Company has not disposed off a substantial part of the plant and machinery so as to affect the going concern status of the Company
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions of paragraph 4(iii)(b) to 4(iii)(d) of the aforesaid Order are not applicable to the Company.
- (b) The Company has not taken loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions of paragraph 4(iii)(f) to 4(iii)(g) of the aforesaid Order are not applicable to the Company.
- (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 31-03-2011, for a period of more than six months from the date they became payable.
- (c) As on 31-03-2011, according to the records of the Company, the following are the particulars of disputed dues on account of Income Tax and Central Excise Duty/ cess that have not been deposited.



Name of the Statute	Nature of Dues	Amount of Demand net of deposits (Rs.)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income-tax Demand	4,10,337	A.Y. 2008-09	CIT (Appeal)
Income Tax Act, 1961	Demand of penalty raised u/s 271(1)(C)	82,791	A.Y. 2004-05	ITAT
Income Tax Act, 1961	Demand of penalty raised u/s 271(1)(C)	17,08,630	A.Y. 2003-04	ITAT
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

- (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 in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and bank.
- (xii) Based on our examination of documents and records and according to the explanations given to us by the management we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the aforesaid Order are not applicable.
- (xiii) The provision of any special statute as specified under Paragraph 4 (xiii) of the aforesaid Order are not applicable to the Company.
- (xiv) Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made in those records. We also report that the Company has held all the shares, securities, and other investments in its own name.
- (xv) The Company has not given any guarantee for loans taken by others from Bank or financial institution, and accordingly requirement of Paragraph 4(xv) of the aforesaid Order are not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us by the management, term loans outstanding at the beginning of

the year and those raised during the year were applied for the purpose for which the loans were obtained.

- (xvii) According to the cash flow statement on the Balance Sheet date, and according to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we are of the opinion that no funds raised on short term basis have, prima-facie, been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of The Companies Act, 1956 and therefore Paragraph 4 (xviii) of the aforesaid Order is not applicable.
- (xix) During the period covered by our audit report, the Company has not issued debentures and therefore paragraph 4 (xix) of the aforesaid Order is not applicable.
- (xx) During the period covered by our audit report, the Company has not raised money by way of public issues and therefore, paragraph 4(xx) of the aforesaid Order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanations given to us by the management, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of

**Karnavat & Co.**

*Chartered Accountants*

Firm Regn. No. 104863W

192, Dr. D. N. Road

Mumbai - 400001

Dated: 21st May, 2011

**(Krishna Karundia)**

*Partner*

Membership No. 036681

# Balance Sheet as at 31st March, 2011

		(Rs. in Lacs)	
	Schedule	As at 31/03/2011	As at 31/03/2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	987.45	987.45
Reserves & Surplus	2	13,382.27	8,931.31
<b>Loan Funds</b>			
Secured Loans	3	7,027.34	5,698.60
Unsecured Loans	4	668.72	613.14
Deferred Tax Liability		1,173.68	871.72
<b>TOTAL</b>		<b>23,239.46</b>	<b>17,102.22</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	14,865.19	11,094.47
Less : Depreciation		3,747.93	3,131.51
Net Block		11,117.26	7,962.96
Capital Work in Progress		3,603.69	3,836.51
		14,720.95	11,799.47
<b>INVESTMENTS</b>			
	6	316.20	-
<b>Current Assets, Loans and Advances</b>			
Inventories	7	3,501.44	1,889.22
Sundry Debtors	8	5,192.16	3,587.05
Cash and Bank Balances	9	194.02	178.88
Loans and Advances	10	1,857.50	1,058.49
		10,745.12	6,713.64
<b>Less : Current Liabilities &amp; Provisions</b>			
	11		
Current Liabilities		1,732.56	980.25
Provisions		810.25	430.64
Net Current Assets		8,202.31	5,302.75
<b>TOTAL</b>		<b>23,239.46</b>	<b>17,102.22</b>
Significant Accounting Policies	19		
Notes forming part of Accounts	20		

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

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**

Chartered Accountants

Firm Regn. No. 104863W

**Vinod Saraf**

Managing Director

**Vinati Saraf Mutreja**

Executive Director

**Krishna Karundia**

Partner

Membership No. 036681

Mumbai, 21st May 2011

**N. K. Goyal**

Chief Financial Officer

**G. S. Singhi**

Company Secretary cum Finance Controller

# Profit and Loss Account for the year ended 31st March, 2011

		(Rs. in Lacs)	
	Schedule	Year Ended 31/03/2011	Year Ended 31/03/2010
<b>INCOME</b>			
Gross Sales		32,959.36	23,860.45
Less : Inter Unit Transfer		28.30	16.02
		32,931.06	23,844.43
Less : Excise Duty		1,261.33	634.43
Net Sales		31,669.73	23,210.00
Sales of Traded goods		19.14	-
Other Income	12	965.91	844.92
<b>TOTAL</b>		<b>32,654.78</b>	<b>24,054.92</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	13	18,762.18	13,793.90
Purchase of Traded goods		20.61	-
Decrease/(Increase) in Stock	14	(441.85)	(510.66)
Differential Excise Duty on Finished Stock		57.18	34.37
Manufacturing Expenses	15	3,446.80	2,102.60
Employees' Cost	16	1,486.66	1,148.83
Financial Charges	17	466.62	441.52
Administrative & Other Expenses	18	1,961.00	1,369.46
<b>TOTAL</b>		<b>25,759.20</b>	<b>18,380.02</b>
<b>PROFIT BEFORE DEPRECIATION, NON-CASH CHARGES &amp; TAXES</b>		<b>6,895.58</b>	<b>5,674.90</b>
Less: Depreciation		642.51	493.24
Amortisation of Leasehold land		2.42	2.41
<b>PROFIT BEFORE TAXATION</b>		<b>6,250.65</b>	<b>5,179.25</b>
Less: Provision for Taxation			
Current Tax (MAT)		1,242.26	889.00
Deferred Tax (Refer Note No. 10 of Schedule 20)		301.96	285.67
MAT Credit Entitlement (Refer Note No. 11 of Schedule 20)		(490.67)	-
Earlier Years Adjustments		0.18	0.44
<b>NET PROFIT AFTER TAX</b>		<b>5,196.92</b>	<b>4,004.14</b>
Balance brought forward from last year		8,128.91	5,106.07
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>13,325.83</b>	<b>9,110.21</b>
Less : Appropriations			
Interim Dividend		-	148.12
Final Proposed Dividend		641.84	345.61
Tax on above		104.12	82.57
Transfer to General Reserve		520.00	405.00
Balance Carried to Balance Sheet		12,059.87	8,128.91
Significant Accounting Policies	19		
Notes forming part of Accounts	20		
Earnings Per Share ( Refer Note No. 9 of Schedule 20)			
Basic & Diluted EPS ( Face Value of Rs. 2/- per share) in Rupees		10.53	8.11

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

As per our Report of even date attached  
For and on behalf of

**Karnavat & Co.**  
Chartered Accountants  
Firm Regn. No. 104863W

**Vinod Saraf**  
Managing Director

**Vinati Saraf Mutreja**  
Executive Director

**Krishna Karundia**  
Partner  
Membership No. 036681  
Mumbai, 21st May 2011

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

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

# Cash Flow Statement

For the year ended 31st March 2011

	(Rs. in Lacs)	
	Year Ended 31/03/2011	Year Ended 31/03/2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax and extra ordinary item</b>	<b>6,250.60</b>	<b>5,179.26</b>
Adjustments for :		
Depreciation	642.51	493.24
Amortisation	2.42	2.41
Loss /(Gain)on sale of fixed assets/assets discarded	1.28	0.25
Interest paid	385.75	335.61
Unrealised Foreign Exchange (Gain)/Loss (net)	(141.47)	(172.82)
Provisions for expenses and liabilities	313.78	195.99
Excess Liability written back	(5.46)	4.56
Other Provisions and write offs (net)	(10.76)	(91.62)
Interest income	(6.89)	(10.71)
Gain on sale of Investment	(0.20)	-
Dividend Received	(29.50)	-
Unrealised export incentives/Import entitlements	(234.55)	-
<b>Operating profit before working capital changes</b>	<b>7,167.51</b>	<b>5,936.17</b>
Adjustments for :		
Trade and other receivables	(1,666.21)	(1,017.70)
Inventories	(1,612.23)	(683.39)
Trade and other payables	447.05	(386.64)
Cash generated from operations	4,336.12	3,848.44
Direct taxes (including earlier years)	(1,204.96)	(971.25)
Cash flow before extra ordinary items	3,131.16	2,877.19
Extra ordinary items	-	-
<b>Net cash generated from operating activities</b>	<b>3,131.16</b>	<b>2,877.19</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets purchased, sold/discarded(net and excluding CWIP capitalised)	(4,150.12)	(3,209.02)
Decrease in Capital Work-in-Progress (including capital advances)	578.67	(264.00)
Adjustment for foreign exchange year end revaluation	3.74	(9.66)
(Increase) in Investments(including re investments)	(286.50)	-
Interest received	3.65	1.70
Cash generated from investing activities	(3,850.56)	(3,480.98)
Tax deducted at source on interest income	(0.82)	(1.43)
<b>Net cash (used in) investing activities</b>	<b>(3,851.38)</b>	<b>(3,482.41)</b>



# Cash Flow Statement

For the year ended 31st March 2011 (Contd.)

	(Rs. in Lacs)	
	Year Ended 31/03/2011	Year Ended 31/03/2010
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of long-term borrowings (net of repayment)	1,328.74	1,214.51
Receipt of short-term borrowings (net of repayment)	55.59	1.52
Adjustment for foreign exchange year end revaluation	130.96	168.55
Interest paid (excluding interest of Rs.73.02 Lacs capitalised)	(385.75)	(335.61)
Dividend paid	(336.81)	(386.55)
Tax on dividend	(57.40)	(67.12)
<b>Net cash flow from financing activities</b>	<b>735.33</b>	<b>595.30</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>	<b>15.11</b>	<b>(9.92)</b>
<b>Cash and cash equivalents (opening balance)</b>	<b>179.05</b>	<b>188.97</b>
<b>Cash and cash equivalents (closing balance)</b>	<b>194.16</b>	<b>179.05</b>
<b>Notes:</b>		
<b>1 Reconciliation of cash and cash equivalents</b>		
As per Balance Sheet - Schedule 9	194.02	178.88
Add: Foreign exchange loss on revaluation	0.14	0.17
As per cash flow statement	<b>194.16</b>	<b>179.05</b>
<b>2 Cash and cash equivalents comprises of</b>		
a. Cash in hand	0.96	0.12
b. Bank balance in current accounts	43.06	31.96
c. In fixed deposit account (Margin money)	150.00	146.97
	<b>194.02</b>	<b>179.05</b>
<b>3</b> Balance in current account unavailable for utilisation on account of balance lying in unclaimed dividend account as it represents corresponding liability.	32.98	17.92
<b>4</b> Previous year figures have been regrouped, wherever necessary to confirm to current year's classification.		
<b>5</b> Figures in brackets denotes outflow		

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**

Chartered Accountants

Firm Regn. No. 104863W

**Vinod Saraf**

Managing Director

**Vinati Saraf Mutreja**

Executive Director

**Krishna Karundia**

Partner

Membership No. 036681

Mumbai, 21st May 2011

**N. K. Goyal**

Chief Financial Officer

**G. S. Singhi**

Company Secretary cum Finance Controller

## Schedules forming part of Accounts

	(Rs. in Lacs)	
	As at 31/03/2011	As at 31/03/2010
<b>SCHEDULE "1"</b>		
<b>Share Capital:</b>		
<b>Authorised:</b>		
75,000,000 Equity Shares of Rs. 2/- each	1,500.00	1,500.00
(Previous Year 75,000,000 Equity Shares of Rs. 2/- each)		
	1,500.00	1,500.00
<b>Issued, Subscribed and Paid Up:</b>		
49,372,500 (Previous Year 49,372,500) Equity Shares Fully Paid up	987.45	987.45
	987.45	987.45
<b>SCHEDULE "2"</b>		
<b>Reserves &amp; Surplus</b>		
i) Capital Reserve	30.40	30.40
ii) General Reserve	772.00	
Add: Transfer During The Year	520.00	772.00
iii) Profit and Loss Account	12,059.87	8,128.91
	13,382.27	8,931.31
<b>SCHEDULE "3"</b>		
<b>Secured Loans</b>		
i) Term loan from State Bank of India (FCNR-B)	178.89	443.51
ii) Term loan from Barclays and Axis Bank (FCNR)	3,986.85	3,456.84
iii) Working capital advances from bank	2,861.60	1,798.25
	7,027.34	5,698.60

### Notes :

- 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.
- Term Loan from Barclays Bank and Axis Bank are secured by first pari passu charge on all the fixed assets (present and future) of Lote works, and second pari passu charge on all the Fixed Assets (present and future) at Mahad Works ; Second pari passu charge on entire Current Assets of the Company (present & future) and also by personal irrevocable guarantee of Directors.
- 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.
- Loans falling due within one year Rs.1561.61 Lacs (Previous Year - Rs. 1,193.59 Lacs).

<b>SCHEDULE "4"</b>		
<b>Unsecured Loans</b>		
Short Term Loan from Bank	668.72	613.14
	668.72	613.14

- Short Term Loan falling due within one year Rs.668.72 Lacs (Previous Year 613.14 Lacs)

## Schedules forming part of Accounts (Contd.)

### SCHEDULE "5"

#### Fixed Assets

Particulars	Gross Block				Depreciation			Net Block		(Rs. in Lacs)
	As at 31/03/2010	Additions during the year	Deductions during the year	As at 31/03/2011	Up to 31/03/2010	For the Year	Written Back	Up to 31/03/2011	As at 31/03/2011	
<b>Tangible Assets</b>										
Leasehold Land & Site Development	197.40	-	2.42	194.98	-	-	-	-	194.98	197.40
Buildings	1,917.76	707.68	-	2,625.44	249.57	71.88	-	321.45	2,303.99	1,668.19
Plant & Machinery	8,666.84	2,514.64	-	11,181.48	2,704.72	512.46	-	3,217.18	7,964.30	5,962.12
Furniture & Fixtures	94.83	90.74	-	185.57	67.00	9.08	-	76.08	109.49	27.83
Office Equipments	18.63	1.66	-	20.29	8.70	0.37	-	9.07	11.22	9.93
Computers	57.62	14.07	3.12	68.57	33.39	6.98	3.11	37.26	31.31	24.23
Air Conditioners	33.39	10.87	-	44.26	12.79	1.80	-	14.59	29.67	20.60
Vehicles	108.00	54.89	27.95	134.94	55.34	9.10	22.98	41.46	93.48	52.66
<b>SUB TOTAL (A)</b>	11,094.47	3,394.55	33.49	14,455.53	3,131.51	611.67	26.09	3,717.09	10,738.44	7,962.96
<b>Intangible Assets</b>										
Technical Know How Fees	-	383.54	-	383.54	-	28.37	-	28.37	355.17	-
Licensed Software	-	26.12	-	26.12	-	2.47	-	2.47	23.65	-
<b>SUB TOTAL (B)</b>	-	409.66	-	409.66	-	30.84	-	30.84	378.82	-
<b>GRAND TOTAL (A+B)</b>	11,094.47	3,804.21	33.49	14,865.19	3,131.51	642.51	26.09	3,747.93	11,117.26	7,962.96
Previous Year	7,112.82	3,988.76	7.11	11,094.47	2,642.73	493.24	4.46	3,131.51	7,962.96	

## Schedules forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	As at 31/03/2011	As at 31/03/2010
<b>SCHEDULE "6"</b>		
<b>Investments</b>		
<b>Current Investment (Quoted, Non-Trade)</b>		
<b>In Mutual Fund</b>		
Franklin Templeton India Ultra Short Bond Fund Institutional Plan (3,100,093.166 Units of Face value of Rs.10/- each) (Includes 289,232.26 units received as Dividend Re-invested)	316.20	-
	316.20	-

Aggregate Market Value (NAV Value) Rs. 316.53 Lacs

Aggregate Cost (Including dividends, re-invested) Rs. 316.20 Lacs

Details of Mutual Fund Purchased & Sold during the year  
(Including Dividend Re-invested)

Name of the Fund	Face Value	No. of Units	Cost (Rs. in Lacs)
Templeton Floating Rate Income Fund Short Term Retail Option	10.00	29,85,068.47	300.25
Templeton India Ultra Short Bond Fund Retail Plan	10.00	10,25,318.09	102.75
Templeton India Ultra Short Bond Fund Institutional Plan	10.00	2,31,47,867.44	2,361.61

<b>SCHEDULE "7"</b>		
<b>Inventories (as taken, valued &amp; certified by the management)</b>		
Raw Materials	1,538.24	534.12
Stock In Process	635.42	312.56
Finished Goods	789.54	670.55
Stores, Spares & Other Consumables	538.24	371.99
	3,501.44	1,889.22

<b>SCHEDULE "8"</b>		
<b>Sundry Debtors (Unsecured, Considered Good)</b>		
Outstanding for a period exceeding six months	16.44	6.48
Others	5,175.72	3,580.57
	5,192.16	3,587.05

<b>SCHEDULE "9"</b>		
<b>Cash and Bank Balances</b>		
Cash in Hand	0.96	0.12
Balance with Scheduled Banks :		
In Current Accounts*	43.06	31.79
In Fixed Deposit Account (Margin Money)	150.00	146.97
* Includes Rs.32.98 Lacs (Previous year Rs. 24.18 Lacs) on unpaid dividend account		
	194.02	178.88

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



## Schedules forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	As at 31/03/2011	As at 31/03/2010
<b>SCHEDULE "10"</b>		
<b>Loans and Advances (Unsecured, Considered Good)</b>		
Advances recoverable in cash or kind or for value to be received	1,746.79	955.86
Income Tax Deposits	85.70	85.70
Accrued Interest	3.25	4.28
Deposits :		
With Government & Semi Government Departments	17.80	9.82
With Others	3.96	2.83
	1,857.50	1,058.49
<b>SCHEDULE "11"</b>		
<b>Current Liabilities and Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
Total Outstanding		
Due to Micro, Small and Medium Enterprises	-	-
Due to Other Enterprises	1,190.17	569.50
Other Liabilities	493.34	369.69
Sundry Deposits	16.07	16.88
	32.98	24.18
	1,732.56	980.25
<b>Provisions</b>		
For Proposed Dividend	641.84	345.61
Tax on Dividend	104.12	57.40
For Taxation (Net of taxes paid)	64.29	27.63
	810.25	430.64

## Schedules forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	Year Ended 31/03/2011	Year Ended 31/03/2010
<b>SCHEDULE "12"</b>		
<b>Other Income</b>		
Interest Received - Gross	6.89	11.72
(TDS Rs.0.82 Lacs Previous Year Rs.1.43 Lacs)		
Cash Discount received	116.16	39.18
Miscellaneous Credit Balances Written Back	16.21	0.82
Scrap Sales	41.46	29.57
Liability No Longer Required Written Back	5.46	4.56
Miscellaneous receipts	0.43	1.13
Gain on Sale of Investment	0.20	-
Dividend received(Net of Dividends received on Mutual Fund re-invested)	29.50	-
Exchange Fluctuation Difference	215.05	305.63
Export Benefits/Import Entitlements (Including prior period income of Rs. 65.32 Lacs)	534.55	452.31
	965.91	844.92
<b>SCHEDULE "13"</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	534.12	467.45
Add: Purchases	19,765.26	13,860.57
Less: Closing Stock	1,537.20	534.12
	18,762.18	13,793.90
<b>SCHEDULE "14"</b>		
<b>Decrease/(Increase) in Stock</b>		
<b>I) Finished Stock</b>		
Opening Stock	670.55	83.92
Less: Closing Stock	789.54	670.55
	(118.99)	(586.63)
<b>II) Process Stock</b>		
Opening Stock	312.56	388.53
Less: Closing Stock	635.42	312.56
	(322.86)	75.97
	(441.85)	(510.66)
<b>SCHEDULE "15"</b>		
<b>Manufacturing Expenses</b>		
Power & Fuel Charges	1,932.88	1,146.37
Water Charges	64.23	54.76
Stores, Spares & Other Consumables	929.64	547.85

## Schedules forming part of Accounts (Contd.)

	(Rs. in Lacs)	
	Year Ended 31/03/2011	Year Ended 31/03/2010
<b>SCHEDULE "15" (Contd.)</b>		
Repairs to:		
Plant & Machinery	104.78	93.70
Buildings	41.15	42.80
Wages to Contractual Labour	269.56	181.01
Other Operational Charges	104.56	36.11
	3,446.80	2,102.60
<b>SCHEDULE "16"</b>		
<b>Employees Cost</b>		
Salaries, Wages & Allowances	1,300.87	1,037.88
Contribution to Provident & Other funds	87.02	66.67
Employees Welfare Expenses	37.55	30.19
Contribution to Gratuity fund	61.22	14.09
	1,486.66	1,148.83
<b>SCHEDULE "17"</b>		
<b>Financial Charges</b>		
Interest on :		
Term Loan	237.58	213.93
Others	148.17	121.68
Bank Charges	80.87	105.91
	466.62	441.52
<b>SCHEDULE "18"</b>		
<b>Administrative and Other Expenses</b>		
Rent (Including Leave & License Fees)	15.54	15.56
Rates & Taxes	10.95	13.63
Insurance	49.04	36.82
Remuneration to Auditors:		
Audit Fees	2.50	2.25
Tax Audit Fees	0.70	0.50
Certification Charges	0.30	0.40
Other Matters	3.85	1.80
Reimbursement of Expenses	0.04	0.11
Directors' Sitting Fees	3.00	1.60
Repairs - Others	32.12	22.61
Freight & Forwarding Charges	1,418.23	955.13
Cash Discount	-	1.07
Selling Commission	49.94	42.26
Bad Debts Written Off	-	23.82
Loss on Fixed Assets discarded	1.27	0.25
Other Expenses	373.52	251.65
	1,961.00	1,369.46

# Schedules forming part of Accounts (Contd.)

## SCHEDULE "19"

### Significant Accounting Policies

#### 1. Nature of Operations

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

#### 2. Basis of Preparation

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

#### 3. Use of Estimates

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

#### 4. Revenue Recognition

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

#### 5. Fixed Assets

- All Fixed Assets are stated at cost (net of Cenvat) less accumulated depreciation.
- Leasehold land is amortised equally over the period of lease.
- The carrying amount of cash generating unit/assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exist, the recoverable amount is estimated as the higher of net selling price and value in use. Impairment loss is recognised wherever carrying amount exceeds recoverable amount.
- All costs including borrowing costs & exchange gain or loss on foreign currency loan utilised for the acquisition and installation of fixed assets, till commencement of commercial production, are capitalised.

#### 6. Depreciation

##### Tangible Asset

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 except Plant & Machinery whose Written Down Value as at the beginning of the year is less than 5% of the cost are not depreciated

##### Intangible Asset

- Technical Know-how fees is amortised prorata, on straight line basis over the estimated useful life of the asset of 10 years.
- Licensed Software is amortised prorata, on straight line basis over the estimated useful life of the asset of 6 years.

#### 7. Borrowing Cost

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

#### 8. Research & Development Expenditure

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

## Schedules forming part of Accounts (Contd.)

### 9. Inventories

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

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

### 10. Cenvat/Value Added Tax/Service Tax

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

### 11. Foreign Currency Transactions

Export/Import transactions during the year are accounted on the basis of prevailing exchange rate (as declared/assessed by Customs Department) on the date of export/import. The difference between the amount realised/paid and the amount already booked is accounted for as "Exchange fluctuation difference" in the year of realisation/payment.

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

### 12. Retirement Benefits

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

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The liability so provided is represented substantially by creation of separate fund and is considered sufficient to meet the liability as and when it accrues for payment in future.

### 13. Leave Encashment

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

### 14. Leases

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

### 15. Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date or as on date of approval of Statement of Accounts whichever is later. The deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future.

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

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



# Schedules forming part of Accounts (Contd.)

## SCHEDULE "20"

### Notes on Accounts

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

- a) Counter Guarantees given by the Company in respect of guarantees issued / Letter of Credit established by banks on behalf of the company Rs.1,743.64 Lacs (Previous Year Rs.1,204.43 Lacs)
- b) Estimated amount of contracts remaining to be executed on Capital Account (Net of Advance) Rs.2655.77 Lacs (Previous Year Rs.956.88 Lacs).
- c) Disputed Excise duty demands of Rs.67.94 Lacs (Previous Year Rs.38.78 Lacs) for which company has gone in appeal. The Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.
- d) Disputed Income tax demands of Rs.160.10 Lacs pertaining to various assessment years against which a sum of Rs.67.34 Lacs has been paid (Previous Year Rs.266.00 Lacs and paid Rs.67.34 Lacs) Based on judicial decisions and interpretations of other relevant provisions of the statute, the Company is hopeful of the demand likely to be either deleted or substantially reduced and accordingly no provision has been made.

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

		(Rs. in Lacs)	
Sr. No.	Particulars	2010-2011	2009-2010
A.	Work in progress[Including advances to suppliers Rs.681.48 Lacs] (Previous year Rs.635.89 Lacs)	3,280.00	3,127.65
	<b>Total 'A'</b>	3,280.00	3,127.65
B.	<b>Pre-operative expenses</b>		
	Opening balance	708.86	940.85
	Add: Incurred during the year		
	Travelling Expenses	16.96	2.61
	Technical Know How Fee	-	271.30
	Exchange (gain)/loss	9.78	(78.52)
	Interest	73.02	74.58
	Bank Charges	36.95	53.35
	Legal & Professional charges	286.25	216.87
	Rates & Taxes	-	3.64
	Insurance Charges	2.82	3.93
	Testing Charges	0.54	-
		1,135.18	1,488.61
	Less: Capitalised during the year	811.49	779.75
	<b>Total 'B'</b>	323.69	708.86
	<b>Total (A+B)</b>	3,603.69	3,836.51

## Schedules forming part of Accounts (Contd.)

**3** 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 some of the suppliers.

a)	No principal amount and the interest due thereon are outstanding at on 31st March 2011	:	Nil
b)	The amount of interest paid by the Company along with the amount of the payment made to the supplier beyond the appointed day for the year ending 31st March 2011.	:	Nil
c)	The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year)	:	Nil
d)	The amount of interest accrued and remaining unpaid for the year ending 31st March 2011	:	Nil
e)	The amount of further interest remaining due and payable for the earlier years.	:	Nil

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

**5** Disclosure pursuant to Accounting Standard 15 (Revised)

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

	31/03/2011	31/03/2010
a) Assumptions as at		
Mortality		LIC (1994-96) Ult.
Interest/Discount Rate	8.00%	8.00%
Rate of increase in compensation	2.00%	2.00%
Rate of return (expected) on plan assets	9%	9%
Employee attrition rate (Past Service [PS])	PS:0 to 42: 5%	PS:0 to 5: 5% PS:5 to 40: 0.5%
Expected average remaining service	12.34	17.28
b) Changes in present value of obligations		
PVO at the beginning of period	79.09	59.98
Interest cost	6.16	4.69
Current service cost	19.34	13.25
Past Service Cost - ( vested benefits)	25.88	-
Benefits paid	(2.10)	(2.73)
Actuarial (gain)/loss on obligation	14.95	3.90
PVO at end of period	143.39	79.09
c) Amount recognised in the Balance Sheet as at the end of the year		
Present Value of Defined Benefit Obligation	143.39	79.09
Fair Value of Plan Assets	97.78	75.88
Funded status - Surplus/(Deficit)	(45.61)	(3.21)
Net Asset/(Liability)	(45.61)	(3.21)
d) Expense recognised in the statement of P & L A/c.:		
Current service cost	19.34	13.25
Past Service Cost - ( vested benefits)	25.88	
Interest cost	6.24	4.69
Expected return on plan assets	(7.59)	(5.15)
Net actuarial (gain)/loss recognised for the period	17.35	1.30
Expense recognised in the statement of P & L A/c.	61.22	14.09

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

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

## Schedules forming part of Accounts (Contd.)

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

#### a. Information about related parties:

Sr. No.	Particulars	Name of Related Party.
1	Key Management Personnel	i) Mr. Vinod Saraf - Managing Director ii) Ms. Vinati Saraf Mutreja - Executive Director iii) Mr. Mohit Mutreja - Director (Finance) iv) Ms. Viral Saraf Mittal - Director (Corporate Strategy)
2	Relatives of Key Management Personnel	i) Mr. Sunil Saraf ii) Mr. Anandkumar Tibrewala (Resigned as Non-Executive Director on 24th Jan 2011)
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. 12) Pluspoint Securities Pvt. Ltd. 13) Illuminati Software Pvt. Ltd.

#### b. Information about Related Parties Transactions

		(Rs. in Lacs)	
		2010-11	2009-10
i)	<b>Key Management Personnel</b>		
	Managerial Remuneration		
	Mr. Vinod Saraf	34.60	32.05
	Ms. Vinati Saraf Mutreja	33.18	30.73
	Ms. Viral Saraf Mittal	19.03	14.95
	Mr. Mohit Mutreja	22.43	-
ii)	<b>Relatives of Key Management Personnel</b>		
	Sitting fees		
	Mr. Sunil Saraf	0.40	0.35
	Mr. Mohit Mutreja	0.10	0.10
	Mr. Anandkumar Tibrewala	0.80	0.30
iii)	<b>Enterprises owned or significantly influenced by any management personnel or their relatives</b>		
	Rent, Rates & Taxes:		
	Vinati Wax Industries Pvt. Ltd.	5.03	5.03
	Shilpa Pharma Pvt. Ltd.	4.95	4.95
	Mithali Chemicals Pvt. Ltd.	2.02	2.02

## Schedules forming part of Accounts (Contd.)

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

	(Rs. in Lacs)	
	2010-11	2009-10
Sale of By-Product - Viral Alkalies Ltd.	1.48	1.51
Purchase of Material - Viral Alkalies Ltd.	5.29	10.36
Loan repaid:		
Suchir Investment & Finance Pvt. Ltd.	-	250.00
Vinati Wax Industries Pvt. Ltd.	-	149.62
Mithali Chemicals Pvt. Ltd.	-	212.00

### 8 LEASES (AS - 19)

#### Operating Leases

The Company has taken containers, residential/office premises under operating lease. The Lease arrangement are normally renewable on expiry of the lease period. There is no sub lease and all the leases are cancelable in nature. There are no restrictions.

i) Payable not later than one year.	31.79	52.51
ii) Payable later than one year and not later than five years.	-	12.00
iii) Payable later than five years.	Nil	Nil

The lease payments recognised in the statement of profit and loss for the period is Rs. 157.17 Lacs.  
(Previous year Rs.129.95)

### 9 EARNING PER SHARE (AS-20)

Profit after taxation	5,196.92	4,004.14
Number of equity shares outstanding and used for calculating EPS	4,93,72,500	4,93,72,500
Basic and diluted earning per share (Face value of Rs.2/- per share) in Rupees	10.53	8.11

### 10 ACCOUNTING FOR TAXES ON INCOME (AS-22)

The break up of net deferred tax liability as at 31st March 2011 is as under

	Deferred Tax Asset/ Liability)	Deferred Tax Asset/ (Liability)
<b>Timing difference on account of:</b>		
Depreciation	(1,209.83)	(889.31)
Disallowances u/s 43B and 40 A(7) of the Income-tax Act, 1961	36.15	17.59
<b>Net Deferred Tax Assets/(Liability)</b>	(1,173.68)	(871.72)
Less:- Net Deferred Tax Asset/(Liability) at beginning of the period	(871.72)	(586.05)
<b>Net Deferred Tax Asset/(Liability) Charged to Profit &amp; Loss Account</b>	(301.96)	(285.67)

## Schedules forming part of Accounts (Contd.)

- 11** During the year the Company, in accordance with Guidance note No. 22 on Accounting for Credit available in respect of Minimum Alternative Tax under The Income-Tax Act, 1961 issued by the Institute of Chartered Accountants Of India, has recognised MAT credit entitlement to be availed, of Rs. 490.67 Lacs as an asset in respect of Minimum Alternative Tax paid u/s 115JB of the Income-tax Act, 1961 in the earlier years as a matter of prudence, as in the opinion of the directors of the company, there is reasonable certainty and probability that future economic benefits in respect of MAT Credit will flow to the company by paying normal income-tax from next year onwards.
- 12** Based on exercise of impairment of assets undertaken by the management in due cognizance of paragraphs 5 to 13 of AS-28 issued by ICAI, the Company has concluded that no impairment loss is required to be booked.
- 13** In the opinion of the Board of Directors, the Current Assets, Loans and Advances have value on realisation in the ordinary course of business, at least equal to the amount at which they are stated in the foregoing Balance Sheet and adequate provision for all known liabilities on the Company has been made.

### 14 Managerial Remuneration

	(Rs. in Lacs)	
	Year Ended 2010-11	Year Ended 2009-10
<b>Managing Director</b>		
Salary & Allowances	30.34	27.65
Contribution to P.F.	3.62	3.30
Other Perquisites	0.64	1.10
	34.60	32.05
<b>Executive Director</b>		
Salary & Allowances	29.64	26.96
Contribution to P.F.	2.72	2.48
Other Perquisites	0.82	1.29
	33.18	30.73
<b>Director (Finance)</b>		
Salary & Allowances	20.55	-
Contribution to P.F.	1.88	-
	22.43	-
<b>Director (Corporate Strategy)</b>		
Salary & Allowances	17.10	13.70
Contribution to P.F.	1.57	1.25
Other Perquisites	0.36	-
	19.03	14.95

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

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



## Schedules forming part of Accounts (Contd.)

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

Sr. No.	Particulars	2010-11		2009-10	
		Qty.(M.T.)	Value (Rs. in Lacs)	Qty.(M.T.)	Value (Rs. in Lacs)
A.	<b>Licensed and Installed Capacity (As certified by the Management and accepted by the Auditors):</b>				
	Isobutyl Benzene				
	Licensed Capacity	N.A.		N.A.	
	Installed Capacity	14,000.00		14,000.00	
	<b>2 Acrylamido 2Methylpropane Sulphonic Acid</b>				
	Licensed Capacity	N.A.		N.A.	
	Installed Capacity	12,000.00		10,000.00	
	Isobutylene				
	Licensed Capacity	N.A.		-	
	Installed Capacity	12,000.00		-	
B.	<b>Production:</b>				
	Isobutyl Benzene	11,134.34		12,735.85	
	2 Acrylamido 2Methylpropane Sulphonic Acid	107,44.20*		6,764.55	
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	7,893.64**		5,794.81	
	Isobutylene	4,668.79*		-	
C.	<b>Sales &amp; Stocks:</b>				
	<b>Opening Stock</b>				
	Isobutyl Benzene	225.75	188.27	12.86	7.70
	2 Acrylamido 2Methylpropane Sulphonic Acid	198.54	221.24	8.60	8.53
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	326.35	156.92	50.39	24.44
	Isobutylene	-	-	-	-
	By-products		104.12		43.25
	<b>Sales</b>				
	Isobutyl Benzene	10,962.58	10,768.00	12,522.96	12,066.12
	2 Acrylamido 2Methylpropane Sulphonic Acid	7,105.35	11,248.71	3,874.88	5,732.74
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	8,084.51	6,666.74	5,518.85	4,066.50
	Isobutylene	1,467.88	1,485.68	-	-
	By-products		2,761.93		1,979.07
	<b>Closing Stock</b>				
	Isobutyl Benzene	397.51	339.28	225.75	188.27
	2 Acrylamido 2Methylpropane Sulphonic Acid	53.75	76.23	198.54	221.24
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid	135.48 #	85.79	326.35	156.92
	Isobutylene	214.81	196.23		
	By-products		92.01		104.12
	# It includes goods in transit and stock lying in third party premises & excludes captive consumption				
	* It includes quantity used for manufacturing of other products.				
	** It includes quantity manufactured through third party.				
D.	<b>Sales, Purchase &amp; Stock of Traded Goods:</b>				
	Sodium Salt of 2 Acrylamido 2Methylpropane Sulphonic Acid				
	Opening Stock	-	-	-	-
	Purchase	21.50	20.61	-	-
	Sales	21.50	19.14	-	-
	Closing Stock	-	-	-	-

## Schedules forming part of Accounts (Contd.)

### E. Raw materials consumed:

		(Rs. in Lacs)			
		2010-11		2009-10	
	Unit	Quantity	Amount	Quantity	Amount
Toluene	Kg.	93,05,549	4,180.14	1,07,60,984	4,415.30
Propylene	Kg.	73,72,438	3,426.99	86,52,699	3,356.87
Acrylonitrile	Kg.	49,20,017	5,423.67	31,84,424	2,317.15
Isobutylene	Kg.	8,04,177	726.87	24,31,639	1,943.13
M T B E	MT	7,806	3,422.62	-	-
Others			1,581.89		1,761.45
			18,762.18		13,793.90

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

		(Rs. in Lacs)			
		Value	%	Value	%
<b>i) Raw Materials</b>					
Imported		5,445.04	29.02	3,500.71	25.38
Indigenous		13,317.14	70.98	10,293.19	74.62
		18,762.18	100.00	13,793.90	100.00
<b>ii) Stores, Spares &amp; Other Consumables</b>					
Imported		-	0.00	0.10	0.02
Indigenous		929.64	100.00	547.75	99.98
		929.64	100.00	547.85	100.00

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

Raw materials	5,429.13	3,168.91
Stores, Spares & Other Consumables	0.88	50.32
Capital Goods	-	55.81

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

i) Travelling expenditure	8.77	7.08
ii) Commission on sales	34.64	42.15
iii) Technical know how fee	58.77	248.17
iv) Lease Rent	91.02	114.39
v) Others	192.83	30.50

### I. Earnings in Foreign Exchange:

Export of goods calculated on FOB basis	25,070.76	17,515.80
---	-----------	-----------

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

### Signatures to Schedules 1 to 20

As per our Report of even date attached

For and on behalf of

**Karnavat & Co.**

Chartered Accountants

Firm Regn. No. 104863W

**Vinod Saraf**

Managing Director

**Vinati Saraf Mutreja**

Executive Director

**Krishna Karundia**

Partner

Membership No. 036681

Mumbai, 21st May 2011

**N. K. Goyal**

Chief Financial Officer

**G. S. Singhi**

Company Secretary cum Finance Controller

# Balance sheet Abstract

### I. REGISTRATION DETAILS:

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

### III. Position of Mobilisation and Deployment of Funds (Amount In Lacs)

## Sources of Funds

## Application of Funds

#### IV. Performance of the Company (Amount in Lacs)

## V. PRINCIPAL PRODUCT OF THE COMPANY

## Product Description

Item Code No.

(ITC Code)	:	2	9	0	2	.	9	0	5	0
(ITC Code)	:	2	9	2	4	.	1	9	0	0
(ITC Code)	:	2	9	0	4	.	1	0	9	0
(ITC Code)	:	2	9	0	1	.	2	3	0	0

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

## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# Corporate Information

## BOARD OF DIRECTORS

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

**Mr. Vinod Saraf**, Managing Director

**Mr. Chintaman Bhaskar Gokhale**, Director

**Mr. Ayliur Akileswaraiyer Krishnan**, Director

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

**Mr. Mohit Mutreja**, Director - Finance

**Ms. Viral Saraf Mittal**, Director - Corporate Strategy

**Mr. Sunil Saraf**, Director

**Mr. R K Saraswat**, Additional Director (From 24th January 2011)

## COMPANY SECRETARY CUM FINANCE CONTROLLER

**Mr. Gunvant S. Singhi**

## BANKERS

State Bank of India

Barclays Bank PLC

Axis Bank Ltd.

Citibank N.A.

## REGISTERED OFFICE & MAHAD WORKS

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

## AUDITORS

M/s. Karnavat & Co.

Chartered Accountants

Mumbai.

## WORKS

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

## CORPORATE OFFICE

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

## REGISTRAR & TRANSFER AGENTS

Sharex Dynamic (India) Pvt. Ltd.,  
Unit No. 1, Luthra Indl. Premises, Safed Pool, Andheri-  
Kurla Road, Mumbai – 400 072.

BOOK-POST



**Vinati Organics Limited**

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