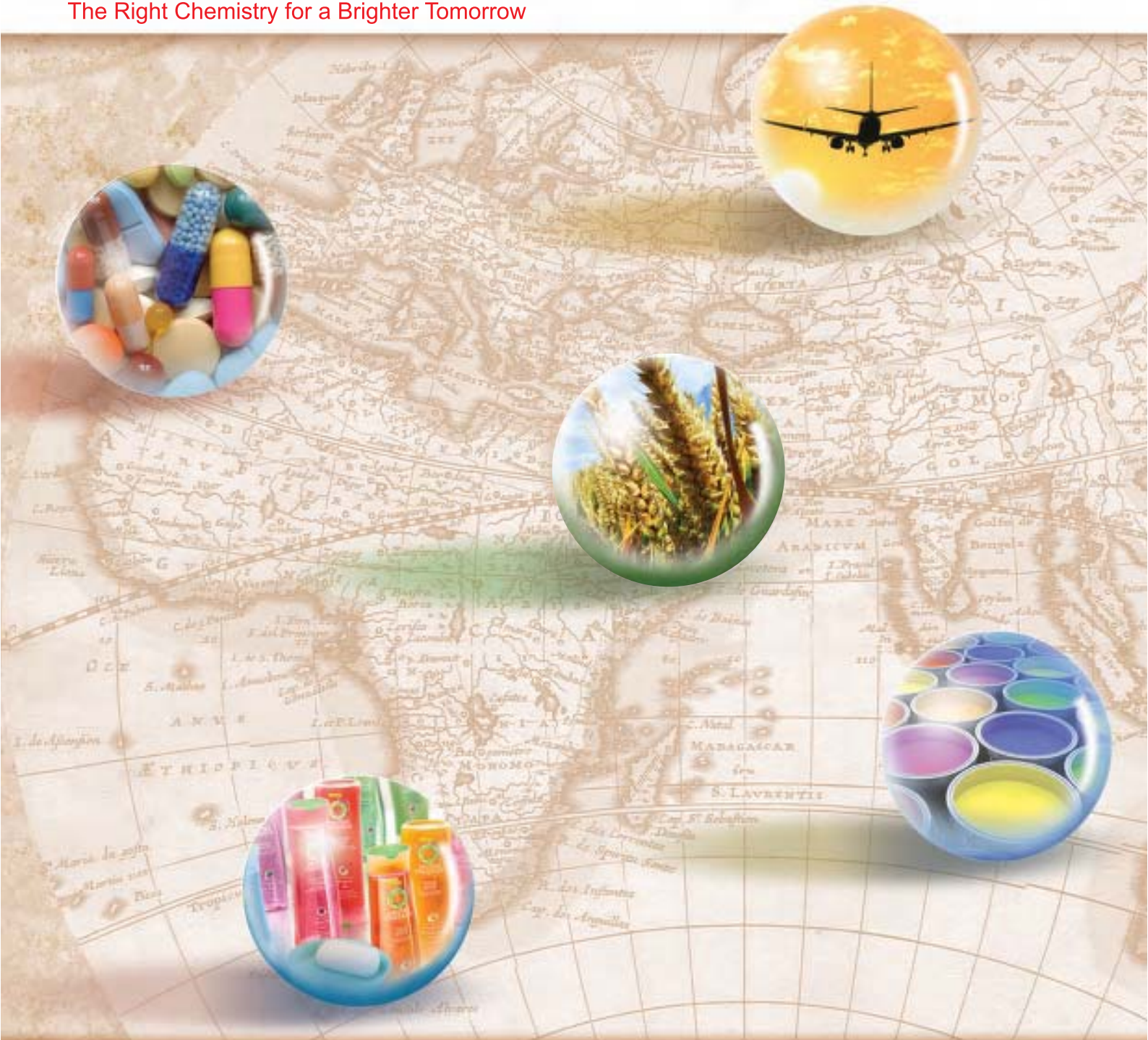




AARTI INDUSTRIES LIMITED

The Right Chemistry for a Brighter Tomorrow



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

Haresh 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

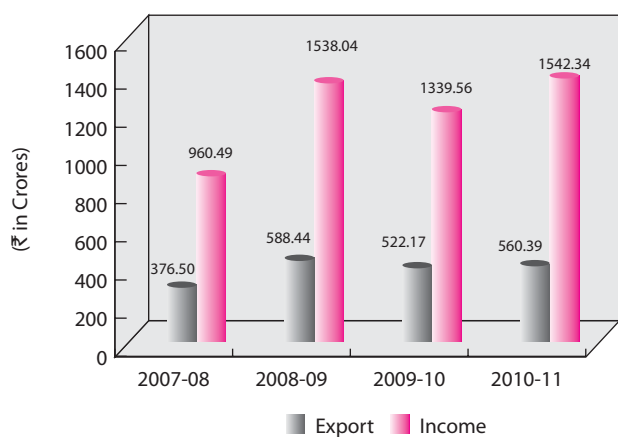
* Refers to post bonus value.

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

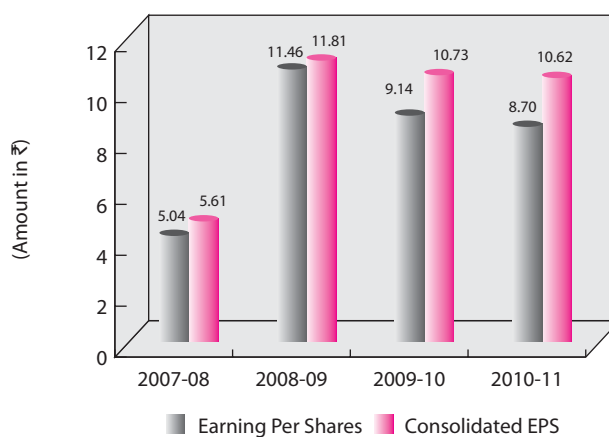
\$ Dividend % is based on pre bonus equity of ₹ 12.13 crores.

** Refers to post conversion of preferential warrants.

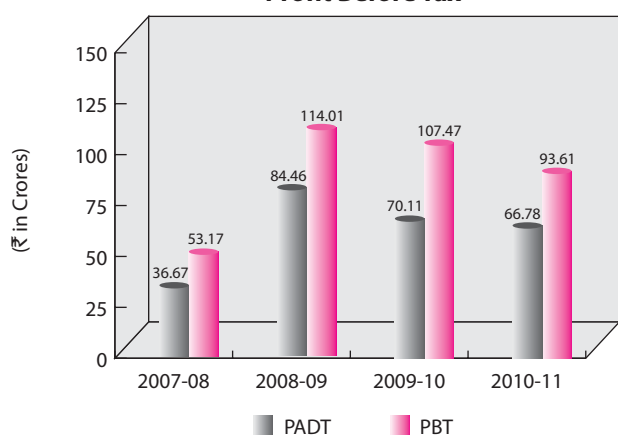
Export & Total Income



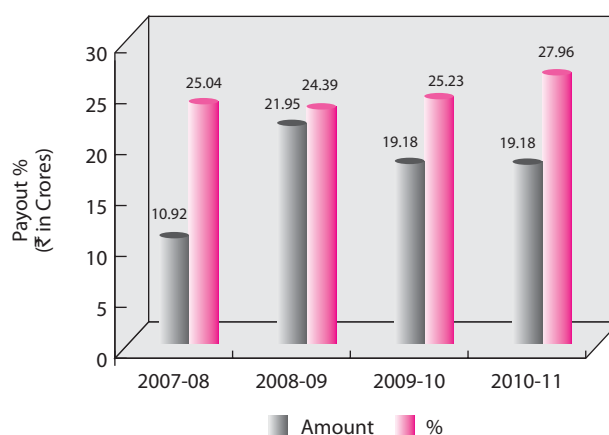
Earning Per Share & Consolidated EPS



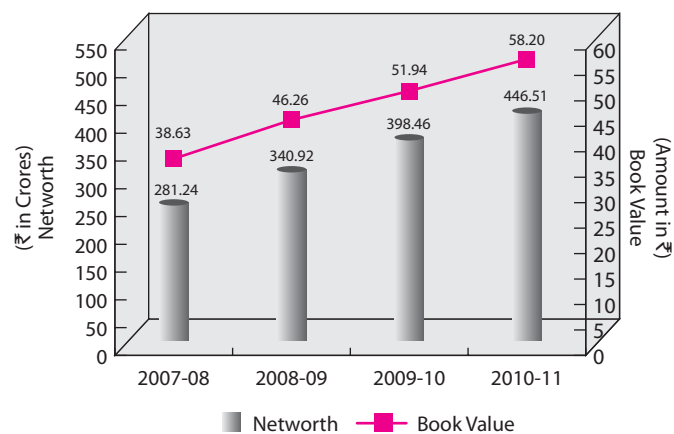
Profit After Deferred Tax and Profit Before Tax



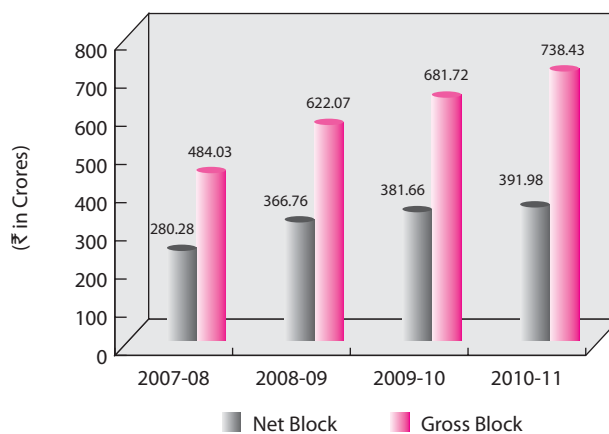
Dividend Payout



Networth & Book Value



Net Block & Gross Block





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	Share Transfer Committee: Aarti Industries Limited - Member Finance Committee: Aarti Industries Limited - Member Audit Committee: Anushakti Chemicals and Drugs Limited - Member	Finance Committee: Aarti Industries Limited - Member Audit Committee: Aarti Industries Limited - Member Aarti Healthcare Limited - Chairman	Audit Committee: Ladderup Finance Ltd. - Member Aarti Industries Limited - Member Shareholders' Grievance Committee: 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	Audit Committee: Aarti Industries Ltd. – Member Remuneration Committee: Valuable Technologies Ltd. - Member Valuable Media Ltd. – Member	Audit Committee: Aarti Industries Ltd. – Member Aarti Drugs Ltd. – Member Shareholders' Grievance Committee: 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

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 her 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 herein and/or Agreement may be altered and varied by the Board from time to time at their discretion as they may deem fit 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 her is subject to the approval of the members 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 Smt. Hetal Gogri Gala pursuant to section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Smt. Hetal Gogri Gala 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.

Smt. Hetal Gogri Gala is interested in the said resolution. Shri Chandrakant V. Gogri and Shri Rashesh C. Gogri are deemed to be interested in the resolution as they are related to her. 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

Place: Mumbai
Date: 30th May, 2011

By order of the Board

Sd/-
MONA PATEL
Company Secretary



DIRECTORS' REPORT & MANAGEMENT DISCUSSION & ANALYSIS

TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

Your Directors are pleased to present this Twenty Eighth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Gross Sales	151,327	132,526	153,530	133,710
Less:- Excise Duty	7,645	4,837	7,645	4,837
a) Net Sales	143,682	127,689	145,885	128,873
b) Add:- Other Operating Income	2,508	1,249	2,508	1,249
Total	146,190	128,938	148,393	130,122
Expenditure				
a) (Increase) / Decrease in Stock in Trade and work in progress	(1,633)	(3,285)	(1,528)	(2,905)
b) Consumption of raw materials	70,150	65,297	70,150	65,297
c) Purchase of Traded Goods	18,213	11,397	19,468	11,468
d) Employee Cost	3,887	3,403	3,929	3,454
e) Depreciation	4,792	4,475	4,981	4,707
f) Other Expenditure	36,224	31,914	36,585	32,411
Total	131,633	113,201	133,585	114,432
Profit from Operations before Other Income, Interest & Exceptional Items	14,557	15,737	14,808	15,690
Other Income	400	181	417	185
Profit before Interest & Exceptional Items	14,957	15,918	15,225	15,875
Interest	5,596	5,171	5,621	5,199
Profit after Interest but before Exceptional Items	9,361	10,747	9,604	10,676
Exceptional Items	-	-	-	-
Profit from Ordinary Activities before Tax	9,361	10,747	9,604	10,676
Tax Expenses:-				
a) Provision for taxation-Current	2,500	3,146	2,585	3,178
b) Provision for Deferred Tax	183	590	328	650
Total	2,683	3,736	2,913	3,828
Net Profit From Ordinary Activities After Tax	6,678	7,011	6,691	6,848
Extra-ordinary Items	-	-	-	-
Net Profit	6,678	7,011	6,691	6,848
Minority Interest	-	-	(86)	(11)
Share of Profit from Associate Net	-	-	1,544	1,398
Net Profit after consolidation	-	-	8,149	8,235

DIVIDEND

Your Company had declared and paid Interim Dividend of ₹ 1.25 ps. (@ 25%) per share (of ₹ 5/- each). Your Directors are pleased to recommend Final Dividend of ₹ 1.25 ps. (@ 25%) per share (of ₹ 5/- each) for the year 2010-11. The total amount of Dividend pay-out for the year would be ₹ 19.18 Crores same as previous year.

FINANCIALS

During the year under review, the Company had achieved the turnover of ₹ 1538.35 crs as against ₹ 1337.75 crs in the previous year. Operating profit before Interest, Depreciation, Tax & Non-operating expenses was at ₹ 198.30 crs as compared to ₹ 205.69 crs for the last year. Profit before tax had been ₹ 93.61 crs for FY 10-11 as compared to ₹ 107.47 crs in FY 09-10.

Company posted Profit After Tax and Deferred Tax of ₹ 66.78 crs vis-à-vis ₹ 70.11 crs for the last year. Company's performance was affected in mid of the year on account of the major expansion programmes carried out by the Company and hence the profitability is marginally impacted in FY 10-11 as compared to the previous year.

Company's consolidated Gross Income was ₹ 1560.38 crs as compared to ₹ 1349.59 crs for the year 2009-10. Further, the share of profit from associates increased from ₹ 13.98 crs to ₹ 15.44 crs in FY 2010-11. The Net Profit after consolidation of the Company was ₹ 81.49 crs vis-à-vis ₹ 82.35 crs for the last year. Consolidated EPS for FY 2010-11 was at ₹ 10.62 as against ₹ 10.73 for FY 2009-10.

CHEMICAL INDUSTRY - STRUCTURE & DEVELOPMENT

Over the last one year, the global economy has changed significantly. While the Chemical Industry remains closely impacted by various global economic events, it is also not aloof to the events happening in the domestic economy. We had seen the impact of political unrest resulting to the volatility in petroleum based products, and on the other hand, the economic crisis in Europe and US added to the sovereign risks and in turn increased the credit risks while dealing in international markets.

In spite of these uncertain events, the Chemical Industry is expected to grow on account of the increase in the demand of various products. This is because of general rationalization of global inventory levels and also on account of the fast increasing consumption demand from the developing nations. As a result, we envisage a growth in demand in segments such as Polymers, Agrochemicals, Rubber Chemicals, Paints & Pigments, FMCG, etc.

As regards the global chemical industry, lower fixed assets cost / set-up cost and availability of skilled technical manpower required for such operations such as Chemist, Engineers, etc at relatively lower costs had promoted the shift of production base for various chemicals to India & China over last 4 – 5 years. India & China continue to feed to the growth of Speciality Chemicals & Pharmaceuticals in global space. Further, the relative appreciation in Chinese Yuan vis-à-vis Indian Rupee and relative appreciation in labour cost in China will add to the competitiveness of Indian Players in global markets (including China).

Your Company, with its global scale of operations and market reach, is well poised to capitalize on these opportunities and we anticipate the exports to China and other territories to grow steadily.

MANUFACTURING OPERATIONS AND INNOVATIVE TECHNOLOGIES

Your Company derives its strength from its strong Management team comprising Whole-time Directors being technocrats with sound entrepreneurial skills. They are supported by a team of loyal Scientists, Engineers, Chemists, etc. who have played an active and critical role in setting up your Company as a multi location, multi product entity with diversified end-usages/ applications. In-house R&D centers, constantly adds to the growth by continuous research on newer products, development of innovative processes to improve efficiency, yield and also to reduce the energy consumption as well as effluents. The Company has always given priority to Environment, Health and Safety and, with this principle, the Company has been constantly technologically upgrading its ETP facilities. The combined efforts of production team as well as R&D initiatives have helped the Company to become pioneer in developing various innovative processes which are more efficient and environment friendly.

During the year, the Company had undertaken significant expansion and up-gradation projects to improve, enhance and diversify its range of products. During the year, the Company has also completed the process of up-gradation of its Hydrogenation Technology. The Company had earlier pioneered and commissioned an eco-friendly Buss Loop Hydrogenation Technology. Over the years the technology has been upgraded and thus the Company had taken-up this exercise to adopt this upgraded technology. The Company has been able to commission and commercialise this upgraded technology by 2nd quarter of last year. This will progressively increase the operative production capacities for its Speciality/Agro Chemicals from around 700 tpm to around 1500 tpm during FY 2011-12. With these economies of scale, your Company will be the leading global manufacturer in this range of products.

The Company is also in the process of setting up a 2 MW/H power plant for captive consumption. A Specialized Super-heated Boiler is being installed in this power plant which will superheat the steam. This superheated steam will be used for the dual purpose of generating power and also as process steam as required in the manufacturing processes. Hence, the variable cost for generation of power is expected to be significantly low at around ₹ 1/- per unit. This will result in an annual savings of ₹ 7 – 8 crs in power cost. This will further result into significant reduction in carbon emission in this power plant as compared to traditional power plants.



MARKET

Your Company has global scale of manufacturing units with a varied mix of diversified and value added chain of products supplied to a customer base of over 600 domestic and 300 global customers. The customized delivery solutions have positioned your Company as “Preferred Supplier” to various MNCs for past several years. All this have helped your Company to emerge as a market leader in India and it also globally ranks at 1st – 5th position for more than 75% of its top 50 products. Exports for the Company had grown to ₹ 560.39 crs in FY 2010-11 as against ₹ 522.17 crs in FY 2009-10. Introduction of newer products will further boost the growth in Exports in coming years.

To facilitate the growth of the Company's businesses in Europe, the Company has registered its key products under the REACH Regulations (which are now becoming mandatory in a phased manner for doing the business in Europe). This high cost of registration itself becomes an entry barrier especially for smaller players to enter the European markets. Thus registration would also in a way help to maintain as well as improve our presence in these related markets.

China: A growing market and not a threat.

Your Company is a net exporter to China, with exports to China contributing to over 10% of total exports of the Company (Exports to China were at ₹ 58.4 crs for FY 2010-11). Your Company's backward integrated global size facilities, consistent quality, customized delivery solutions has made your Company a strategic and competitive source for various Chinese consumers. Your Company, thus, looks upon China as a significant-cum-strategic growing market and not as a threat to its growth Plan.

Product Range

Your Company is a leading manufacturer of Speciality Chemicals with diversified end-uses into Agrochemicals, Pharmaceuticals, High Performance Polymers, Paints, Pigments, Printing Inks, Rubber Chemicals, Additives, Surfactants, Dyes, Flavours & Fragrances, Home & Personal care applications, etc. Your Company takes continuous efforts to explore and innovate new products & processes in all segments. Details of some of the segments are presented below:

Agricultural Sector

The growth in Indian population coupled with Indian economic growth has evidenced the growth in demand for agricultural and nutritional products. The same scenario is also reflected globally as well, wherein the prices of agricultural products have been constantly increasing. The farmers are keen to maximize the produce and have increased the use of Agrochemicals to safeguard and maximize the produce. This has resulted in the global increase in demand of Agrochemicals. Your Company expects the demand for Agrochemicals and Agro-based intermediates/ Agri-inputs to increase consistently. Envisaging the same, the Company has expanded its production capacity for its key Agro based Intermediates in FY 2010-11. The Company also plans to invest further in de-bottlenecking of its existing Single Super Phosphate (also known as SSP which is a commonly used fertilizer) plant to meet the growing demand.

High Performance Polymers

Increase in fuel cost has increased need for more fuel efficient modes of transportations (such as Automobiles, Aerospace, etc). While lots of innovations are being done in this regard, we expect the demand for fuel efficient technologies and its applications to grow steadily. In the process to reduce the weight, the newer carriers are now using high performance polymers as a replacement of metal components. Apart from this, these polymers also find usage in electronics, mobile communication technologies, etc. Thus the demand for these high performance polymers is expected to grow significantly. Anticipating the same, your Company had already taken R&D initiatives to develop products targeting the applications in these high performance polymers. Your Company is in the process of expanding the capacities for these products as per market requirements. Your Company is also in the process of developing few other products in this space and expects to launch them soon.

Pharmaceuticals

The Company had posted a growth of over 20% in its Pharmaceuticals Segment. The Company possesses two US Food & Drug Administration approved units; first one is at Tarapur for manufacture of various API products and the second one for its intermediate manufacturing unit at Vapi. While the pharmaceutical segment of the Company had reported an annual segment loss of ₹ 6.31 crs for FY 2010-2011 (Previous year ₹ 6.36 crs), the segment had actually turned around in the last quarter of the FY 2010-11 and had break-evened at the same time with positive segment profit of ₹ 0.04 crs for the last quarter of FY 2010-11. The Company expects to increase its volumes to the Regulated markets and hence expects this segment to perform better going forward and would be a key growth driver for your Company's growth.

Home & Personal Care

The Company has been manufacturing various Sulphonated compounds having application in the Home & Personal Care segment from its unit at Silvassa. During the last financial year, the Company has commercialised a new Sulphonation Unit at Pithampur in the State of Madhya Pradesh. This unit has capabilities to manufacture 7500 mt per annum of Sulfonated compounds on active basis. The strategic location of the unit, helps to provide locational and logistical advantage to serve needs of FMCG manufacturing Companies in Central and Eastern States of India. The Company now targets to increase its market share of segment in India and also to penetrate this export markets to cater to the needs of the global customers.

Investment in New Ventures

The Company has taken up a stake in Aarti Udyog LLP with an investment of ₹3.80 crores. This entity shall be investing into real-estate project with good prospects.

SEGMENT-WISE PERFORMANCE

(₹ in Lakhs)

Sr. No.	Particulars	Financial Year 2010 - 2011	Financial Year 2009 - 2010
(A)	Primary Segments : Business Segments		
	Segment Revenue		
	a) Basic Chemicals	31,349	25,440
	b) Speciality Chemicals	111,946	99,537
	c) Agro Chemicals	6,165	5,391
	d) Pharmaceuticals	14,174	11,792
	Total	163,634	142,160
	Less: Inter-segment Revenue	9,799	8,384
	Net Sales / Incomes From Operations	153,835	133,776
	Segment Results		
	(Profit) (+) Loss (-) Before Tax And Interest from each Segment		
	a) Basic Chemicals	5,126	5,682
	b) Speciality Chemicals	12,569	14,045
	c) Agro Chemicals	1,290	650
	d) Pharmaceuticals	(631)	(636)
	Total (A)	18,354	19,741
	Less: Interest	5,596	5,171
	Other Un-allocable Expenditure Net of Income	3,397	3,823
	Total (B)	8,993	8994
	Total Profit Before Tax (A – B)	9,361	10,747
(B)	Secondary Segment : Geographical Segments		
	a) India	101,114	84,784
	b) Out of India	52,721	48,991
	Total	153,835	133,775

SEGMENT 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

Your company is monitoring the global economic and political events and the likely impact of the same on the performance of the Company and has been taking necessary steps to mitigate risks to insulate itself from the same. Your Company



perceives risks or concerns common to industry such as regulatory risks, exchange risk, high raw-material cost and other commercial & business related risks. Your Company generally passes on the volatility in the prices of key raw materials to its customers. Even in cases of long term supply contracts, the prices of finished products are linked to the then prevailing international prices of its respective key raw materials.

GROUP

Persons and Companies, apart from Other Promoters and Promoter Group Companies, Comprising "Group" are disclosed in the Note No. 16 of Schedule 'P' notes to accounts for the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 as amended upto date.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has clearly laid down policies, guidelines and procedures that form part of internal control systems, which provide for automatic checks and balances. Your Company has maintained a proper and adequate system of internal controls. This ensures that all Assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorised, recorded and reported diligently. Your Company's internal control systems are commensurate with the nature and size of its business operations. The internal Auditors' Reports are regularly reviewed by the Audit Committee of the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

As required u/s. 217(2AA) of the Companies Act, 1956 (the Act):

- (i) That in the preparation of the Annual Accounts for the Year ended 31st March, 2011, the applicable Accounting Standards had been followed along with proper explanation for material departures, if any;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year of the profit of the Company for that year;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That Directors' have prepared the annual accounts on a going concern basis.

SUBSIDIARY COMPANIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the Subsidiary Companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the respective subsidiary companies will also be kept open for inspection at the Registered Office of the Company as well as at the head office of the respective Subsidiary Companies. The Consolidated Financial Statements presented by the Company include the financial results of its Subsidiary Companies.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements are enclosed which form part of the Annual Report and Accounts.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Shri Rashesh C. Gogri, Shri Parimal H. Desai, Shri K. V. S. Shyam Sunder, Shri P. A. Sethi and Shri Bhavesh R. Vora retire by rotation and, being eligible, offer themselves for re-appointment. A brief profile of the Directors proposed to be appointed/re-appointed is given in the notice of the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

Your Company has complied with the mandatory Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement. Report on Corporate Governance is annexed hereto forming part of this report.

DISCLOSURE OF PARTICULARS

Information as per the requirements of Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and Outgo are annexed hereto forming part of this Report.

ENVIRONMENTAL, SAFETY AND HEALTH

Your Company is committed to ensure sound Safety, Health and Environmental (SHE) performance related to its activities, products and services. The Company is taking continuous steps and also developing environment friendly processes for effective resource management with specific focus to energy, water and basic raw materials. Monitoring and periodic review of the designed SHE Management System is done on a continuous basis. The Company is committed to strengthen pollution prevention and waste abatement practices and strives to provide a safe and healthy environment.

CORPORATE SOCIAL RESPONSIBILITY

As contribution towards community development to fulfill the company's obligations towards the society, Company organizes many activities on regular basis including Blood Donation Camps, Health checkup camps, etc. The Company has been donating to several Hospitals, educational institutions, trusts, and contribution for area beautifications. The Company also contributes for relief measures in times of natural calamities. With the objective of providing basic primary and secondary education in the surrounding areas, your Company actively contributes for the up gradation & infrastructure development of the schools. The Company envisages the upliftment of society by way of enlightening and educating the masses. The Company plans to promote cheap as well as subsidized housing facilities for its employees and also deserving members of the society. The Company thus promotes the Shelter, Health and Education led modal for the general upliftment of the society.

PERSONNEL

As required by the Provision of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended up-to-date, the names and the other particulars of the Employees are set out in the Annexure to the Directors' Report. However, as per the Provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Reports and Accounts are being sent to all the 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.

AUDITORS

M/s. Parikh Joshi & Kothare, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

COST AUDITORS

The Cost Audit Report relating to Chemicals manufactured by the Company for the financial year 2009-10 was submitted to the Central Government on 20th September, 2010 within prescribed time. Ms. Ketki Visariya, Cost Accountant, was re-appointed as the cost auditor for the financial year 2011-12 and the report for the year 2010-11 will be submitted to the Central Government in due course.

INDUSTRIAL RELATIONS & HUMAN RESOURCES

The Company enjoys co-ordial relation with its employees at all levels. Your Company has continued to ensure safety and health of its employees. Your Directors record their appreciation of the support and co-operation of all employees and counts on them to be able to maintain Company's growth momentum.



ACKNOWLEDGEMENT

The Board of Directors places on record its sincere appreciation for the dedicated services rendered by the employees of the Company at all levels and the constructive co-operation extended by the staff. Your Directors would like to express their grateful appreciation for the assistance and support by all Government Authorities, Auditors, financial institutions, banks, suppliers, other business associates and last but not the least the Shareholders.

For and on behalf of the Board

Sd/-

CHANDRAKANT V. GOGRI

Chairman

Place: Mumbai

Dated: 30th May, 2011

CAUTIONARY STATEMENT

Statement in the Annual Report describing the Company's objectives, projections, expectations and estimates regarding future performance may be "Forward Looking Statements" and are based on currently available information. The Management believes these to be true to the best of its knowledge at the time of preparation of this Report. However, these statements are subject to certain future events and uncertainties, which could cause actual results to differ materially from those which may be indicated in such statements.

Annexure to Directors' Report

ADDITIONAL INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

1. CONSERVATION OF ENERGY

- a) Energy Conservation Measures taken
- Most of the places, replaced cooling condensers with heat exchangers to generate steam there by reducing the consumption of power & water & used the steam in the process and refrigeration.
 - Energy audit is conducted and recommendations are implemented.
 - Steam condensate recovery improved to increase the fuel efficiency of boiler.
 - Modified design of heat exchangers & reboilers to improve the steam efficiency.
- b) Additional Investments & Proposals, if any, being implemented for Reduction of Consumption of Energy:
- Implementation of Clean Development Mechanism Project, which will lead to higher recovery of Heat and thus, result in reduction of emission of green House gases.
 - The Company in the process of commissioning an captive and co-generation 2MW Power plant. The Company plans to super heat the steam which shall be used for generating power and shall later-on be re-routed for utilization in its manufacturing processes. The Company expects a significant savings in the consumption of natural resources/fuel by adoption of this process.
- c) The adoption of energy conservation measures indicated above result in savings in the cost of production.
- d) Total energy consumption and energy consumption per unit of Production:

I. POWER AND FUEL CONSUMPTION

Particulars	<u>2010-11</u>	<u>2009-10</u>
1. Electricity		
a) Purchased Units (KWH)	61,400,367	63,304,924
Total Amount (₹)	342,230,636	360,467,741
Cost/Unit (₹)	5.57	5.69
b) Own Generation through:		
(i) Diesel Generator Units (KWH)	2,603,732	3,455,334
Total Amount (₹)	29,358,709	37,100,296
Cost/Unit (₹)	11.28	10.74
(ii) Through Steam Turbine /Generator	29,719,000	25,024,200
Total Amount (₹)	93,999,077	75,130,393
Cost /Unit (₹)	3.16	3.00
2. Coal/Lignite		
Quantity (Kgs.)	140,577,269	159,477,179
Total Amount (₹)	434,373,214	424,135,265
Average rate (₹)	3.09	2.66
3. Furnace Oil/L.D.O.		
Quantity (Ltrs.)	4,445,626	4,893,202
Total Amount (₹)	137,440,345	125,424,555
Average Rate (₹) (per. Ltr.)	30.92	25.63
4. Natural Gas		
Quantity (SCM)	2,244,000	2,174,808
Total Amount (₹)	34,876,280	28,012,228
Average Rate (₹) (per. SCM)	15.54	12.88

**II. CONSUMPTION PER UNIT OF PRODUCTION**

Since the Company manufactures different types of products and its intermediates, it is not practicable to give consumption per unit of production.

2. RESEARCH AND DEVELOPMENT (R&D)

- a) Specific areas in which R&D carried out by the Company:

The R&D activities of the Company are carried out in the areas of bulk drugs, APIs, speciality chemicals and intermediate chemicals.

- b) Benefits derived as result of the above R&D:

The Company's R&D Centers at Vapi are showing satisfactory progress in their activities of development of new products and improvements in existing product efficiencies. The Company has been successfully commissioning manufacturing facilities based on the new developments in R&D. During the year, a wide range of indigenously developed products has been introduced and put into commercial use.

- c) Future Plan of Action:

The Company will continue with its activities in the field of R&D of development of new products and improvements in existing product efficiencies.

- d) The Company has incurred the following expenditure in Research and Development:

In the areas of new products and improvement in existing product efficiencies.

Expenditure on R & D	(₹ in Lakhs)
(a) Capital	46.74
(b) Revenue	417.35
(c) Total	<u>464.09</u>
(d) Total R&D Expenditure as a percentage of total turnover	0.30%

3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a) **Efforts, in brief, made towards technology absorption, adaptation and innovation:**

- Forward Integration for downstream products and expansion also with in house technology.
- Continuous endeavour to improve product quality and process yields.

- b) **Benefits derived as a result of above efforts:**

- Lower project costs for expansion
- Value addition
- Exports of higher value-added products resulting in increased foreign exchange earning.

- c) **Information regarding technology imported during the last 5 years: NIL**

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange Earnings and outgo were ₹ 52,721 Lakhs and ₹ 19,218 Lakhs respectively (previous year ₹ 48,991 Lakhs and ₹ 22,032 Lakhs respectively).

For and on behalf of the Board

Sd/-

CHANDRAKANT V. GOGRI
Chairman

Place: Mumbai
Dated: 30th May, 2011

REPORT ON CORPORATE GOVERNANCE

Your Company has complied in all respects with the applicable Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on the Corporate Governance compliance is furnished below:

(I) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Your Company is committed to the adoption and adherence to Corporate Governance Practices, which shall ensure that all the concerned parties associated with the Company obtain requisite information which would help them to make informed decision. Such Corporate Governance Practices help enhancement of long-term shareholder value and interest of other Stakeholder.

The Board fully appreciates the need of increased awareness for responsibility, transparency and professionalism and focus for effective control and management of the Organization. The Company has adequate number of Independent Directors and also has formed various committees for overview of the organization.

(II) MANDATORY REQUIREMENTS:

(1) BOARD OF DIRECTORS

(a) The Constitution of the Board and other relevant details are given below:

Aarti Industries Limited (AIL) Board presently consists of 16 Directors out of which 10 (Ten) are Non-Executive (including the Chairman who is Non-Executive) and 8 (Eight) Directors are Independent Directors. Except Managing Director, the other Directors are liable to retire by rotation.

Name of Director	Category	No. of other Directorship*	No. of Committee Membership in all Companies**		No. of Board Meetings Attended	Attendance at last AGM
			Chairman	Member		
Shri Chandrakant V. Gogri	Chairman, Non-Executive	2	2	1	6	Yes
Shri Rajendra V. Gogri	Vice-Chairman and Managing Director	4	None	2	7	Yes
Shri Shantilal T. Shah	Vice-Chairman, Non-Executive	3	None	1	7	Yes
Shri Parimal H. Desai	Executive	2	1	1	6	Yes
Shri Manoj M. Chheda	Executive	None	None	2	7	Yes
Shri Rashesh C. Gogri	Executive	3	None	1	5	No
Smt. Hetal G. Gala	Executive	2	None	None	7	No
Shri Kirit R. Mehta	Executive	1	1	1	1	Yes
Shri Ramdas M. Gandhi	Independent	4	5	2	7	No
Shri Laxmichand K. Jain	Independent	None	None	1	7	Yes
Shri Vijay H. Patil	Independent	None	None	1	4	No
Shri Hareesh K. Chheda	Independent	None	None	1	6	No
Shri P. A. Sethi	Independent	2	None	1	7	Yes
Shri K.V.S. Shyam Sunder	Independent	2	1	2	6	No
Shri Bhavesh R. Vora	Independent	1	None	3	5	Yes
Shri Sunil M. Dedhia	Independent	2	None	1	6	Yes

* This excludes Directorships held in Private Limited, Overseas Companies and AIL.

** Includes Audit Committee and the Shareholders'/ Investors' Grievance Committee only.

**(b) Board Meetings:**

During the Year 2010-11, Seven Board Meetings were held on 26.05.2010, 10.08.2010, 15.09.2010, 04.10.2010, 11.11.2010, 02.02.2011 and 29.03.2011.

(c) Code of Conduct:

Aarti Industries Limited Code of Conduct laid down by the Board of Directors is applicable to all the Directors and Senior Management of the Company. The Code of Conduct is posted on the Company's website. All the Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2011. A declaration to this effect, duly signed by the Managing Director (CEO) is annexed hereto.

(2) COMMITTEES**(a) Audit Committee**

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement with the Stock Exchanges. The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Clause 49 of Listing Agreement which, inter-alia, include overseeing financial reporting process, reviewing periodic financial results, financial statements, internal control and internal audit systems, accounting policies and practices, related party transactions, performance of internal and Statutory Auditors, adequacy of internal audit function, discussions with Internal and Statutory Auditors and Cost Auditors.

During the year 2010-11, six Audit Committee Meetings were held on 03.05.2010, 26.05.2010, 10.08.2010, 11.11.2010, 02.02.2011 and 04.03.2011.

The composition of the Audit Committee and other relevant details are given below:

Name of Director	Category	Profession	No. of meetings attended
Shri Ramdas M. Gandhi	Independent, Chairman	Solicitor	6
Shri Rajendra V. Gogri	Vice-Chairman & Managing Director, Executive	Industrialist	6
Shri Parimal H. Desai	Executive	Industrialist	6
Shri Laxmichand K. Jain	Independent	Environmental Consultant	6
Shri Haresh K. Chheda	Independent	Chartered Accountant	6
Shri Vijay H. Patil	Independent	Advocate	3
Shri P. A. Sethi	Independent	Banker	6
Shri K.V. S. Shyam Sunder	Independent	Chartered Accountant	5
Shri Bhavesh R. Vora	Independent	Chartered Accountant	4
Shri Manoj M. Chheda	Executive	Industrialist	6

Vice-Presidents and General Managers from various divisions of the Company, as and when required and Internal Auditors, Cost Auditors, Statutory Auditors of the Company and Company Secretary who acts as Secretary to the Audit Committee attended the Audit Committee Meetings to respond to queries raised at the Committee Meetings.

(b) Shareholders' Grievance Committee

Terms of Reference of the Committee inter-alia cover reviewing status of approval of transfer/transmission of shares, issue of duplicate certificates, review/redressal of Investor's Grievances.

Twenty Eighth Annual Report 2010-2011

During the year 2010-11, Four Shareholders' Grievance Committee Meetings were held on 16.06.2010, 14.09.2010, 13.12.2010 and 11.03.2011.

The composition of the Shareholders' Grievance Committee and other relevant details are given below:

Name of Director	Category	No. of meetings attended
Shri Chandrakant V. Gogri	Chairman, Non-Executive	4
Shri Shantilal T. Shah	Vice-Chairman, Non-Executive	3
Shri Manoj M. Chheda	Executive	4
Shri Kirit R. Mehta	Executive	2

(c) Shareholders' Complaints

During the year, 59 complaints were received. All the complaints were resolved to the satisfaction of the Shareholders. No request for Share Transfer or Dematerialization was pending for approval as on 31st March, 2011.

(3) SUBSIDIARY COMPANIES

The Company does not have any material Non-listed Indian Subsidiary Company and hence it is not required to have an Independent Director of the Company on the Board of such Subsidiary Company. The Audit Committee reviews, the financial statements, particularly, the investments made by the Company's non-listed Subsidiary Companies. The minutes of all the Subsidiaries are placed before the Board of Directors of the Company and the Directors are informed about all the significant transactions and arrangements entered into by the Subsidiary Companies.

(4) DISCLOSURES

- The Code of Conduct for the Directors and the Senior Management of the Company have been laid down by the Board. The Code has been posted on the website of the Company.
- The Company has been continuously complying with the requirements of Stock Exchanges, Securities and Exchange Board of India (SEBI) and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the said authorities relating to the above.
- There have been no materially significant Related Party Transactions that may have potential conflict with the interests of the Company at large. Transactions with Related Party have been disclosed in the schedule 'P' - Notes to Accounts to the Annual Accounts in the Annual Report.
- Directors periodically review and assess risks and measures to minimize the risks.
- All mandatory Accounting Standards have been followed in preparation of financial statements and no deviation has been made in following the same.

(5) ISSUE OF PREFERENTIAL WARRANTS

The Board of directors in their Meeting held on 11th November, 2010 issued 24,00,000 convertible warrants on Preferential basis. The said warrants are Convertible into Equity shares at a price of ₹ 58/- (Including Premium of ₹ 53/-) per share.

(6) REMUNERATION OF DIRECTORS

The Remuneration payable to the Directors is considered and approved by the Remuneration Committee constituted in accordance with the Corporate Governance Code and the provisions of the Companies Act, 1956, having due regard to the relevant factors. Non-executive Directors are paid Sitting fees at the rate of ₹ 8000/- (revised w.e.f. 02.02.2011) (earlier ₹ 5000/-) for each of the meetings of the Board or Audit Committee thereof attended by them. The details of remuneration payable to each Director for the year ended 31st March, 2011 are as under:



(Amount in ₹)

Name of Director	Relationship with other Director(s)	Category	Salary and other Perquisites	Commission	Sitting Fees	Total Remuneration
Shri Chandrakant V. Gogri	Brother of Shri R. V. Gogri and Father of Shri R. C. Gogri and Smt. Hetal G. Gala	Non-Executive Chairman, Promoter	-	-	162000	162000
Shri Rajendra V. Gogri	Brother of Shri C. V. Gogri	Vice-Chairman & M.D., Promoter	2366200	3506880	-	5873080
Shri Ramdas M. Gandhi	-	Non-Executive, Independent	-	-	79000	79000
Shri Shantilal T. Shah	-	Vice-Chairman Non-Executive, Promoter	-	-	150000	150000
Shri Parimal H. Desai	-	Executive, Promoter	1999000	1095900	-	3094900
Shri Laxmichand K. Jain	-	Non-Executive, Independent	-	-	79000	79000
Shri Haresh K. Chheda	-	Non-Executive, Independent	-	-	66000	66000
Shri Vijay H. Patil	-	Non-Executive, Independent	-	-	45000	45000
Shri Manoj M. Chheda	-	Executive	1999000	1095900	-	3094900
Shri Rashesh C. Gogri	Son of Shri C. V. Gogri, and brother of Smt. Hetal G. Gala	Executive, Promoter	1999000	2630160	-	4629160
Smt. Hetal G. Gala	Daughter of Shri C. V. Gogri, and Sister of Shri R. C. Gogri	Executive, Promoter	1999000	2630160	-	4629160
Shri Kirit R. Mehta	-	Executive	1205000	-	-	1205000
Shri P. A. Sethi	-	Non-Executive, Independent	-	-	71000	71000
Shri K.V.S. Shyam Sunder	-	Non-Executive, Independent	-	-	61000	61000
Shri Bhavesh R. Vora	-	Non-Executive, Independent	-	-	51000	51000
Shri Sunil M. Dedhia	-	Non-Executive, Independent	-	-	33000	33000

Notes:

- Commission & Bonus are for the financial year 2009-10 paid in 2010-11.
- The above figures do not include contribution to Group Gratuity Fund, Group Medclaim & Group Personal Accident, as separate figures are not available for the Directors.
- All Executive Directors are appointed under contracts each for a period of five years and with termination notice period of 180 days.
- Non-executive Directors, apart from receiving Directors' Remuneration by way of sitting fees, approved by the Board of Directors within the limit fixed and approved by the Shareholders' do not have any other material pecuniary relationship or transactions with the Company.
- The above figures do not include contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income-Tax law.

Shares held by Non-Executive Directors in the Company as on 31st March, 2011

Name	Number of shares held	% of total shareholding
Shri Chandrakant V. Gogri	1728668	2.25
Shri Ramdas M. Gandhi	22000	0.03
Shri Shantilal T. Shah	1729329	2.25
Shri Laxmichand K. Jain	13350	0.02
Shri Haresh K. Chheda	2000	0.00
Shri Vijay H. Patil	7200	0.01
Shri P. A. Sethi	Nil	Nil
Shri K.V.S. Shyam Sunder	Nil	Nil
Shri Bhavesh R. Vora	Nil	Nil
Shri Sunil M. Dedhia	Nil	Nil

(7) GENERAL BODY MEETINGS

Details of last three Annual General Meetings are as under:

Year	Day, Date & Time	Venue	Special Resolutions passed for
2008	Saturday, 19.07.2008, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat - 396 195	Issuing Preferential Convertible Warrants to Promoter/ Promoter Group Companies and other persons.
2009	Monday, 12.10.2009, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat - 396 195	—
2010	Thursday, 16.09.2010, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat - 396 195	—

Note: During the last year, no Resolution was put through postal ballot.

In addition to Annual General Meeting, the Company held Extra-ordinary General Meetings of the members during the year as follows:

Year	Day, Date & Time	Venue	Special Resolutions passed for
2010	Thursday, 16.09.2010, 11.30 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat - 396 195	Commencement of new business under Section 149(2A) of Companies Act, 1956.
2010	Wednesday, 03.11.2010, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Dist. Valsad, Gujarat - 396 195	Issue of preferential Convertible warrants to Promoter Group Company.

**(8) MEANS OF COMMUNICATION**

The Quarterly results were published in following Newspapers:

Financial Results for the quarter ended	Newspapers
30.06.2010	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.
30.09.2010	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.
31.12.2010	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Surat.
31.03.2011	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad.

All data required to be filed with the Stock Exchanges, such as Quarterly Financial Statements, Shareholding Pattern, Report on Corporate Governance are being available on www.corpfiling.co.in, in addition to the filing of the same with the Stock Exchanges.

(9) GENERAL SHAREHOLDERS INFORMATION**(a) The day, date, time & venue of the 28th Annual General Meeting:**

Day	Date	Time	Venue
Tuesday	27th September, 2011	11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi- 396195, Dist. Valsad, Gujarat

(b) Financial Calendar:

Financial Year	1 st April to 31 st March
Adoption of Quarterly Results for the quarter ending : June, 2010 September, 2010 December, 2010 March, 2011	1st/2nd week of August, 2010 1st/2nd week of November, 2010 1st/2nd week of February, 2011 4th/5th week of May, 2011
Dates of Book Closure (Both days inclusive)	20th September 2011 to 27th September, 2011

(c) Listing on Stock Exchanges:

Stock Exchange	Stock Code/Symbol
National Stock Exchange of India Limited	AARTIIND
Bombay Stock Exchange Limited	524208

(d) Liquidity of Shares:

The Shares of the Company are traded under 'B' category at Bombay Stock Exchange Ltd. The Shares are also traded regularly at the National Stock Exchange of India Ltd.

(e) Listing fees and Annual Custodial Fees:

The Company has paid the Annual Listing Fees of the Stock Exchanges and Annual Custodial Fees of the Depositories for the year 2011-2012.

(f) Dematerialization status:

Equity Shares of the Company are traded compulsorily in Dematerialized Form and available for trading in the Depository Systems of both NSDL and CDSL. Security Code No. with NSDL and CDSL is - ISIN No. **INE-769A01020**. As on 31st March, 2011, **65974561** Equity Shares representing **85.99%** of the Paid-up Share Capital of the Company are held in dematerialized form.

(g) Share Transfer Agent & Address for Correspondence:

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 - 400072.
Telephone: 022-67720300/67720400
Fax No.: 022-28591568

The shareholders are requested to address all their communications/suggestions/grievances to the Share Transfer Agent at the above address.

(h) Compliance Officer:

Smt. Mona Patel, Company Secretary

222, Udyog Kshetra, 2nd Floor, Mulund-Goregaon Link Road,
L.B.S. Marg, Mulund (West), Mumbai-400 080.

In accordance with the Clause 47(f) of the Listing Agreement, Company has opened a specific Investor Grievance E-mail ID-**investorrelations@aartigroup.com**.

(i) Share Transfer System:

Share Transfer Committee comprising of Shri C.V. Gogri, Shri R.V. Gogri, Shri S.T. Shah and Shri R.C. Gogri meets every fortnightly for approval of the transfer, dematerialisation, etc.

Reports on Share Transfer/Transmission are placed before the Shareholders' Grievance Committee and the Board from time to time.

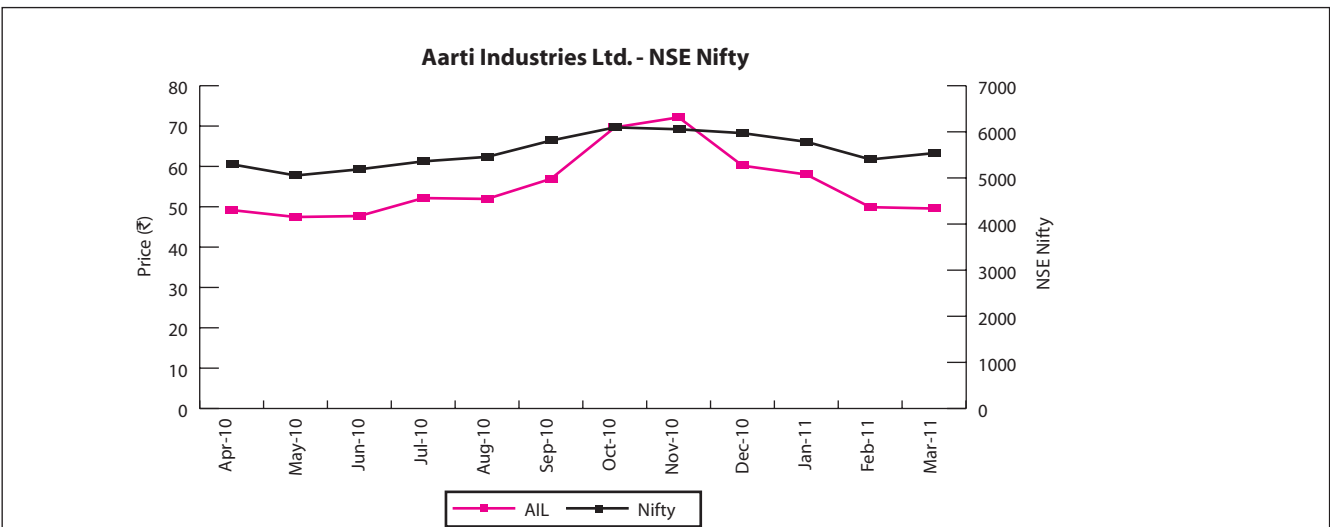
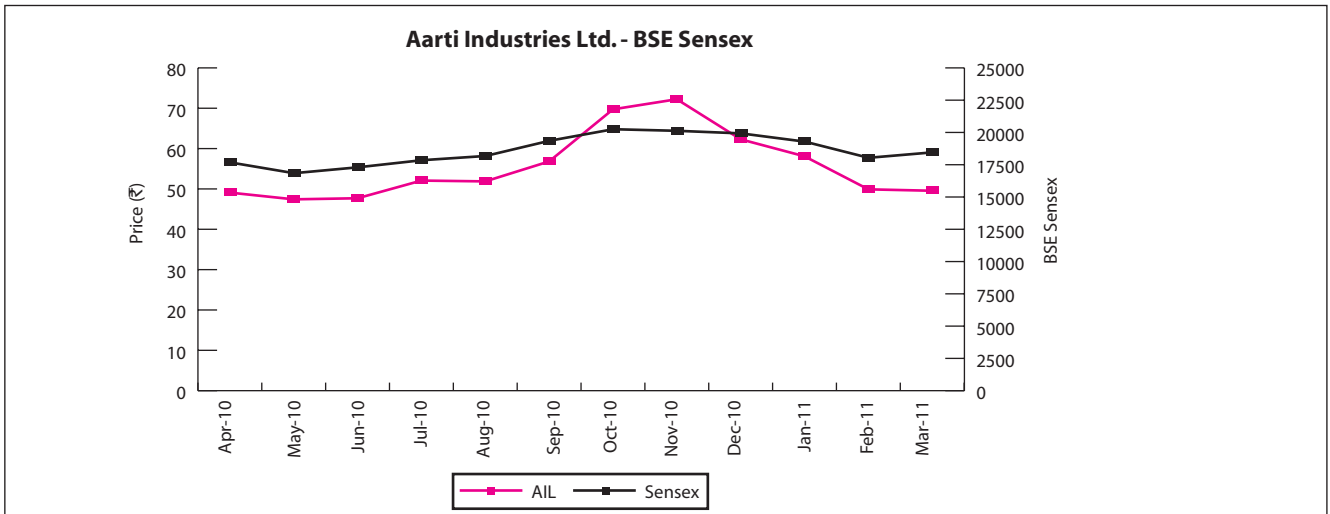
(j) Unclaimed Shares Suspense Account:

As per the amendment in the Clause 5A of the Equity Listing Agreement vide SEBI circular no. CIR/CFD/DIL/10/2010 dated 16th December, 2010, every Company is required to dematerialise the shares lying unclaimed with the Company and/or RTA of the Company since the date of Public Issue or any other issue due to insufficient/incorrect information or any other reason. Accordingly, in compliance with the said circular, the Company is in the process of sending reminders in respect of unclaimed shares to the concerned shareholders at the addresses available on the Company's record in coordination with the Company's RTA viz. M/s. Sharepro Services (India) Private Limited. After sending three reminders unclaimed shares shall be held by the Company in dematerialised form in "Unclaimed Shares Suspense Account," on behalf of the allottees.



(10) MARKET PRICE DATA

Month	Bombay Stock Exchange			National Stock Exchange		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2010	51.80	46.90	1280949	51.75	46.90	1792605
May 2010	51.00	42.65	685076	52.50	45.00	1109458
June 2010	50.50	45.90	712168	50.40	45.55	1116097
July 2010	54.95	48.10	2389458	55.00	48.35	3662714
August 2010	57.30	48.35	2115487	57.40	49.05	3207011
September 2010	60.55	53.90	1834836	60.75	54.05	2585747
October 2010	75.65	60.60	3706141	75.80	61.00	6108356
November 2010	87.45	60.00	3576587	87.80	60.55	5636053
December 2010	70.40	54.15	1064272	70.20	54.25	1037516
January 2011	66.55	52.70	877185	66.25	52.50	1025659
February 2011	55.40	45.10	689704	55.20	43.80	946319
March 2011	58.00	46.00	976952	52.25	46.10	1109613



(11) SHAREHOLDING PATTERN AS ON 31st March, 2011

Category	No. of Shares	%
Promoters – Indian	38303063	49.93
Bodies Corporate	2309537	3.01
Banks, Financial Institutions	25820	0.03
Mutual Funds	6563010	8.55
FII/NRI/OCB	958708	1.25
Public	28559935	37.23
TOTAL	76720073	100.00

Distribution of Shareholding as on 31st March, 2011

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less than 1000	16440	80.129	4872503	6.351
1001-2000	2468	12.029	3333525	4.345
2001-4000	684	3.334	1992978	2.598
4001-6000	297	1.448	1501179	1.957
6001-8000	112	0.546	792609	1.033
8001-10000	102	0.497	961529	1.253
10001-20000	161	0.785	2272978	2.963
Above 20001	253	1.233	60992772	79.500
TOTAL	20517	100.000	76720073	100.000

(12) REGISTERED OFFICE: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.

(13) PLANT LOCATIONS:

- a) Plot Nos. 801, 801/23, 802, 803, 804/1-2-3, 801/15 to 19, 21 & 22, GIDC Estate, Phase III, Vapi– 396 195, Dist. Valsad, Gujarat.
- b) Plot No. 902, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.
- c) Plot No. 286/1, 285, GIDC Estate, Phase II, Vapi – 396 195, Dist. Valsad, Gujarat.
- d) Plot No. 22 / C / 1 & 2, GIDC Estate, Phase I, Vapi – 396 195, Dist. Valsad, Gujarat.
- e) Shed No. A1-6&9, GIDC Estate, Phase I, Vapi – 396 195, Dist. Valsad, Gujarat.
- f) Plot No. 609 & 610, GIDC Estate, 100 Shed, Vapi – 396 195, Dist. Valsad, Gujarat.
- g) Plot Nos. 752-753-754, Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat.
- h) Plot Nos. 750-751, Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat.
- i) Plot Nos. 758/1, 2, & 3, Jhagadia Mega Estate, Village Kapalsadi, Tal. Jhagadia, Dist. Bharuch – Gujarat.
- j) Plot Nos. 756/4, A&B, 756/5, A&B, 756/6, A&B, 756/7, 779, Jhagadia Mega Estate, Village Kapalsadi, Tal. Jhagadia, Dist. Bharuch – Gujarat.
- k) Plot Nos. 756/2, A&B, 756/3, A&B, Jhagadia Mega Estate, Village Kapalsadi, Tal. Jhagadia, Dist. Bharuch – Gujarat.
- l) Plot No. K - 17/18/19, MIDC, Tarapur, Dist. Thane, Maharashtra.
- m) Plot No. E-50, MIDC, Tarapur, Dist. Thane, Maharashtra.
- n) Plot Nos. 62, 63 & 64, Sagore, Pithampur Industrial Area, Sector-3, Pithampur, Dist. Dhar, Madhya Pradesh.
- o) Plot No. L – 5, MIDC, Tarapur, Dist. Thane, Maharashtra.
- p) Plot No. L – 8, MIDC, Tarapur, Dist. Thane, Maharashtra.
- q) Survey No. 193/1/4, 193/1/5, 193/1/6, Silvassa, Union Territory of Silvassa.
- r) Plot No. D – 54, MIDC, Phase II, Dombivali (East), Dist. Thane, Maharashtra.

**(14) CEO/CFO CERTIFICATION:**

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Managing Director (CEO) and Whole-time Director (CFO) was placed at the meeting of the Board of Directors held on 30th May, 2011.

(III) NON-MANDATORY REQUIREMENTS:**REMUNERATION COMMITTEE:**

The Terms of Reference of the Committee is to review and recommend/approve remuneration payable to the Managerial Personnel.

During the year 2010-11, total two meetings of the Remuneration Committee were held on 26.05.2010 and 27.09.2010. The composition of the Remuneration Committee and other relevant details are given below:

Name of Director	Category	No. of meetings attended
Shri Chandrakant V. Gogri	Chairman, Non-executive	2
Shri Rajendra V. Gogri	Executive	2
Shri Ramdas M. Gandhi	Independent	2
Shri Laxmichand K. Jain	Independent	2
Shri Vijay H. Patil	Independent	1

For and on behalf of the Board

Place: Mumbai
Date: 30th May, 2011

Sd/-
CHANDRAKANT V. GOGRI
Chairman

CEO's Certification

All the Directors and the Senior Management Personnel have affirmed compliance of the Code of Conduct laid down by the Board of Directors in terms of Clause 49 of the Listing Agreement made with the Stock Exchanges.

For and on behalf of the Board

Place: Mumbai
Date: 30th May, 2011

Sd/
RAJENDRA V. GOGRI
Vice Chairman & Managing Director (CEO)

Auditors' Certificate on Corporate Governance

CERTIFICATE

To the Members of
Aarti Industries Ltd.
Mumbai

We have examined the compliance of conditions of corporate governance by Aarti Industries Ltd., for the year ended on 31st March, 2011, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration Number:- 107547W

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER
M. No. 33915

Place: Mumbai
Date: 30th May, 2011



Auditors' Report

TO THE MEMBERS OF AARTI INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **AARTI INDUSTRIES LIMITED**, as at 31st March, 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes, assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
 - (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors, as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the Directors is prima facie disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date;

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration Number: - 107547W

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER
M. No. 33915

Place: Mumbai
Date: 30th May, 2011

Annexure to The Auditors' Report

(This is the Annexure referred to in our Report to the Members of AARTI INDUSTRIES LTD. of even date)

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by the Management during the year. We have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets has not been disposed of during the year, which will affect its status as a going concern.
- (ii) The stock of inventory has been physically verified during the year by the Management at reasonable intervals, except stock lying with third parties, confirmation of such stocks with third parties has been obtained by the Company. In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not material, however, the same have been properly dealt with the books of account.
- (iii) (a) The Company has not granted loans, secured or unsecured to Companies, covered in the register maintained under section 301 of the Companies Act, 1956.
(b) The Company has taken loans from three Companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 783.05 Lakhs and the year-end balance of the loans taken was ₹ 0.03 Lakhs.
(c) In our opinion, the rate of interest and other terms and conditions on which the loans have been given by or taken from the Companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
(d) The Company is regular in repaying the principal amount as stipulated and has been regular in the payment of the interest.
- (iv) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, there is no continuing failure to correct major weaknesses in internal control.
- (v) In case of transactions exceeding the value of the five lakhs rupees in the financial year in respect of any party – (a) The transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered. (b) In our opinion, each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has accepted deposits from the public. In our opinion, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under, where applicable, have been complied with. National Company Law Tribunal has not passed any order in respect of public deposits accepted by the Company.



- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company has maintained cost records as required under Section 209(1)(d) of the Companies Act, 1956. We have not, however, carried out a detailed examination of such records.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
- (b) The following statutory dues have not been deposited on account of dispute:

(₹ in Lakhs)

Name of the Statute/Nature of dues	Period to which the amounts relates	Forum where disputes is pending		Total
		Commissionerate	Appellate Authorities & Tribunals	
Service Tax Act/ Tax & Cess	2006-07	30.91	-	30.91
The Central Excise Act,1944/ Tax Interest & Penalty	2001-02 to 2010-11	253.06	147.48	400.53
Various State Sales Tax Act and Central Sales Tax Act, 1956/ Tax Interest & Penalty	2002-03	14.36	-	14.36
	2004-05	-	259.20	259.20
Total		298.33	406.68	705.00

- (x) The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the financial year immediately preceding such financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The Company has not given guarantee for loans taken by others from banks or financial institutions and in our opinion, the terms and conditions of such guarantee are not, prima facie, prejudicial to the interests of the Company.
- (xiv) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiv) are not applicable to the Company.
- (xv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xv) of the Order are not applicable to the Company.

- (xvi) Term loans availed by the Company were, prima facie, applied for the purposes for which the loans were obtained.
- (xvii) On an overall basis, the funds raised on short-term basis have, prima facie, not been used for long term investment.
- (xviii) The Company has issued preferential equity share warrants to parties and Companies covered in the Register, maintained under section 301 of the Companies Act, 1956, during the year. In our opinion, the price at which preferential share warrants have been issued is not prejudicial to the interests of the Company.
- (xix) The Company has not issued debentures during the year, hence requirement of reporting regarding creation of security in respect of debentures does not arise.
- (xx) The Company has raised money by preferential issue of partly paid convertible equity share warrants during the year and we have verified the end use of the funds raised with the necessary documents.
- (xxi) During the audit carried out by us, any fraud on or by the Company has not been noticed or reported during the year.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration Number: - 107547W

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER
M. No. 33915

Place: Mumbai
Date: 30th May, 2011

**Balance Sheet as at 31st March, 2011**

(₹ in Lakhs)

Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS:			
Share Capital	A	3,836.00	3,836.00
Equity Share Warrants	B	348.00	NIL
Reserves and Surplus	C	40,466.96	36,030.39
		44,650.96	39,866.39
LOAN FUNDS:			
Secured Loans	D	45,375.41	40,100.53
Unsecured Loans	E	7,253.26	3,547.83
		52,628.67	43,648.36
DEFERRED TAX LIABILITY (Note: 4)			
		5,293.93	5,110.73
TOTAL		102,573.56	88,625.48
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	F	73,843.27	68,172.04
Less : Depreciation		34,645.20	30,005.56
Net Block		39,198.07	38,166.48
Capital Work - in - Progress		1,844.61	914.50
INVESTMENTS			
	G	1,876.21	1,525.12
CURRENT ASSETS, LOANS AND ADVANCES:			
(1) Inventories	H	29,408.82	26,353.75
(2) Sundry Debtors		33,253.42	25,645.53
(3) Cash and Bank Balances		776.60	1,141.01
(4) Other Current Assets		21,062.90	17,536.20
(5) Loans and Advances		4,749.45	4,680.70
		89,251.19	75,357.19
LESS : CURRENT LIABILITIES AND PROVISIONS:			
(1) Liabilities	I	13,865.66	14,841.18
(2) Provisions		15,730.86	12,516.98
		29,596.52	27,358.16
NET WORKING CAPITAL		59,654.67	47,999.03
MISCELLANEOUS EXPENDITURE:			
(To the extent not written off or adjusted)			
Pre-operative Expenses		NIL	12.45
Deferred Revenue Expenditure		NIL	7.90
TOTAL		102,573.56	88,625.48
NOTES TO ACCOUNTS			
	P		

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

PLACE: Mumbai
DATE: 30th May, 2011

Sd/-
MONA PATEL
COMPANY SECRETARY

Profit and Loss Account for the year ended 31st March, 2011

(₹ in Lakhs)

Particulars	Schedule	For the Year Ended 31st March, 2011	For the Year Ended 31st March, 2010
INCOME			
Gross Sales and Other Sales Income (Note: 8)		153,834.56	133,774.69
Less: Excise Duty		7,644.76	4,836.83
Net Sales and Other Sales Income		146,189.80	128,937.86
Other Income	J	399.58	181.50
Increase/(Decrease) in Inventory		1,633.28	3,285.25
TOTAL		148,222.66	132,404.61
EXPENDITURE			
Manufacturing Expenses	K	100,231.63	92,158.91
Purchase of Goods Traded In		18,213.26	11,397.42
Office and Administration Expenses	L	1,864.93	1,493.92
Selling and Distribution Expenses	M	8,083.24	6,784.79
Interest and Financial Charges	N	5,595.50	5,171.31
Non-Operating Expenses and Losses	O	80.86	176.49
TOTAL		134,069.42	117,182.84
Profit Before Depreciation		14,153.24	15,221.77
Less: Depreciation		4,792.39	4,474.91
Profit Before Tax		9,360.85	10,746.86
Less: Provision For Taxation		2,500.00	3,146.11
Profit After Tax		6,860.85	7,600.75
Less: Provision for Deferred Tax		183.20	590.00
Profit After Deferred Tax		6,677.65	7,010.75
Add: Balance of Profit and Loss Account Brought Forward		25,873.56	23,825.34
Less: Prior Years' Adjustment for others (Note: 13)		10.30	8.57
		32,540.91	30,827.52
Less: Transfer to Debenture Redemption Reserve		NIL	2,000.00
Less: Transfer to General Reserve		670.00	710.00
		31,870.91	28,117.52
Less: Dividend (1st Interim)		959.00	1,380.96
Less: Proposed Dividend (Final)		959.00	537.04
Less: Tax on Dividend (1st Interim/Final)		312.78	325.96
Balance Carried Forward to Balance Sheet		29,640.13	25,873.56
Earning Per Share (Note: 17) (in ₹)		8.70	9.14
NOTES TO ACCOUNTS	P		

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

Sd/-
MONA PATEL
COMPANY SECRETARY

PLACE: Mumbai
DATE: 30th May, 2011

**Schedules forming part of the Balance Sheet as at 31st March, 2011**

	As at 31st March, 2011	(₹ in Lakhs) As at 31st March, 2010
SCHEDULE 'A' - SHARE CAPITAL:		
AUTHORISED CAPITAL		
12,50,00,000 Equity Shares of ₹ 5/- each (As on 31st March, 2010 - 12,50,00,000 Equity Shares of ₹ 5/- each)	6,250.00	6,250.00
ISSUED, SUBSCRIBED & PAID-UP		
7,67,20,073 Equity Shares of ₹ 5/- each Fully Paid-up (As on 31st March, 2010 - 7,67,20,073 Equity Shares of ₹ 5/- each Fully Paid-up)	3,836.00	3,836.00
NOTES : of the above Shares -		
[a] 6,22,28,216 (As at 31st March, 2010 - 6,22,28,216) have been issued as Fully Paid Bonus Shares.		
[b] 30,00,000 (As at 31st March, 2010 - 30,00,000) have been issued to Shareholders of Salvigor Laboratories Ltd. pursuant to its Merger with the Company.		
[c] 16,62,638 (As at 31st March, 2010 - 16,62,638) have been issued to Shareholders of Mahaval Organic Ltd. pursuant to its Merger with the Company.		
[d] 10,25,050 (As at 31st March, 2010 - 10,25,050) have been issued to Shareholders of Alchemie Organics Ltd. pursuant to its Merger with the Company.		
[e] 8,43,649 (As at 31st March, 2010 - 8,43,649) have been issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.		
[f] 42,000 (As at 31st March, 2010 - 42,000) have been issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.		
[g] 30,25,000 (As at 31st March, 2010 - 30,25,000) have been issued towards Preferential allotment at a premium of ₹ 30.65 paise per equity share to Warrant Holders.		
TOTAL	3,836.00	3,836.00
SCHEDULE 'B' - EQUITY SHARE WARRANTS:		
Upfront consideration at,		
₹14.50 paise per Warrant received towards Preferential Allotment of 24,00,000 Equity Share Warrants of ₹ 5/- each	348.00	NIL
These warrants would be converted into 24,00,000 Equity Shares of ₹ 5/- each at a premium of ₹ 53/- per equity share upon exercise of option by the Warrant Holders on or before 11th May, 2012.		
Note: The funds raised have been utilised towards ongoing capital expenditure and long term working capital requirements.		
TOTAL	348.00	NIL

Schedules

SCHEDULE 'C' - RESERVES & SURPLUS:

(₹ in Lakhs)

Particulars	As at 1st April, 2010	Addition	Deduction	As at 31st March, 2011
CAPITAL RESERVES:				
Capital Reserve	2.08	NIL	NIL	2.08
State Investment Subsidy	51.82	NIL	NIL	51.82
Amalgamation Reserve	1,076.55	NIL	NIL	1,076.55
Forfeiture Reserve	184.57	NIL	NIL	184.57
Debenture Redemption Reserve	4,000.00	NIL	4,000.00	NIL
Capital Redemption Reserve	55.33	NIL	NIL	55.33
Share Premium Account	927.16	NIL	NIL	927.16
TOTAL	6,297.51	NIL	4,000.00	2,297.51
REVENUE RESERVES:				
General Reserve	3,859.32	4,670.00	NIL	8,529.32
TOTAL	3,859.32	4,670.00	NIL	8,529.32
PROFIT AND LOSS ACCOUNT	25,873.56	6,677.65	2,911.08	29,640.13
TOTAL	36,030.39	11,347.65	6,911.08	40,466.96
PREVIOUS YEAR	30,345.01	10,647.91	4,962.53	36,030.39

(₹ in Lakhs)

SCHEDULE 'D' - SECURED LOANS:

LONG TERM LOANS

Non Convertible Debentures	NIL	10,000.00
From Scheduled Banks [Note: 3 (a) & (b)]	10,376.00	2,473.70
External Commercial Borrowing [Note: 3 (c)]	6,498.40	3,016.13

WORKING CAPITAL LOANS

From Scheduled Banks [Note: 3 (d)]	28,501.01	24,610.70
TOTAL	45,375.41	40,100.53

SCHEDULE 'E' - UNSECURED LOANS:

Fixed Deposits	123.23	116.23
From Banks	4,611.48	3,155.20
From Others	2,518.55	276.40
TOTAL	7,253.26	3,547.83



SCHEDULE 'F' - FIXED ASSETS:

(₹ in Lakhs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on 01.04.2010	Additions	Deductions/ Adjustment	As on 01.04.2010	For April 10 - Mar 11	Deductions	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Leasehold Land	1,541.34	185.08	NIL	128.08	21.98	NIL	150.06	1,576.36	1,413.26
Freehold Land	47.62	NIL	NIL	NIL	NIL	NIL	NIL	47.62	47.62
Building	4,866.51	586.12	NIL	1,417.73	238.10	NIL	1,655.83	3,796.80	3,448.78
Plant & Machinery	58,429.36	4,997.72	256.35	26,585.17	4,055.56	152.75	30,487.98	32,682.75	31,844.19
Furniture, Fixture & Office Equipment	1,020.28	78.23	NIL	757.46	89.01	NIL	846.47	252.04	262.82
Vehicles	679.36	80.43	NIL	477.55	71.74	NIL	549.29	210.50	201.81
Total (A)	66,584.47	5,927.58	256.35	29,365.99	4,476.39	152.75	33,689.63	38,566.07	37,218.48
Process Development	1,580.00	NIL	NIL	632.00	316.00	NIL	948.00	632.00	948.00
Technical Knowhow	7.57	NIL	NIL	7.57	NIL	NIL	7.57	NIL	NIL
Total (B)	1,587.57	NIL	NIL	639.57	316.00	NIL	955.57	632.00	948.00
TOTAL (A + B)	68,172.04	5,927.58	256.35	30,005.56	4,792.39	152.75	34,645.20	39,198.07	38,166.48
PREVIOUS YEAR	62,206.76	5,985.28	20.00	25,530.65	4,474.91	NIL	30,005.56	38,166.48	-

Current year depreciation includes ₹ 23.83 Lakhs (previous year ₹ 30.45 Lakhs) on Assets deployed for Research & Development. Process Development is being amortized over a period of 5 years (Balance will be amortized over a period of 2 years).

Schedules

SCHEDULE 'G' - INVESTMENTS:

(Valued at cost)

(₹ in Lakhs)

Name of the Company	Number of Units / Shares (All fully paid up)			Closing Balance	As at 31st March, 2011 at cost	As at 31st March, 2010 at cost
	Opening Balance	Acquisitions During the year	Disposals During the year			
Investments - (Quoted) in Equity Shares						
Reliance Industries Ltd.	480	NIL	NIL	480	0.12	0.12
Reliance Power Ltd.	NIL	60*	NIL	60	NIL	NIL
Reliance Natural Resources Ltd.	240	NIL	240*	NIL	NIL	NIL
Reliance Communications Ltd.	240	NIL	NIL	240	NIL	NIL
Reliance Capital Ltd.	12	NIL	NIL	12	NIL	NIL
Reliance Infrastructure Ltd.	18	NIL	NIL	18	NIL	NIL
Atul Ltd.	50	NIL	NIL	50	0.01	0.01
Deepak Nitrite Ltd.	175	NIL	NIL	175	0.13	0.13
The Dharamsi Morarji Chemical Co. Ltd.	100	NIL	NIL	100	0.01	0.01
Hindustan Organic Chemicals Ltd.	100	NIL	NIL	100	0.01	0.01
Rashtriya Chemicals & Fertilizers Ltd.	100	NIL	NIL	100	0.02	0.02
Bayer Crop Science Ltd.	10	NIL	NIL	10	0.01	0.01
TOTAL					0.31	0.31
* Pursuant to the Scheme of Arrangement between Reliance Natural Resources Ltd. (RNRL) and Reliance Power Ltd. (RPL) 60 shares of RPL is issued to the Company in lieu of 240 shares of RNRL held by the Company.						
Trade Investments - (Quoted) in Equity Shares						
Aarti Drugs Ltd.	851,059	NIL	200,000	651,059	104.17	136.32
TOTAL					104.17	136.32
Trade Investments - (Unquoted) in Equity shares of Associate Companies						
Anushakti Chemicals & Drugs Ltd.	8,846,490	NIL	NIL	8,846,490	731.98	731.98
Ganesh Polychem Ltd.	1,000,000	1,200,000**	NIL	2,200,000	100.00	100.00
Alchemie Europe Ltd. (w.e.f. 31st Mar, 2011)	NIL	NIL	NIL	40,000	25.54	NIL
TOTAL					857.52	831.98
** Bonus Shares Allotted						
Investments - (Unquoted) in Equity Shares						
Ichalkaranji Janata Sahakari Bank Ltd.	1,020	NIL	NIL	1,020	0.51	0.51
Damanganga Saha Khand Udyog Mandali Ltd.	61	NIL	NIL	61	1.22	1.22
Narmada Clean Tech Ltd. (partly paid) (Formerly known as Bharuch Eco Aqua Infra Ltd.)	102,230	NIL	NIL	102,230	13.26	13.26
Dilesh Roadlines Pvt. Ltd.	114,000	NIL	NIL	114,000	11.40	11.40
Indusken Pharmaceuticals Pvt. Ltd.	200,000	NIL	NIL	200,000	20.00	20.00
U.K.I.P. Co-Op. Soc. Ltd.	35	NIL	NIL	35	0.02	0.02
Perfect Enviro Control Systems Ltd.	36,800	NIL	NIL	36,800	3.68	3.68
Spack Chemicals Pvt. Ltd.	300,500	238,500	NIL	539,000	5.39	3.00
TOTAL					55.48	53.09
Investments - (Unquoted) in Preference Shares						
Spack Chemicals Pvt. Ltd.	61,500	85,500	NIL	147,000	1.47	0.62
TOTAL					1.47	0.62
Investments - (Unquoted) in Subsidiary Companies						
Aarti Corporate Services Ltd.	2,024,680	NIL	NIL	2,024,680	172.91	172.91
Aarti Healthcare Ltd.	3,126,000	NIL	NIL	3,126,000	304.35	304.35
Alchemie Europe Ltd. (upto 30th Mar, 2011)	40,000	NIL	NIL	NIL	NIL	25.54
TOTAL					477.26	502.80
Investments - (Unquoted) in Limited Liability Partnership						
Aarti Udyog Limited Liability Partnership	NA	NA	NA	NA	380.00	NIL
TOTAL					380.00	NIL
TOTAL					1,876.21	1,525.12
Aggregate Market Value of Quoted Investments: (₹ in Lakhs)						
As on 31.03.2011	836.92					
As on 31.03.2010	870.72					



Schedules

	As at 31st March, 2011	(₹ in Lakhs) As at 31st March, 2010
SCHEDULE 'H' - CURRENT ASSETS, LOANS AND ADVANCES:		
CURRENT ASSETS (Note: 5 & 7)		
1. Inventories		
Raw Materials	10,403.88	9,831.32
Fuel	1,185.82	454.27
Work-in-Process	8,823.79	8,512.02
Finished Goods	8,415.95	7,094.43
Packing Materials	171.13	162.42
Stores and Spares	408.25	299.29
	29,408.82	26,353.75
2. Sundry Debtors (Unsecured)		
(a) Outstanding for more than six months		
- Considered Good	2,096.16	1,700.48
- Considered Doubtful	NIL	NIL
(b) Others - Considered Good	31,157.26	23,945.05
	33,253.42	25,645.53
3. Cash and Bank Balances		
Cash on hand	68.85	58.38
Balances with Scheduled Banks		
In Current Accounts	439.79	410.17
In Deposit Accounts	267.96	672.46
	776.60	1,141.01
4. Other Current Assets (Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	5,138.32	4,178.85
Advance Tax and Tax Deducted at Source	15,924.58	13,357.35
	21,062.90	17,536.20
5. Loans and Advances (Unsecured and considered good)		
Capital Advances	961.96	534.16
Balances with Custom, Port Trust, Excise & VAT Authorities	3,787.49	4,146.54
	4,749.45	4,680.70
TOTAL	89,251.19	75,357.19
SCHEDULE 'I' - CURRENT LIABILITIES AND PROVISIONS:		
1. Liabilities		
Sundry Creditors (Note: 14)	13,633.39	14,698.71
Interest Accrued but not due on Loans	117.54	28.75
Unclaimed Dividend #	114.73	113.72
	13,865.66	14,841.18
2. Provisions		
Provision for Taxation	13,986.61	11,613.70
Proposed Dividend & Tax on Dividend	1,114.57	537.04
Employee Benefits	629.68	366.24
	15,730.86	12,516.98
TOTAL	29,596.52	27,358.16

There is no amount due & outstanding to be credited to Investor Education & Protection Fund.

Schedules forming part of the Profit and Loss Account for the year ended 31st March, 2011

	For the Year Ended 31st March, 2011	(₹ in Lakhs) For the Year Ended 31st March, 2010
SCHEDULE 'J' - OTHER INCOME:		
Dividend Received From - Trade Investments	58.63	25.53
- Non Trade Investments	0.25	0.20
Profit on sale of Assets	33.72	25.77
Profit on sale of Investment	247.99	NIL
Lease Rent	39.80	14.26
Other Income	19.19	115.74
TOTAL	399.58	181.50
SCHEDULE 'K' - MANUFACTURING EXPENSES:		
Consumption of Raw Materials	70,149.62	65,297.38
Consumption of Packing Materials	2,151.00	1,938.35
Consumption of Stores and Spares	1,877.25	1,646.63
Freight, Cartage and Transport	4,417.90	4,016.70
Fuel	6,066.90	5,775.72
Power	3,422.31	3,604.68
Water Charges	399.46	461.14
Excise Duty Paid	973.24	389.70
Processing Charges	1,219.51	885.29
Staff Costs (Note: 9)	2,868.52	2,604.32
Other Manufacturing Expenses	4,037.07	3,368.78
Repairs and Maintenance - Building	172.39	250.28
- Plant & Machinery	1,328.95	1,006.69
Insurance Charges	132.08	127.61
Research & Development Expenses (Note: 10)	393.52	137.04
Factory Administration Expenses	621.91	648.60
TOTAL	100,231.63	92,158.91
SCHEDULE 'L' - OFFICE AND ADMINISTRATIVE EXPENSES:		
Staff Cost (Note: 9 & 12)	1,018.28	798.79
Rent	73.89	67.94
Rates & Taxes	34.15	36.61
Travelling and Conveyance	240.45	222.57
Auditors' Remuneration (Note: 11)	9.89	10.91
Legal and Professional Charges	133.79	99.29
Postage, Telegram and Telephone	82.33	62.40
Printing and Stationery	30.66	28.53
Other Administrative Expenses	241.49	166.88
TOTAL	1,864.93	1,493.92



Schedules

	For the Year Ended 31st March, 2011	(₹ in Lakhs) For the Year Ended 31st March, 2010
SCHEDULE 'M' - SELLING AND DISTRIBUTION EXPENSES:		
Advertisement and Sales Promotion	240.57	164.41
Export Freight	2,957.04	2,111.86
Freight and Forwarding	3,317.14	2,886.04
Commission	403.90	316.77
Insurance Charges on Export	110.55	94.38
Sample Testing and Analysis Charges	38.26	23.65
Bad Debts Written Off	NIL	361.36
Sales Tax / Vat Paid	524.73	317.23
Discount Given	434.27	502.19
Sundry Balances Written Off/(Back)	56.78	6.90
TOTAL	8,083.24	6,784.79
SCHEDULE 'N' - INTEREST AND FINANCIAL CHARGES:		
Interest on Long Term Loans & Debentures	2,255.89	2,369.35
Interest on Working Capital (Note: 6)	2,848.13	2,265.43
Bank Charges	491.48	536.53
TOTAL	5,595.50	5,171.31
SCHEDULE 'O' - NON-OPERATING EXPENSES:		
Donations	70.73	157.27
Deferred Revenue Expenses Written Off	7.90	10.50
Loss on sale of Assets	2.23	NIL
Loss on sale of Investment	NIL	8.72
TOTAL	80.86	176.49

Schedule - 'P' - Notes forming part of the Accounts for the year ended 31st March, 2011

PART 'A'

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Accounting Basis:

The financial statements are prepared under historical cost convention in accordance with generally accepted accounting principles in India and comply in all material aspects with the applicable accounting standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

(b) Revenue Recognition:

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Conversion, Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance claims and Subsidy from Department of Fertilizers is recognized on the time proportion method.

(c) Fixed Assets and Depreciation:

(1) Fixed Assets

Fixed Assets are stated at cost of acquisition (net of CENVAT/VAT) inclusive of all expenditure of capital nature such as, inward freight, duties & taxes, installation and commissioning expenses, appropriate borrowing costs and incidental expenses related to acquisition.

(2) Depreciation

(A) Depreciation is provided on Reducing Balance Method at the rate prescribed under Schedule XIV of the Companies Act, 1956, in respect of asset installed by the Company in one plant, taken on operating lease.

(B) Leasehold Land is amortized over the period of lease.

(C) Depreciation is provided on Straight Line Basis on following assets based on Management's estimate at the rate mentioned below:

(i) Building	@ 5.28%
(ii) Residential Quarters	@ 3.34%
(iii) Computers	@ 40%
(iv) Vehicles	@ 15%

(D) Depreciation on Fixed Assets other than Leasehold Land and those mentioned above are provided under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

(E) Product/Process Development Expenses are amortized over the estimated useful life of the product.

(3) Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of net selling price of an assets or its value in use. Value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

(d) Investments:

- (i) Current investments are stated at lower of cost or fair market value.
- (ii) Long term investments are stated at cost less provision for permanent diminution in value if any, of investments.

(e) Valuation of Inventories:

Inventories are valued at Cost or Net Realizable Value whichever is lower.



Inventories have been valued on the following basis:

i)	Raw Materials, Packing Material, Stores and Spares	-	At cost on Weighted Average basis.
ii)	Work-in-Process	-	At cost plus appropriate allocation of overheads.
iii)	Finished Goods	-	At cost plus appropriate allocation of overheads or net realizable value, whichever is lower.

(f) Retirement Benefits:

Employee benefits are charged off in the year in which the employee has rendered services.

(g) Foreign Currency Transactions:

Foreign currency transactions are accounted at the rates prevailing on the date of the transaction. The exchange rate differences arising out of such transactions are dealt with in the Profit and Loss Account. The premium in case of future contracts is dealt with in the Profit and Loss Account proportionately over the period of the contracts.

(h) Research and Development:

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account for the year. Capital Expenditure on Research and Development is included as part of fixed assets and depreciation is provided on the same basis as for other fixed assets.

(i) Operating Lease:

Operating Lease payments are recognized as an expense in the Profit & Loss Account of the year to which they relate.

(j) Deferred Revenue Expenditure:

Deferred Revenue Expenditure is amortized over the period of the agreement on pro rata basis.

(k) Deferred Tax:

Deferred Tax reflects the impact of timing differences between Taxable Income and Accounting Income for the year and reversal of timing differences of earlier years. Deferred Tax is measured on the basis of Tax Rates and Tax Laws enacted or substantively enacted at the Balance Sheet.

Deferred Tax Assets are recognized only if there is reasonable certainty of their realization except in case of Deferred Tax Assets on unabsorbed depreciation and carried forward business losses, which are recognized only if there is virtual certainty of their realization.

(l) Borrowing Costs:

Borrowing cost directly related to the acquisition or construction of an asset is capitalized as part of the cost of that asset. Other borrowing costs are charged to the Profit and Loss Account.

(m) Provisions and Contingent Liabilities:

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a Cash Outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a Cash Outflow will not be required to settle the obligation.

PART 'B'

2. CONTINGENT LIABILITIES:

- a) Claims against the Company not acknowledged as Debts ₹ **1,215.18** Lakhs (previous year ₹ 1,671.36 Lakhs).
- b) In respect of Letters of Credit, Bank Guarantees issued and Bills discounted by the Company's Bankers ₹ **4,024.46** Lakhs (previous year ₹ 4,836.78 Lakhs).
- c) Estimated amount of Contracts remaining to be executed on capital account and not provided for, net of advances, ₹ **1,278.96** Lakhs (previous year ₹ 121.43 Lakhs).

3. SECURED LOANS:

Security for Loans taken from Banks:

- a) Outstanding Term Loans aggregating to ₹ **10,352.98** Lakhs (previous year ₹ 2,451.89 Lakhs) from banks subject to (c) and (d) below, are secured/to be secured by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated.
- b) In case of vehicle loans from banks/NBFC of ₹ **23.02** Lakhs (previous year ₹ 21.81 Lakhs) against hypothecation of the vehicles.
- c) External Commercial Borrowings (ECB) of JPY 462.50 Million availed from Royal Bank of Scotland (earlier known as ABN AMRO Bank N.V.) Singapore and of USD 11.00 million availed from Standard Chartered Bank, London, both aggregating to ₹ **6,498.40** Lakhs (previous year ₹ 3,016.13 Lakhs) are secured/to be secured by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat and further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated.
- d) Working Capital Loans of ₹ **28,501.01** Lakhs (previous year ₹ 24,610.70 Lakhs) availed from Scheduled Banks, are secured by hypothecation of Raw Materials, Stock-In-Process, Semi-Finished Goods, Finished Goods, Packing Materials and Stores and Spares, Bills Receivables and Book Debts and all other moveable, both present and future. Further, by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia in the State of Gujarat, ranking second to that of Banks mentioned in (a) and (c) above. These loans are personally guaranteed by three Directors of the Company.

4. DEFERRED TAX LIABILITIES:

(₹ in Lakhs)

Sr. No.	Particulars	Financial Year 2010-2011	Financial Year 2009-2010
	Deferred Tax Liability	5,110.73	4,520.73
i)	Difference between net book value of depreciable capital assets as per books vis-a-vis written down value as per Tax Laws	314.60	716.02
	Deferred Tax Assets		
i)	Items allowed for tax purpose on payment	(131.40)	(126.02)
	Net Deferred Tax Liability	5,293.93	5,110.73

5. In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.
6. Interest received of ₹ **11.50** Lakhs (Tax Deducted at Source ₹ **1.38** Lakhs) [previous year ₹ 54.72 Lakhs (Tax Deducted at Source ₹ 7.05 Lakhs)] is netted off against interest paid on Working Capital.



7. Sundry Debtors, Loans and Advances include amounts due from –
(figures in bracket relate to previous year)

Enterprises in which Directors are interested as Partners/Directors

(₹ in Lakhs)

	For more than six months	Others
Alchemie Industries	Nil (Nil)	Nil (2.12)
Shanti Intermediates Pvt. Ltd.	Nil (Nil)	Nil (16.84)
Alchemie Laboratories	Nil (Nil)	97.46 (Nil)

8. Sales and other sales incomes are inclusive of conversion charges amounting to ₹ **89.11** Lakhs (previous year ₹ 194.62 Lakhs), export benefits amounting to ₹ **85.56** Lakhs (previous year ₹ 142.88 Lakhs), Fertilizer subsidy amounting to ₹ **2,422.57** Lakhs (previous year ₹ 1,106.06 Lakhs) and insurance claim on goods lost by fire ₹ **64.58** Lakhs (previous year ₹ Nil).

9. STAFF COSTS (FACTORY AND OFFICE) INCLUDE:

(₹ in Lakhs)

Particulars	Financial Year 2010-2011	Financial Year 2009-2010
Salaries, Wages and Bonus	3,213.79	2,812.16
Contribution to PF and Other Funds	120.52	125.63
Workmen and Staff Welfare Expenses	232.67	238.06
TOTAL	3,566.98	3,175.85

10. Revenue Expenditure of ₹ **417.35** Lakhs (previous year ₹ 265.49 Lakhs) [including depreciation of ₹ **23.83** Lakhs (previous year ₹ 30.45 Lakhs)] on Research & Development activities at the Company's R & D Centre is charged to Profit and Loss Account for the year. Capital Expenditure includes ₹ **46.74** Lakhs (previous year ₹ 235.16 Lakhs) towards Fixed Assets purchased for Research & Development activities at the Company's R & D centre. Of the above, Revenue Expenditure of ₹ **171.75** Lakhs (previous year ₹ 167.49 Lakhs) [including depreciation of ₹ **23.83** Lakhs (previous year ₹ 30.45 Lakhs)] is in respect of the Research & Development activities carried on at the Company's recognized R & D Centre at Vapi. Similarly, Capital Expenditure includes ₹ **23.20** Lakhs (previous year ₹ 35.65 Lakhs) towards Fixed Assets purchased for Research & Development activities at the Company's recognized R & D centre at Vapi.

11. AUDITOR'S REMUNERATION INCLUDES:

(₹ in Lakhs)

Particulars	Financial Year 2010-2011	Financial Year 2009-2010
As Auditor:		
Audit Fees	7.00	6.50
In Other Capacity :		
Certification	1.46	2.97
Other Matters	0.40	0.45
Service Tax	0.91	0.90
Out of pocket expenses	0.12	0.09
TOTAL	9.89	10.91

Twenty Eighth Annual Report 2010-2011

12. DIRECTORS' REMUNERATION INCLUDES:

A) To Managing Directors and Whole-time Directors

Particulars	Financial Year 2010-2011	Financial Year 2009-2010
		(₹ in Lakhs)
a. Salary	83.37	75.24
b. Commission	188.06	109.59
c. Contribution to PF	9.89	9.88
d. Ex-Gratia/Super Annuation Fund	18.90	16.72
e. House Rent Allowance	16.28	14.93
f. Value of Perquisites	5.15	2.73
Total Remuneration (excluding Sitting Fees)	321.65	229.09

Note: The above figures include ₹ 22.73 Lakhs (previous year ₹ 20.85 Lakhs) paid towards Research & Development activities at the Company's R & D centre. The above figure does not include contributions made to Group Gratuity Fund, Group Medclaim & Group Personal Accident as separate figures are not available for the Directors. Value of Perquisites includes non cash perquisites of ₹ 1.83 Lakhs (previous year ₹ 1.83 Lakhs)

B) Computation of Net Profit u/s 198/349 read with Section 309(5) of the Companies Act, 1956.

Particulars	Financial Year 2010-2011	Financial Year 2009-2010
		(₹ in Lakhs)
Profit before Depreciation as per Profit and Loss Account	14,341.30	15,331.36
Add: Directors' Remuneration	133.59	119.50
Loss on sale of Assets	2.23	Nil
Loss on sale of Investment	Nil	8.72
	14,477.12	15,459.58
Less: Depreciation as per Sec. 350 of the Companies Act, 1956.	4,792.39	4,474.91
Profit on sale of Assets	33.72	25.77
Profit on sale of Investments	247.99	Nil
	5,074.10	4,500.68
Net Profit	9,403.02	10,958.90
Commission payable to Managing/Whole-time Directors @ 2% of Net Profit. (previous year @ 1% of Net Profit)	188.06	109.59

13. PRIOR YEARS' ADJUSTMENT INCLUDES:

Particulars	Financial Year 2010-2011	Financial Year 2009-2010
		(₹ in Lakhs)
Prior Period Expenses	10.30	8.57

14. There are no Micro and Small Enterprise, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.



15. SEGMENT REPORTING:

(₹ in Lakhs)

Sr. No.	Particulars	Financial Year 2010-2011	Financial Year 2009-2010
(A)	Primary Segments: Business Segments		
	Segment Revenue		
	a) Basic Chemicals	31,349.28	25,439.58
	b) Speciality Chemicals	1,11,945.71	99,536.94
	c) Agro Chemicals	6,164.91	5,391.07
	d) Pharmaceuticals	14,173.53	11,791.59
	Total	163,633.43	142,159.18
	Less: Inter Segment Revenue	9,798.87	8,384.49
	Net Sales / Income from Operations	153,834.56	133,774.69
	Segment Results Profit / (Loss)		
	Before Tax and Interest from each Segment		
	a) Basic Chemicals	5,126.46	5,681.51
	b) Speciality Chemicals	12,568.60	14,045.12
	c) Agro Chemicals	1,289.96	650.14
	d) Pharmaceuticals	(631.33)	(635.65)
	Total (A)	18,353.69	19,741.12
	Less: Interest	5,595.50	5,171.31
	Other Unallocable Expenditure Net of Income	3,397.34	3,822.95
	Total (B)	8,992.84	8,994.26
	TOTAL PROFIT BEFORE TAX (A) - (B)	9,360.85	10,746.86
(B)	Secondary Segments: Geographical Segments		
	a) India	101,113.95	84,783.43
	b) Out of India	52,720.61	48,991.26
	TOTAL	153,834.56	133,774.69

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.

16. RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD (AS: 18):

I. Following are the Subsidiaries of the Company as defined in Para 3(a) of Accounting Standard – 18.

- | | |
|--|---|
| 1. Aarti Healthcare Limited | 2. Aarti Corporate Services Limited |
| 3. Alchemie (Europe) Limited (upto 30th March, 2011) | 4. Shanti Intermediates Private Limited (Through its holding Company: Aarti Corporate Services Limited) |

II. Following are the associates of the Company as defined in Para 3(b) of the AS - 18, with which there were transactions during the year.

- | | |
|--|---|
| 1. Ganesh Polychem Limited | 2. Anushakti Chemicals and Drugs Limited |
| 3. Alchemie (Europe) Limited (w.e.f. 31st March, 2011) | 4. Nascent Chemical Industries Limited (Associate of 100% Subsidiary: Aarti Corporate Services Limited) |

III. Following are the Enterprises/Firms over which controlling individuals/key Management Personnel, of the Company along with their relatives, have significant influence as defined in para 3(e) of the AS - 18 and with which there were transactions during the year.

- | | |
|---|---|
| 1. Alchemie Pharma Chem Limited | 2. Alchemie Industries |
| 3. Gogri and Sons Investments Private Limited | 4. Alchemie Leasing and Financing Private Limited |
| 5. Alchemie Laboratories | 6. Aarti Drugs Limited |
| 7. Spack Chemicals Private Limited | |

IV. Following are the individuals who with their relatives as defined in the para 3(c) and 3(d) of the AS - 18 own

Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel.

Sr. No.	Name	Status
1.	Shri Chandrakant V. Gogri	Director
2.	Shri Rajendra V. Gogri	Director
3.	Smt. Hetal Gogri Gala	Director
4.	Shri Rashesh C. Gogri	Director
5.	Shri Shantilal T. Shah	Director
6.	Shri Parimal H. Desai	Director
7.	Shri Kirit R. Mehta	Director
8.	Shri Manoj M. Chheda	Director



The following transactions were carried out during the year with the related parties in the ordinary course of business.

(A) Details relating to parties referred to in items I, II and III above.

(₹ in Lakhs)

Sr. No.	Description of Transaction	Year	Subsidiary Companies [I]	Associated [II]	Other related Enterprises Firms [III]
1	Sales of Finished Goods	CY PY	0.22 2,857.24	8,065.46 4,012.72	1,203.43 809.76
2	Purchases of Raw Materials / Finished Goods	CY PY	- -	11,415.59 10,224.49	55.37 103.61
3	Other Manufacturing Expenses	CY PY	785.08 386.89	400.17 120.80	349.28 361.55
4	Rent paid	CY PY	300.00 300.00	- 180.00	42.00 42.00
5	Sale of Investments	CY PY	- 1.28	- -	- -
6	Sale of Fixed Assets	CY PY	- 6.14	75.83 -	21.29 -
7	Purchase of Fixed Assets	CY PY	- -	- 2.57	- 70.97
8	Inter-corporate Deposits taken / (Repaid) during the year	CY PY	- -	- -	(185.00) -
9	Inter-corporate Deposits given / (Received back) during the year	CY PY	- -	- (15.01)	- -
10	Unsecured Loans Given / (Taken Back)	CY PY	- (104.29)	- -	- -
11	Unsecured Loans Taken / (Repaid)	CY PY	- -	- (345.00)	- (193.05)
12	Interest Expense on the Inter-corporate Deposits taken	CY PY	- -	- 4.65	- 37.14
13	Interest Income on the Inter-corporate Deposits placed / unsecured loans	CY PY	- 8.96	- -	- -
14	Equity Contribution / (Disposal) in cash or in kind made during the year	CY PY	- -	- -	3.24 -
15	Equity Share Warrants	CY PY	- -	348.00 -	- -
16	Outstanding items pertaining to the related parties at the Balance Sheet -date: Receivable/(Payable)	CY PY	2,178.95 3972.54	6,070.86 3,480.62	940.23 (104.73)

Twenty Eighth Annual Report 2010-2011

(B) Details relating to persons referred to in item IV above*

	Financial Year 31-03-2011	(₹ in Lakhs) Financial Year 31-03-2010
a. Directors' Remuneration including perquisites #	133.59	119.50
b. Commission to Directors	188.06	109.59
c. Sitting Fees	3.12	2.80
d. Rent paid	68.97	62.61
e. Traveling Expenses	62.16	70.67
f. Telephone Expenses	5.04	6.24
TOTAL	460.94	371.41

* Excluding the payments made to Independent Directors as per Accounting Standard Interpretation 21 issued by the Institute of Chartered Accountants of India.

Value of Perquisites includes non Cash Perquisites of ₹ 1.83 Lakhs (previous year ₹ 1.83 Lakhs)

17. EARNING PER SHARE (EPS):

Particulars		Financial Year 2010-2011	Financial Year 2009-2010
Net Profit available for Equity Shareholders	(₹ in Lakhs)	6,677.65	7,010.75
No. of Equity Shares	(Nos.)	7,67,20,073	7,67,20,073
Basic & Diluted EPS	(₹)	8.70	9.14
Nominal value of Equity Shares	(₹)	5.00	5.00

18. EMPLOYEE BENEFITS:

Defined Benefit Plan

The employees' gratuity fund scheme managed by Life Insurance of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

		Gratuity (Funded) 2010-11	(₹ in Lakhs) Gratuity (Funded) 2009-10
a. Reconciliation of opening and closing balances of Defined Benefit obligation			
Defined Benefit obligation at beginning of the year		268.75	221.95
Current Service Cost		31.92	24.00
Interest Cost		21.50	18.44
Actuarial (gain)/loss		50.13	36.06
Benefits paid		(15.29)	(16.00)
Defined Benefit obligation at year end		357.01	284.45
b. Reconciliation of opening and closing balances fair value of plan assets			
Fair value of plan assets at beginning of the year		214.41	185.10
Expected return of plan assets		26.33	16.35
Actuarial (gain)/loss		Nil	1.71
Employer Contribution		86.72	27.25
Benefits paid		(15.29)	(16.00)
Fair value of plan assets at year end		312.17	214.41
Actual return on plan assets		26.33	18.05
c. Reconciliation of fair value of assets and obligations			
Fair value of plan assets		312.17	214.41
Present value of obligation		357.01	284.46
Amount recognized in Balance Sheet		44.84	70.05



(₹ in Lakhs)

	Gratuity (Funded) 2010-11	Gratuity (Funded) 2009-10
d. Expenses recognized during the year		
Current Service Cost	31.92	24.00
Interest Cost	21.50	18.44
Expected return on plan assets	(26.33)	(16.35)
Actuarial (gain)/loss	50.13	34.36
Net Cost	77.22	60.45
e. Investment Details		
L.I.C Group Gratuity (Cash Accumulation) Policy	100% Invested with L.I.C.	100% Invested with L.I.C.
f. Actuarial assumptions		
Mortality Table (L.I.C.)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8%	8%
Expected rate of return on plan assets (per annum)	8%	8%
Rate of escalation in salary (per annum)	5%	5%

The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion, other relevant factors' including supply and demand in the employment market. The above information is certified by the actuary.

Leave Encashment:

Leave Encashment liability amounting to ₹ 160.07 Lakhs (previous year ₹ 139.74 Lakhs) has been provided in the Accounts.

19. DERIVATIVES & FORWARD CONTRACT INSTRUMENTS:

(A) The Company uses Forward Exchange Contract to hedge against its Foreign Exchange exposures relating to underlying transactions and firm commitments. The Company does not enter into any derivatives instruments for Trading or Speculative purposes.

The Company had hedged in aggregate an amount of ₹ Nil (previous year ₹ 705.60 Lakhs) out of its Trade related operations (Exports & Imports) aggregating to ₹ 74,868.90 Lakhs (previous year ₹ 73,107.76 Lakhs).

The Company had hedged its currency risks to the tune of ₹ 1,900.00 Lakhs (previous year ₹ 4,200.00 Lakhs) in respect of its long term Foreign Currency Loans/Borrowings. Relating to the same, the Company had also swapped its floating interest rate borrowing of ₹ 4,906.00 Lakhs (previous year ₹ 1,100.00 Lakhs) into a fixed rate loan through an interest rate swap.

(B) Exchange gain net of exchange loss of ₹ 220.27 Lakhs (previous year net exchange gain of ₹ 408.96 Lakhs) is included in Profit & Loss Account.

20. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPH 3, 4C, 4D AND PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (FIGURES IN BRACKETS RELATE TO PREVIOUS YEAR).

(A) **Licensed Capacity, Installed Capacity and Production (as certified by the Management and not verified by Auditors, it being a matter requiring technical knowledge).**

i) Licensed Capacity	Not applicable
ii) Installed Capacity	(on triple shift basis)
Nitro Chloro Benzenes	60,000 Mt. per annum
Sulphuric Acid & Allied Products (equivalent)	2,00,000 Mt. per annum
iii) Production:	
Products	Quantity (in Mts.)
Nitro Chloro Benzenes (N.C.B.s)	30,857.95 (31,125.33)
Ortho Phenylene Diamine (O.P.D.A.)	173.64 (221.69)
Sulphuric Acid & Allied Products (equivalent)	1,76,468.96* (1,66,671.77)
Quinalphos	662.68 (495.68)

*includes 42,437.87 Mts. (previous year 32,498.75 Mts.) of Sulphuric Acid 98%, exclusive of Captive Consumption.

Twenty Eighth Annual Report 2010-2011

(B) Value and percentage of Raw Materials and Stores and Spares consumed:

	Percentage (%)	₹ in Lakhs
Raw Materials:		
Indigenous	82.16 (74.48)	57,632.90 (48,634.04)
Imported	17.84 (25.52)	12,516.72 (16,663.34)
TOTAL	100.00 (100.00)	70,149.62 (65,297.38)
Stores and Spares:		
Indigenous	97.91 (96.80)	1,838.02 (1,593.98)
Imported	2.09 (3.20)	39.23 (52.65)
TOTAL	100.00 (100.00)	1,877.25 (1,646.63)
Fuel:		
Indigenous	72.13 (84.01)	4,375.95 (4,852.41)
Imported	27.87 (15.99)	1,690.95 (923.31)
TOTAL	100.00 (100.00)	6,066.90 (5,775.72)

(C) C. I. F. Value of Imports:

(₹ in Lakhs)

Capital Goods	100.35 (1,232.56)
Raw Materials	11,751.13 (15,629.70)
Stores and Spares	39.23 (52.65)
Fuel	2,082.60 (607.76)

(D) Expenditure in Foreign Currency:

(₹ in Lakhs)

Commission on Export Sales	249.82 (215.50)
Import of Goods for Resale	4,087.81 (3,601.09)
Other Expenses	907.11 (690.64)

(E) Earnings in Foreign Currency:

(₹ in Lakhs)

F.O.B. Value of Export sales	52,720.61 (48,991.26)
------------------------------	---------------------------------

21. The figures of previous year have been regrouped and rearranged wherever necessary.

Signatures to Schedules 'A' to 'P'

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

Sd/-
MONA PATEL
COMPANY SECRETARY

PLACE: Mumbai
DATE: 30th May, 2011

**PART - IV****Balance Sheet Abstract & Company's General Business Profile****I. Registration Details**

Registration No.	7301	State Code	4
Balance Sheet Date	31st March, 2011		

II. Capital Raised during the year (Amount in ₹ Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities	13,217,009	Total Assets	13,217,009
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Sources of Funds

Paid up Capital	383,600	Reserves & Surplus	4,046,696
Secured Loan	4,537,541	Unsecured Loans	725,326

Application of Funds

Net Fixed Assets	3,919,807	Investments	187,621
Net Current Assets	5,965,467	Misc. Expenditure	NIL
Capital Work in Progress	184,461	Accumulated Losses	NIL

IV. Performance of Company (Amount in ₹ Thousands)

Turnover	15,383,456	Total Expenditure	13,406,942
Profit Before Tax	936,085	Profit After Tax	686,085
Earning Per Share in ₹ (Basic and Diluted)	8.70	Dividend Rate (%)	50%

V. Generic Names of Three Principal Products of Company (as per monetary terms)**ITEM CODE NO.(ITC CODE) PRODUCTION DESCRIPTION**

1. 29049005	PARA NITRO CHLORO BENZENE
2. 29049004	ORTHO NITRO CHLORO BENZENE
3. 28070001	SULPHURIC ACID
4. 38081021	QUINALPHOS

FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

Sd/-
MONA PATEL
COMPANY SECRETARY

PLACE: Mumbai
DATE: 30th May, 2011

Cash Flow Statement For The Year Ended 31st March, 2011

Sr. No.	Particulars	For the year Ended 31st March, 2011	(₹' in Lakhs) For the year Ended 31st March, 2010
A.	Cash Flow from Operating Activities :		
	Net Profit Before Tax and Extraordinary Items	9,360.85	10,746.85
	Adjustments For:		
Add:	Interest and Finance Charges Paid	5,595.50	5,171.31
	Depreciation	4,792.39	4,474.91
	Expenses Amortised	20.35	25.67
	Loss on Sale of Assets	2.24	0.00
	Loss on Sale of Investment	0.00	8.72
		19,771.33	20,427.46
Less:	Profit on Sale of Investment	(247.99)	0.00
	Profit on Sale of Assets	(33.73)	(25.77)
	Prior Year Adjustment	(10.30)	(8.57)
	Dividend Received From Other Investments	(58.88)	(25.73)
	Lease Rent Received	(39.80)	(10.66)
	Operating Profit Before Working Capital Changes	19,380.64	20,356.73
	Adjustments For :		
Add/(Less):	(Increase) / Decrease In Trade and Other Receivables	(8,636.13)	266.72
	Increase / (Decrease) In Trade Payables	(620.80)	7,295.47
	(Increase) / Decrease In Inventories	(3,055.07)	(6,259.57)
	Cash Generated From Operations	7,068.64	21,659.35
Less:	Direct Taxes Paid	(2,942.79)	(4,076.78)
	Net Cash From Operating Activities	4,125.85	17,582.57
B.	Cash Flow From Investing Activities		
	Addition To Fixed Assets/CWIP	(6,857.70)	(6,019.25)
	Sale / Written Off of Fixed Assets	135.09	20.00
	(Increase)/Decrease In Other Investments	(103.09)	(6.05)
	(Increase)/Decrease In Associate Investments	(25.54)	0.00
	(Increase)/Decrease In Subsidiary Investments	25.54	0.00
	Dividend Received From Other Investments	58.88	25.73
	Lease Rent Received	39.80	10.66
	Net Cash From Investing Activities	(6,727.02)	(5,968.91)
C.	Cash Flow From Financing Activities		
	Proceeds From Long Term Borrowings	4,906.00	0.00
	Repayment of Long Term Borrowings	(3,521.42)	(4,430.74)
	Proceeds/(Repayments) of Other Borrowings	7,595.73	(178.30)
	Proceeds From Issue of Share Warrants	348.00	0.00
	Increase In Equity and Share Premium	0.00	970.57
	Interest and Finance Charges Paid	(5,595.50)	(5,171.31)
	Dividend Paid	(1,496.04)	(2,265.30)
		2,236.77	(11,075.08)
	Net Increase/(Decrease) In Cash and Cash Equivalents (A+B+C)	(364.40)	538.58
	Cash And Cash Equivalents (Opening Balance)	1,141.00	602.42
	Cash And Cash Equivalents (Closing Balance)	776.60	1,141.00

Notes: i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.
ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER

PLACE: Mumbai
DATE: 30th May, 2011

FOR AND ON BEHALF OF THE BOARD

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

**Statement Pursuant to Section 212 of the Companies Act, 1956**

Name of the Company	Aarti Healthcare Ltd.	Aarti Corporate Services Ltd.	Shanti Intermediates Pvt. Ltd. (Subsidiary of Aarti Corporate Services Ltd.)
The financial year of the Subsidiary Companies ended on	31st March, 2011	31st March, 2011	31st March, 2011
Date from which they become Subsidiary Companies	15th September, 1994	24th February, 1995	14th June, 2006
a. Number of shares held by Aarti Industries Ltd. with its nominees in the Subsidiaries at the end of the financial year of the Subsidiary Companies	31,26,000 Equity Shares of the face value of ₹ 10/- each fully paid up.	20,24,680 Equity Shares of the face value of ₹ 10/- each fully paid up.	5,550 Equity Shares of the face value of ₹ 100/- each fully paid up through Aarti Corporate Services Ltd.
b. Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies	52.10%	100%	82.04%
The net aggregate amount of the Subsidiary Companies Profit/Loss so far as it concerns the Members of the Holding Company.			
a. Not dealt with in the Holding Company's Accounts			
i) For the financial year ended 31st March, 2011	₹ 9,276,444	₹ 2,207,816	₹ 523,117
ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	₹ 40,095,200	₹ 11,837,965	₹ (700,930)
b. Dealt within Holding Company's Accounts:			
i) For the financial year ended 31st March 2011	NIL	NIL	NIL
ii) For the financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	NIL	NIL	NIL
Material changes during the last date of the financial year of the Subsidiary Companies and the last date of financial year of the Holding Company.	N.A.	N.A.	N.A.

For and on behalf of the Board

Sd/-
CHANDRAKANT V. GOGRI
Chairman

Sd/-
RAJENDRA V. GOGRI
Vice Chairman and
Managing Director

Sd/-
SHANTILAL T. SHAH
Vice Chairman

Sd/-
MONA PATEL
Company Secretary

Place: Mumbai
Date: 30th May, 2011

Auditors' Report to the Board of Directors of Aarti Industries Ltd. on the Consolidated Financial Statements

We have examined the attached consolidated Balance Sheet of AARTI INDUSTRIES LIMITED and its subsidiaries as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow for the year then ended.

These financial statements are the responsibility of AARTI INDUSTRIES LIMITED's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of ₹ 2191.01 Lakhs as at 31st March, 2011 and total revenues of ₹ 5849.15 Lakhs for the year then ended and of associates which reflect the Group's share of profits (net) for the year then ended of ₹ 1544.13 Lakhs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries and associates, is based solely on the report of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21: Consolidated Financial Statements and Accounting Standard 23: Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of AARTI INDUSTRIES LTD. and its subsidiaries and associates included in the Consolidated Financial Statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of AARTI INDUSTRIES LTD. and its aforesaid subsidiaries and associates, we are of the opinion that:

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of AARTI INDUSTRIES LTD. and its subsidiaries and associates as at 31st March, 2011,
- (b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of AARTI INDUSTRIES LTD. and its subsidiaries and associates for the year then ended, and
- (c) The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of AARTI INDUSTRIES LTD., its subsidiaries and associates for the year then ended.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration Number: - 107547W

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER
M. No. 33915

Place: Mumbai
Date: 30th May, 2011

**Consolidated Balance Sheet as at 31st March, 2011**

(₹ in Lakhs)

Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS:			
Share Capital	A	3,836.00	3,836.00
Equity Share Warrants	B	348.00	NIL
Reserves and Surplus	C	46,711.33	41,608.03
Minority Interest		927.12	860.30
		51,822.45	46,304.33
LOAN FUNDS:			
Secured Loans	D	45,375.41	40,100.53
Unsecured Loans	E	7,478.82	3,748.33
DEFERRED TAX LIABILITY		5,301.70	5,117.24
		58,155.93	48,966.10
TOTAL		109,978.38	95,270.43
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	F	78,030.04	72,741.85
Less: Depreciation		36,824.55	32,007.10
Net Block		41,205.49	40,734.75
Capital Work in Progress		1,844.61	914.50
INVESTMENTS	G	7,642.13	5,436.02
DEFERRED TAX ASSETS		292.68	436.57
CURRENT ASSETS, LOANS AND ADVANCES:			
Inventories	H	29,409.47	26,467.68
Sundry Debtors		33,261.97	25,700.98
Cash and Bank Balances		1,286.46	1,161.05
Other Current Assets		20,086.57	16,340.72
Loans and advances		4,749.45	4,680.70
		88,793.92	74,351.13
Less: CURRENT LIABILITIES AND PROVISIONS:			
Liabilities	I	13,928.50	13,976.05
Provisions		15,871.95	12,647.52
		29,800.45	26,623.57
NET WORKING CAPITAL		58,993.47	47,727.56
MISCELLANEOUS EXPENDITURE:			
(To the extent not written off or adjusted)			
Pre-operative Expenses		NIL	13.13
Deferred Revenue Expenditure [Note: 11]		NIL	7.90
TOTAL		109,978.38	95,270.43
NOTES TO THE ACCOUNTS			
	P		

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
YATIN R. VYAVAHARKAR
PARTNER

PLACE: Mumbai
DATE: 30th May, 2011

FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
MANAGING DIRECTOR AND
VICE CHAIRMAN

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

Sd/-
MONA PATEL
COMPANY SECRETARY

Consolidated Profit and Loss Account for the year ended on 31st March, 2011

(₹ in Lakhs)

Particulars	Schedule	For the year ended 31st March, 2011	For the year ended 31st March, 2010
INCOME:			
Gross Sales and Other Sales Income		156,037.98	134,959.07
Less: Excise Duty		7,644.76	4,836.83
Net Sales and Other Sales Income		148,393.22	130,122.24
Interest on Loan		10.95	8.53
Other Income	J	405.58	175.70
Increase/(Decrease) in Inventory		1,527.70	2,904.71
TOTAL		150,337.45	133,211.18
EXPENDITURE:			
Manufacturing Expenses	K	99,603.19	91,787.24
Purchase of Goods Traded In		19,467.65	11,467.99
Office and Administration Expenses	L	2,018.22	1,435.72
Selling and Distribution Expenses	M	8,960.49	7,761.17
Interest and Financial Charges	N	5,621.33	5,199.19
Non-Operating Expenses and Losses	O	81.54	177.16
TOTAL		135,752.42	117,828.47
Profit Before Depreciation		14,585.03	15,382.71
Less: Depreciation		4,981.37	4,706.67
Profit Before Tax		9,603.66	10,676.04
Less: Provision For Taxation [Note: 13(a)]		2,584.90	3,177.82
Profit After Tax		7,018.76	7,498.22
Less: Provision for Deferred Tax [Note: 13(b)]		328.34	649.61
Profit After Deferred Tax		6,690.42	6,848.61
Add: Balance of Profit and Loss Account Brought Forward		31,370.78	27,086.82
Add: Provision for Taxation for earlier years		1.31	NIL
Less: Prior Years' Adjustment for others		10.29	8.56
		38,052.22	33,926.87
Less: Transfer to General Reserve		674.42	714.08
Less: Transfer to Debenture Redemption Reserve		NIL	2,000.00
Add: Transfer from (to) Consolidation Reserve		NIL	79.86
		37,377.80	31,292.65
Less: Dividend (1st Interim)		959.00	1,380.96
Dividend (Final)		959.00	537.04
Less: Tax on Dividend (1st Interim/Final)		312.78	325.96
Add: Share of Profit/(Loss) Associate (Net) [Note:3(g) & 20]		1,544.14	1,397.19
Less: Adjustment on Consolidation		890.67	NIL
Less: Minority Interest		86.43	10.98
Add: Unrealised Profit		104.57	(94.82)
Add: Currency Fluctuation on Consolidation		NIL	1,029.54
Add: Currency Fluctuation on conversion of Financial Statements		NIL	1.16
Balance Carried Forward to Balance Sheet		35,818.63	31,370.78
Earning Per Share [Note: 22] (in ₹)		10.62	10.73

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

Sd/-
YATIN R. VYAVAHARKAR
PARTNER

PLACE: Mumbai
DATE: 30th May, 2011

FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
MANAGING DIRECTOR AND
VICE CHAIRMAN

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

Sd/-
MONA PATEL
COMPANY SECRETARY



Schedules - Consolidated Financial Statements

Schedules Forming Part of the Balance Sheet as at 31st March, 2011

	As at 31st March, 2011	(₹ in Lakhs) As at 31st March, 2010
SCHEDULE 'A' - SHARE CAPITAL		
AUTHORISED CAPITAL		
12,50,00,000 Equity Shares of ₹ 5/- each	6,250.00	6,250.00
(As on 31st March, 2010 - 12,50,00,000 Equity Shares of ₹ 5/- each)		
ISSUED, SUBSCRIBED & PAID-UP		
7,67,20,073 Equity Shares of ₹ 5/- each Fully Paid-up	3,836.00	3,836.00
(As on 31st March, 2010 - 7,67,20,073 of ₹ 5/- each Fully Paid-up)		
NOTES : of the above Shares -		
[a] 6,22,28,216 (As at 31st March, 2010 - 6,22,28,216) have been issued as Fully Paid Bonus Shares.		
[b] 30,00,000 (As at 31st March, 2010 - 30,00,000) have been issued to Shareholders of Salvigor Laboratories Ltd. pursuant to its Merger with the Company.		
[c] 16,62,638 (As at 31st March, 2010 - 16,62,638) have been issued to Shareholders of Mahaval Organic Ltd. pursuant to its Merger with the Company.		
[d] 10,25,050 (As at 31st March, 2010 - 10,25,050) have been issued to Shareholders of Alchemie Organics Ltd. pursuant to its Merger with the Company.		
[e] 8,43,649 (As at 31st March, 2010 - 8,43,649) have been issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.		
[f] 42,000 (As at 31st March, 2010 - 42,000) have been issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.		
[g] 30,25,000 (As at 31st March, 2010 - 30,25,000) have been issued towards Preferential Allotment at premium of ₹ 30.65 paise to Warrant Holders.		
TOTAL	3,836.00	3,836.00
SCHEDULE 'B' - EQUITY SHARE WARRANTS		
Upfront consideration at,		
₹ 14.50 paise per warrant received towards Preferential Allotment of 24,00,000 Equity Share Warrants of ₹ 5/- each.	348.00	NIL
These warrants are to be converted into 24,00,000 Equity Shares of ₹ 5/- each at a premium of ₹ 53/- Per Equity Share upon exercise of option by the Warrant Holders on or before 11th May, 2012.		
(Note: The funds raised have been utilised towards on-going capital expenditure and long term working capital requirements.)		
TOTAL	348.00	NIL

Schedules - Consolidated Financial Statements

SCHEDULE 'C' - RESERVES & SURPLUS

(₹ in Lakhs)

PARTICULARS	Consolidated As at 1st April, 2010	Addition	Deduction	Adjustment on Consolidation	Consolidated As at 31st March, 2011
CAPITAL RESERVES :					
Capital Reserve	2.08	-	-	-	2.08
State Investment Subsidy	51.82	-	-	-	51.82
Amalgamation Reserve	1,076.55	-	-	-	1,076.55
Capital Reserve - On Consolidation [Note: 3(e)]	61.015	-	-	(8.444)	52.57
Forfeiture Reserve	184.565	-	-	-	184.57
Debenture Redemption Reserve	4,000.00	-	4,000.00	-	-
Capital Redemption Reserve	55.333	-	-	-	55.33
Share Premium Account	927.163	-	-	-	927.16
TOTAL	6,358.53	-	4,000.00	(8.444)	2,350.08
REVENUE RESERVES :					
General Reserve	3,859.32	4,670.00	-	-	8,529.32
RBI Reserve u/s 45(IC)	8.89	4.42	-	-	13.30
TOTAL	3,868.21	4,674.42	-	-	8,542.62
Consolidation Reserve	10.51	-	-	(10.514)	-
PROFIT AND LOSS ACCOUNT	31,370.78	8,340.44	3,001.92	(890.67)	35,818.63
TOTAL	41,608.03	13,014.85	7,001.92	(909.63)	46,711.33
PREVIOUS YEAR	33,682.29	11,968.06	4,122.72	80.40	41,608.03

(₹ in Lakhs)

SCHEDULE 'D' - SECURED LOANS

LONG TERM LOANS

Non Convertible Debentures	NIL	10,000.00
From Scheduled Banks	10,376.00	2,473.70
External Commercial Borrowing	6,498.40	3,016.13
WORKING CAPITAL LOAN		
From Scheduled Banks	28,501.01	24,610.70
TOTAL	45,375.41	40,100.53

SCHEDULE 'E' - UNSECURED LOANS

Fixed Deposits	123.23	116.23
From Banks	4,621.53	3,155.20
From Others	2,733.56	476.40
Security Deposit from C & F Agents	0.50	0.50
TOTAL	7,478.82	3,748.33

Schedules - Consolidated Financial Statements

SCHEDULE 'F' - FIXED ASSETS

(₹ in Lakhs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 01.04.2010	Consolidated Adjustment	Additions during the year	Deductions during the year	As on 31.03.2011	For the year	Consolidated Adjustment	Deductions during the year	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Residential Flat	47.35	-	6.17	-	53.52	0.87	-	-	1.64	51.88	46.58
Leasehold Land	1,677.34	-	185.08	-	1,862.42	21.98	-	-	150.42	1,712.00	1,548.90
Freehold Land	47.62	-	-	-	47.62	-	-	-	-	47.62	47.62
Building	5,319.67	-	587.44	-	5,907.11	254.78	-	-	1,761.91	4,145.20	3,812.53
Plant & Machinery	60,452.38	-	5,037.22	256.35	65,233.25	4,175.89	-	152.75	31,249.24	33,984.01	33,226.28
Furniture, Fixture & Office Equipment	1,116.00	-	78.55	10.97	1,183.58	89.87	-	10.97	902.41	281.17	292.49
Vehicles	692.66	-	80.43	-	773.09	72.99	-	-	560.26	212.83	205.39
Other Tangible Assets	419.38	(419.38)	-	-	-	48.98	(138.98)	-	-	-	329.38
[Alchemie Europe Ltd.]											
Total (A)	69,772.40	(419.38)	5,974.89	267.32	75,060.59	4,665.36	(138.98)	163.72	34,625.88	40,434.71	39,509.17
Process Development & Patent *	2,545.49	-	-	-	2,545.49	316.00	-	-	1,913.50	631.99	947.99
Product Development & R & D	416.39	-	-	-	416.39	138.80	-	-	277.60	138.79	277.59
Technical Knowhow	7.57	-	-	-	7.57	-	-	-	7.57	-	-
Total (B)	2,969.45	-	-	-	2,969.45	454.80	-	-	2,198.67	770.78	1,225.58
TOTAL (A + B)	72,741.85	(419.38)	5,974.89	267.32	78,030.04	5,120.16	(138.98)	163.72	36,824.55	41,205.49	40,734.75
PREVIOUS YEAR	66,258.96	NIL	6,482.89	-	72,741.85	4,943.74	NIL	NIL	32,007.10	40,734.75	-

Less: Amortisation of Patent clubbed in Manufacturing Expenses by Aarti Healthcare Ltd. 138.80

Net Depreciation 4,981.37

Current year depreciation includes ₹ 23.83 Lakhs (previous year ₹ 30.45 Lakhs) on Assets deployed for Research & Development.
* Process Development is being amortized over a period of 5 years (Balance will be amortized over a period of 2 years).

Schedules - Consolidated Financial Statements

SCHEDULE 'G' - INVESTMENTS

(Valued at cost)

(₹ in Lakhs)

Name of the Company	Number of Units / Shares (All fully paid up)				As at 31st March, 2011 at cost	As at 31st March, 2010 at cost
	Opening Balance	Acquisitions During the year	Disposals During the year	Closing Balance		
(A) Investments - (Quoted) in Equity Shares						
Reliance Industries Ltd.	480	NIL	NIL	480	0.12	0.12
Atul Ltd.	50	NIL	NIL	50	0.01	0.01
Deepak Nitrite Ltd.	175	NIL	NIL	200	0.13	0.13
The Dharamsi Morarji Chemical Co. Ltd.	100	NIL	NIL	100	0.01	0.01
Hindustan Organic Chemicals Ltd.	100	NIL	NIL	100	0.01	0.01
Rashtriya Chemicals & Fertilizers Ltd.	100	NIL	NIL	100	0.02	0.02
Bayer Crop Science Ltd.	10	NIL	NIL	10	0.01	0.01
Reliance Power Ltd. *	NIL	60	NIL	60	NIL	NIL
Reliance Natural Resources Ltd. *	240	NIL	240	NIL	NIL	NIL
Reliance Communications Ltd.	240	NIL	NIL	240	NIL	NIL
Reliance Capital Ltd.	12	NIL	NIL	12	NIL	NIL
Reliance Infrastructure Ltd.	18	NIL	NIL	18	NIL	NIL
TOTAL					0.31	0.31
* Pursuant to the scheme of arrangement between Reliance Natural Resources Ltd. (RNRL) and Reliance Power Ltd. (RPL) 60 shares of RPL is issued to the Company in lieu of 240 shares of RNRL held by the Company.						
Trade Investments - (Quoted) in Equity Shares						
Aarti Drugs Ltd.	851,059	NIL	200,000	651,059	104.17	136.32
TOTAL					104.17	136.32
Trade Investments - (Unquoted) in Equity Shares						
U.K.I.P. Co-op. Soc. Ltd.	35	NIL	NIL	35	0.02	0.02
TOTAL					0.02	0.02
Investments - (Unquoted) in Equity Shares						
Aarti Biotech Ltd.	419,600	2,000	NIL	421,600	5.11	5.06
Ichalkaranji Janata Sahakari Bank Ltd.	1,020	NIL	NIL	1,020	0.51	0.51
Damanganga Saha Khand Udyog Mandali Ltd.	61	NIL	NIL	61	1.22	1.22
Perfect Enviro Control Systems Ltd.	380,640	NIL	NIL	380,640	17.65	17.65
Narmada Clean Tech Ltd. (partly paid) (Formerly known as Bharuch Eco Aqua Infra Ltd.)	102,230	NIL	NIL	102,230	13.26	13.26
Dispo Dyechem Ltd.	40,000	NIL	NIL	40,000	1.28	1.28
Dilesh Roadlines Pvt. Ltd.	494,000	NIL	NIL	494,000	49.40	49.40
Aarti Intermediate Ltd.	22,125	NIL	NIL	22,125	0.22	0.22
Amrey Enterprises Pvt. Ltd.	4,900	NIL	NIL	4,900	0.49	0.49
Indusken Pharmaceuticals Pvt. Ltd.	200,000	NIL	NIL	200,000	20.00	20.00
SBPP Bank Ltd.	783	NIL	NIL	783	0.78	0.78
Spack Chemicals Pvt. Ltd.	300,500	238,500	NIL	539,000	5.39	3.00
TOTAL					115.31	112.87
Investments - (Unquoted) in Preference Shares						
Spack Chemicals Pvt. Ltd.	61,500	85,500	NIL	147,000	1.47	0.62
TOTAL					1.47	0.62
Investments - (Unquoted) in Limited Liability Partnership						
Aarti Udyog Limited Liability Partnership	NA	NA	NA	NA	680.00	NIL
TOTAL					680.00	NIL
TOTAL (A)					901.28	250.14



Schedules - Consolidated Financial Statements

(₹ in Lakhs)

Name of the Company	Numbers	a Original Investment As on 01-04-10	b Addition During the year	Additions to cost as on 01-04-10	Share of Profit/ (Loss)	Deduction	c Additions to cost as on 31-03-11	(a + b + c) As at 31st March, 2011 at cost	As at 31st March, 2010 at cost
(B) Investments in Associate Companies									
(Unquoted) in Equity Shares:									
Nascent Chemical Industries Ltd. (Associate of 100% Subsidiary)	293,920	133.29	-	154.77	71.13	14.70@	211.20	344.49	288.06
Ganesh Polychem Ltd.	22,00,000*	100.00	-	798.59	524.98	-	1,323.57	1,423.57	898.59
Anushakti Chemicals and Drugs Ltd.	8,846,490	731.98	-	3,267.25	948.02	-	4,215.27	4,947.25	3,999.23
Alchemie Europe Limited (w.e.f. 31st March, 2011)	40,000	-	25.54	-	-	-	-	25.54	NIL
TOTAL (B)								6,740.85	5,185.88
* Includes 12,00,000 Bonus Shares Allotted @ Dividend Received									
GRAND TOTAL (A + B)								7,642.13	5,436.02
Aggregate Market Value of Quoted Investments: (₹ in Lakhs)									
As on 31-03-2011		836.92							
As on 31-03-2010		870.72							

Schedules - Consolidated Financial Statements

	As at 31st March, 2011	As at 31st March, 2010
(₹ in Lakhs)		
SCHEDULE 'H' - CURRENT ASSETS, LOANS AND ADVANCES [Note: 14]		
CURRENT ASSETS:		
1 Inventories		
Raw Materials	10,404.53	9,832.04
Fuel	1,185.82	454.27
Work-in-Process	8,823.79	8,512.02
Finished Goods	8,415.95	7,207.64
Packing Materials	171.13	162.42
Stores and Spares	408.25	299.29
	<u>29,409.47</u>	<u>26,467.68</u>
2 Sundry Debtors (Unsecured)		
(a) Outstanding for more than six months		
- Considered Good	2,096.17	1,700.48
- Considered Doubtful	NIL	NIL
(b) Others - Considered Good	31,157.26	23,993.56
	<u>33,253.43</u>	<u>25,694.04</u>
(C) Interest Receivable	8.54	6.94
	<u>33,261.97</u>	<u>25,700.98</u>
3 Cash and Bank Balances		
Cash on hand	69.03	58.45
Balances with Scheduled Banks		
In Current Accounts	949.48	430.14
In Deposit Accounts	267.95	672.46
	<u>1,286.46</u>	<u>1,161.05</u>
4 Other Current Assets		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	4,020.37	2,871.98
Advance Tax and Tax Deducted at Source	15,940.74	13,370.55
Loan to Corporate Bodies	111.19	85.20
Deposits	14.27	12.99
	<u>20,086.57</u>	<u>16,340.72</u>
5 Loans and Advances		
(Unsecured and considered good)		
Capital Advances	961.96	534.16
Balances with Custom, Port Trust, Excise & Sales Tax Authorities	3,787.49	4,146.54
	<u>4,749.45</u>	<u>4,680.70</u>
	<u>24,836.02</u>	<u>21,021.42</u>
TOTAL	<u>88,793.92</u>	<u>74,351.13</u>
SCHEDULE 'I' - CURRENT LIABILITIES AND PROVISIONS		
1 LIABILITIES:		
Sundry Creditors	13,696.23	13,833.58
Interest Accrued but not due on Loans	117.54	28.75
Unclaimed Dividend #	114.73	113.72
	<u>13,928.50</u>	<u>13,976.05</u>
2 PROVISIONS:		
Provision for Taxation [Note 13 (a)]	14,125.35	11,738.42
Proposed Dividend & Tax on Dividend	1,114.57	537.04
Employee Benefits	632.03	372.06
TOTAL	<u>15,871.95</u>	<u>12,647.52</u>

There is no amount due & outstanding to be credited to Investor Education & Protection Fund.

**Schedules - Consolidated Financial Statements**

(₹ in Lakhs)

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
SCHEDULE 'J' - OTHER INCOME		
Dividend Received From:		
a) Trade Investments	58.63	25.53
b) Non Trade Investments	0.37	0.31
Interest Received	5.13	0.03
Profit on Sale of Assets	33.73	19.63
Profit on Sale of Investments	247.99	NIL
Lease Rent	39.80	14.26
Other Income	19.93	115.94
TOTAL	405.58	175.70
SCHEDULE 'K' - MANUFACTURING EXPENSES		
Consumption of Raw Materials	70,149.70	65,297.20
Consumption of Packing Materials	2,151.00	1,938.35
Consumption of Stores and Spares	1,900.38	1,683.07
Freight, Cartage and Transport	4,418.32	4,017.01
Fuel	6,066.90	5,775.72
Power	3,481.95	3,656.40
Water Charges	401.20	463.60
Excise Duty Paid	973.24	389.70
Processing Charges	959.85	617.94
Staff Costs	2,898.10	2,640.73
Other Manufacturing Expenses	3,282.98	2,783.83
Repairs and Maintenance - Building	172.39	250.28
- Plant & Machinery	1,343.38	1,026.98
Wages	113.43	92.20
Insurance Charges	132.08	127.61
Research & Development Expenses	393.52	137.04
Factory Administration Expenses	625.97	652.50
Amortisation of Patent Expenses Written Off	138.80	237.08
TOTAL	99,603.19	91,787.24
SCHEDULE 'L' - OFFICE AND ADMINISTRATIVE EXPENSES		
Staff Cost [Note: 16]	1,031.10	813.07
Profession Tax	0.02	0.05
Rent	76.55	70.70
Rates, Taxes & Fees	34.42	36.78
Travelling and Conveyance	241.38	223.70
Repairs & Maintenance	0.46	0.52
Exchange Difference & Charges	115.07	(107.63)
Auditors' Remuneration [Note: 15]	10.02	11.56
Bank Charges	5.01	7.44
Legal and Professional Charges	137.58	108.29
Postage, Telegram and Telephone	83.53	63.93
Printing and Stationery	31.29	29.09
Other Administrative Expenses	245.91	172.11
Insurance	5.88	6.11
TOTAL	2,018.22	1,435.72

Schedules - Consolidated Financial Statements

	For the year ended 31st March, 2011	(₹ in Lakhs) For the year ended 31st March, 2010
SCHEDULE 'M' - SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Sales Promotion	240.57	164.41
Export Freight	2,957.04	2,111.86
Freight and Forwarding	3,317.14	2,886.04
Commission	417.55	319.74
Insurance Charges on Export	110.55	94.38
Sample Testing and Analysis Charges	38.26	23.65
Sales Tax/Vat Paid	529.01	331.97
Discount	434.27	502.19
Sundry Balances Written Off/(Back)	104.35	8.18
Storage	0.89	2.61
Carriage	810.86	954.52
Bad Debts Written Off	NIL	361.36
Other Selling Expenses	NIL	0.26
TOTAL	8,960.49	7,761.17
SCHEDULE 'N' - INTEREST AND FINANCIAL CHARGES		
Interest on Long Term Loans & Debentures	2,255.89	2,369.36
Interest on Working Capital	2,873.85	2,293.22
Bank Charges	491.59	536.61
TOTAL	5,621.33	5,199.19
SCHEDULE 'O' - NON-OPERATING EXPENSES		
Donations	70.73	157.26
Pre-operative Expenses Written Off	0.68	0.68
Deferred Revenue Expenses Written Off	7.90	10.50
Loss on Sale of Assets	2.23	NIL
Loss on Sale of Shares	NIL	8.72
TOTAL	81.54	177.16



Schedule: 'P' Notes Forming Part of Consolidated Financial Statements for the year ended 31st March, 2011

1. **Background**

Consolidated Financial Statements include the Accounts of the Parent Company, Aarti Industries Limited and the following Subsidiary Companies:

<u>Name of the Subsidiary</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest (%)</u>
Indian Subsidiary		
(a) Aarti Healthcare Limited	India	52.10 %
(b) Aarti Corporate Services Limited	India	100.00 %
(c) Shanti Intermediates Private Limited (Through its Holding Company: Aarti Corporate Services Limited)	India	82.04 %
Foreign Subsidiary		
(d) Alchemie (Europe) Limited (up to 30 th March, 2011)	United Kingdom	80.00 %

2. Significant Accounting policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosures and a guide to better understanding of the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

3. **Principles of Consolidation**

- These Consolidated Financial Statements are prepared using the Financial Statements of the Parent Company and the Indian Subsidiary Companies drawn up to the same reporting date except the Foreign Subsidiary Company, Alchemie (Europe) Ltd.
- The financial statements of the Foreign Subsidiary, whose accounting period ended on 30th November, 2010, have been considered for the consolidation.
- The consolidation of the financial statements of the Parent Company and its Subsidiaries is done on line by line basis by adding together like items of Assets, Liabilities, Income and Expenses. All intra group transactions, unrealized inter-company profits and balances have been eliminated in the course of consolidation, except the transactions between Aarti Industries Ltd. and Alchemie (Europe) Ltd. of the period from 1st December, 2010 to 30th March, 2011 amounting to ₹ 104.57 Lakhs which could not be eliminated due to inconsistency in the reporting period of the Parent company and the Subsidiary, hence Operating profit element of the Sales has been removed.
- The financial statements of the Parent Company and its Subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- The excess of the share of the Parent Company in the Net Assets over the carrying costs to the Parent Company of its investments in each of the Subsidiaries is recognized in the consolidated financial statements as Capital Reserve and in the converse case it is recognized as Goodwill.
- In case of associates, where the Parent Company directly or indirectly through subsidiaries holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard 23 (AS-23) "Accounting for Investment in Associates in Consolidated Financial Statements".
- Net loss attributable to the minority interest borne by the Parent Company in previous years, is recouped. The Consolidated Financial Statements include the share of Profits/Losses of the Associate Companies. These profits/Losses have been accounted as per "Equity Method", as per which the Share of Profits or Losses of each of the Associate Companies has been added to the carrying cost of Investment.

4. **Research and Development**

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account for the year. Capital Expenditure on Research and Development is included as part of Fixed Assets and Depreciation is provided on the same basis as for other Fixed Assets.

5. Revenue Recognition

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc. as considered appropriate. Revenue from conversion, sale of scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance Claims and Subsidy from Department of Fertilizers is recognized on the time proportion method.
- (iv) In case of Foreign Subsidiary, sales are excluding Value Added Tax.

6. Foreign Currency Transactions

Accounts of the Foreign Subsidiary are translated into Indian Rupees as per the requirements of the Accounting Standard 11 "Accounting for the Effects of Changes in Foreign Exchange Rates".

7. Fixed Assets

The Fixed Assets of the Parent Company and other Subsidiaries are stated at cost of acquisition (net of CENVAT/VAT) inclusive of all expenditure of capital nature such as, inward freight, duties and taxes, installation and commissioning expenses, appropriate borrowing costs and incidental expenses related to acquisition.

8. Depreciation

- a. Depreciation is provided on tangible fixed assets (with the exception of land) at the rates adopted in the accounts of the Parent and respective Subsidiaries on Straight-Line Method, except as stated in item b.
- b. In respect of asset installed by the Parent Company in one plant taken on Operating Lease, depreciation is provided on Reducing Balance Method at the Rate prescribed under Schedule XIV of the Companies Act, 1956.
- c. Leasehold Land is amortized over the period of Lease in case of the Parent Company. Patents are amortized over its estimated useful life in case of its Subsidiary i.e. Aarti Healthcare Limited. Product/Process Development expenses are amortized over the estimated useful life of the product in case of Parent Company and its Subsidiary i.e. Aarti Healthcare Limited.

9. Investments

- (i) Current Investments if any, are stated at lower of cost and Fair Market Value.
- (ii) Long-Term Investments are stated at cost less provision for permanent diminution in value if any, of investments.

10. Inventories

Inventories have been valued on the following basis:

Nature of Goods	Method of Valuation
(a) Raw Materials, packing materials, stores and spares	At cost on weighted average basis
(b) Work-in-process	At cost plus appropriate allocation of overheads
(c) Finished Goods	At cost plus appropriate allocation of overheads or net realizable value, whichever is lower

11. Deferred Revenue Expenditure

Deferred Revenue Expenditure is amortized over the period of agreement on pro- rata basis.

12. Borrowing Costs

Interest on Term Loans directly related to the acquisition, construction or erection of Fixed Assets is capitalized.

13. Taxation

- (a) Current Income Tax is the aggregate of the tax expenses appearing in the financial statements of individual companies in accordance with the applicable tax regulations.
- (b) Deferred Tax is recognized on timing differences in the case of the individual Companies and is disclosed in the aggregate in the consolidated financial statements.

14. Current Assets and Loans and Advances

In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.

**15. Remuneration to Auditors**

(₹ in Lakhs)

Particulars	By the Parent Company	By the Subsidiary Companies
As Auditor		
Audit Fees	7.00 (6.50)	0.48 (0.55)
Other Matters (Certification)	1.86 (3.41)	NIL (0.03)
Service Tax	0.91 (0.90)	0.05 (0.07)
Out of Pocket Expenses	0.12 (0.09)	NIL (NIL)
Total Auditors Remuneration	9.89 (10.90)	0.53 (0.65)

16. Directors' Remuneration

(₹ in Lakhs)

Sr. Particulars No.	By the Parent Company	By the Subsidiary Companies
(a) Salary	83.37 (75.24)	15.00 (9.00)
(b) Commission	188.06 (109.59)	NIL (NIL)
(c) Contribution to P.F.	9.89 (9.88)	NIL (NIL)
(d) Ex-Gratia	18.90 (16.71)	NIL (NIL)
(e) House Rent Allowance	16.28 (14.92)	NIL (NIL)
(f) Value of Perquisites	5.16 (2.73)	NIL (NIL)
Total Remuneration (excluding sitting fees)	321.66 (229.09)	15.00 (9.00)

Note: - In case of parent company, the above figures include ₹ 22.73 Lakhs (previous year ₹ 21.00 Lakhs) paid towards Research & Development activities at the company's recognized R & D center and does not include contribution to Group Gratuity Fund, Group Mediclaim and Group Personal Accident as separate figures are not available for the Directors. Value of Perquisites includes non cash Perquisites of ₹ 1.83 Lakhs (previous year ₹ 1.83 Lakhs).

17. Contingent Claims

(₹ in Lakhs)

Sr. Particulars No.	On the Parent Company	On the Subsidiary Companies
(a) Claims not acknowledged as Debts	1215.18 (1677.98)	18.86 (NIL)
(b) Letter of credit and Bank Guarantees issued by the Company's Bankers	4024.46 (4836.78)	NIL (NIL)
(c) Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	1278.96 (121.43)	NIL (NIL)

18. Net loss attributable to the Minority Interest

Net loss in subsidiaries attributable to minority's share is absorbed by the Group. The same is recouped when subsidiary subsequently reports profits.

(₹ in Lakhs)

Name of Subsidiary	Financial Year 2010-11	Financial Year <u>2009-10</u>
Alchemie (Europe) Limited	NIL	12.73
Shanti Intermediates Private Limited	NIL	1.53
Total	NIL	<u>14.26</u>

19. Related Party Disclosures

List of Related Parties as defined in paragraph 3 of Accounting Standard 18 'Related Party Disclosure' is as follows.

- I. Associate Companies.
 - a. Ganesh Polychem Limited
 - b. Nascent Chemical Industries Limited (Associate of 100% Subsidiary)
 - c. Anushakti Chemicals and Drugs Limited
 - d. Alchemie (Europe) Limited (w.e.f. 31st March, 2011)
- II. Following are the Company / Firms over which controlling individuals/Key Management Personnel along with their relatives have significant influence as defined in Para 3(e) of the AS-18 and with which there were transactions during the year.
 - a. Gogri and Sons Investments Private Limited
 - b. Alchemie Pharma Chem Limited
 - c. Alchemie Leasing and Financing Private Limited
 - d. Alchemie Laboratories
 - e. Alchemie Industries
 - f. Aarti Drugs Limited
 - g. Spack Chemicals Private Limited
- III. Following are the individuals who own directly / indirectly 20% or more voting power in the Company or have significant influence or Key Management Personnel with their relatives as defined in the Para 3(c) and 3(d) of the AS-18

Sr. No	Name	Status
1.	Shri Chandrakant V. Gogri	Director
2.	Shri Rajendra V. Gogri	Director
3.	Shri Shantilal T. Shah	Director
4.	Shri Parimal H. Desai	Director
5.	Shri Manoj M. Chheda	Director
6.	Shri Rashesh C. Gogri	Director
7.	Smt. Hetal Gogri Gala	Director
8.	Shri Kirit R. Mehta	Director



The following transactions were carried out during the year with the related parties in the ordinary course of business.

(A) Details relating to parties referred to in items I, II and III above.

(₹ In Lakhs)

Sr. No.	Description of Transaction	Year	Associated [II]	Other related Enterprises/ Firms [III]
1	Sales of Finished Goods	CY PY	8,065.46 4,012.72	1,203.43 809.76
2	Purchases of Raw Materials / Finished Goods	CY PY	11,415.59 10,224.49	55.37 103.61
3	Other Manufacturing Expenses	CY PY	400.17 120.80	349.28 361.55
4	Rent paid	CY PY	- 180.00	42.00 42.00
5	Sale of Fixed Assets	CY PY	75.83 -	21.29 -
6	Purchase of Fixed Assets	CY PY	- 2.57	- 70.97
7	Dividend Income	CY PY	14.70 14.70	- -
8	Inter-corporate Deposits taken / (Repaid) during the year	CY PY	- -	(185.00) -
9	Inter-corporate Deposits given / (Received back) during the year	CY PY	- (15.01)	- -
10	Unsecured Loans Given / (Taken Back)	CY PY	- -	- -
11	Unsecured Loans Taken / (Repaid)	CY PY	- (345.00)	- (195.19)
12	Interest Expense on the Inter-corporate Deposits taken	CY PY	- 4.65	- 37.14
13	Interest Income on the Inter-corporate Deposits placed/ unsecured loans	CY PY	- -	- 0.04
14	Equity Contribution / (Disposal) in cash or in kind made during the year	CY PY	- -	3.24 -
15	Equity Share Warrants	CY PY	348.00 -	- -
16	Outstanding items pertaining to the related parties at the Balance Sheet - date: Receivable/(Payable)	CY PY	6,070.86 3,480.62	940.24 (104.73)

Twenty Eighth Annual Report 2010-2011

(B) Details relating to persons referred to in item IV above*

	(₹ In Lakhs) 31-03-2011	(₹ In Lakhs) 31-03-2010
a. Directors' Remuneration including perquisites #	148.59	128.50
b. Commission to Directors	188.06	109.59
c. Sitting Fees	3.12	2.80
d. Rent paid	68.97	62.61
e. Travelling Expenses	62.16	70.67
f. Telephone Expenses	5.03	6.24
TOTAL	475.93	380.41

* Excluding the payments made to Independent Directors as per Accounting Standard Interpretation 21 issued by the Institute of Chartered Accountants of India.

Value of Perquisites includes non Cash Perquisites of ₹ 1.83 Lakhs (previous year ₹ 1.83 Lakhs)

20. TREATMENT OF ASSOCIATES IN CONSOLIDATION

The Share of Profit in respect of Investment in Associate Companies include the figure which are considered as per audited financial statements for the year ended 31st March, 2011 as per details given below:

(₹ in Lakhs)

Sr. No.	Name of Associates	Ownership Interest %	Opening Original Investment As on 01.04.10	Additional Investment during the year	Total Original Investment As on 31.03.11	Carrying cost of Investment As on 01.04.10	Adjustment	Share of Profit/(loss) of the year	Carrying cost of Investment As on 31.03.11
1	Ganesh Polychem Limited	32.11	100.00	-	100.00	798.59	-	524.98	1,423.57
2	Nascent Chemical Industries Limited (Associate of 100% subsidiary)	49.00	133.29	-	133.29	154.77	14.70@	71.13	344.49
3	Anushakti Chemicals & Drugs Limited	48.99	731.98	-	731.98	3,267.25	-	948.02	4,947.25
4	Alchemie Europe Limited* (w.e.f. 31.03.2011) (Reporting Date 30th November)	44.44	-	25.54	25.54	-	-	-	25.54
	TOTAL	-	965.27	25.54	990.81	4,220.61	14.70	1,544.13	6,740.85

*As it is not practicable to get accounts of the Associate Company as at 31st March, 2011, the share of Profit/(Loss) for the year, for the Parent Company is not available and will be adjusted in the consolidated accounts for the year ending 31st March, 2012.

@ Dividend Received



21. Consolidated Segment Reporting

(₹ in Lakhs)

Sr. No.	Particulars	Year Ended On 31st Mar,11	Year Ended On 31st Mar,10
(A)	Primary Segments : Business Segments		
	Segment Revenue		
	a) Basic Chemicals	31,349	25,440
	b) Speciality Chemicals	114,149	100,720
	c) Agro Chemicals	6,165	5,391
	d) Pharmaceuticals	14,174	11,792
	Total	165,837	143,343
	Less : Inter Segment Revenue	9,799	8,384
	Net Sales\Incomes From Operations	156,038	134,959
	Segment Results		
	Profit/(Loss) Before Tax And Interest from each Segment		
	a) Basic Chemicals	5,126	5,682
	b) Speciality Chemicals	12,692	14,061
	c) Agro Chemicals	1,290	650
	d) Pharmaceuticals	(631)	(636)
	Total	(A) 18,477	19,757
	Less : Interest	5,621	5,199
	Other Unallocable Expenditure		
	Net of Unallocable Income	3,252	3,882
	Total	(B) 8,873	9,081
	Total Profit Before Tax	(A) - (B) 9,604	10,676
(B)	Secondary Segments: Geographical Segments		
	a) India	101,114	84,784
	b) Out of India	54,924	50,175
	TOTAL	156,038	134,959
	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.		

22. Earning Per Share (EPS)

Particulars		Financial Year 2010-2011	Financial Year 2009 - 2010
Net Profit after Deferred Tax	(₹ in Lakhs)	6690.42	6848.61
Less: Minority Interest	(₹ in Lakhs)	86.43	10.98
Add: Share of Profit from Associates	(₹ in Lakhs)	1544.14	1397.19
Net Profit available for equity shareholder (A)	(₹ in Lakhs)	8148.13	8234.82
No. of Equity Shares (B)	(Nos.)	7,67,20,073	7,67,20,073
Basic & Diluted EPS (A/B)	(₹)	10.62	10.73
Face Value	(₹)	5.00	5.00

23. The figures of the previous years have been regrouped and rearranged wherever necessary.

Signatures to Schedules 'A' to 'P'

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
YATIN R. VYAVAHARKAR
PARTNER

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

PLACE: Mumbai
DATE: 30th May, 2011

Sd/-
MONA PATEL
COMPANY SECRETARY

Consolidated Cash Flow Statement for the year ended 31st March, 2011

Sr. No.	Particulars	For the year Ended 31st March, 2011	(₹' in Lakhs) For the year Ended 31st March, 2010
A.	Cash Flow From Operating Activities :		
	Net Profit Before Tax and Extraordinary Items	9,603.66	10,676.04
	Adjustments For:		
Add:	Interest and Finance Charges Paid	5,621.33	5,199.19
	Depreciation	4,981.37	4,706.67
	Expenses Amortised	21.03	26.36
	Consolidation Adjustments	652.65	2,655.71
	Minority Interest	66.82	10.97
	Loss on Sale of Assets	2.24	0.00
	Loss on Sale of Investment	0.00	8.72
		20,949.10	23,283.66
Less:	Profit on Sale of Investment	(247.99)	0.00
	Profit on Sale of Assets	(33.73)	(19.63)
	Prior Year Adjustment	(8.98)	(8.57)
	Dividend Received from other Investments	(59.00)	(25.85)
	Lease Rent Received	(39.80)	(10.66)
		20,559.60	23,218.95
	Operating Profit Before Working Capital Changes		
	Adjustments For :		
Add/(Less):	(Increase)/Decrease in Trade and Other Receivables	(8,805.39)	979.56
	Increase/(Decrease) in Trade Payables	303.69	4,880.55
	(Increase)/Decrease in Inventories	(2,941.79)	(5,864.78)
		9,116.11	23,214.28
Less:	Cash Generated From Operations	(3,016.65)	(4,079.55)
		6,099.46	19,134.73
	Net Cash From Operating Activities		
B.	Cash Flow From Investing Activities		
	Addition to Fixed Assets/CWIP	(6,905.00)	(6,285.97)
	Sale/Written Off of Fixed Assets	554.28	20.00
	(Increase)/Decrease in Other Investments	(396.91)	1.39
	(Increase)/Decrease in Associate Investments	(1,561.22)	(1,382.49)
	Dividend Received From Other Investments	59.00	25.85
	Lease Rent Received	39.80	10.66
		(8,210.05)	(7,610.56)
	Net Cash From Investing Activities		
C.	Cash Flow From Financing Activities		
	Proceeds From Long Term Borrowings	4,906.00	0.00
	Repayment of Long Term Borrowings	(3,521.44)	(4,430.74)
	Proceeds/(Repayments) of Other Borrowings	7,620.80	(182.88)
	Proceeds From Issue of Share Warrants	348.00	0.00
	Increase in Equity and Share Premium	0.00	970.57
	Interest and Finance Charges Paid	(5,621.33)	(5,199.19)
	Dividend Paid	(1,496.04)	(2,265.30)
		2,235.99	(11,107.54)
	Net Cash from/(used) in Financing Activities		
	Net Increase/(Decrease) In Cash and Cash Equivalents (A+B+C)	125.40	416.63
	Cash And Cash Equivalents (Opening Balance)	1,161.06	744.43
	Cash And Cash Equivalents (Closing Balance)	1,286.46	1,161.06

Notes: i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.
ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date
For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

PLACE: Mumbai
DATE: 30th May, 2011



Details of Subsidiary Companies

Statement pursuant to exemption granted under section 212(8) of the Companies Act, 1956 relating to subsidiary Companies as at 31st March, 2011.

(₹ in Lakhs)

Name of the Subsidiary Company	Aarti Healthcare Limited	Aarti Corporate Services Limited	Shanti Intermediates Private Limited (Subsidiary of Aarti Corporate Services Limited)
The financial year/period of subsidiary ended on	31 st March, 2011	31 st March, 2011	31 st March, 2011
Capital	600.00	202.47	6.77
Reserves	947.63	147.23	28.05
Total Liabilities (Debts + Current Liabilities)	2242.50	28.12	271.16
Total Assets (Fixed Assets + Current Assets)	3490.14	159.71	305.19
Investment	300.00	218.11	0.78
Total Income	830.56	25.64	260.52
Profit/ (Loss) Before Tax	402.25	25.42	7.56
Provisions for tax	224.20	3.35	1.18
Profit/ (Loss)after tax	178.05	22.08	6.38
Proposed Dividend and tax thereon	-	-	-

FOR AND ON BEHALF OF THE BOARD

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTOR

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

Sd/-
MONA PATEL
COMPANY SECRETARY

PLACE: Mumbai
DATE: 30th May, 2011

To be given by shareholder holding shares in Physical Form only. Shareholders holding shares in demat mode are requested to give their E-mail ID to their Depository Participant in the format provided by them.

Date: _____

To,
M/s. Sharepro Services (India) Pvt. Ltd.
Unit: Aarti Industries Limited
Samhita Complex, Gala No. - 52 to 56,
Bldg. No.13 A-B, Near Sakinaka Telephone Exchange,
Andheri - Kurla Road,
Sakinaka, Mumbai - 400 072.

Sub: Request for E-mail ID Registration
Unit: Aarti Industries Limited

Folio Number: _____

Name of First Named Shareholder: _____

E-mail ID: _____

Signature of First Named Shareholder: _____

Note:

Members are requested to send this E-mail registration request letter to Company's Registrar & Transfer Agent as aforesaid. 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.



Aarti Industries Limited

Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat.

PROXY FORM

I/We _____ of _____ in the District of _____ being a member/members of the above named Company hereby appoint _____ of _____ in the District of _____ or failing him _____ of _____ in the District of _____ or failing him _____ of _____ in the District of _____ as my/our proxy to vote for me/us on my/our behalf at **TWENTY EIGHTH ANNUAL GENERAL MEETING** of the Company to be held on **Tuesday, 27th day of September, 2011** at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2011

Signature _____

AFFIX ₹ 1/- REVENUE STAMP

L.F. No. _____

* Depository: NSDL/CDSL _____

* DP. ID _____

* Client ID _____

(* For Shares held in Electronic Form)

No. of Share(s) held _____

Notes :

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.
- (2) A proxy need not be a member.
- (3) The completed form should be deposited at the Registered Office of the Company, Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396195, Dist. Valsad, Gujarat not less than 48 hours before the time for holding the meeting.



Aarti Industries Limited

Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat.

ATTENDANCE SLIP

I hereby record my presence at the **TWENTY EIGHTH ANNUAL GENERAL MEETING** of the Company held at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396195, Dist. Valsad, Gujarat on **Tuesday, 27th day of September, 2011** at 11.00 a.m.

1. L.F. NO. _____

2. *Depository : NSDL/CDSL _____

3. *DP. ID _____

4. *CLIENT ID _____

(* FOR SHARES HELD IN ELECTRONIC FORM)

5. FULL NAME OF THE SHAREHOLDER: _____
(IN BLOCK LETTERS)

6. NO. OF EQUITY SHARES HELD: _____

7. SIGNATURE OF THE SHAREHOLDER
OR PROXY ATTENDING: _____

(PLEASE GIVE FULL NAME OF THE 1ST JOINTHOLDER)

MR./MRS./MISS _____

(TO BE USED ONLY WHEN FIRST NAMED SHAREHOLDER IS NOT ATTENDING)

NOTE: PLEASE FILL IN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL.

OUR VALUED CUSTOMERS

GLOBAL



LOCAL





AARTI INDUSTRIES LIMITED