

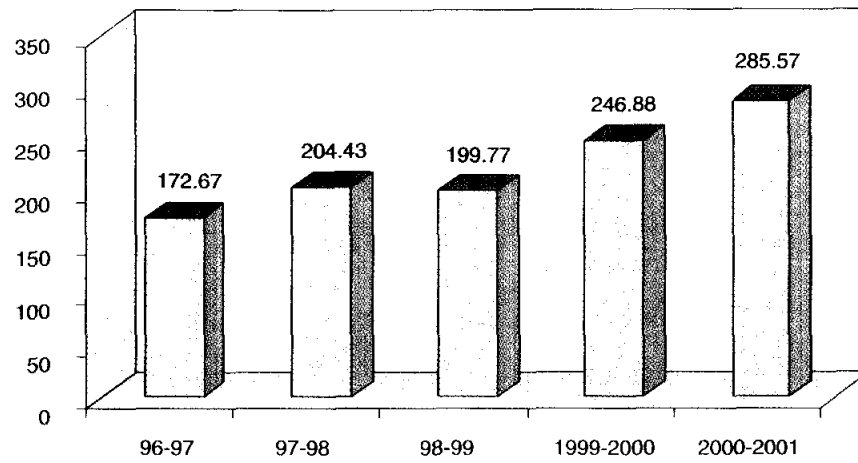
18<sup>th</sup> ANNUAL REPORT 2000 2001

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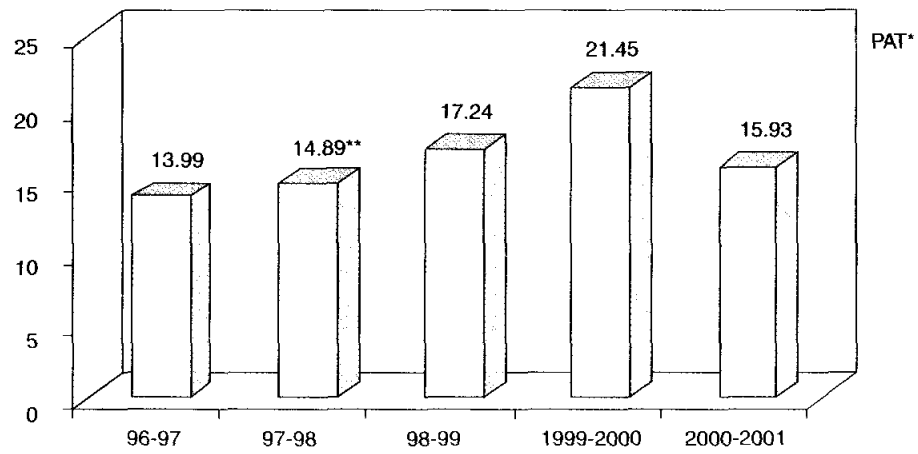
**ARTI INDUSTRIES LIMITED**

**AARTI INDUSTRIES LIMITED****TURNOVER**

(Rs. in crores)

**NET PROFITS**

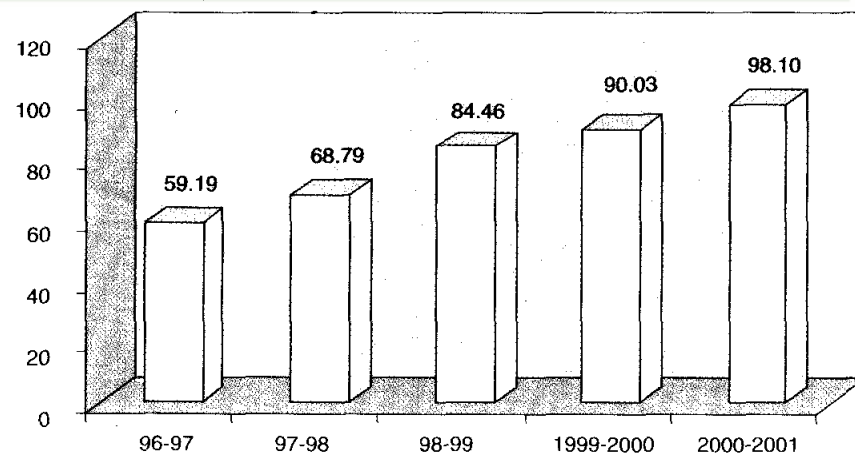
(Rs. in crores)



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**NETWORTH**

(Rs. in crores)



\* 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  
 KIRIT R. MEHTA, Wholetime Director  
 RAVINDRA P. GOKHALE, Nominee Director – ICICI Ltd.

**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 / SECRETARIAL OFFICE**

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

**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 Eighteenth Annual General Meeting of the Members of AARTI INDUSTRIES LIMITED will be held at the Registered Office of the Company at Plot Nos. 801, 801/23, GIDC Estate, Phase - III, Vapi - 396 195, Dist. Valsad, Gujarat, on Thursday, 21st June, 2001 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, 2001 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri. Laxmichand K. Jain, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Vijay H. Patil, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri. Chandrakant V. Gogri, 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 Shri Kirit R. Mehta, 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."
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 subject to all such sanctions as may be necessary, the Company hereby approves the appointment of Shri. Kirit R. Mehta as the Wholetime Director of the Company for a period of five years with effect from 18<sup>th</sup> September, 2000 on the terms and conditions including remuneration as set out in the Agreement dated 3<sup>rd</sup> October, 2000, entered into by the Company with him and submitted to this meeting duly initialed 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. Kirit R. Mehta."
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 provision 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 re-appointment of Shri. Parimal H. Desai as the Wholetime Director of the Company for a period of five years with effect from 9<sup>th</sup> February, 2001 on the terms and

conditions including remuneration as set out in the Agreement dated 10<sup>th</sup> February, 2001 entered into by the Company with him and submitted to this meeting duly initialed 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. Parimal H. Desai."

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 Section 198, 309, and 310 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force and herein after referred to as "the Act") and subject to all such sanctions as may be necessary, the Company hereby approves the variation of the terms of remuneration payable to each one of the following Directors, namely, Shri. Chandrakant V. Gogri, Chairman, Rajendra V. Gogri, Managing Director, Shri. Shantilal T. Shah, Joint Managing Director, Shri. Parimal H. Desai, Shri. Manoj M. Chheda, Shri. Rashesh C. Gogri and Shri Kirit R. Mehta, Wholetime Directors of the Company, with effect from 1<sup>st</sup> May, 2001, for the remainder of the tenure of their respective terms as such as set out in the respective draft supplemental Agreements to be entered into by the Company with each one of the said Directors and submitted to this meeting duly initialed by the Chairman, which draft Supplemental Agreements are hereby specifically sanctioned.

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

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

"RESOLVED THAT pursuant to Section 258 and 259 and other applicable provisions, if any, of the companies Act, 1956, and subject to the approval of the Central Government, the number of directors of the company be increased from Twelve to Fifteen."

12. 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 Company at the Annual General meeting held on 28<sup>th</sup> September, 1998 and pursuant to the 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 Company or the welfare of the employees, upto an amount not exceeding Rs.2 (Two) 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.

Place: Mumbai  
Dated: 26th April, 2001.

BY ORDER OF THE BOARD

Sd/-  
**MOHAN P. SONAR**  
COMPANY SECRETARY

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## NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business above is annexed hereto.
3. All documents referred to in the accompanying Notice and 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. Members are requested to notify immediately any change in their address to the Company's Secretarial Department at 222 Udyog Kshetra, 2nd Floor, L.B.S. Marg, Mulund-Goregaon Link Road, Mulund (West), Mumbai - 400 080.

5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 4<sup>th</sup> June, 2001 to Friday, 8<sup>th</sup> June, 2001.
6. The Dividend when declared will be paid on or after 25<sup>th</sup> June, 2001.
7. 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**

Sd/-  
**MOHAN P. SONAR**  
COMPANY SECRETARY

Place: Mumbai  
Dated: 26th April, 2001.

## ANNEXURE TO NOTICE

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

**Item No. 7 and 8**

Shri. Kirit R. Mehta was appointed as an Additional Director by the Board of Directors on 18<sup>th</sup> September, 2000 pursuant to Section 260 of the Companies Act, 1956. Shri. Kirit R. Mehta holds 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. Kirit R. Mehta for the office of Director of the Company under section 257 of the Companies Act, 1956.

Shri. Kirit Mehta has been working with the Company since long. He has vast experience in factory administration and liaisoning with institutions and government departments/agencies. He is also president of Federation of Industries Association (GIDC Estate Gujarat State), and Sarigam Industries Association and Executive Committee member of Gujarat Chamber of Commerce and Industries, Ahmedabad. The Board recommends the appointment of Shri. Kirit R. Mehta to the office of Director.

It was also decided to appoint him as Wholetime Director (WTD) of the Company with effect from 18<sup>th</sup> September, 2000. Agreement dated 3<sup>rd</sup> October, 2000 containing terms and conditions of appointment and remuneration payable to him as the Wholetime Director was also placed before the meeting duly initialed by the Chairman for the purpose of identification.

Agreement dated 3<sup>rd</sup> October, 2000 entered into by the Company with Shri. Kirit R. Mehta, inter alia, contains the following material terms and conditions:

1. Period of Agreement : From 18/9/2000 to 17/09/2005.

2. Remuneration :

a. Salary :

Salary of Rs.20,000/- per month.

b. Perquisites:

The following perquisites shall be allowed in addition to salary. The perquisites shall be restricted to an amount equivalent to 75% of the annual salary. The following perquisites/allowances will be allowed to him as the WTD.

- i. (i) Leave travel allowance for self and family once in a year subject to maximum of Rs. 20,000/- per annum;
- (ii) Reimbursement of Soft Furnishing Expenses subject to maximum of Rs.15,000/- per annum;
- (iii) Bonus/ex-gratia of an amount not exceeding one month's Basic Salary;

(iv) Helper allowance upto Rs.3000/- per month;

(v) Reimbursement of medical expenses upto Rs.15000/- per annum.

II. Wholetime Director shall also be entitled to following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein:

(i) Contribution to Provident Fund. Contributions to super annuation fund or annuity fund as per the rules of the Company. These will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

(ii) Gratuity payable at rate not exceeding half a month's salary for each completed year of service and

(iii) Encashment of leave at the end of the tenure.

(iv) Reimbursement of medical insurance premium(s) for self and family subject to maximum sum assured of Rs.2,50,000/- per annum.

(v) Personal Accident Insurance premium of an amount not exceeding Rs.10,000/- per annum.

III. (i) Provision of car for business of the Company and telephone at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone shall be billed by the Company.

**Explanation :** For the purpose of this Agreement, "family" means the spouse, the dependent children and dependent parents of the Wholetime Director.

3. Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Wholetime Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified.

4. The Wholetime Director shall be entitled to annual privilege leave on full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

5. As long as SHRI KIRIT R. MEHTA functions as Wholetime Director, he shall not be paid any sitting fee for attending the Meetings of the Board of Directors or Committee thereof.

6. Notwithstanding anything to the contrary contained in the





Agreement, either party shall be entitled to terminate the Agreement, at any time by giving to the other party 180 days notice in writing in that behalf without the necessity of showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and the Wholetime Director shall cease to be the Wholetime Director of the Company. Provided that the aforesaid notice 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 modification, if any, made/ approved as aforesaid.

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

The Agreement dated 3<sup>rd</sup> October, 2000 entered into between the Company and Shri Kirit R. Mehta 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. Kirit R. Mehta is interested in the said resolutions pertaining to his appointment as Director and Wholetime Director of the Company. None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

Your Directors recommend the resolution at item no. 8 of notice for your approval.

#### Item No.9

At the meeting of the Board of Directors(Board) of the Company held on 25<sup>th</sup> January,2001, Shri. Parimal H. Desai has been reappointed as the Wholetime Director (WTD) of the Company with effect from 9<sup>th</sup> February, 2001 upon the terms and conditions set out in the Agreement dated 10<sup>th</sup> February, 2001 entered into by the Company with him subject to the approval of the Company in General Meeting. The said agreement, inter-alia, contains the following material terms and conditions:

1. Period of Agreement: From 9/2/2001 to 8/2/2006.
2. Remuneration:
  - (a) Salary: Rs.40,000/- per month with power to the Board to make annual increment subject to a ceiling of Rs.80,000/- per month.
  - (b) Commission  
In addition to the salary as above, the Wholetime Director shall also be entitled to be paid share in aggregate Commission calculated at the rate of 1% of net profit of the Company computed under section 349 of the Companies Act,1956 payable to all the Managing/Joint Managing/Wholetime Directors of the Company subject to ceiling of maximum of Rs.18,00,000/-. The share of such Commission payable to the Wholetime director shall be determined by the Board of Directors of the Company. Such Commission shall be payable annually after the annual accounts adopted by the shareholders.
  - (c) Perquisites : Perquisites shall be in addition to salary and commission. The perquisites shall be restricted to an amount equivalent to 75% of the annual salary. The following perquisites/allowances will be allowed to him as the WTD.

The said perquisites are classified into following three parts :

#### PART A

- (i) House rent allowance subject to ceiling of 50% of the basic salary per month.
- (ii) Reimbursement of Electricity and Gas Expenses subject to maximum of Rs. 40,000/- Per Annum.
- (iii) Leave travel concession for self and family once in a year subject to maximum of Rs.48,000 per annum.
- (iv) Reimbursement of Soft Furnishing Expenses subject to maximum of Rs.25,000/- per Annum.
- (v) Bonus/ex-gratia of an amount not exceeding one month's Basic Salary;
- (vi) Helper allowance upto Rs. 5,000/- per month;
- (vii) Reimbursement of fees of club subject to maximum of two clubs.

#### PART B

WTD shall also be entitled to following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein :

- (i) Contribution to Provident Fund. Contributions to super annuation fund or annuity fund as per the rules of the Company. These will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at rate not exceeding half a month's salary for each completed year of service and
- (iii) Encashment of leave at the end of the tenure.
- (iv) Reimbursement medical expenses and/or medical insurance premium(s) for self and family subject to maximum sum assured of Rs.2,50,000/- per annum.
- (v) Personal Accident Insurance premium of an amount not exceeding Rs. 10,000/-per annum.

#### PART C

Provision of car for business of the Company and telephone at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone shall be billed by the Company.

3. Annual Privilege Leave: On full salary for a period of thirty days shall be entitled to accumulate such leave for not more than ninety 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 of Directors and/or Committee thereof.
5. The above salary/perquisites/allowances shall be paid by the Company, notwithstanding the inadequacy of profits or no profits in any financial year during the tenure of his office as such.
6. Either party shall be entitled to terminate the Agreement by giving to the other party 180 days notice in writing without showing any cause provided that the same may be waived mutually.
7. The terms and conditions of the said appointments 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 Agreement are such as are customarily contained in agreements of similar nature.
9. The said appointment/agreement including the remuneration payable to the 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 also be treated as an abstract of the Agreement made between the Company and Shri. Parimal H. Desai pursuant

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to Section 302 of the Companies Act, 1956.

The Agreement dated 10<sup>th</sup> February, 2001 entered into between the Company and Shri. Parimal H. Desai is available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of Annual General Meeting.

Your Directors recommend the resolutions at Item No.9 for your approval.

Shri. Parimal H. Desai, is interested in the said resolution pertaining to his reappointment as the Wholetime Director of the Company. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

#### Item No. 10

- Shri Chandrakant V. Gogri, Shri Rajendra V. Gogri, Shri Shantilal T. Shah, Shri. Parimal H. Desai, Shri Manoj M. Chheda, Shri Rashesh C. Gogri and Shri Kirit R. Mehta are respectively holding offices as the Managing Director (MD), Joint Managing Director (JMD) and Wholetime Directors (WTDs) of the Company for a period of five years in terms of the respective principal agreements entered in to by the Company with each of them and varied by the supplemental agreements made from time to time.
- In view of the recent changes made in the Income-tax Act in respect of taxation of perquisites, the Board of Directors have decided to revise the various perquisites payable to each of the said Directors upto an amount equivalent to 75% of the annual salary and have decided to reduce the amount of House Rent Allowances, and discontinue the other perquisites i.e. reimbursement of Electricity and Gas expenses, Soft furnishing expenses, Leave Travel Allowances, and Helper allowances and the basic salary has been increased accordingly with effect from 1st May, 2001 for the remainder of their respective terms as such as set out in the draft Supplemental Agreements to be entered into by the Company with each of them subject to the approval of the Company in general meeting.
- The Said supplemental agreements, inter-alia, contain the following revised material terms of remuneration:

#### (a) Salary:

Name of Director	Present Salary (Rs.) P.M.	Revised Salary (Rs.) P.M.
Shri Chandrakant V. Gogri (Chairman)	25,000	40,000
Shri Rajendra V. Gogri (M.D.)	50,000	70,000
Shri Shantilal T. Shah (J.M.D.)	40,000	56,000
Shri Parimal H. Desai (W.T.D.)	40,000	56,000
Shri Manoj M. Chheda (W.T.D.)	40,000	56,000
Shri Rashesh C. Gogri (W.T.D.)	40,000	56,000
Shri Kirit R. Mehta (W.T.D.)	20,000	25,000

The Board shall have power to make annual increment subject to a ceiling of Rs. 1,20,000/- per month in case of Managing Director and Rs. 1,00,000/- per month for others.

- Commission: In addition to the salary as above, the Shri Chandrakant V. Gogri, Chairman, Shri Rajendra V. Gogri, Managing Director, Shri Shantilal T. Shah, Joint Managing Director, Shri Parimal H. Desai, Shri Manoj M. Chheda and Shri Rashesh C. Gogri, Wholetime Directors of the Company shall also to be entitled to be paid share in aggregate commission calculated at the rate of 1% of net profit of the Company computed under Section 349 of the Companies Act, 1956 payable to all the aforesaid Directors of the Company. The share of such commission payable to each of the said Directors shall be determined by the Board of Directors of the Company. Such commission shall be payable annually after the annual accounts are adopted by the shareholders.
- Perquisites: Perquisites shall be provided in addition to salary and commission to each of them. The revised perquisites are as follows:

Name of Director	House Rent Allow. (Rs.) P.M.	Bonus/ Ex-gratia (Rs.) P.A.
Shri Chandrakant V. Gogri (Chairman)	Nil	40,000
Shri Rajendra V. Gogri (M.D.)	11,000	70,000
Shri Shantilal T. Shah (J.M.D.)	10,000	56,000
Shri Parimal H. Desai (W.T.D.)	9,000	56,000
Shri Manoj M. Chheda (W.T.D.)	9,000	56,000
Shri Rashesh C. Gogri (W.T.D.)	9,000	56,000
Shri Kirit R. Mehta (W.T.D.)	Nil	25,000

- The other terms and conditions remain unchanged.
- The principal/supplemental agreements referred to herein above and the draft supplemental agreements to be entered into between the Company and the said MD/JMD/WTDs are available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturday up to the date of Annual General Meeting.
- Your Directors recommend the resolution at Item No.10 of the accompanying Notice for your approval.
- The above may also be treated as an abstract of the draft Supplemental Agreements to be made between the Company and the said MD/JMD/WTDs pursuant to Section 302 of the Companies Act, 1956.
- Shri. Chandrakant V. Gogri, Shri. Rajendra V. Gogri, Shri. Shantilal T. Shah, Shri. Parimal H. Desai, Shri. Manoj M. Chheda, Shri. Rashesh C. Gogri and Shri Kirit R. Mehta are interested in the said resolution pertaining to variation of terms of remuneration payable to each of them. Shri. Chandrakant V. Gogri is deemed to be interested in the resolution to the extent pertaining to variation of terms of remuneration payable to Shri. Rajendra V. Gogri and Rashesh C. Gogri and vice-versa as they are related. None of the other Directors of the Company is, in any way, concern or interested in the said resolution.

#### Item No.11

As per Clause 49 of the Listing Agreements made with the Stock Exchanges relating to Corporate Governance guidelines which are applicable to the Company for the year 2001-2002 the Company is required to have 50% non-executive/ independent directors if the Company has executive Chairman. At present, out of 11 Directors only 4 directors are non-executive/independent Directors. With a view to implement the said guidelines as regards constitution of the Board of Directors, it is proposed to increase number of Directors for which approval of the Company in General Meeting is necessary under section 258/259 of the Companies Act, 1956.

Your Directors thus recommend the resolution at Item No.11 of the notice for your approval.

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

#### Item No.12

At the Annual General Meeting of the Company held on 28<sup>th</sup> September, 1998 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.1(One) Crore.

Acknowledging the Company's increased responsibility towards social, philanthropic and other causes of public utility, your Directors have proposed to increase the limit of such contribution from Rs.1(One) Crore to Rs.2(Two) Crore per annum.

Your Directors accordingly, recommend the resolution at Item No.12 of the accompanying Notice for your approval.

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

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

**BY ORDER OF THE BOARD**

Sd/-  
**MOHAN P. SONAR**  
COMPANY SECRETARY

Place: Mumbai  
Dated: 26th April, 2001.



## DIRECTORS' REPORT

### TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

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

#### 1. FINANCIAL RESULTS

	(Rupees in Lakhs)	
	2000-2001	1999-2000
Gross Profit before Depreciation, Interest and Tax	4292	4886
Less : Depreciation	1170	1008
Interest	1279	1083
<b>Profit before Tax</b>	<b>1843</b>	<b>2795</b>
Provision for taxation	250	650
<b>Profit after tax</b>	<b>1593</b>	<b>2145</b>
<b>Appropriations :</b>		
Transfer to General Reserve	150	250
1 <sup>st</sup> Interim Dividend	174	174
2 <sup>nd</sup> Interim Dividend	—	232
Proposed Final Dividend	244	—
Tax on Proposed Dividend	63	45
Profit & Loss A/c balance carried to Balance Sheet	5754	5364

#### 2. DIVIDEND

Your Company had declared an interim dividend of 15%. Your Directors now recommend a final dividend of 21% for the year ended 31<sup>st</sup> March, 2001. Total Dividend for the year would thus be 36% and the total dividend payment would be Rs. 418 lakhs subject to declaration of final dividend at the Annual General Meeting.

#### 3. OPERATIONS

##### Organic Chemicals

During the year, your Company achieved aggregate sales of Rs. 233.07 crores (Previous Year Rs. 191.31 crores) in organic chemicals. The production of PNCB/ONCB increased to 32285 MT from 24032 MT during the previous year. The Company has also increased its production of downstream products to 19433 MT from 18347 MT last year.

##### Acid and allied products

During the year, your Company manufactured 1,29,205 tons of Sulphuric Acid & Allied products (Previous Year 1,19,795 tons). Sales of Acid and allied products during the year was of Rs. 51.77 crores (Previous Year Rs. 52.12 Crores).

The profitability has been lower during the year under review mainly because of increase in cost of major raw materials viz. Benzene, Chlorine, Furnace Oil etc. due to increase in international prices of crude oil. Your Company was unable to pass on the entire increase in cost to the buyers.

Aarti Healthcare Ltd. (AHL), subsidiary of the Company, has started manufacturing of branded formulations from August, 2000. Further AHL has also set up unit at Dombivli, Maharashtra to manufacture bulk drug which has commenced production towards end of the year.

#### 4. EXPORTS

During the year your Company achieved export sales of Rs.96.67 Crores (Previous Year Rs. 81.64 Crores) registering a growth of around 18.5%. Efforts are continuously being made to boost exports.

#### 5. FUTURE SCENARIO

The Company has commissioned manufacturing operations at its new unit at GIDC Estate, Jhagadia, Dist. Bharuch, Gujarat. In this project the Nitration plants alongwith Distillation and Crystallisation sections have been commissioned. The reduction plant utilising advanced technology has been commissioned in April, 2001. The Company proposes to introduce a range of new products in this unit in addition to improved processes for some of its existing products. This is expected to not only increase overall sales and strengthen the bottom line, but also enable realignment and expansion in the market of the Company's existing product line.

#### 6. RESEARCH AND DEVELOPMENT

Your Company has set up two R&D Centres – one at Turbhe, Maharashtra and the other at Vapi, Gujarat. The R&D activities have already commenced at both these centre, which are expected to give new products and improvement in the existing product efficiency. Your Company also expects to commercialise the same in near future.

#### 7. DEPOSITORY SYSTEM

The shares of the Company are compulsorily traded in dematerialised form by all the categories of investors with effect from 24<sup>th</sup> July, 2000. The Company has made arrangement for transfer-cum-dematerialisation of shares simultaneously for the benefits of investors.

#### 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 Aarti Healthcare Limited, Aarti Corporate Services Limited and Avinash Drugs Limited and the respective Auditors' Reports thereon for the year ended 31st March, 2001 and that of Alchemie (Europe) Limited for the year ended 30th November, 2000 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 a part of this report.

#### 10. DIRECTORS' RESPONSIBILITY STATEMENT

The statement as required under section 217(2AA) of the Companies Act, 1956 is given in Annexure 'B' forming a part of this report.