

Annual Report 2005 - 2006



Aarti Industries Limited

Mission

- To constantly strive to set up and maintain global size plant facilities.
- To become customer-driven company by providing customised solutions and service to meet changing customer requirements.
 - To maintain consistent quality and timely delivery at competitive prices.
 - To use best cost effective manufacturing methods supported by proven, eco-friendly and safe technologies.
 - Commitment to growth by Research and new product developments and progressive increase in Exports.
 - Continuous focus on people to encourage and nurture winning organizational culture.
 - To set up facilities with US FDA and other Overseas approvals.
 - To meet the challenges of competition by dynamic management drive.

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

Our state-of-the-art USFDA compliant multipurpose manufacturing facility at Tarapur has been set up and started exporting validation batches in the regulated market.



The state-of-the-art plant at Gujarat is ranked amongst the Top 5 Global manufacturers for our key products

Our core competencies

Quality & Logistics

Continuous Cost Control

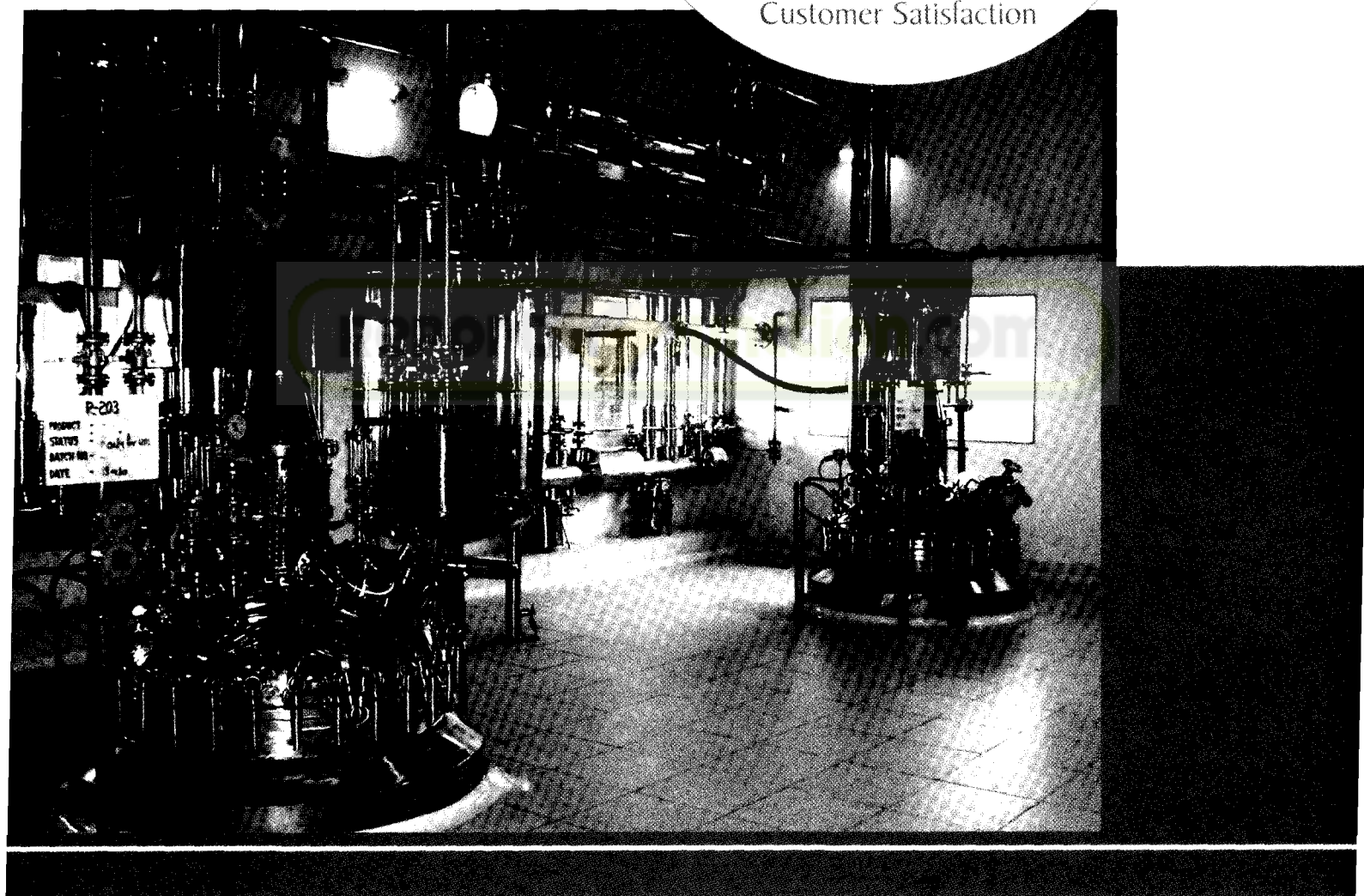
High Value Addition

Diversified Product Range

Loyal Work Force

In-house R&D

Customer Satisfaction



23rd Annual Report 2005-2006

Financial Highlights

Rs. in Lakhs

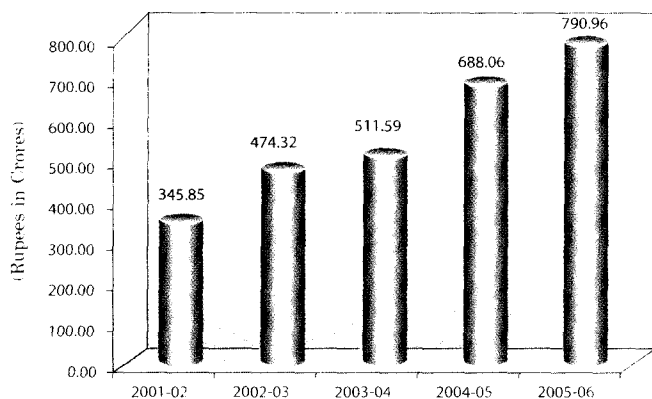
Particulars	Financial Year Ended on									
	31/03/97	31/03/98	31/03/99	31/03/2000	31/03/2001	31/03/2002	31/03/2003	31/03/2004	31/03/2005	31/03/2006
Total Income	17266.52	20443.22	19977.11	24688.83	28557.21	34584.68	47432.01	51159.01	68805.76	79095.60
Gross Profit	2966.32	3138.74	3845.14	4940.23	4292.25	6482.9	7170.98	7643.99	9183.19	11420.30
Interest	995.00	1033.82	1194.00	1137.22	1279.27	1584.28	1377.60	946.01	1354.32	2040.04
Depreciation	322.44	406.27	672.13	1008.13	1170.33	1611.48	1168.27	1691.82	2006.19	2218.69
Extra-ordinary loss	Nil	253.00	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit before tax	1648.88	1445.65	1979.01	2794.87	1842.65	3287.14	4105.04	5006.16	5822.68	7161.57
Profit after tax	1398.88	1235.65	1724.01	2144.87	1592.65	2912.14	3155.04	3956.16	4722.68	5538.57
Dividend %	22	25	27	35	36	20	65	75	101	39
Payout	237.62	270.02	314.13	406.78	418.41	242.7	788.77	910.12	1225.63	1420.00
Equity Capital	1080.10	1080.10	1163.43	1162.23	1162.23	1213.49	1213.49	1213.49	3640.47	3640.47
Reserve & Surplus	4838.95	5799.37	7283.29	7840.92	8647.99	11263.37	13333.68	16090.52	16938.52	20040.85
Less: Misc.Exp.	15.74	15.74	14.67	12.96	113.06	101.73	90.81	75.36	183.15	152.59
Networth	5903.31	6863.73	8432.05	8990.19	9697.16	12375.13	14456.36	17228.65	20395.84	23528.73
Long Term Loans	1798.26	2586.35	3427.61	3311.39	4550.00	4584.29	4608.00	6934.10	6820.80	9456.71
Short Term-Bank Finance	3678.61	4497.41	4276.36	4706.12	5844.94	6140.69	8640.63	12045.17	11536.72	19375.34
Short Term-Others	502.38	62.26	147.53	828.01	1093.96	1550.96	2165.97	1439.48	4133.72	1209.56
Total Borrowings	5979.25	7146.02	7851.50	8845.51	11488.9	12275.94	15378.60	20418.75	22491.24	30041.62
Gross Block	6598.74	7459.93	9773.19	11566.40	14780.50	20423.23	22606.79	27858.39	31102.58	37721.52
Less: Depreciation	1240.12	1597.78	2482.40	4178.81	5312.69	7585.85	8921.31	10504.61	12488.09	14768.02
Net Block (Fixed Assets)	5358.62	5862.15	7290.8	7387.59	9467.81	12837.38	13685.48	17353.77	18614.49	22953.51
Capital work-in-progress	Nil	34.68	98.94	320.75	598.40	268.35	351.73	201.72	1862.28	2797.52
Investments	438.75	495.75	686.29	630.32	1009.74	696.17	1754.14	813.25	2433.11	2474.21
Current Assets	10244.67	11618.53	12372.92	13350.61	15123.57	17884.03	21169.93	26527.28	33576.88	42825.12
Less: Current Liabilities	4159.48	4001.36	4165.39	3853.54	5013.45	5941.04	5833.24	5576.06	11629.72	14693.37
Net Working Capital	6085.19	7617.17	8207.53	9497.07	10110.12	11942.98	15336.69	20951.22	21947.16	28131.75
Face Value per Share (Rs.)	10	10	10	10	10	10	10	10	10	5
Book Value per Share (Rs.)	54.66	63.55	72.48	77.35	83.44	101.98	119.13	141.97	56.03*	32.32*
Earning per Share (Rs.)	12.95	11.44	14.82	18.45	13.70	23.06	24.39	30.02	12.78*	6.74*
Bonus Shares (Ratio)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2:01	Nil

*Refers to post bonus value.

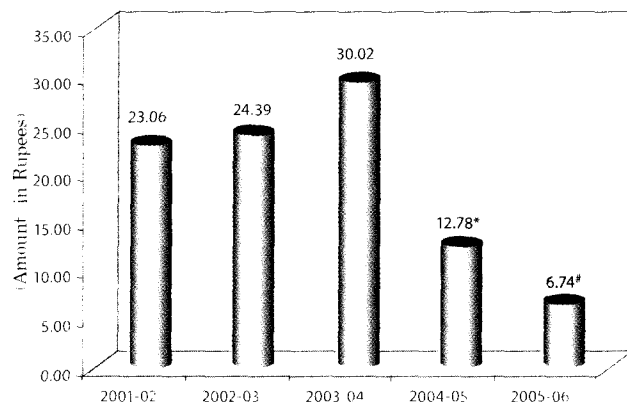
*Refers to post bonus & post split of shares into a face value of Rs. 5/- each.

Highlights

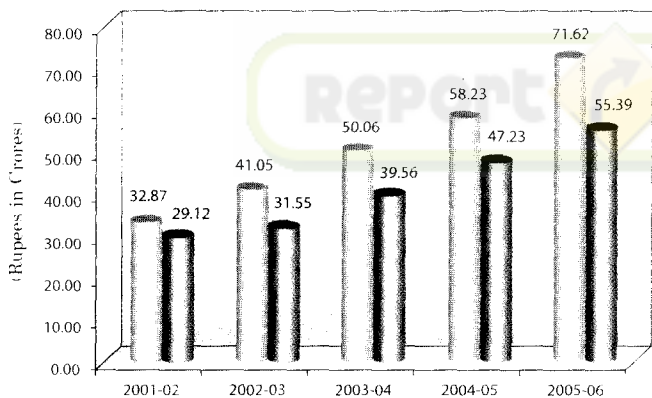
Total Income



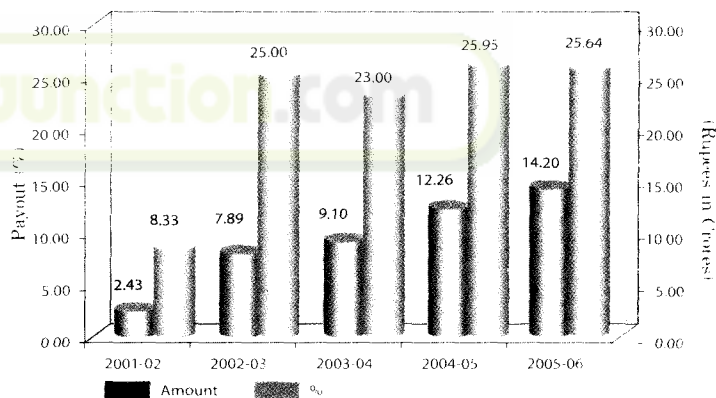
Earning Per Share



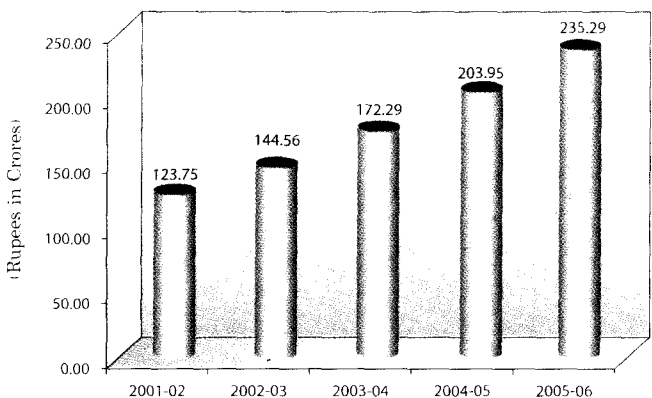
Profit Before & After Tax



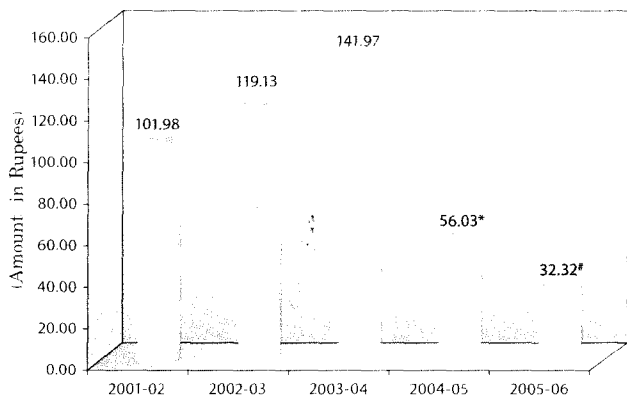
Dividend Payout



Net Worth



Book Value



*Refers to post bonus value.

#Refers to post bonus & post split of shares into a face value of Rs. 5/- each.

23rd Annual Report 2005-2006

Corporate Information

Board of Directors

Chandrakant V. Gogri

Chairman

Rajendra V. Gogri

Vice Chairman & Managing Director

Shantilal T. Shah

Vice Chairman

Independent Directors:

Ramdas M. Gandhi

Laxmichand K. Jain

Vijay H. Patil

Haresh K. Chheda

Whole-time Directors:

Parimal H. Desai

Manoj M. Chheda

Rashesh C. Gogri

Hetal Gogri Gala

Kirit R. Mehta

Company Secretary

Mohan P. Sonar

Auditors

M/s. Parikh Joshi & Kothare,

49/2341, M.H.B. Colony,

Gandhi Nagar, Bandra (East), Mumbai-400 051.

Registrar & Transfer Agent

Sharepro Services (India) Pvt. Ltd.

Satam Estate, 3rd Floor, Above Bank of Baroda,

Cardinal Gracious Road, Chakala,

Andheri (E), Mumbai - 400 099.

Bankers

Bank of Baroda

Union Bank of India

State Bank of India

ABN Amro Bank

Standard Chartered Bank

HDFC Bank Ltd.

Export-Import Bank of India

IDBI Bank Ltd.

Citi Bank N.A.

UTI Bank Ltd.

Registered Office

Plot Nos. 801, 801/23,

GIDC Estate, Phase III

Vapi - 396 195,

Dist. Valsad, Gujarat.

Corporate Office

Udyog Kshetra,

2nd Floor, L.B.S. Marg,

Mulund-Goregaon Link Road,

Mulund (W), Mumbai 400 080.

Visit us at www.aartigroup.com

Contents

Corporate Information	1
Notice	2
Directors' Report	9
Management Discussion & Analysis	14
Report on Corporate Governance	17
Auditors' Report	25
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Notes Forming Part of Accounts	36
Balance Sheet Abstract	44
Cash Flow Statement	45
Statement of Interest in Subsidiaries	46
Auditors' Report on Consolidated Accounts	47
Consolidated Financial Statements	48
Proxy Form & Attendance Slip	

Notice

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of AARTI INDUSTRIES LIMITED will be held at the registered office of the Company at Plot No. 801,801/23, GIDC Estate, Phase III, Vapi-396195, Dist Valsad, Gujarat, on Saturday, 30th September, 2006 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance sheet as at 31st March, 2006 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 Manoj M. Chheda, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Ramdas M. Gandhi, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Kirit R. Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint a Director in place of Shri Chandrakant V. Gogri, who retires by rotation and, being eligible, offers himself for reappointment.
7. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the reappointment and terms of remuneration of Shri Parimal H. Desai as the Wholetime Director of the Company for a period of five years with effect from 9th February, 2006 upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him and submitted to this meeting, duly initialled by the Chairman for the purpose of the identification, which agreement is 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 of the Act and as may be agreed between the Board of Directors and Shri Parimal H. Desai; RESOLVED FURTHER THAT the Board of Directors 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 provisions of Section 198, 309, 310 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the variation of the terms of remuneration payable to each one of the following Directors, namely, Shri Rajendra V. Gogri, Vice Chairman & Managing Director, Shri Parimal H. Desai, Shri Manoj M. Chheda, Shri Rashesh C. Gogri, Mrs. Hetal Gogri Gala and Shri Kirit R. Mehta, Wholetime Directors of the Company, with effect from 1st April, 2006, 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 for the purpose of the identification, which draft Supplemental Agreements are hereby specifically sanctioned; RESOLVED FURTHER THAT the Board of Directors of the Company be and is 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."
10. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the reappointment and terms of remuneration of Mrs. Hetal Gogri Gala as the Wholetime Director of the Company for a period of five years with effect from 1st November, 2006 upon the terms and conditions set out in the draft Agreement to be entered into by the Company with her and submitted to this meeting, duly initialled by the Chairman for the purpose of the identification, which agreement is 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 of the Act and as may be agreed between the Board of Directors and Mrs. Hetal Gogri Gala; RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Registered Office:
Plot No. 801,801/23,
GIDC Estate, Phase III,
Vapi-396195,
Dist. Valsad, Gujarat

Place: Mumbai.
Date: 31st July, 2006.

By Order of the Board
Sd/-
Mohan P. Sonar
Company Secretary

23rd Annual Report 2005-2006

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 shall remain closed from Wednesday, 20th September, 2006 to Monday, 25th September, 2006 (both days inclusive) for determining the names of the members eligible for final dividend, if declared, by the Company, subject to the provisions of section 206A of the Companies Act, 1956. In respect of the Shares held in Electronic Form, the dividend will be paid on the basis of ownership as per the details furnished by the Depositories for the purpose. Dividend when declared will be paid on or after Friday, 6th October, 2006.
3. The Members are requested to note:
 - (i) **Registrar & Share Transfer Agent:** The Registrar & Share Transfer Agent of the Company has changed its name from Sharepro Services to Sharepro Services (India) Pvt. Ltd. They are located at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri(E), Mumbai – 400099 (Telephone Numbers - 28215168 / 28329828). Members are requested to send/address all their share related matters/ correspondence directly to them.
 - (ii) **Change of Address and Bank details:** Members holding shares in physical form are requested to inform M/s Sharepro Services (India) Private Limited, immediately of any change in their address and bank details. 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) Section 109A of the Companies Act, 1956 provides for **Nomination by the shareholders** of the Company in the prescribed Form No. 2B for shares held in physical form. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.
 - (iv) Queries on accounts may please be sent to the Company 10 days in advance of the Annual General Meeting so that the answers may be made available at the meeting.
 - (v) The Company has transferred unclaimed amount of dividends for the financial year upto 1997-98 to the General Revenue Account /Investor Education and Protection Fund of the Central Government as required under Sections 205A and 205C of the Companies Act, 1956, as the case may be.

Brief resumes of Directors seeking re-election/re-appointment are as under:

Particulars	Shri Manoj M. Chheda	Shri Ramdas M. Gandhi
Date of Birth and age	23.10.1962 (Aged 44 years)	14.03.1933 (Aged 73 years)
Appointed on	25.11.1993	29.01.1990
Qualifications	B.Com.	LL.M., Solicitor
Experience and expertise in specific functional areas	Mr. Manoj M. Chheda has wide experience of over 19 years in purchase and marketing of Chemicals. He is a wholetime Director of the Company since November, 1993.	He has been in practice for over 50 years and has vast experience in the legal field and particularly on the matters relating to corporate laws. He is a Lead Independent Director of the Company.
Directorships held in other Public (excluding foreign) Companies	No other Directorship	Aarti Industries Ltd. Aarti Drugs Ltd. Pidilite Industries Ltd. Unichem Laboratories Ltd., Vinyl Chemicals Ltd.
Membership / Chairmanships of committees across public companies	No Committee membership.	Audit: Aarti Industries Ltd. - Chairman Aarti Drugs Ltd. - Chairman Vinyl Chemicals Ltd. - Chairman Unichem Laboratories Ltd. - Member Shareholders Grievances: Pidilite Ltd. - Chairman Vinyl Chemicals Ltd. - Chairman Unichem Laboratories Ltd. - Chairman Remuneration Committee: Vinyl Chemicals Ltd. - Member Aarti Industries Ltd. - Member Compensation Committee: Unichem Laboratories Ltd. - Member

Particulars	Shri Kirit R. Mehta	Shri Chandrakant V. Gogri
Date of Birth and age	02.08.1948 (Aged 58 years)	16.08.1946 (Aged 60 years)
Appointed on	18.09.2000	28.09.1984
Qualifications	B.Com.	B.E. (Chem.) (UDCT, Mumbai), DBM
Experience and expertise in specific functional areas	He has wide experience in dealing with various Government authorities at Vapi, Sarigam and Jhagadia at Gujarat and Tarapur in 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 president of Vapi Industries Association.	After graduation, while working as plant engineer and later as project engineer, he gained valuable experience in chemical manufacturing before venturing on his own. He has vast experience encompassing Projects, Operations, Process Development, Local & International Marketing in the Chemical Industry. Further, his business acumen & flair for finance has stood the test of time during the growth of the AARTI GROUP. He is one of the main promoters of the Company. He is Chairman and member of the Board of Directors of various Aarti Group Companies. His business acumen, entrepreneurial zeal and organizational skill has been very much helpful to the Company to grow.
Directorships held in Other Public (excluding foreign Companies)	Avinash Drugs Ltd.- Director Ganesh Polychem Ltd.- Director Anushakti Chemicals and Drugs Ltd.- Director Vapi Waste and Effluent Management Co. Ltd. - Director	Aarti Drugs Ltd. - Chairman Surfactant Specialities Ltd.- Chairman Aarti Healthcare Ltd.- Chairman Aarti Corporate Services Ltd. - Chairman Transmetal Ltd.- Director
Membership / Chairmanships of committees across public companies	<u>Shareholders Grievances Committee:</u> Aarti Industries Ltd. - Member	<u>Audit Committee:</u> Surfactant Specialities Ltd. - Chairman <u>Shareholders Grievances Committee:</u> Aarti Industries Ltd. - Chairman Aarti Drugs Ltd. - Chairman <u>Remuneration Committee:</u> Aarti Industries Ltd. - Chairman Aarti Drugs Ltd. - Chariman

Particulars	Shri Parimal H. Desai	Smt. Hetal Gogri Gala
Date of Birth and age	29.05.1949 (Aged 57 years)	10.07.1975 (Aged 31 years)
Appointed on	28.09.1984	01.11.2001
Qualifications	B.E.(Chem.) (UDCT, Mumbai)	B.E. (Electronics) and holds a MEP degree from IIMS, Ahmedabad
Experience and expertise in specific functional areas	He has experience for more than 30 years in development and project implementation in the Chemical industry.	She is having good experience in the business administration and financial management.
Directorships held in Other Public (excluding foreign Companies)	Aarti Healthcare Ltd. - Director	No other Directorship
Membership / Chairmanships of committees across public companies	<u>Audit Committee:</u> Aarti Healthcare Ltd. - Chairman Aarti Industries Ltd. - Member	No other committee membership

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Place: Mumbai.
Date: 31st July, 2006.

By Order of the Board
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Company Secretary