

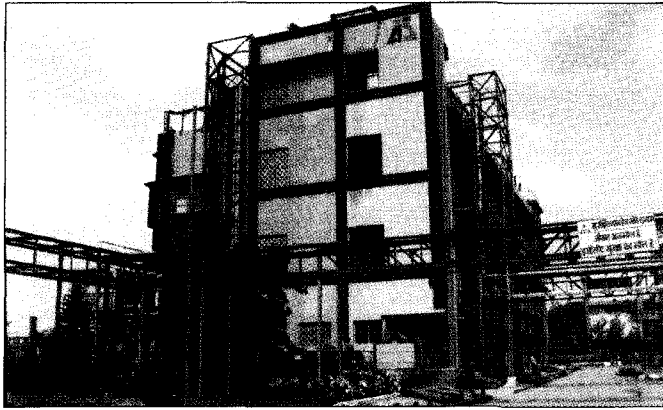


Aarti Drugs Ltd.

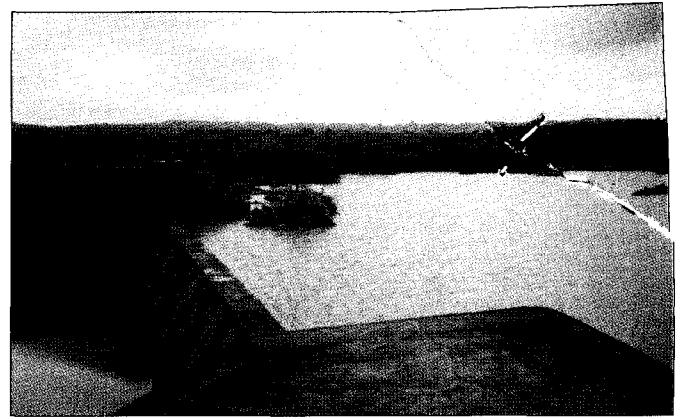
18th Annual Report 2002-2003

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R & D
CENTRE



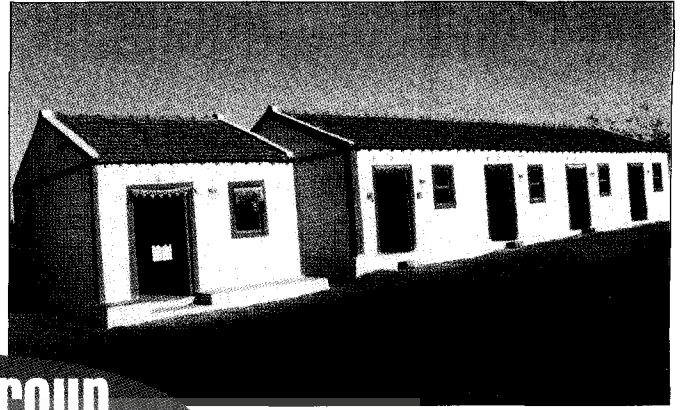
A view of Company's Plant at G-60, MIDC, Tarapur, Dist. Thane, Maharashtra.



A view of Water Harvesting Project(s) supported by Aarti Group.

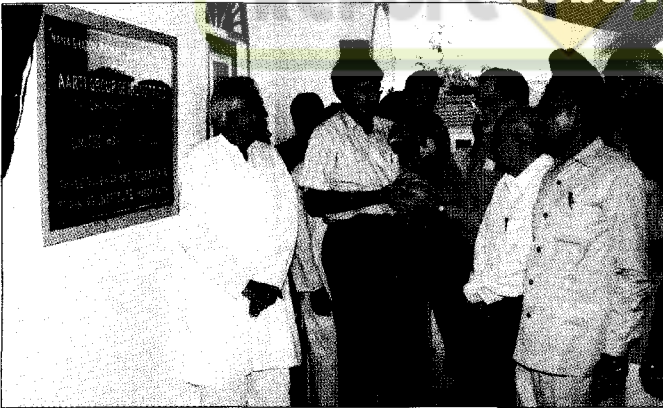


Reconstructed Nachiketa Hostel at Ratadia Village at Kutch supported by Aarti Group under Earth Quake Relief Projects.



Reconstructed Houses at Kutch supported by Aarti Group under Earth Quake Relief Projects.

Aarti Group Rebuilding Lives



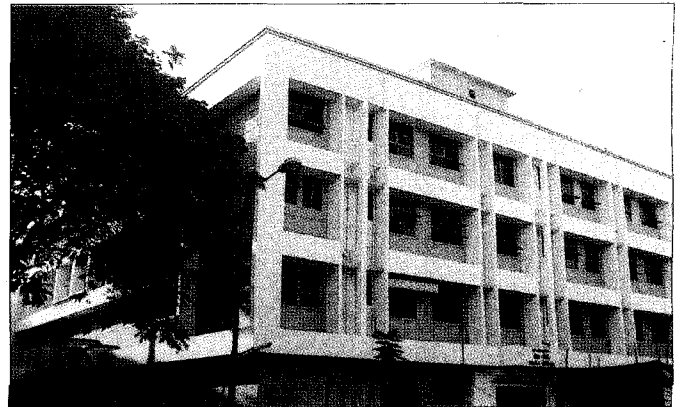
Construction of Primary School Building at Village Nana Bhadia at Kutch funded by Aarti Group.



Shri. C. V. Gogri, Chairman handing over Earth Quake Relief Cheques at Bhuj, Kutch.



A view of Drought Relief Camps at Kutch supported by Aarti Group.



A view of Heera Mongi Navneet Hospital, a unit of Pragati Foundation at Mulund, Mumbai.

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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>
RASHESH C. GOGRI	<i>Wholetime Director</i>
UDAY M. PATIL	<i>Wholetime Director</i>
SHANTILAL T. SHAH	
RAJENDRA V. GOGRI	
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

74, Matru Smruti,
Road No. 4,
Scheme No. 6,
Mumbai - 400 022.

REGISTRAR & TRANSFER AGENT

R & D Consultants Limited
610, Dalamal Tower,
211, Nariman Point,
Mumbai - 400 021.



NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of AARTI DRUGS LIMITED will be held on 9th day of August, 2003 at 9.30 at Plot No. N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist. Thane 401 506 to transact the following ordinary business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 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. Harshit M. Savla, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Kirit R. Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri. Nitin N. Prabhu, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT APROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Documents referred to in the accompanying Notice 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.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. The Company has appointed R & D Consultants Limited, 610, Dalamal Tower, 211, Nariman Point, Mumbai-400 021, as Registrar & Share Transfer Agents and the members are requested to send/address all their shares related matters/correspondence directly to them.
5. The Register of Members and Share Transfer Books of the Company will remain closed from, Tuesday, 29th July, 2003 to Friday 1st August, 2003 (both days inclusive) for payment dividend on equity shares. In respect of shares held in Electronic Form, the dividend will be paid on the basis of ownership as per details furnished by the Depositories for the purpose.
6. Dividend when declared will be paid on or after 14th August, 2003
7. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remains unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial Year Ended	Date of Declaration of Dividend	Last Date for claiming unpaid Dividend	Due Date for transfer to IEP Fund
31.03.1996	28/09/1996	27/09/2003	27/10/2003
31.30.1998	26/09/1998	25/09/2005	25/10/2005
31.03.1999	28/06/1999	27/06/2006	27/10/2006
31.03.2000	28/03/2000	27/03/2007	26/04/2007
31.03.2000	28/01/2000	27/01/2007	26/02/2007
31.03.2001	14/07/2001	13/07/2008	12/08/2008
31.03.2002	31/10/2001	30/09/2008	30/10/2008

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Registrar and Transfer Agents, M/s R & D Consultants Limited. **Shareholders are requested to note that no claims shall lie against the said Fund or the Company in**

respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

8. Reappointment of the Directors:

At the ensuing Annual General Meeting Shri Harshit M. Savla, Shri Kirit R. Mehta and Shri Nitin N. Prabhu retire by rotation and being eligible offer themselves for reappointment. The information/details to be provided for the aforesaid Directors under Corporate Governance Code are as under.

- (a) **Mr. Harshit M. Savla**, aged 40, is a Bachelor of Commerce. He has experience of over 17 years in handling commercial functions encompassing sales, purchase and exports. He was instrumental for exploring export market for Aarti's products. Under his stewardship, export grew by leaps and bounds. He has travelled many countries and visited important Industrial and commercial Capitals all over the World. He played a major role in improving Company's financial position and improving Company's image and ratings with the Financial Institutions and Bankers and thereby substantially reducing the interest cost to the Company. He is also one of the main promoters of the Company. He has been the Wholtime Director since 1992 and Joint Managing Director of the Company since 2001.

Directorships in other Companies: Aarti Healthcare Limited and Aarti Pharmacare Limited.

Member of Committees: Audit Committee, Shareholders Grievance Committee, Finance Committee – Aarti Drugs Limited.

- (b) **Mr. Kirit R. Mehta** aged 55, is a Bachelor of Commerce. He has good experience in dealing with various Government authorities at Sarigam, Gujarat and Tarapur, Maharashtra where Company's manufacturing units are located. He has been president of Federation Of Industries Association Gujarat; Executive committee member of Gujarat Chamber of Commerce and Industries and also the President of Sarigam Industries Association.

Directorships in other Companies: Aarti Industries Limited, Avinash Drugs Limited, Perfect Enviro Control Systems Limited, Alchemie Alloy Castings Pvt. Ltd., Ganesh Polychem Pvt. Ltd. and Sarigam Waste & Effluent Management Co. Ltd.

Member of Committees: Shareholders Grievance Committee of Aarti Industries Limited. Audit Committee and Remuneration Committee – Aarti Drugs Limited

- (c) **Mr. Nitin N. Prabhu** aged 44, is a Chemical Engineer with wide spread experience in the Chemical Industry. During the course of his career he has handled various portfolios such as project implementation, term finance, working capital finance, legal and administration work, insurance and Human Resource and Development (HRD).

Directorships in other Companies: Alchemie Financial Services Ltd., Aarti Intermediates Pvt. Ltd., Gogri & Sons Investments Pvt. Ltd. and Alchemie Alloy Castings Pvt. Ltd.

Member of Committees: Audit Committee and Remuneration Committee – Aarti Drugs Limited

9. Members/Proxies should bring the admission slip duly filled in for attending the meeting.

Registered Office :

Plot No.N-198, MIDC,
Tarapur, Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.
Place: Mumbai
Date : 23RD APRIL, 2003

BY ORDER OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

18TH ANNUAL REPORT 2002-2003

DIRECTORS REPORT

To,
The Members of
Aarti Drugs Limited
The Directors have pleasure in presenting to you their Eighteenth Annual Report and Audited Statement of Accounts for the year ended March 31, 2003.

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	2002-2003	2001-2002
Profit before Depreciation & Interest	2450.08	2444.49
Less: Depreciation	509.65	437.51
Interest	558.21	778.38
Profit before tax	1382.22	1228.60
Extra Ordinary Items	1.18	NIL
Provision for taxation	166.00	76.00
Profit after tax	1215.04	1152.60
Provision for Deferred Taxation for Current Year	71.00	60.00
Profit after Deferred tax	1144.04	1092.60
Appropriations:		
Transfer to General Reserve	61.00	NIL
Transfer to Capital Redemption Reserve	130.10	NIL
Interim Dividend (10%)	NIL	130.09
Proposed Dividend (15%)	175.63	NIL
Tax on Dividend	21.95	13.26
Profit & Loss A/c balance carried to Balance Sheet	4004.77	3284.40

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.1.50 ps per share (Previous Year : Re.1/-) for the year ended 31st March, 2003. The proposed dividend, if approved at the Annual General Meeting, will result in pay out of Rs. 175.63 Lacs.

3. OPERATIONS

During the year under review, the Company has achieved a turnover of Rs. 19195.01 Lacs (Previous Year : Rs. 17,460.79 Lacs) registering a growth of 9.93%. The Profit After Tax has increased from Rs. 1152.60 Lacs to Rs.1215.04 Lacs.

The Administrative Office at Sion, Mumbai was damaged due to fire that occurred on 29th September, 2002. Loss is adequately insured and claim has been lodged with the Insurance Company.

4. BUY-BACK OF SHARES

During the year under review, your Company had made an Offer for Buy-back of 1300950 equity shares of Rs.10/- each fully paid (being 10%) at a price of Rs.39/- per share through Tender Offer Method. The Company received 2650 valid offers for 2014569 Equity Shares. The acceptance was made on proportionate basis. The total pay out on account of Buy-back was Rs.5,07,37,050/-. As a result, the Paid-up Capital stands reduced to Rs.11,70,85,500/-.

5. EXPORTS

During the year under review, export sales reduced from Rs.5793.67 Lacs to Rs.5240.83 Lacs. Constant efforts are being made to boost exports.

6. 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.

7. PARTICULARS OF EMPLOYEES

Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is not applicable to the Company as there are no employees drawing remuneration exceeding the prescribed limits.

8. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri. Harshit M. Savla, Shri. Kirit R. Mehta and Shri. Nitin N. Prabhu retire by rotation and being eligible, offer themselves for re-appointment.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The statement as required under Section 217 (2AA) of the Companies Act, 1956 is given in Annexure 'II' 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. APPOINTMENT OF M/S R & D CONSULTANTS LTD. AS SHARE TRANSFER AGENTS

In due compliance of the relevant SEBI circular requiring all the companies to have single point facility for all work related to share registry for shares in physical and electronic form, the Company has appointed M/s R & D Consultants Limited at 610, Dalamal Tower, 211, Nariman Point, Mumbai 400 021 as the Registrar & Share Transfer Agents of the Company. Members are requested to note the same.

12. 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 'III' forming part of this Report.

13. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchange is annexed as Annexure 'IV' forming part of this Report.

14. INDUSTRIAL RELATIONS

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

15. 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

Place: Mumbai
Dated: April 23, 2003

Sd/-
CHANDRAKANT V. GOGRI
Chairman



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 condensers and other heat exchanges.
- Erected waste heat recovery boiler.
- Rotary vacuum filter is replaced by belt filter to save energy cost.

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

(c) The adoption of energy conservation measures indicated above have resulted in savings in the cost of production.

(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)	14703699	13988252
Total Amount (Rs. in Lacs)	572.67	572.07
Per Unit (Rs.)	3.89	4.09
2. L.D.O.		
Purchased Units (K.Ltrs.)	292.32	434.56
Total Amount (Rs. in Lacs)	35.11	56.86
Per Unit (Rs.) (per K.Ltrs.)	12.01	13.08
3. Furnace Oil		
Purchased Units (K.Ltrs.)	5927.73	5969.61
Total Amount (Rs. in Lacs)	587.78	469.74
Per Unit (Rs.) (Per K.Ltrs.)	9.92	7.87
4. Others		
Diesel (Rs. in Lacs)	33.38	22.96

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. This year the Company has also established an R & D Centre at Turbhe, Navi Mumbai.

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

As a result of the R&D activities carried new products, namely, ciprofloxacin, metformin, valdecoxib, clopidogrel bisulphate, pioglitazone etc. and steroids have been developed.

The R&D team through its intensive research efforts has successfully reduced cost of production and improved the yield ratio in the existing products..

(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	47.21
(b) Recurring	148.27
(c) Total	195.48
(d) Total R & D Expenditure as a percentage of total turnover:	1.02%

3. TECHNOLOGY ABSORPTION ADAPTATIONS AND INNOVATION: A plant for catalytic hydrogenation was commissioned.

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year	Previous Year
Total Foreign Exchange Earned	5240.83	5793.67
Total Foreign Exchange Used:		
CIF Value of Imports :		
— Raw-material	3829.25	3167.34
— Capital Goods	26.40	17.46
Expenditure in Foreign Currency		
— Commission	105.38	161.18
— Travelling Expenses	27.63	14.09
— Sales Promotion	5.93	9.48
— Foreign Bank charges	18.72	21.75
— Others	4.69	5.24
Total	4018.00	3374.79

FOR AND ON BEHALF OF THE BOARD

Sd.-

Place: Mumbai
Dated: April 23, 2003

CHANDRAKANT V. GOGRI
CHAIRMAN

ANNEXURE 'II' 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 March 31, 2003 the applicable accounting standards have 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 the Directors had prepared the annual accounts on a going concern basis.

FOR AND ON BEHALF OF THE BOARD

Sd.-

Place: Mumbai
Dated: April 23, 2003

CHANDRAKANT V. GOGRI
CHAIRMAN

18TH ANNUAL REPORT 2002-2003

ANNEXURE 'III' 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. 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, <i>Chairman</i>	Non-Executive	4	5	5	Yes
Mr. Manilal P. Savla, <i>Vice Chairman</i>	Non-Executive Independent	Nil	Nil	4	Yes
Mr. Prakash M. Patil, <i>Managing Director</i>	Executive	Nil	1	6	Yes
Mr. Satish P. Nachane, <i>Managing Director</i>	Executive	Nil	3	6	Yes
Mr. Harshit M. Savla, <i>Jt. Managing Director</i>	Executive	2	2	6	Yes
Mr. Harit P. Shah <i>Wholetime Director</i>	Executive	1	Nil	6	Yes
Mr. Rashesh C Gogri, <i>Wholetime Director</i>	Executive	8	Nil	5	Yes
Mr. Rajendra V. Gogri	Non-Executive Independent	9	3	6	Yes
Mr. Shantilal T. Shah	Non-Executive Independent	3	3	5	Yes
Mr. Uday M. Patil, <i>Wholetime Director</i>	Executive	1	Nil	3	Yes
Mr. Kirit R. Mehta	Non-Executive Independent	6	3	4	Yes
Mr. Nitin N. Prabhu	Non-Executive Independent	4	2	6	Yes

There were six Board meetings held during the year ended 31.03.2003. These were on 17.04.02, 10.05.02, 19.07.02, 28.10.02, 04.12.02 and 20.01.03. The last Annual General Meeting (AGM) was held on 31.08.2002.

3. Audit Committee

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 31.03.2003, three Audit Committee meetings were held. These were held on 17.04.2002, 28.10.2002 and 20.01.2003.

Name of Director	Category	Profession	No. of meetings attended
Mr. Shantilal T. Shah, <i>Chairman</i>	Non-executive (Independent)	Industrialist	3
Mr. Chandrakant V. Gogri	Non-executive	Industrialist	3
Mr. Satish P. Nachane	Executive	Industrialist	3
Mr. Harshit M. Savla	Executive	Industrialist	3
Mr. Rajendra V. Gogri	Non-executive (Independent)	Industrialist	3
Mr. Kirit R. Mehta	Non-executive (Independent)	Service	1
Mr. Nitin N. Prabhu	Non-executive (Independent)	Service	3