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Aarti Drugs Ltd.

17th Annual Report 2001-2002

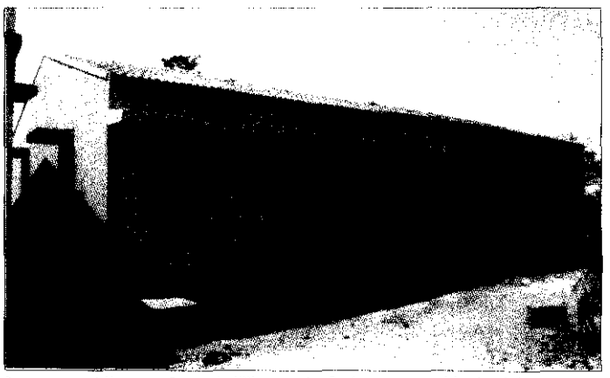


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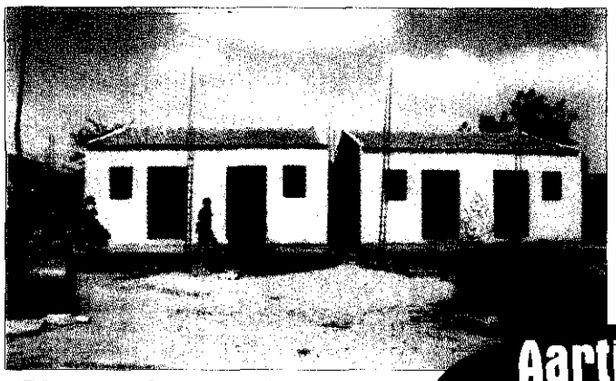
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Disasterous earthquake of 26-01-2001 at Kutch, Gujarat

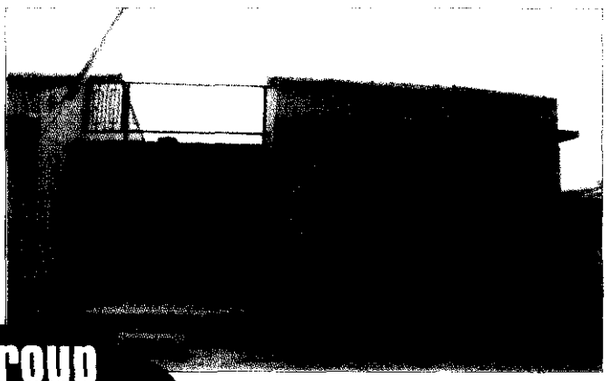


Reconstructed House at Ramania Village under Project supported by Aarti Group.



VRTI Reconstruction Project at Ramania Village, Kutch supported by Aarti Group.

Aarti Group Rebuilding Lives



Reconstructed House at Ramania Village under Project supported by Aarti Group.



VRTI Reconstruction Project at Bhada Village, Kutch supported by Aarti Group



Ceremonial address by Aarti Group Directors at Bhada Village. (L to R) C.V. Gogri (Chairman), R.V. Gogri (Director) (3rd), R.M. Gandhi (Solicitor) (4th).



Gratification of Aarti Group Directors by villagers of Bhada (R to L) H.M. Savla (2nd), S.T. Shah (3rd), R.M. Gandhi (Solicitor) (4th), R.V. Gogri (5th)



Educational and Cultural Awareness Programme supported by Aarti Group.

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Achievements

"FIRST AWARD" for 2000-2001 under the category of "Drugs & Pharmaceuticals Panel" by CHEMEXCIL for outstanding export performance.

"BEST VENDOR AWARD" for 2000-2001 by Organisation of Pharmaceutical Producers of India (OPPI) in the category of "Raw Material Suppliers"

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Attention:

Notice convening Extra-ordinary General Meeting on the AGM date together with Notice of Postal Ballot, Postal Ballot Form and Proxy Form are enclosed separately with this Annual Report.

NOTE:

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

DIRECTORS

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

COMPANY SECRETARY

Ms. Gauri Balankhe

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.

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"REBUILDING LIVES"

by Aarti Group

Serving a Social Cause, more particularly, **call of humanity and attending issues of National importance** has been continuous endeavour of the promoters of *Aarti group.* With the growth of the *Aarti Group,* more particularly over a period of more than one decade, the allocation of time, efforts and resources to meet social cause has also been increasing keeping in mind the social duties of a responsible Corporate Citizens. *The philosophy guiding this social drive has been - "REBUILDING LIVES".*

During the year ended 31.03.2002, *Aarti Group* has made a contribution of nearly Rs.3 crores towards meeting its social duties.

Massive Earthquake (7.9 on the Richter scale) caused in the State of Gujarat on 26th January, 2001 has been one of the worst tragedies in the Indian history. Worst affected was Kutch Region in North Gujarat with epicenter near city of Bhuj, casualties in Kutch-Bhuj region alone were running into thousands coupled with tremendous damages to the properties turned into complete debris. *Aarti Group* has extended whole hearted support and *helping hand to the people of Kutch Region by funding the Schemes of Reconstruction and Rehabilitation taken up by various Non-Governmental Organisations (NGOs)* to the extent of Rs.2.79 crores in aggregate. The glimpses of this National calamity and subsequent reconstruction is evident from some of the photographs. Brief account of the efforts made by the *Aarti Group* is as follows :

Project(s)	NGOs	No. of Houses/School rooms for reconstruction	Contribution by Aarti Group
Reconstruction project at Bhada and Ramania Villages (Damage: nearly 70%)	Shree Vivekanand Research & Training Institute, Nagalpur Road, Mandvi, Kutch (VRTI)	484 Houses 5 Schoolrooms	Rs. 1,35,01,227/- Rs. 8,56,375/-
Reconstruction project at Gundala and Sadau Villages (Damage: nearly 70% to 100%)	Shree Bidada Sarvodaya Trust	95 Houses 1 Wateroverhead Tank	Rs. 30,00,000/- Rs. 2,50,000/-
Monetary contribution and Loans to Traders/ Families including Widows at Bhuj	Shree Kutchi Visa Oswal Jain Mahajan, Bhuj through Shree Kutchi Visa Oswal Seva Samaj	13 families (Rs. 5 to 50,000/-) 28 families (Rs. 50 to 1,00,000/-) Repayable in monthly instalments after regular business	Rs. 30,00,000/-
Reconstruction project at Kotdi, Godhara, Vinjan, Manzal, Bambhadai, Bhodesar Villages in Mandvi & Abdasa Talukas	Shree Bhojay Sarvodaya Trust	367 Houses	Rs. 41,00,000/-
Support to buy plot for residence	Shree Bhojay Sarvodaya Trust	30 families	Rs. 3,00,000/-
Contribution to Earthquake Relief Fund for relief and rescue operations	Shree Kutch Yuvak Sangh	General purposes	Rs. 5,00,000/-
Reconstruction and Rehabilitation work in Nana Bhadia Village	Direct	General purposes	Rs. 20,00,000/-
Reconstruction and Rehabilitation work at Kutch	Shree Mulund K.V.O. Seva Samaj	General purposes	Rs. 4,00,000/-

Shri Chandrakant Vallabhaji Gogri, Chairman Aarti Group and team of other Directors have been personally visiting and supervising the progress and completion of some of the above projects.

Aarti Group has funded Rs.25 lakhs for reconstruction of *50 Houses in the Cyclone hit State of Orissa* to help people adversely *affected by recent Cyclone.*

Aarti Group has been actively associated with Shree Vivekanand Research & Training Institute, Nagalpur Road, Mandvi, Kutch(VRTI) in various *rural development activities and Public awareness Programmes* which inter alia include technical and financial support in Water Harvesting and Ecology issues and concerns, education and cultural awareness programmes. For Public Awareness Programmes in Kutch, Aarti Group has also funded purchase of one Mobile Vehicle.

Aarti Group has been liberally *contributing to various Educational Assistance Schemes* through NGOs including Shree K. V. O. Seva Samaj, Mumbai.

Aarti Group has promised contribution of Rs.11,00,000/- to Veerayatan Orphanage, near village Koday, Mandvi, Kutch for building *boarding house for children affected by earthquake.*

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DIRECTORS' REPORT

TO THE MEMBERS OF
AARTI DRUGS LIMITED

The Directors present this Seventeenth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

	2001-2002	(Rupees in Lacs) 2000-2001
Profit before Depreciation & Interest	**2532.04**	2068.42
Less: Depreciation	**437.51**	389.24
Borrowing Cost	**865.93**	831.35
Profit before tax	**1228.60**	847.83
Provision for taxation	**76.00**	57.00
Profit after tax	**1152.60**	790.83
Provision for Deferred Taxation for Current Year	**60.00**	–
Profit after Deferred tax	**1092.60**	790.83
Appropriations :		
Provisions for Deferred Tax for earlier years	**218.66**	NIL
Transfer to General Reserve	**NIL**	40.00
Interim Dividend (10%)	**130.09**	NIL
Proposed Dividend	**NIL**	195.14
Tax on Dividend	**13.27**	*19.90*
Profit & Loss A/c balanc carried to Balance Sheet	**3284.40**	2553.83

2. DIVIDEND
Your Company has declared interim dividend of 10% (Previous year : 15% final). Keeping in view the dividend already declared by the Company and other factors, the Board of Directors has not recommended any further dividend for the year under review.

3. OPERATIONS AND PROJECTS
During the year under review, the Company has achieved a turnover of Rs. 17,460.79 Lacs (Previous Year : Rs.14,991.52 Lacs) registering a growth of 16.47 %. Profit after Tax jumped by 45.75% to Rs.1152.60 Lacs from Rs. 790.83 Lacs for the previous year.

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, Ministry of Science & Technology.

4. EXPORTS
During the year under review, export sales grew from Rs.5461.09 Lacs to Rs. 5793.67 Lacs. 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. DIRECTORS
In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. Chandrakant V. Gogri, Mr. Manilal P. Savla and Mr. Shantilal T. Shah retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Rashesh C Gogri has been appointed as the Additional Director of the Company on October 31, 2001. He holds office as such up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing his candidature for appointment as Director under Section 257 of the said Act together with required cash deposit thereof. He is also appointed as Whole-time Director w.e.f. November 1, 2001 subject to approval of the Company in the General Meeting.

Mr. Chandrakant V Gogri resigned as the Whole-time Director of the Company w.e.f. October 31, 2001 to facilitate compliance of Corporate Governance requirement. However he continues as Chairman of the Company.

The Board of Directors have reappointed Mr. Prakash M. Patil and Mr. Satish P. Nachane as the Managing Directors and Mr. Harshit P. Savla as the Joint Managing Director of the Company with effect from June 1, 2002 upon expiry of their present terms as such on May 31, 2002 subject to approval of the Company in the General Meeting.

8. 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.

9. 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.

10. VOLUNTARY DELISTING FROM AHMEDABAD STOCK EXCHANGE
The shares of the Company are hardly being traded on the Ahmedabad Stock Exchange. It is therefore proposed to go for voluntary delisting of shares on this Exchange after complying with necessary regulation/norms stipulated by appropriate authorities in this regard at appropriate time. The Company has already decided to obtain listing on National Stock Exchange of India Ltd.

11. CORPORATE GOVERNANCE
Your Company has complied with the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement. Report on Corporate Governance is annexed as Annexure 'IV' forming part of this Report.

12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT
Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchange is annexed as Annexure 'V' forming part of this Report.

13. INDUSTRIAL RELATIONS
Your Company continued to ensure the safety and health of its employees.
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: May 10, 2002

Disclosure as per Clause 31 of the Listing Agreement

The equity shares of the Company are listed on the Stock Exchange, Mumbai and the Ahmedabad Stock Exchange. The Company has paid the annual listing fees to each of the said exchanges.

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ANNEXURE 'I' 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

- Continuous overhauling of all insulations to reduce loss of heat due to radiation.
- All the insulated vessels have been provided Aluminium Foil Jacketing to prevent damages to insulation and hence loss of heat energy.
- Connection of all Steam Condensate Return Lines back to the Boiler Feed Water Tank.
- Use of treated water as Boiler Feed Water thereby reducing scale formations and increasing efficiency of Boiler condensors and other heat exchanges.

(b) Additional Investments & Proposals, if any, being implemented for Reduction of Consumption of Energy: Nil.

(c) The adoption of energy conservation measures indicated above expected has resulted in savings in the cost of production in the coming years.

(d) Total energy consumption and energy consumption per unit of Production.

I. Power and Fuel Consumption

	Current Year	Previous Year
1. **Electricity**		
Purchased Units (KWH)	**13988252**	12683057
Total Amount (Rs. in Lacs)	**572.07**	530.79
Per Unit (Rs.)	**4.09**	4.19
2. **L.D.O.**		
Purchased Units (K.Ltrs.)	**434.56**	525.71
Total Amount (Rs. in Lacs)	**56.86**	70.61
Per Unit (Rs.) (per Ltr.)	**13.08**	13.43
3. **Furnace Oil**		
Purchased Units (K.Ltrs.)	**5969.61**	5686.81
Total Amount (Rs. in Lacs)	**469.74**	560.25
Per Unit (Rs.) (Per Ltr.)	**7.87**	9.85
4. **Others**		
Diesel (Rs. in Lacs)	**22.96**	14.38

II. Consumption per unit of Production

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

2. RESEARCH AND DEVELOPMENT (R&D)

(A) Areas in which R&D carried out by the Company

The Company has embarked upon an ambitious program for Research and Development. The Company has started these activities at two R&D Centres, at Plot No.N-198 and at Plot No.G-60 both at Tarapur, Maharashtra. At both these places the R&D activities are on bulk drugs.

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

As a result of the R&D activities carried out at Tarapur new products namely Celicoxib, Gycopyrrolate, Zolpidem, Quinapril Hcl, Ramipril, Leflunomide, Ticlopidiene and Ornidazole have been developed.

(C) Future Plans of action:

The Company's R&D programs are expected to develop many new products in future and as a result the Company expects substantial commercial benefits.

(D) Expenditure on R&D:	**(Rs. In Lacs)**
(a) Capital	48.84
(b) Recurring	215.00
(c) Total	263.84
(d) Total R& D Expenditure as a percentage of total turnover:	1.51%

3. TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION : NIL

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in Lacs)

	Current Year	Previous Year
Total Foreign Exchange Earned	**5793.67**	5461.09
Total Foreign Exchange Used:		
CIF Value of Imports :		
— Raw-material	**3167.34**	2312.82
— Capital Goods	**17.46**	Nil
Expenditure in Foreign Currency		
— Commission	**161.18**	90.43
— Travelling Expenses	**14.09**	9.87
— Sales Promotion	**9.48**	4.54
— Others	**5.24**	3.51
Total	**3374.79**	2421.17

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FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Place: Mumbai
Dated: May 10, 2002

ANNEXURE 'III' TO DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956 (THE ACT) :

(i) That in the preparation of the annual accounts for the Year ended 31st March, 2002, the applicable accounting standards had been followed. There are no material departures from the applicable accounting standards;

(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 and 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 had prepared the annual accounts on a going concern basis.

FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Place : Mumbai
Dated : May 10, 2002

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ANNEXURE 'IV' TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

1. **Company's Philosophy on Corporate Governance Code**

Your Company has complied with all the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement applicable to the Company from the year 2001-2002. The Company is committed to the consistent adherence to the said corporate governance code to maintain a greater degree of responsibility and accountability.

2. **Board of Directors**

The Composition of the Board of Directors of the Company meets the stipulated requirements

Name of Director(s)	Category of Directorship	No. of other directorship	No. of Committee membership in all companies	No. of Board Meetings attended	Attendance at last AGM
Mr. Chandrakant V. Gogri, Chairman	Non-Executive	3	NIL	4	Yes
Mr. Manilal P. Savla, Vice Chairman	Non-Executive Independent	NIL	NIL	2	NO
Mr. Prakash M.Patil, Managing Director	Executive	NIL	NIL	3	YES
Mr. Satish P. Nachane, Managing Director	Executive	NIL	2	3	NO
Mr. Harshit M. Savla, Jt. Managing Director	Executive	1	2	4	YES
Mr. Harit P. Shah, Wholetime Director	Executive	1	NIL	3	NO
Mr. Rajendra V. Gogri	Non-Executive Independent	6	2	3	NO
Mr. Shantilal T. Shah	Non-Executive Independent	4	3	4	YES
Mr. Uday M. Patil, Wholetime Director	Executive	NIL	NIL	1	YES
Mr. Kirit R. Mehta	Non-Executive Independent	4	2	3	NO
Mr. Nitin N. Prabhu	Non-Executive Independent	1	1	3	NO
*Mr. Rashesh C Gogri, Wholetime Director	Executive	2	NIL	1	N.A.

*Appointed on 31.10.2001

There were four Board meetings held during the year ended 31.03.2002. These were on 18.04.2001, 18.07.2001, 31.10.2001 and 18.01.2002. The last Annual General Meeting (AGM) was held on 14.07.2001.

3. **Audit Committee**

The Audit Committee comprising of five Directors was set up by the Board of Directors on 22.01.2001 out of which three Directors are independent. Terms of Reference of the Audit Committee are as per the guidelines set out in the listing agreements that inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements, accounting policies and practices, adequacy of internal control systems, adequacy of internal audit function and discussion with internal auditors on any significant findings, financial and risk management policies. During the year ended 31.03.2002, three Audit Committee meetings were held. These were held on 18.04.2001, 29.10.2001 and 18.01.2002

Name of Director	Category	Profession	No. of meetings attended
Mr. Shantilal T. Shah, Chairman	Non-executive (Independent)	Industrialist	3
Mr. Satish P. Nachane	Executive	Industrialist	3
Mr. Harshit M. Savla	Executive	Industrialist	3
Mr. Rajendra V. Gogri	Non-executive (Independent)	Industrialist	2
Mr. Kirit R. Mehta	Non-executive (Independent)	Service	3
Mr. Nitin N. Prabhu	Non-executive (Independent)	Service	3

Note : Mr. Chandrakant V. Gogri is appointed as a member of this Committee on 17.04.2002.

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4. **Shareholders Grievance Committee**

The Board has constituted a "Shareholders Grievance Committee" on 18.04.2001 which looks into shareholders and investors grievances. Composition and attendance at the meeting of the said Committee are as under :

Name of Director	No. of meetings attended
Mr. Satish P. Nachane, Chairman	4
Mr. Shantilal T. Shah	Nil
Mr. Harshit M. Savla	4

Note : Mr. Chandrakant V. Gogri is appointed as a member of this Committee on 17.04.2002.

Number of shareholders complaints received was 3. Number of complaints not solved to the satisfaction of shareholders was Nil. Number of pending share transfer as on 31.03.2002 was 2 (150 shares) and they relate to share transfers kept pending for NOC from Transferor(s) due to signature differences processed in April, 2002. Presently, Ms. Gauri Balankhe, Asst. Company Secretary is the Compliance Officer of the Company.

5. **General Body Meetings**

The last three Annual General Meetings were held at Plot No.N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist.-Thane 401 506 as per details given below :

Year	Day	Date	Time
1999	Saturday	28.06.1999	10.00 a.m.
2000	Saturday	17.06.2000	9.30 a.m.
2001	Saturday	14.07.2001	9.30 a.m.

No Resolution was put through postal ballot last year. It is proposed to put special resolution for alteration of Objects Clause in the Memorandum of Association of the Company to vote through postal ballot, results of which will be announced at the Extra-ordinary General Meeting proposed to be held for the purpose.

6. **Disclosures**

Disclosure of transactions with any related parties i.e. Promoters, Directors, Relatives, Subsidiary, or Management have been made in the Balance Sheet in Schedule 'O' - Notes to Accounts at Note No.8.

The Company has complied 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 have been imposed on the Company by the said authorities.

7. **Means of Communication**

The quarterly results are usually published in Free Press Journal (English Newspaper) and Navshakti (Marathi Newspaper). These results, official news releases are available on the website of the Stock Exchange, Mumbai (www.bseindia.com).The Management Discussion & Analysis Report forms part of the Annual Report as an addition to the Directors' Report.

8. **General Shareholder Information**

(a) **17th Annual General Meeting – Day, Date, Time and Venue**

Day	Date	Time	Venue
Saturday	31.8.2002	9.30 a.m.	Plot No.N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist.-Thane 401 506

(b) **Financial Calendar**

Financial Year	1st April to 31st March
Adoption of Quarterly Results for the quarter ending :	
June, 2002	3rd/4th week of : July, 2002
September, 2002	October, 2002
December, 2002	January,2003
March, 2003	May, 2003
Dates of Book Closure (Both days inclusive)	June 25, 2002 to June 29, 2002 (Both days inclusive)
Dividend Payment Date	Not Applicable as no dividend is recommended.

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

The Stock Exchange, Mumbai
Stock Code : 524348

The Ahmedabad Stock Exchange
Stock Code : 1050

(d) **Market Price Data :**

Month	Bombay Stock Exchange		BSE Sensex	
	High	Low	High	Low
April 2001	17.15	14.00	3,676.82	3,096.51
May 2001	19.95	12.95	3,759.96	3,420.14
June 2001	21.50	15.95	3,651.32	3,287.94
July 2001	19.25	17.35	3,513.79	3,241.66
August 2001	19.00	17.00	3,359.07	3,241.12
September 2001	19.60	16.15	3,267.93	2,594.87
October 2001	21.80	17.25	3,083.65	2,718.41
November 2001	26.00	20.05	3,377.81	3,003.95
December 2001	27.00	22.35	3,500.20	3,100.57
January 2002	28.25	23.00	3,466.73	3,236.76
February 2002	27.80	23.00	3,758.11	3,290.00
March 2002	28.25	23.70	3,758.27	3,454.27

(e) **Registrar & Transfer Agents :**
The Company has In-house Share Transfer Department at Udyog Kshetra, 222, Mulund Goregaon Link Road, Mulund (West), Mumbai 400 080

(f) **Share transfer System :**
With a view to expedite the process of share transfers, the Board of Directors has delegated the power of share transfer to Share Transfer Committee of the Board which meets at least once in every fortnight. The shares for transfer received in physical mode by the Company, are transferred expeditiously and thereafter, option letter is sent to the transferee(s) for dematerialisation. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories, i.e. National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 7days.

(g) **Dematerialisation of Shares**
The shares of the Company are permitted for trading in dematerialisation form only. The Company's shares are available for trading in the depository systems of both NSDL and CDSL. As on 31st March, 2002, 2672058 Equity Shares forming 20.54% of the Share Capital of the Company stands dematerialised. Security Code No. with NSDL and CDSL is - ISIN No. INE767A01016

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(h) **Shareholding Pattern as on 31.03.2002 :**

Category	No. of Shares	%
Promoters	8797821	67.62
Bodies Corporate	11871	0.10
NRIs/OCBs	12890	0.10
Banks, Financial Institutions	950	0.01
Mutual Funds	3750	0.03
Public	4182218	32.14
Total	**13009500**	**100.00**

(i) **Distribution of Shareholding as on 31.03.2002**

No. of Shares			No. of Shareholders		No. of Shares	
From	-	To	Number	%	Number	%
1	-	250	10534	78.32	1267056	9.74
251	-	500	1639	12.19	626724	4.82
501	-	1,000	698	5.19	509597	3.92
1,001	-	2,000	264	1.96	373969	2.87
2,001	-	3,000	61	0.45	156350	1.20
3,001	-	4,000	41	0.31	145836	1.12
4,001	-	5,000	23	0.17	102777	0.79
5,001	-	10,000	55	0.41	395115	3.04
10,001	and	above	135	1.00	9432076	72.50
Total			13450	100.000	13009500	100.00

Liquidity of Shares : The Equity Shares of the Company are included under B1 category at the Stock Exchange, Mumbai.

(j) **Plant locations :**
Plot No. N-198, G-60, E-120, K-40, K-41, E-9/4 and E-9/3, MIDC Industrial Area, Tarapur, Village Pamtembhi, Tal-Palghar, Dist. Thane – 401 506, Maharashtra.
Plot Nos. 2902/2904, GIDC, Sarigam – 396 155, Dist. Valsad, Gujarat.

(k) **Address for Correspondence:**
The shareholders may address their communications/ suggestions/grievances/queries to :
The Company Secretary, Aarti Drugs Limited at
222, Udyog Kshetra, 2nd Floor,
Mulund - Goregaon Link Road, L. B. S. Marg,
Mulund (West), Mumbai – 400080

Non-Mandatory Requirements

Remuneration Committee
The Board of Directors has constituted a "Remuneration Committee" on 17.04.2002 with mandate to review and recommend/approve remuneration payable to the Managerial Personnel. Composition of the committee is as under :

1.	Shri. Chandrakant V Gogri	Chairman
2.	Shri. Shantilal T Shah	(Independent Director)
3.	Shri. Kirit R Mehta	(Independent Director)
4.	Shri. Nitin N Prabhu	(Independent Director)
5.	Shri. Prakash M. Patil	
6.	Shri. Satish P. Nachane	

FOR AND ON BEHALF OF THE BOARD
Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Place : Mumbai
Dated : May 10, 2002

Auditors' Certificate on Corporate Governance

To the Members of
Aarti Drugs Ltd.
Mumbai

We have examined the compliance of conditions of corporate governance by Aarti Drugs Ltd., for the year ended on 31st March, 2002, 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
Sd/-
(Y. R. VYAVAHARKAR)
PARTNER

Place: Mumbai.
Date: May 10, 2002.

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ANNEXURE 'V' TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

The pharmaceutical industry in India today, estimated at Rs. 15.50 billion is one of the largest and most advanced among developing countries. Globally, it ranks 4th in volume terms and 13th in value terms. It manufactures about 350 bulk drugs belonging to several major therapeutic groups. Novel innovative process routes and synthetic organic chemistry are its main strengths in research and development. 250 manufacturers of the organized sector represent 70% of its production.

Leading in some of the popular therapeutic groups, is the Rs. 175 crore public limited pharmaceutical company, Aarti Drugs Ltd. Steadily growing since its inception in 1984, it has spread its exports to over 55 countries across the globe. Chosen by the Chemexcil for its First award in the drugs and pharmaceuticals category, it was also voted as the Best Vendor by OPPI (Organization of Pharmaceuticals Producers of India) for the year 2001. Its core competence though lies in development of cost effective synthesis routes for bulk drugs and intermediates.

Opportunities and Threats

The Company has already established a strong presence in the anti – diarrhea, anti- ulcer and anti-inflammatory therapeutic groups with products like tinidazole, metronidazole, secnidazole, ornidazole, diclofenac sodium, ranitidine hcl, nimesulide, rofecoxib, etc. It also manufactures vitamins, anti-asthama, anti-HIV, anti-arthritis, anti-fungal, antibiotics, ACE inhibitors, anti-osteoporosis, anti-diabetic, anti- cholinergic, sedatives and anti-depressant drugs with the help of manufacturing facilities situated at Tarapur and Sarigam.

Over the years, the Company has been able to carve a niche for itself and is looking forward to expanding volumes. The Government initiative to encourage private health insurance schemes is expected to increase consumer spending on medicines, which will spur growth in the generic sector in the domestic market. The Company aims at becoming the first choice of the expanding market through better products, ensuring quality and timely delivery.

Risks and Concerns

The primary threat from Chinese low priced products is being effectively counteracted by imposition of anti-dumping duties. The alignment of policies with WTO and pressure in pricing of new products are challenges that the Company is geared up to face.

Internal Control Systems and their Adequacy

The Company has adequate internal control system commensurate with its size and nature of business. With the appointment of independent internal auditor and suitable internal control procedures, optimum resource utilization, veracity of accounts and compliance with the various statutes is ensured.

Segment-Wise Performance

Business segment as primary segment:

Sr. no.	Segment	Sales Revenue (Rs.in Lacs.)
1.	Bulk Drugs	16646.63
2.	Formulations, specialty chemicals, others	814.16

Geographical segment:

Sr. no.	Segment	Sales Revenue (Rs. in Lacs)
1	Exports	7974.86
2	Domestic	9485.93

Financial and Operational Performance

The sales turnover of the Company increased by over 16% to Rs. 175 crores as compared to Rs. 150 crores for the previous year. PAT jumped by over 45% to Rs.11.52 crores from Rs. 7.90 crores for the previous year. The net cash flow from operating activities was Rs. 18.10 crores as against Rs. 14 crores for last year.

Human Resource Development and Research Activities

Apart from the above, the Company's strength lies in its human resource. Promoted, directed and managed by technocrats, it is ably supported by 600 employees including professionals in production, maintenance and administration and around 60 employees in Q.C, Q.A and R & D. There is a training program of around 80 seminars on production and management related topics on an annual basis at the factory and monthly seminars at the office structured by an international management training association. This well-educated workforce has always ensured quality in production as well as technical and managerial competence.

Recognizing the need for basic research, the Company has a full-fledged Research & Development Centre approved by Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India, which is constantly involved in development of new products in selected therapeutic segments. It is fully equipped with G.C., HPLC, HPTLC, FIIR, etc.

Outlook

Armed with this resource base and a vision to be India's leading manufacturer of bulk drugs and intermediates in selected therapeutic groups, ADL is setting higher targets every year with a commitment to growth and excellence.

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