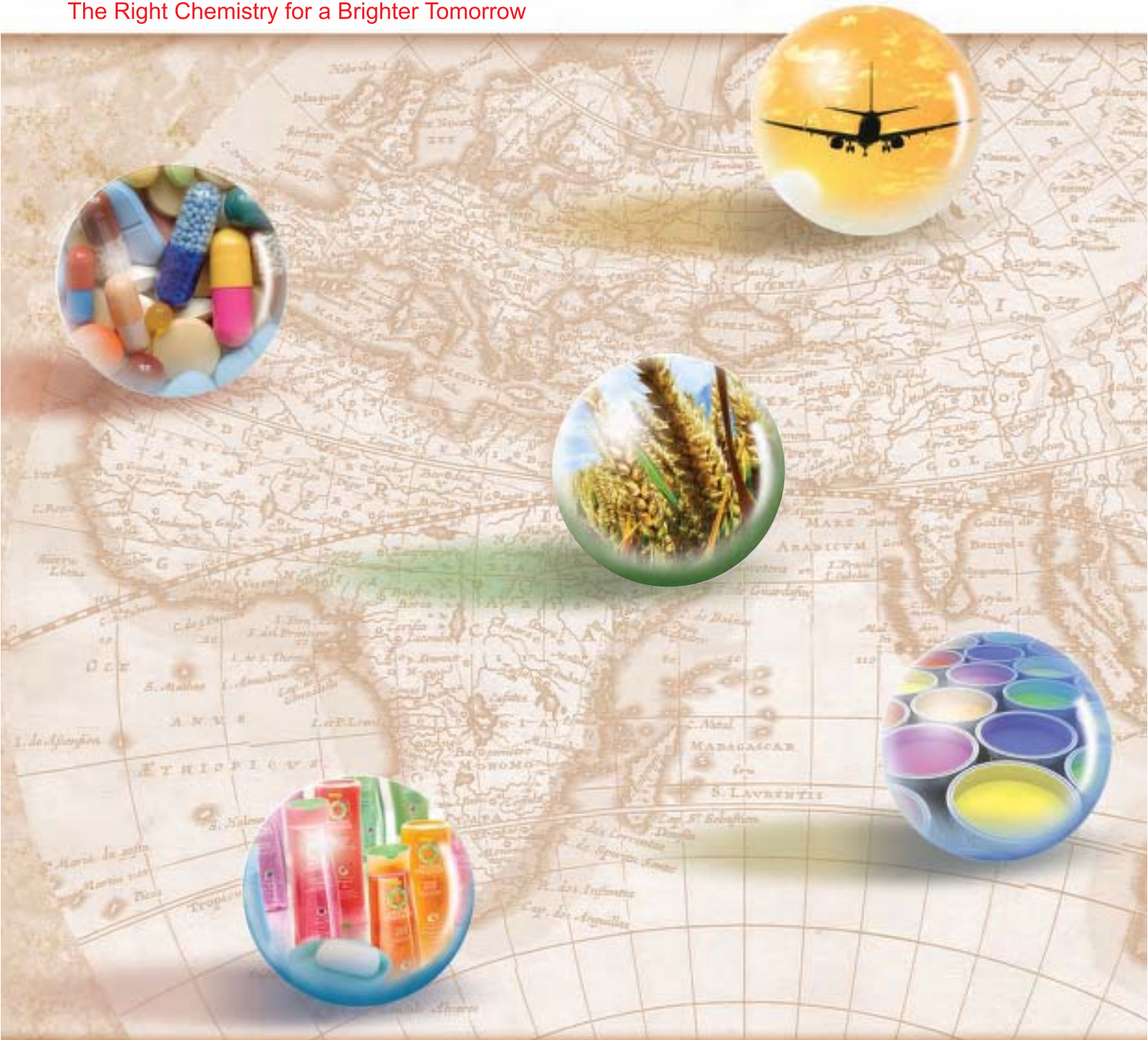




AARTI INDUSTRIES LIMITED

The Right Chemistry for a Brighter Tomorrow



Annual Report | 2010-2011

A faint, sepia-toned world map serves as the background for the entire page. It shows continents and oceans with a grid of latitude and longitude lines. The map is centered on the Atlantic Ocean, with North and South America visible on the left and Europe and Africa on the right. The text and other elements are overlaid on this map.

Vision

To emerge as key source to leading Global consumers of Speciality Chemicals and Intermediates for Dye stuff, Agro, Polymers, Pharma & Surfactants.

Mission

- To constantly strive to set up and maintain global size plant facilities.
 - To become customer-driven Company by providing customized 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 & new product development and progressive increase in Exports.
 - Continuous focus on people to encourage and nurture winning organizational culture.
 - To meet the challenges of competition by dynamic management drive.
-

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

Hareesh K. Chheda

K.V.S. Shyam Sunder

P. A. Sethi

Bhavesh R. Vora

Sunil M. Dedhia

Whole-time Directors:

Parimal H. Desai

Manoj M. Chheda

Rashesh C. Gogri

Hetal Gogri Gala

Kirit R. Mehta

Company Secretary

Mona Patel

Auditors

M/s. Parikh Joshi & Kothare,

49/2341, M.H.B. Colony, Gandhi Nagar, Bandra (East),
Mumbai - 400 051.

Registrar & Transfer Agent

M/s. Sharepro Services (India) Pvt. Ltd.

Samhita Complex, Gala No. - 52 to 56,
Bldg. No.13 A-B, Near Sakinaka Telephone Exchange,
Andheri - Kurla Road,
Sakinaka, Mumbai - 400 072
Telephone - 022-67720300/67720400
Fax No. - 022-28591568

Bankers:

Bank of Baroda

Union Bank of India

State Bank of India

DBS Bank Ltd.

Standard Chartered Bank

HDFC Bank Ltd.

Export-Import Bank of India

IDBI Bank Ltd.

Citi Bank N.A.

Axis 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,
Mulund-Goregaon Link Road,
L.B.S. Marg, Mulund (West),
Mumbai - 400 080.
Visit us at www.aartigroup.com

Contents

Corporate Information	1
Financial Highlights	2
Notice	4
Directors' Report & Management Discussion & Analysis	10
Report on Corporate Governance	19
Auditors' Report	30
Balance Sheet	34
Profit & Loss Account	35
Schedules	36
Notes Forming Part of Accounts	43
Balance Sheet Abstract	54
Cash Flow Statement	55
Statement of Interest in Subsidiaries	56
Auditors' Report on Consolidated Accounts	57
Consolidated Financial Statements	58
Details of Subsidiary Companies	76
Request for E-mail ID Form	77
Proxy Form and Attendance Slip	



Financial Highlights

(₹ in Lakhs)

Particulars	Financial Year Ended on							
	31/03/2011	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2006	31/03/2005	31/03/2004
Total income	154234.14	133956.19	153804.05	96049.00	76412.00	79095.60	68805.76	51159.01
Gross profit (EBIDT)	19748.74	20393.08	24208.51	11950.44	8928.90	11420.30	9183.19	7643.99
Interest	5595.50	5171.31	8936.32	3882.89	2888.40	2040.04	1354.32	946.01
Depreciation	4792.39	4474.91	3871.07	2749.61	2563.40	2218.69	2006.19	1691.82
Profit before tax	9360.85	10746.86	11401.12	5317.93	3477.09	7161.57	5822.68	5006.16
Profit after tax (& Deferred tax)	6677.65	7010.75	8446.32	3667.08	2621.00	4906.44	4425.30	3576.68
Dividend %	50	50	60	30	16	39	101 \$	75
Pay out	1918.00	1918.00	2194.91	1092.14	582.47	1420.00	1225.63	910.12
Per Share Dividend (in ₹)	2.50	2.50	3.00	1.50	0.80	2.80	8.70	7.50
Equity Capital	3836.00	3836.00**	3684.75	3640.47	3640.47	3640.47	3640.47	1213.49
Reserve & Surplus	40466.96	36030.39	30345.01	24606.30	22029.41	20040.85	16938.52	16090.52
Networth	44650.96	39846.04	34091.58	28123.80	25545.90	23528.73	20395.38	17228.65
Total Borrowings	52628.67	43648.36	48257.41	42930.71	33744.59	30041.62	22491.24	20418.75
Gross Block	73843.27	68172.04	62206.76	48403.24	45110.41	37721.52	31102.58	27858.39
Less: Depreciation	34645.20	30005.56	25530.65	20375.67	17376.69	14768.02	12488.09	10504.61
Net Block (Fixed Assets)	39198.07	38166.48	36676.11	28027.57	27733.71	22953.50	18614.49	17353.77
Capital work-in-progress	1844.61	914.50	854.76	3396.87	1797.64	2797.52	1862.28	201.72
Investments	1876.21	1525.12	1527.79	2618.48	2606.65	2474.21	2433.11	813.25
Current Assets	89251.19	75357.19	64983.71	56858.64	44949.99	42825.12	33576.88	26527.28
Less: Current Liabilities	29596.52	27358.16	17172.65	15879.97	14530.52	14693.37	11629.72	5576.06
Net Working Capital	59654.67	47999.03	47811.06	40978.66	30609.00	28131.75	21947.16	20951.22
Face Value per share (₹)	5	5	5	5	5	5	10	10
Book Value per share (₹)	58.20	51.94	46.26	38.63	35.08	32.32	56.03	141.97
EPS (Basic & Diluted) (₹)	8.70	9.14**	11.46	5.04	3.60	6.74 #	12.78*	30.02
Bonus Shares (Ratio)	Nil	Nil	Nil	Nil	Nil	Nil	2:1	Nil

Consolidated Financial Highlights

Particulars	Financial Year Ended on							
	31/03/2011	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2006	31/03/2005	31/03/2004
Consolidated Sales	156443.56	135134.77	155225.29	96212.96	76558.31	80634.56	71016.00	54731.43
Profit after Consolidation	8148.13	8234.82	9461.16	4653.52	2997.43	6167.67	4882.62	4315.04
Consolidated EPS (Basic & Diluted) (₹)	10.62	10.73**	11.81	5.61	3.47	7.60#	13.17*	34.37

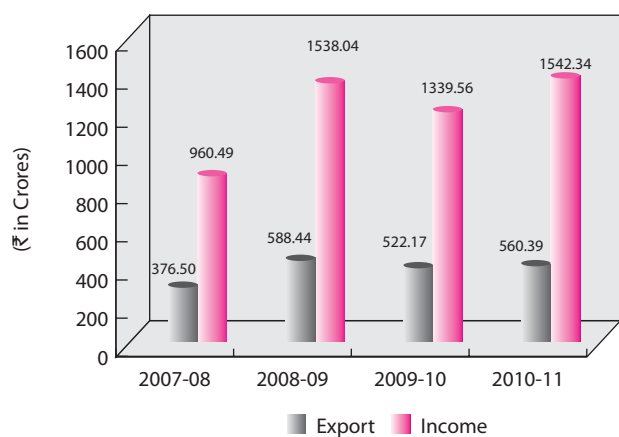
* Refers to post bonus value.

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

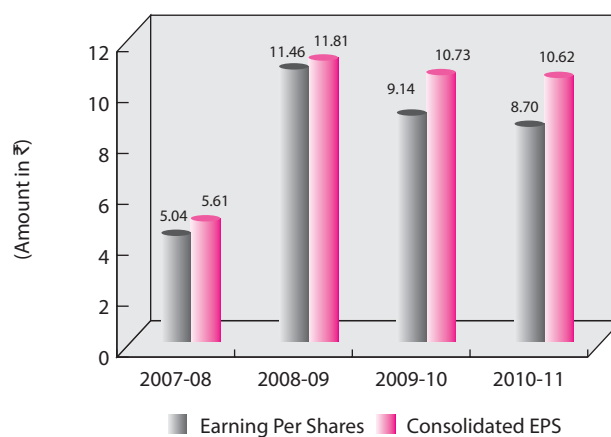
\$ Dividend % is based on pre bonus equity of ₹ 12.13 crores.

** Refers to post conversion of preferential warrants.

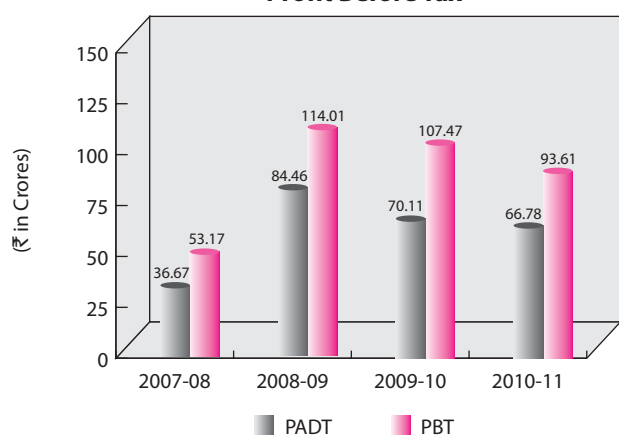
Export & Total Income



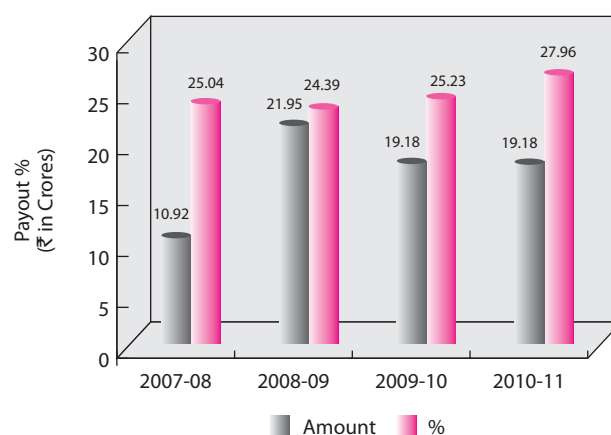
Earning Per Share & Consolidated EPS



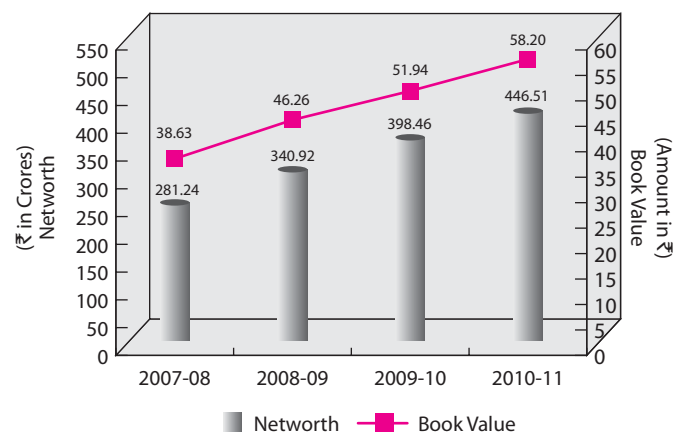
Profit After Deferred Tax and Profit Before Tax



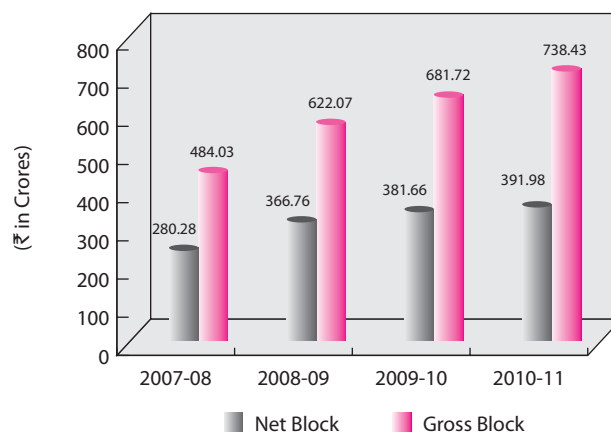
Dividend Payout



Network & Book Value



Net Block & Gross Block





AARTI INDUSTRIES LIMITED

NOTICE:

Notice is hereby given that the Twenty Eighth 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 Tuesday, the 27th day of September, 2011, 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, 2011 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 a final dividend for the financial year ended 31st March, 2011.
- 3 To appoint a Director in place of Shri Rashesh C. Gogri, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Shri Parimal H. Desai, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
- 5 To appoint a Director in place of Shri K.V.S. Shyam Sunder, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
- 6 To appoint a Director in place of Shri P. A. Sethi, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
- 7 To appoint a Director in place of Shri Bhavesh R. Vora, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
- 8 To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- 9 To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to provision of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Members hereby approves the reappointment and terms of remuneration of Smt. Hetal Gogri Gala, Whole-time Director of the Company for a period of five years with effect from 1st November, 2011 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 Smt. Hetal Gogri Gala.

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

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

Place: Mumbai
Date: 30th May, 2011

By order of the Board
Sd/-
MONA PATEL
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY(S) TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY(S) 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(2) of the Companies Act, 1956 in respect of the Special Business at Item No. 9 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 20th September, 2011 to 27th September, 2011 (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. The Members are requested to note:
 - (i) **Change of Address /Bank details:** Members holding shares in physical form are requested to inform the Company's Registrar and Transfer Agent, 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) Members holding shares in dematerialized form are requested to register their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) with their Depository Participants.
 - (iii) Members holding shares in physical form are requested to provide their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) along with their Folio Number to the Company's Registrar and Transfer Agent (RTA), M/s. Sharepro Services (India) Private Limited.
 - (iv) 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.
 - (v) 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.
 - (vi) The Company has transferred unclaimed amounts of dividend for the year 2002-03 and unclaimed amounts of Interim Dividend declared for the year 2003-04 to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.



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

Particulars	Shri Rashesh C. Gogri	Shri Parimal H. Desai	Shri K.V.S. Shyam Sunder
Date of birth and age	03.06.1974 (37 years)	29.05.1949 (62 years)	29.07.1942 (69 years)
Date of Appointment	09.06.1997	28.09.1984	23.09.2008
Qualifications	Industrial Engineer and holds Diploma in Business Management	Chemical Engineer from UDCT	B.Com, ACA
Experience and expertise in specific functional areas	He has more than 16 years experience in Marketing and Finance.	He has more than 33 years experience in Development and Project Implementation in the Chemical Industry.	He is a fellow member of the Institute of Chartered Accountant of India and a seasoned banker with over 30 years of enriched banking experience. He is also a Partner in Singrodia Goyal & Co. He is an expert in Corporate & Retail Banking, Risk Management, Credit Rating, Reviewing & Monitoring System and Loan Policies.
Directorships held in other (excluding foreign) Companies	Aarti Healthcare Ltd. Ganesh Polychem Ltd. Crystal Millennium Realtors Pvt. Ltd. Alchemie Dye Chem Pvt. Ltd. Gogri and Sons Investments Pvt. Ltd. Alchemie Leasing and Financing Pvt. Ltd. Anushakti Chemicals and Drugs Ltd. Aakansha Pharmachem Pvt. Ltd. Dhaval Realtors (India) Pvt. Ltd. Spark Academy Pvt. Ltd.	Alchemie Dye Chem Pvt. Ltd. Aarti Healthcare Ltd. Aarti Corporate Services Ltd. Nikhil Holdings Pvt. Ltd. Mindcruisers Consulting Pvt. Ltd.	Ladderup Finance Ltd. Liners India Ltd. Ladderup Wealth Management Pvt. Ltd. Ladderup Corporate Advisory Pvt. Ltd.
Memberships/Chairmanships of committees across Public Companies	<u>Share Transfer Committee:</u> Aarti Industries Limited - Member <u>Finance Committee:</u> Aarti Industries Limited - Member <u>Audit Committee:</u> Anushakti Chemicals and Drugs Limited - Member	<u>Finance Committee:</u> Aarti Industries Limited - Member <u>Audit Committee:</u> Aarti Industries Limited - Member Aarti Healthcare Limited - Chairman	<u>Audit Committee:</u> Ladderup Finance Ltd. - Member Aarti Industries Limited - Member <u>Shareholders' Grievance Committee:</u> Ladderup Finance Ltd. - Chairman
Number of shares held in the Company	2931912	399351	Nil

Twenty Eighth Annual Report 2010-2011

Particulars	Shri P.A. Sethi	Shri Bhavesh R. Vora
Date of birth and age	19.10.1944 (66 years)	13.09.1967 (43 years)
Date of Appointment	23.09.2008	23.09.2008
Qualifications	B.Com, CAIIB	B.Com, ACA
Experience and expertise in specific functional areas	He was an Executive Director in Vijaya Bank from March, 2003 to October, 2004. He has more than 46 years experience in Banking sector. He has worked as a General Manager and Deputy General Manager for many years.	He is a Practicing Chartered Accountant, with more than 24 years of experience in working in the field of Stock Brokers' Audits, Compliances, Derivatives, Futures & Options, Accounting Standards and Internal & Management Audit areas.
Directorships held in other (excluding foreign) Companies	Pro-G Agro Pvt. Ltd. Valuable Technologies Ltd. Valuable Media Ltd.	Aarti Drugs Ltd.
Memberships/Chairmanships of committees across Public Companies	<u>Audit Committee:</u> Aarti Industries Ltd. – Member <u>Remuneration Committee:</u> Valuable Technologies Ltd. - Member Valuable Media Ltd. – Member	<u>Audit Committee:</u> Aarti Industries Ltd. – Member Aarti Drugs Ltd. – Member <u>Shareholders' Grievance Committee:</u> Aarti Drugs Ltd. – Member
Number of shares held in the Company	Nil	Nil

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

Place: Mumbai
Date: 30th May, 2011

By order of the Board

Sd/-
MONA PATEL
Company Secretary

Important Communication to Members for registration of E-mail IDs

The Ministry of Corporate Affairs has taken a **"Green Initiative in the Corporate Governance"** by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by E-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their E-mail addresses, so far, are requested to register their E-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Such registration of E-mail ID will help Company to Communicate Quarterly Results, Corporate Action, Corporate Announcements, Press Release etc. related to the Company on such registered E-mail ID on regular basis. Members who hold shares in physical form are requested to fill the appropriate information in the Request for E-mail ID Form (refer page 77 of the Annual Report) and register the same with the Company's Registrar and Transfer Agent, M/s. Sharepro Services (India) Private Limited.



Annexure to the Notice

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

Item No. 9

Smt. Hetal Gogri Gala has been the Whole-time Director of the Company since 1st November, 2001. Based on the recommendation of the Remuneration Committee duly approved by the resolution passed at its meeting, the Board of Directors have reappointed Smt. Hetal Gogri Gala as the Whole-time Director of the Company with effect from 1st November, 2011, for a period of five years, on expiration of her previous term, subject to the approval of the members in General Meeting upon the terms and conditions set out in the draft Agreement to be entered into by the Company with her. The said agreement, inter-alia, contains the following material, terms and conditions:

1. **Period of Agreement:** 01.11.2011 to 31.10.2016

2. **Remuneration:**

(a) **Salary:**

Salary of ₹ 1,21,000/- per month with power to the Board to make annual increment subject to maximum salary of ₹ 3,50,000/- per month.

(b) **Commission:**

In addition to the salary as above, the Whole-time Director shall also be entitled to be paid share in aggregate commission calculated at the rate of 2% of net profit of the Company computed under section 349 of the Companies Act, 1956 payable to all Managing/Whole-time Directors of the Company. The share of such commission shall be determined by the Board of Directors of the Company. Such Commission shall be payable annually after the annual accounts are adopted by the shareholders.

(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 Superannuation 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