



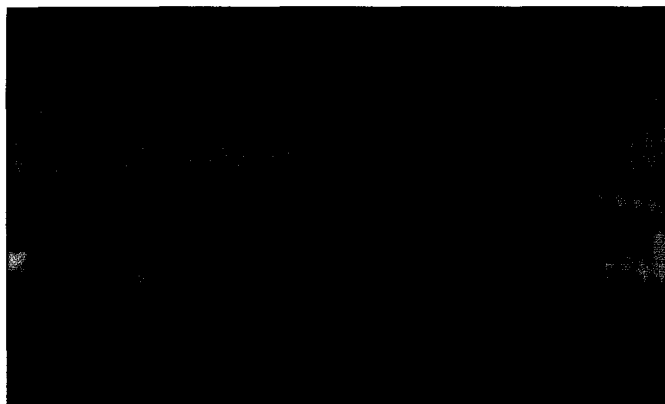
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20th Annual Report 2002 - 2003



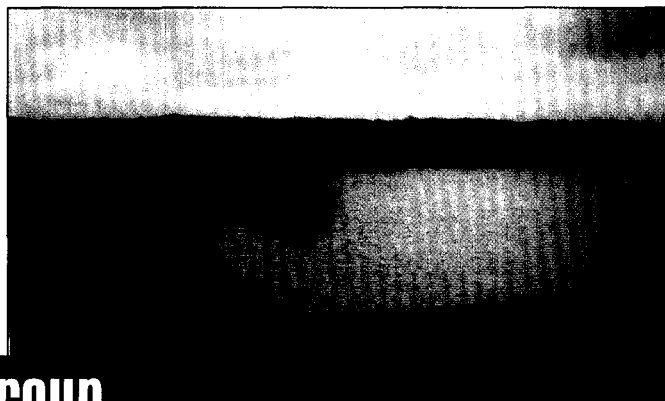
Inauguration of reconstructed Nachiketa Hostel at Kutch by Respected Dhanvantiben V. Gogri, Mother of the Chairman accompanied by Shri K.R. Mehta (R) Director of the Company supported by Aarti Group.



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



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



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

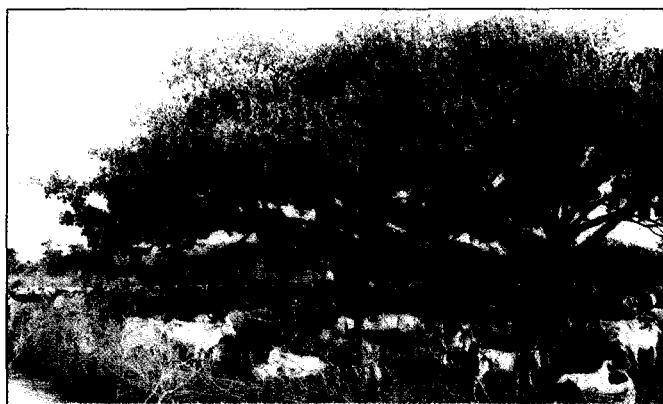
Aarti Group Rebuilding Lives



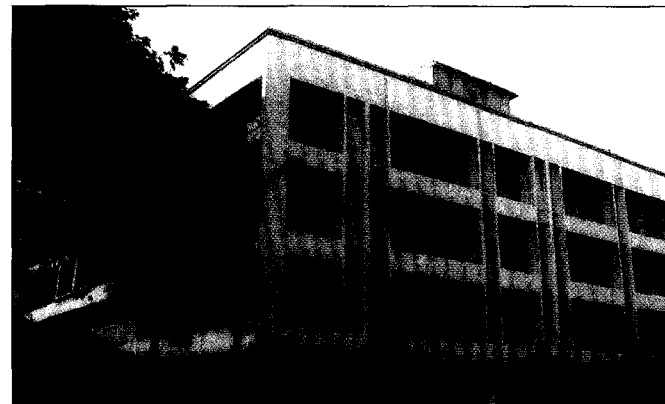
Inauguration of the New Building of "Sheth Karamshi Kanji English School" at Mulund (W), Mumbai at the hands of Respected Dhanvantiben V. Gogri, mother of Chairman accompanied by Shri R.V. Gogri, Vice Chairman & MD, (2nd from Left) supported by Aarti Group.



Inauguration of Primary School Building at the hand of Shri Ramesh C. Gogri, Director of the Company at Village Nana Bhadia at Kutch funded by Aarti Group.



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



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

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DIRECTORS

CHANDRAKANT V. GOGRI, Chairman
 RAJENDRA V. GOGRI, Vice Chairman & Managing Director
 SHANTILAL T. SHAH, Vice Chairman
 PARIMAL H. DESAI, Wholetime Director
 RAMDAS M. GANDHI
 VIJAY H. PATIL
 LAXMICHAND K. JAIN
 MANOJ M. CHHEDA, Wholetime Director
 RASHESH C. GOGRI, Wholetime Director
 HETAL GALA, Wholetime Director
 KIRIT R. MEHTA, Wholetime Director
 MURLIDHAR R. MONDKAR, Director
 (From 27.7.2002 upto 27.3.2003)
 HARESH K. CHHEDA (w.e.f. 27.3.2003)

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	HDFC BANK LTD.
UNION BANK OF INDIA	ICICI BANK LTD.
STATE BANK OF INDIA	IDBI BANK LTD.
BANK OF INDIA	CITI BANK LTD.
CORPORATION BANK	

REGISTRAR & TRANSFER AGENTS

R & D CONSULTANTS LIMITED
 610, DALAMAL TOWERS,
 211, NARIMAN POINT,
 MUMBAI - 400 021.

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.



NOTICE

Notice is hereby given that the Twentieth 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 Friday, 22nd August, 2003 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare Dividend
3. To appoint a Director in place of Mr. Manoj M. Chheda who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Ramdas M. Gandhi, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Kirit R. Mehta, 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 modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Hareesh K. Chheda 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 provision of Sections 198, 269, 309 read with Schedule XIII 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 Act") and subject to all such sanctions as may be necessary, the Company hereby approves the re-appointment of Mr. Rajendra V. Gogri, Vice Chairman as the Managing Director of the Company for a period of five years with effect from 1st July, 2003 on the terms and conditions including remuneration as are set out in the Agreement to be entered into by the Company with Mr. Rajendra V. Gogri, a draft whereof is placed before this meeting which Agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement subject to the same not exceeding the limits specified in Schedule XIII of the Act or any amendments thereto as may be agreed to between the Board of Directors and Mr. Rajendra V. Gogri.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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 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 Act") and subject to all such sanctions as may be necessary, the Company hereby approves the re-appointment of Mr. Manoj M. Chheda as the Whole time Director of the Company for a period of five years with effect from 25th November, 2003 on the terms and conditions including remuneration as are set out in the Agreement to be entered into by the Company with Mr. Manoj M. Chheda, a draft whereof is placed before this meeting which Agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement subject to the same not exceeding the limits specified in Schedule XIII of the Act or any amendments thereto as may be agreed to between the Board of Directors and Mr. Manoj M. Chheda.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

10. 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 61 and all other applicable provisions, if any, of the Companies Act, 1956, and subject to the provisions of Securities Contracts (Regulation) Act, 1956 and rules framed thereunder, Listing Agreements, clauses 5.1 and 5.2 and all other applicable clauses of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and all other applicable laws, rules, regulations as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including Delisting Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution) for voluntary delisting of the equity shares of the Company from the Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited and the Vadodara Stock Exchange Limited.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to settle all questions, difficulties or doubts as may arise, with regard to the voluntary delisting of shares, as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any of its Committee or Director(s) or Officers of the Company to do all such acts, deeds or things, as may be necessary, to give effect to this resolution."

Registered Office:
Plot Nos.801, 801/23,
GIDC Estate, Phase-III,
Vapi - 396 195,
Dist. Valsad, Gujarat.
Place: Mumbai
Dated: 19th June, 2003.

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 A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF ANNUAL REPORT TO THE MEETING.
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. The Company has appointed M/s. R & D Consultants Limited having address at 610, Dalamal Towers, 211, Narlman Point, Mumbai 400 021, Tel. No. 22834347, 22834374 & 22884669 Fax. No. 22855759 as Registrar and Share Transfer Agents. Members are requested to notify immediately any change in their address and all their share related matters/ correspondence directly to them.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 25th July, 2003 to Thursday, 31st July, 2003 (both days inclusive) for the purpose of payment of dividend on equity Shares. In respect of Shares held in Electronic form, the dividend will be paid on the basis of ownership as per details furnished by the Depositories for the purpose.
6. Dividend when declared will be paid on or after 28th August, 2003.
7. Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March 1996 and thereafter, which remains unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956 Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

I. For Dividend declared by the Company:

Financial Year Ended	Date of Declaration of Dividend	Last Date for claiming unpaid Dividend	Due date for transfer to IEP fund
31.3.1996	03.09.1996	02.09.2003	02.10.2003
31.3.1997	26.08.1997	25.08.2004	24.09.2004
31.3.1998	28.09.1998	27.09.2005	27.10.2005
31.3.1999	30.09.1999	29.09.2006	29.10.2006
31.3.2000	28.01.2000	27.01.2007	26.02.2007
31.3.2000	28.03.2000	27.03.2007	26.04.2007
31.3.2001	25.01.2001	24.01.2008	23.02.2008
31.3.2001	21.06.2001	20.06.2008	20.07.2008
31.3.2002	31.10.2001	30.10.2008	29.11.2008

II. For Dividend declared by erstwhile Alchemie Organics Limited now merged with the Company and due for transfer to the said fund is given below:

Financial Year Ended	Date of Declaration of Dividend	Last Date for claiming unpaid Dividend	Due date for transfer to IEP fund
31.3.1996	26.09.1996	25.09.2003	25.10.2003
31.3.1997	27.09.1997	26.09.2004	26.10.2004
31.3.1998	26.09.1998	25.09.2005	25.10.2005
31.3.1999	25.09.1999	24.09.2006	24.10.2006
31.3.2000	17.06.2000	16.06.2007	16.07.2007

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Registrar and Transfer Agents, M/s. R & D Consultants limited. Shareholders are requested to note that no claims shall lie against the said fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they first become due for payment and no payment shall be made in respect of any such claims.

8. Information on Directors recommended for appointment / reappointment at the Annual General Meeting in terms of Clause 49 of the Listing Agreement :

Mr. Manoj M. Chheda aged 42 is a bachelor of Commerce with a wide experience of over 16 years in purchase and marketing of Chemicals. He is a Whole-time Director of the Company since November, 1993. He holds no other Directorship and Committee membership.

Mr. Ramdas M. Gandhi aged 71 is a Solicitor with over 40 years experience. He is a Director of the Company since October, 1990.

He is Director in Pidilite Industries Ltd., Puru Investments & Consultants Pvt. Ltd., Unichem laboratories Ltd., and Vinyl Chemicals Limited.

His Memberships of Committees are as under : Audit Committee of Aarti Industries Ltd. – Chairman, Audit Committee of Vinyl Chemicals Ltd. – Chairman, Audit Committee of Unichem Laboratories Ltd. – Member, Shareholders Grievance Committee of Pidilite Industries Ltd. – Chairman, Shareholders Grievance Committee of Unichem Laboratories Ltd. – Member, Shareholders Grievance Committee of Vinyl Chemicals Ltd. – Member, Remuneration Committee of Vinyl Chemicals Ltd. – Member, Remuneration Committee of Aarti Industries Ltd. – Chairman.

Mr. Kirit R. Mehta aged 55, is a Bachelor of Commerce. He has good experience in dealing with various Government authorities at Vapi, Sarigam, and Jhagadia at Gujarat and Tarapur, Maharashtra where Company's manufacturing units are located. He has been President of Federation of Industries Association Gujarat; Executive Committee member of Gujarat Chamber of Commerce and Industries and also the President of Sarigam Industries Association and presently he is Vice President of Vapi Industries Association.

He is Director in Aarti Drugs Limited, Avinash Drugs Limited, Perfect Enviro Control Systems Limited, Alchemie Alloy Casting Pvt. Ltd., Ganesh Polychem Ltd. And Sarigam Waste & Effluent Management Co. Ltd.

His Memberships of Committees are as under : Shareholders Grievance Committee – Aarti Industries Limited. Audit Committee and Remuneration Committee – Aarti Drugs Limited.

Mr. Rajendra V. Gogri aged 45, is a Chemical Engineer from UDCT and has Masters' Degree in Chemical Engineering from U.S.A. He has wide experience of over 20 years in Chemical Industry handling production, marketing, export and finance activities. He has been instrumental in increasing the exports of the Aarti Group from Rs.4 Crores in 1989 to Rs.159 crores in the year 2002-03. He has been the Managing Director of the Company since 1st July, 1993. He has been appointed Vice Chairman of the Company on 31st January, 2003.

He is Director in Aarti Drugs Ltd, Aarti Healthcare Ltd., Aarti Corporate Services Ltd., Alchemie Pharmachem Ltd., Aarti Pharmacare Ltd., Alchemie Dyechem Ltd., Gogri and Sons Investments Pvt. Ltd, Aarti Biotech Ltd. and Alchemie Europe Ltd.

His Memberships of Committees are as under : Audit Committee, Share Transfer Committee, Finance Committee and Remuneration Committee - Aarti Industries Ltd. Audit Committee and Share Transfer Committee - Aarti Drugs Ltd.

Mr. Harsh K. Chheda aged 42 is a Chartered Accountant with over 16 years experience. He is a senior partner in Ghalla & Bhansali, Chartered Accountants, Mumbai and specialises in



Taxation and Statutory Audits of Companies including Public Sector Undertakings (PSUs), Domestic and International Taxation, Corporate Law, Business & Financial Restructuring.

He has been a Past President of C.V.O Chartered & Cost Accountants Association and is also actively involved in the activities of the Association. He has also been a Committee member of Publication and Research Committee of the WIRC of ICAI. He has delivered lectures on Tax Audit and Other Income Tax matters under the auspices of WIRC of The Institute of Chartered Accountants of India and addressed Seminars organized by various Professional and business associations and social organizations on subjects of Direct Taxation. He was appointed as the additional Director on 27.03.2003.

He is Director in Rajhans Properties Pvt. Ltd., Ghall Bhansali Stock Brokers P. Ltd., Ghalla & Bhansali Securities P. Ltd., Ghalla Bhansali Consultancy Pvt. Ltd. He is not member in any Committees.

9. 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.
Place: Mumbai
Dated: 19th June, 2003.

BY ORDER OF THE BOARD

Sd/-
MOHAN P. SONAR
COMPANY SECRETARY

ANNEXURE TO NOTICE

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

Item No. 7

Mr. Haresh K. Chheda, Chartered Accountant with over 16 years experience and senior partner of Ghalla & Bhansali, Chartered Accountants, Mumbai was appointed as an Additional Director by the Board of Directors on 27th March, 2003 pursuant to Section 260 of the Companies Act, 1956. He holds office as such upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company under section 257 of the Companies Act, 1956. His appointment would be of immense benefit to the Company.

Your Directors recommend the resolution at Item No. 7 for your approval. Except Mr. Haresh K. Chheda, none of the other Directors is, in any way, concerned or interested in the said resolution.

Item No. 8

Shri Rajendra V. Gogri has been the Managing Director of the Company since 1st July, 1998 for a period of five years. Based on the recommendation of the Remuneration Committee duly approved by a resolution passed at its meeting, the Board of Directors have reappointed Shri. Rajendra V. Gogri as the Managing Director (MD) of the Company with effect from 1st July, 2003 upon the terms and conditions set out in the Agreement to be 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 1/7/2003 to 30/6/2008.
2. Remuneration:
 - (I) (a) Salary: Rs.70,000/- per month with power to the Board to make annual increment subject to maximum Salary of Rs.1,20,000/- per month.
 - (b) Commission:
In addition to the salary, the Managing 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/Wholtime Directors of the Company. Share of such Commission shall be determined by the Board of Directors of the Company. Such Commission shall be payable after the annual accounts are adopted by the shareholders.
 - (c) Perquisites : In addition to salary and commission, the MD shall be entitled to the following Perquisites:
 - (i) House rent allowance of Rs.11000/- per month.
 - (ii) Bonus/ex-gratia of an amount not exceeding one month's Basic Salary;
 - (iii) Reimbursement of fees of club subject to maximum of two clubs.
 - (II) MD 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 the rate not exceeding half a month's salary for each completed year of service.
- (iii) Encashment of leave at the end of the tenure.
- (iv) Reimbursement of 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.
- (III) Provision of car for business of the Company, mobile phone and telephone(s) at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone(s) shall be billed by the Company.
3. Annual Privilege Leave: On full salary for a period of thirty days and shall be entitled to accumulate such leave for not more than ninety days.
4. MD 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 appointment, remuneration and/or Agreement may be altered and varied from time to time, within the limits specified in Schedule XIII of the Companies Act, 1956, or any amendments made hereafter in that regard.
8. The said appointment/remuneration/agreement including the remuneration payable to the MD 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.
9. The other terms and conditions of the said Agreement are such as are customarily contained in agreement of similar nature.

The above may also be treated as an abstract of the Agreement made between the Company and Shri. Rajendra V. Gogri pursuant to Section 302 of the Companies Act, 1956.

The Agreement to be entered into between the Company and Shri. Rajendra V. 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. Your Directors recommend the resolution at Item No.8 for your approval. Shri. Rajendra V. Gogri is interested in the said resolution pertaining to his reappointment as the Managing Director of the Company. Shri.

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Chandrakant V. Gogri is deemed to be interested in the resolution as he is related. None of the other Directors of the Company is, in any way, concern or interested in the said resolution.

Item No.9

Shri. Manoj M. Chheda has been the Wholtime Director of the Company since 25th November,1998 for a period of five years. Based on the recommendation of the Remuneration Committee duly approved by a resolution passed at its meeting, the Board of Directors have reappointed Shri. Manoj M. Chheda as the Wholtime Director (WTD) of the Company with effect from 25th November 2003 upon the terms and conditions set out in the Agreement to be 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 25/11/2003 to 24/11/2008.
2. Remuneration:
 - (I) (a) Salary: Rs.56,000/- per month with power to the Board to make annual increment subject to maximum salary of Rs.1,00,000/- per month.
 - (b) Commission:
In addition to the salary, the Wholtime 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/Wholtime Directors of the Company. Share of such Commission shall be determined by the Board of Directors of the Company. Such Commission shall be payable after the annual accounts are adopted by the shareholders.
 - (c) Perquisites : In addition to salary and commission, the WTD shall be entitled to the following Perquisites:
 - (i) House rent allowance of Rs.9000/- per month.
 - (ii) Bonus/ex-gratia of an amount not exceeding one month's Basic Salary;
 - (iii) Reimbursement of fees of club subject to maximum of two clubs.
 - (II) 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 the rate not exceeding half a month's salary for each completed year of service ,
 - (iii) Encashment of leave at the end of the tenure.
 - (iv) Reimbursement of 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.
 - (III) Provision of car for business of the Company, mobile phone and telephone(s) at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephones shall be billed by the Company.
3. Annual Privilege Leave: On full salary for a period of thirty days and shall be entitled to accumulate such leave for not more than ninety days.
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 appointment, remuneration and/or Agreement may be altered and varied from time to time, within the limits specified in Schedule XIII of the Companies Act, 1956, or any amendments made hereafter in that regard.
8. The said appointment/remuneration/agreement including the remuneration payable to the WTD 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.
9. The other terms and conditions of the said Agreement are such as are customarily contained in agreement of similar nature.

The above may also be treated as an abstract of the Agreement made between the Company and Shri. Manoj M. Chheda pursuant to Section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Shri. Manoj M. Chheda 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 resolution at Item No.9 for your approval. Shri.Manoj M. Chheda is interested in the said resolution pertaining to his reappointment as the Wholtime Director of the Company. None of the other Directors of the Company is, in any way, concern or interested in the said resolution.

Item No. 10

The Equity Shares of the Company are listed on the Stock Exchanges at Mumbai, Vadodara, Ahmedabad, Delhi and National Stock Exchange. An analysis of data of last three years reveals that trading volume of the Company's Equity Shares on the Stock Exchanges at Ahmedabad, Delhi and Vadodara (hereinafter referred "Delisting Stock Exchanges") was Nil. Considering the cost incurred by the Company by way of listing fees and other expenses without proportionate benefit being available to the shareholders of the Company by continued listing of the Equity Shares on the said Exchanges, the Board of Directors of the Company had proposed to delist the equity shares of the Company from the said Stock Exchanges which was approved by the special resolution passed by the shareholders earlier at the Annual General Meeting held on 28th August, 2002. However, with the new delisting Guidelines issued by SEBI in February, 2003, it is now proposed to obtain fresh approval by way of special resolution for the said voluntary delisting from the shareholders. The Delisting Guidelines have done away with the requirement of providing an exit option to the Members situated in the regions covered by the Delisting Stock Exchanges, in cases where the securities continue to be listed on a stock exchange having nationwide trading terminals. For the purposes of the Delisting Guidelines, Stock Exchange having nationwide trading terminals means BSE, NSE and any other stock exchange which may be specified by SEBI. The shares of the Company will continue to be listed on the premiere stock exchanges in the Country i.e. the Stock Exchanges, Mumbai (BSE) and the National Stock Exchange (NSE).

The delisting will take effect after all approvals/sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time.

Yours Directors recommend the resolution at Item No. 10 for your approval. None of the Directors 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: 19th June, 2003.

BY ORDER OF THE BOARD

Sd/-
MOHAN P. SONAR
COMPANY SECRETARY



DIRECTORS' REPORT

TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

The Directors are pleased to present this Twentieth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2003.

1. FINANCIAL RESULTS

	(Rupees in lakhs)	
	2002-2003	2001-2002
Gross Profit before Depreciation, Interest	7171	6482
Less : Depreciation	1688	1611
Interest	1378	1584
Profit before Tax	4105	3287
Provision for taxation	950	375
Provision for deferred Tax	199	237
Profit after tax	2956	2675
Appropriations :		
Transfer to General Reserve	300	280
Interim Dividend	Nil	243
Proposed Final Dividend	789	Nil
Tax on Dividend	101	25
Profit & Loss A/c balance carried to Balance Sheet	10182	8392

2. DIVIDEND

The Board of Directors has recommended a dividend of Rs. 6.50 ps. (65%) per Equity Share (Previous Year: 20%) on 1,21,34,904 Equity Shares of Rs.10/ each for the financial year ended 31st March, 2003. The proposed dividend, if approved at the Annual General Meeting, will result in pay out of Rs. 789 Lakhs.

3. OPERATIONS

Your Company's Sarigam and Vapi units have been awarded ISO 9002 certification. The Company is in the process of availing the same for all other units also.

Your Company manufactures a range of chemicals broadly categorized as Organic Chemicals, Acid and allied products, Agrochemical and Pharmaceutical Products.

Your Company has completed setting up of a plant for production of Single Super Phosphate (SSP) at Vapi. The said unit has been named as "Aarti Fertilisers". The commercial production of the same has commenced. With this project the Company has entered into the new area of manufacturing fertilisers.

4. EXPORTS

During the year your Company registered a quantum jump of 58% in its Gross Exports (CIF), inclusive of export through reputed export trading houses and relevant export benefits. Gross exports sales made was Rs. 159.25 crores as against to Rs. 100.80 crores in the previous year.

5. FUTURE PROSPECTS

The Company has implemented a new project at GIDC, Jhagadia in Gujarat during the past couple of years. The hydrogenation technology at this site is being upgraded with the latest imported technology.

Your Company is implementing an expansion project in its Sulphuric Acid plant at Vapi. This expansion will be coupled with a Power Generation plant which is expected to reduce the cost of Power to the Company.

Your Company is confident of maintaining its past record of

continuous Growth and Profitability, barring unforeseen circumstances.

6. RESEARCH AND DEVELOPMENT

Company's R&D Centres are continuously improving the existing production efficiency as also developing new products.

7. 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, 2003 and that of Alchemie (Europe) Limited for the year ended 30th November, 2002 are attached.

8. DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in Annexure 'I' forming part of this report.

9. PARTICULARS OF EMPLOYEES

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

10. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Manoj M. Chheda, Mr. Ramdas M. Gandhi and Mr. Kirit R. Mehta retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Haresh K. Chheda was appointed as the Additional Director on 27th March, 2003. He holds office as such up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing his candidature for appointment as Director under Section 257 of the said Act together with requisite cash deposit thereof.

Mr. Rajendra V. Gogri and Mr. Shantilal T Shah were appointed Vice Chairman of the Company w.e.f. 31st January, 2003 and 27th March, 2003 respectively.

Subject to approval of the Company, the Board of Directors have reappointed Mr. Rajendra V. Gogri, as the Managing Director and Mr. Manoj M. Chheda as the Whole-time for further period of five years as their respective terms as such expires on 30th June, 2003 24th November, 2003 respectively. Mr. Shantilal T. Shah had resigned as Joint Managing Director of the Company w.e.f. 27th March, 2003 to facilitate compliance of Corporate Governance Code.

Mr. Murlidhar R. Mondkar who was appointed as the Additional Director on 27th July, 2002 had resigned w.e.f. 27th March, 2003 due to personal reasons.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The statement as required under Section 217 (2AA) of the Companies Act, 1956 is given in Annexure 'II' forming part of this Report.

12. VOLUNTARY DELISTING FROM STOCK EXCHANGES AT AHMEDABAD, DELHI AND VADODARA

In view of the new Delisting Guidelines issued by the Securities and Exchange Board of India effective from February, 2003, the Company has proposed to obtain fresh approval from shareholders for voluntary delisting of its shares from the Stock Exchanges at Ahmedabad, Delhi and Vadodara as no shares of the Company are traded on these Exchanges during last three financial years. The Company will continue to be listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited.

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13. AUDITORS

Messrs. Parikh Joshi & Kothare, Auditors of the Company retire at the Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

14. APPOINTMENT OF M/S R & D CONSULTANTS LTD. AS SHARE TRANSFER AGENTS

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

15. CORPORATE GOVERNANCE

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

16. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the Listing Agreement with the stock Exchanges is annexed as Annexure "IV" forming part of this report.

17. INDUSTRIAL RELATIONS AND SAFETY

Your Company has continued to ensure the safety and health of its employees. Your Directors are pleased to inform that the Company has been awarded "Gujarat Rajya Suraksha Paritoshik" for the year 2000 organised by Gujarat Safety Council and Gujarat State Factory Inspectorate.

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

18. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from Government Authorities and Departments, Lending Institutions, Bankers, Suppliers and Customers during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, Staff and Workers of the Company.

FOR AND ON BEHALF OF THE BOARD

PLACE : MUMBAI
DATED: JUNE 19, 2003.

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

ANNEXURE 'I' TO DIRECTORS' REPORT

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

1. CONSERVATION OF ENERGY

a. ENERGY CONSERVATION MEASURES TAKEN

- Utility heat from condensate water.
- Reducing the HP of motors wherever possible.
- Improvements in low temperature insulation.
- Periodic deaeration of Boiler.

- b. Additional Investments & Proposals, if any, being implemented for Reduction of Consumption of Energy: Installation of coal fired boiler.
- 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)	3,02,99,838	2,83,41,759
Total Amount (Rs.)	15,20,77,246	14,27,09,608
Rate/Unit(Rs.)	5.02	5.04
b) Own Generation Through Diesel Generator Units OR Through Steam Turbine Generator Units	12,53,953	4,63,579
Total Amount (Rs.)	80,31,053	36,05,150
Rate/Unit(Rs.)	6.40	7.78
2. Coal		
Qty.	2,02,91,276	95,60,545
Total Amount (Rs.)	2,90,34,239	1,55,80,075
Rate/Kg.	1.43	1.63

3. Furnace Oil/L.D.O.

Qty.(Ltrs.)	1,36,86,075	1,45,17,551
Total Amount (Rs.)	16,32,97,358	15,22,53,315
Avg. Rate (Rs.) (per..Ltr.)	11.93	10.49

II. CONSUMPTION PER UNIT OF PRODUCTION

Since the company manufacturers different types of products and its intermediates, it is not practicable to give consumption per unit of production.

2. RESEARCH AND DEVELOPMENT (R&D)

A. Areas in which R&D carried out by the Company:

The R & D activities are carried out by the Company in the areas of bulk drugs and pharmaceuticals formulations, speciality chemicals and intermediate chemicals.

B. Benefits derived as result of the above R&D.

The Company's R & D Centers at Turbhe and Vapi are showing satisfactory progress in their activities of development of new products and improvements in existing products efficiencies.

C. Future Plans of action.

The Company will continue with its activities in the field of R&D of development of new products and improvements in existing products efficiencies.

D. The Company has incurred the following expenditure in Research and Development in the areas of new products and improvement in exiting products efficiencies.

Expenditure on R & D:	(Rs. In Lakhs)
(a) Capital	3.47
(b) Recurring	201.13
(c) Total	204.60
(d) Total R & D Expenditure as a percentage of total turnover-0.43%	



3. 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.

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. In Lakhs)	
	Current Year	Previous Year
Total Foreign Exchange Earned	13635.77	8925.24
Total Foreign Exchange used	2976.96	987.33
CIF value of Imports:		
Raw Material	2249.64	592.98
Consumables Stores & Spares	Nil	Nil
Capital Goods	393.62	25.96
Commission on Export Sales	78.69	107.50
Import of goods for resale	42.87	85.25
Expenses in foreign Currency	212.14	175.64

FOR AND ON BEHALF OF THE BOARD

PLACE : MUMBAI
DATED : JUNE 19, 2003.

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

ANNEXURE 'II' TO DIRECTORS' REPORT

Directors' Responsibility Statement as required under section 217(2AA) of the Companies Act, 1956 (The Act) :

- (i) That in the preparation of the annual accounts for the Year ended 31st March, 2003, the applicable accounting standards had been followed. There are no material departures from the applicable accounting standards;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year of the profit of the Company for that year;

- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That Directors had prepared the annual accounts on a going concern basis.

FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

PLACE : MUMBAI
DATED : JUNE 19, 2003.

Aarti Group working towards a more harmonious society and enhancing the quality of life

Aarti group makes continuous efforts to make meaningful social contributions to help create a better society/future. Towards this, Aarti Group has been carrying on various activities and providing financial assistance to the Institutes and people carrying out such activities.

Rural Development and Public Awareness Programme

Aarti Group has been actively associated with Shree Vivekanand Research and Training Institute, Nagalpur Road, Mandvi-Kutch (VRTI) to participate in various rural development activities and public awareness programmes which inter alia include technical and financial support in Water Harvesting and Ecology issues and concerns, educational and cultural awareness programmes. A yearly contribution of Rs.24 Lacs was made to the said Institute.

Education Awareness Programme

Children in Rural areas are devoid of basic education facilities. In view of this Aarti Group has contributed for Educational awareness programmes in 35 Primary Schools of Kutch.

Aarti Group has contributed to the development of Charan Boarding (Hostel Kitchen), Shree Maldhari Mangal Mandir Educational Trust for Rural Development and Shri. Kaushik Haria Educational Foundation for construction of Commerce College Building. Aarti Group has also made contribution to Lions Club for the purpose of developing School at Village Ratadiya, Kutch.

Aarti Group has contributed to Shree Mahavir Jain Charitra Kalyan Ratnashram, which is an Educational Institution carrying on activities of

education and character development of the people in and around the Rural areas of Sonagadh, Gujarat and to Ashadham Seva Mandal which provide educational facilities to the destitute through St. Mary's School. Aarti Group has also made contribution for distribution of books amongst poor people.

Agriculture, Water Harvesting, Drought Relief

Aarti Group has made significant contributions in development of agriculture and water harvesting. It has supported Drought Relief measures and has also encouraged self employment both for men and women.

Medical facilities

Aarti Group has made contributions for Medical facilities. The Group has made contributions of Rs.111 Lacs to the Heera Mongi Navneet Hospital at Mulund, Mumbai, Maharashtra which is a unit of Pragati Foundation

Aarti Group has also made contributions of Rs. 6.00 Lacs to various institutions providing medical and health facilities such as Indian Medical & Scientific Research Foundation, Shree Bhojay Sarvodaya Trust etc.

Earthquake Relief

Aarti group, after making substantial contributions in the last year 2001-2002, has continued to make contributions towards rehabilitation of people affected by earthquake even in the current year 2002-2003. The Group sponsored construction of 12 rooms at Ratadiya Ganesh Boys Hostel at Kutch and repairing of School at Village Sama Ghoga, Kutch conducted by VRTI.