



Aarti Drugs Ltd.

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16TH ANNUAL REPORT 2000-2001.



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DIRECTORS

CHANDRAKANT V. GOGRI	<i>Chairman</i>
MANILAL P. SAVLA	<i>Vice Chairman</i>
PRAKASH M. PATIL	<i>Managing Director</i>
SATISH P. NACHANE	<i>Managing Director</i>
HARSHIT M. SAVLA	<i>Joint Managing Director</i>
HARIT P. SHAH	<i>Wholetime Director</i>
RAJENDRA V. GOGRI	
SHANTILAL T. SHAH	
UDAY M. PATIL	
KIRIT R. MEHTA	
NITIN N. PRABHU	

AUDITORS

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

BANKERS

Union Bank of India
Bank of Baroda
Bank of India
State Bank of India
Citibank N.A.

REGISTERED OFFICE

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

ADMINISTRATIVE OFFICE

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

SECRETARIAL DEPARTMENT

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

NOTE:

Shareholders are requested to bring their copy of the Annual Report alongwith them as the same will not be distributed at the Meeting.

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of AARTI DRUGS LIMITED will be held on Saturday, 14th day of July, 2001 at 9.30 a.m. at Plot No. N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist. Thane 401 506 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001 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 dividend.
3. To appoint a Director in place of Shri. Rajendra V. Gogri, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Harit P. Shah, who retires by rotation and, being eligible, offers himself for reappointment.
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 an **Ordinary Resolution**:

"RESOLVED THAT Shri. Uday M. Patil who was appointed as Additional Director by the Board of Directors and who holds office upto the date of Annual General Meeting and in respect of whom a notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri. Kirit R. Mehta who was appointed as Additional Director by the Board of Directors and who holds office upto the date of Annual General Meeting and in respect of whom a notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri. Nitin N. Prabhu who was appointed as Additional Director by the Board of Directors and who holds office upto the date of Annual General Meeting and in respect of whom a notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956 and subject to all such sanctions as may be necessary, the Company hereby approves the appointment of Shri. Uday M. Patil, (Liasion Officer) of the Company as the Director (in the wholetime employment) of the Company with effect from 18th October, 2000 on the following remuneration:

- i) Salary : Rs. 5500/- per month
- ii) Conveyance : Rs.9600/- per annum
- iii) Education Allowance : Rs. 600/- per annum
- iv) Books Allowance: Rs. 3600/- per annum
- v) Shift Allowance : Rs. 600/- per annum
- vi) Meeting Expenses : Rs. 7200/- per annum
- vii) Medical Allowance : Rs. 5500/- per annum
- viii) Provident Fund : Rs. 7200/- per annum
- ix) Bonus Ex-gratia : Rs. 5500/- per annum
- x) L.T. A. : Rs. 4500/- per annum

RESOLVED FURTHER THAT the above remuneration shall be paid to Shri. Uday M. Patil notwithstanding the inadequacy of profits or no profits in any financial year during the tenure of his office as such."

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 the provisions of Section 198, 309, 310 and 314 read with all other applicable provisions,

if any of the Companies Act, 1956 and subject to all such sections as may be necessary, the Company hereby approves the revised remuneration payable to Shri. Uday M. Patil being Director and Liasion Officer of the Company with effect from 1st January, 2001 as under:

- i) Salary : Rs. 6000/- per month
- ii) Conveyance : Rs.9600/- per annum
- iii) Education Allowance : Rs. 600/- per annum
- iv) Books Allowance: Rs. 3600/- per annum
- v) Shift Allowance : Rs. 600/- per annum
- vi) Meeting Expenses : Rs. 7200/- per annum
- vii) Medical Allowance : Rs. 6000/- per annum
- viii) Provident Fund : Rs. 7200/- per annum
- ix) Bonus Ex-gratia : Rs. 6000/- per annum
- x) L.T. A. : Rs. 4500/- per annum.

RESOLVED FURTHER THAT the Board of Directors of the Company be and hereby authorised to increase the said remuneration up to 25% in such manner as the Board in its absolute discretion deem fit within the limits specified in the Schedule XIII of the Act."

11. To consider and, if thought fit, to pass with or without modification, 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 and further subject to all such sanctions as may be necessary, terms of service of Wholetime Director Shri. Harshit Manilal Savla be and are hereby varied by appointing him as Joint Managing Director of the Company with effect from 18th April, 2001 for the unexpired period of his original term of office as the Wholetime Director i.e. upto 31st May, 2002 on the terms and conditions including remuneration as set out in the draft supplemental 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 draft supplemental Agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said supplemental agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 as may be agreed between the Board of Directors and Shri. Harshit Manilal Savla."

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

"RESOLVED THAT in accordance with the provisions of Section 198, 309, and 310 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force and herein after referred to as "the Act") and subject to all such sanctions as may be necessary, the Company hereby approves the variation of the terms of remuneration payable to each one of the following Directors, namely, Shri. Chandrakant V. Gogri, Wholetime Director, Shri. Prakash M. Patil and Shri. Satish P. Nachane, Managing Directors, Shri. Harshit M. Savla, Joint Managing Director and Shri. Harit P. Shah, Wholetime Director of the Company, with effect from 1st May, 2001, for the remainder of the tenure of their respective terms as such as set out in the respective draft supplemental Agreements to be entered into by the Company with each one of the said Directors and submitted to this meeting duly initialled by the Chairman, which draft Supplemental Agreements are hereby specifically sanctioned.

RESOLVED FURTHER THAT the Board of Directors of the Company be and hereby authorised to alter or vary the said terms of remuneration, in any one or more cases and either at a time or at different times and in such manner as the Board in its absolute discretion deem fit within the limits specified in the Schedule XIII of the Act."

13. To consider and, if thought fit, to pass with or without modification, 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 and further subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Harit Pragji Shah as the Wholetime Director of the Company for a period of five years with effect from 1st July, 2001 on 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 initialled by the Chairman for the purpose of the identification which draft 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 to the Companies Act, 1956 as may be agreed between the Board of Directors and Shri. Harit Pragji Shah."

14. 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 Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, approval and consent be and is hereby accorded to Shri. Arun M. Patil holding and continuing to hold an Office of Profit as Vice President-Commercial under the Company from 1st August, 2001 on a gross remuneration of Rs. 2,51,640/- per annum inclusive of perquisites/allowances as are normally provided by the Company with power to the Board of Directors of the Company to increase his annual remuneration upto 25%."

15. 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 Section 314 and other applicable provisions, if any, of the Companies Act, 1956, approval and consent be and is hereby accorded to Shri. Sudhir P. Nachane holding and continuing to hold an Office of Profit as Manager-Administration under the Company from 1st April, 2001 on a gross remuneration of Rs. 2,25,476/- per annum inclusive of perquisites/allowances as are normally provided by the Company with power to the Board of Directors of the Company to increase his annual remuneration upto 25%."

16. 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 Section 314 and other applicable provisions, if any, of the Companies Act, 1956, approval and consent be and is hereby accorded to Shri. Digvijay Jadeja holding and continuing to hold an Office of Profit as Export Manager under the Company from 1st April, 2001 on a gross remuneration of Rs. 1,95,392/- per annum inclusive of perquisites/allowances as are normally provided by the Company with power to the Board of Directors of the Company to increase his annual remuneration upto 25%."

17. 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 Section 314 and other applicable provisions, if any, of the Companies Act, 1956, approval and consent be and is hereby accorded to Smt. Manjari Sabnis holding and continuing to hold an Office of Profit as Manager-Finance under the Company from 1st April, 2001 on a gross remuneration of Rs. 1,85,344/- per annum inclusive of perquisites/allowances as are normally provided by the Company with power to the Board of Directors of the Company to increase her annual remuneration upto 25%."

18. 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 31 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, the Article 111 of the Articles of Association of the Company be and is hereby altered by deleting the figure and word '12 (Twelve)' appearing therein and substituting in its place and stead, the figure and word '16 (Sixteen)'."

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

"RESOLVED THAT pursuant to Section 258 and Section 259 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, the number of Directors of the Company be increased from twelve to sixteen."

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

"RESOLVED THAT in supersession of the earlier resolution passed by the Company at the Annual General meeting of the Company held on 26th September, 1998 and pursuant to the provisions of Section 293 (1) (e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors to contribute to any institute, body, trust, society, association of persons, funds for any charitable or other purposes, not directly relating to the business of the Company or for the welfare of the employees, upto an amount not exceeding Rs.50 Lakhs per annum, notwithstanding that the said amount may exceed the limits laid down in Section 293(1)(e) of the Companies Act, 1956."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business above is annexed hereto.
3. All documents referred to in the accompanying Notice and Explanatory Statement are available 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.
4. Members are requested to notify immediately any change in their address to the Company's Secretarial Department at 222, Udyog Kshetra, Mulund-Goregaon Link Road, L.B.S. Marg, Mulund (West), Mumbai - 400 080.
5. The Register of Members and, Share Transfer Books of the Company will remain closed from Tuesday, 26th June, 2001 to Tuesday 3rd July, 2001 (both days inclusive) for the purpose of ascertaining the entitlement of the dividend.
6. The dividend when declared will be paid on or after 16th July, 2001.
7. Members/Proxies should bring the admission slip duly filled in for attending the meeting.

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

BY ORDER OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Place: Mumbai
Date : 18th April, 2001.

ANNEXURE TO NOTICE

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

Item Nos. 6 to 8

Shri. Uday M. Patil and Shri. Kirit R. Mehta have good experience in dealing with various Government authorities at Sarigam, Gujarat and Tarapur, Maharashtra where Company's manufacturing units are located. Shri. Nitin N. Prabhu is a Chemical Engineer and has vast experience in the industry. In order to avail the benefit of their experience and expertise, the Board of Directors has appointed them as Additional Directors of the Company on 18th October, 2000.

Shri. Uday M. Patil, Shri. Kirit R. Mehta and Shri. Nitin N. Prabhu hold the office as such as Additional Directors only upto the date of this Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 along with cash deposit of Rs. 500/- in each case have been received by the Company from members proposing their appointments as Directors of the Company. The Board recommends the said resolutions for your approval.

Shri. Uday M. Patil, Shri. Kirit R. Mehta and Shri. Nitin N. Prabhu are interested in the said resolutions pertaining to their own appointments. Shri. Prakash M. Patil is deemed to be concerned or interested in the resolution at Item No. 6 of the Notice as he is related to Shri. Uday M. Patil.

None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item Nos.9 and 10

Shri. Uday M. Patil has been in the employment of the Company as Liason Officer for last more than eight years. In view of his experience, the Board of Directors had appointed him as the Director of the Company with effect from 18th October, 2000. Under the provisions of Section 269 of the Companies Act, 1956, a Director in the wholetime employment of the Company is treated as the Wholetime Director. Since Shri. Uday M. Patil is in the wholetime employment with the company as Liason Officer and is appointed as a Director, as an abundant precaution, it is proposed to comply with the applicable provisions of the said Act and obtain approval of the Company for his appointment as Director of the Company. Since he is holding office

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under the Company as a Liason Officer independent of his directorship, it is also proposed to obtain approval under Section 314 of the said Act. Draft resolution at Item No. 9 is thus proposed to be passed as a Special Resolution for approval of his appointment as Director and remuneration being paid to him as Liason Officer.

Further, remuneration payable to him as Liason Officer of the Company was revised with effect from 1st January, 2001. Draft resolution at Item No. 10 is thus proposed to obtain approval for the revised remuneration under the applicable provisions of the said Act. The above may also be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Shri. Uday M. Patil is interested in the said resolutions pertaining to his own appointment and remuneration payable to him.

Shri. Prakash M. Patil is deemed to be concerned or interested in the said resolutions as he is related to Shri. Uday M. Patil.

None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item No.11

(i) The Board of Directors, in view of the increased volumes and number of divisions in the Company, considered necessary to vary the terms of service of the Wholtime Director Shri. Harshit Manilal Savla by appointing him as Joint Managing Director of the Company with effect from 18th April, 2001 subject to the approval of the Company in General Meeting.

(ii) The draft Supplemental Agreement to be entered into by the Company with him, inter-alia, contains the following material variations:

(a) The Joint Managing Director shall exercise and perform such powers and duties as the Board shall from time to time determine and, subject to any directions and restrictions from time to time given and imposed by the Board and subject to Superintendence, control and Direction of the Board, he shall have jointly with other Managing/ Joint Managing Directors, if any, of the Company the general control/ management and superintendence of the business and to do and perform all other acts and things as he may consider necessary or proper in the interest of the Company.

(b) The Joint Managing Director shall devote his whole time and attention and abilities to the business of the Company and shall obey the orders, from time to time, of the Board and in all respect conform to and comply with the directions and regulations made by the Board, and shall use his best endeavours to promote interests of the Company.

(c) The Joint Managing Director shall be responsible for the day to day functioning of the Company and the matters relating to borrowing, lending, taking any steps/actions against any Wholtime Director(s), commencing any line of business shall be decided jointly by all the Managing/ Joint Managing Directors, if any, of the Company.

(iii) All other terms and conditions of the Principal Agreement appointing him as the Wholtime Director as amended from time to time shall remain unchanged.

(iv) The Principal/Supplemental Agreements referred to herein above and the said draft Supplemental Agreement to be entered into is available 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 at Item No.11 of the Notice for your approval.

The above may also be treated as an abstract of the said Supplemental Agreement pursuant to Section 302 of the Companies Act, 1956.

Shri. Harshit Manilal Savla is interested in the said resolution pertaining to his own appointment as such.

Shri. Manilal P. Savla is deemed to be concerned or interested in the resolution as he is related to Shri. Harshit Manilal Savla.

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

Item No. 12

1. Shri Chandrakant V. Gogri, Wholtime Director (WTD) Shri Prakash M. Patil and Shri Satish P. Nachane, Managing Directors (MDs), Shri. Harshit M. Savla, Joint Managing Director (JMD) and Shri Harit P. Shah, Wholtime Director (WTD) of the Company are holding their respective offices for a period of five years in terms of their respective principal agreements entered into by the Company with each of them and varied by the supplemental agreements made from time to time.

2. In view of the recent changes made in the Income Tax Act in respect of taxation of perquisites, the Board of Directors have decided to revise the various perquisites payable to each of the

said Directors as also to discontinue some of the perquisites like reimbursement of Electricity and Gas expenses, Soft furnishing expenses, Salary to Driver and Helper allowances with effect from 1st May, 2001 for the remainder of their respective terms as such as set out in the draft Supplemental Agreements to be entered into by the Company with each of them subject to the approval of the Company in general meeting.

3. The said supplemental agreements, inter-alia, contain the following revised material terms of remuneration:

(a) Salary:

Name of Director	Present Salary (Rs.) P.M.	Revised Salary (Rs.) P.M.
Shri Chandrakant V. Gogri (WTD)	49,500	52,000
Shri Prakash M. Patil (MD)	49,500	62,000
Shri Satish P. Nachane (MD)	49,500	62,000
Shri Harshit M. Savla (JMD)	49,500	50,000
Shri Harit P. Shah (WTD)	29,700	43,000

The Board shall have power to make annual increment subject to ceiling of Rs.1,20,000/- per month for each of the above Directors.

(b) Perquisites/Allowances: Perquisites/Allowances shall be provided in addition to salary to each of them. The revised perquisites/allowances are as follows:

Name of Director	HRA (Rs.) PA		Medical (Rs.) PA		LTA (Rs.) PA		Bonus (Rs.) PA	
	Present	Revised	Present	Revised	Present	Revised	Present	Revised
Shri Chandrakant V. Gogri (WTD)	89,100	96,000	Nil	15,000	59,400	52,000	59,400	52,000
Shri Prakash M. Patil (MD)	89,100	1,08,000	15,000	15,000	59,400	62,000	59,400	62,000
Shri Satish P. Nachane (MD)	89,100	1,08,000	Nil	15,000	59,400	62,000	59,400	62,000
Shri Harshit M. Savla (JMD)	89,100	96,000	15,000	15,000	59,400	50,000	59,400	50,000
Shri Harit P. Shah (WTD)	53,460	72,000	15,000	15,000	26,400	43,000	35,640	43,000

4. The other terms and conditions remain unchanged.

5. The principal/supplemental agreements referred to herein above and the draft supplemental agreements to be entered into between the Company and the said MD/JMD/WTDs are available 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 up to the date of Annual General Meeting.

6. Your Directors recommend the resolution at Item No.12 of the Notice for your approval.

7. The above may also be treated as an abstract of the draft Supplemental Agreements to be made between the Company and the said MDS/JMD/WTDs pursuant to Section 302 of the Companies Act, 1956.

8. Shri. Chandrakant V. Gogri, Shri. Prakash M. Patil, Shri. Satish P. Nachane, Shri. Harshit M. Savla and Shri Harit P. Shah are interested in the said resolution pertaining to variation of terms of remuneration payable to each of them. Shri. Rajendra V. Gogri, Shri. Manilal P. Savla and Shri. Uday M. Patil are deemed to be interested in the resolution to the extent pertaining to variation of terms of remuneration payable to Shri. Chandrakant V. Gogri, Shri. Harshit M. Savla and Shri. Prakash M. Patil respectively as they are related. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No.13

Shri. Harit Pragji Shah has been holding office of the Wholtime Director of the Company with effect from 1st July, 1996 for a period of five years which term expires on 30th June, 2001. At the meeting of the Board of Directors (Board) of the Company held on 18th April, 2001, Shri. Harit Pragji Shah has been reappointed as Wholtime Director of the Company upon the terms and conditions contained in the draft agreement to be entered into by the Company with him subject to the approval of the Company in General Meeting. The said draft agreement, inter-alia, contains the following material terms and conditions:

1. Period of Agreement: From 01/07/2001 to 30/06/2006

2. Remuneration :

(a) Salary: Rs. 43,000/- per month.

The above salary per month shall be paid with power to the Board of Directors to increase the salary from time to time subject to ceiling of Rs.1,20,000/- per month.

(b) Perquisites/Allowances :

In addition to salary as above, the Wholtime Director shall be entitled to following perquisites/allowances.

i) House Rent Allowance: Rs. 72,000/- p.a.

ii) Medical Allowance: Rs. 15,000/- p.a.

iii) Bonus: Rs. 43,000/- p.a.

- iv) Leave Travel Allowance (LTA): Rs. 43,000/- p.a.
- (c) Fees of Club subject to a maximum of two clubs will be allowed. This will not include admission and life membership fees.
- (d) The Wholtime 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, super annuity fund or annuity fund as per the rules of the Company to the extent there 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.
 - (iii) Encashment of leave at the end of the tenure.
 - (iv) Provision of car for business of the Company as well as for personal use.
 - (v) Telephone at residence: Personal long distance calls on telephone shall be billed by the Company.
3. Annual Privilege Leave to Wholtime Director: 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.
4. Wholtime Director shall not be paid any sitting fees for attending the Meetings of the Board of Directors and/or Committee thereof.
5. The Company shall pay to the Wholtime Director the above salary/perquisites/allowances, notwithstanding the inadequacy of profits or no profits in any financial year during the tenure of his office as such.
6. Either party shall be entitled to terminate the agreement by giving to the other party 180 days' notice in writing without showing any cause provided that the same may be waived mutually.
7. The terms and conditions of the said reappointment and/or agreement may be altered and varied from time to time, 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 draft agreement are such as are customarily contained in agreements of similar nature.
9. The said agreement including the remuneration payable to Wholtime Director of the Company shall be subject to the approval of the Company and all such sanctions as may be necessary and shall be given effect to as per the modifications, if any, made/approved as aforesaid.
10. The said draft agreement is available 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 at Item No.13 of the Notice for your approval.

The above may also be treated as an abstract of the said agreement pursuant to Section 302 of the Companies Act, 1956.

Shri. Harit Pragji Shah is interested in the said resolution pertaining to his reappointment as the Wholtime Director of the Company.

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

Item No. 14

Shri. Arun M. Patil, relative of Shri. Prakash M. Patil, Managing Director and Shri. Uday M. Patil, Director of the Company has been holding office of profit under the Company on gross remuneration of Rs. 2,35,230/- p.a. It is proposed to vary the remuneration payable to him w.e.f. 1st August, 2001 to Rs.2,51,640/- p.a. inclusive of perquisites/allowances as are normally provided by the Company with power to the Board of Directors to increase the annual remuneration upto 25%.

Under the provision of Section 314(1B) of the Companies Act, 1956 prior consent of the Company by way of special resolution and approval of the Central Government is necessary for a relative of a Director to hold and continuing to hold an office of profit under the Company carrying a monthly remuneration of Rs. 20,000/- or more. Your Directors thus, recommend the said resolution for your approval to be passed as a Special Resolution.

Your Directors recommend the resolution at Item No. 14 of the Notice for your approval.

Shri. Prakash M. Patil and Shri. Uday M. Patil are deemed to be concerned or interested in the resolution at Item No. 14 as they are

related to him.

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

Item Nos.15 to 17

Shri. Sudhir P. Nachane, Shri Digvijay Jadeja and Smt. Manjari Sabnis, relatives of Directors of the Company have been holding offices of profit under the Company with effect from 1st April, 2001 as stated in the respective resolutions set out at Item Nos. 15 to 17 of the Notice on gross monthly remuneration exceeding Rs. 10,000/- per month as stated in the draft resolutions.

Under the provision of Section 314 of the Companies Act, 1956, consent of the Company by way of special resolution is necessary for a relative of a Director to hold and continuing to hold an office of profit under the Company carrying a monthly remuneration of Rs. 10,000/- or more. Your Directors, thus, recommend the said resolutions for your approval to be passed as Special Resolutions.

Your Directors recommend the resolutions at Item Nos. 15 to 17 of the Notice for your approval.

Shri. S. P. Nachane is deemed to be interested in the resolutions at Item Nos. 15 and 17 as he is related to Shri. Sudhir P. Nachane and Smt. Manjari Sabnis. Shri. Shantilal T. Shah is deemed to be interested in the resolution at Item No. 16 as he is related to Shri. Digvijay Jadeja.

None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item Nos. 18 and 19

As per Clause 49 of the Listing Agreement with the Stock Exchanges relating to Corporate Governance guidelines which are applicable to the Company from the year 2001-2002 the Company is required to have 50% non-executive/independent Directors as the Company has executive Chairman. At present, out of 11 Directors only three directors are non-executive/independent Directors. With a view to implement the said guidelines as regards constitution of the Board of Directors, it is proposed to increase number of Directors for which approval of the Company in General Meeting is necessary under Section 258/259 of the Companies Act, 1956.

This will necessitate alteration of Article 111 of the Articles of Association of the Company which provides for maximum number of 12 (Twelve) Directors. It is thus proposed to alter the said Article to provide for maximum number of 16 (Sixteen) Directors. The draft resolution proposed at Item No.18 of the Notice is proposed to be passed as a Special Resolution in view of the provisions of Section 31 of the Companies Act, 1956. The draft resolution at Item No. 19 is proposed to obtain approval of the Company under Section 258/259 of the said Act.

A copy of the Articles of Association together with the proposed amendment is available 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 resolutions at Item No.18 and 19 of the Notice for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item No.20

At the Annual General Meeting of the Company held on 26th September, 1998 approval was granted under Section 293(1)(e) of the Companies Act, 1956 to the Board of Directors to make contribution for charitable purposes, not directly relating to the business of the Company or for the welfare of employees of the Company upto Rs.25 Lakhs per annum.

Acknowledging the Company's increased responsibility towards social, philanthropic and other causes of public utility, your Directors have proposed to increase the limit of such contribution from Rs.25 Lakhs to Rs. 50 Lakhs per annum.

Your Directors accordingly, recommend the resolution at Item No.20 of the Notice for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

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

Place: Mumbai
Date : 18th April, 2001.

BY ORDER OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

16TH ANNUAL REPORT 2000-2001**DIRECTORS' REPORT**

TO THE MEMBERS OF
AARTI DRUGS LIMITED

The Directors present this Sixteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS

	(Rupees in Lakhs)	
	2000-2001	1999-2000
Profit before depreciation & interest	2068.42	1995.91
Less: Depreciation	389.24	344.93
Borrowing cost	831.35	757.23
Profit before tax	847.83	893.75
Provision for taxation	57.00	75.00
Profit after tax	790.83	818.75
Appropriations :		
Transfer to General Reserve	40.00	39.00
Proposed Dividend:		
1st Interim Dividend (7%)	Nil	91.07
2nd Interim Dividend (8%)	Nil	104.07
Final Dividend (15%)	195.14	Nil
Tax on Dividend	19.90	21.47
Profit & Loss A/c balance carried to Balance Sheet	2553.83	2018.08

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1.50 ps. per share (previous year Rs. 1.50 ps) for the year ended 31st March, 2001. The proposed dividend, if approved at the Annual General Meeting, will result in pay out of Rs. 195.14 Lakhs.

3. OPERATIONS AND PROJECTS

During the year 2000-01 the Company achieved a turnover of Rs. 14991.52 Lakhs (previous year Rs. 13797.34 Lakhs) registering a growth of over 8.65%. Net profit, however has been lower by about 3.5% mainly on account of increased competition putting pressure on margins and substantial increase in some of the raw material cost on account of increase in international crude oil price.

Your Company has made substantial progress in development of number of new active pharmaceutical ingredients of which commercial production has already been started. Your Directors are pleased to inform that the Company has obtained recognition of In-House Research and Development Unit from Department of Scientific & Industrial Research from Ministry of Science & Technology.

4. EXPORTS

During the year under review, export sales grew substantially from Rs. 4294.23 Lakhs to Rs. 5461.09 Lakhs showing an increase of about 27.20%. Constant efforts are being made to boost exports.

5. DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in Annexure 'I' forming part of this report.

6. PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure 'II' to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the 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 Asst. Company Secretary at the Registered Office of the Company.

7. DEPOSITORY SYSTEM

The shares of the Company are compulsorily traded in dematerialised form by all the category of investors with effect from 24th July, 2000. The Company has made arrangement for transfer cum dematerialisation of shares simultaneously for the benefit of investors.

8. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri. Rajendra V. Gogri and Shri. Harit P. Shah retire by rotation and being eligible, offer themselves for re-appointment.

During the year under review, Shri. Uday M. Patil, Shri. Kirit R. Mehta and Shri. Nitin N. Prabhu have been appointed as the Additional Directors of the Company on 18th October, 2000. Shri. Uday M. Patil has also been appointed as the Director in the wholetime employment (Liason Officer) of the Company.

Shri. Harit P. Shah has been reappointed as the Wholtime Director of the Company by the Board w.e.f. 1st July, 2001 subject to the approval of the Company. Shri. Harshit M. Savla, Wholtime Director has been redesignated and appointed as the Joint Managing Director of the Company w.e.f. 18th April, 2001 by the Board for the remainder of his original term as Wholtime Director i.e. upto 31st May, 2002, subject to the approval of the Company.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The statement as required under Section 217 (2AA) of the Companies Act, 1956 is given in Annexure 'III' forming part of this Report.

10. AUDITORS

Messrs. Parikh Joshi & Kothare, Auditors of the Company retire and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

11. AUDITORS' REPORT

As regards qualification made by the Auditors under Para II(vii) of their report regarding non-provision of loss in the value of investments, the diminution in the value of these investments is considered to be temporary in nature. Accordingly, the Company has not provided for the said diminution in the value of investments.

12. CORPORATE GOVERNANCE

The guidelines on corporate governance as per the listing agreement with stock exchanges are applicable to the Company from the year 2001-2002. The Company is taking necessary steps to comply with these guidelines:

- Audit Committee comprising of Shri. Shantilal T. Shah (Chairman), Shri. Nitin N. Prabhu, Shri. Kirit R. Mehta, Shri. Rajendra V. Gogri, Shri. Satish P. Nachane and Shri. Harshit M. Savla, has been constituted on 22nd January, 2001.
- Share Holders' Grievance Committee comprising of Shri. Satish P. Nachane (Chairman), Shri. Harshit M. Savla and Shri. Shantilal T. Shah has been constituted on 18th April, 2001.
- The Company has proposed to obtain approval of the Company to increase number of Directors to implement guideline on constitution of the Board of Directors.

13. INDUSTRIAL RELATIONS

Cordial Industrial relations continued to prevail throughout the financial year under review.

14. ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation of the valuable co-operation extended to the Company by the employees of the Company, Government Departments, Lending Institutions, Bankers, Suppliers and Customers for the smooth operation of the Company.

FOR AND ON BEHALF OF THE BOARD

Sd/-

CHANDRAKANT V. GOGRI
Chairman

Place: Mumbai
Dated: 18th April, 2001