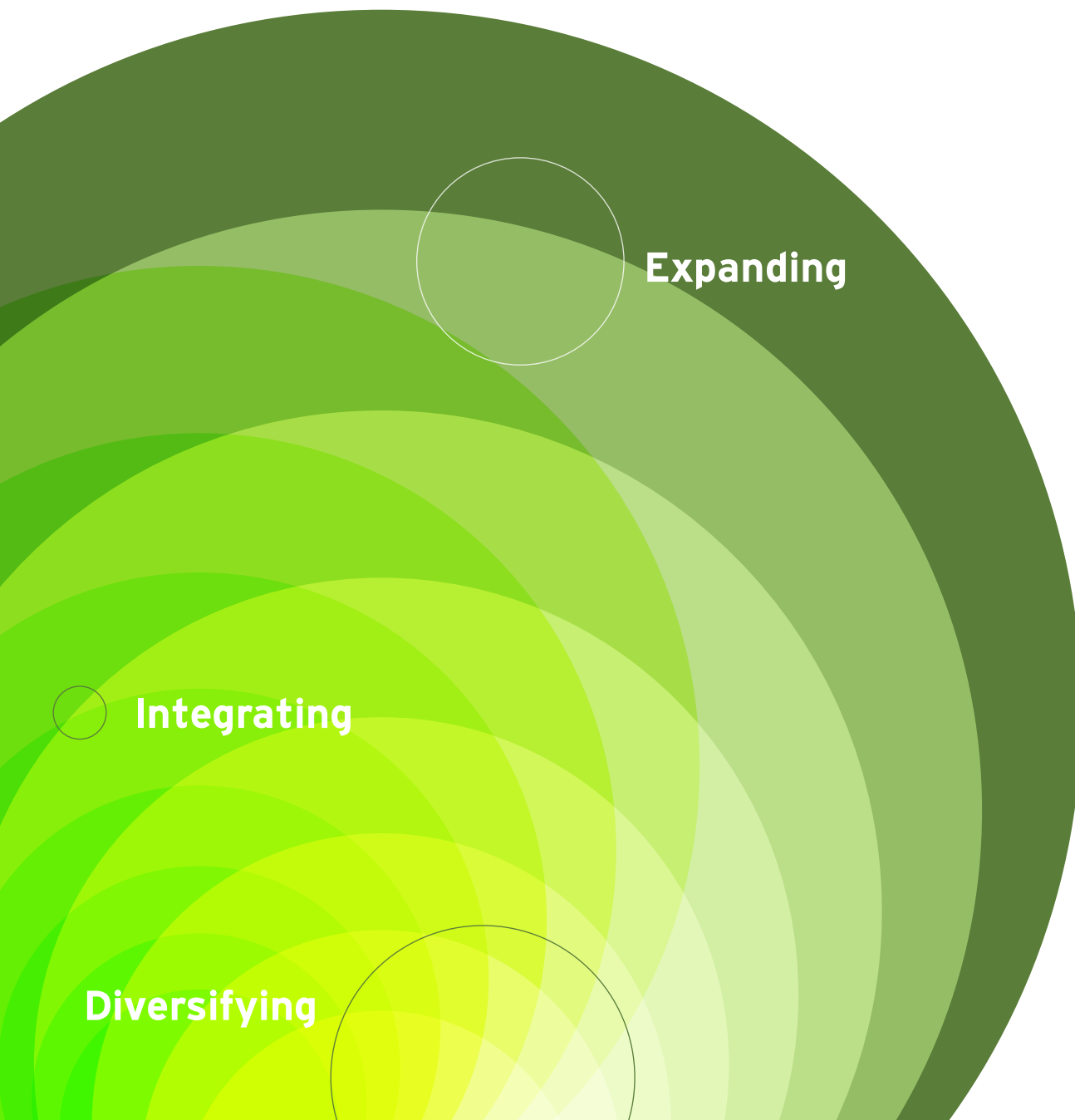




Vinati Organics Limited

Twenty Third Annual Report 2011-12

Strengthening our **synergies**



Expanding

Integrating

Diversifying

Across the pages

Business Review

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Forward-looking statement

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

Strengthening our synergies

2011-12 ushered in intense activity and enthusiasm at **Vinati Organics Limited (VOL)**.

We are listening to customers, **diversifying** our products portfolio, **expanding** capacities and **integrating** capabilities. We are **strengthening synergies** among products, markets and raw materials in order to optimise costs and enhance efficiencies.

Our aim is to **help our customers** succeed by providing them innovative products and reliable solutions. This will result in **sustained leadership in global markets** and **unbeatable value for all stakeholders**.

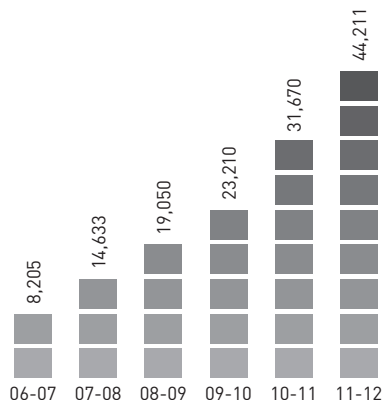
The future, after all, will be shaped by the enthusiasm of today.



Sterling Performance - Financial Highlights

Net sales

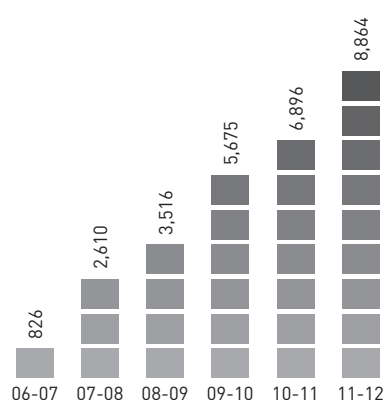
(Rs. in Lacs)



▲
40%
CAGR

EBITDA

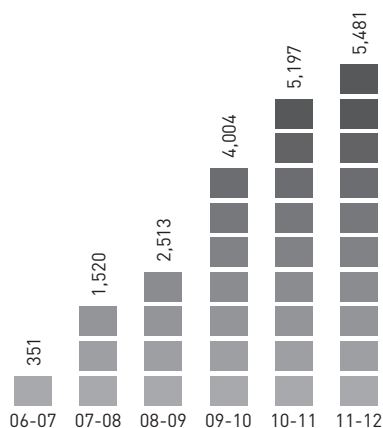
(Rs. in Lacs)



▲
61%
CAGR

PAT

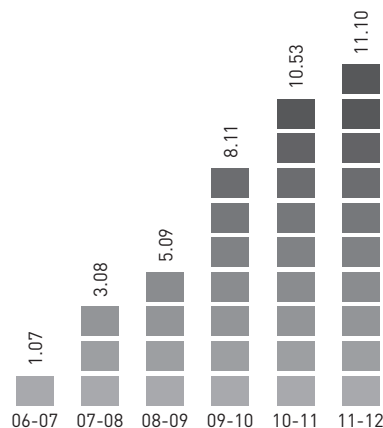
(Rs. in Lacs)



▲
73%
CAGR

Basic EPS

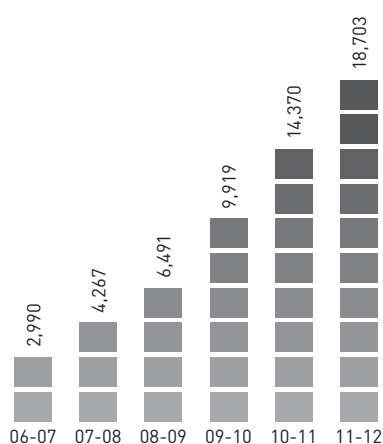
(Rs.)



▲
60%
CAGR

Net Worth

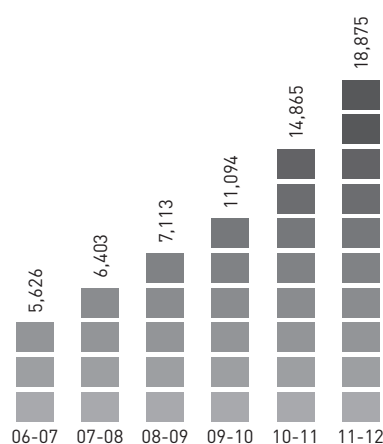
(Rs. in Lacs)



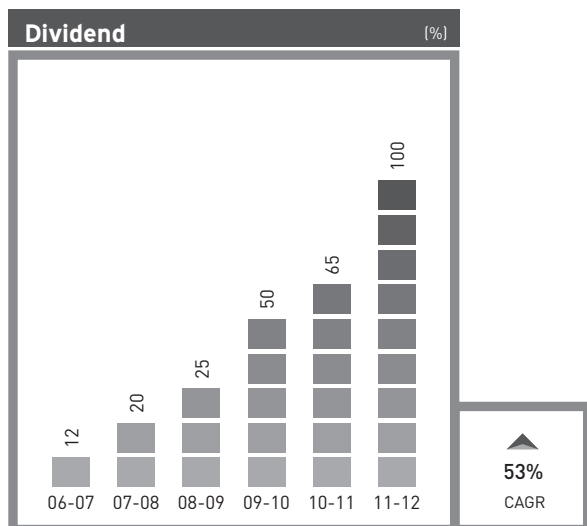
▲
44%
CAGR

Gross Block

(Rs. in Lacs)



▲
27%
CAGR



Operational Review

First time in the history of VOL

- ▶ Net sales crosses Rs. 400 Crore mark
- ▶ ATBS sales volume crosses 12,000 MT
- ▶ IBB sales volume crosses 13,000 MT

Other Highlights

Volumes of major products – We are continuing on the path of growth trajectory, during the year. Volumes of our three major products surged significantly in 2011-12:

- ▶ Isobutyl benzene (IBB): 13,300 TPA (11,100 TPA in 2010-11);
- ▶ 2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS): 12,500 TPA (10,700 TPA in 2010-11);
- ▶ Isobutylene (IB): 7,800 TPA (4,700 TPA in 2010-11)
- ▶ Listed amongst the 200 Best Under a Billion companies for the second time consecutively by Forbes Asia

Delivering responsibly in a promising market

For more than two decades, VOL has played a critical role as one of India's leading manufacturers and exporters of specialty organic intermediaries, monomers and polymers. Besides, we have global leadership in two of our main products, IBB and ATBS. This is a result of business insight, use of high-end technology and operational efficiency.

VOL facts

60%

Is our market share of IBB globally

Largest

Isobutylene plant in India

30%

Is our ATBS market share globally

2

State-of-the-art manufacturing facilities

Institut Francais
du Petrole (IFP)/
Saipem/NCL

Facilities are endowed with state-of-the-art and renowned technology

100%

Capacity
utilisation for
most of its
plants

ISO 9001:2008
ISO 14001:2004
ISO 18001:2007

Signifying continued
commitment towards quality
control, environment and
health & safety

Diversified Product Portfolio

Product category

Product offerings and applications

Aromatics

Isobutyl benzene (IBB)

Application: Used as the main raw material of Ibuprofen bulk drug and perfumery.

Normal Butyl benzene (NBB)

Application: Used in speciality solvent, synthesis of intermediate and liquid crystal ww

Hexenes (C₆H₁₂) (C-6 Aliphatic Hydrocarbons) C-10 Aromatic Solvent

Application: Used as low boiling point solvent, for solvent extractions, as thinners, in tyre retreading among many others.

Industrial monomers

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

Application: Used in acrylic fibre, water treatment chemicals, emulsions for paints paper coatings, adhesives, hydrogels and super absorbent, textile auxiliaries, oil field, mining chemicals, construction chemicals, super plasticisers and agro-chemicals.

Industrial polymers

Vintreat – 243, Vintreat – 343, Vintreat – 238, Vintreat – 230, Vintreat – 245, Vintreat – CAP, Vintreat – 140

Application: Suitable for scale prevention in boilers, heat exchangers and industrial cooling towers. It functions as an effective dispersant and provides fine threshold inhibition against calcium phosphate.

Other products

Isobutylene (IB)

Application: Used as a raw material for ATBS, agro-pesticides and for antioxidants

High Purity Methyl tert-butyl ether (HP MTBE)

Application: Used as a solvent in the pharmaceutical industry.

Infrastructure Excellence

Our facilities	Plant 1	Plant 2
Location	Mahad – Raigad, Maharashtra	Lote – Ratnagiri, Maharashtra
Products manufactured	IBB and NBB	ATBS, NaATBS, TBA, IB, HP MTBE
Cutting-edge technology	Institut Francais du Petrole (IFP) France	National Chemical Laboratories (NCL), Pune (for ATBS) Saipem SpA, Italy (for IB)

Touching the World





Driven by diversity. Focused on synergy.

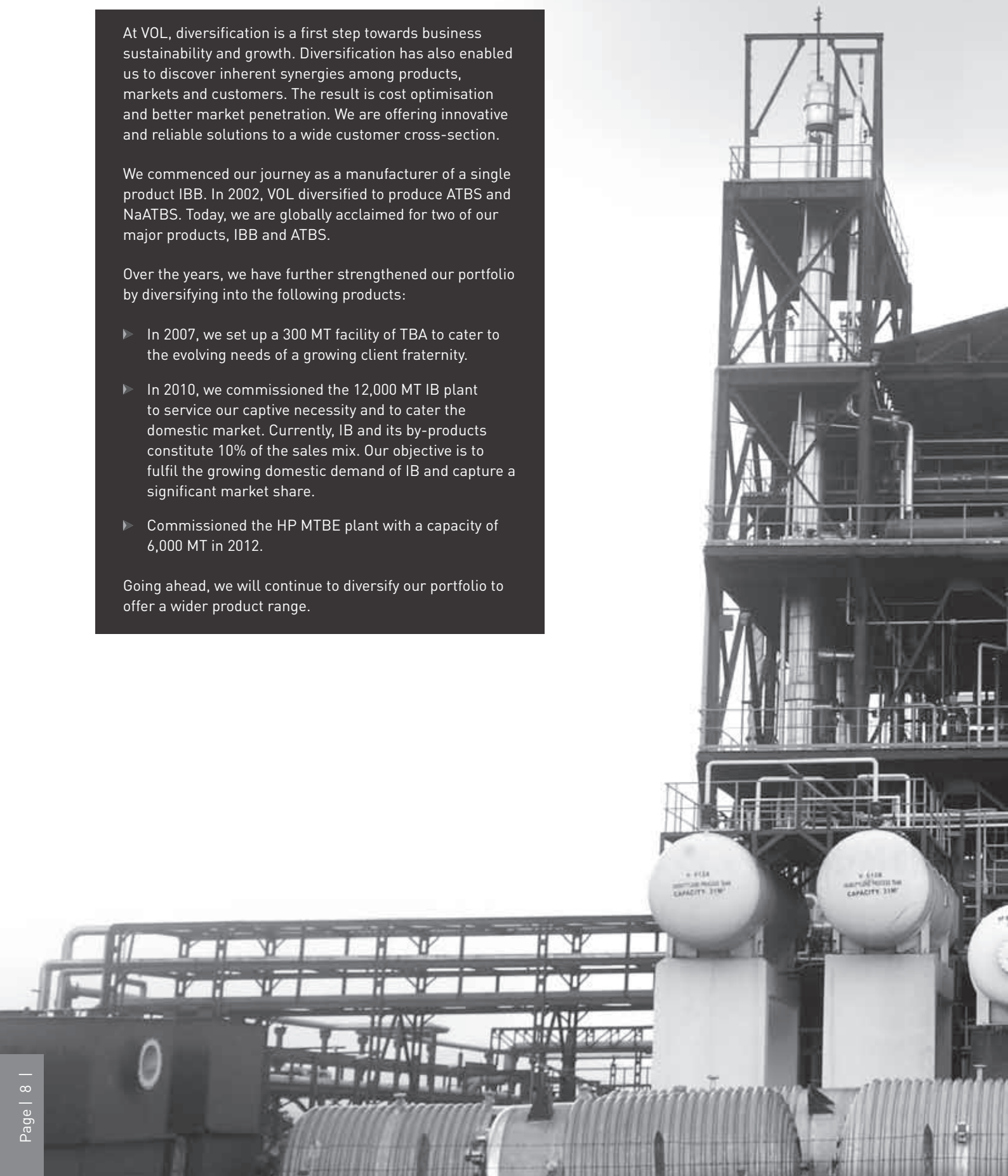
At VOL, diversification is a first step towards business sustainability and growth. Diversification has also enabled us to discover inherent synergies among products, markets and customers. The result is cost optimisation and better market penetration. We are offering innovative and reliable solutions to a wide customer cross-section.

We commenced our journey as a manufacturer of a single product IBB. In 2002, VOL diversified to produce ATBS and NaATBS. Today, we are globally acclaimed for two of our major products, IBB and ATBS.

Over the years, we have further strengthened our portfolio by diversifying into the following products:

- ▶ In 2007, we set up a 300 MT facility of TBA to cater to the evolving needs of a growing client fraternity.
- ▶ In 2010, we commissioned the 12,000 MT IB plant to service our captive necessity and to cater the domestic market. Currently, IB and its by-products constitute 10% of the sales mix. Our objective is to fulfil the growing domestic demand of IB and capture a significant market share.
- ▶ Commissioned the HP MTBE plant with a capacity of 6,000 MT in 2012.

Going ahead, we will continue to diversify our portfolio to offer a wider product range.



Our product pipeline over the next one year

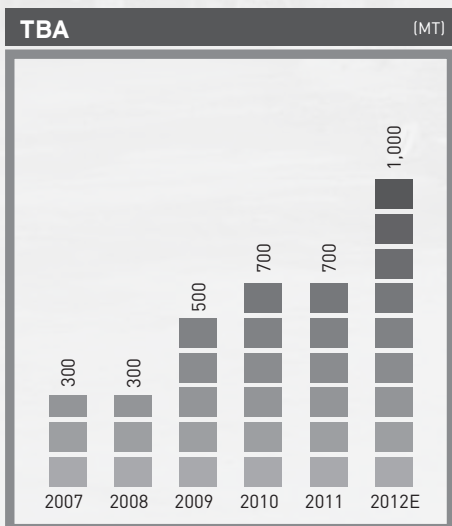
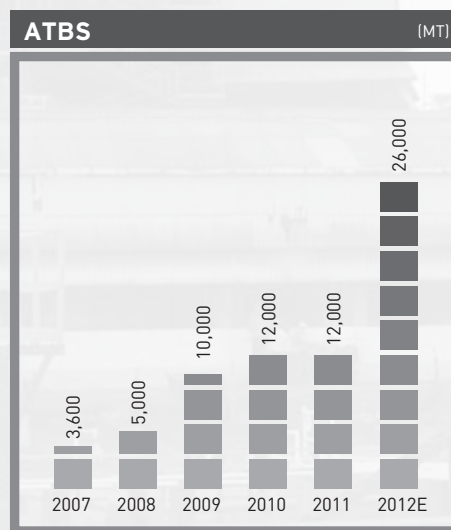
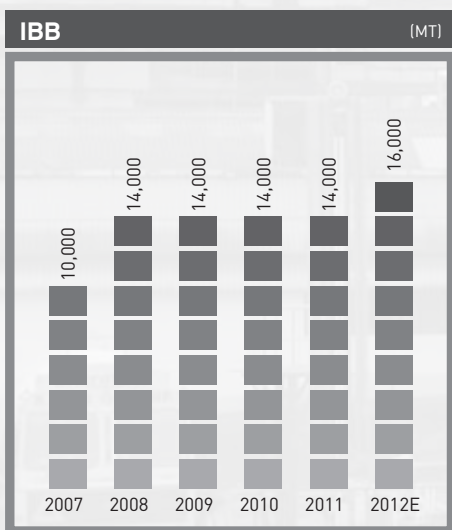
Product category	Product offering	Application	Planned capacity (MT)
Industrial Monomers	DAAM	Coatings, personal care, epoxy resin (curing agent), light sensitive resin, additive, gelatine substitute	1,000
	TOA	Personal care, adhesives, antiscalants	1,000

Accelerating expansion. Deepening integration.

To emerge among the top three global players in all our products, and to provide long-term stakeholder value, we have adopted the strategy of expansion and integration of our production facilities.

VOL has attained global leadership in both its main products viz. IBB and ATBS through regular capacity expansions. Supported by a robust demand for our products, we have been consistently increasing our production capacity.

Steady growth in capacities



Major accomplishments (diversification, expansion and integration)

- ▶ Increased IBB capacity from 10,000 in 2007 to 14,000 by 2011 and further de-bottleneck to get 16,000 MT in 2012.
- ▶ Increased ATBS capacity from 3,600 MT in 2007 to 12,000 MT by 2011 and more than double the capacity to 26,000 MT in 2012.
- ▶ Increased the TBA capacity from 300 MT in 2007 to 700 MT by 2011 and further increase to 1,000 MT in 2012.

Expansion without integration is half of the story at VOL. Our integration, in addition to increasing our revenues, has also resulted in enhancing competitiveness and better cost efficiency.

In 2007, we started manufacturing TBA, which resulted in deriving better synergy as TBA required the same raw materials as that of ATBS. Down the years, through considerable in-house research we have started manufacturing low-cost industrial polymers. These industrial polymers are manufactured by converting the residue extracted from the ATBS and TBA processes. This results not only in additional revenue but also underlines our drive towards eco-gear'd growth.

To strengthen our position in ATBS, VOL executed a backward integration project for the manufacture of IB, one of the key raw materials for ATBS. The IB plant fully satisfies the captive requirement and also caters to the local demand of IB. This integration has brought about multiple advantages to VOL in the form of securing the supply of a major raw material, cost efficiency resulting in competitive advantage and a significant increase in revenue.

The DAAM plant, which is on the verge of commissioning and the proposed TOA plant would use Acrylonitrile (ACN) as one of its key raw materials. As ACN is already being used to manufacture ATBS & TBA, we would be enjoying optimum utilisation of resources as far as raw material handling is concerned.

Similarly, for producing HP MTBE we use MTBE as the major raw material which is also the raw material for producing IB. This again brings about increased cost efficiency.



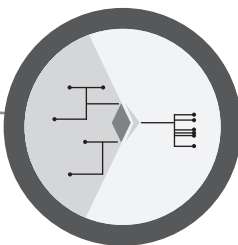
Looking closely at key strengths



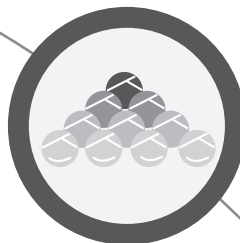
Unique products: VOL manufactures niche products with integration and synergy of its operating facilities.



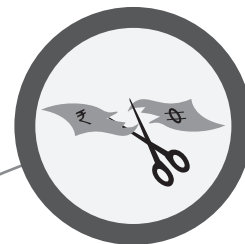
Global Leadership: VOL is a global leader in both its main products viz. IBB and ATBS.



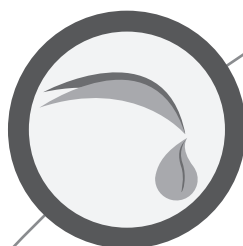
Cutting-edge technology: By deploying the most sophisticated and advanced technologies we have been able to achieve a record high purity level in all our products.



Strong customer base: Our clientele includes some of the global giants like BASF, NALCO Azko Nobel, SNF, Dow Chemicals, Perrigo, Clariant, Chemtall and Shasun, to name a few.



Competitive pricing: Strategic integration combined with operational efficiencies have allowed VOL to be competitive in the world market in terms of pricing.



Eco-friendly processes: The Company is dedicated to enhancing environmental awareness by producing zero-waste products and embracing green technologies. In the process, we have been recycling all residual streams and organic wastes. The conversion of waste products has led to an addition of low-cost saleable polymers to our portfolio, enhancing profitability.



Human Capital: We have in place a strong and motivated team of 500 employees. The skill set of our employees have helped accelerate organisational growth.



Robust demand: Both our plants are running at 100% capacity and significant demand is anticipated from major developed markets like the US, Europe and China. We are investing considerably in research and product development. This enables us to offer superior, innovative and reliable solutions.

Managing Director's Insight

Dear Shareholders,


Vinati Organics Limited performed well in a challenging global scenario. Unperturbed by temporary challenges, we focused on strengthening our synergies, which will help us significantly in the long term. Our initiatives (capacity expansion, diversification of products and integration) have helped us to create a platform for sustainable value creation. However, this is just the beginning, and once the bite of the recession loosens its grip, opportunities will multiply significantly. We are enhancing our preparedness today to cater to the demands of the future.

Although the global economic recovery lost its steam during the second half of 2011, we nevertheless had a good year and maintained the growth momentum that we set for ourselves. Against this backdrop, during FY'12, we recorded our highest ever sales in IBB, ATBS and IB. Our net sales grew by 39% to reach Rs. 44,746 Lacs and our EBITDA grew by 30% to reach Rs. 9,447 Lacs. The discontinuance of the income tax benefit for EOU from FY'12, resulted in a higher incidence of tax due to which the PAT grew by only 5%.

The past few years have been equally challenging and exciting for us. One of the most challenging task has been to strengthen our growth path amidst severe economic uncertainties and volatile markets. But even during these testing times, we never lost the focus of our long-term goals and made significant investments for our growth, all along maintaining the financial discipline.

We are very proud to see that our impressive growth has also been acknowledged and appreciated. From being ranked amongst the Top 10 Fastest Growing Companies by The Economic Times to being listed in Forbes Asia's 200 Best Under a Billion companies, it has been an exciting journey. For us, these awards and recognitions testify our capabilities, serve as a souvenir of our accomplishments and inspire us to go beyond them.





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The long-term prospects of Vinati Organics Limited continue to be robust, despite an uncertain macro-economic condition. We are confident that our investments will propel us towards continued growth and global market leadership. I must emphasise upon the fact that strategies drawn on paper would never get translated into ground realities, without the enthusiasm and strength of our people. Vinati will continue to treat human endeavour with fairness, empathy and respect, while aligning individual career aspirations with organisational objectives.

I would like to express my gratitude to all our stakeholders including shareholders, customers, bankers, vendors for their unstinted support. I would also like to take this opportunity to appreciate our employees for their tireless efforts, enthusiasm and dedication in our pursuit towards global excellence.

Warm Regards,

Vinod Saraf
Managing Director

Responsible Entrepreneurship

VOL's social responsibility focuses on education, healthcare and green initiatives. Our priority is to help ensure social wellbeing and limit our impact on the natural environment. Besides, we work towards maintaining the highest standards of health and safety for our people.

Our initiatives comprise the following:

- ▶ Protecting the environment and encourage community greening.
- ▶ Motivating meritorious students through awards.
- ▶ Contributing to local community welfare by participating in social programmes organised by local panchayats.
- ▶ Encouraging the education of girl students by donating uniforms and educational aids.
- ▶ Providing financial assistance for the purchase of computers, fans and other facilities in local schools.
- ▶ Organising blood donation camps for the community during the National Safety Week.
- ▶ Generating employment for disadvantaged sections of society; we have set up our facilities in the interiors of Maharashtra to attract semi-skilled and unskilled people.
- ▶ Participating in campaigns for spreading awareness on global warming.

We would continue our efforts to help accelerate social advancement and wellbeing.





Dynamic Management

Board of Directors

Mr. Girish M. Dave, Non-Executive Chairman and Director
Mr. Vinod Saraf, Managing Director
Mr. Chintaman Bhaskar Gokhale, Director
Mr. Ayliur Akileswaraiyer Krishnan, Director
Mr. R. K. Saraswat, Director
Ms. Vinati Saraf Mutreja, Executive Director
Ms. Viral Saraf Mittal, Director – Corporate Strategy
Mr. Mohit Mutreja, Director
Mr. Sunil Saraf, Director

Senior Management

Mr. Nandkishore Goyal, Chief Financial Officer
Mr. Jayesh Ashar, Chief Operating Officer
Mr. B. S. Lathi, Executive President – Mahad Plant
Mr. M. D. Purohit, Vice President (Technical) – Lote Plant
Mr. Mahendra Kumar Churiwala, Sr. Vice President – Marketing
Mr. Amit Thanawala, Vice President – Marketing
Mr. Guntant S. Singhi, Company Secretary cum Finance Controller



Statutory Reports



Management Discussion and Analysis

ECONOMY OVERVIEW

The global economy which had shown some signs of recovery during the first half underwent a sharp decline by the end of 2011. But going by the performance which was recorded in the first quarter of 2012 there is growing evidence that the economic activity is all set to strengthen in the second half of 2012. Though the outlook for global economy is slowly improving it is still fragile and has to counter some major downside risks from the euro area.

The Indian economy too has been showing signs of deceleration. Slowing down of industrial growth and investment, weakening business sentiment, tendency towards inflation are some of major issues that the Indian economy is presently dealing with. The domestic factors combined with the global factors resulted in the Indian economy growing at 6.9% in 2011-12. The International Monetary Fund (IMF) has projected a growth rate of 6.9% in 2012, which is broadly unchanged from last year, but expects a uptick to 7.3% in 2013.

INDUSTRY OVERVIEW

The chemical industry which is nearly a USD 3 Trillion global business has grown at a sharp rate in the past five decades or so. The chemical industry is mainly concentrated around North America, Western Europe and Japan with Europe being the largest producer followed by America and Japan.

The outlook for the global chemical industry in 2012 looks fairly balanced. While developed economies, like USA and European Union, are expected to grow at a modest rate being constrained by debt and tighter fiscal policies, the Asia Pacific region is expected to continue its volume growth with India and China leading the pack. In the backdrop of growth moving from the western to the Asia pacific and given the strong local demand, it is expected that India's chemical industry has the potential to grow at a CAGR of 10% and become a USD 130 Billion plus industry by 2015.

(Source: Handbook on Indian Chemical Industry, FICCI)

COMPANY OVERVIEW

Incorporated in 1989, Vinati Organics Limited (VOL) has been manufacturing specialty organic intermediaries and monomers. It is listed on Bombay Stock Exchange and National Stock Exchange and has around 500 employees.

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

VOL is also the largest manufacturer of 2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS) in the world. ATBS is a specialty monomer with several applications including the manufacture of acrylic fibers, personal care products, water treatment chemical, enhanced oil recovery chemical and so on. It began commercial production of ATBS at its plant in Lote Parashuram, Maharashtra in 2002, based on technology sourced from the National Chemical Laboratories, Pune. It has since expanded its capacity to 12,000 MT.

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

IBB

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

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

These specialty monomers have wide applications mainly in oil-field recovery, water treatment, acrylic fiber manufacturing, adhesives and personal care products. They are also used in mining industry, coatings and as dispersing and flocculating agents. A major potential application for the monomer is for EOR (Enhanced Oil Recovery). With the big increase in oil prices, many major companies are in the process of developing these projects. The global demand of ATBS is growing at 10-15% annually, due to increased usage of the specialty monomer. There are very few manufacturers of these products world-wide. Demand for ATBS in India is at present very limited. A major portion of the production in India is exported. The main destinations for exports are Europe, America and other Asian countries. At present, there are only 3 manufacturers of ATBS in the world.

IB

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

PERFORMANCE OVERVIEW

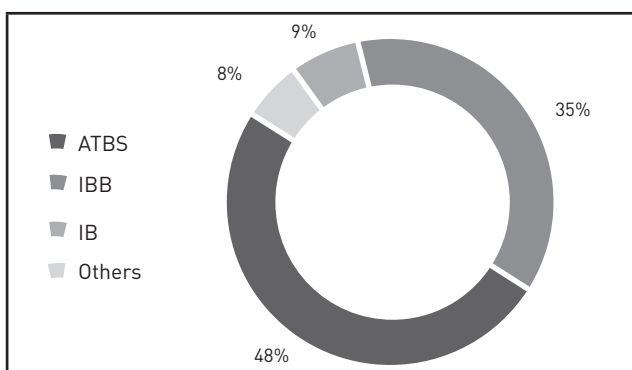
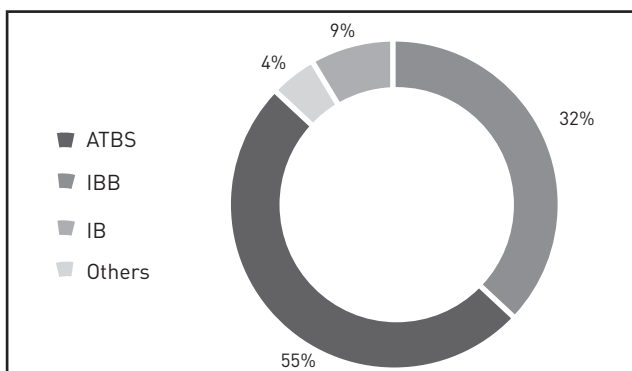
Particulars	2011-12	2010-11	% growth (Y-O-Y)
Net Sales	44,746	32,265	39%
Profit Before Interest, Depreciation and Taxes	9,447	7,281	30%
Net Worth	18,703	14,370	30%
Earnings per share (Rs.)	11.10	10.53	5%
Gross Block	24,549	18,469	33%
Net Block	20,106	14,721	37%

During the previous year, our Net Sales grew by 39% on the back of increased sales of ATBS, IBB and IB. The Profit Before Interest, Depreciation and Taxes grew from Rs. 7,281 Lacs to Rs. 9,447 Lacs registering a strong growth of 30%. While the Net Worth of the Company has grown by 30% from Rs.

14,370 Lacs to Rs. 18,703 Lacs it can also be seen that VOL is continuing its investment on its manufacturing capacities. This is reflected through the 33% growth in the Gross Block.

SEGMENTAL ANALYSIS

(SALES MIX AS A % OF TOTAL SALES)

2011-12**2010-11**

During 2011-12 sales of IBB and IB have increased considerably and consequently ATBS now constitute 48% of the sales mix and IBB and IB constitute 35% and 8% respectively.

STRENGTHS & OPPORTUNITIES

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

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

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

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

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

In ATBS, we are the largest manufacturer in the world, with a global market share of over 30%. We are running at a capacity of 12,000 MT and are soon to expand our capacity to 26,000 MT.

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

Both IBB and ATBS are specialty chemicals and VOL has successfully implemented state-of-the-art technology which is available only to a few in the world. Our continued focus on using an efficient technology has led us to achieve operational efficiencies and greater economies of scale. This in turn has enabled us to be global leaders in our products.

We believe that going ahead the ATBS segment shall be growing at a robust rate. The ATBS demand world over has been increasing at 8-10% p.a. and VOL has been growing at more than 30% in the ATBS market. There is significant research being done on polymers based on ATBS for applications in Energy sector. Some of this research is at pilot scale implementation. With success of this application the EOR business is expected to grow exponentially, resulting in significant increase in demands for ATBS. The commercialising of these technologies is expected from 2012 / 2013 onwards.

Our belief in the potential of ATBS is reflected in the capacity expansion that we have undertaken in ATBS over the years. We had doubled the ATBS capacity from 5,000 to 10,000 MT in May 2009 and further expanded to 12,000 in 2011 through de-bottlenecking. Considering the robust growth of the world-wide ATBS market, we are now expanding it further to 26,000 MT. We shall also expand the capacity of TBA to 1,000 MT and that of ATFE Bottom Polymers (Industrial Polymers) to 4,500 MT.

In June 2010, VOL backward integrated itself with the commissioning of its 12,000 MT Isobutylene (IB) plant. This puts VOL on a higher footing vis-à-vis its other competitors in the ATBS market, as none of the other competitors are backward integrated like VOL. The Company is enjoying a competitive advantage through this backward integration by ensuring the supply of one of its major raw materials to cater the growing demand of ATBS. Also IB is sold to other users as it has wide and growing applications mainly in agriculture and antioxidants.

In addition to the above expansions, we are also setting up a new plant of Di-Acetone Acrylamide (DAAM) with a capacity of 1,000 MT and this is expected to be commissioned by August 2012.

These expansions and the new product shall add significantly to the top-line and bottom line of the Company.

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

INTERNAL CONTROL

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

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

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

HUMAN RESOURCES

As on 31st March, 2012, Vinati Organics Limited had 498 employees, compared with 423 employees as on 31st March, 2011.

During the last year, various new initiatives aimed towards greater employee engagement were undertaken by the HR department. Many HR processes were reviewed and refined to ensure higher levels of efficiency to the business. Industrial relations remained cordial at both the plants.

Critical areas like operations and talent management were further strengthened through new recruitments. Engineering and technical trainees were inducted through a systematic process of tapping the campus talents across India.

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

RISK REVIEW

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

GROWTH

The global prospects which suffered a major setback, especially in the 2nd half of 2011, is slowly seen to be strengthening again. Improved activity in USA and clear resolve to have better policies in the euro area have reduced the looming threat of a global slowdown. Lower than expected growth could affect the business fortunes.

VOL is geared up for growth and has invested in assets aimed at capacity expansion to meet the growing demand of its products.

COMPETITION AMONGST EXISTING FIRMS

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

PRODUCT SUBSTITUTION

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

MARGIN RISKS

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

The Company has hedged itself against such risk through contracts wherein the product prices are benchmarked against the input prices. The price variation, depending on products, can vary from monthly to quarterly basis. But in

case of spot sales, margins could be affected in case we are not able to pass on the price increase in raw materials. Oversupply due to increased global capacity could also lead to some pressures on margins.

RAW MATERIALS

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

ENVIRONMENT

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

FOREIGN EXCHANGE

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

The Company procures raw materials through import and local purchases, where local purchases track import parity price. Also, contracts entered into with customers have provision to share the forex risk. Further, the long term loans of the Company are all in USD. All combined this acts as a natural hedge, thus minimising USD exposure to almost nil.

TECHNOLOGY

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

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

Directors' Report

To the Members,

Your Directors have pleasure in presenting their Twenty Third Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2012.

1) FINANCIAL RESULTS

The summarised position of these results is given below:

		(Rs. In Lacs)	
		2011-2012	2010-2011
Net sales up by 39%	Net Sales/Income from Operations	44746.06	32264.88
	Other Income	283.19	635.21
	Total Income	45029.25	32900.09
	Profit before Interest, Depreciation & Taxes	9446.75	7281.33
EBITDA up by 30%	Interest	582.82	385.75
	Profit before Depreciation & Taxes	8863.93	6895.58
	Depreciation & Non-cash Charges	703.71	644.93
	Profit before Taxation	8160.22	6250.65
PAT up by 5%	Provision for Taxation - Current	2329.10	1242.26
	- Deferred	316.37	301.96
	- MAT credit entitlement	-	(490.67)
	Provision for earlier year W/back/Provided	34.21	0.18
PAT up by 5%	Net Profit	5480.54	5196.92
	Balance brought forward	12059.87	8128.91
	Balance available for appropriations	17540.41	13325.83
	Appropriations		
	Final Proposed Dividend	987.45	641.84
	Tax on above	160.19	104.12
	Transfer to General Reserve	550.00	520.00
	Surplus carried to Balance sheet	15842.77	12059.87

2) REVIEW OF OPERATIONS

The Company's operations have shown impressive growth during the year under review. The net sales during the year have gone up to Rs. 44,746.06 Lacs from Rs. 32,264.88 Lacs, registering a growth of 39% over the previous year.

The robust growth in sales can be attributed to the phenomenal growth in ATBS sales which grew by more than 22% as compared to previous year. During FY'12 we have crossed sales of 12,000 MT of ATBS.

The Company's profit before tax has also gone up from Rs. 6,250.65 Lacs in previous year to Rs. 8,160.22 Lacs in current year registering a robust growth of 33%.

3) DIVIDEND

Your Directors are pleased to recommend a dividend of 100% i.e. Rs. 2/- per equity share.

The total outgo on dividend account will be Rs. 1,147.64 Lacs (inclusive of corporate tax on dividend).

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

4) PROSPECTS

As we go into the next year, we expect to keep growing furthermore in ATBS and accordingly have decided to augment the ATBS capacity with a further expansion to 26,000 MT and this expansion is expected to be commissioned by September 2012.

Di-Acetone Acrylamide (1000 MT) is expected to be commissioned by August 2012. This acrylonitrile based product, synergic with ATBS, is used in manufacture of coatings, adhesives, laminates and sealers.

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

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

5) TURNOVER AND PROFIT (OPERATING RESULTS)

The Company achieved gross turnover of Rs. 46,848.94 Lacs as compared to Rs. 32,931.06 Lacs in the previous year. The net profit after tax increased to Rs. 5,480.54 Lacs as compared to Rs. 5,196.92 Lacs in the previous year.

6) INSURANCE

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

7) DIRECTORS

Mr. Mohit Mutreja had resigned from the post of whole time Director – Business Development. He continues to be Director w. e. f. 01.05.2012.

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. A. A. Krishnan and Mr. Girish M. Dave, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

8) AUDITORS

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

9) AUDITORS' REPORT

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

10) COST AUDITOR

As per the order of Central Government within the meaning of Section 233 A of the Companies Act, 1956, M/s. N. Ritesh & Associates has been appointed as a Cost Auditor subject to the approval of Central Government for the year ending on 31.03.2013.

11) FIXED DEPOSITS

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

12) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, relating to the above head are given in Annexure 'A' forming part of this report.

13) LISTING

The Company's Equity shares continue to be listed at BSE & NSE. We confirm that the Listing fee for the financial year 2011-2012 has been paid to them. The stock code of the Company at BSE is 524200 and NSE is VINATIORGA.

14) DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and the profit or loss of the Company for the year ended on 31st March, 2012;
- ii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared annual accounts on a going concern basis.

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

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

16) EMPLOYEES

The 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%**

17) 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 or its subsidiaries.

18) DELAY IN COMPLETION OF BUY- BACK

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

19) COMPOSITION OF AUDIT COMMITTEE

The Audit Committee of the Company as on 31st March, 2012 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**

20) ESOP/ ESOS

The Company has not issued any ESOP or ESOS.

21) SWEAT EQUITY

The Company has not issued any sweat equity.

22) PREFERENTIAL ALLOTMENT

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

23) REDEMPTION OF SHARES/ DEBENTURES

The Company has not redeemed any Shares or Debentures.

24) 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.

25) DISQUALIFICATION OF DIRECTOR:

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

26) INSIDER TRADING PROCEEDINGS/ ENQUIRY

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

27) 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
Dated: 12th May, 2012

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	2011-12	2010-11
1) Electricity		
a) Purchased (MSEB)		
Unit (KWH in Lacs)	222.73	197.56
Total Amount (Rs. in Lacs)	1514.54	1,126.57
Cost per unit (in Rs.)	6.80	5.70
Unit Consumed / Kg. Of IBB	0.34	0.36
Unit Consumed / Kg. of ATBS	1.31	1.37
Unit Consumed / Kg. of IB	0.18	0.23
b) Own Generation		
(i) Through Diesel Generator		
Units (Litres)	52,904	53,474
Total Cost (Diesel cost in Rs.)	727,763	724,614
Cost per unit (in Rs.)	13.76	13.55
2) Coal		
Units (Kg.)	11,118,812	7,473,271
Total Cost (Rs. in Lacs)	681.13	420.08
Average Cost (Rs. /Kg)	6.13	5.62
3) Furnace Oil		
Units (KL)	533,821	912,787
Amount (Rs. in Lacs)	186.76	253.21
Average Cost (Rs./KL)	34.99	27.74

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 40 of Notes to Accounts in Annual Report.

Corporate Governance Report

Annexure 'B' Directors' Report

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

The objective of your Company is not only to meet the statutory requirements of the code but to go well beyond it by instituting such systems and procedures as are in accordance with the latest global trend of making management completely transparent and institutionally sound.

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

2. BOARD OF DIRECTORS

(a) Composition

The Company has a combination of Executive and Non-Executive Directors. The Company has Non-Executive Chairman. The number of Independent Directors is 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. Mohit Mutreja had resigned from the post of whole time Director – Business Development. He continues to be Director w. e. f. 01.05.2012.

Mr. A. A. Krishnan and Mr. Girish M. Dave, Directors' retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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

The Board met six times on the following dates during the financial year 2011-2012 and the gap between two meetings did not exceed four months:

Date of the Meeting	Total Strength	No. of Directors present
21st May, 2011	9	7
23rd July, 2011	9	8
29th October, 2011	9	6
3rd January, 2012	9	3
28th January, 2012	9	8

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, 2012 are given below:

Name	Category	No. of Board Meetings Attended during 2011-12	Whether attended AGM held on 30th July, 2011	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. Vinod Saraf (Managing Director)	Promoter, Non-Independent Executive	5	Yes	1	-	-
Mr. Girish M. Dave (Chairman – Non-Executive)	Independent Non-Executive	4	No	7	1	7
Mr. R. K. Saraswat (Director)	Independent Non-Executive	3	Yes	3	3	1
Mr. C. B. Gokhale (Director)	Independent Non-Executive	3	No	-	-	-
Mr. A. A. Krishnan (Director)	Independent Non-Executive	3	No	1	-	-
Mr. Sunil Saraf (Director)	Promoter, Non-Independent Non - Executive	4	No	1	-	-
Ms. Vinati Saraf Mutreja (Executive Director)	Promoter, Non-Independent Executive	5	No	1	-	-
Ms. Viral Saraf Mittal (Director – Corporate Strategy)	Promoter, Non-Independent Executive	1	Yes	1	-	-
Mr. Mohit Mutreja Director (Business Development)	Non-Independent Executive	5	No	-	-	-

(c) Code of Conduct:

The Company has laid down a Code of Conduct for all its Board members and Senior Management personnel for avoidance of conflicts of interest. It has received from all of them the necessary declarations affirming compliance with the Code of Conduct for the year 2012. 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	0.80
2.	Mr. R. K. Saraswat	0.60
3.	Mr. C. B. Gokhale	0.60
4.	Mr. A. A. Krishnan	0.30
5.	Mr. Sunil Saraf	0.40

(e) Shareholdings of Directors as on 31.03.2012 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) Constitution

The Audit Committee, which was constituted on 31st January, 2001 pursuant to the provisions contained in section 292A of the Companies Act, 1956 was reconstituted as per Clause 49 of Listing Agreement for Corporate Governance on 24th January, 2002 and was reconstituted on 20th May, 2006 and 18th June, 2009 and once again it was reconstituted on 24th January, 2011. The terms of reference of the Audit Committee as stipulated by the Board are in accordance with all the items listed in Clause 49(II)

(D) of the Listing Agreement and Section 292A of the Companies Act, 1956.

(b) Composition

The Audit Committee of the Company as on 31st March, 2012 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
21st May, 2011	3	2
23rd July, 2011	3	3
29th October, 2011	3	2
28th January, 2012	3	3

The necessary quorum was present at the meetings.

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

(d) Terms of reference

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

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

4. SHARE TRANSFER COMMITTEE

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

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

(iii) Mr. Sunil Saraf, Director

Mr. G. S. Singhi being the Company Secretary cum Finance Controller of the Company acts as the Secretary to the Committee. The Committee met 12 times during the year 2011-2012 for approving transfers, transmissions etc. All transfers & transmissions etc. were approved and share certificates were dispatched within 30 days and requests for dematerialisation were confirmed within 21 days.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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.

(a) 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

(b) 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, 2012	3	2

A total number of 20 complaints were received and all of which were, redressed by the Company during the year 2011 - 12.

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.

6. REMUNERATION COMMITTEE

(a) Constitution

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

1. Mr. C. B. Gokhale : Independent Director - Chairman

2. Mr. A. A. Krishnan : Independent Director - Member
3. Mr. Anand Kumar Tibrewala : Non-Independent Director - Member

(b) Composition

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

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

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

(c) Meetings & Attendances

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

Date of the Meeting	Total Strength	No. of Directors present
23rd July, 2011	3	2

The necessary quorum was present at the meetings.

(d) Remuneration Policy

As per policy of the Company and after taking into account the approval of the Remuneration Committee, remuneration will be paid to the directors as per 2(e).

(e) Details of remuneration paid /payable to the directors for the year ended 31st March, 2012

Managerial remuneration (Rs. in Lacs)

Name	Salary & Allowances	Contribution to PF	Other Perquisites
Mr. Vinod Saraf (Managing Director)	43.06	3.98	0.85
Ms. Vinati Saraf Mutreja (Executive Director)	31.19	2.88	1.34
Ms. Viral Saraf Mittal (Director – Corporate Strategy)	18.65	1.72	0.64
Mr. Mohit Mutreja (Director – Business Development)	30.90	2.85	0.00
TOTAL	123.81	11.43	2.83

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

7. 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 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.

8. 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
20th AGM 2009	Regd. Office, B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.	19/09/2009	Saturday	12.30 p.m.	Nil
21st AGM 2010	- do -	24/07/2010	Saturday	12.30 p.m.	Nil
22nd AGM 2011	- do -	30/07/2011	Saturday	12.30 p.m.	Nil

None of the special resolutions were put through postal ballot.

9. 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. 29(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) Compliance with mandatory / non-mandatory requirements:

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

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

10. 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 & www.nseindia.com.

11. 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.

12. COMPLIANCE OFFICER

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

13. GENERAL SHAREHOLDER INFORMATION

(a) Annual General meeting Date, Time & Venue	1st September, 2012 at 12.30 p.m. at Regd. Office, at B/12 & B-13/1, MIDC Indl. Area, Mahad – 402 309, Dist. Raigad, Maharashtra.
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(b) Financial Calendar Annual General Meeting Unaudited results for the quarter ending June 2012 Unaudited results for the quarter/half year ending September 30, 2012 Unaudited results for the quarter ending December 31, 2012 Audited results for the quarter ending March 31, 2013	1st September 2012 4th week of July '12 4th week of Oct '12 4th week of Jan '13 4th week of May '13
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Date of book Closure	23rd August, 2012 to 1st September, 2012.
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Dividend payment date	5th September, 2012
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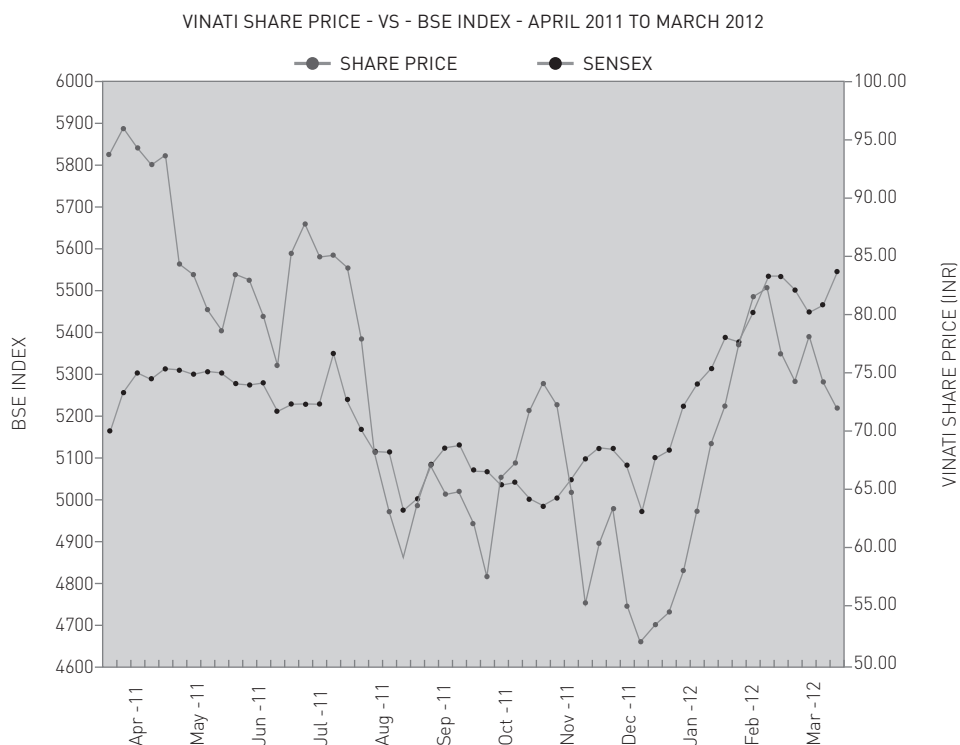
(c) Listing on Stock exchange	The Company's Securities are listed on the following stock exchanges in India: Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001, Maharashtra. National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra.
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(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
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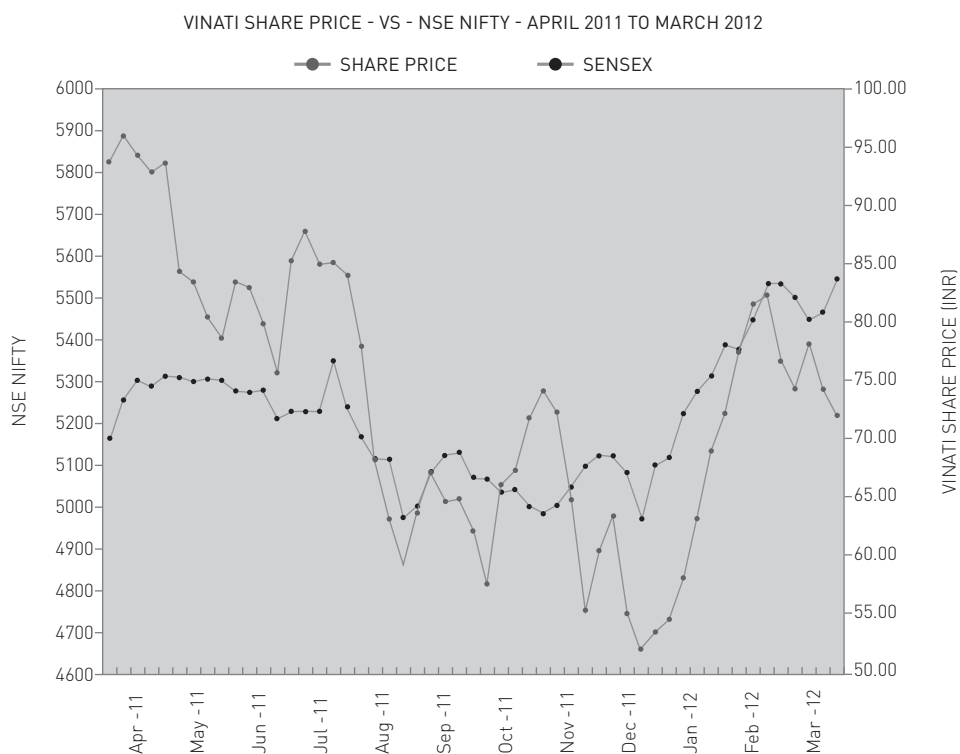
e) Market Price Data:

Month & Year	Bombay Stock Exchange Ltd. (in Rs.)		National Stock Exchange of India Ltd. (in Rs.)	
	High	Low	High	Low
Apr – 2011	76.85	70.00	75.90	70.15
May – 2011	77.50	72.30	76.25	74.10
Jun – 2011	76.50	68.40	75.10	71.00
Jul – 2011	80.50	71.15	77.80	71.40
Aug – 2011	73.45	61.20	71.70	63.05
Sep – 2011	71.50	63.75	69.90	64.95
Oct – 2011	69.30	62.00	67.65	62.45
Nov – 2011	72.65	62.00	69.45	62.55
Dec – 2011	71.00	60.55	69.90	61.25
Jan – 2012	82.00	67.00	78.25	67.55
Feb – 2012	84.90	76.00	83.65	76.55
Mar – 2012	84.50	78.10	84.05	79.40

(f) The performance of the Company's shares relating to the BSE Index for the year 2011-2012 is given below:



(g) The performance of the Company's shares relating to the NSE Index for the year 2011-2012 is given below:



(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 Fax E-mail Website Business Hours	2851 5606 / 2851 5644 / 2851 6338 2851 2885 sharexindia@vsnl.com www.sharexindia.com 11.00 a.m. to 1.00 p.m. & 2.00 p.m. to 4.00 p.m. (Monday to Friday)
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- (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, 2012.

Category No. of Shares	No. of share holders	% of holders	Total Shares	% of Shares
1 To 100	2553	22.59	148314	0.30
101 To 200	850	7.52	147677	0.30
201 To 500	1584	14.01	598943	1.21
501 To 1000	4820	42.65	3657543	7.41
1001 To 5000	1245	11.02	2757561	5.59
5001 To 10000	123	1.09	876895	1.78
10001 To 100000	105	0.93	3005421	6.08
100001 and above	21	0.19	38180146	77.33
TOTAL	11301	100.00	49372500	100.00

(k) Categories of shareholders as on 31st March, 2012.

Category	No. of share holders	Voting strength (%)	No. of ordinary shares
Individuals	10939	22.64	11180353
Promoters	14	74.99	37024347
Other Companies	172	1.48	729981
Non-Resident Individuals	146	0.26	127272
Nationalised Banks, Mutual funds and trusts	4	0.04	18000
FII	1	0.51	252831
Clearing Members	25	0.08	39716
TOTAL	11301	100.00	49372500

(l) Dematerialisation of shares and liquidity

46559870 (Total shares demated with NSDL is 28916063 & CDSL is 17643807 of the Company's share capital is dematerialised as on 31.03.2012. 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
Shiv – Ashish, 2nd Floor,
Andheri – Kurla Road, Sakinaka, Mumbai – 400 072.

CEO / CFO Certificate

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31/03/2012 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.

Vinod Saraf
(C.E.O.)

N. K. Goyal
(C.F.O.)

Mumbai
Dated: 12th May, 2012

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, 2012.

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, 2012.

Vinod Saraf

Managing Director

Mumbai
Dated: 12th May, 2012

Annexure 'C' Directors' Report

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

VINATI ORGANICS LIMITED

We have examined the compliance of conditions of Corporate Governance by VINATI ORGANICS LIMITED, for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For and on behalf of

KARNAVAT & CO.

Chartered Accountants
Firm Regn. No. 104863W

192, Dr. D. N. Road
Mumbai
Dated: 12th May, 2012

Krishna Karundia
Partner
Membership No. 036681



Financial Statements



Auditors' Report

TO THE MEMBERS OF

VINATI ORGANICS LIMITED

1. We have audited the attached Balance Sheet of VINATI ORGANICS LIMITED as at 31st March, 2012, the Statement of Profit and Loss and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the aforesaid Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The balance sheet and the statement of profit and loss dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet and the statement of profit and loss dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012; and
 - (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date.
 - (c) in case of the Cash Flow Statement, of the Cash flows for the year ended on that date

For and on behalf of

KARNAVAT & CO.

Chartered Accountants

ICAI Firm Regn No. 104863W

192, Dr. D. N. Road

Mumbai - 400001

Dated: 12th May, 2012

Krishna Karundia

Partner

Membership No. 036681

Annexure to the Auditors' Report

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of fixed assets which is, in our opinion, reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion during the year, the Company has not disposed off a substantial part of the plant and machinery so as to affect the going concern status of the Company.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions of Paragraph 4(iii)(b) to 4(iii)(d) of the aforesaid Order are not applicable to the Company.
- (b) The Company has not taken loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions of Paragraph 4(iii)(f) to 4(iii)(g) of the aforesaid Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system. There is no sale of services.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 and exceeding the value of five lakhs rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public to which provisions of Sections 58 A and 58 AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government

for the maintenance of cost records under Section 209(1) (d) of The Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.

- (ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, service tax, wealth tax, custom duty, excise-duty,

cess and other statutory dues applicable to it.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty were outstanding, as at 31st March, 2012, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the following are the particulars of disputed dues as on 31st March, 2012 on account of Income-Tax and Central Excise Duty/ Cess that have not been deposited:

Name of the Statute	Nature of Dues	Amount of Demand net of deposits (Rs.)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Demand of penalty raised u/s 271(1)(C)	82,791	A.Y. 2004-05	ITAT
Income Tax Act, 1961	Demand of penalty raised u/s 271(1)(C)	17,08,630	A.Y. 2003-04	ITAT
Central Excise Act, 1944	Demand on valuation of by-product transferred from one unit to other	3,70,150	Aug 2002 to Sept. 2004	CESTAT

- (x) The Company does not have accumulated losses. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

- (xi) Based on our audit procedures and according to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and bank.

- (xii) Based on our examination of documents and records and according to the explanations given to us by the management, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Paragraph 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 by us and according to the 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: 12th May, 2012

Krishna Karundia
 Partner
 Membership No. 036681

Balance Sheet as at 31st March, 2012

(Rs. In Lacs)

	Note No.	As at 31/03/2012	As at 31/03/2011
I. EQUITY AND LIABILITIES:			
1 Shareholders' Funds			
(a) Share Capital	2	987.45	987.45
(b) Reserves & Surplus	3	17,715.17	13,382.27
2 Non-Current Liabilities			
(a) Long Term Borrowings	4	9130.07	2604.13
(b) Deferred Tax Liabilities (Net)	5	1,490.05	1,173.68
3 Current Liabilities			
(a) Short Term Borrowings	6	6,192.27	3,530.32
(b) Trade Payables	7	887.84	1190.17
(c) Other Current Liabilities	8	2656.60	1877.38
(d) Short Term Provisions	9	1,397.28	1,036.87
TOTAL		40,456.73	25,782.27
II. ASSETS:			
1 Non Current Assets			
Fixed Assets			
(a) Tangible Assets	10	14,054.67	10,738.44
(b) Intangible Assets	10	377.19	378.82
(c) Capital Work-in -progress		5,674.39	3,603.69
		20,106.25	14,720.95
2 Current Assets			
(a) Current Investments	11	789.80	316.20
(b) Inventories	12	4,302.22	3,501.44
(c) Trade Receivables	13	8,567.99	5,192.16
(d) Cash and Bank balances	14	3,195.31	194.02
(e) Short Term Loans and Advances	15	3,490.21	1,854.25
(f) Other Current Assets	16	4.95	3.25
		20,350.48	11,061.32
TOTAL		40,456.73	25,782.27
Significant Accounting Policies	1		
The notes are an integral part of these financial statements.			

As per our report of even date attached

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

For and on behalf of Board of Directors

Vinod Saraf
CEO & Managing Director

Vinati Saraf Mutreja
Executive Director

Krishna Karundia
Partner
Membership No. 036681
Mumbai, 12th May, 2012

N. K. Goyal
Chief Financial Officer

G. S. Singhi
Company Secretary cum Finance Controller

Statement of Profit & Loss for the year ended 31st March, 2012

(Rs. In Lacs, except EPS)

	Note No.	Year Ended 31/03/2012	Year Ended 31/03/2011
I. REVENUE FROM OPERATIONS (NET)	17	44,746.06	32,264.88
II. OTHER INCOME	18	283.19	635.21
Total Revenue		45,029.25	32,900.09
III. EXPENSES:			
Cost of Materials Consumed	19	27,380.54	18,762.18
Purchase of Stock-in-Trade (Chemicals)		-	20.61
Changes in Inventories of Finished goods and Work-in-progress.	20	(613.86)	(441.85)
Employee benefits expense	21	1,832.59	1,486.66
Finance cost	22	918.81	711.96
Depreciation and amortisation expense	23	703.71	644.93
Other Expenses	24	6,647.24	5,464.95
Total Expenses		36,869.03	26,649.44
IV. PROFIT BEFORE TAX		8,160.22	6,250.65
Less: Tax Expenses			
Current Tax		2,329.10	1,242.26
Deferred Tax		316.37	301.96
MAT Credit Entitlement		-	(490.67)
Earlier years adjustments		34.21	0.18
		2,679.68	1,053.73
V. PROFIT FOR THE PERIOD		5,480.54	5,196.92
VI. EARNINGS PER EQUITY SHARE	25		
(i) Basic		11.10	10.53
(ii) Diluted		11.10	10.53
Significant Accounting Policies	1		
The notes are an integral part of these financial statements.			

As per our report of even date attached

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

Krishna Karundia
Partner
Membership No. 036681
Mumbai, 12th May, 2012

For and on behalf of Board of Directors

Vinod Saraf
CEO & Managing Director

N. K. Goyal
Chief Financial Officer

Vinati Saraf Mutreja
Executive Director

G. S. Singhi
Company Secretary cum Finance Controller

Cash Flow Statement for the year ended 31st March, 2012

(Rs. in Lacs)

	Year Ended 31/03/2012	Year Ended 31/03/2011
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and extra ordinary item	8,160.22	6,250.60
Adjustments for :		
Depreciation	701.29	642.51
Amortisation	2.42	2.42
Loss /(Gain) on sale of fixed assets/assets discarded	1.31	1.28
Interest paid	508.30	385.75
Unrealised Foreign Exchange (Gain)/Loss (net)	376.68	(141.47)
Provisions for expenses and liabilities	453.74	313.78
Excess Liability written back	(14.71)	(5.46)
Other Provisions and write offs (net)	(9.44)	(10.76)
Interest Accrued income	(27.27)	(6.89)
Loss on sale of Investment	1.58	(0.20)
Dividend Received	(65.20)	(29.50)
Unrealised export incentives/import entitlements	(223.44)	(234.55)
Operating profit before working capital changes	9,865.48	7,167.51
Adjustments for :		
Trade and other receivables	(5,193.83)	(1,666.21)
Inventories	(800.78)	(1,612.23)
Trade and other payables	29.55	447.05
Cash generated from operations	3,900.42	4,336.12
Direct taxes (including earlier years)	(1,924.78)	(1,204.96)
Cash flow before extra ordinary items	1,975.64	3,131.16
Extra ordinary items	-	-
Net cash generated from operating activities	1,975.64	3,131.16
B CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets purchased, sold/discarded (net and excluding CWIP capitalised)	(4,019.59)	(4,150.12)
(Increase)/ Decrease in Capital Work-in-Progress (including capital advances)	(2,070.70)	578.67
Adjustment for foreign exchange year end revaluation	366.93	3.74
(Increase) in Investments (including re investments)	(409.98)	(286.50)
Interest received	8.65	3.65
Cash generated from investing activities	(6,124.69)	(3,850.56)
Tax deducted at source on interest income	(1.02)	(0.82)
Net cash (used in) investing activities	(6,125.71)	(3,851.38)

Cash Flow Statement for the year ended 31st March, 2012

(Rs. in Lacs)

	Year Ended 31/03/2012	Year Ended 31/03/2011
C CASH FLOW FROM FINANCING ACTIVITIES		
Receipt of long-term borrowings (net of repayment)	6,525.94	1,328.74
Receipt of short-term borrowings (net of repayment)	2,661.95	55.59
Adjustment for foreign exchange year end revaluation	(799.72)	130.96
Current Investment Increased	0.00	-
Interest paid (excluding interest of Rs.84.84 lacs capitalised in previous year)	(508.30)	(385.75)
Dividend paid	(624.73)	(336.81)
Tax on dividend	(104.12)	(57.40)
Net cash flow from financing activities	7,151.02	735.33
Net increase/(decrease) in cash and cash equivalents (A + B + C)	3,000.95	15.11
Cash and cash equivalents (opening balance)	194.16	179.05
Cash and cash equivalents (closing balance)	3,195.11	194.16
Notes:		
1 Reconciliation of cash and cash equivalents		
As per Balance Sheet - Note No 14	3,195.31	194.02
Add: Foreign exchange loss on revaluation	(0.20)	0.14
As per cash flow statement	3,195.11	194.16
2 Cash and cash equivalents comprises of		
a. Cash in hand	1.30	0.96
b. Bank balance in current accounts	794.72	43.06
c. In fixed deposit account (Margin money)	2,399.29	150.00
	3,195.31	194.02
3 Balance in current account unavailable for utilisation on account of balance lying in unclaimed dividend account as it represents corresponding liability.	50.09	32.98
4 Previous year figures have been regrouped, wherever necessary to conform to current year's classification.		

As per our report of even date attached

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

For and on behalf of Board of Directors

Vinod Saraf

CEO & Managing Director

Vinati Saraf Mutreja

Executive Director

Krishna Karundia

Partner

Membership No. 036681

Mumbai, 12th May, 2012

N. K. Goyal

Chief Financial Officer

G. S. Singhi

Company Secretary cum Finance Controller

Notes to Financial Statements for the year ended 31st March, 2012

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 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, except for the change in accounting policy as explained in para 1(c).

c) Change in Accounting Policy:

(i) Presentation and Disclosure of Financial Statement

During the year ended 31-03-2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(ii) Accounting for Exchange Gain/Loss on Foreign Currency Loan relating to acquisition of Fixed Assets.

From the current 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.

d) 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.

e) Tangible Fixed Assets

- (i) All Fixed Assets are stated at cost (net of Cenvat) 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 (issued by ICAI) 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.

f) 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 are not depreciated.

g) Intangible Assets

- (i) All intangible fixed assets are stated at cost (net of Cenvat) less amortisation cost.

All costs including borrowing costs in accordance with the provision of Accounting Standard 16 - Borrowing Costs (issued by ICAI) 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.

Notes to Financial Statements for the year ended 31st March, 2012

(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.

h) 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.

i) 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.

j) 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.

k) 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 Note No. 1 of 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 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.

l) 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.

m) Research & Development Expenditure

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

n) 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 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/DEPB are recognised as income of the year on accrual basis. In case of utilisation for Import

Notes to Financial Statements for the year ended 31st March, 2012

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.

o) 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.

(iii) 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.

p) 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.

q) 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.

r) 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 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.

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.

t) Cash and Cash Equivalents

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

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	As at 31/3/2012	As at 31/03/2011
1 NOTES SHARE CAPITAL		
Authorised:		
7,50,00,000 (31st March, 2011: 7,50,00,000)	1,500.00	1,500.00
Equity Shares of Rs. 2/- each	1,500.00	1,500.00
Issued, Subscribed and Paid Up:		
4,93,72,500 (31st March, 2011: 4,93,72,500)	987.45	987.45
Equity Shares of Rs.2/- each fully paid up.	987.45	987.45

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

Equity Shares: (Face value of Rs. 2/- each fully paid-up)	As at 31/03/2012		As at 31/03/2011	
	Nos	Rs. In Lacs	Nos	Rs. In Lacs
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 share 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 five 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

Equity Shares (Face Value of Rs.2 each fully paid)

Name of Shareholders	As at 31/03/2012		As at 31/03/2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Vinod Saraf	7,937,250	16.08	7,937,250	16.08
Kavita Saraf	6,228,000	12.61	6,228,000	12.61
Suchir Chemicals Pvt. Ltd.	4,753,235	9.63	4,753,235	9.63
Viral Pharma Pvt. Ltd.	2,625,000	5.32	2,625,000	5.32
Vinati Wax industries Pvt. Ltd.	2,985,750	6.05	2,985,750	6.05
Mithali Chemical Pvt. Ltd.	3,330,140	6.75	3,330,140	6.75

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	As at 31/03/2012	As at 31/03/2011
3 NOTES RESERVES & SURPLUS		
(i) Capital Reserve	30.40	30.40
(ii) General Reserve		
Balance as at the beginning of the year	1,292.00	772.00
Add: Amount transferred from Surplus balance	550.00	520.00
Balance as at the end of the year	1,842.00	1,292.00
(iii) Surplus in statement of profit and loss		
Balance as at the beginning of the year	12,059.87	8,128.91
Profit for the year	5,480.54	5,196.92
Less: Appropriation		
Proposed dividend on Equity Share for the year	987.45	641.84
Dividend distribution tax on proposed dividend on Equity Share	160.19	104.12
Transfer to general reserve	550.00	520.00
Total appropriation	1,697.64	1,265.96
Balance as at the end of the year	15,842.77	12,059.87
Total Reserves and Surplus	17,715.17	13,382.27
4 NOTES LONG TERM BORROWINGS		
Term Loans		
Secured (Refer note no. 4 (a))		
Foreign Currency loan from banks	2,900.04	4,165.74
Foreign Currency loan (ECB) from IFC	5,621.72	–
	8,521.76	4,165.74
Unsecured		
Foreign Currency Convertible Bonds (FCCB) from IFC	2,555.33	–
	11,077.09	4,165.74
Less:		
Current maturities of secured loans shown in current liabilities (Refer Note No.8)	(1,947.02)	(1,561.61)
	9,130.07	2,604.13

Note 4(a):**(a) Nature of Security for Secured Loan from:****Banks:**

- (i) Term Loan from Axis Bank are secured by first pari passu charge on all the fixed assets (present and future) of Lote Works, and second pari passu charge on all the fixed assets (present and future) at Mahad Works; Second pari passu charge on entire current assets of the Company (present and future) and also by personal irrevocable guarantee of Managing Director, Mr. Vinod Saraf.
- (ii) Term Loan from Barclays Bank is secured by first pari passu charge on all the fixed assets (present and future) of Lote Works. Second pari passu charge on entire Current Assets of the Company (present and future) and also by personal irrevocable guarantee of Managing Director, Mr. Vinod Saraf.

IFC:

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) and second pari passu charge on all the current assets and unconditional and irrevocable personal guarantee of Managing Director, Mr. Vinod Saraf.

Notes to Financial Statements for the year ended 31st March, 2012

(b) Rate of Interest:

(i) Axis Bank

Foreign Currency loan carries interest ranging from six months libor+ 400 to 800 bps.

(ii) Barclays Bank:

Foreign Currency loan carries interest ranging from six months libor+ 550 to 600 bps.

(iii) IFC:

ECB: Foreign Currency loan carries interest six months libor + 240 bps.

(iv) FCCB: Fixed Coupon Rate of @ 0.55%.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) Axis Bank

Loan of Rs.5.36 Crores - Repayable in 13 quarterly equal installments starting from 31st March, 2010 and ending on 31st March, 2013.

Loan of Rs.28.30 Crores repayable in 18 quarterly equal installments starting from 31st March, 2011 and ending on 30th June, 2015.

(ii) Barclays Bank:

Loan of Rs. 23 crores repayable in 16 quarterly equal installments starting from 1st February 2009 and ending on 1st November, 2013.

(iii) ECB:

Loan of USD 11 Million - Repayable in 10 half yearly equal installments starting from 15th December, 2012 and ending on 15th June, 2017.

(iv) FCCB:

Loan of USD 5 Million - Convertible at the option of the lender into equity shares of Rs.100 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.

(Rs. In Lacs)

		As at 31/03/2012	As at 31/03/2011
5	NOTES DEFERRED TAX LIABILITY (NET)		
The break up of net deferred tax liability as at 31st March, 2012 is as under: (Disclosure as per AS 22)		Deferred Tax Assets/ (Liability)	Deferred Tax Assets/ (Liability)
Timing difference on account of:			
Depreciation		(1,516.26)	(1,209.83)
Disallowances u/s 43B and 40 A(7) of the Income-tax Act, 1961		26.21	36.15
Net Deferred Tax Liability		(1,490.05)	(1,173.68)
Less: Net Deferred Tax Liability at beginning of the period		(1,173.68)	(871.72)
Net Deferred Tax Charged to statement of Profit and Loss		(316.37)	(301.96)

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	As at 31/03/2012	As at 31/03/2011
6 NOTES SHORT TERM BORROWINGS		
Secured		
Working Capital Advances From Banks (Refer Note No.6(a))	5,175.51	2,861.60
Unsecured		
Loans from Bank (discounting of trade receivables)	1,016.76	668.72
TOTAL	6,192.27	3,530.32

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 six months libor + 200 bps to 400 bps. Rupee Loan carries interest ranging from 13.25% to 14%.

(ii) Unsecured Loan

Foreign Currency loan carries interest ranging from three to six months libor + 400 bps to 450 bps.

(c) Terms of repayment:

Repayable on demand.

7 NOTES TRADE PAYABLES		
Trade payables (including acceptances) for goods and services.		
Due to Micro, Small and Medium enterprises (Refer Note No.35)	-	-
Due to other enterprises	887.84	1,190.17
	887.84	1,190.17

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	As at 31/03/2012	As at 31/03/2011
8 NOTES OTHER CURRENT LIABILITIES		
Current maturities of long term borrowings (Refer Note No.4)	1,947.02	1,561.61
Interest accrued but not due on borrowings	74.52	-
Unpaid Dividend	50.09	32.98
Other payables	491.49	210.97
Advances from customers	64.60	38.30
TDS payable	25.59	17.45
Sundry Deposits	3.29	16.07
	2,656.60	1,877.38

9 NOTES SHORT TERM PROVISIONS		
Provisions for employee benefits:		
Ex-gratia	124.38	104.29
Leave Travel Allowances	14.21	11.26
Gratuity (Funded)	11.36	45.61
Leave Encashment	80.75	65.46
Others:		
Proposed equity dividend	987.45	641.84
Provision for tax on proposed equity dividend	160.19	104.12
Provision for taxation (Net of taxes paid)	18.94	64.29
	1,397.28	1,036.87

Notes to Financial Statements

for the year ended 31st March, 2012

10 NOTES		FIXED ASSETS		(Rs.in Lacs)						
Particulars	GROSS BLOCK			DEPRECIATION		NET BLOCK				
	As at 31-03-2011	Additions during the year	Deductions during the year	As at 31-03-2012	Up to 31-03-2011	For the Year	Written Back	Up to 31-03-2012	As at 31-03-2012	As at 31-03-2011
TANGIBLE ASSETS										
Leasehold Land & Site Development	194.98	21.57	2.42	214.13	-	-	-	-	214.13	194.98
Buildings	2,625.44	942.40	-	3,567.84	321.45	80.97	-	402.42	3,165.42	2,303.99
Plant & Machinery	11,181.48	2,950.93	4.00	14,128.41	3,217.18	543.07	1.83	3,758.42	10,369.99	7,964.30
Furniture & Fixtures	185.57	6.21	-	191.78	76.08	8.37	-	84.45	107.33	109.49
Office Equipments	20.29	0.51	0.48	20.32	9.07	0.96	0.06	9.97	10.35	11.22
Computers	68.57	9.74	-	78.31	37.26	9.02	-	46.28	32.03	31.31
Air Conditioners	44.26	2.89	0.26	46.89	14.59	2.12	0.25	16.46	30.43	29.67
Vehicles	134.94	45.00	4.71	175.23	41.46	12.89	4.11	50.24	124.99	93.48
SUB TOTAL (A)	14,455.53	3,979.25	11.87	18,422.91	3,717.09	657.40	6.25	4,368.24	14,054.67	10,738.44
INTANGIBLE ASSETS										
Technical Know How Fees	383.54	11.38	-	394.92	28.37	38.50	-	66.87	328.05	355.17
Licenced Softwares	26.12	30.87	-	56.99	2.47	5.38	-	7.85	49.14	23.65
SUB TOTAL (B)	409.66	42.25	-	451.91	30.84	43.88	-	74.72	377.19	378.82
GRAND TOTAL (A+B)	14,865.19	4,021.50	11.87	18,874.82	3,747.93	701.28	6.25	4,442.96	14,431.86	11,117.26
Previous Year	11,094.47	3,804.21	33.49	14,865.19	3,131.51	642.51	26.09	3,747.93	11,117.26	

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	As at 31/03/2012	As at 31/03/2011
11 NOTES CURRENT INVESTMENT		
(Valued at lower of cost or market value)		
UNQUOTED:		
In Mutual fund units		
i) 2823038.215 Units (31st March, 2011 - 3100093.17 units)		
Mutual Fund Units of Rs.10/- each fully paid up of Franklin		
Templeton India Ultra Short Bond Fund Institutional Plan		
(Includes 634530.89 units received as Dividend Re-invested)	288.39	316.20
ii) 29934.3871 Units (31st March, 2011 - Nil)		
Mutual Fund Units of Rs.1000/- each fully paid up of		
SBIMF Magnum Insta Cash Fund		
(Includes 24.72 units received as Dividend Re-invested)	501.41	-
	789.80	316.20
Aggregate amount of Unquoted Investment	789.80	316.20

12 NOTES INVENTORIES (AS CERTIFIED BY THE MANAGEMENT)		
(Valued at lower of cost or net realizable value)		
Raw Materials- Refer note 12(a)	1,546.66	1,538.24
[Includes in transit Rs.409.67 (31st March, 2011- Rs. 275.03)]		
Stock In Process	794.09	635.42
Finished Goods	1,244.73	789.54
Stores, Spares & other consumables	716.74	538.24
	4,302.22	3,501.44
Note 12(a)		
Details of Inventory of Raw Materials:		
Toluene	214.61	135.00
Propylene	194.34	98.87
Acrylonitrile	489.56	464.06
MTBE	445.98	432.57
Others	202.17	407.74
	1,546.66	1,538.24
Note 12(b)		
Details of Inventory of stock in process:		
Isobutyl Benzene (IBB)	39.81	26.46
2-Acrylamido-2-Methyl Propane Sulfonic Acid (ATBS)	29.57	62.77
N-Tertiary Butyl Acrylamide (TBA)	576.74	394.62
Isobutylene	22.29	6.36
Others	125.68	145.21
	794.09	635.42
Note 12(c)		
Details of Inventory of Finished Goods:		
Isobutyl Benzene (IBB)	223.46	339.28
2-Acrylamido-2-Methyl Propane Sulfonic Acid (ATBS)	393.85	76.23
Sodium Salt of 2-Acrylamido-2-Methyl Propane Sulfonic Acid (NaATBS)	167.38	85.79
Isobutylene (IB)	274.26	196.23
Others	185.78	92.01
	1,244.73	789.54

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	As at 31/03/2012	As at 31/03/2011
13 NOTES TRADE RECEIVABLES		
Unsecured, Considered Good:		
Outstanding for a period exceeding six months from the date they were due for payment	4.10	16.44
Others	8,563.89	5,175.72
	8,567.99	5,192.16
14 NOTES CASH AND BANK BALANCES		
Cash and Cash equivalent		
Cash in Hand	1.30	0.96
Balance with Banks :		
In Current Accounts	744.63	10.08
In unpaid Dividend Account	50.09	32.98
In Fixed Deposit Account with less than 3 months maturity	2,000.00	–
Other Bank balances:		
In Fixed Deposit Account with less than 3 months maturity (Deposit Against Margin Money)	289.27	150.00
In Fixed Deposit Account with more than 3 months but less than 12 months maturity (Deposit Against Margin Money)	110.02	–
	3,195.31	194.02
15 NOTES SHORT TERM LOANS AND ADVANCES		
Capital Advances		
Unsecured, considered good	1,170.48	681.48
Security Deposit		
Unsecured, considered good	25.39	3.96
Advances recoverable in cash or kind		
Unsecured, considered good	1,626.70	790.26
Prepaid Expenses	56.90	41.61
Other Loans and Advances		
Advance Income Tax (Net of provision for taxation)	78.24	85.70
Loans to Employees	1.87	5.94
Balances with Statutory Government authorities	17.48	17.80
Advances to suppliers	513.15	227.50
	3,490.21	1,854.25
16 NOTES OTHER ASSETS		
Interest accrued on Fixed Deposits	4.95	3.25
	4.95	3.25

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	Year Ended 31/03/2012	Year Ended 31/03/2011
17 NOTES REVENUE FROM OPERATIONS		
(i) Sale of products [Refer Note No.17(a)]		
Gross Sales	46,945.66	32,959.36
Less : Inter Unit Transfer	96.72	28.30
	46,848.94	32,931.06
Less : Excise Duty	2,638.44	1,261.33
Net Sales	44,210.50	31,669.73
Sales of Stock-in-Trade (Chemicals)	-	19.14
TOTAL(i)	44,210.50	31,688.87
(ii) Other Operating Revenue		
Scrap Sales	27.63	41.46
Export Benefits/Import Entitlements	507.93	469.23
Prior period income	-	65.32
TOTAL(ii)	535.56	576.01
Revenue from Operations (Net)-(i)+(ii)	44,746.06	32,264.88
Note 17(a)		
Details of sales of products (Net of Excise)		
Isobutyl Benzene (IBB)	15,385.41	10,179.72
2-Acrylamido-2-Methyl Propane Sulfonic Acid (ATBS)	14,875.27	11,094.94
Sodium Salt of 2-Acrylamido-2-Methyl Propane Sulfonic Acid (NaATBS)	6,474.44	6,664.64
Isobutylene (IB)	3,464.29	1,255.75
Others	4,011.09	2,474.68
	44,210.50	31,669.73
18 NOTES OTHER INCOME		
Interest Income	27.27	6.89
Dividend Income (Net of Dividends received on Mutual Fund re-invested)	65.20	29.50
Gain on Sale of Investment	-	0.20
Other non-operating income (Net of Expenses of Rs. Nil)		
Cash Discount received	145.83	116.16
Exchange Fluctuation Difference	-	460.36
Miscellaneous Credit Balances Written Back	16.44	16.21
Liability No Longer Required Written Back	14.71	5.46
Miscellaneous receipts	13.74	0.43
	283.19	635.21

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	Year Ended 31/03/2012	Year Ended 31/03/2011
19 NOTES COST OF RAW MATERIAL CONSUMED [REFER NOTE NO. 19(a)]		
Opening Stock	1,537.20	534.12
Add : Purchases	27,390.00	19,765.26
Less : Closing Stock	1,546.66	1,537.20
	27,380.54	18,762.18
Note No.19(a)		
Details of Raw Materials consumed:		
Toluene	6,788.51	4,180.14
Propylene	5,040.11	3,426.99
Acrylonitrile	6,418.46	5,423.67
Isobutylene	-	726.87
MTBE	7,228.24	3,422.62
Others	1,905.22	1,581.89
	27,380.54	18,762.18
20 NOTES DECREASE/(INCREASE) IN STOCK		
I) Finished Stock [Refer Note No.12(c)]:		
Opening Stock	789.54	670.55
Less : Closing Stock	1,244.73	789.54
	(455.19)	(118.99)
II) Process Stock [Refer Note No.12(b)] :		
Opening Stock	635.42	312.56
Less : Closing Stock	794.09	635.42
	(158.67)	(322.86)
	(613.86)	(441.85)
21 NOTES EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages & Allowances	1,633.01	1,300.87
Contribution to Provident & Other funds	108.03	87.02
Employees Welfare Expenses	49.10	37.55
Contribution to Gratuity fund	42.45	61.22
	1,832.59	1,486.66
22 NOTES FINANCE COSTS		
Interest on :		
Term Loan	281.64	237.58
Others	301.18	148.17
Exchange difference to the extent considered as an adjustment to borrowing costs	219.78	245.34
Bank Charges	116.21	80.87
	918.81	711.96
23 NOTES DEPRECIATION AND AMORTIZATION EXPENSES		
Depreciation of Tangible Assets	657.40	609.25
Amortization of Tangible Assets	2.42	2.42
Amortization of Intangible Assets	43.89	33.26
	703.71	644.93

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	Year Ended 31/03/2012	Year Ended 31/03/2011
24 NOTES OTHER EXPENSES:		
Power & Fuel Charges	2,448.49	1,932.88
Water Charges	57.13	64.23
Stores, Spares & Other consumables	1,275.33	929.64
Repairs to:		
Plant & Machinery	134.82	104.78
Buildings	32.48	41.15
Repairs - Others	8.47	32.12
Wages to Contractual Labour	324.83	269.56
Other Operational Charges	13.20	104.56
Rent (Including Leave & Licence Fees)	17.27	15.54
Rates & Taxes	12.48	10.95
Insurance	85.75	49.04
Payment to Auditors (Refer Note No.24[a]):	8.81	7.62
Director's Sitting Fees	2.70	3.00
Freight & Forwarding Charges	1,514.88	1,418.23
Exchange Fluctuation Difference	178.84	-
Selling Commission	93.87	49.94
Bad Debts Written Off	15.84	-
Loss on sale/discardment of fixed assets	1.31	1.27
Loss on sale of Investment	1.58	-
Other Expenses	419.16	430.44
	6,647.24	5,464.95
Note 24[a]		
i) Payment to Statutory Auditors		
As Auditor towards		
Audit Fees	3.70	2.50
Tax Audit Fees	1.00	0.70
In other capacity:		
Certification charges	0.68	0.30
Other matters	3.16	3.85
Reimbursement of expenses	0.04	0.04
	8.58	7.39
ii) Payment to Cost Auditors		
As Auditor towards		
Cost Audit Fees	0.23	0.23
	0.23	0.23
TOTAL	8.81	7.62

25 NOTES EARNING PER SHARE (EPS)		
Profit after tax (Rs. In Lacs)	5,480.54	5,196.92
Weighted average number of shares outstanding at the year end (Nos.)		
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.)	11.10	10.53
Diluted earning per share (Rs.)	11.10	10.53
Face value per share (Rs.)	2.00	2.00

Notes to Financial Statements for the year ended 31st March, 2012

26 NOTES DETAILS OF UNHEDGED FOREIGN CURRENCY AMOUNT

Unhedged foreign currency

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

(In lacs)

Particulars	USD		EURO		GBP		CHF	
	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11
Trade Receivables	22.70	19.34	2.88	0.98	-	-	-	-
Advance Given to Vendors	0.01	-	3.93	-	0.38	-	0.08	-
Cash and Bank Balances	4.38	0.05	-	-	-	-	-	-
Trade Payables	4.08	11.29	-	-	-	-	-	-
Other Payables	2.57	-	-	-	-	-	-	-
Loan Taken	226.60	97.39	-	-	-	-	-	-

(Rs. In Lacs)

	31st March, 2012	31st March, 2011
27 NOTES 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.		
Assumptions as at		
Mortality		
Interest/Discount Rate	8.00%	8.00%
Rate of increase in compensation	2.00%	2.00%
Rate of return (expected) on plan assets	0.09	0.09
Employee attrition rate (Past Service [PS])	PS:0 to 42: 5%	PS:0 to 42: 5%
Expected average remaining service	12.09	12.34
Changes in present value of obligations:		
PVO at the beginning of period	143.39	79.09
Interest cost	11.32	6.16
Current service cost	24.62	19.34
Past Service Cost - (vested benefits)	-	25.88
Benefits paid	(3.81)	(2.10)
Actuarial (gain)/loss on obligation	11.42	14.95
PVO at end of period	186.94	143.39
Amount recognised in the Balance Sheet as at the end of the year:		
Present Value of Defined Benefit Obligation	186.94	143.39
Fair Value of Plan Assets	175.57	97.78
Funded status - Surplus/(Deficit)	(11.37)	(45.61)
Net Asset/(Liability)	(11.37)	(45.61)
Expense recognized in the statement of P & L A/c.:		
Current service cost	24.62	19.34
Past Service Cost - (vested benefits)	-	25.88
Interest cost	11.32	6.24
Expected return on plan assets	(12.08)	(7.59)
Net actuarial (gain)/loss recognized for the period	18.60	17.35
Expense recognized in the statement of P & L A/c.	42.46	61.22

Notes to Financial Statements for the year ended 31st March, 2012

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

28 NOTES 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.

29 NOTES 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) Ms. Vinati Saraf Mutreja - Executive Director iii) Mr. Mohit Mutreja-Director (Ceased to be whole time director w.e.f. 1st May, 2012.) iv) Ms. Viral Saraf Mittal - Director (Corporate Strategy)
2	Relatives of Key Management Personnel	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)

	31st March, 2012	31st March, 2011
i) Key Management Personnel:		
Managerial remuneration		
Mr. Vinod Saraf	47.89	34.60
Ms. Vinati Saraf Mutreja	35.41	33.18
Ms. Viral Saraf Mittal	21.01	19.03
Mr. Mohit Mutreja	33.75	22.43
ii) Relatives of Key Management Personnel:		
Sitting fees		
Mr. Sunil Saraf	0.40	0.40
Mr. Mohit Mutreja	-	0.10
Mr. Anandkumar Tibrewala	-	0.80
iii) Enterprises owned or significantly influenced by any management personnel or their relatives:		
Rent, rates & taxes paid to:		
Vinati Wax Industries Pvt. Ltd.	5.03	5.03
Shilpa Pharma Pvt. Ltd.	4.95	4.95
Mithali Chemicals Pvt. Ltd.	2.02	2.02
Sales - Viral Alkalis Ltd.	1.39	1.48
Purchase of Material - Viral Alkalis Ltd.	9.46	5.29

Notes to Financial Statements for the year ended 31st March, 2012

30 NOTES LEASES (AS-19)

Operating Lease: Company as Lessee

The Company has entered into operating lease on certain office premises and staff residences on leave and licence basis 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. 17.27 lacs. (Previous year Rs. 15.54 lacs)

31 NOTES 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 issued by ICAI, the Company has concluded that no impairment loss is required to be booked.

32 NOTES 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.1,813.00 Lacs (Previous Year Rs.1,743.64 Lacs).
- Disputed Excise duty demands of Rs. 42.12 Lacs (Previous Year Rs.67.94 Lacs) for which Company has gone in appeal. The Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.
- Disputed Income tax demands of Rs.37.02 Lacs pertaining to various assessment years against which a sum of Rs.59.41 Lacs has been paid (Previous Year Rs.160.10 Lacs and paid Rs.67.34 Lacs) Based on judicial decisions and interpretations of other relevant provisions of the statute, the Company is hopeful of the demand likely to be either deleted or substantially reduced and accordingly no provision has been made.
- During the year Company has issued Foreign Currency Convertible Bond(FCCB) of Rs.2202 Lacs (USD5 Million) which are convertible in equity share of 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 toward arrears of interest as on 31/03/2012 is Rs. 53.41 lacs.

(Rs. In Lacs)

	31st March, 2012	31st March, 2011
33 NOTES CAPITAL AND OTHER COMMITMENTS		
a) Capital Commitments not provided for (net of advances)	3,077.54	2,655.77

34 NOTES 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)

	31st March, 2012	31st March, 2011
Travelling Expenses	7.41	16.96
Foreign Exchange Gain (loss)	-	9.78
Interest received (net of interest paid)	(32.43)	73.02
Exchange difference to the extent regarded as an adjustment to interest costs	380.74	-
Bank Charges	99.75	36.95
Legal & Professional charges	413.71	286.25
Insurance Charges	20.24	2.82
Testing Charges	1.85	0.54
Equipment Rent	3.26	-
	894.53	426.32

Notes to Financial Statements for the year ended 31st March, 2012

35 NOTES

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 as on 31st March, 2012
- b) The amount of interest paid by the Company along with the amount of the payment made to the supplier : Nil beyond the appointed day for the year ending 31st March, 2012.
- c) The amount of interest due and payable for the period of delay in making payment (beyond the appointed : Nil day during the year)
- d) The amount of interest accrued and remaining unpaid for the year ended 31st March, 2012 : Nil
- e) The amount of further interest remaining due and payable for the earlier years. : Nil

36 NOTES

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.

(Rs. In Lacs)

	31st March, 2012	31st March, 2011
37 NOTES VALUE OF IMPORTS CALCULATED ON CIF BASIS		
Raw Materials	4,810.32	5,429.13
Components and Spare parts	59.98	0.88
Capital Goods	721.57	-

38 NOTES EXPENDITURE IN FOREIGN CURRENCY (PAYMENT BASIS)

i) Travelling expenditure	6.32	8.77
ii) Commission on sales	88.57	34.64
iii) Technical know how fee	190.62	58.77
iv) Lease Rent	-	91.02
v) Others	28.63	192.83

(Rs. In Lacs)

	31st March, 2012	%	31st March, 2011	%
39 NOTES IMPORTED AND INDIGENOUS RAW MATERIALS, COMPONENTS AND SPARE PARTS CONSUMED:				
a) Raw Materials				
Imported	5,471.27	19.98	5,445.04	29.02
Indigenously obtained	21,909.27	80.02	13,317.14	70.98
	27,380.54	100.00	18,762.18	100.00
b) Spare parts				
Imported	53.35	4.18	-	-
Indigenously obtained	1,221.98	95.82	929.64	100.00
	1,275.33	100.00	929.64	100.00

Notes to Financial Statements for the year ended 31st March, 2012

(Rs. In Lacs)

	31st March, 2012	31st March, 2011
40 NOTES EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)		
Exports of goods calculated on F.O.B. Value	32,951.58	25,070.76
Other Income	13.09	-

41 NOTES

From the current 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. Accordingly Rs. 206.21 lacs has been charged to Statement of Profit & Loss which otherwise would have been capitalised to cost of fixed assets had the earlier policy were followed. In view of the above the Profit for the period is lower by Rs. 169.97 lacs including effect of deferred tax of Rs. 36.24 lacs.

42 NOTES PREVIOUS YEAR FIGURES

Till the year ended 31st March, 2011, the company was using pre-revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012 the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification. Except accounting for dividend on investments in subsidiaries, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report of even date attached

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

Krishna Karundia
Partner
Membership No. 036681
Mumbai, 12th May, 2012

For and on behalf of Board of Directors

Vinod Saraf
CEO & Managing Director

N. K. Goyal
Chief Financial Officer

Vinati Saraf Mutreja
Executive Director

G. S. Singhi
Company Secretary cum Finance Controller

Notice

NOTICE is hereby given that the TWENTY THIRD ANNUAL GENERAL MEETING OF VINATI ORGANICS LIMITED (the "Company") will be held on Saturday, 1st September, 2012 at 12.30 P. M. at the Registered Office of the Company, at B-12 & B-13/1, MIDC Industrial Area, Mahad 402 309, Dist. Raigad, Maharashtra to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 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. A. A. Krishnan who retires by rotation at this meeting and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Girish M. Dave who retires by rotation at this meeting and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
6. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:

SPECIAL BUSINESS:

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

Reappointment of Ms. Vinati Saraf Mutreja, Executive Director:

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

"RESOLVED THAT approval of the Company be and is hereby accorded to the reappointment of Ms. Vinati Saraf Mutreja as Executive Director of the Company and whose present term as Executive Director of the Company, expired on 19th May 2011, pursuant to Section 198, 269, 309 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, for another term of 5 (Five) years commencing from 20th May 2011, on a remuneration of Rs.200000/- (Rupees Two Lacs only) per month plus perquisites as under and that she shall not be liable to retire by rotation until she is occupying the position as Executive Director:-

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 Executive Director if posted in Mumbai, Kolkata, Delhi or Chennai or 50% if posted at any other place.

OR

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

ii) **MEDICAL REIMBURSEMENT:** - Expenses incurred by the Executive Director and her family subject to ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

iii) **LEAVE TRAVEL CONCESSION:** - Reimbursement of expenses incurred for the Executive

Director 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:- It shall not exceed half a month's salary for each completed year of service.

viii) COMPANY CAR AND TELEPHONE: - Provision of Car for use of company's business and telephone at residence. Use of car and telephone for private purpose will be billed to him.

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

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

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

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

By order of the Board of Directors

Registered Office:

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

Gunvant S. Singhi

Company Secretary cum Finance Controller

Mumbai, 12th May 2012

NOTES:

1. The Explanatory statement pursuant to Section 173(2) of the Act, relating to business to be transacted at the Meeting is annexed.
2. 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.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 23rd August 2012 to Saturday, the 1st September 2012 (both days inclusive).
4. Members are requested to intimate to the Corporate Office situated at Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai 400 072 the changes, if any, in their registered addresses, quoting their Folio Numbers.
5. 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 Shiv-Ashish, 2nd Floor, Andheri-Kurla Road, Sakinaka, Mumbai - 400 072, Maharashtra.
6. 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.

7. 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.
8. The Annual Listing Fee as prescribed has been paid to the above stock exchanges.
9. The dividend on equity shares as recommended by the Board of Directors i.e. 100% on the share capital of the Company i.e. Rs.2.00 per Equity Share of face value of Rs.2/- each for the year ended 31st March 2012, if declared at the meeting, will be made payable on or after 2nd September 2012 to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 22nd August 2012 or those, whose names appear as beneficial owners as at the end of business on 22nd August 2012 as per lists to be furnished by the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

10. Shareholders are hereby informed that pursuant to Section 205C 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.
11. 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.

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. A. A. Krishnan and Mr. Girish M. Dave, 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. A. A. Krishnan	Mr. Girish M. Dave
Date of Birth	17.07.1933	12.07.1938
Date of Appointment	27.03.1992	24.09.1990
Qualifications	Chemical Engineer	M. Com., LLB & CAIIB
Directorships held in other public Company	1. Andhra Petrochemicals Ltd.	1. PCS Technology Ltd. 2. Ultratech Cement Ltd. 3. Cinemax India Ltd. 4. Grasim Bhiwani Textiles Ltd. 5. Aditya Birla Retail Ltd. 6. Camphor & Allied Products Ltd. 7. Aditya Birla Chemicals (India) Ltd.
Memberships / Chairman of committees of other public companies	No	1. PCS Technology Ltd. 2. Ultratech Cement Ltd. 3. Cinemax India Ltd. 4. Grasim Bhiwani Textiles Ltd. 5. Aditya Birla Retail Ltd. 6. Camphor & Allied Products Ltd.

By order of the Board of Directors

Registered Office:

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

Gunvant S. Singhi
Company Secretary cum Finance Controller

Mumbai, 12th May 2012

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

Item No. 7

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

Considering her capabilities and rich experience to be beneficial for the Company, the Board of Directors in its meeting held on 23rd July 2011, decided to recommend re-appointment of Ms. Vinati Saraf Mutreja as Executive Director for further term of 5 years w. e. f. 20th May 2011, on the terms and condition stated in the resolution appearing under special business at serial no. 7.

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. 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 re-appointment 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.

Except Mr. Vinod Saraf, Mr. Mohit Mutreja, Ms. Viral Saraf Mittal and Mr. Sunil Saraf (being relatives) 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.

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

The Board recommends passing of the Ordinary Resolution.

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

By order of the Board of Directors

Registered Office:

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

Gunvant S. Singhi
Company Secretary cum Finance Controller

Mumbai, 12th May 2012

Notes

[illegible]

Notes

[illegible]



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

(inBlockLetters)_____

I hereby record my presence at the 23rd 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 1st day of September, 2012 at 12.30 p.m.

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

Member's/Proxy's Signature



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 TWENTYTHIRD ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 1st day of
September 2012 at 12.30 p.m.

Signed this _____ day of _____ 2011.

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.

Corporate Information

Board of Directors

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

Mr. Vinod Saraf, Managing Director

Mr. Chintaman Bhaskar Gokhale, Director

Mr. Ayliur Akileswaraiyer Krishnan, Director

Mr. R K Saraswat, Director

Ms. Vinati Saraf Mutreja, Executive Director

Ms. Viral Saraf Mittal, Director - Corporate Strategy

Mr. Mohit Mutreja, Director

Mr. Sunil Saraf, Director

Company Secretary Cum Finance Controller

Mr. Gunvant S. Singhi

Bankers

State Bank of India

IFC, Washington

Barclays Bank PLC

Axis Bank Ltd.

Citibank N.A.

Auditors

M/s. Karnavat & Co.

Chartered Accountants

Mumbai.

Registered Office & Mahad Works

B-12 & B-13/1, MIDC Indl. Area,

Mahad – 402 309, Dist. Raigad,

Maharashtra.

Works

A-20, MIDC, Lote-Parashuram-415 722,

Taluka – Khed, Dist. Ratnagiri,

Maharashtra.

Corporate Office

Shiv-Ashish, 2nd Floor,

Andheri-Kurla Road,

Sakinaka, Mumbai – 400 072,

Maharashtra.

Registrar & Transfer Agents

Sharex Dynamic (India) Pvt. Ltd.,

Unit No. 1, Luthra Indl. Premises, Safed Pool, Andheri-Kurla Road,

Mumbai – 400 072.



Vinati Organics Limited

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