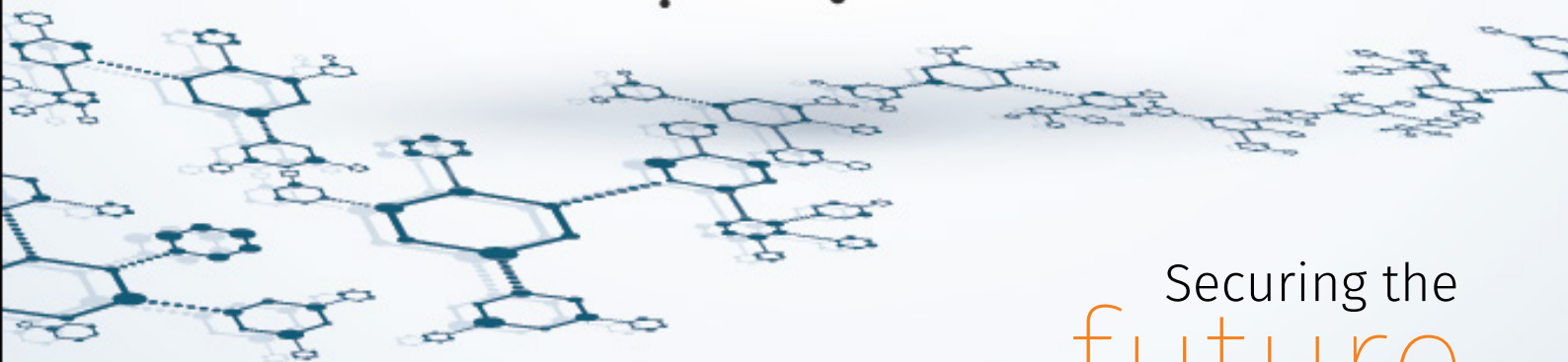
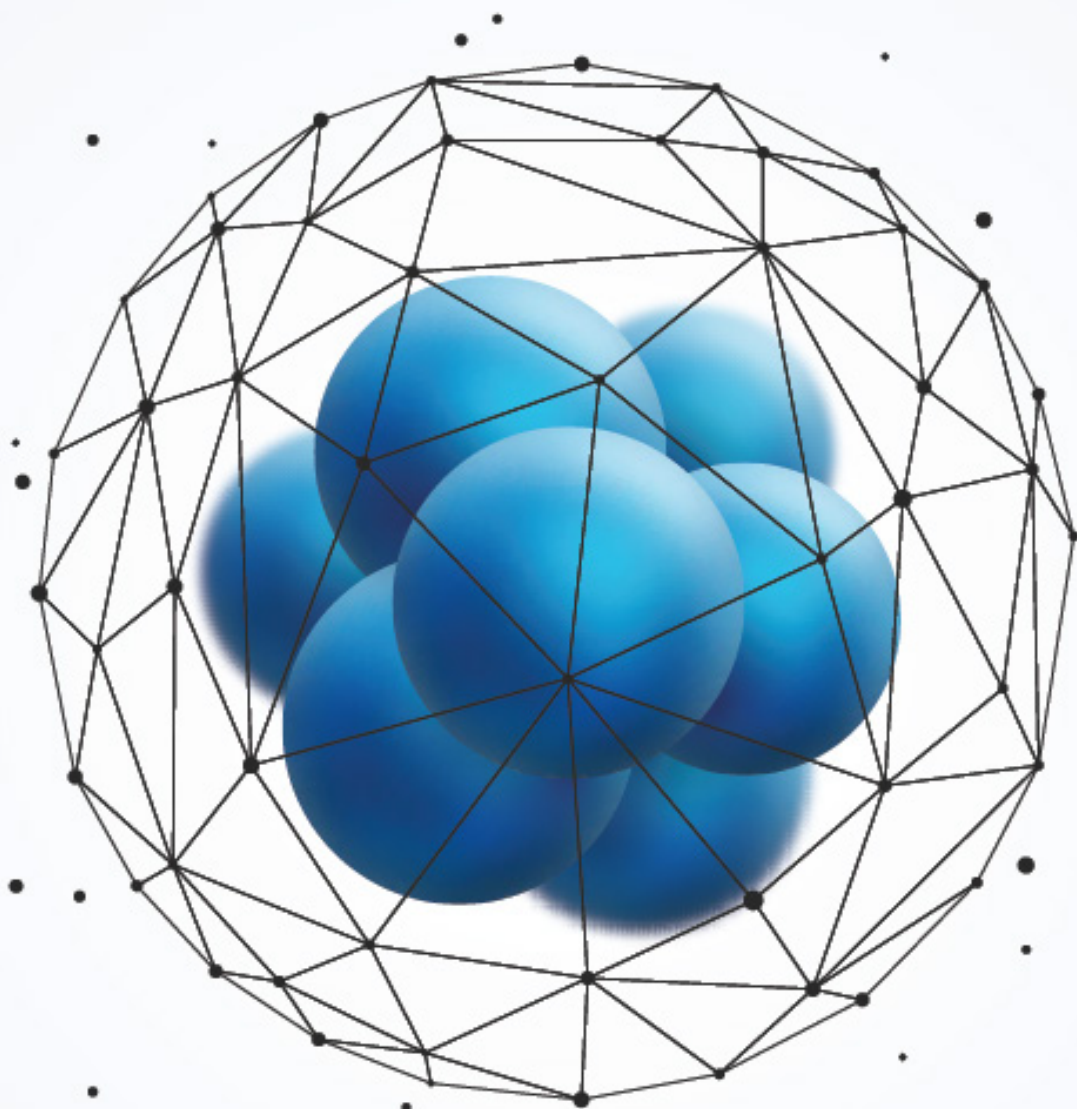




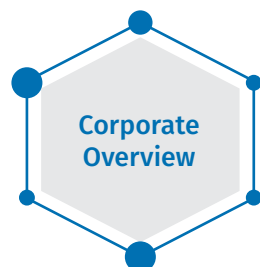
Vinati Organics Limited

28th Annual Report
2016-17



Securing the
future

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DISCLAIMER

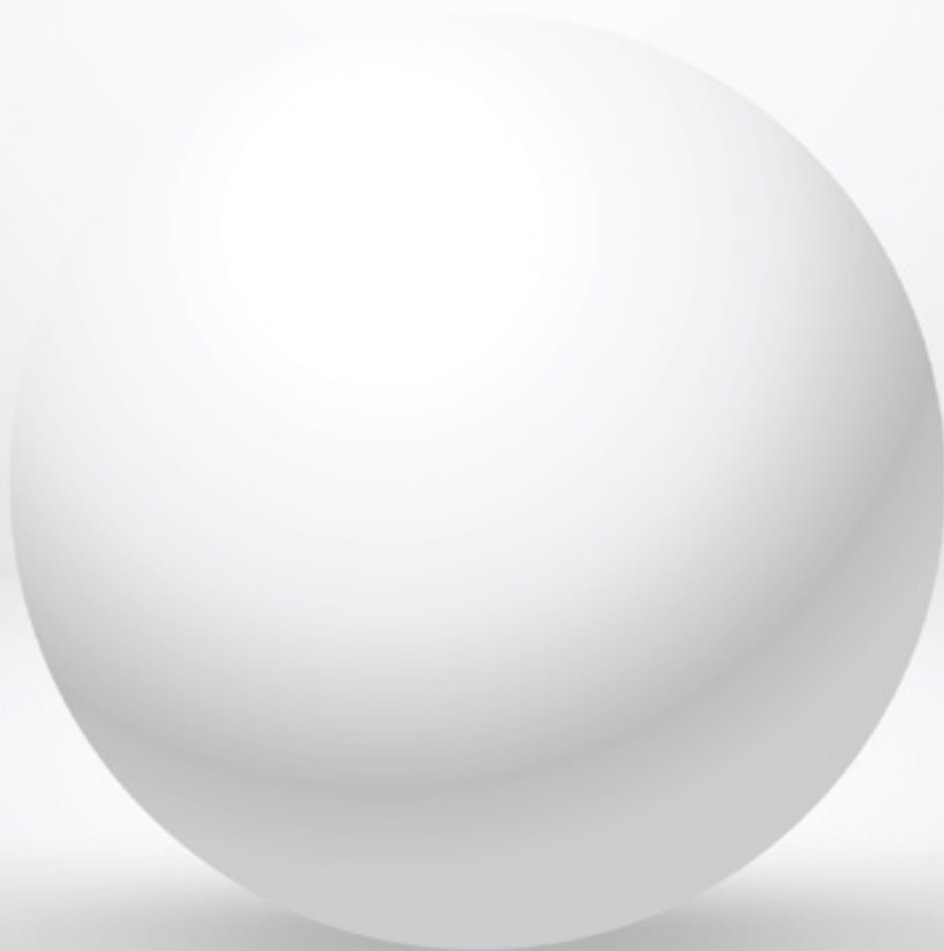
We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and upto-date nature of information taken, and declared as being taken, from third parties, as well as for forward looking statements, irrespective of whether these derive from third parties or ourselves. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

The future is nothing but a culmination of the present.

Hence for us, doing something for our future means doing the right things right now. Be it by integrating our business model to be productive, further expanding our product basket or by taking our financial management a notch higher.

By creating a more solid and versatile foundation today, we have set the precedent for a more sustainable and growth-oriented business framework of tomorrow.

By strengthening our present, we are **securing our future!**



Performance highlights

Revenue from operations

2016-17	66,633	+6%
2015-16	63,095	

Operating EBIDTA

2016-17	22,757	+9%
2015-16	20,855	

Profit before tax

2016-17	20,464	+10%
2015-16	18,656	

Profit after tax

2016-17	13,930	+6%
2015-16	13,157	

Gross block

2016-17	59,783	+23%
2015-16	48,508	

* All figures in ₹ Lacs



Operating EBIDTA margin (%)

2016-17	33.67	+94 bps
2015-16	32.73	

PAT margin (%)

2016-17	20.61	-4 bps
2015-16	20.65	

PBT margin (%)

2016-17	30.28	+99 bps
2015-16	29.28	

ZERO

LONG TERM DEBT



About us

1989



Established in 1989, Vinati Organics Ltd. is a specialty chemical company producing aromatics, monomers, polymers and other speciality products. Headquartered in Mumbai, the Company operates through its two manufacturing facilities with an integrated B2B business model to derive maximum operational efficiencies.



Partners in progress

Our technical knowhow association with Institut Francais du Petrole (IFP), France, Saipem, Italy and National Chemical Laboratories (NCL), Pune have enabled us to launch new products and sustain market leadership in existing products.

**WORLD'S LARGEST
MANUFACTURER WITH**

~65%

MARKET SHARE IN IBB

**WORLD'S LARGEST
MANUFACTURER WITH**

~45%

MARKET SHARE IN ATBS

**INDIA'S LARGEST
MANUFACTURER WITH**

~70%

**MARKET SHARE OF IB
INDIA**



Certified plants

Both the plants at Mahad (Raigad) and Lote (Ratnagiri), Maharashtra are certified with national and international certifications.

ISO

9001:2008

ISO

14001:2004

OHSAS

18001:2007



Products that are benchmarked globally

Our focus on producing niche specialty chemicals addressing specific applications has allowed us to manufacture high-quality products with high purity levels.

99.8%

THE PURITY LEVEL OF IBB IS THE HIGHEST IN THE WORLD

99.97%

THE PURITY LEVEL OF HP-MTBE IS THE HIGHEST IN THE WORLD

0.5%

THE VARIATION LEVEL IN PURITY STANDARDS OF ATBS COMPARED TO 3% OF GLOBAL TOLERANCE LEVELS



Environment friendly

At Vinati we continuously strive to minimise emissions from our manufacturing process. With an integrated business model, the residues of one product are absorbed as an input for another, thereby creating a holistic and eco-friendly process chain.

₹10000 lacs

INVESTED IN EFFLUENT TREATMENT PLANT

Message from the MD & CEO



AFTER THE FEW INITIAL YEARS OF STRUGGLE, OUR COMPANY PERFORMED QUITE STEADILY AND HAS GROWN OVER 25 YEARS. BUT FY2016-17 PROVED TO BE VITAL AS WE EMBARKED ON THE PATH OF SECURING LONG-TERM FUTURE GOALS THROUGH THE DEVELOPMENT OF NEW PRODUCTS.

Dear shareholders,

2016-17 proved to be a big stepping stone in the history of our Company. At this critical juncture I am pleased to present the excellent annual performance of our Company despite the gloomy global economic scenario and the demonetisation impacted Indian economy.

After the few initial years of struggle, our Company performed quite steadily and has grown over 25 years. But FY2016-17 proved to be vital as we embarked on the path of securing long-term future goals through the development of new products. Commencing in FY2016-17, we laid out a few primary objectives such as

improving free cash flow generation and expanding our product offerings to minimise the product risk, thus positioning our Company for long-term sustainable growth. And I am proud to say that during this past year, we delivered on each of these objectives, while significantly strengthening our balance sheet and delivering impressive returns to shareholders.

Our Company has always strived to be the best in terms of identifying and developing niche products, possessing a differentiated R&D approach and also undertaking development of green products; this has helped us come a long way by creating a strong

differentiation while catering to global MNCs. Unlike many in our sector we focused mainly on inventing better and greener chemical processes, having higher purity levels and better cost-efficiency. Thus today the purity levels of our Company's products are among the best globally. There are however downsides to this strategy like slower product launches and a concentrated product portfolio. But at our Company, we have successfully overcome this challenge by focusing on a long product pipeline which will ensure continued growth for the next 5 years.

Importance of FY2016-17

Our Company has three major products – ATBS, IBB and IB which have been highly successful. But during FY2016-17 we broke a silence of almost 4 years and announced three of the largest capex investments in our history, for the development of products like IB derivatives PTBBA and butylated phenols (an import substitution used in fragrances, resins and antioxidants, among others), PAP (used in paracetamol manufacturing) and forward integration to IBAP. With all these facilities expected to become operational over FY2017-18 to late FY2019-20, our Company is not just expected to widen portfolio but to double revenues by FY2020-21 and at the same time ensure a sustainable future growth. Further our Company embarked on the path of building a 8 megawatt co-generation based captive power plant at our Lote facility, which is expected to provide our Company with a cost saving of ₹8 crores in power cost. By improving access to reliable and affordable energy, our Company intends to meet its energy goal: we are also doing our part to minimise impacts to the environment. Interestingly, majority of our capex has been funded from internal accruals only, thus enabling our Company to maintain its zero-debt status. Moving forward I expect the free cash-flow to strengthen from FY2019-20 as the capex cycle subsides.

From a macro perspective, despite a number of challenges in terms of fluctuating oil prices, uncertain geopolitical scenarios and slower than expected growth in the emerging economies, a number of micro economic factors like lower cost of labour, availability of key raw materials, large consumer markets

and adaptability to technology along with strong policy support from the Government, has worked in favour of the Indian chemical industry. Further I believe that recent market changes have created notable challenges for our industry. However, they also present new opportunities for our business. Thus, our Company is uniquely suited to compete effectively throughout the cycle.

At Vinati, of paramount importance are Vinati's high standards for operational performance, strict norms for emerging as the greenest chemical company and judicious capacity building has helped us steer our business successfully over the years. These standards of integrity and excellence allow us to set high performance and efficiency goals, measure our achievements, and improve our operations every year. None of this would be possible, however, without the knowledge, skill, and dedication of our employees, who again demonstrated this year that they possess the best technical and leadership skills in the industry.

We plan to enhance our focus on developing a greener, cost-efficient manufacturing processes for existing products, integrating it forward, backwards or horizontally, to further build scale benefits on raw materials and thereby capture a higher share of the value chain. All these efforts will increase our competitive strength, drive growth and lead to our emergence as a responsible global corporation.

I can assure you that we will continue our intense focus on the value creation for shareholders. We appreciate the confidence and trust that you have shown in our Board, management and our employees. Initially our Company

was just a raw material supplier but our innovation-led approach helped us address client's supply chain concerns through integrated intermediate chemicals and greener technology thus solving complex client problems. We have undertaken this journey for 25 years now. But I believe we are still far away from achieving our best. The coming years would be an exciting time for our shareholders as I believe they would be our transformative years. We continue to keep our commitments to our shareholders and unlock the value within our Company. We continue to maintain an unparalleled financial position in the industry. This enables us to pursue and finance attractive investment opportunities as and when they arise. I look forward to a year of transformation and value creation with you, our shareholders.

With warm regards,

Vinod Saraf

Managing Director & CEO

Securing the future

Vinati Organics is a renowned specialty chemicals company in India, leading globally in manufacturing some of the key products.

Starting operations almost

two **AND A HALF DECADES BACK,**

Vinati Organics serves global clients and is their preferred supplier in the products we are present in.



Our products serve sectors like:



Water Treatment



Emulsions and Paints



Construction



Agrochemical



Mining



Pharmaceutical



Paper



Leather



Oil Drilling

