



# Smruthi Organics Limited



Manufacturers of

**API**

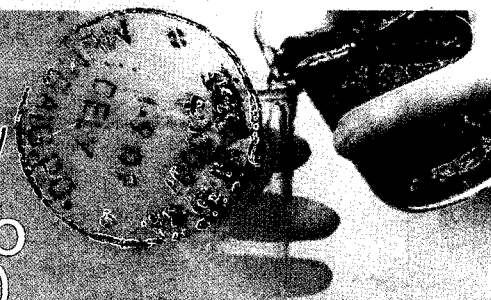
Services

Contract Manufacturing

Custom Synthesis

Facilities  
Approved by

USFDA  
cGMP-WHO  
(European)



**20<sup>th</sup> ANNUAL REPORT**  
2008-2009

[www.smruthiorganics.com](http://www.smruthiorganics.com)



Inauguration of Fully Renovated Block A



A Block Inauguration Function



Plantation on the occasion of World Environmental Day



## BOARD OF DIRECTORS

- Mr. E. Purushotham  
Chairman & Managing Director
- Mrs. E. Vaishnavi
- Mr. E. Niranjana Rao
- Dr. Nagender Yerram
- Mr. P. K. Kumaran
- Mr. R. Ramaswamy
- Mr. J.H.Ranade
- Mr. E. Swapnil  
(appointed w.e.f. 06th April 2009)

## ● REGISTERED OFFICE ●

165-A, Balaji Bhavan, 1st Floor,  
Railway Lines, Solapur 413 001.

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## ● FACTORIES ●

### Unit - I

Plot No. 273/274, MIDC, Akkalkot Road,  
Solapur 413006.

### Unit - II

Plot No. A-27, MIDC Area, Chincholi,  
Post Kondi, Taluka Mohol, Dist. Solapur.

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## ● AUDITORS ●

### Ashok Madgundi & Co

Chartered Accountants

210/A/1, Sakhar Peth, Near Kanya Prashala,  
Solapur 413 005.

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## ● BANKERS ●

### State Bank of India

Industrial Finance Branch,  
World Trade Centre, Mumbai 400 005.

### State Bank of India

Station Road Branch, Solapur 413 001.

## NOTICE

NOTICE is hereby given that the **20th** Annual General Meeting of the Members of **Smruthi Organics Limited** will be held at **Hotel City Park, (Shamiyana Hall), 119, Murarji Peth, Opp. Hutatma Chowk, Solapur 413001** on **Friday 25th day of September 2009 at 12.30 p. m.** to transact the following business :-

### **ORDINARY BUSINESS :**

- 1) To receive, consider and adopt the Profit and Loss Account for the year ended on 31st March, 2009 and the Balance Sheet as at that date and the Report of the Auditors and Directors thereon.
- 2) To declare a dividend on Equity Shares.
- 3) To appoint a Director in place of Mr. E.Niranjan Rao who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint a Director in place of Mrs. E.Vaishnavi who retires by rotation and being eligible offers herself for re-appointment.
- 5) To appoint Ashok Madgundi and Co. Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### **SPECIAL BUSINESS :**

- 6) To consider and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution:-

"RESOLVED THAT Mr. E.Swapnil who was appointed as an Additional Director (designated as Executive Director, Business Development) by the Board u/s 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office only up to the date of Annual General Meeting and in respect of whom the Company has received a notice in writing u/s 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a Director of the Company be and is hereby appointed as a Director of the Company."

- 7) To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution:-

"RESOLVED THAT subject to the approval of the Central Government, consent of the Company be and is hereby accorded under provisions of Section 314(1B) and other applicable provisions, if any, of Companies Act, 1956, and of the Articles of Association of the Company to appoint Mr. E. Yadagiri who is brother of Mr. E. Purushotham, Chairman and Managing Director of the Company for holding and continuing to hold an office or place of profit as an employee of the Company, with effect from 1st October, 2009 as "Vice President, Works", on basic salary of Rs.33000/- per month plus perquisites, allowances and benefits as specified in Explanatory Statement annexed to this notice."

Place: Solapur  
Date: 30/07/2009

For & on behalf of the Board  
sd/-

**(E. Purushotham)**  
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF / HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The dividend, if declared at the Annual General Meeting will be paid to those shareholders whose names appear in the Register of Members as on 25th September 2009.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19th September 2009 to 25th September 2009 (both days inclusive).
4. Shareholders intending any information to be explained in the meeting are requested to inform the Company at least 7 days in advance in order to enable the Company to make available the required information.

For & on behalf of the Board  
sd/-

**(E. Purushotham)**  
Chairman & Managing Director

Place: Solapur  
Date: 30/07/2009

## **EXPLANATORY STATEMENT**

(Pursuant to Section 173 (2) of the Companies Act, 1956)

### **Item no. 6**

Mr. E. Swapnil was appointed as Additional Director w.e.f. 06th April 2009 whose tenure is upto ensuing Annual General Meeting as per provisions of the Companies Act.

Company has received Notice from its members proposing candidature for such Director. As the Director has been rendering valuable services in Business Development and technical matters, it shall be in the interest of the Company to continue his association. The Directors therefore recommend the resolution for your approval.

None of the Directors of the Company other than Mr. E. Purushotham, Mrs. E. Vaishnavi and the Appointee are concerned or interested in the resolution.

### **Item No. 7**

Mr. E. Yadagiri has been working in the Company in various capacities for the last 15 years. At present he is working as Vice President, Works who is incharge of the day to day plant operations.

*Details of Remuneration payable to **Mr. E. Yadagiri** :*

#### **1) Salary :**

Rs.33000/- (Rupee Thirty three thousand ) per month as Basic salary with annual increment not exceeding Rs. 5000/-.

#### **2) Allowances / Perquisites :**

- a) House Rent Allowance of 35% of Basic salary
- b) Other Allowances not exceeding 35% of Basic Salary
- c) Free use of Company's car for Company's work along with driver.
- d) Telephone at residence at Company's cost.

#### **3) Provident Fund and Gratuity Fund**

Company's contribution to Provident Fund and Family Pension Scheme to the extent these either singly or together are not taxable under The Income Tax Act, 1961 and Gratuity payable as per the rules of the Company and encashment of leave at the end of their tenures shall not be included in computation of limits for remuneration or perquisites aforesaid.

In addition to above remuneration, Mr. E. Yadagiri shall also be eligible to receive any other benefit as may be given by the Company to other employees of same or comparable grade.

No other Directors except the Mr. E. Purushotham are concerned or interested in the resolution.

Directors recommend Special Resolution for your approval.

## DIRECTORS REPORT TO THE SHAREHOLDERS

Dear Members,

Your Directors have pleasure in presenting their 20th Annual Report and Audited Statements of Account for the financial year ended 31st March, 2009.

(Rs. in Lacs)

Financial Results	Current Year 2008-2009	Previous Year 2007-2008
<b><u>Gross Sales</u></b>		
Gross Sales	<u>7437.37</u>	<u>5546.36</u>
Net Sales & Other Income	6756.41	5214.44
Operating Profit before Interest & Depreciation	906.38	852.46
Less : Interest	<u>409.00</u>	<u>344.05</u>
Gross Profit	497.38	508.41
Less : Depreciation	<u>312.10</u>	<u>298.76</u>
Profit Before Tax	185.28	209.65
Less : Provision for Taxation (Incl.FBT)	33.10	20.10
Less : Deferred Tax	3.00	00.67
Less : Dividend & Dividend Tax	44.64	66.96
Add : Income-Tax Refund as per Computation (06-07)	0.00	08.24
Less : Short Provision of Dividend Tax Of earlier yr.	05.05	04.51
Less : Transfer to General Reserve	14.92	20.10
Add : Balance in Profit & Loss A/c. Brought forward	<u>598.02</u>	<u>492.47</u>
Balance carried to Balance Sheet	682.59	598.02

In spite of severe financial crisis, recession in the market & uncontrolled fluctuation of foreign currency the company could withstand from the turbulences as above and maintained better performance and working towards progressive direction

- a) Sales: - The Gross Sales for the year amounted to Rs. 7437.37 lacs as against Rs. 5546.36 lacs for the previous year, showing impressive increase of 34.09 %. The turnover rate per unit quantity was also higher, with 1345 MTs manufactured in 2008-09 as against 1332 MTs in the previous year. This can be attributed to addition of high value products to our product portfolio.
- b) Exports: Exports for the year ended on 31st March 2009 stood at Rs.2711.73 lacs as compared to Rs. 2593.89 lacs for the year ended on 31st March 2008. The Company has registered growth of 4.54 % in Exports compared to the previous year.

For enabling issue of Non-Convertible Cumulative Redeemable Preference Shares of Rs. 5 Crores, Authorised Share Capital of the company was enhanced to Rs. 10 Crores and reclassified suitably as per approval of the members at the Extra-Ordinary General Meeting held on 21st May 2009.

Directors hope that the efforts initiated by the management for improving sales mix



and control over expenses shall yield better results in terms of sales turnover and profitability.

Directors are pleased to inform that fully renovated Manufacturing Block 'A' setup at a cost of about Rs. 3.50 Crores for new contract manufacturing products became operational from 06th April 2009.

#### **HUMAN RESOURCE DEVELOPMENT (HRD) & INDUSTRIAL RELATIONS:**

The Company has evolved its own HRD Program so as to upgrade skills and competencies of its people. Training programs both within the Company and with the help of outside experts are being organized at regular intervals.

The company has adopted effective policies to maintain a constant supply of skilled manpower. With increasing product range and operations, the Company has added several new faces to the team with a view to improve operations.

The Company continues to have cordial and harmonious relations with its employees. Employees have been supportive in the business operations. Your Directors place on record their appreciation for the commitment, dedication and hard work put in by the employees of the Company.

#### **QUALITY, SAFETY & ENVIRONMENT:**

The Company is actively engaged continuously in upgrading the quality systems by providing a team of Quality Assurance (QA) headed by Dy. General Manager (QA) and Manager QC. QA monitors day-to-day operations as per SOP and continuously improves the facilities to maintain highest quality, safety and be environmental friendly activities at our manufacturing sites. Our company is motivating employees by conducting poster, slogan and essay competitions on safety day and encouraging continuous suggestions for improvement of overall environment, health and safety (EHS). Various departments are participating in drive to achieve zero-accident working environment and reduce waste generation.

#### **RESEARCH AND DEVELOPMENT ( R & D )**

R & D has been strengthened further by the recruitment of experienced scientists and upgrading the facilities from bench to production levels. Our dedicated team of scientists is working to develop several new products under contract manufacturing tie-ups with Europe, USA and Japan.

#### **DIVIDEND:**

Having regard to the disposable profits and need to conserve resources of the company for financing working capital as well as capital expenditure, your Directors recommend dividend @10% i.e. Rupee 1/- per share for the year ended on 31st March 2009, subject to the approval of the Shareholders in Annual General Meeting. The total amount of dividend outgo (inclusive of dividend distribution tax ) will be Rs.44.64 lacs.

#### **DIRECTORS:**

Mr. E.Niranjan Rao and Mrs. E. Vaishnavi Directors of the Company retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. Members are requested to reappoint them as the Directors of the



Company.

Mr. E. Swapnil appointed as Additional Director designated as Executive Director, Business Development w.e.f. 06th April 2009 holds office up to this General Meeting. Members are requested to appoint him as Director of the Company. Members have also approved his appointment for a period of 3 years from 6th April 2009 at Extra Ordinary General Meeting held on 21st May 2009.

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

In accordance with the requirements under Section 217 (2AA) of the Companies Act 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of accounts for the financial year ended on 31st March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- ii. that the Directors have selected such accounting policies and applied 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 at the end of financial year and of the Profit of the Company for the year under review;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for the preventing and detecting fraud and other irregularities;
- iv. that the directors have prepared the annual accounts for the year under review on a going concern basis.

#### **CORPORATE GOVERNANCE**

The Company has complied with the mandatory requirements of the code of Corporate Governance as detailed in clause 49 of the Listing Agreement.

Corporate Governance Report is enclosed as a part of the Annual Report along with the certificate from the Statutory Auditors, M/s. Ashok Madgundi & Co, Chartered Accountants, Solapur confirming compliance of the code of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

#### **PARTICULARS OF EMPLOYEES:**

Particulars of Employees as required U/s 217 (2A) of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules 1975, as amended are given in Annexure and forms part of this Report.

#### **COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988:**

Information in accordance with Section 217(1) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure and forms part of this Report.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

As required under provisions of Section 383 A of the Companies Act 1956 certificate from Mr. H.R. Thakur , Practising Company Secretary Mumbai is given in the Annexure and forms part of this Report.

**DEPOSITS:**

The Company has not accepted any Fixed deposits from public during the financial year 2008-2009.

**COST AUDIT**

The company's cost records are audited by M/s Shriniwas Diddi, Cost Accountants, Solapur

**AUDITORS :**

M/s. Ashok Madgundi & Co., Solapur Statutory Auditors of the Company are due to retire at the ensuing Annual General Meeting. Members are requested to consider reappointing them and fix their remuneration.

**MANAGEMENT DISCUSSION AND ANALYSIS****Business of the Company an Overview**

The company is engaged in the manufacturing and marketing of Active Pharmaceutical Ingredients (API). The company also manufactures some drug intermediates, photography developing and specialty chemicals.

The company has two manufacturing sites: Unit I - MIDC Akkalkot Road and Unit II MIDC Chincholi. Manufacturing of API is done at Unit II, while Unit I acts as a supporting unit to Unit II, engaged in manufacturing intermediates. Unit II is approved by the USFDA in 2007 and also certified by EU regulatory authorities for Norfloxacin, Metformin HCl and Carbidopa. The company has filed 4 Drug Master Files (DMF) each in USA and EU: Amlodipine Besilate, Carbidopa, Metformin HCl and Norfloxacin. EU regulatory body (EDQM) has awarded certificates of suitability (COS) for three products Carbidopa, Metformin HCl and Norfloxacin.

The company has established a strong marketing network in both US and EU markets with top global pharmaceutical companies. Although majority of the customers operate in the generic space, Smruthi also has business with large innovator Pharma companies. The company has entered into long term (up to 5 years) multi product contracts with numerous clients and has secured substantial business. Owing to greater demand of several products, the company plans to file 3 more DMF each in US & EU this financial year.

**Future Outlook**

The company's marketing, manufacturing and R&D departments have individual agenda of performance for the future. The marketing function is engaged in securing long term business focussing on contract manufacturing space. Manufacturing is optimizing plant capacities and focussing on cost control. Meanwhile, R&D is focusing on adding new molecules to complement our diabetic and cardiovascular portfolio.

The company has already entered into supply agreements for regulated markets covering various products with several customers. Smruthi is currently engaged in supporting its customers with registrations of its products with regulatory authorities worldwide. The supply of Smruthi's products to these markets has started. The Company has commercialized one product in the contract manufacturing space, with

2 more products in pipeline for year 2009-10. However, the growth in these markets will happen in phases reaching peak in 2010.

The company has identified manufacturing as its core competency with a focus on active pharmaceutical ingredients for the regulated markets. The company is leveraging its strength in manufacturing large volumes of high quality API. Smruthi is capitalizing its efficiency to achieve leadership position in its products by capturing substantial market share. The company has identified core products and is continuously optimizing its operations to achieve an edge over competition and insulate itself from daily market fluctuations. These efforts will help Smruthi increase its market share and gain critical mass to grow in the highly competitive API business.

The above activities will enable Smruthi to multiply its top and bottom lines in the coming future. By 2010, Smruthi will achieve critical mass to become a significant player in the API industry.

#### **OPPORTUNITIES AND THREATS :**

With consolidation in the international pharmaceutical industry and growth in demand for lifestyle related products, the demand for API is increasing multifold. With several global Pharma companies adopting outsourcing policies, the opportunities in the contract manufacturing and research space are also growing. With India already established as a competitive supplier of API to the regulated markets, Indian companies are preferred source for global pharmaceutical companies.

However, the instability in raw material prices will continue to pose a threat on the bottom lines. Long term contracts have fixed prices with little room for negotiation over the term, which leaves the company exposed to get hit during heavy fluctuating phases in raw material prices.

Government policies are more focussed on price control leaving very little margin for investing in future. However, since Smruthi's revenue shares are increasingly coming from exports, we do not expect price controls to impact our bottom-line in the coming future.

#### **INTERNAL CONTROL SYSTEMS :**

The Company has adequate internal control procedures 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.

#### **FINANCIAL PERFORMANCE :**

The Financial results and performance for the year are elaborated in the Directors' Report.

#### **HUMAN RESOURCES AND INDUSTRIAL RELATIONS:**

Your Company attaches utmost priority to human resource development, with focus on regular up gradation of the knowledge and skills of all its employees and equipping them with the necessary expertise to meet the challenges of change and growth successfully. The Company continuously monitors its manpower requirement to ensure that it has adequate human skills commensurate with its needs. Initiatives

have been taken with respect to managerial development of the employees.

The Industrial relations as stated in the Directors Report of the Company continued to be cordial during the year at all levels.

**CAUTIONARY STATEMENT :**

Certain statements, estimates and expectations stated in this Management Discussion and Analysis are based on the current perceptions, data and information available with the Company and may be 'forward looking statements' within the meaning of applicable securities, laws and regulations.

They reflect the company's current views of future events which are subject to risks and uncertainties, Important factors such as change in the competition scenario in the Company's areas of operations, economic conditions affecting demand/supply and prices situation in the domestic and international market, changes in government regulations , tax laws and other incidental factors may cause actual results to be materially different. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events.

**APPRECIATION :**

The Directors wish to place on record their sincere appreciation to the Company's employees at all levels for their dedicated hard-work and also to the State Bank of India, and other institutions, Customers, Suppliers who have actively lent their support to the Company. The Directors also expresses their gratitude to the Shareholders for their continued co-operation and support.

For & on behalf of the Board  
sd/-

**(E. Purushotham)**  
Chairman & Managing Director

Place: Solapur

Date: 30/07/2009

**Form A : Disclosure of particulars with respect to conservation of energy  
Power & Fuel Consumption**

<b>Particulars</b>	<b>2008 - 2009</b>	<b>2007 - 2008</b>
<b>A ) Electricity</b>		
a) Units	3344693	3910927
b) Total Amt. Rs.	14698429	17124732
c) Rate/Unit Rs.	4.39	4.38
Total Elect. Cons. 3614276 out of 269583 unit capitalized during the year		
<b>B) Coal</b>		
a) Qty.Kgs.	428776.00	148185
b) Total Amt. Rs.	2192646.20	511383
c) Average Rate Rs.	5.11	3.45
<b>C) Diesel</b>		
a) Qty. Ltrs.	131888.00	158301
b) Total Amt. Rs.	4905686.14	6315345
c) Average Rate Rs.	37.20	39.89
<b>D) Wood</b>		
a) Qty.Kgs.	342238.00	484661
b) Total Amt. Rs.	540299.20	712880
c) Average Rate Rs.	1.58	1.47
<b>E) Baggas</b>		
a) Qty.Kgs.	6937870.00	8789775
b) Total Amt. Rs.	4270592.00	4412412
c) Average Rate Rs.	0.616	0.502

**B. Consumption per unit of Production :**

Company manufactures Bulk Drugs, Drug Intermediates, Fine Chemicals and Speciality Chemicals in the same plant. Production of a particular material depends on the market demand and supply and the quantities vary from time to time. All the products do not have the same in operational cycle, few products have two stages operations while the other products have multi-stages operations. As the product mix varies from time to time and all the utilities are common for all products, per unit energy cost cannot be calculated with precision.

**Form B - Disclosure of Particulars with Respect to Technology Absorption**

**1) Research and Development (R & D)**

**1) Specific area in which R & D has been carried out by the Company are :**

- Existing Products : Improvement in the quality and modifications to meet the customer's changing requirements.
- New grade of products : Development and market introduction.
- Specialty products : Development and introduction of newer grades especially for exports.
- Cost reduction by process improvement and energy saving work.
- Pollution Reduction - Specific projects to reduce liquid, solid and gaseous waste.

**2) Benefits derived as a result of the above R & D :**

- Improvement in productivity and product quality.
- Export promotion and Import substitution.
- Improvement in Safety, environment protection and energy saving.
- Cost reduction.
- Introduction of new products.

**3) Future plan of action :**

Continued stress and efforts in R & D to achieve improvement in productivity, efficiency, quality and reduction in energy and pollution.

**4) Expenditure on R & D for 2008-09 and 2007-08 (Rs. In lacs)**

Particulars	2008-09	2007-08
a) Capital	20.99	45.87
b) Recurring	89.16	86.16
<b>Total</b>	<b>110.15</b>	<b>132.03</b>

Total R & D expenditure as a percentage of total turnover :	1.63%	2.60%
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**Technology Absorption, Adaptation and Innovation :- NIL**

1) Foreign Exchange Earning and Outgo (Rs. in lacs)

	2008-09	2007-08
a) Foreign Exchange Earning:		
Direct Export	2711.73	2593.89
b) Foreign Exchange outgo		
Raw Material Import	2038.00	1510.00
Traveling, Sales, Comm. & Exhibition Stall	57.42	35.32

**INFORMATION UNDER SECTION 217 OF THE COMPANIES ACT. 1956**

Report under the Companies (Particulars of Employees) Rules, 1975 as amended to date :

The particulars of employees under section 217 (2A) of the Companies Act, 1956 is given below

Name & Designation	Gross Remuneation	Net (Rs)	Qualification	No. of Years Working	Past Experience Year
Mr. E. Purushotham Managing Director (52 Years) (Employed since inception)	2616000	1487450	M.Sc. (Org.)	21	7
<b>Previous Employment :</b>					
1) Standard Organics Limited as a Sr. Chemist R & D : 3 Years					
2) Someswara Organics (P) Ltd as a Director, Technical : 4 Years					



**H.R. Thakur**, M.Com, LL.M., M.B.A. (Pittsburg), F.C.S. Grad. C.W.A

305/306, Happiness, City of Joy, J.S. Dossa Marg, Mulund (West) - 400 080 Tel. 022-25642206

## COMPLIANCE CERTIFICATE

(In terms of Section 383A (1) of the Companies Act, 1956)

CIN of the Company - **U24119PN1989PLC052562**

Nominal Capital: Rs. 10.00 crores

The Members,  
Smruthi Organics Limited  
165-A Balaji Bhavan,  
1st Floor, Railway Lines,  
Solapur - 413001.

I have examined the registers, records, books and papers of **Smruthi Organics Limited** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended 31st March, 2009, (Financial Year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid Financial Year:

- 1) The Company has kept and maintained all Registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made there under and all entries therein have been duly recorded.
- 2) Except as stated in Annexure "B" the Company has duly filed all the forms and returns with the Registrar of Companies, Maharashtra, Pune within the time prescribed under the Act and the Rules made there under .
- 3) The Company being a Public Limited Company, comments are not required.
- 4) The Board of Directors duly met 6 (six) times respectively on 29/04/2008, 14/07/2008, 30/07/2008, 16/09/2008, 27/10/2008 and 30/01/2009 in respect of which proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
- 5) The Company closed its Register of Members from 08/09/2008 to 16/09/2008 (both days inclusive) with necessary compliance of Section 154 of the Act.
- 6) The Annual General Meeting for the Financial Year ended on 31st March, 2008 was held on 16th September, 2008 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- 7) No Extra Ordinary General Meeting was held during the Financial Year.
- 8) The Company has not advanced any loan to its Directors and/or to persons or firms or Companies referred in the Section 295 of the Act.
- 9) The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that Section.
- 10) The Company has made necessary entries in the Register maintained under Section 301 of the Act.
- 11) The Company has obtained necessary approvals from the Board of Directors and Members pursuant to Section 314 of the Act. The Company has submitted necessary



**H.R. Thakur**, M.Com, LL.M., M.B.A. (Pittsburg), F.C.S. Grad. C.W.A

305/306, Happiness, City of Joy, J.S. Dossa Marg, Mulund (West) - 400 080 Tel. 022-25642206

application to the Central Government whose approval is still to be received.

- 12) The Board of Directors has approved issue of duplicate share certificates.
- 13) The Company has:
  - i) Delivered all the certificates on lodgment of securities for transfer & transmission in accordance with the provisions of the Act.
  - ii) Deposited amount in separate bank account towards dividend that was declared during the Financial Year.
  - iii) Posted warrants to all members of the company within a period of 30 days from the date of declaration of dividend and that all unclaimed/ unpaid dividend has been transferred to unpaid dividend account of the Company.
  - iv) Transferred Rs. 6,350/- for the Year 2000-2001 in Unpaid Dividend Account, which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
  - v) Duly complied with the requirements of Section 217 of the Act.
- 14) The Board of Directors of the Company is duly constituted and there was no appointment of Additional Director, Alternate Directors and Directors to fill casual vacancy during the Financial Year.
- 15) The Company has not appointed any Managing Director/Whole-Time Director/ Manager during the Financial Year.
- 16) The Company has not appointed any Sole-Selling Agent during the Financial Year.
- 17) The Company was required to obtain approval of the Central Government pursuant to Section 314 of the Act. The necessary application has been submitted to the Central government.
- 18) The Directors have disclosed their interest in other Firms/Companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
- 19) The Company has not issued any Shares, Debentures or other Securities during the Financial Year.
- 20) The Company has not bought-back any shares during the Financial Year.
- 21) There was no redemption of Preference Shares or Debentures during the Financial Year.
- 22) There were no transactions necessitating the Company to keep in abeyance rights to dividend, right shares and bonus shares pending registration of transfer of shares.
- 23) The Company has not invited / accepted any deposits including any unsecured loans falling within purview of Section 58A during the Financial Year
- 24) The amounts borrowed by the Company from Directors, Members, Public, Financial Institutions, Banks and others during the Financial Year ended 31st March, 2009 are within borrowing limits of the Company as per Section 293(1)(d) of the Act.
- 25) The Company has not made any investments or made any loans or advances or given guarantees or provided securities in other bodies corporate consequently it was not necessary to make any entries in the register kept for that purpose.
- 26) The Company has not altered the provisions of the Memorandum with respect to

**H.R. Thakur**, M.Com, LL.M., M.B.A. (Pittsburg), F.C.S. Grad. C.W.A

305/306, Happiness, City of Joy, J.S. Dossa Marg, Mulund (West) - 400 080 Tel. 022-25642206

situation of the Company's registered office from one state to another during the Financial Year.

- 27) The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the Financial Year.
- 28) The Company has not altered the provisions of the Memorandum with respect to name of the Company during the Financial Year.
- 29) The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company during the Financial Year.
- 30) The Company has not altered it's Articles of Association during the Financial Year.
- 31) There were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other penalties or any other punishment was imposed on the Company during the Financial Year, for offences under the Act.
- 32) The Company has not received any money as security from it's employees during the Financial Year.
- 33) The Company has been regular in depositing both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

Place: Solapur

Date: 30/07/2009

sd-

**H.R. Thakur**

## **SECRETARIAL COMPLIANCE CERTIFICATE**

In terms of Section 383A (1) of the Companies Act, 1956

### **ANNEXURE A**

#### ***Registers as maintained by the Company:***

- 1) Registered of Charges / Copies of instruments creating charges u/s. 143 and 136.
- 2) Register of Members and Index of Members u/s. 150 and 151.
- 3) Register of Transfers u/s. 154.
- 4) Register and Returns u/s. 163.
- 5) Books of Accounts u/s. 209.
- 6) Register of particulars of Contracts in which Directors are interested u/s. 301.
- 7) Register of Directors, Managing Director, Manager, Secretary u/s. 303.
- 8) Register of Directors shareholdings u/s. 307.
- 9) Register of Directors Attendance.
- 10) Minutes books of Board and General Meetings.
- 11) Register of Renewed and Duplicate Share Certificates as per Rule 7 of the Companies (Issue of Share Certificates ) Rules, 1960.
- 12) Register of Investments or loans made, guarantees given or security provided u/s 372A

**ANNEXURE B**

Forms and Returns as filed by the Company with the Registrar of Companies, Maharashtra, Pune during the Financial Year ending on 31st March, 2009 :

Sr. No.	Form No./ Return	Filed Under Section	For	Date of Filing	Whether filed within prescribed time (Yes/No)	If delay in filing whether requisite additinoal Fee paid (Yes/No)
1	Form 24B	314 (B)	Appointment of Mr. E Swapnil	07-05-2008	Yes	No
2	Form 8	125	Charge on Book Detbs and movable property favouring State Bank of India	31-05-2008	No	Yes
3	Form 8	125	Modification of charge favouring SBI Factors and commercial Service Pvt. Ltd.	18-09-2008	No	Yes
4	Form 8	125	First charge on immovable property favouring State bank of India	18-09-2008	No	Yes
5	Form 20B	159	Annual General Meeting for the financial year ended 31st March, 2008	27-09-2008	Yes	No
6	Form 23AC and 23 ACA	220	Balance sheet for the financial year ended on 31st March, 2008	27-09-2008	Yes	No
7	Form 1 INV	205 C	Unclaimed dividend for 2000-2001	03-10-2008	Yes	No
8	Form 65	637 (1B)	Condonation of delay in submitting application u/s 314 (1B)	25-10-2008	Yes	No
9	DIN 3	266E	of Mr Ramakrishna Ramaswamy	25-02-2009	Yes	---

Place: Solapur  
Date: 30/07/2009

sd/-  
**H.R. Thakur**

## CORPORATE GOVERNANCE REPORT

### I) Company's Philosophy on Code of Governance:

The Company's Philosophy on Corporate Governance envisages attainment of transparency and accountability in all spheres including its dealings with employees, shareholders, customers, vendors, lenders and others.

The Company believes that the system and the action lead to enhance the performance and shareholders value.

### II) Board of Directors:

#### II) 1. Composition :

*The Board of Directors comprises of 8 Directors as detailed below.*

Category of Directors	Name of Directors
Promoters Executive	Mr. Purushotham Mr. E. Niranjan Rao Mr. E. Swapnil
Promoters Non Executive	Mrs. E. Vaishnavi
Non-Promoters Non Executive	Dr. Nagender Yerram (I) Mr. P. K. Kumaran (I) Mr. R. Ramaswamy (I) Mr. J. H. Ranade (I)

None of the Non Promoter Non Executive Independent Directors have any material pecuniary relationship or transactions with the company. . None of the Directors on the Board are members of more than 10 committees or chairman of more than 5 committee as specified in clause 49 amongst all companies in which they are Directors.

#### II) 2. Meetings and Attendance :

Six Board Meetings were held during the Financial Year on the following dates.

1)	29th April, 2008	4)	16th September 2008
2)	14th July, 2008	5)	27th October, 2008
3)	30th July, 2008	6)	30th January 2009

Details regarding attendance of the Directors at the Board Meeting held during the Financial Year 2008-2009 and at the last Annual General Meeting held on 16th September, 2008 are given below:

Sr. No.	Name	Designation	Status. No. of Board Meeting Attendance	Attended at last AGM
1	Mr. E.Purushotham	Managing Director	Executive 6	YES
2	Mrs. E.Vaishnavi	Director	Non- Executive 5	YES
3	Mr. E. Niranjan Rao	Director	Executive 4	YES
4	Dr. Nagender Yerram	Director	Non- Executive 1	NO
5	Mr. P.K. Kumaran	Director	Non- Executive 3	NO
6	Mr. R. Ramaswamy	Director	Non- Executive 5	YES
7	Mr. J.H.Ranade	Director	Non-Executive 5	YES



# Smruthi Organics Limited

The Board has laid down the Code of Conduct for all board members and senior managerial personnel of the company and the compliance of such code has been affirmed by them.

## II) 3. Details of Directors seeking appointment / re-appointment at the Annual General Meeting.

Name of the Director	Mr. E. Niranjan Rao	Mrs. E. Vaishnavi
Date of Birth	08-06-1957	18-02-1962
Date of Appointment	26-04-1995	09-09-1994
Expertise in Specific Functional Area	Plant Operations	Administration
Qualification	M.Sc. (Org)	B.A.
Directorship / Committee Memberships in other Companies	----	Smruthi Chemicals & Intermediates Limited
No. of shares held in the company	<b>13330</b>	<b>576475</b>

## II) 4. Remuneration to Executive Directors :

Amount in Rs.

Particulars	Mr.E. Purushotham Managing Director	Mr.E. Niranjan Rao Director
Salary & Other Allowances	24,00,000	11,64,000
Contribution to Provident & Other Funds	2,16,000	59,040
Commission	-----	--

## II) 5. Remuneration to Non-Executive Directors: Nil (Except sitting fees)

Sitting Fees in Rs.

Name	Board	Audit Committee	Total
Mrs. E. Vaishnavi	25000	----	25000
Mr. P.K. Kumaran	15000	9000	24000
Mr. R. Ramaswamy	25000	12000	37000
Mr. J.H. Ranade	25000	12000	37000
Dr. Nagender Yerram	5000	---	5000

## Information placed before the Board of Directors

- 1) Quarterly results of the Company.
- 2) Status on compliance with all regulatory, statutory and material contractual requirements.
- 3) Safety and Environment matters.
- 4) Fatal or serious accidents.
- 5) Repayment position of term loans.

### **III) Audit Committee:**

The Audit Committee constituted on 30th December 2005 enjoys all powers as mentioned in para II © of clause 49 of Listing Agreement. The scope of the Audit Committee includes all matters stated in para 2(d) of clause 49 of Listing Agreement. Composition of Audit Committee conforms to the requirements under listing agreement. Mr.P.K.Kumaran is chairman and Mr. R.Ramaswamy Dr. Nagender Yerram and Mr. J .H. Ranade are other members of the committee.

Audit Committee meetings were attended by the Chairman and Managing Director and Statutory Auditors were invited for such meeting.

### **IV) Remuneration Committee:**

The Remuneration Committee was constituted on 24th April 2006 for the purpose of approving remuneration of the managerial personnel as envisaged under the provisions of Companies Act 1956 and Listing Agreement. The main term of reference of the Committee is to approve the fixation / revision of remuneration of the Executive Directors of the Company and while approving :-

To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.

To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

Mr.P.K.Kumaran is chairman and Mr. R.Ramaswamy, Mr. J. H. Ranade and Dr. Nagendra Yerram are other members of the committee.

### **V) Shareholders / Investors Grievance Committee:**

The Committee comprises of Mr.E. Purushotham, Chairman & Managing Director and Mr.E.Niranjan Rao, Director, the committee reviews all matters connected with Shareholders complaints, if any, like transfer of shares, non-receipt of Balance Sheet, non-receipt of dividend etc. During the year, there were no Outstanding complaints from Shareholders. During the year 3 meetings were held and 2100 shares held in physical form were duly transferred.

### **VI) General Body Meeting:**

Details of last three Annual General Meeting are given below:

<b>Financial Year</b>	<b>Date</b>	<b>Venue</b>	<b>No.of Directors present</b>
2005-06	11th Sept. 2006	Hotel Tripursundari, Solapur	5
2006-07	24th Sept. 2007	Hotel Tripursundari, Solapur	5
2007-08	16th Sept. 2008	Hotel City Park, Solapur	5

No postal ballots were used / invited for voting at these meeting in respect of special resolution passed as there were no such provisions in the Companies Act, 1956.

### **VII. Disclosures:**

- 1) There were no transactions, which were materially significant during the year with promoters, directors or their relatives that have potential conflict with the interest of the Company. Transactions with related parties are disclosed under notes to accounts in the annual report.

- 2) There were no instances of non-compliance of any matter related to the capital markets during the last three years.
- 3) The Company has followed accounting treatment as prescribed in Accounting Standards applicable to the Company.

#### **VIII) Risk Management :**

The Audit Committee reviews Risk Management strategy of the Company to ensure effectiveness of risk management policies and procedures.

#### **IX. CEO Certification :**

The Chairman and Managing Director has furnished the requisite certificate to the Board of Directors as required under Clause 49 (V) of the Listing Agreement.

#### **X. Means of Communication :**

The Quarterly, Half-Yearly and Audited financial results of the Company are announced within the prescribed time period stipulated under the listing agreement. These results are published in Financial Express, Daily Sakal, (Local News Paper). All data relating to Quarterly Financial Results is provided on the Company's Web Site i.e. [WWW.Smruthiorgaincs.com](http://WWW.Smruthiorgaincs.com).

#### **XI) Shareholders Information :**

Shareholders information is separately provided in the Annual Report.

### **SHAREHOLDERS INFORMATION**

#### **1) Annual General Meeting :**

Date: 25th September, 2009

Time: 12.30 p.m.

Venue: Hotel City Park, (Shamiyana Hall), 119, Murarji Peth, Opp. Hutatma Chowk, Solapur 413001.

#### **2) Financial Calendar (Tentative): April 2009 to March 2010**

<b>Particulars of Meetings</b>	<b>Date</b>
Un-audited Quarterly Result for the quarter ended 30th June 2009	30th July 2009
Un-audited Quarterly Result for the quarter ended 30th September 2009	Last week of Oct. 2009
Un-audited Quarterly Result for the quarter ended 31st December 2009	Last week of Jan. 2010
Un-audited /Audited Financial Result for the quarter - ended 31st March 2010	Last week of Apr. 2010

#### **3) Date of Book Closure :**

19th September 2009 to 25th September 2009 (Both days inclusive)

#### **4) Dividend payment date :**

The Dividend, if declared by the shareholders at the Annual General Meeting will be paid on or before 23rd October 2009 to those members whose names appear in the Register of Members as on the date of the Annual General Meeting.



**5) Listing on Stock Exchanges :**

The Pune Stock Exchange Limited

The Hyderabad Stock Exchange,

The Ahmedabad Stock Exchange

The Stock Exchange , Mumbai

Demat: ISIN Number In **NSDL: INE 172 E 0101**
**CDSL: INE 172 E 0101**
**6) Stock Prices :**

Market price data - High / Low during each month of the financial year 2008-09.

Month & Year	Open Rs.	High Rs.	Low Rs.	Close Rs.
April - 2008	55.00	63.75	51.00	55.10
May - 2008	59.60	72.40	53.30	59.50
June - 2008	58.90	63.50	52.50	53.60
July - 2008	55.00	62.10	47.15	57.85
August - 2008	59.90	70.50	58.00	67.00
September - 2008	69.90	70.50	52.00	56.50
October - 2008	56.00	61.85	30.10	43.35
November - 2008	43.00	53.00	37.55	38.50
December - 2008	38.50	44.35	31.60	42.20
January - 2009	40.15	43.95	38.00	39.95
February - 2009	41.65	43.00	36.30	40.65
March - 2009	41.00	44.60	38.60	44.60

**7) Registrar and Transfer Agents:**

M/s. Adroit Corporate Services Pvt.Ltd., 19, Jaferbhoy Indl. Est.,Makwana Road, Marol Naka, Andheri (E), Mumbai 400 059.

**8) Share Transfer System :**

Presently, the Share Transfers which are received in physical form are processed by the Registrars and Share Transfer Agents and approved by the Committee of Directors in their meeting which normally meets twice in a month and the share certificates are returned within a period of 20 to 25 days from the date of lodgement, subject to the transfer instrument being valid and complete in all respects.

**9) Share Distribution Schedule :**

Share holding of Nominal Value of Shareholders share amount (As on 31.03.2009)

Shares	Number	% to total	Total Shares	Rs.	% to total
Upto 100	462	32.29	28760	287600	0.75
101-500	540	37.74	201981	2019810	5.29
501-1000	218	15.23	191088	1910880	5.01
1001-2000	67	4.68	108007	1080070	2.83
2001-3000	65	4.54	163583	1635830	4.29
3001-4000	13	0.91	44049	440490	1.15
4001-5000	16	1.12	76597	765970	2.01
5001-10000	27	1.89	209324	2093240	5.49
10001-20000	9	0.63	134550	1345500	3.53
20001-50001	8	0.56	245980	2459800	6.45
50001-above	6	0.42	2411511	24115110	63.20
<b>TOTAL</b>	<b>1431</b>	<b>100.00</b>	<b>3815430</b>	<b>38154300</b>	<b>100.00</b>



## 10) Shareholding pattern :

Category	No. of Sahres	% to share capital
NRI	78638	2.06
Corporate Body	274705	7.20
Directors & Relatives	2328280	61.02
Indian Public	1133807	29.72
<b>TOTAL</b>	<b>3815430</b>	<b>100.00</b>

## 11) Dematerialization of shares and liquidity :

2995875 shares have been dematerialized as on 31st March 2009 constituting 78.52 % of total Paid up Share Capital.

## 12) Outstanding GDRs / ADRs / Warrants and other Convertible Instruments, conversion dates and likely impact on equity :

The Company has not issued any GDRs / ADRs / Warrants and other Convertible instruments.

## 13) Plant locations

Unit- I : Plot No.273,274, MIDC, Akkalkot Road, Solapur - 413 006.

Unit-II : Plot No. A-27, MIDC Chincholi, Solapur - 413 255.

## 14) Address for correspondence :

165-A, Balaji Bhavan, 1st Floor, Railway Lines, Solapur - 413 001.

Phone Nos. 0217-2310267, 367 Fax No.: 0217-2310268

Email ID :-changale@smruthiorganics.com

Web Site : www.smruthiorganics.com

Mr.Vijay-Changale, Manager Accounts - Compliance Officer.

For & on behalf of the Board

sd/-

**(E. Purushotham)**

Chairman & Managing Director

Place: Solapur

Date: 30/07/2009

**Auditor's Certificate  
on Compliance of Conditions  
of Corporate Governance**

The Members of  
Smruthi Organics Ltd.

We have examined the compliance of conditions of corporate governance by Smruthi Organics Limited for the year ended 31st March 2009 as stipulated in clause 49 of the listing agreement of the Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination is limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of 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 conditions of corporate governance as stipulated in the above mentioned listing agreements.

We state that no investor grievances were pending for a period exceeding one month against the Company as per records maintained by the Shareholders / Investors Grievance Committee.

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

**Ashok Madgundi & Co.**  
Chartered Accountants

sd/-

**A. D. Madgundi**

Proprietor.

M.No. 100-36983

Place : Solapur

Date : 30/07/2009



## **AUDITOR'S REPORT**

**To,**

**Members of Smruthi Organics Limited, Solapur.**

- 1) We have audited the attached balance sheet of Smruthi Organics Limited Solapur as on 31.03.2009 and the profit and loss account and also the cash flow statement for the year on that date annexed thereto. These financial statements are the responsibility of the Companies management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the 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 disclosure 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies [Auditor's Report] Order, 2003 issued by the Central 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 & 5 of the said order.
- 4) Further to our comments in Annexure referred to above, we report that :
  - I) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - II) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books (and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors Report(s) have been forwarded to us and have been appropriately dealt with- Not Applicable).
  - III) The balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with books of accounts.
  - IV) In our opinion, the balance sheet, profit & loss account and cash flow statement 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 2009 and taken on record by Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act-1956.
  - VI) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give true and fair view the conformity with 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, 2009.
- b) in the case of the profit & loss account, of the profit for the year ended on that date and
- c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**Ashok Madgundi & Co.**  
Chartered Accountants

sd/-  
**A. D. Madgundi**  
Proprietor.  
M.No. 100-36983

Place : Solapur  
Date : 30/07/2009

## **ANNEXURE TO THE AUDITOR'S REPORT**

Referred to in Paragraph 3 of our report of even date.

- 1) a) The company is maintaining proper records showing full particular including quantitative details and situation of fixed assets.  
b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.  
c) During the year, the company has not disposed off a major part of plant & machinery.
- 2) 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) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3) a) The Company had obtained a loan from Directors covered in the register maintained under section 301 of the Companies Act, 1956.  
b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from/granted to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of company.  
c) The company is regular in repaying the principal amount as stipulated and has been regular in the payment of interest. The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest  
d) There is no overdue amount of loans taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures 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, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5) a) According to the information and explanations given to us, we are of the opinion that the transactions 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 register

maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs 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.

- 6) The company has not accepted any deposit from public during the year.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account relating to material, 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.
- 9) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, custom duty, excise duty and other material statutory dues applicable to it.  
b) According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, sales tax, custom duty and excise duty were in arrears as at 31st March 2009 for a period of more than six months from the date they became payable.

Name of the Status	Nature of the dues	Amount (Rs. in Lacs)	Period to which the amount relates various years covering the period	Forum where Pending
		— NIL —		

- 10) The company does not have accumulated losses as at 31st March 2009 and also not incurred cash losses during the financial year covered by our audit and not for the immediately preceding financial year.
- 11) In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to a financial institution, bank during the year.
- 12) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, considering the nature of activities carried on by the company during the year, the provisions of any special statute applicable to chit fund or a nidhi / mutual benefit fund / society are not applicable to the company.
- 14) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
- 15) The company has not given any guarantees for loans taken by others from banks or financial institutions.
- 16) In our opinion, the term loans have been applied for the purpose for which they were





raised.

- 17) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that the funds raised on short-term basis have not been used for long term investment and vice-versa.
- 18) The company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. However issue of 50 lacs Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 5.00 crores to the promoters of the company, has been approved by the members, in Extra Ordinary General Meeting dt. 21st May 2009.
- 19) The company has not issued any debentures during the year.
- 20) The company has not raised any money by public issue during year.
- 21) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**Ashok Madgundi & Co.**  
Chartered Accountants

sd/-

**A. D. Madgundi**  
Proprietor.  
M.No. 100-36983

Place : Solapur  
Date : 30/07/2009

## Balance Sheet As On 31st March 2009

	Sche- dule	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>SOURCES OF FUNDS:</b>					
<b>SHAREHOLDERS FUNDS</b>					
Capital	A	38,154,300.00		38,154,300.00	
Reserves & Surplus	B	90,359,760.54	128,514,060.54	80,410,502.75	118,564,802.75
<b>LOAN FUNDS</b>					
Secured Loans	C	316,030,815.27		320,283,384.13	
Unsecured Loans	D	103,884,505.96	419,915,321.23	99,995,196.96	420,278,581.09
Deferred Tax Liability	E		21,398,590.00		21,098,590.00
<b>TOTAL</b>			<b>569,827,971.77</b>		<b>559,941,973.84</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>	F				
Gross Block		475,591,341.15		418,770,322.00	
Less: Depreciation		(205,790,439.00)		(174,580,137.00)	
Net Block		269,800,902.15		244,190,185.00	
Add : Capital Work in Progress		2,431,536.00	272,232,438.59	2,431,536.00	246,621,721.44
<b>CURRENT ASSETS</b>	G				
<b>LOANS &amp; ADVANCES</b>					
<b>CURRENT ASSETS:</b>					
Inventories		333,954,762.96		304,477,719.96	
Sundry Debtors		129,008,017.81		125,908,970.79	
Cash & Bank Balances		18,012,352.47		14,800,737.02	
Loans & Advances		41,252,803.15		34,983,078.36	
		522,227,936.39		480,170,506.13	
Less: Current Liabilities & Provisions	H	226,294,409.22		168,050,253.74	
<b>NET CURRENT ASSETS</b>			295,933,527.17		312,120,252.39
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off/adjusted)					
Deferred Revenue Expenditure		1,662,006.00	1,662,006.00	1,200,000.00	1,200,000.00
<b>Total</b>			<b>569,827,971.77</b>		<b>559,941,973.84</b>

Significant Accounting Policies and Notes Forming Part of the Financial Statement. Schedules Referred to above form an integral part of the Financial Statements.  
As per our audit report of even date attached

N

For & on behalf of Board of Directors  
Smruthi Organics Limited

**ASHOK MADGUNDI & CO.**  
CHARTERED ACCOUNTANTS

PLACE : SOLAPUR  
DATE : 30.07.2009

Sd/  
**(A.D.MADGUNDI)**  
PROPRIETOR

Sd/  
**(E. NIRANJAN RAO)**  
DIRECTOR

Sd/  
**(E. PURUSHOTHAM)**  
MANAGING DIRECTOR

## Profit and Loss Account for the year ended 31st March, 2009

	Schedule	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>INCOME</b>	<b>I</b>				
Sales (Gross) & Other Income		745,105,332.36		567,439,347.40	
Increase/(Decrease) In Finished Goods		5,471,892.22		8,259,871.53	
			750,577,224.58		575,699,218.93
<b>EXPENDITURE</b>					
Raw Material Consumed	J	496,414,182.55		346,056,365.93	
Manufacturing Exps.	K	85,628,843.93		84,053,780.22	
Administrative Exps.	L	77,896,287.06		60,343,052.31	
Interest	M	40,899,653.26		34,405,192.34	
Depreciation	F	31,210,302.00		29,875,948.00	
			732,049,268.80		554,734,338.80
<b>Profit before Taxation</b>			<b>18,527,955.78</b>		<b>20,964,880.13</b>
Less: Provision for Income Tax			3,000,000.00		1,700,000.00
Less : Fringe Benefit Tax			310,000.00		310,000.00
Less: Deferred Tax (originating during the year)			300,000.00		67,000.00
<b>Profit after tax</b>			<b>14,917,955.78</b>		<b>18,887,880.13</b>
Less : Transfer to General Reserve			1,491,796.00		2,009,870.42
Less : Dividend & Tax for the year			4,463,862.00		6,695,795.00
Less : Provision of I.T., FBT & Dividend Tax of early Yr.			(504,836.00)		(451,173.00)
Add : IT Refund			0.00		823,508.00
Add : Balance in Profit & Loss A/c.			59,801,902.76		49,247,353.05
<b>Balance Carried to Balance Sheet</b>			<b>68,259,364.54</b>		<b>59,801,902.76</b>

Significant Accounting Policies and Notes Forming Part of the Financial Statement. Schedules Referred to above form an Integral part of the Financial Statements.  
As per our audit report of even date attached

N

For & on behalf of Board of Directors  
Smruthi Organics Limited

**ASHOK MADGUNDI & CO.**  
CHARTERED ACCOUNTANTS

PLACE : SOLAPUR  
DATE : 30.07.2009

Sd/  
**(A.D.MADGUNDI)**  
PROPRIETOR

Sd/  
**(E. NIRANJAN RAO)**  
DIRECTOR

Sd/  
**(E. PURUSHOTHAM)**  
MANAGING DIRECTOR

### Schedules Forming Part of the Balance Sheet as on 31.03.2009

	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>SCHEDULE 'A'</b> AUTHORISED SHARE CAPITAL				
10000000 Equity Shares of Rs.10/- each		100,000,000.00		100,000,000.00
1. ISSUED, SUBSCRIBED & PAID UP 3815430 Equity Shares of Rs.10/- each fully paid	38,154,300.00		38,154,300.00	
		38,154,300.00		38,154,300.00
<b>SCHEDULE-'B'</b> RESERVES AND SURPLUS				
1. Capital Reserve	608,600.00		608,600.00	
2. Capital Incentive from WMDC Ltd.,Pune	1,500,000.00		1,500,000.00	
3. General Reserve	17,991,796.00		16,500,000.00	
4. Share Premium	2,000,000.00		2,000,000.00	
5. Profit & Loss Account	68,259,364.54		59,801,902.75	
		90,359,760.54		80,410,502.75
<b>SCHEDULE-'C'</b> SECURED LOANS				
1. FCNR Term Loan from S.B.I. I.F Br., Mumbai	67,964,946.00		69,313,888.00	
2. Working Capital Loan from S.B.I.,IFB Mumabi & SBI.,Solapur	218,722,087.27		227,002,810.13	
3. SBI Factors and Commercial Services Pvt.Ltd. Mumbai	29,343,782.00	316,030,815.27	23,966,686.00	320,283,384.13
<p>Term Loan - Secured by equitable mortgage created on all immovable properties located at Plot No. 273 &amp; 274 MIDC, Akkalkot Road, Solapur 413 006 &amp; Plot No. A-27, MIDC Chincholi, Solapur 413 255, Flat No. 5, Rahul Apartment, Solapur and also hypothecation of all movable properties for both present and future.</p> <p>Working Capital - Secured by hypothecation of Inventories, Book Debts &amp; also by equitable mortgage created on all immovable properties as collateral security.</p> <p>Bank - State Bank of India Industrial Finance Branch Mumbai.</p>				

### Schedules Forming Part of the Balance Sheet as on 31.03.2009

	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>SCHEDULE-'D'</b> <b>UNSECURED LOANS</b>				
Deferral Sales Tax Loan availed from WMDC Ltd.,Pune Under Package Scheme of Incentive of 1988.	405,323.17		405,323.17	
Deferral Sales Tax Loan availed from SICOM Ltd., Mumbai,Under Package Scheme of Incentive of 1993.	48,823,015.00		48,823,015.00	
Deferral Sales Tax Loan availed from SICOM Ltd., under Package Scheme of Incentive of 1993 under Expansion	33,858,044.79		33,858,044.79	
Other Unsecured Loans - Directors	20,798,123.00		16,908,814.00	
		103,884,505.96		99,995,196.96
<b>SCHEDULE-'E'</b>				
Deffered Tax Liability				
Opening Balance	21,098,590.00		21,031,590.00	
Add : During the year	300,000.00		67,000.00	
		<b>21,398,590.00</b>		<b>21,098,590.00</b>

## SCHEDULE 'F'-Company Act

## A) FIXED ASSETS

## Schedule Of Fixed Assets Forming Part Of Balance Sheet As On 31st March 2009

PARTICULARS.	GROSS BLOCK ( AT COST)				DEPRECIATION PROVIDED				NET BLOCK	
	Cost As On 01.04.2008	Addition During The Year (2008-09)	DISPOSAL/ ADJUST- MENT	As On 31.03.2009 (2+3-4)	Upto 31.03. 2008	For The Year 2008-2009	Disposal/ Adjust- ment	Upto 31.03.2009 (6+7-8)	As On 31.03. 2008	As On 31.03.2009 (5 - 9)
1	2	3	4	5	6	7	8	9	10	11
Factory Land	3076385	0	0	3076385	217373	17640	0	235013	2859012	2841372
Agricultural Land	587094	0	0	587094	0	0	0	0	587094	587094
Buildings	83011470	7621490	0	90632960	31522157	4942782	0	36464939	51489314	54168021
Ownership Flats	9294484	25000	0	9319484	3219346	303757	0	3523103	6075138	5796381
Plant & Machinery	252052188	29476129	0	281528317	109535416	19829965	0	129365381	142516772	152162937
Electrical Installation/ Equipments	12147178	547917	0	12695095	6967244	711268	0	7678512	5179934	5016583
Vehicles	7743431	0	0	7743431	5590052	557510	0	6147561	2153379	1595870
Office Equipments	1195724	71795	0	1267519	634951	78004	0	712954	560773	554565
Computer	3494184	172963	0	3667147	1645411	257164	0	1902576	1848773	1764571
Furniture & Fixture	7778369	343902	0	8122271	3915149	699243	0	4614391	3863220	3507880
Laboratory Equipments	10861686	549644	0	11411330	5961913	681558	0	6643471	4899773	4767859
Other Factory Eqp.	3261628	294942	0	3556570	895449	329135	0	1224585	2366179	2331985
<b>TOTAL = A</b>	<b>394503821</b>	<b>39103782</b>	<b>0</b>	<b>433607603</b>	<b>170104459</b>	<b>28408026</b>	<b>0</b>	<b>198512486</b>	<b>224399362</b>	<b>235095118</b>
B) i) Research & Devp.Eqp.	20850308	1962539	0	22812847	4144171	2489923	0	6634094	16706137	16178753
ii) Research & Devp.G.Block	3416193	136252	0	3552445	331507	312353	0	643860	3084686	2908585
<b>TOTAL = B</b>	<b>24266501</b>	<b>2098791</b>	<b>0</b>	<b>26365292</b>	<b>4475678</b>	<b>2802276</b>	<b>0</b>	<b>7277954</b>	<b>19790823</b>	<b>19087338</b>
C) Capital Work in Progress										
Building Constructions - F Block	2396265	0	0	2396265	0	0	0	0	2396265	2396265
Plant & Machinery - F Block	35271	0	0	35271	0	0	0	0	35271	35271
Plant & Machinery - A Block	0	14081366	0	14081366	0	0	0	0	0	14081366
Electrical Install / Equip - A Block	0	426402	0	426402	0	0	0	0	0	426402
Building Constructions - A Block	0	1110678	0	1110678	0	0	0	0	0	1110678
<b>Total = C</b>	<b>2431536</b>	<b>15618446</b>	<b>0</b>	<b>18049982</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2431536</b>	<b>18049982</b>
<b>Total (A+B+C)</b>	<b>421201858</b>	<b>56821018</b>	<b>0</b>	<b>478022876</b>	<b>174580137</b>	<b>31210302</b>	<b>0</b>	<b>205790439</b>	<b>246621721</b>	<b>272232438</b>
<b>Previous Year</b>	<b>397302052</b>	<b>23899806</b>	<b>0</b>	<b>421201858</b>	<b>144704189</b>	<b>29875948</b>	<b>0</b>	<b>174580137</b>	<b>252597863</b>	<b>246621721</b>

**Schedules Forming Part Of The Balance Sheet As On 31/03/2009**

	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>SCHEDULE-'G'</b>				
CURRENT ASSETS, LOANS & ADVANCES				
CURRENT ASSETS				
Inventories-(at cost except otherwise stated and as certified by Managing Director)				
1. Raw materials	66,580,511.87		61,982,806.24	
2. Packing Material	765,876.80		718,222.12	
3. Work in Process	241,747,465.39		222,387,674.92	
4. Finished Goods	24,860,908.90		19,389,016.68	
(At lower of cost or net realisable value)		333,954,762.96		304,477,719.96
SUNDRY DEBTORS				
(Unsecured Considered Good)				
1. More than six months	755,403.00		755,403.00	
2. Other debts	128,252,614.81	129,008,017.81	125,153,567.79	125,908,970.79
CASH AND BANK BALANCES				
1. Cash on hand	134,726.91		118,726.91	
2. Bank Balance (EEFC, Khadki, ICICI etc)	368,374.06		295,214.61	
3. Fixed Deposits with SBI (For L/C and Bank Guarantee margin)	17,509,251.50	18,012,352.47	14,386,795.50	14,800,737.02
LOANS AND ADVANCES				
1. (Unsecured Considered Good)				
Advances recoverable in cash or in kind or for value to be received				
Advances	1,903,811.00		2,959,253.00	
Octroi Duty Receivable from WMDC Ltd.	375,387.00		375,387.00	
Pre-Paid Insurance	555,829.00		635,774.00	
Excise Duty (Modvat)	4,783,182.92		3,328,259.97	
Excise Duty ( EOU)	2,301,008.75		14,997.75	
CST Refund Claim (EOU)	875,063.00		883,283.00	
Interest Accrued but not due	2,103,139.00		1,853,429.00	
Deposits	3,286,386.00		3,903,861.00	
Excise on Export Refund	3,231,234.00		982,396.00	
Income Tax Refund 2006-07	1,798,948.00		1,798,948.00	
Service Tax	1,733,065.00		2,494,137.00	
Sales Tax	727,914.00		727,914.00	
VAT Refund	13,011,452.48		12,860,808.64	
Advance Income Tax & FBT & TDS	4,562,383.00		2,160,630.00	
Shares With Solapur Nagari Bank (Unquoted)	4000.00		4,000.00	
		41,252,803.15		34,983,078.36
<b>SCHEDULE 'H'</b>				
CURRENT LIABILITIES & PROVISIONS				
Sundry Creditors (Raw Materials)	187,962,447.20		122,985,264.71	
Sundry Creditors (Smal Scale Undertaking)	0.00		6,511,379.00	
Sundry Creditors (Others)	15,591,972.00		13,235,792.98	
Provisions and Other Liabilities	22,739,990.02		25,317,817.05	
		226,294,409.22		168,050,253.74



**Schedules Forming Part Of The Balance Sheet As On 31/03/2009**

	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>SCHEDULE- I</b>				
SALES & OTHER INCOME / INCREASE(DECREASE)IN STOCK				
Sales	674,272,222.36		508,639,822.75	
Excise Duty	59,139,752.00		38,741,926.00	
Sales Tax	10,324,762.00		7,253,891.00	
Other Income	1,368,596.00		12,803,707.65	
		745,105,332.36		567,439,347.40
Finished Goods (Opening)	19,389,016.68		11,129,145.15	
Finished Goods (Closing)	24,860,908.90		19,389,016.68	
Increase/(Decrease)		5,471,892.22		8,259,871.53
<b>SCHEDULE-'J'</b>				
Raw Material Consumed				
Opening Stock	285,088,703.28		248,788,692.69	
Add : Purchases	520,419,333.33		382,356,376.52	
	805,508,036.61		631,145,069.21	
Less : Closing Stock	309,093,854.06		285,088,703.28	
Consumption		496,414,182.55		346,056,365.93
<b>SCHEDULE-K</b>				
MANUFACTURING & OTHERS EXP.				
MANUFACTURING EXPS				
Carriage Inward	9,669,313.00		11,544,693.66	
E.S.I.C.Employers Contribution	129,418.00		124,408.00	
Electricity Charges	14,698,429.00		17,124,732.00	
Factory Expenses	710,514.81		416,298.49	
Octroi	691,601.00		594,662.00	
Purchase of Ice	105,525.00		94,154.00	
Purchase of Coal/Buggase/Wood	8,761,703.48		13,167,471.64	
Packing Materials	7,659,817.73		7,086,595.45	
Provident Fund	1,944,964.00		1,829,683.00	
Research and Development chemicals	626609.19		742,194.35	
Research and Development Expenses	913,885.08		812,820.45	
Repairs & Maintenance	1,307,773.08		1,536,804.67	
Staff/Labour Welfare	2,242,176.72		2,093,416.08	
Stores	5,841,291.23		6,257,424.10	
Testing & Analytical Charges	1,300,113.61		1,627,350.33	
Wages	12,208,614.00		11,261,983.00	
Water Charges	2,617,095.00		2,764,089.00	
Excise Duty PLA	14,200,000.00		4,975,000.00	
		85,628,843.93		84,053,780.22

**Schedules Forming Part Of The Balance Sheet As On 31/03/2009**

	As on 31/3/2009 Rs.		As on 31/3/2008 Rs.	
<b>SCHEDULE-'L'</b>				
SELLING AND ADMINISTRATIVE EXPS.				
Audit fee	70,000.00		70,000.00	
Consultancy Charges	2,212,118.00		1,556,781.00	
Bank Commission & Charges	4,665,761.15		3,641,855.96	
Bonus & Ex-Gratia	1,080,332.00		1,470,915.00	
Carriage Outward	2,117,130.89		1,644,176.64	
Rent,Rates & Taxes.	669,790.00		607,014.00	
Conveyance	2,189,859.00		1,682,559.50	
Customers Welfare	123,580.00		191,932.00	
Directors Salary	2,671,650.00		3,324,000.00	
Donation	183,656.00		28,651.00	
Earned Leave Salary	302,277.00		224,064.00	
Insurance	1,559,856.00		1,491,192.00	
Journals & Periodicals	58,744.00		16,585.00	
Subscription	59,547.00		64,870.00	
Legal Expenses	102,906.00		22,500.00	
Fees & Forms	3,782,267.00		3,037,341.00	
Garden Expenses	70,676.00		61,847.00	
Office Expenses	184,978.96		182,089.55	
Perquisites	175,600.00		219,950.00	
Postage, Telegram & Telephone	1,092,273.00		1,298,959.00	
Printing & Stationery	1,235,380.49		1,154,282.44	
Salary to Staff	20,508,476.00		16,387,506.00	
Gratuity	1,013,269.00		440,795.00	
Sales Commission & Discount	7,551,247.00		8,683,080.00	
Sales Promotion & Advertisement Exps.	2,340,803.80		2,466,337.31	
Rate Difference in Foreign Exchange	9,055,428.90		0.00	
Seminar Expenses	21,354.00		16,250.00	
Travelling Expenses	2,066,628.00		2,734,077.00	
Vehicle Repairs & Maintenance	405,935.87		369,550.91	
Sales Tax	10,324,762.00		7,253,891.00	
		77,896,287.06		60,343,052.31
<b>SCHEDULE-'M'</b>				
INTEREST				
Term Loan	7,437,809.62		6,603,954.22	
Cash Credit	31,183,800.32		27,072,007.12	
Others	2,278,043.32		729,231.00	
		40,899,653.26		34,405,192.34

## **"SCHEDULE N"**

Schedule To The Financial Statement as on 31.03.2009

### **Notes on Accounts**

#### **1. Significant accounting policies :**

- (A) Accounting Convention : The financial statements are prepared on Historical Cost basis on the assumption of going concern concept.
- (B) Fixed Assets and Depreciation.
  - a) Fixed Assets stated at cost of acquisition / constructions less depreciation.
  - b) Depreciation on Assets is provided on Written Down Value Method at the rates and in the manner, specified in Schedule XIV of the Companies Act 1956.
  - c) Continues Process Plants as defined in Schedule XIV to the Companies Act, 1956 have been considered on Technical Assessment and Depreciation provided accordingly.
- (C) Inventories :
  - a) Finished goods are valued at cost or net realizable value which ever is the lower.
  - b) Stock in process is valued at cost.
  - c) Stock of raw materials, stores and spares and packing materials are valued at lower of cost or net realizable value.
- (D) Sale of Products :
  - a) Sales includes excise duty and sales tax arising on sale transactions but trade discount are separately booked as a expenditure.
  - b) Excise duty is chargeable on production but is payable on clearance of goods. Excise duty on the goods manufactured by the company is accounted for at the time of their clearance. Duty on finished goods, lying in the bonded warehouse as on the balance sheet date, is not provided for.
- (E) Staff Retirement Benefits :
  - a) Contribution to Provident Fund are funded as a Percentage of Salary / Wages.
  - b) Provision for leave encashment salary is made on the basis of actuarial valuation at the year end.
  - c) Provision for Gratuity is made of as per payment of Gratuity Act.
- (F) Provision for Current Tax is made on the basis of relevant provisions of Income-Tax Act, 1961 considering the benefit of Exemption of EOU u/s 10 B of Income Tax Act. The Deferred Tax for timing differences between the Book and Tax Profits for the year is accounted for using the Tax Rates and Laws that have been substantively enacted as at the Balance Sheet.
- (G) Borrowing Costs : Costs in respect of borrowing for the purpose of expansion project have been capitalized in accordance with Accounting Standard 16 issued

by The Institute of Chartered Accountants of India. During the year the company has capitalized eligible exchange difference loss of Rs. 96.00 lacs out of Rs. 135 lacs pertaining to the current financial year in respect of its foreign currency term loans to various fixed assets as per Notification No.GSR 225E dated 31.03.2009.

- (H) Foreign Currency Transactions : Transactions in foreign exchange are translated in Indian Rupees at the Exchange Rates prevailing at the year end as notified by Foreign Exchange Dealers Association of India (FEDAI). Items of profit and loss account are accounted for at the exchange rates prevailing on the date of transaction. Gains and losses arising on account of periodic revisions of such standard exchange rates and also on realization are accounted to profit and loss account. The total rate difference in foreign exchange loss comes to Rs. 90.55 lacs. as per AS-11.

None of the fixed assets have been acquired out these foreign currency loans and as such the carrying cost of these assets is not affected by fluctuations. Therefore the gain / loss arising on account of fluctuation of foreign exchange rates is taken to profit and loss account - as per AS-11.

- (I) Research and Development Expenditure :

Revenue expenditure is charged to Profit and Loss Account and Capital Expenditure added to Cost of Fixed Assets.

Expenditure details on R&D for 2008-09 and 2007-08 (Rs.In lacs)

Particulars	2008-09	2007-08
a) Capital	20.99	45.87
b) Recurring	89.16	86.16
<b>Total Rs.</b>	<b>110.15</b>	<b>132.03</b>
Total R&D expenditure as a percentage of total turnover :	1.63%	2.60%

- (J) Provisions, Contingent Liabilities and Contingent Assets :

A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent Liabilities , if material are disclosed by way of notes to accounts. Contingent Assets are not disclosed or recognized in the financial statements.

- (K) Recognition of Income and Expenditure.:

a) The revenue is recognized when no significant uncertainty as regards reliability exist. In case of claims, revenue is recognized on admittance of the claim.

b) Sales Tax Benefits : Shortfall/increase in the sales tax refund receivable by the company is accounted in the year in which the final assessment by sales tax authorities is completed. Company has repaid Sales tax loan amount payable

under PSI 1988 Scheme. The sales tax amount of Rs.19.55 lacs is due under PSI 1993 scheme for the year.

- (L) Investment : Investments are stated at cost.
- (M) Deferred Revenue Expenditure : During the year Rs. 24.93 lacs paid as Foreign Technical consulting charges are deferred for three years. Out of which Rs 8.31 lacs is transferred to Profit & Loss account for the year.
- (N) Impairment of Assets : AS-28

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which an asset is identified as impaired. The impaired loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

## 2. NOTES TO ACCOUNTS :

- (A) The company has drawn Foreign L/c's of Rs.1752 lacs towards import of raw materials to various parties and outstanding of L/c's. at closing day of the year are Rs. 841 Lacs. (Previous Year Rs.466 Lacs)
- (B) The bank guarantees of Rs.20.00 lacs are issued to various Government Authorities.(Previous Year Rs. 20.00 lacs)
- (C) The accounts of certain sundry debtors, sundry creditors, advances are subject to confirmation / reconciliation and adjustments if any. The management does not expect any material difference affecting the current year's financial statements.
- (D) Members have approved at Extra Ordinary General Meeting held on 21st May 2009 issue of 50 lacs Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 5.00 Crores to the Promoters of the Company. The said shares have to be subscribed within 18 months from the date of members approval. The promoters have so far not subscribed to the said shares

### Key Management personnel

(Rs.)

(E) Remuneration to Directors :-	Current Year	Previous Year
<b>a) E. Purushotham, Chairman &amp; Managing Director</b>		
i) Salary	24,00,000	24,00,000
ii) Provident Fund	2,16,000	2,16,000
<b>b) E.Niranjan Rao, Director</b>		
i) Salary	11,64,000	9,24,000
ii) Provident Fund	59,040	55,080
<b>c) E.Swapnil, Vice President, Business Development</b>		
i) Salary	5,76,000	5,76,000
ii) Provident Fund	36,000	36,000

(F) Auditors Remuneration		
a) as statutory auditors	70,000	70,000
b) tax audit and other services	1,53,422	1,83,929
(G) Remittance in Foreign Currency	20,37,97,000	15,09,97,000
Value of Imports material purchased CIF		
Value of Imports material consumed		
(H) Expenses in Foreign Currency	57,41,989	35,32,299
in traveling ,Sales Commission & Exhibition Stall Rent.		
(I) Remittance by way of Dividend in Foreign Currency		
No. of Shares	13500	30500
Amt. of Dividend	20250	76250
No. of Shareholders	3	5
(J) Earning in Foreign Currency FOB basis	27,11,72,843	25,93,88,745
(K) Sundry debtors in schedule includes Rs.7.55 lacs due for a period of more than six months. Provision for debts considered as a doubtful aggregating to Rs. 7.55 lacs has not been made as recovery efforts are under progress.		
(L) Related Party Disclosures AS-18		
i) Name of Related Party Smruthi Chemicals & Intermediates		
Relationship	Director in Company & Wife of Managing Director	
Nature of the Transaction	a) Job-work Charges (done by SC & I) b) Job-work Charges (done by SOL) c) Raw Mat. Purchase (High-seas/Local from SOL)	
Transaction value (Rs.)	a) Rs. 3651662 b) Rs. 267000 c) Rs. 1725351	
Balance Outstanding	<b>Rs. NIL</b>	
Receivable/Payable(-)		
As on Balance Sheet Date		
ii) Name of Related Party Smruthi Fotochem		
Relationship	Both Partners are Directors of the Company	
Nature of the Transaction	a) Loans Taken	
Transaction value (Rs.)	Rs. 1046484	
Balance Outstanding	<b>Rs. NIL</b>	
Receivable/Payable(-)		
As on Balance Sheet Date		
iii) Name of Related Party Sreya Constructions, Solapur		
Relationship	: Brother of Managing Director :	
Nature of the Transaction	a) Building Contractor	
Transaction value (Rs.)	Rs. 2456232/-	

Balance Outstanding **Rs. NIL**

Receivable/Payable(-)

As on Balance Sheet

Date

iv) Name of Related Party Trade Point

Relationship : Wife of Director

Nature of the Transaction a) Sales Commission

Transaction value (Rs.) Rs. 1223040/-

Balance Outstanding **Rs. NIL**

Receivable/Payable(-)

As on Balance Sheet

Date

No amounts in respect of related parties have been written off / written back during the year.

Related party relationship have been identified by the management and relied upon by the Auditors.

		Rs.
(M) Earning Per Share (E.P.S.) AS-20	31.03.2009	31.03.2008
i) Basic E.P.S.	3.92	4.97
Diluted E.P.S.	3.92	4.97
ii) Calculation of Basis E.P.S.		
a) Net Profit after tax-Income (in crore)	1.49	1.89
b) No.of Equity Shares (in crores)	0.38	0.38
c) Basis Earning per share (Weighted Avg.)	3.92	4.97
d) Nominal Value per share	10.00	10.00

(N) Installed capacity is as certified by the management and accepted by auditors being, a technical matter.

**Additional information as required under Schedule VI Part II of Companies Act, 1956 (as certified by Managing Director)**

**A. Quantitative & Other Information**

**I ) Capacity Installed**

	2008-09 (MT)	2007-08 (MT)
a. Metformin Hcl.		
b. Norfloxacin		
c. Zidovudine		
d. Pthaloyl Amlodipine	2420	2420
e. Enrofloxacin		
f. Chlorhexidine Free Base		
g. Other Products		

**II ) Bulk Drugs Manufactured**

	<b>2008 - 09 (Qty. in Kgs)</b>	<b>2007 - 08 (Qty. in Kgs)</b>
a. Diloxanide Furoate	65053	42300
b. Norfloxacin	122183	68892
c. Ciprofloxacin	34815	15001
d. Pefloxacin Mesylate	13380	15820
e. Metformin Hcl.	1072741	977703
f. Enrofloxacin	5800	10676
g. Zidovudine	2840	0
h. Ch-Base	23500	36650
i. Others	23033	188070
<b>Total Qty.in Kgs</b>	<b>1363345</b>	<b>1355112</b>

**III) Opening Stock of Finished Goods**

	<b>2008 - 09 (Qty. in Kgs)</b>	<b>2007 - 08 (Qty. in Kgs)</b>
a. Diloxanide Furoate	1125	75
b. Norfloxacin	2275	925.95
c. Ciprofloxacin	500	1339.58
d. Pefloxacin Mesylate	27	325
e. Metformin Hcl.	7895	3954

**IV) Closing Stock of Finished Goods**

	<b>2008 - 09 (Qty. in Kgs)</b>	<b>2007 - 08 (Qty. in Kgs)</b>
a. Diloxanide Furoate	4475	1125
b. Norfloxacin	3175	2275
c. Ciprofloxacin	1100	500
d. Pefloxacin Mesylate	88	27
e. Metformin Hcl.	21540	7895

**V) Raw Material Consumed During the year**

	<b>31.03.2009</b>		<b>31.03.2008</b>	
	<b>Quantity (Kgs)</b>	<b>Value (Rs)</b>	<b>Quantity (Kgs)</b>	<b>Value (Rs)</b>
1. N- Butanol	65310	5236824	261422	17203414
2. Piperzine	178935	44579373	110368	25077495
3. Acetophenone	33323	16941828	23622	8444308





4. Dicyandiamide	601225	73721880	557850	36056010
5. Dimethyl Amine	693855	35184932	671695	35791784
6. E.M.M.E.	171515	32776711	115570	18025672
7. C.F.A.	113118	32535875	76200	15306020
8. 5 'O' Trityl Thymidine	14100	50114673	0	0
9. Sundry Material being the balance figure of individual items each less then 10% of total		205322087		190151663
<b>Total Rs.</b>		<b>496414183</b>		<b>346056366</b>

## VI ) Turnover

	31.03.2009		31.03.2008	
	Quantity (Kgs)	Value (Rs)	Quantity (Kgs)	Value (Rs)
a. Diloxanide Furoate	61703	40936000	41093	21030000
b. Norfloxacin	119976	229136000	65993	100855000
c. Ciprofloxacin	34190	50301000	13411	14904000
d. Pefloxacin Mesylate	13317	18932000	15968	16738000
e. Metformin Hcl.	1047264	184991000	963537	120476000
f. Zidovudine	2840	40282000	0	0
g. Chlorohexidine Base	20500	17050000	36650	24799000
h. Other items	44914	92644222	195469	209837823
	<b>1344704</b>	<b>674272222</b>	<b>1332121</b>	<b>508639823</b>

(O) In the opinion of the Board, Current Assets, Loans and Advances including capital advances as on 31.03.2009 have a value on realization in the ordinary course of the business at least equal to the amount which they are stated.

(P) As regards the disclosure of particulars of amounts owned by the company to small scale industrial under-taking that are required to be disclosed in the Balance Sheet in pursuance of amendment to Schedule VI of the Companies Act 1956 vide Notification No. GSR-129 (E), dated 22.02.1999 issued by the Department of Company Affairs, the Company is in possession of information as to the business, industrial status of its creditors.

The name of Small Scale Industrial undertakings to whom the Company owes a sum exceeding Rs. 1.00 Lac which is outstanding for not more than 30 days included in Sundry Creditors .

(Q) The figures of the previous year have been re-grouped and re-arranged wherever necessary.

(R) Balance Sheet Abstract and Company's General Business Profile.

I) Registration details

Registration No. : 52562 State Code : 11

Balance Sheet Date : 31.03.2009

II) Capital raised during the year (Amount in thousand)

Public Issue : NIL Rights Issue : NIL

Bonus Issue : NIL Private Placement : NIL

III) Position of Mobilization and Development of Funds (Amt. in Thousands)

Total Liability : 569828 Total Assets : 569828

Paid up Capital : 38154 Reserves & Surplus : 90360

Secured Loans : 316031 Unsecured Loans : 103885

Application of Funds. :

Net Fixed Assets : 272232

Net Current Assets : 295934 Misc. Expenditure : 1662

Accumulated Losses :

IV) Performance of Company (Amount in Thousand)

Turnover : 745105 Total Expenditures : 726577

Profit before Tax : 18528 Profit after Tax : 14918

Earning Per share in Rs.3.92 Dividend Rate : 10 %

V) Generic Names of Three Principal Products / Services of Company  
(As per monetary terms)

Item Code No. : 2942.00

**Products Description :**

- 1) Diloxanide Furoate 2) Norfloxacin 3) Zidovudine 4) Ciprofloxacin  
5) Pefloxacin 6) Metformin Hcl 7) Amlodipine 8) Chlorhexidine Base  
9) Carbidopa 10) Enrofloxacin 11) Phthaloyl Amlodipine

(S) The Company is primarily engaged in the segment of "Bulk Drugs and Drug Intermediates" and there is no reportable segments as per Accounting Standard (AS-17)

Signature to Schedule "A" to "N"

Place : Solapur

Date : 30/07/2009

**Ashok Madgundi & Co.**  
Chartered Accountants

sd-  
**A. D. Madgundi**  
Proprietor.

For & on behalf of the Board.  
For Smruthi Organics Limited

sd-  
**(E. Niranjan Rao)**  
Proprietor.

sd-  
**(E. Purushottam)**  
Managing Director

## Cash Flow Statement for the year ended 31.03.2009

Sr	Particulars		Rs. In Lacks	
A	CASH FLOW FROM OPERATING ACTIVITIES		31.03.2009	31.03.2008
	Net profit before taxation	(+)	185.28	209.65
	Adjusted for			
	Depreciation	(+)	312.10	298.76
	Misc Expenditure written off	(+)	20.31	12.00
	Interest Income & Rate diff.in foreign currency	(-)	-13.69	-128.04
	Interest Expenditure	(+)	409.01	344.05
	Income Tax Refund received & prov. of Div. Tax of earlier Yr.	(-)	-5.06	3.73
	<b>Operating profit before working capital changes</b>	(+)	<b>907.95</b>	<b>740.15</b>
	Increase in Sundry Debtors	(-)	-30.99	-225.59
	Increase in Loans & Advances	(-)	-62.70	-51.29
	Increase in Inventory	(-)	-294.77	-445.60
	Increase in Current Liabilities	(+)	582.44	-34.72
	Net of Provision for Dividend and Tax	(-)	-44.64	-66.96
	Foreign consultancy technical charges	(-)	-24.93	0.00
	<b>Cash generated from Operations</b>	(+)	<b>1032.36</b>	<b>-84.01</b>
	Income Tax	(-)	-33.10	-20.10
	<b>Net Cash from Operating Activities (A)</b>	(+)	<b>999.26</b>	<b>-104.11</b>
B	CASH FLOW FROM INVESTMENT ACTIVITIES			
	Purchases of Fixed Assets	(-)	-568.21	-239.00
	Interest Income	(+)	13.69	128.04
	<b>Net Cash from Investing Activities (B)</b>	(-)	<b>-554.52</b>	<b>-110.96</b>
C	CASH FLOW FROM FINANCING ACTIVITIES			
	Increase in Share Capital	(+)	0.00	0.45
	Secured Loans	(-)	-42.52	343.62
	Unsecured Loans	(+)	38.90	163.01
	Interest Expenses	(-)	-409.01	-344.05
	<b>Net Cash used in Financing Activitis (C)</b>	(-)	<b>-412.63</b>	<b>163.03</b>
	<i>Net Increase in cash &amp; cash equivalents (A) + (B) + (C)</i>	(+)	32.11	-52.04
	Cash & Cash equivalents at the beginning of the period	(+)	148.01	200.05
	<b>Cash &amp; Cash equivalents at the end of the period</b>	(+)	<b>180.12</b>	<b>148.01</b>

For and on behalf of Board of Directors

Place : Solapur  
Date : 30.07.2009

Sd/-  
**(E.Niranjan Rao)**  
Director

Sd/-  
**(E.Purushotham)**  
Managing Director



## **Auditors' Certificate**

**The Members,  
Smruthi Organics Limited  
Solapur.**

We have examined the attached Cash Flow Statement of Smruthi Organics Limited for the year ended 31<sup>st</sup> March 2009.

The Statement has been prepared by the Company in accordance with the requirements of listing agreement with various stock exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet as well as Cash Flow of the company covered by our report of even date to the members of the company.

**Ashok Madgundi & Co.**  
Chartered Accountants

sd-  
**A. D. Madgundi**  
Proprietor.

Place : Solapur  
Date : 30/07/2009



Regd. Office :- 165-A, Balaji Bhavan, 1st Floor, Railway Lines, Solapur - 413 001.

## PROXY FORM

Reg. Folio No. ....

I/We .....

of .....

being member/members of the above named Company hereby appoint .....

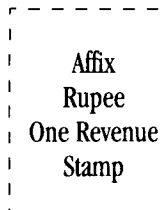
of .....

of failing him ..... of .....

as my/our Proxy to vote for me/us on my/our behalf at the NINETEENTH ANNUAL GENERAL MEETING of the Company to be held on Friday 25th Sept. 2009 at 12.30 p.m. and at any adjournment thereof.

Signed this ..... day of ..... 2009

Signature .....



**NOTE** : The Proxy Form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

## SMRUTHI ORGANICS LIMITED

### ATTENDANCE SLIP

#### Twentieth Annual General Meeting - -----

Reg.Foliot No. ....

.....  
Member's/Proxy's Name in BLOCK Letters

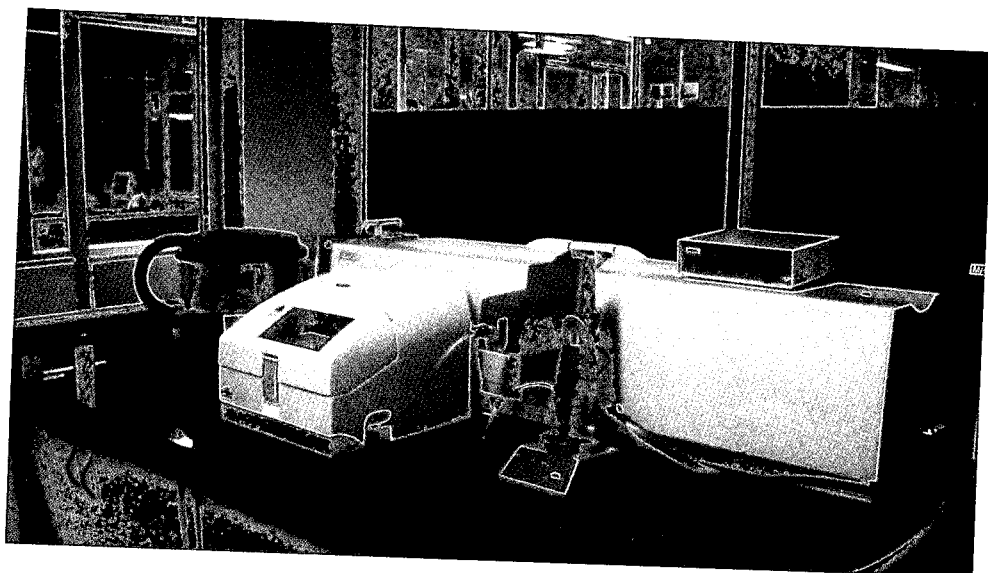
.....  
Member's/Proxy's Signature

**Note** : 1. Please fill in this attendance slip and hand it over at the ENTRANCE OF THE HALL.

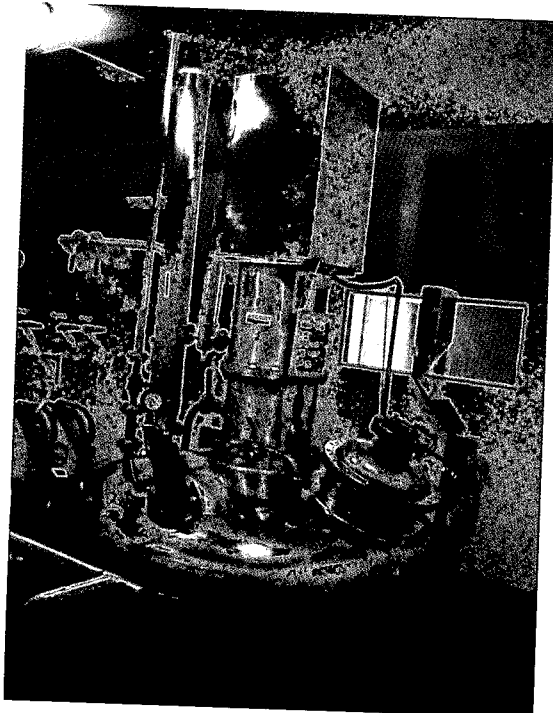
2. Shareholder /Proxy holder desiring to attend the meeting should bring his copy of the Annul Report for reference at the meeting.



New Gas Chromatography For New Products



New Particle Size Distribution Instrument For New Products



A Model Pharma Reactor

PRINTED MATTER / BOOK-POST



If undelivered please return to :

## **Smruthi Organics Limited**

**USFDA, cGMP-WHO Certified Company**

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Head Office	: 165-A, 'Balaji Bhawan' Railway Lines, Solapur - 413 001-INDIA	
Phones	: 0091-217-2310267, 2310367	Fax No. : 0091-217-2310268
Mumbai Offi. Tel	: 0091-22-24129211	Telefax No. : 0091-22-24155452
E-mail	: eaga@smruthiorganics.com	smruthiorganics@mtnl.net.in
Visit us at	: www.smruthiorganics.com	