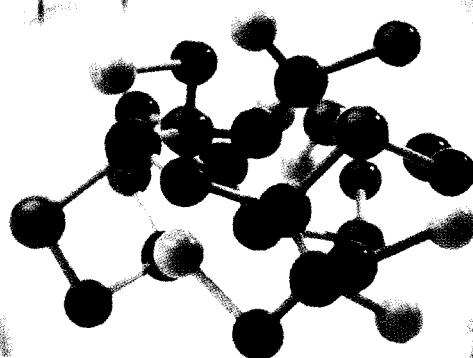


The Right Chemistry for A Brighter Tomorrow



Report  junction.com



Aarti Industries Limited

**Annual Report
2003-2004**

◆ The Vision

Corporate Mission and Objectives to achieve the Vision

To retain leadership in domestic market

To attain significant presence in global market

To become supplier of choice to leading Customers

To be always committed to the employees, shareholders and the Society at large.

- *To constantly strive to set up and maintain global size plant facilities.*
- *To become a customer-driven Company by providing customized solutions and service to meet changing customer requirements through excellence in customer service, continuous technology up-gradation, high standards of business ethics and new product developments.*
- *To maintain consistent quality and timely delivery at competitive prices.*
- *To use the best cost effective manufacturing processes, practices and methods supported by proven, eco-friendly and safe technologies.*
- *Commitment to growth by Research and new product developments, progressive increase in exports.*
- *Continuous focus on people and processes to encourage and nurture winning organizational culture to realize their full potentials through continuous learning on the job and through other HRD initiatives.*
- *To set up facilities with US FDA and other Overseas approvals.*
- *To meet the challenges of competition by dynamic management drive.*



Board of Directors



C.V. Gogri
Chairman



R.V. Gogri
*Vice Chairman &
Managing Director*



S.T. Shah
Vice Chairman



R.M. Gandhi



L.K. Jain

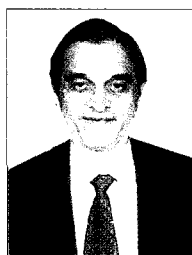


V.H. Patil



H.K. Chheda

Independent Director(s)



P.H. Desai



M.M. Chheda



R.C. Gogri



Hetal Gogri Gala



K.R. Mehta

Wholetime Director(s)

**Corporate Information****Company Secretary**

Mohan P. Sonar

Auditors

Parikh Joshi & Kothare

49/2341, Shri Sai Kripa Co-Oo. 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

Bank of India

Corporation Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

IDBI Bank Ltd.

Citi Bank N.A.

Registered Office

Plot Nos. 801, 801/23,

GIDC Estate, Phase III,

Vapi-396 195, Dist. Valsad, Gijarat.

Corporate Office

Udyog Kshetra,

IInd Floor, L.B.S. Marg,

Mulund-Goregaon Link Road,

Mulund (W), Mumbai 400 080.

Plants

1. Plot Nos. 801, 801/23, 802, 803/1-2-3, GIDC Estate, Phase III, Vapi- 396 195 Dist. Valsad, Gujarat,

2. Plot No. 902, GIDC Estate, Phase II, Vapi - 396 195, Dist. Valsad, Gujarat,

3. Plot Nos.752-753-754 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat.

4. Plot Nos.758/1, 758/2, GIDC Estate, Jhagadia, Dist. Bharuch - Gujarat.

5. Plot No. K-18, MIDC Estate, Tarapur, Dist. Thane

Registrar & Transfer Agents

Sharepro Services

Satam Estate, 3rd Floor,

Above Bank of Baroda,

Cardinal Gracious Road, Chakala,

Andheri (E), Mumbai - 400 099.

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A Letter from Chairman

Dear Shareholders,

Aarti Industries Limited (AIL) was promoted in September, 1984 by a group of technocrats. During the current year, the Company will be completing two decades of its existence having crossed several milestones. I would like to congratulate the Company's dedicated management team, executives, staff and workers who have made this possible. It would not be out of place to list concerns to be addressed and areas to be focused for future growth as also our commitment to the stakeholders and society at large. I am sure this would inspire us for bigger, better and healthier pursuits.



1. **Sales :** During the year 2003-2004, the Company has achieved highest ever Sales of more than Rs.508 crores. *I am proud to state that our Company has been able to figure in the ET Top 250 during the years 2002 and 2003 on profitability criteria.*
2. **Dividend :** For the year 2003-2004, the Company has declared/recommended Total Dividend of Rs.7.50 ps. (75%).
3. **Market Leadership :** Over the years, with its constant efforts for growth through backward integration, expansion, diversification and mergers, I am proud to state that the Company has been able to attain leadership in most of its core products i.e. benzene based intermediates. Our Company has grown multi-product with a product range exceeding 75 with multi-location plants. Today, our Company's scope of operations encompass all the major segments in the chemical industry viz. organic, inorganic, agro-chemicals, bulk drugs/Active Pharma Ingredients (APIs), and speciality chemicals. Our Company has varied manufacturing facilities which helps us to service the needs of more than 200 customers including MNCs, domestic and overseas, covering widespread fields of applications/uses viz. pharmaceuticals, agrochemicals, dyes, pigments, surfactant, speciality chemicals, polymers etc. This has been made possible only with the continued support and patronage of our valued customers. I take this opportunity to thank all our customers and assure them of our constant endeavour to improve customer service.
4. **Precautions :** Some of the key issues facing the industry in general like infrastructure constraints, need to increase R & D spending, high power and raw material costs, multiple taxes etc. are challenges faced by the Company. However, we have already taken effective steps to address most of these concerns within our control by strengthening R & D, setting up a captive Power Plant and intense efforts for alliances and marketing tie ups.
5. **Future Growth Drivers :** With a strong Research & Development back-up, the Company is ideally placed to enter the areas of manufacturing Active Pharmaceutical Ingredients (APIs) and high value Speciality Chemicals. In view of its technical expertise and broad based satisfied clientele in India and abroad, the Company is sourcing global partners and strategic alliances in areas of mutual interest viz.
 - Development of International Markets for the Company's products
 - Custom Synthesis
 - Transfer of Technology.
6. **Dedicated Workforce :** Last, but not the least, the Company's strong dedicated workforce has been the catalyst for the Company's achievements.

AIL, with its inherent strengths, is best positioned to meet challenges ahead and exploit new opportunities and continually strive to achieve its **vision to retain leadership in domestic market and attain significant presence in global market.**

With your continued support and patronage, I am sure we will be able to scale newer heights and milestones of success and prosperity in the years ahead.

Thank you and with best regards,

Sincerely Yours,

C. V. Gogri
Chairman



Financial Highlights

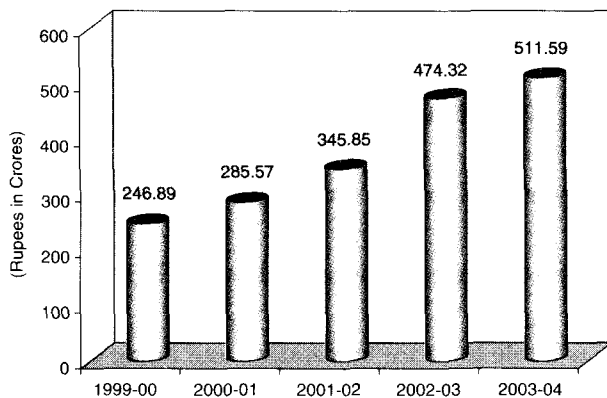
(Rs. in Lakhs)

Particulars	Financial year ended on									
	31/3/95	31/3/96	31/3/97	31/3/98	31/3/99	31/3/2000	31/3/2001	31/3/2002	31/3/2003	31/3/2004
Total Income	10773.39	13016.57	17266.52	20443.22	19977.11	24688.83	28557.21	34584.68	47432.01	51159.01
Gross Profit	1787.68	2181.75	2966.32	3138.74	3845.14	4940.23	4292.25	6482.90	7170.98	7643.99
Interest	543.62	711.79	995.00	1033.82	1194.00	1137.22	1279.27	1584.28	1377.60	946.01
Depreciation	203.12	262.22	322.44	406.27	672.13	1008.13	1170.33	1611.48	1688.27	1691.82
Extra-ordinary loss	-	-	-	253.00	-	-	-	-	-	-
Profit before tax	1040.94	1207.74	1648.88	1445.65	1979.01	2794.87	1842.65	3287.14	4105.04	5006.16
Profit after tax	928.94	1067.74	1398.88	1235.65	1724.01	2144.87	1592.65	2912.14	3155.04	3956.16
Dividend%	20	18	22	25	27	35	36	20	65	75
Payout	145.89	194.42	237.62	270.02	314.13	406.78	418.41	242.70	788.77	910.12
Equity Capital	1080.10	1080.10	1080.10	1080.10	1163.43	1162.23	1162.23	1213.49	1213.49	1213.49
Reserves & Surplus	2900.29	3705.41	4838.95	5799.37	7283.29	7840.92	8647.99	11263.37	13333.68	16090.52
Less: Misc. Expenditure	4.93	NIL	15.74	15.74	14.67	12.96	113.06	101.73	90.81	75.36
Net Worth	3975.46	4785.51	5903.31	6863.73	8432.05	8990.19	9697.16	12375.13	14456.36	17228.65
Borrowings										
Long Term	1868.58	2168.56	1798.26	2586.35	3427.61	3311.39	4550.00	4584.29	4608.00	6934.10
Short Term - Bank	2490.77	2721.95	3678.61	4497.41	4276.36	4706.12	5844.94	6140.69	8604.63	12045.17
Short Term - Others	101.81	77.00	502.38	62.26	147.53	828.01	1093.96	1550.96	2165.97	1439.48
Total Borrowings	4461.16	4967.52	5979.25	7146.02	7851.50	8845.51	11488.90	12275.94	15378.60	20418.75
Gross Block	4412.61	5640.17	6598.74	7459.93	9773.19	11566.40	14780.50	20423.23	22606.79	27858.39
Less : Depreciation	655.46	917.67	1240.12	1597.78	2482.40	4178.81	5312.69	7585.85	8921.31	10504.61
Net Block (Fixed Assets)	3757.15	4722.50	5358.62	5862.15	7290.80	7387.59	9467.81	12837.38	13685.48	17353.77
Capital Work in progress	145.42	82.27	NIL	34.68	98.94	320.75	598.40	268.35	351.73	201.72
Investments	201.78	231.51	438.75	495.75	686.29	630.32	1009.74	696.17	1754.14	813.25
Current Assets	6155.64	7667.25	10244.67	11618.53	12372.92	13350.61	15123.57	17884.03	21169.93	26527.28
Less: Current Liabilities	1823.37	2950.50	4159.48	4001.36	4165.39	3853.54	5013.45	5941.04	5833.24	5576.06
Net Working Capital	4332.27	4716.75	6085.19	7617.17	8207.53	9497.07	10110.12	11942.98	15336.69	20951.22
Book Value (Rs.) per share	36.81	44.31	54.66	63.55	72.48	77.35	83.44	101.98	119.13	141.97
Bonus Shares (Ratio)	1:1	-	-	-	-	-	-	-	-	-

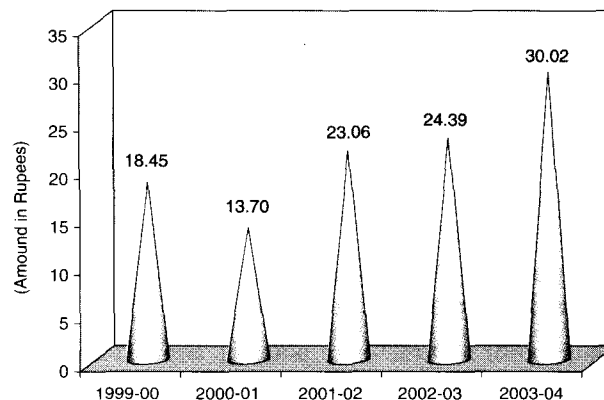


Highlights

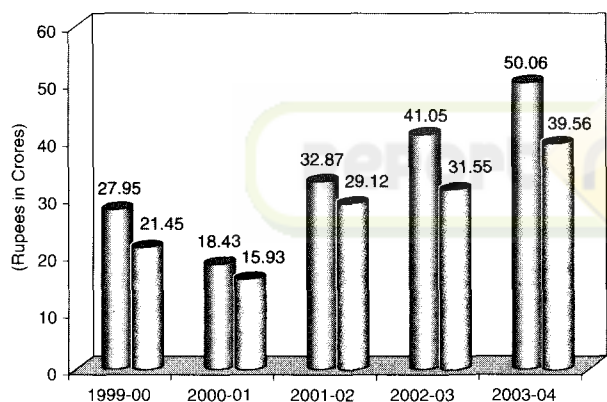
Turnover



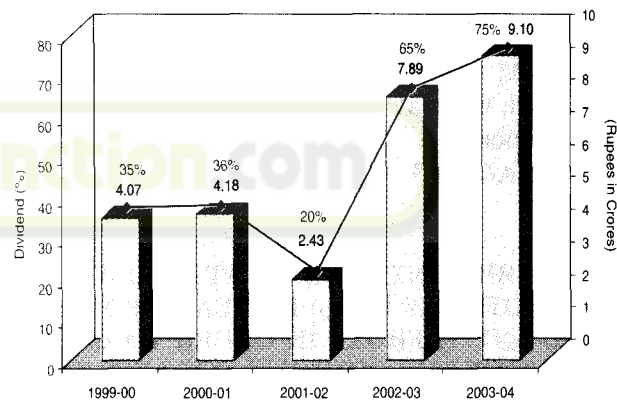
Earning Per Share



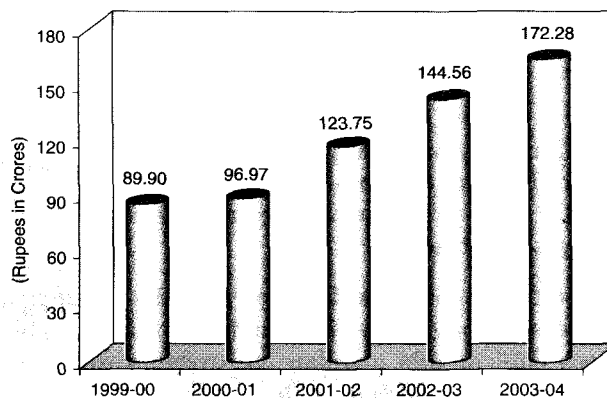
Profit Before & After Tax



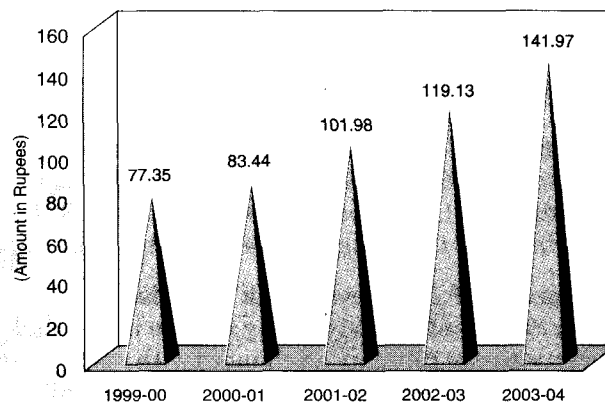
Dividend and Payout



Net Worth



Book Value





Notice

Notice is hereby given that the 21st 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-396195, Dist Valsad, Gujarat, on Friday, 30th July, 2004 at 10.30 a.m. to transact the following ordinary business:

1. To receive consider and adopt the Balance sheet as at 31st March, 2004 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 final Dividend.
3. To appoint a Director in place of Shri. Chandrakant V. Gogri, who is liable to retire by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. Laxmichand K. Jain, who is liable to retire by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri. Vijay H. Patil, who is liable to retire by rotation and being eligible, offers himself for reappointment.
6. To appoint a Director in place of Smt. Hetal Gogri Gala, who is liable to retire by rotation and being eligible, offers herself for reappointment.
7. To appoint Auditors and fix their remuneration.

Registered Office.:

Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi-396195,
Dist Valsad, Gujarat
Place: Mumbai.
Date: 8th May, 2004.

By Order of the Board

Sd/-

Mohan P. Sonar
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, 22nd July, 2004 to Friday, 30th July, 2004** (both days inclusive) for determining the names of members eligible for dividend, if declared, by the Company, subject to the provisions of Section 206A of the Companies Act, 1956. 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. Dividend when declared will be paid on or after 5th August, 2004.
3. **The members are requested to note:**
 - (i) **Change of Registrar and Share Transfer Agents:** The Company has changed its RTA and appointed **Sharepro Services**, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099 (Tel. No. 28215168 / 28329828) and the members are requested to send/address all their shares related matters/correspondence directly to them.
 - (ii) **Change of Address /Bank details:** Members are requested to inform the Company or M/s Sharepro Services, immediately of any change in their address. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the members.



- (iii) **Electronic Clearing Service (ECS) Facility:** We are pleased to offer the facility of electronic credit of dividend directly to your bank account through ECS. This facility is currently made available at **Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi and Thiruvanthapuram.**

Shareholders holding shares **in the physical form** who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form, which is enclosed herewith separately. Requests for payment of dividend through ECS for the year 2003-2004 should be lodged with M/s Sharepro Services **on or before 22nd July, 2004.**

- (iv) **Shares of the Company are traded compulsorily in dematerialized form** for all investors. Shareholders are requested to open an account with Depository Participants, if not done so far.
- (v) Section 109A of the Companies Act, 1956 provides for **Nomination** by the shareholders of the Company in the prescribed Form No. 2B (which will be made available on request). Shareholders are requested to avail this facility.
- (vi) Members desirous of obtaining **any information or clarification concerning the accounts** or intending to raise any query are requested to forward the same at least 10 days before the date of the meeting to the Company at the Registered Office, so that the same may be attended to appropriately to the extent possible.
- (vii) **Unclaimed Dividends :** The Company has already transferred all unpaid dividends declared up to financial years 1994-95 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to general Revenue Account of the Central Government) Rules, 1978. Shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year are requested to claim their dividend from the Registrar of Companies, Gujarat, at ROC Bhavan, Opp. Rupal Park, Near Ankur Bus Stand, naranpura, Ahmedabad 380 013 in the prescribed form. The amount of unclaimed dividend for the year 1995-96 has been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government, pursuant to Section 205C of the Companies Act, 1956. Members who have not encashed their dividend warrant(s) for the below mentioned financial years are requested to approach to the Company's Registrar and Transfer Agents, M/s Sharepro Services. Any such amounts of dividend remaining unclaimed for a period of seven years from the date of payment shall be transferred to the IEPF of the Central Government, pursuant to Section 205C of the Companies Act, 1956. **Kindly note that no claim shall lie against the Company or the said Fund in respect of the amounts remaining unclaimed after unclaimed dividend are transferred to the said Fund.**

Financial Year Ended	Due date for transfer to IEP fund	
	For Dividends declared by the Company	For Dividend declared by the erstwhile Alchemie Organics Limited merged with the Company
31.3.1997	24.09.2004	26.10.2004
31.3.1998	27.10.2005	25.10.2005
31.3.1999	29.10.2006	24.10.2006
31.3.2000 (1 st Interim)	26.02.2007	16.07.2007
31.3.2000 (2 nd Interim)	26.04.2007	N.A.
31.3.2001 (Interim)	23.02.2008	N.A.
31.3.2001	20.07.2008	N.A.
31.3.2002 (Interim)	29.11.2009	N.A.
31.3.2003	27.07.2010	N.A.
31.3.2004 (Interim)	16.10.2010	N.A.



4. Brief resumes of Directors seeking re-election are as under :

Shri.Chandrakant V. Gogri aged 57, is a Chemical Engineer from UICT. Mumbai, and also a Diploma holder in Business Management. After graduation, while working as plant engineer and later as project engineer, he gained valuable experience in chemical manufacturing before venturing on his own. Mr. Chandrakant V. Gogri has, in the last 35 years, a varied experience encompassing Projects, Operations, Process Development and Local & International Marketing, in the Chemical Industry. His business acumen, entrepreneurial zeal and organizational skill have driven the Company to its present size.

He is a Chairman/Director in Aarti Drugs Ltd., Aarti Healthcare Ltd., Aarti Corporate Services Ltd., and Director in Transmetal Ltd.

Committee memberships held by him are as under : He is a Member of Remuneration Committee and Chairman of Shareholders Grievances Committees in Aarti Industries Ltd. and Aarti Drugs Ltd.

Shri. Laxmichand K. Jain aged 63 holds a Masters degree in Chemical Engineering from USA. He is an environmental expert with over 37 years experience in the industry. He is a Director of the Company since 1990.

He holds no other directorship in Public Ltd. Companies. His committee memberships are as under : Audit Committee - Aarti Industries Ltd. - Member, Remuneration Committee - Aarti Industries Ltd. - Member.

Shri. Vijay H. Patil aged 66 is an advocate Supreme Court and expert in taxation matters with over 40 years experience in legal and taxation matters. He is a Director of the Company since 1990.

He is Director in Swift Finleas (India). Ltd., Soft Serve Infotech Ltd., Hema Cosmopharm Ltd., His committee membership is as under : Remuneration Committee - Aarti Industries Ltd. - Member.

Mrs. Hetal Gogri Gala aged 28, is an Electronics Engineer and holds a MEP degree from IIMS, Ahmedabad. She has good experience in business administration and financial management. She is holding office as Whole-time Director of the Company since October, 2001. She holds no directorship in Public Ltd. Companies and holds no other committee membership.

Registered Office.:
Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi-396195,
Dist Valsad, Gujarat
Place: Mumbai.
Date: 8th May, 2004.

By Order of the Board

Sd/-
Mohan P. Sonar
Company Secretary