



# AARTI INDUSTRIES LIMITED

Right chemistry for brighter tomorrow



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# *Mission*

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- \* To constantly strive to set up and maintain global size plant facilities.
- \* To become customer-driven company by providing customized solutions and service to meet changing customer requirements.
- \* To maintain consistent quality and timely delivery at competitive prices.
- \* To use best cost effective manufacturing methods supported by proven, eco-friendly and safe technologies.
- \* Commitment to growth by Research & new product development & progressive increase in Exports.
- \* Continuous focus on people to encourage and nurture winning organizational culture.
- \* To meet the challenges of competition by dynamic management drive.

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# *Vision*

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To emerge as Key source to leading Global consumers of Specialty Chemicals and Intermediates for Dye stuff, Agro, Polymers, Pharma & Surfactants.

## Corporate Information

### Board of Directors

**Chandrakant V. Gogri**  
Chairman

**Rajendra V. Gogri**  
Vice Chairman & Managing Director

**Shantilal T. Shah**  
Vice Chairman

### Independent Directors:

Ramdas M. Gandhi  
Laxmichand K. Jain  
Vijay H. Patil  
Haresh K. Chheda  
K.V.S. Shyam Sunder  
P. A. Sethi  
Bhavesh R. Vora  
Sunil M. Dedhia

### Whole-time Directors:

Parimal H. Desai  
Manoj M. Chheda  
Rashesh C. Gogri  
Hetal Gogri Gala  
Kirit R. Mehta

### Company Secretary

Mona Patel

### Auditors

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

### 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  
Telephone - 022-67720300/ 022-67720400  
Fax No. - 022-28591568

### Bankers:

Bank of Baroda  
Union Bank of India  
State Bank of India  
ABN Amro Bank  
Standard Chartered Bank  
HDFC Bank Ltd.  
Export-Import Bank of India  
IDBI Bank Ltd.  
Citi Bank N.A.  
Axis Bank Ltd.

### Registered Office

Plot Nos. 801, 801/23, GIDC Estate, Phase III,  
Vapi - 396 195, Dist. Valsad, Gujarat.

### Corporate Office

Udyog Kshetra, 2nd Floor, L.B.S. Marg,  
Mulund-Goregaon Link Road,  
Mulund (West),  
Mumbai 400 080.  
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## Financial Highlights

(Rupees in Lakhs)

Particulars	Financial Year Ended on							
	31/03/2003	31/03/2004	31/03/2005	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010
<b>Total income</b>	<b>47432.01</b>	<b>51159.01</b>	<b>68805.76</b>	<b>79095.6</b>	<b>76412</b>	<b>96049</b>	<b>153804.05</b>	<b>133956.19</b>
Gross profit (EBIDT)	7170.98	7643.99	9183.19	11420.3	8928.9	11950.44	24208.51	20393.08
Interest	1377.6	946.01	1354.32	2040.04	2888.4	3882.89	8936.32	5171.31
Depreciation	1168.27	1691.82	2006.19	2218.69	2563.4	2749.61	3871.07	4474.91
Extra - ordinary loss	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Profit before tax</b>	<b>4105.04</b>	<b>5006.16</b>	<b>5822.68</b>	<b>7161.57</b>	<b>3477.09</b>	<b>5317.93</b>	<b>11401.12</b>	<b>10746.86</b>
<b>Profit after tax (&amp; Deferred tax)</b>	<b>2955.78</b>	<b>3576.68</b>	<b>4425.3</b>	<b>4906.44</b>	<b>2621</b>	<b>3667.08</b>	<b>8446.32</b>	<b>7010.75</b>
Dividend %	65	75	101 \$	39	16	30	60	50
Pay out	788.77	910.12	1225.63	1420	582.47	1092.14	2194.91	1918.00
Per Share Dividend (in Rs.)	6.5	7.5	8.7	2.8	0.8	1.5	3	2.50
Equity Capital	1213.49	1213.49	3640.47	3640.47	3640.47	3640.47	3684.75	3836.00**
Reserve & Surplus	13333.68	16090.52	16938.52	20040.85	22029.41	24606.3	30345.01	36030.39
<b>Networth</b>	<b>14456.36</b>	<b>17228.65</b>	<b>20395.38</b>	<b>23528.73</b>	<b>25545.9</b>	<b>28123.8</b>	<b>34091.58</b>	<b>39846.04</b>
<b>Total Borrowings</b>	<b>15378.6</b>	<b>20418.75</b>	<b>22491.24</b>	<b>30041.62</b>	<b>33744.59</b>	<b>42930.71</b>	<b>48257.41</b>	<b>43648.36</b>
Gross Block	22606.79	27858.39	31102.58	37721.52	45110.41	48403.24	62206.76	68172.04
Less: Depreciation	8921.31	10504.61	12488.09	14768.02	17376.69	20375.67	25530.65	30005.56
<b>Net Block (Fixed Assets)</b>	<b>13685.48</b>	<b>17353.77</b>	<b>18614.49</b>	<b>22953.5</b>	<b>27733.71</b>	<b>28027.57</b>	<b>36676.11</b>	<b>38166.48</b>
Capital work-in-progress	351.73	201.72	1862.28	2797.52	1797.64	3396.87	854.76	914.50
Investments	1754.14	813.25	2433.11	2474.21	2606.65	2618.48	1527.79	1525.12
Current Assets	21169.93	26527.28	33576.88	42825.12	44949.99	56858.64	64983.71	75357.19
Less: Current Liabilities	5833.24	5576.06	11629.72	14693.37	14530.52	15879.97	17172.65	27358.16
<b>Net Working Capital</b>	<b>15336.69</b>	<b>20951.22</b>	<b>21947.16</b>	<b>28131.75</b>	<b>30609</b>	<b>40978.66</b>	<b>47811.06</b>	<b>47999.03</b>
<b>Face Value per share (Rs.)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Book Value per share (Rs.)</b>	<b>119.13</b>	<b>141.97</b>	<b>56.03</b>	<b>32.32</b>	<b>35.08</b>	<b>38.63</b>	<b>46.26</b>	<b>51.94</b>
<b>EPS (Basic &amp; Diluted) (Rs.)</b>	<b>24.39</b>	<b>30.02</b>	<b>12.78 *</b>	<b>6.74 #</b>	<b>3.6</b>	<b>5.04</b>	<b>11.46</b>	<b>9.14**</b>
Bonus Shares (Ratio)	Nil	Nil	2:01	Nil	Nil	Nil	Nil	Nil

## Consolidated Financial Highlights

Particulars	Financial Year Ended on							
	31/03/2003	31/03/2004	31/03/2005	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010
Consolidated Sales	49688.2	54731.43	71016	80634.56	76558.31	96212.96	155225.29	135134.77
Consolidated Profit after Tax (& Deferred Tax)	2570.55	4180.86	4792.77	5532.13	2529.71	4086.94	8706.64	6848.61
Consolidated EPS (Basic & Diluted) (Rs.)	20.5	34.37	13.17 *	7.60 #	3.47	5.61	11.81	10.73**

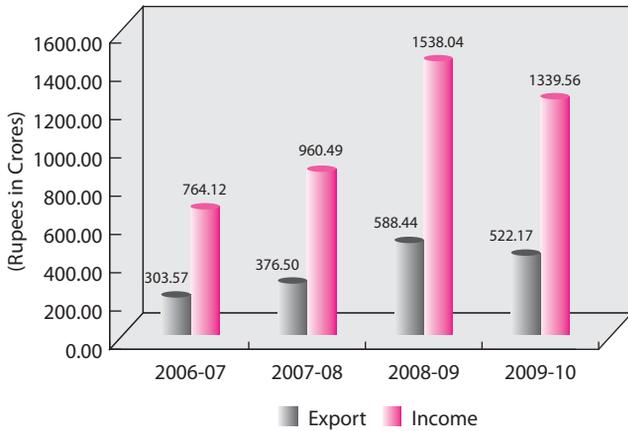
\* Refers to post bonus value.

# Refers to post bonus &amp; post split of shares into face value of Rs. 5/- each.

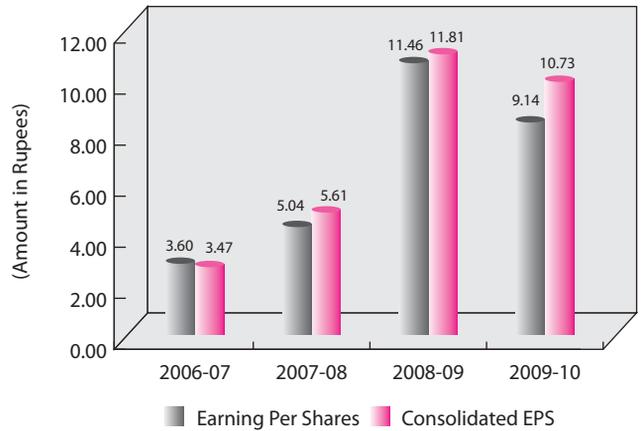
\$ Dividend % is based on pre bonus equity of 12.13 crores.

\*\* Refers to post conversion of preferential warrants.

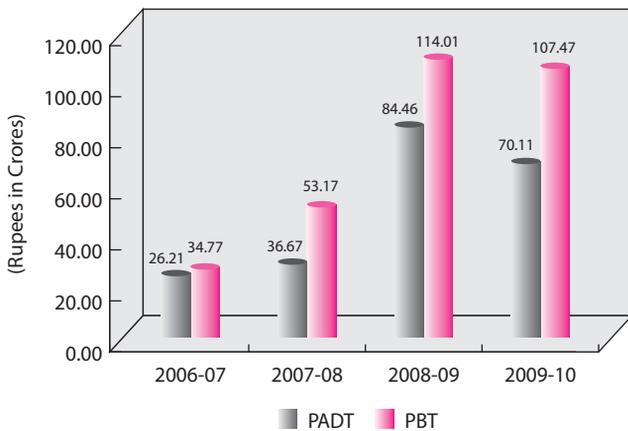
Export & Total Income



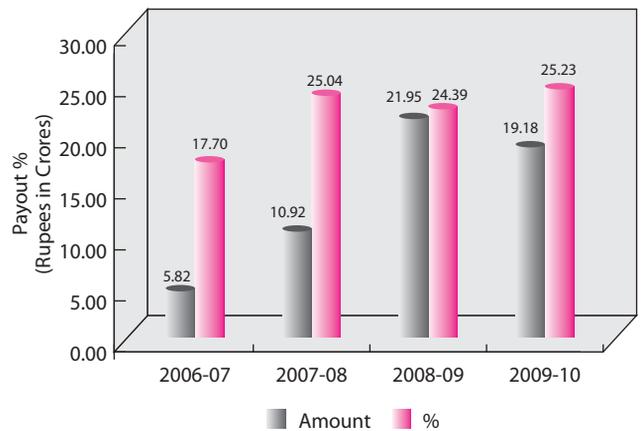
Earning Per Share & Consolidated EPS



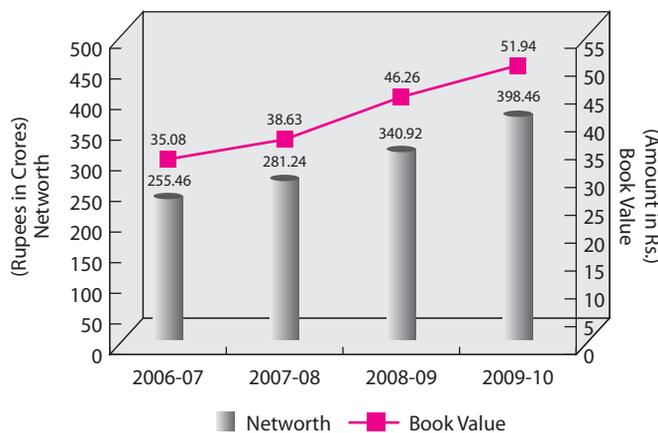
Profit After Deferred Tax & Profit Before Tax



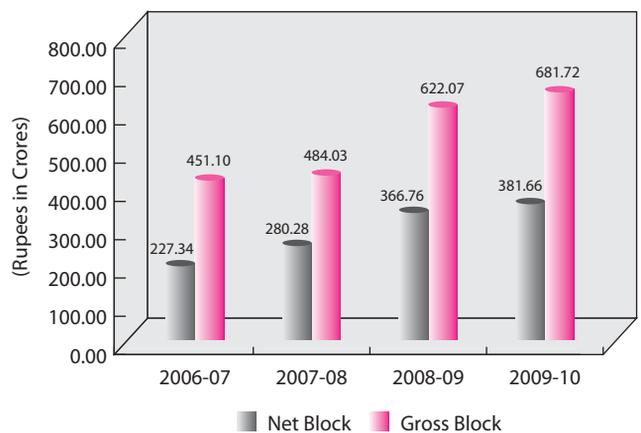
Dividend Payout



Network & Book Value



Net Block & Gross Block





## Notice:

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Members of AARTI INDUSTRIES LIMITED will be held at the Registered Office of the Company at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi-396195, Dist. Valsad, Gujarat, on Thursday, the 16th day of September, 2010, 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, 2010 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, 2010.
3. To appoint a Director in place of Shri Vijay H. Patil, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. Hetal Gogri Gala, who is liable to retire by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Shri Shantilal T. 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 Ramdas M. Gandhi, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Shri Haresh K. Chheda, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
8. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the reappointment and terms of remuneration of Shri Kirit R. Mehta, Whole-time Director of the Company for a period of five years with effect from 18th September, 2010 upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him and submitted to this meeting, duly initialled by the Chairman for the purpose of the identification, which agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule XIII of the Act and as may be agreed between the Board of Directors and Shri Kirit R. Mehta.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the reappointment and terms of remuneration of Shri Parimal H. Desai, Whole-time Director of the Company for a period of five years with effect from 10th February, 2011 upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him and submitted to this meeting, duly initialled by the Chairman for the purpose of the identification, which agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of

the said agreement so as not to exceed the limits specified in Schedule XIII of the Act and as may be agreed between the Board of Directors and Shri Parimal H. Desai.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Registered Office:  
Plot Nos. 801, 801/23, GIDC Estate, Phase III,  
Vapi-396195, Dist. Valsad, Gujarat

By order of the Board  
Sd/-  
**MONA PATEL**  
Company Secretary

Place: Mumbai  
Date: 26<sup>th</sup> May, 2010

### 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 Nos. 9 and 10 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 9th September, 2010 to 16th September, 2010 (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 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) **National Electronic Clearing Service (NECS) Facility:** The Company has been using the Electronic Clearing Services (ECS) of the Reserve Bank of India (RBI), at designated locations, for payments of dividend to shareholders holding shares in dematerialized form as well as payment of dividend to the shareholders holding shares in physical form, who chose to avail of the same.

As per RBI's notification, with effect from 1<sup>st</sup> October 2009, the remittance of money through ECS has been replaced by National Electronics Clearing Services (NECS). NECS operates on the new and unique bank account number allotted by banks post implementation of the Core Banking Solutions (CBS). Pursuant to implementation of CBS, your bank account number may have undergone a change, which is required to be communicated by you to your Depository Participant, incase you are holding shares in dematerialized form.
  - (iii) 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.
  - (iv) 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.



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

Particulars	Shri Vijay H. Patil	Smt. Hetal Gogri Gala	Shri Shantilal T. Shah
Date of birth and age	15.07.1937 (73 years)	10.07.1975 (35 years)	28.12.1938 (71 years)
Date of Appointment	29.01.1990	01.11.2001	25.04.1990
Qualifications	L.L.M.	B. E (Electronics) and MEP degree from IIMS Ahmedabad	B. Com
Experience and expertise in specific functional areas	He is an advocate Supreme Court and expert in taxation matters with 46 years experience in legal and taxation matters.	She is having a good experience in the Business Administration, Financial Management and Purchase.	He has 45 years of experience in marketing, finance and administrative function in chemical industry. Currently he is Non-executive Vice-Chairman of the Company.
Directorships held in other (excluding foreign) Companies	Lotus Properties Private Limited	Anushakti Chemicals & Drugs Limited Ganesh Polychem Limited Gogri And Sons Investments Pvt. Ltd. Alchemie Dye Chem Private Limited	Aarti Corporate Services Limited Crystal Millennium Realtors Private Limited Dhaval Realtors (India) Private Limited Aarti Ventures Limited
Memberships/Chairmanships of committees across public companies	<b>Audit Committee</b> Aarti Industries Limited - Member  <b>Remuneration Committee</b> Aarti Industries Limited - Member	<b>Finance Committee</b> Aarti Industries Limited - Member	<b>Shareholders Grievance Committee</b> Aarti Industries Limited - Member  <b>Share Transfer Committee</b> Aarti Industries Limited - Member  <b>Finance Committee</b> Aarti Industries Limited - Member
Number of shares held in the Company	7200	2393996	1729329

## Twenty Seventh Annual Report 2009-2010

Particulars	Shri Ramdas M. Gandhi	Shri Haresh K. Chheda
Date of birth and age	14.03.1933 (77 years)	15.07.1961 (49 Years)
Date of Appointment	29.01.1990	27.03.2003
Qualifications	L.L.M., Solicitor	B. Com and F.C.A.
Experience and expertise in specific functional areas	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.	He is a Chartered Accountant by profession and has over 18 years experience in the field. He is a senior partner of Ghalla & Bhansali, Chartered Accountants, Mumbai.
Directorships held in other (excluding foreign) Companies	Vinyl Chemicals (India) Limited Unichem Laboratories Limited Aarti Drugs Limited Pidilite Industries Limited	Ghalla and Bhansali Securities Private Limited Ghalla Bhansali Consultancy Private Limited Ghalla Bhansali Stock Brokers Private Limited
Memberships/Chairmanships of committees across public companies	<p><b><u>Audit Committee</u></b> Vinyl Chemicals (India) Limited - Chairman Unichem Laboratories Limited - Member Aarti Industries Limited - Chairman Aarti Drugs Limited - Chairman</p> <p><b><u>Shareholders Grievance Committee</u></b> Pidilite Industries Limited - Chairman Vinyl Chemicals (India) Limited - Member Unichem Laboratories Limited - Chairman</p> <p><b><u>Remuneration Committee</u></b> Vinyl Chemicals (India) Limited - Member Unichem Laboratories Limited - Member Aarti Industries Limited - Member Aarti Drugs Limited - Member</p>	<p><b><u>Audit Committee</u></b> Aarti Industries Limited - Member</p>
Number of shares held in the Company	18000	2000

Registered Office:  
Plot Nos. 801, 801/23,  
GIDC Estate, Phase III,  
Vapi-396195,  
Dist. Valsad, Gujarat

Place: Mumbai  
Date: 26<sup>th</sup> May, 2010

By order of the Board

Sd/-  
**MONA PATEL**  
Company Secretary



## Annexure to the Notice

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

#### Item No. 9

Shri Kirit R. Mehta has been the whole-time Director of the Company since 18th September, 2000. Based on the recommendation of the Remuneration Committee duly approved by the resolution passed at its meeting, the Board of Directors have reappointed Shri Kirit R. Mehta as the Whole-time Director of the Company with effect from 18th September, 2010, for a period of five years, on expiration of his previous term, subject to the approval of the Company in General Meeting upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him. The said agreement, inter-alia, contains the following material, terms and conditions:

1. **Period of Agreement:** 18.09.2010 to 17.09.2015
2. **Remuneration:**
  - (a) **Salary:**

Salary of Rs. 61,000/- per month with power to the Board to make annual increment subject to maximum Salary of Rs. 2,25,000/- per month.
  - (b) **Perquisites:**

In addition to salary the whole-time director shall be entitled to the following perquisites/allowances:  
House rent allowance, Reimbursement of medical expenses and medical insurance premiums for self and family; leave travel allowance, fees of clubs, telephone and internet facilities at residence and mobile phone facility, personal accident insurance; Bonus, ex-gratia incentives, assignment of key man or other insurance policies obtained by the Company and such other perquisites and special allowances as may be determined by the Board of Directors from time to time.
  - (c) Whole-time Director shall also be entitled to following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein:
    - (i) Contribution to Provident Fund, Contributions to superannuation fund or annuity fund as per the rules of the Company. These will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
    - (ii) Gratuity payable at rate not exceeding half a month's salary for each completed year of service and
    - (iii) Encashment of leave at the end of the tenure.
    - (iv) Provision of car for business of the Company and telephone at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone shall be billed by the Company.

Explanation: For the purpose of this agreement "family" means the spouse, the dependent children and dependent parents of the Whole-time Director.
  - (d) The perquisites and allowances together with the salary payable as aforesaid shall be restricted to and be subject to the applicable overall maximum ceiling limit set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time.
3. Where in any financial year during the currency of the tenure of the Whole-time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as aforesaid.
4. The Whole-time Director shall be entitled to annual privilege leave on full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
5. No sitting fee shall be payable to him for attending the Meetings of the Board of Directors or Committee thereof.
6. Notwithstanding anything to the contrary contained in the Agreement, either party shall be entitled to terminate the Agreement, at any time by giving to the other party 180 days notice in writing in that behalf without the necessity of

showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and the Whole-time Director shall cease to be the Whole-time Director of the Company. Provided that the aforesaid notice may be waived mutually.

7. The terms and conditions of the said appointment herein and/or Agreement may be altered and varied by the Board from time to time at their discretion as they may deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments made hereafter in that regard.
8. The other terms and conditions of the Agreement are such as are customarily contained in agreement of similar nature.
9. The said appointment / agreement including the remuneration payable to him is subject to the approval of the Company and all such sanctions as may be necessary and shall be given effect to as per the modification, if any, made / approved as aforesaid.

The above may be treated as an abstract of the Agreement to be entered into between the Company and Shri Kirit R. Mehta pursuant to section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Shri Kirit R. Mehta is open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of Annual General Meeting.

Your Directors recommend the resolution for your approval.

Shri Kirit R. Mehta is interested in the said resolution. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

### Item No. 10

Shri Parimal H. Desai has been the whole-time Director of the Company since 28th September, 1984. Based on the recommendation of the Remuneration Committee duly approved by the resolution passed at its meeting, the Board of Directors have reappointed Shri Parimal H. Desai as the Whole-time Director of the Company with effect from 10<sup>th</sup> February, 2011, for a period of five years, on expiration of his previous term, subject to the approval of the Company in General Meeting upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him. The said agreement, inter-alia, contains the following material, terms and conditions:

1. **Period of Agreement:** 10.02.2011 to 09.02.2016
2. **Remuneration:**
  - (a) **Salary:**

Salary of Rs. 1,21,000/- per month with power to the Board to make annual increment subject to maximum Salary of Rs. 2,25,000/- per month.
  - (b) **Commission:**

In addition to the salary as above, the Whole-time Director shall also be entitled to be paid share in aggregate commission calculated at the rate of 1% of net profit of the Company computed under section 349 of the Companies Act, 1956 payable to all Managing/Whole-time Directors of the Company. The share of such commission shall be determined by the Board of Directors of the Company. Such Commission shall be payable annually after the annual accounts are adopted by the shareholders.
  - (c) **Perquisites:**

In addition to salary and Commission, the whole-time director shall be entitled to the following perquisites/allowances: House rent allowance, Reimbursement of medical expenses and medical insurance premiums for self and family; leave travel allowance, fees of clubs, telephone and internet facilities at residence and mobile phone facility, personal accident insurance; Bonus, ex-gratia incentives, assignment of key man or other insurance policies obtained by the Company and such other perquisites and special allowances as may be determined by the Board of Directors from time to time.
  - (d) Whole-time Director shall also be entitled to following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein:



- (i) Contribution to Provident Fund, Contributions to superannuation fund or annuity fund as per the rules of the Company. These will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
  - (ii) Gratuity payable at rate not exceeding half a month's salary for each completed year of service and
  - (iii) Encashment of leave at the end of the tenure.
  - (iv) Provision of car for business of the Company and telephone at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone shall be billed by the Company.  
Explanation: For the purpose of this agreement "family" means the spouse, the dependent children and dependent parents of the Whole-time Director.
  - (e) The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and be subject to the applicable overall maximum ceiling limit set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time.
3. Where in any financial year during the currency of the tenure of the Whole-time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as aforesaid.
  4. The Whole-time Director shall be entitled to annual privilege leave on full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
  5. No sitting fee shall be payable to him for attending the Meetings of the Board of Directors or Committee thereof.
  6. Notwithstanding anything to the contrary contained in the Agreement, either party shall be entitled to terminate the Agreement, at any time by giving to the other party 180 days notice in writing in that behalf without the necessity of showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and the Whole-time Director shall cease to be the Whole-time Director of the Company. Provided that the aforesaid notice may be waived mutually.
  7. The terms and conditions of the said appointment herein and/or Agreement may be altered and varied by the Board from time to time at their discretion as they may deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments made hereafter in that regard.
  8. The other terms and conditions of the Agreement are such as are customarily contained in agreement of similar nature.
  9. The said appointment / agreement including the remuneration payable to him is subject to the approval of the Company and all such sanctions as may be necessary and shall be given effect to as per the modification, if any, made / approved as aforesaid.

The above may be treated as an abstract of the Agreement to be entered into between the Company and Shri Parimal H. Desai pursuant to section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Shri Parimal H. Desai is open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of Annual General Meeting.

Your Directors recommend the resolution for your approval.

Shri Parimal H. Desai is interested in the said resolution. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Registered Office:  
Plot Nos. 801, 801/23,  
GIDC Estate, Phase III,  
Vapi-396195,  
Dist. Valsad, Gujarat

Place: Mumbai  
Date: 26<sup>th</sup> May, 2010

By order of the Board

Sd/-  
**MONA PATEL**  
Company Secretary

### Directors' Report & Management Discussion & Analysis

TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

Your Directors are pleased to present this Twenty Seventh Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2010.

#### FINANCIAL RESULTS

	<u>2009 - 10</u>	<u>2008 - 09</u>
		(Rs. in Lakhs)
<b>Gross Sales and other Sales Income:</b>	<b>133775</b>	153575
<b>Less: Excise Duty</b>	<b>4837</b>	8877
<b>Net Sales</b>	<b>128938</b>	144698
Less : (Increase)/ Decrease in Stock	<b>(3285)</b>	423
Consumption of Raw Materials	<b>65297</b>	75950
Staff Cost	<b>3403</b>	3017
Other Expenditure	<b>43135</b>	41084
<b>Total Expenditure:</b>	<b>108550</b>	120474
Operating Profit Before Interest, Depreciation & Tax	<b>20388</b>	24224
Add: Other Income	<b>182</b>	229
Less: Non Operating Expenses	<b>177</b>	244
<b>Profit Before Interest, Depreciation &amp; Tax:</b>	<b>20393</b>	24209
Less: Interest	<b>5171</b>	8936
Depreciation	<b>4475</b>	3871
<b>Profit Before Tax:</b>	<b>10747</b>	11402
Less: Provision for Taxation - Current	<b>3146</b>	2401
Provision for Taxation - Deferred	<b>590</b>	554
<b>Profit After Tax:</b>	<b>7011</b>	8447
Add: Profit Brought Forward – Previous Year	<b>23825</b>	20911
Add: Prior Year's Adjustments	<b>(9)</b>	(114)
<b>Profit available for Appropriation:</b>	<b>30827</b>	29244
<b>Appropriations</b>		
Transfer to Debenture Redemption Reserve	<b>2000</b>	2000
Transfer to General Reserve	<b>710</b>	850
Interim Dividend	<b>1381</b>	1311
Proposed Dividend	<b>537</b>	884
Tax on Dividend	<b>326</b>	373
Balance carried to Balance Sheet	<b>25873</b>	23826
<b>Earning Per Share (Basic &amp; Diluted) (Rs.)</b>	<b>9.14</b>	11.46

#### DIVIDEND

Your Company had declared and paid Interim Dividend of Rs. 1.80 ps. (@ 36%) per share (of Rs. 5/- each). Your Directors are pleased to recommend Final Dividend of Rs. 0.70 ps. (@ 14%) per share (of Rs. 5/- each) for the year 2009-10. The total amount of Dividend pay-out for the year would be Rs. 19.18 Crores as compared to Rs. 21.95 Crores for the previous year.



## OPERATIONS

During the year under review, the Company had made Total Sales Income of Rs. 1337.75 Crores as against Rs. 1535.75 Crores, due to reduction in the average input costs in FY 09-10. While maintaining the growth momentum in quantity terms, the Company has made the Operating Profit Before Interest, Depreciation and Tax and Non-operating expenses of over Rs. 200 Crores for the second consecutive year i.e. Rs. 205.69 Crores as compared to Rs. 244.52 Crores for the previous year. Likewise the Profit Before Tax had again been over Rs. 100 Crores i.e. Rs. 107.47 Crores as compared to Rs. 114.01 Crores for the previous year. The Company posted Profit After Tax & Deferred Tax of Rs. 70.11 Crores as against Rs. 84.47 Crores for the previous year.

Similarly, the Company's consolidated Gross Income was at Rs. 1349.59 Crores as compared to Rs. 1550.02 Crores for the year 2008-09. The Consolidated Profit After Tax & Deferred Tax was at Rs. 68.49 Crores as against Rs. 87.07 Crores for the previous year. Consolidated EPS for the year 2009-10 was at Rs. 10.73 ps. as against Rs. 12.84 ps. for the year 2008-09. Further the share of profit from associates increased from Rs. 13.09 Crores to Rs. 13.97 Crores in FY 2009-10.

## EXPORTS

Due to the reduction in the input costs, the Exports for the Company had been Rs. 522.17 Crores as against Rs. 588.44 Crores in the previous year. The Company expects to increase the exports by introduction of newer products and volume growth in the existing products range.

## CHEMICAL INDUSTRY - STRUCTURE AND DEVELOPMENT

The Chemical Industry in last one year has gone through the stages of recovery & revival. While FMCG, and Pharma based products had a very marginal or no impact of recession, the textiles & dyes, pigments and polymers industries were the most affected by the slowdown. With the recovery in the global markets, the demand for the products with applications into Textiles, Automotives, Pigments, Paints, etc. is expected to grow significantly.

## OPPORTUNITIES, THREAT AND OUTLOOK

Over the last one year, the global economy has changed significantly. Number of global majors have faced financials problems. This in fact, has helped Asian companies to capture the demand gaps and increase their volumes in these segments. Further, with the companies now stabilizing and increasing their inventory norms from bare minimum to optimum levels, prospects of better monsoon resulting in growth in agrochemicals products and increase in the volumes in end user segments of Polymers, Pigments, Textiles, etc., shall provide good growth opportunities to the Company.

While the impact of global recession was comparatively lower in the Indian markets, our currency remained vulnerable to the changes in the global markets. Your Company has been closely monitoring these movements and has taken appropriate actions, from time to time, to hedge its currency risks.

During the year under review, Your Company has successfully commissioned and commercialized the indigenously developed facilities for manufacturing Nitro Toluenes and its various Derivatives developed at its In-house R&D centre. This has added a new stream of Basic & Speciality Products expanding Company's products range. The Toluene based chemicals will have applications into end-user industries such as Dyes, Pigments, Speciality Chemicals, Agrochemicals, etc., Further, more products are under development and will be commercialized in due course. While some of the products would serve as import substitutes, some have a good potential in International markets. Your Company would be pioneer to manufacture some of these products in India.

Your Company is also in the process of commissioning its upgraded Hydrogenation Technology facilities, which would be put to commercial use from 2<sup>nd</sup> quarter of 2010-2011. The upgraded technology would significantly increase the production capability of existing range of products and would also facilitate introduction of several new Specialty Chemicals.

With the merger of erstwhile Surfactant Specialities Ltd. into Aarti Industries Ltd. last year, your Company has added a stream of Surfactants, Personal Care and Oral care products sourced by the major FMCG companies in India. Your Company plans to increase its capacities and range of products to cater to the growing demand of the FMCG sector. With these rationales, your Company is in the process of setting up a new unit at Pithampur, Madhya Pradesh for manufacturing these products. The unit has certain strategic and logistical benefits which would help strengthen its share in the domestic markets.

Your Company has posted a growth of around 17% in its Pharmaceuticals Segment. During the year under review, the Company has also got approval from US Food & Drug Administration for its units at Tarapur and Vapi for new range of API products. The Company expect to increase its volumes to the Regulated markets such as North American & Europe markets and hence expects to break even in current financial year.

### SEGMENT-WISE PERFORMANCE

(Rs. in Lakhs)

Sr. No.	Particulars	Financial Year 2009 - 2010	Financial Year 2008 - 2009
(A)	<b>Primary Segments : Business Segments</b>		
	<b>Segment Revenue</b>		
	a) Basic Chemicals	25,440	36,089
	b) Specialty Chemicals	99,537	111,219
	c) Agro Chemicals	5,391	5,857
	d) Pharmaceuticals	11,792	10,025
	<b>Total</b>	<b>142,160</b>	163,190
	Less: Inter-segment Revenue	8,384	9,615
	<b>Net Sales / Incomes From Operations</b>	<b>133,776</b>	153,575
	<b>Segment Results</b>		
	(Profit) (+) Loss (-) Before Tax And Interest from each Segment		
	a) Basic Chemicals	5,682	7,468
	b) Specialty Chemicals	14,045	15,647
	c) Agro Chemicals	650	1,493
	d) Pharmaceuticals	(636)	(1,027)
	<b>Total (A)</b>	<b>19,741</b>	23,581
	Less: Interest	5,171	8,936
	Other Un-allocable Expenditure Net of Income	3,823	3,244
	<b>Total (B)</b>	<b>8994</b>	12,180
	<b>Total Profit Before Tax (A - B)</b>	<b>10,747</b>	11,401
(B)	<b>Secondary Segment : Geographical Segments</b>		
	a) India	84,784	95,359
	b) Out of India	48,991	58,216
	<b>Total</b>	<b>133,775</b>	153,575

### Segment 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 it is currently not practicable to provide segment disclosures relating to capital employed.



## RISKS AND CONCERNS

Fears of continuation of recession / double meltdown would impact the pace of growth world over. Your Company perceives risks or concerns common to industry such as regulatory risks, exchange risk, high raw-material cost and other commercial & business related risks.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has clearly laid down policies, guidelines and procedures that form part of internal control systems, which provide for automatic checks and balances. Your Company has maintained a proper and adequate system of internal controls. This is to ensure that all Assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorised, recorded and reported diligently. Your Company's internal control systems are commensurate with the nature and size of its business operations. The internal Auditors' Reports are regularly reviewed by the Audit Committee of the Board.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required u/s. 217(2AA) of the Companies Act, 1956 (the Act):

- (i) That in the preparation of the Annual Accounts for the Year ended 31st March, 2010, the applicable Accounting Standards had been followed along with proper explanation for material departures, if any;
- (ii) That the Directors had 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 of the profit of the Company for that year;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That Directors' have prepared the annual accounts on a going concern basis.

## SUBSIDIARY COMPANIES

On an application made by the Company under Section 212(8) of the Companies Act, 1956, the Central Government vide letter dated 27th April, 2010 exempted the Company from attaching a copy of the Balance Sheet and the Profit and Loss Account of its Subsidiary Companies and other documents required to be attached under Section 212(1) of the Act to the Annual Report of the Company. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the Subsidiary Companies is contained in the report. The Annual Accounts of the Subsidiary Companies are open for inspection by any Member/Investor and the Company will make available these documents/details upon request by any Member of the Company or to any Investor of its Subsidiary Companies who may be interested in obtaining the same. Further, the Annual Accounts of the Subsidiary Companies will also be kept for inspection by any Investor at its Registered Office of the Company and at the Head Offices of the Subsidiary Company concerned.

## CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in presenting Consolidated Financial Statements which form part of the Annual Report and Accounts.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Shri Vijay H. Patil, Smt. Hetal G. Gala, Shri Shantilal T. Shah, Shri Ramdas M. Gandhi and Shri Haresh K. Chheda retire by rotation and being eligible, offer themselves for re-appointment. A brief profile of the Directors proposed to be appointed/re-appointed is given in the notice of the ensuing Annual General Meeting.

### CORPORATE GOVERNANCE

Your Company has complied with the mandatory Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement. Report on Corporate Governance is annexed hereto forming part of this report.

### DISCLOSURE OF PARTICULARS

Information as per the requirements of Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of 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 annexed hereto forming part of this Report.

### ENVIRONMENTAL, SAFETY AND HEALTH

Your Company is committed to ensure sound Safety, Health and Environmental (SHE) performance related to its activities, products and services. The Company is taking continuous steps and also developing environment friendly processes for effective resource management with specific focus to energy, water and basic raw materials. Monitoring and periodic review of the designed SHE Management System is done on a continuous basis. The Company is committed to strengthen pollution prevention and waste abatement practices and strives to provide a safe and healthy environment.

### CORPORATE SOCIAL RESPONSIBILITY

As contribution towards community development to fulfill the Company's obligations towards the society, Company organizes many activities on regular basis including Blood Donation Camps, Health checkup camps, etc. The Company has been donating to several Hospitals, educational institutions, trusts, and contribution for area beautifications. The Company also contributes for relief measures in times of natural calamities. In parlance to the objective of providing basic primary and secondary education in the surrounding areas, your company actively contributes for the upgradation & infrastructure development of the schools.

### PERSONNEL

As required by the Provision of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended up-to-date, the names and the other particulars of the Employees are set out in the Annexure to the Directors' Report. However, as per the Provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Reports and Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

### AUDITORS

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.

### COST AUDITORS

The Report of Ms. Ketki Visariya, Cost Accountant, in respect of Audit of the Cost Accounts of the Company will be submitted to the Central Government in due course. She has been re-appointed as the Cost Auditor of the Company subject to approval of the Government of India to conduct Cost Audit of prescribed Chemicals manufactured by the Company for the year 2010-11.

### INDUSTRIAL RELATIONS & HUMAN RESOURCES

The Company enjoys co-ordial relations with its employees at all levels. Your Company has continued to ensure safety and health of its employees. Your Directors record their appreciation of the support and co-operation of all employees and counts on them to maintain Company's growth momentum.



## ACKNOWLEDGEMENT

The Board of Directors places on record its sincere appreciation for the dedicated services rendered by the employees of the Company at all levels and the constructive co-operation extended by the staff. Your Directors would like to express their grateful appreciation for the assistance and support by all Government Authorities, Auditors, financial institutions, banks, suppliers, other business associates and last but not the least the Shareholders.

For and on behalf of the Board

Sd/-

**CHANDRAKANT V. GOGRI**

Chairman

Place: Mumbai

Dated: 26th May, 2010

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## CAUTIONARY STATEMENT

Statement in the Annual Report 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.

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## Annexure to Directors' 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
- Wherever possible Variable Frequency Drives are installed to reduce the power consumption.
  - Energy audit is conducted and recommendations are implemented.
  - Flash steam utilization has been done wherever possible.
  - Improved design steam traps were selected to reduce the steam consumption and utilize the flash steam.
- b) Additional Investments & Proposals, if any, being implemented for Reduction of Consumption of Energy:
- Implementation of Clean Development Mechanism Project, which will lead to higher recovery of Heat and thus, result in reduction of emission of green House gases.
  - The Company in the process of commissioning an captive and co-generation 2MW Power plant. The Company plans to super heat the steam which shall be used for generating power and shall later-on be re-routed for utilization in its manufacturing processes. The Company expects a significant savings in the consumption of natural resources/fuel by adoption of this process.
- c) The adoption of energy conservation measures indicated above result in savings in the cost of production.
- d) Total energy consumption and energy consumption per unit of Production:

#### I. POWER AND FUEL CONSUMPTION

Particulars	2009-10	2008-09
<b>1. Electricity</b>		
a) Purchased Units (KWH)	63,304,924	58,647,294
Total Amount (Rs.)	360,467,741	331,463,962
Cost/Unit (Rs.)	5.69	5.65
b) Own Generation through:		
(i) Diesel Generator Units (KWH)	3,455,334	4,301,433
Total Amount (Rs.)	37,100,296	47,426,554
Cost/Unit (Rs.)	10.74	11.03
(ii) Through Steam Turbine /Generator	25,024,200	16,974,200
Total Amount (Rs.)	75,130,393	47,985,464
Cost /Unit (Rs.)	3.00	2.83
<b>2. Coal/Lignite</b>		
Quantity (Kgs.)	159,477,179	144,862,394
Total Amount (Rs.)	424,135,265	415,384,731
Average rate (Rs.)	2.66	2.87
<b>3. Furnace Oil/L.D.O.</b>		
Quantity (Ltrs.)	4,893,202	4,833,089
Total Amount (Rs.)	125,424,555	153,815,479
Average Rate (Rs.) (per. Ltr.)	25.63	31.83
<b>4. Natural Gas</b>		
Quantity (SCM)	2,174,808	1,445,221
Total Amount (Rs.)	28,012,228	15,759,257
Average Rate (Rs.) (Per SCM)	12.88	10.90



## II. CONSUMPTION PER UNIT OF PRODUCTION

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

### 2. RESEARCH AND DEVELOPMENT (R&D)

- a) Specific areas in which R&D carried out by the Company.

The R&D activities of the Company are carried out in the areas of bulk drugs, APIs, speciality chemicals and intermediate chemicals.

- b) Benefits derived as result of the above R&D:

The Company's R&D Centers at Vapi are showing satisfactory progress in their activities of development of new products and improvements in existing product efficiencies. The Company has been successfully commissioning manufacturing facilities based on the new developments in R&D. During the year, a wide range of indigenously developed products has been introduced and put into commercial use.

- c) Future Plan of Action:

The Company will continue with its activities in the field of R&D of development of new products and improvements in existing product efficiencies.

- d) The Company has incurred the following expenditure in Research and Development:

In the areas of new products and improvement in existing product efficiencies.

Expenditure on R & D	(Rs. in Lakhs)
(a) Capital	235.16
(b) Revenue	265.49
(c) Total	<u>500.65</u>
(d) Total R&D Expenditure as a percentage of total turnover	0.37%

### 3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a) Efforts, in brief, made towards technology absorption, adaptation and innovation:

- Forward Integration for downstream products and expansion also with in house technology.
- Continuous endeavour to improve product quality and process yields.

- b) Benefits derived as a result of above efforts:

- Lower project costs for expansion
- Value addition
- Exports of higher value-added products resulting in increased foreign exchange earning.

- c) Information regarding technology imported during the last 5 years: NIL

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

	<u>Current Year</u>	<u>Previous year</u>
Export Sales (FOB)	48,991	55,569
<b>Total Foreign Exchange earned</b>	<u>48,991</u>	<u>55,569</u>
CIF value of Imports:		
Raw Material	15,630	20,010
Stores & Spares	53	51
Capital Goods	1,233	582
Fuel	608	269
Commission on Export Sales	216	261
Import of goods for resale	3,601	1,859
Expenses in foreign currency	691	348
<b>Total Foreign Exchange used</b>	<u>22,032</u>	<u>23,380</u>

(Rs. in Lakhs)

For and on behalf of the Board

Sd/-

**CHANDRAKANT V. GOGRI**  
Chairman

Place: Mumbai  
Dated: 26th May, 2010



## 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 the Corporate Governance compliance is furnished below:

### (I) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Your Company is committed to the adoption and adherence to Corporate Governance Practices, which shall ensure that all the concerned parties associated with the Company obtain requisite information which would help them to make informed decision. Such Corporate Governance Practices help enhancement of long-term shareholder value and interest of other Stakeholder.

The Board fully appreciates the need of increased awareness for responsibility, transparency and professionalism and focus for effective control and management of the Organization. The Company has adequate number of Independent Directors and also has formed various committees for overview of the organization.

### (II) MANDATORY REQUIREMENTS:

#### (1) BOARD OF DIRECTORS

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

**Aarti Industries Limited** (AIL) Board presently consists of 16 Directors out of which 10 (Ten) are Non-Executive (including the Chairman who is Non-Executive) and 8 (Eight) 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		
Chandrakant V. Gogri	Chairman Non-Executive	3	2	1	7	Yes
Rajendra V. Gogri	Vice-Chairman and M.D.	5	None	2	7	Yes
Shantilal T. Shah	Vice-Chairman Non-Executive	2	None	1	5	No
Parimal H. Desai	Executive	1	1	1	6	Yes
Manoj M. Chheda	Executive	None	None	2	7	Yes
Rashesh C. Gogri	Executive	3	None	None	5	No
Hetal G. Gala	Executive	2	None	None	5	No
Kirit R. Mehta	Executive	2	1	1	4	Yes
Ramdas M. Gandhi	Independent	4	5	2	7	Yes
Laxmichand K. Jain	Independent	None	None	1	7	Yes
Vijay H. Patil	Independent	None	None	1	1	No
Haresh K. Chheda	Independent	None	None	1	7	Yes
P. A. Sethi	Independent	3	None	1	7	Yes
K.V.S. Shyam Sunder	Independent	2	1	2	6	Yes
Bhaves R. Vora	Independent	1	1 (Alternate Chairman)	2	6	Yes
Sunil M. Dedhia	Independent	2	None	1	5	Yes

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

\*\* Includes Audit Committee and the Shareholders'/ Investors' Grievance Committee only.

**(b) Board Meetings:**

During the Year 2009-10, total Seven Board Meetings were held on 28.05.2009, 30.07.2009, 12.09.2009, 12.10.2009, 30.10.2009, 20.12.2009 and 29.01.2010.

**(c) Code of Conduct**

Aarti Industries 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. 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, 2010. 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 Agreement 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 2009-10, Seven Audit Committee Meetings were held on 28.05.2009, 27.06.2009, 23.07.2009, 30.07.2009, 12.09.2009, 30.10.2009 and 29.01.2010.

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	Independent, Chairman	Solicitor	7
Shri Rajendra V. Gogri	Vice-Chairman & Managing Director, Executive	Industrialist	6
Shri Parimal H. Desai	Executive	Industrialist	7
Shri Laxmichand K. Jain	Independent	Environmental Consultant	7
Shri Hareesh K. Chheda	Independent	Chartered Accountant	7
Shri Vijay H. Patil	Independent	Advocate	1
Shri P. A. Sethi	Independent	Banker	7
Shri K.V. S. Shyam Sunder	Independent	Chartered Accountant	7
Shri Bhavesh R. Vora	Independent	Chartered Accountant	6
Shri Manoj M. Chheda	Executive	Industrialist	7

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 2009-10, Four Shareholders Grievance Committee Meetings were held on 13.06.2009, 14.09.2009, 14.12.2009 and 18.03.2010.

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

<b>Name of Director</b>	<b>Category</b>	<b>No. of meetings attended</b>
Shri Chandrakant V. Gogri	Chairman, Non-Executive	4
Shri Shantilal T. Shah	Vice-Chairman, Non-Executive	3
Shri Manoj M. Chheda	Executive	3
Shri Kirit R. Mehta	Executive	4

**(c) Shareholders' complaints**

During the year, 59 complaints were received. All the complaints were resolved to the satisfaction of the Shareholders. No request for Share Transfer or Dematerialization was pending for approval as on 31<sup>st</sup> March, 2010.

**(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 such Subsidiary Company. The Audit Committee reviews, the financial statements, particularly the investments made by the Company's non-listed Subsidiary Companies. The minutes of all the Subsidiaries 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 Companies.

**(4) DISCLOSURES**

- (a) The Code of Conduct for the Directors and the senior management of the Company have been laid down by the Board. The Code has been posted on the website of the Company.
- (b) 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.
- (c) 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 'P' - Notes to Accounts to the Annual Accounts in the Annual Report.
- (d) Directors periodically review and assess risks and measures to minimize the risks.
- (e) All mandatory Accounting Standards have been followed in preparation of financial statements and no deviation has been made in following the same.

**(5) CONVERSION OF WARRANTS INTO EQUITY SHARES**

The Board of directors in their Meeting held on 20<sup>th</sup> December, 2009 allotted 30,25,000 equity shares of Rs. 5/- each at a premium of Rs. 30.65 ps. per share against convertible warrants upon exercise of right of conversion by respective Warrant Holders.

**(6) 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 Rs. 5000/- 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, 2010 are as under:

(Amount in Rupees)

Name of Director	Relationship with other Director(s)	Category	Salary and other Perquisites	Commission	Sitting Fees	Total Remuneration
Shri Chandrakant V. Gogri	Brother of Shri R. V. Gogri and Father of Shri R. C. Gogri and Smt. Hetal G. Gala	Non-Executive Chairman, Promoter	-	-	163000	163000
Shri Rajendra V. Gogri	Brother of Shri C. V. Gogri	Vice-Chairman & M.D., Promoter	2165600	3734400	-	5900000
Shri Ramdas M. Gandhi	-	Non-Executive, Independent	-	-	79000	79000
Shri Shantilal T. Shah	-	Vice-Chairman Non-Executive, Promoter	-	-	117000	117000
Shri Parimal H. Desai	-	Executive Director, Promoter	1816800	1167000	-	2983800
Shri Laxmichand K. Jain	-	Non-Executive, Independent	-	-	74000	74000
Shri Haresh K. Chheda	-	Non-Executive, Independent	-	-	70000	70000
Shri Vijay H. Patil	-	Non-Executive, Independent	-	-	10000	10000
Shri Manoj M. Chheda	-	Executive Director	1816800	1167000	-	2983800
Shri Rashesh C. Gogri	Son of Shri C. V. Gogri, and brother of Smt. Hetal G. Gala	Executive Director, Promoter	1816800	2800800	-	4617600
Smt. Hetal G. Gala	Daughter of Shri C. V. Gogri, and Sister of Shri R. C. Gogri	Executive Director, Promoter	1816800	2800800	-	4617600
Shri Kirit R. Mehta	-	Executive Director	876000	-	-	876000
Shri P. A. Sethi	-	Non-Executive, Independent	-	-	75000	75000
Shri K.V.S. Shyam Sunder	-	Non-Executive, Independent	-	-	70000	70000
Shri Bhavesh R. Vora	-	Non-Executive, Independent	-	-	60000	60000
Shri Sunil M. Dedhia	-	Non-Executive, Independent	-	-	25000	25000

**Notes:**

- Commission & Bonus are for the financial year 2008-09 paid in 2009-10.
- The above figures do not include contribution to Group Gratuity Fund, Group Mediclaim & Group Personal Accident, as separate figures are not available for the Directors.
- All Executive Directors are appointed under 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, 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.
- The above figures do not include contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income-Tax law.

**Shares held by Non-Executive Directors in the Company as on 31st March, 2010**

Name	Number of shares held	% of total shareholding
Shri Chandrakant V. Gogri	1728668	2.25
Shri Ramdas M. Gandhi	18000	0.02
Shri Shantilal T. Shah	1729329	2.25
Shri Laxmichand K. Jain	13350	0.02
Shri Haresh K. Chheda	2000	0.01
Shri Vijay H. Patil	7200	0.01
Shri P. A. Sethi	Nil	Nil
Shri K.V.S. Shyam Sunder	Nil	Nil
Shri Bhavesh R. Vora	Nil	Nil
Shri Sunil M. Dedhia	Nil	Nil

**(7) GENERAL BODY MEETINGS**

Details of last three Annual General Meetings are as under:

Year	Day, Date & Time	Venue	Special Resolutions passed for
2007	Monday, 24.09.2007, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat 396195	—
2008	Saturday, 19.07.2008, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat 396195	Issuing Preferential Convertible Warrants to Promoter / Promoter Group Companies and other persons.
2009	Monday, 12.10.2009, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat 396195	—

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

**(8) MEANS OF COMMUNICATION**

The Quarterly results were published in following Newspapers:

Financial Results for the quarter ended	Newspapers
30.06.2009	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.
30.09.2009	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.
31.12.2009	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.
31.03.2010	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.

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.corpfilings.in](http://www.corpfilings.in), in addition to the filing of the same with the Stock Exchanges.

**(9) GENERAL SHAREHOLDERS INFORMATION**

**(a) The day, date, time & venue of the 27<sup>th</sup> Annual General Meeting:**

Day	Date	Time	Venue
Thursday	16th September, 2010	11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi-396195, Dist. Valsad, Gujarat

**(b) Financial Calendar:**

Financial Year	1 <sup>st</sup> April to 31 <sup>st</sup> March
<b>Adoption of Quarterly Results for the quarter ending :</b>	
June, 2009	4th/5th week of July, 2009
September, 2009	4th/5th week of October, 2009
December, 2009	4th/5th week of January, 2010
March, 2010	4th/5th week of May, 2010
<b>Dates of Book Closure (Both days inclusive)</b>	9th September, 2010 to 16th September, 2010

**(c) Listing on Stock Exchanges:**

Stock Exchange	Stock Code/Symbol
National Stock Exchange of India Limited	AARTIIND
Bombay Stock Exchange Limited	524208

**(d) Liquidity of Shares:**

The Shares of the Company are traded under 'B' 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 2009-2010.

**(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-769A01020**. As on 31<sup>st</sup> March, 2010, **65766542** Equity Shares representing **85.72%** 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: 022-67720300/022-67720400  
 Fax No.: 022-28591568

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



**(h) Compliance Officer**

**Smt. Mona Patel, 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 opened a specific Investor Grievance e-mail ID- [investorrelations@aartigroup.com](mailto:investorrelations@aartigroup.com).

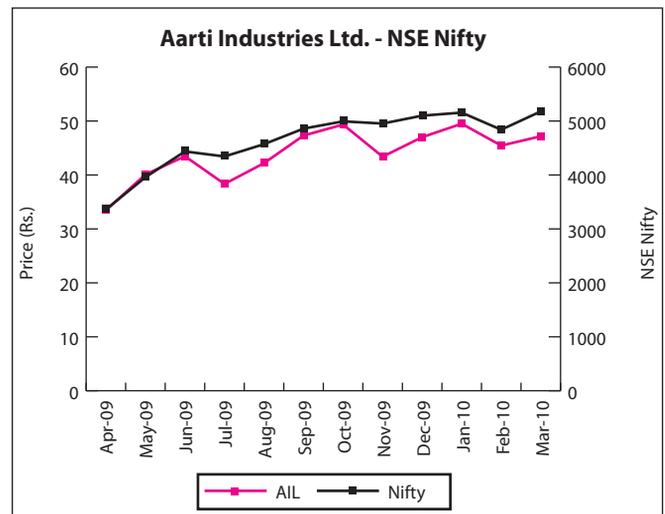
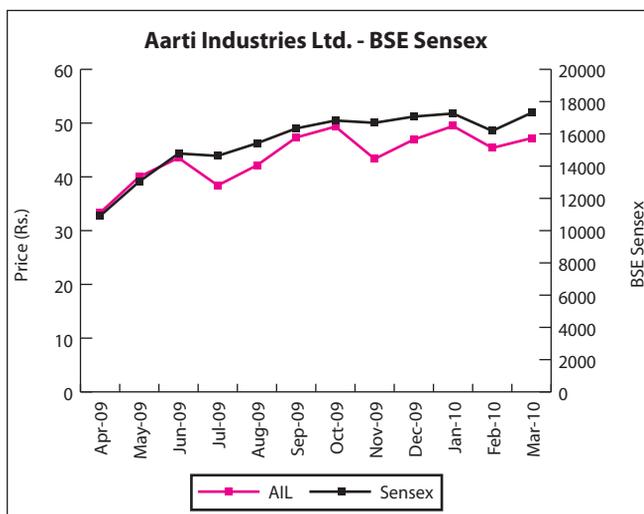
**(i) Share Transfer System**

Share Transfer Committee comprising of Shri C.V. Gogri, Shri R.V. Gogri, Shri S.T. Shah and Shri R.C. Gogri meets every fortnightly for approval of the transfer, dematerialization etc.

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

**(10) MARKET PRICE DATA**

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April 2009	41.15	27.95	2208860	41.40	27.55	1336249
May 2009	48.85	34.10	1936784	47.50	35.15	1549217
June 2009	52.10	38.20	3435888	52.25	38.55	3495091
July 2009	42.50	34.10	578259	42.45	34.20	635223
August 2009	46.60	38.60	2872485	46.70	38.60	3792898
September 2009	56.80	40.70	6241723	56.85	42.00	8616451
October 2009	55.70	42.60	1631196	55.50	42.70	2060378
November 2009	47.95	40.00	1322389	47.80	39.30	1682844
December 2009	52.50	42.15	2460645	52.70	42.65	3775444
January 2010	53.80	45.25	2001342	53.90	45.65	2972670
February 2010	50.95	43.40	630698	50.75	43.00	968956
March 2010	52.65	44.10	1950607	52.80	44.25	3493850



**(11) SHAREHOLDING PATTERN AS ON 31<sup>st</sup> March, 2010**

Category	No. of Shares	%
Promoters – Indian	38298063	49.92
Bodies Corporate	1852938	2.41
Banks, Financial Institutions	5000	0.01
Mutual Funds	6421432	8.37
FII/NRI/OCB	671806	0.88
Public	29470834	38.41
<b>TOTAL</b>	<b>76720073</b>	<b>100.00</b>

**Distribution of Shareholding as on 31<sup>st</sup> March, 2010**

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less than 1000	18479	81.657	5420421	7.065
1001-2000	2643	11.679	3571492	4.655
2001-4000	653	2.886	1901560	2.479
4001-6000	279	1.233	1416456	1.846
6001-8000	109	0.482	769224	1.003
8001-10000	86	0.380	808469	1.054
10001-20000	140	0.619	1988600	2.592
Above 20001	241	1.065	60843851	79.306
<b>TOTAL</b>	<b>22630</b>	<b>100.000</b>	<b>76720073</b>	<b>100.000</b>

**(12) REGISTERED OFFICE:** Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.

**(13) PLANT LOCATIONS:**

- Plot Nos. 801, 801/23, 802, 803/1-2-3, GIDC Estate, Phase III, Vapi– 396 195 Dist. Valsad, Gujarat,
- Plot No. 902, GIDC Estate, Phase II, Vapi – 396 195, Dist. Valsad, Gujarat,
- Plot Nos. 752-753-754 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat,
- Plot Nos. 758/1, 758/2, Jhagadia Mega Estate, Village Kapalsadi, Tal. Jhagadia, Dist. Bharuch - Gujarat,
- Plot No. K-18, MIDC, Tarapur, Dist. Thane, Maharashtra,
- Plot No. E50, MIDC, Tarapur, Dist. Thane, Maharashtra,
- Plot Nos. 62, 63 & 64, Sagore, Pithampur Industrial Area, Sector-3, Pithampur, Dist. Dhar, Madhya Pradesh.

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

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Managing Director (CEO) and Whole-time Director (CFO) was placed at the meeting of the Board of Directors held on 26<sup>th</sup> May, 2010.



**(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 2009-10, meeting of the Remuneration committee was held on 12.08.2009.

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 Rajendra V. Gogri	Executive	1
Shri Ramdas M. Gandhi	Independent	1
Shri Laxmichand K. Jain	Independent	1
Shri Vijay H. Patil	Independent	0

For and on behalf of the Board

Sd/-

**CHANDRAKANT V. GOGRI**  
Chairman

Place: Mumbai  
Date : 26<sup>th</sup> May, 2010

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**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

Sd/-

**RAJENDRA V. GOGRI**  
Vice-Chairman & Managing Director

Place: Mumbai  
Date: 26<sup>th</sup> May, 2010

## Auditors' Certificate on Corporate Governance

### CERTIFICATE

To the Members of  
Aarti Industries Ltd.  
Mumbai

We have examined the compliance of conditions of corporate governance by Aarti Industries Ltd., for the year ended on 31st March, 2010, 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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing 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  
Firm Registration Number:- 107547W

Sd/-  
**(YATIN R. VYAVAHARKAR)**  
PARTNER  
M. No. 33915

Place: Mumbai,  
Date: 26<sup>th</sup> May, 2010



## Auditor's Report

### TO THE MEMBERS OF AARTI INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of **AARTI INDUSTRIES LIMITED**, as at 31st March, 2010 and also the Profit and Loss Account 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 statement. 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 subsection (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, the Company has kept proper books of account as required by law so far as appears from our examination of those book;
  - (iii) The Balance Sheet and Profit and Loss Account 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is prima-facie disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give 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, 2010; and
    - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date;
    - (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  
Firm Registration Number:- 107547W

Sd/-  
**(YATIN R. VYAVAHARKAR)**  
PARTNER  
M. No. 33915

Place: Mumbai,  
Date: 26th May, 2010

### Annexure to The Auditors' Report

**(This is the Annexure referred to in our Report to the Members of AARTI INDUSTRIES LTD. of even date)**

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These 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. Substantial part of fixed assets have not been disposed of during the year, which will affect its status as a going concern.
- (ii) The stock of inventory has been physically verified during the year by the Management at reasonable intervals, except stock lying with third parties, confirmation of such stocks with third parties have been obtained by the Company. 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. 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 the books of account.
- (iii)
  - (a) The Company has granted loans, secured or unsecured to two Companies, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 119.30 Lakhs and the year-end balance of the loans given was NIL.
  - (b) In our opinion, the rate of interest and other terms and conditions on which the loans have been given to the companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
  - (c) The Company has received the principal amount and interest as stipulated.
  - (d) There were no overdue amounts of principal or interest.
  - (e) The Company has taken loans from three Companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 700.44 Lakhs and the year-end balance of the loans taken was Rs. 257.87 Lakhs.
  - (f) In our opinion, the rate of interest and other terms and conditions on which the loans have been given by or taken from the companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
  - (g) The Company is regular in repaying the principal amount as stipulated and has been regular in the payment of the interest.
- (iv) In our opinion, there are adequate internal control procedures 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. In our opinion, there is no continuing failure to correct major weaknesses in internal control.
- (v) In case of transactions exceeding the value of the five lakhs rupees in the financial year in respect of any party – (a) The transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered. (b) In our opinion, each of these transactions 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 of the Act and the rules framed there under, where applicable, have been complied with. National Company Law Tribunal has not passed any order in respect of public deposits accepted by the Company.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company has maintained cost records as required under Section 209(1)(d) of the Companies Act, 1956. We have not, however, carried out a detailed examination of such records.



(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, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.

(b) The following statutory dues have not been deposited on account of dispute:

Sr. No.	Nature of Disputed Statutory Dues	Amount in Rs.	Forum where the dispute is Pending
<b>A.</b>	<b>Income Tax Dues</b>		
1.	A.Y. 2002-03	3,77,39,778	Asst. CIT 10(3), Mumbai
2.	A.Y. 2005-06	2,41,87,626	Asst. CIT 10(3), Mumbai
3.	A.Y. 2006-07	3,60,18,634	Asst. CIT 10(3), Mumbai
	<b>TOTAL</b>	<b>9,79,46,038</b>	
<b>B.</b>	<b>TDS Dues</b>		
1.	A.Y. 2007-08	10,46,533	ITO (TDS), Valsad
2.	A.Y. 2008-09	12,14,791	ITO (TDS), Valsad
3.	A.Y. 2009-10	23,82,142	ITO (TDS), Valsad
4.	A.Y. 2010-11	10,43,234	ITO (TDS), Valsad
	<b>TOTAL</b>	<b>56,86,700</b>	
<b>C.</b>	<b>Central Excise Dues</b>		
1.	RKS/250/DAMAN/2003/105/2005	1,72,066	Appeal Filed by Commissioner in High Court, Mumbai
2.	V/CH28.29/3.43/DEM/2002	14,94,708	Appeal Filed with CESTAT 5,00,000/- as pre-Deposit.
3.	V/CH28/15.5/OA/06 dated 05.09.06	15,22,006	Appeal Filed by Commissioner Appeal, Vapi
4.	11/DEM/VAPI/2007	15,00,831	Appeal Filed with CESTAT
5.	O-IO No. 20/OA/Adj./BA-Addl/2009	70,75,566	Appeal Filed by Comm. C. Ex.
6.	F.No.-V/Adj/SCN/15-29/Alchemie—1/07/2915 (13.06.2007)	42,04,897	Appeal Filed with Commissioner, Mumbai
7.	C.Ex/R-III/K-III/Alchemie/SCN/07 (13.06.2007)	1,03,247	Appeal Filed with Commissioner, Mumbai
8.	Order Sr. No. 42/DIVANK-II/ST/2008-09 Dated 02.01.09	4,41,332	Appeal filed with Commissioner, Surat
9.	V-Adj (SCN) 15-151/Aarti/BSR-1/7/1078 Boisar Dt. 23/3/09	7,06,244	Appeal Filed with Commissioner, Mumbai
10.	V (Ch-29) 3-28/dem/06-07 dated 14.12.06	66,55,190	Appeal filed with CESTAT 5,00,000/- as pre-Deposit.
11.	AKP/108/DIVN VAPI-I/DAMAN/09-10 Dt. 20.11.09	72,43,084	Appeal filed with CESTAT
	<b>TOTAL</b>	<b>3,11,19,171</b>	
<b>D.</b>	<b>Sales Tax Dues</b>		
1.	F.Y. 2005-06 – CST Gujarat-Vapi	23,58,602	Jt. Comm. Of Commercial Tax 2, Baroda
2.	F.Y. 2004-05 – CST Gujarat-Vapi	3,00,25,000	Jt. Comm. Of Commercial Tax 8, Thane
	<b>TOTAL</b>	<b>3,23,83,602</b>	
	<b>TOTAL(A+B+C+D)</b>	<b>16,71,35,511</b>	

- (x) The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the financial year immediately proceeding such 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 or other securities.
- (xiii) The Company has not given guarantee for loans taken by others from banks or financial institutions and in our opinion, the terms and conditions of such guarantee are not, prima facie, prejudicial to the interests of the Company.
- (xiv) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiv) are not applicable to the Company.
- (xv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xv) of the Order are not applicable to the Company.
- (xvi) Term loans availed by the company were, prima facie, applied for the purposes for which the loans were obtained.
- (xvii) On an overall basis, the funds raised on short-term basis have, prima facie, not been used for long term investment.
- (xviii) The company has made preferential allotment of shares, on conversion of convertible warrants to parties and companies covered in the Register, maintained under section 301 of the Companies Act, 1956, during the year. The prices at which shares have been issued is as per the letter of offer made to them at the time of issuance of warrants and are not in our opinion prejudicial to the interests of the Company.
- (xix) The Company has created charge by way of hypothecation on movable fixed assets and on the leasehold immovable properties of the Company for privately placed 1,000 Non-Convertible Debentures of Rs 10,00,000/- each aggregating to Rs. 100 Crores.
- (xx) In relation to the allotment of shares mentioned in clause (xviii), the Company has raised money on conversion of convertible share warrants during the year and we have verified the end use of the funds raised during the year with the necessary documents and in our opinion the Company has made adequate disclosure regarding the same.
- (xxi) During the audit 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  
Firm Registration Number:- 107547W

Sd/-  
**(YATIN R. VYAVAHARKAR)**  
PARTNER  
M. No. 33915

Place: Mumbai,  
Date: 26th May, 2010

**Balance Sheet as at 31st March, 2010**

(Rs. in Lakhs)			
Particulars	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS:</b>			
Share Capital	A	3,836.00	3,640.47
Share Capital pending allotment upon Amalgamation	A-1	NIL	44.28
Equity Share Warrants (Note: 3)	B	NIL	107.84
Reserves and Surplus	C	36,030.39	30,345.01
		<b>39,866.39</b>	<b>34,137.60</b>
<b>LOAN FUNDS:</b>			
Secured Loans	D	40,100.53	43,440.48
Unsecured Loans	E	3,547.83	4,816.93
		<b>43,648.36</b>	<b>48,257.41</b>
<b>DEFERRED TAX LIABILITY (Note: 5)</b>		<b>5,110.73</b>	<b>4,520.73</b>
<b>TOTAL</b>		<b>88,625.48</b>	<b>86,915.74</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	F	68,172.04	62,206.76
Less : Depreciation		30,005.56	25,530.65
Net Block		<b>38,166.48</b>	<b>36,676.11</b>
Capital Work - in - Progress		<b>914.50</b>	<b>854.76</b>
<b>INVESTMENTS</b>	G	<b>1,525.12</b>	<b>1,527.80</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>			
(1) Inventories	H	26,353.75	20,094.18
(2) Sundry Debtors		25,645.53	26,657.27
(3) Cash and Bank Balances		1,141.01	602.41
(4) Loans and Advances		22,216.90	17,629.84
		<b>75,357.19</b>	<b>64,983.70</b>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS:</b>			
(1) Liabilities	I	14,841.18	7,481.53
(2) Provisions		12,516.98	9,691.12
		<b>27,358.16</b>	<b>17,172.65</b>
<b>NET WORKING CAPITAL</b>		<b>47,999.03</b>	<b>47,811.05</b>
<b>MISCELLANEOUS EXPENDITURE:</b>			
(To the extent not written off or adjusted)			
Pre-operative Expenses		12.45	27.62
Deferred Revenue Expenditure		7.90	18.40
<b>TOTAL</b>		<b>88,625.48</b>	<b>86,915.74</b>
<b>NOTES TO ACCOUNTS</b>			
	P		

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
YATIN R. VYAVAHARKAR  
PARTNER

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 26th May, 2010

Sd/-  
MONA PATEL  
COMPANY SECRETARY

Profit and Loss Account for the year ended 31st March, 2010

(Rs. in Lakhs)			
Particulars	Schedule	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
<b>INCOME:</b>			
Gross Sales and Other Sales Income (Note: 9)		133,774.69	153,574.83
Less: Excise Duty		4,836.83	8,877.00
Net Sales and Other Sales Income		128,937.86	144,697.83
Other Income	J	181.50	229.22
Increase/(Decrease) in Inventory		3,285.25	(423.15)
<b>TOTAL</b>		<b>132,404.61</b>	<b>144,503.90</b>
<b>EXPENDITURE:</b>			
Manufacturing Expenses	K	92,158.91	101,541.40
Purchase of Goods Traded In		11,397.42	9,222.63
Office and Administration Expenses	L	1,493.92	1,368.92
Selling and Distribution Expenses	M	6,784.79	7,918.54
Interest and Financial Charges	N	5,171.31	8,936.32
Non-Operating Expenses and Losses	O	176.49	243.90
<b>TOTAL</b>		<b>117,182.84</b>	<b>129,231.71</b>
Profit Before Depreciation		15,221.77	15,272.19
Less: Depreciation		4,474.91	3,871.07
<b>Profit Before Tax</b>		<b>10,746.86</b>	<b>11,401.12</b>
Less: Provision For Taxation		3,146.11	2,366.00
Less: Provision For Fringe Benefit Tax		NIL	35.15
<b>Profit After Tax</b>		<b>7,600.75</b>	<b>8,999.97</b>
Less: Provision for Deferred Tax		590.00	553.65
<b>Profit After Deferred Tax</b>		<b>7,010.75</b>	<b>8,446.32</b>
<b>Add:</b> Balance of Profit and Loss Account Brought Forward		<b>23,825.34</b>	<b>20,910.79</b>
Less: Prior Years' Adjustment for others (Note: 14)		8.57	113.84
		<b>30,827.52</b>	<b>29,243.27</b>
Less: Transfer to Debenture Redemption Reserve		2,000.00	2,000.00
Less: Transfer to General Reserve		710.00	850.00
		<b>28,117.52</b>	<b>26,393.27</b>
Less: Dividend (1st Interim)		1,380.96	1,310.57
Less: Proposed Dividend (Final)		537.04	884.34
Less: Tax on Dividend		325.96	373.02
<b>Balance Carried Forward to Balance Sheet</b>		<b>25,873.56</b>	<b>23,825.34</b>
<b>Earning Per Share (Note: 18)</b>		<b>9.14</b>	<b>11.46</b>
<b>NOTES TO ACCOUNTS</b>	<b>P</b>		

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
YATIN R. VYAVAHARKAR  
PARTNER

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 26th May, 2010

Sd/-  
MONA PATEL  
COMPANY SECRETARY

**Schedules Forming Part of the Balance Sheet as at 31st March, 2010**

	<b>As at 31st March, 2010</b>	(Rs. in Lakhs) As at 31st March, 2009
<b>SCHEDULE 'A' - SHARE CAPITAL:</b>		
<b>AUTHORISED CAPITAL:</b>		
12,50,00,000 Equity Shares of Rs. 5/- each (As on 31st March, 2009 - 12,50,00,000 Equity Shares of Rs. 5/- each)	<b>6,250.00</b>	6,250.00
<b>ISSUED, SUBSCRIBED &amp; PAID-UP:</b>		
7,67,20,073 Equity Shares of Rs. 5/- each Fully Paid-up (As on 31st March, 2009 - 7,28,09,424 Equity Shares of Rs. 5/- each Fully Paid-up)	<b>3,836.00</b>	3,640.47
NOTES : of the above Shares -		
[a] 6,22,28,216 (As at 31st March, 2009 - 6,22,28,216) have been issued as Fully Paid Bonus Shares.		
[b] 30,00,000 (As at 31st March, 2009 - 30,00,000) have been issued to Shareholders of Salvigor Laboratories Ltd. pursuant to its Merger with the Company.		
[c] 16,62,638 (As at 31st March, 2009 - 16,62,638) have been issued to Shareholders of Mahaval Organic Ltd. pursuant to its Merger with the Company.		
[d] 10,25,050 (As at 31st March, 2009 - 10,25,050) have been issued to Shareholders of Alchemie Organics Ltd. pursuant to its Merger with the Company.		
[e] 8,43,649 (As at 31st March, 2009 - Nil) have been issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.		
[f] 42,000 (As at 31st March, 2009 - Nil) have been issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.		
[g] 30,25,000 (As at 31st March, 2009 - Nil) have been issued towards Preferential allotment at a premium of Rs 30.65 paise to Warrant Holders.		
<b>TOTAL</b>	<b>3,836.00</b>	3,640.47
<b>SCHEDULE 'A - 1' - SHARE CAPITAL PENDING ALLOTMENT UPON AMALGAMATION</b>		
8,85,649 Shares were issued and allotted to Shareholders of erstwhile Surfactant Specialities Ltd. and Avinash Drugs Ltd. as per the terms of scheme of amalgamation approved by Hon. High Courts at Ahmedabad & Mumbai vide their order dated 1st September, 2009 and 7th August, 2009 respectively.	<b>NIL</b>	44.28
<b>TOTAL</b>	<b>NIL</b>	44.28
<b>SCHEDULE 'B' - EQUITY SHARE WARRANTS:</b>		
Upfront consideration at, Rs. 3.57 paise per Warrant received towards Preferential allotment of 30,25,000 Equity Share Warrants of Rs. 5/- each.	<b>NIL</b>	107.84
The Board of Directors in their meeting held on 20th December, 2009 allotted 30,25,000 Equity Shares of Rs. 5/- each @ premium of Rs. 30.65 paise against Convertible Warrants upon exercise of right of conversion by respective Warrant Holders.		
<b>TOTAL</b>	<b>NIL</b>	107.84

## Schedules

### SCHEDULE 'C' - RESERVES & SURPLUS:

(Rs. in Lakhs)

	As at 1st April, 2009	Adjustment on Amalgamation	Addition	Deduction	As at 31st March, 2010
<b>CAPITAL RESERVES:</b>					
Capital Reserve	2.08	NIL	NIL	NIL	2.08
State Investment Subsidy	51.82	NIL	NIL	NIL	51.82
Amalgamation Reserve	1,076.55	NIL	NIL	NIL	1,076.55
Forfeiture Reserve	184.57	NIL	NIL	NIL	184.57
Debenture Redemption Reserve	2,000.00	NIL	2,000.00	NIL	4,000.00
Capital Redemption Reserve	55.33	NIL	NIL	NIL	55.33
Share Premium Account	NIL	NIL	927.16	NIL	927.16
<b>TOTAL</b>	3,370.35	NIL	2,927.16	NIL	6,297.51
<b>REVENUE RESERVES:</b>					
General Reserve	3,149.32	NIL	710.00	NIL	3,859.32
<b>TOTAL</b>	3,149.32	NIL	710.00	NIL	3,859.32
<b>PROFIT AND LOSS ACCOUNT</b>	23,825.34	NIL	7,010.75	4,962.53	25,873.56
<b>TOTAL</b>	30,345.01	NIL	10,647.91	4,962.53	36,030.39
<b>PREVIOUS YEAR</b>	24,606.31	(25.84)	11,296.32	5,531.78	30,345.01

### SCHEDULE 'D' - SECURED LOANS:

#### LONG TERM LOANS

Non Convertible Debentures [Note: 4 (a)]	10,000.00	10,000.00
From Scheduled Banks [Note: 4 (b) & (c)]	2,473.70	5,139.99
External Commercial Borrowing [Note: 4 (d)]	3,016.13	4,780.58

#### WORKING CAPITAL LOANS

From Scheduled Banks [Note: 4 (e)]	24,610.70	23,519.91
<b>TOTAL</b>	<b>40,100.53</b>	<b>43,440.48</b>

### SCHEDULE 'E' - UNSECURED LOANS:

Fixed Deposits	116.23	103.14
From Banks	3,155.20	4,000.00
From Others	276.40	713.79
<b>TOTAL</b>	<b>3,547.83</b>	<b>4,816.93</b>

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION					NET BLOCK		
	As on 01.04.2009	Additions on Amalgamation	Deductions/Adjustment	As on 01.04.2009	Additions on Amalgamation	For April 09 - Mar 10	Adjustments	Deductions	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Leasehold Land	1,559.16	NIL	2.18	103.48	1,541.34	24.60	NIL	NIL	128.08	1,413.26	1,455.68
Freehold Land	47.62	NIL	NIL	NIL	47.62	NIL	NIL	NIL	NIL	47.62	47.62
Building	4,433.35	NIL	433.16	1,209.59	4,866.51	208.14	NIL	NIL	1,417.73	3,448.78	3,223.76
Plant & Machinery	53,045.03	NIL	5,384.33	22,794.52	58,429.36	3,790.65	NIL	NIL	26,585.17	31,844.19	30,250.51
Furniture, Fixture & Office Equipment	950.89	NIL	69.39	674.10	1,020.28	83.36	NIL	NIL	757.46	262.82	276.79
Vehicles	583.14	NIL	96.22	425.39	679.36	52.16	NIL	NIL	477.55	201.81	157.75
Total (A)	60,619.19	NIL	5,985.28	25,207.08	66,584.47	4,158.91	NIL	NIL	29,365.99	37,218.48	35,412.11
Process Development	1,580.00	NIL	NIL	316.00	1,580.00	316.00	NIL	NIL	632.00	948.00	1,264.00
Technical Knowhow	7.57	NIL	NIL	7.57	7.57	NIL	NIL	NIL	7.57	NIL	NIL
Total (B)	1,587.57	NIL	NIL	323.57	1,587.57	316.00	NIL	NIL	639.57	948.00	1,264.00
TOTAL (A + B)	62,206.76	NIL	5,985.28	25,530.65	68,172.04	4,474.91	NIL	NIL	30,005.56	38,166.48	36,676.11
PREVIOUS YEAR	48,403.24	4,099.67	9,784.08	20,375.67	62,206.76	3,871.07	84.05	19.71	25,530.65	36,676.11	-

Current year depreciation includes Rs. 30.45/- Lakhs (previous year Rs. 29.74/- Lakhs) on Assets deployed for Research & Development. Process Development is being amortized over a period of 5 years (Balance will be amortized over a period of 3 years).



## Schedules

### SCHEDULE 'G' - INVESTMENTS:

Listed Companies (Valued at cost)

(Rs. in Lakhs)

Name of the Company	Number of Units / Shares (All fully paid up)			Closing Balance	As at 31st March, 2010 at cost	As at 31st March, 2009 at cost
	Opening Balance	Acquisitions During the year	Disposals During the year			
<b>Investments - (Quoted) in Equity Shares</b>						
Reliance Industries Ltd.	240	*240	NIL	480	0.12	0.12
Reliance Natural Resources Ltd.	240	NIL	NIL	240	NIL	NIL
Reliance Communications Ltd.	240	NIL	NIL	240	NIL	NIL
Reliance Capital Ltd.	12	NIL	NIL	12	NIL	NIL
Reliance Infrastructure Ltd.	18	NIL	NIL	18	NIL	NIL
Atul Ltd.	50	NIL	NIL	50	0.01	0.01
Deepak Nitrite Ltd.	150	**25	NIL	175	0.13	0.11
Dharamsi Morarji Ltd.	100	NIL	NIL	100	0.01	0.01
Hindustan Organic Chemicals Ltd.	100	NIL	NIL	100	0.01	0.01
Rashtriya Chemical & Fertilizers Ltd.	100	NIL	NIL	100	0.02	0.02
Bayer Crop Science Ltd.	10	NIL	NIL	10	0.01	0.01
<b>TOTAL</b>					<b>0.31</b>	<b>0.29</b>
*Bonus Shares Allotted						
**Allotted on Conversion of Warrants						
<b>Trade Investments - (Quoted) in Equity Shares</b>						
Aarti Drugs Ltd.	851059	NIL	NIL	851059	136.32	136.32
<b>TOTAL</b>					<b>136.32</b>	<b>136.32</b>
<b>Trade Investments - (Unquoted) in Associate Companies</b>						
Anushakti Chemicals & Drugs Ltd.	8846490	NIL	NIL	8846490	731.98	731.98
Ganesh Polychem Ltd.	1000000	NIL	NIL	1000000	100.00	100.00
<b>TOTAL</b>					<b>831.98</b>	<b>831.98</b>
<b>Investments - (Unquoted) in Equity Shares</b>						
Ichalkaranji Janata Sahakari Bank Ltd.	1020	NIL	NIL	1020	0.51	0.51
Damanganga Saha Khand Udyog Mandali Ltd.	61	NIL	NIL	61	1.22	1.22
Bharuch Eco Aqua Infra Ltd. (partly paid)	102230	NIL	NIL	102230	13.26	13.26
Dispo Dyechem Ltd.	40000	NIL	40000	NIL	NIL	10.00
Dilesh Roadlines Pvt. Ltd.	114000	NIL	NIL	114000	11.40	11.40
Indusken Pharmaceuticals Pvt. Ltd.	200000	NIL	NIL	200000	20.00	20.00
U.K.I.P. Co-Op. Soc. Ltd.	35	NIL	NIL	35	0.02	0.02
Perfect Enviro Control Systems Ltd.	NIL	36800	NIL	36800	3.68	NIL
Spack Chemicals Pvt. Ltd.	NIL	300500	NIL	300500	3.00	NIL
<b>TOTAL</b>					<b>53.09</b>	<b>56.41</b>
<b>Investments - (Unquoted) in Preference Shares</b>						
Spack Chemicals Pvt Ltd.	NIL	61500	NIL	61500	0.62	NIL
					<b>0.62</b>	<b>NIL</b>
<b>Investments - (Unquoted) in Subsidiary Companies</b>						
Aarti Corporate Services Ltd.	2024680	NIL	NIL	2024680	172.91	172.91
Aarti Healthcare Ltd.	3126000	NIL	NIL	3126000	304.35	304.35
Alchemie Europe Ltd.	40000	NIL	NIL	40000	25.54	25.54
<b>TOTAL</b>					<b>502.80</b>	<b>502.80</b>
<b>TOTAL</b>					<b>1,525.12</b>	<b>1,527.80</b>
<b>Aggregate Market Value of Quoted Investments: (Rs. in Lakhs)</b>						
As on 31.03.2010						734.11
As on 31.03.2009						324.01



## Schedules

	As at 31st March, 2010	(Rs. in Lakhs) As at 31st March, 2009
<b>SCHEDULE 'H' - CURRENT ASSETS, LOANS AND ADVANCES:</b>		
<b>CURRENT ASSETS (Note: 6 &amp; 8)</b>		
<b>1. Inventories</b>		
Raw Materials	9,831.32	7,039.96
Fuel	454.27	355.58
Work-in-Process	8,512.02	6,823.50
Finished Goods	7,094.43	5,497.69
Packing Materials	162.42	93.23
Stores and Spares	299.29	284.22
	<b>26,353.75</b>	20,094.18
<b>2. Sundry Debtors (Unsecured)</b>		
(a) Outstanding for more than six months		
- Considered Good	1,700.48	4,075.81
- Considered Doubtful	NIL	19.96
(b) Others - Considered Good	23,945.05	22,581.46
	<b>25,645.53</b>	26,677.23
Less: Provision for Doubtful Debts	NIL	19.96
	<b>25,645.53</b>	26,657.27
<b>3. Cash and Bank Balances</b>		
Cash on hand	58.38	63.53
<b>Balances with Scheduled Banks</b>		
In Current Accounts	410.17	173.73
In Deposit Accounts	672.46	365.15
	<b>1,141.01</b>	602.41
<b>4. Loans and Advances (Unsecured and considered good)</b>		
Capital Advances	534.16	693.83
Balances with Custom, Port Trust, Excise & Sales Tax Authorities	4,146.54	3,923.38
Advances recoverable in cash or in kind or for value to be received	4,179.13	3,497.60
Advance Tax and Tax Deducted at Source	13,357.07	9,515.03
	<b>22,216.90</b>	17,629.84
<b>TOTAL</b>	<b>75,357.19</b>	64,983.70

**SCHEDULE 'I' - CURRENT LIABILITIES AND PROVISIONS:**

<b>1. Liabilities</b>		
Sundry Creditors (Note: 15)	14,698.71	7,229.65
Interest Accrued but not due on Loans	28.75	169.53
Unclaimed Dividend #	113.72	82.35
	<b>14,841.18</b>	7,481.53
<b>2. Provisions</b>		
Provision for Taxation	11,486.61	8,340.50
Provision for Fringe Benefit Tax	127.09	127.14
Proposed Dividend	537.04	884.34
Employee Benefits	366.24	339.14
	<b>12,516.98</b>	9,691.12
<b>TOTAL</b>	<b>27,358.16</b>	17,172.65

# There is no amount due & outstanding to be credited to Investor Education & Protection Fund.

**Schedules Forming Part of The Profit and Loss Account for the year ended 31st March, 2010**

	For the Year ended <u>31st March, 2010</u>	(Rs. in Lakhs) For the Year ended <u>31st March, 2009</u>
<b>SCHEDULE 'J' - OTHER INCOME:</b>		
Dividend Received From -		
- Trade Investments	25.53	22.67
- Non Trade Investments	0.20	1.61
Insurance Claim Received	NIL	15.03
Profit on sale of Assets	25.77	7.04
Profit on sale of Investment	NIL	152.45
Lease Rent	10.66	NIL
Other Income	119.34	30.42
<b>TOTAL</b>	<b>181.50</b>	<b>229.22</b>

**SCHEDULE 'K' - MANUFACTURING EXPENSES:**

Consumption of Raw Materials	65,297.38	75,950.16
Consumption of Packing Materials	1,938.35	1,749.68
Consumption of Stores and Spares	1,646.63	1,437.84
Freight, Cartage and Transport	4,016.70	4,049.08
Fuel	5,775.72	5,849.59
Power	3,604.68	3,314.64
Water Charges	461.14	397.77
Excise Duty Paid	389.70	1,045.43
Processing Charges	885.29	568.28
Staff Costs (Note: 10)	2,604.32	2,323.23
Other Manufacturing Expenses	3,368.78	2,884.79
Repairs and Maintenance - Building	250.28	94.43
- Plant & Machinery	1,006.69	1,009.20
Insurance Charges	127.61	176.29
Research & Development Expenses (Note: 11)	137.04	107.32
Factory Administration Expenses	648.60	583.67
<b>TOTAL</b>	<b>92,158.91</b>	<b>101,541.40</b>

**SCHEDULE 'L' - OFFICE AND ADMINISTRATIVE EXPENSES:**

Staff Cost (Note: 10 & 13)	798.79	693.96
Rent	67.94	61.58
Rates & Taxes	36.61	38.25
Travelling and Conveyance	222.57	226.30
Auditors' Remuneration (Note: 12)	10.91	7.56
Legal and Professional Charges	99.29	78.42
Postage, Telegram and Telephone	62.40	53.88
Printing and Stationery	28.53	30.73
Other Administrative Expenses	166.88	178.24
<b>TOTAL</b>	<b>1,493.92</b>	<b>1,368.92</b>



## Schedules

	For the Year ended <u>31st March, 2010</u>	(Rs. in Lakhs) For the Year ended <u>31st March, 2009</u>
<b>SCHEDULE 'M' - SELLING AND DISTRIBUTION EXPENSES:</b>		
Advertisement and Sales Promotion	164.41	159.08
Export Freight	2,111.86	2,444.19
Freight and Forwarding	2,886.04	2,752.14
Commission	316.77	384.62
Insurance Charges on Export	94.38	78.58
Sample Testing and Analysis Charges	23.65	21.91
Bad Debts Written Off	361.36	631.18
Sales Tax / Vat Paid	317.23	780.64
Discount Given	502.19	635.63
Sundry Balances Written Off/(Back)	6.90	30.57
<b>TOTAL</b>	<b><u>6,784.79</u></b>	<b><u>7,918.54</u></b>
<b>SCHEDULE 'N' - INTEREST AND FINANCIAL CHARGES:</b>		
Interest on Debentures	1,416.28	744.81
Interest on Term Loans	953.07	2,297.08
Interest on Working Capital (Note: 7)	2,265.43	5,318.84
Bank Charges	536.53	575.59
<b>TOTAL</b>	<b><u>5,171.31</u></b>	<b><u>8,936.32</u></b>
<b>SCHEDULE 'O' - NON-OPERATING EXPENSES:</b>		
Donations	157.27	76.13
Deferred Revenue Expenses Written Off	10.50	81.06
Loss on sale of Assets	NIL	0.18
Loss on sale of Investment	8.72	86.53
<b>TOTAL</b>	<b><u>176.49</u></b>	<b><u>243.90</u></b>

Schedule - 'P' - Notes Forming Part of the Accounts for the year ended 31st March, 2010

**PART 'A'**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

**(a) Accounting Basis:**

The financial statements are prepared under historical cost convention in accordance with generally accepted accounting principles in India and comply in all material aspects with the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

**(b) Revenue Recognition:**

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Conversion, Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance claims and Subsidy from Department of Fertilizers is recognized on the time proportion method.

**(c) Fixed Assets and Depreciation:**

**(1) Fixed Assets**

Fixed Assets are stated at cost of acquisition (net of CENVAT/VAT) inclusive of all expenditure of capital nature such as, inward freight, duties & taxes, installation and commissioning expenses, appropriate borrowing costs and incidental expenses related to acquisition.

**(2) Depreciation**

**(A)** Depreciation is provided on Reducing Balance Method at the rate prescribed under Schedule XIV of the Companies Act, 1956.

- i) In respect of asset installed by the Company in one plant, taken on operating lease.
- ii) In respect of all fixed assets, other than Leasehold Land, installed in Avinash Drugs Division.

**(B)** Leasehold Land is amortized over the period of lease.

**(C)** Depreciation on Computers and Vehicles is provided on Straight Line Method at 40% and 15% respectively, based on Management's estimate of useful life of these assets.

**(D)** Depreciation on Fixed Assets other than Lease hold Land and those mentioned above are provided under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

**(E)** Product/Process Development Expenses are amortized over the estimated useful life of the product.

**(3)** Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of net selling price of an assets 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.

**(d) Investments:**

- (i) Current investments are stated at lower of cost or fair market value.
- (ii) Long term investments are stated at cost less provision for permanent diminution in value if any, of investments.

**(e) Valuation of Inventories:**

Inventories are valued at Cost or Net Realizable Value whichever is lower.

Inventories have been valued on the following basis:

i) Raw Materials, Packing Material, Stores and Spares	- At cost on Weighted Average basis.
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.



**(f) Retirement Benefits:**

Employee benefits are charged off in the year in which the employee has rendered services.

**(g) Foreign Currency Transactions:**

Foreign currency transactions are accounted at the rates prevailing on the date of the transaction. The exchange rate differences arising out of such transactions are dealt with in the Profit and Loss Account. The premium in case of future contracts is dealt with in the Profit and Loss Account proportionately over the period of the contracts.

**(h) Research and Development:**

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account for the year. Capital Expenditure on Research and Development is included as part of fixed assets and depreciation is provided on the same basis as for other fixed assets.

**(i) Operating Lease:**

Operating Lease payments are recognized as an expense in the Profit & Loss Account of the year to which they relate.

**(j) Deferred Revenue Expenditure:**

Deferred Revenue Expenditure is amortized over the period of the agreement on pro rata basis.

**(k) Deferred Tax:**

Deferred Tax reflects the impact of timing differences between Taxable Income and Accounting Income for the year and reversal of timing differences of earlier years. Deferred Tax is measured on the basis of Tax Rates and Tax Laws enacted or substantively enacted at the Balance Sheet.

Deferred Tax Assets are recognized only if there is reasonable certainty of their realization except in case of Deferred Tax Assets on unabsorbed depreciation and carried forward business losses, which are recognized only if there is virtual certainty of their realization.

**(l) Borrowing Costs:**

Borrowing cost directly related to the acquisition or construction of an asset is capitalized as part of the cost of that asset. Other borrowing costs are charged to the Profit and Loss Account.

**(m) Provisions and Contingent Liabilities:**

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a Cash Outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a Cash Outflow will not be required to settle the obligation.

**PART 'B'**

**2. CONTINGENT LIABILITIES:**

- a) Claims against the Company not acknowledged as Debts Rs. **1,671.36** Lakhs (Rs. 129.77 Lakhs as on 31.03.2009).
- b) In respect of Letters of Credit, Bank Guarantees issued and Bills discounted by the Company's Bankers Rs. **4,836.78** Lakhs (Rs. 2151.13 Lakhs as on 31.03.2009).
- c) Estimated amount of Contracts remaining to be executed on capital account and not provided for, net of advances, Rs. **121.43** Lakhs (Rs. 174.76 Lakhs as on 31.03.2009).

3. The Company has received Rs. 970.57 Lakhs on the conversion of Preferential Warrants into Equity Shares during the year. The total amount of Rs. 1078.41 Lakhs which includes the application money for the Preferential Warrants of Rs. 107.84 Lakhs, has been utilized for the purpose of augmenting the long term funds to meet on-going capital expenditure and long term working capital requirements of the Company.

**4. SECURED LOANS:**

**Security for Loans taken from Banks:**

- a) In case of the Non Convertible Debentures of Rs. **10,000.00** Lakhs (Rs.10,000.00 Lakhs as on 31.03.2009) are secured by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat and further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated. The NCDs are issued in the year 2008-09 and are redeemable in five equal installments commencing from the end of the 3rd year from the date of allotment of these Debentures.

- b) Outstanding Term Loans aggregating to Rs. **2,451.89** Lakhs (Rs. 5,109.78 Lakhs as on 31.03.2009) from banks subject to (c) and (d) below, are secured by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated. Out of the above, Term Loans aggregating to Rs. **1,601.89** Lakhs (Rs. 3,156.49 Lakhs as on 31.3.2009) are also personally guaranteed by three Directors of the Company.
- c) In case of vehicle loans from banks/NBFC of Rs. **21.81** Lakhs (Rs. 30.21 Lakhs as on 31.03.2009) against hypothecation of the vehicles.
- d) External Commercial Borrowing (ECB) of JPY **832.50** Million equivalent to Rs. **3,016.13** Lakhs (Rs. 4,780.58 Lakhs as on 31.03.2009) availed from Royal Bank of Scotland (earlier known as ABN AMRO Bank N.V.) Singapore are secured by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat and further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated.
- e) Working Capital Loans of Rs. **24,610.70** Lakhs (Rs. 23,519.91 Lakhs as on 31.03.2009) availed from Scheduled Banks, are secured by hypothecation of Raw Materials, Stock-In-Process, Semi-Finished Goods, Finished Goods, Packing Materials and Stores and Spares, Bills Receivables and Book Debts and all other moveable, both present and future. Further, by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia in the State of Gujarat, ranking second to that of Banks mentioned in (a), (b) and (d) above. These loans are personally guaranteed by three Directors of the Company.

### 5. DEFERRED TAX LIABILITIES:

(Rs. in Lakhs)

Sr. No.	Particulars	Financial Year 2009-2010	Financial Year 2008-2009
		Rs.	Rs.
	<b>Deferred Tax Liability</b>	<b>4520.73</b>	3,967.08
i)	Difference between net book value of depreciable capital assets as per books vis-a-vis written down value as per Tax Laws	<b>716.02</b>	1,095.88
	<b>Deferred Tax Assets</b>		
i)	Unabsorbed tax losses/depreciation		(447.34)
ii)	Items allowed for tax purpose on payment	<b>(126.02)</b>	(94.89)
	<b>Net Deferred Tax Liability</b>	<b>5,110.73</b>	4520.73

6. In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.
7. Interest received of Rs. **54.72** Lakhs (Tax Deducted at Source Rs. **7.05** Lakhs) [previous year Rs. 79.35 Lakhs (Tax Deducted at Source Rs. 11.78 Lakhs)] is netted off against interest paid on Working Capital.
8. Sundry Debtors, Loans and Advances include amounts due from – (figures in bracket relate to previous year)

### Enterprises in which Directors are interested as Partners/Directors

(Rs. in Lakhs)

	For more than six months	Others
Alchemie Industries	Nil (Nil)	2.12 (Nil)
Shanti Intermediates Pvt. Ltd.	Nil (Nil)	16.84 (94.82)
Alchemie Laboratories	Nil (Nil)	Nil (37.10)



9. Sales and other sales incomes are inclusive of conversion charges amounting to Rs. **194.62** Lakhs (previous year Rs. 307.80 Lakhs), export benefits amounting to Rs. **142.88** Lakhs (previous year Rs. 627.93 Lakhs), Fertilizer subsidy amounting to Rs. **1,106.06** Lakhs (previous year Rs. 2213.74 Lakhs) and insurance claim on goods lost by fire Rs. **Nil** (previous year Rs. 49.78 Lakhs).

**10. STAFF COSTS (FACTORY AND OFFICE) INCLUDE:**

Particulars	(Rs. in Lakhs)	
	Financial Year 2009-2010	Financial Year 2008-2009
Salaries, Wages and Bonus	<b>2,812.16</b>	2,457.46
Contribution to PF and Other Funds	<b>125.63</b>	136.28
Workmen and Staff Welfare Expenses	<b>238.06</b>	198.37
<b>TOTAL</b>	<b>3,175.85</b>	2,792.11

11. Revenue Expenditure of Rs. **265.49** Lakhs (previous year Rs. 166.47 Lakhs) [including depreciation of Rs. **30.45** Lakhs (previous year Rs. 29.74 Lakhs)] on Research & Development activities at the Company's R & D Centre is charged to Profit and Loss Account for the year. Capital Expenditure includes Rs. **235.16** Lakhs (previous year Rs. 540.00 Lakhs) towards Fixed Assets purchased for Research & Development activities at the Company's R & D centre.

**12. AUDITOR'S REMUNERATION INCLUDES:**

Particulars	(Rs. in Lakhs)	
	Financial Year 2009-2010	Financial Year 2008-2009
As Auditor:		
Audit Fees	<b>6.50</b>	4.91
In Other Capacity :		
Certification	<b>2.97</b>	1.40
Other Matters	<b>0.45</b>	0.36
Service Tax	<b>0.90</b>	0.75
Out of pocket expenses	<b>0.09</b>	0.14
<b>TOTAL</b>	<b>10.91</b>	7.56

**13. DIRECTORS' REMUNERATION INCLUDES:**

**A) To Managing Directors and Whole-time Directors**

Particulars	(Rs. in Lakhs)	
	Financial Year 2009-2010	Financial Year 2008-2009
a. Salary	<b>75.24</b>	72.00
b. Commission	<b>109.59</b>	116.70
c. Contribution to PF	<b>9.88</b>	9.46
d. Ex-Gratia/Super Annuation Fund	<b>16.72</b>	15.70
e. House Rent Allowance	<b>14.93</b>	10.32
f. Value of Perquisites	<b>2.73</b>	0.90
<b>Total Remuneration (excluding Sitting Fees)</b>	<b>229.09</b>	225.08

**Note:** The above figures include Rs. **20.85** Lakhs (previous year Rs. 18.80 Lakhs) paid towards Research & Development activities at the Company's R & D centre. The above figure does not include contributions made to Group Gratuity Fund, Group Mediclaim & Group Personal Accident as separate figures are not available for the Directors. Value of Perquisites includes non Cash Perquisites of Rs. **1.83** Lakhs (previous year Rs. Nil)

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### B) Computation of Net Profit u/s 198/349 read with Section 309(5) of the Companies Act, 1956.

Particulars	Financial Year 2009-2010	(Rs. in Lakhs) Financial Year 2008-2009
Profit before Depreciation as per Profit and Loss Account	15,331.36	15,505.59
<b>Add:</b> Directors' Remuneration	119.50	108.38
Loss on sale of Assets	Nil	0.18
Loss on sale of Investment	8.72	86.53
	15,459.58	15,700.68
<b>Less:</b> Depreciation as per Sec.350 of the Companies Act, 1956.	4,474.91	3,871.07
Profit on sale of Assets	25.77	7.04
Profit on sale of Investments	Nil	152.45
	4,500.68	4,030.56
<b>TOTAL</b>	10,958.90	11,670.12
Commission payable to Managing/Whole-time Directors @ 1% of Net Profit.	109.59	116.70

### 14. PRIOR YEARS' ADJUSTMENT INCLUDES:

Particulars	Financial Year 2009-2010	(Rs. in Lakhs) Financial Year 2008-2009
Prior Period Expenses	8.57	113.84

15. There are no Micro and Small Enterprise, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

### 16. SEGMENT REPORTING:

Sr. No.	Particulars	Financial Year 2009-10	(Rs. in Lakhs) Financial Year 2008-09
<b>(A)</b>	<b>Primary Segments: Business Segments</b>		
	<b>Segment Revenue</b>		
	a) Basic Chemicals	25,439.58	36,089.21
	b) Speciality Chemicals	99,536.94	111,219.00
	c) Agro Chemicals	5,391.07	5,856.71
	d) Pharmaceuticals	11,791.59	10,024.91
	<b>Total</b>	142,159.18	163,189.83
	Less: Inter Segment Revenue	8,384.49	9,615.00
	Net Sales / Income from Operations	133,774.69	153,574.83
	<b>Segment Results Profit / (Loss)</b>		
	Before Tax and Interest from each Segment		
	a) Basic Chemicals	5,681.51	7,468.39
	b) Speciality Chemicals	14,045.12	15,647.00
	c) Agro Chemicals	650.14	1,492.55
	d) Pharmaceuticals	(635.65)	(1,026.78)
	<b>Total...(a)</b>	19,741.12	23,581.16

Contd. ...



	Less: Interest	5,171.31	8,936.32
	Other Unallocable Expenditure Net of Income	3,822.95	3,243.72
	<b>Total...(b)</b>	<b>8,994.26</b>	<b>12,180.04</b>
	<b>TOTAL PROFIT BEFORE TAX (a) - (b)</b>	<b>10,746.86</b>	<b>11,401.12</b>
<b>(B)</b>	<b>Secondary Segments: Geographical Segments</b>		
	a) India	84,783.43	95,358.83
	b) Out of India	48,991.26	58,216.00
	<b>TOTAL</b>	<b>133,774.69</b>	<b>153,574.83</b>
<b>Segmental Capital Employed:</b>			
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 it is currently not practicable to provide segment disclosures relating to Capital Employed.			

**17. RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD (AS: 18):**

- I. Following are the Subsidiaries of the Company as defined in Para 3(a) of Accounting Standard – 18.
  1. Aarti Healthcare Limited
  2. Aarti Corporate Services Limited
  3. Alchemie Europe Limited
- II. Following are the associates of the Company as defined in Para 3(b) of the AS - 18, with which there were transactions during the year.
  1. Ganesh Polychem Limited
  2. Anushakti Chemicals & Drugs Limited
- III. Following are the Enterprises/Firms over which controlling individuals/key Management Personnel, of the Company along with their relatives, have significant influence as defined in para 3(e) of the AS - 18 and with which there were transactions during the year.
  1. Alchemie Pharma Chem Limited
  2. Alchemie Industries
  3. Gogri and Sons Investments Private Limited
  4. Shanti Intermediates Private Limited
  5. Alchemie Leasing and Financing Private Limited
  6. Nascent Chemical Industries Limited
  7. Alchemie Laboratories
  8. Aarti Drugs Limited
- IV. Following are the individuals who with their relatives as defined in the para 3(c) and 3(d) of the AS - 18 own Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel.

Sr. No.	Name	Status
1.	Shri Chandrakant V. Gogri	Director
2.	Shri Rajendra V. Gogri	Director
3.	Smt. Hetal Gogri Gala	Director
4.	Shri Rashesh C. Gogri	Director
5.	Shri Shantilal T. Shah	Director
6.	Shri Parimal H. Desai	Director
7.	Shri Kirit R. Mehta	Director
8.	Shri Manoj M. Chheda	Director

The following transactions were carried out during the year with the related parties in the ordinary course of business

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(A) Details relating to parties referred to in items I, II and III above.

(Rs. in Lakhs)

Sr. No.	Description of Transaction	Year	Subsidiary	Associated	Other related
			Companies		Enterprises
			[I]	[II]	Firms
					[III]
1	Sales of Finished Goods	CY	2,855.42	4,012.72	811.58
		PY	4,850.77	3,874.53	1,388.30
2	Purchases of Raw Materials/Finished Goods	CY	-	10,224.49	103.61
		PY	-	10,005.91	184.78
3	Other Manufacturing Expenses	CY	386.89	-	749.70
		PY	326.00	-	782.74
4	Rent paid	CY	300.00	-	222.00
		PY	300.00	-	187.00
5	Sale of Investments	CY	1.28	-	-
		PY	178.07	-	-
6	Sale of Fixed Assets	CY	-	-	6.14
		PY	-	5.05	16.79
7	Purchase of Fixed Assets	CY	-	2.57	70.97
		PY	-	13.06	-
8	Inter-corporate Deposits taken/(Repaid) during the year	CY	-	-	-
		PY	-	-	343.45
9	Inter-corporate Deposits given/(Received Back) during the year	CY	-	(15.01)	-
		PY	-	(155.03)	27.00
10	Unsecured Loans Given/(Taken Back)	CY	-	-	(104.29)
		PY	-	-	-
11	Unsecured Loans Taken/(Repaid)	CY	-	(345.00)	(193.05)
		PY	-	-	-
12	Interest Expense on the Inter-corporate Deposits taken	CY	-	4.65	37.14
		PY	-	-	8.98
13	Interest Income on the Inter-corporate Deposits placed/unsecured loans	CY	-	-	8.96
		PY	-	18.90	11.41
14	Equity Contribution/(Disposal) in cash or in kind made during the year	CY	-	-	-
		PY	0.16	(118.53)	(144.94)
15	Profit/(Loss) on sale of investments	CY	-	-	-
		PY	-	81.85	14.11
16	Outstanding items pertaining to the related parties at the Balance Sheet - date: Receivable/(Payable)	CY	3,955.70	2,887.09	505.65
		PY	4,715.65	523.01	654.54



**(B) Details relating to persons referred to in item IV above\***

	<b>Financial Year 2009-10</b>	Financial Year 2008-09
a. Directors' Remuneration including perquisites #	119.50	108.38
b. Commission to Directors	109.59	116.70
c. Sitting Fees	2.80	3.02
d. Rent paid	62.61	56.25
e. Travelling Expenses	70.67	44.88
f. Telephone Expenses	6.24	4.60
<b>TOTAL</b>	<b>371.41</b>	<b>333.83</b>

\* Excluding the payments made to Independent Directors as per Accounting Standard Interpretation 21 issued by the Institute of Chartered Accountants of India.

# Value of Perquisites includes non Cash Perquisites of Rs. **1.83 Lakhs** (previous year Rs. Nil)

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

		<b>Financial Year 2009-10</b>	Financial Year 2008-09
Net Profit available for Equity Shareholders	(Lakhs)	7,010.75	8,446.32
No. of Equity Shares	(Nos.)	7,67,20,073	*7,36,95,073
Basic & Diluted EPS	(Rs.)	9.14	11.46
Nominal value of Equity Shares	(Rs.)	5.00	5.00

\* Includes 8,85,649 Shares are to be issued and allotted to shareholders of erstwhile Surfactant Specialities Ltd. and Avinash Drugs Ltd. as per the terms of the scheme of Amalgamation approved by the Hon. High Courts at Ahmedabad and Mumbai vide their order dated 1st September, 2009 & 7th August, 2009 respectively.

**19. EMPLOYEE BENEFITS:**

**Defined Benefit Plan**

The employees' 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.

	<b>Gratuity (Funded) 2009-10</b>	(Rs. in Lakhs) Gratuity (Funded) 2008-09
<b>a. Reconciliation of opening and closing balances of Defined Benefit obligation</b>		
Defined Benefit obligation at beginning of the year	221.95	191.06
Current Service Cost	24.00	22.84
Interest Cost	18.44	16.88
Actuarial (gain)/loss	36.06	6.31
Benefits paid	(16.00)	(5.78)
Defined Benefit obligation at year end	284.45	231.31
<b>b. Reconciliation of opening and closing balances fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	185.10	90.18
Expected return of plan assets	16.35	14.08
Actuarial (gain)/loss	1.71	(3.33)
Employer Contribution	27.25	89.95
Benefits paid	(16.00)	(5.78)
Fair value of plan assets at year end	214.41	185.10
Actual return on plan assets	18.05	10.75
<b>c. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets	214.41	185.10
Present value of obligation	284.46	231.30
Amount recognized in Balance Sheet	70.05	46.20

	Gratuity (Funded) 2009-10	(Rs. in Lakhs) Gratuity (Funded) 2008-09
<b>d. Expenses recognized during the year</b>		
Current Service Cost	24.00	22.84
Interest Cost	18.44	16.88
Expected return on plan assets	(16.35)	(14.08)
Actuarial (gain)/loss	34.36	9.63
Net Cost	60.45	35.27
<b>e. Investment Details</b>		
L.I.C. Group Gratuity (Cash Accumulation) Policy	100% Invested with L.I.C.	100% Invested with L.I.C.
<b>f. Actuarial assumptions</b>		
Mortality Table (L.I.C.)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8%	7.75%
Expected rate of return on plan assets (per annum)	8%	8%
Rate of escalation 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. **139.74** Lakhs (previous year Rs. 98.36 Lakhs) has been provided in the Accounts.

**20. DERIVATIVES & FORWARD CONTRACT INSTRUMENTS:**

(A) The Company uses Forward Exchange Contract to hedge against its Foreign Exchange exposures relating to underlying transactions and firm commitments. The Company does not enter into any derivatives instruments for Trading or Speculative purposes.

The Company had hedged in aggregate an amount of Rs. **705.60** Lakhs (previous year Rs. 3,950.00 Lakhs) out of its Trade related operations (Exports & Imports) aggregating to Rs. **73,107.76** Lakhs (previous year Rs. 81,335.21 Lakhs).

The Company had hedged its currency risks to the tune of Rs. **4,200.00** Lakhs (previous year Rs. 5,000.00 Lakhs) in respect of its long term Foreign Currency Loans/Borrowings. Relating to the same, the Company had also swapped its floating interest rate borrowing of Rs. **1,100.00** Lakhs (previous year Rs. 2,000.00 Lakhs) into a fixed rate loan through an interest rate swap.

(B) Exchange gain net of exchange loss of Rs. **408.96** Lakhs (previous year net exchange loss of Rs. 559.94 Lakhs) is included in Profit & Loss Account.

**21. Additional information pursuant to the Provisions of Paragraph 3, 4C, 4D and Part II of Schedule VI to the Companies Act, 1956 (figures in brackets relate to previous year).**

(A) Licensed Capacity, Installed Capacity and Production (as certified by the Management and not verified by Auditors, it being a matter requiring technical knowledge).

i) Licensed Capacity	Not applicable
ii) Installed Capacity	(on triple shift basis)
Nitro Chloro Benzenes	60,000 Mt. per annum
Sulphuric Acid & Allied Products (equivalent)	2,00,000 Mt. per annum
iii) Production:	
<b>Products</b>	<b>Quantity (in Mts.)</b>
Nitro Chloro Benzenes (N.C.B.s)	31,125.33 (32,053.56)
Ortho Phenylene Diamine (O.P.D.A.)	221.69 (453.24)
Sulphuric Acid & Allied Products (equivalent)	*1,66,671.77 (1,63,210.72)
Quinalphos	495.68 (439.20)

\*includes **32,498.75** Mts. (previous year 37,837.73 Mts.) of Sulphuric Acid 98%, exclusive of Captive Consumption.



**(B) Opening, Closing Stock and Sales of Finished Goods:**

	Opening Stock		Closing Stock		Sales	
	Qty. (Mts.)	Amount (Lakhs)	Qty. (Mts.)	Amount (Lakhs)	Qty. (Mts.)	Amount (Lakhs)
N.C.B.s	<b>1,422.91</b> (1,415.16)	<b>389.31</b> (598.14)	<b>1,016.09</b> (1,422.91)	<b>450.63</b> (389.31)	<b>31,532.15</b> (32,045.82)	<b>16,458.09</b> (18,926.55)
O.P.D.A.	<b>71.41</b> (15.88)	<b>107.15</b> (34.48)	<b>10.40</b> (71.41)	<b>13.48</b> (107.15)	<b>282.70</b> (397.72)	<b>490.43</b> (1,261.85)
Sulphuric Acid	<b>1,488.42</b> (1,960.23)	<b>20.99</b> (170.83)	<b>1,453.89</b> (1,488.42)	<b>52.63</b> (20.99)	<b>32,533.28</b> (38,309.54)	<b>878.30</b> (3,717.58)
Quinalphos	<b>24.53</b> (22.05)	<b>61.62</b> (52.37)	<b>24.75</b> (24.53)	<b>57.27</b> (61.62)	<b>495.45</b> (436.73)	<b>1,593.57</b> (1,607.97)
Others	<b>*</b> (*)	<b>4,918.62</b> (5,531.20)	<b>*</b> (*)	<b>6,520.42</b> (4,918.62)	<b>*</b> (*)	<b>1,12,910.74</b> (1,24,861.63)
<b>Total</b>		<b>5,497.69</b> (6,387.02)		<b>7,094.43</b> (5,497.69)		<b>#1,32,331.13</b> (1,50,375.58)

# Sales excludes conversion charges, export benefits, fertilizer subsidy and insurance claim on goods lost by fire as mentioned in Note No. 9.

\*Quantities cannot be aggregated.

**(C) Raw Materials consumed:**

	Qty. (Mts.)	Amount (Lakhs)
Benzene	<b>34,568.21</b> (34,257.42)	<b>13,830.16</b> (13,910.70)
Concentrated Nitric Acid	<b>31,598.51</b> (30,654.58)	<b>4,068.72</b> (3,841.47)
Chlorine	<b>39,952.50</b> (37,041.70)	<b>968.94</b> (1,085.26)
Sulphur	<b>51,001.45</b> (46,039.64)	<b>1,681.32</b> (9,326.49)
Others	<b>*</b> (*)	<b>44,748.24</b> (47,786.24)
<b>TOTAL</b>		<b>65,297.38</b> (75,950.16)

\* Quantities cannot be aggregated.

**(D) Purchase of items Traded In:**

	Qty. (Mts.)	Amount (Lakhs)
OCPNA	<b>2,246.96</b> (1,806.20)	<b>2,144.56</b> (1,673.36)
MPDSA	<b>259.80</b> (382.50)	<b>417.80</b> (831.39)
Methanol	<b>8,951.38</b> (5,020.46)	<b>939.49</b> (713.47)
PNA	<b>2,148.33</b> (2,155.49)	<b>1,634.01</b> (1,818.51)
Fast Red B Base	<b>218.50</b> (265.20)	<b>482.29</b> (801.56)
Others	<b>*</b> (*)	<b>5,779.27</b> (3,384.34)
<b>TOTAL</b>		<b>11,397.42</b> (9,222.63)

\* Quantities cannot be aggregated.

(E) Value and percentage of Raw Materials and Stores and Spares consumed:

Raw Materials:	Percentage (%)	Amount (Lakhs)
Indigenous	<b>74.48</b> (68.66)	<b>48,634.04</b> (52,148.35)
Imported	<b>25.52</b> (31.34)	<b>16,663.34</b> (23,801.81)
<b>TOTAL</b>	<b>100.00</b> (100.00)	<b>65,297.38</b> (75,950.16)
<b>Stores and Spares:</b>		
Indigenous	<b>96.80</b> (96.44)	<b>1,593.98</b> (1,386.70)
Imported	<b>3.20</b> (3.56)	<b>52.65</b> (51.14)
<b>TOTAL</b>	<b>100.00</b> (100.00)	<b>1,646.63</b> (1,437.84)
<b>Fuel:</b>		
Indigenous	<b>84.01</b> (85.93)	<b>4,852.41</b> (5,026.58)
Imported	<b>15.99</b> (14.07)	<b>923.31</b> (823.01)
<b>TOTAL</b>	<b>100.00</b> (100.00)	<b>5,775.72</b> (5,849.59)

(F) C. I. F. Value of Imports:

	(Rs. in Lakhs)
Capital Goods	<b>1,232.56</b> (581.97)
Raw Materials	<b>15,629.70</b> (20,009.88)
Stores and Spares	<b>52.65</b> (51.14)
Fuel	<b>607.76</b> (269.38)

(G) Expenditure in Foreign Currency:

	(Rs. in Lakhs)
Commission on Export Sales	<b>215.50</b> (260.70)
Import of Goods for Resale	<b>3,601.09</b> (1,859.28)
Other Expenses	<b>690.64</b> (347.57)

(H) Earnings in Foreign Currency:

	(Rs. in Lakhs)
F.O.B. Value of Export sales	<b>48,991.26</b> (55,569.30)

22. The figures of previous year have been regrouped and rearranged wherever necessary.

Signatures to Schedules 'A' to 'P'

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

Sd/-  
YATIN R. VYAVAHARKAR  
PARTNER

PLACE: Mumbai  
DATE: 26th May, 2010

FOR AND ON BEHALF OF THE BOARD

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

Sd/-  
MONA PATEL  
COMPANY SECRETARY

**PART - IV****Balance Sheet Abstract & Company's General Business Profile****I. Registration Details**

Registration No.	7301	State Code	4
Balance Sheet Date	31st March, 2010		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	15125

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

Total Liabilities	11598363	Total Assets	11598363
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**Sources of Funds**

Paid up Capital	383,600*	Reserves & Surplus	3,603,039
Secured Loan	4,010,053	Unsecured Loans	354,783

**Application of Funds**

Net Fixed Assets	3,816,648	Investments	152,512
Net Current Assets	4,799,903	Misc. Expenditure	2,035
Capital Work in Progress	91,450	Accumulated Losses	NIL

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover	13,377,469	Total Expenditure	11,718,284
Profit Before Tax	1,074,686	Profit After Tax	760,075
Earning Per Share in Rs. (Basic and Diluted)	9.14	Dividend Rate (%)	50%

**V. Generic Names of Three Principal Products of Company (as per monetary terms)**

ITEM CODE NO.(ITC CODE)	PRODUCTION DESCRIPTION
1 29049005	PARA NITRO CHLORO BENZENE
2 29049004	ORTHO NITRO CHLORO BENZENE
3 28070001	SULPHURIC ACID
4 38081021	QUINALPHOS

\* Issued 3025000 equity shares of Rs. 5/- each at a premium of Rs. 30.65 ps. per share against convertible warrant upon exercise of right of conversion by respective warrant holders.

FOR AND ON BEHALF OF THE BOARD

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

Sd/-  
MONA PATEL  
COMPANY SECRETARY

PLACE: Mumbai  
DATE: 26th May, 2010

Cash Flow Statement For The Year Ended 31st March, 2010

Sr. No.	Particulars	For the year Ended 31st March, 2010	(Rs. in Lakhs) For the year Ended 31st March, 2009
<b>A.</b>	<b>Cash Flow From Operating Activities :</b>		
	Net Profit Before Tax and Extraordinary Items	10,746.85	11,401.11
	<b>Adjustments For:</b>		
Add:	Interest and Finance Charges Paid	5,171.31	8,936.32
	Depreciation	4,474.91	3,871.07
	Expenses Amortised	25.67	76.96
	Loss on Sale of Assets	0.00	0.18
	Loss on Sale of Investment	8.72	86.53
		<u>20,427.46</u>	<u>24,372.17</u>
Less:	Profit on Sale of Investment	0.00	(152.45)
	Profit on Sale of Assets	(25.77)	(7.04)
	Prior Year Adjustment	(8.57)	(113.84)
	Dividend Received From Other Investments	(0.20)	(1.61)
	Dividend Received From Associate Investments	(25.53)	(22.67)
	Dividend Received From Subsidiaries Investments	0.00	0.00
	Lease Rent Received	(10.66)	(6.29)
	Operating Profit Before Working Capital Changes	<u>20,356.73</u>	<u>24,068.27</u>
	Adjustments For :		
Add/(Less):	(Increase)/Decrease in Trade And Other Receivables	266.72	(4,453.34)
	Increase/(Decrease) in Trade Payables	7,295.47	(3,214.16)
	(Increase)/Decrease in Inventories	(6,259.57)	878.61
		<u>21,659.35</u>	<u>17,279.38</u>
Less:	Cash Generated From Operations	(4,076.78)	(2,407.92)
	Direct Taxes Paid		
	Net Cash From Operating Activities	<u>17,582.57</u>	<u>14,871.46</u>
<b>B.</b>	<b>Cash Flow From Investing Activities :</b>		
	Addition To Fixed Assets/CWIP	(6,019.25)	(7,116.45)
	Sale/Written-off of Fixed Assets	20.00	60.52
	(Increase)/Decrease In Other Investments	(6.05)	76.51
	(Increase)/Decrease In Associate Investments	0.00	333.66
	(Increase)/Decrease In Subsidiary Investments	0.00	25.60
	Dividend Received From Other Investments	0.20	1.61
	Dividend Received From Associate Investments	25.53	22.67
	Dividend Received From Subsidiaries Investments	0.00	0.00
	Lease Rent Received	10.66	6.29
	Net Cash From Investing Activities	<u>(5,968.91)</u>	<u>(6,589.58)</u>
<b>C.</b>	<b>Cash Flow From Financing Activities :</b>		
	Proceeds From Long Term Borrowings	0.00	10,824.05
	Repayment of Long Term Borrowings	(4,430.74)	(4,314.63)
	Proceeds/(Repayments) Of Other Borrowings	(178.30)	(4,684.66)
	Repayment of Share Application Money	0.00	(0.85)
	Increase In Equity and Share Premium	970.57	107.84
	Interest and Finance Charges Paid	(5,171.31)	(8,936.32)
	Dividend Paid	(2,265.30)	(1,674.61)
		<u>(11,075.08)</u>	<u>(8,679.18)</u>
	Net Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)	538.58	(397.31)
	Cash And Cash Equivalents (Opening Balance)	602.42	758.93
	Cash And Cash Equivalents (Received On Amalgamation)	0.00	240.80
	Cash And Cash Equivalents (Closing Balance)	<u>1,141.00</u>	<u>602.42</u>

Notes: i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.  
ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
**(YATIN R. VYAVAHARKAR)**  
PARTNER  
PLACE : Mumbai  
DATE : 26th May, 2010

Sd/-  
**RAJENDRA V. GOGRI**  
VICE CHAIRMAN AND  
MANAGING DIRECTOR



## Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Company	Aarti Healthcare Ltd.	Aarti Corporate Services Ltd.	Alchemie Europe Ltd.	Shanti Intermediates Pvt. Ltd. (Subsidiary of Aarti Corporate Services Ltd.)
The financial year of the Subsidiary Companies ended on	31st March, 2010	31st March, 2010	30th November, 2009	31st March, 2010
Date from which they become subsidiary Companies	15th September, 1994	24th February, 1995	23rd April, 1998	14th June, 2006
a. Number of shares held by Aarti Industries Ltd. with its nominees in the Subsidiaries at the end of the financial year of the Subsidiary Companies	31,26,000 Equity Shares of the face value of Rs.10/- each fully paid up.	20,24,680 Equity Shares of the face value of Rs.10/- each fully paid up.	40,000 Equity Shares of the face value of 1 Pound each fully paid up. Equivalent to Rs 30,65,200 on 30.11.09	5550 Equity Shares of the face value of Rs.100/- each fully paid up through Aarti Corporate Services Ltd.
b. Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies	52.10%	100%	80%	82.04%
The net aggregate amount of the Subsidiary Companies 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, 2010 On 30th November, 2009	Rs. 45,52,261	Rs. 20,37,715	N.A.  Pound 546 equivalent to Rs. 41,840 on 30-11-2009	Rs. (6,15,221)
ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	Rs. 3,55,42,939	Rs. 1,02,07,793	Pound 16,019 equivalent to Rs. 12,27,536 on 30-11-2009	Rs. (85,709)
b. Dealt within holding Company's accounts:				
i) For the financial year ended 31st March 2010.	NIL	NIL	NIL	NIL
ii) For the financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	NIL	NIL	NIL	NIL
Material changes during the last date of the financial year of the Subsidiary Companies And the last date of financial year of the Holding Company.	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board

Sd/-  
**CHANDRAKANT V. GOGRI**  
CHAIRMANSd/-  
**RAJENDRA V. GOGRI**  
VICE-CHAIRMAN AND  
MANAGING DIRECTORSd/-  
**SHANTILAL T. SHAH**  
VICE-CHAIRMANSd/-  
**MONA PATEL**  
COMPANY SECRETARYPlace: Mumbai  
Date: 26th May, 2010

### Auditors' Report to the Board of Directors of Aarti Industries Ltd. on the Consolidated Financial Statements

We have examined the attached consolidated balance sheet of AARTI INDUSTRIES LIMITED and its subsidiaries as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow for the year then ended.

These financial statements are the responsibility of AARTI INDUSTRIES LIMITED's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 reporting 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 subsidiaries, whose financial statements reflect total assets of Rs. **16,51,17,825/-** as at 31st March, 2010 and total revenues of Rs. **49,96,19,953/-** for the year then ended and of associates which reflect the Group's share of profits(net) for the year then ended of Rs. **13,97,18,541/-**. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries and associates, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21: Consolidated Financial Statements and Accounting Standard, 23: Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of AARTI INDUSTRIES LTD. and its subsidiaries and associates 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 reports on individual audited financial statements of AARTI INDUSTRIES LTD. and its aforesaid subsidiaries and associates, 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 INDUSTRIES LTD. and its subsidiaries and associates as at 31st March, 2010 and
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of AARTI INDUSTRIES LTD. and its subsidiaries and associates for the year then ended.
- (c) The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of AARTI INDUSTRIES LTD. its subsidiaries and associates for the year then ended.

For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS  
Firm Registration Number :- 107547W

Sd/-  
**(YATIN R. VYAVAHARKAR)**  
PARTNER  
M.No.33915

Place: Mumbai  
Date: 26th May, 2010

**Consolidated Balance Sheet as at 31st March, 2010**

(Rs. in Lakhs)

Particulars	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS:</b>			
Share Capital	A	3,836.00	3,640.47
Share Capital pending allotment upon Amalgamation	A-1	NIL	44.28
Equity Share Warrants	B	NIL	107.84
Reserves and Surplus	C	41,608.03	33,682.29
Minority Interest		860.30	849.33
		<u>46,304.33</u>	<u>38,324.21</u>
<b>LOAN FUNDS:</b>			
Secured Loans	D	40,100.53	43,440.48
Unsecured Loans	E	3,748.33	4,917.71
<b>DEFERRED TAX LIABILITY</b>			
		5,117.24	4,523.12
		<u>48,966.10</u>	<u>52,881.31</u>
<b>TOTAL</b>		<u>95,270.43</u>	<u>91,205.52</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	F	72,741.85	66,258.97
Less: Depreciation		32,007.10	27,063.35
Net Block		<u>40,734.75</u>	<u>39,195.62</u>
Capital Work-in-Progress		914.50	883.42
<b>Investments</b>	G	5,436.02	4,054.92
Deferred Tax Assets		436.57	492.06
<b>Current Assets, Loans and Advances:</b>			
Inventories	H	26,467.68	20,602.89
Sundry Debtors		25,700.98	26,614.55
Cash and Bank Balances		1,161.05	744.43
Loans and advances		21,021.42	16,242.13
		<u>74,351.13</u>	<u>64,204.00</u>
<b>Less: Current Liabilities and Provisions:</b>			
Liabilities	I	13,976.05	7,886.26
Provisions		12,647.52	9,785.62
		<u>26,623.57</u>	<u>17,671.88</u>
<b>Net Working Capital</b>		<u>47,727.56</u>	<u>46,532.12</u>
<b>Miscellaneous Expenditure:</b>			
(To the extent not written off or adjusted)			
Pre-operative Expenses		13.13	28.98
Deferred Revenue Expenditure [Note: 11]		7.90	18.40
<b>TOTAL</b>		<u>95,270.43</u>	<u>91,205.52</u>
<b>NOTES TO ACCOUNTS</b>			
	P		

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
YATIN R. VYAVAHARKAR  
PARTNER

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 26th May, 2010

Sd/-  
MONA PATEL  
COMPANY SECRETARY

Consolidated Profit and Loss Account for the year ended on 31st March, 2010

(Rs. in Lakhs)

Particulars	Schedule	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>INCOME:</b>			
Gross Sales and Other Sales Income		134,959.07	155,002.94
Less: Excise Duty		4,836.83	8,877.00
Net Sales and Other Sales Income		130,122.24	146,125.94
Interest on Loan		8.53	25.00
Other Income	J	175.70	222.35
Increase/(Decrease) in Inventory		2,904.71	(238.49)
<b>TOTAL</b>		<b>133,211.18</b>	<b>146,134.80</b>
<b>EXPENDITURE:</b>			
Manufacturing Expenses	K	91,787.24	101,244.83
Purchase of Goods Traded In		11,467.99	9,183.12
Office and Administration Expenses	L	1,435.72	1,609.40
Selling and Distribution Expenses	M	7,761.17	9,023.55
Interest and Financial Charges	N	5,199.19	8,948.70
Non-Operating Expenses and Losses	O	177.16	244.58
<b>TOTAL</b>		<b>117,828.47</b>	<b>130,254.18</b>
<b>Profit Before Depreciation</b>		<b>15,382.71</b>	<b>15,880.62</b>
Less: Depreciation		4,706.67	4,013.47
<b>Profit Before Tax</b>		<b>10,676.04</b>	<b>11,867.15</b>
Less: Provision For Taxation [Note: 13(a)]		3,177.82	2,387.81
Less: Provision for Fringe Benefit Tax		NIL	35.21
<b>Profit After Tax</b>		<b>7,498.22</b>	<b>9,444.13</b>
Less: Provision for Deferred Tax [Note: 13(b)]		649.61	737.49
<b>Profit After Deferred Tax</b>		<b>6,848.61</b>	<b>8,706.64</b>
Add: Balance of Profit and Loss Account Brought Forward		27,086.82	23,557.50
Add/(Less): Adjustment on Amalgamation		NIL	(312.40)
Less: Provision for Taxation for earlier years		NIL	(0.00)
Less: Prior Years' Adjustment for others		8.56	113.85
		<b>33,926.87</b>	<b>31,837.89</b>
Less: Transfer to General Reserve		714.08	853.45
Less: Transfer to Debenture Redemption Reserve		2,000.00	2,000.00
Add: Transfer from (to) Consolidation Reserve		79.86	99.13
		<b>31,292.65</b>	<b>29,083.57</b>
Less: Dividend (Interim)		1,380.96	1,310.57
(Final)		537.04	884.34
Less: Tax on Dividend		325.96	373.03
Add: Share of Profit/(Loss) Associate (Net) [Note:3(g) & 20(a)]		1,397.19	1,309.30
Add: Pre-Acquisition Loss/ Profit		NIL	0.49
Add/(Less): Minority Interest		(10.98)	(554.78)
Less: Unrealised Profit		94.82	125.29
Less: Currency Fluctuation on Consolidation		(1,029.54)	84.63
Add/(Less): Currency Fluctuation on conversion of Financial Statements		1.16	26.10
<b>Balance Carried Forward to Balance Sheet</b>		<b>31,370.78</b>	<b>27,086.82</b>

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
YATIN R. VYAVAHARKAR  
PARTNER

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 26th May, 2010

Sd/-  
MONA PATEL  
COMPANY SECRETARY



## Schedules - Consolidated Financial Statements

### Schedules Forming Part of the Balance Sheet as at 31st March, 2010

	<u>As at 31st March, 2010</u>	(Rs. in Lakhs) <u>As at 31st March, 2009</u>
<b>SCHEDULE 'A' - SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL:</b>		
12,50,00,000 Equity Shares of Rs. 5/- Each	<u>6,250.00</u>	<u>6,250.00</u>
(As on 31st March, 2009 - 12,50,00,000 Equity Shares of Rs. 5/-each)		
<b>ISSUED, SUBSCRIBED &amp; PAID-UP:</b>		
7,67,20,073 Equity Shares of Rs. 5/- Each Fully Paid-up	<u>3,836.00</u>	<u>3,640.47</u>
(As on 31st March, 2009 - 7,28,09,424 of Rs. 5/- Fully Paid-up)		
NOTES : of the above Shares -		
[a] 6,22,28,216 (As at 31st March, 2009 - 6,22,28,216) have been issued as Fully Paid Bonus Shares		
[b] 30,00,000 (As at 31st March, 2009 - 30,00,000) have been issued to shareholders of Salvigor Laboratories Ltd. pursuant to its Merger with the Company		
[c] 16,62,638 (As at 31st March, 2009 - 16,62,638) have been issued to shareholders of Mahaval Organic Ltd. pursuant to its Merger with the Company		
[d] 10,25,050 (As at 31st March, 2009 - 10,25,050) have been issued to shareholders of Alchemie Organics Ltd. pursuant to its Merger with the Company		
[e] 8,43,649 (As at 31st March, 2009 - Nil) have been issued to shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company		
[f] 42,000 (As at 31st March, 2009 - Nil) have been issued to shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company		
[g] 30,25,000 (As at 31st March, 2009- Nil) have been issued towards Preferential Allotment at premium of Rs. 30.65/- paise to Warrant Holders		
<b>TOTAL</b>	<u><u>3,836.00</u></u>	<u><u>3,640.47</u></u>
<b>SCHEDULE 'A-1' SHARE CAPITAL PENDING ALLOTMENT UPON AMALGAMATION</b>		
8,85,649 Shares were issued and allotted to shareholders of erstwhile Surfactant Specialities Ltd. And Avinash Drugs Ltd. As per the terms of the scheme of Amalgamation approved by the Hon. High Courts at Ahmedabad & Mumbai vide their order dated 1st September, 2009 and 7th August, 2009, respectively.	<u>NIL</u>	<u>44.28</u>
<b>TOTAL</b>	<u><u>NIL</u></u>	<u><u>44.28</u></u>
<b>SCHEDULE 'B' - EQUITY SHARE WARRANTS</b>		
Upfront consideration at,		
(i) Rs. 3.57 paise per warrant received towards Preferential Allotment of 30,25,000 Equity Share Warrants of Rs. 5/- each.	<u>NIL</u>	<u>107.84</u>
The Board of Directors in their meeting held on 20th December, 2009 allotted 30,25,000 equity shares of Rs. 5/- each @ premium of Rs. 30.65 paise against Convertible Warrants upon exercise of right of conversion by respective Warrant Holders.		
<b>TOTAL</b>	<u><u>NIL</u></u>	<u><u>107.84</u></u>

**Schedules - Consolidated Financial Statements**

**SCHEDULE 'C' - RESERVES & SURPLUS**

(Rs. in Lakhs)

PARTICULARS	Consolidated As at 31st March, 2009	Addition On Amalgamation	Addition	Deduction	Adjustment on Consolidation	Consolidated As at 31st March, 2010
<b><u>CAPITAL RESERVES :</u></b>						
Capital Reserve	57.415	-	-	-	-	57.415
State Investment Subsidy	51.82	-	-	-	-	51.82
Amalgamation Reserve	1,076.55	-	-	-	-	1,076.55
Capital Reserve - On Consolidation [Note: 3(e)]	61.015	-	-	-	-	61.015
Forfeiture Reserve	184.564	-	-	-	-	184.564
Debenture Redemption Reserve	2,000.00	-	2,000.00	-	-	4,000.00
Share Premium Account	-	-	927.16	-	-	927.162
<b>TOTAL</b>	<b>3,431.364</b>	<b>-</b>	<b>2,927.16</b>	<b>-</b>	<b>-</b>	<b>6,358.53</b>
<b><u>REVENUE RESERVES :</u></b>						
General Reserve	3,149.32	-	710.00	-	-	3,859.32
RBI Reserve u/s 45(IC)	4.814	-	4.08	-	-	8.89
<b>TOTAL</b>	<b>3,154.134</b>	<b>-</b>	<b>714.08</b>	<b>-</b>	<b>-</b>	<b>3,868.21</b>
Consolidation Reserve	9.97	-	-	79.86	80.40	10.51
<b>PROFIT AND LOSS ACCOUNT</b>	<b>27,086.822</b>	<b>-</b>	<b>8,326.82</b>	<b>4,042.86</b>	<b>-</b>	<b>31,370.78</b>
<b>TOTAL</b>	<b>33,682.29</b>	<b>-</b>	<b>11,968.06</b>	<b>4,122.72</b>	<b>80.40</b>	<b>41,608.03</b>
<b>PREVIOUS YEAR</b>	<b>26,782.28</b>	<b>407.81</b>	<b>13,012.69</b>	<b>6,400.58</b>	<b>(119.91)</b>	<b>33,682.29</b>

(Rs. in Lakhs)

**SCHEDULE 'D' - SECURED LOANS**

**LONG TERM LOANS:**

Non Convertible Debentures	<b>10,000.00</b>	10,000.00
From Scheduled Banks	<b>2,473.70</b>	5,139.99
External Commercial Borrowing	<b>3,016.13</b>	4,780.58

**WORKING CAPITAL LOAN:**

From Scheduled Banks	<b>24,610.70</b>	23,519.91
<b>TOTAL</b>	<b>40,100.53</b>	<b>43,440.48</b>

**SCHEDULE 'E' - UNSECURED LOANS**

Fixed Deposits	<b>116.23</b>	103.14
From Subsidiaries Companies		
From Banks	<b>3,155.20</b>	4,000.00
From Others	<b>476.40</b>	814.07
Security Deposit from C & F Agents	<b>0.50</b>	0.50
<b>TOTAL</b>	<b>3,748.33</b>	<b>4,917.71</b>

## Schedules - Consolidated Financial Statements

### SCHEDULE 'F' - FIXED ASSETS:

(Rs. in Lakhs)

ASSETS	GROSS BLOCK					DEPRECIATION					NET BLOCK			
	As on 01.04.2009	Consolidated Adjustment	Additions on Amalgamation	Additions during the year	Deductions during the year	As on 31-03-2010	As on 01-04-2009	Consolidated Adjustment	Additions on Amalgamation	For the year	Adjustment	Deductions during the year	Upto 31.03.2010	As on 31.03.2010
Technical Knowhow	7.574	-	-	-	-	7.57	7.57	-	-	-	-	-	7.57	0.00
Leasehold Land	1,642.46	-	-	34.88	-	1,677.34	103.48	-	-	24.95	-	-	128.44	1,548.90
Freehold Land	47.62	-	-	-	-	47.62	-	-	-	-	-	-	-	47.62
Building	4,877.414	-	-	442.26	-	5,319.67	1,282.46	-	-	224.68	-	-	1,507.14	3,812.53
Plant & Machinery	55,052.09	-	-	5,400.29	-	60,452.38	23,315.40	-	-	3,910.70	-	-	27,226.10	33,226.28
Furniture, Fixture & Office Equipment	1,045.53	-	-	70.47	-	1,116.00	731.48	-	-	92.03	-	-	823.51	292.49
Vehicles	595.964	-	-	96.691	-	692.66	433.75	-	-	53.52	-	-	487.27	205.39
Other Tangible Assets [Alchemie Europe Ltd.]	28.43	-	-	390.95	-	419.38	5.99	-	-	84.01	-	-	90.00	329.38
Process Development & Patent *	2,545.49	-	-	-	-	2,545.49	1,183.22	-	-	414.28	-	-	1,597.50	947.99
Product Development & R&D	416.39	-	-	-	-	416.39	-	-	-	138.80	-	-	138.80	277.59
Residential Flat	-	-	-	47.35	-	47.35	-	-	-	0.77	-	-	0.77	46.58
	66,258.96	-	-	6,482.89	-	72,741.85	27,063.35	-	-	4,943.74	-	-	32,007.10	40,734.75
PREVIOUS YEAR	52,677.26	(416.38)	4,099.67	9,978.65	80.23	66,258.97	21,872.39	(299.51)	1,219.57	4,206.57	84.04	19.71	27,063.35	39,195.62

Amortisation of Patent of Aarti Healthcare Ltd.

237.08  
4,706.66

Current year depreciation includes Rs. 30.45/- Lakhs (Previous year Rs. 29.736/- Lakhs) on Assets deployed for Research &amp; Development.

\* Process Development is being amortized over a period of 5 years (balance will be amortized over a period of 3 years)



## Schedules - Consolidated Financial Statements

### SCHEDULE 'G' - INVESTMENTS

Listed Companies (Valued at cost)

(Rs. in Lakhs)

Name of the Company	Number of Units / Shares (All fully paid up)				As at 31st March, 2010 at cost	As at 31st March, 2009 at cost
	Opening Balance	Acquisitions During the year	Disposals During the year	Closing Balance		
<b>(A) Investment - (Quoted) In Equity Shares:</b>						
Reliance Industries Ltd.	240	*240	NIL	480	0.12	0.12
Atul Ltd.	50	NIL	NIL	50	0.01	0.01
Deepak Nitrite Ltd.	150	**25	NIL	175	0.13	0.11
Dharamsi Morarji Ltd.	100	NIL	NIL	100	0.01	0.01
Hindustan Organic Chemicals Ltd.	100	NIL	NIL	100	0.01	0.01
Rashtriya Chemical & Fertilizers Ltd.	100	NIL	NIL	100	0.02	0.02
Bayer Crop Science Ltd.	10	NIL	NIL	10	0.01	0.01
Reliance Natural Resources Ltd.	240	NIL	NIL	240	NIL	NIL
Reliance Communications Ltd.	240	NIL	NIL	240	NIL	NIL
Reliance Capital Ltd.	12	NIL	NIL	12	NIL	NIL
Reliance Infrastructure Ltd.	18	NIL	NIL	18	NIL	NIL
<b>TOTAL</b>					<b>0.31</b>	<b>0.29</b>
*Bonus Shares Allotted						
**Allotted on Conversion of Warrants						
<b>Trade Investments (Quoted) in Equity Shares:</b>						
Aarti Drugs Ltd.	851,059	NIL	NIL	851,059	136.32	136.32
<b>TOTAL</b>					<b>136.32</b>	<b>136.32</b>
<b>Trade Investments (Unquoted) in Equity Shares:</b>						
U.K.I.P. Co-op. Soc. Ltd.	35	NIL	NIL	35	0.02	0.02
<b>TOTAL</b>					<b>0.02</b>	<b>0.02</b>
<b>Investments (Unquoted) in Equity Shares:</b>						
Aarti Biotech Ltd.	419,600	NIL	NIL	419,600	5.06	5.06
Ichalkaranji Janata Sahakari Bank Ltd.	1,020	NIL	NIL	1,020	0.51	0.51
Damanganga Saha Khand Udyog Mandali Ltd.	61	NIL	NIL	61	1.22	1.22
Perfect Enviro Control Systems Ltd.	343,840	36,800	NIL	380,640	17.65	13.96
Bharuch Eco Aqua Infra Ltd. (partly paid)	102,230	NIL	NIL	102,230	13.26	13.26
Dispo Dyechem Ltd.	40,000	NIL	NIL	40,000	1.28	10.00
Dilesh Roadlines Pvt. Ltd.	494,000	NIL	NIL	494,000	49.40	49.40
Aarti Intermediate Pvt. Ltd.	22,125	NIL	NIL	22,125	0.22	0.22
Amrey Enterprises Pvt. Ltd.	4,900	NIL	NIL	4,900	0.49	0.49
Indusken Pharmaceuticals Pvt. Ltd.	200,000	NIL	NIL	200,000	20.00	20.00
SBPP Bank Ltd.	783	NIL	NIL	783	0.78	0.78
Spack Chemicals Pvt. Ltd.	NIL	300,500	NIL	300,500	3.00	NIL
<b>TOTAL</b>					<b>112.87</b>	<b>114.90</b>
<b>Investments (Unquoted) in Preference Shares:</b>						
Spack Chemicals Pvt. Ltd.	NIL	61,500	NIL	61,500	0.62	NIL
<b>TOTAL (A)</b>					<b>250.14</b>	<b>251.53</b>

Contd. ...



## Schedules - Consolidated Financial Statements

(Rs. in Lakhs)

Name of the Company	Numbers	a Original Investment As on 01-04-09	b Addition During the year	Additions to cost as on 01-04-09	Share of Profit/ (Loss)	Deduction	c Additions to cost as on 31-03-10	Consoli- dated Adjustment	(a + b + c) As at 31st March, 2010 at cost	As at 31st March, 2009 at cost
<b>(B) Investments in Associate Companies</b>										
<b>(Unquoted) in Equity Shares:</b>										
Nascent Chemical Industries Ltd. (Associate of 100% Subsidiary)	293,920	133.29	-	126.99	42.48	14.70@	154.77	-	<b>288.06</b>	260.27
Ganesh Polychem Ltd.	1,000,000	100.00	-	688.44	110.15	-	798.59	-	<b>898.59</b>	788.44
Anushakti Chemicals & Drugs Ltd.	8,846,490	731.96	-	2,022.69	1,244.56	-	3,267.25	-	<b>3,999.23</b>	2,754.68
<b>TOTAL (B)</b>									<b>5,185.88</b>	3,803.39
@ Dividend Received										
<b>GRAND TOTAL (A + B)</b>									<b>5,436.02</b>	4,054.92
Aggregate Market Value of Quoted Investments: (Rs. in Lakhs)										
As on 31-03-2010	734.11									
As on 31-03-2009	324.01									

Schedules - Consolidated Financial Statements

	As at 31st March, 2010	(Rs. in Lakhs) As at 31st March, 2009
<b>SCHEDULE 'H' - CURRENT ASSETS, LOANS AND ADVANCES [Note: 14]</b>		
<b>CURRENT ASSETS:</b>		
<b>Inventories</b>		
Raw Materials	9,832.04	7,040.49
Fuel	454.27	355.58
Work-in-Process	8,512.02	6,823.50
Finished Goods	7,207.64	6,005.87
Packing Materials	162.42	93.23
Stores and Spares	299.29	284.22
	<b>26,467.68</b>	<b>20,602.89</b>
<b>Sundry Debtors (Unsecured)</b>		
(a) Outstanding for more than six months		
- Considered Good	1,700.48	4,111.40
- Considered Doubtful	NIL	19.96
(b) Others - Considered Good	23,993.56	22,497.02
	<b>25,694.04</b>	<b>26,628.38</b>
Less : Provision for Doubtful Debts	NIL	19.96
	<b>25,694.04</b>	<b>26,608.42</b>
(C) Interest Receivable	6.94	6.13
	<b>25,700.98</b>	<b>26,614.55</b>
<b>Cash and Bank Balances</b>		
Cash on hand	58.45	64.65
<b>Balances with Scheduled Banks</b>		
In Current Accounts	430.14	314.60
In Deposit Accounts	672.46	365.18
	<b>1,161.05</b>	<b>744.43</b>
<b>LOANS AND ADVANCES:</b>		
(Unsecured and considered good)		
Capital Advances	534.16	693.83
Balances with Custom, Port Trust, Excise & Sales Tax Authorities	4,146.54	3,923.38
Advances recoverable in cash or in kind or for value to be received	2,872.26	2,020.12
Loan to Corporate Bodies	85.20	63.30
Loan to Other	0.002	2.07
Deposits	12.99	12.86
Advance Tax and Tax Deducted at Source	13,370.27	9,526.57
	<b>21,021.42</b>	<b>16,242.13</b>
<b>TOTAL</b>	<b>74,351.13</b>	<b>64,204.00</b>
<b>SCHEDULE 'I' - CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES:</b>		
Sundry Creditors	13,833.58	7,634.38
Interest Accrued but not due on Loans	28.75	169.53
Unclaimed Dividend #	113.72	82.35
	<b>13,976.05</b>	<b>7,886.26</b>
<b>PROVISIONS:</b>		
Provision for Taxation [Note 13 (a)]	11,611.10	8,433.28
Provision for FBT	127.32	127.38
Proposed Dividend	537.04	884.34
Employee Benefits	372.06	340.62
<b>TOTAL</b>	<b>12,647.52</b>	<b>9,785.62</b>

# There is no amount due & outstanding to be credited to Investor Education & Protection Fund

**Schedules - Consolidated Financial Statements**

	For the year ended 31st March, 2010	(Rs. in Lakhs) For the year ended 31st March, 2009
<b>SCHEDULE 'J' - OTHER INCOME</b>		
Dividend Received From:		
a) Trade Investments	25.53	15.32
b) Non Trade Investments	0.31	1.73
Interest Received	0.03	0.03
Profit on Sale of Assets	19.63	7.04
Profit on Sale of Investments	NIL	152.45
Lease Rent	10.66	NIL
Other Income	119.54	30.74
Insurance Claim Received	NIL	15.04
<b>TOTAL</b>	<b>175.70</b>	<b>222.35</b>
<b>SCHEDULE 'K' - MANUFACTURING EXPENSES</b>		
Consumption of Raw Materials	65,297.20	75,950.15
Consumption of Packing Materials	1,938.35	1,749.71
Consumption of Stores and Spares	1,683.07	1,492.22
Freight, Cartage and Transport	4,017.01	4,049.58
Fuel	5,775.72	5,850.07
Power	3,656.40	3,351.78
Water Charges	463.60	398.73
Excise Duty Paid	389.70	1,045.43
Processing Charges	617.94	412.75
Staff Costs	2,640.73	2,345.32
Other Manufacturing Expenses	2,783.83	2,343.03
Repairs and Maintenance - Building	250.28	94.43
- Plant & Machinery	1,026.98	1,023.57
Wages	92.20	70.99
Insurance Charges	127.61	176.29
Research & Development Expenses	137.04	107.32
Factory Administration Expenses	652.50	590.37
R & D Expenses Written Off	237.08	193.09
<b>TOTAL</b>	<b>91,787.24</b>	<b>101,244.83</b>
<b>SCHEDULE 'L' - OFFICE AND ADMINISTRATIVE EXPENSES</b>		
Staff Cost [Note: 16]	813.07	711.22
Profession Tax	0.05	0.05
Rent	70.70	67.57
Rates, Taxes & Fees	36.78	35.27
Travelling and Conveyance	223.70	226.99
General Expenses	NIL	0.19
Repairs & Maintenance	0.52	0.53
Exchange Difference & Charges	(107.63)	195.26
Auditors' Remuneration [Note: 15]	11.56	8.18
Bank Charges	7.44	5.83
Legal and Professional Charges	108.29	81.87
Postage, Telegram and Telephone	63.93	55.33
Printing and Stationery	29.09	31.13
Other Administrative Expenses	172.11	180.62
Insurance	6.11	9.36
<b>TOTAL</b>	<b>1,435.72</b>	<b>1,609.40</b>

## Schedules - Consolidated Financial Statements

	For the year ended 31st March, 2010	(Rs. in Lakhs) For the year ended 31st March, 2009
<b>SCHEDULE 'M' - SELLING AND DISTRIBUTION EXPENSES</b>		
Advertisement and Sales Promotion	164.41	159.08
Export Freight (Air and Sea)	2,111.86	2,444.19
Freight and Forwarding	2,886.04	2,752.14
Commission	319.74	415.36
Insurance Charges on Export	94.38	78.58
Sample Testing and Analysis Charges	23.65	21.92
Sales Tax/Vat Paid	331.97	781.41
Discount	502.19	635.63
Sundry Balances Written Off/(Back)	8.18	30.74
Storage	2.61	1.10
Carriage	954.52	1,069.19
Bad Debts Written Off	361.36	631.19
Other Selling Expenses	0.26	3.02
<b>TOTAL</b>	<b>7,761.17</b>	<b>9,023.55</b>
<b>SCHEDULE 'N' - INTEREST AND FINANCIAL CHARGES</b>		
Interest on Debentures	1,416.28	744.81
Interest on Term Loans	953.08	2,297.08
Interest on Working Capital	2,293.22	5,331.21
Bank Charges	536.61	575.60
<b>TOTAL</b>	<b>5,199.19</b>	<b>8,948.70</b>
<b>SCHEDULE 'O' - NON-OPERATING EXPENSES</b>		
Donations	157.26	76.13
Pre-operative Expenses Written Off	0.68	0.68
Deferred Revenue Expenses Written Off	10.50	81.06
Loss on Sale of Assets	NIL	0.18
Loss on Sale of Shares	8.72	86.53
<b>TOTAL</b>	<b>177.16</b>	<b>244.58</b>



## Schedule: 'P' - Notes Forming Part of Consolidated Financial Statements for the year ended 31st March, 2010

### 1. Background

Consolidated Financial Statements include the Accounts of the Parent Company, Aarti Industries Limited and the following Subsidiary Companies:

<u>Name of the Subsidiary</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest (%)</u>
<b><u>Indian Subsidiary</u></b>		
(a) Aarti Healthcare Ltd.	India	52.10 %
(b) Aarti Corporate Services Ltd.	India	100 %
(c) Shanti Intermediates Pvt. Ltd. (Through its Holding Company: Aarti Corporate Services Ltd.)	India	82.04 %
<b><u>Foreign Subsidiary</u></b>		
(d) Alchemie Europe Ltd.	United Kingdom	80.00 %

2. Significant Accounting policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosures and a guide to better understanding of the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

### 3. Principles of Consolidation

- These Consolidated Financial Statements are prepared using the Financial Statements of the Parent Company and the Indian Subsidiary Companies drawn up to the same reporting date except the Foreign Subsidiary Company, Alchemie Europe Ltd.
- The accounting period of the Foreign Subsidiary ends on 30th November and it is not practical to draw up its financial statements up to the reporting date of the Parent and the Indian Subsidiary Companies (i.e. 31st March, 2010), the financial statements of the foreign Subsidiary as on 30th November, 2009 have been considered for the consolidation.
- The consolidation of the financial statements of the Parent Company and its Subsidiaries 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 except the transactions between Aarti Industries Ltd. and Alchemie Europe Ltd. of the period from 1st December, 2009 to 31st March, 2010 amounting to Rs. 80.40 Lakhs which could not be eliminated due to inconsistency in the reporting period of the Parent company and the Subsidiary. Operating profit element of the Sales has been removed from it and transferred to 'Consolidation Reserve'.
- The financial statements of the Parent Company and its Subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- The excess of the share of the Parent Company in the Net Assets over the carrying costs to the Parent Company of its investments in each of the Subsidiaries is recognized in the consolidated financial statements as Capital Reserve and in the converse case it is recognized as Goodwill.
- In case of associates, where the Parent Company directly or indirectly through subsidiaries holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard 23 (AS-23) "Accounting for Investment in Associates in Consolidated Financial Statements".
- Net loss attributable to the minority interest borne by the group in previous years, is recoverable. The Consolidated Financial Statements include the share of Profits/Losses of the Associate Companies. These Profits/Losses have been accounted as per "Equity Method", as per which the Share of Profits or Losses of each of the Associate Companies has been added to the carrying cost of investment.

### 4. Research and Development

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account for the year. Capital Expenditure on Research and Development is included as part of Fixed Assets and Depreciation is provided on the same basis as for other Fixed Assets.

### 5. Revenue Recognition

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc. as considered appropriate. Revenue from conversion, sale of scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance Claims and Subsidy from Department of Fertilizers is recognized on the time proportion method.
- (iv) In case of Foreign Subsidiary, sales are excluding Value Added Tax.

### 6. Foreign Currency Transactions

Accounts of the Foreign Subsidiary are translated into Indian Rupees as per the requirements of the Accounting Standard 11 "Accounting for the Effects of Changes in Foreign Exchange Rates".

### 7. Fixed Assets

The Fixed Assets of the Parent Company and other Subsidiaries are stated at cost of acquisition (net of CENVAT/VAT) inclusive of all expenditure of capital nature such as, inward freight, duties and taxes, installation and commissioning expenses, appropriate borrowing costs and incidental expenses related to acquisition.

### 8. Depreciation

- a. Depreciation is provided on tangible fixed assets (with the exception of land) at the rates adopted in the accounts of the Parent and respective Subsidiaries on straight-line Method, except as stated in item b.
- b. In respect of asset installed by the Parent Company in one plant taken on Operating Lease, depreciation is provided on Reducing Balance Method at the Rate prescribed under Schedule XIV of the Companies Act, 1956.
- c. Leasehold Land is amortized over the period of Lease in case of the Parent Company. Patents are amortized over its estimated useful life in case of its Subsidiary i.e. Aarti Healthcare Limited. Product/Process Development expenses are amortized over the estimated useful life of the product in case of Parent Company and its Subsidiary i.e. Aarti Healthcare Limited.

### 9. Investments

- (i) Current Investments if any, are stated at lower of cost and Fair Market Value.
- (ii) Long-Term Investments are stated at cost less provision for permanent diminution in value if any, of investments.

### 10. Inventories

Inventories have been valued on the following basis:

<b>Nature of Goods</b>	<b>Method of Valuation</b>
(a) Raw Materials, packing materials, stores and spares	At cost on weighted average basis
(b) Work-in-process	At cost plus appropriate allocation of overheads
(c) Finished Goods	At cost plus appropriate allocation of overheads or net realizable value, whichever is lower

### 11. Deferred Revenue Expenditure

Deferred Revenue Expenditure is amortized over the period of agreement on pro-rata basis.

### 12. Borrowing Costs

Interest on Term Loans directly related to the acquisition, construction or erection of Fixed Assets is capitalized.

### 13. 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 differences in the case of the individual Companies and is disclosed in the aggregate in the consolidated financial statements.

### 14. Current Assets and Loans and Advances

In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.

**15. Remuneration to Auditors**

(Rs. in Lakhs)

Particulars	By the Parent Company (Rs.)	By the Subsidiary Companies (Rs.)
As Auditor		
Audit Fees	<b>6.50</b> (4.91)	<b>0.55</b> (0.62)
Other Matters (Certification)	<b>3.41</b> (1.76)	<b>0.035</b> (NIL)
Service Tax	<b>0.89</b> (0.74)	<b>0.068</b> (NIL)
Out of Pocket Expenses	<b>0.094</b> (0.14)	<b>NIL</b> (NIL)
<b>Total Auditors' Remuneration</b>	<b>10.90</b> (7.56)	<b>0.65</b> (0.62)

**16. Directors' Remuneration**

(Rs. in Lakhs)

Sr. No.	Particulars	By the Parent Company (Rs.)	By the Subsidiary Company (Rs.)
(a)	Salary	<b>75.24</b> (72.00)	<b>NIL</b> (NIL)
(b)	Commission	<b>109.59</b> (116.70)	<b>NIL</b> (NIL)
(c)	Contribution to P.F.	<b>9.88</b> (9.45)	<b>NIL</b> (NIL)
(d)	Ex-Gratia	<b>16.71</b> (15.70)	<b>NIL</b> (NIL)
(e)	House Rent Allowance	<b>14.92</b> (10.32)	<b>NIL</b> (NIL)
(f)	Value of Perquisites	<b>2.73</b> (0.90)	<b>NIL</b> (NIL)
	<b>Total Remuneration (excluding sitting fees)</b>	<b>229.09</b> (225.07)	<b>NIL</b> (NIL)

Note: - In case of parent company, the above figures include Rs. 21.00 Lakhs (Previous year Rs. 18.80 Lakhs) paid towards Research & Development activities at the company's recognized R&D center and does not include contribution to Group Gratuity Fund, Group Medclaim and Group Personal Accident as separate figures are not available for the Directors. Value of Perquisites includes non cash Perquisites of Rs. 1.83 Lakhs (Previous Year Rs. Nil).

**17. Contingent Claims**

(Rs. in Lakhs)

Sr. No.	Particulars	On the Parent Company (Rs.)	On the Subsidiary Companies (Rs.)
(a)	Claims not acknowledged as Debts	<b>1677.98</b> (129.76)	<b>NIL</b> (NIL)
(b)	Letter of credit and Bank Guarantees issued by the company's Bankers	<b>4836.78</b> (2151.12)	<b>NIL</b> (NIL)
(c)	Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	<b>121.43</b> (174.75)	<b>NIL</b> (NIL)

### 18. Net loss attributable to the Minority Interest

Net loss in subsidiaries attributable to minority's share is absorbed by the Group. The same is recouped when subsidiary subsequently reports profits.

Name of Subsidiary	Financial Year 2009-10	Financial Year 2008-09
Alchemie Europe Limited	12.73	12.55
Aarti Healthcare Limited	NIL	30.87
Shanti Intermediates Private Limited	1.53	0.18
<b>Total</b>	<b>14.26</b>	<b>43.60</b>

(Rs. in Lakhs)

### 19. Related Party Disclosures

List of Related Parties as defined in paragraph 3 of Accounting Standard 18 'Related Party Disclosure' is as follows.

#### I. Associate Companies.

- a. Ganesh Polychem Ltd.
- b. Nascent Chemical Industries Ltd. (Associate of 100% Subsidiary)
- c. Anushakti Chemicals & Drugs Ltd.

#### II. Following are the Company/Firms over which controlling individuals / Key Management Personnel along with their relatives have significant influence as defined in Para 3(e) of the AS-18 and with which there were transactions during the year.

- a. Gogri and Sons Investments Pvt Ltd
- b. Alchemie Pharma chem Limited
- c. Alchemie Leasing and Financing Pvt Ltd
- d. Alchemie Laboratories
- e. Alchemie Industries
- f. Aarti Drugs Limited

#### III. Following are the individuals who own directly/indirectly 20% or more voting power in the Company or have significant influence or Key Management Personnel with their relatives as defined in the Para 3(c) and 3(d) of the AS-18

Sr. No.	Name	Status
1.	Shri Chandrakant V. Gogri	Director
2.	Shri Rajendra V. Gogri	Director
3.	Shri Shantilal T. Shah	Director
4.	Shri Parimal H. Desai	Director
5.	Shri Manoj M. Chheda	Director
6.	Shri Rashesh C. Gogri	Director
7.	Smt. Hetal Gogri Gala	Director
8.	Shri Kirit R. Mehta	Director



The following transactions were carried out during the year with the related parties in the ordinary course of business

(A) Details relating to parties referred to in items I, II and III above.

(Rs. in Lakhs)

Sr. No.	Description of Transaction	Year	Associated [I] (Rs.)	Other related Enterprises/ Firms [II] (Rs.)
1	Sales of Finished Goods	CY PY	4,012.72 3,874.52	809.76 1,388.29
2	Purchases of Raw Materials / Finished Goods	CY PY	10,224.48 10,005.90	103.60 184.78
3	Other Manufacturing Expenses	CY PY	120.80 -	361.55 782.73
4	Rent paid	CY PY	180.00 -	42.00 187.00
5	Sale of Investments	CY PY	- -	- -
6	Sale of Fixed Assets	CY PY	- 5.04	- 16.79
7	Purchase of Fixed Assets	CY PY	2.57 13.06	49.47 -
8	Inter-corporate Deposits taken / (Repaid) during the year	CY PY	- -	- 343.45
9	Inter-corporate Deposits given / (Received back) during the year	CY PY	(15.00) (155.02)	- 27.00
10	Unsecured Loans Given / (Taken Back)	CY PY	- -	(104.29) -
11	Unsecured Loans Taken / (Repaid)	CY PY	(345.00) -	(193.05) -
12	Interest Expense on the Inter-corporate Deposits taken	CY PY	4.64 -	37.13 8.97
13	Interest Income on the Inter-corporate Deposits placed / unsecured loans	CY PY	- 18.90	9.00 11.40
14	Equity Contribution / (Disposal) in cash or in kind made during the year	CY PY	- (118.53)	- (144.93)
15	Profit / (Loss) on sale of investments	CY PY	- 81.84	- 14.10
16	Outstanding items pertaining to the related parties at the balance sheet -date.: Receivable / (Payable)	CY PY	2,887.08 523.00	505.65 654.79

(B) Details relating to persons referred to in item III above\*

	31-03-2010 (Rs. in Lakhs)	31-03-2009 (Rs. in Lakhs)
a. Directors' Remuneration including perquisites #	128.50	108.37
b. Commission to Directors	109.59	116.70
c. Sitting Fees	2.80	3.02
d. Rent paid	62.61	56.25
e. Travelling Expenses	70.67	44.87
f. Telephone Expenses	6.24	4.60
<b>TOTAL</b>	<b>380.41</b>	<b>333.81</b>

\* Excluding the payments made to Independent Directors as per Accounting Standard Interpretation 21 issued by the Institute of Chartered Accountants of India.

# Value of Perquisites includes non Cash Perquisites of Rs. 1.83 Lakhs (Previous year Rs. Nil)

### 20. TREATMENT OF SUBSIDIARIES AND ASSOCIATES IN CONSOLIDATION

(a) The Share of Profit in respect of Investment in Associate Companies include the figure which are considered as per audited financial statements for the year ended 31st March, 2010 as per details given below:

(Rs. in Lakhs)

Sr. No.	Name of Associates	Ownership Interest %	Opening Original Investment As on 01/04/09	Additional Investment during the Year	Total Original Investment As on 31/03/10	Carrying cost of Investment including Original Investment as on 01/04/09	Adjustment for the year	Share of Profit/(loss) of the year	Carrying cost of Investment As on 31/03/10
1	Ganesh Polychem Ltd	32.11	100.00	-	100.00	788.44	-	110.15	898.59
2	Nascent Chemical Industries Ltd. (Associate of 100% subsidiary)	49.00	133.28	-	133.28	260.27	14.69 @	42.48	288.06
3	Anushakti Chemicals & Drugs Ltd.	48.99	731.98	-	731.98	2,754.67	-	1,244.56	3,999.23
	<b>TOTAL</b>	-	965.26	-	965.26	3,803.38	14.69	1,397.19	5,185.88

@ Dividend Received



**21. Consolidated Segment Reporting**

(Rs. in Lakhs)

Sr. No.	Particulars	Year Ended on 31st March, 10	Year Ended on 31st March, 09
<b>(A)</b>	<b>Primary Segments : Business Segments</b>		
	<b>Segment Revenue</b>		
a)	Basic Chemicals	25,440	36,089
b)	Speciality Chemicals	100,720	112,647
c)	Agro Chemicals	5,391	5,857
d)	Pharmaceuticals	11,792	10,025
	<b>Total</b>	<b>143,343</b>	<b>164,618</b>
	Less : Inter Segment Revenue	8,384	9,615
	<b>Net Sales \ Incomes From Operations</b>	<b>134,959</b>	<b>155,003</b>
	<b>Segment Results</b>		
	(Profit) (+) Loss (-) Before Tax And Interest from each Segment		
a)	Basic Chemicals	5,682	7,468
b)	Speciality Chemicals	14,061	15,860
c)	Agro Chemicals	650	1,493
d)	Pharmaceuticals	(636)	(1,027)
	<b>Total</b>	<b>(A) 19,757</b>	<b>23,794</b>
	Less : Interest	5,199	8,949
	Other Unallocable Expenditure	3,882	2,979
	Net of Unallocable Income	<b>(B) 9,081</b>	<b>11,928</b>
	<b>Total Profit Before Tax</b>	<b>(A) - (B) 10,676</b>	<b>11,866</b>
<b>(B)</b>	<b>Secondary Segment : Geographical Segments</b>		
a)	India	84,784	95,359
b)	Out of India	50,175	59,644
	<b>Total</b>	<b>134,959</b>	<b>155,003</b>

**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 it is currently not practicable to provide segment disclosures relating to Capital employed.

**22. Earning Per Share (EPS) :**

PARTICULARS		Financial Year 2009-2010	Financial Year 2008 - 2009
Net Profit after Deferred Tax	(Rs. in Lakhs)	68,48.61	87,06.64
Less: Minority Interest	(Rs. in Lakhs)	10.97	554.77
Add: Share of Profit from Associates	(Rs. in Lakhs)	1397.18	1309.30
Net Profit available for equity shareholder (A)	(Rs. in Lakhs)	8234.82	9461.16
No. of Equity Shares (B)	(Nos.)	7,67,20,073	*7,36,95,073
Basic & Diluted EPS (A/B)	(Rs.)	10.73	12.84

\*Includes 8,85,649 Shares are to be issued and allotted to shareholders of erstwhile Surfactant Specialities Ltd. and Avinash Drugs Ltd. as per the terms of the scheme of Amalgamation approved by the Honorable High Courts at Ahmedabad and Mumbai vide their order dated 1st September, 2009 and 7th August, 2009, respectively.

**23. The figures of the previous years have been regrouped and rearranged wherever necessary.**

Signatures to Schedules 'A' to 'P'

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
YATIN R. VYAVAHARKAR  
PARTNER

Sd/-  
CHANDRAKANT V. GOGRI  
CHAIRMAN

Sd/-  
RAJENDRA V. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 26th May, 2010

Sd/-  
MONA PATEL  
COMPANY SECRETARY

Consolidated Cash Flow Statement For The Year Ended 31st March, 2010

Sr. No.	Particulars	For the Year Ended 31st March, 2010	(Rs. in Lakhs) For the Year Ended 31st March, 2009
<b>A.</b>	<b>Cash Flow From Operating Activities :</b>		
	Net Profit Before Tax and Extraordinary Items	10676.04	11867.15
	<b>Adjustments For:</b>		
Add:	Interest and Finance Charges Paid	5199.19	8948.69
	Depreciation	4706.67	4013.47
	Expenses Amortised	26.36	50.02
	Consolidation Adjustments	2655.73	463.78
	Minority Interest	10.97	0.00
	Loss on Sale of Assets	8.72	0.18
Less:	Profit on Sale of Investment	0.00	(152.45)
	Profit on Sale of Assets	(19.63)	(7.04)
	Prior Year Adjustment	(8.57)	(113.84)
	Dividend Received on other Investments	(25.85)	(17.05)
	<b>Operating Profit Before Working Capital Changes</b>	<b>23229.63</b>	<b>25052.91</b>
	<b>Adjustments For :</b>		
Add/(Less):	(Increase)/Decrease in Trade and other Receivables	979.56	(4102.35)
	Increase/(Decrease) in Trade Payables	4880.55	(2815.10)
	(Increase)/Decrease in Inventories	(5864.78)	672.04
	Cash Generated From Operations	23224.96	18807.50
Less:	Direct Taxes Paid	(4079.55)	(2424.71)
	<b>Net Cash From Operating Activities</b>	<b>19145.41</b>	<b>16382.79</b>
<b>B.</b>	<b>Cash Flow From Investing Activities</b>		
	Addition to Fixed Assets/CWIP	(6285.97)	(7111.88)
	Sale/Written Off of Fixed Assets	20.00	60.52
	(Increase)/Decrease in other Investments	1.39	68.99
	(Increase)/Decrease in Associate Investments	(1382.49)	(1101.58)
	Dividend Received on other Investments	25.85	17.05
	<b>Net Cash From Investing Activities</b>	<b>(7621.22)</b>	<b>(8066.90)</b>
<b>C.</b>	<b>Cash Flow From Financing Activities</b>		
	Proceeds From Long Term Borrowings	0.00	10824.04
	Repayment of Long Term Borrowings	(4430.74)	(4314.63)
	Proceeds/(Repayments) of other Borrowings	(182.88)	(4773.92)
	Payment of Share Application Money	0.00	(0.85)
	Increase in Equity and Share Premium	970.57	107.84
	Interest and Finance Charges Paid	(5199.19)	(8948.69)
	Dividend Paid	(2265.30)	(1674.61)
	<b>Net Cash From/(Used) in Financing Activities</b>	<b>(11107.54)</b>	<b>(8780.82)</b>
	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>416.65</b>	<b>(464.93)</b>
	Cash and Cash Equivalents (Opening Balance)	744.43	975.95
	Cash and Cash Equivalents (Received on Amalgamation)	0.00	233.41
	Cash and Cash Equivalents (Closing Balance)	1161.08	744.43

Notes: i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.  
ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date  
For **PARIKH JOSHI & KOTHARE**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD.

Sd/-  
**(YATIN R. VYAVAHARKAR)**  
PARTNER  
PLACE : Mumbai  
DATE : 26th May, 2010

Sd/-  
**RAJENDRA V. GOGRI**  
VICE CHAIRMAN AND  
MANAGING DIRECTOR



## Details of Subsidiary Companies

[As per the exemption letter of the Ministry of Company Affairs, Government of India]

(Rupees in Lakhs)

Name of the Subsidiary Company	Aarti Healthcare Limited	Aarti Corporate Services Limited	Alchemie Europe Limited	Shanti Intermediates Private Limited
The financial year/period of subsidiary ended on	31st March, 2010	31st March, 2010	30th November, 2009	31st March, 2010
Reporting Currency	INR	INR	GBP#	INR
Capital	600.00	202.47	42.48	6.77
Reserves	769.58	125.15	3.80	28.05
Total Liabilities (Debts + Current Liabilities)	1406.92	24.79	2044.37	244.64
Total Assets (Fixed Assets + Current Assets)	2776.50	134.34	2090.65	278.67
Investment	-	218.06	-	0.78
Total Income	686.91	23.22	4041.62	267.66
Profit/(Loss) Before Tax	172.03	22.92	(0.90)	(3.37)
Provisions for tax	84.65	2.55	-	-
Profit/(Loss)after tax	87.38	20.38	(0.90)	(7.50)
Proposed Dividend and tax thereon	-	-	-	-

# The financial statements of Alchemie Europe Limited whose reporting currency is other than INR are converted into Indian Rupees on the basis of appropriate exchange rate as per applicable Accounting Standard. The base rate for conversion of operating expense was 68.06 as on 31st March, 2010.

### Note:

The Ministry of Company Affairs has vide its letter bearing ref. no. 47/200/2010-CL-111, dated April 27, 2010 exempted the Company from attaching to its Balance Sheet, certain information specified in Section 212(1) under Companies Act, 1956 except that mentioned in Section 212(1)(e) of the said Act, pertaining to Subsidiaries Companies.



# Aarti Industries Limited

Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. - Valsad, Gujarat.

Dear Shareholder(s),

26th May, 2010

## OPTION FOR NECS MANDATE

### NECS Mandate

#### (i) For Shareholders holding shares in physical form

We are pleased to offer the facility of electronic credit of dividend directly to the respective bank Accounts of our shareholders, through National Electronic Clearing Services (NECS) facility. Shareholders who would like to avail of this facility are requested to fill up the mandate form provided on the reverse of this letter and submit the same to the Company's share transfer agent latest by 7th September, 2010. This service not only protects a shareholder from fraudulent interception and encashment of dividend warrants but also eliminates dependence on the postal system, loss/damage of dividend warrants in transit and correspondence relating to revalidation of duplicate dividend warrants.

#### (ii) For shareholders holding shares in electronic form

Kindly note that as per the directives of Securities Board of India (SEBI), in respect of shareholders holding shares in dematerialized form, dividend shall be paid directly in to their Bank account furnished by the shareholder to their respective Depository Participants.

As per RBI's notification, with effect from 1st October, 2009, the remittance of money through ECS has been replaced by National Electronics Clearing Services (NECS). NECS operates on the new and unique bank account number allotted by banks post implementation of the Core Banking Solutions (CBS). Pursuant to implementation of CBS, your bank account number may have undergone a change, which is required to be communicated by you to your Depository Participant immediately.

Kindly note that the NECS Mandate instructions should be given under the signature of the shareholder(s) as per specimen lodged with the Company.

We seek your cooperation to enable us to serve you better.

Yours sincerely,

For **Aarti Industries Limited**

Sd/-

**Mona Patel**

Company Secretary

Date: \_\_\_\_\_

To,

**Sharepro Services (India) Pvt. Ltd.**

**Unit: Aarti Industries Limited**

Samhita Complex, Gala No. 52 to 56,  
Bldg., No. 13 A-B, Near Sakinaka Telephone Exchange,  
Andheri-Kurla Road, Sakinaka,  
Mumbai - 400 072.

Dear Sir,

**NECS MANDATE FORM (Refer Note No. 6(ii) in the AGM Notice dated 26<sup>th</sup> May, 2010)**  
(Not required to be filled by shareholders holding share in dematerialized form)

I/We do hereby authorise **Aarti Industries Limited** to Credit my dividend amount directly to my Bank Account as per details furnished below by National Electronic Clearing Services (NECS) – NECS Mandate

Folio No.	
Name	
Bank Name	
Bank Branch	
Bank Address	
Account Type (Saving / Current)	
New Core Banking Account Number allotted by your Bank (15 digit)	
9 Digit Code number of the Bank & Branch as appearing on the MICR cheque. Please attach photocopy of the cheque.	
Telephone number (with STD code) of shareholder	
Email ID of Shareholder	

I/We shall not hold the Company responsible if the NECS mandate cannot be implemented for reasons beyond the control of the Company.

\_\_\_\_\_  
Signature of shareholder(s)  
(as per specimen lodged with the Company)



# Aarti Industries Limited

Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. - Valsad, Gujarat.

## PROXY FORM

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 the Annual General Meeting of the Company to be held on Thursday, the 16th day of September, 2010 at 11.00 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

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 Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396195, Dist. - Valsad, Gujarat not less than 48 hours before the time for holding the meeting.



# Aarti Industries Limited

Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. - Valsad, Gujarat.

## ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting held at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. - Valsad, Gujarat on Thursday, the 16th day of September, 2010 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.



Mr. Kirit R. Mehta (Right) Whole-time Director of the Company receiving the Award for Direct Export of Self Manufactured Dye Intermediates





**AARTI INDUSTRIES LIMITED**