



Annual Report 2006 | 2007



Mission



Aarti Drugs Limited will seek global market leadership

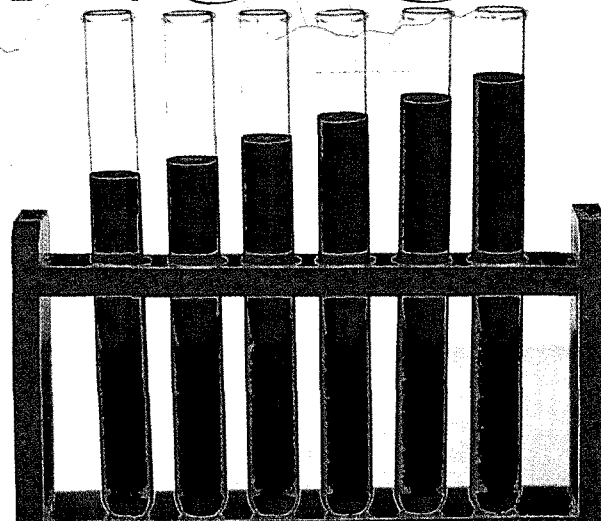
Development and growth in the product will be our focus

We will continue to create a winning culture, operating in highest standards of ethics and values with co-operation among competitors

We will strive for excellence in customer service, quality and R&D

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Vision



To be the preferred vendor
for the product in India
and the world



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

4th August, 2007.

Dear Shareholder(s),

Option for ECS Mandate/Bank Mandate

ECS Mandate

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 **Electronic Clearing Service (ECS)**. This facility is currently available to shareholders located at **Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Jaipur, Hyderabad, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi and Thiruvananthapuram**. Shareholders in these locations 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 24th August, 2007**. This service not only protects a shareholder against 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/issue of duplicate dividend warrants.

For Shareholders holding shares in electronic form:

Kindly note that as per directives of Securities and Exchange Board of India (SEBI), **in respect of shareholders holding shares in dematerialised form, dividend shall be paid through ECS (where such facility is available) directly into the bank account furnished by the shareholders to their respective Depository Participant. Such shareholders therefore need not submit the mandate form** provided on the reverse of this letter. In case it is desired to receive dividend in a bank account other than the one specified while opening the Demat Account, such shareholders may please **inform the same to their respective Depository Participant immediately**.

Bank Mandate

Shareholders holding shares of the Company in physical form and who, for any reason, would not like to avail of the ECS facility being offered to such shareholders as mentioned above, are requested to furnish (if not done earlier) in the mandate form provided on the reverse of this letter, details of their bank account number and name of the bank and branch, which would be printed on the dividend warrants to avoid fraudulent encashment thereof.

Kindly note that the ECS/Bank Mandate instructions should be 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 Drugs Limited

Sd/-

Nilesh N. Pingale
Company Secretary

Date: _____

To
Sharepro Services India Private Ltd.
Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala, Andheri (E), Mumbai -400 099.

FORM FOR ECS MANDATE/ BANK MANDATE

(Not required to be filled by Shareholders holding shares in dematerialised form)

I/We, _____ do hereby authorise Aarti Drugs Limited to:

- Credit my dividend amount directly to my Bank Account as per details furnished below by Electronic Clearing Services (ECS) – ECS Mandate*
- Print the details of my Bank Account as furnished below, on my dividend warrant which will be mailed to me – Bank Mandate*

(*Strike out whichever is not applicable)

Folio No. _____

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|---|--|
| A. Bank Name | : | |
| B. Branch | : | |
| C. Bank Address | : | |
| D. Bank Account Number | : | |
| E. Account Type (Savings/Current) | : | |
| F. 9 Digit Code number of the bank & branch as appearing on the MICR cheque (for ECS Mandate only) Please attach photocopy of the cheque | : | |
| G. STD code & telephone number of shareholder (optional) | : | |

I/We shall not hold the Company responsible if the ECS /Bank Mandate could not be implemented for reasons beyond the control of the Company.

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



Corporate Information

Board of Directors

Chandrakant V. Gogri

Chairman

Prakash M. Patil

Managing Director & CEO

Satish P. Nachane

Managing Director & CEO (Upto 30.07.2007)

Harshit M. Savla

Jt. Managing Director & CFO

Harit P. Shah

Whole-time Director

Rajendra V. Gogri

Non-Executive Director

Uday M. Patil

Whole-time Director

Ramdas M. Gandhi

Dr. Vilas G. Gaikar

Bhavesh R. Vora

Sunil M. Dedhia

Company Secretary & Compliance Officer

Nilesh N. Pingale w.e.f. 29th June, 2007

Mona Patel up to 28th June, 2007

Auditors

M/s. Parikh Joshi & Kothare

49/2341, M.H.B. Colony,

Gandhi Nagar, Bandra (East),

Mumbai - 400 051.

Solicitors

M/s. M. P. Savla & Co.

Bharat House, 2nd Floor,

104 Mumbai Samachar Marg,

Mumbai - 400 001.

Registrar & Transfer Agent

Sharepro Services (India) Pvt. Ltd.

Satam Estate, 3rd Floor,

Above Bank of Baroda,

Cardinal Gracious Road, Chakala,

Andheri (E), Mumbai - 400 099.

Bankers

Union Bank of India

Bank of Baroda

Bank of India

State Bank of India

Citibank N.A.

Corporation Bank

Standard Chartered Bank

DBS Bank Limited

ING Vysya Bank Limited

Registered Office

Plot No. N - 198, M.I.D.C.,

Tarapur, Village - Pamtembhi,

Taluka - Palghar,

Dist. Thane - 401 506,

Maharashtra.

Corporate Office

Mahendra Industrial Estate,

Ground Floor, Plot No. 109-D

Road No. 29, Sion (E),

Mumbai - 400 022.

Plants

Plot Nos. N-198, G-60, E-120,

K-40, K-41, E-9/3-4 and E-21/22,

MIDC Industrial Area,

Tarapur, Tal-Palghar,

Dist. Thane - 401 506, Maharashtra.

Plot Nos. 2902/2904,

GIDC, Sarigam - 396 155,

Dist. Valsad, Gujarat.

R&D Centres

Plot Nos. N-198 & G-60,

MIDC Industrial Area,

Tarapur, Village Pamtembhi,

Tal-Palghar, Dist. Thane - 401 506, Maharashtra.

Plot Nos. D-277/278

TTC Industrial Area,

Turbhe, Navi Mumbai, Maharashtra.

Visit us at www.aartidrugs.com

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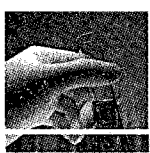
Financial Highlights

(Rupees in Lakhs)

| Particulars | 31-Mar-03 | 31-Mar-04 | 31-Mar-05 | 31-Mar-06 | 31-Mar-07 |
|-----------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Sales | 19,214.22 | 23,770.47 | 26,527.27 | 27,900.01 | 31,330.26 |
| Profit Before Interest and Depreciation | 2,441.54 | 2,663.72 | 3,362.00 | 3,144.38 | 3,449.75 |
| Interest | 549.67 | 385.82 | 586.08 | 841.68 | 986.30 |
| Depreciation | 509.65 | 572.23 | 714.70 | 791.80 | 861.72 |
| Profit Before Tax | 1,382.22 | 1,705.67 | 2,061.22 | 1,510.90 | 1,601.73 |
| Profit After Tax | 1,144.04 | 1,207.67 | 1,406.22 | 1,272.86 | 1,276.98 |
| Dividend (%) | 15.00 | 30.00 | 30.00 | 15.00 | 12.00 |
| Payout | 175.63 | 351.26 | 351.26 | 175.62 | 140.50 |
| Equity Capital | 1,170.86 | 1,170.86 | 1,170.86 | 1,170.86 | 1,170.86 |
| Reserves & Surplus | 4,675.71 | 5,477.57 | 6,486.07 | 7,556.89 | 8,673.66 |
| Less : Miscellaneous Expenditure | 8.92 | 451.97 | 339.32 | 226.92 | 114.93 |
| Net Worth | 5,837.65 | 6,196.46 | 7,317.61 | 8,500.83 | 9,729.59 |
| Borrowings | | | | | |
| Long Term | 2,662.98 | 3,081.23 | 4,680.16 | 3,094.12 | 4,263.63 |
| Short-Term-Bank | 4,463.71 | 5,368.61 | 4,524.31 | 6,701.47 | 7,493.42 |
| Short-Term-Others | 1,228.44 | 2,231.35 | 4,923.25 | 8,413.26 | 7,499.31 |
| Total Borrowings | 8,355.13 | 10,681.19 | 14,127.72 | 18,208.85 | 19,256.36 |
| Gross Block | 10,204.15 | 11,787.22 | 15,037.17 | 20,059.68 | 21,253.39 |
| Less : Depreciation | 3,009.42 | 3,581.36 | 4,262.30 | 5,095.16 | 6,236.45 |
| Net Block | 7,194.73 | 8,205.86 | 10,774.87 | 14,964.52 | 15,016.94 |
| Capital Work In Progress | Nil | 617.92 | 2,260.06 | Nil | 1375.20 |
| Investments | 132.55 | 31.44 | 145.70 | 2,040.49 | 2,134.85 |
| Current Assets, Loans and Advances | 10,698.51 | 14,925.62 | 15,131.79 | 17,098.48 | 17,231.02 |
| Current Liabilities | 3,448.37 | 6,152.53 | 5,866.42 | 6,298.15 | 5,547.41 |
| Net Working Capital | 7,250.15 | 8,773.09 | 9,265.37 | 10,800.32 | 11,683.60 |
| Book Value | 49.86 | 52.92 | 62.50 | 72.60 | 83.10 |
| Earning per share (Rs.) | 8.89 | 10.32 | 12.01 | 10.85 | 10.90 |

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Notice

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of AARTI DRUGS LIMITED will be held on Monday, 3rd September, 2007 at 11.00 a.m. at TIMA Hall, MIDC Tarapur, Taluka Palghar, Dist.: Thane - 401 506 Maharashtra to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Harit P. Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Uday M. Patil, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Chandrakant V. Gogri, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government, if applicable, approval of the Company be and is hereby accorded to the reappointment of Mr. Prakash M. Patil as the Managing Director of the Company for a period of five years commencing from 1st June, 2007 upon the terms and conditions including remuneration as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting duly initialed by the Chairman for the purpose of the identification, which agreement be and is hereby specifically sanctioned with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 including any statutory modifications or re-enactment thereof, for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Prakash M. Patil.

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

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government, if applicable, approval of the Company be and is hereby accorded to the reappointment of Mr. Satish P. Nachane as the Managing Director of the Company for a period of five years commencing from 1st June, 2007 upon the terms and conditions including remuneration as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting duly initialed by the Chairman for the purpose of the identification, which agreement be and is hereby specifically sanctioned with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 including any statutory modifications or re-enactment thereof, for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Satish P. Nachane.

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



Sansko Drugs Ltd.



8. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government, if applicable, approval of the Company be and is hereby accorded to the reappointment of Mr. Harshit M. Savla as the Joint Managing Director of the Company for a period of five years commencing from 1st June, 2007 upon the terms and conditions including remuneration as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting duly initialed by the Chairman for the purpose of the identification, which agreement be and is hereby specifically sanctioned with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 including any statutory modifications or re-enactment thereof, for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Harshit M. Savla.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

9. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government, if applicable, approval of the Company be and is hereby accorded to the reappointment of Mr. Harit P. Shah as the Wholetime Director of the Company for a period of five years commencing from 1st June, 2007 upon the terms and conditions including remuneration as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting duly initialed by the Chairman for the purpose of the identification, which agreement be and is hereby specifically sanctioned with specific authority to the Board of Directors to alter or vary the terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 including any statutory modifications or re-enactment thereof, for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Harit P. Shah.

RESOLVED FURTHER THAT the office of the Wholetime Director held by Mr. Harit P. Shah with effect from 1st July, 2006 in terms of earlier Agreement entered into by the Company with him shall be deemed to have expired /terminated with effect from 1st June, 2007.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised 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 modification, the following resolution as a **Special Resolution:**

“RESOLVED THAT in accordance with Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if and when necessary, consent be and is hereby accorded to Mrs. Hetal Gogri Gala holding and continuing to hold an Office of Profit as President - Purchases under the Company from 1st April, 2007 on a gross remuneration of Rs.48,700/- per month with power to the Board of Directors of the Company to make annual increment up to 50% every year notwithstanding that such increased remuneration may exceed the ceiling limit fixed under Section 314(1B) of the said Act.”

Registered Office :

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

Place: Mumbai

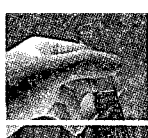
Date : 18th May, 2007

By Order of the Board

Sd/-

Ms. Mona Patel

Company Secretary



NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item Nos. 6 to 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 authorising their representatives to attend and vote at the AGM.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 28/08/2007 to 03/09/2007 (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. Details required to be given pursuant to Clause 49 of the Listing Agreement pertaining to retiring Directors seeking reappointment and Directors seeking reappointment as Managing/Joint Managing/Wholtime Directors are furnished in the Report on Corporate Governance included elsewhere in this report.
7. **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) 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.
 - (iii) 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.
 - (iv) The Company has transferred unclaimed amounts of dividends up to March 31, 1999 and unclaimed amounts of Interim dividend declared for the year 1999-2000 to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.

Explanatory Statement pursuant to Section 173 of the Companies Act 1956

Item Nos. 6 to 9

The term of appointment of Mr. Prakash M. Patil and Mr. Satish P. Nachane as Managing Directors and Mr. Harshit M. Savla, as Joint Managing Director expired on 31st May, 2007. At the meeting of the Board of Directors (Board) of the Company held on 18th May, 2007, based on the recommendation of the Remuneration Committee duly approved by a resolution passed at its meeting, Mr. Prakash M. Patil and Mr. Satish P. Nachane have been re-appointed as Managing Directors and Mr. Harshit M. Savla, as Joint Managing Director of the Company for a period of five years with effect from 1st June, 2007 upon the terms and conditions contained in the draft Agreements to be entered into by the Company with them subject to the approval of the Company in General Meeting.

Mr. Harit P. Shah was reappointed as the Wholtime Director of the Company with effect from 1st July, 2006 for a period of five years in terms of Agreement entered into with him by the Company. With a view to make



his tenure of office as such similar to that of the Managing and Joint Managing Directors as aforesaid to commence on a uniform date, with his consent and based on the recommendation of the Remuneration Committee duly approved by a resolution passed at its meeting, Mr. Harit P. Shah has been re-appointed as Wholetime Director for a period of five years with effect from 1st June, 2007 upon the terms and conditions contained in the draft Agreements to be entered into by the Company with him subject to the approval of the Company in General Meeting. With this reappointment, the earlier appointment as the Wholetime Director held by him as aforesaid shall be deemed to have expired /terminated with effect from 31st May, 2007.

1. **Period of Agreement(s)** : From 01/06/2007 to 31/05/2012.

2. **Remuneration :**

(a) **Salary:**

| | | |
|-----------------------------------------------|-------------------------|--------------------------|
| Mr. Prakash M. Patil Mr. Satish P. Nachane | Managing Director(s) | Rs. 1,27,600/- per month |
| Mr. Harshit M. Savla | Joint Managing Director | Rs. 1,02,850/- per month |
| Mr. Harit P. Shah | Wholetime Director | Rs. 89,550/- per month |

The Board of Directors shall have specific authority to revise or vary salary payable to the said Managing Directors, Joint Managing Director and Wholetime Director from time to time, subject to recommendation/approval by the Remuneration Committee, up to an amount not exceeding Rs.2,50,000/- per month in each case.

(b) **Commission:**

Each of the said Managing/Joint Managing/Wholetime Directors shall 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. The share of such commission payable to each of the said Directors shall be determined by the Board of Directors of the Company. Such commission shall be payable annually after the annual accounts for the relevant year are adopted by the members of the Company.

(c) **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 in each case individually.

Explanation:- "Family" means the spouse, the dependent children and dependent parents of the Director.

The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and subject to the applicable overall maximum ceiling limits set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto).

The following perquisites shall not be included in the computation of the ceiling on remuneration specified above:

- Contribution to provident fund, super annuation fund or annuity fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable at rate not exceeding half a month's salary for each completed year of service.
- Encashment of leave at the end of the tenure.