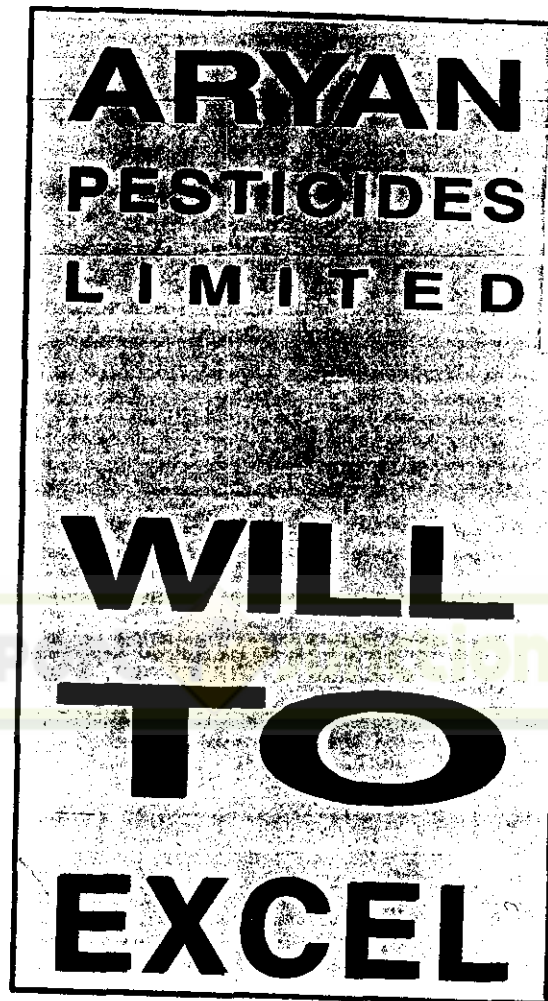


EIGHTH ANNUAL REPORT

1998 – 99





The Eighth Annual General Meeting
of the Company will be held on
Thursday, 16th September, 1999

at

The Registered Office of the Company,
Plot No. 1, 2, 26, & 27, MIDC, Dhatav,
Roha, Dist. Raigad, Maharashtra,
at 12 Noon.

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Shareholders are requested to bring their
copy of the Annual Report with them
at the meeting.

**DIRECTORS**

Mr. J. N. Tawakley - Chairman
 Mr. K. S. Natrajan - Managing Director
 Mr. S. J. Tawakley - Whole Time Director
 Mr. S. C. Ganatra - Whole Time Director
 Dr. K. B. Mathur - Director
 Mr. H. C. Mathur - Director
 Mr. D. P. Patil - Nominee (IDBI)
 Mr. M. D. Thakur - Nominee (SICOM)

COMPANY SECRETARY

Mr. Rajiv Gandhi

AUDITORS

A. L. Kapani & Co.
 Chartered Accountants

BANKERS

Corporation Bank
 Canara Bank

CORPORATE OFFICE

B-206/212 Arjun Centre
 B. S. Devshi Marg
 Govandi (East)
 Mumbai - 400 088.
 Tel. : 5554484 / 5572124 / 5569171 / 5576490
 Fax : 5572123
 Email: aryan@bom3.vsnl.net.in
 Website: www.aryanindia.com

REGISTERED OFFICE

Plot Nos. 1, 2, 26 & 27
 MIDC, Dhatav
 Roha 402 116
 Dist Raigad
 Maharashtra

PLANT

Roha, Maharashtra.

**REGISTRAR AND SHARE
TRANSFER AGENT**

Purva Sharegistry (India) Pvt. Ltd.
 33, Printing House, 28, Police Court Lane,
 Fort, Mumbai-400 001.



DIRECTORS' REPORT

To
THE MEMBERS,

Yours Directors present the Eighth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1999.

I. GENERAL :

The Economic growth for the period under review was around 5.8%, which was lower than anticipated. The agricultural sector showed a negative growth rate of 1.8%. The performance of the manufacturing sector also was not as per the desired level and to the mark. The industrial production showed an increase of only 3.9%, which is almost half as compared to the last year. The export markets also have for the third consecutive year faced rough weather. Though a lot of measures to boost the economic growth had been announced by the government but the markets have adversely responded to these measures mainly due to the political uncertainty in the Country.

However the first Quarter of 1999-2000 has shown some sign of revival and has recorded a marginal improvement of 4% in the overall exports of the Country.

II. FINANCIAL RESULTS :-

| | (Rs. in lacs) | |
|--|----------------------------|-----------------------------|
| | 1998-99 Current Year | 1997-98 Previous Year |
| Sales | 5505.91 | 5830.44 |
| PROFIT BEFORE TAX | 312.82 | 507.75 |
| PROFIT AFTER TAX | 287.82 | 467.76 |
| Add : Balance Brought forward from previous year | 17.70 | 39.26 |
| Profit available for appropriation | 269.61 | 470.81 |
| APPROPRIATIONS : | | |
| Proposed Dividend (inclusive of dividend tax) | 55.31 | 53.11 |
| Transfer to Reserve | 200.00 | 400.00 |
| Balance carried forward | 14.30 | 17.70 |

III. OPERATIONAL PERFORMANCE :

The sales for the year has registered a marginal decline of about of 6% as compared to the sales of last year. This was mainly due to a lower off take in Paracumidine, Ortho Anisidine & Meta Chloro Aniline. Since the Company is mainly producing intermediates finding applications in agrochemicals dyestuffs etc., the continuous slow down and recession in these industries has affected the sales of Paracumidine and Ortho Anisidine. This has also resulted in sharp reduction in the selling price thus putting further pressure on margins. However, Ortho Phenylene Di-amine continued to perform well.

A few new applications for the existing products in the agrochemical, pigments and pharma industry have been found out during the past year. Your directors expect encouraging growth in sales from the existing as well as the prospective buyers.

Due to the superior quality all the products are market leaders and are well received in the domestic as well as in the international markets. Due to the introduction of a new process last year there has been a further improvement in the quality and yield of the Products.

The fact that the year under review has seen many major players of the industry slipping into deep red your Company with it's commitment to its customers of delivery on time along with the quality of the products has been able to sustain a relatively sluggish market and depressed conditions.

IV. DIVIDEND :

Your Directors are pleased to recommend dividend of 10% on the Equity Share Capital of Rs. 502.82 Lacs, which will result in an outflow of Rs. 55.31 Lacs as compared to Rs. 53.11 paid in the last year. In view of the less than expected profits and in order to conserve the resources for the future requirements it was decided to keep the rate of dividend at the same level as that of last year. The dividend when paid will be tax free in the hands of the shareholders, however the Company will pay a dividend tax @ 10%.

V. EXPORTS :

During the year under review due to the on going recessionary trend world over and the financial turmoil faced by the South East Asian Countries in particular have affected the exports of your Company. The export of the company was lower by around 41% over the previous year's exports of the Company.

Yours directors are hopeful for the current year as there is some sign of revival of major economies and also because of interest shown by a few major players in the products of the Company. The Company also plans to penetrate new untapped international markets with the help of its existing marketing network.



VI. INTRODUCTION OF NEW PRODUCTS :

It has always been the policy of the Company to introduce new products which have wide applications in various industries. In line of the policy of the Company, few products will be introduced in the market, which will help in broadening the product portfolio of the Company.

The Company expects to export a major portion of the production of these products to the European Countries as a few major players in the industry have already shown keen interest in procuring the same from us.

VII. FINANCE :

The Company has availed a Term Loan from IDBI & Export Import Bank of India (EXIM). A further loan was availed from Industrial Investment Bank of India Limited (IIBI), for strengthening its long term working capital.

The Working Capital facilities enjoyed by the Company were sufficient for the Company to carry on its operation for the year.

VIII. FIXED DEPOSITS :

Your Company has not accepted or renewed any deposits from public / shareholders during the year.

IX. DIRECTORS :

Mr. S. J. Tawakley and Mr. Shailesh C. Ganatra, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

X. AUDITORS :

M/s. A.L. Kapani & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment. Your Directors commend their reappointment for the ensuing year.

XI. YEAR 2000 COMPLIANCE :

The Year 2000 (Y2K) problem occurs because some computer systems use only the last 2 digits of the year for specifying a date.

Your Company has engaged it self into the process of being a Y2K compliant company and formed a core group in close association with professional consultants of the Company, which has initiated the process of identifying the systems, which may be affected by the problem. Your Company expects to be Y2K Compliant by the end of September, 1999. The likely cost to be incurred for the compliance with not have any material bearing on the Company's financial position.

XII. PARTICULARS OF EMPLOYEES :

The information as per Section 217(2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the

Director's Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

XIII. ECOLOGY & SAFETY :

The rapid growth in industrialisation has made the environment its biggest casualty. Your company has always accorded its highest priority on developing systems and process, which are safe and have minimal effect on the ecology.

Effective steps have been taken to control pollution from effluents. The Constant review of the plant has resulted in zero solid waste and minimal liquid waste.

XIV. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information required under the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Report, is also annexed hereto.

XV. RESEARCH AND DEVELOPMENT :

The focus of the R&D team mainly remains on improving the process of the existing products for maximising the yields through introduction of new techniques and balancing equipment's, along with developing alternate process and developing new value added products.

XVI. INDUSTRIAL RELATION :

Your Directors are proud to take note that the industrial relations during the year were satisfactory. Your Directors would like to place on record their sincere appreciation for the contribution made by all the employees of the company at various levels.

XVII. ACKNOWLEDGMENT :

Your Directors place on record their appreciation for the co-operation extended at all levels by Central and State Governments, Financial Institutions, Bankers, Shareholders, various statutory authorities and all others who are continuing to assist your Company.

For and on behalf of the Board

J. N. Tawakley
Chairman

Place : Mumbai
Date : 28th July, 1999



to production in improving and modifying existing products and processes.

4. Expenditure incurred on Research & Development :

(Rs. in lakhs)

| | |
|--|------|
| Capital Expenditure | 3.87 |
| Recurring Expenditure | 3.92 |
| Total Expenditure | 7.79 |
| Total R & D Expenditure as a (%) of total turnover (Rs.) | 0.14 |

b) Technology absorption, adoption and Innovation:

1. Efforts made towards technology absorption, adoption and innovation :

A High Turbine Stirrer was installed to stir the vessels in use for production. Hydrogenation process was implemented for reduction of all the products.

2. Benefits derived as a result of the above efforts:

With the introduction of high turbine stirring the quantity of water used in the production process

has come down by approximately 30%. The introduction of the hydrogenation process has helped in improving the quality of the products further and has also resulted in zero solid waste.

3. Details of Technology Imported :

The Company has not imported any technology.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. in Lacs)

| | |
|--------------------------------------|--------------|
| Foreign Exchange earned on FOB basis | : Rs. 578.33 |
| Foreign Exchange used | : Rs. 195.18 |

For and on behalf of the Board

J. N. Tawakley
Chairman

Place : Mumbai
Date : 28th July, 1999



AUDITORS REPORT

TO THE MEMBERS OF ARYAN PESTICIDES LIMITED

We have examined the attached Balance Sheet of M/s. ARYAN PESTICIDES LIMITED as at 31st March, 1999 and also annexed Profit and Loss Account of the Company for the year ended on that date, and report that :-

1. As required by the Manufacturing and other companies (Auditor's Report) Order, 1988, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :-
 - (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit ;
 - (b) In our opinion, books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books ;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
 - (d) In our opinion, and to the best of our information and according to the explanations given to us, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;
 - (i) In case of the Balance Sheet of state of affairs of the Company as at 31st March, 1999
 - and
 - (ii) In the case of the Profit & Loss Account the Profit for the year ended on that date.

For and on behalf of
A. L. KAPANI & CO.
 CHARTERED ACCOUNTANTS

A. L. KAPANI
 PROPRIETOR

Place : Mumbai
 Date : 28th July, 1999