

The Chemistry of Sustained Relationships



**Annual Report
2016-17**



Aarti Drugs Ltd.



AARTI DRUGS AND ITS GLOBAL PRESENCE IN 100 COUNTRIES

Country

1	Albania	11	Brazil	21	Cyprus	31	Guatemala	41	Ivory Coast
2	Algeria	12	Bulgaria	22	Czech Republic	32	Hongkong	42	Jamaica
3	Argentina	13	Burundi	23	Ecuador	33	Hungary	43	Japan
4	Australia	14	Canada	24	Egypt	34	India	44	Jordan
5	Bangladesh	15	Chile	25	El Salvador	35	Indonesia	45	Kenya
6	Belarus	16	China	26	Ethiopia	36	Iran	46	Korea
7	Belgium	17	Colombia	27	France	37	Iraq	47	Kuwait
8	Benin	18	Costa Rica	28	Georgia	38	Ireland	48	Latvia
9	Bolivia	19	Croatia	29	Germany	39	Israel	49	Lebanon
10	Bosnia	20	Cuba	30	Greece	40	Italy	50	Lithuania

Continued....

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.



AARTI DRUGS

AND ITS DOMESTIC PRESENCE



Corporate Information

Chairman Emeritus

Shri Chandrakant V. Gogri

Board of Directors

Shri Prakash M. Patil

Chairman, Managing Director & Chief Executive Officer

Shri Rashesh C. Gogri

Managing Director

Shri Harshit M. Savla

Jt. Managing Director

Whole-time Directors

Shri Harit P. Shah

Shri Uday M. Patil

Shri Rajendra V. Gogri

Non-Executive Director

Independent Director

Shri Ramdas M. Gandhi

CA Bhavesh R. Vora

CA Navin C. Shah

Prof. Krishnacharya G. Akamanchi

Dr. Vilas G. Gaikar

CA Priti P. Savla

Chief Financial Officer

Shri Adhish P. Patil

Registered Office

Plot No. 198, M.I.D.C.,

Tarapur, Village-Pamtermbhi,

Dist. Palghar- 401 506,

Maharashtra

Corporate Identification Number

L37060MH1984PLC055433

Company Secretary & Compliance Officer

CS Vibhav S. Ranade

Statutory Auditors

M/s. Gokhale & Sathe,

308/309, Udyog Mandir No. 1,

7-C Bhagoji Keer Marg,

Mahim, Mumbai - 400 016, Maharashtra

Registrar & Transfer Agent

Link Intime India Pvt. Ltd.

C 101, 247 Park, L. B. S. Marg,

Vikhroli (West), Mumbai - 400 083,

Maharashtra

Bankers

Union Bank of India

Bank of Baroda

State Bank of India

Standard Chartered Bank

DBS Bank Limited

IDBI Bank Limited

Citi Bank N.A.

The Hongkong and Shanghai Banking

Corporation Limited

Kotak Mahindra Bank Limited

IndusInd Bank Limited

The Saraswat Co-Operative Bank Limited

SVC Co-Operative Bank Limited

Corporate Office

Mahendra Industrial Estate,

Ground Floor, Plot No. 109-D,

Road No. 29, Sion (E),

Mumbai- 400 022, Maharashtra

Visit us at www.aartidrugs.com

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FINANCIAL HIGHLIGHTS

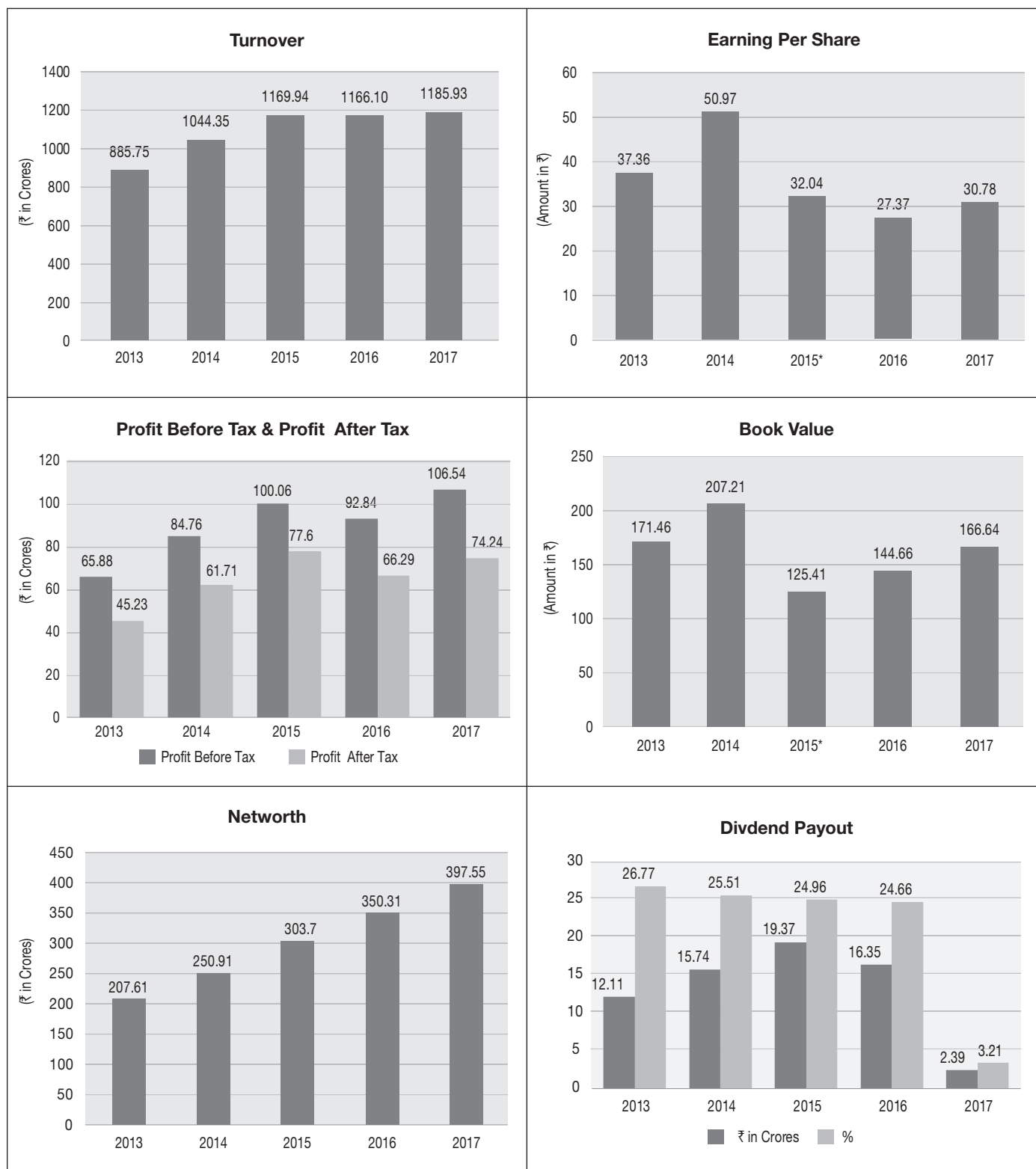
(₹ in Lakhs)

Particulars	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17
Sales (Gross)	49,694.87	52,301.38	69,917.64	88,574.83	104,434.57	116,993.80	116,609.60	118,593.34
Profit Before Interest and Depreciation	7,207.99	6,269.13	8,027.03	12,033.43	14,635.01	16,895.56	17,170.30	17,471.61
Interest	1,474.45	1,347.80	2,267.19	2,803.55	3,348.97	3,887.70	4,328.35	3,448.41
Depreciation	1,351.75	1,774.06	2,421.59	2,598.40	2,811.94	3,066.35	3,558.41	3,669.30
Profit before tax	4,381.79	3,147.27	3,221.98	6,587.84	8,476.04	10,006.49	9,283.54	10,653.90
Profit after tax	2,609.79	2,247.29	2,246.10	4,523.84	6,171.23	7,759.95	6,628.54	7,423.90
Dividend (%)	50	50	50	100	130.00	80.00	67.50	10
Payout	605.43	605.43	605.43	1,210.86	1,574.11	1,937.35	1,634.65	238.57
Equity Capital	1,210.86	1,210.86	1,210.86	1,210.86	1,210.86	2,421.72	2,421.72	2,385.71
Reserves & Surplus	12,898.30	14,440.78	16,437.13	19,549.93	23,879.53	27,948.53	32,609.65	37,369.55
Networth	14,109.16	15,651.63	17,647.99	20,760.78	25,090.39	30,370.25	35,031.36	39,755.26
Borrowings								
Long Term	7,818.18	7,434.15	6,692.38	8,070.45	7,664.20	15,147.46	17,521.36	18,744.56
Short-Term-Bank	6,047.94	16,866.01	21,723.88	21,498.34	24,758.92	24,838.59	25,736.98	22,957.36
Short-Term-Others	3,898.38	85.01	1,374.94	-	1,800.83	288.00	-	-
Total Borrowings	17,764.50	24,385.18	29,791.20	29,568.79	34,223.95	40,274.05	43,258.34	41,701.92
Gross Block	28,748.23	34,579.98	43,938.29	47,904.89	58,113.01	66,509.39	69,073.67	80,698.69
Less : Depreciation	10,394.66	12,159.02	16,584.66	18,781.79	20,860.39	23,361.02	22,796.97	26,466.27
Net Block	18,353.57	22,420.96	27,353.63	29,123.10	37,252.62	43,148.38	46,276.70	54,232.42
Capital work-in-progress	340.35	1,037.47	299.09	1,258.89	831.55	1,334.63	3,404.47	1,413.06
Investments	2,137.85	2,461.29	691.84	513.19	461.90	1,111.49	1,111.51	1,003.39
Current Assets, Loans and Advances	20,020.43	25,669.13	32,917.38	41,076.71	46,428.05	51,098.67	54,677.46	53,597.15
Less: Current Liabilities	6,998.89	9,322.39	11,375.56	17,602.05	21,407.73	21,313.77	21,970.69	22,085.28
Net Working Capital	13,021.54	16,346.74	21,541.83	23,474.66	25,020.32	29,784.90	32,706.77	31,511.87
Book Value (₹)	116.52	129.26	145.75	171.46	207.21	125.41*	144.66	166.64
EPS (Basic & Diluted) (₹)	22.08	18.56	17.84	37.36	50.97	32.04*	27.37	30.78

Notes: * Post bonus issue of 1:1 equity share for the year 2015.

During the F.Y. 2016-17, the Company has bought back 3,60,000 Equity Shares at a price of ₹ 750/- per share.

FINANCIAL HIGHLIGHTS



Notes: * Post bonus issue of 1:1 equity share for the year 2015.

During the F.Y. 2016-17, the Company has bought back 3,60,000 Equity Shares at a price of ₹ 750/- per share.



NOTICE

NOTICE is hereby given that the **THIRTY SECOND ANNUAL GENERAL MEETING** of the members of **AARTI DRUGS LIMITED** will be held on **Friday, 18th August, 2017 at 2.30 p.m.** at TIMA Hall, MIDC Tarapur, Dist. Palghar - 401 506, Maharashtra, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements (including the consolidated financial statements) of the Company for the financial year ended 31st March, 2017, the reports of the Board of Directors and the Auditors thereon.
2. To declare a final dividend on Equity Shares.
3. To appoint a Director in place of Shri Harshit M. Savla (DIN: 00005340), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Prakash M. Patil (DIN: 00005618), who retires 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, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the “Act”) and the Companies (Audit and Auditors) Rules, 2014 (the Rules) and pursuant to recommendation of the Audit Committee of the Board of Directors, M/s. GBCA & Associates, Chartered Accountants (Firm Regn. No. 103142W), be and is hereby appointed as Statutory Auditors of the Company for a period of 1 (one) year, to hold office from the conclusion of this Thirty Second Annual General Meeting until the conclusion of the Thirty Third Annual General Meeting 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 a **Special Resolution**:

“RESOLVED THAT pursuant to provisions of Section 196, 197, 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, consent of the members be and is hereby accorded to re-appointment and terms of remuneration of Shri Prakash M. Patil as the Managing Director of the Company for a period of five years with effect from 1st June, 2017 upon the terms and conditions as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting, duly initialed by the Chairman for the purpose of identification, which is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule V of the Act and as may be agreed between the Board of Directors and Shri Prakash M. Patil.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things in its absolute discretion as it may think necessary, expedient or desirable to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval / consent from Central Government, if required in this regard.”

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 provisions of Section 196, 197, 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, consent of the members be and is hereby accorded to re-appointment and terms of remuneration of Shri Rashesh C. Gogri as the Managing Director of the Company for a period of five years with effect from 31st October, 2017 upon the terms and conditions as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting, duly initialed by the Chairman for the purpose of identification, which is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule V of the Act and as may be agreed between the Board of Directors and Shri Rashesh C. Gogri.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things in its absolute discretion as it may think necessary, expedient or desirable to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval / consent from Central Government, if required in this regard.”

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 provisions of Section 196, 197, 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, consent of the members be and is hereby accorded to re-appointment and terms of remuneration of Shri Harshit M. Savla as the Managing Director of the Company (designated as Joint Managing Director) for a period of five years with effect from 1st June, 2017 upon the terms and conditions as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting, duly initialed by the Chairman for the purpose of identification, which is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule V of the Act and as may be agreed between the Board of Directors and Shri Harshit M. Savla.
- RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things in its absolute discretion as it may think necessary, expedient or desirable to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval / consent from Central Government, if required in this regard.”
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
- “RESOLVED THAT** pursuant to provisions of Section 196, 197, 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, consent of the members be and is hereby accorded to re-appointment and terms of remuneration of Shri Harit P. Shah as the Whole-time Director of the Company for a period of five years with effect from 1st June, 2017 upon the terms and conditions as set out in the draft agreement to be entered into by the Company with him and submitted to this meeting, duly initialed by the Chairman for the purpose of identification, which is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule V of the Act and as may be agreed between the Board of Directors and Shri Harit P. Shah.
- RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things in its absolute discretion as it may think necessary, expedient or desirable to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval / consent from Central Government, if required in this regard.”
10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
- “RESOLVED THAT** pursuant to provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, approval of the members of the Company be and is hereby accorded to Shri Adhish P. Patil, Chief Financial Officer (CFO) of the Company and relative of Shri Prakash M. Patil, Chairman, Managing Director & CEO of the Company to hold and continue to hold office or place of profit as such on a total remuneration exceeding ₹ 2,50,000/- per month.
- RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby severally authorised to review and determine from time to time, the term of holding of the said office or place of profit of Shri Adhish P. Patil, including his remuneration at its discretion and to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”
11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
- “RESOLVED THAT** pursuant to provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, approval of the members of the Company be and is hereby accorded to Shri Vishwa H. Savla, Vice – President, Formulations of the Company and relative of Shri Harshit M. Savla, Jt. Managing Director of the Company to hold and continue to hold office or place of profit as such on a total remuneration exceeding ₹ 2,50,000/- per month.
- RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby severally authorised to review and determine from time to time, the term of holding of the said office or place of profit of Shri Vishwa H. Savla, including his remuneration at its discretion and to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”
12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:
- “RESOLVED THAT** pursuant to provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and rules framed thereunder [including any statutory modification(s) or re-enactment(s) thereof] for the time being in force, the Article 86(1) of the existing Articles of Association of the Company be and is hereby altered by deleting and substituting in its place the following new Article 86(1):



86(1) *Shri Prakash M. Patil and Shri Rashesh C. Gogri as the managing director(s) of the Company shall not be liable to retire by rotation.*

Directors not liable to retire by rotation

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

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

“**RESOLVED THAT** pursuant to provisions of Sections 196, 197, 198 and all other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 (“the Act”) and subject to all such sanctions, if any, as may be necessary, the Company hereby approves, revision in the rate of aggregate commission payable to Shri Prakash M. Patil, Chairman, Managing Director & CEO, Shri Rashesh C. Gogri, Managing Director, Shri Harshit M. Savla, Jt. Managing Director, Shri Harit P. Shah, Whole-time Director of the Company from existing 2% to 2.4% of the net profit effective from 1st April, 2017 for the remainder of the tenure of their respective terms during the financial year ending on 31st March, 2018 payable on quarterly basis and that the respective Agreements made with each one of them as amended from time to time shall stand amended and construed accordingly.

14. 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 other applicable provisions, if any, of the Companies Act, 2013 read with 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 ₹ 3,00,000/- (Rupees Three Lacs only) as approved by the Board of Directors based on the recommendations of Audit Committee of the Company, to be paid to GMVP & Associates LLP, Cost Accountant, for the conduct of the Audit of the cost accounting records of the Company, for the financial year ending 31st March, 2018, be and is hereby ratified and confirmed.”

15. 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 20 and other applicable provisions, if any, of the Companies Act, 2013 and relevant rules prescribed thereunder, consent of the Company be and is hereby accorded to the Board of Directors to charge from the member such fees in advance equivalent to estimated actual expenses for delivery of documents by the Company through a particular mode only as prescribed under the said Act if any written request is made by such member in this regard, provided such request along with requisite fees has been duly received by the Company at least 10 (ten) days in advance of dispatch of documents by the Company to such member.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper or expedient for the purpose aforesaid.”

**By Order of the Board of Directors
of Aarti Drugs Limited**

Sd/-

**Vibhav S. Ranade
Company Secretary**

Place: Mumbai

Date: 23rd May, 2017

Registered Office:

Plot No. 198, MIDC Tarapur,
Village - Pamtermbhi,
Dist. Palghar - 401 506,
Maharashtra

Notes:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY/PROXIES 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 (10%) of the total share capital of the Company. Further, a Member holding more than ten percent (10%) 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.
- 2.** The instrument of Proxy in order to be effective should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the Companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.
- 3.** Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company a duly certified copy of the Board Resolution authorizing their representatives to attend and to vote on their behalf at the meeting.

4. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Business under Item Nos. 6 to 15 above is annexed hereto and forms part of the Notice.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members/Proxies are requested to bring the attendance slip duly filled in for attending the meeting.
7. Members who hold shares in electronic form are requested to write their DP ID and Client ID numbers and those who hold shares in physical form are requested to write their Folio number in the attendance slip for attending the meeting to facilitate identification of membership at the meeting.
8. (a) The Register of Members and Share Transfer Books of the Company will remain closed from **Friday, 11th August, 2017 to Friday, 18th August, 2017** (both days inclusive).
- (b) The Dividend on Equity Shares, if declared at the Meeting, will be paid on or before **Friday, 15th September, 2017**. In respect of the shares held in Dematerialized form, the Dividend will be paid to the members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as at the close of business hours on **Friday, 11th August, 2017** and to those members whose name appears on the Company's Register of Members as on **Friday, 11th August, 2017**.
9. The Company has transferred the unpaid or unclaimed dividends declared up to Financial year 2008 – 09, from time to time, to the Investor Education and Protection Fund (IEPF) established by the Central Government. The Company has uploaded the details of unpaid and unclaimed dividend amounts lying with the Company as on 22nd July, 2016 (date of the previous Annual General Meeting) on the website of the Company and the same can be accessed through www.aartidrugs.com. The said details have also been uploaded on the website of Ministry of Corporate Affairs and the same can be accessed through www.mca.gov.in.
Attention of the members is drawn to the provisions of Section 124(6) of the Companies Act, 2013 which require a Company to transfer in the name of IEPF Authority all shares in respect of which dividend has not been paid or claimed for 7 (seven) consecutive years or more. In accordance with the aforesaid provision of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, the Company has already initiated necessary action for transfer of all shares in respect of which dividend declared for the financial year 2008-09 or earlier financial years which has not been paid or claimed by the members for 7 (seven) consecutive years or more.
10. All documents referred to in the accompanying notice are open for inspection by the members at the registered office of the Company on all working days during working hours from 11.00 a.m. to 1.00 p.m. up to the date of the AGM.
11. The matters set out in the Notice will be transacted inter-alia through remote electronic voting system and the Company is providing facility inter-alia for remote e-voting by electronic means. Instructions and other information relating to e-voting are given in this Notice under Note No. 19.
12. Members holding shares in physical form are requested to inform the Company's Registrars and Transfer Agents (RTA), M/s. Link Intime (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 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.
13. 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 IFSC 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.
14. 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 Link Intime (India) Private Limited (RTA) sending an e-mail at rnt.helpdesk@linkintime.co.in or to the Company at investorrelations@aartidrugs.com.
15. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participant(s). Members holding shares in physical form are required to submit their PAN details to the Link Intime (India) Pvt. Ltd., Registrar and Share Transfer Agents, C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai – 400 083, Maharashtra.
16. Queries on accounts may please be sent to the Company 10 (Ten) days in advance of the Annual General Meeting so that the answers may be made available at the meeting.



17. Additional Information, pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of the Director(s) seeking appointment/re-appointment at the AGM, is furnished as an annexure to this Notice.
18. Copies of the Annual Report 2016-17 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 2016-17 are being sent by the permitted mode. Members may also note that the Notice of the 32nd AGM and the Annual Report 2016-17 will be available on the Company's website viz. www.aartidrugs.com.

19. Voting through electronic means

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 32nd Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by Central Depository Services (India) Limited (hereinafter referred to as "CDSL").
- II. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- III. The remote e-voting period commences on **Monday, 14th August, 2017 at 9.00 a.m.** and ends on **Thursday, 17th August, 2017 at 5.00 p.m.** During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of **Friday, 11th August, 2017**, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

IV. The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on Monday, 14th August, 2017 at 9.00 a.m. and ends on Thursday, 17th August, 2017 at 5.00 p.m.. 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 Friday, 11th August, 2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none">• Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number which is printed on Postal Ballot / Attendance Slip indicated in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none">• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Aarti Drugs Limited> on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

20. Voting at AGM

The members who have not cast their vote by remote e-voting can exercise their voting rights at the AGM. The Company will make arrangement of poll in this regard at the AGM venue.



EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 6

The term of appointment of Shri Prakash M. Patil as Managing Director of the Company expired on 31st May, 2017. At the meeting of the Board of Directors (Board) of the Company held on 23rd May, 2017, based on the recommendation of the Nomination & Remuneration Committee duly approved by a resolution passed at its meeting, Shri Prakash M. Patil have been re-appointed as the Managing Director of the Company for a period of five years with effect from 1st June, 2017 upon the terms and conditions contained in the draft Agreements to be entered into by the Company with him subject to the approval of the Company in General Meeting. Shri Prakash M. Patil will attain the age of 70 years on 16th August, 2017 and hence continuation of his employment as Managing Director requires the approval of members by way of a special resolution.

Section 196(3) of the Companies Act, 2013, inter alia, provides that no Company shall continue the employment of a person who has attained the age of 70 years, as Managing Director, Whole time director or Manager unless it is approved by the members by passing a special resolution. Part 1 of Schedule V to the Act contains a similar relaxation.

Keeping in view that Shri Prakash M. Patil has rich and varied experience in the Industry and has been in the operations since inception of the Company; it would be in the interest of the Company to continue the employment of Shri Prakash M. Patil as Managing Director.

Shri Prakash M. Patil holds a degree of B.E. – Chemical from University Department of Chemical Technology, Mumbai. He is having more than 32 years of experience in the field of Chemical and Pharmaceutical Industry. His technical expertise has helped the Company to emerge as one of the leading pharmaceutical Company in the country.

The said draft Agreements, *inter-alia*, contain the following material terms and conditions:

1. **Period of Agreement:** From 01/06/2017 to 31/05/2022.

2. **Remuneration:**

(a) **Salary:**

Shri Prakash M. Patil, Managing Director ₹ 3,96,500/- per month.

The Board of Directors shall have specific authority to revise or vary salary payable to Shri Prakash M. Patil, subject to recommendation/approval by the Remuneration Committee, up to an amount not exceeding ₹ 5,00,000/- per month in each case.

(b) **Commission:**

Shri Prakash M. Patil shall be entitled to be paid share in aggregate commission at the rate as follows, calculated on net profit of the Company for the period of his tenure from the date of reappointment during the five financial years as computed under the provisions of the Companies Act, 2013 payable quarterly as under:

Sr. No.	Financial Year	Rate of Commission per annum (%)
1.	2017 – 18	2.4%
2.	2018 – 19	2.6%
3.	2019 – 20	2.8%
4.	2020 – 21	3%
5.	2021 – 22	3.2%

(c) **Perquisites/Allowances:**

In addition to Salary and Commission, Shri Prakash M. Patil shall be entitled to the following perquisites / allowances:

House rent allowance, Reimbursement of medical expenses and medical insurance premiums for self and family, leave travel allowance, fees of clubs, telephone and internet facilities at residence and mobile phone facility, personal accident insurance; Bonus, ex-gratia incentives, assignment of key man or other insurance policies obtained by the Company and such other perquisites and special allowances as may be determined by the Board of Directors from time to time.

Explanation: "Family" means the spouse, the dependent children and dependent parents of Shri Prakash M. Patil.

The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and subject to the applicable overall maximum ceiling limits set out in Sections 196, 197 read with Schedule V of the Companies Act, 2013 for the time being in force.

The following prerequisites shall not be included in the computation of the ceiling on remuneration specified above:

- Contribution to provident fund, super annuation fund or annuity fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable at rate not exceeding half a month's salary for each completed year of service.
- Encashment of leave at the end of the tenure.

For the purposes of calculating the ceiling, prerequisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, prerequisites shall be valued at actual cost.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of prerequisites for the purpose of calculating the said ceiling.

3. Annual Privilege Leave:

On full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on prerequisites.

- Shri Prakash M. Patil shall not be paid any sitting fees for attending the Meetings of the Board of Directors and/or Committee thereof.
- The Company shall pay to Shri Prakash M. Patil remuneration by way of salary and prerequisites as specified above, notwithstanding the inadequacy of profits or no profits in any financial year during the tenure of their respective office as such, subject to the approval of the Central Government, if required.
- Either party shall be entitled to terminate the agreement by giving to the other party 180 days' notice in writing without showing any cause provided that the same may be waived mutually.
- The terms and conditions of the said re-appointment and/or remuneration and/or agreement may be altered and varied from time to time, by the Board of Directors so as not to exceed the limits set out in Sections 196, 197 read with Schedule V of the Companies Act, 2013 [including any statutory modifications or re-enactment thereof], for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto.
- The other terms and conditions of the agreement are such as are customarily contained in agreements of similar nature.

Your Directors recommend the resolution at Item No. 6 for your approval as Special Resolution.

Shri Prakash M. Patil is interested in the resolution pertaining to his own agreement and re-appointment. Shri Uday M Patil, Whole-time Director and Shri Adhish P. Patil, Chief Financial Officer, being the Brother and Son respectively of Shri Prakash M. Patil are deemed to be concerned or interested in the resolution.

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

ITEM NOS. 7 to 9

The term of appointment of Shri Rashesh C. Gogri as Managing Director expires on 30th October, 2017. Further, the term of appointment of Shri Harshit M. Savla as Joint Managing Director and Shri Harit P. Shah as Whole – time Director of the Company expired on 31st May, 2017. At the meeting of the Board of Directors (Board) of the Company held on 23rd May, 2017, based on the recommendation of the Nomination and Remuneration Committee duly approved by resolutions passed at its meeting, Shri Rashesh C. Gogri have been re-appointed as the Managing Director for a period of five years with effect from 31st October, 2017. Further, Shri Harshit M. Savla have been re-appointed as Managing Director (designated as Joint Managing Director) and Shri Harit P. Shah as the Whole – time Director of the Company for a period of five years with effect from 1st June, 2017 upon the terms and conditions contained in the draft Agreements to be entered into by the Company with them subject to the approval of the Members in General Meeting.

The said draft Agreements, *inter-alia*, contains the following material terms and conditions:

- Period of Agreement:** From 31/10/2017 to 30/10/2022 [in respect of Shri Rashesh C. Gogri] and from 01/06/2017 to 31/05/2022 [in respect of Shri Harshit M. Savla and Shri Harit P. Shah respectively.]
- Remuneration:**
 - Salary:**

Shri Rashesh C. Gogri	Managing Director	₹ 3,35,900/- per month
Shri Harshit M. Savla	Jt. Managing Director	₹ 3,35,900/- per month
Shri Harit P. Shah	Whole – time Director	₹ 3,35,900/- per month



The Board of Directors shall have specific authority to revise or vary salary payable to the said Managing Director, Joint Managing Director and Whole-time Director from time to time, subject to recommendation/approval by the Remuneration Committee, up to an amount not exceeding ₹ 4,00,000/- per month in each case.

(b) Commission:

Each of the said Managing Director / Jt. Managing Director / Whole – time Director shall be entitled to be paid a share in aggregate commission at the rate as follows, calculated on net profit of the Company for the period of their tenure from the date of their respective reappointment during the five financial years as computed under the provisions of the Companies Act, 2013 payable quarterly as under:

Sr. No.	Financial Year	Rate of Commission per annum (%)
1.	2017 – 18	2.4%
2.	2018 – 19	2.6%
3.	2019 – 20	2.8%
4.	2020 – 21	3%
5.	2021 – 22	3.2%

(c) Perquisites/Allowances:

In addition to Salary and Commission, Managing Director / Jt. Managing Director / Whole – time Director shall be entitled to the following perquisites / allowances:

House rent allowance, Reimbursement of medical expenses and medical insurance premiums for self and family, leave travel allowance, fees of clubs, telephone and internet facilities at residence and mobile phone facility, personal accident insurance; Bonus, ex-gratia incentives, assignment of key man or other insurance policies obtained by the Company and such other perquisites and special allowances as may be determined by the Board of Directors from time to time.

Explanation: "Family "means the spouse, the dependent children and dependent parents of Managing Director / Jt. Managing Director / Whole–time Director.

The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and subject to the applicable overall maximum ceiling limits set out in Sections 196, 197 read with Schedule V of the Companies Act, 2013 for the time being in force.

The following perquisites shall not be included in the computation of the ceiling on remuneration specified above:

- a. Contribution to provident fund, super annuation fund or annuity fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b. Gratuity payable at rate not exceeding half a month's salary for each completed year of service.
- c. Encashment of leave at the end of the tenure.

For the purposes of calculating the ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be valued at actual cost.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

3. Annual Privilege Leave:

On full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

4. Managing Director / Jt. Managing Director / Whole – time Director shall not be paid any sitting fees for attending the Meetings of the Board of Directors and/or Committee thereof.
5. The Company shall pay to the Managing Director / Jt. Managing Director / Whole–time Director remuneration by way of salary and perquisites as specified above, notwithstanding the inadequacy of profits or no profits in any financial year during the tenure of their respective office as such, subject to the approval of the Central Government, if required.
6. Either party shall be entitled to terminate the agreement by giving to the other party 180 days' notice in writing without showing any cause provided that the same may be waived mutually.

7. The terms and conditions of the said re-appointment and/or remuneration and/or agreement may be altered and varied from time to time, by the Board of Directors so as not to exceed the limits set out in Sections 196, 197 read with Schedule V of the Companies Act, 2013 including any statutory modifications or re-enactment thereof, for the time being in force or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time, or any amendments thereto.
8. The other terms and conditions of the agreement are such as are customarily contained in agreements of similar nature.

Your Directors recommend the resolutions at Item Nos. 7 to 9 for your approval as an Ordinary Resolutions.

Shri Rashesh C. Gogri, Shri Harshit M. Savla and Shri Harit P. Shah are interested in the resolution pertaining to their own agreement and re-appointment.

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

ITEM NO. 10

Shri Adhish P. Patil, who is related to Shri Prakash M. Patil, Chairman, Managing Director & CEO of the Company, was appointed as Chief Financial Officer (CFO) of the Company in the meeting of Board of Directors held on 9th July, 2012 and the same was subsequently approved by the shareholders of the Company in the Annual General Meeting held on 29th August, 2012. In the meeting of the Board of Directors dated 30th April, 2014, he was appointed as "Key Managerial Personnel" under the provision of the Companies Act, 2013.

Shri Adhish P. Patil is a related party within the definition of Section 2(76) of the Companies Act, 2013 ('the Act'). Pursuant to the provisions of Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, appointment of any related party to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding ₹ 2,50,000/- per month requires prior approval by way of an ordinary resolution of the Company. Hence approval of members is sought for payment of remuneration to him as proposed in the resolution under this item of business.

The information as required in accordance with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, as well as pursuant to Section 102 of the Act is as under –

a)	Name of the Related Party	Shri Adhish P. Patil
b)	Name of the Director or Key Managerial Personnel who is related, if any;	Shri Prakash M. Patil, Chairman, Managing Director & Chief Executive Officer (CEO)
c)	Nature of Relationship	Shri Adhish P. Patil is Son of Shri Prakash M. Patil.
d)	Nature, material terms, monetary value and particulars of the Contract or arrangement	Shri Adhish P. Patil currently draws remuneration of ₹ 2,46,328/- per month. It is proposed to increase the remuneration of Shri Adhish P. Patil exceeding ₹ 2,50,000/- per month.
e)	Any other information relevant or important for the members to take a decision on the proposed resolution	Shri Adhish P. Patil is having degree of Masters of Business Administration in Finance and an inducted member of International Honor Society "Beta Gamma Sigma" accredited by AACSB International, along with engineering in Information Technology and has Expert knowledge and experience in project management strategies, leading cross-functional teams and implementing technology based solutions. He is a Proven leader with twelve years of experience in finance, FOREX risk management & hedging strategies, consulting, systems engineering and information technology for the pharmaceutical and consulting industries.

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

Shri Adhish P. Patil is interested in the resolution. Shri Prakash M. Patil, Chairman, Managing Director & CEO is deemed to be concerned or interested in the resolution as he is related to Shri Adhish P. Patil.

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

ITEM NO. 11

Shri Vishwa H. Savla, who is related to Shri Harshit M. Savla, Jt. Managing Director of the Company, is currently holding position of "Vice President – Formulations" of the Company. He is also a Director of Pinnacle Life Science Private Limited, a wholly – owned subsidiary of the Company.



Shri Vishwa H. Savla is a related party within the definition of Section 2(76) of the Companies Act, 2013 ('the Act'). Pursuant to the provisions of Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, appointment of any related party to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding ₹ 2,50,000/- per month requires prior approval by way of an ordinary resolution of the Company. Hence approval of members is sought for payment of remuneration to him as proposed in the resolution under this item of business.

The information as required in accordance with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, as well as pursuant to Section 102 of the Act is as under –

a)	Name of the Related Party	Shri Vishwa H. Savla
b)	Name of the Director or Key Managerial Personnel who is related, if any;	Shri Harshit M. Savla, Jt. Managing Director
c)	Nature of Relationship	Shri Vishwa H. Savla is Son of Shri Harshit M. Savla.
d)	Nature, material terms, monetary value and particulars of the Contract or arrangement	Shri Vishwa H. Savla currently draws remuneration of ₹ 2,15,040/- per month. It is proposed to increase the remuneration of Shri Vishwa H. Savla exceeding ₹ 2,50,000/- per month.
e)	Any other information relevant or important for the members to take a decision on the proposed resolution	Vishwa H. Savla is a graduate of Management & Strategy from Aston Business School, United Kingdom. He has a background of core management skills, with past experience in PwC. Also, he has been instrumental in setting up Pinnacle Life Science Private Limited, the formulation arm of Aarti Drugs Limited. Under his leadership, the Company has grown to become a sizable player in the Finished Dosage manufacturing business. He is responsible for complete day-to-day running of Pinnacle Life Science Private Limited right from Capital Projects, Operations, Marketing, Purchases, Accounts & Finance.

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

Shri Vishwa H. Savla is interested in the resolution. Shri Harshit M. Savla, Jt. Managing Director of the Company is deemed to be concerned or interested in the resolution as he is related to Shri Vishwa H. Savla.

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

ITEM NO. 12

Section 152(6) of the Companies Act, 2013, provides that not less than two- third of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation and be appointed by the Company in general meeting.

Shri Prakash M. Patil has been the Managing Director of the Company since inception of the Company's operations. Shri Rashesh C. Gogri has been the Managing Director of the Company since September, 2014. It is proposed that they shall not be liable to retire by rotation until they hold office as the managing directors of the Company. It is thus proposed to amend the Article 86(1) along with marginal note of the existing Articles of Association as set out in the resolution mentioned at Item No. 12 of the accompanying Notice for your approval as a Special Resolution having regard to the requirement of provision of Section 14 of the Companies act, 2013.

Shri Prakash M. Patil and Shri Rashesh C. Gogri are interested in the said resolution. Shri Uday M. Patil, Whole-time Director and Shri Adhish P. Patil, Chief Financial Officer (CFO) are deemed to be concerned or interested in the said resolution as they are related to Shri Prakash M. Patil.

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

ITEM NO. 13

Shri Prakash M. Patil, Chairman, Managing Director & CEO, Shri Rashesh C. Gogri, Managing Director, Shri Harshit M. Savla, Jt. Managing Director, Shri Harit P. Shah, Whole-time Director of the Company are holding their respective offices for a period of five years in terms of their respective Principal Agreements entered into by the Company with each of them and amended from time to time by way of Supplemental Agreement(s), if any, thereto.

Section 197 of the Companies Act, 2013 ("the Act") permits payment of remuneration to Executive Directors of a Company by way of Commission, if the Company authorises such payment by way of a resolution of members. Based on the recommendation of the Nomination and Remuneration Committee of the Board of Directors duly approved by a resolution passed at its meeting, the Board of Directors at its meeting held on 23rd May, 2017, subject to approval of the Company in the General Meeting, has revised the rate of aggregate commission from 2% p.a. to 2.4% p.a. shared and payable to the said executive Directors with effect from 1st April, 2017 for

the remainder of the tenure of their respective terms during the financial year ending on 31st March, 2018 payable on quarterly basis. Such commission will accrue and be payable on quarterly basis and will be subject to adjustment for relative performance of the Company as per method approved by the Remuneration Committee.

The respective Agreements made with each one of them as amended from time to time shall stand amended and construed accordingly.

All other terms and conditions remain unchanged. The Principal and Supplemental Agreement(s) referred to hereinabove are available for inspection at the registered office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays up to the date of Annual General Meeting.

Your Directors recommend the resolution at Item No. 13 for your approval.

Shri Prakash M. Patil, Chairman, Managing Director & CEO, Shri Rashesh C. Gogri, Managing Director, Shri Harshit M. Savla, Jt. Managing Director, Shri Harit P. Shah, Whole-time Director of the Company are interested in the said resolution pertaining to change in percentage of commission, share of which would be payable to each of them. Shri Uday M. Patil, Whole-time Director and Shri Adhish P. Patil, Chief Financial Officer, being the Brother and Son respectively of Shri Prakash M. Patil are deemed to be concerned or interested in the resolution.

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 resolution.

ITEM NO. 14

In pursuance of Section 148 of the Companies Act, 2013 and Rules 14 of the Companies (Audit and Auditors) Rules, 2014, read with Companies (Cost Records and Audit) Rules, 2014, a proposal for appointment of Cost Auditor for 2017-18 was recommended by the Audit Committee to the Board. The Board has appointed GMVP & Associates LLP, Cost Accountant, as Cost Auditor for the conduct of the audit of the cost accounting records of the Company, at a remuneration of ₹ 3,00,000/- (Rupees Three Lacs only) plus tax as applicable for the financial year ending 31st March, 2018.

As per Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors is to be ratified by the Shareholders. Hence this resolution is put for the consideration of the shareholders.

Your Directors recommend the resolution at Item No. 14 for your approval as an Ordinary Resolution.

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

ITEM NO. 15

As per the provisions of Section 20(2) of the Companies Act, 2013, a document may be served by the Company on any member by sending to him/her/it by post or by registered post or by speed post or by electronic mode or by courier or by any other mode as may be prescribed. Further, a member may make request to the Company for delivery of any document through a particular mode by paying such fees in advance as may be determined by the Company in its Annual General Meeting. It is thus proposed that a sum equivalent to the estimated actual expenses of delivery of the documents through a particular mode may be charged if any request has been made by any member for delivery of such documents through a particular mode only as prescribed under the said Act to be taken /received in advance to cover the cost of such delivery.

Accordingly, an enabling resolution is recommended at Item No. 15 of the accompanying Notice for your approval as an ordinary resolution.

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

**By Order of the Board of Directors
of Aarti Drugs Limited**

Sd/-

**Vibhav S. Ranade
Company Secretary**

Place: Mumbai

Date: 23rd May, 2017

**Registered Office:
Plot No. 198, MIDC Tarapur,
Village-Pamtermbhi,
Taluka-Palghar,
Dist. Palghar - 401506
Maharashtra**



BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT / RE – APPOINTMENT IS AS UNDER:

Particulars	Shri Harshit M. Savla	Shri Prakash M. Patil	Shri Rashesh C. Gogri
Date of birth and age	19.11.1962 (55 years)	16.08.1947 (69 years)	03.06.1974 (43 years)
Date of Appointment	02.01.1987	05.01.1985	16.08.2012
Qualifications	B.Com	B.E. – Chemical	Industrial Engineer and holds Diploma in Business Management
Experience and expertise in specific functional areas	He is a Commerce Graduate having more than 30 years of experience in Finance, Export and Administration. He played crucial role in expanding the export market for the products of the Company.	He is Chemical Engineer having more than 40 years of experience in the field of Chemical and Pharmaceutical Industry. He has expertise in Product Identification, Project Conceptualization, Planning, Project Engineering & Project Implementation. His technical experience has helped the Company to emerge as one of the leading Pharmaceutical Company in the country.	He has been President - Marketing with the Company and has more than 16 years of experience in field of production, marketing and project implementation in chemical industry.
Directorships held in other Listed Companies	-	-	Aarti Industries Limited
Memberships / Chairman-ships of committees across listed companies**	Audit Committee - NIL Stakeholders Relationship Committee Aarti Drugs Limited - Member	Audit Committee Aarti Drugs Limited – Member Stakeholders Relationship Committee - NIL	Audit Committee Aarti Drugs Limited - Member Aarti Industries Limited - Member Stakeholders Relationship Committee - NIL
Number of shares held in the Company	11,00,689	20,24,721	10,06,748
Relationship with other Directors	-	Brother of Shri Uday M. Patil	Nil
No. of Board Meetings attended	5	5	5

**** Only two committees namely Audit Committee and Stakeholders Relationship Committee have been considered.**

BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT / RE – APPOINTMENT IS AS UNDER:

Particulars	Shri Harit P. Shah
Date of birth and age	12.10.1963 (54 years)
Date of Appointment	15.09.1995
Qualifications	B. Com
Experience and expertise in specific functional areas	He has experience of over 25 years handling commercial functions encompassing Sales, Purchases and Exports. He looks after local sales and exports as well.
Directorships held in other Listed Companies	-
Memberships/Chairman-ships of committees across listed companies**	Audit Committee - NIL Stakeholders Relationship Committee Aarti Drugs Limited – Member
Number of shares held in the Company	6,45,390
Relationship with other Directors	-
No. of Board Meetings attended	5

**** Only two committees namely Audit Committee and Stakeholders Relationship Committee have been considered.**

Route Map to the venue of the Annual General Meeting





DIRECTORS' REPORT

TO THE MEMBERS OF AARTI DRUGS LIMITED

Your Directors have pleasure in presenting the Thirty Second Annual Report together with the Audited Financial Statements along with the Report of the Auditors for the year ended 31st March, 2017.

COMPANY'S FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	2016-2017	2015-2016	2016-2017	2015-2016
Net Sales/ Income from Operations	108872	107073	119517	113488
Other Operating Income	353	476	400	496
Total Income from Operations	109226	107550	119917	113984
Total Expenditure	91455	90379	100952	96415
Profit Before Depreciation, Amortization, Interest and Tax Expenses	17771	17171	18965	17569
Less: Interest	3448	4328	3642	4389
Depreciation & Amortization	3669	3558	3846	3653
Profit/(Loss) before other income	10654	9284	11477	9527
Other Income	-	-	-	-
Profit/(Loss) Before Tax	10654	9284	11477	9527
Less: Provision for taxation - Current	2753	2115	2913	2115
- Earlier Year	(203)	-	(203)	-
- Deferred	680	540	711	540
Profit After Tax	7424	6629	8056	6872
Add: Surplus brought forward	27059	23068	27314	23033
Profit available for appropriation	34483	29697	35371	29906
Appropriations:				
Transfer to General Reserve	-	670	-	670
Proposed Dividend	-	-	-	-
1 st Interim Dividend	-	545	-	545
2 nd Interim Dividend	-	363	-	363
3 rd Interim Dividend	-	727	-	727
Tax on Dividend	-	333	-	333
Balance carried to Balance Sheet	34483	27059	35371	27314

SHARE CAPITAL

During the financial year 2016-17, the Company has bought back 3,60,000 (Three Lacs Sixty Thousand) fully paid – up Equity shares of face value of ₹ 10/- (Rupees Ten only) each representing up to 1.49% of the total no. of Equity shares at a price of ₹ 750/- per Equity share (including premium of ₹ 740/- per share) for an aggregate amount of ₹ 27,00,00,000/- (Rupees Twenty Seven Crores only), on a proportionate basis through the tender offer using stock exchange mechanism in accordance with the provisions of the Companies Act, 2013 and the SEBI (Buyback of Securities) Regulations, 1998. Post Buy-back of shares, the paid-up Equity Share Capital as on 31st March, 2017 was ₹ 23,85,71,000/-.

The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued sweat equity shares. There is no scheme for employee stock option or provision of money for shares of the Company to employees or Directors of the Company.

DIVIDEND

Your Directors recommend a dividend of 10% i.e. Re. 1/- per Equity Share of Face Value of ₹ 10/- each aggregating to ₹ 2,38,57,100/-.

As per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, top five hundred listed entities based on the market capitalization are required to formulate Dividend Distribution Policy. The listed entities other than top five hundred listed entities based on market capitalization may formulate their Dividend Distribution Policies on a voluntary basis. Accordingly, the Company has formulated its Dividend Distribution Policy and the details of which are available on the Company's website www.aartidrugs.com.

OPERATIONS REVIEW

During the year under review, Gross Sales of the Company is ₹1185.93 Crores (Previous Year: ₹1166.10 Crores) registering a growth of 1.70%.

The Company has achieved Export Sales of ₹422.95 Crores as against ₹389.19 Crores for the last year, registering a growth of 8.67%.

EBITDA has been ₹177.71 Crores (Previous Year: ₹ 171.70 Crores), registering a growth of 3.50%. PAT has been ₹74.24 Crores (Previous Year ₹66.29 Crores), registering a growth of 11.99%.

INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY

Your Company's internal control systems commensurate with the nature and size of its business operations. Your Company has maintained a proper and adequate system of internal controls. This ensures that all Assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorised, recorded and reported diligently.

The Audit Committee and M/s. Raman S. Shah & Associates, Chartered Accountants, Independent Internal Auditors, regularly review internal financial controls and operating systems and procedures for efficiency and effectiveness. The Internal Auditor's Reports are regularly reviewed by the Audit Committee of the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

As required u/s. 134(3)(c) of the Companies Act, 2013, your Directors hereby state that-

- in the preparation of the Annual Accounts for the financial year ended 31st March, 2017, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- 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 as on 31st March, 2017 and of the profit of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared Annual Accounts on a going concern basis;
- the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and were operating effectively.

BOARD OF DIRECTORS

Composition

Aarti Drugs Limited (ADL) Board presently consists of 12 Directors out of which 7 (Seven) are Non-Executive. Out of 7 (Seven) Non-Executive Directors 6 (Six) Directors are Independent Directors.

Retirement by Rotation

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Shri Harshit M. Savla (DIN: 00005340), Jt. Managing Director and Shri Prakash M. Patil (DIN: 00005618), Chairman, Managing Director & CEO of the Company retires by rotation and being eligible have offered themselves for re-appointment as Directors.

Independent Directors

The Independent Directors hold office for a fixed term upto 31st March, 2019 and are not liable to retire by rotation. In accordance with Section 149(7) of the Companies Act, 2013, each Independent Director has given a written declaration to the Company confirming that he/she meets the criteria of independence as mentioned under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Number of Meetings of the Board

The Board of Directors met 5 (Five) times in the year 2016 – 17. The details of Board and Committee Meeting and the attendance of the Directors at such meetings are provided in the Corporate Governance Report.

BOARD EVALUATION

During the year, the Board evaluated its performance and as well as that of its Committees and Individual Directors, including the Chairman of the Board. Separate exercise was carried out to evaluate the performance of Non-Independent Directors including the



Chairman of the Board who were evaluated on parameters such as Key achievements, Short term and long term targets, challenges faced, Implementation of Strategic decisions, organizational success, participation and attendance in Board and Committee Meetings etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and Non-Independent Directors was carried out by the Independent Directors.

Independent Directors were evaluated on the parameters such as attendance and participations in the meetings and timely inputs on the minutes of the meetings, adherence to ethical standards & code of conduct of the Company, disclosure of non-independence, as and when exists and disclosure of interest, interpersonal relations with other Directors and Management, understanding of the Company and the external environment in which it operates and contribution to strategic direction, safeguarding interest of whistle-blowers under vigil mechanism and safeguard of confidential information.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Chairman and Managing Director have one to one discussion with all Directors to familiarize them with the Company's operations. Further the Company has put in place a system to familiarize the Independent Directors about the Company, its products, business and on-going events relating to the Company. The details of such familiarization programmes for Independent Directors are posted on the website of the Company viz. www.aartidrugs.co.in/images/stories/details%20of%20familirisation%20programme.pdf.

KEY MANAGERIAL PERSONNEL

Shri Prakash M. Patil, Chairman, Managing Director & Chief Executive Officer, Shri Rashesh C. Gogri, Managing Director, Shri Harshit M. Savla, Jt. Managing Director, Shri Harit P. Shah, Whole-time Director, Shri Uday M. Patil, Whole-time Director, Shri Adhish P. Patil, Chief Financial Officer and Shri Vibhav S. Ranade, Company Secretary & Compliance Officer of the Company are the Key Managerial Personnel of the Company as on the date of this report.

DETAILS RELATING TO DEPOSITS COVERED UNDER CHAPTER V OF COMPANIES ACT, 2013

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 and no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013, are given in the notes to the Financial Statements.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions made during the financial year 2016-17 were on arm's length basis and were in the ordinary course of business. All transactions with related parties are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are specifically certified by Statutory Auditors and statement specifying the nature, value and terms & conditions of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. The statement is supported by a certification from the Jt. Managing Director and the Chief Financial Officer (CFO). The details of related party transactions are provided in the accompanying financial statements.

The Policy on Related Party Transactions as approved by the Board is available on the Company's website and can be accessed through www.aartidrugs.com.

All transactions entered into with related parties during the year were on an arm's length basis and were in the ordinary course of business. Accordingly, there are no transactions that are required to be reported in Form AOC-2.

EXTRACT OF ANNUAL RETURN

As required by Section 92(3) of the Companies Act, 2013 and rules framed thereunder, the extract of the Annual Return in Form MGT-9 is enclosed as "Annexure- A".

SUBSIDIARY

The Company has one non – material subsidiary, namely, Pinnacle Life Science Private Limited. The Company has attached along with its financial statement, a separate statement containing the salient features of the financial statement of the said subsidiary in "Form AOC-1" which is annexed as "Annexure - B".

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated under the provisions of the SEBI (Listing Obligations & Disclosure Requirement), Regulations, 2015, the Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards. The Audited Consolidated Financial Statement together with Auditors' Report form part of the Annual Report.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statement relate and the date of the report.

BUSINESS RISK MANAGEMENT

During the year under review, the Company has identified and evaluated elements of business risk. Business risk, *inter-alia*, further includes fluctuations in foreign exchange, Raw Material Procurement risk, Environmental & Safety Risk, Working Capital Risk, Market Risk and Business Operations Risk. The risk management framework defines the risk management approach of the Company and includes periodic review of such risk and also documentation, mitigating controls and reporting mechanism of such risks. The Board of Directors and senior management team currently assess the operations and operating environment to identify potential risks and take necessary mitigation actions.

DISCLOSURES RELATED TO COMMITTEES & POLICIES

1. Audit Committee

The Audit Committee of Directors is constituted as per the provisions of Section 177 of the Companies Act, 2013. The Composition of the Audit Committee is in conformity with the provisions of the said section and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The composition & terms of reference of Audit Committee of the Board of Directors of the Company is disclosed in the report of Corporate Governance, which forms part of this report.

During the year under review, the Board of Directors of the Company had accepted all the recommendations of the Audit Committee.

2. Nomination & Remuneration Committee

The Nomination & Remuneration Committee of Directors is constituted in accordance with the requirements of Section 178 of the Companies Act, 2013.

The Company strives to maintain an appropriate combination of executive, non-executive and Independent Directors. In terms of provisions of Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee considers and recommends the Board on appointment and remuneration of Directors and Key Managerial Personnel and the Company's Nomination and Remuneration Policy is enclosed as "Annexure - C".

3. Stakeholders Relationship Committee

Pursuant to Section 178 of the Companies Act, 2013, the Board of Directors has constituted the Stakeholders Relationship Committee, details of which are given in the Corporate Governance Report.

The Company Secretary acts as the secretary to the Committee.

4. Corporate Social Responsibility Committee

As per the provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors has constituted a Corporate Social Responsibility (CSR) Committee and the Board of Directors of the Company has approved CSR Policy based on the recommendations of the CSR Committee.

The CSR Policy is available on the Company's website and can be accessed through www.aartidrugs.com.

Your Company actively contributes to the following segments-

- i. Education & Skill Development
 - ii. Health
 - iii. Environment
 - iv. Social Welfare
 - v. Promotion of Sports and allied trainings
- i. Education & Skill Development**

Your Company through Aarti Foundation and various other NGO's has been doing work in this segments. In this year, the Company has provided furniture to School located in the state of Maharashtra. The Company has also actively contributed towards Literacy Education Programmes during the year under review.



ii. Health

Your Company through Aarti Foundation is in process of developing Medical College in the State of Gujarat. Also the Company has provided various infrastructure facilities to the Hospitals in the State of Maharashtra.

iii. Environment

Your Company has entered into an agreement with The Governor, Government of Maharashtra through Deputy Conservator of Forest, Dahanu Forest Division, Dahanu through local NGO M/s. Sudha Pratishthan, Masvan, Palghar to participate and assist Government in implementing Afforestation Programme in the degraded forest land of Dahanu Forest Division spread over 100 Hectares Government Land over a period of 7 years. During the year under review, the Company has successfully completed plantation programme of 60,000 trees in the Palghar District.

iv. Social Welfare

During the year under review, your Company has actively contributed for issues pertaining to Social Welfare in the District Palghar, Maharashtra.

v. Promotion of Sports and allied trainings

In order to impart trainings to promote rural sports, the Company has conducted various sports activities in the State of Sikkim during the year under review.

In addition to above, your Company participates into a spectrum of CSR activities evolving around the general up-liftment of the economically backward class of people. Your Company also makes active contribution to various local NGOs to assist in the relief measures in the affected areas.

During the year under review, the Company was required to spend ₹ 185.11 Lakhs on CSR activities. However, the Company has spent ₹ 185.07 Lakhs on CSR activities. There was a slight difference between estimated expenditure and actual expenditure on account of change in project's cost estimation. The Company is constantly evaluating various projects to fulfill its obligations towards the society.

The Annual Report on CSR activities is annexed as “**Annexure - D**” and forms an integral part of the Report.

5. Vigil Mechanism / Whistle Blower Policy

The Company has a vigil mechanism/whistle blower policy to deal with instance of fraud and mismanagement. The details of the said policy is explained in the Corporate Governance Report and also posted on the website of the Company, viz. www.aartidrugs.com

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

CORPORATE GOVERNANCE

A separate section on Corporate Governance practices followed by the Company, together with a certificate from the Company's Auditors confirming compliance, forms a part of this Annual Report, as per SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report as required under the provisions of SEBI Regulations, 2015 is annexed hereto forming part of this Report.

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

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated in Section 134(3)(m) of the Companies Act, 2013 and rules framed thereunder is enclosed herewith as “**Annexure - E**”.

STATUTORY AUDITORS

At the Annual General Meeting held on 11th July, 2014, M/s. Gokhale & Sathe, Chartered Accountants (Firm Regn. No. 103264W) was appointed as Statutory Auditors of the Company to hold office till the conclusion of the Thirty Second Annual General Meeting. Hence, M/s. Gokhale & Sathe will retire as Company's Auditors at the conclusion of the ensuing 32nd Annual General Meeting.

The Audit Committee of the Company has proposed and the Board of Directors of the Company has recommended appointment of M/s. GBCA & Associates (Firm Registration No. 103142W) as the new Statutory Auditors of the Company to hold office as such from the conclusion of 32nd Annual General Meeting to the conclusion of 33rd Annual General Meeting in terms of provisions of Section 139(2) of the Companies act, 2013. M/s. GBCA & Associates are proposed to be appointed for a period of one year i.e. from

the conclusion of 32nd Annual General Meeting till the conclusion of 33rd Annual General Meeting of the Company. M/s. GBCA & Associates have informed the Company that their appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013. M/s. GBCA & Associates have confirmed that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold valid certificates issued by the Peer Review Board of the ICAI. M/s. GBCA & Associates have also furnished a declaration in terms of Section 141 of the Companies Act, 2013 that they are eligible to be appointed as auditors and that they have not incurred any disqualification under the Companies Act, 2013.

There are no qualifications, reservation or adverse remarks or disclaimers made by the Statutory Auditors in their Audit Report.

COST AUDIT

Mr. Girikrishna S. Maniar, the Cost Auditor was re-appointed by the Company under Section 148 of the Companies Act, 2013. The due date for filing the Cost Audit Reports in XBRL mode for the financial year ended 31st March, 2016 was 30th September, 2016 and the Cost Audit Report was filed on 3rd November, 2016. The due date for filing the Cost Audit Reports for the financial year ended 31st March, 2017 is 27th September, 2017.

On the recommendation of Audit Committee, the Board of Directors in its meeting held on 23rd May, 2017 has appointed GMVP & Associates LLP, Cost Accountants as Cost Auditor of the Company for the Financial Year 2017 – 18. The Company is seeking the ratification of the remuneration to be paid to GMVP & Associates LLP, Cost Auditor of the Company in respect of Cost Audit for the financial year ended 31st March, 2018 as mentioned in the Notice convening AGM.

SECRETARIAL AUDITOR

The Secretarial Audit Report for the financial year ended 31st March, 2017 issued by CS Sunil M. Dedhia of Sunil M. Dedhia & Co., Practicing Company Secretaries, Secretarial Auditor is annexed as “**Annexure - F**”. In connection with the auditor’s observation in the report, it is clarified that the non – filing of e-forms for board resolutions and changes in shareholding with Ministry of Corporate Affairs (MCA) are technical lapses that occurred inadvertently and necessary steps are being taken to file the same.

PARTICULARS OF EMPLOYEES

Disclosure pertaining to the remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as “**Annexure - G**”. However, as per the provisions of the section 136(1) of the Companies Act, 2013, 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.

HUMAN RESOURCES ENVIRONMENT & SAFETY

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. As on 31st March, 2017 the Company had 1181 permanent employees at its manufacturing plants and administrative office.

The Company has constituted an Internal Complaint Committee pursuant to the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for prevention, prohibition or redressal of complaints/grievances on the sexual harassment of women at work places.

Your Directors further states that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

GREEN INITIATIVE

Your Company has adopted green initiative to minimize the impact on the environment. The Company has been circulating the copy of the Annual Report in electronic format to all those members whose email addresses are available with the Company. Your Company appeals other Members also to register themselves for receiving Annual Report in electronic form.

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.

**For and on behalf of the Board of Directors
of Aarti Drugs Limited**

**Sd/-
Prakash M. Patil
Chairman & Managing Director
DIN: 00005618**

**Place: Mumbai
Date: 23rd May, 2017**



Form No. MGT-9
EXTRACT OF ANNUAL RETURN

As on the Financial Year ended 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

- i) CIN : L37060MH1984PLC055433
 ii) Registration Date : 28th September, 1984
 iii) Name of the Company : Aarti Drugs Limited
 iv) Category / Sub-Category of the Company : Public Company Limited by Shares
 v) Address of the Registered Office and Contact Details : Plot No. 198, MIDC Tarapur, Tal. Palghar, Village Pamtermbhi, Dist. Palghar – 401 506, Maharashtra
 Tel: 022 – 2407 2249 / 2401 9025
 Email: investorrelations@aartidrugs.com
 vi) Whether Listed Company : Yes
 vii) Name, Address & Contact Details of Registrar & Transfer Agent, if any : M/s. Link Intime India Private Limited.
 C-101, 247 Park, L. B. S. Marg, Vikhroli (West), Mumbai – 400 083, Maharashtra
 Tel: 022 – 49186270
 Email: rnt.helpdesk@linktime.co.in
 Website: www.linktime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Name & Description of Main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
Pharmaceuticals	21001 & 21002	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sr. No.	Name & Address of the Company	CIN / GLN	Holding / Subsidiary/ Associate	% of Shares held	Applicable Section
1.	Pinnacle Life Science Private Limited	U24232HP2003PTC030912	Subsidiary	100%	2(87)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**i) Category – wise Share Holding**

Sr. No.	Category of Shareholder	No. of Shares held at the beginning of the year (As on 1 st April, 2016)				No. of Shares held at the end of the year (As on 31 st March, 2017)				% change during the year
		Physical	Demat	Total	% of Total Shares	Physical	Demat	Total	% of Total Shares	
(A)	Promoter									
	(1) Indian									
	(a) Individual / HUF	0	12685892	12685892	52.38	0	11693951	11693951	49.02	-3.36
	(b) Central / State Govt.	0	0	0	0	0	0	0	0	0
	(c) Bodies Corporate	0	2310944	2310944	9.55	0	3207899	3207899	13.44	3.89
	(d) Financial Inst./Banks	0	0	0	0	0	0	0	0	0

Sr. No.	Category of Shareholder	No. of Shares held at the beginning of the year (As on 1 st April, 2016)				No. of Shares held at the end of the year (As on 31 st March, 2017)				% change during the year
		Physical	Demat	Total	% of Total Shares	Physical	Demat	Total	% of Total Shares	
	(e) Any Other (Specify)	0	0	0	0	0	0	0	0	0
	Sub – Total (A)(1)	0	14996836	14996836	61.93	0	14901850	14901850	62.46	0.53
	(2) Foreign	0	0	0	0	0	0	0	0	0
	Sub – Total (A) (2)	0	0	0	0	0	0	0	0	0
	Total holding of Promoter (A) = (A) (1) + (A)(2)	0	14996836	14996836	61.93	0	14901850	14901850	62.46	0.53
	(B) Public Shareholding									
	(1) Institutions									
	(a) Mutual Funds	0	880776	880776	3.64	0	1042103	1042103	4.37	0.73
	(b) FI / Banks	0	15409	15409	0.06	0	16250	16250	0.07	0.01
	(c) Central / State Govt.	0	0	0	0	0	0	0	0	0
	(d) Venture Capital Funds	0	0	0	0	0	0	0	0	0
	(e) Foreign Institutional Investors	0	18999	18999	0.08	0	0	0	0	-0.08
	(f) Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0
	(g) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
	(h) Any Other (Specify)									
	Foreign Portfolio Investor	0	24026	24026	0.10	0	166420	166420	0.70	0.60
	Sub – Total (B)(1)	0	939210	939210	3.88	0	1224773	1224773	5.13	1.25
	(2) Non - Institutions									
	(a) Bodies Corporate	5802	225010	230812	0.95	0	272622	272622	1.14	0.19
	(b) Individuals									
	(i) Holding Nominal share capital upto ₹ 1 Lakh	527375	3342655	3870030	15.98	498239	3207944	3706183	15.53	-0.45
	(ii) Holding Nominal Share Capital in excess of ₹ 1 Lakh	22000	4037265	4059265	16.76	22000	3166464	3188464	13.36	-3.4
	(c) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
	(d) Any Other (Specify)									
	(i) Non Resident	0	96797	96797	0.40	0	297881	297881	1.25	0.85
	(ii) Foreign Bodies / OCB	0	0	0	0	0	0	0	0	0
	(iii) Trust	0	0	0	0	0	0	0	0	0
	(iv) Unclaimed Suspense Account	0	24150	24150	0.10	0	24150	24150	0.10	0
	(v) HUF	0	0	0	0	0	241177	241177	1.01	1.01
	Sub – Total (B)(2)	555177	7725877	8281054	34.20	520239	7210238	7730477	32.40	-1.80
	Total Public Shareholding (B) = (B)(1) + (B)(2)	555177	8665087	9220264	38.07	520239	8435011	8955250	37.54	-0.53
	TOTAL (A) + (B)	555177	23661923	24217100	100	520239	23336861	23857100	100	0
	(C) Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	555177	23661923	24217100	100	520239	23336861	23857100	100	0

NOTE: No. of Shares at the beginning of the year was 2,42,17,100. During the financial year 2016-17, the Company has bought back 3,60,000 fully paid – up Equity shares. Post Buy-back, the number of shares of the Company w.e.f. 26th December, 2016 is 2,38,57,100.



ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1 st April, 2016)			Shareholding at the end of the year (As on 31 st March, 2017)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Aarti Industries Limited	5,00,118	2.07	-	4,91,790	2.06	-	-0.01
2.	Aarti Rajendra Gogri	2,82,514	1.17	-	2,77,848	1.16	-	-0.01
3.	Aashay Rashesh Gogri	1,83,766	0.76	-	2,30,301	0.97	-	0.21
4.	Aarnav Rashesh Gogri	0	0.00	-	49,001	0.21	-	0.21
5.	Adhish Prakash Patil	2,83,444	1.17	-	2,78,238	1.17	-	0.00
6.	Alchemie Financial Services Limited	9,858	0.04	-	9,858	0.04	-	0.00
7.	Alchemie Finserv Private Limited	4,66,234	1.93	-	4,66,234	1.95	-	0.02
8.	Anushakti Enterprise Private Limited	0	0.00	-	5,69,500	2.39	-	2.39
9.	Arun Moreshwar Patil	16,236	0.07	-	15,967	0.07	-	0.00
10.	Bhoomi Harshit Savla	2,55,312	1.05	-	2,56,093	1.07	-	0.02
11.	Chandrakant Vallabhaji Gogri	6,95,980	2.87	-	5,59,763	2.35	-	-0.52
12.	Dilesh Roadlines Private Limited	0	0.00	-	22,330	0.09	-	0.09
13.	Gogri Finserv Private Limited	7,85,972	3.25	-	7,85,972	3.29	-	0.04
14.	Harshit Manilal Savla	10,19,184	4.21	-	11,00,689	4.61	-	0.40
15.	Hetal Gogri Gala	8,06,966	3.33	-	7,32,858	3.07	-	-0.26
16.	Indira Madan Dedhia	47,062	0.19	-	46,431	0.19	-	0.00
17.	Jay Manilal Savla	1,07,440	0.44	-	2,17,716	0.91	-	0.47
18.	Jay Savla (Trustee - MOMI's Trust)	5,45,212	2.25	-	4,58,712	1.92	-	-0.33
19.	Jaya Chandrakant Gogri	7,78,838	3.22	-	6,64,821	2.79	-	-0.43
20.	Jigna Hiren Shah	1,08,662	0.45	-	1,07,033	0.45	-	0.00
21.	Manilal Popatlal Savla	8,000	0.03	-	0	0.00	-	-0.03
22.	Manisha Rashesh Gogri	50,050	0.21	-	49,104	0.21	-	0.00
23.	Mirik Rajendra Gogri	6,51,914	2.69	-	6,40,622	2.69	-	0.00
24.	Prakash M Patil (HUF)	43,196	0.18	-	42,477	0.18	-	0.00
25.	Prakash Moreshwar Patil	20,61,619	8.51	-	20,24,721	8.49	-	-0.02
26.	Priti Prakash Patil	10,75,442	4.44	-	10,56,028	4.43	-	-0.01
27.	Rajendra Vallabhaji Gogri	8,26,048	3.41	-	5,62,813	2.36	-	-1.05
28.	Rashesh Chandrakant Gogri	11,23,532	4.64	-	10,06,748	4.22	-	-0.42
29.	Renil Rajendra Gogri	8,78,260	3.63	-	6,37,212	2.67	-	-0.96
30.	Rupal Drugs LLP	3,550	0.01	-	3,503	0.01	-	0.00
31.	Safechem Enterprises Private Limited	0	0.00	-	4,00,000	1.68	-	1.68
32.	Seema Harshit Savla	8,83,235	3.65	-	8,65,845	3.63	-	-0.02
33.	Sushila Manilal Savla	2,27,282	0.94	-	0	0.00	-	-0.94
34.	Uday Moreshwar Patil	12,600	0.05	-	12,590	0.05	-	0.00
35.	Vishwa Harshit Savla	2,59,310	1.07	-	2,59,032	1.09	-	0.02
	Total	1,49,96,836	61.93	-	1,49,01,850	62.46	-	0.53

NOTE: No. of Shares at the beginning of the year was 2,42,17,100. During the financial year 2016-17, the Company has bought back 3,60,000 fully paid – up Equity shares. Post Buy-back, the number of shares of the Company w.e.f. 26th December, 2016 is 2,38,57,100.

iii) Change in Promoter's Shareholding

Sr. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1.	Aarti Industries Limited				
	At the beginning of the year	500118	2.07	500118	2.07
	26.12.2016 - Buyback	(8328)	(0.03)	491790	2.06
	At the end of the year	491790	2.06	491790	2.06
2.	Aarti Rajendra Gogri				
	At the beginning of the year	282514	1.17	282514	1.17
	26.12.2016 - Buyback	(4666)	(0.02)	277848	1.16
	At the end of the year	277848	1.16	277848	1.16
3.	Aashay Rashesh Gogri				
	At the beginning of the year	183766	0.76	183766	0.76
	24.08.2016 – Market Purchase	50000	0.21	233766	0.96
	26.12.2016 – Buyback	(3465)	(0.01)	230301	0.97
	At the end of the year	230301	0.97	230301	0.97
4.	Aarnav Rashesh Gogri				
	At the beginning of the year	0	0.00	0	0.00
	24.08.2016 – Market Purchase	50000	0.21	50000	0.21
	26.12.2016 – Buyback	(999)	(0.00)	49001	0.21
	At the end of the year	49001	0.21	49001	0.21
5.	Adhish Prakash Patil				
	At the beginning of the year	283444	1.17	283444	1.17
	11.07.2016 – Market Purchase	300	0.00	283744	1.17
	26.12.2016 – Buyback	(5506)	(0.02)	278238	1.17
	At the end of the year	278238	1.17	278238	1.17
6.	Alchemie Financial Services Limited				
	At the beginning of the year	9858	0.04	9858	0.04
	Date wise increase / decrease in Promoter Shareholding	NIL	NIL	9858	0.04
	At the end of the year	9858	0.04	9858	0.04
7.	Alchemie Finserv Private Limited				
	At the beginning of the year	466234	1.93	466234	1.93
	Date wise increase / decrease in Promoter Shareholding	NIL	NIL	466234	1.93
	At the end of the year	466234	1.95	466234	1.95
8.	Arun Moreshwar Patil				
	At the beginning of the year	16236	0.07	16236	0.07
	26.12.2016 – Buyback	(269)	(0.00)	15967	0.07
	At the end of the year	15967	0.07	15967	0.07
9.	Anushakti Enterprise Private Limited				
	At the beginning of the year	0	0.00	0	0.00
	27.03.2017 – Off Market Gift received	125000	0.52	125000	0.52
	27.03.2017 – Off Market Gift received	100000	0.42	225000	0.94
	27.03.2017 – Off Market Gift received	100000	0.42	325000	1.36
	27.03.2017 – Off Market Gift received	100000	0.42	425000	1.78
	27.03.2017 – Off Market Gift received	35000	0.15	460000	1.93
	28.03.2017 – Off Market Gift received	100000	0.42	560000	2.35
	29.03.2017 – Off Market Gift received	5300	0.02	565300	2.37
	29.03.2017 – Off Market Gift received	4200	0.02	569500	2.39
At the end of the year	569500	2.39	569500	2.39	



Sr. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
10.	Bhoomi Harshit Savla				
	At the beginning of the year	255312	1.05	255312	1.05
	02.09.2016 – Market Purchase	6000	0.02	261312	1.08
	26.12.2016 – Buyback	(5219)	(0.02)	256093	1.07
	At the end of the year	256093	1.07	256093	1.07
11.	Chandrakant Vallabhaji Gogri				
	At the beginning of the year	695980	2.87	695980	2.87
	26.12.2016 – Buyback	(11217)	(0.05)	684763	2.87
	27.03.2017 – Off Market Gift given	(125000)	(0.52)	559763	2.35
	At the end of the year	559763	2.35	559763	2.35
12.	Dilesh Roadlines Private Limited				
	At the beginning of the year	0	0.00	0	0.00
	11.05.2016 – Market Purchase	1000	0.00	1000	0.00
	12.05.2016 – Market Purchase	1500	0.00	2500	0.01
	13.05.2016 – Market Purchase	500	0.00	3000	0.01
	25.05.2016 – Market Purchase	1000	0.00	4000	0.01
	26.05.2016 – Market Purchase	1000	0.00	5000	0.02
	27.05.2016 – Market Purchase	500	0.00	5500	0.02
	30.05.2016 – Market Purchase	250	0.00	5750	0.02
	01.06.2016 – Market Purchase	500	0.00	6250	0.02
	02.06.2016 – Market Purchase	500	0.00	6750	0.03
	03.06.2016 – Market Purchase	500	0.00	7250	0.03
	06.06.2016 – Market Purchase	500	0.00	7750	0.03
	07.06.2016 – Market Purchase	500	0.00	8250	0.03
	10.06.2016 – Market Purchase	500	0.00	8750	0.04
	13.06.2016 – Market Purchase	500	0.00	9250	0.04
	17.06.2016 – Market Purchase	2000	0.01	11250	0.05
	20.06.2016 – Market Purchase	500	0.00	11750	0.05
	22.06.2016 – Market Purchase	500	0.00	12250	0.05
	23.06.2016 – Market Purchase	500	0.00	12750	0.05
	27.06.2016 – Market Purchase	500	0.00	13250	0.05
	28.06.2016 – Market Purchase	500	0.00	13750	0.06
	04.07.2016 – Market Purchase	1000	0.00	14750	0.06
	05.07.2016 – Market Purchase	330	0.00	15080	0.06
	07.07.2016 – Market Purchase	500	0.00	15580	0.06
	26.07.2016 – Market Purchase	500	0.00	16080	0.07
	17.08.2016 – Market Purchase	3000	0.01	19080	0.08
	29.08.2016 – Market Purchase	250	0.00	19330	0.08
	31.08.2016 – Market Purchase	1000	0.00	20330	0.08
	02.09.2016 – Market Purchase	1000	0.00	21330	0.09
	09.09.2016 – Market Purchase	1000	0.00	22330	0.09
	At the end of the year	22330	0.09	22330	0.09
	13.	Gogri Finserv Private Limited			
At the beginning of the year		785972	3.25	785972	3.25
Date wise increase / decrease in Promoter Shareholding		NIL	NIL	785972	3.25
At the end of the year		785972	3.29	785972	3.29

Sr. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year		
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company	
14.	Harshit Manilal Savla					
	At the beginning of the year	1019184	4.21	1019184	4.21	
	28.06.2016 – Transmission	8000	0.03	1027184	4.24	
	26.12.2016 – Buyback	(19945)	(0.08)	1007239	4.22	
	07.03.2017 – Transmission	111750	0.47	1118989	4.69	
	27.03.2017 - Off Market Gift given	(35000)	(0.15)	1083989	4.54	
	29.03.2017 - Off Market Gift given	(5300)	(0.02)	1078689	4.52	
	29.03.2017 – Market Purchase	22000	0.09	1100689	4.61	
At the end of the year	1100689	4.61	1100689	4.61		
15.	Hetal Gogri Gala					
	At the beginning of the year	806966	3.33	806966	3.33	
	16.09.2016 – Market Purchase	40604	0.17	847570	3.50	
	26.12.2016 – Buyback	(14712)	(0.06)	832858	3.49	
	27.03.2017 - Off Market Gift given	(100000)	(0.42)	732858	3.07	
	At the end of the year	732858	3.07	732858	3.07	
16.	Indira Madan Dedhia					
	At the beginning of the year	47062	0.19	47062	0.19	
	26.12.2016 – Buyback	(631)	(0.00)	46431	0.19	
At the end of the year	46431	0.19	46431	0.19		
17.	Jay Manilal Savla					
	At the beginning of the year	107440	0.44	107440	0.44	
	26.12.2016 – Buyback	(1442)	(0.01)	105998	0.44	
	17.03.2017 – Transmission	111718	0.47	217716	0.91	
At the end of the year	217716	0.91	217716	0.91		
18.	Jay Savla (Trustee of Momi's Trust)					
	At the beginning of the year	545212	2.25	545212	2.25	
	28.10.2016 – Market Sale	(500)	(0.00)	544712	2.25	
	02.11.2016 – Market Sale	(500)	(0.00)	544212	2.25	
	06.01.2017 – Market Sale	(500)	(0.00)	543712	2.28	
	13.01.2017 – Market Sale	(500)	(0.00)	543212	2.28	
	20.01.2017 – Market Sale	(500)	(0.00)	542712	2.27	
	30.01.2017 – Market Sale	(500)	(0.00)	542212	2.27	
	31.01.2017 – Market Sale	(500)	(0.00)	541712	2.27	
	13.02.2017 – Market Sale	(500)	(0.00)	541212	2.27	
	17.02.2017 – Market Sale	(500)	(0.00)	540712	2.27	
	23.02.2017 – Market Sale	(500)	(0.00)	540212	2.26	
	03.03.2017 – Market Sale	(500)	(0.00)	539712	2.26	
	10.03.2017 – Market Sale	(500)	(0.00)	539212	2.26	
	15.03.2017 – Market Sale	(50000)	(0.21)	489212	2.05	
	29.03.2017 – Market Sale	(30500)	(0.13)	458712	1.92	
	At the end of the year	458712	1.92	458712	1.92	
	19.	Jaya Chandrakant Gogri				
		At the beginning of the year	778838	3.22	778838	3.22
		26.12.2016 – Buyback	(14017)	(0.06)	764821	3.20
28.03.2017 - Off Market Gift given		(100000)	(0.42)	664821	2.79	
At the end of the year	664821	2.79	664821	2.79		
20.	Jigna Hiren Shah					
	At the beginning of the year	108662	0.45	108662	0.45	
	26.12.2016 – Buyback	(1629)	(0.01)	107033	0.45	
At the end of the year	107033	0.45	107033	0.45		



Sr. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
21.	Manilal Papatlal Savla				
	At the beginning of the year	8000	0.03	8000	0.03
	28.06.2016 – Transmission	(8000)	(0.03)	0	0.00
	At the end of the year	0	0.00	0	0.00
22.	Manisha Rashesh Gogri				
	At the beginning of the year	50050	0.21	50050	0.21
	26.12.2016 – Buyback	(946)	(0.00)	49104	0.21
	At the end of the year	49104	0.21	49104	0.21
23.	Mirik Rajendra Gogri				
	At the beginning of the year	651914	2.69	651914	2.69
	26.12.2016 – Buyback	(11292)	(0.05)	640622	2.69
	At the end of the year	640622	2.69	640622	2.69
24.	Prakash M. Patil (HUF)				
	At the beginning of the year	43196	0.18	43196	0.18
	26.12.2016 – Buyback	(719)	(0.00)	42477	0.18
	At the end of the year	42477	0.18	42477	0.18
25.	Prakash Moreswar Patil				
	At the beginning of the year	2061619	8.51	2061619	8.51
	26.12.2016 – Buyback	(36898)	(0.15)	2024721	8.49
	At the end of the year	2024721	8.49	2024721	8.49
26.	Priti Prakash Patil				
	At the beginning of the year	1075442	4.44	1075442	4.44
	26.12.2016 – Buyback	(19414)	(0.08)	1056028	4.43
	At the end of the year	1056028	4.43	1056028	4.43
27.	Rajendra Vallabhaji Gogri				
	At the beginning of the year	826048	3.41	826048	3.41
	06.10.2016 – Market Sale	(50000)	(0.21)	776048	3.20
	26.12.2016 – Buyback	(13235)	(0.05)	762813	3.20
	21.03.2017 - Off Market Gift given	(200000)	(0.84)	562813	2.36
	At the end of the year	562813	2.36	562813	2.36
28.	Rashesh Chandrakant Gogri				
	At the beginning of the year	1123532	4.64	1123532	4.64
	26.12.2016 – Buyback	(16784)	(0.07)	1106748	4.64
	27.03.2017 - Off Market Gift given	(100000)	(0.42)	1006748	4.22
	At the end of the year	1006748	4.22	1006748	4.22
29.	Renil Rajendra Gogri				
	At the beginning of the year	878260	3.63	878260	3.63
	07.10.2016 – Market Sale	(25600)	(0.11)	852660	3.52
	26.12.2016 – Buyback	(15448)	(0.06)	837212	3.51
	22.03.2017 - Off Market Gift given	(200000)	(0.84)	637212	2.67
	At the end of the year	637212	2.67	637212	2.67
30.	Rupal Drugs LLP				
	At the beginning of the year	3550	0.01	3550	0.01
	26.12.2016 – Buyback	(47)	(0.00)	3503	0.01
	At the end of the year	3503	0.01	3503	0.01
31.	Safechem Enterprises Private Limited				
	At the beginning of the year	0	0.00	0	0.00
	22.03.2017 – Off Market Gift received	200000	0.84	200000	0.84
	22.03.2017 – Off Market Gift received	200000	0.84	400000	1.68
	At the end of the year	400000	1.68	400000	1.68

Sr. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
32.	Seema Harshit Savla				
	At the beginning of the year	883235	3.65	883235	3.65
	26.12.2016 – Buyback	(17390)	(0.07)	865845	3.63
	At the end of the year	865845	3.63	865845	3.63
33.	Sushila Manilal Savla				
	At the beginning of the year	227282	0.94	227282	0.94
	26.12.2016 – Buyback	(3814)	(0.02)	223468	0.94
	07.03.2017 – Transmission	(111750)	(0.47)	111718	0.47
	17.03.2017 – Transmission	(111718)	(0.47)	0	0.00
At the end of the year	0	0.00	0	0.00	
34.	Uday Moreshwar Patil				
	At the beginning of the year	12600	0.05	12600	0.05
	26.12.2016 – Buyback	(10)	(0.00)	12590	0.05
At the end of the year	12590	0.05	12590	0.05	
35.	Vishwa Harshit Savla				
	At the beginning of the year	259310	1.07	259310	1.07
	09.06.2016 – Market Purchase	355	0.00	259665	1.07
	10.06.2016 – Market Purchase	1000	0.00	260665	1.08
	13.06.2016 – Market Purchase	645	0.00	261310	1.08
	14.06.2016 – Market Purchase	1000	0.00	262310	1.08
	21.06.2016 – Market Purchase	500	0.00	262810	1.08
	22.06.2016 – Market Purchase	500	0.00	263310	1.09
	23.06.2016 – Market Purchase	500	0.00	263810	1.09
	28.06.2016 – Market Purchase	500	0.00	264310	1.09
	26.12.2016 – Buyback	(5278)	(0.02)	259032	1.07
	At the end of the year	259032	1.07	259032	1.07

NOTE: No. of Shares at the beginning of the year was 2,42,17,100. During the financial year 2016-17, the Company has bought back 3,60,000 fully paid – up Equity shares. Post Buy-back, the number of shares of the Company w.e.f. 26th December, 2016 is 2,38,57,100.

iv) **SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (Other than Directors, Promoters and Holders of GDRs and ADRs)**

Sr. No.	NAME	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1.	DSP Blackrock Micro Cap Fund & DSP Blackrock 3 Years Close Ended Equity Fund				
	At the beginning of the year	880776	3.64	880776	3.64
	08.04.2016 – Market Purchase	8320	0.03	889096	3.67
	15.04.2016 – Market Purchase	581	0.00	889677	3.67
	26.12.2016 – Buyback	(12654)	(0.05)	877023	3.68
At the end of the year	877023	3.68	877023	3.68	
2.	Jayshree H. Shah				
	At the beginning of the year	400356	1.65	400356	1.65
	26.12.2016 – Buyback	(7995)	(0.03)	392361	1.64
	10.03.2017 - Transfer	67751	0.28	460112	1.93
At the end of the year	460112	1.93	460112	1.93	



Sr. No.	NAME	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
3.	Liza N. Savia				
	At the beginning of the year	267802	1.11	267802	1.11
	02.12.2016 – Market Purchase	250	0.00	268052	1.11
	26.12.2016 – Buyback	(3619)	(0.01)	264433	1.11
	At the end of the year	264433	1.11	264433	1.11
4.	DSP Blackrock AIF Pharma Fund				
	At the beginning of the year	0	0.00	0	0.00
	16.09.2016 – Market Purchase	68826	0.28	68826	0.28
	23.09.2016 – Market Purchase	1592	0.01	70418	0.29
	02.12.2016 – Market Purchase	1419	0.00	71837	0.29
	10.03.2017 – Market Purchase	766	0.00	72603	0.30
	17.03.2017 – Market Purchase	85492	0.36	158095	0.66
	24.03.2017 – Market Purchase	2011	0.01	160106	0.67
	31.03.2017 – Market Purchase	4974	0.02	165080	0.69
	At the end of the year	165080	0.69	165080	0.69
5.	Rinku Parimal Desai				
	At the beginning of the year	159532	0.66	159532	0.66
	Date wise increase / decrease in Shareholding	0	0.00	159532	0.67
	At the end of the year	159532	0.67	159532	0.67
6.	Samir Pragji Shah				
	At the beginning of the year	185176	0.76	185176	0.76
	15.04.2016 – Market Sale	(300)	(0.00)	184876	0.76
	22.04.2016 – Market Sale	(300)	(0.00)	184576	0.76
	29.04.2016 – Market Sale	(1119)	(0.00)	183457	0.76
	06.05.2016 – Market Sale	(3330)	(0.01)	180127	0.74
	20.05.2016 – Market Sale	(1200)	(0.00)	178927	0.74
	15.07.2016 – Market Sale	(1850)	(0.01)	177077	0.73
	22.07.2016 – Market Sale	(3059)	(0.01)	174018	0.72
	29.07.2016 – Market Sale	(4600)	(0.02)	169418	0.70
	05.08.2016 – Market Sale	(66)	(0.00)	169352	0.70
	12.08.2016 – Market Sale	(404)	(0.00)	168948	0.70
	16.09.2016 – Market Sale	(2300)	(0.01)	166648	0.69
	23.09.2016 – Market Sale	(4985)	(0.02)	161663	0.67
	30.09.2016 – Market Sale	(3200)	(0.01)	158463	0.65
	07.10.2016 – Market Sale	(1253)	(0.00)	157210	0.65
	28.10.2016 – Market Sale	(800)	(0.00)	156410	0.65
	26.12.2016 – Buyback	(3124)	(0.01)	153286	0.64
	17.03.2017 – Market Sale	(418)	(0.00)	152868	0.64
	31.03.2017 – Market Sale	(574)	(0.00)	152294	0.64
	At the end of the year	152294	0.64	152294	0.64
7.	Nikhil Parimal Desai				
	At the beginning of the year	144016	0.59	144016	0.59
	26.12.2016 – Buyback	(2584)	(0.01)	141432	0.59
	At the end of the year	141432	0.59	141432	0.59
8.	Lakshmi Capital Investments Limited				
	At the beginning of the year	24026	0.09	24026	0.09
	22.04.2016 – Market Purchase	1906	0.01	25932	0.11
	29.04.2016 – Market Purchase	13411	0.05	39343	0.16

Sr. No.	NAME	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
	06.05.2016 – Market Purchase	5408	0.02	44751	0.18
	22.07.2016 – Market Purchase	7277	0.03	52028	0.21
	29.07.2016 – Market Purchase	22000	0.09	74028	0.31
	05.08.2016 – Market Purchase	5100	0.02	79128	0.33
	12.08.2016 – Market Purchase	9657	0.04	88785	0.37
	19.08.2016 – Market Purchase	6586	0.03	95371	0.39
	26.08.2016 – Market Purchase	13400	0.05	108771	0.45
	02.09.2016 – Market Purchase	5200	0.02	113971	0.47
	16.09.2016 – Market Purchase	11100	0.04	125071	0.52
	25.11.2016 – Market Purchase	1910	0.00	126981	0.52
	26.12.2016 – Buyback	(1678)	(0.00)	125303	0.52
	06.01.2017 – Market Purchase	2870	0.01	128173	0.54
	03.03.2017 – Market Purchase	470	0.00	128643	0.54
	24.03.2017 – Market Purchase	2000	0.01	130643	0.55
	At the end of the year	130643	0.55	130643	0.55
9.	Parimal H. Desai				
	At the beginning of the year	128050	0.53	128050	0.53
	26.12.2016 – Buyback	(2371)	(0.01)	125679	0.53
	At the end of the year	125679	0.53	125679	0.53
10.	Tarla P. Desai				
	At the beginning of the year	127066	0.52	127066	0.52
	26.12.2016 – Buyback	(2358)	(0.01)	124708	0.52
	At the end of the year	124708	0.52	124708	0.52

NOTE: No. of Shares at the beginning of the year was 2,42,17,100. During the financial year 2016-17, the Company has bought back 3,60,000 fully paid – up Equity shares. Post Buy-back, the number of shares of the Company w.e.f. 26th December, 2016 is 2,38,57,100.

v) **SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Sr. No.	Name of the Person	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1.	Prakash Moreswar Patil				
	At the beginning of the year	2061619	8.51	2061619	8.51
	26.12.2016 – Buyback	(36898)	(0.15)	2024721	8.49
	At the end of the year	2024721	8.49	2024721	8.49
2.	Rashesh Chandrakant Gogri				
	At the beginning of the year	1123532	4.64	1123532	4.64
	26.12.2016 – Buyback	(16784)	(0.07)	1106748	4.64
	27.03.2017 - Off Market Gift given	(100000)	(0.42)	1006748	4.22
	At the end of the year	1006748	4.22	1006748	4.22
3.	Harshit Manilal Savla				
	At the beginning of the year	1019184	4.21	1019184	4.21
	28.06.2016 – Transmission	8000	0.03	1027184	4.24
	26.12.2016 – Buyback	(19945)	(0.08)	1007239	4.22
	07.03.2017 – Transmission	111750	0.47	1118989	4.69
	27.03.2017 - Off Market Gift given	(35000)	(0.15)	1083989	4.54
	29.03.2017 - Off Market Gift given	(5300)	(0.02)	1078689	4.52
	29.03.2017 – Market Purchase	22000	0.09	1100689	4.61
	At the end of the year	1100689	4.61	1100689	4.61



Sr. No.	Name of the Person	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
4.	Harit Pragji Shah				
	At the beginning of the year	760572	3.14	760572	3.14
	29.07.2016 – Transmission	138262	0.57	898834	3.71
	26.12.2016 – Buyback	(17943)	(0.07)	880891	3.69
	10.03.2017 - Transfer	(135501)	(0.57)	745390	3.12
	27.03.2017 - Off Market Gift given	(100000)	(0.42)	645390	2.71
	At the end of the year	645390	2.71	645390	2.71
5.	Rajendra Vallabhaji Gogri				
	At the beginning of the year	826048	3.41	826048	3.41
	06.10.2016 – Market Sale	(50000)	(0.21)	776048	3.20
	26.12.2016 – Buyback	(13235)	(0.05)	762813	3.20
	21.03.2017 - Off Market Gift given	(200000)	(0.84)	562813	2.36
	At the end of the year	562813	2.36	562813	2.36
6.	Uday Moreshwar Patil				
	At the beginning of the year	12600	0.05	12600	0.05
	26.12.2016 – Buyback	(10)	(0.00)	12590	0.05
	At the end of the year	12590	0.05	12590	0.05
7.	Ramdas Maneklal Gandhi				
	At the beginning of the year	8000	0.03	8000	0.03
	26.12.2016 – Buyback	(159)	(0.00)	7841	0.03
	At the end of the year	7841	0.03	7841	0.03
8.	CA Navin C. Shah				
	At the beginning of the year	2376	0.00	2376	0.00
	19.09.2016 – Market Sale	(2376)	(0.00)	0	0.00
	At the end of the year	0	0.00	0	0.00
9.	Dr. Vilas G. Gaikar				
	At the beginning of the year	0	0.00	0	0.00
	Date wise increase / decrease in Promoter Shareholding	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
10.	Prof. K. G. Akamanchi				
	At the beginning of the year	0	0.00	0	0.00
	Date wise increase / decrease in Promoter Shareholding	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
11.	CA Bhavesh R. Vora				
	At the beginning of the year	0	0.00	0	0.00
	Date wise increase / decrease in Promoter Shareholding	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
12.	CA Priti P. Savia				
	At the beginning of the year	0	0.00	0	0.00
	Date wise increase / decrease in Promoter Shareholding	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
13.	Adhish Prakash Patil				
	At the beginning of the year	283444	1.17	283444	1.17
	11.07.2016 – Off Market Purchase	300	0.00	283744	1.17
	26.12.2016 – Buyback	(5506)	(0.02)	278238	1.17
	At the end of the year	278238	1.17	278238	1.17
14	Mr. Vibhav S. Ranade				
	At the beginning of the year	0	0.00	0	0.00
	Date wise increase / decrease in Promoter Shareholding	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00

NOTE: The No. of Shares at the beginning of the year was 2,42,17,100. During the financial year 2016-17, the Company has bought back 3,60,000 fully paid – up Equity shares. Post Buy-back, the number of shares of the Company w.e.f. 26th December, 2016 is 2,38,57,100.

V. INDEBTEDNESS**Indebtedness of the Company including interest outstanding / accrued but not due for payment**

Particular	Secured Loans	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
1. Principal Amount	34,294.70	12,189.61	-	46,484.32
2. Interest due but not paid	-	-	-	-
3. Interest accrued but not due	109.07	175.13	-	284.20
Total (1+2+3)	34,403.78	12,364.74	-	46,768.52
Change in Indebtedness during the financial year				
Addition	4,550.00	-	-	4,550.00
Reduction	3,424.30	40.00	-	3,464.30
Net Change	1,125.70	(40.00)	-	1,085.70
Indebtedness at the end of the financial year				
1. Principal Amount	33,495.46	11,294.94	-	44,790.40
2. Interest due but not paid	-	-	-	-
3. Interest accrued but not due	49.97	21.69	-	71.66
Total (1+2+3)	33,545.43	11,316.62	-	44,862.05

VI. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**A. REMUNERATION TO MANAGING DIRECTOR, WHOLE-TIME DIRECTORS AND/OR MANAGER**

(₹ In lacs)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
		Shri Prakash M. Patil CMD	Shri Rashesh C. Gogri MD	Shri Harshit M. Savla JT. MD	Shri Harit P. Shah WTD	Shri Uday M. Patil WTD WTD	
1.	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	69.09	58.29	58.29	58.29	6.34	250.30
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-	-	-
2.	Stock Option	-	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-	-
4.	Commission - as % of profit - others,	55.53	55.53	55.53	55.53	-	222.12
5.	Others, please specify	-	-	-	-	-	-
TOTAL (A)		124.62	113.82	113.82	113.82	6.34	472.42
Ceiling as per the Act		10% of the Net Profits of the Company					



B. REMUNERATION OF OTHER DIRECTOR

(₹ In lacs)

Sr. No.	Particulars of Remuneration	Name of Directors						Total Amount
		Shri Ramdas Gandhi	CA Bhavesh Vora	Prof. K. G. Akamanchi	Dr. Vilas Gaikar	CA Navin Shah	CA Priti Savla	
1.	Independent Directors							
	a. Fee for attending board committee meetings	1	0.80	0.60	0.30	1	0.60	4.30
	b. Commission	-	-	-	-	-	-	-
	c. Others, please specify	-	-	-	-	-	-	-
	Total (1)	1	0.80	0.60	0.30	1	0.60	4.30
2.	Other Non-Executive Directors							
	• Fee for attending board committee meetings	0.40	-	-	-	-	-	0.40
	• Commission	-	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-	-
	Total (2)	0.40	-	-	-	-	-	0.40
	Total Managerial Remuneration Total (B)=(1+2)	1.40	0.80	0.60	0.30	1	0.60	4.70
	Overall Ceiling as per the Act	1% of the Net Profits of the Company						

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD:

(₹ In lacs)

Sr. No.	Particulars of Remuneration	TOTAL		
		Shri Prakash M. Patil CEO	Shri Adhish P. Patil CFO	Shri Vibhav S. Ranade CS
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	69.09	29.55	3.84
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - Others, specify...	55.53	-	-
5.	Others, please specify	-	-	-
	Total	124.62	29.55	3.84

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

During the year no such instances of Penalty / Punishment / Compounding Fees imposed by any authorities on the Company / Directors / other Officers in default.

ANNEXURE - B

FORM AOC-1

[Pursuant to first proviso to sub – section (3) of Section 129 read with Rule 5 of Companies (Account) Rules, 2014]

Statement containing salient features of Financial Statements of Subsidiaries / Associate Companies / Joint Ventures

Part "A" – Subsidiaries

Sr. No.	Name of Subsidiary Company	Reporting Period	Reporting Currency & Exchange Rate as on the last date of the relevant financial year in the case of foreign subsidiary	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover/ Total Income	Profit Before Taxation	Provision for Taxation	Proposed Dividend	% of Shareholding
1.	Pinnacle Life Science Pvt. Ltd.	01.04.2016-31.03.2017	INR	778.28	1206.20	9413.90	9413.90	0.50	14581.92	842.71	191.00	0.00	100%

For and On behalf of Board of Directors of Aarti Drugs Limited

Sd/-
Prakash M. Patil
Chairman & Managing Director
DIN: 00005618

Sd/-
Harshit M. Savla
Jt. Managing Director
DIN: 00005340

Sd/-
Adhish P. Patil
Chief Financial Officer

Sd/-
Vibhav S. Ranade
Company Secretary

Place: Mumbai
Date: 23rd May, 2017



ANNEXURE - C

NOMINATION POLICY OF AARTI DRUGS LIMITED

This Policy on Director's Nominations (the "Policy") describes the process by which candidates for possible inclusion in the Company (the "Candidates") are selected. The Policy is established and administered by the Nomination and Remuneration Committee (the "Committee") of AARTI DRUGS LIMITED (the "Company").

1) BOARD MEMBERSHIP CRITERIA

The Committee's charter provides that the Committee is responsible for, among other things, identifying individuals qualified to become members of the Company's Board of Directors (the "Board") and selecting, or recommending to the Board, the nominees to stand for election as directors

A. GENERAL QUALIFICATIONS:

When evaluating a person for nomination for election to the Board or at senior management level, the qualifications and skills considered by the Committee, will include, but are not limited to:

- whether the person is qualified under applicable laws and regulations to serve as a director of the Company;
- whether or not the person is willing to serve as a Director or at senior management level and willing to commit the time necessary for the performance of the duties of a Director;
- the contribution that the person can make to the Board or at senior management, with consideration being given to the person's business experience, education and such other factors as the Board may consider relevant;
- whether a candidate contributes to the Board's overall diversity with diversity being broadly construed to mean a variety of personal and professional experiences and education;
- opinions, perspectives and backgrounds;
- the character and integrity of the person;
- the extent to which the person demonstrates a long-term and strategic perspective and
- the extent to which the person possesses pertinent technological, political, business, financial or social/cultural expertise and experience.

The Committee is of the view that the continuing service of qualified incumbents promotes stability and continuity in the board room or at senior management level, contributing to the Board's ability to work as a collective body, while giving the Company the benefit of the familiarity and insight into the Company's affairs that its directors have accumulated during their tenure. Accordingly, the process of the Committee for identifying nominees shall reflect the Company's practice of re-nominating incumbent directors or persons at senior level management who continue to satisfy the Committee's criteria for membership on the Board or at senior management level, whom the Committee believes continue to make important contributions to the Board and who consent to continue their service on the Board.

B. SOURCES OF INQUIRY:

The Committee may use multiple sources for identifying director candidates, including its own contacts and referrals from other Directors, members of management, the Company's advisors, and executive search firms.

In making recommendations for Director Nominees for the annual meeting of shareholders the Committee will consider any written recommendations of director candidates by shareholders received by the Secretary of the Company. No person nominated by a shareholder will be eligible to serve as a director of the Company unless nominated in accordance with the procedures set forth in such Nomination policy.

This Nomination Policy is intended to provide a flexible set of guidelines for the effective functioning of the Company's nomination process. The Board of Directors anticipates that modifications may be necessary or appropriate from time to time as the Company's needs and circumstances evolve and as applicable legal or listing standards change.

2) EVALUATION CRITERIA:

The Committee shall evaluate the performance of the directors on the basis of the following criteria:

- Accomplishment of the organization's mission, objectives and strategic results for which the Director is responsible;
- Adherence to operational policies approved by the board;

- Insuring that the board is well informed on issues affecting the continuing relevance of the mission and the performance and reputation of the Society

Evidence of Performance

The Board and Director will agree in advance on how information on the above criteria will be collected and provided. The means of gathering this information or demonstrating accomplishment will include:

1) Reports from the Director on progress towards the mission and objectives of the organization and current strategic goals.

The Executive Director's regular reports to the Board will be included.

The Board and Executive Director will agree in advance on the specific performance indicators, which will include:

- Changes in the community to which the organization has contributed;
- Improvements in lives of clients or consumers;
- Improvements in shareholders Net-worth;
- Internal organizational improvements (e.g. increased capacity, Financial Results etc.)

2) Monitoring reports from the Director on the implementation of and adherence to operational policies.

- These reports will be formally requested by the Board.
- The board will select two or three specific policies it is interested in examining in each evaluation period

3) Independent verification and other data gathered by the Committee in relation to the implementation of operational policies.

- The Committee may want to interview selected clients, staff, key stakeholders, funders and suppliers and inspect specific records.
- Regular client or customer feedback mechanisms (e.g. satisfaction surveys) are valuable as management and governance tools, as well as being employed in the evaluation of the executive director.

REMUNERATION POLICY OF AARTI DRUGS LIMITED

BACKGROUND:

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that Shareholders remain informed and confident in the management of the Company. The Company also understands the importance of attracting and maintaining high quality individuals from directors right through to support Staff.

OBJECTIVE:

The objectives of this policy are:

- (a) to create a transparent system of determining the appropriate level of remuneration throughout all levels of the Company;
- (b) encourage people to perform to their highest level;
- (c) allow the Company to compete in each relevant employment market; and
- (d) provide consistency in remuneration throughout the Company; and
- (e) align the performance of the business with the performance of key individuals and teams within the Company.

The policy details the types of remuneration to be offered by the Company and factors to be considered by the Board, Nomination & Remuneration Committee and management in determining the appropriate remuneration strategy.

CONTRACT:

- (i) Non-Executive Directors will enter into a letter of engagement. This letter of engagement will set out the terms and conditions of the engagement and the performance expectations for the role and the remuneration package for that Director. The Terms and Conditions for the engagement must be approved by the Board.
- (ii) Each Executive Director, executive and senior management employee will enter into a contract with the Company clearly setting out the terms and conditions of the remuneration package for that person. The contract will set out the expectations for the performance of the role and the key performance indicators, measures and criteria for assessment.



The Nomination & Remuneration Committee and the Board must approve all contracts for senior management and Directors. The Board will disclose the details of any contract in accordance with the law and the Communications & Continuous Disclosure Policy.

FORMS OF REMUNERATION:

The remuneration of employees largely consists of basic salary, perquisites, bonus and performance incentives. The main objective of the remuneration policy is to motivate each and every employee and to stimulate excellence in their performance, recognize merits / achievements in order to retain the talent in the Company and to promote the feeling of belongingness.

With the assistance of the Board, Nomination & Remuneration Committee will approve the forms of remuneration to be offered to executive directors, executives, senior management and other employees (Employees), which may include:

FIXED REMUNERATION:

The Nomination & Remuneration Committee and the Human Resources Manager in consultation with the Board will from time to time determine the fixed remuneration level for each Employee within the Company. Such remuneration levels will be determined according to industry standards, relevant laws and regulations, labour market conditions and scale of Company's business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Company. Employees may be offered the opportunity to receive part of their fixed remuneration in the form of direct benefits.

PERFORMANCE BASED REMUNERATION:

In addition to fixed remuneration the Company will implement a system of bonuses and incentives designed to create a strong relationship between performance and remuneration. Performance based remuneration will be linked to specific performance targets which will be disclosed to relevant employees regularly.

EQUITY BASED REMUNERATION:

To motivate executives and management to pursue the long term growth and success of the Company will include various plans and initiatives to deliver parts of the performance based remuneration as equity in the Company. The terms and conditions of any employee share plans will be approved by the Nomination & Remuneration Committee and the Board and disclosed to the shareholders and market in accordance with the continuous disclosure policy.

TERMINATION PAYMENTS:

Each contract (excluding non-executive Directors) will set out in advance the entitlement to payment upon termination of employment for each Employee. The Nomination & Remuneration Committee and the Board must approve all termination payments provided to all Employees at the level of director, executive or senior management to ensure such payments reflect the Company's remuneration policy.

EMPLOYEE ENTITLEMENTS:

The Company will comply with all legal and industrial obligations in determining the appropriate entitlement to long service, annual, personal and parental leave.

NON-EXECUTIVE DIRECTORS:

The Company will remunerate Non-Executive Directors in a manner designed to attract and maintain high quality Board members. Non-Executive Directors will receive a set fee (including superannuation) for their service and may be issued securities in the Company, provided that Non-Executive Directors are not entitled to any performance-based options, bonus payments or retirement benefits. The remuneration of Non-Executive Directors must be consistent with and supportive of maintaining the Non-Executive Director's independence.

ANNEXURE - D**Corporate Social Responsibility (CSR) Activities**

(₹ In Lakhs)

A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	Corporate Social Responsibility Section of Directors Report & Management Discussion and Analysis contains the requisite details.
The Composition of the CSR Committee.	Shri Navin C. Shah (Chairman) – Independent Director Shri Prakash M. Patil – Executive Director Shri Rashesh C. Gogri – Executive Director
Average net profit of the Company for last three financial years (Amount in Lakhs)	₹ 9,255.36/-
Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above) (Amount in Lakhs)	₹ 185.11/-
Details of CSR spent during the financial year. (1) Total amount to be spent for the F.Y. (2) Amount unspent, if any; (3) Manner in which the amount spent during the financial year	₹ 185.11/- ₹ 0.04/- Details given in table below

CSR project or activity identified	Locations where project is undertaken (Local Area / District)	Sector in which the project is covered	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs (1) Direct Expenditure on projects or programs (2) Overhead	Cumulative Expenditure upto the reporting period	Amount spent: Direct or through implementing Agency
a) Education & Skill Development	Mumbai, Bahadoli, Boisar (Maharashtra)	Rural Development	₹ 185.11/-	₹ 185.07/-	₹ 185.07/-	₹ 185.07/- (Direct as well as implementing Agency)
b) Health	Amravati (Maharashtra), Vatrak (Gujarat)					
c) Environment	Palghar, Nashik (Maharashtra)					
d) Social Welfare	Maan, Palghar (Maharashtra)					
e) Promotion of Sports and allied trainings	Palghar (Maharashtra) and Sikkim					

Details of Implementing Agency:

Aarti Foundation, Sudha Pratishthan, Institute of Chemical Technology, Shree Siddhivinayak Sevabhavi etc.

We hereby confirm that the implementation and monitoring of CSR Activities is in compliance with CSR objectives and the CSR policy of the Company.

Place: Mumbai
Date: 23rd May, 2017

Sd/-
Navin C. Shah
Chairman of CSR Committee
DIN: 0001415556

Sd/-
Prakash M. Patil
Chairman, Managing Director & CEO
DIN: 00005618

**ANNEXURE - E****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 includes:

- Installation of energy efficient aerodynamically designed FRP fans replacing regular Aluminium fans for cooling towers.
- Installation of 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 insulation 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 used as a supplementary fuel along with liquid effluent in waste heat recovery boiler.
- Attempt 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 and
- Use of charcoal/carbon briquettes as a solid fuel in boilers.

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

Measures for reduction in energy consumption includes:

- Solar roof top project
- Coal based trigeneration at T-150 Unit and
- 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)	52350112	44948705
Total Amount (₹ In Lakhs)	3776.34	3628.75
Per Unit (₹)	7.21*	8.07
2 Furnace Oil		
Purchased Units (MT)	718.58	1347.56
Total Amount (₹ in Lakhs)	154.20	211.24
Per Unit (₹) (Per Kg)	21.46	15.68
3 Coal		
Consumption (Unit)	54755571	47070588
Total Amount (₹ In Lakhs)	1252.42	1061.82

	<u>Current Year</u>	<u>Previous Year</u>
Rate Per Unit	2.29	2.26
4. Others (₹ In Lakhs)		
Diesel (Rs in Lakhs)	152.88	200.83
Briquettes (Rs in Lakhs)	174.68	-

* Refund of MSEDCL Tariff Difference between Continuous to Non - Continuous for the period March, 2014 to December, 2015.

II. Consumption per unit of production:

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

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- The Company has successfully validated & commercialized manufacturing process for Pentapazole Sodium, Atorvastatin Calcium, Adenine and Enrofloxacin Hydrochloride. Initially manufacturing process is for non-regulatory market. The commercial production of the same will be started during second quarter of the 2017-18. The quality of Pentapazole Sodium, Atorvastatin Calcium, Adenine, Enrofloxacin Hydrochloride is as per Pharmacopieal Standards
- Company has successfully validated and commercialized new route of synthesis for Norfloxacin.
- The Company has also developed cost-effective process to compete china for Antibiotics and its intermediates, Antidiarrhoeals and Antidiabetic. The Company has also carried out Process Improvement Work which leads to improvement in quality as well as cost – reduction. The Company is making continuous efforts to further improve quality of all API's which the Company supplies. The Company had also validated manufacturing process for Ciprofloxacin Hydrochloride and Clopidogrel Bisulphate for free flowing material.
- The Company is working to develop manufacturing process for Tetrafluoro Benzoyl Chloride, an imported RM for O-Acid/ Levo-Acid to remove dependency on China.
- The Company is also working to develop manufacturing process for Ornidazole by Boron Trifluoride which is a green process.
- We have pilot plant validated manufacturing process for Clopidogrel Bisulphate Intermediate to replace hazardous chemicals like Thionyl Chloride.
- We have pilot plant validated process for use of recovered Tartaric Acid.
- We have developed and commercialized process of Sodium Benzene Sulfinat.
- We are making continuous efforts on Effluent Treatment Management.
- We have adopted quality wise effluent segregation methodology for better treatment. We have also installed Common facility to treat effluent at T-150. In near future we will achieve "Zero Liquid Discharge" for Organic contaminated effluent. We are implementing centralized effluent treatment plant using Multiple Effect Evaporators and incinerator for treating liquid effluent and solid waste from all units of Aarti Drugs Limited. The Facility will be commissioned from Third quarter of 2017.
- We have also taken various steps in plants for reduction in use of water & effluent generation. With these steps, there is about 40% to 50% reduction in use of fresh water & subsequently quantity of effluent generated.

3. RESEARCH AND DEVELOPMENT (R & D):

The Company's R&D Center at Plot No. E-1, MIDC Industrial Area, Tarapur, recognized by Department of Science and Industry Research, Government of India, carries on 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 2016-17

The focused areas of the Company's R&D effort during 2016-17 include:

- We specially focused on recovery of usable by - products and side products from waste streams to reduce Organic load of effluent treatment plant. By product /Side product recovery from Metronidazole API is best example. We recovered all inorganic salts from waste.
- Improvement of existing process of products by enhancing yields and reducing costs by optimization of reaction parameters, reaction reengineering and implementing cost effective routes of synthesis on continuous basis, reduction of effluent and Process involving continuous operations. These 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 in next few 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 and
- IV. Improved quality of products to fulfill existing in-house demands of customers.
- V. R&D efforts have helped to reduce effluent and water consumption.

(C) Future plans of Action:

1. Further improvement in process efficiencies of existing products.
2. The Company expects to file new DMFs and also to update the existing ones during the year 2017-18 with Global regulatory authorities. This would help increase exports to regulated markets with better margins by supply of generic API's too.
3. Development of Cost Effective Processes/Technologies for APIs of the semi-regulated & Non - Regulated Markets.
4. Development of Green process with the help of Innovative technologies.

(D) Expenditure on R&D

	(₹ In Lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
Capital	179.62	1261.94*
Recurring	380.10	387.60#
Total	<u>559.72</u>	<u>1649.54</u>

* Capital expenditure includes expenditure on development of new product of ₹ 972.99/- Lakhs

Capital expenditure includes expenditure on development of new product of ₹ 44.42/- Lakhs.

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(₹ In Lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
Total Foreign Exchange Earned (FOB)	39198.08	35854.57
Total Foreign Exchange Earned (CIF)	40164.22	36732.59
Total Foreign Exchange Used		
CIF Value of Imports:		
- Raw Material	41835.58	44324.64
- Capital Goods	321.01	251.31
Expenditure in Foreign Currency		
- Commission	363.57	498.75
- Travelling Expenses	32.28	33.35
- Sales Promotion	39.97	70.30
- Foreign Bank Charges	80.32	59.26
- Interest on F. C. Loan	203.43	223.86
- Others	105.38	279.05
TOTAL	<u>42981.54</u>	<u>45740.52</u>

ANNEXURE - F

Form No. MR - 3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2017

**(Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014)**

To,
The Members,
Aarti Drugs Limited

(CIN: L37060MH1984PLC055433)
Plot No. N - 198, M.I.D.C., Tarapur,
Village-Pamtermbhi, Dist. Palghar,
Maharashtra - 401 506

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Aarti Drugs Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on March 31, 2017 ('**Audit Period**') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment, External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**Not applicable to the Company during Audit Period**);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (**Not applicable to the Company during Audit Period**);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**Not applicable to the Company during Audit Period**);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not applicable to the Company during Audit Period**); and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998
- (vi) Other Laws applicable specifically to the Company, identified and confirmed by the Company and relied upon by me are as under:



- (a) Drugs & Cosmetics Act, 1940 and rules made thereunder
- (b) Narcotic Drugs and Psychotropic Substances Act, 1985
- (c) The Insecticides Act, 1968
- (d) Explosives Act, 1889
- (e) Air (Prevention and Control of Pollution) Act 1981
- (f) Water (Prevention and Control of Pollution) Act 1974
- (g) The Noise (Regulation and Control) Rules 2000
- (h) Environment Protection Act, 1986 and other environmental laws
- (i) The Indian Boilers Act, 1923 & The Indian Boilers Regulations 1950
- (j) Public Liability Insurance Act, 1991;
- (k) Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

During the Audit Period under review and as per the representations and clarifications made, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above **except for (i) board resolutions passed for borrowings from banks on 05.05.2016 and, 12.08.2016 and board resolution passed for lending and investment in subsidiary on 12.08.2016 are pending to be filed with MCA pending filing of applications for condonation of delay; and (ii) three changes exceeding 2% in the shareholdings of Promoters have not been filed with MCA.**

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at the Board Meetings were taken unanimously as recorded in the minutes of the meetings of the Board of Directors.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the Audit Period under review, in my view, there were no specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

This report is to be read with my letter of even date which is annexed as **Appendix - I** and forms an integral part of this report.

For Sunil M. Dedhia & Co.

Sd/-

CS Sunil M. Dedhia
Proprietor

FCS No: 3483 C.P. No. 2031

Place: Mumbai
Date: 23rd May, 2017

Appendix - I

To,
The Members,
Aarti Drugs Limited
(CIN: L37060MH1984PLC055433)
Plot No. N - 198, M.I.D.C., Tarapur,
Village-Pamtermbhi, Dist. Palghar,
Maharashtra - 401 506

My report of even date is to be read along with this letter.

Management's Responsibility

- (1) Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

Auditor's Responsibility

- (2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
- (3) I have not verified the correctness and appropriate of financial records and Books of Accounts of the Company.
- (4) Wherever required, I have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and Other Applicable Laws, Rules, Regulations, Standard is the responsibility of Management. My examination was limited to the verification of procedures on test basis.

Disclaimer

- (6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For Sunil M. Dedhia & Co.

CS Sunil M. Dedhia
Proprietor
FCS No: 3483 C.P. No. 2031

Place: Mumbai
Date: 23rd May, 2017



MANAGEMENT DISCUSSION AND ANALYSIS

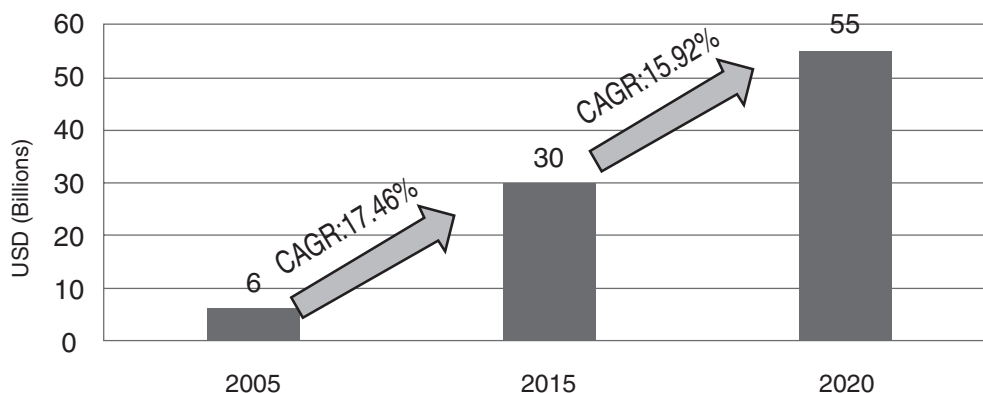
INDUSTRY STRUCTURE & DEVELOPMENTS

Pharmaceutical Industry – Global & Indian

The value of the global API market (including both the merchant market and the captive market) is expected to reach US \$185 billion by 2020. Due to globalization, pharmerging countries have 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 developed market led by the United States, the major five European markets and Japan had been the primary drivers of increased growth, while the 21 pharmerging countries are expected to increase their contribution to growth over next five years and account for nearly 50% of absolute growth by 2018.

The Indian pharmaceutical market is the third largest in terms of volume and thirteen largest in terms of value. Its revenue is estimated to grow at 15% per annum between 2015 and 2020, thus outperforming the global pharmaceutical industry. By 2020, India is likely to be among the top three pharmaceutical markets in terms of growth and sixth largest market globally in absolute size. The country is a significant producer of APIs and formulations. Indian Pharma Companies include global players in generics and vaccines. India supplies 20% of global generic medicines in terms of volume, making the country the largest provider of generic medicines globally and expected to expand even further in coming years. India's cost of production is significantly lower than that of the US and almost half of that of Europe. It gives a competitive edge to India over others. The Indian pharmaceutical industry is one of the most advanced science based industry exhibiting an array of capabilities from producing basic pharmaceutical ingredients to completely finished pharmaceutical products. 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' The Government of India is committed to setting up robust healthcare and delivery mechanisms. Generic drugs are the largest segment of the Indian pharmaceutical sector, with 70% of market share in terms of revenues. India now contributes to about 2.4% of the global pharmaceutical industry in value terms and 10% in volume terms. The Indian industry grew at a CAGR of 17.46% from 2005 to 2015 and is expected to expand further at a CAGR of 15.92% to US \$55 billion by 2020. (Fig 1)

Figure 1: Growth of Indian Pharmaceutical Industry in Terms of Revenue



BUSINESS STRATEGY

Domestic Market and Trends:

The domestic formulation market has witnessed a healthy growth in demand during 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 higher overall healthcare spend. The market is expected to grow with a CAGR of 15.92% to reach a size of US \$ 55 billion by 2020. Indian bulk drug industry has grown as a direct offset of formulation growth worldwide.

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 the Company in the space of Antibiotic, Anti-diabetic, Antifungal, Antidiarrheal, Anti-inflammatory and Cardioprotectant 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. Recently commissioned antibiotic and anti-diarrheal facilities got WHO-GMP approvals and are contributing to growth in domestic market. Due to demonetization during 3rd quarter, domestic sales suffered a temporary setback.

Export Market And Trends:

India holds a pivotal position in the global API market and is ranked third largest in the world. India is the second largest supplier of generic APIs to the US market with a 24.4% share, only second to Italy according to the Chemical Pharmaceutical Generic Association report. India is also increasing its supply to Western Europe, accounting for 19.2% of the supply to the region.

Bulk drugs exports are estimated to have grown at a CAGR of about 14.7% between 2007-08 and 2012-13, mainly on account of India emerging as a preferred manufacturing hub for high quality APIs. Bulk drugs exports to regulated markets, are expected to grow to 51% by 2018-19.

Indian pharmaceutical industry's strength lies in generic drugs in both domestic and international markets. Indian firms produce nearly 60,000 generic brands in 60 therapeutic categories. Generic drugs account for most of India's pharmaceutical exports as well as more than 90% of the drugs in the domestic market.

India supplies 20% of global generic medicines in terms of volume, making the country the largest provider of generic medicines globally and expected to expand even further in coming 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.

Company received COS approval in 2nd half of financial year 2016-17 for its Anti-diabetic product for European markets which led to significant increase in its capacity utilization. The Company has done lot of automation for its USFDA approved facility, addressing data integrity issues. This facility has been inspected by EDQM authority in 3rd quarter of the year under review and has been approved for European markets. Company had interaction with USFDA and has submitted its response to information request. We are expecting an USFDA inspection in the coming year for the withdrawal of Import Alert. However, other facilities of ADL continue to maintain CGMP certifications like COFEPRIS, ANVISA, TGA, WHO GMP and ISO resulting in competitive advantage. Good demand in global markets, new product launches and additional regulatory approvals will provide impetus for growth in exports of the Company.

OPPORTUNITIES & THREATS

SWOT ANALYSIS

Strengths & Opportunities:

The Company has been continuously striving to keep its costs to minimum possible to 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, reliability and quality. Furthermore, the Company continuously keeps on upgrading its regulatory framework to qualify for more CGMP certifications from across the world, thus opening up more geographies globally.

The Company 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. The Company has always been vertically integrated, manufacturing most of its intermediates for captive consumption. Till date the Company has exported to over 100 countries worldwide indicating its strong marketing network, logistics capability and geographic spread of the ADL brand. Customer diversification is also one of key strengths of the Company reducing its dependence on any single customer.

The Company is operating State-of-the Art R&D Center, at Tarapur, which is recognized by Department of Science and Industry Research, Government of India. 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. The Company has more than 30 years of manufacturing experience and has developed expertise in various reactions at large commercial scale, also building the long-term customer relationships, which is a key strength in API manufacturing industry.

The Company has now two formulation manufacturing units for toll manufacturing under its subsidiary Pinnacle Life Science Pvt. Ltd. We have also started formulation exports and expect to grow in global markets by registering finished products in various geographies through its subsidiary. Recently, we got approval in UK market for one of our finished products and expect to start commercial operations soon.



RISK AND CONCERNS

Weaknesses, Risks and Concerns:

Variation in crude oil prices would always be area of concern. The Company 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. The Company is also evaluating options for renewable energy sources for future. The Company 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 the Company's operations because approximately 39% of its total revenues consist of exports. However, natural hedge mitigate the risk to large extent due to the imports. The Company has a strict FOREX policy of hedging all of its foreign currency loans to mitigate the risk of volatility of exchange rate.

Macro economic conditions like sudden currency variations, US dollar remittance issues in African countries etc. do affect the export demand. However, pharmaceutical being a defensive sector, backed by the strong domestic demand, such risks are mitigated to some extent.

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. The Company is online on Microsoft Dynamics Navision ERP systems for enhanced reporting and internal control systems. The Company has also upgraded its ERP systems to be ready for the GST implementation.

FINANCIAL & OPERATIONAL PERFORMANCE

During the year under review the Company has achieved consolidated top line of ₹ 1288.08 crore, achieving a y-o-y growth of 4.87%, correspondingly EBIDTA worked out to ₹ 189.66 crore as against ₹ 175.69 crore in the previous year recording a growth of 7.95%. Net profit after tax was ₹ 80.56 crore as against ₹ 68.72 crore in the previous year recording a growth of 17.23%.

Keeping long term view in mind, the Company has carried out various expansion programs in last three years. There had been good volume growth during the year under review but however, due to lower selling prices the actual sales growth in value terms seems much lesser. Reduction in raw material prices was the major reason for this drop in selling prices of our products. Due to volume growth, margin improved slightly on account of overheads leverage, which in turn resulted in PAT growth of 17.23%.

SEGMENT-WISE PERFORMANCE

For the year 2016-17, around 96% of the total standalone sales of the Company came from APIs and its allied intermediate segment and approximately 4% from the specialty chemicals. Within the API segment, Antibiotic therapeutic category contributes to around 39%, Anti-diarhoeals around 26%, Anti-inflammatory around 11%, followed by Anti-fungal, Anti-diabetic and Cardioprotectant therapeutic categories. On a consolidated basis, formulation sales is around 13% of the total revenues.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

Human Resource

Human capital has always been the most important and valuable asset to the Company. The Company has approximately 1181 permanent employees as on 31st March, 2017 at factory and office level. HRD center had conducted number of training programs during the year 2016-17 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, your Company actively contributes to the various segments such as Education and Skill Development, Health, Environment, Social Welfare, Promotion of Sports and allied trainings. During the year under review, the Company has provided furniture to School located in the state of Maharashtra. The Company has also actively contributed towards Literacy Education Programmes during the year under review. Your Company through Aarti Foundation is in process of assisting in developing Medical College in the State of Gujarat. Also

the Company has provided various infrastructure facilities to the Hospitals in the State of Maharashtra. Your Company has also successfully completed plantation programme of 60,000 trees in the Palghar District in the State of Maharashtra. Also, the Company has conducted various sports activities in the State of Sikkim during the year under review.

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 an eco-friendly manner. Company is also exploring the opportunities for using renewable energy sources in future.

The Company has continuously innovated many more techniques to reduce the effluent generation in the process, utility and domestic areas across units to reduce the entire effluent stream. 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. Company is striving to reach towards the goal of zero organic effluent discharge by means of multiple effect evaporators and incinerators.

During the year, the Company has conducted various training programmes in all units regarding use and importance of PPE's, Safety Awareness and behavior related to safety. Faculties of Bombay Productivity Council conducted training programme on '5S & Kaizen' and 'Behavior Based Safety in Organization (Industrial Safety Awareness)' for the employees of the Company. Safety Consultant and Ex – Deputy Director of Department of Industrial Safety and Health has conducted various on site job trainings followed by safety related observations. Your Company is making continuous efforts to create safer working conditions for the workers.

OUTLOOK

The Company's R&D programs are focused on new products development related to lifestyle related diseases like diabetics, cardiovascular, anticoagulant, cholesterol 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 the Company'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. The Company has also tied up with European distributor on profit sharing basis of finished dosage sale. Two finished dosage dossiers were filed with UK MHRA, out of which the Company got the approval for one in 4th quarter of financial year 2016-17 and 2 additional are under developmental stage. Strategy would be to engage in our captive APIs.

The Company has started commercial operations of intermediate plant, first in India, for three of its Anti-biotic products. Majority market share and economies of scale with strong technological backup will continue to remain key strengths of the Company. The Company is adding new capacities every year, which will give good impetus to growth initially targeting domestic markets and eventually the global markets post getting necessary regulatory approvals. Macroeconomic conditions and higher gestation period due to newer regulatory processes had caused a subdued growth in last year, however Company is in advance stage to get such approvals for the last years' expansions.

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

The Directors present the Company's Report on Corporate Governance for the financial year ended 31st March, 2017. A report on compliance with the principles of Corporate Governance as prescribed by the Securities and Exchange Board of India (SEBI) in Chapter IV read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI Regulations") is given below:

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

A clearly structured and fully implemented Corporate Governance system is the Company's highest priority. Good Corporate Governance is the basis for decision making and control process and comprises responsible, value - based management and monitoring focused on long-term success, goal orientation and respect for the interests of our stakeholders.

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.

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. Out of 7 (Seven) Non-Executive Directors, 6 (Six) Directors are Independent Directors. The Chairman of the Board is an Executive Director.

Name of Director	Category	No. of other Directorships*	No. of Committee Membership in all Companies**		No. of Board Meetings Attended	Attendance at last AGM
			Chairman	Member		
Shri Prakash M. Patil# DIN: 00005618	Promoter / Chairman, Managing Director & Chief Executive Officer	None	None	1	5	Yes
Shri Rashesh C. Gogri DIN: 00066291	Promoter / Managing Director	2	None	3	5	Yes
Shri Harshit M. Savla DIN: 00005340	Promoter / Joint Managing Director	None	None	1	5	Yes
Shri Harit P. Shah DIN: 00005501	Executive / Whole – time Director	1	None	1	5	Yes
Shri Uday M. Patil# DIN: 01186406	Promoter / Whole – time Director	None	None	None	5	Yes
Shri Rajendra V. Gogri DIN: 00061003	Promoter / Non –Executive Director	1	1	3	4	No
Shri Ramdas M. Gandhi DIN: 00029437	Independent / Non - Executive	3	4	6	5	Yes
CA Bhavesh R. Vora DIN: 00267604	Independent / Non - Executive	1	None	3	4	Yes
CA Navin C. Shah DIN: 01415556	Independent / Non - Executive	None	None	1	5	No
Dr. Vilas G. Gaikar DIN: 00033383	Independent / Non - Executive	1	None	1	1	No
Prof. Krishnacharya. G. Akamanchi DIN: 02354032	Independent / Non - Executive	None	None	None	5	No
CA Priti P. Savla DIN: 00662996	Independent / Non - Executive	1	None	None	5	Yes

Notes:

* Directorships exclude Private Limited Companies, Overseas Companies & Section 8 Companies.

** Chairmanship / Membership of Committee includes Audit Committee and Stakeholders Relationship Committee in Indian Public Limited Companies including Aarti Drugs Limited. [Committee Membership(s) & Chairmanships are counted separately].

Shri Prakash M. Patil & Shri Uday M. Patil are related to each other.

(b) Board Meetings:

The Board meets at regular intervals to discuss and decide on business strategies / policies and review the financial performance of the Company and its Subsidiary. During the Financial Year 2016-17, 5 (five) Board Meetings were held. The dates on which the meetings were held during the year are as follows: 5th May, 2016; 12th August, 2016; 17th October, 2016; 9th November, 2016 and 8th February, 2017. The interval between two meetings was well within the maximum period mentioned under Section 173 of the Companies Act, 2013 and Regulation 17(2) of the SEBI Regulations.

Separate Meeting of Independent Directors:

During the year under review, the Independent Directors met on 30th March, 2017 to discuss *inter alia* the following:

- Evaluation of Performance of Non-Independent Directors and the Board of Directors as a Whole;
- Evaluation of Performance of the Chairman of the Company taking into account the views of Executive Directors & Non-Executive Directors and
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board of Directors that is necessary for the Board to effectively & reasonably perform their duties.

(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, 2017. A declaration to this effect, duly signed by the Chairman, Managing Director & Chief Executive Officer (CEO) is annexed hereto.

(d) Familiarization Programme for Independent Directors:

The Chairman and Managing Director have one to one discussion with all Directors to familiarize them with the Company's operations. Further the Company has put in place a system to familiarize the Independent Directors about the Company, its products, business and on-going events relating to the Company. The details of such familiarization programmes for Independent Directors are posted on the website of the Company viz. www.aartidrugs.com and the web link thereto is <http://www.aartidrugs.co.in/images/stories/details%20of%20familiarisation%20programme.pdf>.

COMMITTEE(S) OF THE BOARD

The Board currently has the following Committees:

1. AUDIT COMMITTEE

The Audit Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors. It assists the Board in fulfilling its oversight responsibilities of monitoring financial reporting process, reviewing the Company's established systems & process for internal financial controls, governance and reviewing the Company's statutory and internal audit activities. The Audit Committee comprises of six (6) members with majority being Independent Directors and the Chairman of the Audit Committee is a Non-Executive & Independent Director.

a) Terms of Reference:

The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Section 177 of the Companies Act, 2013 (as amended from time to time) and Part C of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which, *inter alia* includes overseeing financial reporting process, reviewing periodic financial statements, financial results and auditor's report thereon, reviewing and monitoring the auditor's independence and performance and effectiveness of audit process discussions with Statutory, Internal and Cost Auditors. The Audit Committee *inter alia* performs the functions of approving Annual Internal Audit plan, approval or any subsequent modification of transactions of the Company with related parties, scrutiny of inter-corporate loans & investments, management discussion and analysis of financial condition and results of operations, evaluation of internal financial controls, reviewing the functioning of the whistle blower mechanism. In addition, the powers and role of the Audit Committee are as laid down under Part C of Schedule II of SEBI Regulations and Section 177 of the Companies Act, 2013.

**b) No. of Meetings:**

The Audit Committee met 4 (Four) times during the financial year ended 31st March, 2017. The meetings were held on 5th May, 2016; 12th August, 2016; 9th November, 2016 and 8th February, 2017. Necessary quorum was present at the meetings. Shri Ramdas M. Gandhi, Independent Director is the Chairman of the Committee.

c) Composition and attendance:

Details of the Composition and attendance at the aforesaid meetings are as follows:

Sr. No.	Name of Member	Category	No. of Meetings attended
1.	Shri Ramdas M. Gandhi (C)	Non-Executive/Independent	4
2.	Shri Prakash M. Patil	Executive	4
3.	CA Bhavesh R. Vora	Non-Executive/Independent	3
4.	Dr. Vilas G. Gaikar	Non-Executive/Independent	1
5.	Shri Rashesh C. Gogri	Executive	4
6.	CA Navin C. Shah	Non-Executive/Independent	4

Chief Financial Officer (CFO), Vice - Presidents, Manager from various divisions of the Company, as and when required, Internal Auditors, Cost Auditors and Statutory Auditors of the Company attends the meetings of Audit Committee as invitees to respond to the queries raised during the meeting. The Company Secretary acts as a Secretary to the Committee.

2. NOMINATION AND REMUNERATION COMMITTEE**a) Terms of Reference:**

The broad terms of reference of the Nomination and Remuneration Committee *inter alia* are:

- To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive and Non-Executive) and recommend to the Board, policy relating to the remuneration of the Directors, key managerial personnel and other employees;
- To formulate the criteria for evaluation of all the Directors on the Board;
- To devise a policy on Board diversity;
- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and
- To lay out remuneration principles for employees linked to their effort, performance and achievement relating to the Company's goals.

b) No. of meetings:

The Nomination and Remuneration Committee met once during the year on 11th April, 2016. Shri Bhavesh R. Vora, Independent Director is the Chairman of the Committee.

c) Composition and Attendance:

Details of the Composition and attendance at the aforesaid meeting are as follows:

Sr. No.	Name of Member	Category	No. of Meetings attended
1.	CA Bhavesh R. Vora (C)	Non-Executive/Independent	1
2.	Shri Prakash M. Patil	Executive	1
3.	Shri Rajendra V. Gogri	Non-Executive	1
4.	Shri Ramdas M. Gandhi	Non-Executive/Independent	1
5.	Dr. Vilas G. Gaikar	Non-Executive/Independent	-

d) Performance Evaluation Criteria for Independent Directors:

During the year, the Board adopted a formal mechanism for evaluating its performance and as well as that of its Committees and Individual Directors, including the Chairman of the Board. Separate exercise was carried out to evaluate the performance of Non-Independent Directors including the Chairman of the Board who were evaluated on parameters such as Key achievements, Short term and long term targets, challenges faced, Implementation of Strategic decisions, organizational success, participation and attendance in Board and Committee Meetings etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and Non-Independent Directors was carried out by the Independent Directors.

Independent Directors were evaluated on the parameters such as attendance and participation in the meetings and timely inputs on the minutes of the meetings, adherence to ethical standards & code of conduct of the Company, disclosure of non-independence, as and when exists and disclosure of interest, interpersonal relations with other Directors and Management, understanding of the Company and the external environment in which it operates and contribution to strategic direction, safeguarding interest of whistle-blowers under vigil mechanism and safeguard of confidential information.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

Details of Remuneration to all Directors

Remuneration payable to the Directors is considered and approved by the Nomination and Remuneration Committee constituted in accordance with the Corporate Governance Code and the provisions of the Companies Act, 2013, having due regard to the relevant factors. The Nomination and Remuneration Policy as approved by the Board of Directors of the Company is set out as Annexure 'Annexure C' to the Boards' Report. Non-executive Directors are paid sitting fees for attending each of the meetings of Board and its Committee(s) as per the provisions of the Companies Act, 2013 and the rules framed thereunder.

The details of remuneration paid to each Director for the year 31st March, 2017 are as under:

(Amount in ₹)

Name of Director	Salary and Perquisites	Commission	Sitting Fees	Total Remuneration
Shri Prakash M. Patil	69,09,150	55,53,399	-	1,24,62,549
Shri Rashesh C. Gogri	58,29,477	55,53,399	-	1,13,82,876
Shri Harshit M. Savla	58,29,477	55,53,399	-	1,13,82,876
Shri Harit P. Shah	58,29,477	55,53,399	-	1,13,82,876
Shri Uday M. Patil	6,34,155	-	-	6,34,155
Shri Rajendra V. Gogri	-	-	40,000	40,000
Shri Ramdas M. Gandhi	-	-	1,00,000	1,00,000
CA Bhavesh R. Vora	-	-	80,000	80,000
CA Navin C. Shah	-	-	1,00,000	1,00,000
Dr. Vilas G. Gaikar	-	-	30,000	30,000
Prof. K. G. Akamanchi	-	-	60,000	60,000
CA Priti P. Savla	-	-	60,000	60,000

- (a) 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.
- (b) 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, 2017

Name of Non-Executive Directors	Number of shares held	% of total shareholding
Shri Rajendra V. Gogri	5,62,813	2.36
Shri Ramdas M. Gandhi	7,841	0.03
CA Bhavesh R. Vora	-	-
CA Navin C. Shah	-	-
Dr. Vilas G. Gaikar	-	-
Prof. K. G. Akamanchi	-	-
CA Priti P. Savla	-	-



3. STAKEHOLDERS' RELATIONSHIP COMMITTEE

a) Terms of Reference:

Brief Terms of Reference of the Stakeholders' Relationship Committee *inter alia* includes reviewing status of approval of transfer/transmission of shares, issue of duplicate share certificates/review or redressal of investor grievances.

b) Meetings & Attendance:

The Stakeholders Relationship Committee comprises of 4 members. Shri Rajendra V. Gogri, Non-Executive Director is the Chairman of the Committee. The Stakeholder Relationship Committee met four times in a year on 17th May, 2016; 12th August, 2016; 9th November, 2016 and 14th March, 2017. Details of the Composition and attendance at the aforesaid meetings are as follows:

Sr. No.	Name of Member	Category	No. of Meetings attended
1.	Shri Rajendra V. Gogri (C)	Non-Executive	4
2.	CA Bhavesh R. Vora	Non-Executive/Independent	1
3.	Shri Harshit M. Savla	Executive	4
4.	Shri Harit P. Shah	Executive	4

c) CS Vibhav S. Ranade, Company Secretary of the Company is the Compliance Officer pursuant to the requirement of the SEBI Regulations.

The Stakeholders Relationship Committee primarily considers and resolves grievances of the Security Holders of the Company and suggests improvements to investor relations initiatives undertaken at the Company. Terms of Reference of the Committee *inter alia* cover reviewing status of approval of transfer/transmission of shares, issue of duplicate share certificates, review/redressal of Investor's Grievance.

d) Shareholders' complaints:

During the year, 16 Complaints were received. All the complaints pertaining to Non-receipt of Annual Report and processing of Dividends were resolved to the satisfaction of Shareholders. No request for Share Transfers or Dematerialization was pending for approval as on 31st March, 2017.

4. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

a) Terms of Reference

The brief terms of reference of the CSR Committee are as under—

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) and
- Monitor the Corporate Social Responsibility Policy of the Company from time to time.

b) Meetings & Attendance

The Corporate Social Responsibility Committee comprises of 3 members. CA Navin C. Shah, Non-Executive & Independent Director is the Chairman of the Committee. During the year 2016-17, one meeting was held on 13th April, 2016. Details of the Composition and attendance at the aforesaid meeting are as follows:

Sr. No.	Name of Member	Category	No. of Meetings attended
1.	CA Navin C. Shah(C)	Non-Executive	1
2.	Shri Prakash M. Patil	Executive	1
3.	Shri Rashesh C. Gogri	Executive	1

GENERAL BODY MEETINGS:

Details of last three Annual General Meetings are as under:

Year	Day, Date & Time	Venue	Special Resolutions passed for
2014	Friday, 11.07.2014 At 11.00 a.m.	TIMA Hall, MIDC Tarapur, Taluka-Palghar, Dist. Palghar-401 506, Maharashtra.	Special Resolution passed Pursuant to Section 180(1)(c) of the Companies Act, 2013, 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.
2015	Friday, 14.08.2015 At 11.00 am		No Special Resolution passed.
2016	Friday 22.07.2016 At 11.00 am		No Special Resolution passed.

During the year under review, no resolutions were passed through postal ballot.

Subsidiary Company:

Pinnacle Life Science Private Limited is wholly – owned subsidiary of the Company. Further, the Company does not have any material Non-listed Indian Subsidiary Company and hence it is not required to have an Independent Director of the Company on the Board of such Subsidiary Company. However, during the financial year 2016 – 17, Shri Bhavesh R. Vora, Independent Director of the Company has been appointed as Director on the board of Pinnacle Life Science Private Limited. The Audit Committee reviews, the financial statements, particularly the investments made by the Company's Non-Listed Subsidiary. The Minutes of the Subsidiary are placed before the Board of Directors of the Company and the Directors are informed about all the significant transactions and arrangements entered into by the Subsidiary.

DISCLOSURES:

- i. 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 Notes to Accounts, forming part of the Annual Report.
- ii. 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.
- iii. Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has a Whistle-Blower Policy and vigil mechanism for Directors and employees to report genuine concerns regarding unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct and Ethics policy. The said mechanism also provides for adequate safeguards against victimization of persons who use such mechanism and makes provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases. We affirm that no employee of the Company was denied access to the Audit Committee. The said Whistle-Blower Policy has been hosted on the website of the Company at www.aartidrugs.com.
- iv. The Company has complied with all the mandatory requirements as laid down under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the SEBI Regulations.
- v. The Company's policy on "material subsidiary" and policy on dealing with related party transactions respectively have been placed on the Company's website and can be accessed through weblink – <http://www.aartidrugs.co.in/Policy%20For%20determining%20Material%20Susidiary.pdf>.
- vi. All mandatory Accounting Standards have been followed in preparation of financial statements and no deviation has been made in following the same.
- vii. The Company has adopted an insider trading policy to regulate, monitor and report trading by insiders under SEBI (Prohibition of Insider Trading) Regulations, 2015. This policy also includes practices and procedures for fair disclosure of unpublished price sensitive information, initial and continual disclosure.

**DISCRETIONARY REQUIREMENTS (as specified in Part E of schedule II of SEBI Regulations, 2015)**

The status of compliance with discretionary requirements of Part E of Schedule II of the SEBI Regulations is provided below:

Sr. No.	Particulars	Remarks
1.	Non-Executive Chairman's Office	The Company does not have Non-Executive Chairman and hence provision of maintenance of non-executive chairman's office at the listed entity's expense and allowance of reimbursement of expenses incurred in performance of his duties is not applicable.
2.	Shareholder's Rights	As the quarterly and half yearly financial performance are published in the newspapers and are also posted on the Company's website, the same are not being sent to the shareholders.
3.	Audit Qualifications	The Company's financial statement for the year 2016-17 does not contain any qualification.
4.	Separate posts of chairman and CEO	The Company does not have separate post of Chairman and MD/CEO
5.	Reporting of Internal Auditor	The Internal Auditor reports to Chief Financial Officer and has direct access to the Audit Committee.

MEANS OF COMMUNICATION:

- Quarterly and Annual financial results are published in The Financial Express (English) and Aapla Mahanagar (Marathi). These results and official news releases are also available on the website of the Company viz. www.aartidrugs.com.
- The presentations made to institutional investors or to the analysts are placed on the Company's website immediately after these are communicated to the Stock Exchanges.
- All data required to be filed electronically or otherwise pursuant to the SEBI Regulations 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, National Stock Exchange of India Limited (www.nseindia.com) through NSE Electronic Application Processing System (NEAPS) and BSE Limited (www.bseindia.com) through BSE Listing Center and available on their websites.

GENERAL SHAREHOLDERS INFORMATION:**i. The day, date, time & venue of the 32nd Annual General Meeting:**

Day	Date	Time	Venue
Friday	18 th August, 2017	2.30 p.m.	Tima Hall, MIDC Tarapur, Dist. Palghar - 401506, Maharashtra

ii. Tentative Financial Calendar:

Financial Year	1 st April to 31 st March
Adoption of Quarterly Results for the quarter ending :	
June, 2017	1 st / 2 nd Week of August, 2017
September, 2017	1 st / 2 nd Week of November, 2017
December, 2017	1 st / 2 nd Week of February, 2018
March, 2018	1 st / 2 nd Week of May, 2018

iii. Date of Book Closure (Both days inclusive) : Friday, 11th August, 2017 to Friday, 18th August, 2017**iv. Listing on Stock Exchanges:**

The Company's Equity shares are listed on the following Stock Exchanges, details of which are as follows:

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. SCRIP CODE – 524348 SCRIP ID - AARTIDRUGS	National Stock Exchange of India Limited, “Exchange Plaza”, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051. NSE SYMBOL: AARTIDRUGS
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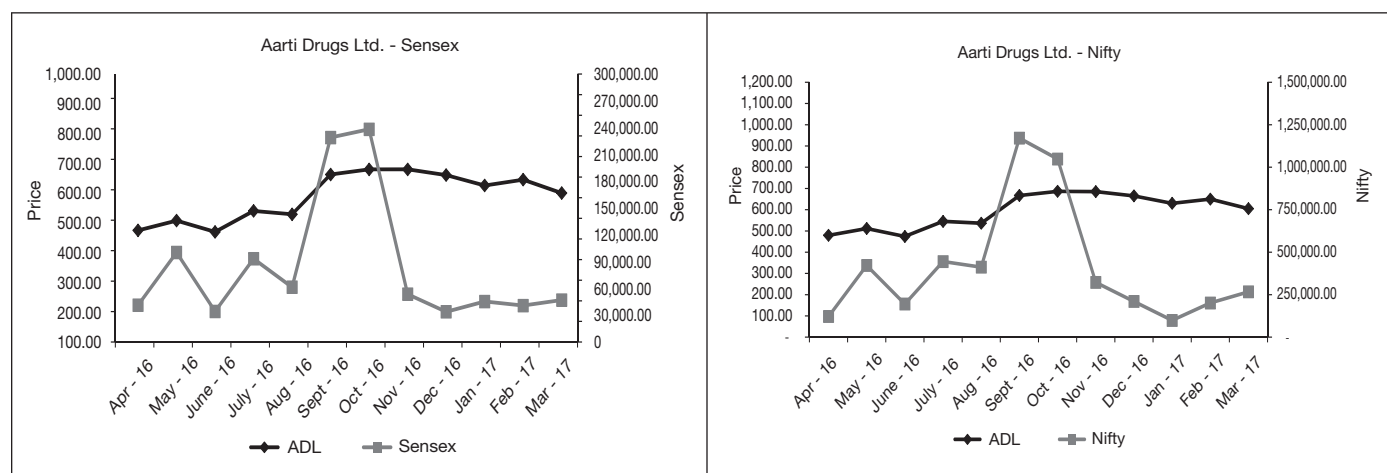
v. Listing fees and Annual Custodial Fee:

The Company has paid the Annual Listing Fees of the Stock Exchanges and Annual Custodial Fees of the Depositories for the year 2017-2018.

vi. Market Price Data (high, low in each month in last financial year)

Month	BSE Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2016	479.10	447.00	42675	479.45	448.35	1,21,545
May 2016	512.00	452.70	101643	511.50	450.00	4,21,872
June 2016	474.05	431.10	35671	474.00	431.60	1,95,059
July 2016	544.55	455.50	94669	545.00	460.55	4,45,125
August 2016	533.15	461.95	62795	536.35	460.95	4,12,041
September 2016	666.85	466.00	230378	666.95	465.60	11,71,383
October 2016	684.00	617.80	239550	686.45	624.00	10,48,415
November 2016	684.00	529.10	54999	685.00	525.55	3,22,109
December 2016	665.00	568.10	35291	665.00	565.50	2,10,257
January 2017	630.00	600.00	46796	630.00	596.05	98,524
February 2017	649.60	588.00	42249	650.00	595.00	2,01,128
March 2017	604.45	550.30	48438	604.90	563.55	2,66,923

vii. Performance in Comparison





viii. Registrar & Transfer Agents & address for Correspondence:

M/s. Link Intime India Pvt. Ltd.

C-101, 247 Park, L. B. S. Marg,
Vikhroli (West), Mumbai – 400 083,
Maharashtra
Tel. No. 022 – 4918 6270
Fax No. 022 – 4918 6060
Email ID: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

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

ix. 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, Managing Director, Shri Harshit M. Savla, Jt. Managing Director and Shri Harit P. Shah, Whole-time Director of the Company. Committee meets every week for approval of the transfer request.

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

x. Shareholding Pattern as on 31st March, 2017:

Category	No. of Shares	%
Promoters–Indian	1,49,01,850	62.46
Bodies Corporate	2,72,622	1.14
Banks, Financial Institutions	16,250	0.07
Mutual Funds	10,42,103	4.37
FII/NRI/OCB	4,64,301	1.95
Public	71,59,974	30.01
Total	2,38,57,100	100.00

xi. Distribution of Shareholding as on 31st March, 2017

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less than 500	14,818	89.43	17,60,558	7.38
501-1000	894	5.39	6,81,270	2.86
1001-2000	422	2.55	6,35,897	2.67
2001-3000	114	0.69	2,89,855	1.21
3001-4000	78	0.47	2,77,225	1.17
4001-5000	46	0.28	2,12,789	0.89
5001-10000	78	0.47	5,40,717	2.26
Above 10000	119	0.72	1,94,58,789	81.56
TOTAL	16,569	100.00	2,38,57,100	100.00

xii. Dematerialisation of Shares and Liquidity:

Sr. No.	Mode of Holding	%
1.	NSDL	93.46
2.	CDSL	4.36
3.	Physical	2.18
	Total	100.00

97.82% of Company's paid-up Equity Share Capital has been dematerialized up to 31st March, 2017 (97.71% up to 31st March, 2016). Trading in Equity Shares of the Company is permitted only in dematerialized form.

xiii. Liquidity of Shares:

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

xiv. ADRs/ GDRs/ Warrants:

The Company has not issued any ADRs/ GDRs/ Warrants or any other convertible instruments.

xv. Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:

During the year 2016-17, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 24.4 to the Annual Accounts.

xvi. Plant Locations:

Plot No. N-198, G-60, E-1, E-9/3, E-9/4, E-21, E-22, E-120, K-40, K-41, W-60(B), W-61(B), W-62(A), W-71(B), W-72(B) and W-73(B) and T-150 MIDC Industrial Area, Tarapur, Village Pamtermbhi, Dist. Palghar, – 401 506, Maharashtra.

Plot No. D-277 and D-278 in MIDC Turbhe, Maharashtra.

Plot Nos. 211, 213, 2601, 2602, 2603, 2902, 2904, GIDC, Sarigam – 396155, Dist. Valsad, Gujarat.

R & D Centers:

Plot No. E-1, MIDC Industrial Area, Tarapur, Village Pamtermbhi, Dist. Palghar - 401 506, Maharashtra.

xvii. Address for Correspondence:

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

Registered Office: Plot No. 198, MIDC, Tarapur, Village-Pamtermbhi, Dist. Palghar - 401 506, Maharashtra.

xviii. Compliance Officer:**Mr. Vibhav S. Ranade, Company Secretary & Compliance Officer**

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

The Company has following separate email ID to resolve investor's grievances i.e. investorrelations@aartidrugs.com.

xix. Details with respect to Demat Suspense Account/Unclaimed Share Certificate as per regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Particulars	Demat		Physical	
	No. of Shareholders	No. of equity shares	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, 2016.	215	24,150	-	-
No. of shareholders who approached the Company for transfer of shares from suspense account during the year.	-	-	-	-
No. of shareholders to whom shares were transferred from the suspense account during the year.	-	-	-	-
Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on 31 st March, 2017.	215	24,150	-	-

The voting rights on the shares outstanding in the suspense accounts as on 31st March, 2017 shall remain frozen till rightful owner of such shares claim the shares.



AARTI DRUGS LIMITED



xx. CEO/CFO CERTIFICATION TO THE BOARD

As required under Regulations 17(8) and 33(2)(a) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, certificates are duly signed by Shri Prakash M. Patil, CEO and Shri Adhish P. Patil, CFO.

For and on behalf of the Board of Directors of Aarti Drugs Limited

Place: Mumbai
Date: 23rd May, 2017

Sd/-
Prakash M. Patil
Chairman, Managing Director & CEO
DIN: 00005618

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

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 Regulation 17(5)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For and on behalf of the Board of Directors of Aarti Drugs Limited

Place: Mumbai
Date: 23rd May, 2017

Sd/-
Prakash M. Patil
Chairman, Managing Director & CEO
DIN: 00005618

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To the Members of
Aarti Drugs Limited
Mumbai**

We have examined the compliance of conditions of corporate governance by Aarti Drugs Ltd. for the year ended on 31st March, 2017, as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations.

The compliance of conditions of corporate governance is the responsibility of the management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

We have examined the books of account and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company. 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.

Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, 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 Regulations.

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 GOKHALE & SATHE
CHARTERED ACCOUNTANT
Firm Registration No.: 103264W**

**Sd/-
CA TEJAS J. PARIKH
Partner
M. No. 123215**

**Place: Mumbai
Date: 23rd May, 2017**



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, 2017 and the Statement of Profit and Loss, the 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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

These responsibilities also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion based on our audit of these financial statements.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 judgment, 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 financial control relevant to the company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the company as at March 31, 2017 and its profit and its 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, 2016 issued by the Central Government of India in terms of Section 143 (11) of the Companies Act 2013, we give in the Annexure - A, a statement on the matters specified in paragraph 3 & 4 of the order.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- e) On the basis of written representations received from the Directors as on March 31, 2017, taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2017, from being appointed as a Director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate report in "Annexure - B"; and
- g) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our best of our information and according to the explanations given to us :
 - i. The Company has disclosed the impact of pending litigations as at March 31, 2017 on its financial position in its financial statements. Refer Note no: 24.2 of the Financial Statements.
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
 - iv. The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 24.19 to the standalone financial statements.

**For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Reg. No.: 103264W**

**Sd/-
TEJAS J. PARIKH
PARTNER**

Membership No: 123215

**Place: Mumbai
Date: 23rd May, 2017**

ANNEXURE - A TO THE INDEPENDENT AUDITOR'S REPORT

In the Annexure, as required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government in terms of Section 143 (11) of the Companies Act 2013, on the basis of checks, as we considered appropriate, we report on the matters specified in paragraph 3 and 4 of the said order to the extent applicable to the Company,

- i)
 - 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 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 the assets. We have been informed that no material discrepancy was noted on such physical verification.
 - c. According to the information and explanations given to us and on the basis of examination of the records of the Company, title deeds of immovable properties other than self-constructed immovable properties (buildings), are held in the name of the Company except lease hold lands plot no's R-A/13, E-106, E-105, S-33/34 (aggregate book value of Rs.26.57 lakhs) are in the name of erstwhile entities which are merged with Company. According to explanations obtained from management, in view of merger through court scheme, lease hold land rights are deemed to be transferred to the Company and procedure for transferring in the name of Company is yet to be completed.
- ii) The stock of inventory has been physically verified during the year by the Management at reasonable intervals, except stock lying with third parties, confirmation of such stocks with the third parties has been obtained by the Company. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The discrepancies noticed on physical verification of stocks as compared to book records were not material; however the same have been dealt with the books of account.
- iii) The Company had granted loans to its wholly owned subsidiary covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act') during the year.
 - a) In our opinion, the rate of interest and other terms and conditions on which the loans was granted was not, prima facie, prejudicial to the interest of the Company
 - b) The borrower has been regular in the payment of the principal and interest as stipulated by the management
 - c) The borrower has repaid the loan as at the year end and hence there are no overdue amounts in respect of such loan granted.
- iv) In our opinion and according to the information and explanations given to us, the Company has complied with provisions of section 185 and 186 of the Act, with respect to loans and investments made.



- v) The Company has not accepted any deposits from public during the year.
- vi) The Company has maintained cost records as required under sub section 1 of section 148 of the Companies Act, 2013. We have not, however, carried out a detailed examination of such records.
- vii) a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including the Provident Fund, Employees state insurance, Income tax, Sales tax, Wealth tax, Service tax, duty of Customs, duty of Excise, Value added tax, cess and any other statutory dues applicable to it.
- b. According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, custom duty, excise duty and value added tax which have not been deposited on account of any dispute except the following:

Name of the Statute / Nature of the Dues	Financial Year	Forum where dispute is pending (₹ in Lakhs)		Total (₹ in Lakhs)
		Commissionerate/ Dy. Commissioner	Appellate Authorities and Tribunals	
The Central Excise Act, 1944/ Custom Duty/Service Tax/Interest & Penalty	FY 2007-08 FY 2008-09 FY 2012-13 FY 2013-14 FY 2014-15	NIL	66.72/-	66.72/-
Maharashtra Sales Tax Act, 2002/ Sales Tax	FY 2007-08	15.18/-	NIL	15.18/-
Income Tax Act / Tax Interest & Penalty	FY 2012-13	43.75/-	NIL	43.75/-
Total (₹ in Lakhs)		58.93/-	66.72/-	125.65/-

- viii) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues for loan taken from financial institutions or bank or debenture holders.
- ix) In our opinion and according to the information and explanation given to us, the term loans raised during the year were applied for the purpose for which the loans were obtained. The Company did not raise any money by way of public offer or further public offer (including debt instruments) during the year.
- x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii) In our opinion and according to information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanation given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv) According to the information and explanation given to us, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934

For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Reg. No.: 103264W

Sd/-
TEJAS J. PARIKH
PARTNER
Membership No: 123215

Place: Mumbai
Date: 23rd May, 2017

ANNEXURE - B TO THE INDEPENDENT AUDITORS REPORT

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Aarti Drugs Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (“ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For GOKHALE & SATHE
 CHARTERED ACCOUNTANTS
 Firm Reg. No.: 103264W

Sd/-
 TEJAS J. PARIKH
 PARTNER

Membership No: 123215

Place: Mumbai
 Date: 23rd May, 2017

**Balance Sheet as at 31st March, 2017**

(₹ In Lakhs)

Particulars	Note No	As at 31 st March, 2017	As at 31 st March, 2016
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share Capital	1	2,385.71	2,421.71
Reserves & Surplus	2	37,369.55	32,609.65
		39,755.26	35,031.36
Non current Liabilities			
Long-Term Borrowings	3	18,744.56	17,521.35
Deferred Tax Liability (Net)	24.13	4,721.20	4,041.20
Other Long Term Liability	4	1,241.70	1,026.93
Long Term Provisions	5	740.66	141.63
		25,448.12	22,731.11
Current Liabilities			
Short Term Borrowings	6	22,957.36	25,736.98
Trade Payables	7	-	-
- Dues to micro enterprise and small enterprises		-	-
- Dues to creditors other than micro enterprises and small enterprises		17,029.91	16,418.14
Other Current Liabilities	8	3,865.97	4,224.33
Short Term Provisions	9	1,189.40	1,328.22
		45,042.64	47,707.67
TOTAL		110,246.03	105,470.14
<u>ASSETS</u>			
Non current Assets			
Fixed Assets			
(i) Tangible Assets	10	53,676.90	45,573.04
(ii) Intangible Assets	10	555.52	703.66
(iii) Capital work - in - progress		1,413.06	3,404.47
Non-Current Investment	11	1,003.39	1,111.51
Long Term Loans & Advances	12	649.44	474.48
		57,298.32	51,267.16
Current Assets			
Inventories	13	18,875.29	16,704.79
Trade Receivables	14	27,827.45	32,119.50
Cash and Cash Equivalents	15	399.90	450.35
Short-Term Loans and Advances	16	1,834.16	1,883.80
Other Current Assets	17	4,010.91	3,044.54
		52,947.71	54,202.98
TOTAL		110,246.03	105,470.14

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Registration No.103264W
Sd/-

CA Tejas J. Parikh
PARTNER

PLACE : Mumbai
DATE: 23rd May, 2017

For and on Behalf of the Board of Directors

Sd/-
Prakash M. Patil
(Chairman & Managing Director)
DIN : 00005618

Sd/-
Adhish P. Patil
(Chief Financial Officer)

Sd/-
Harshit M. Savla
(Jt. Managing Director)
DIN : 00005340

Sd/-
CS Vibhav S. Ranade
(Company Secretary)

Statement of Profit and Loss for the year ended 31st March, 2017

(₹ In Lakhs)

Particulars	Note No	For the Year Ended 31 st March, 2017	For the Year Ended 31 st March, 2016
I Revenue from Operations			
Gross Sales / Income from Operations		118,593.34	116,609.60
Less : Excise Duty & Sales Tax		9,721.01	9,536.34
(a) Net Sales / Income from Operations		108,872.33	107,073.26
(b) Other Operating Income	18	353.38	476.29
Revenue from operations (net)		109,225.71	107,549.55
II Other Income		-	-
III Total Revenue (I + II)		109,225.71	107,549.55
IV Expenses:			
(a) Cost of materials consumed	19	67,805.58	68,298.12
(b) Purchase of stock-in-trade (Net)		1,829.93	3,651.65
(c) Changes in inventories of finished goods, work-in-progress		365.64	(524.62)
(d) Employee Benefits Expense	20	4,872.34	4,135.67
(e) Finance Cost (Interest)	21	3,448.41	4,328.35
(f) Depreciation and Amortisation Expense	22	3,669.30	3,558.41
(g) Other Expenses	23	16,580.62	14,818.42
Total expenses		98,571.81	98,266.01
V Profit before exceptional and extraordinary items and tax (III - IV)		10,653.90	9,283.54
VI Exceptional items		-	-
VII Profit before extraordinary items and tax (V - VI)		10,653.90	9,283.54
VIII Extraordinary items		-	-
IX Profit before tax (VII - VIII)		10,653.90	9,283.54
X Tax Expenses:			
Provision for Taxation - Current		2,753.00	2,115.00
- MAT credit entitlement		-	-
- Earlier year		(203.00)	-
Provision for deferred taxation		680.00	540.00
Total tax expenses		3,230.00	2,655.00
XI Profit/(Loss) for the period from continuing operations (IX - X)		7,423.90	6,628.54
XII Profit / (Loss) form discontinuing operations		-	-
XIII Tax expenses of discontinuing operations		-	-
XIV Profit /(Loss) from discontinuing operations (XII - XIII)		-	-
XV Profit / (Loss) for the period (XI - XIV)		7,423.90	6,628.54
XVI Earning per equity share (in ₹)			
Basic/Diluted		30.78	27.37
XVII Notes on Financial Statements	24		

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Registration No.103264W
Sd/-

CA Tejas J. Parikh
PARTNER

PLACE : Mumbai
DATE: 23rd May, 2017

For and on Behalf of the Board of Directors

Sd/-
Prakash M. Patil
(Chairman & Managing Director)
DIN : 00005618

Sd/-
Adhish P. Patil
(Chief Financial Officer)

Sd/-
Harshit M. Savla
(Jt. Managing Director)
DIN : 00005340

Sd/-
CS Vibhav S. Ranade
(Company Secretary)



Notes forming part of Balance Sheet as at 31st March, 2017

(₹ In Lakhs)

NOTE NO. 1: SHARE CAPITAL

	As at 31 st March, 2017	As at 31 st March, 2016
AUTHORISED:		
2,50,00,000 Equity shares of ₹ 10/- each	2,500.00	2,500.00
	<u>2,500.00</u>	<u>2,500.00</u>
ISSUED, SUBSCRIBED & PAID-UP:		
2,38,57,100 Equity Shares of ₹ 10/- each Issued, subscribed and fully paid up	<u>2,385.71</u>	<u>2,421.71</u>
Reconciliation	Numbers	Value
Opening outstanding shares	<u>24,217,100</u>	2,421.71
Less: Buy Back of Shares during the Year	<u>360,000</u>	36.00
Closing outstanding shares	<u>23,857,100</u>	<u>2,385.71</u>

Note: The Company has completed buyback of 3,60,000 equity shares of face value ₹10/- each at a price of ₹750/- per share on 26th December, 2016. The number of equity shares post buyback stands reduced to 2,38,57,100 of ₹10/- each. Accordingly the paid up capital also stands reduced to ₹2385.71 Lakhs.

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

Name of Holder	As at 31 st March, 2017		As at 31 st March, 2016	
	No. of Shares held	% held	% of Holding	% held
Prakash M. Patil	20,24,721	8.49	20,61,619	8.51

NOTE NO. 2: RESERVES & SURPLUS

Particulars	As on 1 st April, 2016	Addition during the year	Appropriation during the year	As on 31 st March, 2017
Capital Reserves	200.74	-	-	200.74
Capital Redemption Reserve	210.27	36.00	-	246.27
Securities Premium Account	1,262.72	-	1,262.72	-
General Reserve	3,877.29	-	1,437.28	2,440.02
Profit & Loss Account	27,058.62	7,423.90	-	34,482.52
Total Reserves - 31 st March, 2017	32,609.65	7,459.90	2,700.00	37,369.55
Previous years figures - 31 st March, 2016	27,948.53	7,298.54	2,637.43	32,609.65
			As at 31st March, 2017	As at 31st March, 2016

NOTE NO. 3: LONG - TERM BORROWINGS

Term Loans

Secured Borrowings

From Scheduled Banks	17,327.56	16,064.35
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Loans & Advances from related parties

From Directors - Unsecured	857.00	857.00
From Other - Unsecured	560.00	600.00

TOTAL

<u>18,744.56</u>	<u>17,521.35</u>
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Notes forming part of Balance Sheet as at 31st March, 2017

(₹ In Lakhs)

	<u>As at 31st March, 2017</u>	<u>As at 31st March, 2016</u>
NOTE NO. 4: OTHER LONG TERM LIABILITY		
Trade payables of Project		
Due to micro enterprises and small enterprises	-	-
Due to others	860.43	645.77
Other - Deferred Payment Liability	364.28	364.28
- Trade Deposits	16.99	16.88
TOTAL	<u>1,241.70</u>	<u>1,026.93</u>
NOTE NO. 5: LONG TERM PROVISION		
Income Tax Provision (Net of Advance Tax and TDS)	740.66	141.63
TOTAL	<u>740.66</u>	<u>141.63</u>
NOTE NO. 6: SHORT TERM BORROWINGS		
Loans repayable on demand		
From Banks		
Secured Borrowings	13,079.42	15,004.37
Unsecured Borrowings	9,877.94	10,732.61
TOTAL	<u>22,957.36</u>	<u>25,736.98</u>
NOTE NO. 7: TRADE PAYABLE		
Trade payables of Goods, Services & Expenses		
Due to micro enterprises and small enterprises	-	-
Due to others	17,029.91	16,418.14
TOTAL	<u>17,029.91</u>	<u>16,418.14</u>
NOTE NO. 8: OTHER CURRENT LIABILITY		
Interest accrued but not due on Loans	71.66	284.20
Unpaid Dividend	102.80	122.51
Other Payable and Duties & Taxes	603.04	591.64
Long Term Borrowing repayable in within 12 months	3,088.48	3,225.98
TOTAL	<u>3,865.97</u>	<u>4,224.33</u>
NOTE NO. 9: SHORT TERM PROVISION		
Provision for Employee Benefits (Bonus)	173.39	137.28
Other Short Term Provisions - Goods & expenses	1,016.01	1,190.94
TOTAL	<u>1,189.40</u>	<u>1,328.22</u>



Notes forming part of Balance Sheet as at 31st March, 2017

NOTE NO. 10: FIXED ASSETS

(₹ In Lakhs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 1 st April, 2016	Addition	Deduction	As on 31 st March, 2017	Addition	Deduction	As on 31 st March, 2017	As on 31 st March, 2016
Tangible Assets								
Building	11,360.10	2,903.64	-	14,263.74	401.73	-	11,681.10	9,179.19
Furniture	752.87	61.98	-	814.85	82.00	-	415.47	435.49
Land	3,202.49	1,034.11	-	4,236.61	-	-	4,236.61	3,202.49
Office Equipment	305.80	38.52	-	344.32	46.69	-	89.17	97.34
Plant & Machinery	52,415.50	7,537.93	-	59,953.44	2,949.84	-	37,101.95	32,513.85
Vehicles	296.21	48.83	-	345.05	40.91	-	152.60	144.68
Total of Tangible Assets (a)	68,332.98	11,625.02	-	79,958.00	3,521.16	-	53,676.90	45,573.04
Intangible Assets								
Process Development (R & D)	740.70	-	-	740.70	148.14	-	555.52	703.66
Total of Intangible Assets (b)	740.70	-	-	740.70	148.14	-	555.52	703.66
Total (a + b)	69,073.67	11,625.02	-	80,698.69	3,669.30	-	54,232.42	46,276.70
Previous Year	66,509.39	6,687.14	4,122.86	69,073.67	3,558.41	4,122.45	46,276.70	-

Note:

- 1) Plant & Machinery addition includes Capital Expenditure incurred on R & D of ₹51.03 Lakhs (Previous year ₹92.48 Lakhs)
- 2) Building addition includes Capital Expenditure incurred on R&D of ₹NIL (Previous year ₹38.11 Lakhs)
- 3) Remaining period of Amortisation of Intangible assets mentioned are as follows.

Particulars	WDV as on 31 st March, 2017	Remaining period of Amortisation
Process Development (R&D)	5,55,52,280	45 Months

Notes forming part of Balance Sheet as at 31st March, 2017

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 31/03/2017 (₹)	As at 31/03/2016 (₹)
A. TRADE INVESTMENTS						NIL	NIL
B. OTHER INVESTMENTS							
a. Investments in Equity Instruments							
Aarti Industries Ltd.	750	-	750	-	5/-	-	0.06
Alembic Ltd.	180	-	180	-	2/-	-	0.01
Aurobindo Pharma Ltd.	100	-	100	-	1/-	-	0.02
Sanofi India Ltd. (Aventis Pharma Ltd.)	5	-	5	-	10/-	-	0.02
Cadila Healthcare Ltd.	75	-	75	-	10/-	-	0.01
Cipla Ltd.	62	-	62	-	2/-	-	0.07
Dabur India Ltd.	300	-	300	-	1/-	-	0.06
Dr Reddy's Laboratories Ltd.	4	-	4	-	5/-	-	0.02
Fresenius Kabi Oncology Ltd. (Dabur Pharma Ltd.)	25	-	-	25	1/-	-	-
Glenmark Pharmaceuticals Ltd.	100	-	100	-	1/-	-	0.01
Godavari Drugs	25	-	25	-	1/-	-	0.02
Ipsca Laboratories Ltd.	1050	-	1,050	-	2/-	-	0.25
Ind-Swifts Laboratories Ltd.	5	-	5	-	10/-	-	0.00
Ind-Swifts Ltd.	25	-	25	-	2/-	-	0.00
Jagsonpal Pharmaceuticals Ltd.	40	-	40	-	5/-	-	0.00
J.B.Chemicals & Pharmaceuticals Ltd.	500	-	500	-	2/-	-	0.21
Kopran Ltd.	5	-	5	-	10/-	-	0.00
Krebs Bio Chemicals & Industries Ltd.	100	-	100	-	10/-	-	0.26
Piramal Glass Ltd. (Kojam Fininvest Ltd.)	14	-	14	-	10/-	-	-
Lupin Ltd.	50	-	50	-	2/-	-	0.01
Mylan Laboratories Ltd. (Matrix Laboratories Ltd.)	50	-	50	-	2/-	-	0.02
Morepen Laboratories Ltd.	5	-	5	-	2/-	-	0.00
Natco Pharma Ltd.	25	-	25	-	10/-	-	0.00
Neuland Laboratories Ltd.	100	-	100	-	10/-	-	0.34
Piramal Enterprises Ltd (Piramal Health)	297	-	297	-	2/-	-	0.44
Novartis (I) Ltd.	5	-	5	-	5/-	-	0.01
Orchid Chemicals & Pharmaceuticals Ltd.(Orchid Pharma Ltd.)	7	-	7	-	10/-	-	0.01
Panacea Biotec Ltd.	5	-	5	-	1/-	-	0.00
Pfizer Ltd.	14	-	14	-	10/-	-	0.06
Reliance Industries Ltd.	232	-	232	-	10/-	-	0.10



Notes forming part of Balance Sheet as at 31st March, 2017

(₹ In Lakhs)

Name of the Company	Opening Balance	Add Acquisition during the year	Less Disposed during the year	Closing Balance	Face Value ₹	As at 31/03/2017 (₹)	As at 31/03/2016 (₹)
Strides Arcolab Ltd. (Strides Shasun Limited)	256	-	256	-	10/-	-	0.39
Sun Pharmaceuticals Industries Ltd.	103	-	103	-	1/-	-	0.03
Marksans Pharma Ltd. (Tasc Pharma Ltd.)	1000	-	1,000	-	1/-	-	0.05
Torrent Pharmaceuticals Ltd.	40	-	40	-	5/-	-	0.01
Unichem Laboratories Ltd.	1000	-	1,000	-	2/-	-	0.25
Bank of Baroda	7500	-	7,500	-	10/-	-	1.26
Bank of India	2300	-	2,300	-	10/-	-	1.04
Union Bank of India	2523	-	2,523	-	10/-	-	2.78
						-	7.83
Perfect Enviro Control Systems Ltd.	2,40,200	-	-	2,40,200	10/-	24.02	24.02
The Shamrao Vitthal Co- op Bank Ltd.	100	-	-	100	25/-	0.03	0.03
The Saraswat Co - op Bank Ltd.	10,100	-	-	10,100	10/-	1.01	1.01
Tarapur Environment Protection Society	17,997	50,191	-	68,188	100/-	110.98	18.00
Amit Hetrochem (I) Ltd	2,91,690	-	-	2,91,690	10/-	**29.17	222.23
Aarti Biotech Ltd.	1,200	-	-	1,200	10/-	0.12	0.12
Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.	308	-	-	308	*10000/-	189.51	189.51
<u>Subsidiary</u>							
Pinnacle Life Science Pvt Ltd	77,82,750	-	-	77,82,750	10/-	648.56	648.56
						1,003.39	1,103.48
b. Investment in Government or Trust Securities							
N.S.C	1	-	1	-		-	0.01
(One Certificate of ₹-1000/- Face Value)						-	0.01
c. Investment in Debentures or Bonds							
Unit Trust of India (US-64)	190	-	190	-	100/-	-	0.19
						-	0.19
Aggregate Amount of Quoted Investments & Market Value						-	8.03
Aggregate Amount of Unquoted Investment						1,003.39	1,103.48
TOTAL						1,003.39	1,111.51

(Aggregate market value of quoted investment: as at 31st March, 2017 ₹0/- and as at 31st March, 2016 ₹46,41,585/-)

*Face Value of 1 share = 10000 RMB

**Considering diminution in the value of investments held by the Company in Amit Hetrochem, the Company has written off the investment by ₹193.06 (in lakhs).

Notes forming part of Balance Sheet as at 31st March, 2017

(₹ In Lakhs)

	<u>As at</u> <u>31st March, 2017</u>	<u>As at</u> <u>31st March, 2016</u>
NOTE NO. 12: LONG TERM LOANS & ADVANCES		
Unsecured - considered good		
Capital Advances	446.44	474.48
MAT Credit Entitlement	203.00	-
TOTAL	<u>649.44</u>	<u>474.48</u>
NOTE NO. 13: INVENTORIES		
Stores & Spares	593.84	444.58
Packing Materials	56.37	76.49
Raw Materials	8,875.46	6,409.45
Finished Goods	3,509.95	3,804.29
Work in process	5,823.81	5,895.11
Stock in Trade	15.87	74.87
TOTAL	<u>18,875.29</u>	<u>16,704.79</u>
NOTE NO. 14: TRADE RECEIVABLES		
Unsecured, Considered good		
Trade Receivable o/s exceeding 6 months	757.11	760.14
Others	27,070.34	31,359.36
TOTAL	<u>27,827.45</u>	<u>32,119.50</u>
NOTE NO. 15: CASH & CASH EQUIVALENTS		
Cash on Hand	12.48	27.31
Cheques on Hand	250.06	266.49
Balances with Scheduled Banks :		
- Current Accounts	7.98	8.46
- Deposit Accounts	26.58	25.58
Earmarked Balance - Unpaid Dividend	102.80	122.51
TOTAL	<u>399.90</u>	<u>450.35</u>
NOTE NO. 16: SHORT TERM LOANS & ADVANCES		
Unsecured, Considered good		
Advances recoverable in cash or kind or for value to be received	1,766.98	1,796.88
Advances and Loans - Staff & workers	67.18	86.92
TOTAL	<u>1,834.16</u>	<u>1,883.80</u>
NOTE NO. 17: OTHER CURRENT ASSETS		
Deposits	772.79	779.03
Others - Excise & Service Tax	3,238.12	2,265.51
TOTAL	<u>4,010.91</u>	<u>3,044.54</u>

**Notes forming part of Statement of Profit & Loss for the year ended 31st March, 2017**

(₹ In Lakhs)

	<u>For the year ended 31st March, 2017</u>	<u>For the year ended 31st March, 2016</u>
NOTE NO. 18: OTHER OPERATING INCOME		
Dividend	0.19	1.15
Interest (Gross)	51.78	65.34
Miscellaneous Income	88.83	60.59
Profit on Sale of Assets / shares	212.59	-
Insurance Claim Recd	-	349.22
TOTAL	<u><u>353.38</u></u>	<u><u>476.29</u></u>
NOTE NO. 19: COST OF MATERIALS CONSUMED		
Raw Material Consumption	65,123.41	65,963.59
Packing Materials	1,197.11	1,004.68
Freight Inward	929.76	850.94
Clearing & Forwarding	555.31	478.92
TOTAL	<u><u>67,805.58</u></u>	<u><u>68,298.12</u></u>
NOTE NO. 20: EMPLOYEE BENEFITS EXPENSE		
Salaries,Wages and Bonus (Mfg)	3,440.65	2,837.54
Labour Welfare Expenses	234.55	196.50
Salaries and Bonus (Admin)	507.51	472.41
Provident Fund Contribution	206.70	174.74
Staff Welfare Expenses	10.46	11.45
Directors' Remuneration	472.45	443.03
TOTAL	<u><u>4,872.34</u></u>	<u><u>4,135.67</u></u>
NOTE NO. 21: FINANCE COST		
Interest on Term Loans	1,545.06	1,808.02
Interest on Working Capital	1,754.76	2,355.07
Interest on Others	148.59	165.26
TOTAL	<u><u>3,448.41</u></u>	<u><u>4,328.35</u></u>
NOTE NO. 22: DEPRECIATION AND AMORTISATION		
Depreciation	3,521.16	3,390.37
Amortisation	148.14	168.03
TOTAL	<u><u>3,669.30</u></u>	<u><u>3,558.41</u></u>

Notes forming part of Statement of Profit & Loss for the year ended 31st March, 2017

(₹ In Lakhs)

	For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
NOTE NO. 23: OTHER EXPENSES		
Manufacturing Expenses		
Processing Charges	741.76	862.88
Labour Charges	2,516.98	2,031.24
Insurance Expenses	55.61	108.52
Lease Expenses	178.28	70.81
Power & Fuel	5,510.52	5,102.65
Stores & Spares	816.20	569.38
Repairs & Maintenance - Building	86.84	32.73
- Plant & Machinery	342.52	263.50
Research & development	380.11	387.60
Water Charges	129.19	134.87
Laboratory Expenses	430.57	444.24
Other Factory Expenses	1,456.52	1,207.44
Sub Total (a)	12,645.10	11,215.86
Office & Administration Expenses		
Books & Periodicals	0.18	0.16
Auditors' Remuneration	7.32	7.52
Conveyance Expenses	36.41	28.78
Legal & Professional Charges	234.73	154.28
Membership & Subscriptions	7.32	3.46
Printing & Stationery	21.58	24.06
Postage, Telegram & Telephone	34.31	31.21
Office Electricity Charges	21.34	26.26
Insurance Charges	27.24	32.56
Repairs & Maintenance - Others	47.46	44.47
Entertainment Expenses	12.97	13.48
Miscellaneous Expenses	25.71	54.98
Vehicle Expenses	10.52	11.62
Travelling Expenses - Directors	9.11	11.36
- Others	37.23	35.90
Directors' Sitting Fees	4.50	5.70
Investment W/off	193.07	-
Loss on Sale of Assets	-	0.19
Sub Total (b)	730.99	485.97
Selling & Distribution		
Advertisement & Sales Promotion	109.43	118.51
Freight & Forwarding -Export	1,119.36	1,016.19
Freight & Forwarding - Local	378.53	290.28
Commission Expenses	722.82	751.60
Insurance Expenses	9.68	25.22
Postage & Telegram	20.79	15.77
Other Export Expenses	139.11	110.58
Bad Debts & other written off	157.24	206.45
Sub Total (c)	2,656.96	2,534.61
Finance Cost		
Bank Charges	356.33	405.69
Sub Total (d)	356.33	405.69
Non Operative Expenses		
Donations	6.17	0.92
CSR Expenditure	185.07	175.38
Sub Total (e)	191.24	176.30
Total (a+b+c+d+e)	16,580.62	14,818.42

**Notes annexed to and forming part of accounts for the year ended 31st March, 2017****PART - A****24.1 Significant Accounting Policies:****a. Basis of Preparation**

The financial statement have been prepared and presented under the historical cost convention on as accrual basis of accounting and in accordance with generally accepted accounting principles in India and comply in all material aspects with the applicable accounting standards notified under the relevant provisions of the Companies Act, 2013.

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 II of the Companies Act, 2013. 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

Investments are classified into Current and Non-Current Investment. Current Investments are valued at lower of cost or fair value. Non-Current Investments are stated at cost. Provisions are made for diminution in value of investments, if any, other than those of temporary nature.

d. Valuation of Inventories

Inventories are stated at lower of cost or net realizable 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 & Birla Sun life Insurance Company Ltd 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 probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

• Sales of Goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have been passed to the buyer and is stated net of excise duty, sales tax, returns and trade discounts.

• 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.

- Interest income is recognized using the time proportionate method, based on rates implicit in the transaction.
- Dividend income is recognized when the right to receive is established.

g. Borrowing Cost

Borrowing costs that are directly attributable to acquisition construction, or production of qualifying assets are capitalized as a part of the cost of such assets, up to the date such assets are ready for their intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes annexed to and forming part of accounts for the year ended 31st March, 2017**h. Foreign Currency Transactions**

Transaction denominated in foreign currencies is recorded at the exchange rate that approximates the actual rate prevailing at the date of the transaction. Monetary item denominated in foreign currency at the year end are translated at year end rates. Non monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transactions. The premium in case of forward contracts is dealt with in the Profit and Loss Account proportionately over the period of contracts. The exchange differences arising on settlement/translation are dealt with in the Statement of Profit and Loss.

i. Research & Development Expenditure:

Revenue expenditure on Research and Development is recognized as expense in the year in which it is incurred.

Capital expenditure on Research and Development is included as part of fixed assets and depreciation is provided on the same basis as for other fixed assets.

j. Income Tax

Tax expenses comprise of current tax and deferred tax, current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income of the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the Balance Sheet date.

k. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating lease. Operating Lease payments are recognised as an expense in the Profit and Loss Account of the year to which they relate.

24.2 Contingent Liabilities:

- In respect of bank guarantees issued and L/C opened by the Company's bankers ₹1894.99/- Lakhs (As at 31st March, 2016 ₹3785.03 Lakhs)
- Demand in respect of additional income tax disputed in appeal ₹293.25/- Lakhs (As at 31st March, 2016 ₹351.41/- Lakhs) ,sales tax demand ₹15.18/- Lakhs (As at 31st March, 2016 ₹15.18/- Lakhs) and demand in respect of additional Excise, custom duty, service tax, fine & penalty in appeal ₹66.73/- Lakhs (As at 31st March, 2016 ₹38.88/- Lakhs)
- Liability for duty on raw material imported under advance license benefit scheme against which export obligation remained to be fulfilled ₹260.52/- Lakhs (As at 31st March, 2016 ₹259.45/- Lakhs)
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹177.09/- Lakhs.(As at 31st March, 2016 ₹303.49/- Lakhs)
- The Company has given corporate guarantee for borrowing facilities of ₹3565/- Lakhs from The Saraswat Co-Op. Bank Limited for its only subsidiary Pinnacle Life Science Private Ltd. (As at 31st March, 2016 ₹1854.00/- Lakhs)

24.3 Securities for loans taken from Banks:**a. (₹ in Lakhs)**

Bank Name	As at 31 st March, 17	As at 31 st March, 16	Installment due for	
			F.Y. 2017-18	Subsequent Years
Kotak Mahindra Bank Ltd	2406.12	3609.19	1203.06	1203.06
State Bank of India	416.00	1516.40	289.60	126.40
The Shamrao Vithal Co-op Bank Limited	9247.17	7500.00	1145.82	8101.35
Bank of Baroda	8346.75	6664.75	450.00	7896.75

Note:

- Above term loan are secured by pari-passu 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, E-1, E9/3, E9/4, E21, E22, E120, K-40, K-41 W-60(B), W61(B),W62(A),W71(B),W72(B)W73(B) & T-150 and MIDC Turbhe Plot No D-277 & D-278 in Maharashtra and at GIDC, Sarigam, Bhilad- Gujarat Viz. Plot No 2902, 2904, 211,13, 2601, 2602, 2603, 2520, 2522 and 3325. The working Directors of the Company have personally guaranteed corporate loan of ₹416.00 Lakhs (Previous Year ₹1,516.40) from State Bank of India.
- Loan from Kotak Mahindra Bank, Standard Chartered Bank, The Shamrao Vithal Co-op Bank Ltd is also secured by second charge on current assets of the Company both present and future.

**Notes annexed to and forming part of accounts for the year ended 31st March, 2017**

- b. Loans from Scheduled Banks Payable on Demand of ₹13,079.42 lakhs (Previous Year ₹15,004.37) 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-1, E9/3, E9/4, E21, E22, E120, K-40, K-41 W-60(B), W61(B),W62(A),W71(B),W72(B)W73(B) & T-150 and MIDC Turbhe Plot No D-277 & D-278 in Maharashtra and at GIDC, Sarigam, Bhilad- Gujarat Viz. Plot No 2902, 2904, 211,13, 2601, 2602, 2603, 2520, 2522 and 3325.
- 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 31.03.2017, the Company had hedge in aggregate an amount of ₹34,800.84/-Lakhs (previous year ₹28,728.66/-Lakhs) out of its annual trade related operations (export& import) aggregating to ₹81,033.65/-Lakhs (previous year ₹80,179.21/-Lakhs) after considering natural hedge.
- 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, 2017. 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.
- 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, 2017	For the year ended 31 st March, 2016
Segment Revenue			
a)	Exports	42,294.53	38,919.06
b)	Others	76,298.81	77,690.54
	Total	1,18,593.34	116,609.60

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(a) Subsidiary - Wholly owned

Pinnacle Life Science Private 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
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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

Notes annexed to and forming part of accounts for the year ended 31st March, 2017

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	Mr. Vibhav S. Ranade (Company Secretary)
Mr. Adhish P. Patil (CFO)	

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
Mr. Sameer P. Shah	Mrs. Jayashree H. Shah
Mrs. Arti T. Sankhe	Mrs. Manisha R. Gogri

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

- Aarti Industries Ltd.
- Rupal Drugs LLP
- Alchemie Gases & Chemicals Pvt. Ltd.
- Alchemie Financial Services Ltd.
- Alchemie Laboratories

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

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, 2017

Transaction with Related Parties	Subsidiary Company		Enterprise/firms over which controlling individuals have significant influence	
	C.Y.	P.Y.	C.Y.	P.Y.
	%	%	%	%
Sales & Income from Operations	3.76	2.11	0.24	-
Manufacturing Expenses	-	-	2.50	1.44
Purchases of Goods Traded	0.52	-	-	-
Borrowing costs	-	-	1.48	1.36
Outstanding Payable	-	-	2.41	1.83
Outstanding Receivable	4.41	4.04	-	-
Outstanding Unsecured Loan	-	-	4.74	4.39

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	0.02	0.04	0.75	0.91	26.35	30.87	1.62	2.12
Borrowing Costs	-	-	-	-	2.25	1.80	-	-
Unsecured Loans Accepted	-	-	-	-	-	0.28	-	-
Unsecured Loans Repaid	-	-	-	-	-	-	-	-
Outstanding Unsecured Loan	-	-	-	-	7.59	7.03	-	-



Notes annexed to and forming part of accounts for the year ended 31st March, 2017

24.9. Sales /Income from Operation include export benefits amounting to ₹ 2263.86/-Lakhs (As at 31st March 2016 ₹2208.14/-Lakhs)

24.10. Directors Remuneration:

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Salary to Managing Directors and whole time Directors	171.63	171.60
Bonus/Leave Travel Allowance/House Rent Allowance/ Medical/Leave Salary	34.59	34.39
Commission payable to Directors	222.14	194.49
Contribution to Provident Fund	1.08	1.08
Superannuation fund scheme	43.01	41.47
Total Remuneration	472.45	443.03

24.11 Auditors' remuneration includes

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Statutory Audit	5.38	4.86
Other Audit Services	1.56	2.25
Certification	0.38	0.41
Total	7.32	7.52

24.12 Earning Per Share:

(₹ in Lakhs, except share data)

Particulars	Current Year	Previous Year
Net Profit available for Equity Shareholders	7423.90	6628.54
Weighted Number of Equity Shares (Nos.)	2,41,22,415	2,42,17,100
Basic & Diluted EPS (after extraordinary items) (₹)	30.78	27.37
Nominal value per share (₹)	10.00	10.00

24.13 Deferred Tax Liability (Net)

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Deferred Tax Liability	4041.20	3501.20
Difference between depreciation as per Companies Act and Income Tax act as on 31 st March 2017 after considering Amortization.	680.00	540.00
Net Deferred Tax Liability	4721.20	4041.20

24.14 Disclosure Regarding Scientific Research & Development Expenditure

(₹ in Lakhs)

YEAR	REVENUE EXPENDITURE	CAPITAL EXPENDITURE
2014-2015	303.97	889.38
2015-2016	387.60	1261.94*
2016-2017	380.10	179.62#

* Capital expenditure includes expenditure on development of new product of ₹972.99/- Lakhs.

Capital expenditure includes expenditure on development of new product of ₹ 44.42/- Lakhs.

Notes annexed to and forming part of accounts for the year ended 31st March, 2017**24.15 Employee Benefits:****a) Defined Benefit Plan**

The employee's gratuity fund scheme managed by Life Insurance of India and Birla Sun Life Insurance Company Ltd 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)

a.	Reconciliation of Opening and Closing balances of Defined Benefit Obligation	Gratuity (Funded) Current Year	Gratuity (Funded) Previous Year
	Defined Benefit Obligation at beginning of the year	774.82	697.44
	Current/Past Service Cost	47.63	44.91
	Interest Cost	62.61	55.51
	Actuarial(gain)/ loss	123.37	00.25
	Benefits Paid	(69.91)	(23.29)
	Defined Benefit Obligation at year end	938.53	774.82
b.	Reconciliation of opening and closing balances fair value of plan assets		
	Fair value of plan assets at beginning of the year	783.96	725.63
	Expected return of plan assets	63.34	57.76
	Actuarial gain/ (loss)	(0.52)	2.71
	Employer Contribution	16.00	21.14
	Benefits Paid	(69.91)	(23.29)
	Fair value of plan assets at year end	792.87	783.95
	Actual return on plan assets	62.82	60.47
c.	Reconciliation of fair value of assets and obligations		
	Fair value of plan assets as at 31 st March, 2017	792.87	783.95
	Present value of obligation as at 31 st March, 2017	(938.53)	(774.82)
	Amount Recognized	(145.65)	9.13
d.	Expenses recognized during the year		
	Current/Past Service cost	47.63	44.91
	Interest cost	62.61	55.51
	Expected return on plan assets	(63.34)	(57.76)
	Actuarial(gain)/ loss	123.89	(2.47)
	Net Cost	(0.74)	(2.25)
	L.I.C. Group Gratuity (Cash Accumulation) Policy & Birla Sun Life Insurance Company Ltd. Group Gratuity Policy	95.16% Invested with L.I.C. & 4.84% B.S.I.L.	97.37% Invested with L.I.C. & 2.63% B.S.I.L.
f.	Actuarial assumptions		
	Mortality Table (L.I.C.)	-	-
		2006-08 (Ultimate)	2006-08 (Ultimate)
	Discount rate (per annum)	7.34%	8.08%
	Expected rate of return on plan assets (per annum)	7.34%	8.08%
	Rate of escalation in Salary (per annum)	4.50%	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 ₹146.94 Lakhs previous year (₹134.24 Lakhs) has been provided in the Accounts



Notes annexed to and forming part of accounts for the year ended 31st March, 2017

24.16 Additional information pursuant to the provisions of the Companies Act, 2013 (Figures in bracket relate to 31st March 2016)

- 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 MT)

Class of Goods	Units	* Licensed	Installed	Production	Captive	Net Production
Pharmaceutical	Kgs.	---	22,582	17,463.01	4052.70	13,410.31
			(18,584)	(14,287.60)	(2716.60)	(11,571.00)

* As license is not required Licensed Capacity not given.

	<u>Quantity Kg</u>	<u>Amounts ₹ in Lakhs</u>
b. Purchase of trading items (Net):		
No. of Strips	2,07,69,933	309.91
	(4,84,67,259)	(1,098.12)
Kgs.	7,85,837	1,520.02
	(12,94,147)	(2,553.53)
c. Value of Raw materials and spares consumed	Percentage (%)	Amount (₹ In Lakhs)
Raw Material:		
Indigenous	39.93	26,000.65
	(33.03)	(21,787.63)
Imported	60.07	39,122.76
	(66.97)	(44,175.96)
Stores and spares		
Indigenous	100	816.20
	(100)	(569.38)
d. C.I.F. Value of Imports	Current Year	(₹in Lakhs) Previous Year
Raw Material	41,835.58	44,324.64
Capital Goods	321.01	251.31
e. Expenditure in Foreign Currency		
Commission	363.57	498.75
Travelling Expenses	32.28	33.35
Sales Promotion	39.97	70.30
Foreign Bank Charges	80.32	59.26
Interest on F.C. Loan	203.43	223.86
Others	105.38	279.05
f. Earnings in Foreign Exchange		
F.O.B. Value of Exports	39,198.08	35,854.57

24.17. As per Sec 135 of the Companies Act, 2013, details of amount to be spent on Corporate Social Responsibility are as below. Gross amount to be spent on the CSR activity during the year is ₹185.11 Lakhs. During the year Company spent ₹185.07 Lakhs (previous year 175.38 Lakhs).

Notes annexed to and forming part of accounts for the year ended 31st March, 2017

24.18. During the year Company had entered in to lease transaction covering Lease term of 5 years. The Lease Transaction is covered as Operating Lease as per the Accounting Standard 19 and all lease payments are recognized as an expense in profit and loss account on straight line basis. Disclosures as per Accounting Standard 19, Lease Accounting are as below.

- **Total future minimum lease payments under non-cancellable operating lease for following periods.**

(₹in Lakhs)

Period	Amount
Not Later than 1 year	242.24
Later than 1 year and not later than 5 years	728.46
Later than 5 years	-

24.19. Disclosure on Specified Bank Notes

During the year, the Company had Specified Bank Notes (SBNs) or other denomination notes as defined in the MCA notification, G.S.R308(E), dated 30th March, 2017. The details of SBNs held and transacted during the period from 8th November, 2016 to 30th December, 2016, the denomination-wise SBNs and other notes as per the notification are as follows:

(Amount in ₹)

Particulars	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on 8 th November, 2016	20,13,500	10,60,745	30,74,245
Add: Permitted receipt	-	21,17,624	21,17,624
Less: Permitted payments	-	(24,99,329)	(24,99,329)
Less: Amount deposited in Banks	(20,13,500)	-	(20,13,500)
Closing Cash in hand as on 30 th December, 2016	-	6,79,400	6,79,400

24.20. Proposed Dividend:

Board of Directors in its meeting held on 23rd May, 2017, recommended a final dividend of ₹1/- per equity share for the financial year ended 31st March, 2017. The recommendation is subject to the approval of the shareholders at forthcoming Annual General Meeting and if approved, would result in a cash outflow of approximately ₹ 287.14 (in lakhs) including corporate dividend tax.

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

AS PER OUR REPORT OF EVEN DATE.**For GOKHALE & SATHE**

CHARTERED ACCOUNTANTS

Firm Registration No.103264W

Sd/-

CA Tejas J. Parikh

PARTNER

PLACE : Mumbai

DATE: 23rd May, 2017**For and on Behalf of the Board of Directors**

Sd/-

Prakash M. Patil

(Chairman & Managing Director)

DIN : 00005618

Sd/-

Adhish P. Patil

(Chief Financial Officer)

Sd/-

Harshit M. Savla

(Jt. Managing Director)

DIN : 00005340

Sd/-

CS Vibhav S. Ranade

(Company Secretary)



CASH FLOW STATEMENT AS ON 31ST MARCH, 2017

(₹ In Lakhs)

Sr. No	Particulars	For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
A.	Cash Flow from Operating Activities		
	Net Profit before Tax and Extraordinary Items	10,653.90	9,283.54
	ADJUSTMENT FOR:		
	Depreciation & Amortisation	3,669.30	3,558.41
	Interest Paid	3,448.41	4,328.35
	Interest Received	(51.78)	(65.34)
	Dividend Received	(0.19)	(1.15)
	Investment W/off	193.07	-
	Gain on Sale of Investment	(44.81)	-
	Profit on Sale of Assets	(167.82)	0.19
	Operating Profit before Working Capital Charges	17,700.08	17,104.00
	Trade & Other Receivable	3,375.32	(2,053.12)
	Changes in Inventories	(2,170.50)	(1,368.30)
	Trade & Other Payable	466.86	846.84
	Cash generated from Operation	19,371.77	14,529.42
	Direct Taxes Paid	(1,950.96)	(2,002.32)
	Net Cash Flow from Operating Activities	17,420.80	12,527.10
B.	Cash Flow from Investing Activities		
	Purchase of Fixed Assets / Capital Work in Progress/ Advances	(9,808.58)	(8,806.99)
	Sales/ (Purchase) of Investment	(40.14)	(0.02)
	Sale of Fixed Assets	167.82	0.22
	Interest Received	51.78	65.34
	Dividend Received	0.19	1.15
	Net Cash Flow from Investing Activities	(9,628.93)	(8,740.30)
C.	Cash Flow from Financing Activities		
	Proceeds from Long Term Borrowings	1,085.70	2,399.69
	Proceeds from Unsecured Loans & from Scheduled Bank	(2,779.62)	610.39
	Buy Back of shares	(2,700)	-
	Dividend Paid	-	(2,361.17)
	Interest Paid	(3,448.41)	(4,328.35)
	Net Cash Flow from Financing Activities	(7,842.33)	(3,679.44)
	Net Increase in Cash and Cash Equivalents (A+B+C)	(50.45)	107.36
	Opening Cash and Cash Equivalents	450.35	342.99
	Closing Cash and Cash Equivalents	399.90	450.35

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 ₹26.58 lakhs (previous year ₹25.57 lakhs) under lien are considered as cash and cash equivalents.

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Registration No.103264W
Sd/-
CA Tejas J. Parikh
PARTNER

For and on Behalf of the Board of Directors

Sd/- Prakash M. Patil (Chairman & Managing Director) DIN : 00005618 Sd/- Adhish P. Patil (Chief Financial Officer)	Sd/- Harshit M. Savla (Jt. Managing Director) DIN : 00005340 Sd/- CS Vibhav S. Ranade (Company Secretary)
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PLACE : Mumbai
DATE: 23rd May, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of AARTI DRUGS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AARTI DRUGS LIMITED ("the Company") and its subsidiary which comprise the Consolidated Balance Sheet as at March 31, 2017 and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company including its subsidiary in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The respective Board of Directors of the Company including its subsidiary have responsibility in each of the respective Companies which also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the respective Companies, and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the preparation of the consolidated financial statements by the Company's Directors, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, based on the consideration of the reports of the other auditor on the financial statements/financial information of its subsidiary as noted below, the consolidated 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, of the consolidated state of affairs of the Company, including its subsidiary as at March 31, 2017 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements / financial information of its only subsidiary whose financial statements / financial information reflect total assets of ₹9,390.10 lakhs as at March 31, 2017, total revenues of ₹14,525.29 lakhs and net cash outflow of ₹14.30 lakhs for the year then ended as considered in the consolidated financial statements. These financial statements / financial information have been audited by other auditor whose report have been furnished to us and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of its subsidiary is based solely on the report of the other auditor.

Our opinion on the consolidated financial statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditor and the financial statements/ financial information certified by the Management.



Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of consolidation of the accounts of its subsidiary have been received.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in the aggregate in agreement with the relevant underlying books of accounts maintained by the Company, its subsidiary respectively for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the Directors of the Company as on March 31, 2017 taken on record by the Company's Directors and the relevant assertion contained in reports of the statutory auditor of its subsidiary incorporated in India, none of the Directors of the Company, its subsidiary incorporated in India is disqualified as on March 31, 2017 from being appointed as a Director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and its subsidiary incorporated in India and the operating effectiveness of such controls, refer our separate report in "Annexure - A"; and
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at March 31, 2017 which would impact the consolidated financial position. Refer note no 24.5 of the Consolidated Financial Statements.
 - ii. The Company and its subsidiary did not have any long term contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company. There were no amounts required to be transferred to the Investor Education and Protection Fund by its subsidiary.
 - iv. The Company along with its subsidiary has provided requisite disclosures in its consolidated financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 24.13 to the consolidated financial statements.

**For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Reg. No.: 103264W**

**Sd/-
TEJAS J. PARIKH
PARTNER**

Membership No: 123215

**Place: Mumbai
Date: 23rd May, 2017**

ANNEXURE - A TO THE INDEPENDENT AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Aarti Drugs Limited (hereinafter referred to as "the Company") and its subsidiary Company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Company and its subsidiary Company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for

ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company and its subsidiary Company, which are companies incorporated in India, internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company and its subsidiary company, which are companies incorporated in India, internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorisations of management and Directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India .

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company, which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India. Our opinion is not qualified in respect of this matter.

**For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Reg. No.: 103264W**

**Sd/-
TEJAS J. PARIKH
PARTNER**

Membership No: 123215

**Place: Mumbai
Date: 23rd May, 2017**



Consolidated Balance Sheet as at 31st March, 2017

(₹ In Lakhs)

Particulars	Note No	As at 31st March, 2017	As at 31st March, 2016
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share Capital	1	2,385.71	2,421.71
Reserves & Surplus	2	<u>38,686.16</u>	<u>33,318.08</u>
		41,071.87	35,739.79
Non Current Liabilities			
Long-Term Borrowings	3	20,154.56	19,123.40
Deferred Tax Liability (Net)	24.11	4,752.81	4,041.81
Other Long-Term Liability	4	1,488.10	1,070.80
Long-Term Provisions	5	<u>714.45</u>	<u>141.63</u>
		27,109.92	24,377.64
Current Liabilities			
Short-Term Borrowings	6	24,466.43	25,840.86
Trade Payables	7		
- Dues to micro enterprise and small enterprises		-	-
- Dues to creditors other than micro enterprises and small enterprises		19,697.44	18,489.88
Other Current Liabilities	8	4,116.82	4,380.36
Short-Term Provisions	9	<u>1,275.59</u>	<u>1,391.10</u>
		49,556.29	50,102.20
TOTAL		<u>1,17,738.08</u>	<u>1,10,219.62</u>
<u>ASSETS</u>			
Non Current Assets			
Fixed Assets			
(i) Tangible Assets	10	57,553.84	48,637.87
(ii) Intangible Assets	10	555.52	703.66
(iii) Capital work - in - progress		1,427.77	3,404.47
Non Current Investment	11	355.33	463.45
Long-Term Loans & Advances	12	<u>703.33</u>	<u>487.68</u>
		60,595.80	53,697.13
Current Assets			
Inventories	13	20,963.43	17,835.01
Trade Receivable	14	29,680.67	33,168.65
Cash and Cash Equivalents	15	417.37	482.12
Short-Term Loans and Advances	16	1,978.57	1,923.89
Other Current Assets	17	<u>4,102.23</u>	<u>3,112.83</u>
		57,142.28	56,522.49
TOTAL		<u>1,17,738.08</u>	<u>1,10,219.62</u>

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
 CHARTERED ACCOUNTANTS
 Firm Registration No.103264W
 Sd/-
CA Tejas J. Parikh
 PARTNER

PLACE : Mumbai
 DATE: 23rd May, 2017

For and on Behalf of the Board of Directors

Sd/-
Prakash M. Patil
 (Chairman & Managing Director)
DIN : 00005618
 Sd/-
Adhish P. Patil
 (Chief Financial Officer)

Sd/-
Harshit M. Savla
 (Jt. Managing Director)
DIN : 00005340
 Sd/-
CS Vibhav S. Ranade
 (Company Secretary)

Consolidated Statement of Profit and Loss for the year ended 31st March, 2017

(₹ In Lakhs)

Particulars	Note No	For the Year Ended 31 st March, 2017	For the Year Ended 31 st March, 2016
I Revenue from Operations			
Gross Sales / Income from Operations		1,28,808.00	1,22,830.51
Less : Excise Duty & Sales Tax		9,290.90	9,342.33
(a) Net Sales / Income from Operations		1,19,517.10	1,13,488.18
(b) Other Operating Income	18	400.48	495.81
Revenue from Operations (Net)		1,19,917.58	1,13,983.99
II Other Income		-	-
III Total Revenue (I + II)		1,19,917.58	1,13,983.99
IV Expenses:			
(a) Cost of materials consumed	19	74,020.18	72,102.14
(b) Purchase of stock-in-trade (Net)		4,068.18	5,059.86
(c) Changes in inventories of finished goods, work-in-progress		(43.48)	(491.37)
(d) Employee Benefits Expense	20	5,406.56	4,475.52
(e) Finance Cost (Interest)	21	3,642.09	4,388.68
(f) Depreciation and Amortisation Expense	22	3,846.27	3,652.76
(g) Other Expenses	23	17,500.47	15,268.92
Total Expenses		1,08,440.27	1,04,456.50
V Profit before Exceptional and Extraordinary Items and Tax (III - IV)		11,477.31	9,527.49
VI Exceptional Items		-	-
VII Profit before Extraordinary Items and Tax (V - VI)		11,477.31	9,527.49
VIII Extraordinary Items		-	-
IX Profit before Tax (VII - VIII)		11,477.31	9,527.49
X Tax Expenses:			
Provision for Taxation - Current		2,913.00	2,115.00
- MAT credit entitlement		-	-
- Earlier year		(203.00)	-
Provision for Deferred Taxation		711.00	540.00
Total Tax Expenses		3,421.00	2,655.00
XI Profit/(Loss) for the period from continuing operations (IX - X)		8,056.31	6,872.49
XII Profit / (Loss) form discontinuing operations		-	-
XIII Tax expenses of discontinuing operations		-	-
XIV Profit / (Loss) from discontinuing operations (XII - XIII)		-	-
XV Profit / (Loss) for the period (XI - XIV)		8,056.31	6,872.49
XVI Earning per equity share (in ₹)			
Basic/Diluted		33.40	28.38

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Registration No.103264W

Sd/-

CA Tejas J. Parikh
PARTNER

PLACE : Mumbai
DATE: 23rd May, 2017

For and on Behalf of the Board of Directors

Sd/-

Prakash M. Patil
(Chairman & Managing Director)
DIN : 00005618

Sd/-

Adhish P. Patil
(Chief Financial Officer)

Sd/-

Harshit M. Savla
(Jt. Managing Director)
DIN : 00005340

Sd/-

CS Vibhav S. Ranade
(Company Secretary)



Notes forming part of Consolidated Balance Sheet as at 31st March, 2017

(₹ In Lakhs)

	As at 31 st March, 2017	As at 31 st March, 2016
NOTE NO. 1: SHARE CAPITAL		
AUTHORISED:		
2,50,00,000 Equity shares of ₹ 10/- each	2,500.00	2,500.00
	<u>2,500.00</u>	<u>2,500.00</u>
ISSUED, SUBSCRIBED & PAID-UP:		
2,38,57,100 Equity Shares of ₹ 10/- each Issued, subscribed and fully paid up	2,385.71	2,421.71
	<u>2,385.71</u>	<u>2,421.71</u>
Reconciliation		
	Numbers	Value
Opening outstanding shares	2,42,17,100	2,421.71
Less: Buy Back of Shares during the year	3,60,000	36.00
Closing outstanding shares	<u>2,38,57,100</u>	<u>2,385.71</u>

Note: The Company has completed buyback of 3,60,000 equity shares of face value ₹10/- each at a price of ₹750/- per share on 26th December, 2016. The number of equity shares post buyback stands reduced to 2,38,57,100 of ₹10/- each. Accordingly, the paid up capital also stands reduced to ₹2,385.71 Lakhs.

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

Name of Holder	As at 31 st March, 2017		As at 31 st March, 2016	
	No. of Shares held	% held	% of Holding	% held
Prakash M. Patil	20,24,721	8.49	20,61,619	8.51

NOTE NO. 2: RESERVE & SURPLUS

Particulars	As on 1 st April, 2016	Addition During the year	Appropriation During the year	As at 31 st March, 2017
Capital Reserves	654.28	-	26.01	628.27
Capital Redemption Reserve	210.27	36.00	-	246.27
Securities Premium Account	1,262.72	-	1,262.72	-
General Reserve	3,877.29	-	1,437.28	2,440.02
Profit & Loss Account	27,313.51	8,056.31	(1.78)	35,371.61
Total Reserves - 31 st March, 2017	33,318.08	8,092.31	2,724.22	38,686.16
Previous years - 31 st March, 2016	28,393.55	7,542.49	2,617.96	33,318.08

NOTE NO 3 LONG TERM BORROWINGS

	As at 31 st March, 2017	As at 31 st March, 2016
Term Loans		
Secured Borrowings		
From Scheduled Banks	18,737.56	17,666.40
Loans & Advances from related parties		
From Directors - Unsecured	857.00	857.00
From Other - Unsecured	560.00	600.00
TOTAL	<u>20,154.56</u>	<u>19,123.40</u>

Notes Forming Part of Consolidated Balance Sheet As At 31st March, 2017

(₹ In Lakhs)

	As at 31 st March, 2017	As at 31 st March, 2016
NOTE NO. 4: OTHER LONG TERM LIABILITY		
Trade payables of Project		
Due to others	1,106.83	689.63
Other - Deferred Payment Liability	364.28	364.28
- Trade Deposits	16.99	16.88
TOTAL	1,488.10	1,070.80
NOTE NO. 5: LONG TERM PROVISION		
Income Tax Provision (Net of Advance Tax and TDS)	714.45	141.63
TOTAL	714.45	141.63
NOTE NO. 6 SHORT TERM BORROWINGS		
Loans repayable on demand		
From Banks		
Secured Borrowings	14,588.50	15,106.68
Unsecured Borrowings	9,877.94	10,732.61
Loans & advances from related parties		
From Directors - Unsecured	-	1.56
TOTAL	24,466.43	25,840.86
NOTE NO. 7: TRADE PAYABLE		
Trade payables of Goods, Services & Expenses		
Due to others	19,697.44	18,489.88
TOTAL	19,697.44	18,489.88
NOTE NO. 8: OTHER CURRENT LIABILITY		
Interest accrued but not due on Loans	71.66	284.20
Unpaid Dividend	102.80	122.51
Other Payable - Duties & Taxes	613.89	597.67
Long-term Borrowing repayable in within 12 months	3,328.48	3,375.98
TOTAL	4,116.82	4,380.36
NOTE NO. 9: SHORT TERM PROVISION		
Provision for Employee benefits (Bonus)	226.05	174.03
Other Short Term Provisions - Goods & expenses	1,049.54	1,217.07
TOTAL	1,275.59	1,391.10



Notes Forming Part of Consolidated Balance Sheet As At 31st March, 2017

NOTE NO. 10: CONSOLIDATED FIXED ASSETS

(₹ In Lakhs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 1 st April, 2016	Addition	Deduction	As on 31 st March, 2017	As on 1 st April, 2016	Addition/Deduction	As on 31 st March, 2017	As on 31 st March, 2016
Tangible Assets								
Building	12,686.94	3,105.34	-	15,792.28	2,320.62	445.02	13,026.65	10,366.32
Furniture	780.99	70.25	-	851.24	322.83	84.55	443.85	458.16
Land	3,444.78	1,308.11	-	4,752.90	-	-	4,752.90	3,444.78
Office Equipment	828.07	232.44	-	1,060.51	291.11	108.58	660.82	536.96
Plant & Machinery	53,768.90	7,849.13	-	61,618.02	20,081.92	3,019.07	38,517.03	33,686.97
Vehicles	296.21	48.83	-	345.05	151.54	40.91	152.60	144.68
Total of Tangible Assets (a)	71,805.89	12,614.10	-	84,420.00	23,168.02	3,698.13	57,553.84	48,637.87
Intangible Assets								
Process Development (R & D)	740.70	-	-	740.70	37.03	148.14	555.52	703.66
Total of Intangible Assets (b)	740.70	-	-	740.70	37.03	148.14	555.52	703.66
Total (a + b)	72,546.59	12,614.10	-	85,160.69	23,205.06	3,846.37	58,109.37	49,341.53
Previous Year	68,521.15	8,152.77	4,127.33	72,546.59	23,674.75	3,653.00	49,341.53	

Note:

- 1) Plant & Machinery addition includes Capital Expenditure incurred on R & D of ₹51.03 Lakhs (previous year ₹ 92.48 Lakhs)
- 2) Building addition includes Capital Expenditure incurred on R&D of ₹NIL (Previous year ₹ 38.11 Lakhs)
- 3) Remaining period of Amortisation of Intangible assets mentioned are as follows:

Particulars	WDV as on 31 st March, 2017	Remaining period of Amortisation
Process Development (R&D)	5,55,52,280	45 Months

Notes Forming Part of Consolidated Balance Sheet As At 31st March, 2017

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 31/03/2017 (₹)	As at 31/03/2016 (₹)
A. TRADE INVESTMENTS						NIL	NIL
B. OTHER INVESTMENTS							
a. Investments in Equity Instruments							
Aarti Industries Ltd.	750	-	750	-	5/-	-	0.06
Alembic Ltd.	180	-	180	-	2/-	-	0.01
Aurobindo Pharma Ltd.	100	-	100	-	1/-	-	0.02
Sanofi India Ltd. (Aventis Pharma Ltd.)	5	-	5	-	10/-	-	0.02
Cadila Healthcare Ltd.	75	-	75	-	10/-	-	0.01
Cipla Ltd.	62	-	62	-	2/-	-	0.07
Dabur India Ltd.	300	-	300	-	1/-	-	0.06
Dr Reddy's Laboratories Ltd.	4	-	4	-	5/-	-	0.02
Fresenius Kabi Oncology Ltd. (Dabur Pharma Ltd.)	25	-	-	25	1/-	-	-
Glenmark Pharmaceuticals Ltd.	100	-	100	-	1/-	-	0.01
Godavari Drugs	25	-	25	-	1/-	-	0.02
Ipca Laboratories Ltd.	1050	-	1,050	-	2/-	-	0.25
Ind-Swifts Laboratories Ltd.	5	-	5	-	10/-	-	0.00
Ind-Swifts Ltd.	25	-	25	-	2/-	-	0.00
Jagsonpal Pharmaceuticals Ltd.	40	-	40	-	5/-	-	0.00
J.B.Chemicals & Pharmaceuticals Ltd.	500	-	500	-	2/-	-	0.21
Kopran Ltd.	5	-	5	-	10/-	-	0.00
Krebs Bio Chemicals & Industries Ltd.	100	-	100	-	10/-	-	0.26
Piramal Glass Ltd. (Kojam Fininvest Ltd.)	14	-	14	-	10/-	-	-
Lupin Ltd.	50	-	50	-	2/-	-	0.01
Mylan Laboratories Ltd. (Matrix Laboratories Ltd.)	50	-	50	-	2/-	-	0.02
Morepen Laboratories Ltd.	5	-	5	-	2/-	-	0.00
Natco Pharma Ltd.	25	-	25	-	10/-	-	0.00
Neuland Laboratories Ltd.	100	-	100	-	10/-	-	0.34
Piramal Enterprises Ltd. (Piramal Health)	297	-	297	-	2/-	-	0.44
Novartis (I) Ltd.	5	-	5	-	5/-	-	0.01
Orchid Chemicals & Pharmaceuticals Ltd.(Orchid Pharma Ltd.)	7	-	7	-	10/-	-	0.01
Panacea Biotec Ltd.	5	-	5	-	1/-	-	0.00
Pfizer Ltd.	14	-	14	-	10/-	-	0.06
Reliance Industries Ltd.	232	-	232	-	10/-	-	0.10
Strides Arcolab Ltd.(Strides shasun limited)	256	-	256	-	10/-	-	0.39



Notes Forming Part of Consolidated Balance Sheet As At 31st March, 2017

(₹ In Lakhs)

Name of the Company	Opening Balance	Add Acquisition during the year	Less Disposed during the year	Closing Balance	Face Value ₹	As at 31/03/2017 (₹)	As at 31/03/2016 (₹)
Sun Pharmaceuticals Industries Ltd.	103	-	103	-	1/-	-	0.03
Marksans Pharma Ltd. (Tasc Pharma Ltd.)	1000	-	1,000	-	1/-	-	0.05
Torrent Pharmaceuticals Ltd.	40	-	40	-	5/-	-	0.01
Unichem Laboratories Ltd.	1000	-	1,000	-	2/-	-	0.25
Bank of Baroda	7500	-	7,500	-	10/-	-	1.26
Bank of India	2300	-	2,300	-	10/-	-	1.04
Union Bank of India	2523	-	2,523	-	10/-	-	2.78
						-	-
						-	7.83
Perfect Enviro Control Systems Ltd.	2,40,200	-	-	2,40,200	10/-	24.02	24.02
The Shamrao Vitthal Co- op Bank Ltd.	100	-	-	100	25/-	0.03	0.03
The Saraswat Co - op Bank Ltd.	10,100	-	-	12,600	10/-	1.26	1.26
Shivalik Solid Waste Management Ltd	2,500	-	-	2,500	10/-	0.25	0.25
Tarapur Environment Protection Society	17,997	50,191	-	68,188	100/-	110.98	18.00
Amit Hetrochem (I) Ltd.	2,91,690	-	-	2,91,690	10/-	**29.17	222.23
Aarti Biotech Ltd.	1,200	-	-	1,200	10/-	0.12	0.12
Huanggang Yinhe Aarti Pharmaceutical Co. Ltd.	308	-	-	308	*10000/-	189.51	189.51
						355.33	455.42
b. Investment in Government or Trust Securities							
N.S.C (One Certificate of ₹ 1000/- Face Value)	1	-	1	-		-	0.01
						-	0.01
c. Investment in Debentures or Bonds							
Unit Trust of India (US-64)	190	-	190	-	100/-	-	0.19
						-	0.19
Aggregate Amount of Quoted Investments & Market Value						-	8.03
Aggregate Amount of Unquoted Investment						355.33	455.42
TOTAL						355.33	463.45

(Aggregate market value of quoted investment: as at 31st March, 2017 ₹0/- and as at 31st March, 2016 ₹46,41,585/-)

*Face Value of 1 share = 10000 RMB

**Considering diminution in the value of investments held by the Company in Amit Hetrochem, the Company has written off the investment by ₹193.06 (in lakhs).

Notes Forming Part of Consolidated Balance Sheet As At 31st March, 2017

(₹ In Lakhs)

	As at 31 st March, 2017	As at 31 st March, 2016
NOTE NO. 12: LONG TERM LOANS & ADVANCES		
Unsecured - consider good		
Capital Advances	500.33	487.68
MAT Credit Entitlement	203.00	-
TOTAL	703.33	487.68
NOTE NO. 13: INVENTORIES		
Stores & Spares	593.84	444.58
Packing Materials	565.70	262.31
Raw Materials	9,701.06	7,009.76
Finished Goods	3,776.83	3,839.24
Work in process	6,310.14	6,204.26
Stock in Trade	15.87	74.87
TOTAL	20,963.43	17,835.01
NOTE NO. 14: TRADE RECEIVABLES		
Unsecured, Considered good		
Trade Receivable o/s exceeding 6 months	880.24	834.98
Others	28,800.43	32,401.99
	29,680.67	33,236.97
Less: Provision for Doubtful Debts	-	68.32
TOTAL	29,680.67	33,168.65
NOTE NO. 15: CASH & CASH EQUIVALENTS		
Cash on Hand	22.72	37.02
Cheques on Hand	251.06	272.19
Balances with Scheduled Banks:		
- Current Accounts	13.67	16.39
- Deposit Accounts	27.13	34.01
Earmarked Balance - Unpaid Dividend	102.80	122.51
TOTAL	417.37	482.12
NOTE NO. 16 SHORT TERM LOANS & ADVANCES		
Unsecured, Considered good		
Advances recoverable in cash or kind or for value to be received	1,910.78	1,833.09
Advances and Loans - Staff & workers	67.80	90.80
TOTAL	1,978.57	1,923.89
NOTE NO. 17: OTHER CURRENT ASSETS		
Deposits	802.70	786.82
Others - Excise & Service Tax	3,299.53	2,326.00
TOTAL	4,102.23	3,112.83

**Notes forming part of Consolidated Statement of Profit & Loss for the year ended 31st March, 2017**

(₹ In Lakhs)

For the year ended 31st March, 2017 **For the year ended 31st March, 2016****NOTE NO. 18: OTHER OPERATING INCOME**

Dividend	0.26	1.15
Interest (Gross)	53.71	66.38
Miscellaneous Income	133.93	79.06
Profit on Sale of Assets / shares	212.59	-
Insurance Claim Recd	-	349.22
TOTAL	400.48	495.81

NOTE NO. 19: COST OF MATERIALS CONSUMED

Raw Material Consumption	70,417.83	68,938.93
Packing Materials	2,102.82	1,816.78
Freight Inward	944.22	867.51
Clearing & Forwarding	555.31	478.92
TOTAL	74,020.18	72,102.14

NOTE NO. 20: EMPLOYEE BENEFITS EXPENSE

Salaries, Wages and Bonus (Mfg)	3,889.32	3,126.99
Labour Welfare Expenses	234.55	196.50
Salaries and Bonus (Admin)	568.85	502.56
Provident Fund Contribution	206.70	174.74
Staff Welfare Expenses	19.63	18.34
Directors' Remuneration	487.50	456.39
TOTAL	5,406.56	4,475.52

NOTE NO. 21: FINANCE COST

Interest on Term Loans	1,721.60	1,867.22
Interest on Working Capital	1,771.90	2,364.97
Interest on Others	148.59	156.49
TOTAL	3,642.09	4,388.68

NOTE NO. 22: DEPRECIATION AND AMORTISATION

Depreciation	3,698.13	3,484.73
Amortisation	148.14	168.03
TOTAL	3,846.27	3,652.76

Notes forming part of Consolidated Statement of Profit & Loss for the year ended 31st March, 2017

(₹ In Lakhs)

	For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
NOTE NO. 23: OTHER EXPENSES		
Manufacturing Expenses		
Processing Charges	751.91	865.50
Labour Charges	2,769.06	2,132.04
Insurance Expenses	63.63	116.63
Lease Expenses	178.28	70.81
Power & Fuel	5,788.11	5,229.53
Repairs & Maintenance - Building	105.57	40.65
- Plant & Machinery	354.21	272.65
Research & Development	380.11	387.60
Water Charges	129.19	134.87
Laboratory Expenses	430.57	444.24
Other Factory Expenses	1,567.17	1,303.88
Sub Total (a)	13,433.63	11,627.47
Office & Administration Expenses		
Books & Periodicals	0.18	0.16
Auditors' Remuneration	9.53	9.71
Conveyance Expenses	36.86	29.87
Legal & Professional Charges	264.00	169.51
Membership & Subscriptions	7.91	3.62
Printing & Stationery	21.58	24.06
Postage, Telegram & Telephone	34.79	31.32
Office Electricity Charges	0.00	28.74
Insurance Charges	27.24	32.56
Repairs & Maintenance - Others	47.46	44.47
Entertainment Expenses	12.97	13.48
Miscellaneous Expenses	28.70	59.15
Vehicle Expenses	10.52	11.62
Travelling Expenses - Directors	12.00	11.40
- Others	41.75	37.82
Directors' Sitting Fees	4.50	5.70
Loss on sale of Investment	193.07	-
Loss on sale of Assets	-	0.19
Sub Total (b)	777.32	513.37
Selling & Distribution		
Advertisement & Sales Promotion	112.14	120.39
Freight & Forwarding - Export	1,119.36	1,016.19
Freight & Forwarding - Local	430.13	292.44
Commission Expenses	749.70	751.70
Insurance Expenses	9.68	25.22
Postage & Telegram	20.79	15.77
Other Export Expenses	139.11	110.58
Bad Debts & other written off	157.24	206.45
Sub Total (c)	2,738.14	2,538.75
Finance Cost		
Bank Charges	359.61	412.85
Sub Total (d)	359.61	412.85
Non Operative Expenses		
Donations	6.70	1.11
CSR Expenditure	185.07	175.38
SubTotal (e)	191.77	176.48
Total (a+b+c+d+e)	17,500.47	15,268.92



Notes forming part of Consolidated Financial Statements for the year ended 31st March, 2017

24.1 Background

Consolidated Financial Statements include the parent Company, Aarti Drugs Limited and the following subsidiary Company:

Name of the Subsidiary	Proportion of Ownership Interest (%)
Pinnacle Life Science Private Ltd.	100 % (Previous Year 100%)

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

24.3. Principles of Consolidation

- This Consolidated Financial Statements are prepared using the Financial Statements of the parent Company and the subsidiary Company drawn up to the same reporting date.
- The Consolidation of the financial statements of the parent Company and its subsidiary is done on line by line basis by adding together like items of assets, liabilities, income and expenses. All intra group transactions, unrealized inter-company profits and balances have been eliminated in the course of consolidation.
- The financial statements of parent Company and its subsidiary have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- The excess of the cost of the Company's investment in the subsidiary over its share in equity of the subsidiary Company, on the date of acquisition, is recognized in the financial statements as Capital Reserve.

24.4 Significant Accounting Policies:

a. Basis of Preparation

The financial statement have been prepared and presented under the historical cost convention on as accrual basis of accounting and in accordance with generally accepted accounting principles in India and comply in all material aspects with the applicable accounting standards notified under the relevant provisions of the Companies Act, 2013.

b. Fixed Assets and Depreciation

- 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 II of the Companies Act, 2013. 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.
- 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

Investments are classified into Current and Non-Current Investment.. Current Investments are valued at lower of cost or fair value. Non-Current Investment are stated at cost. Provisions are made for diminution in value of investments, if any, other than those of temporary nature.

d. Valuation of Inventories

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

- Raw materials, packing materials, stores and spares - At cost on FIFO Method
- Work in process - At cost plus appropriate allocation of overheads
- 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 & Birla Sun life Insurance Company Ltd. 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 probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- **Sales of Goods**

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have been passed to the buyer and is stated net of excise duty, sales tax, returns and trade discounts.

- **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.

- Interest income is recognized using the time proportionate method, based on rates implicit in the transaction.
- Dividend income is recognized when the right to receive is established.

g. Borrowing Cost

Borrowing costs that are directly attributable to acquisition construction, or production of qualifying assets are capitalized as a part of the cost of such assets, up to the date such assets are ready for their intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

h. Foreign Currency Transactions

Transaction denominated in foreign currencies is recorded at the exchange rate that approximates the actual rate prevailing at the date of the transaction. Monetary item denominated in foreign currency at the year end are translated at year end rates. Non monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transactions. The premium in case of forward contracts is dealt with in the Profit and Loss Account proportionately over the period of contracts. The exchange differences arising on settlement/translation are dealt with in the Statement of Profit and Loss.

i. Research & Development Expenditure:

Revenue expenditure on Research and Development is recognized as expense in the year in which it is incurred.

Capital expenditure on Research and Development is included as part of fixed assets and depreciation is provided on the same basis as for other fixed assets.

j. Income Tax

Tax expenses comprise of current tax and deferred tax, current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income of the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the Balance Sheet date.

k. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating lease. Operating Lease payments are recognised as an expense in the Profit and Loss Account of the year to which they relate.



24.5 Contingent Liabilities:

(₹ In Lakhs)

Sr. No.	Particulars	On the Parent Company March, 2017	On the Subsidiary Company March, 2017	On the Parent Company March, 2016	On the Subsidiary Company March, 2016
a.	In respect of bank guarantees issued & L/C opened by the Company's bankers	1894.99	32.96	3785.03	32.96
b.	corporate guarantee for borrowing facilities from The Saraswat Co-Op. Bank Limited for its only subsidiary Pinnacle Life Science Private Ltd.	3565.00	0.00	1854.00	0.00
b.	Demand in respect of additional income tax disputed in appeal	293.25	0.00	351.41	0.00
c.	Demand in respect of sales tax disputed in appeal	15.18	0.00	15.18	0.00
d.	Demand in respect of additional excise, custom, service tax, fine & penalty is disputed in appeal	66.73	0.00	38.88	0.00
e.	Liability for duty on raw material imported under advance licence benefit scheme against which export obligation remained to be fulfilled	260.52	0.00	259.45	0.00
f.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	177.09	113.60	303.49	13.20

24.6. 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)

GEOGRAPHICAL SEGMENTS AS SECONDARY SEGMENTS		For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
Segment Revenue			
a)	Exports	42,568.36	38,919.06
b)	Others	86,239.64	83,911.45
Total		1,28,808.00	1,22,830.51

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.

24.7 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:

Name and Relationship of the Related Parties:

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	Mr. Vibhav S. Ranade (CS)
Mr. Adhish P. Patil (CFO)	

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
Mr. Sameer P. Shah	Mrs. Jayashree H. Shah
Mrs. Arti T. Sankhe	Mrs. Manish R. Gogri

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

- Aarti Industries Ltd.
- Rupal Drugs LLP
- Alchemie Gases & Chemicals Pvt. Ltd.
- Alchemie Financial Services Ltd.
- Alchemie Laboratories

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

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, 2017

Transaction with Related Parties	Enterprise /firms over which controlling individuals have significant influence	Enterprise/firms over which controlling individuals have significant influence
	C.Y. %	L.Y. %
Sales & Income from Operations	0.22	0.00
Manufacturing Expenses	2.30	1.37
Borrowing costs	1.40	1.34
Outstanding Payable	2.09	1.65
Outstanding Receivable	0.00	0.00
Outstanding Unsecured Loan	4.74	4.39

Transaction with Related Parties	Individuals		Relatives of Individuals		Key Management Personnel		Relative of Key Management Personnel	
	C.Y.	L.Y.	C.Y.	L.Y.	C.Y.	L.Y.	C.Y.	L.Y.
	%	%	%	%	%	%	%	%
Employee Benefits & Office & Administration Expenses	0.02	0.04	0.70	0.87	24.67	29.42	1.52	2.02
Borrowing Costs	0.00	0.00	0.00	0.00	2.14	1.77	0.00	0.00
Unsecured Loans Accepted	0.00	0.00	0.00	0.00	0.00	0.28	0.00	0.00
Unsecured Loans Repaid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Outstanding Unsecured Loan	0.00	0.00	0.00	0.00	7.59	7.03	0.00	0.00



24.8 Directors Remuneration:

(₹ in Lakhs)

Particulars	By the Parent Company 31 st March, 2017	By the Subsidiary Company 31 st March, 2017	By the Parent Company 31 st March, 2016	By the Subsidiary Company 31 st March, 2016
Salary to Managing Directors and whole time Directors	171.63	12.98	171.60	12.98
Bonus/Leave Travel Allowance/House Rent Allowance/Medical/Leave Salary	34.59	0.00	34.39	0.00
Commission payable to Directors	222.14	0.00	194.49	0.00
Contribution to Provident Fund	1.08	0.00	1.08	0.00
Superannuation Fund Scheme	43.01	2.06	41.47	0.38
Total Remuneration	472.45	15.04	443.03	13.36

24.9 Auditors' remuneration includes

(₹ in Lakhs)

Particulars	By the Parent Company 31 st March, 2017	By the Subsidiary Company 31 st March, 2017	By the Parent Company 31 st March, 2016	By the Subsidiary Company 31 st March, 2016
Statutory Audit	5.38	2.21	4.86	2.19
Other Audit Services	0.38	0.00	2.25	0.00
Certification	1.56	0.00	0.41	0.00
Total	7.32	2.21	7.52	2.19

24.10 Earning Per Share:

(₹ in Lakhs, except share data)

Particulars	Current Year	Previous Year
Net Profit available for Equity Shareholders	8056.31	6872.49
Weighted Number of Equity Shares (Nos.)	2,41,22,415	2,42,17,100
Basic & Diluted EPS (after extraordinary items) (₹)	33.40	28.38
Nominal value per share (₹)	10.00	10.00

24.11 Deferred Tax Liability (Net)

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Deferred Tax Liability	4,041.81	3,501.81
Difference between Depreciation as per Companies Act and Income Tax Act as on 31 st March, 2017 after considering Amortization.	711.00	540.00
Net Deferred Tax Liability	4,752.81	4,041.81

24.12 Details of Subsidiary

(₹ In Lakhs)

Name of the Subsidiary	Pinnacle Life Science Private Ltd.	Pinnacle Life Science Private Ltd.
The financial year of Subsidiary ended on	31 st March, 2017	31 st March, 2016
Reporting currency	INR	INR
a - Share Capital	778.28	778.28
b - Reserves and Surplus	1,206.19	580.50
c - Debts & other Liability	7,429.43	5,336.90
Total Liability (a+b+c)	9,413.90	6,695.68
Total Assets	9,413.90	6,695.68
Total Income	14,581.92	8,584.07
Profit/(loss) Before Tax	842.71	245.73
Tax Expenses	191.00	-
Profit/(Loss) after Tax	651.71	245.73

24.13 Disclosure on Specified Bank Notes

During the year, the Company had Specified Bank Notes (SBNs) or other denomination notes as defined in the MCA notification, G.S.R308(E), dated 30th March, 2017. The details of SBNs held and transacted during the period from 8th November, 2016 to 30th December, 2016, the denomination-wise SBNs and other notes as per the notification are as follows:

(Amount in ₹)

Particulars	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on 8 th November, 2016	20,28,500	13,18,785	33,47,285
Add: Permitted receipt	-	22,27,624	22,27,624
Less: Permitted payments	-	(26,50,997)	(26,50,997)
Less: Amount deposited in Banks	(20,28,500)	-	(20,28,500)
Closing Cash in hand as on 30 th December, 2016	-	8,95,412	8,95,412

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

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
 CHARTERED ACCOUNTANTS
 Firm Registration No.103264W
 Sd/-

CA Tejas J. Parikh
 PARTNER

PLACE : Mumbai
 DATE: 23rd May, 2017

For and on Behalf of the Board of Directors

Sd/-
Prakash M. Patil
 (Chairman & Managing
 Director)
DIN : 00005618

Sd/-
Adhish P. Patil
 (Chief Financial Officer)

Sd/-
Harshit M. Savla
 (Jt. Managing Director)
DIN : 00005340

Sd/-
CS Vibhav S. Ranade
 (Company Secretary)



CONSOLIDATED CASH FLOW STATEMENT AS ON 31ST MARCH, 2017

(₹ In Lakhs)

Sr. No.	Particulars	For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
A.	Cash Flow from Operating Activities		
	Net Profit before Tax and Extraordinary Items	11,477.31	9,527.49
	ADJUSTMENT FOR:		
	Depreciation & Amortisation	3,846.27	3,652.76
	Depreciation on Revalued Assets	(26.01)	(26.01)
	Interest Paid	3,642.09	4,388.68
	Interest Received	(53.71)	(85.20)
	Dividend Received	(0.26)	-
	Investment W/Off	193.07	-
	Gain on Sale of Investment	(44.81)	-
	Loss on Sale of Asset	(167.82)	0.19
	Operating Profit before Working Capital Charges	18,866.14	17,457.90
	Trade & Other Receivable	3,924.75	(1,901.09)
	Changes in Inventories	(3,126.64)	(1,401.18)
	Trade & Other Payable	(72.55)	1,177.28
	Cash generated from Operation	19,591.70	15,331.76
	Direct Taxes Paid	(2,135.96)	(2,002.32)
	Net Cash Flow from Operating Activities	17,455.74	13,329.44
B.	Cash Flow from Investing Activities		
	Purchase of Fixed Assets / Capital Work in Progress/ Advances	(10,879.28)	(9,965.79)
	Sales/ (Purchase) of Investment	(40.14)	(0.27)
	Dividend Received	0.26	1.15
	Sale of Fixed Assets	167.82	0.22
	Interest Received	53.71	85.20
	Net Cash Flow from Investing Activities	(10,697.63)	(9,879.49)
C.	Cash Flow from Financing Activities		
	Proceeds from Long Term Borrowings	893.66	2,801.74
	Proceeds from Unsecured Loans & from Scheduled Bank	(1,374.42)	622.24
	Buy Back of shares	(2,700.00)	-
	Dividend Paid	-	(2,361.17)
	Interest Paid	(3,642.09)	(4,388.68)
	Net Cash Flow from Financing Activities	(6,822.86)	(3,325.86)
	Net Increase in Cash and Cash Equivalents (A+B+C)	(64.75)	124.09
	Opening Cash and Cash Equivalents	482.12	358.03
	Closing Cash and Cash Equivalents	417.37	482.12

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 ₹27.13 lakhs (previous year ₹34.01 lakhs) under lien are considered as cash and cash equivalents.

AS PER OUR REPORT OF EVEN DATE.

For GOKHALE & SATHE
CHARTERED ACCOUNTANTS
Firm Registration No.103264W
Sd/-

CA Tejas J. Parikh
PARTNER

PLACE : Mumbai
DATE: 23rd May, 2017

For and on Behalf of the Board of Directors

Sd/-
Prakash M. Patil
(Chairman & Managing Director)
DIN : 00005618

Sd/-
Adhish P. Patil
(Chief Financial Officer)

Sd/-
Harshit M. Savla
(Jt. Managing Director)
DIN : 00005340

Sd/-
CS Vibhav S. Ranade
(Company Secretary)



51	Macedonia	61	Pakistan	71	Rep. of Yemen	81	Sudan	91	U.K.
52	Malaysia	62	Panama	72	Romania	82	Sultanate of Oman	92	U.S.A.
53	Mexico	63	Paraguay	73	Russia	83	Switzerland	93	Uganda
54	Moldova	64	Peru	74	S. Africa	84	Syria	94	Ukraine
55	Morocco	65	Philippines	75	Saudi Arabia	85	Taiwan	95	Uruguay
56	Nepal	66	Poland	76	Singapore	86	Tanzania	96	Uzbekistan
57	Netherlands	67	Portugal	77	Slovakia	87	Thailand	97	Venezuela
58	New Zealand	68	Puerto Rico	78	Slovenia	88	Tunisia	98	Vietnam
59	Nicaragua	69	Rep. of Dominic	79	Spain	89	Turkey	99	Yugoslavia
60	Nigeria	70	Rep. of Kazakhstan	80	Sri Lanka	90	U.A.E.	100	Zimbabwe

Plantation Programme under CSR



**आरती ड्रग्स कंपनीकडून ३ वर्षात
६० हजार वृक्षांची लागवड!**



पुणेकर : तालुक्यातील पुकट्या गावाच्या दोंगावळ जमिनीला ६० हजारा रोपवृक्षांची लागवड करण्यात आली.

पुणेकर ●
पुणेकर, दि. २७ : महाराष्ट्र
राज्यातील महत्वाच्या उद्योगधंद्यांमध्ये एक
अग्रगण्य आरती ड्रग्स कंपनीने मुंबई
श्रीलक्ष्मी नगरात ३ वर्षात ६० हजारा
वृक्षा लागवड करण्याचे उद्दिष्ट पूर्ण केले आहे.
साकारणा व कोर्टी बुध हागावड या
कार्यक्रमांतून आरती ड्रग्सने पालघाट
तालुक्यातील पुकट्या गावाच्या दोंगावळ
जमिनीला ६० हजारा रोपवृक्षा लागवड हा
मुद्यावरून कार्याक्रम हाती घेतला आहे.

धुकटण टेकडी होतेय हिरवीगार शंभर हेक्टरवर ६० हजार रोपांची लागवड

पुणेंकर, दि. १ (पुणेकर) :
पुणेंकर तालुक्यातील पुकट्या
गावाच्या दोंगावळ जमिनीला ६० हजारा
रोपवृक्षांची लागवड करण्यात आली
आहे.
आरती ड्रग्स समुहाने मुंबई
श्रीलक्ष्मी नगरात ३ वर्षात ६०
हजारा रोपवृक्षा लागवड करणे हे
उद्दिष्ट आहे. पुणेंकर तालुक्यातील
पुकट्या गावाच्या दोंगावळ जमिनीला
६० हजारा रोपवृक्षा लागवड हा
मुद्यावरून कार्याक्रम हाती घेतला आहे.
पुणेंकर तालुक्यातील पुकट्या गावाच्या
दोंगावळ जमिनीला ६० हजारा रोपवृक्षांची
लागवड करण्यात आली आहे.
आरती ड्रग्स समुहाने मुंबई श्रीलक्ष्मी
नगरात ३ वर्षात ६० हजारा रोपवृक्षा लागवड
करण्याचे उद्दिष्ट पूर्ण केले आहे.



Aarti Drugs Ltd.

Mahendra Industrial Estate, Ground Floor, Road No. 29,
Plot No. 109-D, Sion (East), Mumbai - 400 022, Maharashtra
Tel.: +91 22 2404 8199 Fax: +91 22 2407 3462 / +91 22 2407 0144
www.aartidrugs.com



AARTI DRUGS LIMITED

CIN: L37060MH1984PLC055433

Regd. Off: Plot No. N-198, M.I.D.C., Tarapur, Village- Pamtembhi, Dist. Palghar - 401 506, Maharashtra.

Phone: 022-24072249, Fax: 022-24073462

PROXY FORM

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

32nd Annual General Meeting – Friday, 18th day of August, 2017

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:

- Name: Address:
Email ID Signature or failing him;
- Name: Address:
Email ID Signature or failing him;
- Name: Address:
Email ID Signature

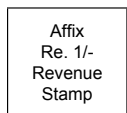
as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company, to be held on Friday, 18th August, 2017 at 2.30 p.m. at TIMA Hall, MIDC, Tarapur, Dist. Palghar - 401 506, Maharashtra and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Optional*	
		For	Against
Ordinary Business:			
1.	Adoption of Financial Statements (standalone & consolidated) for the financial year ended 31 st March, 2017.		
2.	Declaration of Dividend		
3.	Re-appointment of Shri Harshit M. Savla, who retires by rotation and being eligible, seeks re-appointment.		
4.	Re-appointment of Shri Prakash M. Patil, who retires by rotation and being eligible, seeks re-appointment.		
5.	Appointment of M/s. GBCA & Associates as Statutory Auditors		
Special Business:			
6.	Re-appointment of Shri Prakash M. Patil as Managing Director of the Company.		
7.	Re-appointment of Shri Rashesh C. Gogri as Managing Director of the Company.		
8.	Re-appointment of Shri Harshit M. Savla as Jt. Managing Director of the Company.		
9.	Re-appointment of Shri Harit P. Shah as Whole-time Director of the Company.		
10.	Approval to Shri Adhish P. Patil to continue to hold office or place of profit.		
11.	Approval to Shri Vishwa H. Savla to continue to hold office or place of profit.		
12.	Alteration of Articles of Association.		
13.	Approval to Increase Commission payable to Executive Directors.		
14.	Ratification of the remuneration to be paid to Cost Auditor.		
15.	Approval to charge fees in advance for service of documents.		

Signed thisday of..... 2017.

Signature of shareholder.....

Signature of Proxy holder(s)



- Notes:
- 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.
 - 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 Bank. Further, a Member holding more than ten percent, of the total share capital of the Bank 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, Dist. Palghar - 401 506, Maharashtra.

Phone: 022-24072249, Fax: 022-24073462

ATTENDANCE SLIP

32nd Annual General Meeting – Friday, 18th day of August, 2017

Sr. No.

Shareholder Name :

Address :

Folio No./ Client ID/DP :

No. of Shares :

I/we hereby record my/our presence at the 32nd Annual General Meeting of the Company at TIMA Hall, MIDC, Tarapur, Dist. Palghar - 401 506, Maharashtra on Friday, 18th August, 2017 at 2.30 p.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, Dist. Palghar - 401 506, Maharashtra.

Phone: 022-24072249, Fax: 022-24073462

ELECTRONIC VOTING PARTICULARS

EVEN (E-Voting Event Number)	USER ID	PASSWORD / PIN
170722005		

NOTE: Please read instructions given at Note no. 19 of the Notice of the 32nd Annual General Meeting carefully before voting electronically.