



Smruthi Organics Limited

www.smruthiorganics.com

24th

**ANNUAL
REPORT**

2012-13

BOARD OF DIRECTORS

Mr. E. Purushotham - *Chairman & Managing Director*

Mr. E. Swapnil - *Executive Director & Chief Operating Officer*

Mrs. E. Vaishnavi

Dr. Nagender Yerram

Dr. K. Rama Swamy

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 413255

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.

Axis Bank Ltd

214/215, 'City Mall'
Near Pune University,
Pune - 411 007

Notice

NOTICE is hereby given that the **24th 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 **Saturday 27th July 2013 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, 2013 and the Balance Sheet as at that date and the Report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. J.H.Ranade who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mrs. E. Vaishnavi who retires by rotation and being eligible offers herself for re-appointment.
4. To declare a dividend on Equity Shares.
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** in partial modification to Special Resolution passed by the members at 23rd Annual General Meeting held on 30th July 2012 change in designation of Mr. E.Swapnil from "Executive Director" (Business Development) to Executive Director and Chief Operating Officer effected by the Board of Directors from 9th February 2013 till the remaining tenure of his appointment up to 14th June 2015 be and is hereby confirmed, approved and ratified.

RESOLVED FURTHER 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** up on recommendation of Remuneration/ Selection Committee, consent of the Company be and is hereby accorded under provisions of Section 314(1B) and other applicable provisions, if any, of Companies Act, 1956, and of the Articles of Association of the Company to Mrs. E.Rimika who is relative of Directors of the Company for holding and continuing to hold an office or place of profit as an employee, with effect from 20th August 2012 as "Executive" on consolidated salary of Rs.44,500/- per month Plus contribution to Provident Fund, plus perquisites, allowances and benefits as set out in Explanatory Statement annexed to this notice and with annual increase not exceeding 25% of total remuneration over the previous year.

RESOLVED FURTHER 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 : 25th May 2013

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 explanatory statement as required under section 173(2) of the company act 1956 in respect of business referred to under Item No.6 and 7 is annexed here to.
3. 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 27th July 2013.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 19th July 2013 to 27th July 2013 (both days inclusive).
5. 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.
6. As a part of Green initiatives in the Corporate Governance. The Ministry of Corporate Affairs vide its Circular Nos.17 & 18 dated April 21, 2011 and April 29, 2011 respectively, clarified that a company would have complied with Section 53 of the Companies Act 1956. If the Service of the documents has been made through electronic mode, provided the company has obtained e-mail addresses of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the company.

Accordingly, the members are requested to intimate their e-mail address to the Company's Registrar and Share Transfer Agent, Adroit Corporate Pvt. Ltd. and to the DP in respect of shares held in physical mode and demat mode respectively in case the members wish to avail the aforesaid facility.

Place : Solapur
Date : 25th May 2013

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

Item No. 6

Appointment of Mr. E.Swapnil as Director (Business Development) was approved by the members at the last Annual General Meeting for a three year period from 15th June 2013 to 14th June 2015. Since the Board upon approval of the Remuneration Committee decided to entrust more responsibilities of overseeing day to day operations of the Company in addition to his existing responsibilities, his designation was changed to Executive Director and Chief Operating Officer w.e.f. 9th February 2013 so that it correctly reflects his new functional responsibilities. Except for re-designation all other terms and conditions of his appointment including remuneration shall remain unchanged. An abstract under provisions of Section 302 of the Companies Act 1956 was sent to the members of the Company. None of the Directors except the concerned Director, Mr.E.Purushotham and Mrs. E.Vaishnavi are interested in the resolution.

Item No. 7

Mrs. E.Rimika, B.E. in Computer Science has been working in the Company since August 2012 as Executive, Incharge of I.T. Services on monthly salary of Rs. 44,500/- . Plus Provident Fund. Her appointment has been approved by the Board of Directors. Taking into account her role in strengthening the IT Dept of the company as recommended by Remuneration/Selection Committee,

Details of Remuneration payable to Mrs. E. Rimika**1. Salary :**

Rs. 44500/- (Rupee Forty Four Thousand Five Hundred only) per month as Basic salary Annual increase in remuneration not to exceed 25% of the total remuneration over the previous year.

2. Allowances / Perquisites :

1. Leave with full pay as per the Rules of the Company, encashment of un availed 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-imbursment of medical expenses incurred in India or abroad and including hospitalization, nursing home and surgical charges for herself and family.
4. Re-imbursment of actual traveling expenses for proceeding on leave from Solapur to any place in India and return there from once in a year in respect of herself and family. .
5. Personal accident insurance policy in accordance with scheme applicable to senior employees.
6. Free use of Company's car for Company's work as well for personal purposes along with driver.
7. Telephone, Cell Phone with Internet at residence at Company's cost.

3. Contribution to Provident Fund and Gratuity Fund

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

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

No other Directors except Mr. E. Purushotham, Mrs.E.Vaishnavi and Mr.E.Swapnil are concerned or interested in the resolution.

Directors recommend Special Resolution for you approval.

Place : Solapur
Date : 25th May 2013

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

Directors Report To The Shareholders

Dear Members,

Your Directors have pleasure in presenting their **24th Annual Report** and Audited Statements of Account for the financial year ended 31st March, 2013.

(Rs. in Lacs)

Financial Results	Current Year 2012-2013	Previous Year 2011-2012
Gross Sales	<u>18558.34</u>	<u>21062.08</u>
Net Sales & Other Income	18046.60	20537.73
Operating Profit before Interest & Depreciation	1939.07	2597.42
Less : Interest	<u>401.73</u>	<u>540.08</u>
Gross Profit	1537.34	2057.34
Less : Depreciation	<u>529.07</u>	<u>452.96</u>
Profit Before Tax	1008.27	1604.38
Less : Provision for Taxation	222.00	537.40
Less : Deferred Tax	151.00	3.00
Profit After Tax	635.27	1063.98
Less : Dividend & Dividend Tax	89.28	133.92
Add : Income-Tax Refund as per Computation (AY 09-10)	0.00	9.16
Add : Excess Provision	0.88	1.74
Less : Income Tax 09-10 & 10-11	7.84	6.31
Less : Transfer to General Reserve	63.53	106.40
Add : Balance in Profit & Loss A/c. Brought forward	2715.67	1887.40
Balance carried to Balance Sheet	3191.18	2715.67

As reported earlier, company's expansion project became commercialized from 21st September 2012.

Normal manufacturing operations have however been affected since last quarter of the year on account of suspension of supplies to European Countries which account for around 25% of sales turnover of the company, as a result of audit observations by the Auditors representing European Department of Quality Management (EDQM). The company has already complied with the observations and sent compliance report to the concerned authorities. Inspection by the audit team is awaited. After satisfactory compliance of the observations, company shall be able to recommence manufacturing for European market. Due to good demand from domestic, U.S. and other markets, the drop in sales turnover was limited to 12% compared to the previous year. The current year performance, is similarly expected to suffer as resumption of European supplies is expected to

take place before end of this year

- a) **Sales:-** The Gross Sales for the year amounted to Rs. 18558 lacs as against Rs. 21062 lacs for the previous year, showing decrease of 12%. The production quantity for the year also showing decrease of 1863 MTs as against 1938 MTs in the previous year showing decrease of about 4%.
- b) **Exports:-** Exports for the year stood at Rs.4208 lacs as compared to Rs. 4618 lacs for the year ended on 31st March 2012. The Company has registered decrease of 8.88% compared to the previous year.
- c) **Profits :-** Due to drop in sales having good profit margins and increase in Power and fuel and other overheads company registered negative growth of 37.16% and 40.29% in Profit before and after tax respectively over the previous year.

Dividend:

Having regard to the lower disposable profits and need to conserve resources of the company for financing working capital as well as capital expenditure, your Directors recommend lower dividend @20% i.e. Rupees 2/- per share (as against 30% in the previous year) for the year ended on 31st March 2013, 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.

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 Associated Vice President (QA) and Sr. Manager (QC). QA monitors day-to-day operations as per SOP and continuously improves the facilities to maintain high product and operational quality at our manufacturing sites.

The company has adopted a vision to reduce waste generation and recycle effluents. The company has undertaken expansion of effluent treatment plant in the current fiscal year to achieve this goal. In addition, the company is motivating employees to continuously improve working environment to meet zero accident level.

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.

Directors:

Mr. J.H.Ranade and Mrs. E.Vaishnavi 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.

Effective from 9th February 2013 Mr. E.Swapnil was re-designated by the Board of Directors as Executive Director and Chief Operating Officer, you are requested to confirm his re-designation

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 2013, 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/renewed any Fixed deposits from public during the financial year 2012-2013.

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 and Future Outlook

As reported earlier the company's business was affected due to temporary suspension of supplies to European countries. Management is hopeful of resuming the supplies at an early date within this financial year. For preventing future occurrence of such eventuality, all necessary steps of strengthening the systems and procedures at the plant level are being taken. All attempts are being made to offset the deficiency caused by loss of European business by promoting products in other markets both domestic and international. The Company being a large producer has a distinct advantage of making supplies in big quantities in short time span.

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, Smruthi is committed to exploring opportunities arising in the contract manufacturing space. Smruthi has developed infrastructure in place to provide the best support to our clients to secure more contract manufacturing business.

With our temporary suspensions of supplies to EU and EU being one of our largest export markets, realization will be hit in the near term. In addition, with reducing exports & depreciation of the Rupee particularly against USD, 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 : 25th May 2013

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		2012-2013	2011-2012
A) Electricity			
a) Units		6875114.00	6216796
b) Total Amt.	Rs.	53851381.00	41630447
c) Rate/Unit	Rs.	7.83	6.70
B) Coal			
a) Qty. in Kgs.		5615000.00	5846952.00
b) Total Amt.	Rs.	43682452.00	42803463.00
c) Average Rate	Rs.	7.78	7.32
C) Diesel			
a) Qty. in Ltrs.		48268.00	45817.00
b) Total Amt.	Rs.	2254894.00	1995523.00
c) Average Rate	Rs.	46.72	43.55
D) Wood			
a) Qty. in Kgs.		54070.00	74800.00
b) Total Amt.	Rs.	165319.00	227933.00
c) Average Rate	Rs.	3.06	3.05
E) Baggas			
a) Qty. in Kgs.		3787795.00	2370300.00
b) Total Amt.	Rs.	6167059.00	3295450.00
c) Average Rate	Rs.	1.63	1.39

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 :

- 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 & 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 for 2012-13 and 2011-12 (Rs. In lacs)

Particulars	2012-13	2011-12
a) Capital	00.67	04.90
b) Recurring	83.55	74.79
Total	84.22	79.69
Total R & D expenditure as a percentage of total turnover	0.47%	0.39%

2) Technology Absorption, Adaptation and Innovation :- NIL

3) Foreign Exchange Earning and Outgo (Rs in lacs)

	2012-13	2011-12
a) Foreign Exchange Earning:		
Direct Export	4207.70	4618.20
b) Foreign Exchange outgo		
Raw Material Import	2859.62	3030.50
Traveling, Sales Comm. & Exhibition Stall	122.71	53.14

Information Under section 217 of the Companies Act. 1956

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

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

Name & Designation	Gross Remuneation Rs.	Net (Rs)	Qualification	No. of years Working	Past Experience Years
Mr. E. Purushotham Managing Director (56 Years) (Employed since inception)	15968000	9789300	M.Sc. (Org. Chem.)	25	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					

Compliance Certificate

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

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

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, 2013 (Financial Year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid Financial Year:

1. The Company has kept and maintained all Registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made there-under and all entries therein have been duly recorded.
2. Except as stated in Annexure 'B' the Company has filed forms and returns with the Registrar of Companies, Maharashtra, Pune within the time prescribed under the Act and the Rules made there -under.
3. The Company being a Public Limited Company, comments are not required.
4. The Board of Directors duly met 6 (six) times respectively on 09/05/2012, 22/05/2012, 30/07/2012, 29/10/2012, 05/01/2013 and 09/02/2013 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 21/07/2012 to 30/07/2012 (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, 2012 was held on 30th July, 2012 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the Financial Year.
8. The Company has not advanced any loan to its Directors and/or to persons or firms or Companies referred in the Section 295 of the Act.
9. The Company has duly complied with the provisions of Section 297 of the Act entered the contracts specified in that Section.

10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors and Members pursuant to Section 314 of the Act wherever applicable.
12. The Company has not issued any duplicate share certificate during the Financial Year.
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 of dividend declared in separate bank account on 2nd August, 2012 which is within five days from the date of declaration of dividend .
 - iii) posted dividend warrants to its members within a period of 30 (thirty) days from the date of declaration.
 - iv) transferred Rs.44,800/- for the Year 2004-05 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 has been duly made during the Financial Year.
15. The appointment of the Managing Director and Whole-Time Director has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act during the Financial Year.
16. The Company has not appointed any Sole-Selling Agent during the Financial Year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year..
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, 2013 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 body 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 not altered the provisions of the Memorandum with respect to the Share Capital of the Company during the Financial Year.
30. The Company has not altered it's Articles of Association during the Financial Year.
31. There were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other penalties or any other punishment was imposed on the Company during the Financial Year, for offences under the Act.
32. The Company has not received any money as security from it's employees during the Financial Year.
33. The Company has been regular in depositing both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

Place : Mumbai
Date : 22nd May, 2013

sd/-
H.R. Thakur
F.C.S. 2090 C.P. 3193

Secretarial Compliance Certificate

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

ANNEXURE A

Registers as maintained by the Company :

1. Register 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.

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies, Maharashtra, Pune during the Financial Year ending on 31st March, 2013

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 Dr. K Rama Swamy as Additional director	11/05/2012	YES	No
2	Form 8	132	Modification of SBI Charge	08/06/2012	YES	No
3	Form 32	303 (2)	Appointment of Mr. E.Swapnil	11/06/2012	NO	YES
4	Form 32	303 (2)	Change in designation of Mr. E.Swapnil	18/06/2012	YES	No
5	Form 23 B	224	Appointment of Auditor	31/07/2012	YES	No
6	Form 5 IMV	Rule 3 of IE & PF Rules 2012	Statement of unclaimed & unpaid dividend	16/10/2012	YES	No
7	Form 23	192	Appointment of Directors, Holding Place of Profit	06/08/2012	YES	No
8	Form 32	303 (2)	Change in designation of Dr. K. Rama Swamy	10/08/2012	YES	No
9	Form 25 C	269	Appointment of Mr. E.Swapnil as Whole-time -Director	21/08/2012	YES	No
10	Form 25 C	269	Appointment of Mr. E. Purushotham as CMD	21/08/2012	YES	No
11	Form 66	383A	Compliance Certificate for F. Y.2011-12	22/08/2012	YES	No
12	Form 20B	159	Annual Return as on 30/07/2012	28/08/2012	YES	No
13	Form 1 IMV	Rule 3 of IE & PF Rules,2001	Transfer of unclaimed Dividend 2004-05	12/09/2012	YES	No
14	Form 1 IMV	Rule 3 of IE & PF Rules,2001	Statement of amounts credited to investor education and Protection Fund	27/09/2012	YES	No
15	Form 5 IMV	Rule 3 of IE & PF Rules,2012	Statement of unclaimed & unpaid amounts	16/10/2012	YES	No
16	Form 23AC & ACA XBRL	220	Filing of Balance Sheet & Profit & Loss Account on 31/03/2012	12/12/2012	YES	No
17	Form 8	135	Modification of charge of SBI aggregate facilities Rs. 71.25 Crores	14/01/2013	YES	No
18	Form 8	125	Creation of Charge of Axis Bank	22/01/2013	NO	YES
19	Form 8	125	Pari Pasu Charge on certain assets	28/01/2013	NO	YES
20	Form 23AC & ACA XBRL	220	Balance Sheet & Profit & Loss Account as on 31/03/2012	31/01/2013	YES	No

Place : Mumbai

Date : 22nd May 2013

sd/-

H.R. Thakur

F.C.S. 2090 C.P. 3193

Corporate Governance Report

I) Company's Philosophy on Code of Governance :

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

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

II) Board of Directors:

1. Composition

The Board of Directors comprises of 6 Directors as detailed below. (Position as on 31st March, 2013)

Category of Directors	Name of Directors
Promoters Executive	Mr. E. Purushotham, Mr. E. Swapnil
Promoters Non Executive	Mrs. E. Vaishnavi
Non-Promoters Non Executive	Dr. Nagender Yerram (I), Mr. J. H. Ranade (I), Dr. K. Rama Swamy (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.

2. Meetings & Attendance : 6 Board Meetings were held during the Financial Year on the following dates.

- 1) 9th May 2012
- 2) 22nd May 2012
- 3) 30th July 2012
- 4) 29th October 2012
- 5) 5th January 2013
- 6) 9th February 2013.

Details regarding attendance of the Directors at the Board Meeting held during the Financial Year 2012-2013 and at the last Annual General Meeting held on 30th July 2012 are given below:

Sr. No.	Name	Designation	Status.	No. of Board Meeting Attendance	Attended at last AGM
1	Mr. E.Purushotham	Managing Director	Executive	6	YES
2	Mr. E. Swapnil	Executive Director & Chief Operating Officer	Executive	4	YES
3	Mrs. E.Vaishnavi	Director	Non-Executive	6	YES
4	Dr. Nagender Yerram	Director	Non-Executive	1	NO
5	Mr. J.H.Ranade	Director	Non-Executive	5	YES
6	Dr. K.Rama Swamy	Director	Non-Executive	5	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.

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

Name of the Director	Mr. J. H. Ranade	Mrs. E. Vaishnavi
Date of Birth	24/02/1955	18/02/1962
Date of Appointment	11/09/2006	09/09/1994

Expertise in Specific Functional Area	Finance & Legal	Administration
Qualification	B.Com., LL.B. FCS & MBA	B.A.
*Directorship / Committee Memberships in other Companies	1) Nimac Packing Ind.Ltd. 2) Filtra Catalysts & Chemicals Ltd. 3) Chemolutions Chemicals Ltd. 4) Equinox EPC Engineering (I) Ltd.	Smruti Chemicals & Intermediates Ltd.
No. of shares held in the company	----	5,76,450

*Excludes Directorships in Pvt. Ltd. Companies, Section 25 Companies and Alternate Directorships (if any).

4. Remuneration to Executive Directors

(Amount in Rs.)

Particulars	Mr.E. Purushotham Managing Director	Mr.E. Swapnil Executive Director & Chief Operating Officer
Salary & Other Allowances	64,00,000	28,60,000
Contribution to Provident & Other Funds	7,68,000	3,43,200
Commission	88,00,000	---

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

Sitting Fees (Rs.)

Name	Board	Audit / Remuneration Committee	Total
Mrs. E. Vaishnavi	60,000	---	60,000
Dr. K. Ramaswamy	50,000	35,000	85,000
Mr. J.H. Ranade	50,000	35,000	85,000
Dr. Nagender Yerram	10,000	5,000	15,000

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.J.H.Ranade is chairman and Dr.K.Ramaswamy and Dr.Nagendra Yerram 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/Selection 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 and relatives of Directors of the Company & 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.J.H.Ranade is chairman, Dr.Nagendra Yerram & Dr.K.Ramaswamy are other members of the committee.

V. Shareholders / Investors Grievance Committee:

The Committee comprises of Mr.E. Purushotham, Chairman & Managing Director and Mrs.E.Vaishnavi, 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 6 meetings were held and 25790 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
2009-2010	30th July 2010	Hotel City Park, Solapur	6
2010-2011	27th July 2011	Hotel City Park, Solapur	5
2011-2012	30th July 2012	Hotel Tripursundari, 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: 27th July 2013, Time: 12.30 p.m.

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

2. Financial Calendar (Tentative): April 2013 to March 2014

Particulars of Meetings	Date
Un-audited Quarterly Result for the quarter ended 30th June 2013	2nd Week of Aug. 2013
Un-audited Quarterly Result for the quarter ended 30th September 2013	2nd Week of Nov. 2013
Un-audited Quarterly Result for the quarter ended 31st December 2013	2nd Week of Feb. 2014
Un-audited /Audited Financial Result for the quarter - ended 31st March 2014	Last week of May 2014

3. Date of Book Closure : 19.07.2013 To 27.07.2013 (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 26th August 2013 to those members whose names appear in the Register of Members as on the date of the Annual General Meeting.

5. Listing on Stock Exchanges

The Pune Stock Exchange Limited

The Hyderabad Stock Exchange,

The Ahmedabad Stock Exchange

The Stock Exchange , Mumbai

Demat: ISIN Number In NSDL: INE 172 E 0101 CDSL: INE 172 E 0101

6. Stock Prices

Market price data - High/Low during each month of the financial year 2012-13.

Month & Year	Open Rs.	High Rs.	Low Rs.	Close Rs.
April - 2012	172.15	190.90	168.60	185.00
May - 2012	181.36	192.45	163.75	163.75
June - 2012	163.00	179.35	155.00	168.70
July - 2012	172.00	204.00	158.55	190.95
August - 2012	175.00	225.00	175.00	203.60
September - 2012	204.90	273.90	180.00	232.60
October - 2012	231.00	248.95	200.25	207.50
November - 2012	214.00	234.95	196.05	210.10
December - 2012	210.00	210.20	194.70	195.00
January - 2013	194.50	220.00	193.30	198.65
February - 2013	198.70	205.00	149.00	149.35
March - 2013	149.15	157.95	108.05	115.40

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 31.03.2013)

Shares	Number	% to total	Total Shares	Rs.	% to total
Upto 100	619	40.30	29300	293000	0.77
101-500	549	35.74	191932	1919320	5.03
501-1000	176	11.46	153240	1532400	4.02
1001-2000	61	3.97	98646	986460	2.59
2001-3000	53	3.45	131018	1310180	3.43
3001-4000	16	1.04	56280	562800	1.48
4001-5000	12	0.78	58199	581990	1.53
5001-10000	27	1.76	214131	2141310	5.61
10001-20000	08	0.52	112673	1126730	2.95
20001-50000	11	0.72	393020	3930200	10.30
50001-Above	04	0.26	2376991	23769910	62.30
TOTAL	1536	100.00	3815430	38154300	100.00

10. Shareholding pattern

Category	No. of Sahres	% to share capital
NRI	71170	1.87
Corporate Body	171125	4.49
Directors & Relatives	2451591	64.25
Indian Public	1121544	29.39
TOTAL	3815430	100.00

11. Dematerialization of shares and liquidity

3365095 shares have been dematerialized as on 31st March 2013 constituting 88.20 % 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.

Place : Solapur

Date : 25th May 2013

For & on behalf of the Board
sd/-

(E. Purushotham)

Chairman & Managing Director

Auditor's Certificate on Compliance of Conditions of Corporate Governance

The Members,
Smruthi Organics Limited
Solapur.

We have examined the compliance of conditions of corporate governance by Smruthi Organics Limited for the year ended 31st March, 2013 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
F.R.No.: 100668W

Place : Solapur
Date : 25th May, 2013

Sd/-
(Ashok D. Madgundi)
Proprietor
M.No.36983

Independent Auditors' Report

To the Members of
Smruthi Organics Limited, Solapur

Report on the Financial Statements

We have audited the accompanying financial statements of "Smruthi Organics Limited", which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility:

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance sheet, Statement Profit & Loss, and Cash Flow Statement dealt with by this Report are in agreement with books of account.
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

Place : Solapur
Date : 25th May, 2013

Ashok Madgundi & Co.
Chartered Accountants
F.R.No.: 100668W.

sd/-

(Ashok D. Madgundi)
Proprietor
M. No. 36983

Annexure to the Auditor's Report

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

- i) a) The company has maintained proper records showing full particular including quantitative details and situation of fixed assets.
- b) All fixed 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) There was no disposal of a substantial part of fixed assets during the year.
- (ii) a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- 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. Discrepancies noted on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
- (iii) a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provision of clause 4 (iii) (a) to (d) of the Order are not applicable to the company and hence not commented upon.
- b) The Company had obtained a loan from Directors covered in the register maintained under section 301 of the Companies Act, 1956.
- c) 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.
- d) 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
- e) 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.
- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to the purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to the correct any major weaknesses in the internal control system of the Company in respect of these areas.

- (v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act 1956 that need to be entered into the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees Five Lacs have been entered in to during the financial year at prices which are reasonable and comparable figures are not available having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from public during the year.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account 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 are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, custom duty, Excise duty, Cess 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 provident fund, employees' state insurance, income tax, sales tax, service tax, custom duty, Excise duty, Cess and other material statutory dues were outstanding, at the year end, 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
Sales Tax Department	Sales Tax dues (incl. Interest & Penalty)	26.87	2004-05	JCST (Appeal) Kolhapur
Sales Tax Department	Sales Tax dues (incl. Interest & Penalty)	56.12	2005-06	JCST (Appeal) Kolhapur
Sales Tax Department	Sales Tax dues (incl. Interest & Penalty)	36.95	2006-07	JCST (Appeal) Kolhapur

Stay for recovery of sales tax is ordered by Joint CST Kolhapur against order passed by Deputy CST Solapur for the above period. The company has filled the writ petition with H'ble High Court, Mumbai for availing total sales tax benefit under PSI 1993 scheme.

- (x) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanation given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution / bank.

- (xii) According to the information and explanations given to us and based on the documents and records produced, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provision of clause 4 (xiii) of the companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loan were applied and sanctioned for the purpose for which the loans were obtained.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment
- (xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by public issue during year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

Place : Solapur
Date : 25th May, 2013

Ashok Madgundi & Co.
Chartered Accountants
F.R.No.: 100668W.

Sd/
(Ashok D. Madgundi)
Proprietor
M. No. 36983

Part I - Form of Balance Sheet

Balance Sheet as at : 31.03.2013

Name of Company - **Smruthi Organics Limited**

(Figures in rupees)

	Particulars	Note No.	Figures as at the end of Current reporting period 31.03.2013	Figures as at the end of previous reporting period 31.03.2012
1	Equity And Liabilities			
	1) Shareholders' funds			
	a) Share capital	1	3,81,54,300	3,81,54,300
	b) Reserves and surplus	2	37,34,59,925	31,95,56,251
	2) Non-current liabilities			
	a) Long-term borrowings	3	14,88,24,095	11,72,12,272
	b) Deferred tax liabilities (Net)	4	4,35,96,541	2,84,96,541
	c) Other Long term liabilities	5	1,71,65,214	1,26,06,636
	d) Trade Payables (Fixed Assets)	6	67,52,075	71,78,325
	3) Current liabilities			
	a) Short-term borrowings	7	28,38,53,816	20,35,87,946
	b) Trade payables	8	29,70,54,195	36,03,02,971
	c) Other current liabilities	9	4,88,97,151	2,46,25,194
	d) Short Term Provisions	10	3,11,27,725	6,71,31,587
	TOTAL		1,28,88,85,037	1,17,88,52,023
2	Assets			
	Non-current assets			
	1) a) Fixed assets	11		
	i) Tangible assets			
	a) Gross Block		82,79,08,283	65,28,43,977
	b) Less : Accumulated Depreciation		(38,20,62,511)	(32,91,55,433)
	c) Net Block		44,58,45,772	32,36,88,544
	ii) Capital work-in-progress		1,07,92,674	4,37,72,146
	b) Non-current investments	12	4,97,100	9,97,100
	c) Deferred revenue expenditure	13	-	-
	d) Long-term loans and advances	14	72,00,128	1,02,03,764
	2) Current assets			
	a) Current investments	-	-	-
	b) Inventories	15	40,72,85,937	31,73,21,395
	c) Trade receivables	16	31,54,30,266	36,80,85,015
	d) Cash and cash equivalents	17	96,28,303	2,10,85,974
	e) Short-term loans and advances	18	9,22,04,857	9,36,98,085
	f) Other current assets	-	-	-
	TOTAL		1,28,88,85,037	1,17,88,52,023

Summary of significant accounting policies. The accompanying notes are an integral part of the Financial statements.

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For & on behalf of Board of Directors
Smruthi Organics Limited

As per our report of even date

Ashok Madgundi & Co.

Chartered Accountants
F.R.No.100668W

PLACE : SOLAPUR
DATE : 25th May, 2013

Sd/
(Ashok D.Madgundi)
PROPRIETOR
M.No. 36983

Sd/
(E. Purushotham)
MANAGING DIRECTOR

Sd/
(E. Vaishnavi)
DIRECTOR

Part II - Form of STATEMENT OF PROFIT AND LOSS

Profit & Loss Statement for the year ended : 31.03.2013

Name of Company - **Smruthi Organics Limited**

(Figures in rupees)

	Particulars	Note No.	Figures for the Current reporting period 31.03.2013	Figures for the Previous reporting period 31.03.2012
1	Continuing Operations			
	a) Revenu from operations (gross)	19	1,86,63,20,622	2,11,96,08,510
	b) Less : Excise duty		5,48,68,520	5,82,37,249
	c) : Sales Tax		1,08,55,781	97,89,937
	d) Revenue from operations (net)		1,80,05,96,321	2,05,15,81,324
	e) Other income	20	40,63,950	21,91,508
	Total Revenue (1)		1,80,46,60,271	2,05,37,72,832
2	Expenses			
	a) Cost of materials consumed	21	1,37,88,80,576	1,53,70,94,352
	b) Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	-5,85,44,366	35,01,709
	c) Employee benefits expenses	23	10,15,26,763	9,19,91,419
	d) Finance costs	24	4,01,72,597	5,40,08,374
	e) Depreciation and amortization expense	11	5,29,07,078	4,52,96,185
	f) Other Expenses	25	18,88,90,785	16,14,42,426
	Total Expenses (2)		1,70,38,33,433	1,89,33,34,465
3	Profit before exceptional and extraordinary items and tax (1-2)		10,08,26,838	16,04,38,367
4	Exceptional items		0	0
5	Profit before extraordinary items & tax (3-4)		10,08,26,838	16,04,38,367
6	Extraordinary Items		0	0
7	Profit before tax (5-6)		10,08,26,838	16,04,38,367
8	Tax expense			
	(a) Current tax		2,22,00,000	5,37,40,000
	(b) Deferred tax		1,51,00,000	3,00,000
9	Profit / (Loss) for the period from continuing operations (7 - 8)		6,35,26,838	10,63,98,367
10	Profit / (Loss) from discontinuing operations		0	0
11	Tax expense of discontinuing operations		0	0
12	Profit / (Loss) from Discontinuing operations (after tax) (10 - 11)		0	0
13	Profit (Loss) for the period (9 + 12)		6,35,26,838	10,63,98,367
14	Earning per equity share :			
	(a) Basic		16.65	27.89
	(b) Diluted		16.65	27.89

Summary of significant accounting policies. The accompanying notes are an integral part of the Financial statements.

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For & on behalf of Board of Directors
Smruthi Organics Limited

As per our report of even date
Ashok Madgundi & Co.
Chartered Accountants
F.R.No.100668W

PLACE : SOLAPUR
DATE : 25th May, 2013

Sd/
(Ashok D.Madgundi)
PROPRIETOR
M.No. 36983

Sd/
(E. Purushotham)
MANAGING DIRECTOR

Sd/
(E. Vaishnavi)
DIRECTOR

Notes : 1 **SHARE CAPITAL**

		As At 31-03-2013 Rs.		As At 31-03-2012 Rs.	
1	AUTHORISED SHARE CAPITAL				
	5000000 Equity Shares of Rs. 10/- each	5,00,00,000		5,00,00,000	
	5000000 Non-Convertible Cumulative Redeemable Preference Shares of Rs.10/-each	5,00,00,000	10,00,00,000	5,00,00,000	10,00,00,000
2	ISSUED, SUBSCRIBED & PAID UP SHARE				
	3815430 Equity Shares of Rs. 10/- each fully paid	3,81,54,300		3,81,54,300	
			3,81,54,300		3,81,54,300
Details of Shareholders holding more than 5% shares in the Company					
		No.of Shares	%holding in the class	No.of Shares	%holding in the class
1	Mr. Eaga Purushotham	15,28,510	40.06	15,28,510	40.06
2	Mrs. Eaga Vaishnavi	5,76,450	15.11	5,76,450	15.11

Notes : 2 **RESERVES AND SURPLUS**

		As At 31-03-2013 Rs.		As At 31-03-2012 Rs.	
1	Capital Reserve		6,08,600		6,08,600
2	Capital Incentive		15,00,000		15,00,000
3	General Reserve				
	(a) Balances as per the last Financial statements	4,38,80,743		3,32,40,906	
	(b) Add : Amount Transferred	63,52,684		1,06,39,837	
	Closing Balance		5,02,33,427		4,38,80,743
4	Share Premium		20,00,000		20,00,000
5	Surplus in Statement of Profit and Loss				
	(a) Balances as per the last Financial statements	27,15,66,908		18,87,39,904	
	Add :				
	(b) Profit for the year	6,35,26,838		10,63,98,367	
	(c) Income Tax Refund - A.Y. 2009-10	-		9,16,178	
	(d) Excess provision of commission & Dividend Tax for the year last year	88,423		1,74,481	
	Less :				
	(e) Transfer to General Reserve	63,52,684		1,06,39,837	
	(f) Proposed Equity Dividend	76,30,860		1,14,46,290	
	(g) Tax on Proposed Equity Dividend	12,96,865		19,45,297	
	(h) Income Tax F.Y. 2011-12	7,83,862		5,92,618	
	(i) Income Tax for the F.Y. 2009-10	-		37,980	
	Net Surplus in the statement of Profit and Loss		31,91,17,898		27,15,66,908
	Total Reserve & Surplus		37,34,59,925		31,95,56,251

Notes : 3 LONG - TERM BORROWINGS

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Axis Bank Term Loan *	8,84,76,815		4,73,60,925	
2	Deferral Sales Tax Loan PSI 1993 Scheme *	2,37,76,775		3,22,36,761	
3	Deferral Sales Tax Loan PSI 1993 Expansion **	3,55,14,851		3,55,14,851	
4	Axis Bank Ltd.- Car Loan	10,55,654		20,99,735	
			14,88,24,095		11,72,12,272

*1st mortgage / hypothecation charge on pari-passu basis with Axis Bank on Land & building and Plant and Machinery owned by the Company situated at Plot No.273 & 274 MIDC, Akkalkot Road, Solapur 413006 & Plot No.A-27, MIDC Chincholi, Solapur- 413 255. First Charge on Company 's - Flat No 5, Rahul Neha Apt. Solapur, Flat No T/1 , Balaji Apt. Solapur, Holiday Resaurt at Plot No 31, Nakoda Constr. at village. Pakani Solapur. N.A. Plots GAT No. 230/2/B/2, 233/2/B, 231/2/B, 230/2/A/2 situated at village Chincholi, Taluka Mohol, Dist. Solpaur. First pari- passu charges on the above assets for Term Loan of Rs.15.75 crores form Axis Bank Ltd., Pune. The Term Loan of Axis Bank Rs 15.75 crore is repayable in 60 months equal installment along with interest from 30.11.2012.

*Personal guarantee of Mr E Purushotham , Managing Director and Mrs. E Vaishnavi Director.

**Deferred Sales Tax Loan is interest free and payable in yearly in 5 installment of each Financial years after completion of 10 years and the final installment will due on 26.04.2022

Notes : 4 DEFFERED TAX LIABILITY - Depreciation Timing Difference

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Opening Balance	2,84,96,541		2,81,96,541	
2	Add : During the year	1,51,00,000		3,00,000	
			4,35,96,541		2,84,96,541

Notes : 5 OTHER LONG TERM LIABILITIES

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Gratuity Payable	1,71,65,214		1,26,06,636	
			1,71,65,214		1,26,06,636

Notes : 6 TRADE PAYABLES (Fixed Assets)

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Sundry Creditors	67,52,075		71,78,325	
2	Sundry Creditors (Small Scale Undertaking)	-		--	
			67,52,075		71,78,325

Notes : 7 SHORT TERM BORROWINGS

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Working Capital Loan from S.B.I.,IFB Mumbai & Solapur (Secured) *	27,03,90,885		17,56,57,873	
2	SBI Global Factors Ltd., Mumbai	(7,099)		(96,522)	
3	Unsecured Loans - Directors	1,34,70,030		2,80,26,595	
			28,38,53,816		20,35,87,946

*1st registered mortgage / hypothecation charge with State Bank of India on lease hold land & building and Plant and Machinery owned by the Company situated at Plot No.273 & 274 MIDC, Akkalkot Road, Solapur 413006 & Plot No.A-27, MIDC Chincholi, Solapur- 413 255 and Flat No 5, Rahul Neha Apt. Solapur , Flat No T/1 , Balaji Apt. Solapur, Holiday Resaurt at Plot No 31, Nakoda Constr. at village. Pakani Solapur. lnd charge on entire current assets of Company pari-passu basis to Axis Bank, Pune.

*Personal guarantee of Mr E Purushotham , Managing Director and Mrs. E Vaishnavi Director.

Notes : 8 TRADE PAYABLES

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Sundry Creditors	29,31,17,634		35,98,62,896	
2	Sundry Creditors (Small Scale Undertaking)	39,36,561		4,40,075	
			29,70,54,195		36,03,02,971

Notes : 9 OTHER CURRENT LIABILITIES

		As At 31-03-2013(Rs.)		As At 31-03-2012 (Rs.)	
1	Other Statutory Liabilities (TDS, PF, etc)	7,61,213	7,61,213	6,54,041	6,54,041
2	Other Current Liabilities				
1)	Salary & Wages Payable	68,05,001		1,30,99,378	
2)	Audit & Consultancy Fees Payable	4,49,589		2,41,778	
3)	Leave Encashment Payable	-		5,28,126	
4)	Unpaid Dividend - SBI	-		37,453	
5)	Unpaid Dividend - Axis Bank	9,81,348		4,33,035	
6)	Defferal Sales Tax Repayment within one year	84,00,000		71,38,703	
7)	Term Loan Installment Repayment within one year	3,15,00,000		24,92,680	
			4,81,35,938		2,39,71,153
			4,88,97,151		2,46,25,194

Notes : 10 SHORT TERM PROVISION

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Provision for Income Tax	2,22,00,000		5,37,40,000	
2	Dividend	76,30,860		1,14,46,290	
3	Dividend Distributed Tax	12,96,865		19,45,297	
			3,11,27,725		6,71,31,587

Notes : 12 NON CURRENT INVESTMENTS

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	49,310 equity shares of Rs.10/- each fully paid up in Greenfield CET Plant Pvt. Ltd. Solapur	4,93,100		4,93,100	
2	80 equity shares of Rs. 50/- each fully paid up in Solapur Nagari Aydyhyogik Bank, Solapur	4,000		4,000	
3	50,000 Unit of Rs. 10/- each in SBI Mutual Fund (PSU Fund Growth)	-		5,00,000	
			4,97,100		9,97,100

Notes : 13 DEFERRED REVENUE EXPENDITURE

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
	Miscellaneous Expenditure (to the extent not written off/adjusted) Deferred Revenue Expenditure				
			-		-
			0		-

Note Of Fixed Assets Forming Part of Balance Sheet As At 31st March 2013

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION PROVIDED				NET BLOCK	
	Cost As On 01.04.2012	Addition During The Year 2012-13	Disposal/ Adjust- Ment	As On 31.03.2013 (2+3-4)	Upto 31.03. 2012	For The Year 2012-13	Disposal/ Adjust- Ment	Upto 31.03.2013 (6+7-8)	As On 31.03. 2012	As On 31.03.2013 (5 - 9)
1	2	3	4	5	6	7	8	9	10	11
Factory Land	3076385	0	0	3076385	287933	17640	0	305573	2788452	2770812
Agricultural Land	587094	0	0	587094	0	0	0	0	587094	587094
Building	119944591	21709529	0	141654120	53478926	6941278	0	60420204	66465665	81233916
Ownership Flats	9319484	0	0	9319484	4349812	248484	0	4598296	4969672	4721188
Plant & Machinery	454088154	88123331	0	542211485	211448295	36759833	0	248208127	242639860	294003358
Electrical Installation/Equip.	20000830	6345985	0	26346815	10856000	1653135	0	12509135	9144830	13837679
Vehicles	14968525	2397627	0	17366152	10263946	1405589	0	11669535	4704579	5696617
Office Equipments	1594180	78996	0	1673076	978249	88855	0	1067104	615931	605972
Computer	4722840	538836	0	5261676	2737390	309285	0	3046675	1985450	2215001
Furniture & Fixture	10588209	1317674	0	11905883	6738586	792703	0	7531289	3849623	4374594
Laboratory Equipments	16072251	4078742	0	20150993	9210929	1203677	0	10414606	6861322	9736387
Other Factory Equipments	7911035	6634065	0	14545100	2876215	1092132	0	3968347	5034820	10576753
TOTAL = A	662873578	131224685	0	794098262	313226281	50512611	0	363738892	349647297	430359370
B) i) Research & Devp.Equip.	30065941	67472	0	30133413	14483699	2171352	0	16655051	15582242	13478362
ii) Research & Devp.G.Block	3676604	0	0	3676604	1445453	223115	0	1668568	2231151	2008036
TOTAL = B	33742545	67472	0	33810017	15929152	2394467	0	18323619	17813393	15486398
C) Capital Work in Progress										
Building Constructions - Boiler	0	3320512	0	3320512	0	0	0	0	0	3320512
Plant & Machinery - Boiler	0	4028346	0	4028346	0	0	0	0	0	4028346
Plant & Machinery - Chilling Plant	0	3443816	0	3443816	0	0	0	0	0	3443816
Total = C	0	10792674	0	10792674	0	0	0	0	0	10792674
Total (A+B+C)	696616123	142084831	0	838700953	329155433	52907078	0	382062511	367460689	456638442
Previous Year	605569466	91046657	0	696616123	283859248	45296185	0	329155433	321710217	367460689

Notes : 14 LONG-TERM LOANS & ADVANCES

		As At 31-03-2013 (Rs.)	As At 31-03-2012(Rs.)
1	DEPOSITS (Unsecured Considered Good) (MSEB, Water, Telephone, House, etc)	50,82,957	38,78,706
2	Advance against Capital Goods	21,17,171	63,25,058
		72,00,128	1,02,03,764

Notes : 15 INVENTORIES

		As At 31-03-2013 (Rs.)	As At 31-03-2012 (Rs.)
1	Inventories (at cost except otherwise stated and as certified by Board of Director)		
1	Raw Materials (at cost)	10,85,04,138	7,86,04,833
2	Packing Materials (at cost)	29,27,703	14,06,832
3	Work in Process (at cost)	9,28,04,590	14,64,92,978
4	Finished Goods (at lower of cost and net realisable value)	20,30,49,506	9,08,16,752
		40,72,85,937	31,73,21,395

Notes : 16 TRADE RECEIVABLES

		As At 31-03-2013 (Rs.)	As At 31-03-2012 (Rs.)
1	SUNDRY DEBTORS (Unsecured Considered Good)		
1	More than six months	5,73,476	9,37,351
2	Other debts	31,48,56,790	36,71,47,664
		31,54,30,266	36,80,85,015

Notes : 17 CASH & BANK BALANCES

		As At 31-03-2013 (Rs.)	As At 31-03-2012 (Rs.)
	Cash and cash equivalents		
1	Cash on hand	4,40,178	3,13,452
	Balances with banks		
1	Bank Balance (EEFC, SBI Khadki, ICICI etc)	21,85,220	7,88,806
2	Fixed Deposits with SBI (For L/C and Bank Guarantee margin)	70,02,905	1,99,83,716
		96,28,303	2,10,85,974

Notes : 18 SHORT TERM LOANS & ADVANCES

		As At 31-03-2013 (Rs.)	As At 31-03-2012 (Rs.)
1	(Unsecured Considered Good) Advances recoverable in cash or in kind or for value to be received		
1	Staff & Other Advances	11,24,863	7,51,748
2	Pre-Paid Insurance	14,46,003	11,28,730
3	Pre-Paid Interest (EOU)	-	3,17,811
4	Excise Duty (Modvat)	80,87,161	52,40,230
5	Excise Duty (EOU)	4,42,132	8,92,820
6	CST Refund Claim (EOU)	85,76,228	1,62,36,619
7	Interest Accrued but not due	8,19,302	1,58,765
8	Excise on export Refund	1,31,32,899	62,30,562
9	Terminal Excise Duty - TED	-	-
10	DEPB Incentive to be Claim for CENVAT	15,75,575	39,71,015
11	Service Tax	4,96,177	14,66,827
12	Sales Tax	10,32,106	4,02,106
13	VAT Refund	2,70,00,865	2,32,67,050
14	Advance Income Tax & TDS	2,60,69,063	3,22,23,662
15	Duty Draw Back Incentive Receivable	24,02,483	14,10,140
		9,22,04,857	9,36,98,085

Notes : 19 REVENUE FROM OPERATIONS

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Income from Operations				
1	Gross Sales - Bulk Drugs & Drug Intermediates	1,85,58,33,743		2,10,62,07,521	
2	Less : Excise Duty	5,48,68,520		5,82,37,249	
3	: Sales Tax	1,08,55,781		97,89,937	
			1,79,01,09,442		2,03,81,80,335
2	Other Operating Income - Export Incentives				
1	DEPB	51,44,899		96,47,533	
2	Duty Draw Back	51,49,044	1,04,86,879	37,53,456	1,34,00,989
3	Duty Draw Back - Purchase	1,92,936		-	
			1,80,05,96,321		2,05,15,81,324

Notes : 20 OTHER INCOME

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Interest on TDR (Bank Deposits)	15,96,078		11,02,568	
2	Rate difference in Foreign Currency	24,67,872		10,88,940	
			40,63,950		21,91,508

Notes : 21 COST OF MATERIAL CONSUMED

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Cost of Material Consumed				
	5' O Trityl Thymidine	61,99,20,000		72,38,24,402	
	Dicyandiamide	12,07,20,874		10,48,09,476	
	Dimethyl Amine	7,91,04,355		8,45,61,177	
	Piperzine	3,13,62,921		5,76,27,750	
	Methanol	3,59,83,358		3,68,41,262	
	Acetophenone	2,34,66,637		3,62,16,939	
	Hydroquinone	1,58,85,700		2,20,55,300	
	C.F.A.	2,14,20,684		2,17,00,267	
	EMME	1,80,84,197		2,07,08,928	
	Others	41,29,31,850		42,87,48,851	
			1,37,88,80,576		1,53,70,94,352

Notes : 22 CHANGES IN INVENTORIES OF FINISHED GOODS WORK IN PROCESS AND STOCK IN TRADE

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Inventory Change				
a)	Add : Opening Stock				
1	Work in Process (Bulk Drugs & Drug Intermediates)	14,64,92,978		18,55,33,074	
2	Finished Goods (Bulk Drugs & Drug Intermediates)	9,08,16,752	23,73,09,730	5,52,78,365	24,08,11,439
B)	Less : Closing Stock				
1	Work in Process (Bulk Drugs & Drug Intermediates)	(9,28,04,590)		(14,64,92,978)	
2	Finished Goods (Bulk Drugs & Drug Intermediates)	(20,30,49,506)	(29,58,54,096)	(9,08,16,752)	(23,73,09,730)
			(5,85,44,366)		35,01,709

Notes : 23 EMPLOYEE'S BENEFIT EXPENSES

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Salary Wages and Bonus	9,31,78,732		8,54,42,171	
2	Contribution to P.F. and other funds	42,82,378		32,70,036	
3	Staff Labour Welfare	40,65,653		32,79,212	
			10,15,26,763		9,19,91,419

Notes : 24 FINANCE COST

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Interest on Term Loan	37,83,596		7,30,934	
2	Interest on Cash Credit	2,65,84,145		3,51,95,460	
3	Interest to others	28,15,017		1,14,85,797	
4	Bank Commission & Charges	69,89,839		65,96,183	
			4,01,72,597		5,40,08,374

Notes : 25 OTHER EXPENSES

		As At 31-03-2013 (Rs.)		As At 31-03-2012 (Rs.)	
1	Power and Fuel	10,64,55,010		8,85,55,685	
2	Repaires & Maintainance	1,52,05,294		1,70,30,960	
3	Laboratory Expenses	78,43,496		79,73,785	
4	Sales Commission & Promotion	1,22,53,141		1,25,19,093	
5	Travelling & Conveyance	82,65,894		90,75,412	
6	Research & Development Exp	6,84,005		9,52,631	
7	Other Expenses	3,81,83,945		2,53,34,860	
			18,88,90,785		16,14,42,426

Notes to the Financial Statement as on 31.03.2013

1. Corporate Information

Smruthi Organics Ltd is a public company domiciled in India and incorporates under the provisions of the Companies Act, 1956. It's shares are listed on Stock Exchange of Pune, Hyderabad, Ahmadabad & Mumbai as permitted by security in India. The company is engaged in the manufacturing and selling Bulk Drugs and Intermediates, Fine chemicals (APIs). The company caters to both domestic and international market.

2. Basis of Preparation

The Financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statement to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention, except for land and building acquired before 1 April 2007 which are carried at revalued amounts.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

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) Continuous 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 whichever 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) Finished Goods in transit is valued at cost or net realizable value whichever is lower.
- e) Imported Raw material is lying with Nava Sheva Port, Balaji Warehouse, Mumbai is valued at cost..

D) Sale of Goods : Revenue from Sale of Goods is recognized when all the significant risk and rewards of ownership of the goods have been part to the buyer. The company collects the Sales Tax and value

added taxes (VAT) on behalf of the Government and therefore these are not economic benefits flowing to the company. Hence there are excluded from the revenue. Excise duty deducted from revenue (Gross) is the amount i.e. included in the revenue (gross) and not the entire amount of liability arising during the year.

E) Staff Retirement Benefits

- a) Contribution to Provident Fund are funded as a Percentage of Salary / Wages.
- b) Provision for leave encashment salary is not made on the basis of actuarial valuation at the year ended of Rs.625232/- . Subject to this amount, the profit changes.
- c) Provision for Gratuity is made of as per payment of Gratuity Act. As per Accounting Standard 15, the gratuity amount is not provided separately.

F) Provision for Current Tax is made on the basis of relevant provisions of Income-Tax Act, 1961 considering the benefit of Exemption of R & D u/s 35 (2AB) of Income Tax Act. The Deferred Tax for timing differences between the Book and Tax Profits for the year is accounted for using the Tax Rates and Laws that have been substantively enacted as at the Balance Sheet.

G) Borrowing Costs : Costs in respect of borrowing for the purpose of expansion project have been capitalized in accordance with Accounting Standard-16 issued by The Institute of Chartered Accountants of India. During the year, the company has availed the term loan from AXIS Bank Limited, Pune towards construction of factory shed and purchase of plant and machinery and others of Rs. 700.00 lacs.and interest of Rs. 47.00 lacs as on 31.3.2013 is capitalized during the period.

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 gain/loss arising on account of fluctuation of foreign exchange rates are credited to the fixed assets and debited to Term loan liability account.

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 2012-13 and 2011-12	<i>(Rs.In Lacs)</i>	
Particulars	2012-13	2011-12
a) Capital	00.67	04.90
b) Recurring	83.55	74.79
Total Rs.	84.22	79.69
Total R&D expenditure as a percentage of total turnover :	0.47%	0.39%

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. The Sales Tax amount of Rs. 71.39 Lacs is due under PSI1993 Scheme is paid during the year.

L) Investment : Investments are stated at cost.

M) Deferred Revenue Expenditure : Nil

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/cs of Rs.2014.00 lacs towards import of raw materials to various parties and outstanding of L/cs at closing day of the year are Rs.271.00 lacs. (Previous Year Rs.891.00 Lacs)
- B)** The bank guarantee of Rs. 11.00 lacs is issued to MPCB Government Authorities during the year.(Previous Year Rs. 15.00 Lacs) . MPCB has levied penalty Rs. 5.00 lacs for non compliances of norms within stipulated period.
- 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)** The Company has availed the benefit of DEPB License for the Financial year 2012-13 of Rs. 51.45 Lacs The said benefit has been treated as income of the year under audit. Out of this income, Rs. 17.87 Lacs, debited to raw material consumption, and Rs. 33.58 Lacs DEPB incentive to be claimed for CENVAT respectively.
- E)** Event Occurred after Balance Sheet : During the year under audit, the Company has provided loss against sales returns up to the date of audit of Rs.62.00 lacs as per Accounting Standard 4 and reduced the value of closing stock of Metformin due to destroyed worth of Rs. 27.08 lacs.

Key Management personnel

(Rs.)

F) Remuneration to Directors :-	Current Year	Previous Year
a) E. Purushotham , <i>Chairman & Managing Director</i>		
i) Salary	64,00,000	48,00,000
ii) Commission	88,00,000	58,99,200
iii) Provident Fund	7,68,000	5,76,000
b) E. Swapnil , <i>Executive Director & Chief Operating Officer (Salary paid from 15.06.2012)</i>		
i) Salary	28,60,000	0.0
ii) Provident Fund	3,43,200	0.0
c) E. Niranraj Rao , <i>Director (Operation) (Resigned from 21.05.2011)</i>		
i) Salary	0.00	2,30,000
ii) Provident Fund	0.00	12,000
G) Auditors Remuneration		
a) as statutory auditors	1,20,000	1,20,000
b) tax audit and other services	2,19,329	1,50,235
H) Value of imports calculated on CIF basis		
Raw material	28,59,62,293	30,30,49,774
I) Expenditure in foreign currency		
Traveling Exp	7,57,761	18,60,525
Sales Commission	55,80,523	18,90,537
Fees & Forms	33,06,397	2,33,583
Sales Promotion	25,04,013	13,03,537
Packing Material	27,047	25,890
Freight Charges	95,291	--
	-----	-----
	1,22,71,032	53,14,072
	=====	=====
J) Net dividend remitted in Foreign Exchange		
No of non-residence shareholders	15	15
No of equity shares held on which dividend was due	19500	19500
Amount remitted (in Rs.)	58500	48750
K) Earning in Foreign Currency		
Export at FOB value	42,07,70,476	46,18,19,520

L) Sundry debtors in schedule includes Rs.5.73 lacs due for a period of more than six months. Provision for debts considered as a doubtful aggregating to Rs. 5.73 lacs has not been made as recovery efforts are under progress.

M) Related Party Disclosures : AS-18

- i) Name of Related Party : **Smruthi Chemicals & Intermediates**
Proprietor : Mrs. E.Vaishnavi
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. Pur. (High-seas/Local from SOL)
d) Interest paid on Unsecured Loan
Transaction value (Rs.) a) Rs. 4278630
b) Rs. 190800
c) Rs. 2249956
d) Rs. 745900
Balance Outstanding Rs. NIL
Receivable/Payable(-)
As on Balance Sheet Date
- ii) Name of Related Party : **Mr. Eaga Swapnil**
Relationship : Director of the Company & Son of Managing Director
Nature of the Transaction a) Car Rent Paid
b) Interest paid on Unsecured Loan
Transaction value (Rs.) a) Rs. 492000/-
b) Rs. 259857/-
Balance Outstanding Rs. NIL
Receivable/Payable(-)
As on Balance Sheet Date
- iii) Name of Related Party : **Mr. Eaga Yadgiri**
Relationship : Brother of Managing Director :
Nature of the Transaction a) Tractor Rent Paid
Transaction value (Rs.) Rs. 125000/-
Balance Outstanding Rs. NIL
Receivable/Payable(-)
As on Balance Sheet Date
- iv) Name of Related Party : **Mr. Eaga Madanmohan**
Relationship : Nephew of Managing Director
Nature of the Transaction a) Tempo Rent Paid
Transaction value (Rs.) Rs. 742250/-
Balance Outstanding Rs. NIL
Receivable/Payable(-)
As on Balance Sheet Date

- v) Name of Related Party : **Mr. Eaga Purushotham**
Relationship : Managing Director of Comapny
Nature of the Transaction a) Unsecured Loan Interest paid
Interest Paid (Rs.) Rs. 1931455/-
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.

N) Earning Per Share (E.P.S.) AS-20	31.03.2013	31.03.2012
i) Basic E.P.S.	16.65	27.89
Diluted E.P.S.	16.65	27.89
ii) Calculation of Basic E.P.S.		
a) Net Profit after tax-Income (in crore)	06.35	10.64
b) No.of Equity Shares (in crores)	0.38	0.38
c) Basic Earning per share (Weighted Avg.)	16.65	27.89
d) Nominal Value per share	10.00	10.00

O) In the opinion of the Board, Current Assets, Loans and Advances including capital advances as on 31.03.2013 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 Rs 3936561/-

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

I) Registration details

Registration No. : 52562 State Code : 11
Balance Sheet Date : 31.03.2013

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

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 :	1288885	Total Assets :	1288885
Paid up Capital :	38154	Reserves & Surplus :	373460
Non Current Liab :	216338	Current Liability :	660933

Application of Funds. :

Net Fixed Assets :	456638
Net Current Assets :	824549
Long Term Loans & Adv :	7200
Investment :	497

IV) Performance of Company (Amount in Thousands)

Turnover : 1804660	Total Expenditures : 1703833
Profit before Tax : 100827	Profit after Tax : 63527
Earning Per share in Rs.16.65	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	

R) 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 Notes "1" to "26"

Place : Solapur
Date : 25th May, 2013

Ashok Madgundi & Co.
Chartered Accountants
F.R.No.: 100668W.

Sd/-

(Ashok D. Madgundi)

Proprietor
M. No. 36983

For & on behalf of Board for Smruthi Organics Limited

Sd/-

(E. Purushotham)
MANAGING DIRECTOR

Sd/-

(E. Vaishnavi)
DIRECTOR

AUDITOR'S 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 2013.

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
F.R.No.: 100668W

Place : Solapur
Date : 25th May, 2013

Sd/-
(Ashok D. Madgundi)
Proprietor
M.No.36983

Cash Flow Statement for the year ended 31.03.2013

Sr.No.	Particulars	Rs. In Lacks		
		31-03-2013	31-03-2012	
A	CASH FLOW FROM OPERATING ACTIVITIES			
	Profit before tax	(+)	1008.27	1604.38
	Non cash adjustment to reconciled profit before tax to net cash flows			
	Depreciation	(+)	529.07	452.96
	Misc Expenditure written off	(+)	0	8.40
	Interest Expenditure	(+)	401.73	540.08
	Interest & Export Incentive	(-)	-145.51	-155.93
	Operating profit before working capital changes	(+)	1793.56	2449.89
	Movements in working capital			
	Increase/(Decrease) in trade payables	(-)	-632.49	599.17
	Increase/(Decrease) in short term provisions	(-)	-360.04	233.13
	Increase/(Decrease) in other current liabilities	(+)	242.72	-38.12
	Increase/(Decrease) in other long term liabilities	(+)	45.59	16.96
	Decrease/(Increase) in trade receivables	(+)	526.55	-1298.88
	Decrease/(Increase) in inventories	(-)	-899.65	-70.31
	Decrease/(Increase) in long term loans & advances	(+)	30.04	-59.37
	Decrease/(Increase) in short term loans & advances	(+)	14.93	-43.91
	Decrease/(Increase) in other current assets	(-)	0.00	0.00
	Decrease/(Increase) in other non-current assets	(+)	5.00	0.00
	Cash generated from / (used in) operations	(+)	766.21	1788.56
	Direct taxes paid (net of refunds)	(-)	-228.95	-532.80
	Net cash flow from / (used in) operating activities (A)	(+)	537.25	1255.76
B	CASH FLOW FROM INVESTING ACTIVITIES			
	Purchases of Fixed Assets, including intangible assets, CWIP & capital advances	(-)	-1420.85	-910.46
	Proceeds of non current investments			0.00
	Increase/(Decrease) in trade payables fixed Assets	(-)	-4.26	-17.09
	Purchase of current investments	(-)	0.00	0.00
	Investment in bank deposits (having original maturity of more than 3 months)			0.00
	Interest & Export Incentive	(+)	145.51	155.93
	Net Cash from / (used in) Investing Activities (B)	(-)	-1279.60	-771.62
C	CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from issuance of share capital & preference share capital		0.00	0.00
	Proceeds from long term borrowings	(+)	316.12	399.04
	Repayment of long term borrowing		0.00	0.00
	Proceeds from short term borrowings	(+)	802.66	-168.77
	Interest Paid	(-)	-401.73	-540.08
	Dividend paid on equity shares	(-)	-76.31	-114.46
	Tax on equity dividend paid	(-)	-12.97	-19.46
	Net cash flow from / (used in) Financing Activities (C)	(-)	627.77	-443.73
	Net Increase/(Decrease) in cash & cash equivalents (A) + (B) + (C)	(-)	-114.58	40.41
	Cash & Cash equivalents at the beginning of the period	(+)	210.86	170.45
	Cash & Cash equivalents at the end of the period	(+)	96.28	210.86

For and on behalf of Board of Directors

Place : Solapur
Date : 25th May, 2013

Sd/-
(E.Vaishnavi)
Director

Sd/-
(E.Purushotham)
Managing Director

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 _____

as my/our Proxy to vote for me/us on my/our behalf at the **24th ANNUAL GENERAL MEETING** of the Company to be held on Saturday 27th July 2013 at 12.30 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2013

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

24th Annual General Meeting

Reg.Foliol No. _____

Member's / Proxy's Name in Block Letters

Member's / Proxy's Signature

- 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 Annual Report for reference at the meeting.

PRINTED MATTER / BOOK-POST

If undelivered please return to :



Smruthi Organics Limited

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