

The Chemistry of Sustained Relationships

Annual Report 2013-14

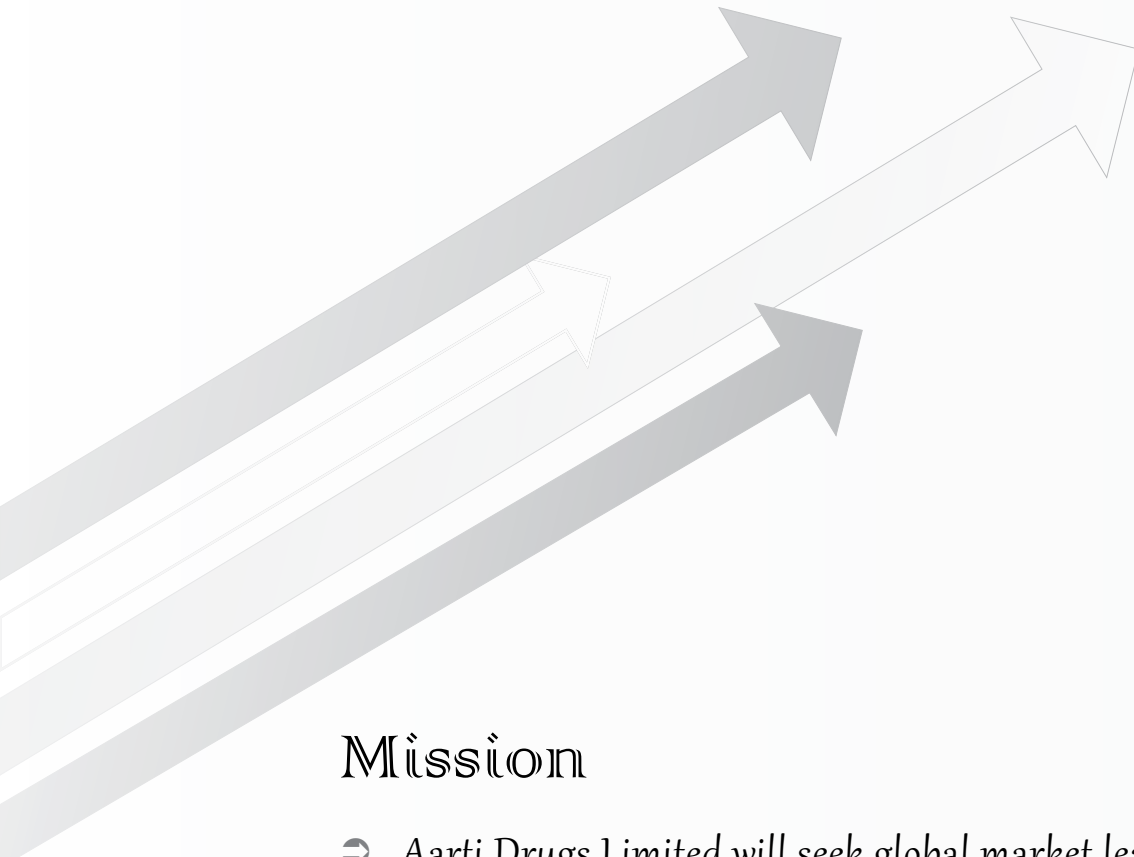




AARTI DRUGS AND ITS GLOBAL PRESENCE

Country

- | | | | | |
|---------------|----------------|-----------------|---------------|---------------|
| 1. Algeria | 9. Brazil | 17. Cyprus | 25. Georgia | 33. Indonesia |
| 2. Argentina | 10. Bulgaria | 18. Czech. Rep. | 26. Germany | 34. Iran |
| 3. Australia | 11. Canada | 19. Denmark | 27. Ghana | 35. Iraq |
| 4. Bangladesh | 12. Chile | 20. Ecuador | 28. Greece | 36. Ireland |
| 5. Belarus | 13. China | 21. Egypt | 29. Guatemala | 37. Israel |
| 6. Belgium | 14. Colombia | 22. El salvador | 30. Hongkong | 38. Italy |
| 7. Bolivia | 15. Costa rica | 23. Ethiopia | 31. Hungary | 39. Jamaica |
| 8. Bosnia | 16. Cuba | 24. France | 32. India | 40. Japan |



Mission

- ⇒ *Aarti Drugs Limited will seek global market leadership.*
- ⇒ *Development and growth in the products will be our focus.*
- ⇒ *We will continue to create a winning culture, operating in highest standards of ethics and values with co-operation among competitors.*
- ⇒ *We will strive for excellence in customer service, quality and R&D.*

Vision

- ⇒ *To be the preferred vendor for the Products in India and World.*

Corporate Information

Chairman Emeritus

Chandrakant V. Gogri

Board of Directors

Prakash M. Patil

Chairman, Managing Director & CEO
(Chairman w.e.f. 04/04/2014)

Harshit M. Savla

Jt. Managing Director

Whole-time Directors

Harit P. Shah

Rashesh C. Gogri

Uday M. Patil

Rajendra V. Gogri

Non-Executive Director
(Chairman upto 03/04/2014)

Independent Directors

Ramdas M. Gandhi

CA Bhavesh R. Vora

Prof. Krishnacharya G. Akamanchi

Dr. Vilas G. Gaikar

CS Sunil M. Dedhia (upto 31/03/2014)

CA Navin C. Shah

Chief Financial Officer

Adhish P. Patil

Company Secretary

CS Sunny Pagare

Auditors

M/s. Parikh Joshi & Kothare,
49/2341, M.H.B. Colony, Gandhi Nagar,
Bandra (East), Mumbai-400 051.

Solicitors

M/s. M. P. Savla & Co.
Bharat House, 2nd floor,
104 Mumbai Samachar Marg,
Mumbai-400 001.

Registrar & Transfer Agent

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

Bankers

Union Bank of India

Bank of Baroda

State Bank of India

The Bank of Nova Scotia

Standard Chartered Bank

DBS Bank Ltd.

IDBI Bank Ltd.

Citi Bank N.A.

The Hongkong and Shanghai Banking Corporation Limited

ICICI Bank Ltd.

Kotak Mahindra Bank Ltd.

Indusind Bank

Company's Locations

Registered Office

Plot No. N - 198, M.I.D.C.,
Tarapur, Village-Pamtembhi,
Taluka – Palghar,
Dist. Thane- 401 506.

Corporate Identity Number

L37060MH1984PLC055433

Corporate Office

Mahendra Industrial Estate,
Ground Floor, Plot No. 109D,
Road No.29, Sion (E),
Mumbai - 400 022

Visit us at www.aartidrugs.com

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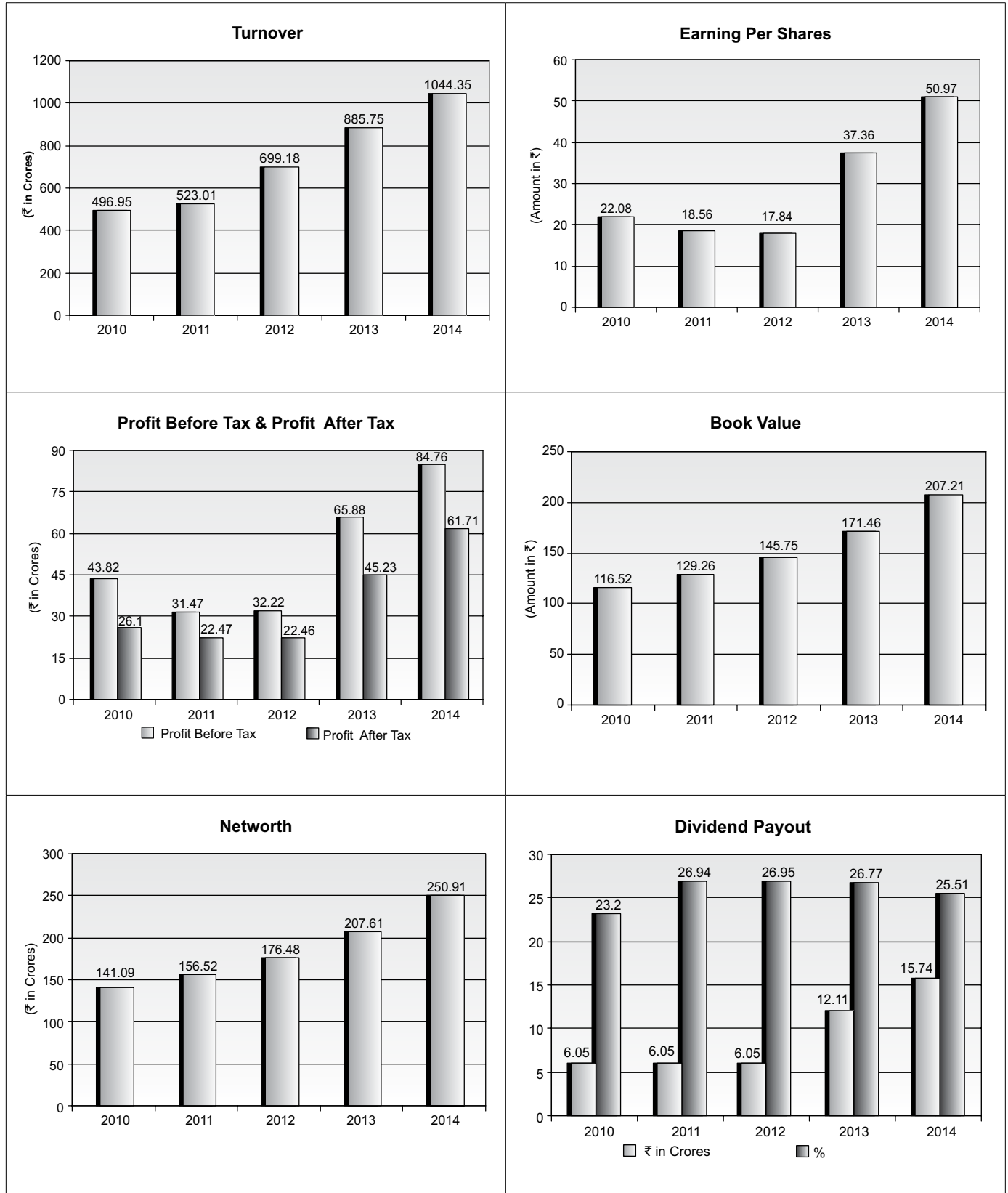
FINANCIAL HIGHLIGHTS

(₹ in Lakhs)

Particulars	Financial Year Ended on							
	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11*	31-Mar-12*	31-Mar-13*	31-Mar-14*
Sales (Gross)	31,330.26	33,584.79	40,968.87	49,694.87	52,301.38	69,917.64	88,574.83	104,434.57
Profit Before Interest, Depreciation and Amortization	3,449.75	3,930.01	5,690.35	7,207.99	6,269.13	8,027.03	12,033.43	14,636.95
Interest	986.30	1,183.81	2,271.69	1,474.45	1,347.80	2,267.19	2,803.55	3,348.97
Depreciation and Amortization	861.72	962.93	1,103.92	1,351.75	1,774.06	2,421.59	2,598.40	2,811.94
Profit Before Tax	1,601.73	1,783.27	2,314.75	4,381.79	3,147.27	3,221.98	6,587.84	8,476.04
Profit After Tax	1,276.98	1,307.32	1,504.75	2,609.79	2,247.29	2,246.10	4,523.84	6,171.23
Dividend (%)	12	18	30	50	50	50	100	130.00
Payout	140.50	210.75	351.26	605.43	605.43	605.43	1,210.86	1,574.11
Equity Capital	1,170.86	1,170.86	1,170.86	1,210.86	1,210.86	1,210.86	1,210.86	1,210.86
Reserves & Surplus	8,673.66	9,734.41	10,827.49	12,898.30	14,440.78	16,437.13	19,549.93	23,879.53
Less : Miscellaneous Expenditure	114.93	3.72	-	-	-	-	-	-
Networth	9,729.59	10,901.54	11,998.35	14,109.16	15,651.63	17,647.99	20,760.78	25,091.39
Borrowings								
Long Term	4,263.63	4,795.06	7,204.25	7,818.18	7,434.15	6,692.38	8,070.45	7,664.20
Short-Term-Bank	7,493.42	7,070.50	8,070.95	6,047.94	16,866.01	21,723.88	23,980.90	21,723.88
Short-Term-Others	7,499.31	8,651.20	2,572.65	3,898.38	85.01	1,374.94	-	-
Total Borrowings	19,256.36	20,516.76	17,847.85	17,764.50	24,385.18	29,791.20	32,051.35	29,388.08
Gross Block	21,253.39	23,359.01	26,725.92	28,748.23	34,579.98	43,938.29	47,904.89	58,113.01
Less : Depreciation	6,236.45	7,446.69	8,788.25	10,394.66	12,159.02	16,584.66	18,781.79	20,860.39
Net Block	15,016.94	15,912.33	17,937.66	18,353.57	22,420.96	27,353.63	29,123.10	37,252.62
Capital work-in-progress	1,375.20	1,466.90	64.42	340.35	1,037.47	299.09	1,258.89	831.55
Investments	2,134.85	3,352.82	2,137.85	2,137.85	2,461.29	691.84	513.19	461.90
Current Assets, Loans and Advances	17,231.02	18,767.55	18,513.71	20,020.43	25,669.13	32,917.38	41,076.71	46,428.05
Less: Current Liabilities	5,547.41	6,626.63	7,076.76	6,998.89	9,322.39	11,375.56	15,119.49	17,762.83
Net Working Capital	11,683.60	12,140.92	11,436.96	13,021.54	16,346.74	21,541.83	25,957.22	28,665.22
Book Value (₹)	83.10	93.11	102.47	116.52	129.26	145.75	171.46	207.21
EPS (Basic & Diluted) (₹)	10.90	11.17	12.85	22.08	18.56	17.84	37.36	50.97

* Note:- Regrouped as per Revised Schedule (vi) of the Companies Act, 1956.

FINANCIAL HIGHLIGHTS





NOTICE

NOTICE is hereby given that the Twenty-Ninth Annual General Meeting of the members of Aarti Drugs Limited will be held on Friday, the 11th day of July, 2014, at 11.00 a.m. at TIMA Hall, MIDC Tarapur, Taluka Palghar, Dist.: Thane - 401 506, Maharashtra, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2014 including audited Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors' and Auditors' thereon.
2. To declare a final dividend for the financial year ended 31st March, 2014.
3. To appoint a Director in place of Shri Harit P. Shah (DIN: 00005501), who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Uday M. Patil (DIN: 01186406), who is liable to retire by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and, in this regard, to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED that pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act 2013 and the Rules made thereunder, and pursuant to recommendation of the Audit Committee of the Board of Directors, M/s. Gokhale & Sathe, Chartered Accountants (Firm Regn. No. 103264W) be and are hereby appointed as statutory auditors of the Company for the period of 3 (three) years, subject to ratification by the members at every AGM and eligibility of the firm, to hold office from the conclusion of this Annual General Meeting(AGM) until the conclusion of the thirty second AGM of the Company, on such remuneration and reimbursement of out of pocket expenses, as shall be decided/approved by the Board of Directors."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV thereof and the Rules made thereunder, Shri Ramdas M. Gandhi (DIN: 00029437), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the said Act, signifying his intention to propose Shri Ramdas M. Gandhi as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period up to 31st March, 2019, not liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV thereof and the Rules made thereunder, Prof. Krishnacharya G. Akamanchi (DIN: 02354032), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the said Act, signifying his intention to propose Prof. Krishnacharya G. Akamanchi as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period up to 31st March, 2019, not liable to retire by rotation."

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV thereof and the Rules made thereunder, Dr. Vilas G. Gaikar (DIN: 00033383), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the said Act, signifying his intention to propose Dr. Vilas G. Gaikar as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period up to 31st March, 2019, not liable to retire by rotation.”

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 the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV thereof and the Rules made thereunder, CA Bhavesh R. Vora (DIN: 00267604), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the said Act, signifying his intention to propose CA Bhavesh R. Vora as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a period up to 31st March, 2019, not liable to retire by rotation.”

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

“RESOLVED THAT in supersession of the Ordinary Resolution adopted at the 25th Annual General Meeting held on 27th August, 2010 and pursuant to Section 180(1)(c) and any other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as “the Board”) to borrow any sum or sums of money/ies, from time to time, notwithstanding that money so borrowed together with the money/ies already borrowed by the Company (apart from temporary loans obtained /to be obtained from the Company’s bankers in the ordinary course of business), and outstanding at any point of time, may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specified purpose, provided that the total amount so borrowed by the Board shall not exceed ₹ 500 crore (Rupees Five hundred crores).

RESOLVED FURTHER that the Board of the Company be and is hereby authorized to arrange and finalise the terms and conditions of all such monies to be borrowed from time to time and to do all such acts, matter, deeds and things as may be necessary or expedient for implementing and for giving effect to the above resolution in the best interest of the Company.”

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 the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the remuneration of Rs. 3,00,000/- recommended by the Audit Committee and approved by the Board of Directors of the Company to be paid to Mr. Girikrishna S. Maniar as the Cost Auditor of the Company for the financial year ending March 31, 2015, be and is hereby ratified.”

Registered Office:
Plot No. N-198, MIDC,
Tarapur, Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.

Place: Mumbai
Date: 30th April, 2014

By order of the Board

Sd/-
Sunny Pagare
Company Secretary



Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING 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. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.

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 102 of the Companies Act, 2013 in respect of the Special Business at Item No. 6 to 11 above is annexed.
3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 4th July, 2014 to 11th July, 2014 (both days inclusive) for the purpose of payment of the final dividend for the financial year ended 31st March, 2014 and the AGM.

Dividend on Equity shares as recommended by the Board of Directors for the year ended 31st March, 2014, if approved at the Meeting, will be payable to those eligible Members whose names stand on the Register of Members on 4th July, 2014.

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 between 11.00 a.m. and 1.00 p.m., up to the date of the AGM.
6. Members holding shares in physical form are requested to inform the Company's Registrars and Transfer Agents (RTA), M/s. Sharepro Services (India) Private Limited, immediately of any change in their address and bank details. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the Members.
7. Members holding shares in dematerialized form are requested to register their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) and Permanent Account Number (PAN) with their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's RTA as the same is mandated by the Securities and Exchange Board of India.
8. Queries on accounts may please be sent to the Company 10 day in advance of the Annual General Meeting so that the answers may be made available at the meeting.
9. The Company has transferred unclaimed amounts of final and Interim dividend declared for the year 2005-06 and 2006-07 respectively to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.
10. The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends as on the date of the 28th Annual General Meeting (AGM) held on 2nd August, 2013, on the website of the IEPF viz. www.iepf.gov.in and under "Investors Section" on the Website of the Company viz. www.aartidrugs.com

11. The Company is concerned about the environment. We request you to update your email address with your Depository Participants to enable us to send you communications via email. Members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to provide their e-mail addresses to the Sharepro Services (India) Private Limited (RTA) sending an e-mail at sharepro@shareproservices.com or to the Company at investorrelations@aartidrugs.com.
12. Copies of the Annual Report 2013-14 are being sent by electronic mode only to all the members whose email addresses are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the Annual Report for 2013-14 are being sent by the permitted mode.
13. Members / Proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
14. In terms of Sections 107 and 108 of the Companies Act, 2013 read with the Rules made thereunder, the Company is pleased to provide the facility to its Members holding shares in physical or dematerialized form as on the cut-off date, being 30th May, 2014, to exercise their right to vote by electronic means on any or all of the businesses specified in the accompanying Notice and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL). Details of the process and manner of e-voting along with the User ID and Password is being sent to all the Members along with the AGM Notice.
15. In case of Members who are entitled to vote but have not exercised their right to vote by electronic means, upon poll being demanded, in the larger interest of the Members, the Chairman may order a poll on his own motion or on demand at the Meeting in terms of Section 109 of the Companies Act, 2013 for all businesses specified in the AGM Notice. For abundant clarity, in the event of poll, please note that the Members who have exercised their right to vote by electronic means shall not vote by way of poll at the Meeting. The voting rights of the Members shall be in proportion to their shares of the paid up equity share capital of the Company, subject to the provisions of the Companies Act, 2013. The poll process shall be conducted and scrutinized and report thereon will be prepared in accordance with Section 109 of the Companies Act, 2013 read with the Rules made thereunder.
16. The Results declared along with Scrutinizer's Report(s) will be available on the website of the Company (www.aartidrugs.com) within two (2) days of passing of the resolutions and communication of the same to the BSE Limited and the National Stock Exchange of India Limited.
17. **VOTING THROUGH ELECTRONIC MEANS:**
 - I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the Twenty-Ninth Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL):

The instructions for e-voting are as under:

 - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:
 - (i) Open email and open PDF file viz; "Aarti Drugs e-voting services" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
 - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
 - (iii) Click on Shareholder - Login
 - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.



- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
 - (vii) Select "EVEN" of Aarti Drugs Limited.
 - (viii) Now you are ready for e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to investorrelations@aartidrugs.com with a copy marked to evoting@nsdl.co.in
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy] :
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

EVEN (E Voting Event Number)	USER ID	PASSWORD/PIN
------------------------------	---------	--------------
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of www.evoting.nsdl.com
- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The e-voting period commences on 4th July, 2014 (9:00 am) and ends on 6th July, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 30th May, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of 30th May, 2014.
- VII. CS Sunil M. Dedhia, Company Secretary in Practice (Membership No. FCS 3483) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VIII. The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IX. The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.aartidrugs.com and on the website of NSDL within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE and NSE.

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

Particulars	Shri Harit P. Shah	Shri Uday M. Patil
Date of birth and age	12.10.1963 (50 years)	23.06.1963 (51 years)
Date of Appointment	15.09.1995	18.10.2000
Qualifications	B.Com.	H.S.C.
Experience and expertise in specific functional areas	He has experience of over 20 years handling commercial functions encompassing Sales, Purchases and Exports. He looks after Local Sales and Export as well.	He has good experienced in factory administration work and liaisoning with various Government/ Semi Government department and agencies.
Directorships held in other (excluding foreign) Companies	Aarti Ventures Limited Radiant Entertainment Private Limited Aarti Corporate Service Limited Spark Academy Private Limited Unidas Developers & Logistics Private Limited	Alchemie Gases & Chemicals Pvt. Ltd.
Memberships/Chairmanships of committees across public companies	Shareholder Grievance Committee Aarti Drugs Limited – Member Share Transfer Committee Aarti Drugs Limited – Member	None
Number of shares held in the Company	378786	6300

Particulars	Shri Ramdas M. Gandhi	Prof. Krishnacharya G. Akamanchi
Date of birth and age	14.03.1933 (81 years)	01.04.1953 (61 years)
Date of Appointment	31.12.2005	20.10.2008
Qualifications	L.L.M., Solicitor	B.Sc. (Tech.) / B.Sc. (Hons.) / Ph.D. –Technology
Experience and expertise in specific functional areas	He is an Advocate & Solicitor and has practised in the High Court at Mumbai since more than 55 years. He is a Corporate Lawyer & has vast experience of Commercial Law, Corporate Law & other related Laws. He is an Independent Director of the Company	He presently is a Professor and Head of Department of Pharmaceutical Sciences and Technology, University Institute of Chemical Technology, Mumbai. He has vast experience in handling industrial projects for solving the process chemistry and process technology problems and also development of new technologies. Since 1984 he has been providing consultancy for Process Technology Development, Process Chemistry Development, Project Evaluation, and Diversification into emerging areas to many industries.



Particulars	Shri Ramdas M. Gandhi	Prof. Krishnacharya G. Akamanchi
Directorships held in other (excluding foreign) Companies	Vinyl Chemicals (India) Limited Unichem Laboratories Limited Aarti Industries Limited Nascent Chemical Industries Limited	No other directorship
Membership/Chairmanships of committees across public companies	<p>Audit Committee Vinyl Chemicals (India) Limited – Chairman Unichem Laboratories Limited – Member Aarti Industries Limited – Chairman Aarti Drugs Limited – Chairman</p> <p>Shareholders Grievance Committee Vinyl Chemicals (India) Limited – Member Unichem Laboratories Limited – Chairman</p> <p>Remuneration Committee Vinyl Chemicals (India) Limited – Member Unichem Laboratories Limited – Member Aarti Industries Limited – Member Aarti Drugs Limited – Member</p>	None
Number of shares held in the Company	7500	NIL

Particulars	Dr. Vilas G. Gaikar	CA Bhavesh R. Vora
Date of birth and age	28.08.1960 (54 years)	13.07.1967 (47 years)
Date of Appointment	31.12.2005	31.07.2006
Qualifications	Ph.D. (Tech.)	B.Com, Chartered Accountant
Experience and expertise in specific functional areas	He has wide experience of over 25 years in Chemical Industry. He is an Independent Director of the Company.	He is practicing Chartered Accountant with more than 25 years of experience in working in the field of Stock Brokers, Audit Compliances, Derivative, Future and Options, Accounting Standards and Internal & Management Audit Areas.
Directorships held in other (excluding foreign) Companies	No other Directorship	Aarti Industries Ltd. Sabero Organics Gujarat Limited

Particulars	Dr. Vilas G. Gaikar	CA Bhavesh R. Vora
Memberships/Chairmanships of committees across public companies	Audit Committee Aarti Drugs Limited – Member Remuneration Committee Aarti Drugs Limited – Member	Audit Committee Aarti Industries Limited – Member Aarti Drugs Limited – Member Share Holders Grievance Committee Aarti Drugs Limited – Member Remuneration Committee Aarti Drugs Limited – Chairman
Number of shares held in the Company	Nil	Nil

Registered Office:
Plot No. N-198, MIDC,
Tarapur, Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.

Place: Mumbai
Date: 30th April, 2014

By order of the Board

Sd/-
Sunny Pagare
Company Secretary



ANNEXURE TO THE NOTICE

Explanatory Statement in respect of the Special Business pursuant to Section 102 of the Companies Act, 2013.

Item Nos. 6 to 9

Shri Ramdas M. Gandhi, L.L.M., Solicitor, has been Independent Director of the Company since 31st December, 2005.

Prof. Krishnacharya G. Akamanchi, B.Sc. (Tech. Ch.) / B.Sc. (Hons.) / Ph.D.-Technology, being Professor and Head of Department of Pharmaceutical Sciences and Technology, University Institute of Chemical Technology, Mumbai, has been Independent Director of the Company since 20th October, 2008.

Dr. Vilas G. Gaikar, Ph.D. (Tech), having wide experience of over 25 years in Chemical Industry, has been Independent Director of the Company since 31st December, 2005.

CA Bhavesh R. Vora, B.Com., FCA, a practicing Chartered Accountant having more than 25 years of experience, has been Independent Director of the Company since 31st July, 2006.

Shri Ramdas M. Gandhi, Prof. Krishnacharya G. Akamanchi, Dr. Vilas G. Gaikar, and CA Bhavesh R. Vora, Independent Directors of the Company, had been appointed as Directors liable to retire by rotation and retire by rotation at the ensuing Annual General Meeting in terms of the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, all of them being eligible and seeking re-appointment, are proposed to be appointed as Independent Directors for a term up to 31st March, 2019.

The Company has received notices in writing under the provisions of Section 160 of the Companies Act, 2013 from members along with a deposit of ₹ 1,00,000/- in each case, proposing candidature of Shri Ramdas M. Gandhi, Prof. Krishnacharya G. Akamanchi, Dr. Vilas G. Gaikar and CA Bhavesh R. Vora for the office of Independent Directors, to be appointed as such under the provisions of Section 149 of the said Act.

The Company has received from each of the said Directors, consent in writing to act as director and declaration to the effect that they are not disqualified under Section 164(2) of the Companies Act, 2013 in prescribed Form DIR - 2 and DIR - 8 respectively. Further, the Company has received from each of the said Directors, a declaration to the effect that he meets criteria of independence as provided in Section 149(6) of the said Act. Further, in terms of Sections 149, 152 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by each of the said Directors that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and the Board is of opinion that they fulfill the conditions specified in the Companies Act, 2013 and the Rules made thereunder and are independent of the management.

The Board considers that continued association of each of the said Independent Directors would be of immense benefit to the Company in view of their qualification, expertise and experience in their respective field as also exposure to the corporate culture and governance. Further, continued association of each of the said Directors would be of immense benefit to the Company and it is desirable to continue to avail services of each one of them as Independent Directors.

Copies of the draft letters for appointment proposed to be issued to Shri Ramdas M. Gandhi, Prof. Krishnacharya G. Akamanchi, Dr. Vilas G. Gaikar and CA Bhavesh R. Vora as an Independent Director setting out the terms and conditions thereof are available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on all working days between 11.00 a.m. and 1.00 p.m., up to the date of the AGM.

The resolutions proposed at Item Nos. 6 to 9 of the accompanying Notice, seek the approval of the members for appointment each of the said Directors as an Independent Director of the Company for a period up to 31st March, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder and further, not as directors liable to retire by rotation.

Your Board thus commend the said resolutions for your approval.

Shri Ramdas M. Gandhi, Prof. Krishnacharya G. Akamanchi, Dr. Vilas G. Gaikar and CA Bhavesh R. Vora are interested in the resolution pertaining to their respective appointment as an Independent Director.

None of the other Directors and Key Managerial Personnel of the Company or their relatives is, in any way, concerned or interested, financially or otherwise, in the said resolutions.

Item No. 10

The members of the Company, at the 25th Annual General Meeting held on 27th August, 2010, by way of an Ordinary Resolution passed under Section 293(1)(d) of the Companies Act, 1956, had accorded their consent to the Board of Directors to borrow funds up to an amount of ₹ 300 crore over and above the aggregate of paid up share capital and free reserves of the Company.

Pursuant to Section 180 of the Companies Act, 2013 effective from 12th September, 2013, prior consent of the Company is required by way of a special resolution to the Board of Directors to borrow funds, apart from temporary loans obtained from the company's bankers in the ordinary course of business, exceeding aggregate of the paid up share capital and free reserves of the Company.

Having regard to the growth in the operations and ongoing capital expenditure plans, it is necessary to augment long terms funds required by the Company. It is, therefore, proposed to obtain consent of the members by way of a Special Resolution under Section 180 and other applicable provisions of the Companies Act, 2013, to increase the borrowing powers of the Board of Directors as set out in the draft resolution proposed at Item No. 10 of the accompanying Notice to ₹ 500 crores.

Your Board thus commend the said resolution for your approval as a Special Resolution.

None of the Directors, Key Managerial Personnel of the Company or their relatives is, in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 11

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 11 of the Notice for ratification of the remuneration payable to the Cost Auditor for the financial year ending March 31, 2015.

Your Board thus commend the said resolution for your approval as an Ordinary Resolution.

None of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution.

Registered Office:
Plot No. N-198, MIDC,
Tarapur, Village-Pamtembhi,
Taluka-Palghar,
Dist. Thane 401 506.

Place: Mumbai
Date: 30th April, 2014

By order of the Board

Sd/-
Sunny Pagare
Company Secretary



DIRECTORS' REPORT

TO THE MEMBERS OF AARTI DRUGS LIMITED

Your Directors have pleasure in presenting the Twenty-Ninth Annual Report together with the Audited Statements of Accounts along with the Report of the Auditors for the year ended 31st March, 2014.

COMPANY'S FINANCIAL RESULTS

	(₹ in Lakhs)	
	2013-2014	2012-2013
Net Sales/Income from Operations	96993	82484
Other Operating Income	183	91
Total Income from Operations	97176	82575
Less: (Increase)/Decrease in Stock-in-Trade	569	(2259)
Consumption of Raw Materials & Traded Goods	65684	57786
Staff Cost	3241	2853
Other Expenditure	13045	12161
Total Expenditure	82539	70541
Profit Before Depreciation, Amortization, Finance Cost and Tax Expenses	14637	12034
Less: Interest	3349	2804
Depreciation & Amortization	2812	2599
Profit/(Loss) Before Tax	8476	6631
Less: Provision for taxation – Current	2300	1760
– Earlier Year	(253)	–
– Deferred	350	304
Extraordinary item	92	(44)
Profit After Tax	6171	4524
Add: Surplus brought forward	15916	13253
Profit available for appropriation	22087	17777
Appropriations:		
Transfer to General Reserve	620	450
Proposed Dividend 55%	666	484
1st Interim Dividend 30%	363	363
2nd Interim Dividend 45%	545	363
Tax on Dividend	268	201
Balance carried to Balance Sheet	19626	15916

DIVIDEND

During the year under review, your Company had declared and paid two interim dividends aggregating to ₹ 7.50 ps. per equity share of ₹ 10/- each (Previous Year : ₹ 6/- per share).

Your Directors have now recommended a final Dividend of ₹ 5.50 ps. per equity share for the financial year 2013-14 (Previous Year : ₹ 4/- per share).

Total cash outflow on account of dividend payments including dividend distribution tax will be ₹ 1842 Lakhs for the financial year 2013-14 (Previous Year : ₹ 1411 Lakhs).

OPERATIONS REVIEW

During the year under review, Gross Sales of the Company have crossed ₹ 1000 crores milestone at ₹ 1044.35 crores (Previous Year : ₹ 885.75 crores) registering a growth of 17.91%.

The Company has achieved Export Sales of ₹ 395.69 crores as against ₹ 322.20 crores for the last year, registering a growth of 22.81%.

EBITA, has been ₹ 146.37 crores (Previous Year : ₹ 120.34 crores), registering a growth of 21.63%. PAT has been ₹ 61.71 crores (Previous Year : ₹ 45.24 crores), registering a growth of 36.41%.

The above results were achieved in spite of shut down of manufacturing operations on account of notices by Pollution Control Authority which were also issued to various units located in the Tarapur region. Due to this, four out of nine plants of the Company had to shut its operations during October 2013. Based on the steps taken by the Company, all the plants could resume manufacturing and had been fully operational during November, 2013 onwards.

DIRECTORS' RESPONSIBILITY STATEMENT

As required u/s. 217 (2AA) of the Companies Act, 1956, your Directors hereby state that –

- (i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2014, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- (ii) 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 and of the profit of the Company for that year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared Annual Accounts on a going concern basis.

DIRECTORS

Pursuant to Section 152 of the Companies Act, 2013, Shri Harit P. Shah and Shri Uday M. Patil will retire at the ensuing Annual General Meeting and being eligible, seek re-appointment.

The Companies Act, 2013 inter alia provides for appointment of independent directors. Section 149(10) of the said Act, effective from 1st April, 2014, provide that independent directors shall hold office for a term of up to five consecutive years on the Board of a company and shall be eligible for re-appointment on passing a special resolution by the shareholders of the Company. Section 149(11) of the said Act provides that no independent director shall be eligible for more than two consecutive terms of five years. It is also clarified that existing tenure of an independent director shall not be counted for the above purpose. Section 149(13) states that the provisions of retirement by rotation as provided in Section 152(6) and (7) of the said Act shall not apply to such independent directors.

Our independent directors were appointed as directors liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. The Board has been advised that independent directors so appointed would continue to serve their existing term as per the resolution pursuant to which they were appointed. In view of this, independent directors, namely, Shri Ramdas M. Gandhi, Prof. Krishnacharya G. Akamanchi, Dr. Vilas G. Gaikar and CA Bhavesh R. Vora, will complete their present term, at the ensuing AGM, and being eligible and seeking re-appointment, be considered by the shareholders for re-appointment for a term of up to five consecutive years. Only other independent director, namely, CA Navin C. Shah who does not complete his term at the ensuing AGM, will continue to hold office till expiry of his term (based on retirement period calculation) and would thereafter be eligible for re-appointment for a fixed term of up to five consecutive years in accordance with the provisions of the Companies Act, 2013.

CS Sunil M. Dedhia resigned as Independent Director of the Company effective from 1st April, 2014. The Board wish to place on record its appreciation for his guidance to the Company during his tenure with the Company as such.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report as required under the Listing Agreement is annexed hereto forming part of this Report.

DISCLOSURE OF PARTICULARS

Pursuant to section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules 1975, as amended up to date, the names and other particulars are set out in the Annexure to the Directors' Report. However, as per the provisions of the Section 219(1)(b)(iv) of the Companies Act, 1956, this Report is sent to the shareholders excluding the said information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Particulars required u/s. 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the 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 given in the annexure to this Report.

AUDITORS

M/s. Parikh Joshi & Kothare, Auditors of the Company retire at the ensuing Annual General Meeting. Though eligible, Auditors have informed that they are not seeking re-appointment as they are in the process of consolidation of their firm with M/s. Gokhale & Sathe, Chartered Accountants. At the request of the Company, M/s. Gokhale & Sathe have communicated their eligibility and willingness to accept the office, if appointed. Members are requested to appoint Auditors and to fix their remuneration.

COST AUDIT

The Cost Auditor, Mr. Girish S. Maniar re-appointed by the Company under Section 233B of the Companies Act, 1956 attended the Audit Committee Meeting, where Cost Audit Reports was discussed.

The due date for filing the Cost Audit Reports in XBRL mode for the financial year ended March 31, 2013 was September 30, 2013 and the Cost Audit Reports were filed by the Cost Auditor on December 19, 2013. The due date for filing the Cost Audit Reports for the financial year ended March 31, 2014 is September 30, 2014.

The Company is seeking the ratification of the Shareholders for the appointment of Mr. Girikrishna S. Maniar, Cost Auditor of the Company for the financial year ending March 31, 2015 vide resolution no. 11 of the Notice of AGM.

HUMAN RESOURCES

Your Company recognizes its human resources as one of its prime & critical resources. The relations between the Management and the Staff Members remained very cordial throughout the year under review.

GREEN INITIATIVE

During fiscal year 2011, we started a Green initiative with the aim of being green and minimizing our impact on the environment. This year too we are proposing to send the Annual Report to the registered e-mail addresses of the shareholders.

ACKNOWLEDGEMENT

We place on record our sincere Green appreciation to the employees of the Company at all levels for their co-operation and dedicated services. We also thank all our customers and suppliers who are always co-operative.

We also express our sincere thanks to Bankers, Financial Institutions and the Shareholders for their continued support.

By Order of the Board

Sd/-

Prakash M. Patil

Chairman & Managing Director

Place: Mumbai

Date: 30th April, 2014

ANNEXURE TO DIRECTOR'S 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 continues its policy of giving priority to energy conservation measures including regular review of energy generation, consumption and control on utilization thereof. The various measures taken during the year include:

- Installation of energy efficient aerodynamically designed FRP fans replacing regular Aluminium fans for cooling towers.
- Installation capacitor banks for improvement of power saving.
- Rationalization of usage of utility pumps for electrical power saving.
- Installation of auto star-delta switches for centrifuges.
- Continuous overhauling of all thermal insulations to reduce loss of heat due to radiation.
- Tuning of boilers / thermopacs for optimum Air-Fuel ratio to increase efficiency.
- Condensate recovery improved to reduce fuel consumption.
- Reduced furnace oil percentage that was use as a supplementary fuel along with liquid effluent in waste heat recovery boiler.
- Tried to run refrigeration plants at optimum capacity & efficiency.
- Replaced furnace oil fired boiler with Briquette as a solid fuel boiler.
- Installation of Thermostat to control cooling tower temperature to reduce electricity consumption.
- Implemented PINCH technology successfully & expected fuel saving.
- Use of variable frequency drives for power saving in centrifuges

b. Additional Investment & Proposals if any being implemented for reduction of conservation of energy:

Reduction of energy consumption include:

- Use of charcoal / carbon briquettes as a solid fuel in boilers.
- Use of variable frequency drives for power saving in pumps.

c. The adoption of energy conservation measures indicated above has resulted in optimum efficiency in operation and saving & controlling in the cost of production.



d. Total energy consumption and energy consumption per unit of production:

I. Power & Fuel Consumption

	<u>Current Year</u>	<u>Previous Year</u>
1. Electricity		
Purchased Units (KWH)	36956609	39457494
Total Amount (₹ in Lacs)	2890.32	3076.21
Per Unit (₹)	7.82	7.80
2. Furnace Oil		
Purchased Units (MT)	673.40	1828.41
Total Amount (₹ in Lacs)	277.12	753.00
Per Unit (₹) (Per Kg)	41.15	41.18
3.(a) Coal		
Consumption (Unit)	31472779	26038658
Total Amount (₹ in Lacs)	1192.22	815.01
Rate Per Unit	3.79	3.13
3.(b) Briquettes		
Consumption (Unit)	3711419	8921811
Total Amount (₹ in Lacs)	214.82	482.67
Rate Per Unit	5.79	5.41
4. Other		
Diesel (₹ in Lacs)	63.00	40.40
L.D.O. (₹ in Lacs)	2.54	0.00

II. Consumption per unit of production:

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

2. RESEARCH AND DEVELOPMENT (R&D)

The Company's two State-of-the Art R&D Centres at Plot No. N-198 and G-60, MIDC Industrial Area, Tarapur, recognized by Department of Science and Industry Research, Government of India and other R&D centre at Turbhe, Navi Mumbai, carry R&D activities for developing technology, scale up and its transfer to manufacturing location for commercialization of APIs and intermediates as well.

(A) Specific areas in which R&D carried out by the Company during the year 2013-14

The focus areas of the companies R&D effort during 2013-14 include:

- Improvement of existing process of products by enhancing yields and reducing costs by optimization of reaction parameters, reaction re-engineering and implementing cost effective routes of synthesis on continuous basis. This efforts have resulted in improving quality of the products and reducing their manufacturing cost.
- Development of Processes for new APIs. The Company's R&D is also focused on developing API's which are blockbusters molecules in their respective therapeutic segments and expected to go off patent within next 5 years.

(B) Benefits derived as a result of the above R&D:

- (i) R&D efforts have helped for improvement in process and operating efficiency.
- (ii) Development/commercialization of various APIs and intermediates.
- (iii) Development of new markets, penetration in to regulatory markets through quality up gradation and cost reduction.
- (iv) Improve quality of products to fulfill existing in-house demands of customers.

(C) Future Plans of Action:-

- 1. Further improve process efficiencies for existing products.
- 2. The Company expects to file 8 DMFs during the year 2014-15 with Global regulatory authorities within next 2 years. This would help increase exports to regulated markets with better margins by supply of generic API's to.
- 3. Development of Cost Effective Processes/Technologies for APIs of the Semi-Regulated & Non-Regulated Markets.
- 4. Creating Intellectual Property Bank: The Company has filed 6 process patents so far and expects to file around 10 process patents for its pipeline APIs at the National & International Level in next 2 years.

(D) Expenditure on R&D:

	Current Year	Previous Year
Capital	521.37	214.94
Recurring	590.90	521.44
Total	<u>1112.27</u>	<u>736.38</u>

(₹ in Lakhs)

3. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- The Company has successfully validated & commercialized manufacturing process for Telmisartan. We have optimized manufacturing process for Telmisartan for non-regulatory market at our Laboratory. It is an Anti-hypertensive agent. The commercial production of the same is expected to start during 1st quarter of 2014-15. The Company has also developed cost-effective route of synthesis of Bi-Benzimidazole (BBI), key intermediate of Telmisartan and plans to start commercial production of the same during 1st quarter of 2014-15.
- Process improvement work is carried out continuously which leads to improvement in quality as well as cost-reduction. Clopidogrel bisulphate, Diclofenac sodium, Ciprofloxacin Hydrochloride & Q Acid, one of the key intermediate for Ciprofloxacin & Enrofloxacin, are the examples in which we improved the quality of these products. Clopidogrel is an examples in which we have reduced the costing, by developing process for recycling Formaline solution. This has lead to cost cutting as well as effluent reduction.
- In Ciprofloxacin Hydrochloride we achieved quality as per EP/BP in regular production, particularly, impurity - F has been brought down.
- Water consumption has been reduced drastically in Diclofenac, Clopidogrel Bisulphate, Ciprofloxacin Hydrochloride & Q Acid manufacturing processes.
- We are also developing manufacturing process for Olmesartan, again an Anti-hypertensive agent.
- We have developed a cost-effective process to manufacture Nonane, key intermediate in manufacture of Moxifloxacin.
- For regulated market, lab validation of our pipeline APIs Telmisartan, Atorvastatin, Dabigatran, Sevelamer, Colsevelam & Moxifloxacin are complete and are ready for plant validation for DMF filing during the year 2014-15. Donedarone is in it's final stage of development and DMF of the same will be filed during 2014-15.



4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

	(₹ in Lakhs)	
	Current Year	Previous Year
Total Foreign Exchange Earned (CIF)	<u>36070.72</u>	<u>30103.94</u>
Total Foreign Exchange Used		
CIF Value of Imports :		
– Raw Material	34213.37	26999.19
– Capital Goods	295.37	154.92
Expenditure in Foreign Currency		
– Commission	605.07	367.54
– Travelling Expenses	56.53	51.55
– Sales Promotion	47.64	84.26
– Foreign Bank charges	60.18	42.55
– Interest on F.C. loan	468.65	323.85
– Others	86.39	27.32
TOTAL	<u><u>35833.22</u></u>	<u><u>28051.18</u></u>

For and on behalf of the Board

Sd/-

Prakash M. Patil

Chairman & Managing Director

Place : Mumbai

Date : 30th April, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

PHARMACEUTICAL INDUSTRY – GLOBAL & INDIAN

The global pharmaceutical market is expected to reach \$ 1.2 trillion by 2017, due to increased global spending. Pharming market is expected to reach 28% of global spending in 2015, whereas US and EU-5 will account for 44% of the global spending. The CAGR of developed market will be 1 to 4% and CAGR of pharming market will be 11 to 14% by 2017. Due to globalization, pharming countries increased from 5 to 21 and healthcare improvement will continue to be their priority. Many of these countries are implementing healthcare reforms to ensure universal coverage.

The Indian pharmaceutical industry accounts for about 1.4% of the global pharmaceutical industry in value terms and 10% in volume terms. It's revenue is expected to expand at a CAGR of 17.8% from the year 2008 to year 2016, by nearly \$ 36 billion. The generic market is expected to grow to \$ 26.1 billion by 2016 and has immense potential for growth. India is the fourth largest player by value with 5.7% market share of Asia-Pacific. Indian pharmaceutical industry has many advantages in terms of efficient cost of production, good R&D technical work force for process improvements, lower healthcare costs, diversified array of products viz., over 60,000 generics brands across 60 therapeutic categories comprising of more than 500 different APIs. Economic prosperity, increased drugs affordability and increasing penetration of health insurance along with government initiatives like 'pharma vision 2020' will propel India to become a global leader as a end-to-end drug manufacturer.

BUSINESS STRATEGY

- Domestic Market and Trends:

The domestic formulation market has witnessed a healthy growth in demand in the past five years. Going forward, this trend is expected to continue broadly based on growing population, increasing health awareness and an increasing per capita income leading to a large overall healthcare spend. The market is expected to grow with a CAGR of 13.5% to reach a size of US \$17.3 billion in 2014-15. Indian bulk drug industry has grown as a direct offset of formulation growth world-wide.

Aarti Drugs Limited (ADL) has a strong regulatory framework and cGMP level documentation which is now a standard requirement of most of the big Indian pharmaceutical companies. High process efficiency and high standard for quality has created good brand name for ADL in the space of Antibiotic, Antidiabetic, Antifungal, Antidiarrheal, Anti-inflammatory and Antihypertensive therapeutic segments. Indian pharmaceutical market is growing fast due to penetration of health services in rural areas of the country. There is also a shift in demand from drugs treating hygiene related diseases to drugs treating lifestyle related diseases in the urban sector. ADL has capital expenditure plans worth more than INR 150 crores for coming 18 months for constructing new facilities, few of which are expected to start giving production output from 2014-15. These will cater to ever increasing Antibiotic, Antidiarrheal & Anti-inflammatory segments. ADL has installed new plant at Sarigam (GIDC), which will cater Anti-diabetic segment and will increase it's current capacity from 100 metric tons per month (TPM) to 600 TPM. The plant is already operational and will contribute to incremental revenues for the year 2014-15.

- Export Market and Trends:

Indian bulk drug companies have filed 49% of the overall drug master filings (DMFs) made in the US in 2012, which will help Indian pharmaceutical companies to capitalize further on export opportunities in regulated and semi-regulated markets.

The phenomenal growth of global generics market in past few years is expected to continue for next five years.

The global generics market has grown at a phenomenal pace in past few years, and is expected to grow over the next five years. Significant portion of bulk drugs manufactured in India is exported as compared to developed countries, where bulk drugs are primarily manufactured for captive consumption.

ADL management expects to address concerns arising out of USFDA warning letter received in July'13 in the year 2014-15. We have taken necessary corrective/remedial actions after consulting USFDA consultant which satisfied to the USFDA authorities and expect a re-audit soon. ADL did suffer a setback on account of this in the year 2013-14, which is expected to be recouped in the year 2014-15. However, other facilities of ADL continues to maintain cGMP certifications like COFEPRIS, ANVISA, TGA, WHO GMP and ISO resulting in 22.8% growth of export sales in the year 2013-14.



SWOT ANALYSIS

Strengths & Opportunities:

ADL has been able to keep its costs to minimum possible and aggressively compete with Chinese competitors. Moreover, slowly India is getting competitive with respect to Chinese manufacturers, as Chinese environmental rules are becoming stringent like that of India. Moreover, global players prefer Indian manufacturers to Chinese due to better documentation and quality. Furthermore, currently ADL has customer audited and cGMP facilities which give us an edge over competition throughout the world.

ADL continues to enjoy economies of scale due to its large production capacities in Anti Diarrhea, Anti Inflammatory, Anti Fungal, and Anti Biotic segments. Bigger market share automatically helps us to be competitive in market due to spread of overheads and better bargaining power. ADL has been exporting to 97 countries worldwide indicating its strong marketing network, logistics capability and geographic spread of the ADL brand.

ADL is operating two State-of-the Art R&D Centers, at Tarapur, which are recognized by Department of Science and Industry Research, Government of India, and third one at Turbhe, Navi Mumbai. However, for better operational convenience and faster R&D throughput, Company is planning to consolidate all three R&D centers into a single umbrella structure at one central location in Tarapur. Our scientists are constantly working for developing technology, non-infringing route of synthesis, scale up and its transfer to manufacturing location for commercialization. They actively work not only on bulk drugs in various therapeutic categories but also on specialty chemicals for non-API related applications. ADL has 30 years of manufacturing experience and has developed expertise in various reactions for bigger volumes of production, which is a key strength in API manufacturing industry.

Weaknesses, Risks and Concerns:

Variation in crude oil prices would always be area of concern. ADL has already installed greener technologies like briquette fired boilers, economizers etc. to save power and fuel costs, which reflects in the financial result of the Company. ADL was able to cope up with these pressures due to strong operational efficiency and increased market share of its products.

Extreme volatility of exchange rate of rupee against US dollar can have significant impact on ADL operations because approximately 40% of its total revenues consists of exports. However, more than 95% of this exposure is naturally hedged due to the imports. ADL has a strict FOREX policy of hedging all of its foreign currency loans to mitigate the risk of volatility of exchange rate.

INTERNAL CONTROL SYSTEM & ADEQUACY

The Company has sound and adequate internal control systems commensurate with its size and nature of business. We constantly upgrade our systems for incremental improvements, because we firmly believe that 'change is the only permanent thing'.

The Audit Committee of the Board periodically reviews these systems. These systems ensure protection of assets and proper recording of transactions and timely reporting. Internal audit is being carried out by an independent firm of chartered accountants on a quarterly basis.

The Audit Committee also regularly reviews the periodic reports of the Internal Auditors. Issues raised by Internal Auditors and Statutory Auditors are discussed and addressed by the Audit Committee. Audit Committee constantly tries to add value by evaluating existing systems. ADL has started its Microsoft Dynamics Navision ERP system since 1st April 2014 and currently is in the process of going online. This will definitely enhance the reporting and internal control systems.

FINANCIAL & OPERATIONAL PERFORMANCE

During the year under review the Company has achieved topline of ₹ 1044.35 crores, achieving a y-o-y growth of 17.91%, correspondingly EBIDTA worked out to ₹ 146.37 crores as against ₹ 120.34 crores in the previous year recording a growth of 21.63%. Net profit after tax was ₹ 61.71 crores as against ₹ 45.24 crores in the previous year recording growth of 36.41%.

The Company had carried out expansion programs in the year 2012-13 & 2013-14 keeping long term view in the mind, in spite of recessionary conditions prevailing globally. The Company reaped the benefit of utilization of expanded capacity for the full year which has resulted into increased sales. In last year, four of our units at Tarapur suffered loss of production for twelve days to thirty days in October 2013 due to general environmental clearance issue in the area. Also one of our unit at Tarapur suffered loss of production for thirty days due to accident in the unit, which took

place at the end of March 2013. Company has also received a warning letter for its USFDA approved plant which was responded to the satisfaction of the authority and we expect USFDA authority to visit that plant in the first quarter of 2014-15. In spite of these constraints faced during the year under review, we have successfully operated at higher capacity utilization across the Company, the overheads got spread over increased production which led to reduction in costs and thus increase in the profitability.

HUMAN RESOURCE

Human capital has always been the most important and valuable asset to the Company. HRD center had conducted number of training programs during the year 2013-14 as well on the various topics related to Technological Development, Quality System Management, Behavioral Change Modules, Individual and Operational Safety, Personality Development, Computerization of Systems etc. Apart from these internal training programs, employees are also sent for training/seminars at prominent training institutes on regular basis for upgrading their knowledge and skill level.

CORPORATE SOCIAL RESPONSIBILITY

As a contribution towards Community Development to fulfill Company's obligations towards the Society, Company organizes many activities on regular basis including Blood donation, Eye and Health check up camps, and Career guidance workshops for young students. The Company has also made donations to hospitals. Contributions are made to primary schools of surrounding villages for painting of school buildings, purchase of benches & furniture, records storage facilities etc. We continue to provide maintenance services to the Palghar-Dahanu Taluka Sport Association. ADL is also planning to undertake bigger projects of tree plantations in near future.

ENVIRONMENT HEALTH & SAFETY

All our plants are designed with appropriate Waste Management Systems and operate in harmony with the surrounding ecosystem. Safe disposal of waste, treating effluents to manufacture an eco-friendly by-product, generating steam through a waste heat recovery plant, and In-house R&D team ensuring pollution control & energy conservation are some of the ways adopted by ADL to operate in a eco-friendly manner. In the year 2013-14, ADL has innovated lot of techniques to reduce the effluent generation in the process, utility and domestic areas across units to reduce the entire effluent stream by more than 35%. Environmental requirements are incorporated into the plant design right from the preliminary stage of a process. Air scrubbers, dust filters, fire protection systems and Effluent Treatment Plants are in place & well maintained.

ADL has appointed renowned safety consultants to conduct periodic safety audits and training sessions. Dedicated corporate safety team along with individual unit-wise teams consistently monitor plants for notifying unsafe conditions. Regular safety drills ensure that readiness for safety gets top priority. We will strive to further improve ourselves to create safer working conditions for our workers.

OUTLOOK

The Company's R&D programs are currently focused on new products related to lifestyle related diseases like Diabetics, Cardiovascular, Dementia, Hypertension, Cholesterol, Hyperphosphatemia, etc. These products would be developed along with their DMFs in a time-horizon of 2-4 years. This falls in line with the vision of expanding ADL's presence in the regulated markets. Company will continue to do R&D on APIs that are off patents and will work on non-infringing route of synthesis. ADL has also tied up with few formulation partners on profit sharing model and Company aiming to file 4-5 dossier and ANDA in the year 2014-15.

ADL plans to launch more products in 'Fluoroquinolones' series, making it one of the strongest in Anti-biotic segment. Majority market share and sheer economies of scale with strong technological backup will continue to remain key strengths of ADL. Many projects target to cater US market are in pipeline and are expected to commercialize soon. ADL is also planning to start green-field expansion program of its USFDA facilities in the year 2014-15.

Cautionary Statement

Statement in the Management Discussion and Analysis 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.



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 Corporate Governance compliance is furnished below:

(I) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Good Corporate Governance helps enhancement of long term shareholder value and interest of other stakeholders. This is achieved through increased awareness for responsibility, transparency and professionalism and focus for effective control and management of the organization.

The Board of Directors of the Company is committed to the consistent adherence to the corporate governance code and constant review of the Board processes, practices and the management systems to maintain a greater degree of responsibility and accountability.

(II) MANDATORY REQUIREMENTS:

(1) BOARD OF DIRECTORS

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

Aarti Drugs Limited (ADL) Board presently consists of 12 Directors out of which 7 (Seven) are Non-Executive (including the Chairman who was Non-Executive). Out of 7 (Seven) Non-Executive Director, 6 (Six) Directors are Independent Directors. Except Managing Director, the other Directors are liable to retire by rotation.

Name of Director	Category	No. of other Directorship*	No. of Committee Membership in all Companies**		No. of Board Meetings Attended	Attendance at last AGM
			Chairman	Member		
^Shri Prakash M. Patil	Chairman and Managing Director	None	None	1	3	Yes
#Shri Rajendra V. Gogri	Non-Executive	5	1	3	4	Yes
Shri Harshit M. Savla	Joint Managing Director	None	None	1	4	Yes
Shri Harit P. Shah	Executive	2	None	1	4	Yes
Shri Rashesh C. Gogri	Executive	5	None	2	4	Yes
Shri Uday M. Patil	Executive	None	None	None	3	Yes
Shri Ramdas M. Gandhi	Independent	4	4	2	4	Yes
Dr. Vilas G. Gaikar	Independent	None	None	1	1	No
CA Bhavesh R. Vora	Independent	2	None	3	4	Yes
@ CS Sunil M. Dedhia	Independent	1	None	None	4	Yes
Prof. Krishnacharya G. Akamanchi	Independent	None	None	None	3	Yes
CA Navin C. Shah	Independent	None	None	1	4	Yes

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

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

^ Shri Prakash M. Patil has been appointed as Chairman w.e.f. 4th April, 2014.

Shri Rajendra V. Gogri had resigned from Chairmanship w.e.f. 4th April, 2014 but continue as a Director of the Company.

@ CS Sunil M. Dedhia had resigned as Director w.e.f. 1st April, 2014.

(b) Board Meetings:

During the Year 2013-14, total 4 (four) Board Meetings were held on 16.05.2013, 02.08.2013, 14.11.2013 and 31.01.2014.

(c) **Code of Conduct:**

Aarti Drugs 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 www.aartidrugs.com. 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, 2014. A declaration to this effect, duly signed by the Managing Director 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 Agreements 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 2013-14, total 4 (four) Audit Committee Meetings were held on 16.05.2013, 02.08.2013, 14.11.2013 and 31.01.2014.

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

Name of Director	Category	Profession	No. of meetings attended
Shri Ramdas M. Gandhi, Chairman	Independent	Solicitor	4
Shri Prakash M. Patil, Member	Managing Director & CEO	Industrialist	3
CA Bhavesh R. Vora, Member	Independent	Professional	4
Dr. Vilas G. Gaikar, Member	Independent	Service	1
Shri Rashesh R. Gogri, Member	Executive	Industrialist	4
CA Navin C. Shah, Member	Independent	Professional	4

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

(b) **Shareholders' Grievance Committee:**

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

During the year 2013-14, 4 (Four) Shareholders' Grievance Committee Meetings were held on 15.07.2012, 16.08.2013, 16.12.2013 and 01.02.2014.

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

Name of Director	Category	No. of meetings attended
Shri Rajendra V. Gogri, Chairman	Non-Executive, Chairman	2
CA Bhavesh R. Vora, Member	Independent	2
Shri Harit P. Shah, Member	Whole-time Director	4
Shri Harshit M. Savla, Member	Joint Managing Director	4

(c) **Shareholders' complaints:**

During the year, 11 (Eleven) Complaints were received All the complaints were resolved to the satisfaction of the Shareholders. No request for Share Transfers or Dematerialization was pending for approval as on 31st March, 2014.



(3) SUBSIDIARY COMPANIES

The Company does not have any Subsidiary Company.

(4) DISCLOSURES

- 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.
- 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 set out in Note No. 24.8 of Notes on Accounts, forming part of the Annual Report.
- Directors periodically review and assess risks and measures to minimise the risk.
- All mandatory Accounting Standards have been followed in preparation of financial statements and no deviation has been made in following the same.

(5) 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 ₹ 7000/- for each of the meetings of the Board or Committee thereof attended by them. The details of remuneration paid/payable to each Director for the year ended 31st March, 2013 are as under:

(Amount in ₹)

Name of Director	Inter se Relationship	Category	Salary and Perquisites	Commission	Sitting Fees	Total Remuneration
^Shri Prakash M. Patil	Brother of Shri U. M. Patil	Chairman and Managing Director, Promoter	5791543	5919368	NIL	11710911
#Shri Rajendra V. Gogri	–	Non-Executive Promoter	NIL	NIL	41000	41000
Shri Harshit M. Savla	–	Joint Managing Director, Promoter	5028351	5919368	NIL	10947719
Shri Harit P. Shah	–	Whole-time Director	5014680	5919368	NIL	10934048
Shri Rashesh C. Gogri	–	Whole-time Director, Promoter	4923806	NIL	NIL	4923806
Shri Uday M. Patil	Brother of Shri P. M. Patil	Whole-time Director, Promoter	484118	NIL	NIL	484118
Shri Ramdas M. Gandhi	–	Independent	NIL	NIL	63000	63000
Dr. Vilas G. Gaikar	–	Independent	NIL	NIL	14000	14000
CA Bhavesh R. Vora	–	Independent	NIL	NIL	69000	69000
@CS Sunil M. Dedhia	–	Independent	NIL	NIL	28000	28000
Prof. Krishnacharya G. Akamanchi	–	Independent	NIL	NIL	21000	21000
CA Navin C. Shah	–	Independent	NIL	NIL	56000	56000

^ Shri Prakash M. Patil has been appointed as Chairman w.e.f. 4th April, 2014.

Shri Rajendra V. Gogri had resigned from chairmanship w.e.f. 4th April, 2014 but continue as a the Director of the Company.

@ CS Sunil M. Dedhia had resigned as director w.e.f. 1st April, 2014.

- All Executive Directors except Shri Uday M. Patil are appointed under the 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 or other fees, if any, 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.

Shares held by Non-Executive Directors in the Company as on 31st March, 2014:

Name	Number of shares held	% of total shareholding
^Shri Rajendra V. Gogri	413024	3.41
Shri Ramdas M. Gandhi	7500	0.06
Dr. Vilas G. Gaikar	Nil	Nil
CA Bhavesh R. Vora	Nil	Nil
@CS Sunil M. Dedhia	Nil	Nil
Prof. Krishnacharya G. Akamanchi	Nil	Nil
CA Navin C. Shah	Nil	Nil

^ Shri Rajendra V. Gogri had resigned from chairmanship w.e.f. 4th April, 2014 but continue as a the Director of the Company.

@ CS Sunil M. Dedhia had resigned as director w.e.f. 1st April, 2014.

(6) GENERAL BODY MEETINGS

Details of last three Annual General Meetings are as under:

Year	Day, Date & Time	Venue	Special Resolutions passed for
2011	Saturday, 23.07.2011 At 11.00 am	TIMA Hall, MIDC Tarapur, Taluka- Palghar, Dist. Thane - 401 506, Maharashtra.	-
2012	Wednesday, 29.08.2012 At 11.00 am		Special Resolution passed pursuant to Section 314, to hold and continue to hold an office of profit.
2013	Friday, 02.08.2013 At 11.00 am		Special Resolution passed pursuant to Section 314, to hold and continue to hold an office of profit.

Note: No Special resolution was passed through postal ballot during the previous year. At present no special resolution is proposed to be passed through postal ballot.

(7) MEANS OF COMMUNICATION

Quarterly and annual financial results are published in The Financial Express and Alpha Mahanagar.

These results and official news releases are also available on the website of the Company (www.aartidrugs.com) and

All data required to be filed electronically or otherwise pursuant to the Listing Agreement with the Stock Exchanges, such as annual report, quarterly financial statements, shareholding pattern, report on corporate governance are being regularly filed with the Stock Exchanges, namely NSE (www.nseindia.com) and BSE (www.bseindia.com) and available on their websites as well.

(8) GENERAL SHAREHOLDERS INFORMATION

(a) **The day, date, time & venue of the 29th Annual General Meeting:**

Day	Date	Time	Venue
Friday	11 th July, 2014	11.00 a.m.	TIMA Hall, MIDC Tarapur, Taluka-Palghar, Dist. Thane - 401 506, Maharashtra.



(b) Tentative Financial Calendar:

Financial Year	1st April to 31st March
Adoption of Quarterly Results for the quarter ending:	
June, 2014	1 st /2 nd week of August, 2014
September, 2014	1 st /2 nd week of November, 2014
December, 2014	1 st /2 nd week of February, 2015
March, 2015	1 st /2 nd week of May, 2015
Dates of Book Closure (Both days inclusive)	04.07.2014 to 11.07.2014

(c) Listing on Stock Exchanges:

Stock Exchange	Symbol/Stock Code
National Stock Exchange of India Limited	AARTIDRUGS
BSE Limited	524348

(d) Liquidity of Shares:

The Shares of the Company are traded under 'B' category at BSE Limited (BSE). The Shares are also traded regularly at the National Stock Exchange of India Limited (NSE).

(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 2014-2015.

(f) Dematerialisation of Shares:

Sr. No.	Mode of Holding	% age
1.	NSDL	91.32
2.	CDSL	05.17
3.	Physical	03.51
Total		100.00

96.49% of Company's paid-up Equity Share Capital has been dematerialised upto March 31, 2014 (96.38% up to March 31, 2013). Trading in Equity Shares of the Company is permitted only in dematerialised form.

(g) Share Transfer Agents & address for Correspondence:

M/s. Sharepro Services (India) Pvt. Ltd.
 13 AB Samhita Warehousing Complex,
 2nd Floor, Sakinaka Telephone Exchange Lane,
 Off Andheri-Kurla Road, Sakinaka,
 Andheri (E), Mumbai - 400 072.
 Telephone: 022-67720300/400
 Fax No.: 022-28591568.
 e-mail: sharepro@shareproservices.com
 Website: www.shareproservices.com

The shareholder's are requested to address all their communications/suggestions/grievances to the Share Transfer Agents at the above address.

(h) Compliance Officer:

CS Sunny Pagare, Company Secretary
 Mahendra Industrial Estate
 Ground Floor, Plot No. 109D, Road No. 29,
 Sion (East), Mumbai- 400 022.

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

(i) Share Transfer System:

To expedite the transfer process in the physical segment, authority has been delegated to the Share Transfer Committee, which comprises of Shri Rashesh C. Gogri, Shri Harshit M. Savla and Shri Harit P. Shah. Committee meets every week for approval of the transfer request.

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

(j) Undelivered Share Certificates as per Clause 5A of Listing Agreement:

In terms of Clause 5A(I) and Clause 5A(II) of the Listing Agreement, the Company reports the following details in respect of equity shares lying in the suspense accounts which were issued in demat form:

Particulars	No. of Shareholders	No. of equity shares
Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on 31 st March, 2013	216	12475
No. of shareholders who approached the Company for transfer of shares from suspense account during the year.	Nil	Nil
No. of shareholders to whom shares were transferred from the suspense account during the year.	Nil	Nil
Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on 31 st March, 2014.	216	12475

The voting rights on the shares outstanding in the suspense accounts as on March 31, 2014 shall remain frozen till rightful owner of such shares claim the shares.

(9) MARKET PRICE DATA

Month	Bombay Stock Exchange			National Stock Exchange		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2013	181.70	129.30	165008	181.05	130.00	252696
May 2013	229.75	176.60	117306	230.00	175.00	275772
June 2013	223.40	181.10	25223	225.00	185.00	92440
July 2013	262.00	191.05	85946	263.00	190.00	204608
August 2013	217.70	169.75	62453	218.00	150.25	94197
September 2013	210.00	165.00	40537	213.50	171.00	244114
October 2013	206.75	175.00	39373	207.05	175.00	195353
November 2013	217.00	187.50	58413	216.50	188.45	135783
December 2013	231.40	187.00	78319	231.45	186.00	183392
January 2014	239.90	204.30	74857	239.50	193.00	320605
February 2014	259.90	207.00	114292	259.90	198.00	338146
March 2014	288.95	248.00	116441	289.50	242.00	399821



(10) SHAREHOLDING PATTERN AS ON 31ST MARCH, 2014

Category	No. of Shares	%
Promoters – Indian	7218122	59.61
Bodies Corporate	314163	2.59
Banks, Financial Institutions	1732	0.01
Mutual Funds/Trust	0	0.00
FII/NRI/OCB	24028	0.19
Public	4550505	37.60
Total	12108550	100.00

Distribution of Shareholding as on 31st March, 2014

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less than 250	6633	79.285	598071	4.939
251-500	842	10.065	329621	2.722
501-1000	404	4.829	321240	2.653
1001-2000	192	2.295	280898	2.320
2001-3000	84	1.004	213944	1.767
3001-4000	35	0.418	126133	1.042
4001-5000	29	0.347	135147	1.116
5001-10000	51	0.610	364529	3.011
10001- 99999999998	96	1.148	9738967	80.430
TOTAL	8366	100.000	12108550	100.000

(11) REGISTERED OFFICE

Plot No. N-198, MIDC, Tarapur, Village-Pamtembhi, Taluka-Palghar, Dist. Thane - 401 506.

(12) PLANT LOCATIONS

Plot No. N-198, G-60, E-120, K-40, K-41, E-9/3, E-9/4, E-21, E-22, W-60, W-61, W-62, W-71, W-72 and W-73 MIDC Industrial Area, Tarapur, Village Pamtembhi, Tal-Palghar, Dist. Thane - 401 506.

Plot Nos. 2902/2904, 211 and 213 GIDC, Sarigam - 396155, Dist. Valsad, Gujarat.

(13) R & D CENTRES

Plot Nos. N-198 & G-60, MIDC Industrial Area, Tarapur, Village Pamtembhi, Tal-Palghar, Dist. Thane - 401 506, Maharashtra.

Plot Nos. D-277/278, TTC Industrial Area, Turbhe, Navi Mumbai, Maharashtra.

(14) CEO/CFO CERTIFICATION

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Chairman and Managing Director (CEO) and Chief Financial Officer (CFO) was placed at the meeting of the Board of Directors held on 30th April, 2014.

(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 2013-2014, meeting of the Remuneration committee was held on 24.05.2013.

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

Name of Director	Category	No. of meetings attended
CA Bhavesh R. Vora	Chairman, Independent	1
Shri Rajendra V. Gogri	Non-executive	1
Shri Prakash M. Patil	Managing Director	1
Shri Ramdas M. Gandhi	Independent	1
Dr. Vilas G. Gaikar	Independent	0

For and on behalf of the Board

Sd/-

Prakash M. Patil

Chairman & Managing Director

Place : Mumbai

Date : 30th April, 2014

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/-

Prakash M. Patil

Chairman & Managing Director

Place : Mumbai

Date : 30th April, 2014



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Aarti Drugs Ltd.,
Mumbai

We have examined the compliance of conditions of corporate governance by Aarti Drugs Ltd., for the year ended on 31st March, 2014, 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/-
(TEJAS J. PARIKH)
PARTNER.
M. No. 123215

Place: Mumbai,
Date: 30th April, 2014

INDEPENDENT AUDITORS' REPORT

To the Members of
AARTI DRUGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **AARTI DRUGS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (ii) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required under provisions of section 227(3) of the Companies Act, 1956, we report that:
 - (a) 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;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

Place: Mumbai
Date: 30th April, 2014

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Sd/-
CA Tejas Parikh
Membership Number: 123215
(Partner)
Firm Registration No.: 107547W



ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under the heading Report on other legal and regulatory requirements of our report of even date.

1. In respect of its Fixed Assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) The Company has phased programme of physical verification of its fixed assets by which all fixed assets are verified over a period of three years. In our opinion, periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. We have been informed that no material discrepancies were noticed on such physical verification.
 - (c) Substantial part of fixed assets has not been disposed of during the year.
2. In respect of its Inventories:
 - (a) The Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. In respect of the loans, secured or unsecured, granted or taken by the Company to/from companies, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) The Company has taken loans during the year from parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 2,311.23 lakhs and the year end balance of loans taken was ₹ 1,735.83 lakhs.
 - (c) In our opinion, the rate of interest and other terms and conditions on which the loans had been taken by the Company from parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the Company.
 - (d) There are no overdue amounts of the loans taken by the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5.
 - (a) The particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
 - (b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. 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 and other relevant provisions of the Act and the rules framed thereunder, where applicable, have been complied with.
7. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. In respect of statutory dues:
 - (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues have been regularly deposited with appropriate authorities.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2014 for a period of more than six months from the date they became payable.

- (c) According to the records of the Company, the dues of Sales Tax, Income-Tax, Customs, Wealth-Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of disputes and the Forum where the dispute is pending are as under:

Nature of Statute	Year	Nature of the Dues Pending	Amount (₹ in lakhs)	Forum Where Dispute is Pending
Income Tax Act, 1961	AY 2000-01	Income Tax penalty in dispute	3.66	CIT (Appeals) - 14
Income Tax Act, 1961	AY 2007-08	Income Tax demand in dispute	149.10	CIT (Appeals) - 13
Income Tax Act, 1961	AY 2009-10	Income Tax demand in dispute	197.47	CIT (Appeals) - 13
Income Tax Act, 1961	AY 2010-11	Income Tax demand in dispute	89.48	CIT (Appeals) - 13
Income Tax Act, 1961	AY 2010-11	Income Tax demand in dispute	58.19	CIT (Appeals) - 14
Income Tax Act, 1961	AY 2011-12	Income Tax demand in dispute	56.57	CIT (Appeals) - 13
Sales Tax	FY 2007-08	Sales Tax demand disputed	15.18	Jt. Comm of Sales Tax Palghar
Central Excise	2012	Excise Demand	78.51	CESTAT
Central Excise	1998	Excise Demand	102.90	Supreme Court

10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in dues repayable to Financial Institutions, Banks or Debenture holders.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. According to the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions during the year.
16. Term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
17. On an overall basis, we are of the opinion that the funds raised on short term basis have *prima facie* not been used for long term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not raised any monies by way of issue of debentures during the year. Therefore, the provisions of clause 4(xix) of the Order are not applicable to the Company.
20. The Company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. 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

sd/-

CA Tejas Parikh

Membership Number: 123215
(Partner)

Firm Registration No.: 107547W

Place: Mumbai
Date: 30th April, 2014



Balance Sheet as at 31st March, 2014

(₹ in Lakhs)

Particulars	Note No.	As at 31 st March, 2014	As at 31 st March, 2013
<u>EQUITIES AND LIABILITIES</u>			
Shareholders' Funds			
Share Capital	1	1,210.86	1,210.86
Reserves & Surplus	2	23,879.53	19,549.93
		25,090.39	20,760.79
Non-Current Liabilities			
Long-term Borrowings	3	7,664.20	8,070.46
Deferred Tax Liability (Net)		3,101.20	2,751.18
Other Long-term Liability	4	1,150.85	1,003.31
Long-term Provisions	5	—	285.74
		11,916.25	12,110.69
Current Liabilities			
Short-term Borrowings	6	26,559.75	21,498.35
Trade Payables	7	15,017.83	13,189.33
Other Current Liabilities	8	4,418.48	3,024.07
Short-term Provisions	9	1,971.42	1,388.65
		47,967.48	39,100.40
TOTAL		84,974.12	71,971.88
<u>ASSETS</u>			
Non-current Assets			
Fixed Assets	10	37,252.62	29,123.10
Capital Work-in-Progress		831.55	1,258.89
Non-current Investments	11	461.90	513.19
Long-term Loans and Advances	12	704.30	255.72
		39,250.37	31,150.90
Current Assets			
Inventories	13	12,672.58	14,091.91
Trade Receivables	14	27,652.09	21,567.48
Cash and Cash Equivalents	15	439.80	287.88
Short-term Loans and Advances	16	2,220.59	1,960.33
Other Current Assets	17	2,738.69	2,913.38
		45,723.75	40,820.98
TOTAL		84,974.12	71,971.88
Notes on Financial Statement	24		

AS PER OUR REPORT OF EVEN DATE.

For **PARIKH JOSHI & KOTHARE**
 CHARTERED ACCOUNTANTS
 Firm Registration No: 107547W

For and on behalf of the Board of Directors

Sd/-
(CA TEJAS J. PARIKH)
 PARTNER

Sd/-
Prakash M. Patil
 (Chairman & Managing Director)

Sd/-
Harshit M. Savla
 (Jt. Managing Director)

Sd/-
Sunny Pagare
 (Company Secretary)

Place: Mumbai
 Date: 30th April, 2014

Statement of Profit and Loss for the year ended 31st March, 2014

(₹ in Lakhs)

Particulars	Note No.	For the Year Ended 31 st March, 2014	For the Year Ended 31 st March, 2013
Income from Operations			
(a) Gross Sales/Income from Operations		104,434.57	88,574.83
Less : Excise Duty & Sales Tax		7,440.85	6,090.69
Net Sales/Income from Operations		96,993.72	82,484.14
(b) Other Operating Income	18	182.75	90.57
Total Income from Operations (net)		97,176.47	82,574.72
Expenditure			
(a) Cost of materials consumed	19	57,082.02	49,243.74
(b) Purchase of stock-in-trade		8,602.48	8,542.73
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade		568.62	(2,259.36)
(d) Employee benefits expense	20	3,240.63	2,852.87
(e) Depreciation and amortization expense	21	2,811.94	2,598.40
(f) Other expenses	22	13,045.77	12,161.31
Total Expenses		85,351.46	73,139.69
Profit from Operations before Other Income, finance costs and exceptional items		11,825.01	9,435.03
Other Income		—	—
Profit from ordinary activities before finance cost		11,825.01	9,435.03
Finance costs (interest)	23	3,348.97	2,803.55
Profit from ordinary activities before Tax		8,476.04	6,631.48
Tax Expenses (includes)		2,396.51	2,064.00
Provision for Taxation — Current		2,300.00	1,760.00
— Earlier Year		(253.49)	—
Provision for Deferred Taxation		350.00	304.00
Net profit from ordinary activities after Tax		6,079.54	4,567.48
Extraordinary items		91.70	(43.63)
Net Profit for the period		6,171.23	4,523.84
Earning per share (EPS)			
Basic/Diluted (in ₹)		50.97	37.36
Notes on Financial Statement	24		

AS PER OUR REPORT OF EVEN DATE.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration No: 107547W

For and on behalf of the Board of Directors

Sd/-
(CA TEJAS J. PARIKH)
PARTNER

Sd/-
Prakash M. Patil
(Chairman & Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Place: Mumbai
Date: 30th April, 2014



Notes forming part of Balance Sheet as at 31st March, 2014

	(₹ in Lakhs)	
	As at 31 st March, 2014	As at 31 st March, 2013
NOTE NO. 1 – SHARE CAPITAL		
AUTHORISED :		
2,15,00,000 Equity shares of ₹ 10/- each	2,150	2,150
	<u>2,150</u>	<u>2,150</u>
ISSUED, SUBSCRIBED & PAID-UP :		
1,21,08,550 Equity Shares of ₹ 10/- each Issued, subscribed and fully paid-up	1,211	1,211
	<u>1,211</u>	<u>1,211</u>
Reconciliation	Numbers	Value
Opening outstanding shares	12108550	1,210.86
Closing outstanding shares	12108550	1,210.86
Note: There is no movement in shares during the year		

Disclosures of shares held by each shareholders more than 5% shares:

Name of holder	As at 31 st March, 2014		As at 31 st March, 2013	
	No. of Shares held	% Held	No. of Shares held	% Held
Prakash M. Patil	985251	8.14	966464	7.98

NOTE NO. 2 – RESERVES & SURPLUS

	(₹ in Lakhs)			
Particulars	As on 1 st April, 2013	Addition during the year	Appropriation during the year	As at 31 st March, 2014
Capital Reserves	200.74	–	–	200.74
Capital Redemption Reserve	210.27	–	–	210.27
Securities Premium Account	1,262.72	–	–	1,262.72
General Reserve	1,960.02	620.00	–	2,580.02
Profit & Loss Account	15,916.18	6,171.23	2,461.63	19,625.78
TOTAL Reserves – 31st March, 2014	19,549.93	6,791.23	2,461.63	23,879.53
Previous years figures 31 st March, 2013	16,437.13	4,973.84	1,861.05	19,549.93

	As at 31 st March, 2014	As at 31 st March, 2013
NOTE NO. 3 – LONG-TERM BORROWINGS		
Term loans		
Secured borrowings		
From Financial Institutions	–	2,325.72
From Scheduled Banks (Refer Note No. 24.3)	7,664.20	4,424.10
Loans & advances from related parties		
From Directors – Unsecured	–	188.00
From Other – Unsecured	–	1,132.64
TOTAL	<u>7,664.20</u>	<u>8,070.46</u>

Notes forming part of Balance Sheet as at 31st March, 2014

	As at 31 st March, 2014	As at 31 st March, 2013
(₹ in Lakhs)		
NOTE NO. 4 – OTHER LONG-TERM LIABILITY		
Trade payables of Project		
Due to micro enterprises and small enterprises	—	—
Due to others	722.19	570.78
Other – Deferred Payment Liability	364.28	364.28
– Trade Deposits	64.38	68.24
TOTAL	1,150.85	1,003.31
NOTE NO. 5 – LONG-TERM PROVISION		
Income Tax Provision (Net of Advance Tax and TDS)	—	285.74
TOTAL	—	285.74
NOTE NO. 6 – SHORT-TERM BORROWINGS		
Loans repayable on demand		
From Banks		
Secured Borrowings	17,186.80	13,469.69
Unsecured Borrowings	7,572.12	8,028.66
Loans & Advances from related parties		
From Directors – Unsecured	318.00	—
From Other – Unsecured	1,482.83	—
TOTAL	26,559.75	21,498.35
NOTE NO. 7 – TRADE PAYABLE		
Trade payables of Goods, Services & Expenses		
Due to micro enterprises and small enterprises	—	—
Due to others	15,017.83	13,189.33
TOTAL	15,017.83	13,189.33
NOTE NO. 8 – OTHER CURRENT LIABILITY		
Interest accrued but not due on Loans	363.31	256.62
Unpaid Dividend	63.01	49.32
Other Payable – Duties & Taxes	347.26	235.56
Long-term borrowing repayable in within 12 months	3,644.90	2,482.56
TOTAL	4,418.48	3,024.07
NOTE NO. 9 – SHORT-TERM PROVISION		
Provision for Employee benefits (Bonus)	101.90	105.93
Other Short Term Provisions – Goods & expenses	1,203.55	798.38
Proposed dividend	665.97	484.34
TOTAL	1,971.42	1,388.65



Notes forming part of Balance Sheet as at 31st March, 2014

NOTE NO. 10 – FIXED ASSETS

Particulars	As on 1 st April, 2013	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		As at 31 st March, 2014	Addition	Deduction	As on 1 st April, 2013	Current Depreciation	Deduction	Up to 31 st March, 2014	As on 31 st March, 2014	As on 31 st March, 2013
TANGIBLE ASSETS:										
BUILDING	5,679.66	2,908.16	—	8,587.82	1,283.83	206.62	—	1,490.45	7,097.37	4,395.82
FURNITURE	629.51	133.08	32.96	729.64	193.23	41.22	32.96	201.49	528.14	436.29
LAND	1,616.69	1,314.56	—	2,931.25	—	—	—	—	2,931.25	1,616.69
OFFICE EQUIPMENTS	398.19	34.08	199.88	232.39	305.32	26.45	199.88	131.89	100.50	92.88
PLANT & MACHINERY	34,837.07	6,473.96	131.96	41,179.07	13,205.45	2,038.50	131.96	15,111.98	26,067.09	21,631.62
VEHICLES	261.86	90.71	22.08	330.49	98.66	25.63	8.99	115.30	215.19	163.20
INTANGIBLE ASSETS:										
TRADENAME	225.00	—	—	225.00	202.50	22.50	—	225.00	—	22.50
TECHNICAL KNOWHOW	2,467.20	—	—	2,467.20	2,220.48	246.72	—	2,467.20	—	246.72
PROCESS DEVELOPMENT (R&D)	1,789.71	—	359.56	1,430.15	1,272.33	204.31	359.56	1,117.07	313.08	517.38
TOTAL	47,904.89	10,954.55	746.43	58,113.01	18,781.79	2,811.94	733.35	20,860.39	37,252.62	29,123.10
PREVIOUS YEAR	43,938.29	4,889.84	923.24	47,904.89	16,584.66	2,598.40	401.26	18,781.79	29,123.10	27,353.63

Note:

- Trade Name & Technical Know-how are not internally generated while process development are internally generated.
- Plant & Machinery Addition includes Capital Expenditure incurred on R&D of ₹ 521.37 lakhs (previous year ₹ 214.94 lakhs).
- Remaining period of Amortization of intangible assets mentioned above are as follow:

Particulars	WDV as on 31 st March, 2014 (₹)	Remaining period of Amortization
Process Development (07-08)	7.41	3 Months
Process Development (08-09)	305.67	1 Year – 9 Months
TOTAL	313.08	

Notes forming part of Balance Sheet as at 31st March, 2014

NOTE NO. 11 – NON-CURRENT INVESTMENTS

(₹ in Lakhs)

Name of the Company	Opening Balance	Add Acquisition during the year	Less Disposed during the year	Closing Balance	Face Value	As at 31/03/2014	As at 31/03/2013
					(₹)	(₹)	(₹)
A. TRADE INVESTMENTS						NIL	NIL
B. OTHER INVESTMENTS							
a. Investments in Equity Instruments							
Aarti Industries Ltd.	750	Nil	Nil	750	5/-	0.06	0.06
Alembic Ltd.	180	Nil	Nil	90	2/-	0.01	0.01
Alembic Pharmaceuticals Ltd.	90	Nil	Nil	90	2/-	–	–
Aurobindo Pharma Ltd.	50	Nil	Nil	50	1/-	0.02	0.02
Sanofi India Ltd. (Aventis Pharma Ltd.)	5	Nil	Nil	5	10/-	0.02	0.02
Cadila Healthcare Ltd.	15	Nil	Nil	15	10/-	0.01	0.01
Cipla Ltd.	62	Nil	Nil	62	2/-	0.07	0.07
Dabur India Ltd.	300	Nil	Nil	300	1/-	0.06	0.06
Dr Reddy's Laboratories Ltd.	4	Nil	Nil	4	5/-	0.02	0.02
Dr Reddy's Laboratories Ltd. (NCD)	24	Nil	Nil	24	5/-	–	–
Fresenius Kabi Oncology Ltd. (Dabur Pharma Ltd.)*	25	Nil	Nil	25	10/-	–	–
Glenmark Pharmaceuticals Ltd.	100	Nil	Nil	100	1/-	0.01	0.01
Ipca Laboratories Ltd.	1050	Nil	Nil	1,050	2/-	0.25	0.25
Ind-Swifts Laboratories Ltd.	5	Nil	Nil	5	10/-	0.00	0.00
Ind-Swifts Ltd.	25	Nil	Nil	25	2/-	0.00	0.00
Jagsonpal Pharmaceuticals Ltd.	40	Nil	Nil	40	5/-	0.00	0.00
J.B. Chemicals & Pharmaceuticals Ltd.	500	Nil	Nil	500	2/-	0.21	0.21
Kopran Ltd.	5	Nil	Nil	5	10/-	0.00	0.00
Krebs Bio Chemicals & Industries Ltd.	100	Nil	Nil	100	10/-	0.26	0.26
Piramal Glass Ltd. (Kojam Fininvest Ltd.)	14	Nil	Nil	14	10/-	–	–
Lupin Ltd.	50	Nil	Nil	50	2/-	0.01	0.01
Mylan Laboratories Ltd. (Matrix Laboratories Ltd.)	50	Nil	Nil	50	2/-	0.02	0.02
Morepen Laboratories Ltd.	5	Nil	Nil	5	2/-	0.00	0.00
Natco Pharma Ltd.	5	Nil	Nil	5	10/-	0.00	0.00
Neuland Laboratories Ltd.	100	Nil	Nil	100	10/-	0.34	0.34
Piramal Enterprises Ltd. (Piramal Health)	297	Nil	Nil	297	2/-	0.44	0.44
Novartis (I) Ltd.	5	Nil	Nil	5	5/-	0.01	0.01
Orchid Chemicals & Pharmaceuticals Ltd.	7	Nil	Nil	7	10/-	0.01	0.01
Panacea Biotec Ltd.	5	Nil	Nil	5	1/-	0.00	0.00
Pfizer Ltd.	10	Nil	Nil	10	10/-	0.05	0.05
Piramal Life Sciences Ltd. (Pirmal Phytoc)	29	Nil	Nil	29	10/-	–	–
Ranbaxy Laboratories Ltd.	4	Nil	Nil	4	5/-	0.01	0.01
Reliance Capital Ltd.	5	Nil	Nil	5	10/-	–	–
Reliance Communication Ltd.	116	Nil	Nil	116	10/-	–	–
Reliance Infrastructure Ltd. (Reliance Energy Ltd.)	8	Nil	Nil	8	10/-	–	–
Reliance Industries Ltd.	232	Nil	Nil	232	10/-	0.10	0.10



Notes forming part of Balance Sheet as at 31st March, 2014

(₹ in Lakhs)

Name of the Company	Opening Balance	Add Acquisition during the year	Less Disposed during the year	Closing Balance	Face Value (₹)	As at 31/03/2014 (₹)	As at 31/03/2013 (₹)
Reliance Power Ltd.	29	Nil	Nil	29	10/-		
Shasun Pharmaceutical Ltd. (Shasun Chemical & Drugs Ltd.)	500	Nil	Nil	500	2/-	0.17	0.17
Strides Arcolab Ltd.	100	Nil	Nil	100	10/-	0.22	0.22
Sun Pharma Advanced Research Co. Ltd.	10	Nil	Nil	10	10/-	–	–
Sun Pharmaceuticals Industries Ltd.	100	Nil	Nil	50	1/-	0.02	0.02
Marksans Pharma Ltd. (Tasc Pharma Ltd.)	1000	Nil	Nil	1,000	1/-	0.05	0.05
Torrent Pharmaceuticals Ltd.	40	Nil	Nil	20	5/-	0.01	0.01
Unichem Laboratories Ltd.	1000	Nil	Nil	1,000	2/-	0.25	0.25
Wyeth Ltd.	5	Nil	Nil	5	10/-	0.01	0.01
Zydus Wellness Ltd.	2	Nil	Nil	2	10/-	–	–
Bank of Baroda	1500	Nil	Nil	1,500	10/-	1.26	1.26
Bank of India	2300	Nil	Nil	2,300	10/-	1.04	1.04
Union Bank of India	2523	Nil	Nil	2,523	10/-	2.78	2.78
						7.81	7.81
Perfect Enviro Control Systems Ltd.	240,200	Nil	Nil	240,200	10/-	24.02	24.02
Tarapur Environment Protection Society	17,997	Nil	Nil	17,997	100/-	18.00	18.00
Amit Hetrochem (I) Ltd.	291,690	Nil	Nil	291,690	10/-	222.23	222.23
Aarti Biotech Ltd.	1,200	Nil	Nil	1,200	10/-	0.12	0.12
<u>Associates</u>							
Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.	308	Nil	71	237	*10,000/-	189.51	237.81
						453.88	502.18
b. Investment in Government or Trust Securities							
N.S.C. (One Certificate of ₹ 1,000/- Face Value)	1	Nil	Nil	1		0.01	0.01
c. Investment in Debentures or Bonds							
Unit Trust of India (US-64)	190	Nil	Nil	190	100/-	0.19	0.19
SBI Capital Protection Fund	–	Nil	Nil	–	–	–	3.00
						0.19	3.19
d. Other Non-Current Investments							
Aarti Udyog (LLP)						–	–
Aggregate Amount of Quoted Investments & Market Value						8.00	11.00
Aggregate Amount of Unquoted Investment						453.88	502.18
TOTAL						461.90	513.19

(Aggregate market value of quoted investment: as at 31st March, 2014 ₹ 41.72 lakhs and as at 31st March, 2013 ₹ 41.59 lakhs)

* Face value of 1 shares = 10000 RMB

Notes forming part of Balance Sheet as at 31st March, 2014

	As at 31 st March, 2014	As at 31 st March, 2013
(₹ in Lakhs)		
NOTE NO. 12 – LONG TERM LOANS & ADVANCES		
Unsecured – consider good		
Capital Advances	380.84	255.72
Advance Tax and TDS (Net of provisions)	323.46	–
TOTAL	704.30	255.72
NOTE NO. 13 – INVENTORIES		
Stores & Spares	273.85	284.30
Packing Materials	47.42	41.47
Raw Materials	5,534.19	6,330.67
Finished Goods	3,207.39	3,716.36
Work in process	3,609.73	3,669.39
Trading Goods	–	49.72
TOTAL	12,672.58	14,091.91
NOTE NO. 14 – TRADE RECEIVABLES		
Unsecured, considered good		
Trade Receivable O/s exceeding 6 months	481.34	442.85
Others	27,170.75	21,124.63
TOTAL	27,652.09	21,567.48
NOTE NO. 15 – CASH & CASH EQUIVALENTS		
Cash on Hand	17.99	20.22
Cheques on Hand	323.78	148.87
Balances with Scheduled Banks :		
– Current Accounts	11.99	19.62
– Deposit Accounts	23.03	49.85
Earmarked balance – unpaid dividend	63.01	49.32
TOTAL	439.80	287.88
NOTE NO. 16 – SHORT TERM LOANS & ADVANCES		
Unsecured, Consider good		
Advances recoverable in cash or kind or for value to be received	2,134.26	1,895.53
Advances and loans – Staff & workers	86.33	64.80
TOTAL	2,220.59	1,960.33
NOTE NO. 17 – OTHER CURRENT ASSETS		
Deposits	399.34	363.48
Insurance claim receivable	872.80	1,679.62
Others – Excise & Service Tax	1,466.55	870.28
TOTAL	2,738.69	2,913.38



Notes forming part of Statement of Profit and Loss for the year ended 31st March, 2014

	(₹ in Lakhs)	
	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
NOTE NO. 18 – OTHER OPERATING INCOME		
Dividend	1.94	0.82
Interest (Gross)	132.24	16.01
Miscellaneous income	43.35	73.74
Insurance Claims Recd	5.22	-
TOTAL	182.75	90.57
NOTE NO. 19 – COST OF MATERIALS CONSUMED		
Raw Material Consumption	55,080.59	47,352.63
Packing Materials	865.87	785.40
Freight Inward	721.58	768.53
Clearing & Forwarding	413.99	337.19
TOTAL	57,082.02	49,243.74
NOTE NO. 20 – EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus (Mfg.)	2,241.93	1,967.35
Labour Welfare Expenses	190.76	172.22
Salaries and Bonus (Admin.)	397.76	365.74
Provident Fund Contribution	10.15	8.43
Staff Welfare Expenses	10.02	11.32
Directors' Remuneration	390.01	265.74
Keyman Insurance Assigned	—	62.07
TOTAL	3,240.63	2,852.87
NOTE NO. 21 – DEPRECIATION AND AMORTIZATION		
Depreciation	2,607.63	2,389.79
Amortization	204.31	208.61
TOTAL	2,811.94	2,598.40
NOTE NO. 22 – OTHER EXPENSES		
Manufacturing Expenses		
Processing Charges	649.02	588.75
Labour Charges	1,339.22	1,153.20
Insurance Expenses	174.19	108.27
Lease Expenses	39.00	39.00
Power & Fuel	4,640.02	5,167.29
Stores & Spares	562.30	510.66
Repairs & Maintenance – Building	42.42	2.14
– Plant & Machinery	217.64	186.36
Research & development	386.59	312.83
Other Manufacturing Expenses	-	-
Water Charges	118.49	134.43
Laboratory Expenses	123.73	141.99
Other Factory Expenses	991.45	860.20
Sub Total (a)	9,284.07	9,205.11

Notes forming part of Statement of Profit and Loss for the year ended 31st March, 2014

	(₹ in Lakhs)	
	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
Office & Administration Expenses		
Books & Periodicals	0.05	0.36
Auditors' Remuneration	5.86	4.85
Conveyance Expenses	22.20	21.05
Legal & Professional Charges	94.75	98.64
Membership & Subscriptions	6.99	2.08
Printing & Stationery	28.08	15.62
Postage, Telegram & Telephone	29.08	29.74
Office Electricity Charges	25.66	25.74
Insurance Charges	31.79	25.34
Repairs & Maintenance – Others	31.34	23.87
Entertainment Expenses	26.37	23.36
Miscellaneous Expenses	30.15	22.05
Vehicle Expenses	12.34	8.67
Travelling Expenses – Directors	15.25	21.21
– Others	51.06	47.41
Directors' Sitting Fees	2.92	4.67
Loss on sale of Investment	4.96	–
Loss on sale of Assets	8.05	2.15
Sub Total (b)	426.89	376.82
Selling & Distribution		
Advertisement & Sales Promotion	79.22	119.08
Freight & Forwarding - Exports	1,128.38	984.49
Freight & Forwarding - Local	196.54	174.72
Commission Expenses	922.34	608.73
Insurance Expenses	49.61	19.25
Postage & Telegram	13.72	11.66
Other Export Expenses	174.12	144.88
Bad Debts & other written off	212.11	98.56
Sub Total (c)	2,776.05	2,161.36
Finance Cost (d)		
Bank Charges	368.79	283.23
Non Operative Expenses		
Donations	189.96	134.73
Preliminary Exps W/off	–	0.07
Sub Total (e)	189.96	134.80
TOTAL (a+b+c+d+e)	13,045.77	12,161.31
NOTE NO. 23 – FINANCE COST		
Interest on Term Loans	946.63	885.40
Interest on Working Capital	2,223.30	1,767.74
Interest on Others	179.04	150.41
TOTAL	3,348.97	2,803.55



Notes forming part of the Financial Statements for the year ended 31st March, 2014

PART – A

24.1 Accounting Policies :

a. Recognition of Income and expenditure

These accounts are prepared under the historical cost convention on accrual basis and under the going concern assumption in accordance with the accounting principles generally accepted in India and the relevant provisions of the Companies Act, 1956.

b. Fixed assets and depreciation

- i) Fixed assets include all expenditure of capital nature and are stated at cost of acquisition, installation and commissioning and related borrowing cost less depreciation. Fixed asset values are stated at historical cost. Depreciation on fixed assets other than land is charged under the straight-line method in accordance with Schedule XIV of the Companies Act, 1956. Product/Process development costs arising out of R&D are carried forward when their future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future economic benefit, from the related project, not exceeding ten years.
- ii) Impairment loss indicates the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of the net selling price of an asset 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. The Company will recognize such losses whenever they arise.

c. Investments

Long Term Investments are stated at cost. Provisions are made for diminution in value of investments, if any, other than those of a temporary nature.

d. Valuation of Inventories

Inventories are stated at lower of cost or net realisable value, on the following basis:

- i) Raw materials, packing materials, stores and spares – At cost on FIFO Method
- 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

e. Retirement Benefits

- I. In respect of Gratuity and Superannuation fund, the Company's contribution to group insurance scheme of Life Insurance Corporation of India are charged against revenue.
- II. Provision for incremental liability in respect of encashable privilege leave on separation benefit is made as per independent actuarial valuation at the year end.

f. Revenue Recognition

Revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefit will flow to the Company

• Sale of Goods :

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of excise duty, sale returns and VAT.

• Export Benefits :

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and are accounted to the extent considered receivable.

g. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a Qualifying asset are capitalized as part of the cost of that asset. The amounts of borrowing cost eligible for capitalization are determined in accordance with Accounting Standard-16. Other borrowing cost are recognized as an expense in the period in which they are incurred.

h. Foreign Currency Transactions

All exchange differences arising from foreign currency transactions are dealt with in the Company's profit and loss account.

i. Research & Development Expenditure

Revenue Expenses are accounted under the head "Research & Development" and Capital Expenses are Accounted under the head Fixed Assets.

j. Deferred Taxation

Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted on the Balance Sheet date.

Notes forming part of the Financial Statements for the year ended 31st March, 2014

24.2 Contingent Liabilities:

- In respect of bank guarantees issued and L/C opened by the Company's bankers ₹ 4,268.40 lakhs (as at 31st March, 2013 ₹ 2,689.84 lakhs)
- Demand in respect of additional income tax disputed in appeal ₹ 784.66 lakhs (as at 31st March, 2013 ₹ 485.26 lakhs).
- Demand/Rebate in respect of Excise duty in case of Ammonium Sulphate of ₹ 102.90 Lakhs (as at 31st March, 2013 ₹ 102.90 lakhs). The Hon'ble High Court of Mumbai has decided the appeal in favour of the Company in February 2010 on the basis of its earlier judgment in a similar case. However, as per information available with the Company, the Department of Central Excise has filed an appeal in that precedent case in the Supreme Court, hence the Company has continued to disclose this matter. And Demand in respect of Excise duty of Niacin of ₹ 78.51 Lakhs (as at 31st March, 2013 ₹ 78.51 Lakhs) case is pending with CESTAT.
- Liability for duty on raw material imported under advance licence benefit scheme against which export obligation remained to be fulfilled ₹ 155.53 lakhs (as at 31st March, 2013 ₹ 163.98 lakhs).
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 212.13 lakhs (as at 31st March, 2013 ₹ 731.39 lakhs).

24.3 Securities for loans taken from Banks:

a. (₹ in Lakhs)

Bank Name	As at 31 st March, 2014	As at 31 st March, 2013	F.Y. 2014-15	Subsequent Years
Kotak Mahindra Bank Ltd.	5,556.00	2,000.00	1,111.20	4,444.80
DBS Bank Ltd.	910.00	1,456.00	455.00	455.00
State Bank of India	3,329.00	NIL	841.80	2,487.20
Standard Chartered Bank	1,514.10	2,658.60	1,236.90	277.20
Export Import Bank of India	NIL	3,006.67	NIL	NIL
Industrial Development Bank of India	NIL	111.11	NIL	NIL

Note:

- Above term loan are secured by pari-pasu first charge by way of mortgage of immovable properties and hypothecation of moveable fixed assets, both present and future situated at MIDC Boisar, viz Plot No. N-198, G-60, E21 & E22, K-40, K-41 E120, E9/3, & E9/4, and MIDC Turbhe Plot No. D-277 & D-278 in Maharashtra and at GIDC, Sarigam, Bhilad – Gujarat Viz. Plot No. 2902, 2904 & Plot No. 211, 213. The working directors of the Company have personally guaranteed Corporate Loan of ₹ 3,329.00 Lakhs from State Bank of India.
 - Kotak Mahindra Bank loan is also secured by second charge on current assets of the Company both present and future.
- Loans from Scheduled Banks ₹ 17,186.80 lakhs are secured by hypothecation of Company's raw materials stock, stock-in-process, finished goods, packing materials, stores & spares, book debts, and all other current assets including goods in transit governed by documents of title and also pari-passu second charge by way of mortgage of immovable properties and hypothecation of movable fixed assets, both present and future situated at MIDC Boisar, Maharashtra viz. Plot No. N-198, G-60, E-21 & 22, K-40 & K-41, E-120 and E-9/3 & E-9/4, and at Turbhe Plot No. D-277 & D-278. GIDC, Bhilad, Sarigam – Gujarat viz. Plot No. 2902, 2904, & 211, 213.
 - Short term borrowing include Loans & advances from directors, relatives & corporates amounting of ₹ 1,800.83 Lakhs which is accepted as deposits in F.Y 2012-2013 for term of 3 years and will matured in F.Y. 2015-2016. As per Section 74 of Companies Act, 2013, deposits as on 31st March, 2014 will have to be repaid as and when such payments are due or within one year from such commencement of this section (i.e. 1st April, 2014) whichever is earlier. Hence the same is classified as short term borrowings.

24.4 The Company has foreign exchange exposure because of its trade related (export/import) fund related function. The Company uses forward contracts, Options and Swaps to hedge against its foreign exchange exposures relating to underlying transactions. The Company does not enter into any derivatives instruments for trading or speculation purposes. During the year ended 31.03.2014, the Company had hedge in aggregate an amount of ₹ 10,021.24 Lakhs (previous year ₹ 6,570.92 Lakhs) out of its annual trade related operations (export & import) aggregating to ₹ 69,234.75 Lakhs (previous year ₹ 56,639.48 Lakhs) after considering natural hedge. The Company had hedge its outstanding foreign currency long term borrowing ₹ 2,424.10 Lakhs (previous year ₹ 4,114.60 Lakhs).

24.5 There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2014. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

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



Notes forming part of the Financial Statements for the year ended 31st March, 2014

24.7 Segment-wise Disclosure as per Accounting Standard: 17.

I. BUSINESS SEGMENTS AS PRIMARY SEGMENTS

The Company is considered to be a single segment Company engaged in pharmaceuticals business, hence the disclosure requirement as per AS-17 'Business Segments as Primary Segment' is not attracted.

(₹ in Lakhs)

II. GEOGRAPHICAL SEGMENTS AS SECONDARY SEGMENTS		For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
Segment Revenue			
a)	Exports	39,568.58	32,219.58
b)	Others	64,865.99	56,355.25
Total		104,434.57	88,574.83

Note:

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 currently it is not practicable to provide segment disclosures relating to total assets and liabilities.

24.8 Related party transactions:

Related party transactions disclosure as required by Accounting Standard – 18. 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India are given below:

A. Name and Relationship of the Related Parties:

3(b) Associates

Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.

3(c) Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of such individual.

1. Individuals

Mr. Chandrakant V. Gogri	Mr. Rajendra V. Gogri
--------------------------	-----------------------

2. Relatives of Individuals

Mrs. Jaya C. Gogri	Mr. Mirik R. Gogri
Mrs. Dhanvanti V. Gogri	Mr. Renil R. Gogri
Mrs. Aarti R. Gogri	Mrs. Hetal Gogri Gala

3(d) Key Management personnel along with their relatives have significant influence.

• Key Management Personnel

Mr. Prakash M. Patil	Mr. Harit P. Shah
Mr. Harshit M. Savla	Mr. Uday M. Patil
Mr. Rashesh C. Gogri	

• Relatives of Key Management Personnel

Mrs. Priti P. Patil	Mrs. Seema H. Savla
Mr. Arun M. Patil	Ms. Bhoomi H. Savla
Dr. Vikas M. Patil	Mr. Vishwa H. Savla
Mrs. Keserben P. Shah	Mrs. Jayashree H. Shah
Mr. Adhish P. Patil	Mr. Pragji M. Shah
Mrs. Aarti T. Sankhe	Mr. Sameer P. Shah

3(e) Enterprise/firms over which controlling individuals have significant influence.

- Aarti Industries Ltd.
- Anushakti Holdings Ltd.
- Rupal Drugs LLP
- Anushakti Chemical & Drugs Ltd.
- Gogri & Sons Investments Pvt. Ltd.
- Alchemie Gases & Chemicals Pvt. Ltd.
- Alchemie Leasing & Financing Pvt. Ltd.
- Alchemie Pharma chem Pvt. Ltd.

Note : Sr. 3(b),3(c),3(d),3(e) refer to the relevant Para's of AS 18.

Notes forming part of the Financial Statements for the year ended 31st March, 2014

B. Transactions with the related parties during the year:

Note: Proportions given in the following statement belong to the respective accounting group as shown in the financial statements for the year ended 31st March, 2014

Transaction with Related Parties	Associates & Joint Ventures		Enterprise/firms over which controlling individuals have significant influence	
	C.Y.	P.Y.	C.Y.	P.Y.
	%	%	%	%
Sales & Income from Operations	Nil	Nil	0.05	0.06
Manufacturing Expenses	2.68	0.22	2.90	3.57
Borrowing costs	0.00	0.00	2.81	1.71
Outstanding Payable	1.81	0.87	1.82	6.84
Outstanding Receivable	0.00	0.00	0.00	0.00
Outstanding Unsecured Loan	0.00	0.00	8.01	6.42

Transaction with Related Parties	Individuals		Relatives of Individuals		Key Management Personnel		Relative of Key Management Personnel	
	C.Y.	P.Y.	C.Y.	P.Y.	C.Y.	P.Y.	C.Y.	P.Y.
	%	%	%	%	%	%	%	%
Employee Benefits & Office & Administration Expenses	0.03	0.04	1.04	1.05	32.99	32.14	3.51	2.80
Borrowing costs	0.00	0.00	0.00	0.00	0.99	0.98	1.30	1.37
Unsecured Loans Accepted	0.00	0.00	0.00	0.00	0.43	0.08	0.36	0.13
Unsecured Loans Repaid	0.00	0.00	0.00	0.74	0.00	0.40	0.00	0.29
Outstanding Unsecured Loan	0.00	0.00	0.00	0.00	4.20	2.85	5.59	4.51

24.9 Sales and other sales income include export benefits amounting to ₹ 1,705.14 lakhs (As at 31st March, 2013 ₹ 1,323.76 lakhs).

24.10 Directors Remuneration :

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Salary to Managing Directors and whole-time Directors	152.24	97.97
Bonus/Leave Travel Allowance/House Rent Allowance/Medical/Leave Salary	25.65	25.30
Key man Insurance policy assigned	NIL	62.08
Commission payable to Directors	177.58	138.31
Contribution to Provident Fund	0.45	0.41
Superannuation fund scheme	34.08	3.74
Total Remuneration	390.00	327.81

Note: The above figures do not include contribution to gratuity fund as separate figures are not available for the managing / whole-time directors.

24.11 Auditors' remuneration includes

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Statutory Audit	4.70	2.95
Other Audit Services	0.00	1.38
Certification	1.16	0.52
Total	5.86	4.85



Notes forming part of the Financial Statements for the year ended 31st March, 2014

24.12 Earning Per Share:

(₹ in Lakhs except share data)

Particulars	Current Year	Previous Year
Net Profit as per Statement of Profit & Loss (₹)	5,917.74	4,523.84
Add – Income Tax of Earlier Years (excess Provision)	253.49	NIL
Net Profit available for Equity Shareholder	6,171.23	4,523.84
Weighted Number of Equity Shares (Nos.)	1,21,08,550	1,21,08,550
Basic & Diluted EPS (after extraordinary items) (₹)	50.97	37.36
Nominal value per share (₹)	10.00	10.00

24.13 Deferred Tax Liability (Net)

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Deferred Tax Liability	2751.20	2447.20
Difference between depreciation between depreciation as per Co. Act and Income Tax act as on 31 st March, 2014 after considering Amortisation.	350.00	304.00
Net Deferred Tax Liability	3101.20	2751.20

24.14 Disclosure Regarding Scientific Research & Development Expenditure

(₹ in Lakhs)

YEAR	REVENUE EXPENDITURE	CAPITAL EXPENDITURE
2010-2011	437.53	243.25
2011-2012	463.12	101.51
2012-2013	521.44	214.94
2013-2014	590.90	521.37

24.15 Employee Benefits:

a) Defined Benefit Plan

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

(₹ in Lakhs)

	Gratuity (Funded) Current Year	Gratuity (Funded) Previous Year
a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation		
Defined Benefit Obligation at beginning of the Year	485.13	385.84
Current/Past Service Cost	33.22	29.38
Interest Cost	40.02	33.76
Actuarial(gain)/loss	(6.68)	48.60
Benefits Paid	(20.44)	(12.46)
Defined Benefit Obligation at year end	531.25	485.13
b. Reconciliation of opening and closing balances fair value of plan assets		
Fair value of plan assets at beginning of the year	498.54	363.28
Expected return of plan assets	43.37	31.24
Actuarial gain/(loss)	3.23	8.43
Employer Contribution	83.86	108.04
Benefits Paid	(20.44)	(12.46)
Fair value of plan assets at year end	608.56	498.54
Actual return on plan assets	46.61	39.67

Notes forming part of the Financial Statements for the year ended 31st March, 2014

	Gratuity (Funded) Current Year	Gratuity (Funded) Previous Year
c. Reconciliation of fair value of assets and obligations		
Fair value of plan assets as at 31 st March, 2014	608.56	498.54
Present value of obligation as at 31 st March, 2014	(531.25)	(485.13)
Amount Recognized	77.31	(13.41)
d. Expenses recognized during the year		
Current/Past Service cost	33.23	29.39
Interest cost	40.02	33.76
Expected return on plan assets	(43.37)	(31.24)
Actuarial (gain)/loss	(9.92)	40.18
Net Cost	19.96	72.08
L.I.C Group Gratuity (Cash Accumulation) Policy	100% Invested with L.I.C.	100% Invested with L.I.C.
e. Actuarial assumptions		
Mortality Table (L.I.C.)	–	–
	2006-08 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	9.31%	8.25%
Expected rate of return on plan assets (per annum)	8.70%	8.79%
Rate of escalation of in Salary (per annum)	5%	5%
The estimate of rate of escalation in salary considered in Actuarial valuation, take into account inflation, seniority, promotion, other relevant factors' including supply and Demand in the employment market. The above information is certified by the actuary		

b) Leave Encashment :

Leave Encashment liability amounting to ₹ 95.35 lakhs (previous year ₹ 97.00 lakhs) has been provided in the Accounts.

24.16 Additional information pursuant to the provisions of paragraphs 3, 4CD, 4D and part II of Schedule VI of the Companies Act, 1956 (Figures in bracket relate to 31st March, 2013).

- a. Licensed capacity, installed capacity and production (as certified by the Management and not verified by the Auditors, it being a technical matter.)

(Qty in Kg.)

Class of Goods	Units	* Licensed	Installed	Production	Captive	Net Production
Pharmaceutical	Kgs	–	14,460	11,482.07	2,357.53	9,124.54
			(29,544)	(23,963.90)	(2,277.11)	21,686.79

Note: On Account of fire in one of the production block of manufacturing unit located at Plot No N-198, producing intermediate for antidiarrheal and By-product produced from that intermediate has been closed. Hence there is reduction of installed capacity 17,880 TPA until installation of New Plant for which work already commenced.

* As license is not required Licensed Capacity not given.



Notes forming part of the Financial Statements for the year ended 31st March, 2014

	Quantity Kg	Amount (₹ in lakhs)
b. Purchase of trading items:		
No. of Strips	10,86,39,906 (14,25,15,973)	6,405.61 (7,366.21)
Kgs	7,60,574 (1,75,579)	2,196.86 (1,176.51)
	Percentage (%)	Amount (₹ in Lakhs)
c. Value of Raw materials and spares consumed		
Raw Material:		
Indigenous	31.35 (41.10)	17,269.76 (19,463.44)
Imported	68.65 (58.90)	37,810.82 (27,889.18)
Stores and spares:		
Indigenous	100 (100)	562.30 (510.65)
	Current Year	Previous Year
d. C.I.F Value of Imports		
Raw Material	34,213.37	26,999.19
Capital Goods	295.37	154.92
	Current Year	Previous Year
e. Expenditure in Foreign Currency		
Commission	605.07	367.54
Travelling Expenses	56.53	51.55
Sales Promotion	47.64	84.26
Foreign Bank Charges	60.18	42.55
Interest on F.C. Loan	468.65	323.85
Others	86.39	27.32
f. Earnings in Foreign Exchange		
F.O.B. Value of Exports	35,021.38	29,640.30

24.17 Figures of the previous year have been regrouped and rearranged wherever necessary.

AS PER OUR REPORT OF EVEN DATE.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration No: 107547W

For and on behalf of the Board of Directors

Sd/-
(CA TEJAS J. PARIKH)
PARTNER

Sd/-
Prakash M. Patil
(Chairman & Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Place: Mumbai
Date: 30th April, 2014

CASH FLOW STATEMENT

(₹ in Lakhs)

Sr. Particulars No.	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary items	8,476.04	6,631.48
ADJUSTMENT FOR:		
Depreciation & Amortisation	2,811.94	2,598.40
Interest Paid	3,348.97	2,803.55
Interest Received	(132.24)	(16.01)
Dividend Received	(1.94)	(0.82)
Loss on Sale of Investment	4.96	
Loss on Sale of Asset	8.05	2.15
Extraordinary items	91.70	(43.63)
Operating Profit before Working Capital Charges	<u>14,607.47</u>	<u>11,975.11</u>
Trade & Other Receivable	(6,170.17)	(3,513.57)
Changes in Inventories	1,419.32	(4,301.14)
Trade & Other Payable	2,341.73	4,425.97
Cash generated from operation	<u>12,198.35</u>	<u>8,586.36</u>
Direct Taxes Paid	(2,655.70)	(1,355.55)
Net Cash Flow from Operating Activities	<u>9,542.65</u>	<u>7,230.82</u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Capital Work in Progress/Advances	(10,652.33)	(5,999.86)
Sales/(Purchase) of Investment	46.33	178.65
Sale of Fixed Assets	5.04	0.22
Interest Received	132.24	16.01
Dividend Received	1.94	0.82
Net Cash Flow from Investing Activities	<u>(10,466.77)</u>	<u>(5,804.16)</u>
C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	756.09	1,318.86
Proceeds from Unsecured Loans & from Scheduled Bank	5,061.41	941.30
Dividend Paid	(1,392.48)	(1,089.77)
Interest Paid	(3,348.97)	(2,803.55)
Net Cash Flow from Financing Activities	<u>1,076.05</u>	<u>(1,633.17)</u>
Net Increase in Cash and Cash Equivalents (A+B+C)	<u>151.92</u>	<u>(206.51)</u>
Opening Cash and Cash Equivalents	<u>287.88</u>	<u>494.39</u>
Closing Cash and Cash Equivalents	<u>439.80</u>	<u>287.88</u>

Note : (i) Figures in brackets indicate outflows
(ii) Cash and cash equivalent is cash and bank balance as per balance sheet
(iii) Fixed Deposits with bank amounting to ₹23.02 lakhs (previous year ₹49.84 lakhs) under lien are considered as cash and cash equivalents.

AS PER OUR REPORT OF EVEN DATE.

For **PARIKH JOSHI & KOTHARE**
CHARTERED ACCOUNTANTS
Firm Registration No: 107547W

For and on behalf of the Board of Directors

Sd/-
(CA TEJAS J. PARIKH)
PARTNER

Sd/-
Prakash M. Patil
(Chairman & Managing Director)

Sd/-
Harshit M. Savla
(Jt. Managing Director)

Sd/-
Sunny Pagare
(Company Secretary)

Place: Mumbai
Date: 30th April, 2014



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PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014]



AARTI DRUGS LIMITED

CIN: L37060MH1984PLC055433

Regd off: Plot No. N-198, M.I.D.C., Tarapur, Village- Pamtembhi, Taluka – Palghar, Dist. Thane- 401 506, Maharashtra.
Phone: 022-24072249, Fax: 022-24073462.

29th Annual General Meeting Friday, 11th day of July, 2014

Name of the member(s):

Registered address:

E-mail Id:

Folio No./ Client Id: DP ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I/We, being the member(s) of.....shares of the above named company, hereby appoint:

1. Name:..... Address:.....
E-mail Id:..... Signature.....or failing him;
2. Name:..... Address:.....
E-mail Id:..... Signature.....or failing him;
3. Name:..... Address:.....
E-mail Id:..... Signature.....or failing him;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29th Annual General Meeting of the Company, to be held on the Friday, 11th day of July, 2014 at 11.00 a.m. at TIMA Hall, MIDC, Tarapur, Taluka-Palghar, Dist.- Thane 401 506, Maharashtra and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Number	Resolution	Optional*	
		For	Against
Ordinary Business			
1.	Adoption of Financial Statements for the year ended 31 st March, 2014.		
2.	Declaration of a Final Dividend for the year ended 31 st March, 2014.		
3.	Re-appointment of Shri Harit P. Shah, who retires by rotation and being eligible, seeks reappointment.		
4.	Re-appointment of Shri Uday M. Patil, who retires by rotation and being eligible, seeks reappointment.		
5.	To appoint Auditors and to fix their remuneration.		
Special Business			
6.	Appointment of Shri Ramdas M. Gandhi as an Independent Director up to 31 st March, 2019.		
7.	Appointment of Prof. Krishnacharya G. Akamanchi as an Independent Director up to 31 st March, 2019.		
8.	Appointment of Dr. Vilas G. Gaikar as an Independent Director up to 31 st March, 2019.		
9.	Appointment of CA Bhavesh R. Vora as an Independent Director up to 31 st March, 2019.		
10.	Special Resolution under Section 180(1)(c) of the Companies Act, 2013 to consent for borrowing funds up to Rs. 500 crore.		
11.	Approval of the Remuneration of the Cost Auditor.		

Signed this day of 2014.

Signature of shareholder.....

Signature of Proxy holder(s).....



Notes:

1. **This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**
 2. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.
- * It is optional to put a '√' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.



AARTI DRUGS LIMITED

CIN: L37060MH1984PLC055433

Regd off: Plot No. N- 198, M.I.D.C., Tarapur, Village- Pamtembhi, Taluka – Palghar, Dist. Thane- 401 506, Maharashtra.
Phone: 022-24072249, Fax: 022-24073462.

ATTENDANCE SLIP

29th Annual General Meeting Friday, 11th day of July, 2014

I/we hereby record my/our presence at the 29th Annual General Meeting of the Company at TIMA Hall, MIDC, Tarapur, Taluka-Palghar, Dist.- Thane 401 506, Maharashtra on Friday, 11th day of July, 2014 at 11.00 a.m.

Member's/Proxy's name in Block Letters

Member's/Proxy's Signature

Note: Please fill up the attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the meeting.



AARTI DRUGS LIMITED

CIN: L37060MH1984PLC055433

Regd off: Plot No. N- 198, M.I.D.C., Tarapur, Village- Pamtembhi, Taluka – Palghar, Dist. Thane- 401 506, Maharashtra.
Phone: 022-24072249, Fax: 022-24073462.

ELECTRONIC VOTING PARTICULARS

EVEN (E-Voting Event Number)	USER ID	PASSWORD / PIN

NOTE: Please read instructions given at Note no. 17 of the Notice of the 29th Annual General Meeting carefully before voting electronically



- | | | | | |
|---------------|-----------------|------------------------|-----------------------|-----------------|
| 41. Jordan | 52. Netherlands | 63. Rep. of dominicana | 74. Sudan | 85. U.S.A. |
| 42. Kenya | 53. New zealand | 64. Rep. of Yemen | 75. Sultanate Of oman | 86. Uganda |
| 43. Korea | 54. Nigeria | 65. Rep. of kazakhstan | 76. Switzerland | 87. Ukraine |
| 44. Kuwait | 55. Pakistan | 66. Romania | 77. Syria | 88. Uruguay |
| 45. Lebanon | 56. Panama | 67. Russia | 78. Taiwan | 89. Venezuela |
| 46. Lithuania | 57. Paraguay | 68. S. africa | 79. Tanzania | 90. Vietnam |
| 47. Macedonia | 58. Peru | 69. Saudi arabia | 80. Thailand | 91. West africa |
| 48. Malaysia | 59. Philippines | 70. Singapore | 81. Tunisia | 92. Yugoslavia |
| 49. Mexico | 60. Poland | 71. Slovenia | 82. Turkey | 93. Zimbabawe |
| 50. Morocco | 61. Portugal | 72. Spain | 83. U.A.E. | |
| 51. Nepal | 62. Puerto Rico | 73. Sri Lanka | 84. U.K. | |



Mahendra Industrial Estate, Ground Floor, Road No. 29,
Plot No. 109-D, Sion (East), Mumbai - 400 022. (INDIA)

Tel.: ++91 22 2401 9025

Fax: ++91 22 2407 3462 / ++91 22 2407 0144

www.aartidrugs.com

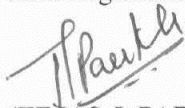
FORM A

Format of Covering Letter of the annual audit report to be filed with the stock exchanges.

Sr. No.	Particulars	
1	Name of the Company:	Aarti Drugs Limited
2	Annual financial statements for the year ended	31 st March, 2014
3	Type of Audit observation	Un - qualified
4	Frequency of observation	Not Applicable

For **PARIKH JOSHI AND KOTHARE**
CHARTERED ACCOUNTANTS

Firm Registration Number: 100547W



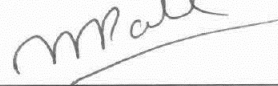
(TEJAS J. PARIKH)

PARTNER

M. No. 123215



For **AARTI DRUGS LIMITED**



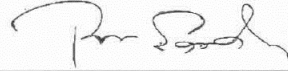
Prakash M. Patil

Chairman, Managing Director & CEO



Adhish P. Patil

Chief Financial Officer



Ramdas M. Gandhi

Audit Committee, Chairman

Date: 30th April, 2014

Place: Mumbai