



AARTI INDUSTRIES LIMITED

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

Mona Patel

(Mohan P. Sonar, Upto 9th July, 2007)

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.

Phone No.: 022-28215168 / 28329828

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.

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Financial Highlights

(Rupees in Lacs)

Particulars	Financial Year Ended on									
	31/03/98	31/03/99	31/03/2000	31/03/2001	31/03/2002	31/03/2003	31/3/2004	31/03/2005	31/03/2006	31/03/2007
Total income	20443.22	19977.11	24688.83	28557.21	34584.68	47432.01	51159.01	68805.76	79095.6	76412
Grossprofit	3138.74	3845.14	4940.23	4292.25	6482.9	7170.98	7643.99	9183.19	11420.3	8928.9
Interest	1033.82	1194.00	1137.22	1279.27	1584.28	1377.60	946.01	1354.32	2040.04	2888.45
Depreciation	406.27	672.13	1008.13	1170.33	1611.48	1168.27	1691.82	2006.19	2218.69	2563.40
Extra -ordinary loss	253.00	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit before tax	1445.65	1979.01	2794.87	1842.65	3287.14	4105.04	5006.16	5822.68	7161.57	3477.09
Profit after tax	1235.65	1724.01	2144.87	1592.65	2912.14	3155.04	3956.16	4722.68	5538.57	3290
Dividend %	25	27	35	36	20	65	75	101	39	16
Pay out	270.02	314.13	406.78	418.41	242.70	788.77	910.12	1225.63	1420	582.47
Equity Capital	1080.1	1163.43	1162.23	1162.23	1213.49	1213.49	1213.49	3640.47	3640.47	3640.47
Reserve & Surplus	5799.37	7283.29	7840.92	8647.99	11263.37	13333.68	16090.52	16938.52	20040.85	22029.41
Less: Misc.Exp.	15.74	14.67	12.96	113.06	101.73	90.81	75.36	183.15	152.59	123.99
Networth	6863.73	8432.05	8990.19	9697.16	12375.13	14456.36	17228.65	20395.84	23528.73	25545.9
Longterm Loans	2586.35	3427.61	3311.39	4550.00	4584.29	4608	6934.1	6820.8	9456.71	11971.32
Short Term-Bank Finance	4497.41	4276.36	4706.12	5844.94	6140.69	8640.63	12045.17	11536.72	19375.34	19312.25
Short Term- Others	62.26	147.53	828.01	1093.96	1550.96	2165.97	1439.48	4133.72	1209.56	2461.02
Total Borrowings	7146.02	7851.50	8845.51	11488.9	12275.94	15378.6	20418.75	22491.24	30041.62	33744.59
Gross Block	7459.93	9773.19	11566.40	14780.50	20423.23	22606.79	27858.39	31102.58	37721.52	45110.41
Less: Depreciation	1597.78	2482.40	4178.81	5312.69	7585.85	8921.31	10504.61	12488.09	14768.02	17376.69
Net Block (Fixed Assets)	5862.15	7290.8	7387.59	9467.81	12837.38	13685.48	17353.77	18614.49	22953.51	27733.71
Capital workin progress	34.68	98.94	320.75	598.40	268.35	351.73	201.72	1862.28	2797.52	1797.76
Investments	495.75	686.29	630.32	1009.74	696.17	1754.14	813.25	2433.11	2474.21	2606.65
Current Assets	11618.53	12372.92	13350.61	15123.57	17884.03	21169.93	26527.28	33576.88	42825.12	44949.98
Less: Current Liabilities	4001.36	4165.39	3853.54	5013.45	5941.04	5833.24	5576.06	11629.72	14693.37	14340.98
Net Working capital	7617.17	8207.53	9497.07	10110.12	11942.98	15336.69	20951.22	21947.16	28131.75	30609.01
Face Value per share (Rs.)	10	10	10	10	10	10	10	10	5	5
Book Value per share (Rs.)	63.55	72.48	77.35	83.44	101.98	119.13	141.97	56.03	32.32	35.08
Earning per Share (Rs.)	11.44	14.82	18.45	13.70	23.06	24.39	30.02	12.78*	6.74#	3.60
Bonus Shares (Ratio)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2:01	Nil	Nil

*Refers to post bonus value.

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



Notice

Notice is hereby given that the Twenty Fourth 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 Monday, the 24th day of September, 2007, 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, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. 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.
3. 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.
4. 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.
5. To appoint a Director in place of Shri Shantilal T. Shah, who is liable to retire by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors and 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 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 Rashesh C. Gogri as the Wholetime Director of the Company for a period of five years with effect from 9th June, 2007 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 Rashesh C. Gogri.
RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."
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 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 Rashesh C. Gogri, Shri Parimal H. Desai, Shri Manoj M. Chheda, Smt. Hetal Gogri Gala and Shri Kirit R. Mehta, Whole-time Directors of the Company, with effect from 1st April, 2007, 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 initialled 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 are 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."

Registered Office:
Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi-396195,
Dist Valsad, Gujarat

BY ORDER OF THE BOARD

Sd/-
MOHAN P. SONAR
COMPANY SECRETARY

Place: Mumbai.
Date: 19th June, 2007.



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. THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF MEETING.**
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item Nos. 7 and 8 above is annexed hereto and forms part of the Notice.
3. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from, Tuesday, 18th September, 2007 to Monday, 24th September, 2007 (both days inclusive).
5. All documents referred to in the accompanying notice and explanatory statement are open for inspection at the registered office of the Company on all working days except Saturdays, between 11.00 a.m. and 1.00 p.m., up to the date of the AGM.
6. Details required to be given pursuant to Clause 49 of the Listing Agreement pertaining to retiring Directors seeking reappointment and Director reappointed as the Whole-time Directors are furnished in the Report on Corporate Governance included elsewhere in this report.
7. The members are requested to note:
 - (i) **Change of Address /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.
 - (ii) 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.
 - (iii) 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.
 - (iv) The Company has transferred unclaimed amounts of dividends up to March 31, 1999 and unclaimed amounts of Interim dividend declared for the year 1999-2000 to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.

Registered Office:
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Dist. Valsad, Gujarat.

Place: Mumbai.
Date: 19th June, 2007.

BY ORDER OF THE BOARD

Sd/-
MOHAN P. SONAR
COMPANY SECRETARY



Annexure to The Notice

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

Item No. 7

Shri Rashesh C. Gogri has been the whole time Director of the Company since 9th June, 1997. Based on the recommendation of the Remuneration Committee duly approved by the resolution passed at its meeting, the Board of Directors have reappointed Shri Rashesh C. Gogri as the Whole-time Director of the Company with effect from 9th June, 2007, for a period of five years, on expiration of his previous term, subject to the approval of the Company in General Meeting upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him. The said agreement, inter-alia, contains the following material, terms and conditions:

1. **Period of Agreement** : From 9/06/2007 to 8/06/2012

2. **Remuneration:**

a) **Salary:**

Salary of Rs. 85,000/- per month with power to the Board to make annual increment subject to maximum Salary of Rs.1,50,000/- per month.

b) **Commission:**

In addition to the salary, Whole time 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/Whole time 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 whole time director shall be entitled to the following perquisites / allowances:

House rent allowance, Reimbursement of medical expenses and medical insurance premiums for self and family; leave travel allowance, fees of clubs, telephone and internet facilities at residence and mobile phone facility, personal accident insurance; Bonus, ex-gratia incentives, assignment of key man or other insurance policies obtained by the Company and such other perquisites and special allowances as may be determined by the Board of Directors from time to time.

d) Whole-time 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) 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 Whole-time Director.

e) The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and subject to the applicable overall maximum ceiling limit set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time.

3. Where in any financial year during the currency of the tenure of the Whole-time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as aforesaid.



4. The Whole-time 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. No sitting fee shall be payable to him 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 Whole-time Director shall cease to be the Whole-time 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 him is 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 to be entered into between the Company and Shri Rashesh C. Gogri pursuant to section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Shri Rashesh C. Gogri is 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 Annual General Meeting.

Your Directors recommend the resolution for your approval.

Shri Rashesh C. Gogri is interested in the said resolution. Shri Chandrakant V. Gogri and Smt. Hetal Gogri Gala are deemed to be interested in the resolution as they are related to him. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 8

Pursuant to the recommendation and approval of the Remuneration Committee, the Board of Directors of the Company have changed the terms of remuneration by amending the perquisites being provided to Shri Rajendra V. Gogri, Vice-Chairman and Managing Director (VC & MD), Shri Rashesh C. Gogri, Shri Parimal H. Desai, Shri Manoj M. Chheda, Shri Kirit R. Mehta and Smt. Hetal Gogri Gala, Whole-time Directors (WTDs) of the Company. It is proposed to make the perquisites related provisions more flexible to be determined by the Board of Directors from time to time, as per the prevalent common practice, with effect from 1st April, 2007, 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. It is thus proposed to replace existing Clause 5 of the agreements made with them by substitution of the following new sub clauses:-

- 5(c) **Perquisites:** In addition to salary and commission, the following revised perquisites shall be provided:

House rent allowance, Reimbursement of medical expenses and medical insurance premiums for self and family; leave travel allowance, fees of clubs, telephone and internet facilities at residence and mobile phone facility, personal accident insurance; Bonus, ex-gratia incentives, assignment of key man or other insurance policies obtained by the Company and such other perquisites and special allowances as may be determined by the Board of Directors from time to time in each case individually.

- 5(e) The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and subject to the applicable overall maximum ceiling limit set out in Sections 198, 309 read with Schedule XIII of the Companies Act, 1956 or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time.

All other existing terms of the appointment/remuneration are unchanged.



AARTI INDUSTRIES LIMITED

The above may be treated as an abstract of the draft Supplemental Agreements to be made between the Company and the said MD/WTDs pursuant to Section 302 of the Companies Act, 1956.

All the relevant agreements 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 for your approval.

Shri Rajendra V. Gogri, Shri Rashesh C. Gogri, Shri Parimal H. Desai, Shri Manoj M. Chheda, Mrs. Hetal Gogri Gala and Shri Kirit R. Mehta are interested in the said resolution. Shri Chandrakant V. Gogri is deemed to be interested in the resolution pertaining to variation of terms of remuneration payable to Shri Rajendra V. Gogri, Shri Rashesh C. Gogri, and Mrs. Hetal Gogri Gala as they are related to him. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Registered Office:
Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi-396195,
Dist. Valsad, Gujarat.

BY ORDER OF THE BOARD

Sd/-
MOHAN P. SONAR
COMPANY SECRETARY

Place: Mumbai.
Date: 19th June, 2007.





Directors' Report & Management Discussion & Analysis

TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

Your Directors are pleased to present this Twenty Fourth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	2006-2007	2005-2006
Total Sales:	75803	78618
Less: (Increase)/ Decrease in Stock	(1111)	(2205)
Consumption of Raw Materials	41695	41689
Staff Cost	1630	1456
Other Expenditure	25226	26574
Total Expenditure:	67440	67514
Operating Profit Before Interest, Depreciation & Tax	8363	11104
Add: Other Income	610	478
Less: Non Operating Expenses	45	162
Profit Before Interest, Depreciation & Tax:	8928	11420
Less: Interest	2888	2040
Depreciation	2563	2219
Profit Before Tax:	3477	7162
Less: Provision for Taxation - Current	186	1623
Provision for Taxation - Deferred	670	632
Profit After Tax:	2621	4907
Add: Profit Brought Forward - Previous Year	17976	15374
Add: Prior Year's adjustments	32	(186)
Profit available for Appropriation	20629	20095
Appropriations		
Transfer to General Reserve	300	500
1st Interim Dividend	364	619
2nd Interim Dividend	218	510
Proposed Dividend	NIL	291
Tax on Dividend	82	199
Balance carried to Balance Sheet	19665	17976
Earning Per Share (Rs.)	3.60	6.74

DIVIDEND

Your Company had declared and paid 1st interim Dividend of Rs.0.50 ps. @ 10% per share (of Rs.5/- each) and 2nd interim Dividend of Rs.0.30 ps. @ 6% per share (of Rs. 5/- each). No final dividend has been recommended by the Board for the year under review. The total amount of Dividend pay-out for the Financial Year 2006-2007 was Rs.5.82 crores as compared to Rs.14.20 crores for the previous year.

OPERATIONS

During the year under review, the Company had suffered various set-backs in its operations. The operations were affected due to external factors such as floods, logistics, disruption, shortage of raw materials, imports of key downstream products etc. The Company had also taken up the expansion & up-gradation /modernization of its various Units in the Year 2006-2007. All these factors cumulatively affected the operations of the Company during the Year 2006-2007, thereby declining the turnover to Rs. 758.03 Crores from Rs.786.18 Crores last year. Similarly, Operating Profit before Interest, Depreciation and Tax and Non-operating Expenses dipped from Rs. 109.42 Crores of previous year to Rs. 83.18 Crores. The Profit After Tax also declined to Rs.26.21 Crores from Rs. 49.07 Crores for the corresponding period last year.



EXPORTS

On account of lower operations, the Exports of the Company had decreased from Rs.341.61 Crores (2005-06) to Rs. 303.57 Crores (2006-07) (Inclusive of Export through export trading houses and relevant export benefits). The constant efforts are being made to increase the exports.

CHEMICAL INDUSTRY - STRUCTURE AND DEVELOPMENT

The Chemical Industry is a significant component of the Indian economy with revenues at approximately USD 28 billion. It constitutes 6.7% of India's GDP & 10% of total exports. With the current level of performance, in terms of size India is 12th largest in the world & 3rd largest in Asia. It Constitutes 12.5% of country industrial production & 15% of India's manufacturing capacity. The global chemical industry is valued at about US\$ 1.7 trillion of which India's chemical industry account for just 2%.

In light of the above, the Indian Chemical Industry is at cross road today. It could sustain its part performance and grow in line with the GDP growth and can achieve size of around USD 60 billion. The Industry even has the potential to grow at a significantly higher rate to a size of USD 100 billion by 2010, provided certain imperatives are addressed such as consolidation, cost reduction, increased use of IT, R & D, focus on core business & globalization. The industry also needs to focus on new sources of growth like the specialty & knowledge segments. The Shifting of Foreign Business from the Developed Countries like India is due to low operational cost and cheap skilled labour.

POSITION OF AARTI INDUSTRIES LIMITED (AIL)

Aarti Industries Ltd., has a diversified portfolio having four business segments. Basic Chemicals, Speciality Chemicals, Agro Chemicals and Pharmaceuticals.

The Manufacturing units of the Company are of Global Scale and are situated in the State of Gujarat & Maharashtra. The Units are ISO / GMP certified. The plants are Highly integrated Coupled with Cost-Efficient Manufacturing Process and Low capital investment and Manufacturing more than 100 products. The Company is Pioneer to introduce latest environment friendly technology and manufacturing processes in India with the help of our World Class R & D. The Company ranked amongst Top 5 Global manufacturers for our key product and the Continues R&D support and process improvement is the key for Company to remain globally competitive. In the process of further diversifying the value chain, the concentration of the specialty chemicals and pharma segments are increasing and the dependence of the commodity products are significantly reduced. The Company has also started the Toll manufacturing of few products with applications in the specialty segments, under secrecy terms for the various MNCs.

OPPORTUNITIES, THREAT AND OUTLOOK

The proposed reduction of exports incentives in China with effect from 1st July, 2007, would make Aarti Industries Ltd. and other Indian companies more competitive as against the Chinese products in the Indian and International markets. The increase in the exports incentives, as proposed by the Government of India, would partly off-set the impact of Appreciation of Indian Rupee, thus the Company anticipates to improve the scenario in future. Further the volumes are expected to increase in the account of recent up-gradation and expansion activities.

The Company is at an advanced stage of discussions with a multi-billion Japanese Chemical Major for a proposed 50% Joint Venture for the purpose of manufacturing various Specialty Chemicals with applications in high growth markets such as Polymers, Additives, High Purity Electronic Chemicals etc.

The Company's State-of-the-Art USFDA Compliant Pharmaceutical unit is expected to go into Commercial Production shortly for manufacturing of various high value lifestyle APIs' which are used in manufacturing Cardio-vascular, Anti-Asthmatic, Anti-Cancer, Anti-Thalassaemic, Anti-hypertensive, Anti-Depressant Drugs etc. Also, at the end of the year, there would be inspection of the USFDA Plant. The Company had also been successful in getting the Certificate of Sustainability (COS) from the European Authorities for one of its key high growth Anti-Hypertensive API, viz, Ramipril. The Company's custom Research unit is already working with MNCs on various CRAM Projects under Secrecy Agreements.


SEGMENTWISE PERFORMANCE

Sr.No	Particulars	Financial Year 2006-2007	Financial Year 2005-2006
(A)	Primary Segments : Business Segments		
	Segment Revenue		
	a) Basic Chemicals	19,133	23,788
	b) Specialty Chemicals	53,163	59,256
	c) Agro Chemicals	4,693	4,808
	d) Pharmaceuticals	5,453	2,498
	Total	82,443	90,350
	Less: Inter-segment Revenue	6,639	11,732
	Net Sales \ Incomes From Operations	75,803	78,618
	Segment Results		
	Profit (+) Loss (-) Before Tax And Interest from each Segment		
	a) Basic Chemicals	1,163	3,215
	b) Specialty Chemicals	6,808	7,141
	c) Agro Chemicals	926	950
	d) Pharmaceuticals	77	343
	Total (A)	8,973	11,649
	Less: Interest	2,888	2,040
	Other Un-allocable Expenditure Net of Income	2,608	2,448
	Total (B)	5,496	4,488
	Total Profit Before Tax (A) - (B)	3,477	7,161
(B)	Secondary Segment : Geographical Segments		
	a) India	45,845	45,295
	b) Out of India	29,958	33,323
	Total	75,803	78,618

Segmental Capital Employed

Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures relating to Capital employed.

RISKS AND CONCERNS

Indian Industry faces a number of Risk/Threats as compared to other Competing Economies, specially China. India has higher tax, higher cost of finance, appreciation in the rupee exchange rates, Natural Calamities, erratic raw material supply, increasing freight rate and dumping from China. The higher cost of raw materials, utilities and capital translates into higher manufacturing cost. The Company is constantly monitoring these factors and shall take necessary steps to mitigate the same.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an extensive system of internal control to ensure optimal utilization of resources and accurate reporting of financial transactions. Strict compliance with applicable laws and regulations has also been implemented. The Company has in place adequate system of internal control covering all financial and operating functions. The Company has put in place sufficient systems to ensure that assets are safeguarded against loss from unauthorized use or disposition and that are authorized, recorded and reported correctly.