

SAVE THE EARTH
GO GREEN



Aarti Drugs Ltd.

annual report 2010-2011





Mission

- Aarti Drugs Limited will seek global market leadership.
- Development and growth in the product will be our focus.
- We will continue to create a winning culture, operating in highest standards of ethics and values with co-operation among competitors.
- We will strive for excellence in customer service, quality and R& D.



Vision

- To be the preferred vendor for the Product in India and World.
-

Corporate Information

Board of Directors

Chandrakant V. Gogri
Chairman

Prakash M. Patil
Managing Director & CEO

Harshit M. Savla
Jt. Managing Director & CFO

Whole-time Directors
Harit P. Shah
Uday M. Patil

Rajendra V. Gogri
Non-Executive Director

Independent Directors
Ramdas M. Gandhi
Bhavesh R. Vora
Prof. Krishnacharya G. Akamanchi
Dr. Vilas G. Gaikar
Sunil M. Dedhia
Navin C. Shah

Company Secretary
Sunny Pagare (w.e.f. 21st February, 2011)
Dilip Maharana (upto 8th November, 2010)

Auditors
M/s. Parikh Joshi & Kothare,
49/2341, M.H.B. Colony, Gandhi Nagar,
Bandra (East), Mumbai-400 051.

Solicitors
M/s. M. P. Savla & Co.
Bharat House, 2nd floor,
104 Mumbai Samachar Marg,
Mumbai- 400 001.

Registrar & Transfer Agent
M/s. Sharepro Services (India) Pvt. Ltd
Samhita Complex, Gala No-52 to 56,
Bldg No.13 A-B, Near Sakinaka Telephone Exchange,
Andheri -Kurla Road,
Sakinaka, Mumbai-400 072.

Bankers:
Bank of Baroda
Union Bank of India
State Bank of India
The Bank of Nova Scotia
Standard Chartered Bank
DBS Bank Ltd.
IDBI Bank Ltd.
Citi Bank N.A.
HSBC

Registered Office

Plot No. N-198, M.I.D.C.,
Tarapur, Village- Pamtembhi,
Taluka – Palghar,
Dist. Thane- 401 506,
Maharashtra.

Corporate Office

Mahendra Industrial Estate,
Ground Floor, Plot No. 109D,
Road No.29, Sion (E),
Mumbai- 400 022.

Plants

Plot Nos. N-198, G-60, E-120,
K-40, K41, E-9/3-4 and E-21/22,
MIDC Industrial Area,
Tarapur, Tal- Palghar,
Dist. Thane- 401 506, Maharashtra.

Plot Nos. 2902/2904, GIDC,
Sarigam – 396 155 Dist. Valsad, Gujarat.

R & D Centres

Plot Nos. N- 198 & G- 60, MIDC Industrial Area, Tarapur,
Village Pamtembhi, Tal- Palghar, Dist. Thane- 401 506,
Maharashtra.

Plot Nos.D-277/278, TTC Industrial Area, Turbhe, Navi
Mumbai, Maharashtra.

Visit us at www.aartidrugs.com

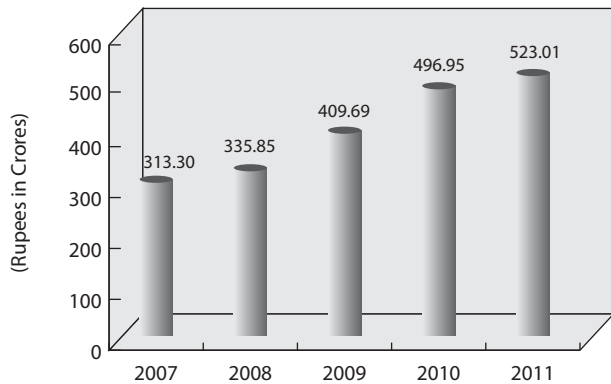
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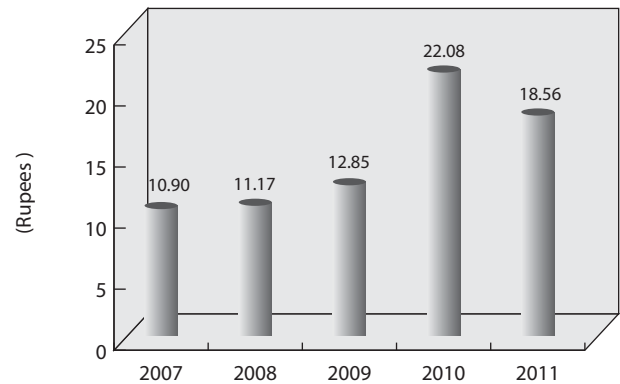
Aarti Drugs Limited

Particulars	Financial Year Ended on										(₹ in Lakhs)
	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11			
Sales	23,770.47	26,527.27	27,900.01	31,330.26	33,584.79	40,968.87	49,694.87	52,301.38			
Profit Before Interest and Depreciation	2,663.72	3,362.00	3,144.38	3,449.75	3,930.01	5,690.35	7,207.99	6,043.13			
Interest	385.82	586.08	841.68	986.3	1,183.81	2,271.69	1,474.45	1,347.80			
Depreciation	572.23	714.7	791.8	861.72	962.93	1,103.92	1,351.75	1,548.05			
Profit before tax	1,705.67	2,061.22	1,510.90	1,601.73	1,783.27	2,314.75	4,381.79	3,147.29			
Profit after tax	1,207.67	1,406.22	1,272.86	1,276.98	1,307.32	1,504.75	2,609.79	2,247.29			
Dividend (%)	30	30	15	12	18	30	50	50			
Payout	351.26	351.26	175.62	140.5	210.75	351.26	605.43	605.43			
Equity Capital	1,170.86	1,170.86	1,170.86	1,170.86	1,170.86	1,170.86	1,210.86	1,210.86			
Reserves & Surplus	5,477.57	6,486.07	7,556.89	8,673.66	9,734.41	10,827.49	12,898.30	14,440.78			
Less : Miscellaneous Expenditure	451.97	339.32	226.92	114.93	3.72	—	—	—			
Networth	6,196.46	7,317.61	8,500.83	9,729.59	10,901.54	11,998.35	14,109.16	15,651.63			
Borrowings											
Long Term	3,081.23	4,680.16	3,094.12	4,263.63	4,795.06	7,204.25	7,818.18	9,662.42			
Short-Term-Bank	5,368.61	4,524.31	6,701.47	7,493.42	7,070.5	8,070.95	6,047.94	9,555.74			
Short-Term-Others	2,231.35	4,923.25	8,413.26	7,499.31	8,651.2	2,572.65	3,898.38	5,531.30			
Total Borrowings	10,681.19	14,127.72	18,208.85	19,256.36	20,516.76	17,847.85	17,764.50	24,749.46			
Gross Block	11,787.22	15,037.17	20,059.68	21,253.39	23,359.01	26,725.92	28,748.23	34,579.98			
Less : Depreciation	3,581.36	4,262.30	5,095.16	6,236.45	7,446.69	8,788.25	10,394.66	12,159.02			
Net Block	8,205.86	10,774.87	14,964.52	15,016.94	15,912.33	17,937.66	18,353.57	22,420.96			
Capital work-in-progress	617.92	2,260.06	Nil	1,375.2	1,466.9	64.42	340.35	1,037.47			
Investments	31.44	145.7	2,040.49	2,134.85	3,352.82	2,137.85	2,137.85	2,461.29			
Current Assets, Loans and Advances	14,925.62	15,131.79	17,098.48	17,231.02	18,767.55	18,513.71	20,020.43	25,669.13			
Less: Current Liabilities	6,152.53	5,866.42	6,298.15	5,547.41	6,626.63	7,076.76	6,998.89	8,958.11			
Net Working Capital	8,773.09	9,265.37	10,800.32	11,683.60	12,140.92	11,436.96	13,021.54	16,711.02			
Book Value per share (Rs.)	52.92	62.5	72.6	83.1	93.11	102.47	116.52	129.26			
EPS (Basic & Diluted) (Rs.)	10.32	12.01	10.85	10.9	11.17	12.85	22.08	18.56			

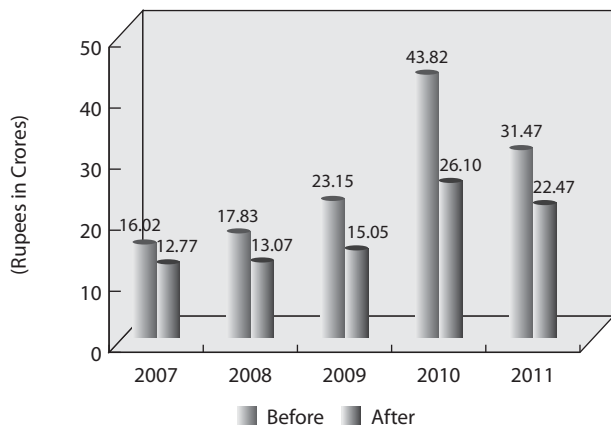
Turnover



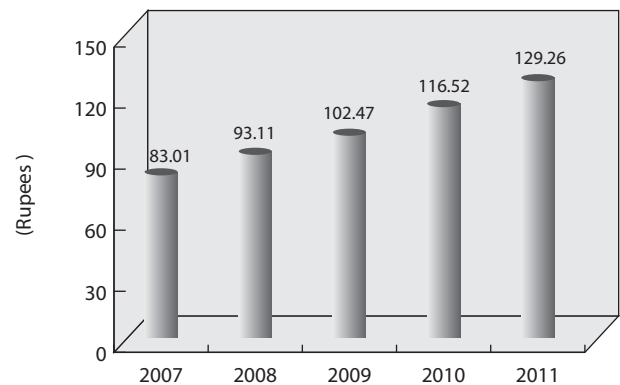
Earning Per Shares



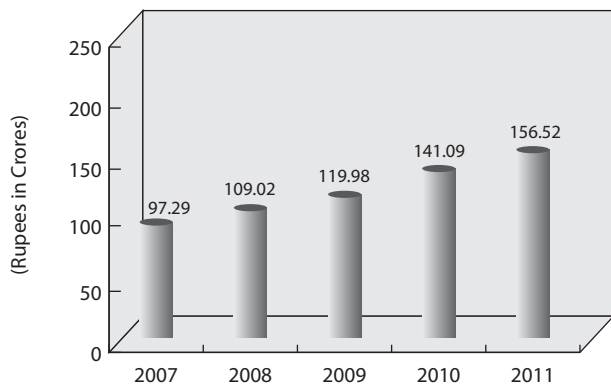
Profit Before & After Tax



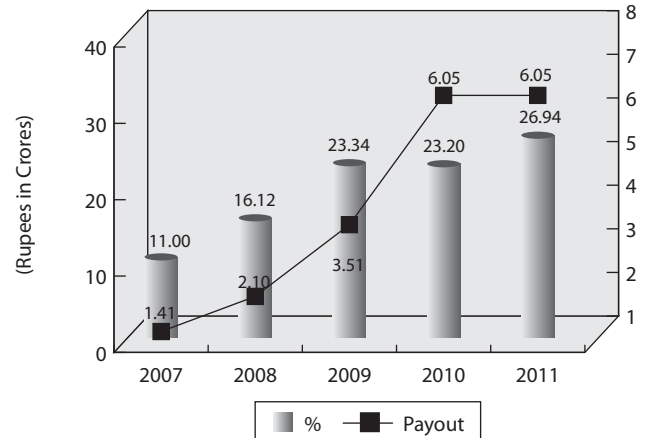
Book Value



Networth



Dividend Payout



Aarti Drugs Limited

NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of AARTI DRUGS LIMITED will be held at TIMA Hall, MIDC Tarapur, Taluka Palghar, Dist.: Thane - 401 506 Maharashtra, on Saturday, the 23rd day of July, 2011, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare a final dividend for the financial year ended 31st March, 2011.
3. To appoint a Director in place of Shri Rajendra V. Gogri, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ramdas M. Gandhi, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Harit P. Shah, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Krishnacharya G. Akamanchi, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Navin C. Shah be and is hereby appointed as a Director of the Company."

Registered Office:

Plot No.N-198, MIDC,Tarapur,
Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.

Place: Mumbai

Date: 25th May, 2011

By Order of the Board

Sd/-

Sunny Pagare
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY(S) TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY(S) NEED NOT BE A MEMBER OF THE COMPANY.
THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business at Item No. 8 above is annexed hereto and forms part of the Notice.

3. Corporate Members are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 16th July, 2011 to 23rd July, 2011 (both days inclusive)
5. All documents referred to in the accompanying notice and explanatory statement are open for inspection at the registered office of the Company on all working days except Saturdays, between 11.00 a.m. and 1.00 p.m., up to the date of the AGM.
6. The Members are requested to note:
 - (i) **Change of Address /Bank details:** Members holding shares in physical form are requested to inform the Company's Registrars and Transfer Agents, M/s. Sharepro Services (India) Private Limited, immediately of any change in their address and bank details. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the Members.
 - (ii) Members holding shares in dematerialized form are requested to register their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) with their Depository Participants.
 - (iii) Members holding shares in physical form are requested to provide their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) along with their Folio Number to the Company's Registrars and Transfer Agents(RTA), M/s. Sharepro Services (India) Private Limited.
 - (iv) Section 109A of the Companies Act, 1956 provides for **Nomination by the Shareholders** of the Company in the prescribed Form No. 2B for shares held in physical form. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.
 - (v) Queries on accounts may please be sent to the Company 10 days in advance of the Annual General Meeting so that the answers may be made available at the meeting.
 - (vi) In terms of Sections 205A and 205C of the Companies Act, 1956, any dividend remaining unpaid for a period of seven years from the due date of payment is required to be transferred to the IEPF. Members who have not encashed their final dividend warrants for the year 2003-04 or thereafter, are requested to write to the Company or the RTA. It may be noted that once the unclaimed dividend is transferred to the IEPF as above, no claim shall lie with the Company in respect of such amount. The Company has transferred unclaimed amounts of dividends declared for the year 2002-03 and interim dividend for the year 2003-04 to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.

Aarti Drugs Limited

Brief resume of Directors seeking re-election/re-appointment are as under:

Particulars	Shri Rajendra V. Gogri	Shri Ramdas M. Gandhi
Date of birth and age	15.12.1959 (51 years)	14.03.1933 (78 years)
Date of Appointment	28.09.1984	31.12.2005
Qualifications	B.E.-Chemical, UDCT Mumbai / M.S., USA	L.L.M., Solicitor
Experience and expertise in specific functional areas	He has wide experience of over 26 years in Chemical Industry.	He has been in practice for over 50 years and vast experience in the legal field and particularly on the matters relating to corporate laws. He is an Independent Director of the Company.
Directorships held in other (excluding foreign) Companies	Aarti Industries Limited Aarti Healthcare Limited Alchemie Dyechem Pvt. Ltd. Gogri & Sons Investment Pvt. Ltd. Aarti Biotech Limited Anushakti Chemicals & Drugs Ltd. Crystal Millennium Realtors Pvt. Ltd. Edu Plan India Private Limited	Vinyl Chemicals (India) Limited Unichem Laboratories Limited Aarti Industries Limited Pidilite Industries Limited
Membership/Chairmanships of committees across public companies	Audit committee Aarti Industries Ltd. - Member Aarti Healthcare Ltd. - Member Remuneration Committee Aarti Industries Ltd. - Member Aarti Drugs Ltd. - Member Share Transfer Committee Aarti Industries Ltd. - Member Aarti Drugs Ltd. - Member Finance Committee Aarti Industries Ltd. - Member	Audit Committee Vinyl Chemicals (India) Limited - Chairman Unichem Laboratories Limited – Member Aarti Industries Limited – Chairman Aarti Drugs Limited - Chairman Shareholders Grievance Committee Pidilite Industries Limited - Chairman Vinyl Chemicals (India) Limited – Member Unichem Laboratories Limited - Chairman Remuneration Committee Vinyl Chemicals (India) Limited – Member Unichem Laboratories Limited – Member Aarti Industries Limited – Member Aarti Drugs Limited – Member
Number of shares held in the Company	330980	NIL

Annual Report 2010-11

Particulars	Shri Harit P. Shah	Shri Krishnacharya G. Akamanchi	Shri Navin C. Shah
Date of birth and age	12.10.1963 (47 years)	01.04.1953 (58 years)	22.02.1961 (50 years)
Date of Appointment	15.09.1995	20.10.2008	04.11.2010
Qualifications	B.Com	B.SC-(TECH) / B.SC (HONS) / PHD-Technology	B. Com, FCA
Experience and expertise in specific functional areas	He has experience of over 15 years handling commercial functions encompassing Sales, Purchases and Exports. He looks after Local Sales and Export as well.	He presently is a Professor and Head of Department of Pharmaceutical Sciences and Technology, University Institute of Chemical Technology, Mumbai. He has vast experience in handling industrial projects for solving the process chemistry and process technology problems and also development of new technologies. Since 1984 he has been providing consultancy for Process Technology Development, Process Chemistry Development, Project Evaluation, and Diversification into emerging areas to many industries.	He is a Practicing Chartered Accountant, with more than 25 years of experience.
Directorships held in other (excluding foreign) Companies	Suyash Laboratories Limited Aarti Ventures Limited Aarti Corporate Services Limited Radiant Entertainments Private Limited Spark Academy Private Limited	No other directorship	No other directorship
Memberships/ Chairmanships of committees across public companies	None	None	None
Number of shares held in the Company	300991	NIL	NIL

Registered Office:
Plot No.N-198, MIDC,
Tarapur, Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.
Place: Mumbai
Date: 25th May, 2011

By order of the Board

Sd/-
Sunny Pagare
Company Secretary

Important Communication to Members:

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the appropriate information in the request for e-mail ID Form (refer page 67 of the Annual Report) and register the same with the Company's Registrars and Transfer Agents, M/s. Sharepro Services (India) Private Limited.

Aarti Drugs Limited

Annexure to the Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 8

Shri Navin C. Shah, Chartered Accountant with over 25 years experience was appointed as an Independent Director by the Board of Directors on 4th November, 2010 pursuant to Section 262 of the Companies Act, 1956. He holds office up to the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company under section 257 of the Companies Act, 1956, alongwith the requisite amount of deposit.

Your Directors recommend the resolution at Item No. 8 for your approval.

Except Mr. Navin C. Shah, none of the Directors is, in any way, concerned or interested in the said resolution.

Registered Office:

Plot No.N-198, MIDC,Tarapur,
Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.

Place: Mumbai

Date: 25th May, 2011

By Order of the Board

Sd/-

Sunny Pagare
Company Secretary

Aarti Drugs Limited

OPERATIONS REVIEW

During the year under review, the Company has made Sales Turnover of Rs. 52301 lakhs (Previous Year: Rs. 49695 lakhs) registering a growth of 5.24 %.

The Company has achieved Export Turnover of Rs. 21537 lakhs as against Rs.17297 lakhs for the last year, registering a growth of 24.51 %.

Operating Profit before Interest, Depreciation, Amortization & Tax has been Rs. 6261 lakhs (Previous Year Rs. 7432 lakhs)

Profit After Tax has been Rs. 2247 lakhs (Previous Year: Rs. 2610 lakhs).

DIRECTORS' RESPONSIBILITY STATEMENT

As required u/s. 217 (2AA) of the Companies Act, 1956, your Directors hereby state that –

- (i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared Annual Accounts on a going concern basis.

GROUP

Persons and Companies comprising 'Group' are disclose in the note no. 7A in schedule T, notes to accounts for the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 as amended upto date.

SUBSIDIARY COMPANY

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary will also be kept open for inspection at the Registered Office of the Company as well as at the head office of the subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company.

CONSOLIDATED STATEMENTS OF ACCOUNTS

The Audited consolidated Accounts and Cash Flow statement, comprising of the Company and its subsidiary, namely, Suyash Laboratories Limited form part of this Report. The Consolidated accounts have been prepared in accordance with Accounting Standards (AS-21), on Consolidated Financial Statements issued by Institute of Chartered Accountants of India.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajendra V. Gogri , Mr. Ramdas M. Gandhi, Mr. Harit P. Shah and Prof. Krishnacharya G. Akamanchi retire by rotation and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

Report on Corporate Governance compliance along with Auditors Certificate thereon is included as a part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report as required under the Listing Agreement is annexed hereto forming part of this Report.

DISCLOSURE OF PARTICULARS

Pursuant to section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules 1975, as amended up to date, the names and other particulars are set out in the Annexure to the Directors' Report. However, as per the provisions of the section 219(1)(b)(iv) of the Companies Act, 1956, this Report is sent to the shareholders excluding the said information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Particulars required u/s. 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in the annexure to this Report.

AUDITORS & AUDITORS REPORT

M/s. Parikh Joshi & Kothare, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

As regards comment of the Auditors at clause (xv) of the Annexure to their report, it is clarified that short term funds were applied to fund part of ongoing capital expenditure which was to be funded by internal accruals which got affected to some extent due to shut down of certain APIs plants for about one and half month to align these existing facilities for expanded capacity and under performance for major part of the year of Sarigam plants due to environmental issues in the whole Sarigam Industrial Area. The mismatch in application of funds as aforesaid is temporary in nature since expansion made is expected to generate internal accruals in the current year.

COST AUDIT

The Cost Audit Report relating to Bulk Drugs manufactured by the Company for the financial year 2009-10 was submitted to the Central Government on 12th April, 2011 within prescribed time. Mr. Girish S. Maniar, Cost Accountant, was re-appointed as the cost auditor for the financial year 2011-12 and the report thereof will be submitted to the Central Government in due course.

HUMAN RESOURCES

Your Company recognizes human resources as one of its prime & critical resources. The relations between the management and the staff remained very cordial and satisfactory throughout the year under review.

ACKNOWLEDGEMENT

We place on record our sincere appreciation of the employees of the Company at all levels for their co-operation and dedicated services. We also thank all our associated customers and suppliers who are always co-operative.

We also express our sincere thanks to Bankers, Financial Institutions and the Shareholders for their continued support.

By Order of the Board

Sd/-

Chandrakant V. Gogri
Chairman

Place: Mumbai

Date: 25th May, 2011.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Pharmaceutical Industry – Global & Indian

The global pharmaceutical market has seen high growth over the past few years, driven primarily by the regulated market. However, in future more growth potential lies within emerging markets, where major world population resides. Increased per capita income of this population will give them enough spending power to satisfy their needs for treatment of chronic lifestyle diseases more typically found in developed countries. Emerging markets currently represent 16% of the global market (source: IMS Health), but are expected to contribute 40% of growth by 2014.

The Indian Pharmaceutical industry is now the third largest producer of drugs and pharmaceutical in the world. The Indian pharmaceutical market is expected to grow to around US \$52 billion by the year 2014-15 at a CAGR of 17% from the year 2008-09 (source: YES BANK). India is also the third-largest market in the world in terms of volume and fourteenth in terms of value. By 2014-15, total Indian pharmaceutical market would be almost equally be contributed by bulk drug exports, formulation exports and domestic formulations.

Business Strategy

- Domestic Market and Trends:

Aarti Drugs Limited(ADL) is constantly gearing up to cater the demand with a diversified products basket of drugs in the Anti-diabetic, Anti-infective, Anti-hypertensive and Cardio vascular therapeutic groups. ADL expects to increase its market share in the Antibiotic segment, which is growing fast due to penetration of health services in rural areas of the country. To cope up with the above demand ADL has already expanded its existing product-line's capacities. There is also a shift in demand from drugs treating hygiene related diseases to drugs treating lifestyle related diseases in the urban sector. ADL has already upgraded its facilities to meet high-standards, as lot of Indian formulators have started exporting ready-formulations to regulated markets.

- Export Market and Trends:

ADL is constantly working to keep its facilities up to the standards of cGMP as we plan to harness and grow our market share in semi-regulated & regulated markets. ADL's USFDA and TGA approved plant are all set to cater US & Australian markets. ADL also has three EUGMP approved facilities for European market. COS approvals and supplier registrations for ADL's several existing products will be on going process. We are now looking to increase our hold on Asian markets as well.

ADL will continue to cater global pharmaceutical markets through following channels:

- Contract Manufacturing
- Direct Exports

Increasing its share of direct exports to regulated and non-regulated markets. Continuing R&D on the molecules that will go off patent in near future

- Indirect Exports

Supplying APIs to domestic formulations for regulated markets

SWOT Analysis

Strengths & Opportunities

ADL, due to its huge production capacities in Anti Diarrhea, Anti Inflammatory and Anti Biotic segment, is strategically poised to reap benefits. Bigger market share will automatically help us to be competitive in market due to lower overheads. In addition to the existing exports to 86 countries worldwide, ADL is developing business in new geographies as well.

ADL is operating its two State-of-the Art R&D Centers, one at Tarapur, which is recognized by Department of Science and Industry Research, Government of India, and the other at Turbhe, Navi Mumbai. Our scientists are responsible for developing technology, non-infringing route of synthesis, scale up and its transfer to manufacturing location for commercialization. They are actively working not only on bulk drugs in therapeutic areas like Anti-histamine, Antibiotics, Anti-Anginal, Antitussive, Anticonvulsant, Anti-diabetics, Anti-depressant, Anti-fungal, Anti-hypertensive and Antipsychotic but also on specialty chemicals for non-API related applications.

ADL has custom synthesis facilities for reactions like Nobel Metal Hydrogenation (Catalytic Reduction), Oxidation, Fischer Idolization Balz Schiemann (halex) (Flourination of Amines) Esterification (including Asymmetric Esterification) Sulfonation, Alkylation, Methoxylation, Halogenation, (Cl, BR, I) Acetylation, Diazotization & Related Chemistry, Grignard Reaction, Friedel Craft, Aldol Condensation, Cynation, Chloro Sulfonation etc.

ADL has ISO 9001:2000 approved plants for manufacturing specialty chemicals. ADL also has 3 EUGMP plants approved by the European Directorate and Quality Management (EDQM), which will give better realization per unit and better profitability.

The Company has USFDA approved plants that will help to increase share in regulated market, for recently off-patent gone drugs or are scheduled to be off patent soon. We already have fourteen USDMFs assigned and eight European COS approvals, which have opened up opportunities in North American & European markets. Entry in regulated markets will be steady and systematic process, as we will have to go through different stages of products approvals.

Weakness, Risk and Concerns

Crude oil prices have gone up and are expected to continue to grow due to perennial need and limited supply. ADL is looking into newer and greener technologies like briquette fired boilers etc. to save power and fuel costs. However, ADL was able to cope up with these pressures due to strong operational efficiency and increased market share of its products.

Exchange rate of rupee against US dollar has been relatively steady last year. Volatility of US dollar against rupee is always a concern for us. Part of ADL's foreign exchange risk is automatically hedged because of its imports that partially balance its exports.

Internal Control System and their Adequacy

The Company has sound and adequate internal control systems commensurate with its size and nature of business.

The Audit Committee of the Board periodically reviews the said systems. These systems ensure protection of assets and proper recording of transactions and timely reporting. Internal audit is being carried out by an independent firm of chartered accountants.

The Audit Committee also regularly reviews the periodic reports by the Internal Auditors. Issues raised by Internal Auditors and Statutory Auditors are discussed and addressed by the Audit committee. Audit Committee constantly tries to add-value by evaluating existing systems.

Discussion on Financial & Operational Performance

During the year under review the company has achieved topline of Rs. 523.01 Crores, achieving a y-o-y growth of 5.24% correspondingly EBITDA worked out to Rs. 62.61 crores as against Rs. 74.32 crores of previous year. Net profit after tax registered Rs. 22.47 crores as against Rs. 26.10 crores of previous year.

Loss of production due to expansion program carried out in the existing facilities and some environmental issues lead to under absorption of overheads. This coupled with the rising costs of raw material and perennial lag of rise in prices between raw materials and finished goods has squeezed our margins in the year under review. However, we expect to reverse this situation and reap benefits out of this expansion program.

Human Resources

Human capital has always been the most important and valuable asset to your company. HRD center had conducted number of training programs during the year 2010-11 as well on the various topics related to Technological Development,

Aarti Drugs Limited

Quality System Management, Behavioral Change Modules, Individual and Operational Safety, Personality Development, Computerization of Systems etc. Apart from these internal training programs, employees are also sent for training / seminars participation at prominent training institutes on regular basis for upgrading their knowledge and skill level.

Corporate Social Responsibility

As contribution towards Community Development to fulfill Company's obligations towards the Society, Company organizes many activities on regular basis including Blood donation, Eye and Health check up camps, Career guidance workshops for young students. The Company has also made donations to hospitals. Contribution are made to primary schools of surrounding villages for painting of school buildings, purchase of benches & furniture, sports equipments, records storage facilities etc. We have been providing maintenance services to the Palghar – Dahanu Taluka Sport Association Ground located at Boisar.

Environment Health and Safety

All our plants are designed with appropriate Waste Management Systems and operate in harmony with the surrounding ecosystem. Safe disposal of waste, treating effluents to manufacture an eco-friendly by-product, generating steam through a waste heat recovery plant, and In-house R&D team ensuring pollution control & energy conservation are some of the ways adopted by ADL to operate in a eco-friendly manner. Environmental requirements are incorporated into the plant design right from the preliminary stage of a process. Air scrubbers, dust filters, fire protection systems and Effluent Treatment Plants are in place and well maintained. Regular safety drills ensure that readiness for safety gets top priority.

Outlook

The Company R&D programs are currently focused on new products amongst therapeutic categories such as Antipsychotic, Antitussive, Antifungal, Antihypertensive, Anticonvulsant, Antiarrhythmic, Alcoholism treatment and Anti-inflammatory. These products would be launched in a time-horizon of 2-4 years depending upon patents period. Company will continue to do R&D on APIs that are off patents and will work on non-infringing synthesis routes.

ADL has expanded the capacities of its existing products in Anti-Biotic, Anti-Diabetic, Anti-Fungal, and Anti-Diarrhea segments. This will give an impetus to sales volumes. ADL is planning to expand the capacity of its Cardio-protectant and lifestyle related drugs.

Cautionary Statement

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, expectations and estimates regarding future performance may be "forward looking statements" and are based on currently available information. The management believes these to be true to the best of its knowledge at the time of preparation of this report. However, these statements are subject to certain future events and uncertainties, which could cause actual results to differ materially from those which may be indicated in such statements.



Plant More Trees

Our children and their grand
children-may find this planet
as green as it was



SAVE THE EARTH
GO GREEN



Save Trees

An average size tree produces enough oxygen in one year to keep a family of four breathing



**SAVE THE EARTH
GO GREEN**

Annexure to Director's report

ADDITIONAL INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

1. CONSERVATION OF ENERGY:

a. Energy Conservation Measures Taken:

The Company continues its policy of giving priority to energy conservation measures including regular review of energy generation, consumption and control on utilization thereof. The various measures taken during the year include:

- Installation of energy efficient aerodynamically designed FRP fans replacing regular Aluminium fans for cooling towers.
- Installation capacitor banks for improvement of power saving.
- Rationalization of usage of utility pumps for electrical power saving.
- Installation of auto star-delta switches for centrifuges.
- Continuous overhauling of all thermal insulations to reduce loss of heat due to radiation.
- Tuning of boilers / thermopacs for optimum Air-Fuel ratio to increase efficiency.
- Condensate recovery improved to reduce fuel consumption.
- Reduced furnace oil percentage that was use as a supplementary fuel along with liquid effluent in waste heat recovery boiler.
- Tried to run refrigeration plants at optimum capacity & efficiency.
- Replaced furnace oil fired boiler with Briquette as a solid fuel boiler.
- Installation of Thermostat to control cooling tower temperature to reduce electricity consumption.
- Implemented PINCH technology successfully & expected fuel saving.
- Use of variable frequency drives for power saving in centrifuges.

b. Additional Investment & Proposals If any being implemented for reduction of conservation of energy:

The proposals being considered for reduction of conservation of energy include

- Use of charcoal / carbon briquettes as a solid fuel in boilers
- Use of variable frequency drives for power saving in pumps.

c. The adoption of energy conservation measures indicated above has resulted in optimum efficiency in operation and saving & controlling in the cost of production.

d. Total energy consumption and energy consumption per unit of production:

I Power & Fuel Consumption

	<u>Current Year</u>	<u>Previous Year</u>
1 Electricity		
Purchased Units (KWH)	24721125	24499341
Total Amount (₹ in Lakhs)	1390.97	1250.06
Per Unit (₹)	5.63	5.10
2 L.D.O.		
Purchased Units (MT)	79.05	36.86
Total Amount (₹ in Lakhs)	34.42	12.14
Per Unit (₹) (Per Kg)	43.54	32.93

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	<u>Current Year</u>	<u>Previous Year</u>
3 Furnace Oil		
Purchased Units (MT)	2612.46	2119.88
Total Amount (₹ in Lakhs)	680.85	488.73
Per Unit (₹) (Per Kg)	26.06	23.05
4 Others (₹ in Lakhs)		
Diesel (₹ in Lakhs)	85.15	83.05
Coal (₹ in Lakhs)	579.24	491.04

II. Consumption per unit of production:

Since the Company manufactures difference types of bulk drugs and its intermediates, it is not practicable to give consumption per unit of production.

2. RESEARCH AND DEVELOPMENT (R & D)

The Company's two State-of-the Art R&D Centres at Plot No.N-198 and G-60, MIDC industrial Area, Tarapur, recognized by Department of Science and Industry Research, Government Of India and other R&D center at Turbhe, Navi Mumbai, carry R&D activities for developing technology, scale up and its transfer to manufacturing location for commercialization of APIs and intermediates as well.

(A) Specific areas in which R & D carried out by the Company during the year 2010-11.

Development of indigenous technologies for major bulk drugs and intermediates, Improvement of existing process enhancing yields, quality, reducing cost etc., are as follows:

I) Bulk Drugs:-

Antibiotic, Anti-inflammatory, Anti-diabetic, Antihypertensive, Antipsychotic, Nootropic, Antithrombotic, Anticonvulsant, Antibacterial, Anti BPH(benign prostatic hypertrophy), Cardioprotectant, Antiarthritis / Osteoporosis, Antidiarrhea's, Alzheimer's treatment, etc.

II) Intermediates:-

Besides Sedative, Antiarthritis / Osteoporosis, Antibiotic etc., Company's R&D has improved process development work for various intermediates used by the Company.

(B) Benefits derived as a result of the above R & D:-

- (I) R& D efforts have helped for improvement in process and operating efficiency.
- (II) Development /commercialization of various APIs and intermediates.
- (III) Development of new markets, penetration in to regulatory markets through quality up gradation and cost reduction.
- (IV) Improve quality of products to fulfill existing in-house demands of customers.

(C) Future plans of Action:-

ADL will continue to harness the strength in high volume products by focusing on process improvement of its existing products as well as by introducing new blockbuster molecule in its product line. Products with patents expiring within next 5 years will be of key interest. At the same time we will try some innovation in process development also so that AARTI's name will appear in IPR regime.

(D) Expenditure on R&D:

	<u>Current Year</u>	<u>Previous Year</u>
Capital	243.25	43.90
Recurring	437.53	455.18
Total	<u>680.78</u>	<u>499.08</u>

(₹ in lakhs)

3. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

The Company has successfully developed Hydroxyzine Hydrochloride & Diclofenac Epolamine, Celecoxib Form – III, Valsartan, Ofloxacin and its intermediates, Lasamide, Moxifloxacin and its intermediates.

The Company has successfully developed manufacturing process for Clopidogrel Bisulphate Form –I & Loxoprofen Sodium.

Process improvement work was carried out which lead to improvement in quality as well as cost-reduction.

Pioglitazone Hydrochloride, Tamsulosin Hydrochloride & Ciprofloxacin Hydrochloride are the examples in which we improved the quality of these products. In last item that is Ciprofloxacin we have increased the particle size of the final product which leads to reductions in the number of physical operations.

Technology improvement helped expansion of the Ciprofloxacin Hydrochloride and its key intermediate in the existing space with marginal capital expenditure. This in turn helped to double the capacity of Ciprofloxacin. Similarly technology improvement helped in reduction of manufacturing cost as well as capacity enhancement in various API, API intermediates and some specialty chemicals like MMSA, Nimesulide, Metronidazole, Chlorosulphonation products.

Pioglitazone Hydrochloride, Metformin Hydrochloride & Diclofenac potassium are the products in which we reduced the raw material cost.

Since Pioglitazone will be off-patent soon we have developed process which provide good quality of this product; we are transferring the technology to our E-22, the US-FDA approved unit, so that we can export to regulatory markets.

We have also transferred technology for production of Celecoxib – Form-III, specially having genotoxic impurity level to below 30 ppm, again to our E-22 unit.

We are also developing process for the key intermediates, which will help us to surge further in competitions.

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(₹ in lakhs)	
	<u>Current Year</u>	<u>Previous Year</u>
Total Foreign Exchange Earned	18327.09	15278.92
CIF Value of Imports :		
- Raw Material	13856.43	11080.65
- Capital Goods	182.28	62.96
Expenditure in Foreign Currency		
- Commission	254.25	218.01
- Travelling Expenses	31.71	32.65
- Sales Promotion	26.48	34.64
- Foreign Bank charges	38.47	37.88
- Interest on F.C.loan	58.10	189.19
- Others	22.52	8.06
Total Foreign Exchange Used	14470.24	11664.04

For and on behalf of the Board

Place: Mumbai
Date: 25th May, 2011

Sd/-
Chandrakant V. Gogri
Chairman

Aarti Drugs Limited

REPORT ON CORPORATE GOVERNANCE

Your Company has complied in all respects with the applicable Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on Corporate Governance compliance is furnished below:

(I) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Good Corporate Governance helps enhancement of long term shareholder value and interest of other stakeholders. This is achieved through increased awareness for responsibility, transparency and professionalism and focus for effective control and management of the organization.

The Board of Directors of the Company is committed to the consistent adherence to the corporate governance code and constant review of the Board processes, practices and the management systems to maintain a greater degree of responsibility and accountability.

(II) MANDATORY REQUIREMENTS:

(1) BOARD OF DIRECTORS

(a) The Constitution of the Board and other relevant details are given below:

Aarti Drugs Limited (ADL) Board presently consists of 12 Directors out of which 8 (Eight) are Non-Executive (including the Chairman who is Non-Executive) and 6 (Six) Directors are Independent Directors. Except Managing Director, the other Directors are liable to retire by rotation.

Name of Director	Category	No. of other Directorship*	No. of Committee Membership in all Companies**		No. of Board Meetings Attended	Attendance at last AGM
			Chairman	Member		
Shri Chandrakant V. Gogri	Promoter, Chairman Non-Executive	2	2	1	5	Yes
Shri Prakash M. Patil	Promoter, Managing Director	1	None	1	5	Yes
Shri Harshit M. Savla	Promoter, Joint Managing Director	2	None	1	5	Yes
Shri Rajendra V. Gogri	Promoter, Non Executive	4	None	2	5	No
Shri Harit P. Shah	Executive	3	None	1	5	Yes
Shri Uday M. Patil	Promoter, Executive	1	None	None	2	Yes
Shri Ramdas M. Gandhi	Independent	4	5	2	5	Yes
Dr. Vilas G. Gaikar	Independent	None	None	1	2	No
Shri Bhavesh R. Vora	Independent	1	None	2	3	No
Shri Sunil M. Dedhia	Independent	2	None	2	5	Yes
Prof. Krishnacharya G. Akamanchi	Independent	None	None	None	5	No
Shri Navin C. Shah #	Independent	None	None	None	1	N.A.

* This excludes Directorships held in Private Limited, Overseas Companies and ADL.

** Includes Audit Committee and the shareholders'/ Investors' Grievance committee only.

Appointed as Additional Directors on 4th November, 2010.

(b) Board Meetings:

During the Year 2010-11, total five Board Meetings were held on 26.05.2010, 30.07.2010, 29.10.2010, 04.11.2010 and 02.02.2011.

(c) Code of Conduct:

Aarti Drugs Limited Code of Conduct laid down by the Board of Directors is applicable to all the Directors and Senior Management of the Company. The Code of Conduct is posted on the Company's website www.aartidrugs.com. All the Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2011. A declaration to this effect, duly signed by the Managing Director is annexed hereto.

(2) COMMITTEES

(a) Audit Committee:

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Clause 49 of Listing Agreement which, inter-alia, include overseeing financial reporting process, reviewing periodic financial results, financial statements, internal control and internal audit systems, accounting policies and practices, related party transactions, performance of internal and statutory auditors, adequacy of internal audit function, discussions with internal and statutory auditors and cost auditors.

During the year 2010-11, four Audit Committee Meetings were held on 26.05.2010, 30.07.2010, 29.10.2010 and 02.02.2011.

The composition of the Audit Committee and other relevant details are given below:

Name of Director	Category	Profession	No. of meetings attended
Shri Ramdas M. Gandhi <i>Chairman</i>	Non-executive (Independent)	Solicitor	4
Shri Prakash M. Patil <i>Member</i>	Managing Director & CEO	Industrialist	4
Shri Bhavesh R. Vora <i>Member</i>	Non-executive (Independent)	Professional	2
Dr. Vilas G. Gaikar <i>Member</i>	Non-executive (Independent)	Service	3

Vice-Presidents and General Managers from various divisions of the Company, as and when required and Internal Auditors, Cost Auditors, Statutory Auditors of the Company and Company Secretary who acts as Secretary to the Audit Committee attended the Audit Committee Meetings to respond to queries raised at the Committee Meetings.

(b) Shareholders' Grievance Committee:

Terms of Reference of the Committee inter-alia cover reviewing status of approval of transfer/transmission of shares, issue of duplicate certificates, review/redressal of Investor's Grievances.

During the year 2010-11, four Shareholders' Grievance Committee Meetings were held on 15.06.2010, 15.09.2010, 15.11.2010 and 16.02.2011.

The composition of the Shareholders' Grievance Committee and other relevant details are given below:

Name of Director	Category	No. of meetings attended
Shri Chandrakant V. Gogri, <i>Chairman</i>	Non-Executive	4
Shri Bhavesh R. Vora, <i>Member</i>	Non-Executive	4
Shri Harit P. Shah, <i>Member</i>	Executive	4
Shri Harshit M. Savla, <i>Member</i>	Executive	4

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(c) Shareholders' complaints:

During the year, 14 complaints were received. All the complaints were resolved to the satisfaction of the Shareholders. No request for Share Transfers or Dematerialization was pending for approval as on 31st March, 2011.

(3) SUBSIDIARY COMPANIES

The Company does not have any material Non-listed Indian Subsidiary Company and hence it is not required to have an independent Director of the Company on the Board of Subsidiary Company. The Audit Committee reviews the financial statements, particularly the investments made by the Company's non-listed Subsidiary Company. The minutes of the Subsidiary are placed before the Board of Directors of the Company and the directors are informed about all the significant transactions and arrangements entered into by the subsidiary company.

(4) DISCLOSURES

- The Company has been continuously complying with the requirements of Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the said authorities relating to the above.
- There have been no materially significant Related Party Transactions that may have potential conflict with the interests of the Company at large. Transactions with related party have been disclosed in the schedule 'T' - Notes to Accounts to the Annual Accounts in the Annual Report.
- All mandatory Accounting Standards have been followed in preparation of financial statements and no deviation has been made in following the same.

(5) REMUNERATION OF DIRECTORS

The Remuneration payable to the Directors is considered and approved by the Remuneration Committee constituted in accordance with the Corporate Governance Code and the provisions of the Companies Act, 1956, having due regard to the relevant factors. Non-executive Directors are paid Sitting fees at the rate of ₹ 7000/- for each of the meetings of the Board or Committee thereof attended by them. The details of remuneration paid / payable to each Director for the year ended 31st March, 2011 are as under:

(Amount in Rupees)

Name of Director	Inter se Relationship	Category	Salary and Perquisites	Commission	Sitting Fees	Total Remuneration
Shri Chandrakant V. Gogri	Brother of Mr. R. V. Gogri	Non-Executive Chairman, Promoter	NIL	NIL	99000	99000
Shri Prakash M. Patil	Brother of Mr. U. M. Patil	Managing Director, Promoter	2831830	2197619	NIL	5029449
Shri Harshit M. Savla	—	Joint Managing Director, Promoter	2286154	2197619	NIL	4483773
Shri Rajendra V. Gogri	Brother of Mr. C. V. Gogri	Non Executive, Promoter	NIL	NIL	80000	80000
Shri Harit P. Shah	—	Whole-time Director	2012117	2197619	NIL	4209736

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(Amount in Rupees)

Name of Director	Inter se Relationship	Category	Salary and Perquisites	Commission	Sitting Fees	Total Remuneration
Shri Uday M. Patil	Brother of Mr. P. M. Patil	Whole-time Director, Promoter	447880	NIL	NIL	447880
Shri Ramdas M. Gandhi	—	Non-Executive, Independent	NIL	NIL	70000	70000
Dr. Vilas G. Gaikar	—	Non-Executive, Independent	NIL	NIL	35000	35000
Shri Bhavesh R. Vora	—	Non-Executive, Independent	NIL	NIL	54000	54000
Shri Sunil M. Dedhia	—	Non-Executive, Independent	NIL	NIL	35000	35000
Prof. Krishnacharya G. Akamanchi	—	Non-Executive, Independent	NIL	NIL	35000	35000
Shri Navin C. Shah	—	Non-Executive, Independent	NIL	NIL	7000	7000

Notes:

- All Executive Directors except Shri Uday M. Patil are appointed under the contracts each for a period of five years and with termination notice period of 180 days.
- The Non-executive Directors, apart from receiving Directors' remuneration by way of sitting fees or other fees, if any, approved by the Board of Directors within the limit fixed and approved by the shareholders, do not have any other material pecuniary relationship or transactions with the Company.

Shares held by Non-Executive Directors in the Company as on March 31, 2011

Name	Number of shares held	% of total shareholding
Shri Chandrakant V. Gogri	334990	2.77
Shri Rajendra V. Gogri	330980	2.73
Shri Ramdas M. Gandhi	NIL	NIL
Dr. Vilas G. Gaikar	NIL	NIL
Shri Bhavesh R. Vora	NIL	NIL
Shri Sunil M. Dedhia	NIL	NIL
Prof. Krishnacharya G. Akamanchi	NIL	NIL
Shri Navin C. Shah	NIL	NIL

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(6) GENERAL BODY MEETINGS:

Details of last three Annual General Meetings are as under:

Year	Day, Date & Time	Venue	Special Resolutions passed for
2008	Saturday, 23.08.2008 At 11.30 am	TIMA Hall, MIDC Tarapur, Taluka – Palghar, Dist. Thane 401 506, Maharashtra	—
2009	Saturday, 01.08.2009 At 11.00 am	TIMA Hall, MIDC Tarapur, Taluka – Palghar, Dist. Thane 401 506, Maharashtra	—
2010	Friday, 27.08.2010 At 11.00 am	TIMA Hall, MIDC Tarapur, Taluka – Palghar, Dist. Thane 401 506, Maharashtra	—

Note: During the last year, no Resolution was put through postal ballot.

(7) MEANS OF COMMUNICATION:

The Quarterly results were published in following Newspapers:

Financial Results for the quarter ended	Newspapers
30.06.2010	Economic Times and Maharashtra Times
30.09.2010	Economic Times and Maharashtra Times
31.12.2010	Economic Times and Maharashtra Times
31.03.2011	Economic Times and Maharashtra Times

All data required to be filed with the Stock Exchanges, such as Quarterly Financial Statements, Shareholding Pattern, Report on Corporate Governance are being available on. www.corpfiling.co.in, and also posted on Company's Website on www.aartidrugs.com, in addition to the filing of the same with the Stock Exchanges.

(8) GENERAL SHAREHOLDERS INFORMATION:

(a) The day, date, time & venue of the 26th Annual General Meeting:

Day	Date	Time	Venue
Saturday	23 rd July, 2011	11.00 a.m.	TIMA Hall, MIDC Tarapur, Taluka- Palghar, Dist. Thane - 401506 Maharashtra.

(b) Financial Calendar:

Financial Year	1 st April to 31 st March
Adoption of Quarterly Results for the quarter ending :	
June, 2010	4th/5th week of July, 2010
September, 2010	4th/5th week of October, 2010
December, 2010	1 st /2nd week of February, 2011
March, 2011	4th/5th week of May, 2011
Dates of Book Closure (Both days inclusive)	16 th July, 2011 to 23 rd July, 2011

(c) Listing on Stock Exchanges:

Stock Exchange	Stock Code/Symbol
National Stock Exchange of India Limited	AARTIDRUGS
Bombay Stock Exchange Limited	524348

(d) Liquidity of Shares:

The Shares of the Company are traded under 'B1' category at Bombay Stock Exchange Ltd. The Shares are also traded regularly at the National Stock Exchange of India Ltd.

(e) Listing fees and Annual Custodial Fee:

The Company has paid the Annual Listing Fees of the Stock Exchanges and Annual Custodial Fees of the Depositories for the year 2011-2012.

(f) Dematerialization status:

Equity Shares of the Company are traded compulsorily in Dematerialized Form and available for trading in the Depository Systems of both NSDL and CDSL. Security Code No. with NSDL and CDSL is - ISIN No. **INE-767A01016**. As on 31st March, 2011, **9634487** Equity Shares representing **79.57%** of the Paid-up Share Capital of the Company are held in dematerialized form.

(g) Share Transfer Agents & address for Correspondence:

M/s Sharepro Services (India) Pvt. Ltd.

Samhita Complex, Gala No-52 to 56,
Bldg No.13 A-B, Near Sakinaka Telephone Exchange,
Andheri -Kurla Road, Sakinaka, Mumbai- 400072.
Telephone: 022-67720300/67720400
Fax No.: 022-28591568.

The shareholder's are requested to address all their communications/suggestions/ grievances to the Share Transfer Agents at the above address.

(h) Compliance Officer:

Shri Sunny Pagare, Company Secretary

222, Udyog Kshetra, 2nd Floor,
Mulund-Goregaon Link Road,
Mulund (West), Mumbai 400 080.

In accordance with the Clause 47(f) of the Listing Agreement Company has maintained a specific Investor Grievance e-mail ID- **investorrelations@aartidrugs.com**

(i) Share Transfer System:

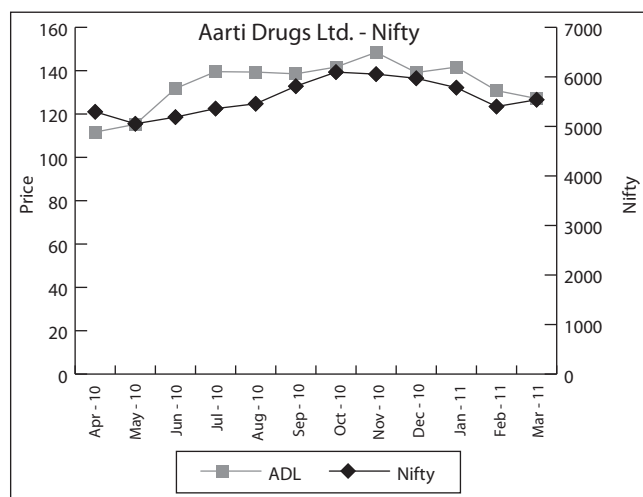
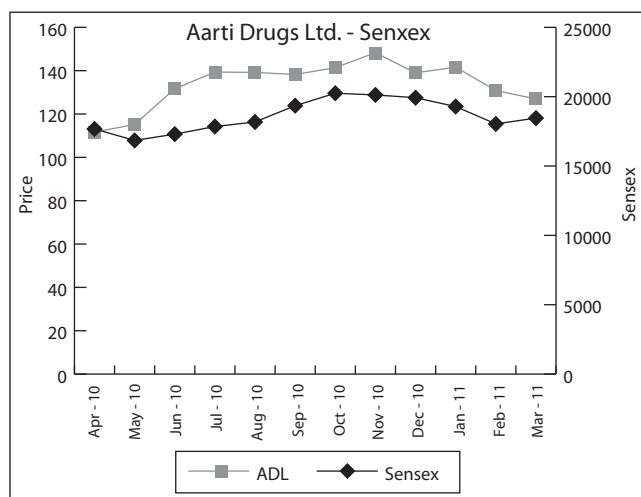
To expedite the transfer process in the physical segment, authority has been delegated to the Share Transfer Committee, which comprises of Shri Chandrakant V. Gogri, Shri Rajendra V. Gogri and Shri Harshit M. Savla. Committee meets every fortnightly for approval of the transfer request.

Reports on Share Transfer/Transmission are placed before the Shareholders' Grievances Committee and the Board from time to time.

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(9) MARKET PRICE DATA:

Month	Bombay Stock Exchange			National Stock Exchange		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2010	123.70	102.25	1267619	123.90	100.15	2459166
May 2010	127.90	107.20	1193145	127.50	107.40	1756687
June 2010	142.35	117.65	1272487	142.40	116.95	1826666
July 2010	147.60	133.00	683646	148.00	133.00	923645
August 2010	153.65	129.00	1130204	153.45	129.05	2061962
September 2010	147.00	133.20	403890	147.20	132.55	712373
October 2010	153.00	135.00	319373	147.90	136.00	560321
November 2010	165.35	128.00	1131322	166.00	129.00	2271701
December 2010	161.00	127.00	192058	152.40	128.00	541035
January 2011	151.00	132.10	98104	150.00	123.70	121966
February 2011	141.00	120.60	56745	140.00	120.00	111748
March 2011	132.95	118.05	53240	133.00	120.00	82138



(10) SHAREHOLDING PATTERN AS ON 31st March, 2011

Category	No. of Shares	%
Promoters – Indian	6538937	54.00
Bodies Corporate	343542	2.84
Banks, Financial Institutions	102	0.00
Mutual Funds/Trust	575	0.00
FII/NRI/OCB	315525	2.61
Public	4909869	40.55
Total	2108550	100.00

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Distribution of Shareholding as on 31st March, 2011

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less than 250	7653	77.397	724655	5.985
251-500	1101	11.135	428336	3.537
501-1000	550	5.562	443929	3.666
1001-2000	245	2.478	371053	3.064
2001-3000	94	0.951	242595	2.004
3001-4000	52	0.526	188066	1.553
4001-5000	37	0.374	171197	1.414
5001-10000	51	0.516	374174	3.090
10001- 99999999998	105	1.062	9164545	75.687
TOTAL	9888	100.000	12108550	100.000

(11) **REGISTERED OFFICE:** Plot No.N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist. Thane - 401 506.

(12) **PLANT LOCATIONS:**

- Plot No. N-198, G-60, E-120, K-40, K-41, E-9/3, E-9/4, E-21 and E-22 MIDC Industrial Area, Tarapur, Village Pamtembhi, Tal-Palghar, Dist. Thane – 401 506.
- Plot Nos. 2902/2904, GIDC, Sarigam – 396155, Dist. Valsad, Gujarat.

(13) **CEO/CFO CERTIFICATION:**

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Managing Director (CEO) and Jt. Managing Director (CFO) was placed at the meeting of the Board of Directors held on 25th May, 2011.

(III) **NON-MANDATORY REQUIREMENTS:**

REMUNERATION COMMITTEE:

The Terms of Reference of the Committee is to review and recommend/approve remuneration payable to the Managerial Personnel.

During the year 2010-11, meeting of the Remuneration committee was held on 10.05.2010.

The composition of the Remuneration Committee and other relevant details are given below:

Name of Director	Category	No. of Meetings Attended
Shri Chandrakant V. Gogri	Chairman, Non-executive	1
Shri Prakash M. Patil	Managing Director	1
Shri Ramdas M. Gandhi	Independent	1
Shri Bhavesh R. Vora	Independent	1
Dr. Vilas G. Gaikar	Independent	0

For and on behalf of the Board

Place: Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
Managing Director

CEO's Certification

All the Directors and the Senior Management Personnel have affirmed compliance of the Code of Conduct laid down by the Board of Directors in terms of Clause 49 of the Listing Agreement made with the Stock Exchanges.

For and on behalf of the Board

Place: Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
Managing Director

Aarti Drugs Limited

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of
Aarti Drugs Ltd,
Mumbai

We have examined the compliance of conditions of corporate governance by Aarti Drugs Ltd, for the year ended on 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the 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 abovementioned Listing Agreement.

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

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

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
(YATIN R. VYAVAHARKAR)

M. No.33915

PARTNER

Firm Registration No.: 107547W

Place: Mumbai
Dated: 25th May, 2011

UNCLAIMED SHARES SUSPENSE ACCOUNT

As per the amendment in the clause 5A of the Equity Listing Agreement vide SEBI circular no. CIR/CFD/DIL/10/2010 Dated 16th December, 2010, every company is required to dematerialize the shares lying unclaimed with the Company and/or RTA of the Company since the date of Public Issue or any other issue due to insufficient/incorrect information or any other reason. Accordingly, in compliance with the said circular, the Company is in the process of sending reminders in respect of unclaimed shares to the concerned shareholders at the addresses available on the Company's record in coordination with the Company's RTA viz. M/s. Sharepro Services (India) Private Limited. After sending three reminders unclaimed shares shall be held by the Company in dematerialised form in Unclaimed shares suspense account, on behalf of the allottees.

Auditors' Report

Auditor's Report to the Members of AARTI DRUGS LIMITED, Mumbai.

1. We have audited the attached Balance Sheet of **AARTI DRUGS LIMITED**, as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (b) in the case of the Profit and Loss Account, 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.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
(YATIN R. VYAVAHARKAR)

M.No.33915

PARTNER

Firm Registration No.: 107547W

Place: Mumbai,
Date: 25th May, 2011

Annexure To The Auditors' Report

(Referred to in para 3 of our Report of even date)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and explanations given to us and on the basis of such checks, as we considered appropriate, we have to state that:

The nature of the Company's business during the year has been such that clause (xiii) pertaining to Chit Funds etc, and clause (xiv) pertaining to Dealing/Trading in Securities etc, of paragraph 4 of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets were physically verified by the Management during the year.
We have been informed that no material discrepancies were noticed on such physical verification.
- (c) Substantial part of fixed assets has not been disposed of during the year.
- (ii) (a) The stock of inventory has been physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not material, however, the same have been properly dealt with in the books of account.
- (iii) (a) The Company has granted unsecured loan to a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 127.92 lakhs and the year- end balance of the loan given was Rs. NIL.
- (b) The Company has taken loans from parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 85.01 lakhs and the year-end balance of the loans taken was Rs.85.01 lakhs.
- (c) In our opinion, the rate of interest and other terms and conditions on which the loans had been taken by the company from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (d) The loans are repayable on demand.
- (e) There are no overdue amounts of the loans taken by the company.
- (iv) In our opinion, there is an adequate internal control system, commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been observed in the internal controls.
- (v) (a) The particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has accepted deposits from the public. In our opinion, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA and other relevant provisions of the Act and the rules framed thereunder, where applicable, have been complied with.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

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- (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 we 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 undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts were payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, for more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of Sales Tax, Income-Tax, Customs, Wealth-Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of disputes and the Forum where the dispute is pending are as under:

Nature of Statute	Nature of the Dues Pending	Amount (Rs. in lacs)	Forum where Dispute is pending
1. Income Tax Act	Income Tax Demand	10.87	ITAT
2. Income Tax Act	Income Tax Demand	24.08	High Court
3. Central Excise	Excise Demand	102.90	CEGAT Supreme Court

- (x) The Company does not have accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, no guarantee has been given for loans taken by others from banks or financial institutions.
- (xiv) Term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained.
- (xv) According to the information and explanations given to us and on an overall examination of the financial statements of the company and after placing reliance on the reasonable assumptions made by the company for classification of usage of funds, we are of the opinion that, prima facie, as at the close of the year, short term funds amounting to Rs.19.52 crores have been utilized for long term purposes.
- (xvi) The Company has not made preferential allotment of shares to parties and companies covered in the Register, maintained under section 301 of the Companies Act, 1956, during the year.
- (xvii) The company has not issued debentures and hence requirement of reporting regarding creation of security in respect of debentures issued does not arise.
- (xviii) Based on the checks carried out by us, any fraud on or by the Company has not been noticed or reported during the year.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
(CA YATIN R. VYAVAHARKAR)
M.No.33915
PARTNER
Firm Registration No.: 107547W

Place: Mumbai,
Date: May 25, 2011

Aarti Drugs Limited

BALANCE SHEET AS AT 31ST MARCH 2011

	Schedules		As at 31st March, 2011	(Amount in ₹) As at 31st March, 2010
SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS:				
Share Capital	A	121,085,500		121,085,500
Reserves & Surplus	B	1,444,077,769	1,565,163,269	1,289,830,420
				1,410,915,920
Deferred Tax			222,966,133	197,966,133
LOAN FUNDS:				
Secured Loans	C	1,921,815,803		1,386,612,138
Unsecured Loans	D	553,130,102	2,474,945,905	389,837,855
				1,776,449,993
TOTAL			4,263,075,307	3,385,332,046
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block	E	3,457,998,476		2,874,823,386
Less :- Depreciation		1,215,902,089		1,039,465,919
Net Block			2,242,096,387	1,835,357,468
Capital Work-in-Progress			103,747,333	34,035,368
INVESTMENTS	F		246,129,410	213,785,220
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	G	831,589,823		585,764,477
Sundry Debtors	H	1,258,301,283		1,184,549,575
Cash & Bank Balance	I	35,854,902		36,502,704
Other Current Assets	J	24,127,024		19,613,587
Loans & Advances	K	417,040,184		176,788,342
		2,566,913,216		2,003,218,685
Less: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	L	865,539,664		639,346,696
Provisions	M	30,271,375		61,717,999
		895,811,039		701,064,695
Net Working Capital			1,671,102,177	1,302,153,990
MISCELLANEOUS EXPENDITURE				
(to the extent not w/off or adjusted)			-	-
TOTAL			4,263,075,307	3,385,332,046
NOTES TO ACCOUNTS				
	T			

AS PER OUR REPORT OF EVEN DATE.

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER
Place : Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

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Profit & Loss Account for the year ended 31st March 2011

			(Amount in ₹)
	Schedules	For the Year Ended 31st March, 2011	For The Year Ended 31st March, 2010
INCOME :			
Sales & Income from Operation		5,230,138,405	4,969,486,745
Less : Excise Duty & Sales Tax		265,896,576	255,316,947
Net Sales		4,964,241,829	4,714,169,798
Other Income	N	778,196	4,495,961
TOTAL		4,965,020,025	4,718,665,759
EXPENDITURE :			
Manufacturing Expenses	O	3,432,380,920	2,905,730,598
(Inc)/Dec in inventory		(161,819,561)	37,614,324
Purchase of goods traded in		842,131,795	820,240,929
Office & Adm. Exps	P	70,270,580	66,659,579
Selling & Dist.Exps	Q	152,789,909	145,100,141
Borrowing Cost	R	156,340,244	167,018,850
Non Operative Expenses	S	3,393,007	2,947,313
TOTAL		4,495,486,893	4,145,311,735
Profit before Depreciation		469,533,132	573,354,024
Depreciation		154,804,562	135,174,805
Profit before tax		314,728,570	438,179,220
Provision for taxation		65,000,000	150,200,000
Profit after tax		249,728,570	287,979,220
Provision for Deffered Taxation for C.Year		25,000,000	27,000,000
Profit after Deffered tax		224,728,570	260,979,220
Balance Profit Brought forward		1,118,881,162	954,939,410
Income Tax of Earlier Year		-	339,324
Transfer to General Reserve		22,500,000	26,100,000
Proposed Dividend :			
1st Interim Dividend		30,271,375	-
Final Proposed Dividend		30,271,375	60,542,750
Dividend Tax of C.Y.		9,938,471	10,055,394
Balance Carried To Balance Sheet		1,250,628,511	1,118,881,162
NOTES TO ACCOUNTS	T		
Earning Per Share		18.56	22.08

AS PER OUR REPORT OF EVEN DATE.

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER
Place : Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Aarti Drugs Limited

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2011

			(Amount in ₹)	
SCHEDULE - 'A' - SHARE CAPITAL			As at 31st March, 2011	As at 31st March, 2010
AUTOHRISED :				
2,00,00,000 Equity shares of Rs. 10/- each			200,000,000	200,000,000
(Previous Year 2,00,00,000 Equity Shares of Rs. 10/- each)			200,000,000	200,000,000
ISSUED & SUBSCRIBED & PAID-UP :				
13009500 (Previous Year 130,09,500)				
Equity Shares of Rs. 10/- each fully paid up			130,095,000	
Of the above shares - 37,56,333 (Previous year 37,56,333) shares have been issued and allotted in terms of the Scheme of Amalgamation of RCIL, RCPL, MCPL, MPPL and ECPL sanctioned by the Honourable High Court at Mumbai vide its order dated 29th March, 1996.				
(Of the above shares 60,03,167 Shares are allotted as fully paid Bonus shares by Capitalisation of Share Premium Account)				
Less :1300950 Equity Shares of Rs.10/- Each bought back			13,009,500	
			117,085,500	
Add : Warrants are converted into 4,00,000 Equity Shares of Rs.10/- each at a premium of Rs.42.60 per Equity shares in exercise of option by the warrants holder			4,000,000	
TOTAL			121,085,500	121,085,500

SCHEDULE - 'B' - RESERVES & SURPLUS

(Amount in ₹)

	As at 01/04/2010	Addition During the Year	Deduction During the Year	As at 31-03-2011
Capital Reserves	20,074,336	Nil	Nil	20,074,336
Capital Redemption Reserve	13,009,500	Nil	Nil	13,009,500
Securities Premium Account	32,963,781	Nil	Nil	32,963,781
General Reserve	104,901,642	22,500,000	Nil	127,401,642
Profit & Loss Account	1,118,881,161	224,728,570	92,981,221	1,250,628,510
TOTAL Reserves - 31/03/2011	1,289,830,420	247,228,570	92,981,221	1,444,077,769
31/03/2010	1,082,748,668	304,119,221	97,037,468	1,289,830,420

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Schedules

(Amount in ₹)

SCHEDULE - 'C' - SECURED LOANS

	As at 31st March, 2011	As at 31st March, 2010
FIXED LOANS :		
From Financial Institutions	371,942,115	554,318,396
From Scheduled Banks	594,300,000	227,500,000
OTHER LOANS :		
From Financial Institutions	-	-
From Scheduled Banks	955,573,688	604,793,742
TOTAL	1,921,815,803	1,386,612,138

SCHEDULE - 'D' - UNSECURED LOANS

From Directors	900,000	900,000
From Others	552,230,102	388,937,855
TOTAL	553,130,102	389,837,855

SCHEDULE - 'E' - FIXED ASSETS

(Amount in ₹)

ITEM	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 1-4-2010	ADDITION	DEDUCTION	AS AT 31-03-2011	UP TO 1-4-2010	DURING THE YEAR	DEDUCTION YEAR	UP TO 31-03-2011	AS AT 31-03-2011	AS AT 31-3-2010
LEASEHOLD LAND	29,775,814	8,257,977		38,033,791	Nil	Nil	-	Nil	38,033,791	29,775,814
BUILDING	393,898,198	64,584,078		458,482,275	83,116,385	13943107	-	97,059,492	361,422,784	310,781,813
PLANT & MACHINERY	2,197,035,873	497,783,384		2,694,819,256	858,893,359	133,618,660		992,512,018	1,702,307,238	1,338,142,514
OFFICE EQUIPMENTS	23,865,219	2,761,533	-	26,626,752	18,435,562	3,253,883	-	21,689,445	4,937,307	5,429,657
FURNITURE	33,973,273	9,773,649	-	43,746,922	9,851,475	2,377,796	-	12,229,271	31,517,651	24,121,798
VEHICLES	17,303,898	2,043,613	2,029,144	17,318,367	8,000,854	1,611,116	970,020	8,641,950	8,676,417	9,303,044
TOTAL (A)	2,695,852,274	585,204,234	2,029,144	3,279,027,364	978,297,635	154,804,562	970,020	1,132,132,177	2,146,895,187	1,717,554,641
PROCESS DEVELOPMENT (R&D)	178,971,112	-	-	178,971,112	61,168,284	22,601,628	-	83,769,912	95,201,200	117,802,828
TOTAL (B)	178,971,112	-	-	178,971,112	61,168,284	22,601,628	-	83,769,912	95,201,200	117,802,828
TOTAL (A + B)	2,874,823,386	585,204,234	2,029,144	3,457,998,476	1,039,465,919	177,406,190	970,020	1,215,902,089	2,242,096,387	1,835,357,469
	2,672,591,532	206,347,833	4,115,978	2,874,823,388	878,825,407	161,928,372	1,287,860	1,039,465,919	1,835,357,469	1,793,766,126

1) Plant & machinery addition includes Capital Expenditure incurred on account of R&D ₹2,43,25,148/- (Previous Year ₹43,90,328)

Particulars	WDV as on 31-03-2011	Remaining periods of amortisation
Process Development (06-07)	2,601,424	1 years 3 months
Process Development (07-08)	9,633,042	4 years
Process Development (08-09)	82,966,734	4 years 9 months
TOTAL	95,201,200	

Aarti Drugs Limited

Schedules

SCHEDULE-'F' - INVESTMENTS

(Amount in ₹)

Name of the company	Opening Balance	Add Acquisition during the year	Less Disposed during the year	Closing Balance	Face Value ₹	As at 31/03/2011 (₹)	As at 31/03/2010 (₹)
I. Investment (Quoted) (valued at cost)							
a. Investment (Quoted) in Shares :							
Aarti Industries Ltd.	750	1	1	750	5/-	6,066	6,066
Alembic Ltd	90	Nil	Nil	90	2/-	1,315	1,315
Aurobindo Pharma Ltd	10	40	Nil	50	1/-	1,700	1,700
Aventis Pharma Ltd.	5	Nil	Nil	5	10/-	1,630	1,630
Cadila Healthcare Ltd.	10	5	Nil	15	10/-	655	655
Cipla Ltd.	62	Nil	Nil	62	2/-	7,050	7,050
Dabur India Ltd.	150	150	Nil	300	1/-	5,530	5,530
Dr Reddy's Laboratories Ltd.	4	Nil	Nil	4	5/-	1,912	1,912
Fresenius Kabi Oncol (Dabur Pharma Ltd.)	25	Nil	Nil	25	10/-	-	-
Glenmark Pharmaceuticals Ltd.	100	Nil	Nil	100	1/-	1,330	1,330
Ipcalab Ltd.	1,050	Nil	Nil	1,050	2/-	25,490	25,490
Ind-Swifts Lab Ltd.	5	Nil	Nil	5	10/-	112	112
Ind-Swifts Ltd.	25	Nil	Nil	25	2/-	345	345
Jagsonpal Pharma Ltd.	40	Nil	Nil	40	5/-	463	463
J.B.Chemicals & Pharmaceuticals Ltd.	500	Nil	Nil	500	2/-	21,120	21,120
Kopran Ltd	5	Nil	Nil	5	10/-	172	172
Krebs Bio Chem	100	Nil	Nil	100	10/-	25,907	25,907
Kojam Fininvest Ltd.(Piramal Glass)	14	Nil	Nil	14	10/-	-	-
Lupin Laboratories Ltd.	10	40	Nil	50	2/-	1,135	1,135
Matrix Laboratories Ltd	50	Nil	Nil	50	2/-	2,365	2,365
Morepen Laboratories Ltd.	5	Nil	Nil	5	2/-	85	85
Natco Lab Ltd.	5	Nil	Nil	5	10/-	345	345
Neuland Lab. Ltd.	100	Nil	Nil	100	10/-	34,375	34,375
Piramal Health care.Ltd.	290	Nil	Nil	290	2/-	43,816	43,816
Novartis (I) Ltd.	5	Nil	Nil	5	5/-	1,155	1,155
Orchid Chemicals & Pharmaceuticals Ltd.	7	Nil	Nil	7	10/-	595	595
Panacea Biotech Ltd.	5	Nil	Nil	5	1/-	158	158
Pfizer Ltd.	10	Nil	Nil	10	10/-	4,950	4,950
Piramal Life Science	29	Nil	Nil	29	10/-	-	-
Ranbaxy Laboratories Ltd.	4	Nil	Nil	4	5/-	1,410	1,410
Reliance Capital	5	Nil	Nil	5	10/-	-	-
Reliance Communication	116	Nil	Nil	116	10/-	-	-
Reliance Energy (Infrast.)	8	Nil	Nil	8	10/-	-	-
Reliance Industries Ltd	116	116	Nil	232	10/-	10,000	10,000
Reliance Power Limited	Nil	29	Nil	29	10/-	-	-
Shasun Chemicals & Drugs Ltd.	500	Nil	Nil	500	2/-	16,875	16,875
Strides Arcolab Ltd.	100	Nil	Nil	100	10/-	22,282	22,282
Sun Pharma Advan.	10	Nil	Nil	10	10/-	-	-
Sun Pharmaceuticals Ind Ltd.	10	40	Nil	50	5/-	1,660	1,660
Tasc Pharmaceuticals Ltd.(Marksans)	1,000	Nil	Nil	1,000	1/-	5,219	5,219
Torrent Pharmaceuticals Ltd.	20	Nil	Nil	20	5/-	990	990
Unichem Laboratories Ltd.	400	600	Nil	1,000	2/-	24,825	24,825
Bank of Baroda	1,500	Nil	Nil	1,500	10/-	126,000	126,000
Bank of India	2,300	Nil	Nil	2,300	10/-	103,500	103,500
Union Bank of India	2,523	Nil	Nil	2,523	10/-	277,530	277,530
Wyeth Ltd.	5	Nil	Nil	5	10/-	1,300	1,300
Zyklus Wellness Limit	Nil	2	Nil	2	10/-	-	-
b. Bonds (Quoted)							
Unit Trust of India (US-64)	190	Nil	Nil	190	100/-	19,000	19,000
SBI Capital Protection Fund	30,000	Nil	Nil	30,000	-	300,000	300,000
						1,100,367	1,100,367
II. Investment (Unquoted) in Subsidiary Companies							
a. Equity shares :							
Suyash Laboratories Ltd.	619,116	Nil	Nil	619,116	10/-	200,833,420	200,833,420
III. Investment (Unquoted) (Valued at Cost)							
a. Equity shares :							
Aarti Biotech Ltd.	1,200	Nil	Nil	1,200	10/-	12,000	12,000
Perfect Enviro Control Systems Ltd.	240,200	Nil	Nil	240,200	10/-	2,402,000	2,402,000
Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.	169	217	Nil	386	1,690,000	23,780,623	9,436,433
b. Certificate :							
N.S.C	1	Nil	Nil	1		1,000	1,000
(One Certificate of Rs:-1000/- Face Value)							
						227,029,043	212,684,853
IV. Investment in the Capital of Partnership Firm							
Aarti Ventures (LLP)						18,000,000	-
TOTAL						246,129,410	213,785,220

(Aggregate market value of quoted investment : as at 31st March, 2011 Rs 5041479/- and as at 31st March,2010 ₹3940364/-)

Note:

The face value of IPCA LAB LTD. is decreased from ₹10/- to Rs 2/- per share.

The face value of LUPIN LABORATORIES LTD.is decreased from ₹10/- to Rs 2/- per share.

The face value of SUN PHARMACEUTICALS IND.LTD. is decreased from ₹5/- to Rs 1/- per share.

The face value of UNICHEM LABORATORIES.LTD.is decreased from ₹5/- to Rs 2/- per share.

The face value of AUROBINDO PHARMA LTD. Is decreased from Rs 5/- to Rs 1/- per share

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	As at 31st March, 2011	(Amount in ₹) As at 31st March, 2010
SCHEDULE - 'G' - INVENTORIES		
Stores & Spares	21,085,731	17,597,562
Packing Materials	3,274,141	2,795,500
Raw Materials	351,257,025	276,918,050
Finished Goods	214,233,903	120,021,708
Trading Goods	5,700,000	-
Work in process	236,039,023	168,431,657
TOTAL	831,589,823	585,764,477
SCHEDULE - 'H' - SUNDRY DEBTORS		
Unsecured,considered good	46,849,332	46,112,040
Debts outstanding for a period exceeding six months	1,211,951,950	1,138,437,535
Others	1,258,801,283	1,184,549,575
Less: Provision for Doubtful Debts	500,000	-
TOTAL	1,258,301,283	1,184,549,575
SCHEDULE - 'I' - CASH & BANK BALANCES		
Cash on Hand	2,685,490	2,044,915
Cheques on Hand	18,896,136	23,252,262
Balances with Scheduled Banks :		
On Current Accounts	7,625,607	4,557,858
On Deposit Accounts	6,647,669	6,647,669
TOTAL	35,854,902	36,502,704
SCHEDULE - 'J' - OTHER CURRENT ASSETS		
Security Deposits	18,936,502	12,579,094
Others	5,190,522	7,034,493
TOTAL	24,127,024	19,613,587
SCHEDULE - 'K' - LOANS & ADVANCES		
(Unsecured,considered good)		
Capital Advances	65,151,463	15,810,856
Advances and loans	2,787,773	2,981,267
Advances recoverable in cash or kind or for value to be received	327,995,263	157,996,220
Advance tax and tax deducted at source (Net of Provision for Taxation)	21,105,685	-
TOTAL	417,040,184	176,788,342
SCHEDULE - 'L' - CURRENT LIABILITIES		
Sundry Creditors of Goods,Services & Expenses		
Due to micro enterprises and small enterprises (see note 5)	-	-
Due to others**	806,127,018	612,733,614
Sundry Creditors of Project		
Due to micro enterprises and small enterprises (see note 5)	-	-
Due to others	50,704,422	18,792,569
Trade Deposits	5,287,220	5,289,220
Unclaimed Dividend *	3,066,779	2,233,104
Interest accrued but not due on Unsecured Loans	354,226	298,189
TOTAL	865,539,664	639,346,696

*There is no amount due and outstanding to be credited to Investor Education and Protection Fund

**Due to Subsidiary ₹92917778.19/- (Previous Year of ₹29188649/-)

Aarti Drugs Limited

Schedule

	As at 31st March, 2011	(Amount in ₹) As at 31st March, 2010
SCHEDULE - 'M' - PROVISIONS		
Provision for taxation (Net of advance tax and tax deducted at source)	-	1,175,249
Proposed dividend	30,271,375	60,542,750
	30,271,375	61,717,999
TOTAL	895,811,039	701,064,695

SCHEDULE FORMING PART OF PROFIT & LOSS ACCOUNT AS AT 31ST MARCH 2011

	For the Year Ended 31st March, 2011	(Amount in ₹) For The Year Ended 31st March, 2010
SCHEDULE - 'N' - OTHER INCOME		
Dividend	68,012	50,944
Interest (Gross)	217,968	496,788
Miscellaneous income	492,217	3,948,230
TOTAL	778,196	4,495,961

SCHEDULE - 'O' MANUFACTURING EXPENSES

Raw Material Consumption	2,606,733,694	2,214,303,429
Packing Materials	48,689,551	39,082,086
Freight Inward	74,581,748	64,516,813
Processing Charges	79,645,009	61,806,447
Salaries, Wages and Bonus	124,550,441	104,458,651
Labour Charges	56,585,324	39,965,188
Insurance Expenses	5,834,896	5,053,427
Lease Expenses	6,000,000	-
Labour Welfare Expenses	12,371,817	9,449,308
Power & Fuel	277,064,276	232,502,145
Stores & Spares	36,021,652	30,229,883
Repairs & Maintenance		
- Building	198,144	260,291
- Plant & Machinery	4,712,279	6,770,974
Research & development	43,752,686	45,518,360
Loss on Sale of Assets	-	2,150,000
Other Manufacturing Expenses		
- Water Charges	7,422,204	8,349,459
- Laboratory Expenses	8,673,032	10,868,207
- Other Factory Expenses	39,544,167	30,445,932
TOTAL	3,432,380,920	2,905,730,598

Schedule

		(Amount in ₹)
	For the Year Ended 31st March, 2011	For The Year Ended 31st March, 2010
SCHEDULE - 'P' - OFFICE & ADMINISTRATION EXPENSES		
Salaries and Bonus	26,000,806	21,086,188
Provident Fund Contribution	763,194	661,672
Staff Welfare Expenses	888,488	591,061
Directors' Remuneration	14,170,838	20,896,563
Books & Periodicals	8,362	89,386
Auditors' Remuneration	374,488	390,661
Conveyance Expenses	1,699,476	1,354,976
Legal & Professional Charges	7,315,383	4,939,648
Membership & Subscriptions	187,881	138,491
Printing & Stationery	1,510,518	1,301,175
Postage, Telegram & Telephone	2,650,697	2,071,792
Office Electricity Charges	2,037,357	1,802,149
Insurance Charges	1,627,764	1,251,009
Repairs & Maintenance - Others	3,055,942	2,688,668
Entertainment Expenses	909,098	492,173
Rent	212	4,238
Rates & Taxes	24,436	1,690
Miscellaneous Expenses	1,481,801	978,386
Vehicle Expenses	510,576	397,062
Travelling Expenses - Directors	1,148,673	1,661,552
- Others	2,746,078	2,415,647
Directors' Sitting Fees	415,000	483,000
Loss on sale of Assets	743,511	962,394
TOTAL	70,270,580	66,659,579
SCHEDULE - 'Q' - SELLING & DISTRIBUTION EXPENSES		
Advertisement & Sales Promotion	5,233,948	5,727,315
Freight & Forwarding Charges	89,975,854	70,399,425
Commission Expenses	41,164,110	44,079,874
Insurance Expenses	541,791	465,504
E.C.G.C. Premium	1,342,322	2,994,602
Postage & Telegram	1,613,487	1,150,584
Other Export Expenses	6,530,586	9,233,700
Other Local Sales Expenses	2,887,810	2,191,993
Bad Debts	3,500,000	8,857,145
TOTAL	152,789,909	145,100,141
SCHEDULE - 'R' - BORROWING COSTS		
Interest on Term Loans	65,094,269	67,571,974
Interest on Working Capital	58,609,136	71,664,774
Interest on Others	11,076,121	8,207,914
Bank Charges	21,560,717	19,574,188
TOTAL	156,340,244	167,018,850
SCHEDULE - 'S' - NON-OPERATIVE EXPENSES		
Donations	3,393,007	2,947,313
Preliminary expenses written off	-	-
TOTAL	3,393,007	2,947,313

Aarti Drugs Limited

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SCHEDULE 'T'

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

PART - A

1. ACCOUNTING POLICIES :

a) Recognition of Income and expenditure

These accounts are prepared under the historical cost convention on accrual basis and under the going concern assumption in accordance with the accounting principles generally accepted in India and the relevant provisions of the Companies Act, 1956.

b) Fixed assets and depreciation

- i) Fixed assets include all expenditure of capital nature and are stated at cost of acquisition, installation and commissioning and related borrowing cost less depreciation. Fixed asset values are stated at historical cost. Depreciation on fixed assets other than land is charged under the straight-line method in accordance with Schedule XIV of the Companies Act, 1956. Product/Process development costs arising out of R&D are carried forward when their future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit, from the related project, not exceeding ten years.
- ii) Impairment loss, indicates the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of the net selling price of an asset or its value in use. Value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The Company will recognize such losses whenever they arise.

c) Investments

Long Term Investments are stated at cost. Provisions are made for diminution in value of investments, if any, other than those of a temporary nature.

d) Valuation of Inventories

Inventories are stated at lower of cost or net realisable value, on the following basis:

- | | |
|--|--|
| i) Raw materials, packing materials, stores and spares | - At cost on FIFO Method |
| ii) Work-in-process | - At cost plus appropriate allocation of overheads |
| iii) Finished Goods | - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower |

e) Retirement Benefits

- I In respect of Gratuity and Superannuation fund, the Company's contribution to group insurance scheme of Life Insurance Corporation of India are charged against revenue.
- II. Provision for incremental liability in respect of encashable privilege leave on separation benefit is made as per independent actuarial valuation at the year end.

f) Revenue Recognition

Revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefit will flow to the Company.

1. Sale of Goods :

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of excise duty, sale returns and VAT.

2 Export Benefits :

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and are accounted to the extent considered receivable.

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g) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing cost eligible for capitalization are determined in accordance with Accounting Standard -16. Other borrowing cost are recognized as an expense in the period in which they are incurred.

h) Foreign Currency Transactions

All exchange differences arising from foreign currency transactions are dealt with in the Company's profit and loss account.

i) Research & Development Expenditure

Revenue Expenses are accounted under the head "Research & Development" and Capital Expenses are Accounted under the head Fixed Assets.

j) Deferred Taxation

Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted on the Balance Sheet date.

PART - B

2. CONTINGENT LIABILITIES :

- In respect of bank guarantees issued and L/C opened by the Company's bankers **Rs.1512.57** lakhs (As at 31st March, 2010 Rs 1208.45 lakhs).
- Demand in respect of additional income tax disputed in appeal **Rs.34.95** lakhs (As at 31st March, 2010 Rs. 36.04 lakhs) refund effect in respect of appeals decided in favour of Company aggregating to **Rs.37.62 lakhs** are pending.
- Demand /Rebate in respect of Excise duty in case of Ammonium Sulphate of **Rs.102.90** Lakhs (as at 31st March, 2010 Rs.102.90 lakhs). The Hon'ble High Court of Mumbai has decided the appeal in favour of the Company in February 2010 on the basis of its earlier judgement in a similar case.
However, as per information available with the Company, the Department of Central Excise has filed an appeal in that precedent case in the Supreme Court, hence the company has continued to disclose this matter.
- Liability for duty on raw material imported under advance licence benefit scheme against which export obligation remained to be fulfilled **Rs.34.63** lakhs (As at 31st March, 2010 Rs.45.43 lakhs).
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) **Rs 697.02** lakhs (As at 31st March, 2010 Rs.16.21 lakhs).

3. SECURITIES FOR LOANS TAKEN FROM BANKS:

- Balances in respect of outstanding term loan from The Industrial Development Bank of India **Rs. 2055.56 lakhs** (As at 31st March, 2010 Rs.3027.78 lakhs), The Export Import Bank of India **Rs.1663.87 lakhs** (As at 31st March, 2010 Rs 2515.41 lakhs), Standard Chartered Bank **Rs.4123.00 lakhs** (As at 31st March, 2010 Rs. 2275.00 lakhs), DBS Bank Ltd **Rs.1820.00 lakhs** (As at 31st March, 2010 NIL), are secured by pari-passu first charge by way of mortgage of immovable properties and hypothecation of moveable fixed assets, both present and future situated at Tarapur viz. Plot No. N-198, G-60, E-21 & 22, K-40 & K-41, E-120 and E-9/3 & E-9/4, at Sarigam viz. Plot No. 2902 & 2904 and at Turbhe Plot No. D-277 & D-278. Out of the above the working Directors of the Company have personally guaranteed loans sanctioned by EXIM Bank on 21st June, 2006 for Rs.2000 lakhs the balance in respect of these loan are **Rs.235.29 lakhs** (As at 31st March, 2010 Rs. 705.88 lakhs) out of the above the loan sanctioned by IDBI Bank on 25th March, 2008 for Rs.3000 lakhs also secured by second charge on the current assets of the Company both present & future alongwith existing term tender as a collateral security.
- Loans from Scheduled Banks **Rs.9555.74 lakhs** (As at 31st March, 2010 Rs. 6047.94 lakhs) are secured by hypothecation of Company's raw materials stock, stock-in-process, finished goods, packing materials, stores & spares, book debts, foreign documentary bills and all other current assets including goods in transit governed by documents of title and also pari-passu second charge by way of mortgage of immovable properties and hypothecation of moveable fixed assets. both present and future situated at Tarapur viz. Plot No. N-198, G-60, E-21 & 22, K-40 & K-41, E-120 and E-9/3 & E-9/4, at Sarigam viz. Plot No. 2902 & 2904 and at Turbhe Plot No. D-277 & D-278. The working Directors of the Company have personally guaranteed these loans.

Aarti Drugs Limited

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4. There are no Micro and Small Enterprises, to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
5. In the opinion of the Board, the Current Assets and Loans and Advances have a value on realisation at least equal to the amounts at which they are stated in the Balance Sheet.
6. **SEGMENT-WISE DISCLOSURE AS PER ACCOUNTING STANDARD: 17.**

I. Business Segments as Primary Segments

The Company is considered to be a single segment Company engaged in pharmaceuticals business, hence the disclosure requirement as per AS-17 'Business Segments as Primary Segment' is not attracted.

II. Geographical Segments as Secondary Segments

	For the Year Ended 31st March, 11	(Rs. in Lakhs) For The Year Ended 31st March, 10
Segment Revenue		
a) Exports	21537	17297
b) Others	30765	32398
Total	52302	49695

Notes:

Segmental capital employed:

Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The Company believes that currently it is not practicable to provide segment disclosures relating to total assets and liabilities.

7. RELATED PARTY TRANSACTIONS:

Related party disclosure as required by Accounting Standard – 18. 'Related Party Disclosures' issued By The Institute of Chartered Accountants of India are given below :

A Name and Relationship of the Related Parties :

3(a) Subsidiary

Suyash Laboratories Ltd.

3(b) Associates

Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.

3(c) Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of such individual.

1. Individuals

Mr. Chandrakant V. Gogri

Mr. Rajendra V. Gogri

2. Relatives of Individuals

Mrs.Jaya C. Gogri

Mr.Rashesh C. Gogri

Mrs.Dhanvanti V. Gogri

Mrs.Aarti R. Gogri

Mirik R. Gogri

Mr.Renil R. Gogri

Mrs. Hetal Gogri Gala

Mrs. Indira M. Dedhia

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3(d) Key Management personnel alongwith their relatives have significant influence.

1. Key Management Personnel

Mr. Prakash M. Patil
Mr. Harshit M. Savla

Mr. Harit. P. Shah
Mr. Uday M. Patil

2. Relatives of Key Management Personnel

Mrs. Priti P. Patil
Mr. Arun M. Patil
Dr. Vikas M. Patil
Mr. Adhish Patil
Mrs. Aarti T. Sankhe
Mrs. Kalika A. Mishra
Mr. Sameer P. Shah

Mrs. Seema H. Savla
Ms. Bhoomi H. Savla
Vishwa H. Savla
Mrs. Jayashree H. Shah
Mr. Pragji M. Shah
Mrs. Keserben P. Shah

3(e) Enterprise/firms over which controlling individuals have significant influence.

1. Aarti Industries Ltd.
2. Anushakti Chemical & Drugs Ltd.
3. Rupal Drugs Ltd
4. Aarti Healthcare Ltd

Note : Sr. 3(a),3(b),3(c),3(d),3(e) refer to the relevant paras of AS 18.

B Transactions with the related parties during the year :

Note : Proportions given in the following statement belong to the respective accounting group as shown in the financial statements for the year ended 31st March 2011

Transaction with Related Parties	Subsidiary Company		Associates & Joint Ventures		Enterprise/firms	
	C.Y.	P.Y.	C.Y.	P.Y.	C.Y.	P.Y.
	%	%	%	%	%	%
Sales & Income from Operations	4.14	4.14	Nil	Nil	0.09	0.05
Manufacturing Expenses	2.86	6.12	Nil	Nil	2.81	2.65
Purchases of Goods Traded	15.67	11.13	Nil	Nil	Nil	Nil
Outstanding Payable	10.80	4.70	Nil	Nil	4.24	1.25
Outstanding Receivable	Nil	Nil	Nil	7.68	Nil	Nil

Transaction with Related Parties	Individuals		Relatives of Individuals		Key Management Personnel		Relative of Key Management Personnel	
	C.Y.	P.Y.	C.Y.	P.Y.	C.Y.	P.Y.	C.Y.	P.Y.
	%	%	%	%	%	%	%	%
Office & Administration Expenses	0.25	0.32	Nil	Nil	21.96	32.35	Nil	Nil
Borrowing costs	Nil	Nil	0.00	Nil	0.07	0.05	0.32	0.29
Unsecured Loans Accepted	Nil	Nil	Nil	Nil	0.04	Nil	0.06	Nil
Unsecured Loans Repaid	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.03
Outstanding Unsecured Loan	Nil	Nil	0.01	0.01	0.25	0.23	0.96	1.25

C Persons/Companies stated in para 7A form part of the "Group" as applicable for the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 as amended upto date.

Aarti Drugs Limited

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8. Sales and other sales income include export benefits amounting to Rs. **18,13,12,308/-** (As at 31st March 2010 Rs.11,19,02,774/-)

9. a) **DIRECTORS REMUNERATION :**

(Amount in ₹)

	Current Year	Previous Year
Salary to Managing Directors and whole time Directors	54,11,040	48,97,638
Bonus/Leave Travel Allowance/House Rent Allowance/ Medical/Leave Salary/ Insurance Premium	7,76,500	7,24,244
Commission paid to Directors (2008-09)	NIL	47,99,477
Commission payable to Directors	65,92,858	92,43,764
Contribution to Provident Fund	37,440	37,440
Superannuation fund scheme	13,53,000	11,94,000
Total Remuneration	1,41,70,838	2,08,96,563

Note: The above figures do not include contribution to gratuity fund as separate figures are not available for the managing / whole time directors.

b) **Computation of Managerial Remuneration:**

(Amount in ₹)

	Current Year	Previous Year
Profit before tax as per Profit & Loss Account	31,47,28,570	43,81,79,220
Add: Managing and Whole-time Directors' remuneration	1,41,70,838	2,08,96,563
Loss on Sale of Assets	7,43,511	31,12,394
Less: Profit on Sale of Investment	Nil	Nil
Profit on Sale of Short Term Investment	Nil	Nil
Net profit as per Section 198 of the Companies Act, 1956	32,96,42,919	46,21,88,176
Maximum permissible managerial remuneration to whole-time Directors under section 349 of the Companies Act, 1956 @ 10% of the profits computed above	3,29,64,292	4,62,18,818
Commission payable to Managing/whole time Director @ 2% of Net Profit (Previous Year 2%)	65,92,858	92,43,764

10. **AUDITORS' REMUNERATION INCLUDES**

(Amount in ₹)

	Current Year	Previous Year
Statutory Audit	2,50,000	1,95,000
Other Audit Services	88,488	92,562
Certification	36,000	17,330
Total	3,74,488	3,04,892

11. **EARNING PER SHARE (EPS):**

(Amount in ₹)

	Current Year	Previous Year
Net Profit available for Equity Shareholder (Rs.)	22,47,28,570	26,09,79,220
Weighted Number of Equity Shares (Nos.)	1,21,08,550	1,18,20,331
Basic & Diluted EPS (Rs.)	18.56	22.08
Nominal value per share (Rs.)	10.00	10.00

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12. DEFERRED TAX LIABILITY (NET)

(Amount in ₹)

Sr.No.	Particulars	Current Year	Previous Year
	Deferred Tax Liability	19,79,66,133	17,09,66,133
I	Difference between net book value of depreciable capital assets as per books vis-à-vis written down value as per Tax Laws	2,55,19,100	2,70,95,486
	Deferred Tax Assets		
II	Items allowed for tax purpose on payment	(5,19,100)	(95,486)
	Net Deferred Tax Liability	22,29,66,133	19,79,66,133

13. DISCLOSURE REGARDING SCIENTIFIC RESEARCH & DEVELOPMENT EXPENDITURE

(Amount in ₹)

YEAR	REVENUE EXPENDITURE	CAPITAL EXPENDITURE
2006-2007	1,49,77,691	2,03,09,256
2007-2008	3,06,36,169	2,21,11,822
2008-2009	2,32,50,086	60,75,391
2009-2010	4,55,18,360	43,90,328
2010-2011	4,37,52,686	2,43,25,148

14. FOREIGN EXCHANGE FLUCTUATION

Foreign exchange gain/(loss) included in Profit & Loss Account **(Rs.3.91 lacs)** [previous year (Rs.128.32 lacs)]

15. EMPLOYEE BENEFITS:

Defined Benefit Plan

The employee's gratuity fund scheme managed by Life Insurance of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation

	Gratuity (Funded) Current Year	Gratuity (Funded) Previous Year
Defined Benefit Obligation at beginning of the Year	2,47,32,874	2,17,42,207
Current/Past Service Cost	44,79,992	19,16,354
Interest Cost	19,78,630	18,07,296
Actuarial(gain)/ loss	(12,43,701)	(55,769)
Benefits Paid	(11,01,597)	(6,77,214)
Defined Benefit Obligation at year end	2,88,46,198	2,47,32,874

b. Reconciliation of opening and closing balances fair value of plan assets

Fair value of plan assets at beginning of the year	2,61,54,641	1,85,33,134
Expected return of plan assets	20,92,371	19,50,413
Actuarial gain/ (loss)	5,02,410	1,62,667
Employer Contribution	35,19,260	61,85,641
Benefits Paid	(11,01,597)	(6,77,214)
Fair value of plan assets at year end	3,11,67,085	2,61,54,641
Actual return on plan assets	25,94,781	21,13,080

Aarti Drugs Limited

Schedules

	Gratuity (Funded) Current Year	Gratuity (Funded) Previous Year
c. Reconciliation of fair value of assets and obligations		
Fair value of plan assets as at 31st March,2011	3,11,67,085	2,61,54,641
Present value of obligation as at 31st March,2011	2,88,46,198	2,47,32,874
Amount Recognized	23,20,887	14,21,767
d. Expenses recognized during the year		
Current/Past Service cost	44,79,992	19,16,354
Interest cost	19,78,630	18,07,296
Expected return on plan assets	(20,92,371)	(19,50,413)
Actuarial(gain)/ loss	(17,46,111)	(2,18,436)
Net Cost	26,20,140	15,54,801
e. Investment Details		
L.I.C Group Gratuity (Cash Accumulation) Policy	100% Invested with L.I.C.	100% Invested with L.I.C.
f. Actuarial assumptions		
Mortality Table(L.I.C.)	-	-
	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8%	8%
Expected rate of return on plan assets (per annum)	8%	8%
Rate of escalation of in Salary (per annum)	5%	5%
The estimate of rate of escalation in salary considered in Actuarial valuation, take into account inflation, seniority,promotion, other relevant factors' including supply and Demand in the employment market. The above information is certified by the actuary.		

Leave Encashment :

Leave Encashment liability amounting to **Rs.73,65,845/-** previous year (Rs.63,03,770/-) has been provided in the Accounts

16. Additional information pursuant to the provisions of paragraphs 3, 4CD, 4D and part II of Schedule VI of the Companies Act, 1956 (Figures in bracket relate to 31st March, 2010)

- a) Licensed capacity installed capacity and production (as certified by the Management and not verified by the Auditors, it being a technical matter.)

(Qty in 000's Kgs)

Class of Goods	Units	* Licensed	Installed	Production	Captive	Net Production
Pharmaceutical	Kgs	—	26280.00 (25716.00)	17433.85 (19149.82)	1362.70 (1813.71)	16071.15 (17336.11)

* As license is not required Licensed Capacity not given.

	Quantity	Amount (₹)
b) Purchase of trading items:		
No.of Strips	11,25,96,893 (9,92,88,760)	60,16,40,835 (58,10,77,418)
Kgs	12,56,476 (39,23,905)	24,04,90,960 (23,91,63,511)

Schedules

c) Value of Raw materials and spares consumed

	Percentage (%)	Amount (₹)
Raw Material:		
Indigenous	49.08 (53.98)	1,27,94,28,329 (1,19,53,27,983)
Imported	50.92 (46.02)	1,32,73,05,365 (1,01,89,75,446)
Stores and spares :		
Indigenous	100 (100)	3,60,21,652 (3,02,29,883)

(Amount in ₹)
Current Year **Previous Year**

d) C.I.F Value of Imports

Raw Material	138,56,43,645	110,80,65,437
Capital Goods	1,82,28,614	62,95,681

(Amount in ₹)
Current Year **Previous Year**

e) Expenditure in Foreign Currency

Commission	2,54,25,521	2,18,01,254
Travelling Expenses	31,71,100	32,65,202
Sales Promotion	26,48,804	34,64,208
Foreign Bank Charges	38,47,497	37,88,587
Interest on F.C. Loan	58,10,019	1,89,19,177
Others	22,52,394	8,06,619

f) Earnings in Foreign Exchange

F.O.B. Value of Exports	1,832,709,733	1,527,892,016
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17. Figures of the previous year have been regrouped and rearranged wherever necessary.

AS PER OUR REPORT OF EVEN DATE

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R. Vyavaharkar)
PARTNER

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Place : Mumbai
Date : 25th May, 2011

Aarti Drugs Limited

PART - IV

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.:	55433	State code:	11
Balance Sheet Date :	31st March, 2011		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue :	Nil	Right Issue :	Nil
Bonus Issue :	Nil	Private Placement :	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities :	4263075	Total Asset	4263075
Source of Funds			
Paid up Capital :	121086	Reserves & Surplus :	1444078
Secured Loans :	1921816	Deferred Tax :	222966
Unsecured Loans :	553130		
Application of Funds			
Net Fixed Assets :	2242096	Investment :	246129
Capital WIP :	103747	Misc. Expenditure :	0
Net Current Assets :	1671102		
Accumulated Losses :	Nil		

IV. Performance of company (Amount in Rs. Thousands)

Turnover :	5230138	Total Expenditure :	4915410
Profit/Loss Before Tax :	314729	Profit/Loss After Tax :	224729
Earning Per Share in Rs. :	18.56	Dividend rate %	50%

V Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code No. (ITC Code) :	294190-30	Product Description :	CIPROFLOXACIN
Item Code No. (ITC Code) :	293329-02	Product Description :	METRONIDAZOLE
Item Code No. (ITC Code) :	293329-01	Product Description :	TINIDAZOLE

For and on Behalf of the Board of Directors

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Place: Mumbai
Date : 25th May, 2011

CASH FLOW STATEMENT

	For the Year Ended 31st March, 2011	(₹ in Lacs.) For The Year Ended 31st March, 2010
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary items	3,147	4,382
ADJUSTMENT FOR:		
Depreciation	1,548	1,352
Expenses Amortised	226	268
Interest Paid	1,563	1,670
Interest Received	(2)	(5)
Dividend Received	(0.7)	(0.5)
Loss on Sale of Asset	7.44	31
Operating Profit before Working Capital Changes	6,489	7,697
Trade & Other Receivable	(2,481)	(1,369)
Inventories	(2,458)	(137)
Trade Payable	2,163	(436)
Cash generated from operation	3,713	5,755
Direct Taxes Paid	(873)	(1,265)
Net Cash Flow from Operating Activities	2,840	4,490
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets / CWIP	(6,549)	(2,339)
Capital Advance	(493)	(142)
Sales/ (Purchase) of Investment	(323)	0
Sale of Fixed Assets	3	(3)
Interest Received	2	5
Dividend Received	0.7	1
Net Cash Flow from Investing Activities	(7,360)	(2,479)
C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	1,844	614
Proceeds from Unsecured Loans & from Scheduled Bank	5,141	(697)
Proceeds from Issue of Shares Capital/ Warrants	-	189
Dividend Paid	(908)	(351)
Interest Paid	(1,563)	(1,670)
Net Cash Flow from Financing Activities	4,513	(1,915)
Net Increase in Cash and Cash Equivalents (A+B+C)	(6)	96
Opening Cash and Cash Equivalents	365	270
Closing Cash and Cash Equivalents	359	365
Note : (i) Figures in brackets indicate outflows		
(ii) Cash and cash equivalent is cash and bank balance as per balance sheet		
(iii) Fixed Deposits with bank amounting to Rs.66.48 lacs (Previous year Rs.66.48 lacs) under lien are considered as cash & cash equivalents		

AS PER OUR REPORT OF EVEN DATE.
For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

For and on Behalf of the Board of Directors

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER
Place : Mumbai
Date : 25th May, 2011

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Aarti Drugs Limited

Statement pursuant to Section 212 of the Companies Act, 1956. Relating to Company's interest in the Subsidiary Company

Name of the Company	Suyash Laboratories Limited
1. The financial year of the Subsidiary company ended on	31st March, 2011
2. Date from which it became subsidiary Company	18th May, 2005
3. a. Number of shares held by Aarti Drugs Ltd. with its nominees in the subsidiary at the end of the financial year of the subsidiary company	6,19,116
b. Extent of interest of holding company at the end of the financial year of the subsidiary company	100%
4. The net aggregate amount of the subsidiary company Profit/Loss so far as it concerns the members of the holding company.	
a. Not dealt with in the holding Company's accounts	
i) For the financial year ended 31st March, 2011	Rs.1,03,16,757
ii) For the previous financial years of the subsidiary companies since it became the holding Company's subsidiary	Rs.13,66,26,461
b. Dealt with in holding Company's accounts:	
i) For the financial year ended 31st March, 2011	Nil
ii) For the financial years of the subsidiary companies since they became the holding company's subsidiary	Nil

For and behalf of Board of Directors

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Place: Mumbai
Date: 25th May, 2011.



Save Water

Turn off the water while brushing your teeth and save 25 gallons of water a month. Take shorter showers to reduce water use.



**SAVE THE EARTH
GO GREEN**



Conserve Water

Don't leave your tap running!
Only a dripping tap means you're
wasting 13 liters of water a day.



**SAVE THE EARTH
GO GREEN**

Consolidated Financial Statement & Notes

Audit Report

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AARTI DRUGS LTD. ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AARTI DRUGS LIMITED AND ITS SUBSIDIARY.

We have examined the attached consolidated balance sheet of AARTI DRUGS LIMITED and its subsidiary as at 31st March 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow for the year then ended.

These financial statements are the responsibility of the management of AARTI DRUGS LIMITED. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial report framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of ₹ 52,52,86,626/- as at 31st March, 2011 and total revenues of ₹ 46,73,53,050/- for the year then ended. These financial statements of the subsidiary have been audited by other auditors, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.

As the audited statements of the foreign associate company for their financial year ended 31st December 2010, reflecting a share of Profit of ₹ 30,30,121/- are not available, the investment has been valued in the Consolidated Financial Statements on the basis of unaudited financial statements, which is stated in Notes forming part of Consolidated Financial Statements No. 3 c, and produced before us.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard AS 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of AARTI DRUGS LTD. and its subsidiary and the unaudited financial statements of its foreign associate included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit report on individual audited financial statements of AARTI DRUGS LTD. and its aforesaid subsidiary and the unaudited financial statements of its foreign associate, read with the Notes annexed to the Consolidated Financial Statements of the Company, we are of the opinion that:

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of AARTI DRUGS LTD and its subsidiary and associate as at 31st March, 2011 and
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of AARTI DRUGS LTD. and its subsidiary and associate for the year then ended.
- (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of AARTI DRUGS LTD. and its subsidiary and associate for the year then ended.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-

(CA YATIN R. VYAVAHARKAR)

PARTNER

M. No.33915

Firm Registration No.: 107547W

Place: Mumbai

Date: 25th May, 2011

Aarti Drugs Limited

Consolidated Balance Sheet as at 31st March 2011

	Schedules		As at 31st March, 2011	(Amount in ₹) As at 31st March, 2010
SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS:				
Share Capital	A	121,085,500		121,085,500
Reserves & Surplus	B	1,510,531,388	1,631,616,888	1,343,396,019
				1,464,481,519
Deferred Tax			227,131,586	210,280,002
Minority Interest			-	48,646,110
LOAN FUNDS:				
Secured Loans	C	2,048,327,972		1,386,612,138
Unsecured Loans	D	626,542,203	2,674,870,175	501,645,107
				1,888,257,245
TOTAL			4,533,618,649	3,611,664,876
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block	E	3,933,292,630		3,324,161,819
Less :- Depreciation		1,454,850,418		1,242,136,784
Net Block			2,478,442,212	2,082,025,034
Capital Work-in-Progress			103,747,335	34,035,369
INVESTMENTS	F		52,786,422	17,412,111
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	G	918,336,646		644,091,061
Sundry Debtors	H	1,213,350,417		1,158,672,428
Cash & Bank Balance	I	52,730,042		85,224,301
Other Current Assets	J	28,925,554		23,333,085
Loans & Advances	K	386,285,763		145,965,655
		2,599,628,422		2,057,286,531
Less: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	L	670,724,211		518,564,544
Provisions	M	30,271,375		60,542,750
		700,995,586		579,107,294
Net Working Capital			1,898,632,836	1,478,179,237
MISCELLANEOUS EXPENDITURE (to the extent not w/off or adjusted)	N		9,845	13,125
TOTAL			4,533,618,649	3,611,664,876
NOTES TO ACCOUNTS	U			

AS PER OUR REPORT OF EVEN DATE.

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER
Place : Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Annual Report 2010-11

Consolidated Profit & Loss Account for the period ended 31st March 2011

	Schedules	Consolidated for Year Ended 31st March, 2011	(Amount in ₹) Consolidated for Year Ended 31st March, 2010
INCOME :			
Sales & Income from Operation		5,275,166,512	5,040,754,984
Less : Excise Duty & Sales Tax		264,701,450	255,736,362
Sales (Net)		5,010,465,062	4,785,018,622
Other Income	O	1,577,033	6,303,622
TOTAL		5,012,042,094	4,791,322,244
EXPENDITURE :			
Manufacturing Expenses	P	3,495,462,076	2,927,848,192
(Inc)/Dec in inventory		(187,034,941)	31,576,665
Purchase of goods traded in		763,348,401	773,190,901
Office & Adm. Exps	Q	72,675,634	70,117,440
Selling & Dist.Exps	R	167,325,172	153,698,182
Borrowing Cost	S	171,190,532	186,587,829
Non Operative Expenses	T	6,896,287	3,950,593
		4,489,863,160	4,146,969,802
Profit before Depreciation		522,178,934	644,352,442
Depreciation		191,082,026	170,326,205
Profit before tax		331,096,907	474,026,236
Provision for taxation		79,200,000	164,200,000
Profit after tax		251,896,907	309,826,236
Provision for Deffered Taxation for C.Year		16,851,581	25,428,069
Profit after Deffered tax		235,045,327	284,398,167
Less :-			
Share in Pre-Acquisition Profits due to increase in stake		-	1,068,693
Minority Interest		-	3,756,399
Unrealised profits		943,237	(790,444)
Share of Profit/(Loss) in Associate		3,030,121	1,939,979
Balance b/fd from previous year		1,172,442,900	987,499,381
Less: Income Tax of Earlier Year		(488,239)	661,835
Transfer to General Reserve		22,500,000	26,100,000
Transfer to Capital Redemption Reserve		-	-
Add: Adjustment on Consolidation		-	-
Proposed Dividend :			
1st Interim Dividend		30,271,375	-
Final Proposed Dividend		30,271,375	60,542,750
Dividend Tax of C.Y./P.Y.		9,938,471	10,055,394
Balance Carried To Balance Sheet		1,317,082,129	1,172,442,900
NOTES TO ACCOUNTS	U		
Earning Per Share		19.58	23.88

AS PER OUR REPORT OF EVEN DATE.

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER
Place : Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Aarti Drugs Limited

Schedules Forming Part of Consolidated Balance Sheet as at 31st March 2011

SCHEDULE - 'A' - SHARE CAPITAL

		As at 31st March, 2011	(Amount in ₹) As at 31st March, 2010
AUTOHRISED :			
2,00,00,000 Equity shares of ₹ 10/- each		200,000,000	200,000,000
(Previous Year 2,00,00,000 Equity Shares of ₹ 10/- each)		-	
		200,000,000	200,000,000
ISSUED & SUBSCRIBED & PAID-UP :	130095000		
13009500 (Previous Year 130,09,500)			
Equity Shares of ₹ 10/- each fully paid up			
Of the above shares - 37,56,333 (Previous year 37,56,333) shares have been issued and allotted in terms of the Scheme of Amalgamation of RCIL, RCPL, MCPL, MPPL and ECPL sanctioned by the Honourable High Court at Mumbai vide its order dated 29th March, 1996.			
(Of the above shares 60,03,167 Shares are allotted as fully paid Bonus shares by Capitalisation of Share Premium Account)			
Less :1300950 Equity Shares of ₹.10/- Each bought back	13,009,500		
Add : Warrants are converted into 4,00,000 Equity Shares of ₹.10/- each at a premium of ₹.42.60 per Equity shares in exercise of option by the warrants holder	4,000,000	121,085,500	121,085,500
TOTAL		121,085,500	121,085,500

SCHEDULE - 'B' - CONSOLIDATED RESERVES & SURPLUS

	As at 31/03/2010	Addition During the Year	Deduction During the Year	Adjustment on a/c of consolidation	As at 31/03/2011
Capital Reserves	20,074,336	-	-	-	20,074,336
Capital Reserves on consolidation	3,859	38,512,555	38,516,414	-	-
Capital Redemption Reserve	13,009,500	-	-	-	13,009,500
Securities Premium Account	32,963,781	-	-	-	32,963,781
General Reserve	104,901,642	22,500,000	-	-	127,401,642
Profit & Loss Account	1,172,442,901	235,045,327	89,462,861	943,237	1,317,082,129
TOTAL Reserves - 31/03/2011	1,343,396,019	296,057,882	127,979,275	943,237	1,510,531,388
31/03/2010	1,115,308,640	327,542,027	97,359,979	2,094,669	1,343,396,019

SCHEDULE - 'C' - SECURED LOANS

	As at 31st March, 2011	(Amount in ₹) As at 31st March, 2010
FIXED LOANS :		
From Financial Institutions	361,942,114	544,318,396
From Scheduled Banks	624,300,000	257,500,000
OTHER LOANS :		
From Scheduled Banks	1,062,085,858	584,793,743
TOTAL	2,048,327,972	1,386,612,138

Annual Report 2010-11

Schedules

(Amount in ₹)

SCHEDULE - 'D' - UNSECURED LOANS

From Directors
From Others

TOTAL

As at 31st March, 2011	As at 31st March, 2010
21,200,000	21,000,000
605,342,203	480,645,107
626,542,203	501,645,107

SCHEDULE - 'E' - FIXED ASSETS

(Amount in ₹)

ITEM	GROSS BLOCK				DEPRECIATION				NETBLOCK	
	AS AT 1/4/2010	ADDITION DURING YEAR	DEDUCTION DURING YEAR	AS AT 31-3-2011	AS AT 1/4/2010	ADDITION DURING YEAR	DEDUCTION DURING YEAR	AS AT 31-3-2011	AS AT 31-3-2011	AS AT 31-3-2010
GOODWILL ON CONSOLIDATION	10,133,555	10,499,531	-	20,633,086	-	-	-	-	20,633,086	10,133,555
LEASEHOLD LAND	38,387,256	8,257,977	-	46,645,233	-	-	-	-	46,645,233	38,387,256
BUILDING	415,701,466	67,290,404	-	482,991,871	87,196,606	14,806,923	-	102,003,529	380,988,342	328,504,860
PLANT & MACHINERY	2,332,784,525	509,274,859	-	2,842,059,384	894,272,568	141,677,082	-	1,035,949,650	1,806,109,734	1,438,511,955
OFFICE EQUIPMENTS	24,637,055	2,800,933	-	27,437,988	19,079,989	3,367,962	-	22,447,951	4,990,037	5,557,067
FURNITURE	35,845,062	10,992,635	-	46,837,696	10,507,938	2,585,043	-	13,092,981	33,744,715	25,337,122
VEHICLES	18,481,791	2,043,613	2,029,144	18,496,260	8,379,399	1,723,016	970,020	9,132,395	9,363,865	10,102,392
TRADENAME	22,500,000	-	-	22,500,000	13,500,000	2,250,000	-	15,750,000	6,750,000	9,000,000
TECHNICAL KNOWHOW	246,720,000	-	-	246,720,000	148,032,000	24,672,000	-	172,704,000	74,016,000	98,688,000
TOTAL (A)	3,145,190,710	611,159,952	2,029,144	3,754,321,518	1,180,968,500	191,082,026	970,020	1,371,080,507	2,383,241,011	1,964,222,207
PROCESS DEVELOPMENT	178,971,112	-	-	178,971,112	61,168,284	22,601,628	-	83,769,912	95,201,200	117,802,828
TOTAL (B)	178,971,112	-	-	178,971,112	61,168,284	22,601,628	-	83,769,912	95,201,200	117,802,828
TOTAL (A + B)	3,324,161,822	611,159,952	2,029,144	3,933,292,630	1,242,136,784	213,683,654	970,020	1,454,850,419	2,478,442,212	2,082,025,035
PREVIOUS YEAR	3,098,538,901	229,738,896	4,115,978	3,324,161,819	1,046,149,609	197,275,035	1,287,860	1,242,136,784	2,082,025,036	2,052,389,293

- 1) Plant & machinery addition includes Capital Expenditure incurred on account of R&D ₹ 2,43,25,148/- (Previous Year ₹ 43,90,328/-)
- 2) Trade name and Technical knowhow are not internally generated while process development are internally generated
- 3) Remaining periods of amortisation of intangible assets mentioned above are as follows

Particulars	WDV as on 31-03-2011 ₹	Remaining periods of amortisation
Tradename	6,750,000	3 years
Technical Knowhow	74,016,000	3 years
Process Development (06-07)	2,601,424	1 years 3 months
Process Development (07-08)	9,633,042	4 years
Process Development (08-09)	82,966,734	4 years 9 months
TOTAL	175,967,200	

Aarti Drugs Limited

Schedules

SCHEDULE-'F' - INVESTMENTS

(Amount in ₹)

Name of the company	Opening Balance	Add Acquisition during the year	Less Disposed during the year	Closing Balance	Face Value ₹	As at 31/3/2011 (₹)	As at 31/3/2010 (₹)
I. Investment (Quoted) (valued at cost)							
a. Investment (Quoted) in Shares :							
Aarti Industries Ltd.	750	Nil	Nil	750	5/-	6,066	6,066
Alembic Ltd	90	Nil	Nil	90	2/-	1,315	1,315
Aurobindo Pharma Ltd	10	Nil	Nil	10	5/-	1,700	1,700
Aventis Pharma Ltd.	5	Nil	Nil	5	10/-	1,630	1,630
Cadila Healthcare Ltd.	10	Nil	Nil	10	10/-	655	655
Cipla Ltd.	62	Nil	Nil	62	2/-	7,050	7,050
Dabur India Ltd.	150	Nil	Nil	150	1/-	5,530	5,530
Dabur Pharma Ltd.	25	Nil	Nil	25	10/-	-	-
Dr Reddy's Laboratories Ltd.	4	Nil	Nil	4	5/-	1,912	1,912
Fresenius Kabi Oncol (Dabur Pharma Ltd.)	25	Nil	Nil	25	10/-	-	-
Glenmark Pharmaceuticals Ltd.	100	Nil	Nil	100	1/-	1,330	1,330
Ipca Lab.Ltd.	210	Nil	Nil	210	10/-	25,490	25,490
Ind-Swifts Lab Ltd.	5	Nil	Nil	5	10/-	112	112
Ind-Swifts Ltd.	25	Nil	Nil	25	2/-	345	345
Jagsonpal Pharma Ltd.	40	Nil	Nil	40	5/-	463	463
J.B.Chemicals & Pharmaceuticals Ltd.	500	Nil	Nil	500	2/-	21,120	21,120
Kopran Ltd	5	Nil	Nil	5	10/-	172	172
Krebs Bio Chem	100	Nil	Nil	100	10/-	25,907	25,907
Kojam Fininvest Ltd.(Piramal Glass)	14	Nil	Nil	14	10/-	-	-
Lupin Laboratories Ltd.	10	Nil	Nil	10	10/-	1,135	1,135
Matrix Laboratories Ltd	50	Nil	Nil	50	2/-	2,365	2,365
Morepen Laboratories Ltd.	5	Nil	Nil	5	2/-	85	85
Natco Lab Ltd.	5	Nil	Nil	5	10/-	345	345
Neuland Lab. Ltd.	100	Nil	Nil	100	10/-	34,375	34,375
Piramal Health care.Ltd.	290	Nil	Nil	290	2/-	43,816	43,816
Novartis (I) Ltd.	5	Nil	Nil	5	5/-	1,155	1,155
Orchid Chemicals & Pharmaceuticals Ltd.	7	Nil	Nil	7	10/-	595	595
Panacea Biotec Ltd.	5	Nil	Nil	5	1/-	158	158
Pfizer Ltd.	10	Nil	Nil	10	10/-	4,950	4,950
Piramal Life Science	29	Nil	Nil	29	10/-	-	-
Ranbaxy Laboratories Ltd.	4	Nil	Nil	4	5/-	1,410	1,410
Reliance Capital	5	Nil	Nil	5	10/-	-	-
Reliance Communication	116	Nil	Nil	116	10/-	-	-
Reliance Energy (Infrast.)	8	Nil	Nil	8	10/-	-	-
Reliance Industries Ltd	116	Nil	Nil	116	10/-	10,000	10,000
Reliance Natural	116	Nil	Nil	116	10/-	-	-
Shasun Chemicals & Drugs Ltd.	500	Nil	Nil	500	2/-	16,875	16,875
Strides Arcolab Ltd.	100	Nil	Nil	100	10/-	22,282	22,282
Sun Pharma Advan.	10	Nil	Nil	10	10/-	-	-
Sun Pharmaceuticals Ind Ltd.	10	Nil	Nil	10	5/-	1,660	1,660
Tasc Pharmaceuticals Ltd.(Marksans)	1,000	Nil	Nil	1,000	1/-	5,219	5,219
Torrent Pharmaceuticals Ltd.	20	Nil	Nil	20	5/-	990	990
Unichem Laboratories Ltd.	400	Nil	Nil	400	5/-	24,825	24,825
Bank of Baroda	1,500	Nil	Nil	1,500	10/-	126,000	126,000
Bank of India	2,300	Nil	Nil	2,300	10/-	103,500	103,500
Union Bank of India	2,523	Nil	Nil	2,523	10/-	277,530	277,530
Wyeth Ltd.	5	Nil	Nil	5	10/-	1,300	1,300
b. Bonds (Quoted)							
Unit Trust of India (US-64)	190	Nil	Nil	190	100/-	19,000	19,000
Reliance Liquid Fund	-	Nil	Nil	-	-	-	-
SBI Capital Protection Fund	30,000	Nil	Nil	30,000	-	300,000	300,000
						1,100,367	1,100,367
III. Investment (Unquoted) (Valued at Cost)							
a. Equity shares :							
Aarti Biotech Ltd.	1,200	Nil	Nil	1,200	10/-	12,000	12,000
Amit Hetrochem (I) Ltd	137,850	Nil	Nil	137,850	10/-	10,600,000	10,600,000
Perfect Enviro Control Systems Ltd.	240,200	Nil	Nil	240,200	10/-	2,402,000	2,402,000
Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.	169	Nil	Nil	169	1,690,000	20,671,055	3,296,744
b. Certificate :							
N.S.C	1	Nil	Nil	1	-	1,000	1,000
(One Certificate of ₹:-1000/- Face Value)							
						33,686,055	16,311,744
IV. Investment in the Capital of Partnership Firm							
Aarti Udyog (LLP)						18,000,000	-
TOTAL						52,786,422	17,412,111

(Aggregate market value of quoted investment : as at 31st March, 2011 ₹ 5041479/- and as at 31st March,2010 ₹ 3940364/-)

Note: The face value of IPCA LAB LTD. is decreased from ₹10/- to ₹2/- per share.

The face value of LUPIN LABORATORIES LTD.is decreased from ₹10/- to ₹2/- per share.

The face value of SUN PHARMACEUTICALS IND.LTD. is decreased from ₹5/- to ₹1/- per share.

The face value of UNICHEM LABORATORIES.LTD.is decreased from ₹5/- to ₹2/- per share.

The face value of AUROBINDO PHARMA LTD. Is decreased from ₹5/- to ₹1/- per share

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	(Amount in ₹)		Consolidated for Year Ended 31st March, 11	Consolidated for Year Ended 31st March, 10
	As at 31st March, 2011	As at 31st March, 2010		
SCHEDULE - 'G' - INVENTORIES				
Stores & Spares	43,822,659	36,656,814		
Packing Materials	23,077,646	6,519,918		
Raw Materials	365,475,054	291,239,246		
Finished Goods	218,180,863	124,438,163		
Trading Goods	6,014,129	214,284		
Work in process	261,766,295	185,022,636		
	918,336,646	644,091,061		
SCHEDULE - 'H' - SUNDRY DEBTORS				
Unsecured, considered good Debts outstanding for a period exceeding six months	48,737,436	46,569,353		
Others	1,165,112,981	1,112,103,076		
	1,213,850,417	1,158,672,428		
Less: Provision for Doubtful Debts	500,000	-		
	1,213,350,417	1,158,672,428		
SCHEDULE - 'I' - CASH & BANK BALANCES				
Cash on Hand	2,702,117	2,076,570		
Cheques on Hand	20,338,166	27,340,457		
Balances with Scheduled Banks :				
On Current Accounts	3,474,218	36,597,937		
On Deposit Accounts	26,215,541	19,209,338		
	52,730,042	85,224,301		
SCHEDULE - 'J' - OTHER CURRENT ASSETS				
Security Deposits	19,885,298	13,358,290		
Others	9,040,256	9,974,795		
	28,925,554	23,333,085		
SCHEDULE - 'K' - LOANS & ADVANCES				
(Unsecured, considered good)				
Capital Advances	65,151,462	15,810,856		
Advances and loans	2,942,266	3,197,993		
Advances recoverable in cash or kind or for value to be received	287,244,833	127,727,719		
Advance tax and tax deducted at source (Net of Provision for Taxation)	30,947,202	(770,914)		
	386,285,763	145,965,655		
SCHEDULE - 'L' - CURRENT LIABILITIES				
Sundry Creditors of Goods, Services & Expenses				
Due to micro enterprises and small enterprises				
Due to others	603,878,485	482,970,201		
Sundry Creditors of Project				
Due to micro enterprises and small enterprises				
Due to others	49,156,240	18,792,569		
Trade Deposits	5,287,220	5,289,220		
Unclaimed Dividend	3,066,780	2,233,105		
Interest accrued but not due on Unsecured Loans	9,335,487	9,279,450		
	670,724,211	518,564,544		
SCHEDULE - 'M' - PROVISIONS				
Provision for taxation	-	-		
Proposed dividend	30,271,375	60,542,750		
	30,271,375	60,542,750		
TOTAL	700,995,586	579,107,294		
SCHEDULE - 'N' - MISCELLANEOUS EXPENDITURE				
Preliminary Expenses	9,845	13,125		
	9,845	13,125		
	Consolidated for Year Ended 31st March 11	Consolidated for Year Ended 31st March 10		
SCHEDULE - 'O' - OTHER INCOME				
Dividend	68,012	50,944		
Interest (Gross)	928,901	890,202		
Sales Tax Refund	-	487,187		
Commission	87,903	927,060		
Miscellaneous income	492,217	3,948,230		
TOTAL	1,577,033	6,303,622		
SCHEDULE - 'P' MANUFACTURING EXPENSES				
Raw Material Consumption	2,637,055,950	2,208,740,203		
Packing Materials	51,348,075	41,243,286		
Freight Inward	78,222,750	67,764,371		
Processing Charges	55,358,531	30,532,838		
Salaries, Wages and Bonus	134,067,349	114,767,924		
Labour Charges	62,410,674	45,651,218		
Insurance (Manufacturing)	6,286,974	5,537,097		
Lease Expenses	7,059,937	-		
Labour Welfare Expenses	37,551,031	10,543,282		
Power & Fuel	281,259,704	254,604,119		
Stores & Spares	36,021,652	34,545,514		
Repairs & Maintenance - Building	669,854	260,291		
- Plant & Machinery	4,712,279	7,505,122		
Research & development	43,752,686	45,518,360		
Loss on Sale of Assets	-	2,150,000		
Other Manufacturing Expenses	-	-		
Water Charges	7,422,204	8,349,459		
Laboratory Expenses	8,673,032	10,868,207		
Other Factory Expenses	43,589,394	39,266,901		
TOTAL	3,495,462,076	2,927,848,192		
SCHEDULE - 'Q' - OFFICE & ADMINISTRATION EXPENSES				
Salaries and Bonus	26,000,806	21,086,188		
Provident Fund Contribution	763,194	661,672		
Staff Welfare Expenses	888,488	591,061		
Directors' Remuneration	15,380,438	21,920,713		
Books & Periodicals	8,362	89,386		
Auditors' Remuneration	545,708	498,065		
Conveyance Expenses	2,084,043	1,882,700		
Legal & Professional Charges	7,383,329	5,126,972		
Membership & Subscriptions	187,881	138,491		
Printing & Stationery	1,924,923	1,528,195		
Postage, Telegram & Telephone	2,690,345	3,272,366		
Office Electricity Charges	2,037,357	1,802,149		
Insurance Charges	1,627,764	1,251,009		
Repairs & Maintenance - Others	3,055,942	2,688,668		
Entertainment Expenses	909,098	492,173		
Rates & Taxes	24,436	1,690		
Miscellaneous Expenses	1,599,469	1,162,050		
Vehicle Expenses	510,576	397,062		
Travelling Expenses - Directors	1,148,673	1,661,552		
- Others	2,746,078	2,415,647		
Directors' Sitting Fees	415,000	483,000		
Loss on sale of Assets	743,511	962,394		
TOTAL	72,675,634	70,117,440		
SCHEDULE - 'R' - SELLING & DISTRIBUTION EXPENSES				
Advertisement & Sales Promotion	5,233,948	5,727,315		
Freight & Forwarding Charges	100,297,226	77,016,899		
Commission on Sales	45,310,207	47,139,852		
Insurance on Sales	581,387	495,897		
E.C.G.C. Premium	1,342,322	2,994,602		
Other Export Expenses	6,530,586	9,233,700		
Other Local Sales Expenses	2,916,008	2,232,773		
Bad Debts	3,500,000	8,857,145		
TOTAL	165,711,685	153,698,182		
SCHEDULE - 'S' - BORROWING COSTS				
Interest on Term Loans	65,094,269	67,571,974		
Interest on Working Capital	58,609,136	71,664,774		
Interest on Others	25,479,069	26,735,781		
Bank Charges	22,008,058	20,615,301		
TOTAL	171,190,532	186,587,829		
SCHEDULE - 'T' - NON-OPERATIVE EXPENSES				
Donations	6,893,007	3,947,313		
Preliminary expenses written off	3,280	3,280		
TOTAL	6,896,287	3,950,593		

Aarti Drugs Limited

SCHEDULE 'U'

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2011.

1. Background

Consolidated Financial Statements include the parent company, Aarti Drugs Limited and the following subsidiary company :

Name of the Subsidiary Proportion of Ownership Interest (%)

Suyash Laboratories Ltd. 100 % (Previous Year 83.96%)

2. Significant Accounting policies and notes to these Consolidated Financial Statements are intended to serve as means of informative disclosures and a guide to better understanding of the consolidated position of the Company. Recognizing this purpose, the company has disclosed only such policies and notes from the individual financial statements, which fairly present the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which, in the opinion of the Management, could be better viewed, when referred from the individual financial statements.

3. Principles of Consolidation

- These Consolidation Financial Statements are prepared using the Financial Statements of the parent company and the subsidiary company drawn up to the same reporting date.
- The Consolidation of the financial statements of the parent company and its subsidiary is done on line by line basis by adding together like items of assets, liabilities, income and expenses. All intra group transactions, unrealized inter-company profits and balances have been eliminated in the course of consolidation.
- The accounting period of the foreign associate ends on 31st December and it is not practical to draw up its audited financial statements upto the reporting date of the parent (i.e 31st March 2011), hence the audited financial statements of the foreign associate as on 31st December 2010 have been considered for consolidation.
- The financial statements of parent company and its subsidiary have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- The excess of the cost of the Company's investment in the subsidiary over its share in equity of the subsidiary company, on the date of acquisition, is recognized in the financial statements as Goodwill.
- Goodwill/Capital Reserve arising on additional acquisition or stake increase is recognized on step-by step basis

4. Accounting Policies:

a) Recognition of Income and expenditure

These accounts are prepared under the historical cost convention on accrual basis and under the going concern assumption in accordance with the accounting principles generally accepted in India and the relevant provisions of the Companies Act, 1956.

b) Fixed assets and depreciation

- Fixed assets include all expenditure of capital nature and are stated at cost of acquisition, installation and commissioning less depreciation. Fixed asset values are stated at historical cost. Depreciation on fixed assets other than land is charged under the straight-line method in accordance with Schedule XIV of the Companies Act, 1956. Product/Process development costs arising out of R&D are carried forward when their future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit, from the related project, not exceeding ten years.
- Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of the net selling price of an asset or its value in use. Value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

c) Investments

Long Term Investments are stated at cost. Provisions are made for diminution value of investments, if any, other than those of a temporary nature.

d) Valuation of Inventories

Inventories are stated at lower of cost or net realisable value . on the following basis :

- Raw materials, packing materials, stores and spares - At cost on FIFO Method
- Work in process - At cost plus appropriate allocation of overheads
- Finished Goods - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower

e) Revenue Recognition

Revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefit will flow to the Company

1. Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of excise duty, sale returns and VAT.

2. Export Benefits :

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and are accounted to the extent considered receivable

f) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing cost eligible for capitalization are determined in accordance with Accounting Standard -16. Other borrowing cost are recognized as an expense in the period in which they are incurred

g) Foreign Currency Transactions

All exchange differences arising from foreign currency transactions are dealt with in the Company's profit and loss account. In case of foreign currency loans utilized upto 31st March 2004 directly for acquisition of fixed assets, the loss/gain is regarded as adjustment of cost and is included in the carrying amount of the related fixed asset(s).

h) Taxation

- Current Income Tax is aggregate of the tax expenses appearing in the financial statements of Individual Companies in accordance with the applicable tax regulations.
- Deferred tax is recognized on timing difference in the case of the individual Companies and is disclosed in the aggregating in the consolidated financial statements.

5. Segment-wise Disclosure as per Accounting Standard: 17.

I. BUSINESS SEGMENTS AS PRIMARY SEGMENTS

The Company is considered to be a single segment Company engaged in pharmaceuticals business, hence the disclosure requirement as per AS-17 'Business segments as Primary Segment' is not attracted.

(₹ in Lakhs)

II. GEOGRAPHICAL SEGMENTS AS SECONDARY SEGMENTS

	For the year ended 31 st March, 2011	For the year ended 31 st March, 2010
Segment Revenue		
a) Exports	21,550	17,313
b) Others	31,201	33,095
Total	52,751	50,408

Note:

a. Segmental capital employed:

Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The Company believes that currently it is not practicable to provide segment disclosures relating to total assets and liabilities.

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6. Related party transactions:

Related party disclosure as required by Accounting Standard – 18, ‘Related Party Disclosures’ issued by The Institute of Chartered Accountants of India are given below :

A Name and Relationship of the Related Parties :

3(c) Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of such individual.

1. Individuals

Mr. Chandrakant V. Gogri Mr. Rajendra V. Gogri

2. Relatives of Individuals

Mrs. Jaya C. Gogri Mr. Rakesh C. Gogri
Mrs. Dhanvanti V. Gogri Mrs. Aarti R. Gogri
Mirik R. Gogri Mr. Renil R. Gogri
Mrs. Hetal Gogri Gala Mrs. Indira M. Dedhia

3(d) Key Management personnel alongwith their relatives have significant influence.

1. Key Management Personnel

Mr. Prakash M. Patil Mr. Harit. P. Shah
Mr. Harshit M. Savla Mr. Uday M. Patil

2. Relatives of Key Management Personnel

Mrs. Priti P. Patil Mrs. Seema H. Savla
Mr. Arun M. Patil Ms. Bhoomi H. Savla
Dr. Vikas M. Patil Vishwa H. Savla
Mr. Adhish Patil Mrs. Jayashree H. Shah

Mrs. Aarti T. Sankhe
Ms. Kalika A. Mishra
Mr. Sameer P. Shah

Mr. Pragji M. Shah
Mrs. Kesarben P. Shah

3(e) Enterprise/firms over which controlling individuals have significant influence.

1. Aarti Industries Ltd.
2. Aarti Healthcare Ltd.
3. Rupal Drugs Ltd
4. Anushakti Chemicals & Drugs Ltd

B Transaction with the related parties during the year :

Note : Proportions given in the following statement belong to the respective accounting group as shown in the financial statements for the year ended 31st March 2011.

Transaction with Related Parties	Associates & Joint Ventures		Enterprise/firms over which controlling individuals have significant influence	
	C.Y. %	P.Y. %	C.Y. %	P.Y. %
Sales & Income from Operations	Nil	Nil	0.09	0.05
Manufacturing Expenses	Nil	Nil	2.76	2.63
Outstanding Payable	Nil	Nil	5.48	1.57
Outstanding Receivable	Nil	7.88	0.00	2.94

Transaction with Related Parties	Individuals		Relatives of Individuals		Key Management Personnel		Relative of Key Management Personnel	
	C.Y. %	P.Y. %	C.Y. %	P.Y. %	C.Y. %	P.Y. %	C.Y. %	P.Y. %
Office & Administration Expenses	0.25	0.31	Nil	Nil	21.23	31.30	Nil	Nil
Borrowing costs	Nil	Nil	Nil	Nil	0.06	0.05	0.29	0.26
Unsecured Loans Accepted	Nil	Nil	Nil	Nil	0.04	Nil	0.06	Nil
Unsecured Loans Repaid	Nil	Nil	Nil	Nil	Nil	Nil	0.00	0.03
Outstanding Unsecured Loan	Nil	Nil	0.00	0.01	0.21	0.18	0.80	0.97

Note : Sr. 3(c),3(d),3(e) refer to the relevant Para of AS 18.

C. Persons/Companies stated in para 6A form part of the “Group” as applicable for the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 as amended upto date.

7. Taxation

- a) Current Income Tax is the aggregate of the tax expenses appearing in the financial statements of Individual Companies in accordance with the applicable tax regulations.
- b) Deferred tax is recognized on timing difference in the case of the individual Companies and is disclosed in the aggregate in the consolidated financial statements.

8. a) Directors Remuneration :

	By the Parent Company (₹) 31 st Mar-2011	By the Subsidiary Company (₹) 31 st Mar -2011	By the Parent Company (₹) 31 st Mar-2010	By the Subsidiary Company (₹) 31 st Mar-2010
Salary to Managing Directors and whole time Directors	54,11,040	11,43,240	48,97,638	9,59,040
Bonus/Leave Travel Allowance/House Rent Allowance/ Insurance Premium Medical/Commission/Leave Salary.	73,69,358	57,000	1,47,67,485	55,750
Contribution to Provident Fund	37,440	9,360	37,440	9360
Superannuation fund scheme	13,53,000	NIL	11,94,000	Nil
Total Remuneration	1,41,70,838	12,09,600	2,08,96,563	10,24,150

Note: The above figures do not include contribution to gratuity fund as separate figures are not available for the managing / whole time directors.

Aarti Drugs Limited

9. Auditors' remuneration includes

	By the Parent Company (₹) 31 st Mar-2011	By the Subsidiary Company (₹) 31 st Mar-2011	By the Parent Company (₹) 31 st Mar-2010	By the Subsidiary Company (₹) 31 st Mar-2010
Statutory Audit	2,50,000	45,000	1,95,000	45,000
Other Audit Services	88,488	32,500	92,562	30,000
Certification	36,000	57,200	17,330	0000
Other Services from Auditors	NIL	36,520	NIL	32,404
Total	3,74,488	1,71,220	3,11,127	1,07,404

10. Foreign exchange fluctuation

Foreign exchange gain/(loss) included in profit & loss (₹ 3.91 lacs) [previous year (₹ 128.32 lacs)]

11. Contingent Liabilities

Sr. No.	Particulars	On the Parent Company (₹) Mar-11	On the Subsidiary Companies (₹) Mar-11	On the Parent Company (₹) Mar-10	On the Subsidiary Companies (₹) Mar-10
a.	In respect of bank guarantees issued & L/C opened by the Company's bankers	1512.57	106.20	1208.45	273.32
b.	Demand in respect of additional income tax disputed in appeal	34.95	502.69	36.04	Nil
c.	Demand / Rebate in respect of Excise duty disputed in appeal : Demand /Rebate in respect of Excise duty in case of Ammonium Sulphate. The Hon'ble High Court of Mumbai has decided the appeal in favour of the Company in February 2010 on the basis of its earlier judgement in a similar case. However, as per information available with the Company, the Department of Central Excise has filed an appeal in that precedent case in the Supreme Court, hence the company has continued to disclose this matter.	102.90	Nil	102.90	Nil
d.	Liability for duty on raw material imported under advance licence benefit scheme against which export obligation remained to be fulfilled	34.63	1.32	45.43	0.31
e.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	697.02	17.46	16.21	0.61

12. Consolidated Financial Statement include the following

(a) Subsidiary : Consolidated Financial statement include the financial statements of the Subsidiary, Suyash Laboratories Ltd. On 29th June 2010 the holding of the Parent, Aarti Drugs Ltd's stake in Suyash increased to 100%, the effect of this increase on the Goodwill and Minority Interest has been recognized in the Consolidated Financial Statement.

(b) Consolidated Financial Statements include the following Associate Company.

Name of Associate	Country/Currency	% of Holding	Opening Original Investment As on 01/04/2010 A	Additional Investment During the year B	Total Original Investment As on 31/03/2011 C
Huanggang Yinhe Aarti Pharmaceutical Co. Ltd	China/RMB	33.11%	₹ 94,36,433	₹ 1,43,44,190	₹ 2,37,80,623
			Carrying cost of Investment including Original investment as on 01/04/2010 D	Adjustment During the Year towards Profit E	Carrying Amount of Investment as on 31-03-2011 F = (D+B+E)
			₹ 32,96,724	₹ 30,30,121	₹ 2,06,71,055

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13. Earning Per Share :

	Current Year	Previous Year
Net Profit Available for Equity Shareholder (₹)	23,71,32,210	28,23,03,498
Weighted Number of Equity Shares (Nos.)	1,21,08,550	1,18,20,331
Basic & Diluted EPS (₹)	19.58	23.88
Nominal value per share (₹)	10.00	10.00

AS PER OUR REPORT OF EVEN DATE.

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Place: Mumbai
Date : 25th May, 2011

Aarti Drugs Limited

Consolidated Cash Flow Statement

	For The Year Ended 31st March, 2011	(₹ in Lakhs) For The Year Ended 31st March, 2010
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary items	3,311	4,740
ADJUSTMENT FOR:		
Depreciation	1,911	1,703
Expenses Amortised	226	268
Interest Paid	1,712	1,866
Interest Received	(9)	(9)
Dividend Received	(1)	(1)
Share of Profit/(loss) of Associate	30	19
Profit on Sale of Asset	-	-
Loss on Sale of Asset	7	31
Dividend on Investments	-	-
Operating Profit before Working Capital Changes	7,188	8,618
Trade & Other Receivable	(2,689)	(362)
Inventories	(2,742)	(389)
Trade Payable	1,409	(576)
Cash generated from operation	3,165	7,291
Direct Taxes Paid	(1,109)	(1,380)
Net Cash Flow from Operating Activities	2,056	5,912
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(6,809)	(2,573)
Purchase of Investment	(354)	(19)
Sale of Fixed Assets	3	(3)
Change in Minority Interest	(486)	(460)
Interest Received	9	9
Dividend Received	1	1
Net Cash Flow from Investing Activities	(7,636)	(3,046)
C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	1,844	614
Proceeds from Unsecured Loans & from Scheduled Bank	6,022	(953)
Proceeds from Share Warrants	-	189
Dividend Paid	(900)	(346)
Interest Paid	(1,712)	(1,866)
Net Cash Flow from Financing Activities	5,254	(2,361)
Net Increase in Cash and Cash Equivalents (A+B+C)	(326)	504
Opening Cash and Cash Equivalents	852	348
Closing Cash and Cash Equivalents	527	852

Note : (i) Figures in brackets indicate outflows

(ii) Cash and cash equivalent is cash and bank balance as per balance sheet

(iii) Fixed Deposits with bank amounting to ₹.262.16 lacs (Previous year ₹.192.09 lacs) under lien are considered as cash & cash equivalents

AS PER OUR REPORT OF EVEN DATE.

For and on Behalf of the Board of Directors

For **PARIKH JOSHI AND KOTHARE.**
CHARTERED ACCOUNTANTS

Sd/-
(CA Y.R.VYAVAHARKAR)
PARTNER
Place : Mumbai
Date : 25th May, 2011

Sd/-
Prakash M. Patil
(Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Details of Subsidiary

[As per the letter granting general exemption u/s 212 of the Companies Act, 1956 of the Ministry of Company Affairs, Government of India]

(₹ in Lakhs)

Name of the Subsidiary Company	Suyash Laboratories Limited
The financial year/period of subsidiary ended on	31 st March, 2011
Reporting Currency	INR
Capital	61.91
Reserves	2487.57
Total Liabilities (Debts + Current Liabilities)	2703.38
Total Assets (Fixed Assets + Current Assets)	5146.77
Investment	106
Total Income	4673.53
Profit/ (Loss) Before Tax	163.68
Provisions for tax	60.52
Profit/ (Loss) after tax	103.17
Proposed Dividend and tax thereon	-

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To be given by shareholder holding shares in Physical Form only. Shareholders holding shares in demat mode are requested to give their e-mail Id to their Depository Participant in the format provided by them.

Date: _____

To,
M/s. Sharepro Services (India) Pvt. Ltd.
Unit: Aarti Drugs Limited
Samhita Complex, Gala No. - 52 to 56,
Bldg. No.13 A-B, Near Sakinaka Telephone Exchange,
Andheri - Kurla Road,
Sakinaka, Mumbai - 400 072.

Sub: Request for E-mail ID Registration

Unit: Aarti Drugs Limited

Folio Number: _____

Name of First Named Shareholder: _____

E-mail ID: _____

Signature of First Named Shareholder: _____

Note:

Members are requested to send this e-mail registration request letter to Company's Registrar & Transfer Agents as aforesaid.



AARTI DRUGS LTD

Registered Office: Plot No. N-198, MIDC, Tarapur, Village Pamtembhi, Tal. Palghar, Dist. Thane – 401 506.

FORM OF PROXY

I/We _____ of _____ in the District of _____ being a member/members of the above named Company hereby appoint _____ of _____ in the District of _____ or failing him _____ of _____ in the District of _____ or failing him _____ of _____ in the District of _____ as my/our proxy to vote for me/us on my/our behalf at **TWENTY SIXTH ANNUAL GENERAL MEETING** of the Company to be held on **23rd day of July, 2011** and at any adjournment thereof.

Signed this _____ day of _____ 2011

Signature _____

Affix
Re. 1/-
Revenue
Stamp

L.F.No. _____

*Depository : NSDL/CDSL _____

*DP.ID _____

*Client ID _____

(*For Shares held in Electronic Form)

No. of Share(s) held _____

Notes:

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.
- (2) A proxy need not be a member.
- (3) The completed form should be deposited at the Registered Office of the Company, Plot No.N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist.-Thane 401 506, Maharashtra not less than 48 hours before the time for holding the meeting.



AARTI DRUGS LTD

Registered Office: Plot No. N-198, MIDC, Tarapur, Village Pamtembhi, Tal. Palghar, Dist. Thane – 401 506.

ATTENDANCE SLIP

I hereby record my presence at the **TWENTY SIXTH ANNUAL GENERAL MEETING** of the Company held at TIMA Hall, MIDC Tarapur, Taluka-Palghar, Dist. Thane 401 506, Maharashtra on 23rd day of July, 2011 at 11.00 a.m.

1. L.F.No. _____

2. *Depository : NSDL/CDSL _____

3. *DP.ID _____

4. *CLIENT ID _____

(*FOR SHARES HELD IN ELECTRONIC FORM) _____

5. FULL NAME OF THE SHAREHOLDER: _____
(IN BLOCK LETTERS)

6. NO. OF EQUITY SHARES HELD: _____

7. SIGNATURE OF THE SHAREHOLDER _____

OR PROXY ATTENDING:

(PLEASE GIVE FULL NAME OF THE 1ST JOINTHOLDER)

MR./MRS./MISS _____

(TO BE USED ONLY WHEN FIRST NAMED SHAREHOLDER IS NOT ATTENDING)

NOTE: PLEASE FILL IN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL.



Aarti Drugs Limited. E-22, MIDC, Tarapur

**SAVE THE EARTH
GO GREEN**



Aarti Drugs Ltd.

AARTI DRUGS LIMITED,
Mahendra Industrial Estate, Ground Floor,
Road No 29, Plot No 109-D,
SION (East), MUMBAI- 400 022.(INDIA)
TEL: ++91 22 2401 9025
FAX: ++91 22 2407 3462 / ++91 22 2407 0144
www.aartidrugs.com