

BOARD OF DIRECTORS

- Mr. E. Purushotham - Chairman & Managing Director
- Mr. E. Niranjana Rao - Director (Operations)
- Mr. E. Swapnil - Director (Business Development)
- Mrs. E. Vaishnavi
- Dr. Nagender Yerram
- Mr. P. K. Kumaran
- Mr. R. Ramaswamy
- Mr. J.H.Ranade

REGISTERED OFFICE

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

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 413 255

AUDITORS

Ashok Madgundi & Co,
Chartered Accountants,
210/A/1, Sakhar Peth,
Near Kanya Prashala,
Solapur - 413 005.

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 21st 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 30th July 2010 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, 2010 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. J.H.Ranade who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. Nagendra Yerram who retires by rotation and being eligible offers himself 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 a Special Resolution: -

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and Articles of Association of the Company, consent of the Company be and is hereby accorded for the continuation of appointment of Mr. E. Purushotham, as Managing Director of the Company on the same terms and conditions as approved by the Board of Directors on 25th September 2009 for a period commencing from 1st October 2009 till 31st July 2010 and on revised terms and conditions for a period of 5 years commencing from 1st August, 2010 till 31st July 2015 as set out in the explanatory statement with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the board and Mr. E. Purushotham."

"RESOLVED FURTHER THAT in event of inadequacy or absence of profits in any Financial Year of the Company, during the term of Mr. E. Purushotham, as Managing Director, the remuneration payable to him shall be as per provisions of Section II of Part II of Schedule XIII and other applicable Sections of the Companies Act, 1956."

RESOLVED LASTLY THAT the Board of Directors be and is hereby authorized to take all such steps, and to do all other acts and deeds and things as may be necessary or desirable to give effect to this Resolution.

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and Articles of Association of the Company, consent of the Company be and is hereby accorded for the continuation of appointment of Mr. E. Niranjana Rao, as Whole time Director of the Company designated as Director (Operations) for a further period of 3 years commencing from 1st August 2010 till 31st July 2013 on terms and conditions as set out in the explanatory statement with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the board and Mr. E. Niranjana Rao."

"RESOLVED FURTHER THAT in event of inadequacy or absence of profits in any Financial Year of the Company, during the term of Mr. E. Niranjana Rao as Whole time Director, the remuneration payable to him shall be as per provisions of Section II of Part II of Schedule XIII and other applicable Sections of the Companies Act, 1956."

RESOLVED LASTLY THAT the Board of Directors be and is hereby authorized to take all such steps, and to do all other acts and deeds and things as may be necessary or desirable to give effect to this Resolution.

Place: Solapur
Date: 27th April 2010

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 30th July 2010.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 24th July 2010 to 30th July 2010 (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 of the date of Annual General Meeting in order to enable the Company to make available the required information.

Place: Solapur
Date: 27th April 2010

For & on behalf of the Board
sd/-

(E. Purushotham)
Chairman & Managing Director

EXPLANATORY STATEMENT

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

Item No. 6 & 7

Present appointment of Mr. E. Purushotham as Managing Director of the Company as approved by the Board of Directors is expiring on 30th September, 2010. However It is proposed to renew his appointment for a further period of 5 years from 1st August, 2010 to 31st July, 2015 on revised terms and conditions taking into account his contribution and vital role played towards progress and prosperity of the Company.

Similarly it is also proposed to renew appointment of Mr. E. Niranjan Rao, Whole Time Director designated as Director (Operations) for a further period 3 years from 1st August 2010 to 31st July 2013 on revised terms and conditions taking into account his contribution to the progress of the Company.

The Remuneration Committee has also approved the appointment of Mr. E. Purushotham. & Mr. E. Niranjan Rao.

Details of Remuneration payable to Mr. E. Purushotham

1. Salary

From 1st October 2009 till 31st July 2010

Rs. 2,50,000/- (Rupees Two Lac Fifty Thousand) per month (Same as approved by the members AGM held on 11-09-2006).

From 1st August 2010 till 31st July 2015

Rs. 4,00,000/- (Rupees Four Lacs) per month

Details of Remuneration payable to Mr. E. Niranjan Rao

Salary

From 1st August 2010 till 31st July 2013

Rs. 1,25,000/- (Rupees One lac twenty five thousand) per month (include allowance & perquisites not covered below) with Annual increment not exceeding 20% of salary (incl. Allowances and Perquisites) for the previous year.

2. Allowances / Perquisites (Applicable for both the appointees except Commission)

- 1) Leave with full pay as per the Rules of the Company, encashment of unavailed leave being allowed at the end of the tenure.
- 2) Free furnished residential accommodation with gas, electricity, water and furnishings or unfurnished accommodation with gas, electricity and furnishings and Company's furniture on rental basis as per scheme applicable to the Senior Executives of the Company.
- 3) Re-imburement of medical expenses incurred in India or abroad and including hospitalization, nursing home and surgical charges for himself and family.
- 4) Re-imburement of actual traveling expenses for proceeding on leave from Solapur to any place in India or abroad and return there from once in a year in respect of himself and family.
- 5) Re-imburement of membership fees for clubs.
- 6) Personal accident insurance policy in accordance with scheme applicable to senior

employees.

- 7) Free use of Company's car for Company's work as well for personal purposes along with driver.
- 8) Telephone, cell phone with internet cell at residence at Company's cost.

3. Commission

The Managing Director may also be paid remuneration by way of commission, in addition to salary, perquisites and allowances calculated with reference to the Net Profits of the Company for Particular Financial Year, subject to overall ceiling laid down under provisions of section 198 and 309 of the Companies Act, 1956 of such amount, as the Remuneration Committee/ Board of Directors may in their absolute discretion decide.

4. 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.

The aggregate of remuneration including contribution towards Provident Fund and Family Pension Scheme, payable to the Managing Director/ Whole time Directors of the Company taken together shall not exceed 10% of the Net Profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.

5. Minimum remuneration

If in any year during the currency of appointment of the Managing Director/ Whole time Director, the Company has no profits or its profits are inadequate, Company shall pay remuneration by way of Salary, perquisites and allowances as per applicable provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

6. Memorandum of Interest

In case of Mr. E.Purushotham no other Directors except the appointee, Mrs. E. Vaishnavi, and Mr. E. Swapnil are concerned or interested in the resolution.

In case of Mr. E.Niranjan Rao no other Directors except the appointee is concerned or interested in the resolution.

7. Mr. E. Purushotham shall not be liable to retire by rotation.

Additional Information relevant to appointment of the Managing Director forming part of the explanatory statement as required under schedule XIII of the Companies Act, 1956.

1. General Information:

1. Nature of Industry:

The Company is manufacturer of bulk drugs, drug intermediates, fine chemicals and specialty chemicals.

2. Date of commencement of Commercial Production :

The Company commenced commercial Production from December 1990.

3. Financial performance based on Audited Financial Results for the year ended 31/03/2010

Particulars	Rs. (in Lacs)
Net Sales & Other Income	12078.00
Gross Profit	1535.71
Interest	427.70
Depreciation	382.52
Profit/ Loss before Tax	725.49
Profit/ Loss after Tax	554.91
Share Capital	381.54
Net Worth	1725.66
Capital Employed	4726.17

Book Value per Share (Rs.): 45.89

4. Export Performance and Foreign Exchange earned for the year ended 31/03/2010:

During the year 2009-2010, the Company's Exports amounted to Rs. 2573.94 lacs compared to Rs. 2711.93 lacs in previous year, registering the marginal drop of 5.35%

5. Foreign Investment or Collaborations, if any :

NIL

II) Information about the Managing Director / Whole time Director:

1. Background Details:

Mr. E. Purushotham, MSC (Org.Chem.) has 29 years experience in chemical industry. He has been associated with the company as Managing Director since its inception in 1989.

Mr. E. Niranjan Rao, MSC (Org. Chem) has about 23 years experience in chemical industry. He has been associated with the company since its inception in 1989.

2. Past Remuneration:

For Mr. E.Purushotham

Rs. 250000/- (Rupees Two Lac Fifty Thousand) per month, plus Provident Fund contribution @ 12% , Commission @ 1% of the net profits of the company, Gratuity @ 1 month salary for each completed year of service, free furnished residential accommodation, reimbursement of medical and traveling expenses, personal accident insurance, free use of company's car with driver etc.

For Mr. E.Niranjan Rao

Rs. 102000/- (Rupees One Lac Two Thousand) per month, plus Provident Fund contribution @ 12% , Gratuity @ 1 month salary for each completed year of service

3. Job Profile & Suitability:

Mr. E Purushotham is overall in-charge of the company particularly looking after technical and marketing matters. Due to untiring efforts of Mr. E. Purushotham the company has been able to grow and earn reputation as a quality supplier of the products in domestic as well as international markets in spite of intense competition.

Mr. E.Niranjan Rao is overall in-charge of the factory. He has been successfully handling substantially increased level of operations at the plant.

4. Remuneration Proposed :

Mr. E.Purushotham

Rs. 4,00,000/- per month plus Allowances / Perquisites, viz. free furnished residential accommodation, reimbursement of medical and leave travel expenses, personal accident insurance policies, company car with driver etc. Provident Fund and Gratuity and Commission.

Mr. E.Niranjan Rao

Rs. 1,25,000/- per month plus Provident Fund and Gratuity with annual increase in salary not exceeding 20%.

5. Comparative Remuneration Profile with respect to industry, size of Company, profile of the position and person:

The remuneration proposed for the Managing Director and Whole time Director is in line with the one paid by the companies of similar size and nature of business.

6. Pecuniary relationship directly or indirectly with the Company, or relationship with the Managerial Personnel, if any: - N.A.

III) Other Information: (AS APPLICABLE)

a) Reasons for loss or inadequate profits: N.A.

b) Steps taken or proposed to be taken for improvement : N.A.

c) Expected increase in productivity and profits in measurable items:

The Company undertakes efforts on continuing basis for improving productivity and profitability.

IV) Disclosures:

The information in respect of Remuneration including performance criteria, service contract, notice period, stock options details if any have been given in the Corporate Governance Report.

This should be treated as an abstract under provisions of Section 302 of the Companies Act 1956.

Directors recommend Special Resolutions for you approval.

DIRECTORS REPORT TO THE SHAREHOLDERS

Dear Members,

Your Directors have pleasure in presenting their 21st Annual Report and Audited Statements of Account for the financial year ended 31st March, 2010.

(Rs. in Lacs)

Financial Results	Current Year 2009-2010	Previous Year 2008-2009
<u>Gross Sales</u>		
Gross Sales	<u>12649.67</u>	<u>7437.37</u>
Net Sales & Other Income	12078.01	6756.41
Operating Profit before Interest & Depreciation	1535.71	906.38
Less : Interest	<u>427.70</u>	<u>409.00</u>
Gross Profit	1108.01	497.38
Less : Depreciation	<u>382.52</u>	<u>312.10</u>
Profit Before Tax	725.49	185.28
Less : Provision for Taxation (Incl.FBT)	167.11	33.10
Less : Deferred Tax	3.47	3.00
Less : Dividend & Dividend Tax	89.28	44.64
Add : Income-Tax Refund as per Computation (06-07)	0.00	0.00
Less : Short Provision of Dividend Tax Of earlier yr.	00.00	05.05
Less : Transfer to General Reserve	55.49	14.92
Add : Balance in Profit & Loss A/c. Brought forward	<u>682.59</u>	<u>598.02</u>
Balance carried to Balance Sheet	1092.74	682.59

The Company has posted all-round improvement in sales turnover, production and profitability and has achieved an important mile-stone of crossing Rs. 100 Crore mark in sales turnover for the first time in the history of the company.

- a) Sales: - The Gross Sales for the year amounted to Rs. 12649.67 lacs as against Rs. 7437.37 lacs for the previous year, showing impressive increase of 70.08 %. The turnover rate per unit quantity was also higher, with 1455 MTs manufactured in 2009-10 as against 1345 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 2010 stood at Rs.2573.94 lacs as compared to Rs. 2711.73 lacs for the year ended on 31st March 2009. The Company has registered marginal drop of 5.35% in Exports compared to the previous year.

Directors hope that the efforts initiated by the management for improving sales mix and control over expenses shall yield yet better results in terms of sales turnover and consequently profitability.

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 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 substantial increase in disposable profits yet need to conserve resources of the company for financing working capital as well as capital expenditure, your Directors recommend dividend @20% i.e. Rupees 2/- per share (as against 10% in the previous year) for the year ended on 31st March 2010, 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.89.28 lacs.

DIRECTORS:

Mr.J.H.Ranade and Dr.Nagendra Yerram, 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. Similarly it is proposed to renew appointments of Mr. E.Purushotham on revised terms and conditions for the period of 5 years respectably and Mr. E.Niranjan Rao on revised terms and conditions for the period of 3 years respectably from 1st August 2010 as set out in the Annexure to the Notice. Members are requested to approve their appointments.

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 2010, 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 , Practicing 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 2009-2010.

COST AUDIT

The company's cost records are audited by M/s Shrinivas 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:

The company is engaged in the manufacturing of Active Pharmaceutical Ingredients (API) fine and speciality chemicals etc. through synthetic organic chemical technology. The company has adopted a two pronged strategy to advance as a significant player in the pharmaceutical industry:

1. Marketing of company products in regulated markets
2. Marketing of company services in contract manufacturing space

With the receipt of USFDA and EMEA approvals in 2007, company has taken an aggressive stand on expanding business in regulated markets. The company currently owns 4 drug master files (DMF) for the products VIZ, Amlodipine Besilate, Carbidopa, Metformin Hydrochloride and Norfloxacin. We are also registered as site of manufacture for 4 other drug master files owned by our contract manufacturing clients. The company is exploring forward integration opportunities through marketing of Metformin HCl granules.

Future outlook:

The company's investment in the regulated markets is bearing fruits now and would continue to contribute strongly over the next few years.

The company sees growth being driven by contract manufacturing business in the midterm. New products are being added to the contract manufacturing pipeline by existing as well as new customers. Commercial supply of an additional contract manufacturing product will start in FY 2010-11. With addition of 2 new products to the pipeline this year, the contract manufacturing project base has expanded to a total of 7. Smruthi is now uniquely positioned in the contract manufacturing space with a constant stream of products reaching commercial scale every year.

The company is expanding its regulated markets product portfolio by filing 3 DMFs in both EU and USA. The focus this year for the company is to expand its customer base by adding new customers. In addition, the company is taking substantial initiatives to market its existing products in newer untapped markets of Europe and Latin America. We expect these additions to bring substantial growth in volumes of our products in the coming years.

Opportunities & Threats:

Consolidation in the pharmaceutical industry is generating huge opportunities in the contract manufacturing space. Leveraging India's brand as low cost API manufacturer, Company is committed to exploring opportunities arising in the contract manufacturing space. Company has developed infrastructure in place to provide the best support to our clients to secure more contract manufacturing business.

With looming crisis in EU and depreciation of the Euro, the business could be impacted with unforeseen circumstances. Since EU is one of our largest export markets, realization could be hit in the near term. Additionally with increasing exports, foreign exchange fluctuations could also result in low net realization.

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 Director also expresses their gratitude to the Shareholders for their continued co-operation and support.

Place: Solapur
Date: 27th April 2010

For & on behalf of the Board
sd/-
(E. Purushotham)
Chairman & Managing Director

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

Particulars	2009-2010	2008-2009
A) Electricity		
a) Units	4213290	3344693
b) Total Amt. Rs.	20661376	14698429
c) Rate/Unit Rs.	4.90	4.39
Note Total Elect. Cons. 3614276 out of 269583 unit capitalized during the year 2008-09		
B) Coal		
a) Qty. in Kgs.	2663770.00	428776.00
b) Total Amt. Rs.	14337121.00	2192646.20
c) Average Rate Rs.	5.38	5.11
C) Diesel		
a) Qty. in Ltrs.	147942.00	131888.00
b) Total Amt. Rs.	5607204.00	4905686.14
c) Average Rate Rs.	37.90	37.20
D) Wood		
a) Qty. in Kgs.	220922.00	342238.00
b) Total Amt. Rs.	447892.00	540299.20
c) Average Rate Rs.	2.03	1.58
E) Baggas		
a) Qty. in Kgs.	1424960.00	6937870.00
b) Total Amt. Rs.	1058745.00	4270592.00
c) Average Rate Rs.	0.74	0.62

B. Consumption per unit of production

Company manufactures Bulk Drugs, Drug Intermediates, Fine Chemicals and Specialty 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 :

1. Existing Products : Improvement in the quality and modifications to meet the customer's changing requirements.
2. New grade of products : Development and market introduction.
3. Specialty products : Development and introduction of newer grades especially for exports.
4. Cost reduction by process improvement and energy saving work.

5. Pollution Reduction Specific projects to reduce liquid, solid and gaseous waste.

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

1. Improvement in productivity and product quality.
2. Export promotion and Import substitution.
3. Improvement in Safety, environment protection and energy saving.
4. Cost reduction.
5. 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 (Rs. In lacs)

Particulars	2009-10	2008-09
a) Capital	42.28	20.99
b) Recurring	82.82	89.16
Total	125.10	110.15

Total R & D expenditure as a percentage of total turnover : 1.04% 1.63%

Technology Absorption, Adaptation and Innovation :- NIL

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

	2009-10	2008-09
a) Foreign Exchange Earning:		
Direct Export	2573.94	2711.73
b) Foreign Exchange outgo		
Raw Material Import	1849.00	2038.00
Traveling, Sales, Comm. & Exhibition Stall	93.45	57.42

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 Remuneration Rs.	Net (Rs)	Qualification	No. of Years Working	Past Experience Year
Mr. E. Purushotham Managing Director (53 Years) (Employed since inception)	3270720	1935930	M.Sc. (Org. Chem.)	22	7

Previous Employment :

- 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, 2010, (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 otherwise stated in Annexure 'B', the Company has duly filed all the forms and returns, with the Registrar of Companies, Maharashtra, Mumbai 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 7 (seven) times respectively on 06/04/2009, 30/04/2009, 21/05/2009, 30/07/2009, 25/09/2009, 29/10/2009 and 21/01/2010 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 19/09/2009 to 25/09/2009 (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, 2009 was held on 25th September, 2009 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. One Extra Ordinary General Meeting was held during the Financial Year 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 .
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 approvals from the Board of Directors and Members pursuant to Section 314 (1B) of the Act. The Company's application under the said section is awaiting the Central Government's approval.
12. The Company has issued duplicate share certificates during the Financial Year in compliance with provisions of the Act.
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 the amount in separate bank account dividend that was declared during the Financial Year.
 - iii) posted dividend warrants to its members within the prescribed time during the Financial Year.
 - iv) Transferred Rs.44,640/- for the Year 2001-02 in Unpaid Dividend Account, which has 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 appointment of Additional Director during the Financial Year in compliance with provisions of the Act.
15. The Company has appointed the Managing Director and Whole-Time Director during the Financial Year and has completed the necessary formalities.
16. The Company has not appointed any Sole-Selling Agent during the Financial Year.
17. The Company has applied to the Central Government pursuant to section 314(1B) of the Act, which is awaited.
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, 2010 are within borrowing limits of the Company as per Section 293(1)(d) of the Act.
25. The Company has not made investments in other bodies corporate during the Financial Year
26. The Company has not altered the provisions of the Memorandum with respect to 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 altered the provisions of the Memorandum by reclassification of the Authorized Share Capital of the Company during the Financial Year.
30. The Company has altered it's Articles of Association by reclassification of the Authorized Capital 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: 27th April 2010

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 Investments under section 372A
- 12) Register of Renewed and Duplicate Share Certificates as per Rule 7 of the Companies (Issue of Share Certificates) Rules, 1960.

contd...

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies, Maharashtra, Mumbai during the Financial Year ending on 31st March, 2010

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 additional Fee paid (Yes/No)
1	Form 32	303(2)	Appointment Of Mr.E Swapnil as an Additional Director w.e.f. 06/04/2009.	04/05/2009	Yes	No
2	Form 23C	233B(2)	Appointment of Cost Auditor for the year ending 2006-2007	15/05/2009	Yes	No
3	Form 23C	233B(2)	Appointment of Cost Auditor for the year ending 2007-2008	15/05/2009	Yes	No
4	Form 5	94a	Cancellation & Reclassification Of 50 Lacs Equity Shares	03/06/2009	Yes	No
5	Form 25C	269	Appointment Of Mr. E Swapnil as Whole Time Director	03/06/2009	Yes	No
6	Form 23	192	Registration Of Resolution For Appointment Of Mr. E Swapnil as Whole Time Director, Reclassification Of Equity into Preference Shares, authorization for issue of 50 Lacs Non-Convertible Preference Shares to the promoters	03/06/2009	Yes	No
7	Form 23C	233B(2)	Appointment of Cost Auditor for the year ending 2008-2009	24/08/2009	Yes	No
	Form 23C	233B(2)	Appointment of Cost Auditor for the year ending 2009-2010	24/08/2009	Yes	No
8	Challan No. A69829307	205(C)	Transfer Of Dividend To Investor Education Provident Fund	24/09/2009	Yes	No
9	Din III	266E	Mr.E. Niranjan Rao	05/10/2009	Yes	No
10	Form 23	192	Appointment of Relative of M.D. under section 314 (1B)	07/10/2009	Yes	No

11	Form 66	383 (A)	Compliance Certificate For The Year 2008-09	07/10/2009	Yes	No
12	Form 23AC/ACA	220	Balance Sheet & Profit Loss A/C For The Year 2008-09	07/10/2009	Yes	No
13	Form 24B	314 (1B)	Appointment of Relative of M. D	15/12/2009	Yes	No
14	Din III	266E	Dr. Nagender Yerram	05/01/2010	Yes	No
15	Form 20B	159	Annual Return For The Year 2008-09	12/01/2010	Yes	No
16	Form 23	192	Appointment Of Mr.E Purushottam as the Managing Director.	26/03/2010	No	Yes
17	Form 25C	269	Return Of Appointment of the Managing Director	26/03/2010	No	Yes

Place: Solapur
Date: 27th April, 2010

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. E. Purushotham Mr. E. Niranjana 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 :

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

1)	6th April, 2009	5)	25th September 2009
2)	30th April, 2009	6)	29th October, 2009
3)	21st May, 2009	7)	21st January 2010
4)	30th July, 2009		

Details regarding attendance of the Directors at the Board Meeting held during the Financial Year 2009-2010 and at the last Annual General Meeting held on 25th September, 2009 are given below:

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

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.J.H. Ranade	Dr. Nagendra Yerram
Date of Birth	24-02-1955	24-07-1958
Date of Appointment	11-09-2006	05-05-1995
Expertise in Specific Functional Area	Financial & Legal	Technical
Qualification	B.Com, LLB, FCS, MBA	M.Sc., PhD.
* Directorship / Committee Memberships in other Companies	1) Nilmac Packaging Ind. Ltd 2) Filtra Catalysts and Chemicals Ltd. 3) Sangam Laboratories Ltd. 4) Chemolutions Chemicals Ltd. 5) Equinox EPC Engineering (I) Ltd.	---
No. of shares held in the company	---	10000

* Excludes Directorship in private Ltd. company, Section 25 Companies and Alternate Directorship (if any)

II) 4. Remuneration to Executive Directors :

Amount in Rs.

Particulars	Mr.E. Purushotham Managing Director	Mr.E. Niranjana Rao Director	Mr.E. Swapnil Director
Salary & Other Allowances	30,00,000	12,24,000	11,91,333
Contribution to Provident & Other Funds	2,70,720	59,040	71,500
Commission	---	---	---

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

Sitting Fees in Rs.

Name	Board	Audit / Remuneration Committee	Total
Mrs. E. Vaishnavi	30000	---	30000
Mr. P.K. Kumaran	10000	6000	16000
Mr. R. Ramaswamy	35000	18000	53000
Mr. J.H. Ranade	35000	18000	53000
Dr. Nagender Yerram	---	---	---

Information placed before the Board of Directors

- Quarterly results of the Company.
- Status on compliance with all regulatory, statutory and material contractual requirements.
- Safety and Environment matters.
- Fatal or serious accidents.
- 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.Ramaswam, 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 2500 shares held in physical form were duly transferred.

VI . General Body Meeting:

Details of last three Annual General Meeting are given below :

Financial Year	Date	Venue	No.of Directors present
2006-07	24th September 07	Hotel Tripursundari, Solapur	5
2007-08	16th September 08	Hotel City Park, Solapur	5
2008-09	25th September 09	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 The Free Press Journal, /Navashakti Daily Sakal / Sanchar, (Local News Paper). All data relating to Quarterly Financial Results is provided on the Company's Web Site i.e. www.smruthiorgaincs.com.

XI. Shareholders Information:

Shareholders information is separately provided in the Annual Report.

SHAREHOLDERS INFORMATION

1. Annual General Meeting :

Date: 30th July 2010

Time: 12.30 p.m.

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

2. Financial Calendar (Tentative): April 2010 to March 2011

Particulars of Meetings	Date
Un-audited Quarterly Result for the quarter ended 30th June 2010	30th July 2010
Un-audited Quarterly Result for the quarter ended 30th September 2010	Last week of Oct. 2010
Un-audited Quarterly Result for the quarter ended 31st December 2010	Last week of Jan. 2011
Un-audited /Audited Financial Result for the quarter - ended 31st March 2011	Last week of Apr. 2011

3. Date of Book Closure:

24th July 2010 to 30th July 2010 (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 29th August 2010 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 01011 CDSL: INE 172 E 01011

6) Stock Prices :

Market price data - High / Low during each month of the financial year 2009-10.

Month & Year	Open Rs.	High Rs.	Low Rs.	Close Rs.
April - 2009	46.75	46.75	40.00	40.00
May - 2009	38.05	46.60	37.40	45.05
June - 2009	44.15	47.30	37.70	42.10
July - 2009	43.00	44.45	39.60	39.60
August - 2009	41.00	55.30	40.20	55.30
September - 2009	58.05	65.00	55.10	62.45
October - 2009	62.85	62.85	50.00	51.00
November - 2009	53.55	72.05	51.35	72.05
December - 2009	75.65	84.00	72.30	78.00
January - 2010	79.50	110.95	79.50	102.80
February - 2010	98.00	104.90	86.30	90.40
March - 2010	91.45	106.00	91.45	103.30

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 31.03.2010)

Shares	Number	% to total	Total Shares	Rs.	% to total
Upto 100	446	32.93	26766	267660	0.70
101-500	514	37.96	190358	1903580	4.99
501-1000	186	13.74	166669	1666690	4.37
1001-2000	55	4.06	88238	882380	2.31
2001-3000	61	4.51	154327	1543270	4.04
3001-4000	16	1.18	54486	544860	1.43
4001-5000	20	1.48	96613	966130	2.53
5001-10000	28	2.07	205086	2050860	5.38
10001-20000	13	0.96	175069	1750690	4.59
20001-50000	10	0.74	312620	3126200	8.19
50001-above	5	0.37	2345198	23451980	61.47
TOTAL	1354	100.00	3815430	38154300	100.00

10) Shareholding pattern :

Category	No. of Sahres	% to share capital
NRI	61635	1.62
Corporate Body	286873	7.52
Directors & Relatives	2404648	63.02
Indian Public	1062274	27.84
TOTAL	3815430	100.00

11. Dematerialization of shares and liquidity :

3114145 shares have been dematerialized as on 31st March 2010 constituting 81.62 % 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, Sr. Manager Accounts - Compliance Officer.

For & on behalf of the Board

sd/-

E. Purushotham
(Chairman & Managing Director)

Place : Solapur

Date : 27th April 2010

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

The Members of
Smruthi Organics Ltd.
Solapur.

We have examined the compliance of conditions of corporate governance by Smruthi Organics Limited for the year ended 31st March 2010 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 : 27th April 2010

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 31.03.2010 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 2010 and taken on record by Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 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, 2010.
- 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

Place : Solapur
Date : 27th April 2010

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

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, Cenvat 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 Cenvat were in arrears as at 31st March 2010 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 2010 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 which has been approved by the members, in Extra Ordinary General Meeting dt.21st May 2009. (Refer Notes to Accounts)
- 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 : 27th April 2010

Balance Sheet As On 31st March 2010

	Sche- dule	As on 31/3/2010 Rs.		As on 31/3/2009 Rs.	
SOURCES OF FUNDS:					
SHAREHOLDERS FUNDS					
Capital	A	38,154,300		38,154,300	
Reserves & Surplus	B	136,923,119	175,077,419	90,359,761	128,514,061
LOAN FUNDS					
Secured Loans	C	189,570,551		316,030,815	
Unsecured Loans	D	107,968,975	297,539,527	103,884,506	419,915,321
Deferred Tax Liability	E		21,745,780		21,398,590
TOTAL			494,362,725		569,827,972
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	F	524,204,684		475,591,341	
Less: Depreciation		(244,042,226)		(205,790,439)	
Net Block		280,162,458		269,800,902	
Add : Capital Work in Progress		2,432,481	282,594,939	2,431,536	272,232,439
CURRENT ASSETS					
LOANS & ADVANCES					
CURRENT ASSETS:					
Inventories	G	315,841,780		333,954,763	
Sundry Debtors		159,899,145		129,008,018	
Cash & Bank Balances		23,254,626		18,012,352	
Loans & Advances		64,999,639		41,252,803	
		563,995,190		522,227,936	
Less: Current Liabilities & Provisions	H	354,738,840		226,294,409	
NET CURRENT ASSETS			209,256,350		295,933,527
MISCELLANEOUS EXPENDITURE (to the extent not written off/adjusted)					
Deferred Revenue Expenditure		2,511,436	2,511,436	1,662,006	1,662,006
Total			494,362,725		569,827,972

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 : 27-04-2010

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, 2010

	Schedule	As on 31/3/2010 Rs.		As on 31/3/2009 Rs.	
INCOME	I				
Sales (Gross) & Other Income		1,269,782,027		745,105,332	
Increase/(Decrease) In Finished Goods		31,747,222		5,471,892	
			1,301,529,249		750,577,225
EXPENDITURE					
Raw Material Consumed	J	939,938,147		495,582,255	
Manufacturing Exps.	K	103,755,505		86,460,772	
Administrative Exps.	L	104,264,484		77,896,287	
Interest	M	42,769,913		40,899,653	
Depreciation	F	38,251,787		31,210,302	
			1,228,979,836		732,049,269
Profit before Taxation			72,549,413		18,527,956
Less: Provision for Income Tax			16,711,140		3,000,000
Less : Fringe Benefit Tax			0		310,000
Less: Deferred Tax (originating during the year)			347,190		300,000
Profit after tax			55,491,083		14,917,956
Less : Transfer to General Reserve			5,549,110		1,491,796
Less : Dividend & Tax for the year			8,927,725		4,463,862
Less : Provision of I.T.			0		(504,836)
Add : Balance in Profit & Loss A/c.			68,259,365		59,801,903
Balance Carried to Balance Sheet			109,273,613		68,259,365

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 : 27.04.2010

Sd/
(A.D.MADGUNDI)
PROPRIETOR

Sd/
(E. NIRANJAN RAO)
DIRECTOR

Sd/
(E. PURUSHOTHAM)
MANAGING DIRECTOR

Schedules Forming Part of the Balance Sheet as on 31.03.2010

	As on 31/3/2010 Rs.		As on 31/3/2009 Rs.	
SCHEDULE 'A'				
AUTHORISED SHARE CAPITAL				
5000000 Equity Shares of Rs.10/- each	50,000,000		100,000,000	
5000000 Non-Covertible Cumulative Redeemable Preference Shares of Rs.10/- each	50,000,000	100,000,000		100,000,000
1. ISSUED, SUBSCRIBED & PAID UP				
3815430 Equity Shares of Rs.10/- each fully paid	38,154,300		38,154,300	
		38,154,300		38,154,300
SCHEDULE-'B'				
RESERVES AND SURPLUS				
1. Capital Reserve	608,600		608,600	
2. Capital Incentive from WMDC Ltd.,Pune	1,500,000		1,500,000	
3. General Reserve	23,540,906		17,991,796	
4. Share Premium	2,000,000		2,000,000	
5. Profit & Loss Account	109,273,613		68,259,365	
		136,923,119		90,359,761
SCHEDULE-'C'				
SECURED LOANS				
1. FCNR Term Loan from S.B.I. I.F Br., Mumbai	35,899,017		67,964,946	
2. Working Capital Loan from S.B.I.,IFB Mumabi & SBI.,Solapur	146,499,402		218,722,087	
3. SBI Factors and Commercial Services Pvt.Ltd. Mumbai	4,021,595		29,343,782	
4. Axis Bank Ltd. - Card Loan (Mercedes Benz, Indica)	3,150,537		0	
		189,570,551		316,030,815

Term Loan - Secured by equitable mortgage created on all immovable properties located at Plot No. 273 & 274 MIDC, Akkalkot Road, Solapur 413 006 & Plot No. A-27, MIDC Chincholi, Solapur - 413255, Flat No.5, Rahul Apartment, Solapur and also hypothecation of all movable properties for both present and future.

Working Capital - Secured by hypothecation of Inventories, Book Debts & also by equitable mortgage created on all immovable properties as collateral security.

Bank - State Bank of India Industrial Finance Branch Mumbai.

Schedules Forming Part of the Balance Sheet as on 31.03.2010

	As on 31/3/2010		As on 31/3/2009	
	Rs.		Rs.	
SCHEDULE - 'D'				
UNSECURED LOANS				
Deferral Sales Tax Loan availed from SICOM Ltd., Mumbai, Under Package Scheme of Incentive of 1993.	46,947,530		48,823,015	
Deferral Sales Tax Loan availed from SICOM Ltd., under Package Scheme of Incentive of 1993 under Expansion	35,514,851		34,263,368	
Other Unsecured Loans - Directors	20,506,594		20,798,123	
Unsecured Loans - Others	5,000,000		0	
		107,968,975		103,884,506
SCHEDULE - 'E'				
Deffered Tax Liability				
Opening Balance	21,398,590		21,098,590	
Add : During the year	347,190		300,000	
		21,745,780		21,398,590



SCHEDULE 'F' - Company Act
A) FIXED ASSETS
Schedule Of Fixed Assets Forming Part Of Balance Sheet As On 31st March 2010

PARTICULARS.	GROSS BLOCK (AT COST)			DEPRECIATION PROVIDED			NET BLOCK			
	Cost As On 01.04.2009	Addition During The Year 09-10	Disposal/ Adjust- Ment	As On 31.03.2010 (2+3-4)	Upto 31.03. 2009	For The Year 2009-2010	Disposal/ Adjust- Ment	Upto 31.03.2010 (6+7-8)	As On 31.03. 2009	As On 31.03.2010 (5 - 9)
1	2	3	4	5	6	7	8	9	10	11
Factory Land	3076385	0	0	3076385	235013	17640	0	252653	2841372	2823732
Agricultural Land	587094	0	0	587094	0	0	0	0	587094	587094
Buildings	91743638	3367111	0	95110749	36464939	5712948	0	42177887	55278699	52932862
Ownership Flats	9319484	0	0	9319484	3523103	289819	0	3812922	5796381	5506562
Plant & Machinery	295609683	30833327	0	326443009	129365381	25401768	0	154767149	166244302	171675861
Electrical Installation/Equip.	13121497	554358	0	13675855	7678512	776748	0	8455260	5442985	5220595
Vehicles	7743431	6399463	0	14142894	6147561	902768	0	7050329	1595870	7092565
Office Equipments	1267519	83615	0	1351134	712954	83012	0	795966	554565	555168
Computer	3667147	368339	0	4035486	1902576	269465	0	2172040	1764571	1863446
Furniture & Fixture	8122271	283912	0	8406183	4614391	657201	0	5271592	3507880	3134591
Laboratory Equipments	11411330	1619434	0	13030764	6643471	721696	0	7365167	4767859	5665597
Other Factory Equipments	3556570	876138	0	4432708	1224585	377086	0	1601671	2331985	2831037
T O T A L = A	449226049	44385696	0	493611745	198512486	35210151	0	233722637	250713563	259889108
B) i) Research & Devp.Equip.	22812847	4159763	0	26972610	6634094	2750777	0	9384871	16178753	17587739
ii) Research & Devp.G.Block	3552445	67880	0	3620325	643860	290859	0	934718	2908585	2685607
T O T A L = B	26365292	4227643	0	30592935	7277954	3041636	0	10319589	19087338	20273346
C) Capital Work in Progress										
Building Constructions - F Block	2396265	945	0	2397210	0	0	0	0	2396265	2397210
Plant & Machinery - F Block	35271	0	0	35271	0	0	0	0	35271	35271
Total = C	2431536	945	0	2432481	0	0	0	0	2431536	2432481
Total (A+B+C)	478022877	48614284	0	526637161	205790439	38251787	0	244042226	272232438	282594935
Previous Year	421201858	56821018	0	478022876	174580137	31210302	0	205790439	246621721	272232438

Schedules Forming Part Of The Balance Sheet As On 31/03/2010

	As on 31/3/2010 Rs.		As on 31/3/2009 Rs.	
SCHEDULE - 'G'				
CURRENT ASSETS, LOANS & ADVANCES				
CURRENT ASSETS				
Inventories-(at cost except otherwise stated and as certified by Managing Director)				
1. Raw materials	41,156,262		66,580,512	
2. Packing Material	934,242		765,877	
3. Work in Process	217,143,146		241,747,465	
4. Finished Goods	56,608,131		24,860,909	
(At lower of cost or net realisable value)		315,841,780		333,954,763
SUNDRY DEBTORS				
(Unsecured Considered Good)				
1. More than six months	1,363,000		755,403.00	
2. Other debts	158,536,145	159,899,145	128,252,615	129,008,018
CASH AND BANK BALANCES				
1. Cash on hand	824,426		134,727	
2. Bank Balance (EEFC, Khadki, ICICI etc)	1,273,679		368,374	
3. Fixed Deposits with SBI (For L/C and Bank Guarantee margin)	21,156,522	23,254,626	17,509,252	18,012,352
LOANS AND ADVANCES				
1. (Unsecured Considered Good)				
Advances recoverable in cash or in kind or for value to be received				
Staff Advances	1,408,975		1,903,811	
Octroi Duty Receivable from WMDC Ltd.	0		375,387	
Pre-Paid Insurance	834,112		555,829	
Pre-Paid Interest (EOU)	572,327		0	
Excise Duty (Modvat)	681,086		4,783,183	
Excise Duty (EOU)	2,786,443		2,301,009	
CST Refund Claim (EOU)	9,314,571		875,063	
Interest Accrued but not due	1,162,991		2,103,139	
Deposits	3,412,636		3,286,386	
Excise on Export Refund	1,223,897		3,231,234	
Terminal Excise Duty-TED	17,269,769		0	
Income Tax Refund 2006-07	1,798,948		1,798,948	
Income Tax Refund 2008-09	1,297,210		0	
Service Tax	655,058		1,733,065	
Sales Tax	402,106		727,914	
VAT Refund	13,011,452		13,011,452	
Advance Income Tax & FBT & TDS	9,164,058		4,562,383	
Shares With Solapur Nagari Bank (Unquoted)	4,000		4000	
		64,999,639		41,252,803
SCHEDULE 'H'				
CURRENT LIABILITIES & PROVISIONS				
Sundry Creditors (Raw Materials)	297,071,251		187,962,447	
Sundry Creditors (Small Scale Undertaking)	195,748		0	
Sundry Creditors (Others)	8,809,216		15,591,972	
Provisions and Other Liabilities	48,662,625		22,739,990	
		354,738,840		226,294,409

Schedules Forming Part Of The Balance Sheet As On 31/03/2010

	As on 31/3/2010 Rs.		As on 31/3/2009 Rs.	
SCHEDULE- I				
SALES & OTHER INCOME / INCREASE(DECREASE)IN STOCK				
Sales	1,202,985,613		674,272,222	
Excise Duty	32,949,346		59,139,752	
Sales Tax	29,032,335		10,324,762	
Other Income	4,814,733		1,368,596	
		1,269,782,027		745,105,332
Finished Goods (Opening)	24,860,909		19,389,017	
Finished Goods (Closing)	56,608,131		24,860,909	
Increase/(Decrease)		31,747,222		5,471,892
SCHEDULE- 'J'				
Raw Material Consumed				
Opening Stock	309,093,854		285,088,703	
Add : Purchases	890,077,943		519,587,406	
	1,199,171,797		804,676,109	
Less : Closing Stock	259,233,649		309,093,854	
Consumption		939,938,147		495,582,255
SCHEDULE-K				
MANUFACTURING & OTHERS EXP. MANUFACTURING EXPS				
Carriage Inward	12,601,780		9,669,313	
E.S.I.C.Employers Contribution	117,292		129,418	
Electricity Charges	20,661,376		14,698,429	
Factory Expenses	677,831		710,515	
Octroi	1,332,027		691,601	
Purchase of Ice	110,816		105,525	
Purchase of Coal/Buggase/Wood	21,837,518		8,761,703	
Packing Materials	8,766,220		7,659,818	
Provident Fund	2,207,108		1,944,964	
Research and Development chemicals	481,762		626,609	
Research and Development Expenses	620,353		913,885	
Repairs & Maintenance	1,804,181		1,307,773	
Staff/Labour Welfare	2,366,465		2,242,177	
Purchase of Lab Chemicals	2,314,484		8,31,928	
Stores	7,062,281		5,841,291	
Testing & Analytical Charges	2,534,840		1,300,114	
Wages	14,856,101		12,208,614	
Water Charges	3,403,069		2,617,095	
Excise Duty PLA	0		14,200,000	
		103,755,505		864,60,772

Schedules Forming Part Of The Balance Sheet As On 31/03/2010

	As on 31/3/2010 Rs.		As on 31/3/2009 Rs.	
SCHEDULE- 'L'				
SELLING AND ADMINISTRATIVE EXPS.				
Audit fee	70,000		70,000	
Consultancy Charges	2,550,314		2,212,118	
Bank Commission & Charges	4,190,916		4,665,761	
Bonus & Ex-Gratia	1,367,806		1,080,332	
Carriage Outward	2,480,571		2,117,131	
Rent,Rates & Taxes.	550,443		669,790	
Conveyance	2,340,009		2,189,859	
Customers Welfare	207,541		123,580	
Directors Salary	5,415,333		2,671,650	
Donation	141,974		183,656	
Earned Leave Salary	225,273		302,277	
Insurance	1,458,161		1,559,856	
Journals & Periodicals	45,925		58,744	
Subscription	41,540		59,547	
Legal Expenses	29,500		102,906	
Fees & Forms	3,412,421		3,782,267	
Garden Expenses	7,240		70,676	
Office Expenses	149,960		184,979	
Perquisites	174,050		175,600	
Postage, Telegram & Telephone	1,187,425		1,092,273	
Printing & Stationery	1,922,389		1,235,380	
Salary to Staff	29,144,347		20,508,476	
Gratuity	4,009,293		1,013,269	
Sales Commission & Discount	5,592,018		7,551,247	
Sales Promotion & Advertisement Exps.	5,191,270		2,340,804	
Rate Difference in Foreign Exchange	0		9,055,429	
Seminar Expenses	25,006		21,354	
Travelling Expenses	2,937,728		2,066,628	
Vehicle Repairs & Maintenance	363,696		405,936	
Sales Tax	29,032,335		10,324,762	
		104,264,484		77,896,287
SCHEDULE- 'M'				
INTEREST				
Term Loan	5,484,302		7,437,810	
Cash Credit	29,852,106		31,183,800	
Others	7,433,505		2,278,043	
		42,769,913		40,899,653

"SCHEDULE N"

Schedule To The Financial Statement as on 31.03.2010

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.
- i) Fixed Assets stated at cost of acquisition / constructions less depreciation.
 - ii) 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.
 - iii) 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.
- (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. 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 2009-10 and 2008-09 (Rs. in Lacs)

Particulars	2009-10	2008-09
a) Capital	42.28	20.99
b) Recurring	82.82	89.16
Total Rs.	125.10	110.15
Total R&D expenditure as a percentage of total turnover :	1.04%	1.63%

(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.:

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

ii) 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. 25.21 lacs has paid against Foreign Technical consulting charges which is deferred for three years. Out of which Rs 8.40 lacs is transferred to Profit & Loss account. Out of existing Deferral Revenue Expenditure Rs. 8.31 lacs is transferred to Profit and Loss Account.

(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.1616 lacs towards import of raw materials to various parties and outstanding of L/c's. at closing day of the year are Rs. 760 Lacs. (Previous Year Rs.841 Lacs)
- (B) The bank guarantees of Rs.14.00 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) Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 5.00 Crores are not subscribed by the Promoters till the date of audit.
- (E) During the year, the Company has transferred the Octroi Duty receivable from WMDC, Pune to Profit and Loss Account as WMDC has reject the claim of Octroi Duty.

Key Management personnel	(Rs.)	
(E) Remuneration to Directors :-	Current Year	Previous Year
a) E. Purushotham, Chairman & Managing Director		
i) Salary	30,00,000	24,00,000
ii) Provident Fund	2,70,720	2,16,000
b) E.Niranjan Rao, Director (Operation)		
i) Salary	12,24,000	11,64,000
ii) Provident Fund	59,040	59,040
c) E.Swapnil, Director, (Business Development)		
i) Salary	11,91,333	5,76,000
ii) Provident Fund	71,500	36,000
(F) Auditors Remuneration		
a) as statutory auditors	70,000	70,000
b) tax audit and other services	1,83,329	1,53,422
(G) Remittance in Foreign Currency	18,48,94,000	20,37,97,000
Value of Imports material purchased CIF		
Value of Imports material consumed		
(H) Expenses in Foreign Currency	93,45,177	57,41,989
in traveling ,Sales Commission		
& Exhibition Stall Rent.		
(I) Remittance by way of Dividend in Foreign Currency		
No. of Shares	15500	13500

Amt. of Dividend	15500	20250
No. of Shareholders	4	3
(J) Earning in Foreign Currency FOB basis	25,73,94,375	27,11,72,843
(K) Sundry debtors in schedule includes Rs.13.63 lacs due for a period of more than six months. Provision for debts considered as a doubtful aggregating to Rs.13.63 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. 4981095 b) Rs. 0.00 c) Rs. 0.00	
Balance Outstanding	Rs. NIL	
Receivable/Payable(-)		
As on Balance Sheet Date		
ii) Name of Related Party : Trade Point		
Relationship :	Wife of Director	
Nature of the Transaction	a) Sales Commission	
Transaction value (Rs.)	Rs. 2564830/-	
Balance Outstanding	Rs. NIL	
Receivable/Payable(-)		
As on Balance Sheet Date		
iii) Name of Related Party : Mr. Eaga Swapnil		
Relationship :	Director in Company & Son of Managing Director	
Nature of the Transaction	a) Car Rent Paid	
Transaction value (Rs.)	Rs. 492000/-	
Balance Outstanding	Rs. NIL	
Receivable/Payable(-)		
As on Balance Sheet Date		
iv) Name of Related Party : Mr. Eaga Yadgiri		
Relationship :	Brother of Managing Director	
Nature of the Transaction	a) Tempo & Tractor Rent Paid	
Transaction value (Rs.)	Rs. 788350/-	
Balance Outstanding	Rs. NIL	
Receivable/Payable(-)		
As on Balance Sheet Date		
v) Name of Related Party : Mr. Eaga Purushotham		
Relationship :	Managing Director in Company	

Nature of the Transaction a) Unsecured Loan Interest Paid

Interest Paid (Rs.) Rs. 1911712/-

Balance Outstanding Rs. NIL

Receivable/Payable(-)

As on Balance Sheet Date

vi) Name of Related Party : Mrs. Eaga Vaishnavi

Relationship : Director in Company & Wife of Managing Director

Nature of the Transaction a) Unsecured Loan Interest Paid

Interest Paid (Rs.) Rs. 84367/-

Balance Outstanding Rs. NIL

Receivable/Payable(-)

As on Balance Sheet Date

vii) Name of Related Party : Mr.P.K. Kumaran

Relationship : Director in Company

Nature of the Transaction a) Unsecured Loan Interest Paid

Interest Paid (Rs.) Rs. 275001/-

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	31.03.2010	31.03.2009
i) Basic E.P.S.	14.60	3.92
Diluted E.P.S.	14.60	3.92
ii) Calculation of Basic E.P.S.		
a) Net Profit after tax-Income (in crore)	5.55	1.49
b) No.of Equity Shares (in crores)	0.38	0.38
c) Basic Earning per share (Weighted Avg.)	14.60	3.92
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

	2009-10 (MT)	2008-09 (MT)
a. Diloxanide Furoate		
b. Norfloxacin		
c. Ciprofloxacin		
d. Pefloxacin Mesylate	2420	2420
e. Metformin Hcl.		
f. Enrofloxacin		
g. ZIDOVUDINE & Others		

II) Bulk Drugs Manufactured

	2009 - 10 (Qty. in Kgs)	2008 - 09 (Qty. in Kgs)
a. Diloxanide Furoate	52950	65053
b. Norfloxacin	87514	122183
c. Ciprofloxacin	19731	34815
d. Pefloxacin Mesylate	9436	13380
e. Metformin Hcl.	1230152	1072741
f. Enrofloxacin	9453	5800
g. Zidovudine	41141	2840
h. Ch-Base	625	23500
i. Others	60374	23033
Total Qty.in Kgs	1511375	1363345

III) Opening Stock of Finished Goods

	2009 - 10 (Qty. in Kgs)	2008 - 09 (Qty. in Kgs)
a. Diloxanide Furoate	4475	1125
b. Norfloxacin	3175	2275
c. Ciprofloxacin	1100	500
d. Pefloxacin Mesylate	88	27
e. Metformin Hcl.	21540	7895

IV) Closing Stock of Finished Goods

	2009 - 10 (Qty. in Kgs)	2008 - 09 (Qty. in Kgs)
a. Diloxanide Furoate	3374	4475
b. Norfloxacin	6855	3175
c. Ciprofloxacin	3297	1100
d. Pefloxacin Mesylate	1674	88
e. Metformin Hcl.	68715	21540

V) Raw Material Consumed During the year

	31.03.2010	31.03.2009
	Value (Rs.)	Value (Rs.)
1. Total Raw Material Consumed	939938147	495582255

VI) Turnover

	31.03.2010	31.03.2009
	Value (Rs.)	Value (Rs.)
1. Total Turnover of all API Products (Bulk Drugs & Drug Intermediates etc)	1202985613	674272222

(O) In the opinion of the Board, Current Assets, Loans and Advances including capital advances as on 31.03.2010 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 is Ramesh Chemical Industries 195748/-.

(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 : 31.03.2010

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 : 494363 Total Assets : 494363

Paid up Capital : 38154 Reserves & Surplus : 136923

Secured Loans : 189571 Unsecured Loans : 107969

Application of Funds. :

Net Fixed Assets : 282595

Net Current Assets : 209256 Misc. Expenditure : 2511

Accumulated Losses :

IV) Performance of Company (Amount in Thousand)

Turnover : 1269782

Total Expenditures : 1197233

Profit before Tax : 72549

Profit after Tax : 55491

Earning Per share in Rs. 14.60

Dividend Rate : 20 %

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"

Ashok Madgundi & Co.
Chartered Accountants

Place : Solapur

Date : 27/04/2010

sd-
A. D. Madgundi
Proprietor.

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

sd-
(E. Niranjana Rao)
Director

sd-
(E. Purushotham)
Managing Director

Cash Flow Statement for the year ended 31.03.2010

Sr	Particulars		Rs. In Lacks	
A	CASH FLOW FROM OPERATING ACTIVITIES		31.03.2010	31.03.2009
	Net profit before taxation	(+)	725.49	185.28
	Adjusted for			
	Depreciation	(+)	382.52	312.10
	Misc Expenditure written off	(+)	16.71	20.31
	Interest Income & Rate diff.in foreign currency	(-)	-48.15	-13.69
	Interest Expenditure	(+)	427.70	409.01
	Income Tax Refund & prov. of Div. Tax of earlier Yr.	(-)	0.00	-5.06
	Operating profit before working capital changes	(+)	1504.27	907.95
	Increase in Sundry Debtors	(-)	-308.91	-30.99
	Increase in Loans & Advances	(-)	-237.47	-62.70
	Increase in Inventory	(-)	181.13	-294.77
	Increase in Current Liabilities	(+)	1284.45	582.44
	Net of Provision for Dividend and Tax	(-)	-89.27	-44.64
	Foreign consultancy technical charges	(-)	-25.21	-24.93
	Cash generated from Operations	(+)	2308.99	1032.36
	Income Tax	(-)	-167.11	-33.10
	Net Cash from Operating Activities (A)	(+)	2141.88	999.26
B	CASH FLOW FROM INVESTMENT ACTIVITIES			
	Purchases of Fixed Assets	(-)	-486.14	-568.21
	Interest Income & Rate difference in Foreign Currency	(+)	48.15	13.69
	Net Cash from Investing Activities (B)	(-)	-437.99	-554.52
C	CASH FLOW FROM FINANCING ACTIVITIES			
	Increase in Share Capital	(+)	0.00	0.00
	Secured Loans	(-)	-1264.60	-42.52
	Unsecured Loans	(+)	40.84	38.90
	Interest Expenses	(-)	-427.70	-409.01
	Net Cash used in Financing Activitis (C)	(-)	-1651.46	-412.63
	<i>Net Increase in cash & cash equivalentants (A) + (B) + (C)</i>	(+)	52.43	32.11
	Cash & Cash equivalentants at the beginning of the period	(+)	180.12	148.01
	Cash & Cash equivalentants at the end of the period	(+)	232.55	180.12

For and on behalf of Board of Directors

Place : Solapur
Date : 27.04.2010

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 31st March 2010.

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 : 27th April 2010

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 **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held on Friday 30th July 2010 at 12.30 p.m. and at any adjournment thereof.

Signed this day of 2010

Signature

Affix
Rupee
One Revenue
Stamp

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

Twenty First Annual General Meeting - -----

Reg.Foliod 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.