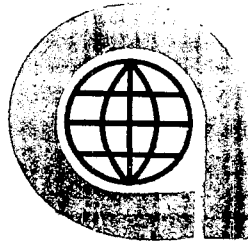


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AARTI INDUSTRIES LIMITED

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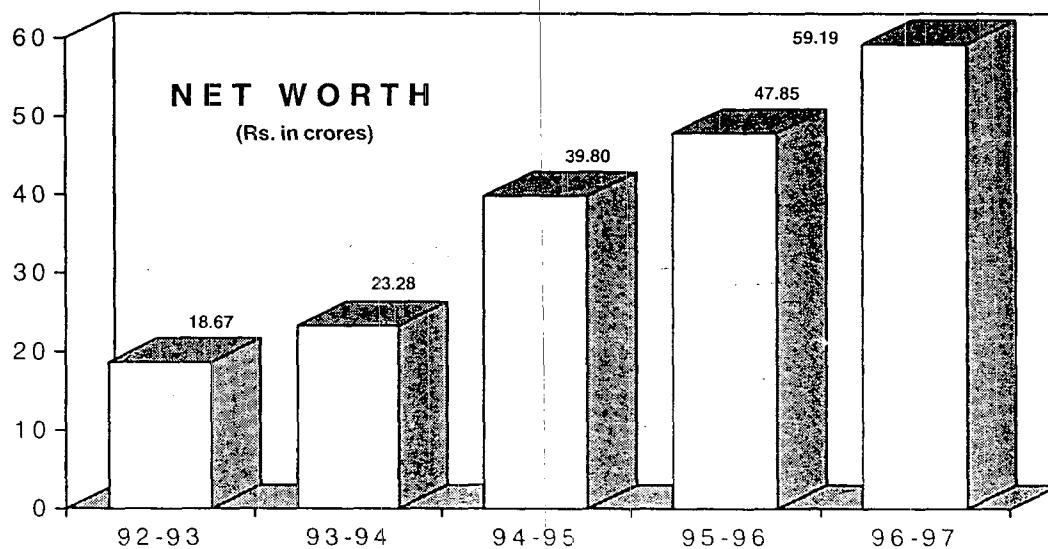
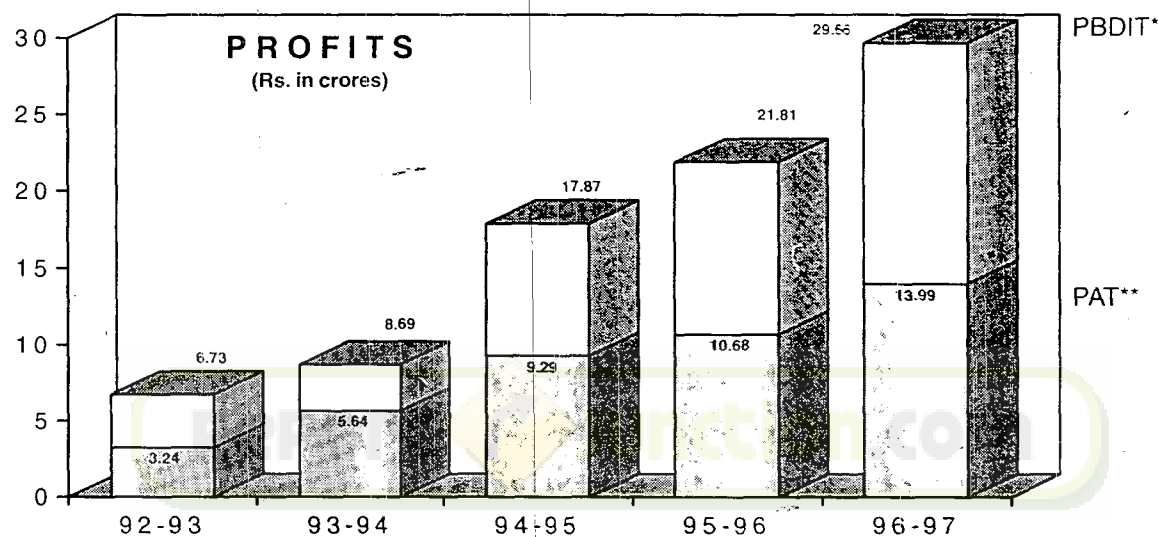
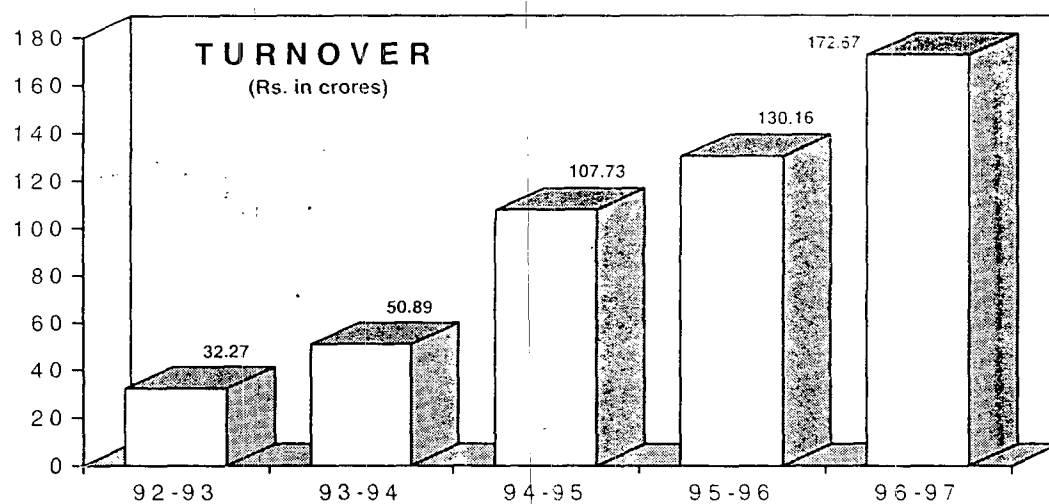
MEMBER **ALCHEMIE** GROUP

CERTIFIED TRUE COPY

For AARTI INDUSTRIES LTD.


Company Secretary

AARTI INDUSTRIES LIMITED



* Profit before Depreciation, Interest & Tax

** Profit After Tax

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DIRECTORS

CHANDRAKANT V. GOGRI, Chairman
 RAJENDRA V. GOGRI, Managing Director
 SHANTILAL T. SHAH, Joint Managing Director
 PARIMAL H. DESAI, Wholetime Director
 RAMDAS M. GANDHI
 VIJAY H. PATIL
 LAXMICHAND K. JAIN
 MANOJ M. CHHEDA, Wholetime Director
 RASHESH C. GOGRI, Wholetime Director
 NEELA T. JAVERI, Nominee Director - ICICI

COMPANY SECRETARY

MOHAN P. SONAR

AUDITORS

MESSRS. PARIKH JOSHI & KOTHARE
 49/2341, SHRI SAI KRIPA CO-OP. HSG. SOC.
 M.H.B. COLONY, GANDHI NAGAR,
 BANDRA (EAST), MUMBAI-400 051.

BANKERS

BANK OF BARODA
 UNION BANK OF INDIA
 STATE BANK OF INDIA

REGISTERED OFFICE

PLOT NOS. 801, 801/23,
 GIDC ESTATE, PHASE III,
 VAPI - 396 195, DIST. VALSAD
 GUJARAT.

ADMINISTRATIVE OFFICE

UDYOG KSHETRA
 IIND FLOOR, L.B.S. MARG,
 MULUND-GOREGAON LINK ROAD
 MULUND (W), MUMBAI 400 080.

SECRETARIAL DEPARTMENT

94/3B, GANGA VIHAR,
 KAZI SAYED STREET, MASJID (W),
 MUMBAI 400 003.

NOTE :

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



NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of AARTI INDUSTRIES LIMITED will be held at the Registered Office at Plot Nos.801, 801/23, GIDC Estate, Phase-III, Vapi 396 195, Dist. Valsad, Gujarat, on Tuesday, 26th August, 1997 at 9.30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997 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. Manoj M. Chheda, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Shantilal T. 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. Rashesh C. Gogri, who was appointed as Additional Director by the Board of Directors and who holds office upto the date of this 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 a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to all such sanctions as may be necessary, the Company hereby approves the appointment of Shri. Rashesh C. Gogri as the Wholtime Director of the Company for a period of five years with effect from 9th June, 1997 on the terms and conditions including remuneration as set out in the Agreement dated 9th June, 1997, entered into by the Company with him and submitted to this meeting duly initialled by the Chairman, which Agreement is hereby 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 Act as may be agreed to between the Board of Directors and Shri. Rashesh C. Gogri."

8. 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 Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to such approvals as may be necessary, approval of the Company be and is hereby accorded to the variation in the terms of remuneration of Shri. Rajendra V. Gogri, Managing Director of the Company with effect from 1st July, 1997 for the remainder of the tenure of his term as set out in the Supplemental Agreement dated 9th June, 1997 entered into by the Company with him and submitted to this meeting, and for identification initialled by the Chairman, which Agreement be and is hereby 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 Act as may be agreed to between the Board of Directors and Shri. Rajendra V. Gogri."

9. 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 Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in

force and hereinafter referred to as "the Act") and subject to such approvals as may be necessary, approval of the Company be and is hereby accorded to the variation in the terms of remuneration of Shri. Shantilal T. Shah, Joint Managing Director of the Company with effect from 1st July, 1997 for the remainder of the tenure of his term as set out in the Supplemental Agreement dated 9th June, 1997 entered into by the Company with him and submitted to this meeting, and for identification initialled by the Chairman, which Agreement be and is hereby 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 Act as may be agreed to between the Board of Directors and Shri. Shantilal T. Shah."

10. 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 Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to such approvals as may be necessary, approval of the Company be and is hereby accorded to the variation in the terms of remuneration of Shri. Parimal H. Desai, Wholtime Director of the Company with effect from 1st July, 1997 for the remainder of the tenure of his term as set out in the Supplemental Agreement dated 9th June, 1997 entered into by the Company with him and submitted to this meeting, and for identification initialled by the Chairman, which Agreement be and is hereby 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 Act as may be agreed to between the Board of Directors and Shri. Parimal H. Desai."

11. 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 Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force and hereinafter referred to as "the Act") and subject to such approvals as may be necessary, approval of the Company be and is hereby accorded to the variation in the terms of remuneration of Shri. Manoj M. Chheda, Wholtime Director of the Company with effect from 1st July, 1997 for the remainder of the tenure of his term as set out in the Supplemental Agreement dated 9th June, 1997 entered into by the Company with him and submitted to this meeting, and for identification initialled by the Chairman, which Agreement be and is hereby 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 Act as may be agreed to between the Board of Directors and Shri. Manoj M. Chheda."

12. 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 17 and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered and extended by inserting the following sub clauses as new sub-clauses (87) to (93) immediately after the existing sub-clause 86 of Clause IIIC of the Memorandum of Association of the Company:

'87. To construct, execute, carry out, equip, improve, alter, develop, decorate, maintain, furnish, administer, operate, manage, own or control on toll basis or otherwise public and private works, conveniences and utilities of all kinds including railways, ropeways, roads, toll roads, bridges, toll bridges, docks, harbours, canals, tunnels, toll tunnels, reservoirs, marine-works, powerhouses, irrigations, reclamations, improvements, sewage, drainage, sanitation, water works, waste, gas, telephonic, telegraphic and power supply works, hotels, shops, water, sewage and effluent treatment plants, hydraulic works, and all other works of convenience and public utility.

88. To carry on the business of builders and contractors for construction and interconnected work of any kind including manufacture of various materials and components.

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89. To carry on the business of construction, operations and management of port and port related facilities by itself or in association with one or more parties within the company or in a separate entity.

90. To carry on any activity connected with trade, business, manufacture, venture or commercial operation in the Union of India or any other part of the World, in different kinds of merchandise, commodities, goods, wares, products, articles and things as to purchase or otherwise and to acquire, exchange and repurchase and to sell and resell or otherwise dispose of or sell.

91. To carry on the business and professions of providing services of all type covering all branches and disciplines of engineering and management such as organisational studies, systems, analysis, production, materials, marketing, personnel and administration, industrial, engineering, Corporate/legal affairs, taxation, administration, secretarial, accounting, information systems and other allied areas, to conduct market, research, operations research, to advise, assist and suggest ways and means of improving efficiency by operation of new and improved techniques of production, procurement, administration, recruitment and sales so as to be obtain optimum utilisation of resources, men, material and money and to undertake the preparation of project reports, detailed financial and project engineering studies, execution of turnkey projects and for planning and promoting new industries.

92. To carry on the business as transporters and carriers of goods, passengers and luggages of all kinds and description in any part of India and elsewhere on land, water and air or by any mode of transport, by itself or through other agencies or in association with

others or in a separate entity and further to carry on the business of clearing and forwarding Agents, Warehouse Keepers, maintaining of cold storages and contractors for loading and unloading of goods, luggages and other moveables.

93. To carry on the business of setting up facilities for generation/ distribution of all forms of energy, whether from conventional sources such as thermal, hydel, nuclear or from non-conventional sources such as tide, wind, solar, geo-thermal etc. including operation/ maintenance of facilities for generation and distribution of all forms of energy."

13. 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 149 (2A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for commencing and undertaking all or any of the business specified in the newly introduced sub-clauses (87) to (93) of Clause IIIC of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors upon the aforesaid sub-clauses becoming effective."

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

BY ORDER OF THE BOARD

Place : Mumbai
Dated : 9th June, 1997.

MOHAN P. SONAR
COMPANY SECRETARY

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 at Items Nos.6 to 13 above is annexed hereto.
3. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 19th August, 1997 to Tuesday, 26th August, 1997 (both days inclusive).
5. The dividend, when declared, will be paid on or after 20th September, 1997.
6. The Company has already transferred, unclaimed dividend declared for

the financial year ended 31st March, 1993 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend for the said financial year may claim their dividend from the Registrar of Companies, Gujarat submitting application in the prescribed form.

7. Members are requested to notify immediately any change in their address to the Company's Secretarial Department at 94/3B, Ganga Vihar, Kazi Sayed Street, Masjid (West), Mumbai - 400 003.
8. Members/Proxies should bring the admission slip duly filled in for attending the meeting.

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

BY ORDER OF THE BOARD

Place : Mumbai
Dated : 9th June, 1997.

MOHAN P. SONAR
COMPANY SECRETARY

ANNEXURE TO NOTICE

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

The following Explanatory Statement sets out the material facts relating to Item Nos. 6 to 13 of the Notice convening the 14th Annual General Meeting.

Item Nos.6 and 7

Shri.Rashesh C. Gogri was appointed as an Additional Director by the Board of Directors on 9th June, 1997 pursuant to Section 260 of the Companies Act, 1956. Shri.Rashesh C. Gogri will hold office as Additional Director upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri.Rashesh C. Gogri for the office of Director of the Company under section 257 of the Companies Act, 1956. The Board recommends the appointment of Shri.Rashesh C. Gogri to the office of Director.

Shri.Rashesh C. Gogri being graduate in engineering has considerable experience in the field of marketing and operations. In view of this, the Board of Directors at its meeting held on 9th June, 1997 appointed him as a Wholetime Director (WTD) of the Company for a period of five years with effect from 9th June, 1997, upon terms and conditions contained in Agreement dated 9th June, 1997, subject to the approval of the Company in General Meeting.

The Agreement dated 9th June, 1997 entered into by the Company with Shri. Rashesh C. Gogri, inter alia, contains the following material terms and conditions:

1. Period of Agreement : From 09/06/1997 to 08/06/2002.
2. Remuneration :

- (a) Salary :
Rs.15,000/- (Rupees Fifteen Thousand Only) per month.
The above salary per month shall be paid with increment scale of Rs.2000/- with power to the Board to increase the salary from time to time subject to ceiling of Rs.50,000/- per month.
- (b) Perquisites :
Housing accommodation or House Rent Allowance; Reimbursement of medical expenses and/or medical insurance for self and family; Leave Travel Concession for self and family once in a year; Reimbursement of fees of clubs; Personal accident insurance premium; Bonus and such other perquisites as may be determined by the Board from time to time.
- (c) The following shall not included in the computation of the ceiling on remuneration specified herein :
 - i) Contribution to Provident Fund, Super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - ii) Gratuity which shall not exceed half a month's salary for each completed year of service and
 - iii) Encashment of leave at the end of the tenure.
- (d) i) Provision of car with driver for business of the Company and use of car for private purpose shall be billed by the Company.
ii) Telephone at residence. Use of personal long distance calls on telephone shall be billed by the Company.



AARTI INDUSTRIES LIMITED

3. Annual Privilege Leave : On full salary for a period of thirty days and shall be entitled to accumulate such leave for maximum of 90 days. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
4. WTD shall not be paid any sitting fees for attending the Meetings of the Board or Committee thereof.
5. The Company shall pay to the WTD the above salary/perquisites/allowances, notwithstanding the inadequacy of profits or no profits in any financial year during the tenure of their respective offices 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 appointment 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 Agreement are such as are customarily contained in agreement of similar nature.
9. The said appointment/agreement including the remuneration payable to WTD 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.

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

The Agreement dated 9th June, 1997 entered into between the Company and Shri. Rashesh C. Gogri 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.

Shri. Rashesh C. Gogri is interested in the resolutions pertaining to his appointment as Director and Wholtime Director of the Company respectively. Shri. Chandrakant V. Gogri is also deemed to be concerned or interested in the said resolutions as he is related to him. None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item Nos. 8 To 11

1. Shri. Rajendra V. Gogri, Shri. Shantilal T. Shah, Shri. Parimal H. Desai and Shri. Manoj M. Chheda are respectively holding offices as the Managing/Joint Managing/Wholtime Directors of the Company respectively with effect from 01/07/93, 12/10/94, 09/02/96 and 25/11/93 for a period of five years in terms of the respective Agreements dated 26/11/93, 28/10/94, 10/02/96 and 26/11/93 entered into by the Company with them.
2. It is proposed to enhance the remuneration payable to each of them with effect from 1st July, 1997 for the remainder of their respective term as set out in the Supplemental Agreements dated 9th June, 1997 entered into with them by the Company subject to the approval of the Company.
3. The revised remuneration proposed to be paid to the said Managing/Joint Managing/Wholtime Directors are as under:

(a) Salary :

Name	Revised (p.m.)	Present (p.m.)
Shri. Rajendra V. Gogri	Rs. 25,000/-	Rs. 20,000/-
Shri. Shantilal T. Shah	Rs. 20,000/-	Rs. 16,000/-
Shri. Parimal H. Desai	Rs. 20,000/-	Rs. 16,000/-
Shri. Manoj M. Chheda	Rs. 20,000/-	Rs. 16,000/-

The above salary per month shall be paid with increment scale of Rs. 3,000/- with power to the Board to increase the salary from time to time subject to ceiling of Rs. 50,000/- per month in each of the cases.

(b) Perquisites

The following perquisites will be allowed to Shri. Rajendra V. Gogri, Shri. Shantilal T. Shah, Shri. Parimal H. Desai and Shri. Manoj M. Chheda :

Housing accommodation or House Rent Allowance; Reimbursement of medical expenses and/or medical insurance for self and family; Leave Travel Concession for self and family once in a year; Reimbursement of fees of clubs; Personal accident insurance premium; Bonus and such other perquisites as may be determined by the Board from time to time in each of the cases.

(c) The following shall not be included in the computation of the ceiling on remuneration specified herein :

- i) Contribution to Provident Fund, Super annuation fund or annuity fund to the extent these either singly or put together are not

taxable under the Income Tax Act, 1961.

- ii) Gratuity which shall not exceed half a month's salary for each completed year of service and
- iii) Encashment of leave at the end of the tenure.
- (d) i) Provision of car with driver for business of the Company and use of car for private purpose shall be billed by the Company.
- ii) Telephone at residence. Use of personal long distance calls on telephone shall be billed by the Company.

4. The other terms and conditions of the respective appointments will remain unchanged.
5. Your Directors recommend the resolutions at Item Nos. 8 to 11 for your approval.
6. The above may also be treated as an abstract of the said respective supplemental agreements pursuant to Section 302 of the Companies Act, 1956.
7. The said Supplemental Agreements dated 9th June, 1997 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.
8. Shri. Rajendra V. Gogri, Shri. Shantilal T. Shah, Shri. Parimal H. Desai and Shri. Manoj M. Chheda are interested in the resolutions pertaining to variation of their respective terms of remuneration payable to each of them. Shri. Chandrakant V. Gogri is deemed to be concerned or interested in the resolution at Item No. 8 pertaining to variation of terms of remuneration payable to Shri. Rajendra V. Gogri as he is related to him. None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item No. 12

In order to diversify into certain new business ventures, your Directors have been always considering various proposals. Further, the Companies Amendment Act, 1997 has simplified the procedure for alteration of Objects Clause in the Memorandum of Association with effect from 1st March, 1997. The companies can now alter their Object Clauses by passing Special resolution in the general meetings. The same shall be effective upon registration of the said resolution by the Registrar of Companies and the procedure for obtaining Company Law Board confirmation upon petition filed by the Company has been omitted.

In view of these and to enable the Board of Directors to venture into new areas of operations as and when deemed fit by it, amendments are proposed by way of additions to the Object Clause in the Memorandum of Association as set out in the resolution at Item No. 12 of the accompanying Notice.

Your Directors are of the view that it will be beneficial for the Company and the Shareholders that the Company should diversify its activities. Your Directors are also of the view that the proposed additional objects may conveniently and advantageously be combined with the existing business of the Company.

Your Directors recommend the resolution set out at Item No. 12 for consideration and your approval thereof.

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

A copy of the Memorandum of Association together with all the proposed amendments is available for inspection at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Saturdays upto the date of the Annual General Meeting.

Item No. 13

As per provisions of Section 149(2A) of the Companies Act, 1956, approval of the Shareholders in General Meeting is required for commencement of any business as set out in the Other Objects under Clause IIIC of the Memorandum of Association.

As a matter of expediency, approval of the shareholders is sought to enable the Directors at such time or times as they may consider appropriate and in the interest of the Company to commence and undertake all or any of the business specified in the newly introduced sub clauses (87) to (93) of the Objects Clause IIIC of the Memorandum of Association of the Company upon the aforesaid sub clauses becoming effective.

Your Directors recommend the resolution at Item No. 13 for your approval.

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

Registered Office :

Plot Nos. 801, 801/23,
GIDC Estate, Phase-III,
Vapi-396 195, Dist. Valsad, Gujarat.
Place : Mumbai
Dated : 9th June, 1997.

BY ORDER OF THE BOARD

MOHAN P. SONAR
COMPANY SECRETARY

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DIRECTORS' REPORT

TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

The Directors are pleased to present this Fourteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1997.

1. FINANCIAL RESULTS

(Rupees in Lakhs)

	1996-97	1995-96
Gross Profit before depreciation and Interest	2966	2182
Less : Depreciation	322	262
Interest	995	712
Profit before tax	1649	1208
Provision for taxation	250	140
Profit after tax	1399	1068
Appropriations :		
Transfer to General Reserve	200	150
Proposed Dividend	238	194
Tax on Proposed Dividend	24	—
Profit & Loss A/c balance carried to Balance Sheet	3933	2999

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.2.20 per Share for the year ended 31st March, 1997. The proposed dividend, if approved at the Annual General Meeting will result in pay out of Rs.238/- Lakhs (Previous year : Rs.194/- Lakhs).

3. OPERATIONS

Your Company achieved a turnover of Rs.171.99 crores (Previous year Rs.129.54 crores) thereby registering a growth of 33%. Further, the Company's growth rate in exports and Profit after tax has been 36% and 31% respectively. The Earning per Share for the year works out to Rs.12.95.

Organic Division

Your Company manufactured 8501 tons of PNCB/ONCB (previous year 6657 tons) and 6345 tons of Downstream products (previous year 4044 tons). Your Company entered into Agreement for Assignment of business wherein it has been assigned the business of two units also engaged in the manufacture of downstream products of PNCB/ONCB. The Company's Organic Chemical Division achieved aggregated sales of Rs.127.54 crores (previous year Rs.93.81 crores).

Acid Division

During the year, your Company manufactured 99890 tons of Sulphuric Acid & Allied products (previous year 95850 tons). The Company's Acid Division achieved aggregate sales of Rs.44.52 crores (previous year Rs.35.73 crores)

4. EXPORTS

Your Company's thrust towards greater value added exports resulted in Export Division logging another commendable performance. Export sales of Rs.64.74 crores (previous year Rs.47.57 crores) helped the Company achieve a 36% growth rate in exports. Due to widespread acceptance of its products all over the world, your Company continues to achieve an excellent growth on the export front.

Your company was awarded the "Certificate of Merit" by the Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council (CHEMEXCIL) for its excellent export performance for the year 1994-95.

5. FUTURE PROSPECTS

With a continuously increasing demand for your Company's products in local and overseas markets, your Company has decided to add more products to its product profile.

Further in light of substantial outgo towards transportation charges, your Company proposes to start inhouse transport facility for part of its requirements of its own raw materials and finished goods transportation.

6. SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts alongwith the reports of the Board of Directors of Alchemie Drugs Limited and Aarti Corporate Services Limited and the respective Auditors' Report thereon for the year ended 31st March, 1997 are annexed.

7. 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, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this report.

8. PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be given under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.



AARTI INDUSTRIES LIMITED

9. AUDITORS' REPORT

As regards observation made by the Auditors under Para II (iv) of their report, the relevant Note Nos. 1 (e), 4, 5 in Notes on Accounts (Schedule 'O') are self explanatory.

10. DIRECTORS

Shri.Rashesh C. Gogri was appointed as Additional Director by the Board of Directors with effect from 9th June, 1997. He was also appointed as Wholetime Director subject to the approval of the Company in the general meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri.Manoj M. Chheda and Shri.Shantilal T. Shah retire by rotation and are eligible for reappointment.

11. AUDITORS

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

12. INDUSTRIAL RELATIONS

Cordial industrial relations continued to prevail throughout the year under review.

13. ACKNOWLEDGEMENT

The Directors would like to place on record their appreciation for 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

CHANDRAKANT V. GOGRI

DATED : 9TH JUNE, 1997

CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

ADDITIONAL INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

1. CONSERVATION OF ENERGY

a. ENERGY CONSERVATION MEASURES TAKEN

- Proper insulation and aluminium foil jacketing for heated vessels.
- Improvements in low temperature insulation.
- Re-enforcement of foundations of vibrating equipment to prevent loss of mechanical energy.
- Periodic deaeration of Boiler.

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

c. The adoption of energy conservation measures indicated above result in savings in the cost of production.

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

1. POWER AND FUEL CONSUMPTION

	Current Year	Previous Year
1. Electricity		
a) Purchased Units (KWH)	89,07,110	99,06,974
Total Amount (Rs.)	2,80,20,662	2,59,42,515
Rate/Unit(Rs.)	3.15	2.62
b) Own Generation Through Diesel Generator Units OR Through Steam Turbine Generator Units	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil/L.D.O.		
Qty.(K.Ltrs.)	4284.000	3988.195
Total Amount (Rs.)	3,12,97,373	2,18,52,739
Avg.Rate(Rs.) (per K.Ltrs.)	7305.64	5479.35

II CONSUMPTION PER UNIT OF PRODUCTION

	Current Year	Previous Year
Units of Production(kg.)	kg	kg
Electricity (Units/kg)	0.139 *	0.160
Furnace Oil/L.D.O.(Lts./kg)	0.067 *	0.065

* There is no specified standard.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

(A) Efforts in brief made towards technology absorption, adaptation and innovation.

(I) Completion of PNCB/ONCB expansion project with Company's inhouse indigenous technology.

Forward Integration for downstream products expansion also with inhouse technology.

Continuous endeavour to improve product quality and process yields.

(B) Benefits derived as a result of above efforts.

Lower project costs for expansion.

Value addition

Exports of higher value added products resulting in increased foreign exchange earning.

(C) Information regarding technology imported during the last 5 years : Nil.

3) TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in Lakhs)

Total Foreign Exchange used	1907.20
Total Foreign Exchange earned	6474.30

FOR AND ON BEHALF OF THE BOARD

PLACE : MUMBAI

CHANDRAKANT V. GOGRI

DATED : 9TH JUNE, 1997

CHAIRMAN

14TH ANNUAL REPORT 1996-97**AUDITORS' REPORT**

TO THE MEMBERS OF

AARTI INDUSTRIES LIMITED,

VAPI

We have audited the attached Balance Sheet of AARTI INDUSTRIES LIMITED as at 31st March, 1997 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report as under :

I. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act 1956 and explanations given to us and on the basis of such checks as we considered appropriate, we have to state that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the assets have been physically verified by the management at reasonable intervals having regard to the size of the Company and the nature of its assets. We are also informed that no material discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of raw materials, finished goods, stores and spare parts have been physically verified by the management at reasonable intervals during the year.
4. In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared with book records were not material and have been properly dealt with in the books of account.
6. In our opinion and on the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles.
7. The Company has not taken any unsecured loans from companies, firms and other parties listed in the register required to be maintained under Section 301 of the Companies Act, 1956. We are informed that there are no loans from companies under same management as defined under section 370(1B).
8. The Company has not granted any loans to companies, firms or other parties listed in the register required to be maintained under Section 301 of the Companies Act, 1956. We are informed that company has not granted loans to companies under same management as defined under section 370(1B).
9. The Company has given loans to companies, firms and other parties and advances in the nature of loan to employees in the normal course of business of the Company to employees without stipulation of period for repayment of principal. In the absence of any such stipulation, we are unable to comment on the recovery of the principal amounts.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of raw materials, components, stores, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods or materials or the prices at which transactions for similar goods or materials have been made with other parties.
12. As explained to us, there were no unserviceable or damaged stores, raw materials or finished goods during the year.

13. The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 as amended.
 14. The Company has maintained reasonable records for sale and disposal of realisable by-products and scrap.
 15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 16. The Company has maintained cost records as required under Section 209(1)(d) of the Companies Act, 1956. We have not, however, carried out a detailed examination of such records.
 17. According to the information and explanations given to us and according to the records of the Company, Provident Fund and Employees' State Insurance dues, where applicable, have generally been regularly deposited with the appropriate authorities except for delays during the year in depositing dues at the factory. There are no arrears of Provident Fund and Employees' State Insurance dues as at 31st March, 1997.
 18. We are informed that there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty outstanding as at 31st March, 1997 for a period of more than six months from the date they become payable.
 19. As appears from our examination of the records, no personal expenses other than those payable on account of contractual obligations or in accordance with generally accepted business practice, have been charged to revenue account.
 20. The Company is not a sick industrial company within the meaning of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
 21. In relation to trading activity of the Company, adequate provision has been made in the accounts for loss arising on damaged goods lying with it at the end of the year.
- II. Further to our comments in paragraph I above, we have to state that :-
- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;
 - (iii) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion and to the best of our information and according to the explanations given to us the said accounts subject to
 - (a) Note 1(e) regarding accounting for gratuity on cash basis and non-ascertainment of the said liability on actuarial basis, the effect whereof on profits and assets and liabilities is not ascertainable;
 - (b) Note 4 regarding non-provision for loss in the value of investments and the effect thereon on the profits for the year, the value of investments and the amount of reserves and surplus;
 - (c) Note 5 regarding non provision for doubtful debts amounting to Rs.33,78,852/-, as a result whereof the profits for the year, the amount of sundry debtors and the amount of reserves and surplus are overstated and read together with the other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997, and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

(BHALCHANDRA R. RANADE)
PARTNER

Place : MUMBAI
Date : 9TH JUNE 1997