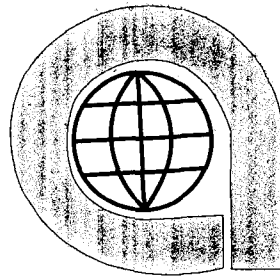


MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

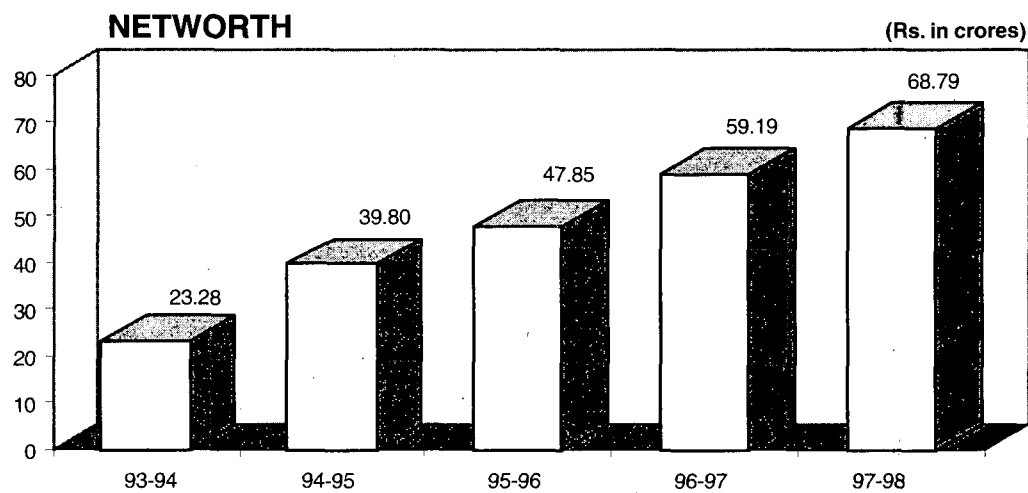
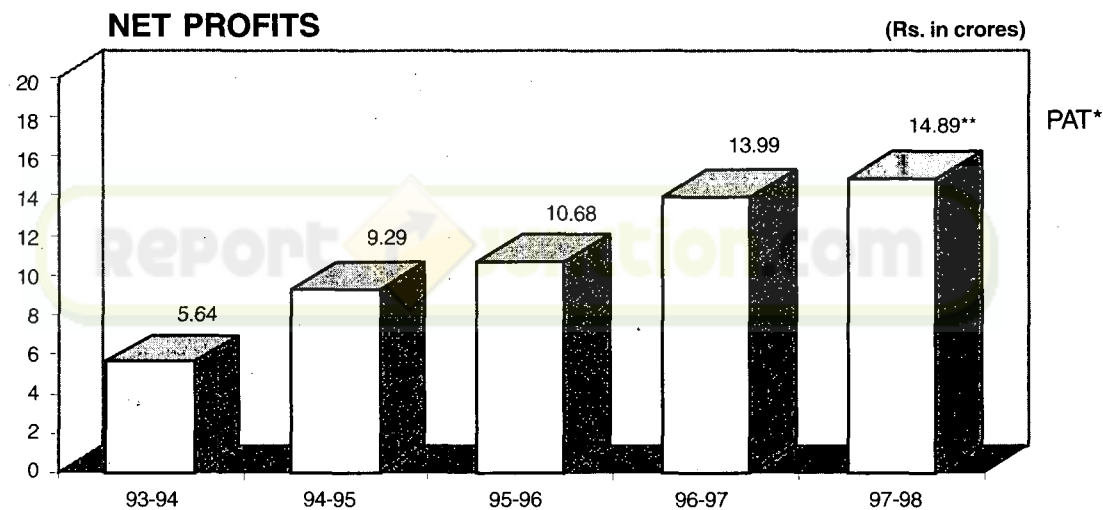
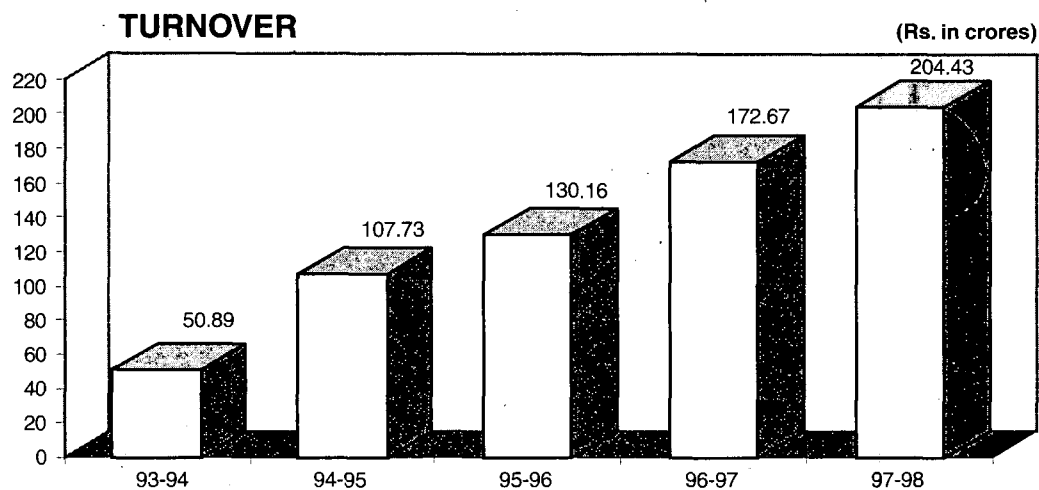


AARTI INDUSTRIES LIMITED

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MEMBER ALCHEMIE GROUP

AARTI INDUSTRIES LIMITED



* Profit after Tax

** Profit after Tax but before adjustment of extra-ordinary loss of Rs. 2.53 crores due to accident.

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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

3B, GANGA VIHAR,
 94, 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 Fifteenth 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 Monday, 28th September 1998 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, 1998 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. Ramdas M. Gandhi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. L. K. Jain, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri. V. H. Patil, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

7. 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, 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 further subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Rajendra V. Gogri as the Managing Director of the Company for a period of five years with effect from 1st July, 1998 on the terms and conditions including remuneration as set out in the Agreement dated 24th June, 1998 entered into by the Company with him and submitted to this meeting duly initiated by the Chairman, which agreement is hereby specifically sanctioned".

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, 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 further subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Manoj M. Chheda as the Wholtime Director of the Company for a period of five years with effect from 25th November, 1998 on the terms and conditions as set out in the Agreement dated 24th June, 1998 entered into by the Company with him and submitted to this meeting, duly initiated by the Chairman, which Agreement is hereby specifically sanctioned".

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 and subject to all such sanctions as may be necessary, the Company hereby approves the variation of the terms of remuneration, payable to Shri. Shantilal T. Shah, Joint Managing Director, Shri. Parimal H. Desai, Wholtime Director, Shri. Manoj M. Chheda, Wholtime Director and Shri. Rashesh C. Gogri, Wholtime Director, as set out in the Agreement/Supplemental Agreements executed by the Company with each of them from time to time (hereinafter referred to as "the said Agreements") with effect from 1st July, 1998 for the remainder of the tenure of their respective terms as such as set out below:

Name		Present Salary (P.M.)	Revised Salary (P.M.)
Shri. Shantilal T. Shah	(JMD)	Rs.20,000/-	Rs.25,000/-
Shri. Parimal H. Desai	(WTD)	Rs.20,000/-	Rs.25,000/-
Shri. Manoj M. Chheda	(WTD)	Rs.20,000/-	Rs.25,000/-
Shri. Rashesh C. Gogri	(WTD)	Rs.15,000/-	Rs.20,000/-

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to increase, from time to time, salary payable to each of the aforesaid Directors subject to a ceiling of Rs. 50,000/- per month for each of them.

RESOLVED FURTHER THAT Clause 5(a) in each of the said Agreements executed by the Company with each of the aforesaid Directors of the Company shall, thus, stand altered accordingly and the same is hereby approved and confirmed."

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

"RESOLVED THAT the subject to all such approvals, as may be necessary, and subject further to regulations/norms prescribed or to be prescribed by the appropriate authorities/bodies for voluntary delisting of shares on the Stock Exchanges, the Company shall delist its equity shares from The Delhi Stock Exchange Association Limited and that the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things including execution of documents as may be necessary for this purpose."

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

"RESOLVED THAT if and when permitted by the law and subject to all applicable provisions of the law and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to purchase such number of Equity Shares of the Company, from the holders of the Equity Shares in such proportions and manner as may be permitted by the law, not exceeding 10% of the present paid-up capital of the Company, from such funds of the Company as are permitted to be used for this purpose or out of the proceeds of any issue made by the Company, on such terms and subject to such conditions as may be prescribed by the law.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regards to the said purchase of Equity Shares.

RESOLVED FURTHER THAT nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company or the Board to buy back any Equity Shares."

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 314 and other applicable provisions, if any, of the Companies Act, 1956, approval and consent of the Company be and is hereby accorded to Miss. Hetal C. Gogri holding and continuing to hold an Office of Profit as Vice President (Information Systems Division) under the Company from 1st April, 1998 on a remuneration by way of salary of Rs.14,850/- per month plus Bonus, leave travel concession, Mediclaim Insurance, and such other usual perquisites as are normally provided by the Company."

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 314 and other applicable provisions, if any, of the Companies Act, 1956, approval and consent of the Company be and is hereby accorded to Mrs. Nehal D. Jadeja holding and continuing to hold an Office of Profit as an Export Manager (Organic Division) under the Company from 1st April, 1998 on a remuneration by way of salary of Rs.12,595/- per month plus Bonus, leave travel concession, Mediclaim Insurance, and such other usual perquisites as are normally provided by the Company."

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

"RESOLVED THAT in supersession of the resolution passed by the

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Company at the Annual General Meeting held on 17th September, 1994 and pursuant to the provisions of Section 293(1)(e) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the consent of the Company be and is hereby accorded to the Board of Directors to contribute to any institute, body, trust, society, association of persons, funds for any charitable or other purposes, not directly relating to the business of the Company or the welfare of the employees, upto an amount not exceeding Rs.1 (One) Crore per annum,

notwithstanding that the said amount may exceed the limits laid down in Section 293(1)(e) of the Companies Act, 1956."

Registered Office :

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

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-

Place : Mumbai
Dated : 29th July, 1998.

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.7 to 14 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 Wednesday, 16th September, 1998 to Monday, 28th September, 1998 (both days inclusive).
5. The dividend, when declared, will be paid on or after 12th October, 1998.
6. The unclaimed dividend for the following financial years have been transferred 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.

1. Interim Dividend for the year 1993-94.
2. Final Dividend for the year 1993-94.
3. Interim Dividend for the year 1993-94 of Erstwhile Salvigor Laboratories Limited.

Those Shareholders who have so far not claimed or collected their dividend for the said financial years 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 - 400003.**
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 OF DIRECTORS

Sd/-

Place : Mumbai
Dated : 29th July, 1998.

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. 7 to 14 of the Notice convening the 15th Annual General Meeting.

Item Nos. 7 and 8

At the meeting of the Board of Directors (Board) of the Company held on 24th June, 1998, Shri.Rajendra V.Gogri and Shri.Manoj M.Chheda have been reappointed as Managing Director and Wholetime Director (MD/WTD) of the Company respectively upon the terms and conditions contained in the agreements dated 24th June, 1998 entered into by the Company with each of them, subject to the approval of the Company in General Meeting. The agreements dated 24th June, 1998 entered into by the Company with the said MD/WTD respectively, inter alia, contain the following material terms and conditions.

1. Period of agreement :
Shri Rajendra V. Gogri - From 01/07/1998 to 30/06/2003
Shri Manoj M. Chheda - From 25/11/1998 to 24/11/2003

2. Remuneration:

(a) Salary:

Shri Rajendra V. Gogri - Rs. 30,000/- per month.
Shri Manoj M. Chheda - Rs. 25,000/- per month.

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

(b) Perquisites:

The following perquisites will be allowed to the said MD/WTD: 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 Annuity 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 to MD/WTD.
(ii) Telephone at residence of MD/WTD. Use of personal long distance calls on telephone shall be billed by the Company to MD/WTD.

3. Annual Privilege Leave to MD/WTD: 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. MD/WTD shall not be paid any sitting fees for attending the Meetings of the Board of Directors and/or Committee thereof.
5. The Company shall pay to the MD/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 reappointments and/or Agreements 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 Agreements are such as are customarily contained in agreements of similar nature.
9. The said reappointments/agreements including the remuneration payable to MD/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.

10. The Agreements dated 24th June, 1998 entered into between the Company and Shri. Rajendra V. Gogri, Shri. Manoj M. Chheda, respectively 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.
11. Your Directors recommend the resolutions at Item Nos.7 and 8 of the accompanying Notice for your approval.
12. The above may also be treated as an abstract of the respective Agreements between the Company and Shri. Rajendra V. Gogri and Shri. Manoj M. Chheda pursuant to Section 302 of the Companies Act, 1956.
13. Shri. Rajendra V. Gogri and Shri. Manoj M. Chheda are interested in the resolutions pertaining to their respective reappointments as Managing Director and Wholtime Director of the Company respectively.
Shri Chandrakant V. Gogri is deemed to be concerned or interested in the resolution at item No. 7 pertaining to reappointment of Shri Rajendra V. Gogri as he is related to him. None of other directors of the company is, any way concerned or interested in the said resolution.

Item No. 9

1. Shri Shantilal T. Shah, Shri Parimal H. Desai, Shri. Manoj M. Chheda and Shri Rashesh C. Gogri are respectively holding offices as the Joint Managing Director and Wholtime Directors of the Company with effect from 12/10/94, 09/02/96, 26/11/93 and 09/06/97 respectively for a period of five years in terms of the respective principal agreements dated 28/10/94, 10/02/96, 26/11/93 and 09/06/97 entered into by the Company with each of them.
2. By Supplemental Agreements executed by the Company with each of the aforesaid Directors, the terms of remuneration payable to them have been revised from time to time.
3. (a) The Board at its meeting held on 24th June, 1998 further varied and enhanced the remuneration payable to each of them with effect from 1st July, 1998 for the remainder of their respective terms as such subject to the approval of the Company as set out in the draft resolution proposed at Item No.9 of the accompanying Notice.
(b) Further approval of the Company is also sought to empower the Board of Directors to increase the salary from time to time subject to ceiling of Rs.50,000/- per month in each of the cases.
(c) Clause 5(a) of the Principal Agreements entered into by the Company with each of the abovesaid Directors contain provision relating to salary payable to them and further power to the Board of Directors to increase the same from time to time.
4. The other terms and conditions of the respective appointments remain unchanged.
5. The Principal and Supplemental Agreements referred to hereinabove 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.
6. The above may be treated as an abstract of the variation of the terms of remuneration payable to Shri Shantilal T. Shah, Shri Parimal H. Desai, Shri. Manoj M. Chheda and Shri Rashesh C. Gogri pursuant to Section 302 of the Companies Act, 1956.
7. Your Directors recommend the resolution at Item No.9 of the accompanying Notice for your approval.
8. Shri. Shantilal T. Shah, Shri. Parimal H. Desai, Shri Rashesh C. Gogri and Shri. Manoj M. Chheda are interested in the said resolution pertaining to variation of their terms of remuneration.
Shri Chandrakant V. Gogri related to Shri. Rashesh C. Gogri, is deemed to be concerned or interested in the resolution as it relates to variation of terms of remuneration payable to Shri Rashesh C. Gogri. None of other Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 10

The Equity Shares of the Company are listed on The National Stock Exchange of India Limited, The Stock Exchange, Mumbai, Vadodara Stock Exchange Limited, The Delhi Stock Exchange Association Limited and The Ahmedabad Stock Exchange. It has been observed that in the Stock Exchange of Delhi the shares of the Company are hardly being traded. It was considered to delist the shares of the Company from this Stock Exchange Subject to applicable law, regulations and/or norms prescribed by appropriate authorities/bodies for Voluntary delisting of shares. However, the Company will continue to be listed on the National Stock Exchange of India Limited, the Stock Exchange, Mumbai, the Ahmedabad Stock Exchange and the regional Stock

Exchange i.e. Vadodara Stock Exchange Limited.

Your Board accordingly recommend the resolution at Item No.10 of the accompanying Notice for your approval.

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

Item No. 11

The Companies Act, 1956 presently prohibits a Company from purchasing its own shares. However, it is anticipated that the law may in future permit a Company to buy back its own shares (buy-back of shares).

It is proposed to buy back, not exceeding 10% of the paid-up capital of the Company from the Members of the Company either from the open market or from the holders of odd lots, or from the holders of the shares that may be issued under the Employees' Stock Option Scheme or as permitted by the law. The buy-back of shares would be at the rate and from the funds permitted by the law as set out in the Resolution.

The Resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

The approval of the shareholders for such buy back of shares was obtained at the Extra-Ordinary General Meeting of the Company held on 29th November, 1997. The above approval is valid till 28th February, 1999. The resolution as set out in this Notice is being proposed again as the law in this regard has so far not been amended and the special resolution passed on 29th November, 1997 would cease to be valid after 28th February, 1999.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible and practicable.

Your Board recommend the resolution at Item No. 11 of the accompanying Notice for your approval.

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

Item Nos. 12 and 13

Miss. Hetal C. Gogri, relative of Shri. Chandrakant V. Gogri, Chairman and Shri. Rashesh C. Gogri, Wholtime Director of the Company and Mrs. Nehal D. Jadeja relative of Shri. Shantilal T. Shah, Joint Managing Director of the Company have been holding office of profit under the Company as Vice President (Information Systems Division) and Export Manager (Organic Division) respectively. From 1st April, 1998 total monthly remuneration payable to each of them exceeds Rs. 10,000/- as stated in the draft resolutions set out at Item Nos. 12 and 13 of the accompanying Notice.

Under the Provision of Section 314(1) of the Companies Act, 1956, approval of the Company by way of special resolution is necessary to a relative of Director holding and continuing to hold an office of Profit under the Company carrying total monthly remuneration of Rs 10,000/- or more. Your Directors, thus, recommend the said resolutions for your approval to be passed as special resolution.

Your Board recommend the resolutions at Item Nos. 12 and 13 of the accompanying Notice for your approval.

Shri. Chandrakant V. Gogri and Shri. Rashesh C. Gogri are deemed to be concerned or interested in the resolution at Item No.12 and Shri. Shantilal T. Shah is deemed to be concerned or interested in the resolution at Item No.13. None of the Director of the Company is, in any way, concerned or interested in the said resolution

Item No. 14

At the Annual General Meeting of the Company held on 17th September, 1994 approval was granted under Section 293(1)(e) of the Companies Act, 1956 to make contribution for charitable purposes, not directly relating to the business of the Company or the welfare of employees of the Company upto Rs.25 Lakhs per annum.

Acknowledging the Company's increased responsibility towards social, philanthropic and other causes of public utility, your Directors have proposed to increase the limit of such contributions from Rs.25 Lakhs to Rs.100 Lakhs per annum.

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

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

Registered Office :

Plot Nos. 801, 801/23, BY ORDER OF THE BOARD OF DIRECTORS
GIDC Estate, Phase-III,
Vapi-396 195, Dist. Valsad, Gujarat.

Place : Mumbai
Dated : 29th July, 1998.

Sd/-
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 Fifteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1998.

1. FINANCIAL RESULTS

(Rupees in Lakhs)

	1997-98	1996-97
Gross Profit before Depreciation, Interest, Extra-Ordinary Loss and Tax	3139	2966
Less : Depreciation	406	322
Interest	1034	995
Profit before Extra-Ordinary Loss and Tax	1699	1649
Less: Extra-Ordinary loss due to accident	253	NIL
Profit before tax	1446	1649
Provision for taxation	210	250
Profit after tax	1236	1399
Appropriations :		
Transfer to General Reserve	150	200
Proposed Dividend	270	238
Tax on Proposed Dividend	27	24
Profit & Loss A/c balance carried to Balance Sheet	4476	3933

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.2.50 ps per Share for the year ended 31st March, 1998. The proposed dividend, if approved at the Annual General Meeting will result in pay out of Rs. 270 Lakhs (Previous year Rs. 238 Lakhs).

3. OPERATIONS

Your Company achieved a turnover of Rs. 203.39 crores (Previous year Rs. 170.67 crores) thereby registering a growth of over 19%. Earning per Share for the year works out to Rs. 11.44 ps.

Acid Division

During the year, your Company manufactured 104374 tons of Sulphuric Acid & Allied products (previous year 99890 tons). The Company's Acid Division achieved aggregate sales of Rs.48.46 crores (previous year Rs.43.06 crores)

Organic Division

Your Company manufactured 10490 tons of PNCB/ONCB (previous year 8501 tons) and 8427 tons of Downstream products (previous year 6345 tons). The Company's Organic Chemical Division achieved aggregated sales of Rs. 154.93 crores (previous year Rs.127.61 crores).

On 25th December, 1997 an explosion occurred in the Company's ORTHO PHENYLENE DIAMINE Plant at its Vapi unit. This caused considerable damage to the ORTHO PHENYLENE DIAMINE plant/utilities and also resulted in the death of two workers.

The Company's Vapi unit plants other than ORTHO PHENYLENE DIAMINE having been marginally affected were put back into

operation in 4 to 6 weeks after repairing the utilities. The ORTHO PHENYLENE DIAMINE plant which was considerably affected has been put into operation partially in June, 1998.

The accident resulted in loss to Fixed Assets of Rs. 196.80 Lakhs (Net Block) and loss of Stock of Rs. 56.21 Lakhs. Losses caused to the assets have been adequately covered by the Company's insurance policies and work is in progress as regards the Company's claim with the Insurance Company. The Company is also covered by an Insurance Policy for loss of its profit, due to disruption in production by the accident. **However, the Company has not accounted any anticipated insurance claim in its current financial results.**

4. EXPORTS

During the year your Company achieved export sales of Rs.85.48 crores (previous year Rs.69.93 crores) registering more than 22% growth rate in exports.

5. FUTURE PROSPECTS

The Company is expanding its PARA NITRO CHLORO BENZENE/ORTHO NITRO CHLORO BENZENE plant capacity by about 20%. Simultaneously, MONO CHLORO BENZENE (MCB) plant capacity is also being increased, as MCB is the principal raw material for PNCB/ONCB. The Company is also expanding its SULPHURIC ACID Plant capacity by about 25%. These expansions are expected to further consolidate the Company's market share and also increase its profitability.

6. VOLUNTARY DELISTING OF SHARES

The Directors would like to inform you that the equity shares of the Company listed on the Delhi Stock Exchange Association Ltd. are not being actually traded. Hence, it is proposed to delist the equity shares of the Company from the said Stock Exchange subject to the applicable norms prescribed in this behalf. The Company will however continue to be listed on the Stock Exchange, Mumbai, the National Stock Exchange of India Limited, the Vadodara Stock Exchange Limited and the Stock Exchange, Ahmedabad.

7. AMALGAMATION

The scheme of Amalgamation of Mahaval Organic Limited with the Company approved by the members at the General Meeting of the Company held on 29th November, 1997 has since been sanctioned by the Bombay High Court in May, 1998. However similar petition for sanction of the said scheme filed with the High Court of Gujarat at Ahmedabad is pending for final hearing.

8. 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' and Directors' Reports thereon for the year ended 31st March, 1998 are annexed.

9. 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.

10. 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 'B' 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 secretary at the Registered Office of the Company.

11. AUDITORS' REPORT

As regards observations made by the Auditors under Para II (iv) of their Report regarding non-provision of loss in the value of investments, in the opinion of the management, the investments held by the Company are held as long term investments and the diminution in the value of these investments is considered to be temporary in nature. Accordingly, as per Mandatory Accounting Standard 13 on "Accounting for Investments" issued by the ICAI, the Company has not provided for the said diminution in the value of investments.

12. DIRECTORS

The Board of Directors have reappointed Shri. Rajendra V. Gogri as the managing Director of the Company with effect from 1st July, 1998 for a period of five years, since his terms as such expires on 30th June, 1998. The Board of Directors also reappointed Shri. Manoj M. Chheda as the Wholtime Director of the Company with effect from 25th November, 1998 for a period

of five years since his terms is expiring on 24th November, 1998.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Ramdas M. Gandhi, Shri. L. K. Jain, and Shri. V. H. Patil retire by rotation and are eligible for reappointment.

13. AUDITORS

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

14. INDUSTRIAL RELATIONS

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

15. 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
DATED : 24TH JUNE, 1998

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

ANNEXURE 'A' 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.

I POWER AND FUEL CONSUMPTION

	Current Year	Previous Year
1. Electricity		
a) Purchased Units (KWH)	1,40,41,468	1,03,08,086
Total Amount (Rs.)	5,61,72,207	3,15,23,397
Rate/Unit (Rs.)	4.00	3.06
b) Own Generation Through Diesel Generator Units	4,99,276	26,51,258
Total Amount (Rs.)	18,33,477	86,42,580
Rate/Unit (Rs.)	3.67	3.26
OR		
Through Steam Turbine Generator Units	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil/L.D.O.		
Qty. (K.Ltrs.)	58,54,902	5240.902
Total Amount (Rs.)	397,44,442	3,79,14,146
Avg. Rate (Rs.) (per K.Ltrs.)	6788.234	7234.28

II CONSUMPTION PER UNIT OF PRODUCTION

	Current Year (kg.)	Previous Year kg
Units of Production		
Electricity (Units/kg)	0.113	0.112 *
Furnace Oil/L.D.O. (Lts./kg)	0.045	0.063 *

* There is no specified standard.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

- 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	1813.38
Total Foreign Exchange earned	8547.94

FOR AND ON BEHALF OF THE BOARD

Sd/-
PLACE : MUMBAI
DATED : 24TH JUNE, 1998

CHANDRAKANT V. GOGRI
CHAIRMAN

15th ANNUAL REPORT 1997-98

AUDITORS' REPORT

THE MEMBERS OF
AARTI INDUSTRIES LIMITED,
VAPI

We have audited the attached Balance Sheet of AARTI INDUSTRIES LIMITED as at 31st March, 1998 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 books 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 unsecured loans from companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
8. The Company has granted a loan to firm listed in the register maintained Under Section 301 of the Companies Act, 1956. In our opinion the terms and conditions of the loan are not prima facie prejudicial to the interest of the Company. We are informed that there are no companies under same management as defined in section 370(1B) of the Companies Act, 1956.
9. The Company has given loans to companies, firms and other parties including advances in the nature of loans 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 explanation 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 during the year with the appropriate authorities.
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, 1998 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, since the Company does not have any damaged goods lying with it at the end of the year. No provision for any such loss has been made in the accounts.

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 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; 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, 1998, 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

Place : MUMBAI
Date: 24TH JUNE 1998

Sd/-
(BHALCHANDRA R. RANADE)
PARTNER