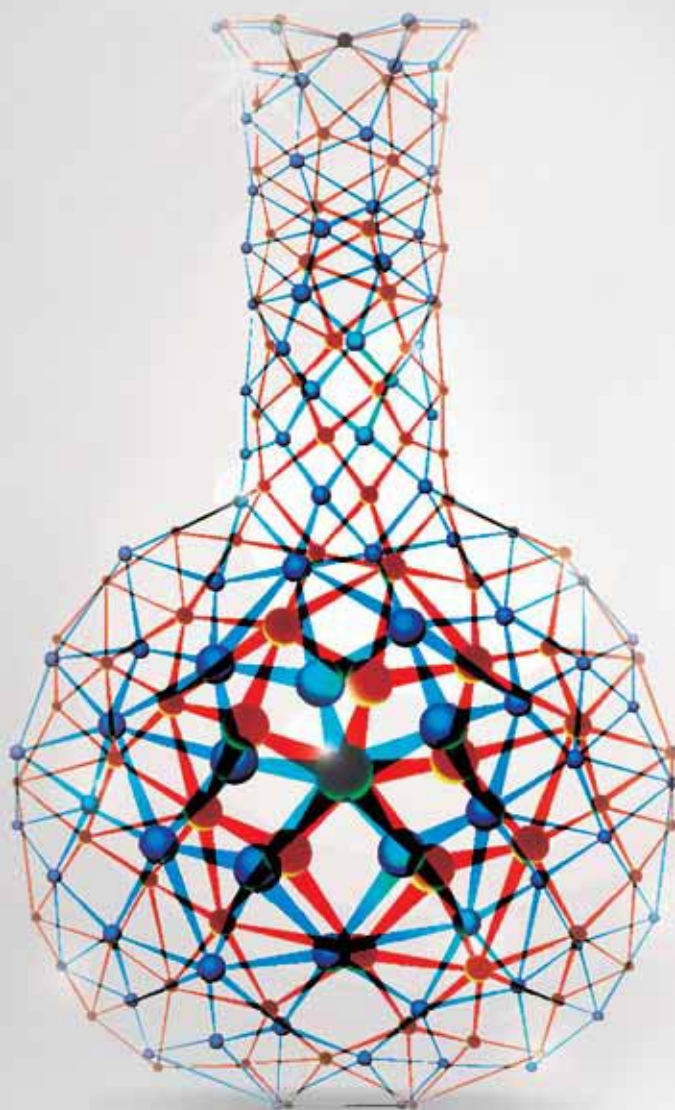


IN THE COMPANY OF KNOWLEDGE



VINATI ORGANICS LIMITED | TWENTY FOURTH ANNUAL REPORT 2012-13


## Forward-looking statement

In this annual report, we have disclosed forward-looking information to enable investors to study our prospects and make informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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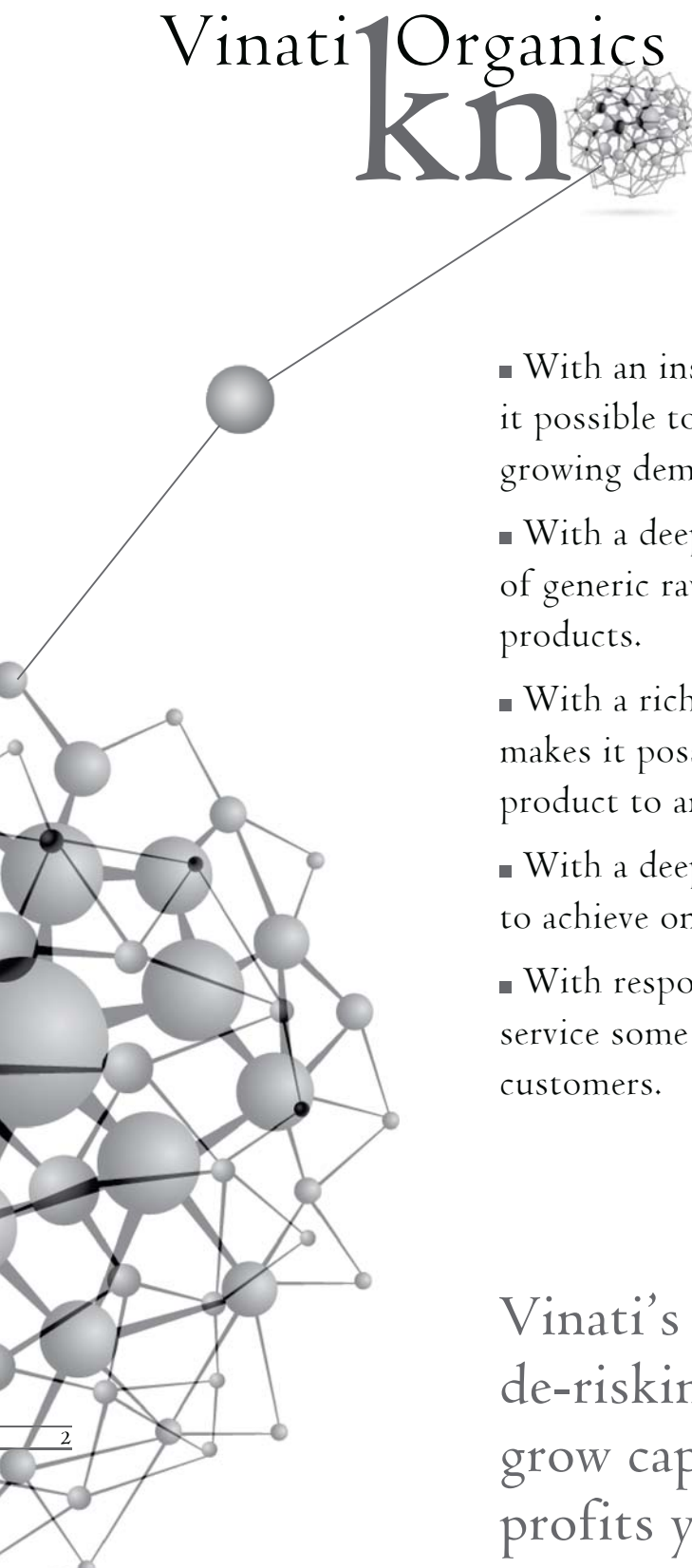
There is only one reason why we have grown revenues every single year in the last 21 years of our operations.

Only one reason why we grew our net margin 840 bps in the five years leading to 2012-13, a period marked by double-dip recession.

Only one reason why we grew revenues 24 per cent and PAT 25 per cent in a challenging 2012-13.

# Knowledge

# Vinati Organics is a knowledge



- With an insight into lifestyle trends that makes it possible to manufacture products enjoying growing demand.
- With a deep insight into the transformation of generic raw materials into niche value-added products.
- With a rich insight into chemistries that makes it possible to extend synergically from one product to another.
- With a deep insight into competitive economics to achieve one of the lowest costs the world over.
- With responsiveness that makes it possible to service some of the largest global downstream customers.

Vinati's high re-investment and de-risking makes it possible to grow capacities, market share and profits year-on-year.

# company.

## Background

The Company (started in 1989) is headed by first generation entrepreneur Mr. Vinod Saraf (Managing Director), who is assisted by a team of professionals. The Company employed 545 individuals as on 31 March 2013.

## Offerings

■ Primary producer of Isobutyl Benzene (IBB), 2-Acrylamido 2-Methylpropanesulfonic Acid (ATBS), Isobutylene (IB) and High Purity Methyl tert-butyl ether (HP MTBE) through the use of sophisticated technologies.

■ Product portfolio also comprises Normal Butyl Benzene (NBB), Hexenes (C<sub>6</sub>H<sub>12</sub>), N-Tertiary Butyl Acrylamide (TBA), Methanol, and various grades of industrial polymers among others.

■ These products find application in pharma oil-field recovery, water treatment, acrylic fibre, adhesives, personal care products, mining and coatings sectors; also used as dispersing and flocculating agents.

## Presence

■ Headquartered in Mumbai (India)

■ The Company has two manufacturing plants at Mahad

(Raigad) and Lote Parshuram (Ratnagiri) in Maharashtra.

■ The Company's products are marketed across India and more than 20 countries.

■ The Company's equity shares are listed on the Bombay Stock Exchange and National Stock Exchange.

## Alliances

The Company enjoys technical partnerships with renowned global and national players - Institut Francaisdu Petrole (France), Saipem (Italy) and National Chemical Laboratories (India).

## Awards and accolades

■ The Company's plants are certified for ISO 9001: 2008, ISO 14001: 2004 and ISO 18001:2007, testifying to its quality control, environment, health and safety standards.

■ Ranked among the Top 30 Fastest Growing Companies by Outlook Business in 2013

■ Included in Forbes Asia's 200 Best under a Billion companies in 2010 & 2011

■ Adjudged among the Top 10 Fastest Growing Companies by The Economic Times in 2009 & 2010

# one

Our global ranking  
among companies  
manufacturing IBB

# one

Our global ranking  
among companies  
manufacturing ATBS

# one

Our India ranking  
among companies  
manufacturing IB

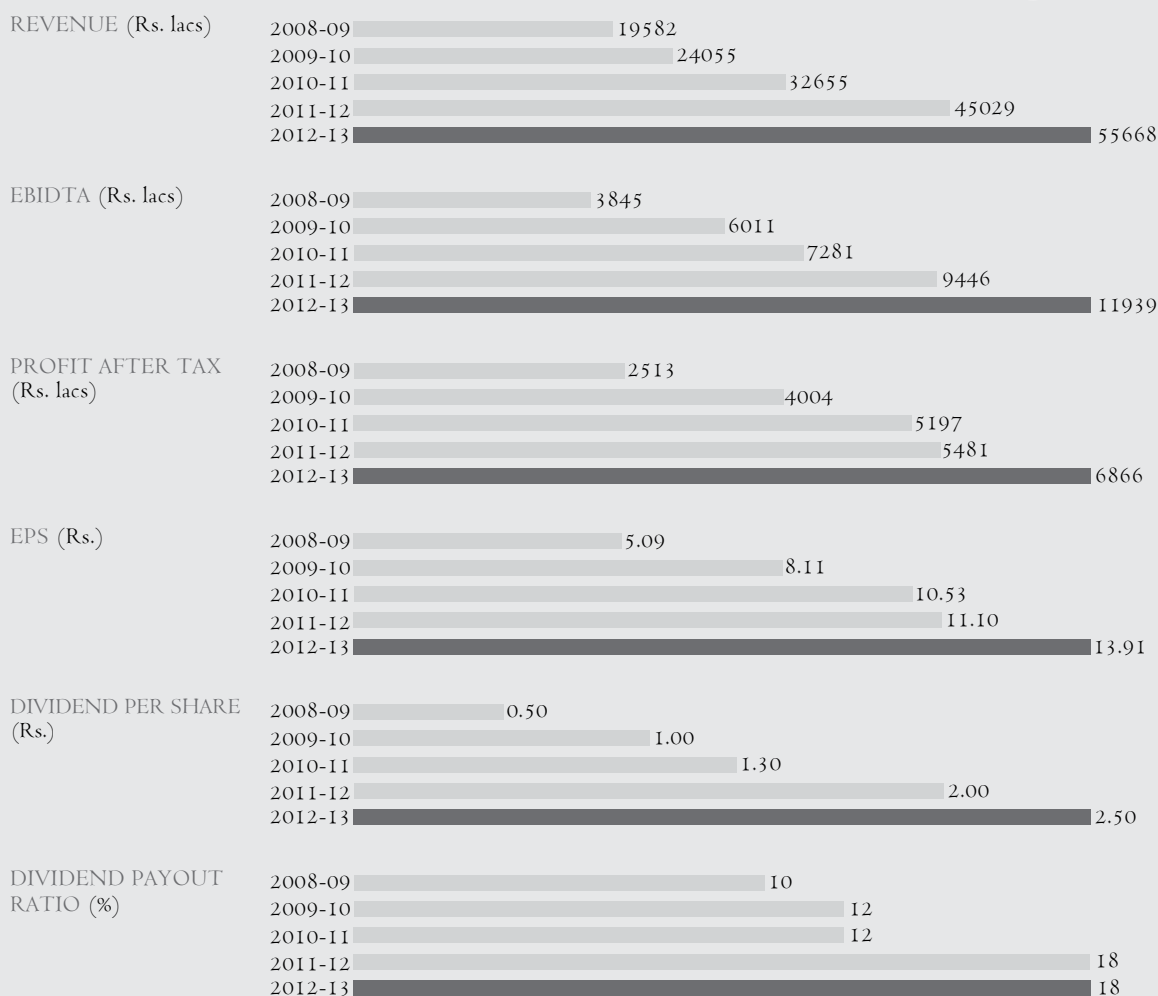
# What we achieved in 2012-13

## Financials

- Net sales increased 23 per cent from Rs. 442 cr in 2011-12 to Rs. 542 cr
- EBITDA increased 26 per cent from Rs. 94 cr in 2011-12 to Rs. 119 cr
- Post-tax profit increased 25 per cent from Rs. 55 cr in 2011-12 to Rs. 69 cr

## Corporate

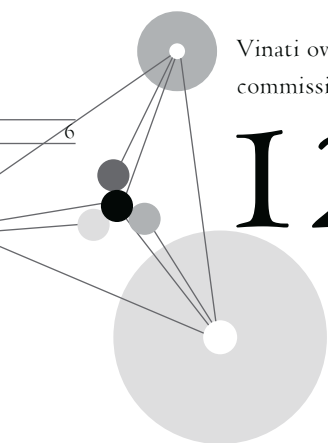
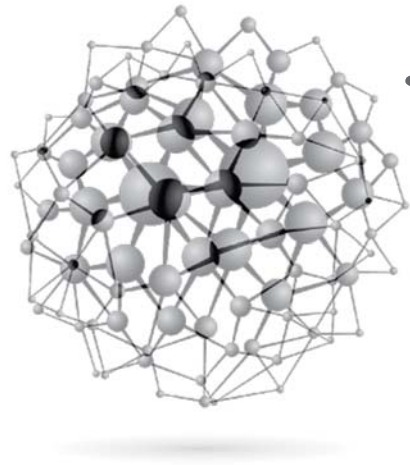
- Completed construction of the DAAM plant with a capacity of 1,000 TPA
- Completed expansion of the ATBS expansion from 12,000 TPA to 26,000 TPA
- Completed de-bottlenecking of the IBB capacity to 16,000 TPA



# Product matrix

Product	Market position	Application / End usage	Relevance
IBB	Largest manufacturer in the world and largest market share	Pharmaceutical	The main raw material for Ibuprofen – widely used drug in US, Europe and Asia
ATBS	Largest manufacturer in the world and only manufacturer in the country	Water treatments chemicals, Emulsions for paint and paper coatings, Adhesives, Textiles auxiliaries and acrylic fibre, Detergents and cleaners, oil field and mining chemicals, Construction chemicals	Used to manufacture dispersants in water chemicals Important ingredient to manufacture polymers for Enhanced Oil Recovery (EOR) Important for giving dye receptability for acrylic fibre and other specific qualities
IB	Largest manufacturer in the country	Agro based chemicals, food additives, anti oxidants	Used as an intermediate
HPMTBE	Largest manufacturer in the country	Pharmaceuticals, organo-metallic compounds	Used as a speciality solvent
TBA	Only manufacturer in the country	Thickeners, Personal care, Water treatment, Metal working fluid	An important ingredient to increase viscosity of coatings and solutions
TOA	Only manufacturer in the country	Personal care, Adhesives and enhanced oil recovery	An important ingredient in personal care products like hair gel and creams

# Know



Vinati overlooked conventional skepticism to commission its first batch of IBB capacity

# 1200 TPA

effective from 1992



# Knowledge

means a competitive advantage

When Vinati Organics contemplated the manufacture of IBB in the early Nineties, the general opinion was that the Company's optimism was misplaced.

The odds were considerable: IBB was manufactured predominantly in USA and China with a cost advantage that prevented intending manufacturers from entering the field.

Vinati overlooked conventional skepticism to commission its first batch of IBB capacity (1200 TPA) effective from 1992. The local availability of material served as a business advantage, making it possible for the Company to service customers with the right product quality delivered just when customers wanted it.

Over the years, deep insight made it possible for the Company

to increase IBB capacity 14x to 14,000 TPA at only a 3x capex. The Company increased capacity from 5000 TPA to 10,000 TPA in 2004 and 10,000 TPA to 14,000 TPA in 2007 (subsequently de-bottlenecked to 16,000 TPA), emerging as the largest IBB manufacturer in the world with a 60 per cent share of the global market in 2012-13.

What started out as conservative import substitution has since emerged as a global market capture strategy. And to complete the irony, the Company exported more than 30 per cent of its IBB output to China in 2012-13.



# Knowledge means attractive value-addition

At Vinati Organics, we are focused on the research-led conversion of generic raw materials into value-added niche speciality chemicals, helping transform what could be a temporary wage arbitrage opportunity into a sustainable competitive advantage.

This value-addition is not derived through the passing down of cost increases but through progressive investments in people (qualifications, experience and youth), equipment, supports and alliances.

These investments translated into a growing ability to widen the product portfolio around core chemistry competencies, synergic extensions, material substitution, technology extension, process simplification, improved productivity and cleaner chemistries.



Accorded

# SILVER

by EcoVadis towards Corporate Social  
Responsibility (CSR) Rating

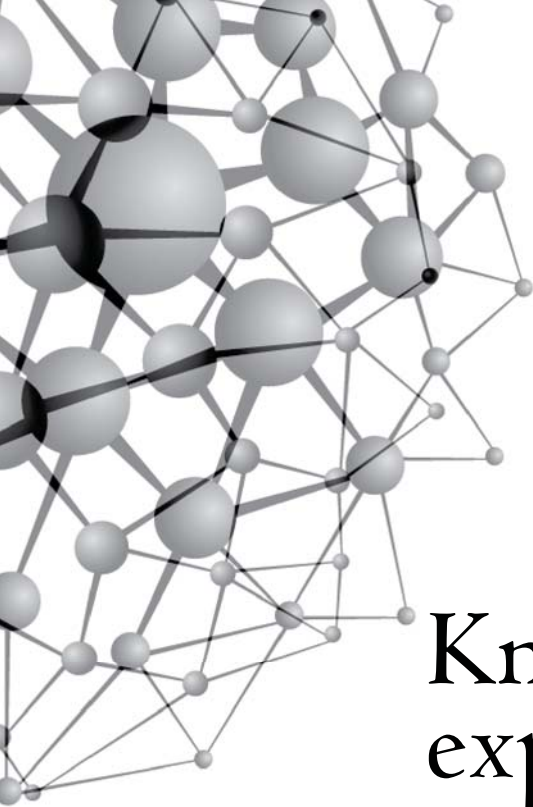
## Knowledge means caring for the environment

At Vinati Organics, we are dedicated towards the environment and the use of clean and green technologies.

We have invested considerable time and energy in ensuring that both our plants are zero-effluent in nature. This is in line with our conviction that only ecological consciousness can translate into truly sustainable growth.

Over the years, the conviction translated into commitment. The Company invested in cutting-edge equipment and infrastructure to treat waste on the one hand and enhance operating efficiency with the objective to minimise effluent generation at source.

The result is that Vinati's world-class plants have successfully passed statutory and customer audits, strengthening their confidence in the Company's ability to provide products in a clean and sustainable way.



The Company possesses

**26000 TPA**  
of installed capacity for ATBS

## Knowledge means expanding the market

At Vinati Organics, we have leveraged our knowledge to widen the market.

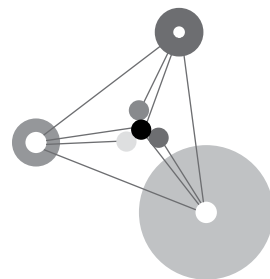
For instance, the company selected to commission capacities that were larger than the prevailing demand of the day in India and accounting for a large proportion of global consumption, based on the growth potential of the product.

\* The Company commissioned 10,000 TPA of installed capacity for IBB when the country's consumption was not more than 5,000 TPA; over time, this front-running expansion made it possible for the Company to widen the market for IBB to 15,000 TPA and account for 60 per cent market share

\* The Company commissioned its 12,000 TPA IB capacity in September 2010 and grew the market for this product within India from zero to 4000 TPA in 24 months, growing its share from scratch to 70 per cent by making the product available at the right quality, right price and right juncture.

\* The Company increased its ATBS installed capacity from 12,000 TPA to 26,000 TPA, based on a calculated global demand estimation.

This front-running, commissioned at a lower capital cost per tonne than the prevailing global benchmark on account of the units being located within existing units, has made it possible for the Company to price products competitively, grow the respective markets faster than their retrospective averages and account for a significantly larger share of each product.



# Knowledge means better products

At Vinati Organics, we leverage our knowledge to achieve a better product quality than what is available across the world.

Over the years, we have continuously invested in research to modify the use of catalysts, equipment, processes and operating parameters to achieve higher purity standards.

This competence has been reflected in the following products:

- The Company's ATBS product has successfully achieved a high purity standard with a purity tolerance of  $\sim 0.5\%$  as against an accepted global tolerance level of  $\sim 3\%$
- The Company's IBB product achieved a 99.7% purity

standard, which is among the highest in the world

- The Company's IB product achieved a 99.85% purity standard, which is among the highest in the world

- The Company's HP-MTBE product achieved a purity standard of 99.95%, generally accepted as one of the highest in the world

As a result, the Company has emerged as a global benchmark for the highest purity standards in the world.

# Knowledge means extending technologies

At Vinati Organics, we extend our acquired technologies through the use of our longstanding proprietary competence.

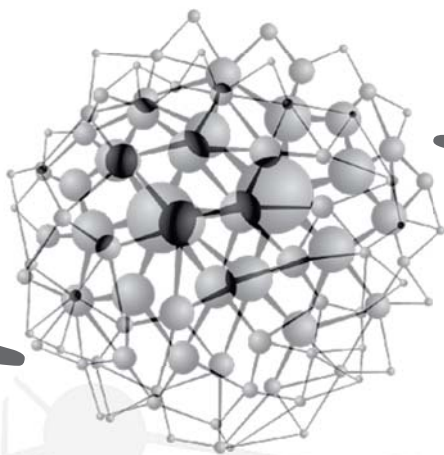
For instance, the Company acquired technology from IFP (France) to manufacture IBB in 1992. Thereafter, the company increased production capacity from 1,200 TPA to 16,000 TPA at a cost per tonne that was considerably lower than the greenfield benchmark.

Similarly, the Company acquired technology from NCL (Pune) to manufacture ATBS in 2002. Thereafter, the

Company increased production capacity from 1,000 TPA to 26,000 TPA at a competitive cost per tonne.

This ability to acquire, absorb and re-engineer technologies has made it possible for the Company to reinforce its competitive advantage at a relatively lower cost, protecting its viability across all product cycles.

# Knw





# Knowledge

means more products

At Vinati Organics, we leverage our organisational knowledge to identify new products for manufacture.

These products are usually synergic with existing products, processes or raw materials, making it possible for the Company to build on existing competencies on the one hand and reduce costs on the other.

The result is that the Company extended from the manufacture of two product till 2001 to the manufacture of five products by 2007 and the manufacture of 14 products in 2013. Concurrently, the Company has extended to the manufacture of a number of grades within products segments; what started out as the singular manufacture of ATBS a few years ago has extended to the manufacture multiple grades suiting various applications.

The Company has invested significantly in its IB capacity with the objective to consume a part of this capacity within to manufacture ATBS,

market some quantity to customers and utilise the rest to use in the manufacture of diverse profitable downstream products with enduring potential.

This widening spread has helped the Company increase the quantum of sales: from Rs 30 cr in 2002-03 to Rs 146 cr in 2007-08 and Rs. 542 cr in 2012-13. The annual revenue increment of Rs 45 cr between 2007-08 and 2008-09 increased to Rs 100 cr between 2011-12 and 2012-13, vindicating the effectiveness of the Company's portfolio expansion.

More importantly, this widening spread has helped the Company position itself as a speciality super market in the global arena, serving as an advantage over companies with limited products and attracting customers seeking to buy more products from fewer suppliers.



“It took us 21 years to achieve Rs 500 cr in revenues. We are attractively placed to replicate this growth in just three years.”

Managing Director Mr. Vinod Saraf provides a perspective into the Company's competitive advantage and prospects

*Dear shareholders,*

At Vinati Organics, we consider 2012-13 as a watershed financial year in our existence where we not only reported superior numbers, but also strengthened our business through capacity expansion, wider product mix and environment compliances.

The result is that even as the Company took 21 years to achieve Rs 500 cr in revenues (as it did during 2012-13), it is attractively placed to replicate this growth in just the next three years and emerge as a Rs 1000 cr revenue organisation.

## Review

Vinati Organics reported revenues that were 25 per cent higher than 2011-12. The Company reported a 30 per cent compounded growth in revenues across the five years leading to 2012-13.

The Company continued to strengthen its customer value proposition during the year under review. The Company continued to work with some of the largest and most select names in the global chemicals industry. The Company provided these customers

with customised products on call, keeping their production lines running through timely supplies to their manufacturing facilities across the world. The Company reinforced customer confidence to trust the Company with larger volumes following proactive capacity expansion. Besides, the Company widened its product portfolio, servicing the diverse needs of its existing customers and accounting for a larger share of their wallet.

## Initiatives

The Company strengthened its customer value proposition through a number of initiatives that were embarked upon during the year under review with commissioning during 2012-13 or the foreseeable future. These initiatives comprised the following:

- Process optimisation in the manufacture of ATBS at Lote; commissioning of the ATBS capacity expansion from 12,000 TPA to 26,000 TPA, the full impact of which will be felt in 2013-14
- Commissioning of the capacity to manufacture plasticisers, the full

impact of which will be felt in 2013-14

- Commissioning of DAAM plant (1,000 TPA), the full impact of which will be felt in 2013-14

At Vinati, these initiatives are expected to increase production capacities of prominent products, strengthen overall integration and reinforce our back-end utilities translating into larger and profitable working over the foreseeable future.

## Strategic direction

At Vinati, we expect to accelerate growth from this point onwards through a combination of various initiatives:

**Environmental compliance:** In the chemical industry, there is a growing emphasis on responsible manufacture. There is a growing priority to use the right raw materials, safe processes and relevant equipment with the objective to reuse and recycle. At Vinati, we recognise that large and respected customers will progressively engage with only those vendors whose operations are clean and green; besides, international



lenders will progressively fund only those companies with a similar commitment. This means that responsible vendors can potentially grow faster than the sectoral average. As a future-committed organisation, Vinati invested in environment assets during the year under review, achieved a lower environment load, transformed process waste into commercial products and achieved lower operating expenditure. This investment has emphasised that green business is good business.

**Integration:** In the competitive business of chemicals manufacture, where it is no longer possible to pass cost increases on to customers, success must be achieved through the ability to seek savings from within. In view of this, the Company embarked on related product diversification with the objective to grow the product portfolio around related chemistries and competencies. For instance, the Company possesses deep Acrylonitrile management capabilities, which have been leveraged for the manufacture of diverse downstream products. This integrated approach has helped the Company create a wider product portfolio, which, in turn, provides the Company with effective material procurement economies on the one hand and a larger share of the customer wallet at the other.

**Capacity expansion:** In a mature chemical industry marked by a multitude of probable suppliers for products, customers are more likely to gravitate to suppliers that

possess not just adequate capacity but the capacity to service the anytime-any volume requirements of their customers. At Vinati, we are not just increasing our production capacities in the simplistic sense; we are front-running the downstream capacity expansions of our customers, so that we have adequate material the moment their expansions go on stream. This is something that we have always done, translating into 80 per cent of our 2012-13 revenues derived from customers who have worked with the Company for five years or more. As a step in this direction, we embarked on an increase in our ATBS capacity from 12,000 TPA to 26,000 TPA effective from 2013 and a 29 per cent increase in our IBB capacity to 16,000 TPA effective from 2013.

### Road ahead

Vinati Organics is optimistic of its prospects over the foreseeable future for some good reasons.

The Company's customers have reported an increasing appetite for the Company's products; the Company expects its customer agreements to extend to larger volumes.

The Company's capacity expansions are expected to translate into production from 2013-14 onwards; ATBS production is expected to rise as downstream demand coming out of nascent sectors (water treatment, oil recovery, shale gas exploration, acrylic paints emulsion among others) continues to drive the

segment growth in excess of 20 per cent per annum.

The Company will continue to service the large IBB demand with the objective to carve out a large market share.

### Value

What I want to convey to shareholders is that all the relevant capital expenditure to finance the next round of the Company's growth have already been completed. The Rs 140 cr invested in our business in the last two years (2012-13 included) have been completed without the Company's gearing extending beyond an aggregate 0.7 as on 31 March 2013.

At Vinati, we believe that this financial structure will make it possible for us to climb to the next orbit of our growth without compromising the integrity of our Balance Sheet and without compromising our ability to service the needs of our lenders and equity owners. We expect our investments to generate an incremental Rs 500 cr of revenues over the next three years, enhancing value for all those associated with our Company.

Mr. Vinod Saraf  
Managing Director

# Our business model

Vinati Organics went into business at a time when its business segment in India was largely unorganised. The Company was created with the vision to inspire stakeholder trust through credible action.

## Geographic focus

Vinati is a global company originated in and operating out of India. The Company generates 65 per cent of its revenues from exports. The Company leverages its Indian location to leverage low operating costs and access to trained manpower.

## Green business

Vinati is an environmentally responsible manufacturer focused on making proactive investments in equipment, people and processes with the objective to reduce effluents and emissions to well below statutory standards. The Company invested in effluent treatment and reverse osmosis plants to recycle water and waste residues into the process.

## Product selection

Vinati selects to manufacture products around selected criteria – the intended product must have distinctive downstream lifestyle trends, and possess synergic chemistry characteristics that make it possible to achieve the highest quality standard at the lowest cost in the shortest time across the widest number of grades translating into

the highest price-value proposition. Towards the close of 2012-13, 57 per cent of the company's product mix had been derived out of the same chemistry foundation.

## Space selection

Vinati selects to manufacture products that address either large moderately-growing spaces or nascent fast-growing applications in large downstream spaces. The Company addresses these opportunities either through the most competitive price-value propositions or customised product manufacture that takes the business of its customers ahead.

## Status and scale

Vinati selects to enter niche business spaces providing it with the scope and space to emerge among the largest manufacturers in the world. This scope is then corresponded by proactive investments in capacities, which provide downstream customers with the confidence that the Company would be able to provide adequate material to service their growing needs. In turn, this investment in capacity provides the Company with attractive economies of scale leading to competitive

manufacture. For instance, the Company selected to grow its ATBS capacity from 12,000 TPA to 26,000 TPA which, going ahead, will enable increased supply to stoke incremental demand on the one hand and facilitate lower costs and enhanced competitiveness.

## Integration

Vinati's business model is pegged around aggressive integration where one product serves as the raw material for another product. This makes the Company unique within its sectoral space in the world. The Company's entire basket has been prudently structured with an inbuilt inter-dependence. The result is that products are either consumed within to manufacture downstream products or marketed to customers. The captive manufacture makes it possible to provide customised products of the right quality at a cost considerably lower than what it would have cost the Company to procure without the need to inventorise. Besides, this makes it possible for the Company to deliver products to customers at competitive prices. During 2012-13, the Company served as a ready customer for more

than 10 per cent of its raw material requirement. The Company selected to manufacture TBA – a monomer similar to ATBS and used in the growing segments of water treatment and personal care where the Company has already captured 50% global market share.

### Synergic approach

Vinati was engaged in the manufacture of 14 products towards the close of 2012-13 compared with only two about a decade ago. Over the years, the Company selected to grow its portfolio in synergic products where its deep chemistry understanding of the product and process could be leveraged and where (in some instances) the Company could leverage existing relationships to acquire a larger share of the customer wallet. The result is that more than 15 per cent of the company's revenues in 2012-13 were derived from products that did not even exist in its portfolio more than five years ago.

### Customer focus

Vinati has two growth options - add a significant number of customers to grow topline or focus on increasing sales to existing customers and accounting for a higher share of the customer wallet. The Company has selected to work with large credible customers enjoying a growing

appetite of not just the Company's existing products but with the potential to buy a wider range of similar products. The result: reflected in the virtual absence of credit defaults and customer attrition.

### Aggressive investments

At Vinati, we believe we will endure based on our strategic long-termism. The result is progressive investments in capacity, people and technologies even during weak economic cycles. For instance, the Company invested Rs 220 cr between 2008-09 and 2012-13, generally considered as the most challenging the world over in the last 80 years. This investment accounted for 64 per cent of the Company's gross block at the close of 2012-13, with the majority of the Company's revenues being derived from US and Europe, two of the most affected by the global economic slowdown. The Company commissioned the doubling of its ATBS capacity in 2009 (completed 2010) when few companies were engaged in capital expenditure; the Company integrated backwards into the manufacture of IB with a 12,000 TPA capacity in 2010; the Company de-bottlenecked its 10,000 TPA ATBS capacity to 12,000 TPA in 2010, embarked on an expansion to 18,000 TPA in 2010 and subsequently revised its expansion to 26,000 TPA (effective 2013-14 onwards).

### Relationships

Vinati selects to manufacture products marked by demanding chemistry characteristics, which serve as a competitive barrier for intending entrants. The company's products address critical and precise applications, translating into customised manufacture, liberating it from commoditisation. The intensive nature of chemistries has reflected in a long vendor appraisal and engagement tenure; conversely, a high cost of switching has resulted in enduring customer relationships. In 2012-13, nearly 80 per cent of the company's revenues were derived from stable client relationships of five years or more.

### Financial discipline

Vinati recognises that the most credible foundation is a robust Balance Sheet. The Company's gearing (ex-working capital) of 0.7 represents an adequate balance between the company's ability to drive growth on the one hand and provide attractive shareholder returns on the other. All project gearing was less than 1.0. The Company's interest cover of 16 was higher than the prevailing industry average with adequate fiscal comfort.

# The tangible results of our business model

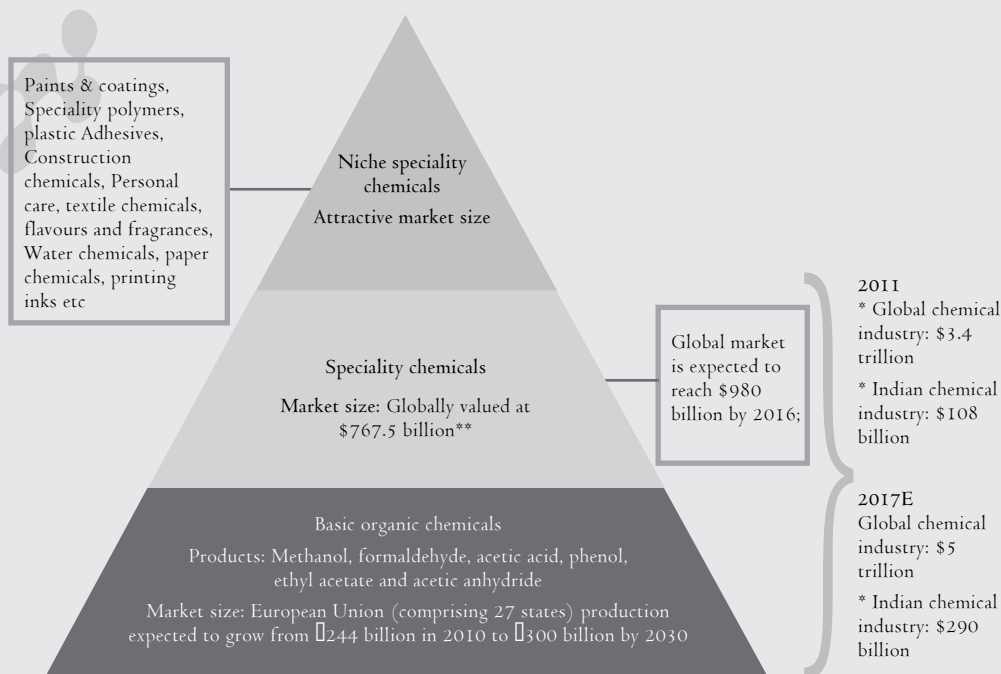
■ The company's focus on internal efficiencies and integration enabled it to generate a growing return on capital employed (average): from 11 per cent in 2006-07 to 27 per cent in 2012-13.

■ The Company is the largest producer in the world for the following products – ATBS and IBB. The Company enjoys a global market share of 60 per cent for IBB and more than 40 per cent for ATBS.

The Company is the largest manufacturer of Isobutylene in India.

■ As an extension of its long-term philosophy, the increments of the company's revenues and profits have been progressively growing: revenues from Rs 133 cr in FY06-FY09 to Rs 310 cr in FY10-FY13; Company's profit before tax from Rs 29 cr in FY06-FY09 to Rs 51 cr in FY10-FY13.

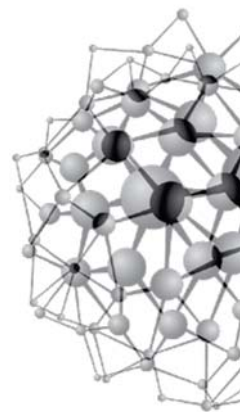
■ International revenues increased from Rs 16 cr in 2005-06 to Rs 145 cr in 2008-09 to Rs 360 cr in 2012-13. Global revenues as a proportion of revenues increased from 28 per cent to 69 per cent during the period.



\*As on 31 March, 2011

\*\* As on December 2011

(Sources: Indian Chemical industry Report XII five year plan, AT Kearney Research Report, IBEF research 2013 & Marketline research report)



# These factors make Vinati Organics one of the most competitive manufacturers in the world

## Competitiveness

**Low cost:** The Company's austere operating culture has translated into low overheads, which makes it possible to compete even during challenging industry downtrends. The result is that the Company is one of the most competitive manufacturers within its product spaces the world over and also one of the fastest growing.

**Scale:** The Company enjoys the advantage of scale; it is the largest manufacturer of ATBS in the world, its primary growth product (41 per cent of revenues, 2012-13). The Company is also the largest global manufacturer of IBB and the largest manufacturer of IB in India.

**Integrated:** The Company is one of handful manufacturers in the world in its spaces of presence and the only one to be extensively integrated. Besides, the Company's locations comprise a number of operating units manufacturing different products but supported by common utilities.

**Portfolio:** The Company is a one-stop shop for a number of product grades, making it a first point of call for existing and prospective customers.

**Logistics:** The Company's manufacturing locations enjoy proximity to the Mumbai and JNPT ports leading to modest cost

of logistics.

## Customers

**Trusted:** The Company's client profile comprises large MNCs like BASF, NALCO, Akzo Nobel, SNF, DOW Chemicals, Perrigo, Clariant, Chemtall and Shasun, among others. These relationships have typically been multi-year and multi-products in nature, providing revenue visibility.

## People

**Intellectual capital:** The Company possesses more than two decades of rich chemistry and industry experience, reflecting in a culture of effective value-engineering and high operational efficiencies. The Company's strong 500-member team is marked by a declining average age, high retention of senior management (plant heads, marketing executives and finance professionals).

**Alliances:** The Company enjoys technical partnerships with renowned global and national players - Institut Francaisdu Petrole (France), Saipem (Italy) and National Chemical Laboratories (India).

**Captive research:** The Company possesses cutting-edge insight into complex chemistries, making it possible to grow from one product (2003) to four products (2013) through proprietary technology applications. Its expertise is reflected

in the manufacture of TBA and new products in pipeline (TOA, plasticisers and DAAM)

**Eco-friendly:** The Company is a responsible manufacturer in a sector marked by the use of hazardous inputs, processes and discharges. Over the years, the Company invested in comprehensive environmental compliances, emerging among few companies in the space with zero waste discharge.

## Financial

**Hedge:** The Company is naturally hedged against currency volatility as it procures raw material through imports and local purchases, where local purchases track the import parity price. To minimise currency risks, the Company has mobilised all its long-term loans in USD. Besides, the Company has arrangements with customers whereby raw material costs are passed on, making it possible for the Company to focus on scale and efficiency as profit drivers.

**Liquidity:** The Company's debtors' cycle (around 70 days of turnover equivalent) coupled with zero defaults has helped provide a predictable safety for receivables and an adequate pipeline for growing the Company. A cash and bank balance of Rs 34 cr as on 31 March 2013 provided adequate liquidity.

# Management Discussion and Analysis

## Economy overview

Global economic growth weakened to 3.2 per cent in 2012 from 3.9 per cent in 2011 but is expected to rebound to 3.5 per cent in 2013. If crisis risks do not materialise and financial conditions continue to improve, global growth could be stronger than projected even as downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States.

The growth of the Indian economy hovered around 5 per cent in 2012-13, the lowest in a decade on account of a poor performance of the country's manufacturing, agriculture and service sectors. The Indian economy is likely to grow 6.5 per cent in 2013 and a projected 7.2 per cent in 2014. The national investment rate in India is around 33-34 per cent, and expected to increase to 36 per cent by the end of 12th Five Year Plan (2012-17).

## Industry overview

There was a steep growth in the global chemical industry (\$ 3 trillion) in the last five years. The global chemical industry historically concentrated in three regions (North America, Western Europe and Japan). However, of late, the dominance of these three regions

has been increasingly challenged by changes in feedstock availability, price, labour cost, energy cost, differential economic growth rates and environmental pressure.

The global chemical industry is passing a change, with India, China, Brazil, Middle East and South East Asia increasing their influence marked by a shift in production from the traditional regions like Europe, the United States and Japan to the rest of the world (especially Asia). In 10 years, Europe's share of the global production of chemical products declined from 31% to around 27%, while Asia's rose from 13% to 23%.

## Indian chemical industry

Over the last 15 years, the Indian chemical industry has graduated from manufacturing principle chemicals in a highly regulated market to being a mature industry in a liberalised economy. The chemical industry is among the fastest growing ones in India. The bulk of chemicals produced in India comprise either upstream products or intermediates, which go into a variety of manufacturing applications including fertilizers, pharmaceuticals, textiles and plastics, agrochemicals, paints and dyes. The Indian chemical industry, 12th largest in production, is growing at an average rate of 12.5%. (Source: www.booz.com).

With a current size of approximately \$108 billion, the Indian chemical industry accounts for approximately 3 per cent of the global chemical industry. (Source: Indiamart news, January, 2013)

## Corporate overview

Vinati Organics (incorporated 1989) manufactures specialty organic intermediaries and monomers. The Company is the world's largest manufacturer of Isobutylbenzene (IBB, market share 60% and 2-Acrylamido 2-methylpropanesulfonic Acid (ATBS, market share 40%)

**Isobutyl Benzene:** Isobutyl Benzene (IBB) is an organic, aromatic, neutral, colourless liquid with a specific gravity of around 0.852. It is also known as 2-methyl-1 phenylpropene. IBB is manufactured out of toluene, propylene etc. This high-value specialty chemical is 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 and as a specialty solvent.

**2-acrylamido-2-methylpropane sulfonic acid:** The Company is a manufacturer of this product for since 11 years, which are specialty



monomers widely used in oil-field recovery, water treatment, acrylic fibre, adhesives and personal care products. It is also used in mining, coatings and as dispersing and flocculating agents. Enhanced oil recovery is a growing application for this monomer, catalysed by growing exploration spends by major companies. It is used in a variety of applications and downstream customers are increasingly finding more of its use, where growth is stable. Further, there are newer markets emerging, which hold good prospects on account of reducing prices. The result is that the global ATBS demand is growing at 10% annually, while the Company accounts for more than 40% of the share. There are only four manufacturers of ATBS in the world including VOL. A major portion of the Company's production is

exported to Europe, America and other Asian countries.

**Isobutylene:** Isobutylene (IB) is a hydrocarbon of significant industrial importance, used as an intermediate in the production of variety of products. The alkylation with butane produces isooctane, another fuel additive. Isobutylene is also used in the production of methacrolein. Polymerization of isobutylene produces butyl rubber (polyisobutylene). Antioxidants such as butylated hydroxytoluene (BHT) and butylated hydroxyanisole (BHA) are produced by Friedel-Crafts Alkylation of phenols using isobutylene. The output from the Company's IB plant is used for captive consumption as raw material for the manufacture of ATBS and also for merchant sales.

**HP-MTBE:** High purity Methyl

Tertiary Butyl Ether (HP-MTBE) is a clear colorless liquid with a 99.90% purity level. It has the competitive advantage of being a strong solvating power. Its high purity content contributes to product quality. HP-MTBE is a substitute for Diethyl Ether, Iso Propyl Ether, Tetrahydrofuran and other similar solvents. It is safe in storage and handling. It finds applications in the pharmaceutical industry and in organic metallic compounds.

**TBA:** N-Tertiary Butylacrylamide (TBA) is a white to slightly yellowish flake powder. It is monomer quite similar to ATBS. Its applications areas comprise of water treatment chemicals, personal care, metal working fluid and paper industry. It possesses the ability to withstand stressed conditions and ensure the protection of equipment.

## Performance overview

Particulars	2012-13	2011-12	% growth (Y-O-Y)
Net Sales	54169.95	44210.50	23%
Profit Before Interest, Depreciation and Taxes	11939.23	9446.75	26%
Depreciation and Taxes	11939.23	9446.75	26%
Net Worth	24124.35	18702.62	29%
Earnings Per Share (Rs.)	13.91	11.10	25%
Gross Block	34174.60	18874.82	82%
Net Block	29013.42	14431.86	101%

## Brief analysis of the financial statements

■ Net sales grew 23% from Rs. 44210.50 lacs to Rs. 54169.95 lacs on account of increased sale of IBB and ATBS during the year under review. The increased sale of IBB resulted in the change of sales mix

proportion, from 40% in last year to 43%. Further, increased sale of Isobutylene in the domestic market, within 3 years of launch have resulted in the Company commanding a 70% domestic market share.

■ EBDITA surged 26 % from Rs.

9446.75 lacs to Rs.11939.23 lacs

■ Net profit strengthened 25 % from Rs. 5480.54 lacs to Rs. 6866.28 lacs.

■ EPS increased 25% from Rs. 11.10 to Rs. 13.91

## Revenue analysis

### Revenue by geography (%)

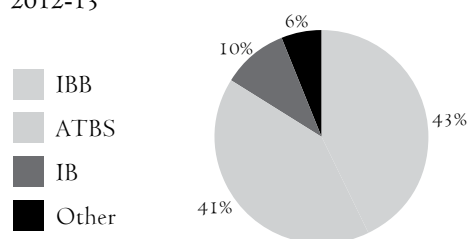
Particulars	2012-13	2011-12
Domestic	31%	24%
Exports	69%	76%

### Key cost components as a percentage of net revenue from operations

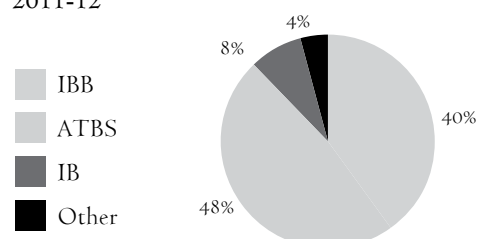
Particulars	2012-13	2011-12
Raw material	61%	60%
Manufacturing expenses	7%	8%
Staff cost	4%	4%
Administrative & Other expenses	6%	6%

### Sales mix as a percentage of total sales (%)

2012-13



2011-12



## Internal control systems and their adequacy

Internal controls and proper systems give authenticity to the information, reports, records, documents, transactions and serve as a strong foundation for decision making by the management. The Company has established proper internal control systems and procedures

which are compatible with the size of its operations and business.

With a view to ensure that systems are adhered to and controls are not flouted, a firm of chartered accountants conduct internal audit of operations, establishments, and stockyards quarterly. The Audit Committee reviews the reports of Internal Auditors and monitors effectiveness and operational

efficiency of internal control systems. The Audit Committee gives valuable suggestions from time to time in improving the business processes, systems and internal controls. Annual internal audit plans are prepared by internal auditors in consultation with the Audit Committee and audit is conducted in accordance with this plan.



# De-risking at Vinati

## Risk

Inability to supply with increasing demand could affect corporate functionality

## De-risking

Vinati's diversified product portfolio is perfectly balanced across IBB, ATBS, Isobutylene and HP-MTBE among others. While the majority of the revenue is derived from ATBS, IBB and IB, the other products follow closely on the total sales mix. The Company has invested Rs. 180 crore in last three years to strengthen the capacities of IBB and ATBS along with creating capacities for new products.

# 116%

Percentage growth in ATBS capacity in the last three years

# 29%

Growth in IBB capacity in the last three years

## Risk

Increasing competition can affect market share

## De-risking

The Company's simple strategy to focus on niche and profitable products has reaped benefits. Its deep chemistry knowledge and integration have helped improve quality and counter competition. The same is reflected in the Company constantly increasing the market share of its primary two products – ATBS and IBB.

# 40% +

Share of ATBS global market by the Company

# 60% +

Market share of IBB global market by the Company

## Risk

Inability to innovate could impact business growth

## De-risking

Vinati has consistently invested in R&D activities – developing new products on the one hand and improving the quality of existing products on the other. The result is that the Company has many new products in the pipeline. Process innovation, niche products, global presence and market leadership have been prominent.

# 14

Cumulative products launched by the Company since inception

## Risk

Depreciation in the rupee could affect earnings to a great extent

## De-risking

The Company is protected through a natural hedge. It procures raw material through imports and local purchases, where local purchases track the import parity price. On the other hand, the Company exports material and its long-term loans are all in USD.

All combined, the above de-risking strategies act as a natural hedge, thus minimising the risk of an uncovered USD exposure.

## Risk

Any deviation from quality standards in an increasingly aware consumer class could adversely impact the Company's growth

## De-risking

Vinati holds the most stringent certifications for quality and environment like ISO 9001: 2008, ISO 14001: 2004 and ISO 18001:2007. Customers carry out an EHS audit at the Company's premises in addition to stringent quality control which strengthens its quality commitment.

0%

Of rejection of the products of the Company in 2012-13

## Risk

The Company's failure to adhere to environmental regulations could reinforce stringent action from regulatory agencies

## De-risking

The proactive initiatives taken by the Company to protect the environment are reflected in the fact that despite an increase in capacities, it continued to be a zero discharge company. Its mantra of green chemistry route is showcased in its investment of Rs. 10 crore at the Lote plant, converting waste into wealth through the production of low grade industrial polymers.

Zero

Quantity of discharge of effluents by the Company at both its plants

## Risk

The inability of the Company to raise low cost funds at an appropriate time could stall expansion plans

## De-risking

A low debt-equity ratio and a high interest cover will help the Company raise funds as and when required

0.7

The debt-equity ratio as on March 31, 2013

## Risk

The Company may not be able to retain customers due to its inability to meet their increasing complex demands and requirements

## De-risking

Vinati enjoys robust long-term relationships with large multinational chemical companies. The presence of the Company across the value chain from IBB to ATBS makes it a preferred partner. Its ability to develop new products is reflected in its global market leadership of key products. A strong R&D focus, attractive prices, world-class infrastructure and consistent investment in scale provides a competitive value proposition to customers.

> 30

Number of customers retained by the Company in the last five years



# DIRECTORS' REPORT

*Dear members*

YOUR DIRECTORS HAVE PLEASURE IN PRESENTING THEIR TWENTY FOURTH ANNUAL REPORT ON THE BUSINESS AND OPERATIONS OF YOUR COMPANY TOGETHER WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013.

## 1) Financial results

The summarised position of these results is given below:

		(Rs. in Lacs)	
		2012-2013	2011-2012
Net sales up by 23% ↑	Net Sales/Income from Operations	55291.54	44746.06
	Other Income	376.37	283.19
	<b>Total Income</b>	<b>55667.91</b>	<b>45029.25</b>
	Profit before Interest, Depreciation & Taxes	11939.23	9446.75
	Interest	683.69	582.82
	Profit before Depreciation & Taxes	11255.54	8863.93
EBITDA up by 26% ↑	Depreciation & Amortisation Expense	994.95	703.71
	Profit before Taxation	10260.59	8160.22
	Provision for Taxation - Current	2317.96	2329.10
	- Deferred	1120.14	316.37
	Provision for earlier year W/back/Provided	(43.79)	34.21
PAT up by 25% ↑	Net Profit	6866.28	5480.54
	Balance brought forward	15842.77	12059.87
	Balance available for appropriations	22709.05	17540.41
	<b>Appropriations</b>		
	Final Proposed Dividend	1234.31	987.45
	Tax on above	209.77	160.19
	Transfer to General Reserve	700.00	550.00
	Surplus carried to Balance sheet	20564.97	15842.77

## 2) Review of operations

The Company's operations have shown impressive growth during the year under review. The net sales/Income from operations during the year have gone up to Rs.55291.54 Lacs from Rs.44746.06 Lacs, registering a growth of 23% over the previous year.

The robust growth in sales can be attributed to the phenomenal growth in IBB sales which grew by more than 33% as compared to previous year.

The Company's profit before tax has also gone up from Rs.8160.22 Lacs in previous year to Rs.10260.59 Lacs in current year registering a robust growth of 26%.

## 3) Dividend

Your Directors are pleased to recommend a dividend of 125% i.e. Rs.2.50 per equity share.

The total outgo on dividend account will be Rs.1444.08 Lacs (inclusive of corporate tax on dividend).

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

## 4) Capital expenditure

During the year the Company capitalised Rs.105 Crores towards successful commissioning of the new plant of DAAM and also the expansion of ATBS, TBA/Polymer.

## 5) Corporate development

The corporate office of the Company has been shifted from Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai – 400 072 to Parinee Crescenzo, 1102, 11th Floor, "G" Block, Plot No. C38 & C39, Behind MCA, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051. The same is owned by Company.

## 6) Subsidiary company

The Company does not have subsidiary company.

## 7) Prospects

As we go into the next year, we expect to keep growing furthermore in ATBS and accordingly have the ATBS capacity with a further expansion to 26000 MT and this expansion is commissioned as on 31.03.2013.

Expansion of TBA to 1,000 MT as on 31.03.2013 and ATFE Bottom Polymers is completed and this has helped to 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.

## 8) Turnover and profit (operating results)

The Company achieved gross turnover of Rs.58521.73 Lacs as compared to Rs.46848.94 Lacs in the previous year. The net profit after tax increased to Rs.6866.28 Lacs as compared to Rs.5480.54 Lacs in the previous year.

## 9) Insurance

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

## 10) Directors

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

Since minimum 1/3 directors are retiring by rotation as per the Companies Act, 1956 at this Meeting, Mr. R. K. Saraswat and Mr. Mohit Mutreja, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## 11) Auditors

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

## 12) Auditors' report

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

## 13) Cost auditor

As per the order of Central Government within the meaning of Section 233 B 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 31.03.2014.

The Audit Committee has received a Certificate from the Cost Auditors certifying their independence and arm's length relationship with your Company. In accordance with Cost Audit (Report) Rules, 2001, the due date for filing the Cost Audit Report in XBRL for the financial year ended 31.03.2012 was 28.02.2013 and the same was filed on 26.01.2013 vide SRN No. S20021143 with the Ministry of Corporate Affairs, New Delhi.

#### 14) Finance

The long term borrowings are raised through External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs) and Foreign Currency Term Loan (FCTL) from Banks and Financial Institutions.

#### 15) 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.

#### 16) 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.

#### 17) Human resource

The Company believes that Human Resources play a very critical role in its growth. Its management has infused a lot of rigor, intensity in its people Development Processes and in honing skill sets. Various initiatives have been launched to provide growth opportunities to Employees. For the development of the Employees, the Company has created a structured training framework for its employees to ensure their ongoing education.

The Group's Corporate Human Recourses function has played and continues to play an integral role in its Company's talent management process.

#### 18) Listing

The Company's equity shares continue to be listed at BSE & NSE. We confirm that the Listing fee for the financial year 2012-2013 has been paid to them. The

stock code of the Company at BSE is 524200 and NSE is VINATIORGA.

#### 19) Directors' responsibility statement

The Audited Accounts for the year under review are in conformity with the requirements of the Act and the Accounting Standards. The financial statements reflect fairly the form and substances of transactions carried out during the year under review and reasonably present your Company's financial condition and results of operations. Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956 and based on the representations received from the operating management, the Directors hereby confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2013 and the profit or loss of the Company for the year ended on 31st March 2013;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared annual accounts on a going concern basis.

#### 20) 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')

#### 21) Employees

The Company is not required to make any disclosure under section 217(2A) of the Companies Act, 1956 as none of its employee is drawing remuneration in excess of Rs.60 Lacs per annum or Rs.5 Lacs per month.

Employee holding 2% or more of the equity shares by himself or along with his spouse:

1. Mr. Vinod Saraf – Managing Director – 7937250 shares - 16.08%
2. Mrs. Kavita Vinod Saraf – Spouse – 6228000 shares - 12.61%

## 22) No change in the class and nature of the business of company or its subsidiaries

There has been no change in the class and nature of the business of the Company. The Company does not have Subsidiary Company.

## 23) Delay in completion of buy- back

The Company has not proposed to buy- back any shares.

## 24) Composition of audit committee

The Audit Committee of the Company as on 31st March, 2013 comprised the following 3 Directors of the Company:

1. Mr. R. K. Saraswat: Independent Director - Chairman
2. Mr. Girish M. Dave: Independent Director - Member
3. Mr. C. B. Gokhale: Independent Director - Member

## 25) ESOP / ESOS

The Company has not issued any ESOP or ESOS.

## 26) Sweat equity

The Company has not issued any sweat equity.

## 27) Preferential allotment

The Company has not issued any shares as a preferential allotment.

## 28) Redemption of shares/ debentures

The Company has not redeemed any Shares or Debentures.

## 29) Shareholder's resolution

Employee stock option scheme 2008 for 2,00,000 equity shares face value of Rs.10/- each was approved in annual general meeting held on 27.09.2008. So far same is not implemented. Same is being reconsidered.

## 30) Disqualification of director

No Director of the Company is disqualified under any law to act as a Director.

## 31) Insider trading proceedings/ enquiry

Letter was received from SEBI inquiring about of purchase of equity shares by two employees on 29.02.2012 and same was replied on 5th March 2012. Letter was written to SEBI for purchase of equity shares by one employee on 06.06.2012. And as on date we have not received any further communication.

## 32) 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  
7th May 2013

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	2012-13	2011-12
1)	Electricity		
a)	Purchased (MSEB)		
	Unit (KWH in Lacs)	236.31	222.73
	Total Amount (Rs. in Lacs)	1,870.83	1,514.54
	Cost per unit (in Rs.)	7.92	6.80
	Unit Consumed / Kg. of IBB	0.32	0.34
	Unit Consumed / Kg. of ATBS	1.42	1.31
	Unit Consumed / Kg. of IB	0.17	0.18
b)	Own Generation		
	(i) Through Diesel Generator		
	Units (Litres)	97,940	52,904
	Total Cost (Diesel cost in Rs.)	1,750,555	727,763
	Cost per unit (in Rs.)	17.87	13.76
2)	Coal		
	Units (Kg.)	14,539,525	11,118,812
	Total Cost (Rs. in Lacs)	852.64	681.13
	Average Cost (Rs. /Kg)	5.86	6.13
3)	Furnace Oil		
	Units (KL)	643,845	533,821
	Amount (Rs. in Lacs)	256.08	186.76
	Average Cost (Rs./KL)	39.77	34.99



## 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 and recover ATFE Bottom Polymers.

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 Nos. 38 and 36 of Notes to Accounts in Annual Report.

## Annexure 'B' Directors' Report

# CORPORATE GOVERNANCE 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 and five Non-Executive Directors.

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

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

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

The Board met five times on the following dates during the financial year 2012-2013 and the gap between two meetings did not exceed four months:

Date of the Meeting	Total Strength	No. of Directors present
13th April 2012	9	2
12th May 2012	9	8
28th July 2012	9	8
27th October 2012	9	9
2nd February 2013	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, 2013 are given below:

Name	Category	No. of Board Meetings Attended during 2012-13	Whether attended AGM held on 1st September 2012	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	3	No	6	2	5
Mr. R. K. Saraswat (Director)	Independent Non-Executive	4	Yes	2	2	1
Mr. C.B. Gokhale (Director)	Independent Non-Executive	3	No	-	-	-
Mr. A.A. Krishnan (Director)	Independent Non-Executive	4	No	1	-	-
Mr. Sunil Saraf (Director)	Promoter, Non-Independent Non-Executive	4	No	1	-	-
Ms. Vinati Saraf Mutreja (Executive Director)	Promoter, Non-Independent Executive	5	No	1	-	-
Ms. Viral Saraf Mittal (Director-Corporate Strategy)	Promoter, Non-Independent Executive	4	Yes	1	-	-
Mr. Mohit Mutreja (Director)	Promoter, Non-Independent Non-Executive	4	No	-	-	-

#### a) 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 2013. 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	0.60
2.	Mr. R. K. Saraswat	0.80
3.	Mr. C. B. Gokhale	0.60
4.	Mr. A. A. Krishnan	0.40
5.	Mr. Sunil Saraf	0.40
6.	Mr. Mohit Mutreja	0.40

e) Shareholdings of Directors as on 31.03.2013 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

### 3. Audit Committee

#### a) Composition

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, 2013 comprised the following 3 Directors of the Company:

1.	Mr. R. K. Saraswat	Independent Director - Chairman
2.	Mr. Girish M. Dave	Independent Director - Member
3.	Mr. C.B. Gokhale	Independent Director - Member

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
12th May 2012	3	2
28th July 2012	3	2
27th October 2012	3	3
2nd February 2013	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.

### 2. Subsidiary companies

The Company does not have any subsidiary companies.

### 3. Share transfer committee

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

- Mr. Vinod Saraf, Managing Director
- Ms. Vinati Saraf Mutreja, Executive Director
- 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 2012-2013 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.

#### 4. 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 Non-Executive Director
2.	Mr. Vinod Saraf	Member - Managing Director
3.	Ms. Vinati Saraf Mutreja	Member - Executive Director

##### a) 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 2013	3	2

A total number of 25 complaints were received and all of which were, redressed by the Company during the year 2012 - 2013.

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

#### 7. Remuneration committee

##### a) Constitution

The Remuneration Committee was constituted on 28th July 2010 as per Clause 49 of Listing Agreement for Corporate Governance and again it was reconstituted on 27.10.2012.

##### b) Composition

The Remuneration Committee comprised the following 3 Directors of the Company:

1.	Mr. Girish M. Dave	Independent Director – Chairman
2.	Mr. A. A. Krishnan	Independent Director - Member
3.	Mr. Sunil Saraf	Non-Independent Director - Member

All the members of Remuneration Committee mentioned in (a) and (b) have good exposure to finance as well as general management.

##### c) Remuneration Policy

As per policy of the Company remuneration paid to the directors is as elaborated in Clause (d), hereunder.

##### b) Details of remuneration paid /payable to the directors for the year ended 31st March 2013

Managerial remuneration (Rs. in lacs)			
Name	Salary & Allowances	Contribution to PF	Other Perquisites
Mr. Vinod Saraf Managing Director	47.52	4.37	1.09
Ms. Vinati Saraf Mutreja Executive Director	36.22	3.13	2.05
Ms. Viral Saraf Mittal Director – Corporate Strategy	21.98	1.89	1.38
Mr. Mohit Mutreja Director – Business Development (As on 30.04.2012)	2.65	0.24	0.03
<b>Total</b>	<b>108.37</b>	<b>9.63</b>	<b>4.55</b>

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

#### 8. Finance Committee

##### a) Constitution

The Finance Committee was constituted on 12th May 2012 as per Clause 49 of Listing Agreement for Corporate Governance. This committee comprised the following 4 directors of the Company:

## b) Composition

The Finance Committee was comprised the following 4 Directors of the Company:

Mr. Vinod Saraf, Managing Director

Ms. Vinati Saraf Mutreja, Executive Director

Mr. Mohit Mutreja, Director

Mr. Sunil Saraf, Director

All the members of Finance Committee mentioned above have good exposure to finance as well as general management.

## c) Power of Finance Committee

The Committee is authorised to exercise all powers and discharge all functions relating to working capital management, foreign currency contracts operation of bank accounts and authorising officers of the Company to deal in the matters relating to excise, sales tax, income tax, customs and other judicial or quasi judicial authorities.

## 9. 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
21st AGM 2010	Regd. Office, B/12 & B-13/L, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.	24/07/2010	Saturday	12.30 p.m.	Nil
22nd AGM 2011	do	30/07/2011	Saturday	12.30 p.m.	Nil
23rd AGM 2012	do	01/09/2012	Saturday	12.30 p.m.	1

None of the special resolutions were put through postal ballot.

## 10. 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. 28(b) of Notes to 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) Mandatory Compliance

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.

e) Disclosures of accounting treatment (Already given in Annual Accounts)

(f) Proceeds from Public Issues, Rights Issues and

Preferential Issues, etc.: During the year, your Company did not raise any funds by way of Public Issues, Rights Issues and Preferential Issues, etc.

g) Remuneration of the directors (As mentioned under the head of Remuneration Committee)

h) Management (As mentioned under different heading of MDAR)

i) General information of Shareholders (As mentioned under different heading of General Information of Shareholders)

j) Share Transfer Committee (As detailed in separate head of Share Transfer Committee)

k) Shareholders' Grievance Committee (As mentioned under the head of Shareholders' Grievance Committee)

l) Role of committee (Role of different committees have been elaborate under their respective headings)

m) Voluntary guidelines 2009 - The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on 'Corporate Governance' and Corporate Social Responsibility' in December, 2009. These guidelines are expected to serve as a benchmark for the Corporate Sector and also help them in achieving the highest standard of Corporate Governance. Most of the provisions of these guidelines are in place.

n) Finance committee (As mentioned under different heading)

o) ESOS Compensation Committee (The Company does not have the said committee)

### 11. Means of communication

The quarterly results, half yearly and annual financial results are published in leading English and Marathi Newspapers i.e. Economic Times and Maharashtra Times.

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).

All Official News Releases and the presentation made to the investors are displayed in the website of the Company.

### 12. 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.

### 13. Compliance officer

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

### 14. General shareholder information

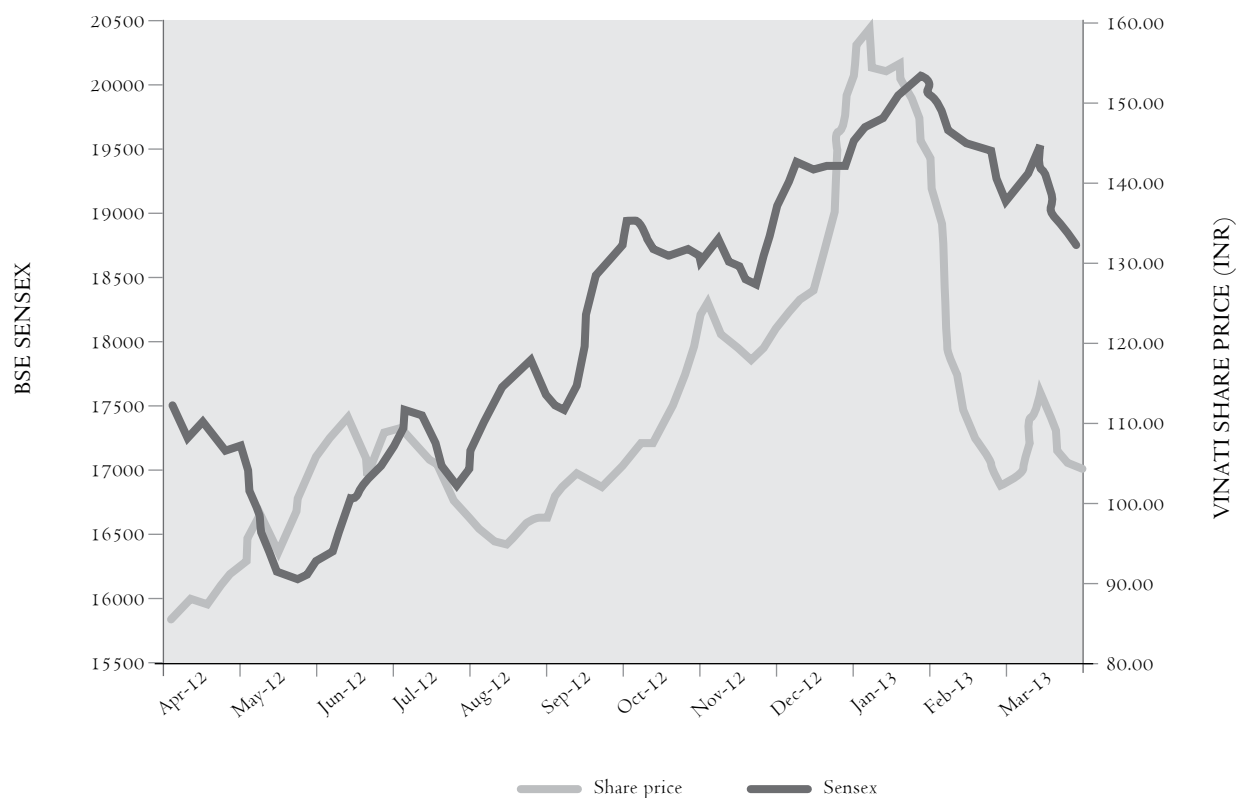
a) Annual General meeting Date, Time & Venue	3rd August 2013 at 12.00 Noon at Regd. Office, at B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.
b) Financial Calendar	
Annual General Meeting	3rd August, 2013
Unaudited results for the quarter ending Jun'13	4th week of July '13
Unaudited results for the quarter/half year ending Sept' 30, 13	4th week of Oct ' 13
Unaudited results for the quarter ending Dec' 31, 13	4th week of Jan ' 14
Audited results for the quarter ending Mar' 31, 14	2nd week of May ' 14
Date of book Closure	25th July, 2013 to 3rd August, 2013
Dividend payment date	7th August, 2013
c) Listing on Stock exchange	The Company's Securities are listed on the following stock exchanges in India:  Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001, Maharashtra.  National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra.
d) Stock Code : Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd. Demat ISIN in NSDL and CDSL for Equity Shares	524200 VINATI ORGA INE410B01029

e) Market Price Data:

Month & Year	Bombay Stock Exchange Ltd. (in Rs.)		National Stock Exchange of India Ltd. (in Rs.)	
	High	Low	High	Low
Apr – 2012	97.00	84.00	95.00	83.00
May – 2012	114.45	84.30	112.45	84.25
Jun – 2012	114.40	97.00	112.75	100.25
Jul – 2012	111.00	96.75	111.90	95.10
Aug – 2012	102.85	91.35	102.50	91.05
Sep – 2012	112.00	98.00	112.00	98.10
Oct – 2012	135.20	104.05	130.65	104.00
Nov – 2012	129.50	113.50	135.00	114.00
Dec – 2012	164.00	120.00	160.00	119.15
Jan – 2013	180.00	130.00	165.00	129.05
Feb – 2013	137.55	99.65	140.90	99.00
Mar – 2013	121.95	99.60	122.40	99.60

f) The performance of the Company's shares relating to the BSE Index for the year 2012-2013 is given below:

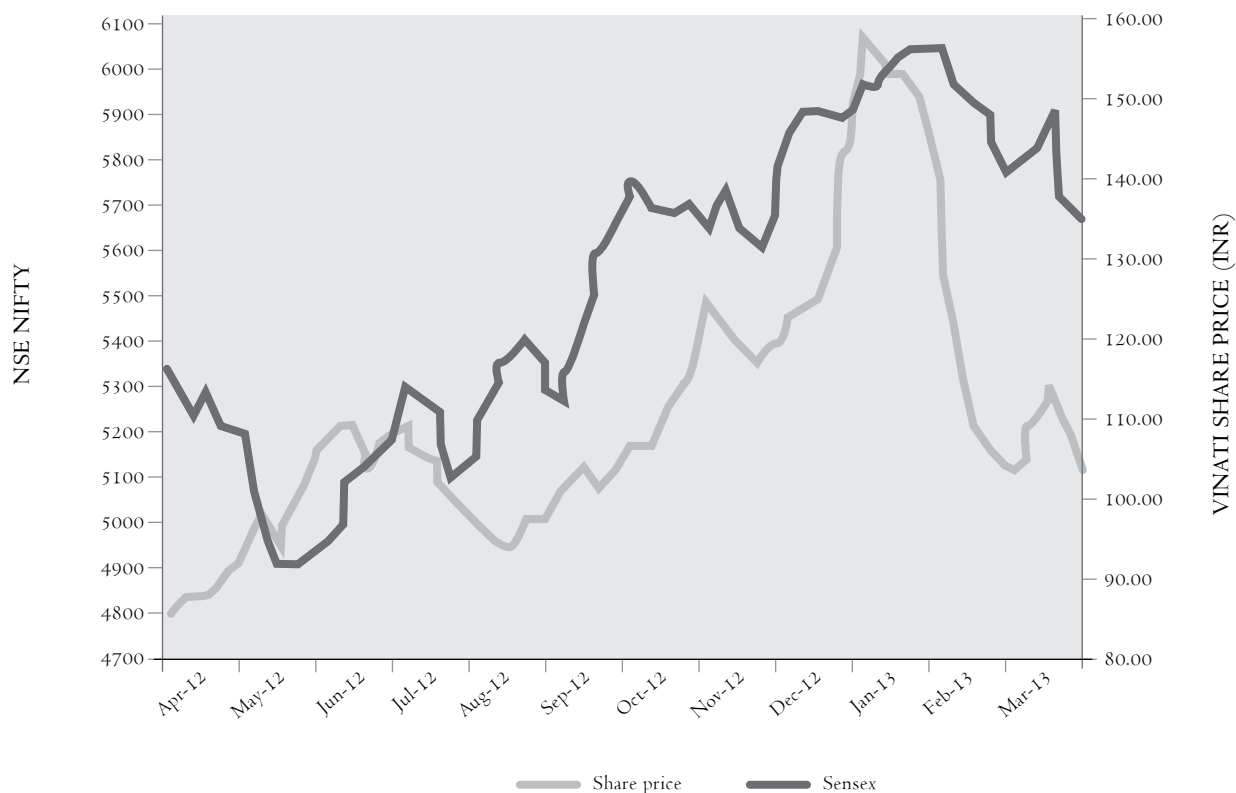
VINATI SHARE PRICE - VS-BSE SENSEX-APRIL '12 TO MARCH '13





g) The performance of the Company's shares relating to the NSE Index for the year 2012-2013 is given below:

VINATI SHARE PRICE - VS-NSE NIFTY-APRIL '12 TO MARCH '13



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

Add.: Unit No.1, Luthra Indl. Premises, Safed Pool, Andheri-Kurla Road,  
Mumbai – 400 072.  
Maharashtra.

Tel	2851 5606 / 2851 5644 / 2851 6338
Fax	2851 2885
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 2013.

Category No. of Shares	No. of share holders	% of holders	Total Shares	% of Shares
1 To 100	2232	21.99	119492	0.24
101 To 200	719	7.08	122441	0.25
201 To 500	1358	13.38	509465	1.03
501 To 1000	4478	44.12	3382418	6.85
1001 To 5000	1145	11.28	2536326	5.14
5001 To 10000	98	0.97	676840	1.37
10001 To 100000	97	0.96	3025148	6.13
100001 and above	22	0.22	39000370	78.99
<b>Total</b>	<b>10149</b>	<b>100.00</b>	<b>49372500</b>	<b>100.00</b>

k) Category of shareholders as on 31st March 2013.

Category	No. of share holders	Voting strength (%)	No. of ordinary shares
Individuals	9825	21.22	10476142
Promoters	14	74.99	37024347
Other Companies	172	1.15	565768
Non-Resident Individuals	119	0.19	95533
Nationalised Banks, Mutual funds and trusts	4	0.78	382366
FII	1	1.58	783571
Clearing Members	14	0.09	44773
<b>Total</b>	<b>10149</b>	<b>100.00</b>	<b>49372500</b>

l) Dematerialisation of shares and liquidity

46718920 (Total shares demated with NSDL is 29283624 & CDSL is 17435296) of the Company's share capital is dematerialised as on 31.03.2013. 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) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ADRs/Warrants except Foreign Currency Convertible Bonds (FCCBs) amounting to USD 5 Million which may be converted into Equity Share at a price of Rs.100/- per share at the option of the FCCB holders during the period starting from 16th September 2011 the date of subscription till the 5 years i.e. 15th September 2016.

n) Address of Registered Office

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

o) 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.

p) Investor's Correspondence Address:

Mr. Gunvant S. Singhi  
Parinee Crescenzo, 1102, 11th Floor,  
"G" Block, Plot No. C38 & C39,  
Behind MCA, Bandra Kurla Complex,  
Bandra (E), Mumbai – 400 051.

## CEO / CFO CERTIFICATE

- a) We have reviewed financial statements and the cash flow statement for the year ended 31/03/2013 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  
7th May 2013

Vinod Saraf, (C.E.O.) / N. K. Goyal (C.F.O.)

## 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, 2013.

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, Sr. Vice President and the Company Secretary as on 31st March 2013.

On behalf of the Board of Directors

Mumbai  
7th May 2013

Vinod Saraf  
Managing Director

# FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Vinati Organics Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of **VINATI ORGANICS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that gives a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2013;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that :
  - a) 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;
  - b) 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;
  - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.

For and on behalf of  
**KARNAVAT & CO.**  
Chartered Accountants  
ICAI Firm Regn No. 104863W

192, Dr. D. N. Road  
Mumbai – 400001  
Dated: 7th May, 2013

(Shashikant Gupta)  
Partner  
Membership No. 45629

## ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 4 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks as we considered appropriate, we further report that:-

- |   |  |
|---|--|
| <p>i. In respect of its fixed assets:</p> <p>(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(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.</p> <p>(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.</p> <p>ii. In respect of its inventories:</p> <p>(a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.</p> <p>(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.</p> <p>(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. There were no material discrepancies noticed on physical verification of inventories as compared to the book records.</p> <p>iii. In respect of Loans, secured or unsecured, granted or taken by the company to/ from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:</p> <p>(a-d) 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.</p> <p>(e-g) 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</p> | <p>paragraph 4(iii)(f) to 4(iii)(g) of the aforesaid Order are not applicable to the Company.</p> <p>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.</p> <p>v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:</p> <p>(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.</p> <p>(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.</p> <p>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.</p> <p>vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.</p> <p>viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained.</p> |
|---|--|

We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- 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 31-03-2013, for a period of more than six months from the date they became payable.
- (c) As on 31-03-2013, 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
Central Excise Act, 1944	Demand on valuation of by-product transferred from one unit to other	3,70,150	August, 2002 to September, 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 provisions 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  
 ICAI Firm Regn No. 104863W

192, Dr. D. N. Road  
 Mumbai – 400001  
 Dated: 7th May, 2013

(Shashikant Gupta)  
 Partner  
 Membership No. 45629



# BALANCE SHEET as at 31st March, 2013

(Rs. in Lacs)

	Note No.	As at 31/03/2013	As at 31/03/2012
<b>I. EQUITY AND LIABILITIES:</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	2	987.45	987.45
(b) Reserves & Surplus	3	23,137.36	17,715.17
<b>2 Non-Current Liabilities</b>			
(a) Long Term Borrowings	4	13,553.45	9,130.07
(b) Deferred Tax Liabilities (Net)	5	2,610.19	1,490.05
<b>3 Current Liabilities</b>			
(a) Short Term Borrowings	6	6,530.33	6,192.27
(b) Trade Payables	7	1,562.97	887.84
(c) Other Current Liabilities	8	4,447.59	2,656.60
(d) Short Term Provisions	9	1,860.72	1,397.28
<b>TOTAL</b>		<b>54,690.06</b>	<b>40,456.73</b>
<b>II. ASSETS:</b>			
<b>1 Non Current Assets</b>			
Fixed Assets			
(a) Tangible Assets	10	28,682.46	14,054.67
(b) Intangible Assets	10	330.96	377.19
(c) Capital Work-in -progress		1,404.85	5,674.39
		30,418.27	20,106.25
<b>2 Current Assets</b>			
(a) Current Investments	11	1,277.27	789.80
(b) Inventories	12	5,464.29	4,302.22
(c) Trade Receivables	13	11,319.46	8,567.99
(d) Cash and Bank balances	14	3,377.00	3,195.31
(e) Short Term Loans and Advances	15	2,821.67	3,490.21
(f) Other Current Assets	16	12.10	4.95
		24,271.79	20,350.48
<b>TOTAL</b>		<b>54,690.06</b>	<b>40,456.73</b>
Significant Accounting Policies	1		

The notes are an integral part of these financial statements.

As per our report of even date attached

For and on behalf of Board of Directors

**For Karnavat & Co.**

Chartered Accountants

Firm Regn.No. 104863W

**Vinod Saraf**  
CEO & Managing Director

**Vinati Saraf Mutreja**  
Executive Director

**Shashikant Gupta**

Partner

Membership No. 045629

Mumbai, 7th May 2013

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

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

## STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2013

(Rs. in Lacs)

	Note No.	Year ended 31/03/2013	Year ended 31/03/2012
I. Revenue from Operations (Net)	17	55,291.54	44,746.06
II. Other Income	18	376.37	283.19
<b>Total Revenue</b>		<b>55,667.91</b>	<b>45,029.25</b>
III. Expenses:			
Cost of Materials Consumed	19	33,990.84	27,380.54
Changes in Inventories of Finished goods and work-in-progress.	20	(489.88)	(613.86)
Employee benefits expense	21	2,258.77	1,832.59
Finance cost	22	1,153.87	918.06
Depreciation and amortisation expense	23	994.95	703.71
Other Expenses	24	7,498.77	6,647.99
<b>Total Expenses</b>		<b>45,407.32</b>	<b>36,869.03</b>
IV. Profit before tax		<b>10,260.59</b>	<b>8,160.22</b>
Less: Tax Expenses			
Current Tax		2,317.96	2,329.10
Deferred Tax		1,120.14	316.37
Earlier Years adjustments		(43.79)	34.21
		<b>3,394.31</b>	<b>2,679.68</b>
V. Profit for the year		<b>6,866.28</b>	<b>5,480.54</b>
VI. Earnings per Equity share	30		
(i) Basic		13.91	11.10
(ii) Diluted		13.91	11.10
Significant Accounting Policies	1		

The notes are an integral part of these financial statements.

As per our report of even date attached

For and on behalf of Board of Directors

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

**Vinod Saraf**  
CEO & Managing Director

**Vinati Saraf Mutreja**  
Executive Director

**Shashikant Gupta**  
Partner  
Membership No. 045629  
Mumbai, 7th May 2013

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

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

## CASH FLOW STATEMENT for the year ended 31st March, 2013

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and extra ordinary item	10,260.59	8,160.22
Adjustments for :		
Depreciation	992.37	701.29
Amortisation	2.58	2.42
Loss /(Gain)on sale of fixed assets/assets discarded	(1.09)	1.31
Interest paid	606.90	508.30
Unrealised Foreign Exchange (Gain)/Loss (net)	423.24	376.68
Provisions for expenses and liabilities	529.14	453.74
Excess Liability written back	(6.87)	(14.71)
Other Provisions and write offs (net)	(2.63)	(9.44)
Interest Accrued income	(23.05)	(27.27)
Loss (Profit)on sale of Investment	(1.34)	1.58
Dividend Received	(145.30)	(65.20)
Unrealised export incentives/Import entitlements	(182.79)	(223.44)
<b>Operating profit before working capital changes</b>	<b>12,451.75</b>	<b>9,865.48</b>
Adjustments for :		
Trade and other receivables	(1,899.86)	(5,193.83)
Inventories	(1,162.07)	(800.78)
Trade and other payables	2,037.65	29.55
<b>Cash generated from operations</b>	<b>11,427.47</b>	<b>3,900.42</b>
Direct taxes (including earlier years)	(2,217.94)	(1,924.78)
<b>Cash flow before extra ordinary items</b>	<b>9,209.53</b>	<b>1,975.64</b>
Extra ordinary items	—	—
<b>Net cash generated from operating activities</b>	<b>9,209.53</b>	<b>1,975.64</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets purchased, sold/discarded(net and excluding CWIP capitalised)	(15,575.40)	(4,019.59)
(Increase)/ Decrease in Capital Work-in-Progress (including capital advances)	4,269.55	(2,070.70)
Adjustment for foreign exchange year end revaluation	380.09	366.93
(Increase) in Investments(including re investments)	(340.84)	(409.98)
Interest received	10.95	8.65
Cash generated from investing activities	(11,255.65)	(6,124.69)
Tax deducted at source on interest income	(1.97)	(1.02)
<b>Net cash (used in) investing activities</b>	<b>(11,257.62)</b>	<b>(6,125.71)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of long-term borrowings (net of repayment)	4,423.38	6,525.94
Receipt of short-term borrowings (net of repayment)	338.06	2,661.95
Adjustment for foreign exchange year end revaluation	(799.75)	(799.72)
Current Investment Increased	—	—
Interest paid	(606.90)	(508.30)
Dividend paid	(964.63)	(624.73)
Tax on dividend	(160.19)	(104.12)
<b>Net cash flow from financing activities</b>	<b>2,229.97</b>	<b>7,151.02</b>
Net increase/(decrease) in cash and cash equivalents (A + B + C )	181.88	3,000.95
Cash and cash equivalents (opening balance)	3,195.11	194.16
<b>Cash and cash equivalents (closing balance)</b>	<b>3,376.99</b>	<b>3,195.11</b>

**CASH FLOW STATEMENT** for the year ended 31st March, 2013

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
<b>Notes:</b>		
1 Reconciliation of cash and cash equivalents		
As per Balance Sheet - Note No 14	3,377.00	3,195.31
Add: Foreign exchange loss on revaluation	(0.01)	(0.20)
<b>As per cash flow statement</b>	<b>3,376.99</b>	<b>3,195.11</b>
2 Cash and cash equivalents comprises of		
a. Cash in hand	1.63	1.30
b. Bank balance in current accounts	94.24	794.72
c. In fixed deposit account (Margin money)	3,281.13	2,399.29
	<b>3,377.00</b>	<b>3,195.31</b>
3 Balance in current account unavailable for utilisation on account of balance lying in unclaimed dividend account as it represents corresponding liability.	72.90	50.09
4 Previous year figures have been regrouped, wherever necessary to confirm to current year's classification.		

As per our report of even date attached

For and on behalf of Board of Directors

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

**Vinod Saraf**  
*CEO & Managing Director*

**Vinati Saraf Mutreja**  
*Executive Director*

**Shashikant Gupta**  
*Partner*  
 Membership No. 045629  
 Mumbai, 7th May 2013

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

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

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) 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, Diacetone Acrylamide and Isobutylene. The manufacturing facilities are located at Mahad and Lote Parashuram, Maharashtra.

#### b) Basis of preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rule, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

#### c) Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

#### d) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

##### (i) Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The company collects central sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

##### (ii) Export entitlement by the way of Duty Draw back is 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.

##### (iii) 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 wherever credit is eligible.

##### (iv) Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

##### (v) Dividends

Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

#### e) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a first in first out(FIFO) method.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### f) Cash and Cash Equivalents

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

### g) Research & Development Expenditure

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

### h) Tangible Fixed Assets

(i) All Fixed Assets are stated at cost (net of eligible credit/set off) less accumulated depreciation.

(ii) Leasehold land is amortised equally on straight-line basis over the period of lease.

(iii) All costs including borrowing costs in accordance with the provision of Accounting Standard 16 - Borrowing Costs including exchange gain or loss on foreign currency loan to the extent considered as adjustment to interest cost utilised for the acquisition and installation of fixed assets, till commencement of commercial production, are capitalized.

### i) Depreciation on Tangible Fixed Assets

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and the manner prescribed under Schedule XIV of the Companies Act, 1956. Fixed Assets whose Written Down Value as at the beginning of the year is less than 5% of the cost is not depreciated.

### j) Intangible Assets

(i) All intangible fixed assets are stated at cost (net of eligible credit/set off) less amortisation cost.

All costs including borrowing costs in accordance with the provision of Accounting Standard 16 - Borrowing Costs including exchange gain or loss on foreign currency loan to the extent considered as adjustment to interest cost utilised for the acquisition and installation of fixed assets, till commencement of commercial production, are capitalized.

(ii) Technical Know-how fees is amortised prorata, on straight line basis over the estimated useful life of the asset which is estimated at 10 years.

(iii) Licensed Software is amortised prorata, on straight line basis over the estimated useful life of the asset which is estimated at 6 years.

### k) Impairment of Tangible and Intangible Assets:

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

### l) Foreign Currency Transactions and Balances

#### (i) Initial recognition

Foreign Currency Transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (ii) Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

### m) Investments:

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long Term Investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

In accordance with the Revised Schedule VI to the Companies Act, 1956, the portion of the Long Term Investments classified above, and expected to be realised within 12 months of the reporting date, have been classified as current

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

### **n) Retirement and other employee benefits**

#### **(i) Retirement Benefits:**

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

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.

#### **(ii) Leave Encashment:**

Provision for Leave encashment is made on estimates as at the year end and is charged to the statement of Profit and Loss.

### **o) Borrowing Costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

### **p) 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 recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

### **q) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The Weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### **r) Income Taxes**

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.

### **s) Provision, Contingent Liabilities and Contingent Assets**

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.



## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 2 SHARE CAPITAL

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
<b>Authorised:</b>		
7,50,00,000 (March 31, 2012: 7,50,00,000) Equity Shares of Rs. 2/- each	1,500.00	1,500.00
	<b>1,500.00</b>	<b>1,500.00</b>
<b>Issued, Subscribed and Paid Up:</b>		
4,93,72,500 (March 31, 2012: 4,93,72,500) Equity Shares of Rs.2 each (Fully Paid up)	987.45	987.45
	<b>987.45</b>	<b>987.45</b>

#### a) Reconciliation of the Shares outstanding at the beginning and at the end of the reporting period

	As at 31/03/2013		As at 31/03/2012	
	Nos.	Rs. in Lacs	Nos.	Rs. in Lacs
<b>Equity Shares:</b>				
(Face value of Rs. 2 each fully paid-up)				
At the beginning of the period	49,372,500	987.45	49,372,500	987.45
Outstanding at the end of the period	49,372,500	987.45	49,372,500	987.45

#### b) Terms/Rights attached to equity shares:

The company has only one class of equity share having a par value of Rs. 2 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend except interim dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### c) Aggregate number of bonus shares issued during the period of 5 years immediately preceding the reporting date:

	Year of Issue	No. of bonus Shares Issued
Equity shares of Rs.10 each allotted as fully paid bonus shares by capitalization of general reserve and accumulated profits	28th November, 2007	3,291,500

#### d) Details of shareholders holding more than 5% share in the company

	As at 31/03/2013		As at 31/03/2012	
	% of Holding	No. of Shares	% of Holding	No. of Shares
<b>Equity Shares:</b>				
<b>Face Value of Rs.2 each fully paid</b>				
<b>Name of Shareholders</b>				
Vinod Saraf	16.08	7,937,250	16.08	7,937,250
Kavita Saraf	12.61	6,228,000	12.61	6,228,000
Suchir Chemicals Pvt. Ltd.	9.63	4,753,235	9.63	4,753,235
Viral Pharma Pvt. Ltd.	5.32	2,625,000	5.32	2,625,000
Vinati Wax industries Pvt. Ltd.	6.05	2,985,750	6.05	2,985,750
Mithali Chemical Pvt. Ltd.	6.75	3,330,140	6.75	3,330,140

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 3 RESERVES & SURPLUS

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
(i) Capital Reserve	30.40	30.40
(ii) General Reserve		
Balance as at the beginning of the year	1,842.00	1,292.00
Add: Amount transferred from Surplus balance	700.00	550.00
<b>Balance as at the end of the year</b>	<b>2,542.00</b>	<b>1,842.00</b>
(iii) Surplus in statement of profit and loss		
Balance as at the beginning of the year	15,842.77	12,059.87
Profit for the year	6,866.28	5,480.54
Less: Appropriation	–	–
Proposed dividend on Equity Share for the year	1,234.32	987.45
Dividend distribution tax on proposed dividend on Equity Share	209.77	160.19
Transfer to general reserve	700.00	550.00
Total appropriation	2,144.09	1,697.64
Balance as at the end of the year	20,564.96	15,842.77
<b>Total Reserves and surplus</b>	<b>23,137.36</b>	<b>17,715.17</b>

### 4 LONG TERM BORROWINGS

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
<b>Term Loans</b>		
<b>Secured (Refer note no. 4 (a))</b>		
Foreign Currency loan from banks	9,099.50	2,900.04
Foreign Currency loan (ECB) from IFC	5,379.59	5,621.72
	14,479.09	8,521.76
<b>Unsecured</b>		
Foreign Currency convertible bonds from IFC	2,716.97	2,555.33
	17,196.06	11,077.09
Less: Current maturities of secured loans shown in current liabilities (Refer Note No.8)	(3,642.61)	(1,947.02)
	<b>13,553.45</b>	<b>9,130.07</b>

Note 4(a):

(a) Nature of Security for Secured Loan from:

**IFC (ECB):**

Term Loan from International Finance Corporation (IFC) is secured by first Pari Passu charge on all Fixed assets of the Company -immovable and movable (present and future) (excluding the office premises located at Parinee Crescenzo, Bandra Kurla Complex) and second pari passu charge on all the Current Assets and unconditional and personal irrevocable guarantee of Managing Director Mr. Vinod Saraf.

**SBI (ECB):**

Term Loan from State Bank of India (SBI) is secured by first Pari Passu charge on all Fixed assets of the Company -immovable and movable (present and future) (excluding the office premises located at Parinee Crescenzo, Bandra Kurla Complex) and second pari passu charge on all the Current Assets.

**SBI (FCNR):**

Exclusive charge on Office Premises located at 1102, Parinee Crescenzo, 11th Floor, C-38 & C-39, "G" Block, Behind MCA, Bandra Kurla Complex, Bandra (E), Mumbai - 51 & personal guarantee of Managing Director Mr. Vinod Saraf.

**Citibank (FCNR):**

First Pari-passu charge on the movable fixed assets of the company located at Lote and Mahad (present & future) & personal guarantee of Managing Director Mr. Vinod Saraf.

(b) Rate of Interest:

(i) IFC (ECB): ECB carries interest of 240 bps + six months libor

(ii) SBI (ECB): ECB carries interest of 280 bps + six months libor

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 4 LONG TERM BORROWINGS (Contd...)

- (iii) SBI (FCNR): Foreign Currency loan carried interest of 450 bps + six months libor
- (iv) Citi Bank (FCNR): Foreign Currency loan carries interest of 445 bps.
- (v) FCCB: Fixed Coupon Rate of @.55% per annum and accumulated arrears of interest @ 3.5% compounded half-yearly, if the bonds are redeemed on the redemption date and option of conversion into equity shares is not exercised.

#### (c) Terms of Repayment:

- (i) IFC ECB: Repayable in 10 half yearly equal instalments from December 2012 to June 2017
- (ii) SBI ECB: Repayable in 9 half yearly equal instalments from September 2013 to March 2017
- (iii) SBI FCNR: Repayable in 19 quarterly equal instalments from November 2012 to August 2017.
- (iv) Citibank FCNR: Repayable in 9 quarterly equal instalments from June 2013 to June 2015
- (v) FCCB: Convertible at the option of the lender into equity shares at Rs.100 (Rs. 2 paid up) each during any time starting from the date of subscription i.e. 28th July 2011 and ending 5 years. If the option is not exercised, then it is to be redeemed on the final redemption date alongwith accumulated arrears of interest on pro-rata basis @ 3.5% per annum compounded semi annually.

### 5 DEFERRED TAX LIABILITY (NET)

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
The break up of net deferred tax liability as at 31st March 2013 is as under: (Disclosure as per AS 22)	Deferred Tax Assets/ (Liability)	Deferred Tax Assets/ (Liability)
Timing difference on account of:		
Depreciation	(2,645.96)	(1,516.26)
Disallowances u/s 43B of the Income-tax Act, 1961	35.77	26.21
Net Deferred Tax Liability	(2,610.19)	(1,490.05)
Less: Net Deferred Tax Liability at beginning of the period	(1,490.05)	(1,173.68)
<b>Net Deferred Tax Charged to statement of Profit and Loss</b>	<b>(1,120.14)</b>	<b>(316.37)</b>

### 6 SHORT TERM BORROWINGS

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
<b>Secured</b>		
Working Capital Advances From Banks (Refer Note No.6(a))	5,416.27	5,175.51
<b>Unsecured</b>		
Loans from Bank (discounting of trade receivables)	1,114.06	1,016.76
<b>Total</b>	<b>6,530.33</b>	<b>6,192.27</b>

#### Note 6(a):

##### (a) Nature of Security for Secured Loan from:

###### Banks:

Hypothecation of inventories, all the present and future book debts and other receivables, first charge on all present and future fixed assets situated at Mahad works and residential building at Mahad and second charge on all fixed assets situated at Lote works and personal guarantee of Managing Director, Mr. Vinod Saraf.

##### (b) Rate of interest:

- (i) Working Capital Advances From Banks  
Foreign Currency loan carries interest ranging from 200 bps to 250 bps + 3/6 months libor. Rupee Loan carries interest ranging from 9.75% to 11.35%.
- (ii) Unsecured Loan  
Foreign Currency loan carries interest ranging from 200 bps to 250 bps + 3/6 months libor.

##### (c) Terms of repayment:

Repayable on demand.

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 7 TRADE PAYABLES

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
Trade payables (including acceptances) for goods and services.		
Due to Micro, Small and Medium Enterprises (Refer Note No.34)	–	–
Due to Other Enterprises	1,562.97	887.84
	<b>1,562.97</b>	<b>887.84</b>

### 8 OTHER CURRENT LIABILITIES:

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
Current maturities of long term borrowings (Refer Note No.4)	3,642.61	1,947.02
Interest accrued but not due on borrowings	76.79	74.52
Unpaid Dividend*	72.90	50.09
Others payables	567.67	491.49
Advances from customers	36.64	64.60
TDS payable	35.32	25.59
Sundry Deposits	15.66	3.29
	<b>4,447.59</b>	<b>2,656.60</b>

\* There are no amounts due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the end of reporting date.

### 9 SHORT TERM PROVISIONS

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
Provisions for employee benefits:		
Ex-gratia	151.50	124.38
Leave Travel Allowances & Medical	15.97	14.21
Gratuity (Funded)	17.55	11.36
Leave Encashment	105.23	80.75
Others		
Proposed equity dividend	1,234.32	987.45
Provision for tax on proposed equity dividend	209.77	160.19
Provision for taxation (Net of taxes paid)	126.38	18.94
	<b>1,860.72</b>	<b>1,397.28</b>

### 10 FIXED ASSETS

(Rs. in Lacs)

Particulars	Gross block				Depreciation					Net block	
	As at 31/03/2012	Additions during the year	Deductions during the year	As at 31/03/2013	Up to 31/03/2012	For the Year	on Addition	Written Back	Up to 31/03/2013	As at 31/03/2013	As at 31/03/2012
<b>TANGIBLE ASSETS</b>											
Leasehold Land & Site Development	214.13	24.25	2.58	235.80	–	–		–	–	235.80	214.13
Buildings	3,567.84	7,216.88	–	10,784.72	402.42	182.25		–	584.67	10,200.05	3,165.42
Plant & Machinery	14,128.41	7,910.17	267.43	21,771.15	3,758.42	719.33		266.40	4,211.35	17,559.80	10,369.99
Furniture & Fixtures	191.78	269.03	–	460.81	84.45	11.33		–	95.78	365.03	107.33
Office Equipments	20.32	41.04	–	61.36	9.97	1.35		–	11.32	50.04	10.35
Computers	78.31	19.99	–	98.30	46.28	9.03		–	55.31	42.99	32.03
Air Conditioners	46.89	31.57	1.18	77.28	16.46	2.46		1.06	17.86	59.42	30.43
Vehicles	175.23	61.86	7.03	230.06	50.24	17.18		6.69	60.73	169.33	124.99
<b>Sub Total (A)</b>	<b>18,422.91</b>	<b>15,574.79</b>	<b>278.22</b>	<b>33,719.48</b>	<b>4,368.24</b>	<b>942.93</b>		<b>274.15</b>	<b>5,037.02</b>	<b>28,682.46</b>	<b>14,054.67</b>
<b>INTANGIBLE ASSETS</b>											
Technical Know How Fees	394.92	–	–	394.92	66.87	39.49		–	106.36	288.56	328.05
Licensed Softwares	56.99	3.21	–	60.20	7.85	9.95		–	17.80	42.40	49.14
<b>Sub Total (B)</b>	<b>451.91</b>	<b>3.21</b>	<b>–</b>	<b>455.12</b>	<b>74.72</b>	<b>49.44</b>		<b>–</b>	<b>124.16</b>	<b>330.96</b>	<b>377.19</b>
<b>Grand Total (A+B)</b>	<b>18,874.82</b>	<b>15,578.00</b>	<b>278.22</b>	<b>34,174.60</b>	<b>4,442.96</b>	<b>992.37</b>		<b>274.15</b>	<b>5,161.18</b>	<b>29,013.42</b>	<b>14,431.86</b>
Previous Year	14,865.19	4,021.50	11.87	18,874.82	3,747.93	701.28		6.25	4,442.96	14,431.86	

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 11 CURRENT INVESTMENT

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
(Valued at lower of cost or market value)		
<b>UNQUOTED:</b>		
In Mutual fund units		
i) 765138.176 Units (31st March, 2012 - 2823038.215 units)		
Mutual Fund Units of Rs.10/- each fully paid up of Franklin Templeton India Ultra Short Bond Fund Institutional Plan	77.27	288.39
ii) 11577200.635 Units (31st March, 2012 - NIL units)		
Mutual Fund Units of Rs.10/- each fully paid up of Franklin Templeton India Low Duration Fund Monthly Dividend	1,200.00	–
iii) NIL Units (31st March, 2012 - 29934.3871)		
Mutual Fund Units of Rs.1000/- each fully paid up of SBIMF Magnum Insta Cash Fund	–	501.41
	<b>1,277.27</b>	<b>789.80</b>
Aggregate amount of Unquoted Investment	<b>1,277.27</b>	<b>789.80</b>

### 12 INVENTORIES (As certified by the Management)

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
(Valued at lower of cost or net realizable value)		
Raw Materials - Refer note 12(a)	2,030.49	1,546.66
[Includes in transit Rs.753.77 (March 31, 2012- Rs. 409.67)]		
Stock In Process - Refer note 12(b)	952.46	794.09
Finished Goods - Refer note 12(c)	1,576.24	1,244.73
Stores, Spares & other consumables	905.10	716.74
	<b>5,464.29</b>	<b>4,302.22</b>
<b>Note 12(a)</b>		
<b>Details of Inventory of Raw Materials:</b>		
Toluene	631.33	214.61
Propylene	162.42	194.34
Acrylonitrile	717.75	489.56
MTBE	222.77	445.98
Others	296.22	202.17
	<b>2,030.49</b>	<b>1,546.66</b>
<b>Note 12(b)</b>		
<b>Details of Inventory of stock in process:</b>		
Isobutyl Benzene (IBB)	47.10	39.81
2-Acrylamido-2-Methyl Propane Sulfonic Acid (ATBS)	75.12	29.57
N-Tertiary Butyl Acrylamide (TBA)	610.00	576.74
Isobutylene	6.99	22.29
Others	213.25	125.68
	<b>952.46</b>	<b>794.09</b>
<b>Note 12(c)</b>		
<b>Details of Inventory of Finished Goods:</b>		
Isobutyl Benzene (IBB)	1.22	223.46
2-Acrylamido-2-Methyl Propane Sulfonic Acid (ATBS)	1,093.76	393.85
Sodium Salt of 2-Acrylamido-2-Methyl Propane Sulfonic Acid (NaATBS)	107.59	167.38
Isobutylene (IB)	215.96	274.26
Others	157.71	185.78
	<b>1,576.24</b>	<b>1,244.73</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 13 TRADE RECEIVABLES

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
<b>Unsecured, Considered Good:</b>		
Outstanding for a period exceeding six months from the date they were due for payment	73.43	4.10
Others	11,246.03	8,563.89
	<b>11,319.46</b>	<b>8,567.99</b>

### 14 CASH AND BANK BALANCES

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
Cash and Cash equivalent		
Cash in Hand	1.63	1.30
Balance with Banks :		
In Current Accounts	21.34	744.63
In unpaid Dividend Account	72.90	50.09
In Fixed Deposit Account with less than 3 months maturity	3,002.75	2,000.00
Other Bank balances:		
In Fixed Deposit Account with less than 3 months maturity (Deposit Against Margin Money)	39.98	289.27
In Fixed Deposit Account with more than 3 months but less than 12 months maturity (Deposit Against Margin Money)	238.40	110.02
	<b>3,377.00</b>	<b>3,195.31</b>

### 15 SHORT TERM LOANS AND ADVANCES

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
<b>Capital Advances</b>		
Unsecured, considered good	268.14	1,170.48
<b>Security Deposit</b>		
Unsecured, considered good	58.18	25.39
<b>Advances recoverable in cash or kind</b>		
Unsecured, considered good	2,024.37	1,626.70
Prepaid Expenses	60.13	56.90
<b>Other Loans and Advances</b>		
Advance Income Tax (Net of provision for taxation)	101.46	78.24
Loans to Employees	7.67	1.87
Balances with Statutory Government authorities	9.70	17.48
Advances to suppliers	292.02	513.15
	<b>2,821.67</b>	<b>3,490.21</b>

### 16 OTHER ASSETS

(Rs. in Lacs)

	As at 31/03/2013	As at 31/03/2012
Interest accrued on Fixed Deposits	12.10	4.95
	<b>12.10</b>	<b>4.95</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 17 REVENUE FROM OPERATIONS

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
(i) Sale of products [Refer Note No.17(a)]		
Gross Sales	58,665.28	46,945.66
Less : Inter Unit Transfer	143.55	96.72
	58,521.73	46,848.94
Less : Excise Duty	4,351.78	2,638.44
Net Sales	54,169.95	44,210.50
<b>Total(i)</b>	<b>54,169.95</b>	<b>44,210.50</b>
(ii) Other Operating Revenue		
Scrap Sales	15.80	27.63
Benefit on Import Licence Purchase	5.61	–
Export Benefits/Import Entitlements	609.37	507.93
Exchange Fluctuation Difference	490.81	–
<b>Total (ii)</b>	<b>1,121.59</b>	<b>535.56</b>
<b>Revenue from Operations (Net)-(i)+(ii)</b>	<b>55,291.54</b>	<b>44,746.06</b>
<b>Note 17(a)</b>		
<b>Details of sales of products (Net of Excise)</b>		
Isobutyl Benzene (IBB)	20,472.92	15,385.41
2-Acrylamido-2-Methyl Propane Sulfonic Acid (ATBS)	15,355.56	14,875.27
Sodium Salt of 2-Acrylamido-2-Methyl Propane Sulfonic Acid (NaATBS)	6,906.32	6,474.44
Isobutylene (IB)	5,600.07	3,464.29
Others	5,835.08	4,011.09
	<b>54,169.95</b>	<b>44,210.50</b>

### 18 OTHER INCOME

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Interest Income	23.05	27.27
Dividend Income (Net of Dividends received on Mutual Fund re-invested)	145.30	65.20
Gain on Sale of Investment	1.34	–
Other non-operating income (Net of Expenses of Rs. Nil)		
Cash Discount received	187.27	145.83
Miscellaneous Credit Balances Written Back	5.14	16.44
Liability No Longer Required Written Back	6.87	14.71
Profit on sale of fixed assets	1.09	–
Miscellaneous receipts	6.31	13.74
	<b>376.37</b>	<b>283.19</b>

### 19 COST OF RAW MATERIAL CONSUMED [REFER NOTE NO. 19(A)]

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Opening Stock	1,546.66	1,537.20
Add : Purchases	34,474.67	27,390.00
Less : Closing Stock	2,030.49	1,546.66
	<b>33,990.84</b>	<b>27,380.54</b>
<b>Note No.19(a)</b>		
<b>Details of Raw Materials consumed:</b>		
Toluene	9,175.58	6,788.51
Propylene	6,644.13	5,040.11
Acrylonitrile	5,534.87	6,418.46
MTBE	9,979.67	7,228.24
Others	2,656.59	1,905.22
	<b>33,990.84</b>	<b>27,380.54</b>



## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 20 DECREASE/(INCREASE) IN STOCK

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
I) Finished Stock [Refer Note No.12(c)]:		
Opening Stock	1,244.73	789.54
Less : Closing Stock	1,576.24	1,244.73
	(331.51)	(455.19)
II) Process Stock [Refer Note No.12(b)] :		
Opening Stock	794.09	635.42
Less : Closing Stock	952.46	794.09
	(158.37)	(158.67)
	<b>(489.88)</b>	<b>(613.86)</b>

### 21 EMPLOYEE BENEFIT EXPENSES

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Salaries, Wages & Allowances	2,013.13	1,633.01
Contribution to Provident & Other funds	131.58	108.03
Employees Welfare Expenses	67.67	49.10
Contribution to Gratuity fund	46.39	42.45
	<b>2,258.77</b>	<b>1,832.59</b>

### 22 FINANCE COSTS

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Interest on:		
Term Loan	320.79	281.64
Others	362.90	300.43
Exchange difference to the extent considered as an adjustment to borrowing costs	314.99	219.78
Bank Charges	155.19	116.21
	<b>1,153.87</b>	<b>918.06</b>

### 23 DEPRECIATION AND AMORTIZATION EXPENSES

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Depreciation of Tangible Assets	942.93	657.40
Amortization of Tangible Assets	2.58	2.42
Amortization of Intangible Assets	49.44	43.89
	<b>994.95</b>	<b>703.71</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 24 OTHER EXPENSES

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Power & Fuel Charges	3,006.60	2,448.49
Water Charges	81.19	57.13
Stores, Spares & Other consumables	1,052.09	1,275.33
Repairs to:		
Plant & Machinery	142.64	134.82
Buildings	27.22	32.48
Repairs - Others	13.85	8.47
Wages to Contractual Labour	364.70	324.83
Other Operational Charges	14.85	13.20
Rent(Including Leave & Licence Fees)	16.47	17.27
Rates & Taxes	38.24	12.48
Insurance	107.78	85.75
Payment to Auditors [Refer Note No.24(a)]	8.03	8.81
Director's Sitting Fees	3.20	2.70
Cash disc to sales parties	1.64	0.75
Freight & Forwarding Charges	2,006.16	1,514.88
Exchange Fluctuation Difference	–	178.84
Selling Commission	109.90	93.87
Bad Debts Written Off	–	15.84
Loss on sale/discarded of fixed assets	–	1.31
Loss on sale of Investment	–	1.58
Other Expenses	504.21	419.16
	<b>7,498.77</b>	<b>6,647.99</b>
<b>Note 24(a)</b>		
i) Payment to Statutory Auditors		
As Auditor towards:		
Audit Fees	5.00	3.70
Tax Audit Fees	1.00	1.00
In other capacity:		
Certification charges	1.23	0.68
Other matters	0.26	3.16
Reimbursement of expenses	0.04	0.04
	<b>7.53</b>	<b>8.58</b>
ii) Payment to Cost Auditors		
As Auditor towards		
Cost Audit Fees	0.50	0.23
	<b>0.50</b>	<b>0.23</b>
<b>Total</b>	<b>8.03</b>	<b>8.81</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 25 DETAILS OF UNHEDGED FOREIGN CURRENCY AMOUNT

#### Unhedged foreign currency

Disclosure in accordance with announcement dated December 2,2005 issued by the Council of the Institute of Chartered Accountants of India(ICAI) with respect to details of foreign currency balance not hedged: (Rs. in Lacs)

	USD		EURO		GBP		CHF	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Trade Receivables	50.57	22.70	1.04	2.88	–	–	–	–
Advance Given to Vendors	–	0.01	–	3.93	–	0.38	–	0.08
Cash and Bank Balances	0.00	4.38	–	–	–	–	–	–
Trade Payables	4.54	4.08	–	–	–	–	–	–
Other Payables	5.97	2.57	–	–	0.00	–	–	–
Loan Taken	360.73	226.60	–	–	–	–	–	–

### 26 DISCLOSURES AS PER AS - 15 (REVISED) - EMPLOYEE BENEFITS

#### Gratuity and other post employment benefit plans - AS-15

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

	Assumptions as at	
	31/03/2013	31/03/2012
Mortality		
Interest/Discount Rate	8.00%	8.00%
Rate of increase in compensation	3.00%	2.00%
Rate of return (expected) on plan assets	0.08	0.09
Employee attrition rate (Past Service [PS])	PS:0 to 42: 5%	PS:0 to 42: 5%
Expected average remaining service	11.83	12.09
<b>Changes in present value of obligations:</b>		
PVO at the beginning of period	186.94	143.39
Interest cost	14.84	11.32
Current service cost	33.64	24.62
Past Service Cost - ( vested/non vested benefits)	–	–
Benefits paid	(2.77)	(3.81)
Actuarial (gain)/loss on obligation	13.35	11.42
PVO at end of period	246.00	186.94
<b>Amount recognised in the Balance Sheet as at the end of the year:</b>		
Present Value of Defined Benefit Obligation	246.00	186.94
Fair Value of Plan Assets	228.45	175.57
Funded status - Surplus/(Deficit)	(17.55)	(11.37)
Net Asset/(Liability)	(17.55)	(11.37)
<b>Expense recognized in the statement of P &amp; L A/c.:</b>		
Current service cost	33.64	24.62
Past Service Cost - (vested/non vested benefits)	–	–
Interest cost	14.84	11.32
Expected return on plan assets	(15.54)	(12.09)
Net actuarial (gain)/loss recognized for the period	13.45	18.60
Expense recognized in the statement of P & L A/c.	46.39	42.45

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

### 27 SEGMENT INFORMATION- (AS-17)

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

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 28 RELATED PARTY DISCLOSURES- (AS-18)

Name of related parties and related party relationship:

#### a. Information about related parties:

Sr. No.	Particulars	Name of Related Party
1	Key Management Personnel	i) Mr. Vinod Saraf - Managing Director ii) Mrs. Vinati Saraf Mutreja - Executive Director iii) Mr. Mohit Mutreja - Director (ceased to be whole time director w.e.f 1st May, 2012) iv) Mrs. Viral Saraf Mittal - Director (Corporate Strategy)
2	Relatives of Key Management Personnel	i) Mr. Sunil Saraf
3	Enterprises owned or significantly influenced by any management personnel or their relatives.	1) Viral Alkalis Limited 2) Vinati Wax Industries Pvt. Ltd. 3) Shilpa Pharma Pvt. Ltd. 4) Mithali Chemicals Pvt. Ltd. 5) Viral Chemicals Pvt. Ltd. 6) Viral Pharma Pvt. Ltd. 7) Suchir Chemicals Pvt. Ltd. 8) Suchir Investment & Finance Pvt. Ltd. 9) Manan Pharma Pvt. Ltd. 10) Nishit Pharma Chem Pvt. Ltd. 11) Kavita Organics Pvt. Ltd. 12) Pluspoint Securities Pvt. Ltd. 13) Illuminati Software Pvt. Ltd. 14) Illuminati Trading Pvt. Ltd.

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

(Rs. in Lacs)

	2012-13	2011-12
<b>i) Key Management Personnel:</b>		
Managerial Remuneration		
Mr. Vinod Saraf	52.99	47.89
Mrs Vinati Saraf Mutreja	41.40	35.41
Mr. Viral Saraf Mittal	25.25	21.01
Mr. Mohit Mutreja	2.92	33.75
<b>ii) Relatives of Key Management Personnel:</b>		
Sitting Fees		
Mr. Sunil Saraf	0.40	0.40
Mr. Mohit Mutreja	0.40	—
<b>iii) Enterprises owned or significantly influenced by any management personnel or their relatives:</b>		
Rent, rates & taxes paid to:		
Vinati Wax Industries Pvt. Ltd.	4.11	5.03
Shilpa Pharma Pvt. Ltd.	4.05	4.95
Mithali Chemicals Pvt. Ltd.	1.65	2.02
Sales - Viral Alkalis Ltd.	1.54	1.39
Purchase of Material - Viral Alkalis Ltd.	40.05	9.46

### 29 LEASES (AS-19)

#### Operating Lease: Company as Lessee

The company has entered into operating lease on Tankers, certain office premises and staff residences which normally have an life of 12 months and renewable every year at the option of the lessor and/or the lessee. There is no contingent rent. The lease rental charged to Statement of Profit & Loss during the year is Rs.60.19 lacs. (Previous year Rs. 17.27 lacs)

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 30 EARNING PER SHARE (EPS)

	Year ended 31/03/2013	Year ended 31/03/2012
Profit after tax (Rs. In Lacs)	6,866.28	5,480.54
<b>Weighted average number of shares outstanding at the year end (Nos.)</b>		
Equity shares outstanding at the beginning of the year (Nos.)	49,372,500	49,372,500
Equity shares outstanding at the end of the year (Nos.)	49,372,500	49,372,500
Basic earning per share (Rs.)	13.91	11.10
Diluted earning per share (Rs.)	13.91	11.10
Face value per share (Rs.)	2.00	2.00

### 31 IMPAIRMENT OF ASSETS- (AS-28)

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

### 32 CONTINGENT LIABILITIES

Contingent Liabilities not provided for in respect of:

- Counter Guarantees given by the Company in respect of guarantees issued / Letter of Credit established by banks on behalf of the company Rs. 891.93 Lacs (Previous Year Rs.669.07 Lacs).
- Disputed Excise duty demands of Rs. 42.12 (Previous Year Rs.42.12 Lacs) for which company has gone in the appeal and paid Rs. 11.85 lacs. Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.
- Disputed Income tax demands of Rs.41.18 Lacs pertaining to various assessment years against which a sum of Rs.33.72 Lacs has been paid (Previous Year Rs.37.02 Lacs and paid Rs.10 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.
- During the year 2011-2012, Company has issued Foreign Currency Convertible Bond(FCCB) of Rs. 22.02 crores (USD5 Mn) which are Convertible in equity share at Rs. 100 each during any period starting from the Date of subscription i.e. 28th July 2011 and ending 5 years. If the option is not exercised, then interest is payable @ 3.5% compounded semi annually as accumulated arrears on the final redemption date. Contingent liability towards arrears of interest as on 31/03/2013 is Rs. 165.52 lacs (previous year Rs. 53.41 Lacs)

### 33 CAPITAL AND OTHER COMMITMENTS

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
a) Capital Commitments not provided for (net of advances)	929.46	3077.54

### 34 DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER THE MSMED ACT, 2006

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 2013	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 2013.	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 ended 31st March, 2013	Nil
e) The amount of further interest remaining due and payable for the earlier years.	Nil

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

### 35 VALUE OF IMPORTS CALCULATED ON CIF BASIS

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Raw Materials	1,212.69	4,810.32
Components and Spare parts	0.11	59.98
Capital Goods	567.69	721.57

### 36 EXPENDITURE IN FOREIGN CURRENCY

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
i) Travelling expenditure	7.48	6.32
ii) Commission on sales	106.65	106.35
iii) Interest	103.09	190.62
vi) Others	85.21	28.63

### 37 IMPORTED AND INDIGENOUS RAW MATERIALS, COMPONENTS AND SPARE PARTS CONSUMED:

	Year ended 31/03/2013		Year ended 31/03/2012	
	Rs. in Lacs	%	Rs. in Lacs	%
<b>a) Raw Materials</b>				
Imported	1,373.53	4.04	5,471.27	19.98
Indigenously obtained	32,617.31	95.96	21,909.27	80.02
	<b>33,990.84</b>	<b>100.00</b>	<b>27,380.54</b>	<b>100.00</b>
<b>b) Spare parts</b>				
Imported	0.11	0.01	53.35	4.18
Indigenously obtained	1,051.98	99.99	1,221.98	95.82
	<b>1,052.09</b>	<b>100.00</b>	<b>1,275.33</b>	<b>100.00</b>

### 38 EARNINGS IN FOREIGN CURRENCY

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Exports of goods calculated on F.O.B. Value	35,967.97	32,951.58
Other Income	–	13.09

### 39 CAPITALIZATION OF EXPENDITURE

During the year, the company has capitalized the following expenses of revenue nature to the cost of fixed asset/capital work-in-progress (CWIP), Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

(Rs. in Lacs)

	Year ended 31/03/2013	Year ended 31/03/2012
Travelling Expenses	5.29	7.41
Interest (net of interest paid)	106.80	(32.43)
Exchange difference to the extent regarded as an adjustment to interest costs	379.89	380.74
Bank Charges	75.10	99.75
Legal & Professional charges	284.17	413.71
Insurance Charges	16.39	20.24
Testing Charges	0.40	1.85
Equipment Rent	1.10	3.26
	<b>869.14</b>	<b>894.53</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended 31st March, 2013

**40** From the previous financial year the company has changed its policy of capitalising exchange gain/loss on foreign currency loan before the same has been put to use. Such gain/losses which were hitherto capitalised to the cost of the fixed assets has been charged to Statement of Profit and Loss in accordance with the requirement of Accounting Standard 11 - ' Effects of changes in foreign exchange rates.

**41** 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.

### **42 Previous year figures**

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

As per our report of even date attached

For and on behalf of Board of Directors

**For Karnavat & Co.**

*Chartered Accountants*

Firm Regn.No. 104863W

**Vinod Saraf**

*CEO & Managing Director*

**Vinati Saraf Mutreja**

*Executive Director*

**Shashikant Gupta**

*Partner*

Membership No. 045629

Mumbai, 7th May 2013

**N. K. Goyal**

*Chief Financial Officer*

**G. S. Singhi**

*Company Secretary cum*

*Finance Controller*



## VINATI ORGANICS LIMITED

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

### **NOTICE**

NOTICE is hereby given that the TWENTY FOURTH ANNUAL GENERAL MEETING OF VINATI ORGANICS LIMITED (the "Company") will be held on Saturday, 3rd August, 2013 at 12.00 Noon at the Registered Office of the Company, at B-12 & B-13/1, MIDC Industrial Area, Mahad 402 309, Dist. Raigad, Maharashtra to transact the following business:

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and Profit & Loss Account for the year ended on that date together with the schedules and notes attached thereto, alongwith the Reports of Directors' and Auditors' thereon.
2. To declare Dividend on equity shares.
3. To appoint a Director in place of Mr. R. K. Saraswat who retires by rotation at this meeting and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Mohit Mutreja who retires by rotation at this meeting and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

#### **SPECIAL BUSINESS:**

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

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

"RESOLVED THAT modification of Special Resolution No.7 passed at the 22nd Annual General Meeting of the Company held on 30th July 2011 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any of the Company's Act, 1956 (the Act), and with schedule XIII of the Act, the Company hereby approves of the revision in the remuneration payable to Mr. Vinod Saraf, Managing Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st April 2013 for the remainder of the tenure of his contract

up to 31st October 2015 as under:

BASIC SALARY: Rs.5,00,000/- per month.

#### **PERQUISITES:**

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

OR

HOUSE RENT ALLOWANCE: @ 30% of the salary.

- ii) MEDICAL REIMBURSEMENT: Expenses incurred for himself and his family subject to ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.
- iii) LEAVE TRAVEL CONCESSION: Reimbursement of expenses incurred for himself and his family subject to ceiling of one month's salary once in a year or 3 months' salary over a period of 3 years in accordance with the rules of the Company.
- iv) CLUB FEES: Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) GAS & ELECTRICITY CHARGES: Reimbursement of Gas & Electricity Charges incurred.
- vi) PROVIDENT FUND: Contribution to Provident Fund shall be such percentage as may be allowed under respective law from time to time.
- vii) GRATUITY: As per Company's rule and regulation applicable to the Senior Executives of the Company.
- viii) COMPANY CAR, TELEPHONE AND MOBILE: Provision of Car for use of company's business and telephone and mobile at residence. Use of car, telephone and mobile for personal use will be billed to him.
- ix) PERSONAL ACCIDENT INSURANCE: Premium not to exceed Rs.5,000/- per annum.
- x) MEDICLAIM POLICY FOR FAMILY: As per Company's rule and regulation applicable to the Senior Executives of the Company.

xi) LEAVE AND LEAVE ENCASHMENT: As per Company's rule and regulation applicable to the Senior Executives of the Company.

xii) There will be 10% increase every year in salary and perquisites.

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

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

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

"RESOLVED THAT modification of Special Resolution No.6 passed at the 23rd Annual General Meeting of the Company held on 1st September 2012 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any of the Company's Act, 1956 (the Act), and with schedule XIII of the Act, the Company hereby approves of the revision in the remuneration payable to Ms. Vinati Saraf Mutreja, Executive Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of her appointment) with effect from 1st April 2013 for the remainder of the tenure of her contract up to 19th May 2016 as under:

BASIC SALARY: Rs.3,50,000/- per month.

#### PERQUISITES:

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

OR

HOUSE RENT ALLOWANCE: @ 30% of the salary.

ii) MEDICAL REIMBURSEMENT: Expenses incurred for herself and her family subject to ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

iii) LEAVE TRAVEL CONCESSION: Reimbursement of expenses incurred for herself and her family subject to ceiling of one month's salary once in a year or 3 months' salary over a period of 3 years in accordance with the rules of the Company.

iv) CLUB FEES: Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

v) GAS & ELECTRICITY CHARGES: Reimbursement of Gas & Electricity Charges incurred.

vi) PROVIDENT FUND: Contribution to Provident Fund shall be such percentage as may be allowed under respective law from time to time.

vii) GRATUITY: As per Company's rule and regulation applicable to the Senior Executives of the Company.

viii) COMPANY CAR, TELEPHONE AND MOBILE: Provision of Car for use of company's business and telephone and mobile at residence. Use of car, telephone and mobile for personal use will be billed to her.

ix) PERSONAL ACCIDENT INSURANCE: Premium not to exceed Rs.5,000/- per annum.

x) MEDICLAIM POLICY FOR FAMILY: As per Company's rule and regulation applicable to the Senior Executives of the Company.

xi) LEAVE AND LEAVE ENCASHMENT: As per Company's rule and regulation applicable to the Senior Executives of the Company.

xii) There will be 10% increase every year in salary and perquisites.

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

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

Revision in the terms of Remuneration of Ms. Viral Saraf Mittal, Director - Corporate Strategy:

"RESOLVED THAT modification of Special Resolution No.8 passed at the 20th Annual General Meeting of the Company held on 19th September 2009 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any of the Company's Act, 1956 (the Act), and with schedule XIII of the Act, the Company hereby approves of the revision in the remuneration payable to Ms. Viral Saraf Mittal, Director - Corporate Strategy of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of her appointment) with

effect from 1st April 2013 for the remainder of the tenure of her contract up to 18th May 2014 as under:

BASIC SALARY: Rs.2,00,000/- per month.

**PERQUISITES:**

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

OR

HOUSE RENT ALLOWANCE: @ 30% of the salary.

- ii) MEDICAL REIMBURSEMENT: Expenses incurred for herself and her family subject to ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.
- iii) LEAVE TRAVEL CONCESSION: Reimbursement of expenses incurred for herself and her family subject to ceiling of one month's salary once in a year or 3 months' salary over a period of 3 years in accordance with the rules of the Company.
- iv) CLUB FEES: Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) GAS & ELECTRICITY CHARGES: Reimbursement of Gas & Electricity Charges incurred.
- vi) PROVIDENT FUND: Contribution to Provident Fund shall be such percentage as may be allowed under respective law from time to time.

vii) GRATUITY: As per Company's rule and regulation applicable to the Senior Executives of the Company.

viii) COMPANY CAR, TELEPHONE AND MOBILE: Provision of Car for use of company's business and telephone and mobile at residence. Use of car, telephone and mobile for personal use will be billed to her.

ix) PERSONAL ACCIDENT INSURANCE: Premium not to exceed Rs.5,000/- per annum.

x) MEDICLAIM POLICY FOR FAMILY: As per Company's rule and regulation applicable to the Senior Executives of the Company.

xi) LEAVE AND LEAVE ENCASHMENT: As per Company's rule and regulation applicable to the Senior Executives of the Company.

xii) There will be 10% increase every year in salary and perquisites.

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

**Registered Office:**

B-12 & B-13/1,  
MIDC Industrial Area,  
Mahad – 402 309,  
Dist. Raigad,  
Maharashtra.  
Mumbai, 7th May 2013

**By order of the Board of Directors**

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

**NOTES:**

- The Explanatory Statements pursuant to Section 173(2) of the Act, relating to special business to be transacted at the Meeting at Item No. 6, 7 and 8 are annexed.
- A member entitled to attend and vote at the meeting is entitled to appoint another person (whether a shareholder or not) as his/her proxy to attend and vote instead of himself/herself, but a proxy so appointed shall not have any right to speak at the meeting. The proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting.
- Corporate Members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representatives to attend and

vote on their behalf at the meeting.

The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 25th July 2013 to Saturday, the 3rd August 2013 (both days inclusive).

Members are requested to intimate to the Corporate Office situated at Parinee Crescenzo, 1102, 11th Floor, "G" Block, Plot No. C38 & C39, Behind MCA, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, Maharashtra the changes, if any, in their registered addresses, quoting their Folio Numbers/ or their client ID number with DP ID number, as the case may be. Non-resident Indian Members are requested to inform the Company or its RTA or to the concerned DPs, as the case may be, immediately:

- (a) the change in residential status on return to India for permanent settlement.
- (b) the particulars of the NRE Account with a Bank in India, if not furnished earlier.

4. As per the provisions of the Act, facility for making nominations is available for the shareholders. The prescribed nomination form can be obtained from the Company's share department situated at Parinee Crescenzo, 1102, 11th Floor, "G" Block, Plot No. C38 & C39, Behind MCA, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, Maharashtra.
5. Registrars and Transfer Agents:  
The Company has appointed M/s. Sharex Dynamic (India) Pvt. Ltd., Unit No.1, Luthra Indl. Premises, Safed Pool, Andheri-Kurla Road, Mumbai – 400 072 as the Registrars and Transfer Agents ("R&TA") for all aspects of investor servicing relating to shares.
6. The Company's securities are listed at the Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, Maharashtra and The National Stock Exchange of India Ltd., Exchange Plaza, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra.

The Annual Listing Fee as prescribed has been paid to the above stock exchanges.

7. The dividend on equity shares as recommended by the Board of Directors 125% on the share capital of the Company i.e. Rs.2.50 per Equity Share of face value of Rs.2/- each for the year ended 31st March 2013, if declared at the meeting, will be made payable on or after 4th August 2013 to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its R&TA on or before 24th July 2013 or those, whose names appear as beneficial owners as at the end of business on 24th July 2013 as per lists to be furnished by the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

Shareholders are hereby informed that pursuant to Section 205C and Section 205A (5) of the Companies Act, the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund (the "Fund") established by the Central Government. It may be

noted that, no claim shall lie against the Company or Fund in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the date it became first due for payment and no payment shall be made in respect of any such claim.

8. Pursuant to the provisions of Section 205A of the Act, as amended, dividend for the Financial Year 2005-2006 and the dividends for the subsequent years, which remain unpaid or claimed for a period of 7 years will be transferred to IEPF. Shareholders who have so far not encashed the dividend warrant(s) for the financial year 2005-2006 are requested to make their claim to the Secretarial Department at the Registered Office of the Company or the office of the R&TA on or before 11.10.2006, failing which the unpaid/unclaimed amount will be transferred to the IEPF as above, no claim shall lie against the company or the IEPF in respect of such amount by the Member.
9. The Ministry of Corporate Affairs (MCA), Government of India, through its Circular No. 17/2012 dated 23rd July, 2012 has directed companies to upload on the companies website information regarding unpaid and unclaimed dividend.

In terms of the Circular, the company has uploaded the details of unpaid and unclaimed dividend. The same can be viewed on [www.mca.gov.in](http://www.mca.gov.in).

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

10. a) Members are advised to avail of the facility for receipt of dividend through Electronic Clearing Service (ECS). The ECS facility is available at specified locations. Members holding shares in electronic form are requested to contact their respective DPs for availing ECS facility. Members holding shares in physical form are requested to download the ECS form from the website of the Company viz. [www.vinatiorganics.com](http://www.vinatiorganics.com) and the same duly filled up and signed along with a photocopy of a cancelled cheque may be sent to the Company or to its R&TA.
- (b) Members who hold shares in electronic form and want to change/correct the bank account details should send the same immediately to their concerned DP and not to the Company. Members are also requested to give the MICR Code of their bank to their DPs. The Company will not entertain any direct request from

such Members for change of address, transposition of names, deletion of name of deceased joint holder and change in the bank account details. The said details will be considered, as will be furnished by NSDL/CDSL to the Company.

- (c) The Securities and Exchange Board of India (SEBI) vide its Circular dated 21st March, 2013 provided that companies making cash payments to its investors shall use approved electronic mode of payment such as ECS, NECS, NEFT etc. To enable usage of electronic payment instruments, companies are required to maintain requisite bank details of their investors:-

For securities held in Demat Mode, companies shall seek relevant bank details from the Depositories.

For securities held in Physical Mode, companies shall maintain updated bank details of its investors.

- (d) Further, to avoid the incidence of fraudulent encashment of dividend warrants, Members are requested to intimate the Company under the signature of the Sole/First Joint Holder, the following information, so that the bank account number and name and address of the bank can be printed on the dividend warrants:

1. Name of Sole/ First Joint holder and Folio number.
2. Particulars of bank account, viz.
  - i) Name of the bank
  - ii) Name of branch
  - iii) Complete address of bank with PINCODE
  - iv) Account type, whether Saving (SB) or Current Account (CA)
  - v) Bank Account Number

#### 11. Depository System:

The Company has entered into agreements with NSDL and CSDL. The Depository System envisages the elimination of several problems involved in the scrip-based system such as bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit, delay in transfers, mutilation of share certificates, etc. Simultaneously, Depository system offers several advantages like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.

Members, therefore now have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CSDL. Members are encouraged to convert their holdings to electronic mode.

#### 12. Re-appointment of Directors:

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

13. Accordingly at the ensuing Annual General Meeting, Mr. R. K. Saraswat and Mr. Mohit Mutreja, retiring by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange is furnished in the statement on Corporate Governance published in this Annual Report.

Details of Directors seeking re-appointment:

Particulars	Mr. R. K. Saraswat	Mr. Mohit Mutreja
Date of Birth	17.04.1938	09.08.1982
Date of Appointment	24.01.2011	19.05.2009
Qualifications	<ul style="list-style-type: none"> <li>Chartered Accountant</li> </ul>	<ul style="list-style-type: none"> <li>Bachelors in Science in Economics (Finance) from the Wharton School, University of Pennsylvania</li> <li>Bachelors of Science in Computer Engineering from the School of Engineering and Applied Sciences.</li> <li>5 year experience in Financial services and Risk management.</li> </ul>
Directorships held in other public Company	02	NIL
Memberships / Chairman of committees of other public companies	02	NIL

Mr. Vinod Saraf, being Father in-law of Mr. Mohit Mutreja,

Mrs. Vinati Mutreja being wife of Mr. Mutreja are interested in the appointment of Mr. Mohit Mutreja.

14. The Annual Report of the Company for the year 2012-2013, circulated to the Members of the Company, is available on the Company's website viz. [www.vinatiorganics.com](http://www.vinatiorganics.com). The Company does not have Subsidiary Company.

15. In terms of Circulars issued by the Securities and Exchange Board of India (SEBI), it is now mandatory to furnish a copy of PAN card to the Company or its R&TA in the following cases viz. Transfer of Shares, Deletion of Name, Transmission of Shares and Transposition of Shares.

16. MCA, Government of India, through its Circulars Nos. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011, respectively, has allowed companies to send documents viz. Notices of meetings, Annual Reports and other shareholder communication to their shareholders electronically as part of its Green Initiatives in corporate governance.

17. A recent amendment to the Listing Agreement with the stock exchange also permits sending the aforesaid documents through electronic mode to Members who have registered their email address with the Company for this purpose.

18. The Company supports the measures in the Green Initiative. Members are also requested to join the Company in this initiative by registering their Email ID with the Company or its R&TA. A 'Green Initiative' Form can be downloaded from the Company's website viz. [www.vinatiorganics.com](http://www.vinatiorganics.com) to register the email id.

**Registered Office:**  
B-12 & B-13/1,  
MIDC Industrial Area,  
Mahad – 402 309,  
Dist. Raigad,  
Maharashtra.  
Mumbai, 7th May 2013

**By order of the Board of Directors**

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

## EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 RELATING TO FOLLOWING SPECIAL BUSINESS AS MENTIONED AT FOLLOWING ITEMS:

### Item No. 6

Mr. Vinod Saraf was reappointed as Managing Director of the Company for a period from 1st October 2010 to 31st October 2015 on the terms and conditions and remuneration as approved by the members at the 22nd Annual General Meeting of the Company held on 30th July 2011, and the same has also been approved and recommended by the Remuneration Committee in its meeting held on 7th May, 2013.

Accordingly, it is proposed to revise the terms of remuneration relating to the benefits, perquisites and allowances of Mr. Vinod Saraf with effect from 1st April 2013, for the remaining tenure of his contract up to 31st October 2015. At the same time, taking into consideration the present salary of Mr. Vinod Saraf, it is also proposed to revise his basic salary from Rs.3,20,650/- to 5,00,000/- per month with effect from 1st April 2013, subject to approval of members in the Annual General Meeting.

In this connection Section 309(1) of the Companies Act, provides inter alia that the remuneration payable to the Directors of the Company including any Managing Director or Whole Time Director shall be determined in accordance with and subject to the provisions of Section 198 and Section 309 either by the Articles of the company or by a resolution or if the Articles so require by a Special Resolution passed by

the company in General Meeting. There is no provision in the Companies Act that the terms of Remuneration should be approved by a Special Resolution. Accordingly, this resolution has been proposed in terms of Section 309 read with Schedule XIII of the Act.

The agreement between the Company and Mr. Vinod Saraf providing the terms and conditions of his revision of remuneration is available for inspection by the members at the Registered Office of the Company on any working day between 11 a.m. and 1.00 p.m.

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

Except Ms. Vinati Saraf Mutreja, Mr. Mohit Mutreja, Ms. Viral Saraf Mittal, and Mr. Sunil Saraf (being relatives) and Mr. Vinod Saraf (himself being a Director), no other Director is interested in this resolution.

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

### Item No. 7

Ms. Vinati Saraf Mutreja was reappointed as Executive Director of the Company for a period from 20th May 2011 to 19th May 2016 on the terms and conditions and remuneration approved



by the members at the 23rd Annual General Meeting of the Company held on 1st September 2012, and the same has also been approved and recommended by the Remuneration Committee in its meeting held on 7th May 2013.

Accordingly, it is proposed to revise the terms of remuneration relating to the benefits, perquisites and allowances of Ms. Vinati Saraf Mutreja with effect from 1st April 2013, for the remaining tenure of her contract up to 19th May 2016. At the same time, taking into consideration the present salary of Mr. Vinati Saraf Mutreja, it is also proposed to revise her basic salary from Rs.2,20,000/- to 3,50,000/- per month with effect from 1st April 2013, subject to approval of members in the Annual General Meeting.

In this connection Section 309(1) of the Companies Act, provides inter alia that the remuneration payable to the Directors of the Company including any Managing Director or Whole Time Director shall be determined in accordance with and subject to the provisions of Section 198 and Section 309 either by the Articles of the company or by a resolution or if the Articles so require by a Special Resolution passed by the company in General Meeting. There is no provision in the Companies Act that the terms of Remuneration should be approved by a Special Resolution. Accordingly, this resolution has been proposed in terms of Section 309 read with Schedule XIII of the Act.

The agreement between the Company and Ms. Vinati Saraf Mutreja providing the terms and conditions of her revision of remuneration is available for inspection by the members at the Registered Office of the Company on any working day between 11 a.m. and 1.00 p.m.

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

Except Mr. Vinod Saraf, Mr. Mohit Mutreja, Ms. Viral Saraf Mittal and Mr. Sunil Saraf (being relatives) and Ms. Vinati Saraf Mutreja (herself being a director) no other Director is interested in this resolution.

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

#### Item No. 8

Ms. Viral Saraf Mittal was appointed as Director – Corporate Strategy of the Company for a period from 19th May 2009 to 18th May 2014 on the terms and conditions and remuneration approved by the members at the 20th Annual General Meeting of the Company held on 19th September 2009, and the same has also been approved and recommended by the Remuneration Committee in its meeting held on 7th May, 2013.

Accordingly, it is proposed to revise the terms of remuneration relating to the benefits, perquisites and allowances of Ms. Viral Saraf Mittal with effect from 1st April 2013, for the remaining tenure of her contract up to 18th May 2014. At the same time, taking into consideration the present salary of Mr. Viral Saraf Mittal, it is also proposed to revise her basic salary from Rs.1,33,100/- to 2,00,000/- per month with effect from 1st April 2013, subject to approval of members in the Annual General Meeting.

In this connection Section 309(1) of the Companies Act, provides inter alia that the remuneration payable to the Directors of the Company including any Managing Director or Whole Time Director shall be determined in accordance with and subject to the provisions of Section 198 and Section 309 either by the Articles of the company or by a resolution or if the Articles so require by a Special Resolution passed by the company in General Meeting. There is no provision in the Companies Act that the terms of Remuneration should be approved by a Special Resolution. Accordingly, this resolution has been proposed in terms of Section 309 read with Schedule XIII of the Act.

The agreement between the Company and Ms. Viral Saraf Mittal providing the terms and conditions of her revision of remuneration is available for inspection by the members at the Registered Office of the Company on any working day between 11 a.m. and 1.00 p.m.

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

Except Mr. Vinod Saraf, Mr. Mohit Mutreja, Ms. Vinati Saraf Mutreja, and Mr. Sunil Saraf (being relatives), and Ms. Viral Saraf Mittal, (herself being director), no other Director is interested in this resolution.

The Board recommends the Resolution at item No.8 of the Notice for acceptance by the members.

The Board recommends passing of the Special Resolution.

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

**Registered Office:**  
B-12 & B-13/1,  
MIDC Industrial Area,  
Mahad – 402 309,  
Dist. Raigad,  
Maharashtra.  
Mumbai, 7th May 2013

**By order of the Board of Directors**

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







**VINATI  
ORGANICS  
LIMITED**

**VINATI ORGANICS LIMITED**

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

**ATTENDANCE SLIP**

Full Name of Shareholder (in Block Letters) .....

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

DP. ID – Client ID : .....

Name of Proxy (in Block Letters) .....

I hereby record my presence at the 24th Annual General Meeting of the Company to be held at B-12 & B-13/1 MIDC Industrial Area, Mahad 402 309, Dist Raigad, Maharashtra, on Saturday the 3rd day of August, 2013 at 12.00 Noon.

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

.....  
Member's/Proxy's Signature



**VINATI  
ORGANICS  
LIMITED**

**VINATI ORGANICS LIMITED**

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

**FORM OF PROXY**

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

I/We..... of ..... being a member / members of VINATI ORGANICS

LIMITED hereby appoint ..... of .....

or failing him/her ..... of .....

as my/our Proxy to vote for me/us on my/our behalf at the TWENTY FOURTH ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 3rd day of August 2013 at 12.00 Noon.

Signed this .....day of .....2013.

Affix Re 1/-  
Revenue  
Stamp

**NOTES:**




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



Parinee Crescenzo, 1102, 11th Floor,  
 "G" Block, Plot No. C38 & C39,  
 Behind MCA, Bandra Kurla Complex,  
 Bandra (E), Mumbai - 400 051, India.  
 Phone : 91-22-3948 4444 / 3948 4428  
 Fax : 91-22-3948 4438  
 E-mail : vinati@vinatiorganics.com  
 Website : www.vinatiorganics.com



## FORM A

1.	Name of the Company	Vinati Organics Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March 2013
3.	Type of Audit observation	There are neither any emphasis of matter nor any qualification in a audit report
4.	Frequency of observation	Repetitive
5.	Mr. Vinod Saraf - Managing Director & CEO	
	Mr. N. K. Goyal - CFO	
	M/s. Karnavat & Co., Mr. Shashikant Gupta, Partner - Auditor of the Company	
	Mr. R. K. Saraswat - Audit Committee Chairman	