



AARTI INDUSTRIES LIMITED

The right

chemistry

for a

brighter

tomorrow

ANNUAL REPORT 2011-2012





Vision

To emerge as key source to leading Global consumers of Specialty 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 Warehousing 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

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Consolidated Financial Highlights

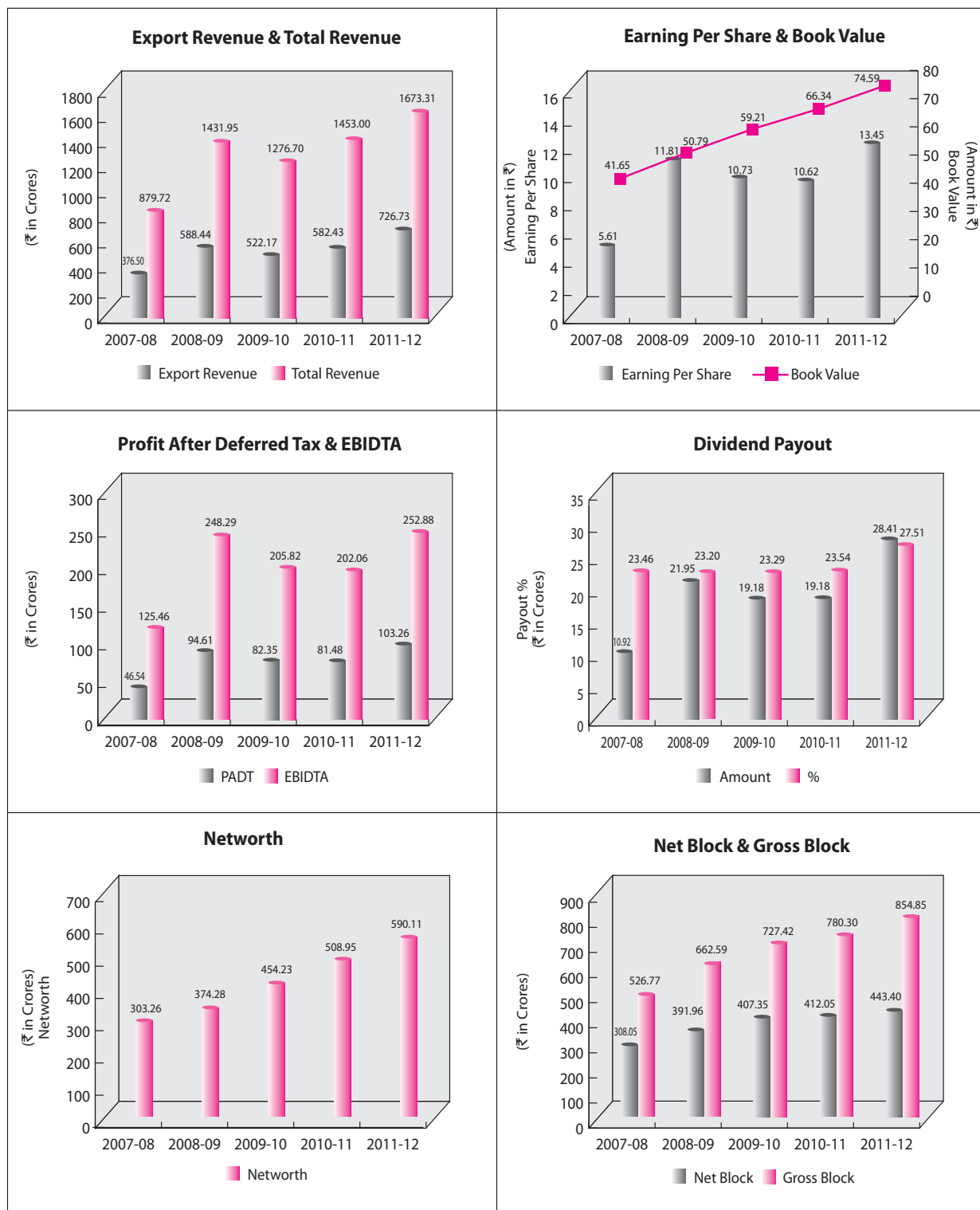
(₹ in Lakhs)

Particulars	Financial Year Ended on					
	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008	31.03.2007
Income from Operations	167,331	145,300	127,670	143,195	87,972	70,071
EBIDTA	25,288	20,206	20,582	24,829	12,546	8,976
Interest	7,184	5,621	5,199	8,949	3,891	2,906
Depreciation	5,485	4,981	4,707	4,013	2,860	2,677
Profit before tax	12,619	9,604	10,676	11,867	5,796	3,394
Share of Profit from Associates	1,431	1,544	1,397	1,309	670	498
Consolidated Profit after tax (& Deferred tax)	10,326	8,148	8,235	9,461	4,654	2,997
Dividend %	70	50	50	60	30	16
Pay out	2,841	1,918	1,918	2,195	1,092	582
Per Share Dividend (in ₹)	3.50	2.50	2.50	3.00	1.50	0.80
Equity Capital	3,956*	3,836	3,836*	3,685	3,640	3,640
Reserve & Surplus	55,055	46,711	41,608	33,682	26,782	23,557
Networth	59,011	50,895	45,423	37,428	30,326	27,256
Borrowings (Long term & Short term)	58,824	49,462	39,418	44,044	38,774	30,216
Gross Block	85,485	78,030	72,742	66,259	52,677	49,106
Less: Depreciation	41,145	36,825	32,007	27,063	21,872	18,549
Net Block (Fixed Assets)	44,340	41,205	40,735	39,196	30,805	30,557
Capital work-in-progress	5,442	1,845	915	883	3,331	1,704
Investments	9,357	7,642	5,436	4,055	3,147	2,563
Working Capital Assets	106,843	88,794	74,351	64,204	56,296	43,606
Less: Working Capital Liabilities	42,260	33,193	31,054	22,836	21,185	18,369
Net Working Capital	64,583	55,601	43,297	41,368	35,111	25,237
Face Value per share (₹)	5.00	5.00	5.00	5.00	5.00	5.00
Book Value per share (₹)	74.59	66.34	59.21	50.79	41.65	37.43
EPS (Basic & Diluted) (₹)	13.45*	10.62	10.73*	11.81	5.61	3.47

Figures have been regrouped and restated in compliance with the revised reporting requirements.

* Based on increased equity post conversion of Preferential warrants

Consolidated Financial Highlights





AARTI INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Members of AARTI INDUSTRIES LIMITED will be held at the Registered Office of the Company at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396195, Dist. Valsad, Gujarat, on Monday, the 13th day of August, 2012, 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, 2012 and the Statement of Profit and Loss 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, 2012.
3. To appoint a Director in place of Shri Sunil M. Dedhia, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Manoj M. Chheda, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Kirit R. Mehta, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Laxmichand K. Jain, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Shri Vijay H. Patil, 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 provisions of Sections 198, 269, 310 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act") and subject to all such sanctions, if any, as may be necessary, the Company hereby approves, variation in the terms of remuneration payable to Shri Rajendra V. Gogri, Vice Chairman & Managing Director, Shri Parimal H. Desai, Shri Manoj M. Chheda, Shri Rashesh C. Gogri and Smt. Hetal Gogri Gala, Whole-time Directors of the Company with effect from 1st April, 2012 as set out in the draft Supplemental Agreement(s) proposed to be entered into by the Company with each one of the said Directors and submitted to this meeting duly initialled by the Chairman for the purpose of identification, which Supplemental Agreement(s) are hereby specifically sanctioned.

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

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the appointment and terms of remuneration of Shri Rashesh C. Gogri, as the Whole-time Director of the Company, for a period of five years, with effect

from 9th June, 2012 and to be re-designated as the Managing Director with effect from 16th August, 2012, upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him and submitted to this meeting, duly initialled by the Chairman for the purpose of the identification, which Agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement so as not to exceed the limits specified in Schedule XIII of the Act and as may be agreed between the Board of Directors and Shri Rashesh C. Gogri.

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

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 ("the Act"), the Company hereby approves the appointment and terms of remuneration of Shri Renil R. Gogri as the Whole-time Director of the Company for a period of five years with effect from 16th August, 2012 upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him and submitted to this meeting, duly initialled by the Chairman for the purpose of the identification, which Agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement so as not to exceed the limits specified in Schedule XIII of the Act and as may be agreed between the Board of Directors and Shri Renil R. Gogri.

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

12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any, of the Act and subject to the approval of the Central Government, if and when necessary, consent of the Company be and is hereby accorded to Shri Nikhil P. Desai, to hold and continue to hold an Office of Profit as General Manager - Business Development of the Company, from 1st September, 2012 on the terms and conditions including remuneration as set out in the draft letter of appointment to be issued by the Company to him and submitted to this meeting duly initialled by the Chairman for the purpose of identification, which is hereby specifically sanctioned, with power to the Chairman & Managing Director to alter and vary the terms of appointment subject to limit prescribed under the relevant rules prescribed under Section 314 of the Act and/or approval of the Central Government, as the case may be.

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: 25th May, 2012

By order of the Board

Sd/-
MONA PATEL
Company Secretary



AARTI INDUSTRIES LIMITED

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business at Item Nos. 9 to 12 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 authorising 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 6th August, 2012 to 13th August, 2012 (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 Registrars and Transfer Agents, M/s. Sharepro Services (India) Private Limited, immediately of any change in their address and bank details. Members holding shares in dematerialised 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 dematerialised 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 Registrars and Transfer Agents(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 Final dividend for the year 2003-04, 1st Interim dividend for the year 2004-05 and of 2nd Interim Dividend declared for the year 2004-05 to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.

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

Particulars	Shri. Sunil M. Dedhia	Shri Manoj M. Chheda	Shri Kirit R. Mehta
Date of birth and age	20.06.1965 (47 years)	23.10.1962 (50 years)	02.08.1948 (64 years)
Appointed on	30.07.2009	25.11.1993	18.09.2000
Qualifications	B. Com., A.C.A., F.C.S.	B. Com	B. Com.
Experience and expertise in specific functional areas	He is Practising as Company Secretary since 1993 and has over 23 years of experience in the field of Corporate Laws.	He has wide experience of over 25 years in purchase and marketing of Chemicals. He is a Whole-time Director of the Company since November 1993.	He has wide experience in dealing with various Government authorities at Vapi, Sarigam and Jhagadia at Gujarat and Tarapur in Maharashtra where Company's manufacturing units are located. He was the President of Federation of Industries Association Gujarat, Executive member of Gujarat Chamber of Commerce and Industries and also the President of Sarigam Industries Association and the President of Vapi Industries Association.
Directorships held in other (excluding foreign) Companies	Aarti Drugs Limited	No other Directorship	Anushakti Chemicals and Drugs Ltd. Amrey Enterprises Pvt. Ltd. Anushakti Holdings Ltd.
Memberships/Chairmanships of committees across public companies	None	Share Holders Grievance Committee: Aarti Industries Limited - Member Finance Committee: Aarti Industries Limited - Member Audit Committee: Aarti Industries Limited -Member	Share Holders Grievance Committee: Aarti Industries Limited - Member Finance Committee: Aarti Industries Limited - Member Audit Committee: Anushakti Holdings Ltd.- Chairman
Number of shares held in the Company	NIL	787753	600

Particulars	Shri Laxmichand K. Jain	Shri Vijay H. Patil
Date of birth and age	02.03.1941 (71 years)	15.07.1937 (75 years)
Appointed on	29.01.1990	29.01.1990
Qualifications	MS (Chem.) US	L.L.M.
Experience and expertise in specific functional areas	He is an Environmental Expert with over 45 years of experience in the industry. He is an Independent Director of the Company.	He is an advocate of Supreme Court and expert in taxation matters with 48 years experience in legal and taxation matters.
Directorships held in other (excluding foreign Companies)	No other Directorship	No other Directorship
Memberships/Chairmanships of committees across public companies	Audit Committee: Aarti Industries Limited - Member Remuneration Committee: Aarti Industries Limited - Member	Audit Committee: Aarti Industries Limited - Member Remuneration Committee: Aarti Industries Limited - Member
Number of shares held in the Company	13350	7200



AARTI INDUSTRIES LIMITED

Brief resume of Directors seeking appointment are as under:

Particulars	Shri Rashesh C. Gogri	Shri Renil R. Gogri
Date of birth and age	03.06.1974 (38 years)	14.04.1987 (25 years)
Effective date of Appointment	16.08.2012	16.08.2012
Qualifications	Industrial Engineer and holds Diploma in Business Management	B.E. (IIT MUMBAI), 2008
Experience and expertise in specific functional areas	He has been Executive Director with the Company for more than 15 years and has more than 17 years of experience in Marketing and Finance. He has handled Strategic business units of the Company & has been playing the crucial role in Pharma operations of the Company. He has been responsible for implementation of SAP and has taken significant steps in automation of various internal MIS & administration related processes.	He has worked as a Whole-time Director with an Associate Company, namely, Anushakti Chemicals and Drugs Ltd. since April, 2010. He is presently handling portfolio of IT, process Automation, project implementation and other production related activities of the Company. He has previously worked with Deutsche Bank for the period of 6 months.
Directorships held in other (excluding foreign) Companies	Alchemie Leasing and Financing Pvt. Ltd. Gogri and Sons Investments Pvt. Ltd. Ganesh Polychem Ltd. Crystal Millennium Realtors Pvt. Ltd. Alchemie Dye Chem Pvt. Ltd. Anushakti Chemicals and Drugs Ltd. Aakansha Pharmachem Pvt. Ltd. Jhagadia Enterprises Pvt. Ltd. Dhaval Realtors (India) Pvt. Ltd. Anushakti Holdings Ltd. Spark Academy Pvt. Ltd.	Alchemie Leasing and Financing Pvt. Ltd. Anushakti Holdings Ltd. Spark Academy Pvt. Ltd. Nascent Chemical Industries Ltd. Anushakti Chemicals and Drugs 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	None
Number of shares held in the Company	3501958	1790042

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

Place: Mumbai
Date: 25th May, 2012

By order of the Board

Sd/-
MONA PATEL
Company Secretary

Annexure to the Notice

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

Item No. 9

Shri Rajendra V. Gogri, Vice Chairman & Managing Director, Shri Parimal H. Desai, Shri Manoj M. Chheda, Shri Rashesh C. Gogri and Smt. Hetal Gogri Gala, Whole-time Directors of the Company are holding their respective offices for a period of five years in terms of their respective Principal Agreements entered into by the Company with each of them and amended from time to time by way of Supplemental Agreement(s), if any, thereto.

Based on the recommendation of the Remuneration Committee of the Board of Directors duly approved by a resolution passed at its meeting, the Board of Directors at its meeting held on 25th May, 2012, subject to approval of the Company in the General Meeting, has revised the terms of payment of commission to all the said executive Directors with effect from 1st April, 2012, whereby the commission will accrue and be payable on quarterly basis and will be subject to adjustment for relative performance of the Company as per method approved by the Remuneration Committee. There is no change in the aggregate percentage of commission payable to the said MD /WTDs for the remainder of their respective terms as such as set out in the draft Supplemental Agreements to be entered into by the Company with each of them subject to the approval of the Company in General Meeting.

The said Supplemental Agreement(s), inter alia, would contain the following revisions in terms:

(i) Basic Salary :

The Board of Directors will have power to make increments subject to maximum salary of ₹ 3,50,000/- per month in case of Shri Rajendra V. Gogri, Shri Parimal H. Desai, Shri Manoj M. Chheda and Shri Kirit R. Mehta.

(ii) Commission:

The commission will be calculated and payable every quarter on the quarterly Net Profits of the Company computed in accordance with Section 198 read with Section 349 of the Companies Act, 1956. The commission payable on a quarterly basis shall be adjusted for the relative performance of the Company as per method approved by the Remuneration Committee.

All other terms and conditions remain unchanged.

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

The Principal and Supplemental Agreement(s) referred to hereinabove and the draft Supplemental Agreement(s) to be entered into between the Company and the said Directors are available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays up to the date of Annual General Meeting.

Your Directors recommend the resolution at Item No. 9 of the Notice for your approval.

Shri Rajendra V. Gogri, Shri Parimal H. Desai, Shri Manoj M. Chheda, Shri Rashesh C. Gogri and Smt. Hetal Gogri Gala are interested in the said resolution pertaining to variation of terms of remuneration payable to each of them. Shri Chandrakant V. Gogri may be deemed to be concerned or interested in the resolution to the extent it relates to Shri. Rajendra V. Gogri, Shri Rashesh C. Gogri and Smt. Hetal Gogri Gala as he is related to them. None of the other Directors is, in anyway, concerned or interested in the said resolution.

Item No. 10

Shri Rashesh C. Gogri has been the Whole-time Director of the Company since 9th June, 1997. His present term as such expires on 8th June, 2012. Based on the recommendation of the Remuneration Committee duly approved by the resolution passed at its meeting, and the Succession Plan approved, the Board of Directors, at its meeting held on 25th May, 2012, has reappointed Shri Rashesh C. Gogri as the Whole-time Director, for a period five years, with effect from 9th June, 2012 and to be re-designated as Managing Director with effect from 16th August, 2012, upon the terms and conditions set out in the draft Agreement to be entered into by the Company with him, subject to the approval of the Company in General Meeting.

The said Agreement, inter-alia, would contain the following material terms and conditions:

1. **Period of Agreement :** From 09.06.2012 to 08.06.2017

2. **Remuneration:**

a) **Salary:**

Salary of ₹ 146,000/- per month with power to the Board to make annual increment subject to maximum salary of ₹ 350,000/- per month.



AARTI INDUSTRIES LIMITED

b) Commission:

In addition to the salary, he 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 the Managing/Whole time Directors of the Company. Share of such commission shall be determined by the Board of Directors of the Company. The commission will be calculated and payable every quarter on the quarterly net profits of the Company computed in accordance with Section 198 read with Section 349 of the Companies Act, 1956. The commission payable on a quarterly basis shall be adjusted for the relative performance of the Company as per method approved by the Remuneration Committee.

c) Perquisites:

In addition to salary and commission, he 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) He shall also be entitled to following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein:

(i) Contribution to Provident Fund, Contributions to Super-annuation Fund or Annuity Fund as per the Rules of the Company. These will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

(ii) Gratuity payable at rate not exceeding half a month's salary for each completed year of service and

(iii) Encashment of leave at the end of the tenure.

(iv) Provision of car for business of the Company and telephone at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone shall be billed by the Company.

Explanation: For the purpose of this Agreement, "Family" means the spouse, the dependent children and dependent parents of the Managing/ Whole-time Director, as the case may be.

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 his, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as aforesaid.
4. He shall be entitled to annual privilege leave on full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
5. No sitting fee shall be payable to him for attending the Meetings of the Board of Directors or Committee thereof.
6. Notwithstanding anything to the contrary contained in the Agreement, either party shall be entitled to terminate the Agreement, at any time by giving to the other party 180 days notice in writing in that behalf without the necessity of showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and he, shall cease to be the Managing Director of the Company. Provided that the aforesaid notice may be waived mutually.
7. The terms and conditions of the said appointment and/or Agreement may be altered and varied by the Board from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments made hereafter in that regard.
8. The other terms and conditions of the Agreement are such as are customarily contained in agreement of similar nature.
9. The said appointment/agreement including the remuneration payable to him is subject to the approval of the 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 aforesaid Agreement(s) referred to herein above to be entered into between the Company and Shri Rashesh C. Gogri pursuant to section 302 of the Companies Act, 1956.

The draft Agreement(s) to be entered into between the Company and Shri Rashesh C. Gogri are open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. excluding Saturdays upto the date of Annual General Meeting.

Your Directors recommend the resolution at Item No. 10 of the Notice for your approval.

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

Item No. 11

Based on the recommendation of the Remuneration Committee duly approved by the resolution passed at its meeting, the Board of Directors has appointed Shri Renil R. Gogri as the Whole-time Director of the Company w.e.f. 16th August, 2012, for a period of five years, 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 him. The said Agreement would, inter-alia, contain the following material terms and conditions:

1. Period of Agreement: 16.08.2012 to 15.08.2017

2. Remuneration:

a) **Salary:**

Salary of ₹ 110,000 per month with power to the Board to make annual increment subject to maximum salary of ₹ 350,000 per month.

b) **Commission:**

In addition to the salary, he 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 the Managing/Whole-time Directors of the Company. Share of such commission shall be determined by the Board of Directors of the Company. The commission will be calculated and payable every quarter on the quarterly Net Profits of the Company computed in accordance with Section 198 read with Section 349 of the Companies Act, 1956. The commission payable on a quarterly basis shall be adjusted for the relative performance of the Company as per method approved by the Remuneration Committee.

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.

(iii) Encashment of leave at the end of the tenure and

(iv) Provision of car for business of the Company and telephone at residence shall not be treated as perquisites. Use of car for personal purpose and personal long distance calls on telephone shall be billed by the Company.

Explanation: For the purpose of this Agreement "Family" means the spouse, the dependent children and dependent parents of the Whole-time Director.

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

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

4. The Whole-time Director shall be entitled to annual privilege leave on full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

5. No sitting fee shall be payable to him for attending the Meetings of the Board of Directors or Committee thereof.

6. Notwithstanding anything to the contrary contained in the Agreement, either party shall be entitled to terminate the Agreement, at any time by giving to the other party 180 days notice in writing in that behalf without the necessity of



AARTI INDUSTRIES LIMITED

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 him, 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 Shri Renil R. Gogri pursuant to section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Shri Renil R. Gogri is open for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays upto the date of Annual General Meeting.

Your Directors recommend the resolution at Item No. 11 of the Notice for your approval.

Shri Renil R. Gogri is interested in the said resolution. Shri Rajendra V. Gogri is deemed to be interested in the said resolution as he is related to him.

None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 12

Shri Nikhil P. Desai, who is related to Shri Parimal H. Desai, Whole-time Director of the Company has been holding office of profit under the Company as General Manager-Business Development with effect from 1st October, 2011.

Shri Nikhil P. Desai, aged 34 years, is a Masters of Science in Telecommunications and Networking Systems and has a Certificate of Business Management from USA. He has worked as IT Technical Lead, Project Manager, Technical Sales with various Companies in USA and has an experience of over 9 years in the field of Information Technology Project Management, Technical Sales, Vendor Management, Team Building, Process Improvement, Business Strategy, Change Management etc.

Presently, Mr. Nikhil P. Desai is handling portfolio of Business Development for Contract Research and Manufacturing Services of the Company.

It is proposed to revise terms of his appointment/remuneration with effect from 1st September, 2012 whereby monthly remuneration payable to him will increase beyond ₹ 50,000/- per month as set out in the draft letter of appointment to be issued to him. Material terms of his appointment/remuneration as such would be as under:

Gross remuneration of ₹ 10,00,000/- per annum including perquisites and allowances with power to the Chairman & Managing Director to make annual increment on time scale subject to maximum salary of ₹ 30,00,000/- per annum.

The Chairman & Managing Director may determine increments including perquisites etc. from time to time or annually as may be considered appropriate subject to limit prescribed under the relevant rules prescribed under Section 314 of the Act and/or approval of the Central Government, as the case may be.

Under the provision of Section 314 of the Companies Act, 1956, consent of the Company by way of special resolution is necessary for a relative of a Director to hold and continue to hold an office of profit under the Company carrying a monthly remuneration of ₹ 50,000/- or more.

In view of the business expediency, administrative convenience and to ensure due compliance of the applicable law, it is thus proposed to obtain consents of the Company as such for the payment of remuneration as aforesaid.

Your Directors recommend the resolution at Item No.12 of the Notice for your approval.

Shri Parimal H. Desai is deemed to be concerned or interested in the resolution pertaining to Shri Nikhil P. Desai. 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: 25th May, 2012

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 Ninth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Net Sales:	163,226	140,368	163,226	142,572
Other Operating Income	4,105	2,728	4,105	2,728
Total Income from Operations (Net)	167,331	143,096	167,331	145,300
Expenses				
a) Cost of Material Consumed	84,445	68,554	84,445	68,554
b) Purchases of Stock-in-trade	14,049	18,213	14,049	19,468
c) Changes in inventories of Finished Goods, Work-in-progress and Stock-in-trade	(2,354)	(1,633)	(2,354)	(1,528)
d) Employee Benefits Expenses	4,552	3,887	4,705	3,929
e) Depreciation and Amortisation Expense	5,397	4,792	5,485	4,981
f) Other Expenses	42,175	34,726	41,559	35,088
Total Expenses	148,264	128,539	147,889	130,492
Profit/(Loss) from Operations before Other Income, Finance Costs and Exceptional Items	19,067	14,557	19,442	14,808
Other Income	284	400	361	417
Profit/(Loss) before Finance Costs	19,351	14,957	19,803	15,225
Finance Costs	7,151	5,596	7,184	5,621
Profit/(Loss) before Tax	12,200	9,361	12,619	9,604
Tax Expenses				
a) Provision for Taxation-Current	3,230	2,500	3,356	2,585
b) Provision for Deferred Tax	251	183	260	328
Total Tax Expenses	3,481	2,683	3,616	2,913
Net Profit/(Loss) after Tax	8,719	6,678	9,003	6,691
Share of Profit/(Loss) of Associates	-	-	1,431	1,544
Minority Interest	-	-	(108)	(86)
Net Profit/(Loss) after consolidation	-	-	10,326	8,149
Earnings Per Share	11.36	8.70	13.45	10.62
Book Value Per Share	64.79	58.20	74.59	66.34

DIVIDEND

Your Company had declared and paid Interim Dividend of ₹ 2.00 (@ 40%) per share (of ₹ 5/- each). Your Directors are pleased to recommend Final Dividend of ₹ 1.50 (@ 30%) per share (of ₹ 5/- each) for the year 2011-12. The total amount of Dividend pay-out for the year would be ₹ 27.21 Crores (previous year ₹ 19.18 Crores).

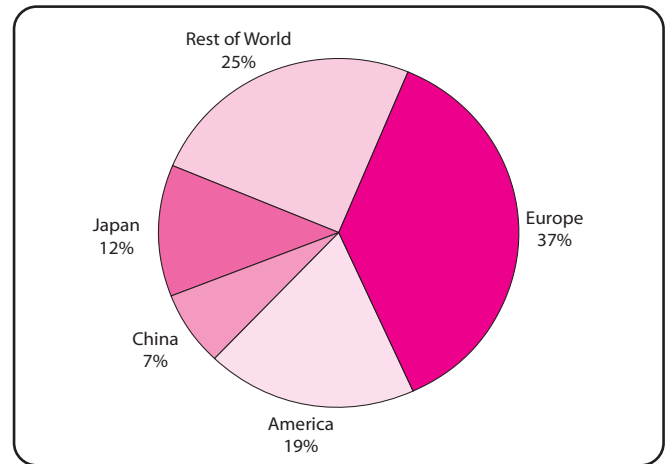


FINANCIALS

During the year under review, the Standalone Operating Income has increased by 17% from ₹ 1430.96 crs for FY 2010-11 to ₹ 1673.31 crs in FY 2011-12. Also the Operating Profit before Interest, Depreciation and Tax increased to ₹ 244.64 crs as compared to ₹ 193.49 crs for the last year recording a growth of over 26%. Operating Margin for the year increased to 14.6% from last year's 13.5%. Likewise the Profit before tax also increased by 30% to ₹ 122.00 crs for FY 2011-12 from ₹ 93.61 crs in FY 2010-11. Further, Profit after tax and deferred tax also grew more than 30% to ₹ 87.19 crs for FY 2011-12 from ₹ 66.78 crs for FY 2010-11.

Similarly, the Company's consolidated Income also increased by 15% to ₹ 1673.31 crs as compared to ₹ 1453.00 crs for last year. Net Profit after Consolidation for the Company was at ₹ 103.26 crs vis-à-vis ₹ 81.49 crs for last year. Consolidated EPS for the year 2011-12 was at ₹ 13.45 as against ₹ 10.62 for the year 2010-11.

With global scale manufacturing units with the latest technologies high level of automation and with adequate technical capabilities, your Company is considered as leading global manufacturer. The Company exports its products across the world to over 60 countries catering to the needs of over 300 global customers. Exports now, accounts for 42% of the total revenue and have increased by over 23% to ₹ 726.73 crs for FY 2011-12 from ₹ 582.43 crs for FY 2010-11.



Geographical Spread of Export Revenue

CHEMICAL INDUSTRY - STRUCTURE & DEVELOPMENT

The Chemical Industry is critical for the economic development of any country, providing products and enabling technical solutions for virtually all sectors of the economy.

The global chemical industry is witnessing a gradual eastward shift. The industry is increasingly moving eastwards in line with the shift of its key consumer industries (e.g. automotive, electronics, etc.) to leverage greater manufacturing competitiveness of emerging Asian economies (especially India & China) and also to serve the increasing local demand. Substantial new capacities in the world are expected to come up in Asia and Europe. Operating profits in the sector have increased and many companies were able to push stronger cash flows down to the bottom line. However, the overall growth of the chemical sector was hampered by economic slowdown across US and Europe.

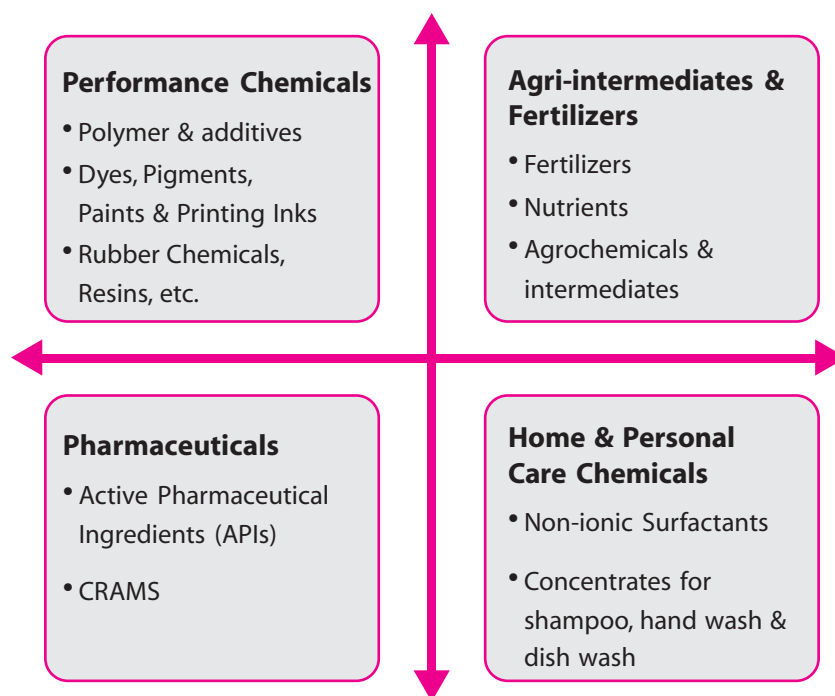
With Asia's growing contribution to the global chemical industry, India emerges as one of the focused destination for chemical companies worldwide. With the current size of approximately \$108 billion, the Indian chemical industry accounts for ~ 3% of the global chemical industry. Two distinct scenarios for the future emerge, based on how effectively the industry leverages its strengths and manages challenges. In the base case scenario, with current initiatives of Industry & Government, the Indian chemical industry can grow at 11% p.a. to reach size of \$224 billion by 2017. High end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry can also lead to an overall growth rate of over 15% p.a. and a size of \$290 billion by 2017 (~ 6% of global industry). This has a potential for further upside in the future considering India's increasing competitiveness in manufacturing.

The draft manufacturing policy recently approved by the Union Cabinet targets increasing the share of manufacturing in GDP to at least 25% by 2025 (from current 16%). These zones will enjoy fast track clearances from the Environment Ministry and State Pollution Boards, Special Policy Regimes, Tax Concessions and more favourable labour laws. Investments in manufacturing in the chemical sector are absolutely essential to ensure growth of the Indian chemical industry.

With rising concerns about climate change and depleting natural resources, focus on sustainability is another key trend impacting the global chemical industry. Chemical companies are increasingly working towards reducing energy intensity of their operations, minimizing effluent discharge, increasing the share of recyclable products in their portfolio and diversifying their raw material base to include bio-feedstock.

During last 6-8 months, the Indian Rupee had depreciated by over 22% vis-à-vis US Dollars. This has added to the competitive advantage of Indian Exporters while competing in global markets. Further the devaluation of Indian Rupee has also made imports dearer, thus the share of Indian manufactured goods in domestic consumption is expected to increase.

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 makes continuous efforts to explore and innovate new products & processes in all segments. This diversified end-user base helps the Company to derisk itself from downturn in any individual business segment and also to capitalize on the growth opportunities in each of the end-user segments. Your Company had made substantial Investments during last financial year into upgrading the ETP setup of the Company including setting up additional process to minimise the quantity and impurity profile of the effluents. With this efforts, the **Company had upgraded two of its Manufacturing Units into Zero Discharge Unit** and also has put in place various processes to control/limit generation of effluents and improve on the treatment of the same.



For better focus on core businesses, the Company has classified its business segments based on the nature of product and their respective end-uses. Based on this, the new segments are Performance Chemicals, Agri-Intermediates & Fertilizers, Pharmaceuticals and Home & Personal Care chemicals. The profile/composition of these business segments is as under:

Breakup of Segmental revenue for 2011-12 :

	Performance Chemicals	Agri-intermediates & Fertilizers	Pharmaceuticals	Home & Personal Care Chemicals	Total
Sales (₹ in crs)	967.98	382.30	164.62	158.41	1673.31
% of Total Sales	57.85%	22.85%	9.84%	9.47%	100.00%
Export (₹ in crs)	496.31	143.42	66.08	20.92	726.73
% of Sales	51.27%	37.52%	40.14%	13.21%	43.43%

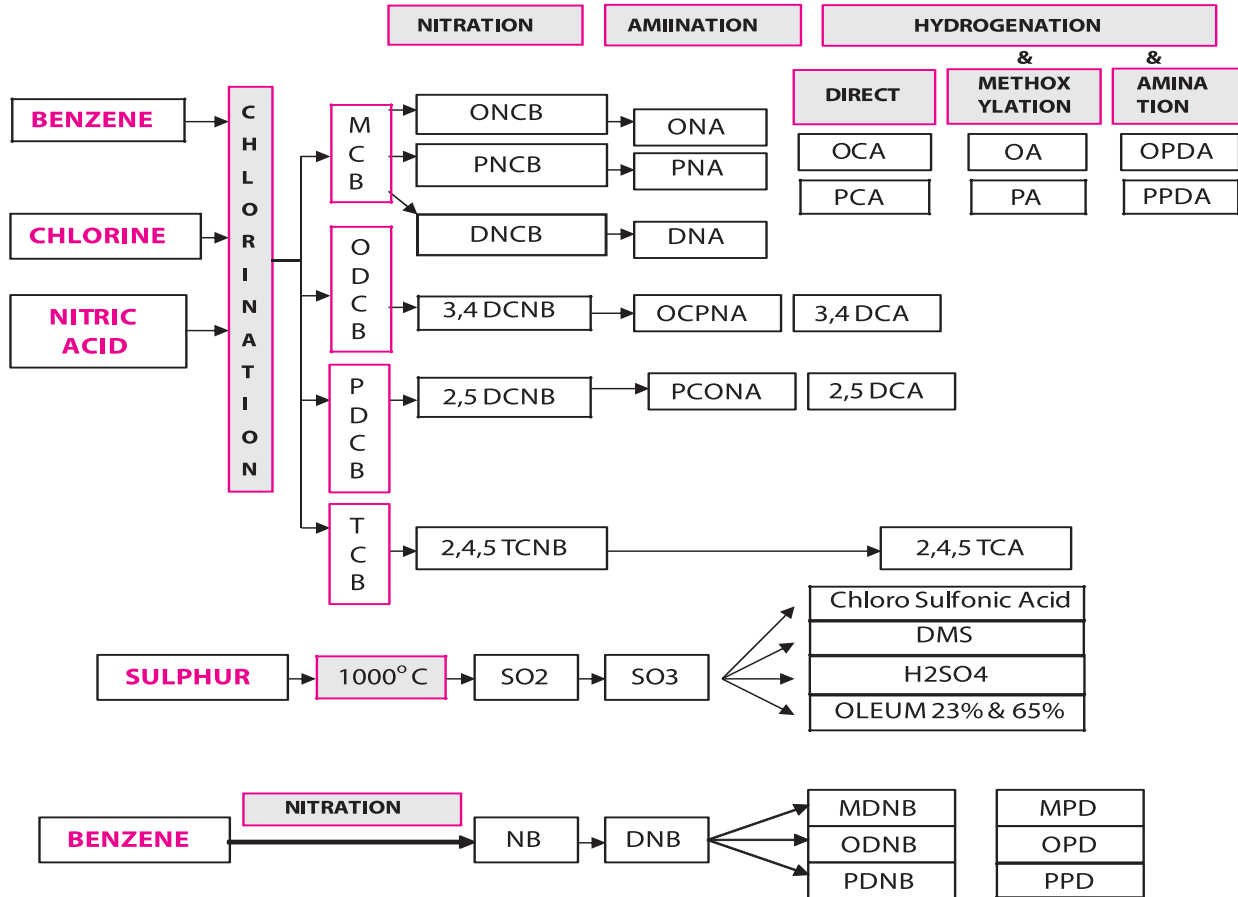
Performance Chemicals and Agri-Intermediates & Fertilizers accounts for over 80% of the Company's total revenue and over 87% of the total exports of the Company.



Manufacturing Setup for Performance Chemicals & Agri-intermediates & Fertilizers:

The manufacturing operations for these two segments are substantially interconnected/interlinked at its common manufacturing units located at Vapi, Sarigam, Jhagadia in the State of Gujarat and at Tarapur in the State of Maharashtra. A significant portion of your Company’s production capabilities are process driven and not based on a particular product. This gives your Company flexibility to change its input mix and manufacture different products, thereby enabling optimum utilization of production capabilities as well as provides flexibility to change the product mix amongst different end-user applications based on market dynamics.

Brief Structure of ‘Aarti Industries’ Production Capabilities



Your Company manufactures Isomers as well as their downstream products. Because of the vertical integration, your Company enjoys natural insulation against short supply of precursor raw-materials. Thus, consistent supply of products results in to customer confidence and helps your Company to gain better market share. Your Company has also been **able to convert its by-products from various processes into commercially viable products**, thereby contributing to the profitability of the Company.

By-Products	Gainful Usage
Steam From Sulphuric Acid Plant	Power generation (6MW Power Plant) & Distillation ONCB/PNCB)
Dilute Hydrochloric Acid	Chloro Sulphonic Acid & Calcium Chloride
Dilute Sulphuric Acid	Single Super Phosphate (SSP) fertilizer & Di Calcium Phosphate (Nutrients)

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 also globally ranks at 1st – 5th position for more than 75% of its top 50 products.

Hydrogenation Facility at Jhagadia:

Your Company has been the pioneer of the Greener Hydrogenation process based on Swiss Technology in India. Your Company upgraded its greener hydrogenation process from semi-batch to continuous (in 2010) - enhancing the production capabilities by more than 100% (from 700 tpm to 1500 tpm). An additional unit is under development, which will increase the aggregate capacity to about 3,000 tpm by end of fiscal 2012-13. Also, a backward integrated Hydrogen Gas Generation Plant is being set up to cater to the increase in captive demand for hydrogen gas. The increase in hydrogenation capacities has enabled your Company to cater to the growing, high margin & niche demand in the segments of Performance Chemicals and Agri-intermediates in the global market. Further expansion in capacities coupled with strong market position will enable your Company to significantly boost up the revenues from these segments.

By setting up/upgradation of the effluent treatment infrastructure at Jhagadia, since April 2012, the unit is now capable of zero discharge of liquid effluent by recycling of waste water generated therein. This will not-only help reduce the burden on environment but also help the Company in future for further expansion programmes.

Performance Chemicals

Performance Chemicals are defined as a "group of relatively high value, low volume chemicals known for their end user applications or performance enhancing properties." In contrast to base or commodity chemicals, Performance Chemicals are recognized for what they do and not 'what they are'. Performance Chemicals provide the required solution to meet the customer application needs. It is a highly knowledge driven segment. The critical success factors for the Performance Chemicals segment include understanding of customer needs and product/ application development.

Global Performance Chemicals industry is estimated to be ~ \$740 billion accounting for ~ 22% of the global chemical industry.

This segment accounts for about 58% of the total revenues of the Company. Exports of Performance Chemicals accounts for about 70% of the total exports of the Company. It can be seen from the table below, the share of exports in the segment revenue has increased to 51% in FY 2011-12 from 40% in FY 2010-11.

(₹ in crs.)

Particulars	FY 2009-10			FY 2010-11			FY 2011-12*		
	Local	Export	Total	Local	Export	Total	Local	Export	Total
Performance Chemicals	541.81	341.02	882.83	596.14	411.90	1008.04	471.67	496.31	967.98

(* due to slowdown in dyes sector, the capacities of Performance Chemicals were utilized for manufacture of Agrochemical Intermediates during FY 2011-12.)

Performance Chemicals segment broadly comprises of Speciality Chemicals with applications into:

- a) Polymers & Additives,
- b) Dyes, Pigments, Paints, Printing Inks,
- c) Rubber Chemicals, Flavours & Fragrances, Water Treatment, Construction Chemicals, Resins, etc.

On account of the wide diversity in product applications, this segment on an overall basis is expected to grow with Key driving industries for growth of Performance Chemicals summarised below.

Polymers & Additives

Over the years lots of innovations have been carried out in the areas of providing more fuel efficient modes of transports (such as Automobiles, Airplanes, etc). Starting from continuous process of improvement/refinement in combustion technologies to replacement of metal components with High Performance Engineering Polymers, changes are being made continuously to reduce the weight and improve on the fuel efficiency. In addition to this, these polymers are also used in high growth segments such as Electronic Media & Telecommunication devices and various other Electrical Instruments. Your Company has been expanding the capacities for its Polymer intermediates having applications into such High Performance Engineering



AARTI INDUSTRIES LIMITED

Polymers. With the kind of growth being witnessed in these sunrise sectors across the world, we expect volumes for these Polymers Intermediates to increase significantly.

Dyes, Paints, Pigments and Printing Inks

This sector has witnessed a shift in the consumption pattern of Printing Inks based applications. While the demand for Printing inks in developed economies are reducing, the same is increasing in developing economies on account increasing per-capita income & consumption (along-with changes in consumption profile), growth in education and healthcare facilities, etc.

The global replacement of usage of Organic Pigment vis-à-vis Metal Pigments has been the driving force behind the significant growth of Pigment applications globally and shall continue further going forward.

While the dyes sector has been hit hard due to volatility in cotton and other feed stock prices, there are signals of the demand gradually picking up and hence we expect that the demand for dyes should increase going forward.

Your Company being a leading player in this segment and equipped with its strong market positioning and widespread global reach is better placed to capitalize on these growth opportunities in global arena.

Agri-intermediates and Fertilizers

The Indian's crop protection chemicals market is growing with a rate of around 7.5% driven by steady export growth of crop protection chemicals from India at the cost of Chinese products. The country is the fourth leading producer of Agrochemicals after USA, Japan and China.

Increasing population, high emphasis on achieving food grain self sufficiency, limited farmland availability coupled with pressure to increase yield per hectare and growth in horticulture and floriculture are expected to increase the usage of agrochemicals across the world. India's exports of agrochemicals are steadily rising. Many foreign companies are tying up with local manufacturers to expand into this sector for domestic & global requirements.

The Indian Government has framed a new fertilizer policy under which the Government will not fix the producer's price for the new units, to encourage growth in the fertilizer sector. However, the Government has announced a nutrient based subsidy programme and more effective scheme for distribution of the subsidy, directly to the end users (farmers) is also under consideration.

(₹ in crs.)

Particulars	FY 2009-10			FY 2010-11			FY 2011-12		
	Local	Export	Total	Local	Export	Total	Local	Export	Total
Agrochemicals & Active Ingredients	59.92	96.76	156.68	74.31	92.16	166.47	198.02*	143.43	341.45
Fertilizers & Nutrients	32.10	NIL	32.10	31.16	NIL	31.16	40.86	NIL	40.86
Total	92.02	96.76	188.78	105.47	92.16	197.63	238.88	143.43	382.31

*major part of this is used to manufacture products for export markets.

Your Company is the leading global manufacturer of various Agrochemicals intermediates and has presence across all the sub-segments. With further expansion in its production capabilities and with strong relationship with major global MNCs in this segment, your Company expects to post significant growth in this segment going forward. Thus growth in the exports due to the global demand of Agrochemicals would be the key driving factor. **Further the increase in export operations across all markets such as NAFTA, Asia, Europe, Latin America, and other territories, also helps to de-risk the business from Indian as well as various other local climatic changes across the world.**

India is the 3rd largest consumer of Single Super Phosphate (SSP)—one of the most widely used fertilizers. The annual consumption of SSP in India is about 30 lakh MT. Your Company is expanding its capacity and plans to increase the volumes

to about 1,00,000 MT from FY 2013-14 onwards (from 63,264 MT in FY 2011-12). The Company also has plans to increase the volumes for nutrients (Di Calcium Phosphate, a broadly used cattle-feed) going forward.

Pharmaceuticals

The Indian domestic pharma market reached US\$12.31 billion in 2010 and is poised to accelerate at 9.9% between 2012 and 2015. After a brief period of sluggishness, the growth momentum in the domestic formulations market is back on track. Structural demand drivers include – a) rise in household income levels, b) increase in prevalence of lifestyle related diseases, c) improved healthcare infrastructure/delivery systems and d) rise in penetration in smaller towns and rural areas continue to support long-term growth.

Patent expirations, weak pipeline quality and increasing focus by the Government to reduce healthcare costs continue to exert pressure on innovator companies which supports outsourcing to low-cost nations. Despite challenges, leading Indian players continue to exhibit strong profitability indicators.

Outlook on the Indian pharmaceutical companies remains favourable as companies will continue to benefit from recovery in the domestic market, strong growth potential in generics developed markets and potential outsourcing opportunities.

Globally, generics players however continue to face competitive environment from large innovator companies. Price erosion, especially through regulatory interventions, remains a foremost challenge in the European markets. Presence in limited competition product segments and over-the-counter (OTCs) segment offers some protection to margins. Most developed markets continue to move away from branded generics to commoditized un-branded generics and lower margin tender based business.

Your Company has four manufacturing units of which two are USFDA approved facilities & other two are WHO GMP approved facilities. The plants are cGMP compliant, meeting ICH Q7 standards, thus enabling buyers to use API in all regulated markets. Recently one of the USFDA unit manufacturing intermediates have been converted into a Zero Discharge Unit by adoption of cleaner processes with latest effluent treatment arrangement.

Exports contribute more than 40% of your Company's total revenue from pharmaceuticals segment & about 50% of the total exports are in lucrative regulated markets of USA & EU.

Your Company has 10 new Active Pharmaceutical Ingredients (APIs) under development. Several other APIs are awaiting partners' approval. The Company enjoys distinct advantage of having dedicated USA, Japan and EU approvals for steroids and anti-cancer products.

Your Company has a dedicated team of about 50 scientists working in separate R&D block for Contract Research And Contract Manufacturing Services (CRAMS). Your Company offers end to end solutions from process development to toll manufacturing & is currently servicing 4 of the top drug discovery companies.

Company's pharmaceutical segment achieved break even in FY 2011-12 and is poised for faster growth going forward.

Home & Personal Care Chemicals

With growing affluence, Indian consumers are able to spend more on hygiene and personal care products. Increasing consumption is driving demand for wide range of cosmetic chemicals, health care products as well as hygiene products using Performance Chemicals, Polymers and Oleo Chemicals. India is also becoming major arm for Oleo Chemicals derived from organic sources and is participating in the global market. This segment is expected to grow at a rapid pace surpassing the growth of other segments in this sector.

Home & Personal Care Chemicals segment is relatively a low margin business. The Company has two manufacturing units, one each at Pithampur (Madhya Pradesh) & at Silvassa. Your Company plans to optimize its production capabilities to suitably alter/revise the product mix and explore new markets to improve the margins.



AARTI INDUSTRIES LIMITED

SEGMENT-WISE PERFORMANCE

For better understanding of businesses, the Company has classified its business segments based on the nature of product and their respective end-uses. Based on this, the new segments are Performance Chemicals, Agri-Intermediates & Fertilizers, Pharmaceuticals and Home & Personal Care Chemicals. The profile/composition of these business segments is as under:

CONSOLIDATED SEGMENT REPORTING

(₹ in Lakhs)

Sr. No.	Particulars	Financial Year 2011-2012	Financial Year 2010-2011
(A)	Primary Segments : Business Segments		
1	Segment Revenue		
	a) Performance Chemicals	96,798	103,009
	b) Agri-intermediates & Fertilizer	38,230	19,763
	c) Pharmaceuticals	16,462	13,056
	d) Home & Personal Care Chemicals	15,841	9,472
	TOTAL	167,331	145,300
2	Segment Results Profit/(Loss) (Before Tax and Interest from each Segment)		
	a) Performance Chemicals	14,180	14,492
	b) Agri-intermediates & Fertilizer	7,541	4,108
	c) Pharmaceuticals	419	(631)
	d) Home & Personal Care Chemicals	492	508
	TOTAL	22,632	18,477
	Less: Interest	7,184	5,621
	Other Unallocable Expenditure (Net)	2,829	3,252
		(B)	8,873
	TOTAL PROFIT BEFORE TAX	(A-B)	9,604
(B)	Secondary Segments : Geographical Segments		
	a) India	98,933	90,376
	b) Out of India	68,398	54,924
	TOTAL	167,331	145,300

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 to the performance of the Company and has been taking necessary steps to mitigate and/or insulate itself from the same. Your Company perceives risks or concerns common to industry such as concerns related to the Macro Indian Economic Outlook, Global Economic fallout, Regulatory risks, Foreign Exchange volatilities, Higher Interest rates, Rising Raw-material costs and other commercial & business related risks. Your Company's diversified revenue mix, flexible product mix and increasing volumes from Agrochemicals and Pharmaceuticals sector, the effect on any economic setback is expected to be minimal.

Recently, we have witnessed large volatilities in the foreign exchange rates of Indian Rupee vis-a-vis US Dollars. Your Company follows a policy to hedge only those exposures which are backed by confirmed orders and does not enter into any long term foreign exchange instruments based on probable future exposures.

Chemical businesses are generally working capital intensive and hence the working capital requirements are also higher. Your Company has been making continuous efforts to reduce the working capital cycle. With the increase in volumes and higher cash accruals going forward, debt-equity ratio is expected to better in coming years.

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 is to ensure 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, 2012, the applicable Accounting Standards have been followed along with proper explanation for material departures, if any;
- (ii) That the Directors have 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 have 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 Subsidiary will also be kept open for inspection at the Registered Office of the Company as well as at the head office of the Subsidiary Companies. The Consolidated Financial Statements presented by the Company include the financial results of its Subsidiary Companies.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in presenting Consolidated Financial Statements 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 Sunil M. Dedhia, Shri Manoj M. Chheda, Shri Kirit R. Mehta, Shri, Laxmichand K. Jain and Shri Vijay H. Patil 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 has recently converted/upgraded**



AARTI INDUSTRIES LIMITED

two of its manufacturing unit into “Zero Discharge” unit. The Company is committed to further 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. In parlance to the objective of providing basic primary and secondary education in the surrounding areas, your company actively contributes for the upgradation & infrastructure development of the schools. The Company envisages the upliftment of society by way of enlightening and educating the masses. In this regard 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 Auditor Ms. Ketki Visariya, Cost Accountant, re-appointed by the Company under Section 233B of the Companies Act, 1956 attend the Audit Committee Meeting, where cost audit reports are discussed.

The due date for filing the Cost Audit Reports for the financial year ended 31st March, 2011 was 30th September, 2011 and the Cost Audit Reports were filed by the Cost Auditors on 30th September, 2011. The due date for filing the Cost Audit Reports for the financial year ended 31st March, 2012 is 30th September, 2012.

INDUSTRIAL RELATIONS & HUMAN RESOURCES

The Company enjoys co-ordial relation with its employees at all levels. Your Company has continues 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 : 25th May, 2012

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

- The Company had commissioned the captive and co-generation 2MW Power plant. The Specialised Boiler shall superheat the steam which is being 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.
- Wherever possible, Variable Frequency Drives are installed to reduce the power consumption.
- Energy audit is conducted and recommendations are implemented.
- Flash steam utilization has been done wherever possible.
- Improved design steam traps were selected to reduce the steam consumption and utilize the flash steam.

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.

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	2011-12	2010-11
1. Electricity		
a) Purchased Units(KWH)	67,014,435	61,400,367
Total Amount (₹)	416,196,128	342,230,636
Rate/Unit (₹)	6.21	5.57
b) Own Generation Through		
(i) Diesel Generator Units	4,395,479	2,603,732
Total Amount (₹)	49,735,436	29,358,709
Rate/Unit (₹)	11.32	11.28
(ii) Through Steam Turbine Units	29,791,720	29,719,000
Total Amount (₹)	103,704,470	93,999,077
Rate/Unit (₹)	3.48	3.16
2. Coal / Lignite		
Quantity (Kgs)	162,476,261	140,577,269
Total Amount (₹)	614,420,895	434,373,214
Rate/Kg	3.78	3.09
3. Furnace Oil / L.D.O./ HSD		
Quantity(Ltrs)	4,185,653	4,445,626
Total Amount (₹)	182,209,492	137,440,345
Average Rate (₹) (per Ltr.)	43.53	30.92
4. Natural Gas		
Quantity(Scm)	2,065,021	2,244,000
Total Amount (₹)	51,701,351	34,876,280
Average Rate (₹) (per Scm)	25.04	15.54



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	26.68
(b) Revenue	334.24
(c) Total	360.92
(d) Total R&D Expenditure as a percentage of total turnover	0.22%

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 ₹ 68,398 Lakhs and ₹ 19,732 Lakhs respectively (previous year ₹ 52,721 Lakhs and ₹ 19,218 Lakhs respectively).

For and on behalf of the Board

Sd/-

CHANDRAKANT V. GOGRI
CHAIRMAN

Place : Mumbai

Dated : 25th May, 2012

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 shareholders value and interest of other Stakeholders.

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

(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 (Sixteen) 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 Directors	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	None	5	Yes
Shri Rajendra V. Gogri	Vice-Chairman and M.D.	4	None	2	5	Yes
Shri Shantilal T. Shah	Vice-Chairman, Non-Executive	4	None	1	4	Yes
Shri Parimal H. Desai	Executive	2	1	1	5	Yes
Shri Manoj M. Chheda	Executive	None	None	2	4	Yes
Shri Rashesh C. Gogri	Executive	3	None	1	5	No
Smt. Hetal Gogri Gala	Executive	3	None	None	5	Yes
Shri Kirit R. Mehta	Executive	2	1	1	2	Yes
Shri Ramdas M. Gandhi	Independent	5	5	2	5	Yes
Shri Laxmichand K. Jain	Independent	None	None	1	5	No
Shri Vijay H. Patil	Independent	None	None	1	3	No
Shri Hareesh K. Chheda	Independent	1	None	1	4	No
Shri P. A. Sethi	Independent	2	None	1	5	Yes
Shri K.V.S. Shyam Sunder	Independent	2	1	2	5	Yes
Shri Bhavesh R. Vora	Independent	1	None	3	5	No
Shri Sunil M. Dedhia	Independent	1	None	None	5	Yes

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

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



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(b) Board Meetings:

During the Year 2011-12, total Five Board Meetings were held on 30.05.2011, 05.08.2011, 11.11.2011, 01.02.2012 and 09.02.2012.

(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, 2012. 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 2011-12, four Audit Committee Meetings were held on 30.05.2011, 05.08.2011, 11.11.2011 and 01.02.2012.

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

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

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 Investors' Grievances.

During the year 2011-12, Four Shareholders' Grievance Committee Meetings were held on 09.06.2011, 12.09.2011, 10.12.2011 and 09.03.2012.

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

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

(c) Shareholders' Complaints:

During the year, 35 Complaints were received. All the Complaints were resolved to the satisfaction of the Shareholders. No request for Share Transfer or Dematerialisation was pending for approval as on 31st March, 2012.

(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

- (a) 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.
- (b) The Company has been continuously complying with the requirements of Stock Exchanges, 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.
- (c) 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 Note No. 31 - Notes to Accounts to the Annual Accounts in the Annual Report.
- (d) Directors periodically review and assess risks and measures to minimise the risks.
- (e) All mandatory Accounting Standards have been followed in preparation of financial statements and no deviation has been made in following the same.

(5) CONVERSION OF WARRANTS INTO EQUITY SHARES

The Members of Allotment Committee in their Meeting held on 27th March, 2012 allotted 2400000 equity shares of ₹ 5/- each at a premium of ₹ 53/- per share against convertible warrants upon exercise of right of conversion by respective Warrant holders.

(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/- for each of the meetings of the Board or Committee(s) thereof attended by them.



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The details of remuneration paid to each Directors for the year 31st March, 2012 are as under:

(Amount in ₹)

Name of Director(s)	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 Gogri Gala	Non-Executive Chairman, Promoter	-	-	164,000	164,000
Shri Rajendra V. Gogri	Brother of Shri C. V. Gogri	Vice-Chairman & M.D., Promoter	2,384,400	8,692,600	-	11,077,000
Shri Shantilal T. Shah	-	Vice-Chairman Non-Executive, Promoter	-	-	152,000	152,000
Shri Parimal H. Desai	-	Executive, Promoter	2,016,600	1,738,520	-	3,755,120
Shri Ramdas M. Gandhi	-	Non-Executive, Independent	-	-	76,000	76,000
Shri Laxmichand K. Jain	-	Non-Executive, Independent	-	-	76,000	76,000
Shri Vijay H. Patil	-	Non-Executive, Independent	-	-	52,000	52,000
Shri Manoj M. Chheda	-	Executive	2,016,600	993,440	-	3,010,040
Shri Rashesh C. Gogri	Son of Shri C. V. Gogri, and brother of Smt. Hetal Gogri Gala	Executive, Promoter	2,016,534	6,705,720	-	8,722,254
Shri Kirit R. Mehta	-	Executive	1,090,800	-	-	1,090,800
Smt. Hetal Gogri Gala	Daughter of Shri C. V. Gogri, and Sister of Shri R. C. Gogri	Executive, Promoter	2,016,600	6,705,720	-	8,722,320
Shri Haresh K. Chheda	-	Non-Executive, Independent	-	-	56,000	56,000
Shri P. A. Sethi	-	Non-Executive, Independent	-	-	72,000	72,000
Shri K.V.S. Shyam Sunder	-	Non-Executive, Independent	-	-	72,000	72,000
Shri Bhavesh R. Vora	-	Non-Executive, Independent	-	-	72,000	72,000
Shri Sunil M. Dedhia	-	Non-Executive, Independent	-	-	40,000	40,000

Notes:

- Commission & Bonus are for the financial year 2010-11 paid in 2011-12.
- The above figures do not include contribution to Group Gratuity Fund, Group Mediclaim & 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.
- The 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, 2012

Name	Number of Shares held	% of Total Shareholding
Shri Chandrakant V. Gogri	1728668	2.18
Shri Shantilal T. Shah	1729329	2.19
Shri Ramdas M. Gandhi	26500	0.03
Shri Laxmichand K. Jain	13350	0.02
Shri Vijay H. Patil	7200	0.01
Shri Haresh K. Chheda	2000	0.00
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
2009	Monday, 12.10.2009, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat	–
2010	Thursday, 16.09.2010, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat	–
2011	Tuesday, 27.09.2011, 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat	–

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

(8) MEANS OF COMMUNICATION

The Quarterly results were published in following Newspapers:

Financial Results for the quarter ended	Newspapers
30.06.2011	The Economic Times in (English) edition and (Gujarati) edition published from Ahmedabad.
30.09.2011	The Economic Times in (English) edition and (Gujarati) edition published from Ahmedabad.
31.12.2011	The Economic Times in (English) edition and (Gujarati) edition published from Mumbai and Ahmedabad and The Times of India in (English) edition published from Ahmedabad.
31.03.2012	Western Times in (English) edition and (Gujarati) edition published from 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.corpfilings.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 29th Annual General Meeting:

Day	Date	Time	Venue
Monday	13 th August, 2012	11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi-396 195, Dist. Valsad, Gujarat

**(b) Financial Calendar:**

Financial Year	1 st April to 31 st March
Adoption of Quarterly Results for the quarter ending : June, 2011 September, 2011 December, 2011 March, 2012	1st/2nd week of August, 2011 1st/2nd week of November, 2011 1st/2nd week of February, 2012 4th/5th week of May, 2012
Dates of Book Closure (Both days inclusive)	6 th August, 2012 to 13 th August, 2012

(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 Fee:

The Company has paid the Annual Listing Fees of the Stock Exchanges and Annual Custodial Fees of the Depositories for the year 2012-2013.

(f) Dematerialisation status:

Equity Shares of the Company are traded compulsorily in Dematerialised 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, 2012, **74002763** Equity Shares representing **93.53%** of the Paid-up Share Capital of the Company are held in dematerialised form.

(g) Share Transfer Agents & Address for Correspondence:**M/s. Sharepro Services (India) Pvt. Ltd.**

Samhita Warehousing 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

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

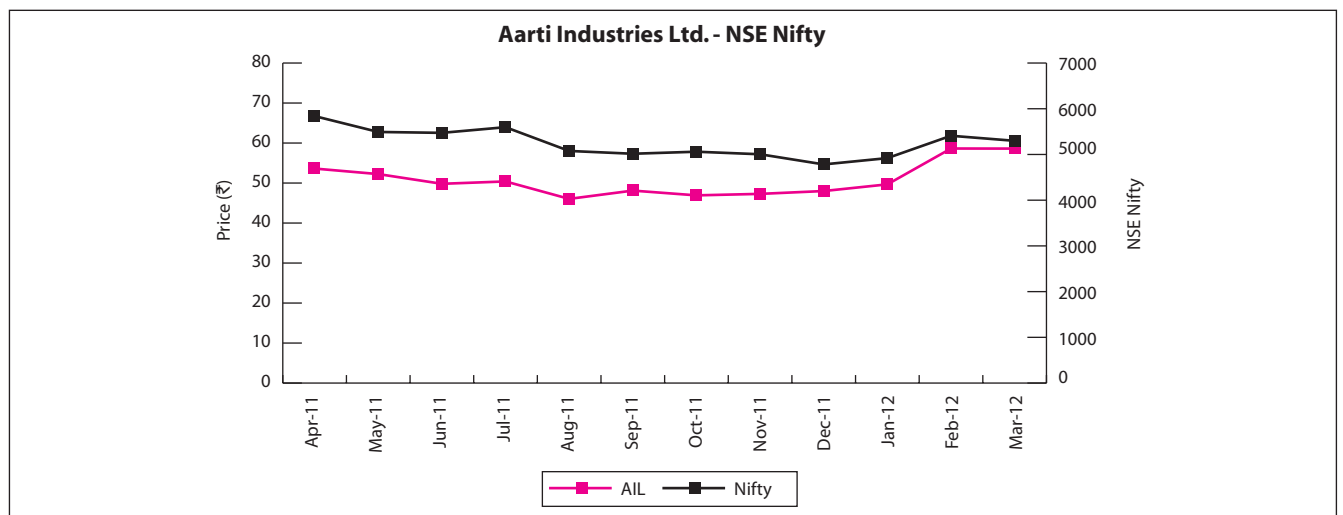
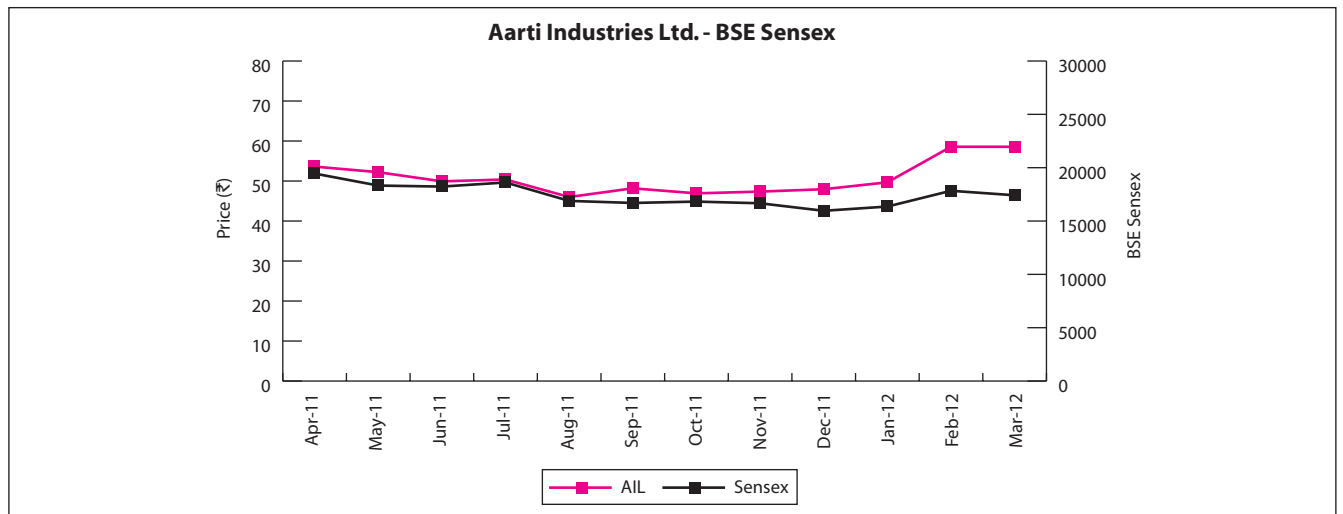
Reports on Share Transfer/Transmission are placed before the Shareholders Grievances Committee and the Board from time to time.

(j) Unclaimed Shares Certificates:

As per Clause 5A of Listing Agreement, the Company has identified unclaimed share certificates for 474602 equity share of the Company comprised in 686 folios. The Company has sent reminder(s) to the concerned shareholders informing about the unclaimed Share Certificates. As required by Clause 5A, the shares will be transferred in dematerialised form to the unclaimed Equity Shares Suspense Account to be administered by the Company.

(10) MARKET PRICE DATA

Month	Bombay Stock Exchange			National Stock Exchange		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2011	57.65	48.65	914710	57.70	49.00	1245789
May 2011	56.85	48.50	717722	56.00	49.90	1012803
June 2011	56.40	44.80	736735	56.30	45.00	1226310
July 2011	54.10	47.50	382203	54.45	47.20	794595
August 2011	51.90	42.35	486914	52.00	42.25	936318
September 2011	52.00	45.55	474988	52.90	45.00	1179440
October 2011	50.00	45.00	451237	49.50	45.10	577064
November 2011	49.50	39.65	464107	49.95	38.35	841660
December 2011	50.50	43.90	400626	52.00	46.00	614762
January 2012	58.30	45.00	508827	58.35	47.00	2178560
February 2012	61.70	55.15	817285	61.85	55.05	1566869
March 2012	61.85	50.50	344832	62.90	56.05	720611



**(11) SHAREHOLDING PATTERN AS ON 31st March, 2012**

Category	No. of Shares	%
Promoters – Indian	42701726	53.97
Bodies Corporate	1500069	1.90
Banks, Financial Institutions	4000	0.01
Mutual Funds	6563010	8.29
FII/NRI/OCB	600792	0.76
Public	27750476	35.07
TOTAL	79120073	100.00

Distribution of Shareholding as on 31st March, 2012

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less than 1000	15463	80.269	4512317	5.703
1001-2000	2336	12.126	3141144	3.970
2001-4000	623	3.234	1807709	2.285
4001-6000	290	1.505	1476814	1.867
6001-8000	90	0.467	631548	0.798
8001-10000	83	0.431	780055	0.986
10001-20000	151	0.784	2104141	2.659
Above 20001	228	1.184	64666345	81.732
TOTAL	19264	100.000	79120073	100.000

(12) REGISTERED OFFICE

Plot Nos. 801, 801/23, 802, 803/1-2-3, GIDC Estate, Phase III, Vapi-396 195, Dist. Valsad, Gujarat.

(13) PLANT LOCATIONS

- Plot Nos. 801, 801/23, 802, 803/1-2-3, GIDC Estate, Phase III, Vapi- 396 195 Dist. Valsad, Gujarat,
- Plot No. 902, GIDC Estate, Phase II, Vapi – 396 195, Dist. Valsad, Gujarat,
- Plot Nos. 752-753-754 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat,
- Plot Nos. 758/1, 758/2, Jhagadia Mega Estate, Village Kapalsadi, Tal. Jhagadia, Dist. Bharuch - Gujarat,
- Plot No. K-18, MIDC, Tarapur, Dist. Thane, Maharashtra,
- Plot No. E-50, MIDC, Tarapur, Dist. Thane, Maharashtra,
- Plot Nos. 62, 63 & 64, Sagore, Pithampur Industrial Area, Sector-3, Pithampur, Dist. Dhar, Madhya Pradesh,
- Plot Nos. 750, 751 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat,
- Plot Nos. 2701, 2703 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat,
- Plot Nos. 2604, 2605 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat.

(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 25th May, 2012.

(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 2011-12, one meeting of the Remuneration Committee was held on 16.05.2011. The composition of the Remuneration Committee and other relevant details are given below:

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

For and on behalf of the Board

Sd/-

CHANDRAKANT V. GOGRI
Chairman

Place: Mumbai
Date: 25th May, 2012

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

Sd/-

RAJENDRA V. GOGRI
Vice-Chairman & Managing Director

Place: Mumbai
Date: 25th May, 2012



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 2012, 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: 25th May, 2012

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, 2012 and also the Statement of Profit and Loss 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 statements. 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 book,
 - (iii) The Balance Sheet and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and Statement of Profit and Loss 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 2012, and taken on record by the Board of Directors, we report that none of the Directors is prima-facie disqualified as on 31st March, 2012 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, 2012;
 - (b) in the case of the Statement of Profit and Loss, 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: 25th May, 2012



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 not taken loans from Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (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 Act 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 Act 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	
The Central Excise Act,1944/Tax Interest & Penalty	From 2001-02 to 2010-11	506.99	234.09	741.08
Various State Sales Tax Act and Central Sales Tax Act,1956/Tax Interest and Penalty	2002-03	14.35	-	14.35
	2006-07	10.91	-	10.91
	2007-08	79.60	-	79.60
TOTAL		611.85	234.09	845.94

- (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 proceeding 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 made preferential allotment of shares, on conversion of convertible warrants to parties and companies covered in the Register, maintained under section 301 of the Companies Act, 1956, during the year. The prices at which shares have been issued is as per the letter of offer made to them at the time of issuance of warrants and are not in our opinion 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) In relation to the allotment of shares mentioned in clause (xviii), the Company has raised money on conversion of convertible share warrants during the year and we have verified the end use of the funds raised during the year with the necessary documents and in our opinion the Company has made adequate disclosure regarding the same.
- (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: 25th May, 2012



AARTI INDUSTRIES LIMITED

Balance Sheet as at 31st March, 2012

(₹ in Lakhs)

Particulars	Note No.	As at 31 st March, 2012	As at 31 st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
(a) Share Capital	1	3,956.00	3,836.00
(b) Reserves and Surplus	2	47,309.67	40,466.96
(c) Money received against Equity Share Warrants		NIL	348.00
		<u>51,265.67</u>	<u>44,650.96</u>
Non-Current Liabilities			
(a) Long-Term Borrowings	3	10,287.14	13,605.04
(b) Deferred Tax Liabilities (Net)	4	5,545.50	5,293.93
(c) Other Long-Term Liabilities	5	18.52	18.52
(d) Long -Term Provisions	6	17,216.61	13,986.61
		<u>33,067.77</u>	<u>32,904.10</u>
Current Liabilities			
(a) Short-Term Borrowings	7	48,233.04	35,612.52
(b) Trade Payables		18,028.75	13,609.24
(c) Other Current Liabilities	8	4,182.79	3,649.01
(d) Short-Term Provisions	9	2,056.31	1,744.25
		<u>72,500.89</u>	<u>54,615.02</u>
TOTAL		<u><u>156,834.33</u></u>	<u><u>132,170.08</u></u>
ASSETS			
Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	10	43,007.61	38,566.07
(ii) Intangible Assets		316.00	632.00
(iii) Capital Work-in-Progress		5,442.23	1,844.61
(b) Non-Current Investments	11	2,107.11	1,876.21
(c) Long-Term Loans and Advances	12	24,025.87	19,018.98
		<u>74,898.82</u>	<u>61,937.87</u>
Current Assets			
(a) Inventories	13	32,584.77	29,408.82
(b) Trade Receivables	14	40,694.81	33,253.42
(c) Cash and Cash Equivalents	15	880.56	776.60
(d) Short-Term Loans and Advances	16	5,951.28	5,490.93
(e) Other Current Assets	17	1,824.09	1,302.44
		<u>81,935.51</u>	<u>70,232.21</u>
TOTAL		<u><u>156,834.33</u></u>	<u><u>132,170.08</u></u>
Significant Accounting Policies			
Notes on Financial Statement	25-36		

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: 25th May, 2012

Sd/-
MONA PATEL
COMPANY SECRETARY

Statement of Profit and Loss for the year ended 31st March, 2012

(₹ in Lakhs)

Particulars	Note No.	For the Year Ended 31 st March, 2012	For the Year Ended 31 st March, 2011
Revenue from Operations	18	167,331.07	143,096.42
Other Income	19	283.62	399.58
Total Revenue		167,614.69	143,496.00
Expenses:			
Cost of Materials Consumed (Incl. Packing, Fuel, Stores & Spares)	20	97,875.76	78,649.36
Purchases of Stock-in-Trade		14,048.61	18,213.26
Changes in inventories of Finished Goods Work-in-Progress and Stock-in-Trade	21	(2,354.17)	(1,633.28)
Employee Benefits Expense	22	4,552.27	3,886.80
Finance Costs	23	7,150.84	5,595.50
Depreciation and Amortization Expense		5,396.89	4,792.39
Other Expenses	24	28,744.31	24,631.12
Total Expenses		155,414.51	134,135.15
Profit before Tax		12,200.18	9,360.85
Tax Expense:			
(1) Current Tax		3,230.00	2,500.00
(2) Deferred Tax		251.57	183.20
Profit after Tax		8,718.61	6,677.65
Earnings Per Equity Share (EPS)	32		
Basic/Diluted (in ₹)		11.36	8.70
Significant Accounting Policies			
Notes on Financial Statement	25-36		

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

Sd/-
(YATIN R. VYAVAHARKAR)
PARTNER

PLACE: Mumbai
DATE: 25th May, 2012

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



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 Statement of Profit and Loss, except in case of long-term loans, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets. The premium in case of future contracts is dealt with in the Statement of Profit and Loss proportionately over the period of the contracts.

(h) Research and Development:

Revenue Expenditure on Research and Development is charged to the Statement of Profit and Loss 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 Statement of Profit & Loss 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 Statement of Profit and Loss.

(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.



Notes on Financial Statement for the year ended 31st March, 2012

	(₹ in Lakhs)
	As at 31 st March, 2011
	As at 31 st March, 2012
1. SHARE CAPITAL:	
Authorised Capital	
125,000,000 Equity Shares of ₹ 5/- each	6,250.00
Issued, Subscribed & Paid-up	
79,120,073 Equity Shares of ₹ 5/- each fully paid-up (previous year 76,720,073 Equity Shares of ₹ 5/- each fully paid-up)	3,956.00
TOTAL	3,956.00

1.1 Reconciliation of the number of shares outstanding as on 31st March, 2012:

Particulars	No. of Shares outstanding	
	As at 31 st March, 2012	As at 31 st March, 2011
Equity shares at the beginning of the year	76,720,073	76,720,073
Add: Shares Issued during the year (Refer Note 1.5)	2,400,000	Nil
Less: Shares Buy Back during the year	Nil	Nil
Equity shares at the end of the year	79,120,073	76,720,073

1.2 Details of Shareholders holding more than 5% shares:

Name of Shareholders	As at 31 st March 2012		As at 31 st March 2011	
	No. of Shares held	% held	No. of Shares held	% held
Anushakti Holdings Ltd.	6,198,600	7.83	Nil	Nil
HDFC Trustee Company Ltd. - HDFC Prudence Fund	6,132,810	7.75	6,132,810	7.99
Gogri and Sons Investments Pvt. Ltd.	4,545,686	5.75	4,441,650	5.79
Alchemie Leasing & Financing Pvt. Ltd.	4,176,800	5.28	4,176,800	5.44

1.3 The details of Equity shares outstanding during last 5 Years:

Particulars	Financial Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
No. of Equity Shares outstanding: (Refer to Note 1.4)	79,120,073	76,720,073	76,720,073	72,809,424	72,809,424

1.4 Note on Issued, Subscribed and Paid-up Equity Share Capital:

- [a] 843,649 (As at 31st March, 2011 - 843,649) were issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.
- [b] 42,000 (As at 31st March, 2011 - 42,000) were issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.
- [c] 3,025,000 (As at 31st March, 2011 - 3,025,000) were issued towards Preferential allotment at a premium of ₹ 30.65 paise to Warrantheolders.
- [d] 2,400,000 (As at 31st March, 2011 - NIL) have been issued towards Preferential allotment at a premium of ₹ 53/- to Warrantheolders.

1.5 The Company has received balance money on conversion of 2,400,000 Equity Share Warrants issued on preferential basis into fully paid Equity Shares of ₹ 1,392.00 Lakhs, during the year and the money has been utilized for the purposes as stated in the "Objects of the Issue" i.e. to augment the Long Term Funds to meet on going Capital Expenditure and Long Term Working Capital requirements of the Company.

Notes on Financial Statement for the year ended 31st March, 2012

2. RESERVES AND SURPLUS:

(₹ in Lakhs)

Sr. No.	Particulars	As at 31 st March, 2012	As at 31 st March, 2011
a.	Capital Reserves		
	Opening Balance	2.08	2.08
	Addition	NIL	NIL
	Deduction	NIL	NIL
	Closing Balance	<u>2.08</u>	<u>2.08</u>
b.	Capital Redemption Reserve		
	Opening Balance	55.33	55.33
	Addition	NIL	NIL
	Deduction	NIL	NIL
	Closing Balance	<u>55.33</u>	<u>55.33</u>
c.	Securities Premium Account		
	Opening Balance	927.16	927.16
	Addition : On Issue of Shares (upon conversion of warrants)	1,272.00	NIL
	Deduction	NIL	NIL
	Closing Balance	<u>2,199.16</u>	<u>927.16</u>
d.	Debenture Redemption Reserve		
	Opening Balance	NIL	4,000.00
	Addition	NIL	NIL
	Deduction	NIL	4,000.00
	Closing Balance	<u>NIL</u>	<u>NIL</u>
e.	General Reserve		
	Opening Balance	8,529.32	3,859.32
	Addition	880.00	4,670.00
	Deduction	NIL	NIL
	Closing Balance	<u>9,409.32</u>	<u>8,529.32</u>
f.	Profit and Loss Account		
	Opening balance	29,640.13	25,873.56
	Addition :		
	Net Profit/(Net Loss) for the current year	8,718.61	6,677.65
	Deduction :		
	Proposed Dividend	1,186.80	959.00
	Interim Dividend	1,534.40	959.00
	Tax on Dividend	426.70	312.78
	Transfer to General Reserve	880.00	670.00
	Prior Period Expenses	NIL	10.30
	Closing Balance	<u>34,330.84</u>	<u>29,640.13</u>
g.	Other Reserves		
	State Investment Subsidy	51.82	51.82
	Amalgamation Reserve	1,076.55	1,076.55
	Forfeiture Reserve	184.57	184.57
	Closing Balance	<u>1,312.94</u>	<u>1,312.94</u>
	TOTAL	<u>47,309.67</u>	<u>40,466.96</u>



Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

3. LONG-TERM BORROWINGS:

Description	As at 31 st March, 2012		As at 31 st March, 2011	
	Non-Current	Current	Non-Current	Current
Secured				
(a) ECB/Term Loans from Banks/Financial Institutions	10,133.08	3,857.48	13,493.02	3,358.36
(b) Vehicle Loans from Banks/Financial Institution	94.22	53.29	12.79	10.23
Unsecured				
(a) Deposits	59.84	27.56	99.23	24.00
TOTAL	10,287.14	3,938.33	13,605.04	3,392.59

- 3.1 a) ECB/Term Loans from Banks/Financial Institutions, 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.
- b) Vehicle Loans from Banks/Financial Institutions are secured by way of hypothecation of respective vehicles.

3.2 Repayment Terms

(₹ in Lakhs)

Description	Repayment Tenor			
	1-2 years	2-3 years	3-4 years	Beyond 4 years
ECB/Term Loans from Banks/Financial Institutions	3,433.34	3,527.00	3,172.74	NIL
Vehicle Loans from Banks/Financial Institutions	54.89	39.33	NIL	NIL

(₹ in Lakhs)

4. DEFERRED TAX LIABILITIES (NET):

	<u>As at 31st March, 2012</u>	<u>As at 31st March, 2011</u>
Deferred Tax Liabilities	5,293.93	5,110.73
Difference between net book value of depreciable Capital Assets as per books vis-a-vis written down value as per Tax Laws	384.79	314.60
Deferred Tax Assets		
Items allowed for tax purpose on payment	(133.22)	(131.40)
Deferred Tax Liabilities (Net)	5,545.50	5,293.93

5. OTHER LONG-TERM LIABILITIES:

Unsecured Loan From Others	18.52	18.52
TOTAL	18.52	18.52

Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

	<u>As at 31st March, 2012</u>	<u>As at 31st March, 2011</u>
6. LONG-TERM PROVISION:		
Provision for Tax	17,216.61	13,986.61
TOTAL	<u>17,216.61</u>	<u>13,986.61</u>
7. SHORT-TERM BORROWINGS:		
Secured		
(I) Working Capital Loan from Banks	36,602.79	28,501.01
	<u>36,602.79</u>	<u>28,501.01</u>
Unsecured		
(I) From Banks	11,580.25	7,111.48
(II) From Others	50.00	0.03
	<u>11,630.25</u>	<u>7,111.51</u>
TOTAL	<u>48,233.04</u>	<u>35,612.52</u>

7.1 Working Capital Loans availed from Scheduled Banks, are secured/to be 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. Also by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat being second to the charge held by ECB/Term Lenders 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.

	<u>As at 31st March, 2012</u>	<u>As at 31st March, 2011</u>
8. OTHER CURRENT LIABILITIES:		
(a) Current Maturities of Long-Term Debt (Refer Note 3)	3,857.48	3,358.36
(b) Current Maturities of Vehicle Loan	53.29	10.23
(c) Current Maturities of Deposit	27.56	24.00
(d) Interest accrued but not due on borrowings	98.50	117.54
(e) Unpaid dividends	127.31	114.73
(f) Deposits	18.65	24.15
TOTAL	<u>4,182.79</u>	<u>3,649.01</u>
9. SHORT-TERM PROVISIONS:		
Provisions for		
Employees' Benefits	686.81	629.68
Proposed Dividend & Tax thereon	1,369.50	1,114.57
TOTAL	<u>2,056.31</u>	<u>1,744.25</u>



Notes on Financial Statement for the year ended 31st March, 2012

10. FIXED ASSETS:

(₹ in Lakhs)

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION		NET BLOCK		
	Balance as at 1 st April, 2011	Additions/ (Disposals)	Deduction/ Adjustment	Balance as at 31 st March, 2012	Depreciation charged for the year	Deduction/ Adjustment	Balance as at 31 st March, 2012	Balance as at 31 st March, 2011
(i) Tangible Assets:								
Freehold Land	47.62	NIL	NIL	47.62	NIL	NIL	47.62	47.62
Leasehold Land	1,726.42	90.91	NIL	1,817.33	26.62	NIL	1,640.65	1,576.36
Buildings	5,452.63	772.01	14.42	6,210.22	293.09	0.89	4,262.19	3,796.80
Plant and Equipment	63,170.73	8,287.47	38.30	71,419.90	4,581.00	3.98	36,354.90	32,682.75
Furniture and Fixtures	1,098.51	104.89	NIL	1,203.40	94.56	NIL	262.37	252.04
Vehicles	759.79	317.26	6.49	1,070.56	85.62	4.23	439.88	210.50
TOTAL (i)	72,255.70	9,572.54	59.21	81,769.03	5,080.89	9.10	43,007.61	38,566.07
(ii) Intangible Assets:								
Process Development	1,580.00	NIL	NIL	1,580.00	316.00	NIL	316.00	632.00
Technical Knowhow	7.57	NIL	NIL	7.57	NIL	NIL	NIL	NIL
TOTAL (ii)	1,587.57	NIL	NIL	1,587.57	316.00	NIL	316.00	632.00
GRAND TOTAL (i + ii)	73,843.27	9,572.54	59.21	83,356.60	5,396.89	9.10	43,323.61	39,198.07
PREVIOUS YEAR	68,172.04	5,927.58	256.35	73,843.27	4,792.39	152.75	39,198.07	-
(iii) Capital Work-in-Progress							5,442.23	1,844.61

- 10.1 Gross Block of Plant & Machinery includes assets given on Lease with Gross Block ₹ 163.95 Lakhs as on 31st March, 2012 (previous year ₹ 163.95 Lakhs)
- 10.2 Additions to Gross Block includes an amount of ₹ 668.81 Lakhs being the net foreign exchange loss, arising on account of restatement of Long-term Foreign Currency Loans outstanding as at 31st March, 2012.
- 10.3 Process Development is being amortized over a period of 5 years (The balance shall be amortized in next financial year, it being the last year of amortization).
- 10.4 Current year depreciation includes ₹ 87.44 Lakhs (previous year ₹ 88.74 Lakhs) on Assets deployed for Research & Development.

Notes on Financial Statement for the year ended 31st March, 2012

11. NON-CURRENT INVESTMENTS: (Valued at cost)

(₹ in Lakhs)

Name of the Company	Number of Units/Shares (All fully paid up)				As at 31 st March, 2012	As at 31 st March, 2011
	Opening Balance	Acquisitions During the year	Disposals During the year	Closing Balance		
Investments - (Quoted) in Equity Shares						
Reliance Industries Ltd.	480	NIL	480	NIL	NIL	0.12
Reliance Power Ltd.	60	NIL	60	NIL	NIL	NIL
Reliance Communications Ltd.	240	NIL	240	NIL	NIL	NIL
Reliance Capital Ltd.	12	NIL	12	NIL	NIL	NIL
Reliance Infrastructure Ltd.	18	NIL	18	NIL	NIL	NIL
Atul Ltd.	50	NIL	50	NIL	NIL	0.01
Deepak Nitrite Ltd.	175	NIL	175	NIL	NIL	0.13
The Dharamsi Morarji Chemical Co. Ltd.	100	NIL	100	NIL	NIL	0.01
Hindustan Organic Chemicals Ltd.	100	NIL	100	NIL	NIL	0.01
Rashtriya Chemicals & Fertilizers Ltd.	100	NIL	100	NIL	NIL	0.02
Bayer Crop Science Ltd.	10	NIL	10	NIL	NIL	0.01
					NIL	0.31
Trade Investments - (Quoted) in Equity Shares						
Aarti Drugs Ltd.	651,059	NIL	NIL	651,059	104.17	104.17
					104.17	104.17
Trade Investments - (Unquoted) in Equity shares of Associate Companies						
Anushakti Holdings Ltd. (formerly known as Anushakti Chemicals & Drugs Ltd.) *	8,846,490	NIL	NIL	8,846,490	290.51	731.98
Anushakti Chemicals & Drugs Ltd. (formerly known as Aarti Healthcare Ltd.) *	NIL	15,529,136	NIL	15,529,136	751.21	NIL
Ganesh Polychem Ltd.#	2,200,000	NIL	229,379	1,970,621	77.06	100.00
Alchemie Europe Ltd.	40,000	NIL	NIL	40,000	25.54	25.54
					1,144.32	857.52
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.	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.*	539,000	NIL	539,000	NIL	NIL	5.39
					50.09	55.48
Investments - (Unquoted) in Preference Shares						
Spack Chemicals Pvt. Ltd. *	147,000	NIL	147,000	NIL	NIL	1.47
Anushakti Chemicals & Drugs Ltd. (formerly known as Aarti Healthcare Ltd.) *	NIL	147,000	NIL	147,000	1.47	NIL
					1.47	1.47
Investments - (Unquoted) in Subsidiary Companies						
Aarti Corporate Services Ltd.	2,024,680	NIL	NIL	2,024,680	172.91	172.91
Nascent Chemical Industries Ltd.	NIL	302,920	NIL	302,920	249.65	NIL
Aarti Healthcare Ltd *	3,126,000	NIL	3,126,000	NIL	NIL	304.35
					422.56	477.26
Investments - (Unquoted) in Limited Liability Partnership						
Aarti Udyog Limited Liability Partnership	NA	NA	NA	NA	380.00	380.00
Anushakti Specialties Limited Liability Partnership	NA	NA	NA	NA	4.50	NIL
					384.50	380.00
TOTAL					2,107.11	1,876.21

Aggregate Market Value of Quoted Investments: (₹ in Lakhs)

As on 31st March, 2012 **665.71**
As on 31st March, 2011 **836.92**

* Pursuant to the Scheme of Arrangement between Anushakti Chemicals & Drugs Ltd. and Spack Chemicals Pvt. Ltd. and Aarti Healthcare Ltd. approved by the Hon. High Court of Mumbai vide its order dated 10th August, 2011, the manufacturing business undertaking of Anushakti Chemicals & Drugs Ltd. got demerged and remaining business operations were continued under the new name of Anushakti Holdings Ltd. Further the demerged manufacturing business undertaking alongwith the Company namely Spack Chemicals Pvt. Ltd. got merged simultaneously into Aarti Healthcare Ltd. The merged entity Aarti Healthcare Ltd. was subsequently renamed as Anushakti Chemicals & Drugs Ltd. (vide ROC certificate dated 11th November, 2011). As a result, additional 1,24,03,136 Shares of Anushakti Chemicals & Drugs Ltd. (Formerly known as Aarti Healthcare Ltd.) were issued to the Company pursuant to the above scheme coming in effect.

Given back under buyback scheme of Ganesh Polychem Ltd.



Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

	As at 31st March, 2012	As at 31 st March, 2011
12. LONG-TERM LOANS AND ADVANCES:		
a. Capital Advances	1,752.10	961.96
b. Deposits with Related Parties (Refer Note 31)	400.00	400.00
c. Other Deposits	772.58	574.85
d. Other Loans & Advances		
Loans & Advances (Employees)	575.35	389.19
Loans & Advances (Others)	802.09	768.40
Advance Tax and Tax Deducted at Source	19,723.75	15,924.58
TOTAL	24,025.87	19,018.98
13. INVENTORIES:		
a. Raw Materials and Components (incl. In-transit stock)	11,397.59	10,403.88
b. Work-in-Progress Finished Goods	9,848.14	8,823.79
c. Finished Goods (incl. In-transit stock)	9,567.86	8,228.90
d. Stock-in-Trade	177.90	187.05
e. Stores and Spares	376.03	408.25
f. Fuel (incl. In-transit stock)	982.33	1,185.82
g. Packing Materials	234.92	171.13
TOTAL	32,584.77	29,408.82
13.1 IN-TRANSIT INVENTORIES:		
Raw Materials	1,181.10	1,236.07
Finished Goods	1,005.63	1,002.46
Fuel	558.72	917.39
14. TRADE RECEIVABLES:		
Trade receivables outstanding for a period less than six months Unsecured, considered good	38,456.49	31,576.28
Trade receivables outstanding for a period exceeding six months Unsecured, considered good	2,238.32	1,677.14
TOTAL	40,694.81	33,253.42
15. CASH AND CASH EQUIVALENTS:		
Cash on hand	65.60	68.85
Bank balance in Current Accounts	436.91	297.43
Bank deposits kept as Margin Money	250.74	295.59
Earmarked Balances (Unpaid Dividend Accounts)	127.31	114.73
TOTAL	880.56	776.60
16. SHORT-TERM LOANS AND ADVANCES:		
(a) Advance to Related Party (Refer Note 31)	432.40	1,703.44
(b) Others		
Balances with Custom, Port Trust, Excise & VAT Authorities	5,518.88	3,787.49
TOTAL	5,951.28	5,490.93
17. OTHER CURRENT ASSETS:		
Others Receivables	13.99	6.47
Prepaid Insurance	88.06	70.57
Subsidy Receivable	1,448.10	940.42
Gratuity Receivable	34.49	20.89
Insurance Claim Receivable	239.45	264.09
TOTAL	1,824.09	1,302.44

Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
18. REVENUE FROM OPERATIONS (Refer Note 18.1):		
Sale of Products	174,084.43	151,017.07
Sale of Services	393.98	89.11
Other Operating Revenues (Refer Note 18.2)	4,104.57	2,728.38
GROSS REVENUE FROM OPERATIONS	178,582.98	153,834.56
Less: Excise Duty/VAT	11,251.91	10,738.14
NET REVENUE FROM OPERATIONS	167,331.07	143,096.42
18.1. NET SALES & OPERATING REVENUES		
Local Sales:		
Performance Chemicals	47,167.21	59,613.60
Agri-Intermediates & Fertiliser	23,888.16	10,547.07
Pharmaceuticals	9,853.89	8,467.79
Home & Personal Care Chemicals	13,748.61	8,437.16
Total (A)	94,657.87	87,065.62
Export Sales:		
Performance Chemicals	49,630.74	41,190.18
Agri-intermediates & Fertilizer	14,342.59	9,216.30
Pharmaceuticals	6,607.69	4,588.56
Home & Personal Care Chemicals	2,092.18	1,035.76
Total (B)	72,673.20	56,030.80
TOTAL (A+B)	167,331.07	143,096.42
18.2. OTHER OPERATING REVENUES:		
Export Benefits	314.43	85.56
Fertilizers Subsidy Received	3,400.09	2,422.57
VAT Refund Received	102.52	NIL
Insurance Claim Received	NIL	64.58
Scrap Sales	287.53	155.67
TOTAL	4,104.57	2,728.38
19. OTHER INCOME:		
Dividend Received	59.63	58.88
Profit on Sale of Assets	20.55	33.72
Profit on Sale of Investments	142.86	247.99
Lease Rent Income	38.21	39.80
Other Income	22.37	19.19
TOTAL	283.62	399.58



Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

	For the Year Ended 31st March, 2012	For the Year Ended 31 st March, 2011
20. COST OF MATERIALS CONSUMED:		
Consumption of Raw Materials	84,444.52	68,554.21
Consumption of Packing Materials	2,549.50	2,151.00
Consumption of Fuel	8,483.32	6,066.90
Consumption of Stores & Spares	2,398.42	1,877.25
TOTAL	97,875.76	78,649.36
21. CHANGE IN INVENTORY:		
Opening Stock		
Finished Goods	8,415.95	7,094.43
Work-in-Process	8,823.79	8,512.02
TOTAL (A)	17,239.74	15,606.45
Closing Stock		
Finished Goods	9,745.77	8,415.94
Work-in-Process	9,848.14	8,823.79
TOTAL (B)	19,593.91	17,239.73
TOTAL (A-B)	(2,354.17)	(1,633.28)
22. EMPLOYEE BENEFITS:		
Salaries, Wages & Bonus	4,167.45	3,523.71
Contribution to PF and Other Funds	139.85	130.42
Workmen & Staff Welfare Expenses	244.97	232.67
TOTAL	4,552.27	3,886.80
22.1. DIRECTORS' REMUNERATION:		
Salary	84.46	83.37
House Rent Allowance	16.28	16.28
Contribution to PF	10.02	9.89
Value of Perquisites	0.90	3.32
Ex-Gratia/ Super Annuation Fund	18.99	18.90
Commission	248.36	188.06
TOTAL	379.01	319.82
23. FINANCE COST:		
Interest Expenses	6,717.41	5,104.02
Other Borrowing Costs	433.43	491.48
TOTAL	7,150.84	5,595.50

Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
24. OTHER EXPENSES:		
<u>Manufacturing Expenses:</u>		
Freight, Cartage & Transport	5,070.91	4,417.90
Power	4,161.96	3,422.31
Water Charges	437.31	399.46
Processing Charges	1,434.30	1,219.51
Other Manufacturing Expenses	4,277.53	4,037.07
Repairs & Maintenance	1,844.44	1,501.34
Insurance Charges	142.04	132.08
Research & Development Expenses	334.24	393.52
Factory Administrative Expenses	782.62	621.91
TOTAL (A)	18,485.35	16,145.10
<u>Office Administrative Expenses:</u>		
Rent, Rates & Taxes	125.31	108.04
Travelling & Conveyance	270.84	240.45
Auditor's Remuneration (Refer Note 24.1)	10.56	9.89
Legal & Professional Charges	106.06	133.79
Postage, Telegraph & Telephone	80.42	82.33
Printing & Stationery Expenses	36.46	30.66
Other Administrative Expenses	297.11	241.49
TOTAL (B)	926.76	846.65
<u>Selling & Distribution Expenses:</u>		
Advertisement & Sales Promotion	254.48	240.57
Export Freight Expenses	3,667.77	2,957.04
Freight & Forwarding Expenses	3,581.87	3,317.14
Commission	623.35	403.90
Export Insurance Charges	89.80	110.55
Sample Testing & Analysis Charges	43.81	38.26
Bad Debts Written Off	223.10	NIL
Discount Given	674.73	434.27
Sundry Balance Written Off/(Back)	29.11	56.78
TOTAL (C)	9,188.02	7,558.51
<u>Non-Operating Expenses:</u>		
Donation	143.92	70.73
Deferred Revenue Expenses Written Off	NIL	7.90
Loss on Sale of Assets	0.26	2.23
TOTAL (D)	144.18	80.86
TOTAL (A+B+C+D)	28,744.31	24,631.12
24.1. AUDITOR'S REMUNERATION:		
Audit Fees	7.50	7.00
Certification Charges	1.91	1.46
Other Matters Charges	NIL	0.40
Service Tax Charges	0.96	0.91
Out of Pocket Expenses	0.19	0.12
TOTAL	10.56	9.89



Notes on Financial Statement for the year ended 31st March, 2012

(₹ in Lakhs)

	For the Year Ended 31st March, 2012	For the Year Ended 31 st March, 2011
25. CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for):		
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as Debts	2,198.28	1,215.18
(b) Letters of Credit, Bank Guarantees & Bills Discounted	4,401.76	4,024.46
	6,600.04	5,239.64
(ii) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	1,112.03	1,278.96
	1,112.03	1,278.96
TOTAL	7,712.07	6,518.60

26. 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, 2012. 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.

27. Interest received of ₹ 104.17 Lakhs (Tax Deducted at Source ₹ 8.98 Lakhs) [previous year ₹ 11.50 Lakhs (Tax Deducted at Source ₹ 1.38 Lakhs)] is netted off against interest paid on Working Capital.

28. 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.

29. RESEARCH & DEVELOPMENT ACTIVITIES:

(₹ in Lakhs)

FINANCIAL YEAR	EXPENDITURE	
	REVENUE	CAPITAL
2011-12	334.24	26.68
2010-11	393.52	46.74

Notes on Financial Statement for the year ended 31st March, 2012

30. SEGMENT REPORTING:

(₹ in Lakhs)

Sr. No.	Particulars	Financial Year 2011-12	Financial Year 2010-11
(A)	Primary Segments: Business Segments		
	Segment Revenue		
	a) Performance Chemicals	96,797.95	100,803.78
	b) Agri-Intermediates & Fertilizer	38,230.75	19,763.37
	c) Pharmaceuticals	16,461.58	13,056.35
	d) Home & Personal Care Chemicals	15,840.79	9,472.92
	TOTAL	<u>167,331.07</u>	<u>143,096.42</u>
	Segment Results Profit/(Loss)		
	Before Tax and Interest from each Segment		
	a) Performance Chemicals	14,179.82	14,368.72
	b) Agri-Intermediates & Fertilizer	7,541.21	4,108.27
	c) Pharmaceuticals	418.75	(631.33)
	d) Home & Personal Care Chemicals	492.22	508.03
	TOTAL (A)	<u>22,632.00</u>	<u>18,353.69</u>
	Less: Interest	7,150.84	5,595.50
	Other Unallocable Expenditure (Net)	3,280.98	3,397.34
	TOTAL (B)	<u>10,431.82</u>	<u>8,992.84</u>
	TOTAL PROFIT BEFORE TAX (A-B)	<u>12,200.18</u>	<u>9,360.85</u>
(B)	Secondary Segments: Geographical Segments		
	a) India	98,932.84	90,375.81
	b) Out of India	68,398.23	52,720.61
	TOTAL	<u>167,331.07</u>	<u>143,096.42</u>

1 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.

2 Re-Classification of Business Segments:

For better understanding of businesses, the Company has reclassified its business segments based on the nature of product and their respective end-uses. Based on the same, the Company has reclassified its business segments into Performance Chemicals, Agri-Intermediates & Fertilizers, Pharmaceuticals and Home & Personal Care. This change does not have any financial impact.



Notes on Financial Statement for the year ended 31st March, 2012

31. 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 Corporate Services Ltd.
2. Nascent Chemical Industries Ltd.
3. Shanti Intermediates Pvt. Ltd. (Through its Holding Company: Aarti Corporate Services Ltd.)

II Following are the Associates of the Company as defined in para 3(b) of the Accounting Standard-18.

1. Ganesh Polychem Ltd.
2. Anushakti Chemicals and Drugs Ltd.
3. Anushakti Holdings Ltd.
4. Alchemie (Europe) Ltd.

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 Accounting Standard-18.

1. Alchemie Pharma Chem Ltd.
2. Alchemie Industries
3. Gogri and Sons Investments Pvt. Ltd.
4. Alchemie Leasing and Financing Pvt. Ltd.
5. Alchemie Laboratories
6. Aarti Drugs Ltd.
7. Anushakti Specialties Limited Liability Partnership

IV Following are the individuals who with their relatives as defined in para 3(c) and 3(d) of the Accounting Standard-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
9.	Shri Renil R. Gogri	Relative of Director
10.	Shri Nikhil P. Desai	Relative of Director

Notes on Financial Statement for the year ended 31st March, 2012

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	Associates	Other related
			Companies		Enterprises
			[I]	[II]	Firms
					[III]
1.	Sales of Finished Goods	CY	-	11,885.21	755.41
		PY	0.22	8,065.46	1,203.43
2.	Purchases of Raw Materials/Finished Goods	CY	-	14,729.00	14.98
		PY	-	11,415.59	55.37
3.	Other Manufacturing Expenses	CY	534.26	372.39	730.31
		PY	785.08	400.17	349.28
4.	Rent paid	CY	-	300.00	48.00
		PY	300.00	-	42.00
5.	Sale of Investments	CY	-	-	-
		PY	-	-	-
6.	Sale of Fixed Assets	CY	-	-	-
		PY	-	75.83	21.29
7.	Purchase of Fixed Assets	CY	-	14.48	-
		PY	-	-	-
8.	Inter-Corporate Deposits taken/(Repaid) during the year	CY	-	-	-
		PY	-	-	(185.00)
9.	Inter-Corporate Deposits given/(Received back) during the year	CY	-	400.00	-
		PY	-	-	-
10.	Unsecured Loans Given/(Taken Back)	CY	-	-	-
		PY	-	-	-
11.	Unsecured Loans Taken/(Repaid)	CY	-	-	-
		PY	-	-	-
12.	Interest Expense on the Inter-Corporate Deposits taken	CY	-	-	-
		PY	-	-	-
13.	Interest Income on the Inter-Corporate Deposits placed/unsecured loans	CY	-	32.40	-
		PY	-	-	-
14.	Dividend Received	CY	30.29	29.30	-
		PY	-	-	-
15.	Equity Contribution/(Disposal) in cash or in kind made during the year	CY	249.65	(22.94)	-
		PY	-	-	3.24
16.	Equity Share Warrants	CY	-	-	-
		PY	-	348.00	-
17.	Conversion of Equity Share Warrants (Premium)	CY	-	924.00	-
		PY	-	-	-
18.	Allotment of Equity Shares on conversion of Warrants	CY	-	120.00	-
		PY	-	-	-
19.	Outstanding items pertaining to the related parties at the balance sheet - date: Receivable/(Payable)	CY	274.92	8,480.17	451.13
		PY	2,178.95	6,070.86	940.23



Notes on Financial Statement for the year ended 31st March, 2012

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

	Financial Year 2011-12	Financial Year 2010-11
a. Directors' Remuneration including perquisites #	132.38	133.59
b. Commission to Directors	248.36	188.06
c. Sitting Fees	3.16	3.12
d. Rent paid	75.33	68.97
e. Travelling Expenses	83.03	62.16
f. Telephone Expenses	3.83	5.04
TOTAL	546.09	460.94

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

Value of Perquisites includes non Cash Perquisites of ₹ 1.73 Lakhs (previous year ₹ 1.83 Lakhs)

32. EARNING PER SHARE (EPS):

	Financial Year 2011-12	Financial Year 2010-11
Net Profit available for Equity Shareholders	8,718.61	6,677.65
No. of Equity Shares (Refer Note 32.1)	76,752,950	76,720,073
Basic & Diluted EPS	11.36	8.70
Nominal Value of Equity Share	5.00	5.00

32.1. No. of Equity Shares

No. of Equity Shares as at 1 st April, 2011	76,720,073
No. of Equity Shares issued on 27 th March, 2012	2,400,000
Total No. of Equity Shares (on Weighted Average Basis) as at 31st March, 2012	76,752,950

33. EMPLOYEE BENEFITS:

Defined Benefit Plan

The employees' gratuity fund scheme managed by Life Insurance Corporation 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.

Particulars	Gratuity (funded) 2011-12	Financial Year 2010-11
a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation		
Defined Benefit Obligation at beginning of the Year	343.58	268.75
Current Service Cost	34.35	31.92
Interest Cost	28.34	21.50
Actuarial(gain)/loss	23.53	50.13
Benefits Paid	(6.42)	(15.29)
Defined Benefit Obligation at year end	423.38	357.01
b. Reconciliation of opening and closing balances fair value of plan assets		
Fair value of plan assets at beginning of the year	312.17	214.41
Expected return of plan assets	24.97	26.33
Actuarial(gain)/loss	9.12	NIL
Employer Contribution	81.18	86.72
Benefits Paid	(6.42)	(15.29)
Fair value of plan assets at year end	421.02	312.17
Actual return on plan assets	34.09	26.33
c. Reconciliation of fair value of assets and obligations		
Fair value of plan assets	421.02	312.17
Present value of obligation	423.38	357.01
Amount Recognized in Balance Sheet	2.36	44.84

Notes on Financial Statement for the year ended 31st March, 2012

Particulars	Gratuity (funded) 2011-12	(₹ in Lakhs) Gratuity (funded) 2010-11
d. Expenses recognized during the year		
Current Service Cost	34.35	31.92
Interest Cost	28.35	21.50
Expected return on plan assets	(24.97)	(26.33)
Actuarial (gain)/ loss	14.41	50.13
Net Cost	52.14	77.22
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)	8.75%	8%
Expected rate of return on plan assets (per annum)	8.60%	8%
Rate of escalation in Salary (per annum)	5%	5%
The estimate of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion, other relevant factor's including supply and demand in the employment market. The above information is certified by the actuary.		

Leave Encashment:

Leave Encashment liability amounting to ₹ 183.46 Lakhs (previous year ₹ 160.07 Lakhs) has been provided in the Books of Accounts.

34. 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.

As at 31st March, 2012 the Company had hedged in aggregate an amount of ₹ Nil (previous year ₹ Nil) out of its annual trade related operations (Exports & Imports) aggregating to ₹ 85,928.24 Lakhs (previous year ₹ 74,868.90 Lakhs).

The Company had hedged its currency risks to the tune of ₹ 587.02 Lakhs (previous year ₹ 1,900.00 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 ₹ 4,734.74 Lakhs (previous year ₹ 4,906.00 Lakhs) into a fixed rate loan through an interest rate swap.

(B) Net foreign exchange loss of ₹ 196.14 Lakhs (previous year net foreign exchange loss of ₹ 220.27 Lakhs) is included in Statement of Profit & Loss.

35. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPH 3, 4C, 4D AND PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

(A) Details of Raw Material Consumption	2011-12	(₹ in Lakhs) 2010-11
Benzene	21,138.76	17,345.69
Chlorine	910.93	2,166.18
Concentrated Nitric Acid (C.N.A)	4,908.08	4,015.96
Sulphur	5,636.67	4,032.38
Alpha Olifine (AOC)	6,986.32	3,231.61
Others	44,863.76	37,762.40
TOTAL	84,444.52	68,554.22
(B) Sales of Product		
a) Performance Chemicals	96,797.95	100,803.78
b) Agri-Intermediates & Fertilizer	38,230.75	19,763.37
c) Pharmaceuticals	16,461.58	13,056.35
d) Home & Personal Care Chemicals	15,840.79	9,472.92
TOTAL	167,331.07	143,096.42
(C) Details of Trading Purchases		
Methanol	1,907.32	1,228.97
Ortho Chloro Para Nitro Aniline	1,454.11	3,447.56
Phthalic Anhydride	1,343.42	51.18
Fast Red B Base	760.07	578.90
Others	8,583.69	12,906.65
TOTAL	14,048.61	18,213.26

**Notes on Financial Statement for the year ended 31st March, 2012**

(₹ in Lakhs)

(D) Value and percentage of Raw Materials and Stores and Spares consumed

Raw Materials:	2011-12	2010-11
Indigenous	70,184.81	56,037.50
	83.11%	81.74%
Imported	14,259.71	12,516.72
	16.89%	18.26%
Total	84,444.52	68,554.22
	100.00%	100.00%
Stores and Spares:		
Indigenous	2,327.94	1,838.02
	97.06%	97.91%
Imported	70.48	39.23
	2.94%	2.09%
Total	2,398.42	1,877.25
	100.00%	100.00%
Fuel:		
Indigenous	7,504.85	4,375.95
	88.47%	72.13%
Imported	978.47	1,690.95
	11.53%	27.87%
Total	8,483.32	6,066.90
	100.00%	100.00%

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

	2011-12	2010-11
Capital Goods	641.91	100.35
Raw Materials	12,630.94	11,751.13
Stores and Spares	70.48	39.23
Fuel	226.15	2,082.60

(F) Expenditure in Foreign Currency

	2011-12	2010-11
Commission on Export Sales	311.37	249.82
Import of Goods for Resale	4,562.15	4,087.81
Other Expenses	1,289.36	907.11

(G) Earnings in Foreign Currency

	2011-12	2010-11
F.O.B. Value of Export Sales	68,398.23	52,720.61

36. The figures of 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)
PARTNERSd/-
CHANDRAKANT V. GOGRI
CHAIRMANSd/-
RAJENDRA V. GOGRI
VICE CHAIRMAN AND
MANAGING DIRECTORSd/-
SHANTILAL T. SHAH
VICE CHAIRMANPLACE: Mumbai
DATE: 25th May, 2012Sd/-
MONA PATEL
COMPANY SECRETARY

Cash Flow Statement For The Year Ended 31st March, 2012

Sr. No.	Particulars	For the year Ended 31 st March, 2012	(₹ in Lakhs) For the year Ended 31 st March, 2011
A.	Cash Flow from Operating Activities :		
	Net Profit Before Tax and Extraordinary Items	12,200.18	9,360.85
	Adjustments For:		
Add:	Interest and Finance Charges Paid	7,150.84	5,595.50
	Depreciation	5,396.89	4,792.39
	Expenses Amortized	-	20.35
	Loss on Sale of Assets	0.26	2.24
		24,748.17	19,771.33
Less:	Profit on Sale of Investment	(142.85)	(247.99)
	Profit on Sale of Assets	(20.55)	(33.73)
	Prior Year Adjustment	-	(10.30)
	Dividend Received From Other Investments	(59.63)	(58.88)
	Lease Rent Received	(38.21)	(39.80)
		24,486.93	19,380.64
	Operating Profit Before Working Capital Changes		
	Adjustments For:		
Add/(Less):	(Increase)/Decrease In Trade And Other Receivables	(9,221.53)	(8,636.13)
	Increase/(Decrease) In Trade Payables	4,055.11	(620.80)
	(Increase)/Decrease In Inventories	(3,175.95)	(3,055.07)
		16,144.56	7,068.64
Less:	Cash Generated From Operations	(4,198.74)	(2,942.79)
	Direct Taxes Paid		
	Net Cash From Operating Activities	11,945.82	4,125.85
B.	Cash Flow From Investing Activities		
	Addition To Fixed Assets/Capital WIP	(13,170.17)	(6,857.70)
	Sale/Written Off of Fixed Assets	70.40	135.09
	(Increase)/Decrease In Other Investments	6.43	(103.09)
	(Increase)/Decrease In Associate Investments	(149.17)	(25.54)
	(Increase)/Decrease In Subsidiary Investments	54.69	25.54
	Dividend Received From Other Investments	59.63	58.88
	Lease Rent Received	38.21	39.80
		(13,089.98)	(6,727.02)
C.	Cash Flow From Financing Activities		
	Proceeds From Long Term Borrowings	-	4,906.00
	Repayment Of Long Term Borrowings	(2,736.33)	(3,521.42)
	Proceeds/(Repayments) of Other Borrowings	12,584.69	7,595.73
	Proceeds From Issue of Share Warrants	(348.00)	348.00
	Increase In Equity and Share Premium	1,392.00	-
	Interest and Finance Charges Paid	(7,150.84)	(5,595.50)
	Dividend Paid	(2,493.40)	(1,496.04)
		1,248.12	2,236.77
	Net Cash From Financing Activities		
	Net Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)	103.96	(364.40)
	Cash And Cash Equivalents (Opening Balance)	776.60	1,141.00
	Cash And Cash Equivalents (Closing Balance)	880.56	776.60

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

Place : Mumbai
Date : 25th May, 2012

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



Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Company	Aarti Corporate Services Ltd.	Shanti Intermediates Pvt. Ltd. (Subsidiary of Aarti Corporate Services Ltd.)	Nascent Chemical Industries Ltd.
The financial year of the Subsidiary Companies ended on	31 st March, 2012	31 st March, 2012	31 st March, 2012
Date from which they become subsidiary Companies	24 th February, 1995	14 th June, 2006	10 th June, 2011
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	2024680 Equity Shares of the face value of ₹10/- each fully paid-up.	5550 Equity Shares of the face value of ₹100/- each fully paid up through Aarti Corporate Services Ltd.	302920 Equity Shares of the face value of ₹10/- each fully paid-up.
b. Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies	100%	82.04%	50.49%
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 31 st March, 2012	₹ 7,453,545	₹ 2,898,296	₹ 10,363,032
ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	₹ 2,207,816	₹ 523,117	NIL
b. Dealt within Holding Company's accounts:			
i) For the financial year ended 31 st March, 2012.	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.

Sd/-

CHANDRAKANT V. GOGRI
CHAIRMAN

Sd/-

RAJENDRA V. GOGRI
VICE-CHAIRMAN AND
MANAGING DIRECTOR

For and on behalf of the Board

Sd/-

SHANTILAL T. SHAH
VICE-CHAIRMAN

Sd/-

MONA PATEL
COMPANY SECRETARY

Place: Mumbai
Date: 25th May, 2012

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 2012, the Consolidated Statement of Profit and Loss 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 ₹1568.14 Lakhs as on 31st March, 2012 and total revenues of ₹ 983.34 Lakhs for the year then ended and of associates which reflect the Group's share of profits(net) for the year then ended of ₹1430.85 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, 2012
- (b) The Consolidated Statement of Profit and Loss 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: 25th May, 2012



AARTI INDUSTRIES LIMITED

Consolidated Balance Sheet as at 31st March, 2012

(₹ in Lakhs)

Particulars	Note No.	As at 31 st March, 2012	As at 31 st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
(a) Share Capital	1	3,956.00	3,836.00
(b) Reserves and Surplus	2	55,055.40	46,711.33
(c) Money received against Equity Share Warrants		NIL	348.00
Minority Interest		325.22	927.12
		59,336.62	51,822.45
Non-Current Liabilities			
(a) Long-Term Borrowings	3	10,351.06	13,605.04
(b) Deferred Tax Liabilities	4	5,561.72	5,301.70
(c) Other Long-Term Liabilities	5	18.52	18.52
(d) Long-Term Provisions	6	17,461.86	14,125.35
		33,393.16	33,050.61
Current Liabilities			
(a) Short-Term Borrowings	7	48,454.15	35,838.08
(b) Trade Payables		18,339.62	13,672.08
(c) Other Current Liabilities	8	4,249.08	3,649.01
(d) Short-Term Provisions	9	2,209.87	1,746.60
TOTAL		165,982.50	139,778.83
ASSETS			
Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	10	43,951.79	40,434.71
(ii) Goodwill on Consolidation		72.58	NIL
(iii) Capital Work-in-Progress		5,442.24	1,844.61
(iv) Intangible Assets		316.00	770.78
(b) Non-Current Investments	11	9,356.61	7,642.13
(c) Deferred Tax Assets		NIL	292.68
(d) Long-Term Loans and Advances	12	24,325.28	18,760.59
		83,464.50	69,745.50
Current Assets			
(a) Inventories	13	32,585.65	29,409.47
(b) Trade Receivables	14	40,698.25	33,253.43
(c) Cash and Cash Equivalents	15	1,056.08	1,286.46
(d) Short-Term Loans and Advances	16	6,165.28	3,787.49
(e) Other Current Assets	17	2,012.74	2,296.48
TOTAL		165,982.50	139,778.83

Significant Accounting Policies

Notes on Consolidated Financial Statement

25-30

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: 25th May, 2012

Sd/-
MONA PATEL
COMPANY SECRETARY

Consolidated Statement of Profit and Loss for the year ended on 31st March, 2012

(₹ in Lakhs)

Particulars	Note No.	For the year ended 31 st March, 2012	For the year ended 31 st March, 2011
Revenue from Operations	18	167,330.54	145,299.83
Other Income	19	361.01	416.53
Total Revenue		167,691.55	145,716.36
Expenses:			
Cost of materials consumed (Incl. Packing, Fuel, Stores & Spares)	20	97,926.48	78,672.57
Purchases of Stock-in-Trade		14,048.61	19,467.65
Change in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	21	(2,354.40)	(1,527.71)
Employee Benefits expense	22	4,705.26	4,042.63
Finance Costs	23	7,184.03	5,621.33
Depreciation and Amortization Expense		5,485.19	4,981.37
Other Expenses	24	28,076.96	24,854.86
Total Expenses		155,072.13	136,112.70
Profit Before Tax		12,619.42	9,603.66
Tax Expense:			
(1) Current Tax		3,355.95	2,584.90
(2) Deferred Tax		260.04	328.34
Profit After Tax Before Minority Interest and Share of Profit of Associates		9,003.43	6,690.42
Less: Profit attributable to Minority Interest		107.97	86.43
Add: Share of Profit/(Loss) of Associates		1,430.85	1,544.14
Profit/(Loss) for the period		10,326.31	8,148.13
Earnings per Equity Share: (EPS) (in ₹)	29		
Basic/Diluted		13.45	10.62
Significant Accounting Policies			
Notes on Consolidated Financial Statement	25-30		

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: 25th May, 2012

Sd/-
MONA PATEL
COMPANY SECRETARY



Significant Accounting Policies

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>
(a)	Nascent Chemical Industries Limited	India	50.50 %
(b)	Aarti Corporate Services Limited	India	100 %
(c)	Shanti Intermediates Private Limited (Through its Holding Company: Aarti Corporate Services Limited)	India	82.04 %

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 Subsidiary Companies drawn up to the same reporting date.
- 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

- 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.
- Export entitlements are recognized on realization.
- Revenue in respect of Interest, Insurance Claims and Subsidy from Department of Fertilizers is recognized on the time proportion method.

6. 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.

7. 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. Product/Process Development expenses are amortized over the estimated useful life of the product in case of Parent Company.

8. 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.

9. Inventories

Inventories have been valued on the following basis:

<i>Nature of Goods</i>	<i>Method of Valuation</i>
(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

10. Deferred Revenue Expenditure

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

11. Borrowing Costs

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

12. 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.

13. 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.



Notes on Consolidated Financial Statements for the year ended 31st March, 2012

	<u>As at 31st March, 2012</u>	(₹ in Lakhs) <u>As at 31st March, 2011</u>
1. SHARE CAPITAL		
Authorised Capital		
12,50,00,000 Equity Shares of ₹ 5/- each	<u>6,250.00</u>	<u>6,250.00</u>
Issued, Subscribed & Paid-up		
7,91,20,073 Equity Shares of ₹ 5/- each fully paid-up (previous year 7,67,20,073 Equity Shares of ₹ 5/- each fully paid-up)	<u>3,956.00</u>	<u>3,836.00</u>
TOTAL	<u><u>3,956.00</u></u>	<u><u>3,836.00</u></u>

1.1 Reconciliation of the number of Shares outstanding as on 31st March 2012:

Particulars	No. of Shares outstanding	
	<u>As at 31st March, 2012</u>	As at 31 st March, 2011
Equity Shares at the beginning of the year	<u>76,720,073</u>	76,720,073
Add: Shares Issued during the year (Refer Note No. 1.5)	<u>2,400,000</u>	Nil
Less: Shares buy back during the year	<u>Nil</u>	Nil
Equity Shares at the end of the year	<u>79,120,073</u>	76,720,073

1.2 Details of Shareholders holding more than 5% Shares:

Name of Shareholders	As at 31 st March, 2012		As at 31 st March, 2011	
	<u>No. of Shares held</u>	<u>% held</u>	<u>No. of Shares held</u>	<u>% held</u>
Anushakti Holdings Ltd.	<u>6,198,600</u>	<u>7.83</u>	NIL	NIL
HDFC Trustee Company Ltd. - HDFC Prudence Fund	<u>6,132,810</u>	<u>7.75</u>	6,132,810	7.99
Gogri and Sons Investments Pvt. Ltd.	<u>4,545,686</u>	<u>5.75</u>	4,441,650	5.79
Alchemie Leasing & Financial Pvt. Ltd.	<u>4,176,800</u>	<u>5.28</u>	4,176,800	5.44

1.3 The details of Equity Shares outstanding during last 5 Years:

Particulars	Financial Year				
	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
No. of Equity Shares outstanding: (Refer to Note No. 1.4)	<u>79,120,073</u>	76,720,073	76,720,073	72,809,424	72,809,424

1.4 Note on Issued, Subscribed and Paid-up Equity Share Capital:

- [a] 843,649 (As at 31st March, 2011 - 843,649) were issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.
- [b] 42,000 (As at 31st March, 2011 - 42,000) were issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.
- [c] 3,025,000 (As at 31st March, 2011 - 3,025,000) were issued towards Preferential allotment at a premium of ₹ 30.65 paise to Warrantholders.
- [d] 2,400,000 (As at 31st March, 2011 - NIL) have been issued towards Preferential allotment at a premium of ₹ 53/- to Warrantholders.

1.5 The Company has received balance money on conversion of 2,400,000 Equity Share Warrants issued on preferential basis into fully paid Equity Shares of ₹ 1,392.00 Lakhs, during the year and the money has been utilized for the purposes as stated in the "Objects of the Issue" i.e. to augment the Long Term Funds to meet on going Capital Expenditure and Long Term Working Capital requirements of the Company.

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

2. RESERVES AND SURPLUS:

	As at 31 st March, 2012	(₹ in Lakhs) As at 31 st March, 2011
a. Capital Reserves		
Opening Balance	2.08	2.08
Addition	NIL	NIL
Deduction	NIL	NIL
Closing Balance	2.08	2.08
b. Capital Redemption Reserve		
Opening Balance	55.33	55.33
Addition	NIL	NIL
Deduction	NIL	NIL
Closing Balance	55.33	55.33
c. Securities Premium Account		
Opening Balance	927.16	927.16
Addition : On issue of shares (upon conversion of warrants)	1,272.00	NIL
Deduction	NIL	NIL
Closing Balance	2,199.16	927.16
d. Debenture Redemption Reserve		
Opening Balance	NIL	4,000.00
Addition	NIL	NIL
Deduction	NIL	4,000.00
Closing Balance	NIL	NIL
e. Capital Reserve on Consolidation		
Opening Balance	52.57	61.01
Addition:-adjustment on consolidation	381.14	NIL
Deduction :- adjustment on consolidation	16.46	8.44
Closing Balance	417.25	52.57
f. General Reserve		
Opening Balance	8,529.32	3,859.32
Addition	880.00	4,670.00
Deduction	NIL	NIL
Closing Balance	9,409.32	8,529.32
g. RBI Reserve u/s 45(IC)		
Opening Balance	13.30	8.89
Addition	15.67	4.41
Deduction	NIL	NIL
Closing Balance	28.97	13.30
h. Consolidation Reserve		
Opening Balance	NIL	10.51
Addition	NIL	NIL
Deduction: Adjustment on Consolidation	NIL	10.51
Closing Balance	NIL	NIL
i. Profit and Loss Accounts		
Opening balance	35,818.63	31,370.78
Addition		
Net Profit/(Net Loss) For the current year	10,326.31	8,148.13
Deduction		
Proposed Dividend	1,306.80	959.00
Interim Dividend	1,534.40	959.00
Tax on Dividend	447.10	312.78
Transfer to Reserves	895.67	674.42
Prior Years' Adjustment for others	10.31	10.29
Adjustment on Consolidation	387.51	890.67
Addition		
Provision for Taxation for earlier years	NIL	1.31
Preacquisition Profit	36.91	NIL
Unrealised Profit	NIL	104.57
Intragroup Dividend	30.29	NIL
Closing Balance	41,630.35	35,818.63
Other Reserves		
State Investment Subsidy	51.82	51.82
Amalgamation Reserve	1,076.55	1,076.55
Forfeiture Reserve	184.57	184.57
Closing Balance	1,312.94	1,312.94
TOTAL	55,055.40	46,711.33



Notes on Consolidated Financial Statements for the year ended 31st March, 2012

3. LONG TERM BORROWINGS:

(₹ in Lakhs)

Description	As at 31 st March, 2012		As at 31 st March, 2011	
	Non-Current	Current	Non-Current	Current
Secured				
(a) ECB/Term Loans from Banks/Financial Institutions	10,133.08	3,857.49	13,493.02	3,358.36
(b) Vehicle Loans from Banks/Financial Institutions	136.24	87.55	12.79	10.23
Unsecured				
(a) Deposits	59.84	27.56	99.23	24.00
(b) From Directors	21.90	NIL	NIL	NIL
TOTAL	10,351.06	3,972.60	13,605.04	3,392.59

	As at 31 st March, 2012	(₹ in Lakhs) As at 31 st March, 2011
4. DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liabilities	5,301.70	5,117.24
Difference between net book value of depreciable Capital Assets as per books vis-a-vis written down value as per tax laws	393.24	315.86
Deferred Tax Assets		
Items allowed for tax purpose on payment	(133.22)	(131.40)
Deferred Tax Liabilities (Net)	5,561.72	5,301.70
5. OTHER LONG-TERM LIABILITIES		
Unsecured Loan from others	18.52	18.52
TOTAL	18.52	18.52
6. LONG TERM PROVISIONS		
Provision for Tax	17,461.86	14,125.35
TOTAL	17,461.86	14,125.35
7. SHORT-TERM BORROWINGS		
Secured		
Working Capital Loan from Banks	36,602.79	28,501.01
	36,602.79	28,501.01
Unsecured		
(I) From Banks	11,586.36	7,131.59
(II) From Others	265.00	205.48
	11,851.36	7,337.07
TOTAL	48,454.15	35,838.08
8. OTHER CURRENT LIABILITIES		
(a) Current Maturities of Long Term Debt	3,857.49	3,358.36
(b) Current Maturities of Vehicle Loan	87.55	10.23
(c) Current Maturities of Deposits	27.56	24.00
(d) Interest accrued not due on borrowings	124.66	117.54
(e) Unpaid Dividends	127.31	114.73
(f) Deposits	18.65	24.15
(g) Other Liabilities	5.86	NIL
TOTAL	4,249.08	3,649.01
9. SHORT -TERM PROVISIONS		
Provision for		
- Employee Benefits	699.97	632.03
- Proposed Dividend & Tax thereon	1,509.90	1,114.57
TOTAL	2,209.87	1,746.60

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

10. FIXED ASSETS

(₹ in Lakhs)

Fixed Assets Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK		
	Balance as at 1 st April, 2011	Additions/ (Disposals)	Deduction/ Adjustment	Adjustment on Consolidation	Balance as at 31 st March, 2012	Balance as at 1 st April, 2011	Depreciation charged for the year	Deduction/ Adjustment	Adjustment on Consolidation	Balance as at 31 st March, 2012	Balance as at 31 st March, 2011
(i) Tangible Assets:											
Freehold Land	47.62	-	-	11.79	59.41	-	-	-	-	59.41	47.62
Leasehold Land	1,862.42	90.92	-	(49.51)	1,903.83	150.42	26.97	-	0.35	1,726.09	1,712.00
Residential Flat	53.52	-	-	(53.03)	0.49	1.64	0.01	-	(1.46)	0.30	51.88
Buildings	5,907.11	772.01	14.42	(276.08)	6,388.62	1,761.91	299.57	0.89	(37.46)	4,365.49	4,145.20
Plant and Equipment	65,233.25	8,366.53	43.48	(540.69)	73,015.61	31,249.24	4,651.94	9.61	155.09	36,046.66	33,984.01
Furniture and Fixtures	1,183.58	104.93	-	(57.65)	1,230.86	902.41	96.43	-	(44.53)	276.55	281.17
Vehicles	773.09	378.31	14.07	79.50	1,216.83	560.26	94.28	8.13	15.42	555.00	212.83
Total (i)	75,060.59	9,712.70	71.97	(885.67)	83,815.65	34,625.88	5,169.20	18.63	87.41	39,863.86	40,434.71
(ii) Intangible Assets:											
Goodwill on consolidation	-	81.84	-	-	81.84	-	-	-	9.26	72.58	-
Product Development	416.39	-	-	(416.39)	-	277.60	-	-	(277.60)	-	138.79
Technical Knowhow	7.57	-	-	-	7.57	7.57	-	-	-	7.57	-
Process Development & Patent	2,545.49	-	-	(965.50)	1,579.99	1,913.50	315.99	-	(965.50)	1,263.99	631.99
Total (ii)	2,969.45	81.84	-	(1,381.89)	1,669.40	2,198.67	315.99	-	(1,233.84)	388.58	770.78
Total (i + ii)	78,030.04	9,794.54	71.97	(2,267.56)	85,485.05	36,824.55	5,485.19	18.63	(1,146.43)	41,144.68	41,205.49
PREVIOUS YEAR	72,741.85	5,974.89	267.32	(419.38)	78,030.04	32,007.09	5,120.16	163.72	(138.98)	36,824.55	36,824.55
(iii) Capital Work-in-Progress:											
											1844.61
Total											5,442.24

10.1 Gross Block of Plant & Machinery includes assets given on Lease with Gross Block ₹ 163.95 Lakhs as on 31st March 2012 (previous year ₹ 163.95 Lakhs)

10.2 Additions to Gross Block includes an amount of ₹ 668.81 Lakhs being the net foreign exchange loss, arising on account of restatement of Long-term Foreign Currency Loans outstanding as at 31st March 2012.

10.3 Process Development is being amortized over a period of 5 years (The balance shall be amortized in next financial year, it being the last year of amortization).

10.4 Current year depreciation includes ₹ 87.44 Lakhs (previous year ₹ 88.74 Lakhs) on Assets deployed for Research & Development.



AARTI INDUSTRIES LIMITED

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

11. NON CURRENT INVESTMENTS

(₹ in Lakhs)

A. Name of the Company	Number of Units/Shares (All fully paid up)				As at 31 st March, 2012 at cost	As at 31 st March, 2011 at cost
	Opening Balance	Acquisitions During the year	Disposals During the year	Closing Balance		
Investments - (Quoted) in Equity Shares						
Reliance Industries Ltd.	480	NIL	480	NIL	Nil	0.12
Atul Ltd.	50	NIL	50	NIL	Nil	0.01
Deepak Nitrite Ltd.	175	NIL	175	NIL	Nil	0.13
The Dharamsi Morarji Chemical Co. Ltd.	100	NIL	100	NIL	Nil	0.01
Hindustan Organic Chemicals Ltd.	100	NIL	100	NIL	Nil	0.01
Rashtriya Chemicals & Fertilizers Ltd.	100	NIL	100	NIL	Nil	0.02
Bayer Crop Science Ltd.	10	NIL	10	NIL	Nil	0.01
Reliance Power Ltd	60	NIL	60	NIL	Nil	Nil
Reliance Communications Ltd.	240	NIL	240	NIL	Nil	Nil
Reliance Capital Ltd.	12	NIL	12	NIL	Nil	Nil
Reliance Infrastructure Ltd.	18	NIL	18	NIL	Nil	Nil
TOTAL					Nil	0.31
Trade Investments - (Quoted) in Equity Shares						
Aarti Drugs Ltd.	651,059	NIL	NIL	651,059	104.17	104.17
TOTAL					104.17	104.17
Investments - (Unquoted) in Equity Shares						
Aarti Biotech Ltd.	421,600	NIL	NIL	421,600	5.11	5.11
Ichalkaranji Janata Sahakari Bank Ltd.	1,020	NIL	NIL	1,020	0.51	0.51
U.K.I.P. Co-op. Soc. Ltd.	35	NIL	NIL	35	0.02	0.02
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.	102,230	NIL	NIL	102,230	13.26	13.26
Dispo Dyechem Ltd.	40,000	200,005	NIL	240,005	21.28	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 Trading 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.	539,000	NIL	539,000	NIL	Nil	5.39
Bewakoof Brands Pvt. Ltd.	NIL	2,500	NIL	2,500	11.00	Nil
Gujarat State Financial Corporation	NIL	300	NIL	300	0.06	Nil
TOTAL					141.00	115.33
Investments - (Unquoted) in Preference Shares						
Spack Chemicals Pvt. Ltd.*	147,000	NIL	147,000	NIL	Nil	1.47
Anushakti Chemicals & Drugs Ltd. (formerly known as Aarti Healthcare Ltd.) *	NIL	147,000	NIL	147,000	1.47	Nil
TOTAL					1.47	1.47
Investments - (Unquoted) in Limited Liability Partnership						
Aarti Udyog Limited Liability Partnership	N.A	N.A	N.A	N.A	380.00	680.00
Anushakti Specialties Limited Liability Partnership	N.A	N.A	N.A	N.A	4.50	Nil
TOTAL					384.50	680.00
Investment in Mutual Fund						
Birla Sunlife Dynamic Bond Fund	NIL	179,293	NIL	179,293	20.31	Nil
Birla Sunlife Mip 2 Fund	NIL	121,094	NIL	121,094	23.17	Nil
Fidelity Short Term Income Fund	NIL	205,333	NIL	205,333	20.61	Nil
IDFC Mutual Fund (Bi-Monthly Div.)	NIL	139,712	NIL	139,712	14.95	Nil
IDFC Mutual Fund (Monthly Div.)	NIL	198,265	NIL	198,265	19.97	Nil
TOTAL					99.01	Nil
TOTAL (A)					730.15	901.28

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

B Investments in Associate Companies (Unquoted) in Equity Shares

(₹ in Lakhs)

Name of the Company	Numbers	a	b	c	Additions to cost as on 1 st April, 2011	Share of Profit/ (Loss)	Adjustment on Consolidation	d	(a+b+c+d)	As at 31 st Mar, 2011 at cost
		Original Investment As on 1 st April, 2011	Addition During the year	Adjustment on Consolidation				Additions to cost as on 31 st March, 2012	As at 31 st Mar, 2012 at cost	
Nascent Chemical Industries Ltd.	-	133.29	-	(133.29)	211.20	-	(211.20)	-	-	344.49
Ganesh Polychem Ltd.#	1,970,621	100.00	(22.94)	-	1,323.57	130.95	-	1,454.52	1,531.58	1,423.57
Anushakti Holdings Limited (formerly known as: Anushakti Chemicals & Drugs Ltd.)	8,846,490*	731.98	-	(441.48)	4,215.27	75.02	(2,542.33)	1,747.96	2,038.46	4,947.25
Anushakti Chemicals & Drugs Ltd. (formerly known as: Aarti Healthcare Ltd.)	15,529,136*	-	-	751.21	-	1,224.61	3,054.79	4,279.40	5,030.61	-
Alchemie (Europe) Limited	40,000	25.54	-	-	-	0.27	-	0.27	25.81	25.54
TOTAL (B)									8,626.46	6,740.85
GRAND TOTAL (A + B)									9,356.61	7,642.13

Aggregate Market Value of Quoted Investments: (₹ in Lakhs)

As on 31st March, 2012 665.71

As on 31st March, 2011 836.92

* Pursuant to the Scheme of Arrangement between Anushakti Chemicals & Drugs Ltd. and Spack Chemicals Pvt. Ltd. and Aarti Healthcare Ltd. approved by the Hon. High Court of Mumbai vide its order dated 10th August, 2011, the manufacturing business undertaking of Anushakti Chemicals & Drugs Ltd. got demerged and remaining Business Operations were continued under the new name of Anushakti Holdings Ltd. Further the demerged manufacturing business undertaking alongwith the Company namely Spack Chemicals Pvt. Ltd. got merged simultaneously into Aarti Healthcare Ltd. The merged entity Aarti Healthcare was subsequently renamed as Anushakti Chemicals & Drugs Ltd. (vide ROC Certificate dated 11th November, 2011). As a result, additional 1,24,03,136 Shares of Anushakti Chemicals & Drugs Ltd. (Formerly known as Aarti Healthcare Ltd.) were issued to the Company pursuant to the above scheme coming in effect.

Given back under buyback scheme of Ganesh Polychem Limited.



Notes on Consolidated Financial Statements for the year ended 31st March, 2012

	As at 31st March, 2012	(₹ in Lakhs) As at 31 st March, 2011
12. LONG-TERM LOANS AND ADVANCES		
a. Capital Advances	1,752.10	961.96
b. Deposit with Related Party	400.00	NIL
c. Other Deposits	800.77	589.12
d. <u>Other Loans and Advances</u>		
Loans & Advances (Employees)	575.35	389.19
Loans & Advances (Others)	802.09	879.58
Advance Tax and Tax deducted at Source	19,994.97	15,940.74
TOTAL	24,325.28	18,760.59
13. INVENTORIES		
a. Raw Materials and Components	11,398.46	10,404.53
b. Work-in-Progress	9,848.14	8,823.79
c. Finished goods	9,567.86	8,228.90
d. Stock-in-trade	177.90	187.05
e. Stores and Spares	376.03	408.25
f. Fuel	982.33	1,185.82
g. Packing Material	234.93	171.13
TOTAL	32,585.65	29,409.47
14. TRADE RECEIVABLE		
Trade receivables outstanding for a period less than six months Unsecured, considered doubtful	38,456.49	31,157.26
Trade receivables outstanding for a period exceeding six months Unsecured, considered good	2,241.76	2,096.17
TOTAL	40,698.25	33,253.43
15. CASH AND CASH EQUIVALENTS		
Cash on hand	106.81	69.03
Bank balance in Current Accounts	571.22	834.75
Bank Deposits kept as Margin Money	250.74	267.95
Earmarked Balances (unpaid dividend accounts)	127.31	114.73
TOTAL	1,056.08	1,286.46
16. SHORT -TERM LOANS AND ADVANCES		
a. Advance to Related Party	432.40	NIL
b. Other Advances	214.00	NIL
c. Others Balances with Custom, Port Trust, Excise & VAT Authorities	5,518.88	3,787.49
TOTAL	6,165.28	3,787.49
17. OTHER CURRENT ASSETS		
Other Receivables	202.64	1,000.51
Prepaid Insurance	88.06	70.57
Subsidy Receivable	1,448.10	940.42
Gratuity Receivable	34.49	20.89
Insurance Claim Receivable	239.45	264.09
TOTAL	2,012.74	2,296.48

Notes on Consolidated Financial Statements for the year ended 31st March, 2012 (₹ in Lakhs)

	<u>As at 31st March, 2012</u>	<u>As at 31st March, 2011</u>
18. REVENUE FROM OPERATIONS		
Sale of Products	174,083.89	153,220.49
Sale of Services	393.98	89.11
Other Operating Revenues (Refer Note No. 18.1)	4,104.57	2,728.38
Gross Revenue From Operations	178,582.44	156,037.98
Less: Excise Duty/VAT	11,251.90	10,738.15
Net Revenue From Operations	167,330.54	145,299.83
18.1. OTHER OPERATING REVENUES		
Export Benefits	314.43	85.56
Fertilizers Subsidy Received	3,400.09	2,422.57
VAT Refund Received	102.52	NIL
Insurance Claim Received	NIL	64.58
Scrap Sales	287.53	155.67
TOTAL	4,104.57	2,728.38
19. OTHER INCOME		
Dividend Received	35.18	59.00
Profit on Sale of Assets	25.73	33.73
Profit on Sale of Investment	221.72	247.99
Lease Rent Income	38.21	39.80
Other Income	26.15	25.06
Interest on Loan	14.02	10.95
TOTAL	361.01	416.53
20. COST OF MATERIAL CONSUMED		
Consumption of Raw Materials	84,444.52	68,554.29
Consumption of Packing Materials	2,549.50	2,151.00
Consumption of Fuel	8,483.32	6,066.90
Consumption of Stores & Spares	2,449.14	1,900.38
TOTAL	97,926.48	78,672.57
21. CHANGE IN INVENTORY		
Opening Stock		
Finished goods	8,415.95	7,094.43
Work in Process	8,823.79	8,512.02
TOTAL (A)	17,239.74	15,606.45
Closing Stock		
Finished goods	9,745.77	8,310.37
Work in Process	9,848.37	8,823.79
TOTAL (B)	19,594.14	17,134.16
TOTAL (A-B)	(2,354.40)	(1,527.71)
22. EMPLOYEE BENEFITS		
Salaries, Wages & Bonus	4,298.06	3,677.32
Contribution to PF and Other Funds	149.83	132.82
Workmen and Staff Welfare Expenses	257.37	232.49
TOTAL	4,705.26	4,042.63
22.1 DIRECTORS' REMUNERATION		
Salary *	162.01	98.37
House Rent Allowance	16.28	16.28
Contribution to PF	10.02	9.89
Value of Perquisites	0.90	5.15
Ex-Gratia/Super Annuation Fund	18.99	18.90
Commission	248.36	188.06
TOTAL	456.56	336.65
* Directors Remuneration includes salary ₹ 75.55 Lakhs (previous year ₹ 15.00 Lakhs) for Subsidiary Company		
23. FINANCE COST		
Interest Expenses	6,750.55	5,129.74
Other Borrowing Costs	433.48	491.59
TOTAL	7,184.03	5,621.33



Notes on Consolidated Financial Statements for the year ended 31st March, 2012

	As at 31st March, 2012	(₹ in Lakhs) As at 31 st March, 2011
24. OTHER EXPENSES		
Manufacturing Expenses:		
Freight, Cartage and Transport	5,070.91	4,418.32
Power	4,229.52	3,481.94
Water Charges	439.17	401.20
Processing Charges	1,000.03	959.85
Other Manufacturing Expenses	3,863.05	3,282.98
Repairs and Maintainance	1,887.15	1,515.76
Insurance Charges	142.04	132.08
Research & Development Expenses	334.24	393.52
Amortization and Patent Expenses Written Off	NIL	138.80
Factory Administration Expenses	788.73	625.97
TOTAL (A)	17,754.84	15,350.42
Office & Administrative Expenses:		
Rent, Rates and Taxes	126.18	110.99
Travelling and Conveyance	283.01	241.38
Auditors' Remuneration	11.53	10.02
Legal and Professional Charges	113.41	137.58
Postage, Telegram and Telephone	84.95	83.53
Printing and Stationery	37.09	31.29
Other Administrative Expenses	321.59	372.32
TOTAL (B)	977.76	987.11
Selling & Distribution Expenses:		
Advertisement and Sales Promotion	254.48	240.57
Export Freight	3,667.77	2,957.04
Freight and Forwarding	3,581.87	3,321.42
Commission	623.35	417.55
Insurance Charges on Export	89.80	110.55
Sample Testing and Analysis Charges	43.81	38.26
Bad Debts Written Off	223.09	NIL
Discount Given	674.73	434.27
Storage	NIL	0.88
Carriage	NIL	810.86
Sundry Balances Written Off/(Back)	29.11	104.39
TOTAL (C)	9,188.01	8,435.79
Non-Operating Expenses:		
Donation	153.98	70.73
Deferred Revenue Expenses Written Off	NIL	7.90
Loss on Sale of Assets	2.02	2.23
Prior Period Expenses	0.35	NIL
Pre-Operative Expenses W/Off	NIL	0.68
TOTAL (D)	156.35	81.54
TOTAL (A+B+C+D)	28,076.96	24,854.86
24.1. AUDITOR'S REMUNERATION		
Audit Fees	8.18	7.13
Certification Charges	2.08	1.46
Other Matters Charges	NIL	0.40
Service Tax Charges	1.07	0.91
Out of Pocket Expenses	0.20	0.12
TOTAL	11.53	10.02

Auditor's Remuneration includes ₹ 0.97 Lakhs (previous year ₹ 0.53 Lakhs) for Subsidiary Company.

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

25. CONTINGENT CLAIMS

Sr. No.	Particulars	On the Parent Company	On the Subsidiary Companies
(a)	Claims not acknowledged as Debts	2,198.28 (1,215.18)	NIL (18.86)
(b)	Letter of credit and Bank Guarantees issued by the Company's Bankers	4,401.76 (4,024.46)	NIL (NIL)
(c)	Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	1,112.03 (1,278.97)	NIL (NIL)

26. RELATED PARTY DISCLOSURES

List of Related Parties as defined in paragraph 3(b) of Accounting Standard 18 'Related Party Disclosure' is as follows:

I. Associate Companies:

- a. Ganesh Polychem Limited
- b. Anushakti Holdings Limited (formerly known as Anushakti Chemical and Drugs Limited)
- c. Anushakti Chemical and Drugs Limited (formerly known as Aarti Healthcare Limited)
- d. Alchemie (Europe) Limited

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 Investment 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. Anushakti Specialties Limited Liability Partnership

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
9.	Shri Renil R. Gogri	Relative of Director
10.	Shri Nikhil P. Desai	Relative of Director



Notes on Consolidated Financial Statements for the year ended 31st March, 2012

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 above.

(₹ In Lakhs)

Sr. No.	Description of Transaction	Year	Associates	Other related Enterprises/ Firms
			[I]	[II]
1.	Sales of Finished Goods	CY	11,885.21	755.41
		PY	8,065.46	1,023.43
2.	Purchases of Raw Materials/Finished Goods	CY	14,729.00	14.98
		PY	11,415.59	55.37
3.	Other Manufacturing Expenses	CY	372.39	730.31
		PY	400.17	349.28
4.	Rent paid	CY	300.00	48.00
		PY	-	42.00
5.	Sale of Investments	CY	-	-
		PY	-	-
6.	Sale of Fixed Assets	CY	-	-
		PY	75.83	21.29
7.	Purchase of Fixed Assets	CY	14.48	-
		PY	-	-
8.	Inter-corporate Deposits taken/(Repaid) during the year	CY	-	-
		PY	-	(185.00)
9.	Inter-corporate Deposits given/(Received back) during the year	CY	400.00	-
		PY	-	-
10.	Unsecured Loans Given/(Taken Back)	CY	-	-
		PY	-	-
11.	Unsecured Loans Taken/(Repaid)	CY	-	-
		PY	-	-
12.	Interest Expense on the Inter-corporate Deposits taken	CY	-	-
		PY	-	-
13.	Interest Income on the Inter-corporate Deposits placed/Unsecured Loans	CY	32.40	-
		PY	-	-
14.	Dividend Received	CY	29.30	-
		PY	-	-
15.	Equity Contribution/(Disposal) in cash or in kind made during the year	CY	(22.94)	-
		PY	-	3.24
16.	Equity Share Warrants	CY	-	-
		PY	348.00	-
17.	Conversion of Equity Share Warrants (Premium)	CY	924.00	-
		PY	-	-
18.	Allotment of Equity Shares on conversion of Warrants	CY	120.00	-
		PY	-	-
19.	Outstanding items pertaining to the related parties at the balance sheet -date: Receivable/(Payable)	CY	8,480.17	451.13
		PY	6,070.86	940.23

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

	As at 31st March, 2012	As at 31 st March, 2011
a. Directors' Remuneration including perquisites #	132.38	148.59
b. Commission to Directors	248.36	188.06
c. Sitting Fees	3.16	3.12
d. Rent paid	75.33	68.97
e. Travelling Expenses	83.03	62.16
f. Telephone Expenses	3.83	5.03
	546.09	475.93

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

Value of Perquisites includes non cash Perquisites of ₹ 1.73 Lakhs (previous year ₹ 1.83 Lakhs)

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

27. 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, 2012 as per details given below:

Sr. No.	Name of Associates	Ownership Interest %	Opening Original Investment as on 01.04.2011	Additional Investment during the year	Deduction	Adjustment Consolidation	Total Original Investment As on 31.03.2012	Carrying cost of Investment As on 01.04.2011	Adjustment on Consolidation	Share of Profit/(Loss) of the year	Carrying cost of Investment As on 31.03.2012
1	Nascent Chemical Industries Limited	49.00	133.29	-	-	(133.29)	-	211.20	(211.20)	-	-
2	Ganesh Polychem Limited #	32.11	100.00	-	22.94	-	77.06	1,323.57	-	130.95	1,531.58
3	Anushakti Holding Limited * (formerly known as Anushakti Chemicals & Drugs Ltd.)	48.99	731.98	-	-	(441.48)	290.50	4,215.27	(2,542.33)	75.02	2,038.46
4	Anushakti Chemicals & Drugs Limited * (formerly known as Aarti Healthcare Ltd.)	49.50	-	-	-	751.21	751.21	-	3,054.79	1,224.61	5,030.61
5	Alchemie (Europe) Limited* (Reporting Date 30 th November)	44.44	25.54	-	-	-	25.54	-	-	0.27	25.82
	TOTAL	-	990.81	-	22.94	176.44	1,144.31	5,750.04	301.26	1,430.84	8,626.46

* Pursuant to the Scheme of Arrangement between Anushakti Chemicals & Drugs Ltd. and Spack Chemicals Pvt. Ltd. and Aarti Healthcare Ltd. approved by the Hon. High Court of Mumbai vide its order dated 10th August, 2011, the manufacturing business undertaking of Anushakti Chemicals & Drugs Ltd. got demerged and remaining business operations were continued under the new name of Anushakti Holdings Ltd. Further the demerged manufacturing business undertaking alongwith the Company namely Spack Chemicals Pvt. Ltd. got merged simultaneously into Aarti Healthcare Ltd. The merged entity Aarti Healthcare was subsequently renamed as Anushakti Chemicals & Drugs Ltd. (vide ROC certificate dated 11th November, 2011). As a result, additional 1,24,03,136 Shares of Anushakti Chemicals & Drugs Ltd. (Formerly known as Aarti Healthcare Ltd.) were issued to the company pursuant to the above scheme coming in effect.

Given back under buyback scheme of Ganesh Polychem Limited.



AARTI INDUSTRIES LIMITED

Notes on Consolidated Financial Statements for the year ended 31st March, 2012

28. CONSOLIDATED SEGMENT REPORTING

(₹ in Lakhs)

Sr. No.	Particulars	Year ended on	
		31 st March, 2012	31 st March, 2011
(A)	Primary Segments : Business Segments		
1	Segment Revenue		
	a) Performance Chemicals	96,798	103,009
	b) Agri-intermediates & Fertilizer	38,230	19,763
	c) Pharmaceuticals	16,462	13,056
	d) Home & Personal Care Chemicals	15,841	9,472
	TOTAL	167,331	145,300
2	Segment Results Profit/(Loss) (Before Tax and Interest from each Segment)		
	a) Performance Chemicals	14,180	14,492
	b) Agri-intermediates & Fertilizer	7,541	4,108
	c) Pharmaceuticals	419	(631)
	d) Home & Personal Care Chemicals	492	508
	TOTAL	22,632	18,477
	Less: Interest	7,184	5,621
	Other Unallocable Expenditure (Net)	2,829	3,252
	TOTAL	10,013	8,873
	TOTAL PROFIT BEFORE TAX	12,619	9,604
(B)	Secondary Segments : Geographical Segments		
	a) India	98,933	90,376
	b) Out of India	68,398	54,924
	TOTAL	167,331	145,300

1 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 provided segment disclosures relating to capital employed.

2 Re-Classification of Business Segments :

For better understanding of businesses, the Company has reclassified its business segments based on the nature of product and their respective end-uses. Based on the same, the Company has reclassified its business segments into Performance Chemicals, Agri-Intermediated & Fertilizers, Pharmaceuticals & Personal Care. This change does not have any financial impact.

29. EARNING PER SHARE (EPS)

Particulars	Financial Year 2011-2012	Financial Year 2010 - 2011
Net Profit after Deferred Tax	₹ in Lakhs 9003.43	6690.42
Less: Minority Interest	₹ in Lakhs 1,07.97	86.43
Add: Share of Profit from Associates	₹ in Lakhs 1430.85	1544.14
Net Profit available for Equity Shareholder (A)	₹ in Lakhs 1,0326.31	8148.13
No. of Equity Shares (B)	(Nos.) 7,67,52,950	7,67,20,073
Basic & Diluted EPS (A/B)	₹ 13.45	10.62
Face Value	₹ 5.00	5.00
29.1. No. of Equity Shares		
No. of Equity Shares as at 1 st April, 2011		76,720,073
No. of Equity Shares issued on 27 th March, 2012		2,400,000
Total No. of Equity Shares (on Weighted Average Basis) as at 31st March, 2012		76,752,950

30. The figures of the previous years 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. VYVAHARKAR
PARTNER

Sd/-
CHANDRAKANT V. GOGRI
CHAIRMAN

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

Sd/-
SHANTILAL T. SHAH
VICE CHAIRMAN

PLACE: Mumbai
DATE: 25th May, 2012

Sd/-
MONA PATEL
COMPANY SECRETARY

Consolidated Cash Flow Statement for the year ended 31st March, 2012

(₹ in Lakhs)

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
A. Cash Flow From Operating Activities :		
Net Profit Before Tax And Extraordinary Items	12,619.42	9,603.66
Adjustments For:		
Add: Interest And Finance Charges Paid	7,184.03	5,621.33
Depreciation	5,485.20	4,981.37
Expenses Amortised	-	21.03
Consolidation Adjustments	55.04	719.47
Loss On Sale Of Assets	2.02	2.24
	<u>25,345.71</u>	<u>20,949.10</u>
Less: Profit On Sale Of Investment	(221.72)	(247.99)
Profit On Sale Of Assets	(25.73)	(33.73)
Prior Year Adjustment	-	(8.98)
Dividend Received From Other Investments	(35.18)	(59.00)
Lease Rent Received	(38.21)	(39.80)
	<u>25,024.87</u>	<u>20,559.60</u>
Operating Profit Before Working Capital Changes		
Adjustments For :		
Add/(Less): (Increase)/Decrease In Trade And Other Receivables	(9,326.03)	(8,805.39)
Increase/(Decrease) In Trade Payables	3,937.66	303.69
(Increase)/Decrease In Inventories	(3,176.18)	(2,941.79)
	<u>16,460.32</u>	<u>9,116.11</u>
Less: Cash Generated From Operations	(4,380.52)	(3,016.65)
Direct Taxes Paid	-	-
Net Cash From Operating Activities	<u>12,079.80</u>	<u>6,099.46</u>
B. Cash Flow From Investing Activities		
Addition To Fixed Assets / Cwip	(13,311.18)	(6,905.00)
Sale / W.Off Of Fixed Assets	77.50	554.28
(Increase)/Decrease In Other Investments	178.16	(396.91)
(Increase)/Decrease In Associate Investments	(149.17)	(1,561.22)
Dividend Received From Other Investments	35.19	59.00
Lease Rent Received	38.21	39.80
	<u>(13,131.29)</u>	<u>(8,210.05)</u>
C. Cash Flow From Financing Activities		
Proceeds From Long Term Borrowings	-	4,906.00
Repayment Of Long Term Borrowings	(2,704.73)	(3,521.44)
Proceeds/(Repayments) Of Other Borrowings	12,481.88	7,620.80
Proceeds From Issue Of Share Warrants	(348.00)	348.00
Increase In Equity And Share Premium	1,392.00	-
Interest and Finance Charges Paid	(7,184.03)	(5,621.33)
Dividend Paid	(2,523.11)	(1,496.04)
	<u>1,114.01</u>	<u>2,235.99</u>
Net Cash From Financing Activities		
Net Increase/(Decrease) In Cash And Cash Equivalent (A+B+C)	62.52	125.40
Cash And Cash Equivalent (Opening Balance)	1,286.46	1,161.06
Add: Upon Addition/Deletion Of Subsidiaries	(292.90)	-
Cash And Cash Equivalent (Closing Balance)	1056.08	1286.46

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: 25th May, 2012

**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, 2012.

(₹ in Lakhs)

Name of the Subsidiary Company	Aarti Corporate Services Limited	Shanti Intermediates Private Limited (Subsidiary of Aarti Corporate Services Ltd.)	Nascent Chemical Industries Limited
The financial year/period of Subsidiary ended on	31 st March, 2012	31 st March, 2012	31 st March, 2012
Capital	202.47	6.77	60.00
Reserves	221.77	61.21	418.38
Total Liabilities	46.19	296.30	725.49
Total Assets (Fixed Assets + Current Assets)	354.60	363.49	1104.80
Investment	115.83	0.78	99.07
Total Income	92.88	440.90	542.44
Profit/(Loss) Before Tax	92.53	43.79	313.20
Provisions for Tax	18.00	8.46	107.95
Profit/(Loss) After Tax	74.53	35.33	205.25
Proposed Dividend and Tax thereon	-	-	140.39

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: 25th May, 20112



Aarti Industries Limited

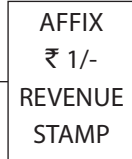
Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat.

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 NINTH ANNUAL GENERAL MEETING** of the Company to be held on **Monday, 13th day of August, 2012** at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2012

Signature _____



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 NINTH ANNUAL GENERAL MEETING** of the Company held at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396195, Dist. Valsad, Gujarat on **Monday, 13th day of August, 2012** 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

Performance Chemicals



Agri-intermediates & Fertilizers



DEPAK FERTILISERS
AND PETRO-CHEMICALS
CORPORATION LIMITED

Pharmaceuticals



Home & Personal Care Chemicals





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