



# Global Partner of Choice

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Aarti Industries Limited | Annual Report 2015-16

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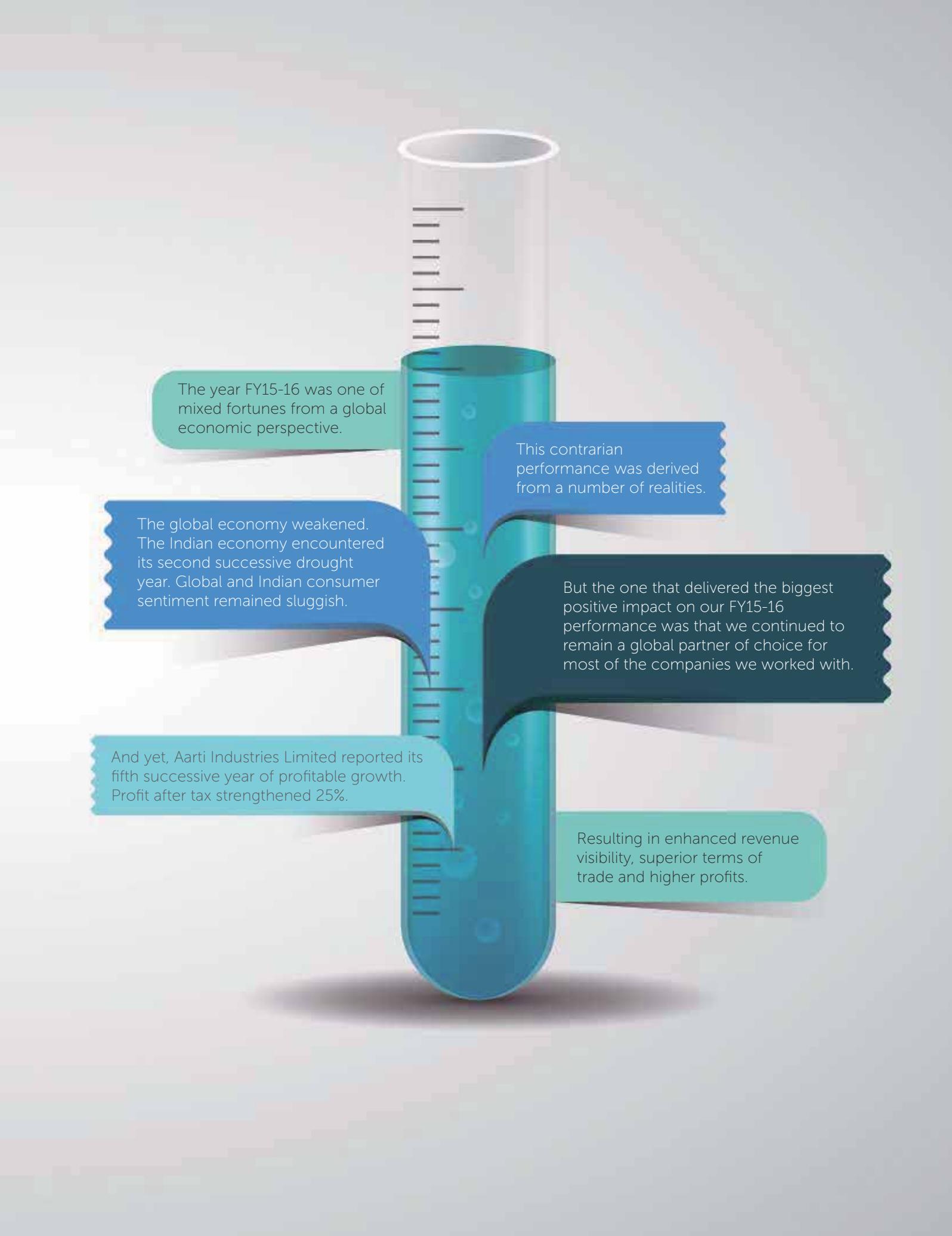
#### Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Readers are requested caution while placing undue reliance on these statements as many factors could cause differences in the assumptions and the actual results. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management discussion and analysis section part of the Aarti Industries Limited Annual Report, 2015-16.

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The year FY15-16 was one of mixed fortunes from a global economic perspective.

This contrarian performance was derived from a number of realities.

The global economy weakened. The Indian economy encountered its second successive drought year. Global and Indian consumer sentiment remained sluggish.

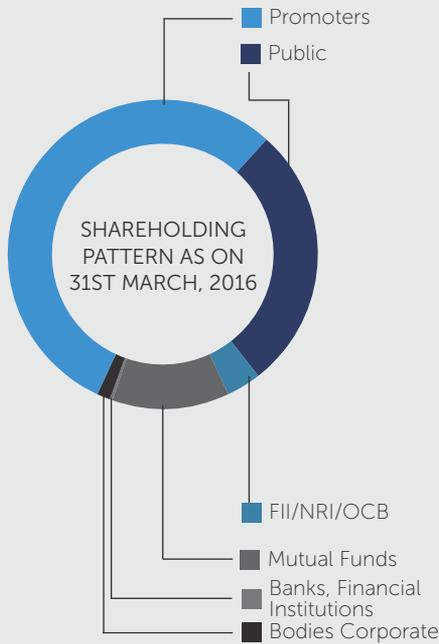
But the one that delivered the biggest positive impact on our FY15-16 performance was that we continued to remain a global partner of choice for most of the companies we worked with.

And yet, Aarti Industries Limited reported its fifth successive year of profitable growth. Profit after tax strengthened 25%.

Resulting in enhanced revenue visibility, superior terms of trade and higher profits.

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- Aarti Industries Limited is one of the most competitive benzene-based speciality chemical companies in the world.
  - The Company is extensively integrated across more than 70 products; the product of one chemical reaction represents the raw material of another.
  - The Company is ranked amongst the top four manufacturers in the world for 75% of its product portfolio. The Company is a global citizen, more than 50% of its revenues derived from exports.
  - The Company's pharmaceuticals business continues to grow at a 20% CAGR with 60% of exports generated from regulated markets.
  - The Company is also engaged in the manufacture of home and personal care products.

Shareholding pattern as on 31st March, 2016



Category	No. of Shares	%
Promoters	45655698	54.80
Bodies Corporate	1320113	1.58
Banks, Financial Institutions	17366	0.02
Mutual Funds	10306343	12.37
FII/NRI/OCB	3002156	3.60
Public	23018707	27.63
Total	83320383	100.00

**Background**

Aarti Industries Limited is a leading Indian manufacturer of Speciality Chemicals and Pharmaceuticals with a global footprint. These products are used in the downstream manufacture of pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments, dyes etc. The Company was promoted by Mumbai-based technocrats.

**Presence**

The Company's integrated manufacturing plants (backward and forward) manufacture more than 125 products. These units are located in Gujarat, Maharashtra, Madhya Pradesh and Silvassa. The Company is listed on Bombay Stock Exchange and National Stock Exchange (market capitalization ₹4,368.32 crs as on 31st March, 2016).

**Our end user markets**

*Speciality Chemicals*

- Polymer and additives
- Agrochemicals and intermediates
- Dyes, pigments, paints and printing inks
- Pharma intermediates

- Fuel additives, rubber chemicals, resins, etc.
- Fertilizers and nutrients

*Pharmaceuticals*

- Active Pharmaceutical Ingredients
- Intermediates for innovators and generic companies

*Home and Personal Care*

- Non-ionic surfactants
- Concentrates for shampoo, hand wash and dish wash

**Awards and recognition**

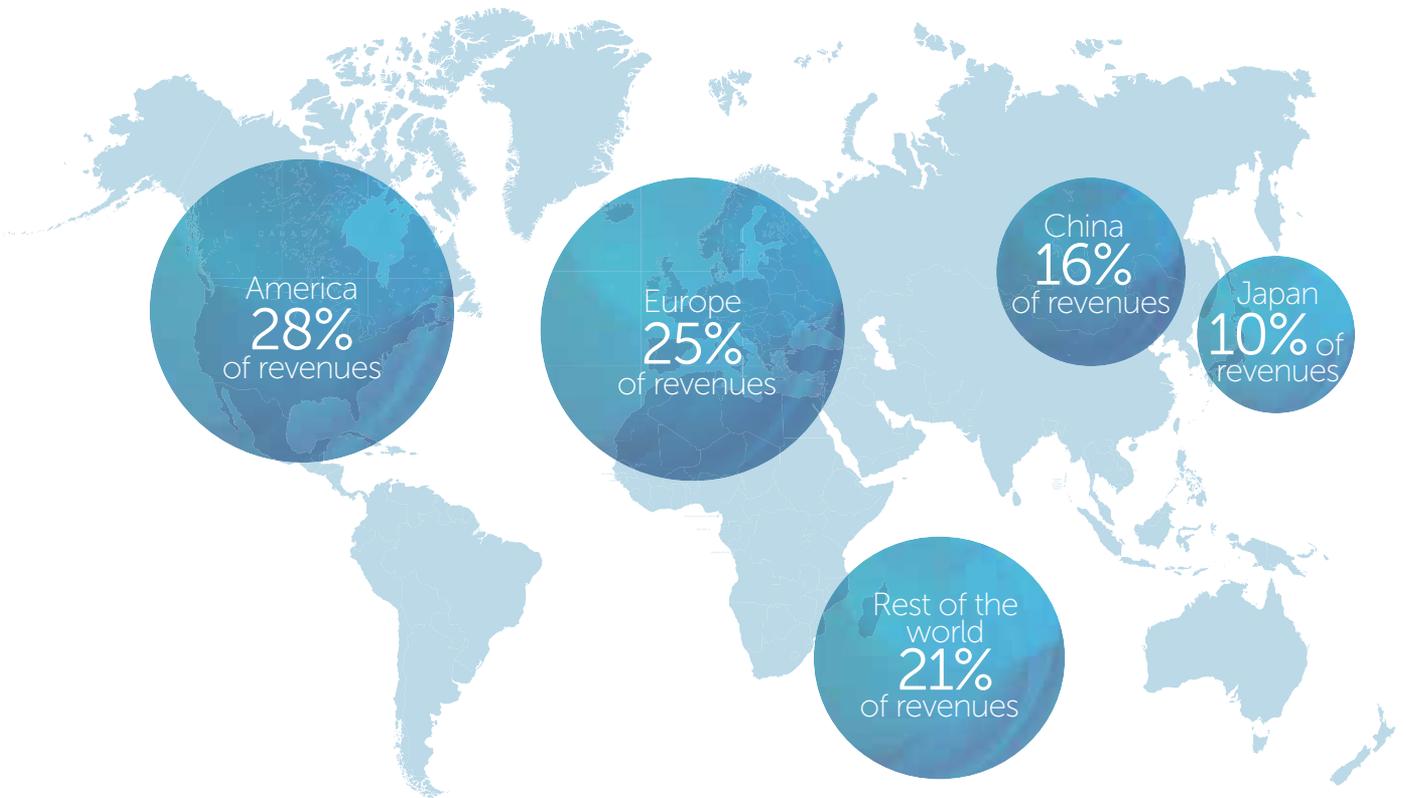
Lala Shriram Award for Leadership in Chemical Industry for 2015 to Chairman Emeritus and Founder Shri Chandrakant Gogri.

*Export award*

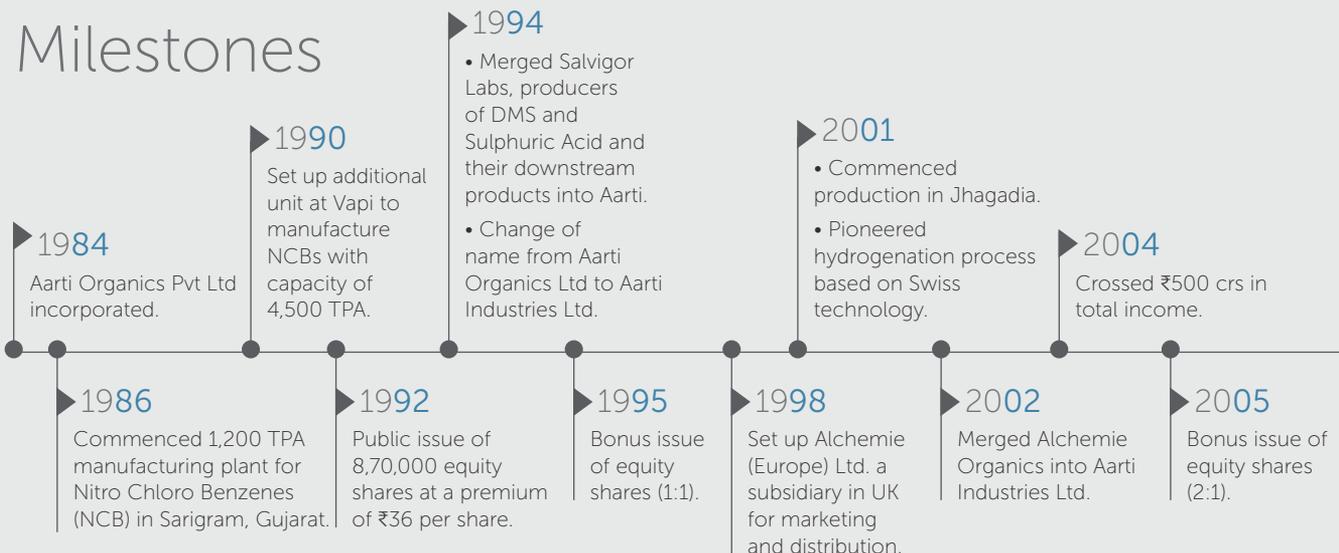
- Trishul Award by Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council (CHEMEXCIL) in recognition of the Company's outstanding export performance in FY14-15.
- The Council also honoured the Company with 'Award of Excellency' for export performance in FY13-14.



# Our global presence (share of export revenues)



## Milestones





CHEMEXCIL presented the Company 'Trishul Award' for outstanding export performance for FY14-15 and 'Award of Excellency' for the consistency in export performance for FY13-14 .

### 2006

- Split of equity shares of ₹10 each into two shares of ₹5 each.
- Expanded NCB capacity.
- Expanded sulphuric acid capacity by 100 KTPA to 200 KTPA.

### 2009

- Crossed ₹1000 crs in total income.
- Merged Surfactants Specialities Pvt. Ltd. (accessing home/ personal care segment).

### 2012

- Crossed ₹1500 crs in total income; PAT crossed ₹100 crs.

### 2013

- Merged manufacturing division of Anushakti Chemicals and Drugs Ltd. into Aarti Industries Ltd.
- Total Income crossed ₹2000 crs; exports crossed ₹1000 crs.

### 2016

- Scaled NCB capacity from 57000 TPA to 75000 TPA.
- Expanded caffeine capacity.
- Merged promoter's investment group companies into Aarti Industries Ltd.
- Setup Aarti USA Inc. a subsidiary in USA for marketing and distribution.

### 2008

- Received USFDA approval for API unit at Tarapur.

### 2010

- Custom Synthesis division (Vapi) received USFDA approval.
- Upgraded hydrogenation unit from batch to continuous.
- Commissioned sulfonation unit in Pithampur.

### 2015

- Total income crosses ₹2900 crs.
- PAT crossed ₹200 crs.

# At Aarti Industries, we are a differentiated speciality chemicals company from others in our space

**Most** chemical companies focus on a handful of products. At Aarti Industries, our product mix comprises more than 125 research-led products.

**Most** chemical companies focus on a fragmented standalone product mix. At Aarti Industries, we have focused on the manufacture of integrated derivatives.

**Most** chemical companies do not have a diversified geographic mix. At Aarti Industries, we have selected to focus on customers across continents.

**Most** chemical companies are completely dependent on external resource supplies. At Aarti Industries, we generate a substantial proportion of raw materials in-house.

**Most** chemical companies select to be present in large spaces marked by extensive competition. At Aarti Industries, we have selected to be present in niche chemistry spaces with relatively low competition.

**Most** chemical companies seek to work with small global companies as a market-entry strategy. At Aarti Industries, we have been engaged in multi-year relationships with a large number of leading global downstream customers.

# At Aarti Industries, our business model complements that of our global customers

**Most** global downstream customers focus on downstream products and branding.

Aarti Industries has emerged as a dependable raw material provider for their growing needs (N-1 and N-2 stages).

**Most** global downstream customers are largely B2B or B2C in their engagement.

Aarti Industries is a dedicated B2B-focused company.

**Most** global downstream customers may need to absorb cost increases during volatile scenarios.

Aarti Industries is engaged in relationships that make it possible to pass cost variations to customers.

**Most** global downstream customers largely outsource their requirements.

Aarti Industries is engaged in insourcing its needs, emerging as a dependable outsourcing partner.

# How we generated multi-year

## REVENUES

# - ₹128 crs

Revenues



### DEFINITION

Sales growth after deducting excise duties.

### WHY WE MEASURE

This measure reflects the result of our capacity to understand market needs and service them with corresponding research, product launch and manufacture, stronger supply chain and funds management – the entire eco-system.

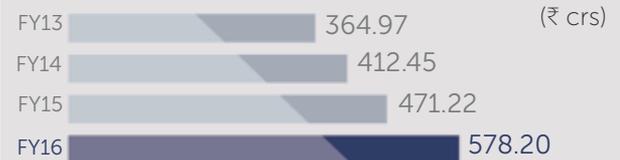
### PERFORMANCE

Our aggregate sales (including subsidiaries) declined 4.41% to ₹2779.62 crs in FY15-16 on account of weakening crude prices, which influenced the Company's realizations, inspite of volume growth of about 10%.

## OPERATING PROFIT

# + ₹107 crs

Operating profit



### DEFINITION

What the Company earned before the deduction of interest, depreciation, extraordinary items and tax.

### WHY WE MEASURE

This measure is an index of the Company's operating profitability.

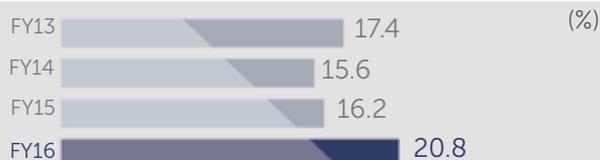
### PERFORMANCE

The Company's operating profit grew every single year through the last five years. The Company reported a 22.7% increase in its operating profit in FY15-16, which was one of the sharpest increases reported by the Company in any single year. This was the result of capacity investments, cost reduction, product mix changes and a larger share of the customer's wallet. A part of this growth was on account of a new subsidiary added in FY15-16.

## OPERATING MARGIN MOVEMENT

# +460 bps

Operating margin



### DEFINITION

The movement in percentage points in operating profit before interest, depreciation, exceptional items and tax when divided by the Company's revenues.

### WHY WE MEASURE

This movement indicates whether the business is becoming more efficient or not. Aarti Industries is focused on a consistent increase in margins, higher than the sectoral average.

### PERFORMANCE

Operating margin may not be a best index of appraisal review as the same is linked with input prices. In FY15-16, an associate was converted into a subsidiary, resulting in increase in operating profits and OPM. Hence this chart may not be a fair comparison of performance for the year under review.

## GEARING

# -0.02

Gross Debt-equity ratio



### DEFINITION

This is derived through the ratio of debt to net worth (less revaluation reserves).

### WHY WE MEASURE

This is one of the defining measures of a Company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers. In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

### PERFORMANCE

We recommend that this ratio be read in conjunction with net debt: operating profit (declining, indicating a growing ability to service debt). The Company's gearing strengthened from 1.18 to 1.16 in FY15-16.

# sustainable growth

## RETURN ON CAPITAL EMPLOYED

# +200 bps

ROCE



### DEFINITION

The return percentage (EBIDTA divided by total average capital employed by the Company expressed as a percentage) generated from the amount deployed in the business.

### WHY WE MEASURE

This measure unambiguously captures the result of all our diverse initiatives in building a stronger Company, the higher the ROCE the better, making it possible to compare year-on-year competitiveness.

### PERFORMANCE

Our ROCE strengthened from 22.7% in FY14-15 to 24.7% in FY15-16, indicating a return substantially higher than what is available on fixed income securities in India.

## WORKING CAPITAL INTENSITY

# -110 bps

Working capital as % of total employed capital



### DEFINITION

This is derived through the division of total employed capital by the quantum of working capital outlay (expressed as a percentage).

### WHY WE MEASURE

This indicates the intensity of working capital in the business, the lower the better.

### PERFORMANCE

The Company succeeded in maintaining working capital intensity in its business at around 39 percent of revenues, which is a creditable achievement at a time of sectoral slowdown.

## RETURN ON EQUITY

# +230 bps

Return on equity growth



### DEFINITION

PAT as a percentage of average net worth.

### WHY WE MEASURE

This indicates a Company's profitability generated on shareholder funds, considered by many to be a revealing profitability index.

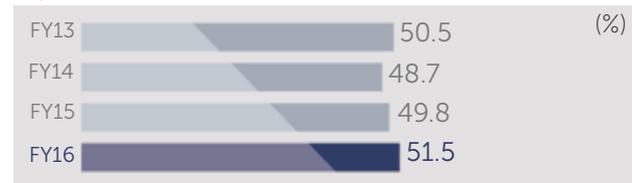
### PERFORMANCE

The Company's RoE increased from 21.8% in FY14-15 to 24.1% in FY15-16.

## EXPORTS

# +167 bps

Exports as a % of revenues



### DEFINITION

This highlights the quantum of exports as a percentage of the Company's overall revenues.

### WHY WE MEASURE

Exports validate the Company's global competitiveness as well as its ability to service the needs of some of the largest and most demanding global capital equipment companies.

### PERFORMANCE

The quantum of exports has been increasing in the last four years; the proportion of exports in the Company's revenues has been maintained at a high 50-51 percent across the four years ending FY15-16.



## Chairman's overview



I am pleased to state that over the last decade this singular evolution – from an Indian company servicing global markets to what is fundamentally a global company selecting to manufacture out of India – has been responsible for our consistent growth.

“Aarti Industries is at the cusp of robust sustainable growth in respect, relationships, revenues, margins and profits”



## Vision

At Aarti Industries, our vision is to build a global corporation that is the most competitive across its selected niches, geographies and market cycles.

We believe that this can be achieved if our customers continue to treat us as an extension of their own companies so that we reinforce our position as a partner of choice as opposed to being mere price-based vendors.

The distinction between vendorship and partnership is not as simple as it appears. In a world where there is a greater premium on comprehensive eco-system sustainability – where each building block plays a critical role in the overall whole – the vendor needs to demonstrate the same standards and priorities as its downstream global customers.

I am pleased to state that over the last decade this singular evolution – from an Indian company servicing global markets to what is fundamentally a global company selecting to manufacture out of India – has been responsible for our consistent growth.

We were a ₹790 crs revenues Company in FY05-06; we are a ₹2780 crs revenues organization today.

We were a ₹55 crs PAT Company in FY05-06; we are a ₹257 crs PAT organization today.

We were a ₹626 crs market capitalization Company in FY05-06; we are a ₹4700

crs market capitalization organization today.

## Values

If there is one over-riding attribute responsible for our consistent market outperformance across the last decade, it is that we took a long-term perspective of our business when we were a relatively small company. During those days, what was important was not profitability alone, but also sustainability. Even as it appeared tempting to explore short cuts, we selected to build by the book though this took relatively longer.

These are some of the ways in which our sustainability focus manifested itself:

- It would have been easy for us to invest in production capacities; we selected to invest concurrently in environment-protecting equipment and processes even before these became mandatory
- It would have been easy for us to be completely manufacturing-driven; we invested in research-led product and process development that made it possible to combine a comprehensive value chain with enhanced operating efficiency
- It would have been easy to invest and forget; we continued to upgrade existing technologies in line with the prevailing standards of the day, so that we delivered the best product quality at the highest operating efficiency at the lowest manufacturing cost
- It would have been

convenient to renege on contracts (raw materials and end products) in a volatile space; we respected contracts irrespective of external market movements, creating a reputation around credibility.

## Distinctive

This commitment to do the right things in the right way has resulted in distinctive competence and character.

Aarti Industries is a rare instance of a global speciality chemicals company that combines process chemistry competence (recipe focus) with scale-up engineering competence (asset utilization). We believe that this distinctive capability has extended the Company from lab scale competence to shopfloor competitiveness – the ability to extend what has been visualised at a micro level to macro efficiencies.

Over time, this ability has graduated our personality from a vendor servicing the timely needs of downstream customers to a partner helping grow the customer's business.

## Taking customers ahead

At Aarti Industries, we take the business of our customers ahead in various ways.

**One**, we don't only manufacture products needed by our customers today; we develop products that we are convinced they will increasingly need in the future as well.

**Two**, we don't just engage in simplistic sales; we provide

the widest complement of products that they need, so that what could well have remained a transaction is now a multi-product and multi-year relationship.

**Three**, we don't just manufacture when it is convenient for us; we invest when we see our downstream customers expanding their facilities, providing them with the confidence that when they work with us, we shall proactively invest and facilitate their growth.

#### **The right timing**

Even as we began to invest in this distinctive way of doing business a number of years ago, we believe that the payback for this

strategic direction is only just beginning.

The large downstream customers appraise vendor capabilities through the long-term across parameters like domain knowledge, product and process development competence, Balance Sheet integrity, responsiveness to market needs, product customization mindset (over mass manufacture) and overall competitiveness.

Generally these large customers test vendor capabilities with small batches of orders of relatively less complex products. At Aarti Industries, I am pleased to state that we have

graduated extensively along this relationship curve. Over 80% of our revenues during the last financial year were derived from customers with whom we had worked for five years or longer; virtually every single one of our customers reported account growth; our largest customer accounted for no more than 9% of our FY15-16 revenues, indicating that we had successfully extended this operating model across a large number of customers. Best of all, we did not just provide material for one of the plants of these global customers; we provide a range of products needed by the different plants of

these global customers, graduating us from the conventional make-to-stock to the robust make-to-order.

The result of this approach is that whenever we commission new capacities, we are largely covered for prospective offtake. This revenue visibility makes it possible for us to plan for the long-term; it would be fair to indicate that while we are secured of our prospects until 2019, the management is presently engaged in business planning beyond this operating horizon.

At Aarti Industries, we believe that the relevance of our customer-centric approach will only

## Our performance ambition

At Aarti Industries, our performance ambition is to reinforce our position as one of the most respected global specialty chemical companies in our chosen spaces of presence.

#### **Overall goal**

- Report consistent year-on-year profitable growth – 10-15% increase in revenues corresponded by a 18-24% growth in profit after tax over next 3-4 years.

#### **Probable goal contributors**

- Position ourselves as a single-stop provider of the comprehensive needs of customers

- Account for a progressively larger wallet share of prominent global customers
- Extend from benzene-based derivatives to toluene-based derivatives
- Grow regulated market revenues of the pharmaceutical business (with increasing margins)
- Responsible management of

increase. Among large global customers, there is a perceptible movement away from a large number of vendors to a small consolidated number; there is a movement away from small volumes being brought from many to large volumes being procured from a few with corresponding procurement economies; there is a movement away from vendor interaction to strategic partnerships; there is a growing focus on eco-system predictability and sustainability over short-term opportunism.

#### The trickle-down

At Aarti Industries, we could have responded to this reality in two ways.

**One**, grown in line with the evolving needs of our customers - no more, no less.

**Two**, grow wider than their needs in the given product categories of one's presence and, in doing so, carve out a larger share of the customer's wallet.

At Aarti Industries, we have invested in the second strategy.

After establishing ourselves for about three decades in benzene-based derivatives, we are making a decisive extension to toluene-based derivatives starting this current financial year. Even as these spaces may appear different, there is an underlying thread running through them: they operate around the same

chemistries and address the same customers, which could translate into a quicker ramp-up and returns. After exploring diverse opportunities in the space of agrochemicals, we perceive a growing opportunity in classical herbicides.

#### Overview

I wish to assure shareholders that our relationships are robust and growing, our Balance Sheet possesses adequate resources to sustain our business investments, our annual profitability generates a large pipeline of investable resources, our banker relationships are translating into adequate resource availability at declining

costs, our competitiveness makes us one of the lowest cost producers in the world and the demand of a number of our end products are independent of the economic cycle.

This makes us a partner of choice for some of the largest global downstream chemical companies.

In view of these realities, I believe that Aarti Industries is at the cusp of robust sustainable growth in respect, relationships, revenues, margins and profits.

**Rajendra Gogri**  
Chairman and Managing Director

the Balance Sheet size and gearing

#### Focused investments

- Manufacturing capacities (addressing existing and new products)
- Proactive capacity investments in environment-respecting plants, people and processes

- Development of value-added products marked by complex chemistry, utilizing our existing value chain
- Mining client accounts deeper through cross-sell and up-sell opportunities

#### How we measure our performance ambition

##### Profitable growth

- Total revenue: Degrew

4.41% in FY15-16

- EPS: Grew to ₹30.83 in FY15-16 from ₹23.24 in FY14-15.
- Book value per share: Grew to ₹133.75 in FY15-16 from ₹114.73 in FY14-15.
- ROCE: Grew 200 bps to 24.7% in FY15-16

#### Consistent value creation

- Market capitalization: Grew from ₹1101.99 crs as on 31 March 2014 to ₹4368.32 crs as on 31 March 2016
- De-risking: The Company's largest customer accounted for no more than 9% of revenues in FY15-16

# Our products touch people in various ways in their everyday lives

## Speciality Chemicals



**Polymer and additives:** Our products are used in aircrafts, automobiles, cruise Liners, electro-static precipitators, bullet-proof jackets, electronic gadgets and various other applications. • **Agrochemicals and intermediates:** Our products find use in pesticides, insecticides, fungicides, herbicides, fertilizers, nutrients, etc. • **Dyes, pigments, paints and printing inks** • **Pharma intermediates** • **Fuel additives** • **Rubber chemicals, etc.**

## Pharmaceuticals



**Active Pharmaceutical Ingredients:** Intermediates for innovators and generic companies • Our products are used in anti-cancer, anti-asthma and anti-hypertensive drugs as well as oncology therapies and steroids, etc.

## Home and Personal Care Chemicals



**Non-ionic surfactants:** Concentrates for shampoo, hand wash, dish wash, oral care, etc.

# Our customers comprise some of the major brands in the world

## POLYMER AND ADDITIVES



Polymer and Additives  
15-20% of revenues

## PIGMENTS, PAINTS, PRINTING INKS, DYES



Dyes, Pigments, Printing Inks, etc. 15-20% of revenues

## AGRO INTERMEDIATE AND FERTILIZER CUSTOMERS



Agrochemicals  
20-25% of revenues

## PHARMACEUTICALS



Pharma  
15-20% of revenues

## HOME AND PERSONAL CARE AND OTHER CHEMICALS\*



Others\*  
20-25% of revenues

\*Such as fuel additives, oil extraction, rubber chemicals, optical brighteners, UV absorbers, FMCG and other speciality chemicals

## Creating a robust business model

The speciality chemicals business is challenging.

The sector is marked by a number of globally diverse variables coupled with a growing stakeholder need for enhanced value.

The number of variables are many.

Fluctuating raw material costs.

Evolving consumer preferences.

Changing cost of funds.

Capital intensiveness.

Knowledge intensity.

Globally dispersed customers.

Premium on partnership (over vendorship).

Environment sensitivity.

Need for scale.

At Aarti Industries, we graduated to a business model that is likely to generate multi-year growth across industry cycles, largely insulating the Company's financials from external realities.



### Promoter background

The promoters of the Company possess relevant education, qualifications and experience in the speciality chemicals industry. Five of six Promoter Directors possess an engineering background; three of four founder promoters are chemical engineers from ICT (formerly UDCT). The result is a complement of hands-on business understanding on the one hand and adequate delegation to professionals on the other – a prudent balance.



### Vision

The Company resolved to be one with the largest profits among the 'smallest' Balance Sheets. This perspective influenced the Company's capital allocation and product mix strategies. The Company compromised peak margins in exchange for sustained margins, strengthening corporate stability. Over time, the Company strengthened its ability to pass on cost increases to customers that protect its overall delta (difference between realizations and raw material costs). The result

is consistent growth over the last decade, which has been one of the most challenging tenures in the global business space.



### Commitment

The Company continues to invest in the business even during challenging external periods marked by sluggishness. This investment was directed by long-term prospects of outsourcing growth. The management invested over ₹400 crs in the fixed assets between 2010 and 2013 and about ₹1090 crs between 2014 and 2016. The management showcased its ethical fabric by honouring raw material purchase and product sale agreements during periods of volatility in the made-to-order segment, which threatened its margins in the short-term but enhanced credibility across the long-term.



### Product focus

The Company selected to focus on capturing a large sweep of the benzene-based segment, resulting in a global respect around the subject. These products participate in the growth of fast-growing

end-user applications. Each reaction produces multiple co-products, generating multiple revenue opportunities. The Company is possibly the only one of its kind in the world with as integrated a basket of benzene-based products in the areas of its presence. The competence in product selection was validated by the fact that value-accretive incremental capex strengthened ROCE. In FY16-17, the Company is extending to toluene-based products marked by a similar chemistry and addressing similar customers. In the pharmaceutical space, the Company is increasing its presence and share in regulated markets.



### Complexity

The Company has progressively integrated forwards to the manufacture of complex value-added products marked by multi-stage processes in the benzene-based derivative space. The Company progressively utilized its ability to manage multiple manufacturing stages as a competitive advantage. The result is the creation of a go-to reputation in the global downstream market in the area of challenging

product delivery. In the pharmaceutical business, the Company focused on marketing products in demanding regulated markets (30% of revenues, FY15-16).



### Sales model

The Company is a preferred supplier to various MNCs in the agrochemical, polymer, pigment and surfactant spaces. The Company made a decisive break from tradition when it opted to market and then manufacture (make-to-replenish). The result: assured offtake and make-to-order over the conventional make-to-stock approach. Besides, this strategy extended to the Company engaging in capital expenditure based on assured sales and revenue visibility, insuring the expansion against low utilization and sub-optimal returns.



### Moat

The Company leveraged its rich research knowledge and understanding of market dynamics to enter relatively under-crowded spaces. The result is that the Company is ranked

among the five largest global companies for nearly 75% of its key products, the ability to provide a basket of products and graduating from just another vendor into a 'strategic supplier' for major customers.



### Customer orientation

Over the years, the Company evolved from just another vendor into a consultant cum strategic partner for its customers. In this role, the Company provided material plus insights; these insights comprised an understanding of evolving trends, cost movements and logistical realities, making it possible for the Company's customers to make informed decisions. Over time, this evolution from a mere material provider to consultant-driven engagement helped the Company graduate from the periphery of the customer's business to the integral. The Company progressively emerged as a partner of choice for large downstream companies, marked by product up-sell and cross-sell. The consequent 'stickiness' resulted in the Company generating a significant part of its revenues in FY15-16 from customers

buying from the Company for five years or more.



### Flexibility

Even as the Company's business is benzene-based derivative products, it possesses adequate flexibility from within its operating matrix to respond to price movements of diverse end products and raw materials, strengthening its market responsiveness on the one hand and profitability on the other. This judgment of what to manufacture and what to consume lies at the heart of the Company's competitiveness.

largest companies in its space and enjoying one of the largest market shares in the chosen areas of its presence (benzene-based derivatives).



### Knowledge

The Company is knowledge-driven. The Company's research team comprises over 100 professionals who are experts in process chemistries and pharmaceutical APIs. This competence extended to the ability to customize product offerings, strengthening the Company's make-to-order positioning. In turn, this knowledge-based positioning extended into multi-year customer relationships (cost of switching vendors is not only high but also risky), enhancing revenue visibility.



### Downstream focus

The Company selected to integrate its benzene-based business across a number of derivatives. The end product of one was positioned as a raw material for the other. The Company produced a number of multi-stage products, each stage enhancing value-addition. This investment in the downstream end of our business was marked by value-addition (as opposed to a finite cost-cutting limit when investing upstream). This integration did two things for the Company: widened the product basket and reduced manufacturing costs, strengthening overall profitability.



### Global scale

The Company is not only global in that it derives over 50% of its revenues from the international markets. The Company has also invested in global scale: it is among the

## HOW OUR BUSINESS MODEL HAS TRANSLATED INTO LONG-TERM OUTPERFORMANCE

### ROBUST PROFIT ACCRETION

CASH PROFIT

(₹ crs)



### FISCAL EFFICIENCY

WORKING CAPITAL CYCLE

(days of turnover equivalent)





### Fiscal conservatism

The Company selected to pursue an incremental model, preferring to plough accruals into asset building as against the conventional mobilization of large debt in building manufacturing scale. Over time, this preference for accrual-based investing translated into a relatively small Balance Sheet, strengthening interest cover in a capital-intensive sector. The Company's fiscal conservatism was also reflected in its gearing of 1.16 (31 March 2016). The Company's desired risk appetite is reflected in its gearing band of 0.8 to 1.2 (from trough to peak) in a business marked by

a growing investment appetite on the one hand and need for fiscal conservatism on the other.



### Environment commitment

Employee safety and environment protection are high on the Company's priorities. The Company's investments were benchmarked around the highest global standards. The Company became REACH-compliant even before this was considered necessary in 2011. The Company invested more than ₹200 crs in environment equipment, automation and infrastructure over last five years. Aarti upgraded two manufacturing units

into zero discharge units for liquid effluents. The Company increased its Reduce-Reuse-Recover thrust across operating sites. It emphasized plant automation and upgradation through the adoption of cost-effective, efficient and eco-friendly processes. The Company consistently developed new product lines, adopting 'green' technologies.

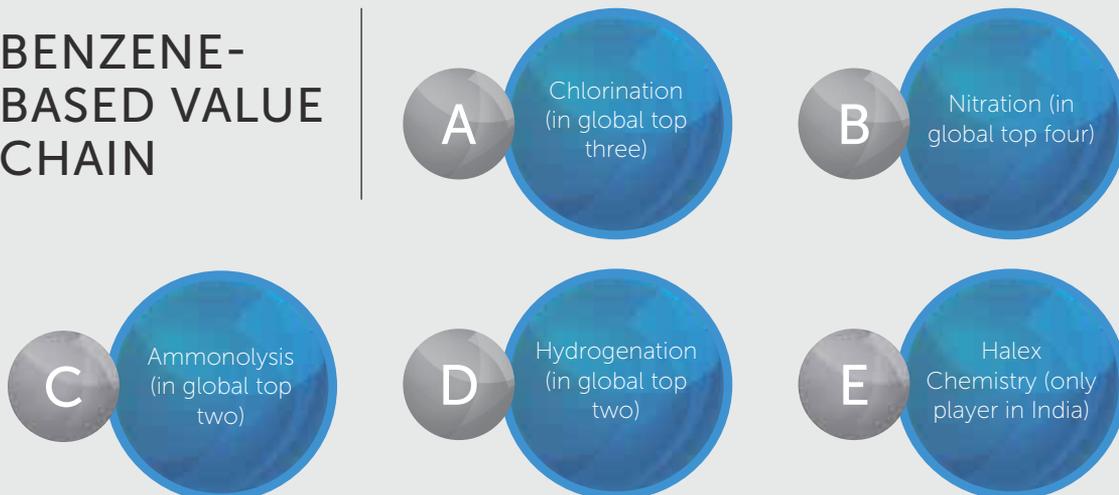


### De-risking approach

The Company progressively de-risked its business through the manufacture of diverse products belonging to different product categories, addressing

downstream customer groups across different geographies. Besides, the Company followed a cost pass-through model whereby the impact of any increase or decrease in benzene prices was passed on to customers, protecting absolute EBIDTA (except for inventory valuation). The result is that the Company's broad portfolio generally grew even as some product categories may not have necessarily contributed positively. This de-risked approach translated into EBIDTA growth ranging from 44.3% (peak) to 17.1% (trough).

## BENZENE-BASED VALUE CHAIN



# Our Nitro Chloro Benzene expansion

Aarti Industries commenced the production of Nitro Chloro Benzene at its Sarigam unit in 1986.

The capacity was a modest 1200 TPA.

The Company focused on producing product of the highest quality standards. Servicing customers with speed. Helping them grow their business through timely product supply.

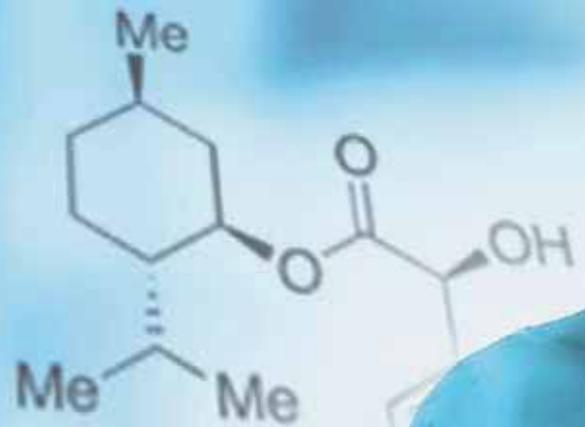
Over the years, customers convinced Aarti to expand with assured procurement volumes.

This growth translated into a formidable competitive advantage: it represented the originating point of a large benzene-based value chain resulting in the manufacture of a number of products with independent revenue streams.

The result is that Aarti has scaled its NCB capacity to about 75000 TPA. Ranking among the four largest global players in the space.

Creating a robust foundation for a number of related products addressing demand from diverse industries and derisking the Company from economic cycles and a sudden trough in one or few sectors.

*Continuous growth reinforces.*



# Our Hydrogenation foresight

Aarti Industries commissioned its greenfield hydrogenation facility in 2000 based on Swiss technology.

What made this initiative distinctive is that this was the first such facility in India.

Over the years, Aarti Industries raised the bar.

The Company expanded its capacity; more than this, it upgraded from batch to continuous process in 2012.

The Company graduated from the conventional process to an eco-friendly route that minimised effluents.

The result is that Aarti is now ranked the second largest in the world for its Hydrogenated range of products.

These products find application in the manufacture of agrochemicals, polymers, pigments and other speciality chemicals.

*Pioneering investments enrich.*

# How we are enhancing shareholder value at Aarti Industries

## Objective

At Aarti Industries, our objective is to enhance value for all those who own shares in our Company. We believe that our business model explains the drivers of how we have selected to do business. However, even a robust business model needs to be aligned around a value-creation approach that reconciles the interest of the majority and minority shareholders.

## Promoters' stake

At Aarti Industries, the promoters bring distinctive value to the table – through the combination of a high promoters' stake in the Company (54.80%) as well as professional competencies. The former ensures that the promoters possess adequate skin in the game. The promoters are not involved in any other business in their private capacity that could represent a dilution of their engagement in Aarti Industries.

## Multiple businesses

It would be pertinent to indicate that the management selected to grow its pharmaceutical and home & personal care businesses within Aarti Industries, making this a Company with three distinctive businesses. The

management will embark on prudent strategies to enhance or unlock the value of these respective businesses as circumstances and external realities warrant.

## Gross block accretion

The Company enhanced its gross block by a consolidated ₹127 crs from FY10-12 followed by ₹621 in FY12-14 and ₹607 crs in FY14-16. As the sizable uptick in gross block was commissioned and asset utilization enhanced, the Company generated a larger quantum of profits, kickstarting a virtuous cycle of higher margins, profit generation, higher interest cover and reinvestment.

## Accrual investing

The management prudently selected to maximize the use of accruals in business investments. In the decade leading to FY15-16, the Company invested about 75% of its accruals in business (largely towards capital expenditure).

## Gearing and debt cost

The Company's capital expenditure was financed through a combination of accruals and debt. The Company gravitated towards a gearing that ranged between 0.8 and 1.20. We

believe that as speciality chemical outsourcing gravitates towards Asia, there will be a premium on the ability to commission manufacturing assets faster. During this exciting asset building phase, the Company will continue to balance accruals and debt within its desired risk appetite parameters. We believe that debt represents a lower cost on the Balance Sheet because it can be progressively liquidated through accruals generated from asset commissioning.

The Company has high Working Capital Intensity on account of immediate or cash payment terms for the purchase of major raw materials. The Company optimizes the low cost of debt for short-term or working capital purposes; it targets working capital borrowings at 60–75% of working capital assets, maximizing the Return on Equity. Similarly for the projects/capex, considering the cash flow, the Company targets long-term loans at about 35–45% of the capex programme undertaken. The lower cost of debt a suitable mix of various debt sources helps the Company keep its borrowing costs low and maximize returns.

### Gross block growth

23.5% | 19.5%

Over FY14-15 | CAGR over 5 years

### Earnings per share growth

32.6% | 23.0%

Over FY14-15 | CAGR over 5 years

### Book value per share growth

16.6% | 15.7%

Over FY14-15 | CAGR over 5 years

The Company has leveraged stronger credit rating to mobilize debt at progressively lower costs. A combination of strong project implementation, extensive product integration, value-addition and moderated debt cost strengthened interest cover: from 3.41 in FY14-15 to 4.94 in FY15-16.

#### Equity perspective

The Company possesses a conservative approach with regards to its equity size. The Company has generally preferred a non-dilutive equity approach: it has diluted its equity on only two occasions in the last 20 years through preferential warrant of 54,25,000 shares. The Company is confident of mobilizing additional resources without diluting equity, which should translate into enhanced earnings per share across the foreseeable future.

#### Incremental EBIDTA

The Company is gravitating towards a sweet spot: generating incrementally larger EBIDTA year-on-year. The ₹578.20 crs EBIDTA during the year under review was the largest in the Company's existence; the ₹107

crs incremental EBIDTA over the previous year was the second highest in the Company's existence.

#### Dividend

The Company has consistently distributed around a quarter of post-tax profits, balancing its need to retain an adequate quantum for reinvestment and reward shareholders. The Company paid a consolidated ₹200 crs as dividend in the four years ending 31 March 2016.

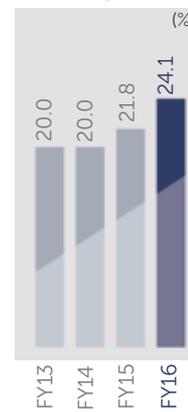
#### Market capitalization

The trickle-down impact of the Company's business model cum financial approach translated into an enhanced market capitalization: the Company created more wealth in the 12 months preceding 31 March 2016 than in its existence. The Company is now the one of the most valuable speciality chemical companies in India by market capitalization.

#### Quantum dividend paid



#### ROE



#### Market capitalization



#### Market capitalization growth

38.3% | 73.9%

Over FY14-15 CAGR over 5 years

#### Net worth growth

9.6% | 17.2%

Over FY14-15 CAGR over 5 years

# Corporate Information

## Chairman Emeritus

Shri Chandrakant V. Gogri

## Chairman & Managing Director

Shri Rajendra V. Gogri

## Vice Chairman & Managing Director

Shri Rashesh C. Gogri

## Vice Chairman

Shri Shantilal T. Shah

## Independent Directors

Shri Ramdas M. Gandhi  
Shri Laxmichand K. Jain  
Shri Vijay H. Patil  
Shri K.V.S. Shyam Sunder  
Shri P. A. Sethi  
Shri Bhavesh R. Vora  
Padmashri Prof. Ganapati D. Yadav  
Smt Priti P. Savla

## Whole-time Directors

Shri Parimal H. Desai  
Shri Manoj M. Chheda  
Smt Hetal Gogri Gala  
Shri Kirit R. Mehta  
Shri Renil R. Gogri

## Chief Financial Officer

Shri Chetan Gandhi

## Company Secretary

Smt Mona Patel

## Auditors

M/s. Gokhale & Sathe,  
Chartered Accountant

## Registrar & Transfer Agent

M/s. Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai, Maharashtra – 400 078.  
Tel No.: 022-25963838  
Fax No.: 022-25962691

## Bank / Financial Institution

Aditya Birla Finance Ltd.  
Axis Bank Ltd.  
Bank of Baroda  
Citi Bank N.A.  
DBS Bank Ltd.  
First Rand Bank  
HDFC Bank Ltd.  
Kotak Mahindra Bank Ltd.  
IDBI Bank Ltd.  
IndusInd Bank Ltd.  
Societe Generale  
Standard Chartered Bank  
State Bank of India  
SVC Bank Ltd.

## Registered Office

Plot Nos. 801, 801/23, G.I.D.C. Estate,  
Phase - III, Vapi, Dist. Valsad,  
Gujarat - 396 195.

## Corporate Office

71, Udyog Kshetra, 2nd Floor,  
Mulund - Goregaon Link Road,  
L.B.S. Marg, Mulund (West),  
Mumbai, Maharashtra - 400 080.  
Visit us at [www.aartigroup.com](http://www.aartigroup.com)

## Corporate Identity Number

L24110GJ1984PLC007301

# Ten-year Consolidated Financials

For the financial year ended on

(₹ in Crs)

Particulars	31.03.16	31.03.15	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08	31.03.07
Income from Operations	2,780	2,908	2,632	2,096	1,673	1,453	1,277	1,432	880	701
EBIDTA	578	471	412	365	253	202	206	248	125	90
Interest	117	138	118	95	72	56	52	89	39	29
Depreciation	99	82	89	83	55	50	47	40	29	27
Profit before Tax	363	255	206	187	126	96	107	119	58	34
Share of Profit from Associates	Nil	14	11	2	14	15	14	13	7	5
Profit after Tax	257	206	162	134	103	81	82	95	47	30
Dividend %	170	110	90	80	70	50	50	60	30	16
Payout	69	52	42	37	28	19	19	22	11	6
Per Share Dividend (in ₹)	8.50	5.50	4.50	4.00	3.50	2.50	2.50	3.00	1.50	0.80
Equity Share	***41.66	44.30	44.30	**44.30	*39.56	38.36	*38.36	36.85	36.40	36.40
Reserve & Surplus	1,073	972	826	712	551	467	416	337	268	236
Networth	1,114	1,016	871	756	590	509	454	374	303	273
Long term & Short term borrowings	1,233	1,068	949	805	588	495	394	440	388	302
Gross Fixed Assets	2,081	1,685	1,477	1,237	855	780	727	663	527	491
Net Fixed Assets	1,246	967	826	674	443	412	407	392	308	306
Capital work-in-progress	313	193	117	69	54	18	9	9	33	17
Investments	18	139	117	95	94	76	54	41	31	26
Net Working Capital	950	893	848	798	646	556	433	414	351	252

## Key indicators

	31.03.16	31.03.15	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08	31.03.07
Book Value Per Share (₹)	133.75	114.73	98.29	85.36	74.59	66.34	59.21	50.79	41.65	37.43
EPS (Basic & Diluted) (₹)	***30.83	23.24	18.34	**15.17	*13.45	10.62	*10.73	11.81	5.61	3.47
EBIDTA/Income from Operations	20.8%	16.2%	15.7%	17.4%	15.1%	13.9%	16.1%	17.3%	14.3%	12.8%
Net Profit Margin %	9.2%	7.1%	6.2%	6.4%	6.2%	5.6%	6.5%	6.6%	5.3%	4.3%
Debt/Equity Ratio	1.16	1.18	1.20	1.12	1.06	0.97	0.87	1.18	1.28	1.11
RONW %	24.1%	21.8%	20.0%	20.0%	18.8%	16.9%	19.9%	27.9%	16.2%	11.4%

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

\* Based on increased equity post conversion of Preferential warrants.

\*\* Based on increased equity pursuant to Scheme of Arrangement between Aarti Industries Limited with Anushakti Chemicals and Drugs Limited.

\*\*\* Based on reduction in equity pursuant to Scheme of Amalgamation between Aarti Industries Limited and Gogri and Sons Investments Pvt. Ltd., Alchemie Leasing and Financing Pvt. Ltd., Anushakti Holdings Ltd. and Anushakti Chemicals and Drugs Limited

# Corporate Social Responsibility Initiatives

Aarti Industries is a responsible corporate citizen.

Your Company has been engaged in community welfare through associated trusts (Aarti Foundation and Dhanvallabh Charitable Trust) as well as focused NGOs engaged in diverse segments:



Over the years, the Company has focused on rural education, water conservation, tribal welfare, agriculture, animal husbandry, health and hygiene, disaster relief and rehab. A number of these projects

were replicated by other companies, widening their impact.

**Education:** We believe that each individual has the right to education and skill development leading to financial independence. In line with

this ideal, we support education institutions to enhance quality and reach. Aarti Industries provides direct educational assistance (material and financial) to more than 2,100 students.



Rankala lake cleaning



Handing over of toilet blocks



Check-dam

Some key initiatives:  
**Para Teachers (Vidya Sathi Abhiyan):** Your Company appointed Para Teachers in the Nana Bhadia cluster of villages to address faculty inadequacy. Your Company trained them to nurture students as responsible citizens, a concept called 'Shikshak Yojana'. This engagement provides a source of respectful livelihood for young rural teachers.

**Vallabh Vidyalaya:** Contractual industrial labourers in Kutch (most from Bihar, UP, MP, Assam, Orissa, Chattisgarh etc.) live in slums, their children becoming rag pickers. Your Company (in partnership with YMC) started an alternative Hindi medium school called Vallabh Vidyalaya in Mundra. Construction is in progress; more than 500 students will be benefited.

**Army training:** Your Company appointed a retired army man to train individuals in building army/ police/security agency recruitment capability among local youth. The result: from a point where no one in Kutch thought of joining the army, eight young energetic army men now emerged from only one school (TVM of Aarti Group).

**Skill building:** Your Company is expanding a skill building institute in TVM – Kutch and started one at Pimpalner (Marathawada), Itarsi (M.P.) and Ratanpar-Khadir (Vagad) along with hostel facility.

**Boarding school for nomads:** Your Company (in association with VSSM) started seven hostels for nomads in various districts of Gujarat, strengthening a culture of education, health, hygiene, nutrition and self-discipline. The growing need and interest resulted in the setting up of a modern boarding school near Gandhi Nagar for nomads, attracting more donors.

**Livelihood for nomads:** Your Company (in association with VSSM)

The Company has adopted an effective hybrid model in its CSR engagements. It is engaged in a number of projects, which are funded and managed directly. It also complements competent NGOs with adequate funds.

began to provide interest-free loans to small rural entrepreneurs. The livelihood fund has crossed ₹1 crs.

**Water conservation and harvesting:** Your Company initiated river-widening and check dam building in Pimpalner cluster of Beed, Marathawada, benefiting farmers through wider water availability and increase in ground water level. This pilot project is now a model attracting more NGOs, including Naam Foundation, attracting government attention.

**Flora and fauna:** Little Rann of Kutch is home to rare animals and birds

species. Traditional lakes are the only source of water for this vast salty Rann. Your Company revived a historic lake in Medak Bet, benefiting their lives. Aarti is spreading this rain water harvesting movement; villagers came forward to contribute towards more Kutch Jal Mandirs.

**Cleaning Rankala Lake:** Your Company, pledged its support to an Institute of Chemical Technology initiative led by Padmashri Prof. GD Yadav to clean Rankala Lake (Kolhapur). The Hydro Dynamic Cavitation Programme to clean the lake and enhance water potability was appreciated by government agencies and NGOs.

**Hygiene and sanitation:** Toilets were built for girl students in Aarti-initiated schools in 12 villages. Your Company also built various rural toilet blocks in the vicinity of manufacturing units. Over 50 blocks were constructed and handed over; another 110 were constructed (to be handed over).

The other programmes comprised providing fodder at subsidized rates to promote animal husbandry. The Company developed a second garden in Vapi. A blood donation campaign was conducted by Aarti Group employees, friends and relatives (aggregate 5000 bottles of blood) at Vapi over the years. The Company runs a number of rehab activities in disaster-affected areas like J&K etc. and other CSR initiatives.



Financial support to NAAM Foundation



Maninagar School



Computer training center at Saghbara Girls School

# Management discussion and analysis

## Economic Review & Outlook

There was a slowdown in the global economy, the International Monetary Fund's World Economic Outlook, April 2016, forecasting growth of 3.2% in 2016 and 3.5% in 2017. Against this background, India emerged as the fastest growing major economy, the country's growth driven by rising real incomes and domestic demand. The country's services and manufacturing sectors grew well; the agricultural sector is set to rebound on the back of a good monsoon after two consecutive weak years. India's higher economy growth was accompanied by lower inflation, supported by a downward trend in global commodity prices. Besides, the Indian economy benefitted from improving trade, current account and fiscal deficit levels, strong foreign capital inflows and a stable rupee.

The country undertook several development programs to improve business conditions and improve India's ranking in the global index in the ease of doing business. The proposed goods and services tax (GST) could emerge as a key milestone. This, along with growing public investments and improving

environment for infrastructure investments, are creating a platform for sustainable growth.

Based on these trends, India is moving towards claiming its rightful place in the global economy.

## Indian Speciality Chemicals overview

The Indian chemicals Industry has been an integral part of the Indian economy even as the story has recently gained prominence. The \$ 25 billion Indian speciality chemicals sector has grown from one dominated by small niche players into a multi-faceted global footprint.

Speciality chemicals comprise high value, low volume chemicals recognized for their performance-enhancing end use applications. Being 'usage-specific', speciality chemicals touch upon every population segment, finding downstream applications in paints, coatings, plastics, home care surfactants, flavours and fragrances.

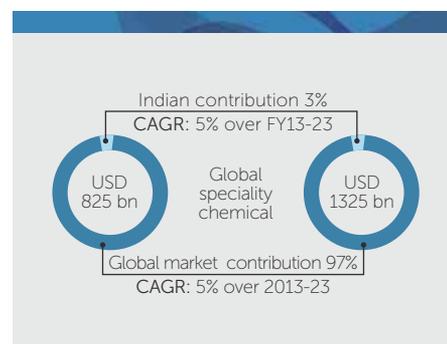
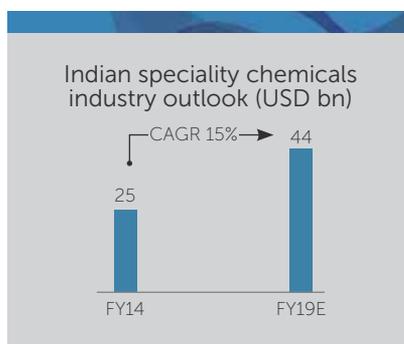
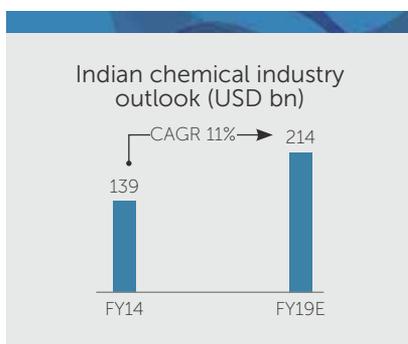
Traditionally, a majority of the Indian market was characterised by SMEs working around low costs but without processes, quality and customer engagement capabilities at par with global peers. In recent years,

there has been a decisive shift, the Indian specialty chemicals industry moving from a generic space to a knowledge based and innovation-driven niche.

The industry grew from \$ 16 billion in FY09-10 to \$ 25 billion in FY13-14 and projected to grow to \$ 44 billion by FY18-19 (Source: FICCI).

The structural foundation of the Indian speciality chemicals sector remains strong, catalysed by a visible increase in the consumption of value added high performance products in all spheres of life. India's position as a manufacturing hub for specialty chemicals strengthened following an increasing shift in manufacturing capacities to Asia, following a weakening in Chinese exports and a sustained improvement in India's competitiveness.

Going ahead, the Make in India campaign is set to accelerate sectoral growth by attracting foreign direct investment that validates India's emergence as a leading global speciality chemicals manufacturing location on the back of improvements in infrastructure, regulation, licenses and taxes.



Source: FICCI, Tata Strategic

## ALL's strengths

Aarti's business model encompasses a number of strengths.

**Leadership:** Aarti's promoters comprise first generation technocrats; five of six Promoter Directors possess an engineering background; three of four Founder Promoters are chemical engineers from ICT (formerly UDCT). Your Company has established a record of execution where returns have progressively improved following growing capex leading to consistent revenue growth, value-addition and margins expansion.

As a forward-looking Company, the management at Aarti Industries has been investing in innovation, introducing high-value products and implementing pioneering technologies. This has translated into deepening customer relationships, the Company being recognized as a strategic supplier/partner of choice by major global and domestic downstream customers.

### Integration and global scale:

Aarti's sustained focus on process development, plant automation and high quality benchmarks made it possible for the Company to emerge as one of the lowest-cost producers of benzene derivatives in the world. Your Company integrated facilities, backward and forward, with cost-efficient processes comprising 125 products enjoying diverse downstream applications. Besides, your Company comprises 16 manufacturing units across Gujarat, Maharashtra Madhya Pradesh and Silvassa. A combination of competitive, large and integrated supply chains empowered your Company to address the growing

needs of large global customers with a diverse product mix. Besides, the Company enhanced product customization, marked by the ability to switch products based on market dynamics, strengthening resource and asset utilization.

### De-risked, leadership portfolio:

Your Company's de-risked portfolio comprises diverse products addressing different end-user applications across customers and geographies. Your Company's products enjoys applications in industries like Agrochemicals, Polymers, Dyes, Pigments, Printing Inks, Pharmaceuticals, FMCG, Optical Brighteners, UV Absorbers, Oil & Gas, Rubber Chemicals, Flavours & Fragrances, Food Ingredients, Cattle Feed, Additives, etc. No single product or customer contributed more than 9% to revenues during the year under review. Your Company supplies products to more than 500 domestic customers and over 150 international customers from 50 countries with a major presence in USA, Europe, China, Japan and India. The customer list comprises marquee brands like BASF, Bayer, Clariant, Dow, DuPont, Flint Ink, Hunstman, Makhteshim Agan, Micro Inks, Solvay, Sudarshan, Sun Chemicals, Syngenta, Teijin, Ticona, Toray, UPL Limited and among others.

Your Company enjoys a global position of 1st to 4th position for a majority of its key products:

- Chlorination (ranked among the top three globally)
- Nitration (ranked among top four globally)
- Ammonolysis (ranked among the top two globally)

Aarti's sustained focus on process development, plant automation and high quality benchmarks made it possible for the Company to emerge as one of the lowest-cost producers of benzene derivatives in the world.

- Hydrogenation (ranked among the top two globally), and
- Halex Chemistry (only player in India).

Leadership facilitates knowledge transfer, provides demand foresight, the ability to absorb incremental SH&E costs and a 'partner of choice' positioning with target customers .

**Co-product balancing:** Each chemical reaction produces multiple co-products, resulting in engagements with multiple customers, an effective entry barrier for competition. Aarti's production flexibility makes it possible to shift products based on market dynamics, countering demand vagaries; a higher product customization enhanced customer confidence. Aarti converts process by-products into commercially viable products, enhancing value.

**Technical strengths:** Aarti has built technological capabilities through know-how transfer, resulting in

several differentiated processes/chemistries. The innovation program has empowered Aarti to move towards downstream products and co-product/isomer balancing-expanding operations towards higher-value chemical processes like hydrogenation, fluoro-compounds, and diazotization. The enriching product mix combined with scale has enhanced the earning efficiency of the benzene chain.

**Quality, safety, sustainability:** Your Company was an early adopter of the most stringent global environment, health and safety standards, ensuring optimal productivity and business sustainability.

Aarti has been REACH-compliant, possesses four zero liquid discharge units, and is reviewing the viability for converting more units into zero discharge. Your Company has prioritized an emphasis on 3Rs (Reduce-Reuse-Recover) across operating sites, following the highest

SH&E (Safety, Health & Environment) standards.

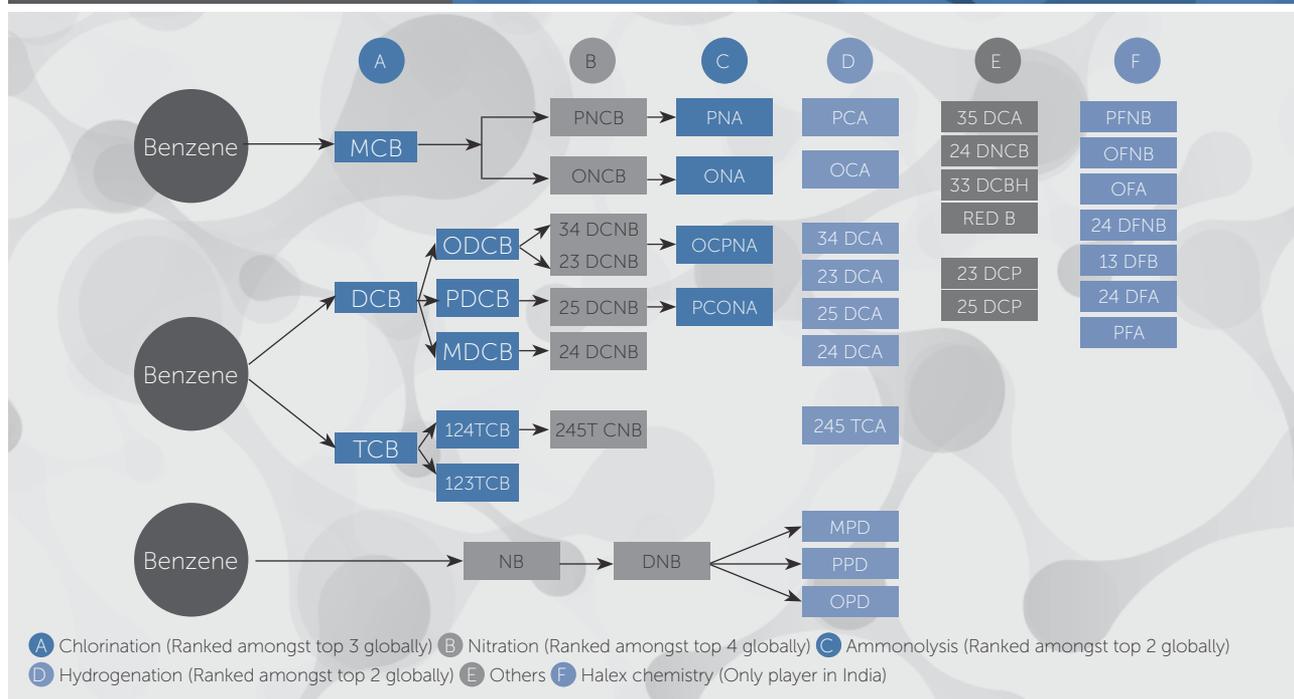
### Opportunities

**Easternization:** The 'Easternization' of the global speciality chemicals manufacturing sector presents a long-term opportunity for countries like India and China leveraging skilled labour, lower capital costs, improved knowledge, equity and cost advantages of Asian players. Over the years, the larger players from developed countries have progressively discontinued operations for N-1/N-2 and below, transferring capacities eastwards and using local facilities for manufacturing high-end performance products. The result is that a number of these companies operate asset-light structures that increasingly outsource intermediates from China and India.

**Country diversification:** While easternization was for long favourably disposed towards China, India has recently developed into an

important manufacturing hub for speciality chemicals on account of superior compliance with environmental norms, increasing competitiveness and decline in Chinese competitiveness. Besides, MNC customers are keen to allay their country risk through widening diversification; India is poised to capitalize, translating into growing opportunities for the export of speciality chemicals and pharmaceutical intermediates. Over time, regulating agencies in developing countries have become more stringent in ensuring a complete compliance with environment norms. In China, restrictions have firmed up and imposed over 12-18 months; in India, compliances were stringent for four or five years, providing the country a competitive advantage. Far-reaching modifications have been made to China's national Environmental Protection Law, granting greater powers to environmental authorities and harsher

## Our Benzene-based value chain



punishments for non-compliant manufacturers. There has been a stringent implementation of the law with over 375 polluting facilities shut down in 2013. In turn, this supply has affected global supply, making it possible for Indian players with large capacities, international quality compliance and environmental standards to corresponding benefit.

The incremental compliances necessitate additional investments in effluent treatment, enhancing costs and impacting capacity utilization. Further, as the Chinese economy has matured, there has been a general increase in labour and other costs. Besides, increased competitiveness of the Rupee vis-à-vis the Chinese Yuan has widened the Indian moat.

#### High performance industries:

Globally, specialty chemicals are driven by extensive product and process innovation, a significant differentiator over the commoditized Indian chemical industry. Companies

with strong technical expertise, high Safety Health & Environment standards as well as deep customer relationships remain at the forefront to make significant headway in high-value industries.

Aarti has progressively leveraged chemistry skills to produce higher downstream products, expanding capacities to global scale for chlorination, nitration, ammonolysis, hydrogenation and fluoro-compounds diazotization. The Company has placed a greater focus on better-value chemical processes like hydrogenation, fluoro-compounds, diazotization, etc. The strengthening product mix and scale are likely to drive earnings efficiency of the benzene chain.

#### Challenges

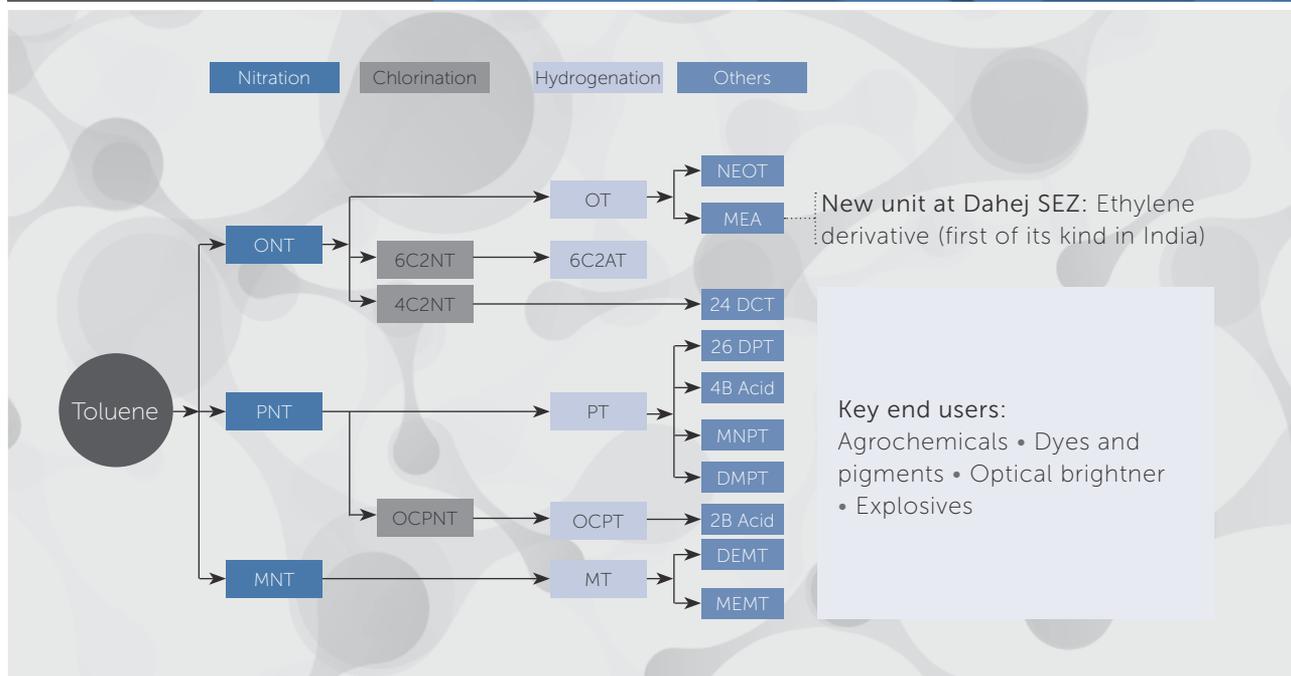
##### Regulatory and environment:

European and developed markets have progressively tightened their import regulations citing environmental concerns and protect

Aarti has progressively leveraged chemistry skills to produce higher downstream products, expanding capacities to global scale for chlorination, nitration, ammonolysis, hydrogenation and fluoro-compounds diazotization.

domestic manufacturers. The most impactful regulation from an Indian perspective has been the European Union's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), which went into effect in June 2007. This legislation addresses the production

#### Our Toluene-based value chain





Jhagadia plant

and use of chemicals and their potential impact on human health and environment. The substantial impact of REACH will come into play following the implementation of Phase 3 from June 2018 that will regulate any chemical supplied to EU at quantities of 1 tonne per annum or more. REACH increases the safety, health and environmental compliance of chemical manufacturers supplying to EU, affecting underlying process costs.

In a scenario where a number of Indian companies are likely to find this transition challenging, Aarti has been REACH-complaint since 2011. Your Company emphasised the 3R (Reduce-Reuse-Recover) principle across all operating sites, following the highest SH&E (safety, health & environment) standards.

**End-user/product/country**

**slowdown:** Any slowdown in the

growth of end user industries (polymers, additives, pigments, paints, printing inks, dyes, agro intermediates and fertilizers) could impact sectoral growth. AIL caters to several industries, not overtly dependent on any single industry, customer or geography . AIL's diversified portfolio comprising multiple products cater to multiple customers across geographies. No single customer, product of end-user industry contributed higher than 9% of revenues. Moreover, AIL is a preferred partner for major customers enjoying leading downstream market shares, safeguarding it from usual business risks.

**Innovation:** Speciality chemical manufacturers need to strengthen their technical skill-set around niche applications and product innovation to safeguard margins. Aarti's superior innovation program

arising out of a transfer of knowledge from strategic customer relationships and its benchmark R&D program (comprising 100 scientists) ensure better-than-industry margins. Your Company was also awarded for innovation in the field of chemical engineering.

**Currency:** Aarti's sales comprise 50% exports, while a large part of its input costs are linked to international prices, hedging to a large extent the impact of currencies on operations. Your Company's 90% of global revenues were USD-denominated, reducing the risk of cross-currency volatility. Your Company monitors movements in currencies with the objective to appropriately hedge its open position.

**Speciality Chemicals model:** Aarti's speciality chemicals segment is focused on benzene derivatives (82% of sales). Aarti is the largest

producer of benzene derivatives in India and one of the leading global manufacturers enjoying a 25-40% global market share across various products. Your Company is a global leader in processes like chlorination, nitration, hydrogenation, ammonolysis; it is a market leader in PNCB/ONCB and derivatives. Your Company is the only Indian player developing benzene-based fluoro compounds and would be the second producers of toluene-based products. The speciality chemicals business can be best described through the 'below four' value chain. Besides, your Company is the only global entity integrated backwards and forwards in its range of chemicals and also across various value chains, enhancing its capability to supply a basket of products and becoming a one-stop source. This has resulted in the fragmentation of competitive risks as no single global player is as integrated and diversified as your Company.

Aarti's topline is the result of raw material price variations (especially crude oil) even as they have a limited

impact on profitability. EBIT is the primary metric to evaluate your Company's performance, capturing the essence of the Company's value-addition.

**Impact of raw material volatility:**

Since the Company adopts a cost-plus pricing for its various speciality chemicals, its topline is linked with input costs. During the financial year FY15-16, there were sharp corrections in the price of crude oil; correspondingly, the price of various raw materials procured by the Company (benzene, aniline, methanol, phthalic anhydride etc) declined. This resulted in a decline in revenues for the segment, while EBIT grew on account of enhanced volumes and superior product mix. The demand for most products manufactured by your Company remained in-elastic to raw material price movements; in the case of ultimate final products, the corresponding impact is significantly lower.

A decline in raw material prices muted topline growth to about 8%, while increase in the volume of

initial and high value-added products strengthened segment EBIT 23% on a Y-o-Y basis and even on a CAGR basis for the last four years.

**Capital expenditure:** In line with the Company's stated strategy to drive capacity creation, your Company is executing a multi-pronged expansion plan across multiple processes/products following a measured approach. Your Company has a successful history of executing high RoE-accretive investments.

**NCB expansion:** During the year under review, Aarti expanded its Nitro Chloro Benzene (NCB) capacity from 57,000 TPA to 75,000 TPA in November 2015. This incremental capacity will increase NCB market share in the domestic and global markets, providing adequate feedstock for downstream products (viz. Hydrogenated Products and other products) with a higher EBIDTA. Your Company expanded its Hydrogenation capacities and now possesses sufficient capacity to cater to growing global demand. The increase in feeder capacities of NCB

The same is evident from the table:

Segments financials (Standalone)	FY16	FY15
Avg Benzene Price (₹/kg)	47	70
Sales Revenue (₹ in Crores)	2,202	2,361
EBIT (₹ in Crores)	469	395
EBIT %	21.3%	16.7%

Key financials of the speciality chemicals segment

Key financials (₹ in Crores)	FY16	FY15	FY14	FY13
Sales	2265	2398	2216	1757
% of total sales	81.5%	82.5%	84.2%	83.8%
Export	1223	1251	1130	946
% of Segment Sales	54.0%	52.2%	51.0%	53.8%
Segment EBIT	504	408	332	319
EBIT %	22.3%	17.0%	15.0%	18.2%



Aarti's sustained focus on process development, plant automation and high quality benchmarks made it possible for the Company to emerge as one of the lowest-cost producers of benzene derivatives in the world.

helps your Company increase the utilization of expanded hydrogenation capacities as well.

**PDA expansion:** During FY15-16, your Company expanded its PDA capacity from 250 TPM to 450 TPM and projected 1,000 TPM by Q3 FY16-17. This enhanced capacity will increase your Company's presence in high-end polymers and additives, making your Company the only Indian source for MNCs that does not presently source this product from India.

**Greenfield nitro-toluene project:** After scaling its benzene derivative chain, your Company plans to diversify into a toluene chain of products (nitro-toluene and derivatives) through a greenfield facility at Jhagadia. The project is expected to commercialize in H2 FY16-17. Your Company plans to leverage established existing customer relationships to cross-sell toluene derivatives for their downstream use in the products already serviced by the Company – (optical brighteners, agrochemicals, pigments and pharmaceuticals).

The Company will be commissioning an ethylation unit by adopting Swiss technology in the Dahej SEZ, which will receive input material from its

nitro-toluene plant. Aarti will be the first company in India to procure ethylene through a pipeline and operate an environment-friendly ethylation process. We plan to progressively introduce a range of ethylene-based chemicals catering to various end-user applications.

**Calcium Chloride Unit:** Your Company is also in the process of setting up its another Calcium Chloride Granulation unit with a capacity of about 30000 tpa at Jhagadia. Your Company already operates a similar unit at its unit at Kutch and this one at Jhagadia would be second one. These units convert the byproduct HCL into high quality Calcium Chloride Granules which is exported in global markets and finds its application into Oil Extraction and De-icing activities. The unit at Jhagadia is expected to be commercialized by Q1 FY16-17.

**Greenfield chlorination complex:** Your Company is setting up chlorination complex in Jhagadia. This complex shall expand your Company's capacities in the Chloro Benzene range of chemicals and provide additional capacity facilitating the introduction of a new range of chlorinated compounds. Since chlorine is manufactured in nearby chloro alkali units, your Company proposes to procure the same through a pipeline, a significant logistical advantage .

**Speciality chemical complex:** Your Company also plans to set up another speciality chemical complex in Jhagadia to manufacture of range of speciality chemicals from the present value chain and new products, which were being developed under secrecy agreements with MNC customers. These projects will cater to the growing demands for various agrochemicals and engineering polymers, widening its product mix and strengthening market share.

**Co-generation power plant:** With

large capacities being commissioned over 12-18 months at Jhagadia, your Company is setting up a captive co-generation power plant similar to the ones operational at its Vapi main unit, but with a higher capacity. This shall help address the partial power needs of the Jhagadia unit but at significantly lower power costs. This is expected to generate cost savings in respect of the future projects being proposed at Jhagadia.

Your Company is also in the process of setting up a co-generation power plant at its unit at Kutch and Vapi (another site). Following the commissioning of these new power plants, your Company, by the end of FY16-17, would be operating an aggregate five power plants across Vapi, Jhagadia, Kutch and Tarapur, which would help reduce power costs significantly.

**Acquiring additional land for prospective projects:** Considering the above, your Company plans to acquire additional land parcels in Jhagadia which can be utilized for growth opportunities.

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## Pharmaceuticals segment

The Indian pharmaceuticals market is the third largest by volume and thirteenth largest by value (Source: Equity Master). The Indian pharmaceutical sector represents approximately 2.4% of the global pharmaceutical industry in value terms and 10% in volume terms. In terms of exports, India accounts for 20% of global generic exports . Further, the Indian pharmaceutical industry is the world's leader in Drug Master Files (DMFs) applications in the US as well as the second largest in Abbreviated New Drug Applications (ANDAs). India's competitive edge emanates from a significantly lower cost of production compared to US and almost half of Europe.

Looking ahead, the Indian



Tarapur plant

pharmaceuticals market is expected to expand to USD55 billion by 2020, with USD40 billion derived from exports. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and sixth largest market globally in absolute size. The Indian pharma growth prospects remain robust, underlined by demand-led, supply-led and policy-led drivers. Increasing disease incidence, improved accessibility, greater health insurance penetration, higher stress-related diseases, better diagnostic facilities and epidemiological factors ensure exponential demand. Supply-side drivers include a cost advantage,

skilled manpower and India's emergence as a major manufacturing hub for generics marked by 546 sites cleared by USFDA.

The GOI has taken a number of initiatives supporting pharmaceuticals – National Health Policy 2015 which focuses on increasing public expenditure on healthcare segment, reduction in the approval time for new facilities, new pharmaceutical education and research institutes, exemptions to drugs manufactured through indigenous R&D from price control under NPPP 2012. The GOI permitted up to 74% FDI under the automatic route in brownfield pharmaceuticals; approvals would be

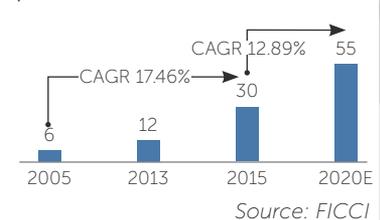
needed for investments beyond 74%.

The industry witnessed consolidation and rationalization through several mergers and acquisitions, strengthening innovation. Going forward, better domestic sales growth will depend on the ability of companies to align their products towards chronic therapies for diseases like cardiovascular, anti-diabetes, anti-depressants and anti-cancers. Your Company has been progressively making inroads into oncology drugs, which is expected to benefit over the long-term. China had been a traditional source of intermediates to various companies manufacturing APIs world over. However, tighter

#### Key financials of pharmaceuticals segment

Key financials (₹ in Crores)	FY16	FY15	FY14	FY13
Sales	383	303	249	187
% of total sales	13.8%	10.4%	9.5%	8.9%
Export	193	164	117	92
% of Segment Sales	50.4%	54.1%	47.0%	49.2%
Segment EBIT	39	36	30	9
EBIT %	10.2%	11.9%	12.0%	4.8%

#### Revenue of Indian pharmaceutical sector (USD bn)



compliance with pollution norms, increasing and stricter regulatory processes, consolidation of various pharma companies, resulted in restricted suppliers, which impacted the supply of various intermediates and Chinese prospects. This impacted India positively for manufacturing various intermediates as import substitutes. Your Company is working on various intermediates for various companies and establishing a strategic position in the intermediate space.

Your Company is looking to address older/already off-patented generics to be supplied in regulated markets, directly and indirectly, where few/restricted suppliers operate. Your Company has two USFDA facilities one for API and another for Intermediates. The facility had been reinspected by the USFDA Authorities in March 2015 and the inspection report was closed positively. Thus after getting the approval, the unit had been inspected twice by the USFDA authorities and at both the time no adverse comments were made. This is a significant positive for the Company and various of its products awaiting approval in the regulated markets, especially when many other facilities facing issues with their USFDA approvals. Your Company is also working with Innovator Companies in the Regulated Market space to exclusively develop APIs and jointly promoting ANDAs under revenue sharing arrangements.

Your Company is also working with Innovator Companies in the Regulated Market space to exclusively develop APIs and jointly promoting ANDAs

Following the commissioning of expanded capacities and a range of 48 commercial APIs, with 33 EUDMFs, 28 US DMF, and more than 60% exports coming from regulated markets, your Company is well placed to increase regulated market share.

The Segment has been growing at a significant pace. Exports to Global Markets have also been growing consecutively, off which exports to regulated markets account for over 60% of the segment export revenue. Even a share of domestic supplies are value-added and eventually exported out from India. Thus increased global volumes revenues (particularly regulated markets) will accelerate growth.

#### Home & Personal Care Chemicals

Of the USD 30.4 bn global surfactants market, the Indian market size is USD 2.6 bn. The Indian market is expected to grow 13%, driven by an increasing penetration of personal care applications even as profitability remains challenged

across the medium-term. Surfactant manufacturers enjoy modest bargaining power with large raw material suppliers; customers (FMCG giants) compete on price and squeeze suppliers (including surfactant manufacturers).

Given sectoral price competition, factors like scale, process efficiencies and specialization/niche applications are critical for success. With a high growth rate and better margins than conventional surfactants, specialty surfactants present an attractive opportunity in the Indian surfactants space.

Rising per capita incomes have catalysed the consumption of hygiene and personal care products. Increasing consumption is driving the demand for range of cosmetic chemicals, health care products and hygiene products using performance chemicals, polymers and oleo chemicals.

The Home & Personal Care Chemicals segment is a relatively low margin business. Your Company comprises two manufacturing units - Pithampur (Madhya Pradesh) and Silvassa. Your Company plans to debottleneck some operations to expand capacities for export-oriented products with better margins. These initiatives shall help increase exports and margins.

#### Key financials of Home & Personal Care Segment:

Key financials (₹ in Crores)	FY16	FY15	FY14	FY13
Sales	132	207	167	152
% of total sales	4.8%	7.1%	6.3%	7.3%
Export	15	34	34	22
% of segment sales	11.4%	16.4%	20.4%	14.5%
Segment EBIT	-0.2	3	4	5
EBIT %	-0.2%	1.5%	2.4%	3.3%



# Directors' Report

To the Members of  
**AARTI INDUSTRIES LIMITED**

Your Directors are pleased to present this Thirty Third Annual Report and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2016.

## FINANCIAL RESULTS

(Figures in ₹ Crores)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2015-16	2014-15	2015-16	2014-15
Total Income from Operations (Net)	2717	2871	2780	2908
EBIDTA	540	458	578	471
Depreciation & Amortization	93	79	98	82
Profit/(Loss) from Operations before Other Income, Finance Costs and Exceptional Items	437	378	474	384
Other Income/Exceptional Items	10	5	6	9
Profit/(Loss) before Finance Costs	447	383	480	393
Finance Costs	116	137	117	138
<b>Profit/(Loss) before Tax</b>	<b>331</b>	<b>246</b>	<b>363</b>	<b>255</b>
Tax Expenses				
a) Provision for Taxation-Current (net of MAT entitlement)	43	40	55	43
b) Provision for Deferred Tax	17	18	19	18
c) Short/(excess) Tax Provisions of earlier years	19	-	21	-
<b>Total Tax Expenses</b>	<b>79</b>	<b>58</b>	<b>95</b>	<b>61</b>
Share of Profit/(Loss) of Associates	-	-	-	14
Minority Interest	-	-	(11)	(2)
<b>Net Profit/(Loss) after consolidation</b>	<b>252</b>	<b>188</b>	<b>257</b>	<b>206</b>
<b>Earnings Per Share (₹)</b>	<b>30.30</b>	<b>21.00</b>	<b>30.83</b>	<b>23.24</b>
<b>Book Value Per Share (₹)</b>	<b>128.43</b>	<b>102.47</b>	<b>133.75</b>	<b>114.73</b>

## DIVIDEND

Your Company had declared and paid three Interim Dividends aggregating ₹ 8.50 ps. (@ 170%) per share (of Rs. 5/- each) as compared to the Total Dividend of ₹ 5.50 ps. (@ 110%) per share (of ₹ 5/- each) for the FY 2014-15. The total amount of Dividend pay-out for the year was ₹ 70.82 Crores (Previous Year: ₹ 48.73 Crores). In view of this, the Board had not proposed any further dividend for FY 2015-16.

Your Company has transferred ₹ 25.25 Crores to General Reserve (Previous Year: ₹ 19.00 Crores) and ₹ 30 Crores to Debenture Redemption Reserve (Previous Year: ₹ 30 Crores).



## FINANCIALS

Your Company reported total Income at ₹ 2717 Crores for FY 2015-16 as against ₹ 2871 Crores for FY 2014-15. Similarly the exports for the year were at ₹ 1352 Crores for FY 2015-16 v/s ₹ 1449 Crores for FY 2014-15. While the volumes had grown by over 10% y-o-y, the total income and exports were lower on account of softer crude prices.

Your Company's Earnings Before Interest Depreciation and Taxes stood at ₹ 540 Crores in FY 2015-16 as compared to ₹ 458 Crores in FY 2014-15, registering a growth of 18%. Likewise Net Profit Before Tax rose by 35 % to ₹ 331 Crores in FY 2015-16 as compared to ₹ 246 Crores in FY 2014-15. Likewise, Net Profit after Tax & Deferred Tax also grew by 34% to ₹ 252 Crores in FY 2015-16 as compared to ₹ 188 Crores in Financial Year 2014-15.

Likewise the Consolidated Total income for FY 2015-16 was at ₹ 2780 Crores as compared to ₹ 2908 Crores for FY 2014-15 and exports for the year 2015-16 was ₹ 1431 Crores vs ₹ 1449 Crores for FY 2014-15.

On a Consolidated basis, your Company's Earnings Before Interest Depreciation and Taxes stood at ₹ 578 Crores in FY 2015-16 as compared to ₹ 471 Crores in FY 2014-15, registering a growth of 23%. Similarly, Net Profit after consolidation grew by 25% to ₹ 257 Crores in FY 2015-16 as compared to ₹ 206 Crores in FY 2014-15. Likewise, Consolidated EPS surged by about 33% at ₹ 30.83 for FY 2015-16, as compared to ₹ 23.24 for FY 2014-15.

## SHARE CAPITAL

In terms of the Scheme of Amalgamation approved by the Hon'ble High Courts at Ahmedabad and Mumbai, Anushakti Chemicals and Drugs Limited; Anushakti Holdings Limited; Alchemie Leasing and Financing Private Limited and Gogri and Sons Investments Private Limited ("Transferor Companies") had been merged in the Company ("Transferee Company") with effect from 1<sup>st</sup> April, 2015; pursuant to which the Authorised Share Capital of the Transferor Companies merged into the Company. Consequently the Authorised Share Capital of the Company has increased to ₹1,15,07,51,600.

Further, Pursuant to the Scheme of Amalgamation, 1,67,26,401 Equity Shares were issued to the Shareholders of the Transferor Companies and 2,19,97,705 Equity Shares being held by Transferor Companies in the Company

were cancelled. As a result the paid-up share capital of the Company has been reduced by 52,71,304 Equity Share and stands cancelled at ₹ 2,63,56,520.

Apart from the above, no other shares were issued by the Company during the Financial Year under review.

## CORPORATE SOCIAL RESPONSIBILITY

Your Company through own trusts Aarti Foundation & Dhanvallah Charitable trust and various other NGO's has been doing work in following Segments:

- Cluster & Rural Development
- Education & Skill Development
- Childcare & Healthcare Facilities
- Women Empowerment & Livelihood Opportunities
- Disaster Relief & Rehabilitation
- Eradication of Hunger & Poverty
- Water Conservation & Environment
- Research & Development work for upliftment of Society.

Rural Education, Water Conservation, Tribal Welfare, Agriculture, Animal Husbandry, Health and Hygiene, Disaster Relief and Rehabilitation, are the main areas of focus in the social welfare plans of our CSR Activities. Many of our Pilot projects had been appreciated by various NGO's and Other Corporate Houses who have also started adopting those models thereby multiplying the magnitude of the reach of these social activities for the benefit of the Society at large.

A brief note on various CSR initiatives undertaken during the year is presented earlier at page no. 26 of this Annual report.

CSR annual report is annexed as **Annexure-A** and forms an integral part of the Report.

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

As on March 31, 2016 the Company had 3254 permanent employees at its manufacturing plants and administrative office. The Company recognizes the importance of human value and ensures that proper encouragement both moral and financial is extended to employees to motivate them.

The Company enjoyed excellent relationship with workers and staff during the year under review.

## REMUNERATION AND NOMINATION POLICY

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The policy also lays down criteria for selection and appointment of Board Members. The details of this policy are given in the Corporate Governance Report.

## PERSONNEL

The statement containing particulars of employees 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 given in an Annexure and forms part of this report. In terms of Section 136(1) of the Companies Act, 2013, the Report and the Accounts are being sent to the Members excluding the aforesaid Annexure. Any Member interested in obtaining a copy of the Annexure may write to the Company Secretary at the Registered Office of the Company.

## MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material changes and commitment affecting the financial position of the company occurred between the end of the Financial Year to which this financial statements relate and the date of the report.

However, during the year under review there was a material change in the Share Capital pursuant to the scheme of amalgamation. The details of which are mentioned under the head Share Capital of this report.

## MEETINGS

The details of the number of meetings of the Board held during the Financial Year 2015-16 forms part of the Corporate Governance Report.

## RISK MANAGEMENT

Risk Management Committee through its dynamic risk management framework continuously identifies, evaluates and takes appropriate measures to mitigate various elements of risks.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

Statutory Auditors Report on Internal Financial Controls as required under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") is annexed with the Independent Auditors' Report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 read with Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), is presented in a separate section forming part of the Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. That in the preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;



- b. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the Financial Year and of the profit and loss of the company for that period;
- c. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That Directors' have prepared the annual accounts on a going concern basis;
- e. 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;
- f. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the Financial Year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large.

All related party Transactions are presented to the Audit Committee. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on quarterly basis, specifying the nature, value and terms and conditions of transactions.

The related party transactions policy is uploaded on the Company's website at the web-link given below :

<http://www.aartigroup.com/pdfs/Related%20Party%20Transaction%20Policy%20Pdf.pdf>

The details of Related party transactions are provided in the accompanying financial statements.

Since all related party transactions entered into by the Company were in ordinary course of business and were on an arms length's basis, Form AOC-2 is not applicable to Company.

## STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) OF SECTION 149

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 of the SEBI (Listing Obligation and Disclosure Requirements).

## CORPORATE GOVERNANCE

Your Company has complied with the mandatory Corporate Governance requirements stipulated under Regulation 34(3) of the Listing Agreement. Report on Corporate Governance is annexed hereto forming part of this report.

## CONSOLIDATED FINANCIAL STATEMENT

Your Directors have pleasure in presenting Consolidated Financial Statements which form part of the Annual Report and Accounts.

## ANNUAL RETURN

The details forming part of the extract of Annual Return in the Form MGT-9, as required under Section 92 of the Companies Act, 2013 is included in the Report as **Annexure-B** and forms an integral part of the Report.

## DEPOSITS

The Company did not have any deposits at the beginning of the year under review. The Company has neither accepted nor renewed any deposits during the year under review. The Company does not have any deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company has appointed CS Sunil M. Dedhia (COP No. 2031),

Proprietor of Sunil M. Dedhia & Co., Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is included as **Annexure–C** and forms an integral part of this Report.

The said report does not contain any observation or qualification requiring explanation or comments from the Board under Section 134(3) of the Companies Act, 2013.

## PARTICULARS OF LOANS, GUARANTEES OR 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.

## BOARD EVALUATION

Pursuant to the provisions of Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, a structured questionnaire was prepared after taking into consideration, various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed. The performance evaluation of the Chairman and Non-Independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

## SUBSIDIARY COMPANIES

The Company has 5 (five) direct subsidiaries, namely, Aarti Corporate Services Limited, Alchemie Europe Limited, Innovative Envirocare Jhagadia Limited, Ganesh Polychem Limited, Aarti USA Inc and 2 (two) indirect subsidiaries namely Shanti Intermediates Private Limited, Nascent Chemical Industries Limited both hold through Aarti Corporate Services Limited.

During the year under review Aarti USA Inc. and former associate Ganesh Polychem Limited has become Subsidiary of the Company and other Companies namely Anushakti Chemicals and Drugs Limited, Anushakti Holdings Limited, Aarti Intermediates Private Limited, Aarti Bio-Tech Limited and Perfect Enviro Control System Limited have ceased to be Associate Companies.

During the year, the Board of Directors reviewed the affairs of the subsidiaries. In accordance with Section 129(3) of the Companies Act, 2013, we have prepared consolidated financial statements of the Company and all its subsidiaries, which form part of the Annual Report. Further a statement containing salient features of the financial statement of our Subsidiaries in the prescribed format AOC-1 is included in the Report as **Annexure-D** and forms an integral part of this Report. The statement also provides the details of performance, financial position of each of the Subsidiaries.

## DIRECTORS/KEYMANAGERIALPERSONNEL

Shri. Parimal H. Desai and Smt. Hetal Gogri Gala, Whole-time Directors of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re appointment.

Your Directors also recommend renewal of term of Smt. Hetal Gogri Gala, Whole-time Director of the Company whose present term expires on 31<sup>st</sup> October, 2016.

During the Year 2015-16 , Whole-time Directors, namely, Shri. Kirit R. Mehta and Shri. Parimal H Desai were re-appointed for a period of 5 (five) years w.e.f. 18<sup>th</sup> September, 2015 and 10<sup>th</sup> February, 2016 respectively.

Further, Padmashri Prof. Ganapati D. Yadav and Smt. Priti P. Savla, Independent Directors were appointed for a period of 3 Years w.e.f. 24<sup>th</sup> September, 2015.

## 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.

## ENVIRONMENTAL, SAFETY AND HEALTH

Your Company is committed to ensure a sound Safety, Health and Environment (SHE) performance related to its activities, products and services. Your Company had been continuously taking various steps to develop and adopt Safer Process technologies and unit operations. Your Company has been investing heavily in areas such as Process Automation for increased safety and reduction of human error element, Enhanced level of training on Process and Behaviour based safety, adoption of safe & environmental



friendly production process, Installation of Bioreactors, Chemical ROs, Multiple effect evaporator and Incinerator, etc to reduce the discharge of effluents, commissioning of Waste Heat recovery systems, and so on to ensure the Reduction, Recovery and Reuse of effluents & other utilities. Monitoring and periodic review of the designed SHE Management System are done on a continuous basis.

Some of the initiatives in this regard as briefed below:

- **Introducing Aarti Management System:** An in-house developed framework of 32 elements detailing procedures and processes catering to all Plant Related Activities - 3 elements namely MOC (to manage change), BBS (major root causes of incidents are due to behaviour) and Permit Systems catering to reduce SHE related risks had been launched and being implemented at various levels of operations. Other elements are being developed and reviewed and would be adopted in due course.
- **Review Existing Process Safety Parameters:** Structured & regular HAZOP meetings are being carried out as per scheduled HAZOP calendar to further strengthen process safety of existing processes. Also HIRA (Hazard Identification and Risk Assessment) for procedures and practices are being initiated for some of the units and would be gradually implemented across various units.
- **Maintenance element with purpose to achieve rated performance of assets throughout rated life is being launched.** Standardisation of maintenance practices are under progress. Also the Plant Maintenance module (an IT enabled solution) are also being implemented with an objective to map and monitor all maintenance activities through the IT enabled system. This would help to have online reporting and tracking of various scheduled and unscheduled maintenance breakdown activities.
- **Systematic and well documented scale up procedure including risk assessment and process safety study at each stage of development** from R&D to Pilot to Commercial Scale, to ensure inherently safe processes, has been developed.

With these and various other initiatives, your Company firmly places the SHE at the top of its goals and aims to provide

a workplace which is safer and healthier for the society at large.

## WHISTLE BLOWER POLICY

The Company has a whistle blower policy to report genuine concerns or grievances. The Whistle Blower policy has been posted on the website of the Company [www.aartigroup.com](http://www.aartigroup.com)

## MATERIAL SUBSIDIARY

The Company does not have any material subsidiary whose net worth exceeds 20% of the consolidated net worth of the Company in the immediately preceding accounting year or has generated 20% of the consolidated income of the Company during the previous Financial Year. A policy on material subsidiaries had been formulated and is available on the website of the Company and the web link thereto is <http://www.aartigroup.com/pdfs/Policy%20for%20determining%20Material%20Subsidiary17.6.16.pdf>

## FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS.

The Independent Directors of the Company were familiarised and the details of familiarisation programmes imparted to them are placed on the website of the Company [www.aartigroup.com](http://www.aartigroup.com)

## STATUTORY AUDITORS

In the 31<sup>st</sup> Annual General Meeting (AGM) of the Company held on September 24, 2014, M/s. Gokhale & Sathe, Chartered Accountants (Firm Regn. No. 103264W) had been appointed as the Statutory Auditors of the Company for a period up to 3(three) years to hold office from the conclusion of the 31<sup>st</sup> AGM (AGM) until the conclusion of the 34<sup>th</sup> AGM of the Company. In terms of the provisions of the Companies Act, 2013, it is necessary to get the appointment ratified by the shareholders in every Annual General Meeting until the expiry of the period of original appointment.

In view of the above, the Board of Directors recommends your ratification of the appointment of M/s. Gokhale & Sathe, Chartered Accountants (Firm Regn. No. 103264W) as the Statutory Auditors as mentioned at Item No. 4 of the Notice.

## AUDITORS' REPORT

There are no qualification, reservation or adverse remark or disclaimer made by the Auditor in their report.

## COST AUDITORS

The Cost Auditor Ms. Ketki D. Visariya (Fellowship No. 16028), Cost Accountant, re-appointed by the Company under provisions of Section 148(5) read with Section 141 of the Companies Act, 2013 attend the Audit Committee Meeting, where cost audit reports are discussed.

The due date for filing the Cost Audit Reports in XBRL mode for the Financial Year ended 31<sup>st</sup> March, 2015 was 30<sup>th</sup> September, 2015 and the Cost Audit Reports were filed by the Cost Auditor on 26<sup>th</sup> September, 2015. The due date for filing the Cost Audit Reports for the Financial Year ended 31<sup>st</sup> March, 2016 is 30<sup>th</sup> September, 2016.

The Company is seeking the ratification from the Shareholders for the Remuneration of Ms. Ketki D. Visariya, Cost Auditor of the Company for the Financial Year ending 31<sup>st</sup> March, 2017 vide resolution no. 6 of the Notice of AGM.

## NUMBER OF CASES FILED, IF ANY, AND THEIR DISPOSAL UNDER SECTION 22 OF THE SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company has Zero tolerance towards any action on the part of any one which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every women working with the Company. The Policy framed by the Company in this regard provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints.

Particulars	No. of Complaints
Number of Complaints pending as on beginning of the Financial Year	NIL
Number of Complaints filed during the Financial Year	NIL
Number of Complaints pending as on the end of the Financial Year	NIL

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

Information required under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, as amended from time to time, forms a part of this in **Annexure–E**.

## ACKNOWLEDGEMENT

The Board of Directors places on record its sincere appreciation for the dedicated services rendered by the employees of the Company at all levels and the constructive co-operation extended by them. Your Directors would like to express their grateful appreciation for the assistance and support by all Shareholders, Government Authorities, Auditors, financial institutions, Customers, employees, suppliers, other business associates and various other stakeholders.

For and on behalf of the Board

Sd/-

**RAJENDRA V. GOGRI**

CHAIRMAN AND MANAGING DIRECTOR

Place : Mumbai

Date: 6<sup>th</sup> May, 2016

## CAUTIONARY STATEMENT

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



## Annexure 'A'

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1.	A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web – link to the CSR policy and projects or programs.	Refer Page No. 26 of the Annual Report The CSR policy approved by the Board of Directors has been uploaded on the Company's website. The web link is <a href="http://www.aartigroup.com/pdfs/Corporate%20Social%20Responsibility%20(CSR)%20Policy.pdf">http://www.aartigroup.com/pdfs/Corporate%20Social%20Responsibility%20(CSR)%20Policy.pdf</a>
2.	Composition of CSR committee	Shri Laxmichand K. Jain (Independent Director) Smt. Hetal G. Gala (Whole-time Director) Shri Kirit R. Mehta (Whole-time Director)
3.	Average net profit of the Company for last three financial years	₹ 210.19 Crores
4.	Prescribed CSR expenditure (two percent of the amount as in item 3 above)	₹ 4.20 Crores
5.	Details of CSR spent during the financial year	
	Total amount to be spent for the financial year	₹ 4.20 Crores
	Amount unspent, if any	Nil
	Manner in which the amount spent during the financial year	Details given below

Sr. No.	Projects/Activities	Sector in which project is undertaken	Locations where project is undertaken (Local Area/District)	Amount Outlay (Budget) Project or Programs wise	Amount Spent on the project or programs. Sub-heads 1. Direct Expenditure on Projects or Programs. 2. Overheads	Cumulative Expenditure upto the reporting period	Amount spent: Direct or through implementing agency*
				(₹ in Crs.)	(₹ in Crs.)	(₹ in Crs.)	
1.	A. Education & Vocational Training B. Healthcare C. Women Empowerment D. Water Cleansing & Conservation E. Hygiene and Sanitation F. Live Stock Development	Rural Development	Valsad, Bharuch, Kutch, Ahmedabad, Bhavnagar (Gujarat)  Boisar, Thane, Marathwada, Kolhapur (Maharashtra)	4.47	4.47	4.47	Direct & Indirect
2.	Relief & Rehabilitation	Rehabilitation of Disaster affected areas.	Jammu & Kashmir	0.26	0.26	0.26	Direct
3.	Community Township and Livelihood Opportunities	Eradicating Poverty and Hunger.	Mumbai - Maharashtra	0.14	0.14	0.14	Direct & Indirect
<b>Total</b>				<b>4.87</b>	<b>4.87</b>	<b>4.87</b>	

## \* Details of implementing agency:

1. Aarti Foundation; 2. Aarti Vikas & Seva Mission; 3. Adivasi Samaj Devstan Mandal, Kherdi; 4. Anavil Parivar Valsad; 5. Ankleshwar Rotary Foundation; 6. Bahubali Children Hospital; 7. Child Help Foundation; 8. Dhanvallah Charitable Trust; 9. Global Approach For Rural Development; 10. Institute Of Chemical Technology; 11. Kaprada Vibhag Charitable Trust; 12. Kumarpal Gandhi Blood Bank; 13. Lion Club of Vapi; 14. Little Blossom School; 15. Maniben Maneklal Gandhi Charitable Trust; 16. Mentor College; 17. Mumbai Management Academy; 18. Narmada Kidney Foundation; 19. Principal Gec Valsad; 20. Rankar Foundation; 21. Robocon Ltco; 22. Safety Education & Research Foundation; 23. Sanskdeep Trust; 24. Sanskrutik Vikas Mandal; 25. Banwasi Seva Ashram; 26. Shree Mulund Vardhman Kalyan Kendra; 27. Shree Siddhivinayak Sevabhavi Sansthan; 28. Shree Vardhman Sthanakvas; 29. Shankardham School; 30. Shri LG Haria Multipurpose School Foundation; 31. Sushil Trust; 32. Tulsi Vidhya Mandir; 33. Udan Foundation; 34. Vaidic Dharma Sansthan; 35. Vanvasi kalyan Ashram; 36. Vapi Rotary Niramay Trust; 37. VSSM; 38.WWF India; 39. Yusuf Meherally Center.

6. The CSR Committee Chairman confirms that the implementation and monitoring of CSR policy is in compliance with the CSR objectives and policy of your Company.

Sd/-  
**LAXMICHAND K. JAIN**  
Independent Director  
(Chairman CSR Committee)

Sd/-  
**HETAL GOGRI GALA**  
Whole-time Director  
(Member CSR Committee)

Place: Mumbai  
Date: 6<sup>th</sup> May, 2016

## Annexure 'B'

### Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31<sup>st</sup> March, 2016

[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	L24110GJ1984PLC007301
(ii)	Registration Date	28 <sup>th</sup> September, 1984
(iii)	Name of the Company	AARTI INDUSTRIES LTD.
(iv)	Category/Sub-Category of the Company	Public Company Ltd. by Shares/Non-Govt. Company
(v)	Address of the Registered office and contact details	Plot Nos. 801, 801/23, G.I.D.C. Estate, Phase – III, Vapi, Dist. Valsad, Gujarat - 396195 Telephone : 0260-2400059, 2400366 Fax : 0260-2401322 Email : investorrelations@aartigroup.com Website : www.aartigroup.com
(vi)	Whether listed company	Yes
(vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Telephone : 022 – 2594 6970 Fax : 022 – 25946969 Email : rnt.helpdesk@linkintime.co.in Website : www.linkintime.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:—

Sr. No.	Name and Description of main products/services	NIC Code of the Product/ service	% to total turnover of the company
1.	Company does not have any single product contributing 10% or more of the total turnover of the Company. Company business is divided into three segment viz. Speciality Chemicals, Pharmaceuticals and Home & Personal Care Chemicals. For segmental revenue refer note no. 18.1 of Statement of Profit & Loss.	—	—

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	Aarti Corporate Services Ltd.	U67120MH1995PTC084963	Subsidiary	100%	2(87)
2	Innovative Envirocare Jhagada Ltd.	U24233MH2012PLC233058	Subsidiary	100%	2(87)
3	Ganesh Polychem Ltd.	U24299MH2001PLC133900	Subsidiary	50.24%	2(87)
4	Alchemie (Europe) Ltd.	3061267	Subsidiary	88.89%	2(87)
5	Aarti USA Inc.	36-4806810	Subsidiary	100%	2(87)
6	Shanti Intermediate Pvt. Ltd. (through Aarti Corporate Services Ltd.)	U24231GJ1989PTC012373	Subsidiary	100%	2(87)
7	Nascent Chemical Industries Ltd. (through Aarti Corporate Services Ltd.)	U24100MH1966PLC013490	Subsidiary	50.49%	2(87)

### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

#### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1 <sup>st</sup> April, 2015)				No. of Shares held at the end of the year (As on 31 <sup>st</sup> March, 2016)				% Change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
<b>A. Promoters</b>										
<b>(1) Indian</b>										
a) Individual/HUF	29785296	0	29785296	33.62	43707514	0	43707514	52.46	18.84	
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00	
c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00	
d) Bodies Corp.	22593579	0	22593579	25.50	1817447	0	1817447	2.18	-23.32	
e) Banks/Fl	0	0	0	0.00	0	0	0	0.00	0.00	
f) Any Other...	0	0	0	0.00	0	0	0	0.00	0.00	
<b>Sub-total (A) (1):</b>	<b>52378875</b>	<b>0</b>	<b>52378875</b>	<b>59.12</b>	<b>45524961</b>	<b>0</b>	<b>45524961</b>	<b>54.64</b>	<b>-4.48</b>	
<b>(2) Foreign</b>										
a) NRIs – Individuals	86148	0	86148	0.10	130737	0	130737	0.16	0.06	
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00	
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00	
d) Banks/Fl	0	0	0	0.00	0	0	0	0.00	0.00	
e) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00	
<b>Sub-total (A) (2):</b>	<b>86148</b>	<b>0</b>	<b>86148</b>	<b>0.10</b>	<b>130737</b>	<b>0</b>	<b>130737</b>	<b>0.16</b>	<b>0.06</b>	
<b>Total shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	<b>52465023</b>	<b>0</b>	<b>52465023</b>	<b>59.22</b>	<b>45655698</b>	<b>0</b>	<b>45655698</b>	<b>54.80</b>	<b>-4.42</b>	

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) Contd.

### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1 <sup>st</sup> April, 2015)				No. of Shares held at the end of the year (As on 31 <sup>st</sup> March, 2016)				% Change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
<b>B. Public Shareholding</b>										
<b>1. Institutions</b>										
a) Mutual Funds	10912899	0	10912899	12.32	10306343	0	10306343	12.37	0.05	
b) Banks/FI	14210	0	14210	0.02	14337	0	14337	0.02	0.00	
c) Central Govt	0	0	0	0.00	0	0	0	0	0.00	
d) State Govt(s)	0	0	0	0.00	0	0	0	0	0.00	
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0	0.00	
f) Insurance Companies	0	0	0	0.00	0	0	0	0	0.00	
g) FIs	669659	0	669659	0.76	1619349	0	1619349	1.94	1.18	
h) Foreign Portfolio- Corp.	118236	0	118236	0.13	1142918	0	1142918	1.37	1.24	
i) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0	0.00	
j) Other (Specify) NBFC	0	0	0	0.00	3029	0	3029	0.00	0.00	
<b>Sub-total (B)(1):</b>	<b>11715004</b>	<b>0</b>	<b>11715004</b>	<b>13.23</b>	<b>13085976</b>	<b>0</b>	<b>13085976</b>	<b>15.70</b>	<b>2.47</b>	
<b>2. Non-Institutions</b>										
a) Bodies Corp.										
i) Indian	1255003	5501	1260504	1.42	965724	5501	971225	1.17	-0.25	
ii) Overseas	0	0	0	0.00	0	0	0	0	0.00	
b) Individuals										
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	8298907	1491418	9790325	11.05	8484850	1361092	9845942	11.82	0.77	
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	11970641	738105	12708746	14.35	13105693	66972	13172665	15.80	1.45	

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) Contd.

### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1 <sup>st</sup> April, 2015)				No. of Shares held at the end of the year (As on 31 <sup>st</sup> March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Others (specify)									
(i) Non Resident Indians	211018	600	211618	0.24	236003	600	236603	0.28	0.04
(ii) Trusts	43129	0	43129	0.05	100	0	100	0.00	-0.05
(iii) Foreign National	0	0	0	0.00	3286	0	3286	0.00	0.00
(iv) Unclaimed Suspense Account	397338	0	397338	0.45	348888	0	348888	0.42	-0.03
<b>Sub-total (B)(2):-</b>	<b>22176036</b>	<b>2235624</b>	<b>24411660</b>	<b>27.56</b>	<b>23144544</b>	<b>1434165</b>	<b>24578709</b>	<b>29.49</b>	<b>1.93</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>33891040</b>	<b>2235624</b>	<b>36126664</b>	<b>40.78</b>	<b>36230520</b>	<b>1434165</b>	<b>37664685</b>	<b>45.20</b>	<b>4.42</b>
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0.00
<b>Grand Total (A+B+C)</b>	<b>86356063</b>	<b>2235624</b>	<b>88591687</b>	<b>100.00</b>	<b>81886218</b>	<b>1434165</b>	<b>83320383</b>	<b>100.00</b>	<b>0.00</b>

**Note :** The number of shares at the beginning of the year were 88591687 & 16726401 shares were issued to the shareholders of Anushakti Chemicals & Drugs Ltd., Anushakti Holdings Ltd., Gogri And Sons Investments Private Limited and Alchemie Leasing & Financing Private Limited pursuant to the scheme of amalgamation with the Company and 21997705 shares being held by transferor Companies had been cancelled. Hence on net basis 5271304 shares of the Company has been cancelled. Post allotment and cancellation the number of shares of the Company i.e. w.e.f. 24-09-2015 is 83320383 shares.

### (ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1 <sup>st</sup> April, 2015)			Shareholding at the end of the year (As on 31 <sup>st</sup> March, 2016)			% 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	Aarnav Rashesh Gogri	65280	0.07	0.00	109283	0.13	0.00	0.06
2	Aarti Drugs Ltd.	750	0.00	0.00	750	0.00	0.00	No Change
3	Aarti Rajendra Gogri	1445578	1.63	0.00	2934232	3.52	0.00	1.89
4	Aashay Rashesh Gogri	539340	0.61	0.00	697427	0.84	0.00	0.23
5	Alchemie Financial Services Ltd.	270	0.00	0.00	673006	0.81	0.00	0.81
6	Alchemie Finserv Private Limited	0	0.00	0.00	264105	0.32	0.00	0.32
7	Alchemie Leasing & Financing Pvt. Ltd.	5309098	5.99	0.00	0	0.00	0.00	-5.99
8	Anushakti Chemicals & Drugs Ltd.	3629533	4.10	0.00	0	0.00	0.00	-4.10

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1 <sup>st</sup> April, 2015)			Shareholding at the end of the year (As on 31 <sup>st</sup> March, 2016)			% 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	
9	Anushakti Holdings Ltd.	7085301	8.00	0.00	0	0.00	0.00	-8.00
10	Bhanu Pradip Savla	86148	0.10	0.00	130737	0.16	0.00	0.06
11	Bhavna Shah Lalka	912738	1.03	0.00	942273	1.13	0.00	0.10
12	Chandrakant Vallabhaji Gogri	1851727	2.09	0.00	2494234	2.99	0.00	0.90
13	Dhanvanti Vallabhji Gogri	0	0.00	0.00	353354	0.42	0.00	0.42
14	Dilip Tejshi Dedhia	0	0.00	0.00	4488	0.01	0.00	0.01
15	Gogri And Sons Investments Pvt. Ltd.	5973773	6.74	0.00	0	0.00	0.00	-6.74
16	Gogri Finserv Private Limited	0	0	0	264105	0.32	0.00	0.32
17	Gunavanti Navin Shah	80209	0.09	0.00	88397	0.11	0.00	0.02
18	Heena Bhatia	867438	0.98	0.00	889439	1.07	0.00	0.09
19	Hetal Gogri Gala	3703689	4.18	0.00	6056319	7.27	0.00	3.09
20	Indira Madan Dedhia	187286	0.21	0.00	187286	0.22	0.00	0.01
21	Jaya Chandrakant Gogri	1706143	1.93	0.00	3079739	3.70	0.00	1.77
22	Manisha Rashesh Gogri	529104	0.60	0.00	679965	0.82	0.00	0.22
23	Mirik Rajendra Gogri	2325903	2.63	0.00	3716274	4.46	0.00	1.83
24	Nehal Garewal	1058790	1.20	0.00	1083834	1.30	0.00	0.10
25	Nikhil Holdings Pvt. Ltd.	359854	0.41	0.00	380481	0.46	0.00	0.05
26	Nikhil Parimal Desai	420875	0.48	0.00	563502	0.68	0.00	0.20
27	Parimal Hasmukhlal Desai	350446	0.40	0.00	356612	0.43	0.00	0.03
28	Parimal Hasmukhlal Desai (HUF)	60956	0.07	0.00	63645	0.08	0.00	0.01
29	Pooja Renil Gogri	400	0.00	0.00	400	0.00	0.00	No Change
30	Prasadi Hasmukhlal Desai	13200	0.01	0.00	13200	0.02	0.00	0.00
31	Rajendra Vallabhaji Gogri	2425365	2.74	0.00	3756460	4.51	0.00	1.77
32	Rajendra Vallabhaji Gogri (HUF)	322800	0.36	0.00	322800	0.39	0.00	0.03
33	Rashesh Chandrakant Gogri	3964221	4.47	0.00	6214118	7.46	0.00	2.99
34	Ratanben Premji Gogri	421680	0.48	0.00	400000	0.48	0.00	No Change
35	Renil Rajendra Gogri	2118975	2.39	0.00	3545594	4.26	0.00	1.87
36	Rinku Parimal Desai	235050	0.27	0.00	239587	0.29	0.00	0.02
37	Sarla Shantilal Shah	1851495	2.09	0.00	2199400	2.64	0.00	0.55
38	Shantilal Tejshi Shah	2079868	2.35	0.00	2434087	2.92	0.00	0.57
39	Shantilal Tejshi Shah (HUF)	166200	0.19	0.00	166200	0.20	0.00	0.01
40	Tarla Parimal Desai	80540	0.09	0.00	115365	0.14	0.00	0.05
41	Valiant Organics Pvt. Ltd.	235000	0.27	0.00	235000	0.28	0.00	0.01
	<b>Total</b>	<b>52465023</b>	<b>59.22</b>	<b>0.00</b>	<b>45655698</b>	<b>54.80</b>	<b>0.00</b>	<b>-4.42</b>

**Note :** The number of shares at the beginning of the year were 88591687 & 16726401 shares were issued to the shareholders of Anushakti Chemicals & Drugs Ltd., Anushakti Holdings Ltd., Gogri And Sons Investments Private Limited and Alchemie Leasing & Financing Private Limited pursuant to the scheme of amalgamation with the Company and 21997705 shares being held by transferor Companies had been cancelled. Hence on net basis 5271304 shares of the Company has been cancelled. Post allotment and cancellation the number of shares of the Company i.e. w.e.f 24-09-2015 is 83320383 shares.

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Name	Shareholding at the beginning of the year		Date	Increase/ Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	Aarnav Rashesh Gogri	65280	0.07	24.09.2015	+44003	Merger Allotment	109283	0.13
2	Aarti Rajendra Gogri	1445578	1.63	03.07.2015	-20000	Market Sale	1425578	1.61
				08.07.2015	-70000	Market Sale	1355578	1.53
				14.07.2015	-2500	Market Sale	1353078	1.53
				15.07.2015	-5000	Market Sale	1348078	1.52
				20.07.2015	-3400	Market Sale	1344678	1.52
				23.07.2015	-10000	Market Sale	1334678	1.51
				24.07.2015	-57	Market Sale	1334621	1.51
				24.09.2015	+1599611	Merger Allotment	2934232	3.52
3	Aashay Rashesh Gogri	539340	0.61	24.09.2015	+158087	Merger Allotment	697427	0.84
4	Alchemie Financial Services Limited	270	0.00	24.09.2015	+672736	Merger Allotment	673006	0.81
5	Alchemie Finserv Pvt. Ltd.	0	0.00	24.09.2015	+264105	Merger Allotment	264105	0.32
6	Aarti Drugs Limited	750	0.00	—	—	No Change	750	0.00
7	Alchemie Leasing & Financing Private Limited	5309098	5.99	24.09.2015	-5309098	Cancellation on account of cross holding pursuant to merger	Nil	0.00
8	Anushakti Chemicals & Drugs Limited	3629533	4.10	24.09.2015	-3629533	Cancellation on account of cross holding pursuant to merger	Nil	0.00
9	Anushakti Holdings Limited	7085301	8.00	24.09.2015	-7085301	Cancellation on account of cross holding pursuant to merger	Nil	0.00
10	Bhanu Pradip Savla	86148	0.10	24.09.2015	+44589	Merger Allotment	130737	0.16
11	Bhavna Shah Lalka	912738	1.03	24.09.2015	+29535	Merger Allotment	942273	1.13
12	Chandrakant Vallabhaji Gogri	1851727	2.09	24.09.2015	+642507	Merger Allotment	2494234	2.99
13	Dhanvanti Vallabhji Gogri	0	0.00	24.09.2015	+353354	Merger Allotment	353354	0.42
14	Dilip Tejshi Dedhia	0	0.00	24.09.2015	+4488	Merger Allotment	4488	0.01
15	Gogri and Sons Investments Private Limited	5973773	6.74	24.09.2015	-5973773	Cancellation on account of cross holding pursuant to merger	Nil	Nil
16	Gogri Finserv Pvt. Ltd.	0	0.00	24.09.2015	+264105	Merger Allotment	264105	0.32
17	Gunavanti Navin Shah	80209	0.09	10.07.2015	-1000	Market Sale	79209	0.09
				24.09.2015	+8888	Merger Allotment	88097	0.11
				18.01.2016	+100	Market Purchase	88197	0.11
				19.01.2016	+100	Market Purchase	88297	0.11
				22.02.2016	+100	Market Purchase	88397	0.11
18	Heena Bhatia	867438	0.98	24.09.2015	+22001	Merger Allotment	889439	1.07

Sl. No.	Name	Shareholding at the beginning of the year		Date	Increase/Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
19	Hetal Gogri Gala	3703689	4.18	24.09.2015	+2352630	Merger Allotment	6056319	7.27
20	Indira Madan Dedhia	187286	0.21	—	—	No Change	187286	0.22
21	Jaya Chandrakant Gogri	1706143	1.93	03.07.2015	-20000	Market Sale	1686143	1.90
				08.07.2015	-30000	Market Sale	1656143	1.87
				11.08.2015	-50000	Market Sale	1606143	1.81
				22.09.2015	-2509	Market Sale	1603634	1.81
				23.09.2015	-2500	Market Sale	1601134	1.81
				24.09.2015	+1478605	Merger Allotment	3079739	3.70
22	Manisha Rashesh Gogri	529104	0.60	24.09.2015	+150861	Merger Allotment	679965	0.82
23	Mirik Rajendra Gogri	2325903	2.63	30.06.2015	-125000	Market Sale	2200903	2.48
				24.09.2015	+1515371	Merger Allotment	3716274	4.46
24	Nikhil Parimal Desai	420875	0.48	24.09.2015	+142627	Merger Allotment	563502	0.68
25	Nehal Garewal	1058790	1.20	24.09.2015	+25044	Merger Allotment	1083834	1.30
26	Nikhil Holdings Private Limited	359854	0.41	24.09.2015	+20627	Merger Allotment	380481	0.46
27	Parimal Hasmukhlal Desai	350446	0.40	24.09.2015	+6166	Merger Allotment	356612	0.43
28	Pooja Renil Gogri	400	0.00	—	—	No Change	400	0.00
29	Prasadi Hasmukhlal Desai	13200	0.01	—	—	No Change	13200	0.02
30	Parimal Hasmukhlal Desai (HUF)	60956	0.07	23.04.2015	-1000	Market Sale	59956	0.07
				15.07.2015	-1000	Market Sale	58956	0.07
				24.09.2015	+4689	Merger Allotment	63645	0.08
31	Rajendra Vallabhaji Gogri	2425365	2.74	24.09.2015	+1331095	Merger Allotment	3756460	4.51
32	Rajendra Vallabhaji Gogri (HUF)	322800	0.36	—	—	—	322800	0.39
33	Rashesh Chandrakant Gogri	3964221	4.47	24.09.2015	+2249897	Merger Allotment	6214118	7.46
34	Ratanben Premji Gogri	421680	0.48	22.09.2015	-21680	Market Sale	400000	0.45
35	Renil Rajendra Gogri	2118975	2.39	11.08.2015	-86000	Market Sale	2032975	2.29
				24.09.2015	+1512619	Merger Allotment	3545594	4.26
36	Rinku Parimal Desai	235050	0.27	24.09.2015	+4537	Merger Allotment	239587	0.29
37	Sarla Shantilal Shah	1851495	2.09	24.09.2015	+347905	Merger Allotment	2199400	2.64
38	Shantilal Tejshi Shah	2079868	2.35	24.09.2015	+354219	Merger Allotment	2434087	2.92
39	Shantilal Tejshi Shah (HUF)	166200	0.19	—	—	No Change	166200	0.20
40	Tarla Parimal Desai	80540	0.09	24.09.2015	+34825	Merger Allotment	115365	0.14
41	Valiant Organics Private Limited	235000	0.27	—	—	No Change	235000	0.28

**Note :** The number of shares at the beginning of the year were 88591687 & 16726401 shares were issued to the shareholders of Anushakti Chemicals & Drugs Ltd., Anushakti Holdings Ltd., Gogri And Sons Investments Private Limited and Alchemie Leasing & Financing Private Limited pursuant to the scheme of amalgamation with the Company and 21997705 shares being held by transferor Companies had been cancelled. Hence on net basis 5271304 shares of the Company has been cancelled. Post allotment and cancellation the number of shares of the Company i.e. w.e.f. 24-09-2015 is 83320383 shares.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date	Increase/ Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	HDFC Trustee Company Limited - HDFC Prudence Fund.	6480510	7.32	07.08.2015	-45000	Market Sale	6435510	7.26
				28.08.2015	-100000	Market Sale	6335510	7.15
				04.09.2015	-196700	Market Sale	6138810	6.93
				11.03.2016	-15000	Market Sale	6123810	7.35
				18.03.2016	-25000	Market Sale	6098810	7.32
2	DSP Blackrock Micro Cap Fund	1269126	1.43	08.05.2015	+14332	Market Purchase	1283458	1.45
				22.05.2015	+123330	Market Purchase	1406788	1.59
3	Tarla Kishorekumar Shah	828718	0.94	24.09.2015	+27040	Merger Allotment	855758	1.03
4	Pictet Country Fund (Mauritius) Limited #	0	0.00	07.08.2015	+50619	Market Purchase	50619	0.06
				14.08.2015	+92119	Market Purchase	142738	0.16
				21.08.2015	+15836	Market Purchase	158574	0.18
				28.08.2015	+229150	Market Purchase	387724	0.44
				04.09.2015	+212535	Market Purchase	600259	0.68
				18.09.2015	+106000	Market Purchase	706259	0.80
				22.01.2016	+49801	Market Purchase	756060	0.91
				05.02.2016	+1415	Market Purchase	757475	0.91
				12.02.2016	+18083	Market Purchase	775558	0.93
				19.02.2016	+34212	Market Purchase	809770	0.97
5	Franklin Templeton Mutual Fund A/C Franklin India Prima Plus.	720000	0.81	10.07.2015	+100000	Market Purchase	820000	0.93
				09.10.2015	-22368	Market Sale	797632	0.96
				16.10.2015	-13861	Market Sale	783771	0.94
				23.10.2015	-33503	Market Sale	750268	0.90
				30.10.2015	-52880	Market Sale	697388	0.84
				06.11.2015	-58526	Market Sale	638862	0.77
				13.11.2015	-16812	Market Sale	622050	0.75
				20.11.2015	-9326	Market Sale	612724	0.74
				27.11.2015	-12724	Market Sale	600000	0.72
6	Bhanumati Mohanlal Savla	630580	0.71	14.08.2015	-1000	Market Sale	629580	0.71
				21.08.2015	-922	Market Sale	628658	0.71
				25.09.2015	-78	Market Sale	628580	0.75
				09.10.2015	-16950	Market Sale	611630	0.73
				16.10.2015	-15171	Market Sale	596459	0.72
				22.01.2016	+2000	Market Sale	598459	0.72
				29.01.2016	-2000	Market Sale	596459	0.72
				19.02.2016	+1209	Market Purchase	597668	0.72
				26.02.2016	+1791	Market Purchase	599459	0.72
7	Ranjanben Pradip Shah	432000	0.49	08.05.2015	+142350	Market Purchase	574350	0.65
				24.09.2015	+12101	Merger Allotment	586451	0.70
8	Harsha Chandrakant Shah	445300	0.50	—	—	Nil movement during the year	445300	0.53

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date	Increase/ Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
9	HDFC Trustee Company Limited A/C HDFC Balanced Fund	420000	0.47	—	—	Nil movement during the year	420000	0.50
10	Anil L. Shah #	415029	0.47	—	—	Nil movement during the year	415029	0.49
11	HDFC Trustee Company Limited - HDFC Infrastructure Fund*	685013	0.77	04.09.2015	-21300	Market Sale	663713	0.75
				11.09.2015	-37820	Market Sale	625893	0.71
				18.09.2015	-270000	Market Sale	355893	0.40

\* Ceased to be in the top 10 shareholders as on 31-03-2016. The same is reflected above since the shareholder was one of the top 10 shareholders as on 01-04-2015.

# Not in the list of top 10 shareholders as on 01-04-2015. The same is reflected above since the shareholder was one of the top 10 shareholders as on 31-03-2016.

**Note:** W.e.f. 24-09-2015 number of shares of the Company has been reduced from 88591687 to 83320383 on account of reduction of capital pursuant to the Scheme of Amalgamation.

#### (v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Date	Increase/ Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	Rajendra V. Gogri	2425365	2.74	24.09.2015	+1331095	Merger Allotment	3756460	4.51
2	Rashesh C. Gogri	3964221	4.47	24.09.2015	+2249897	Merger Allotment	6214118	7.46
3	Shantilal T. Shah	2079868	2.35	24.09.2015	+354219	Merger Allotment	2434087	2.92
4	Parimal H. Desai	350446	0.40	24.09.2015	+6166	Merger Allotment	356612	0.43
5	Manoj M. Chheda	990001	1.12	24.09.2015	+122218	Merger Allotment	1112219	1.33
				16.11.2015	-1108	Market Sale	1111111	1.33
				14.01.2016	-2518	Market Sale	1108593	1.33
				15.01.2016	-3768	Market Sale	1104825	1.33
				18.01.2016	-1388	Market Sale	1103437	1.32
6	Hetal Gogri Gala	3703689	4.18	24.09.2015	+2352630	Merger Allotment	6056319	7.27
7	Kirit R. Mehta	49980	0.06	24.09.2015	+31121	Merger Allotment	81101	0.10
				25.09.2015	-300	Market Sale	80801	0.10
8	Renil Rajendra Gogri	2118975	2.39	11.08.2015	-86000	Market Sale	2032975	2.29
				24.09.2015	+1512619	Merger Allotment	3545594	4.26
9	Ramdas M. Gandhi	10000	0.01	—	—	Nil movement during the year	10000	0.00
10	Laxmichand K. Jain	20550	0.02	01.10.2015	-2000	Market Sale	18550	0.02
11	Vijay H. Patil	7200	0.01	—	—	Nil movement during the year	7200	0.00

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Date	Increase/ Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
12	K. V. S. Shyam Sunder	Nil	Nil	—	—	Nil movement during the year	Nil	Nil
13	P. A. Sethi	Nil	Nil	—	—	Nil movement during the year	Nil	Nil
14	Bhavesh R. Vora	Nil	Nil	—	—	Nil movement during the year	Nil	Nil
15	Ganapati D. Yadav	1200	0.00	—	—	Nil movement during the year	1200	0.00
16	Priti P. Savla	Nil	Nil	—	—	Nil movement during the year	Nil	Nil
17	Chetan B. Gandhi	Nil	Nil	—	—	Nil movement during the year	Nil	Nil
18	Mona N. Patel	Nil	Nil	—	—	Nil movement during the year	Nil	Nil

**Note :** The number of shares at the beginning of the year were 88591687 & 16726401 shares were issued to the shareholders of Anushakti Chemicals & Drugs Ltd., Anushakti Holdings Ltd., Gogri And Sons Investments Private Limited and Alchemie Leasing & Financing Private Limited pursuant to the scheme of amalgamation with the Company and 21997705 shares being held by transferor Companies had been cancelled. Hence on net basis 5271304 shares of the Company has been cancelled. Post allotment and cancellation the number of shares of the Company i.e. w.e.f. 24-09-2015 is 83320383 shares.

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Crs.)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
(i) Principal Amount	1,158.41	42.88	—	1,201.29
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	15.65	—	—	15.65
<b>Total (i+ii+iii)</b>	<b>1,174.06</b>	<b>42.88</b>	<b>—</b>	<b>1,216.94</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	102.55	—	—	102.55
Reduction	—	-25.46	—	-25.46
<b>Net Change</b>	<b>102.55</b>	<b>-25.46</b>	<b>—</b>	<b>77.09</b>
<b>Indebtedness at the end of the financial year</b>				
(i) Principal Amount	1,258.00	17.42	—	1,275.42
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	18.61	—	—	18.61
<b>Total (i+ii+iii)</b>	<b>1,276.61</b>	<b>17.42</b>	<b>—</b>	<b>1,294.03</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager							Total Amount
		CMD Rajendra V. Gogri	VC&MD Rashesh C. Gogri	WTD Parimal H. Desai	WTD Manoj Chheda	WTD Hetal Gogri Gala	WTD Kirit R Mehta	WTD Renil R. Gogri	
1.	<b>Gross salary</b>								
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	4,800,000	4,800,000	4,200,000	4,200,000	4,200,000	2,485,000	3,300,000	27,985,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	1,163,880	1,163,880	981,720	1,010,520	1,010,520	612,000	371,520	6,314,040
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961								
2.	Stock Option	—	—	—	—	—	—	—	—
3.	Sweat Equity	—	—	—	—	—	—	—	—
4.	Commission	17,905,388	17,905,388	3,410,550	3,410,550	17,052,750	—	8,526,375	68,211,001
	— as % of profit								
	— others, specify								
5.	Others, please specify	—	—	—	—	—	—	—	—
	<b>Total (A)</b>	<b>23,869,268</b>	<b>23,869,268</b>	<b>85,922,70</b>	<b>8,621,070</b>	<b>22,263,270</b>	<b>3,097,000</b>	<b>12,197,895</b>	<b>102,510,041</b>
	Ceiling as per the Act								10% of net profits of the Company

### B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of Directors								Total
		Ramdas M. Gandhi	Laxmichand K. Jain	Vijay H. Patil	K.V.S. Shyam Sunder	P. A. Sethi	Bhavesh R. Vora	Ganapati D. Yadav	Priti P. Savla	
(1)	<b>Independent Directors</b>									
	Fee for attending Board/ Committee Meetings	160,000	112,000	88,000	156,000	156,000	120,000	72,000	72,000	936,000
	Commission	—	—	—	—	—	—	—	—	—
	Others, please specify	—	—	—	—	—	—	—	—	—
	<b>Total (1)</b>	<b>160,000</b>	<b>112,000</b>	<b>88,000</b>	<b>156,000</b>	<b>156,000</b>	<b>120,000</b>	<b>72,000</b>	<b>72,000</b>	<b>936,000</b>
(2)	<b>Other Non-Executive Directors</b>									
	Shantilal T. Shah		—	—	—	—	—	—	—	—
	Fee for attending Board/ Committee Meetings	308,000	—	—	—	—	—	—	—	308,000
	Commission	—	—	—	—	—	—	—	—	—
	Others, please specify	—	—	—	—	—	—	—	—	—
	<b>Total (2)</b>	<b>308,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>308,000</b>
	<b>Total Managerial Remuneration (B)=(1+2)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,244,000</b>
	Overall Ceiling as per the Act									1% of net profits of the Company



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

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total
1.	<b>Gross salary</b>			
(a)	Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,376,800	2,385,000	3,761,800
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	264,600	—	264,600
(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	—	—	—
5.	Others, please specify	—	—	—
	<b>Total</b>	<b>1,641,400</b>	<b>2,385,000</b>	<b>4,026,400</b>

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT/COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—
<b>B. DIRECTORS</b>					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—

## Annexure 'C'

### SECRETARIAL AUDIT REPORT

for the Financial Year ended on 31<sup>st</sup> March, 2016

(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 Industries Limited**

(CIN: L24110GJ1984PLC007301)

Plot No. 801, 801/23, GIDC Estate,

Phase III, Vapi, Dist. Valsad,

Gujarat 396195.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Aarti Industries 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, 2016 (**'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, 2016 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 Securities and 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;
  - (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 (**Not applicable to the Company during Audit Period**).



- (vi) Other Laws applicable specifically to the Company identified and confirmed by the Company and relied upon by me are as under:
- (a) Petroleum Act, 1934, Rules, 1976.
  - (b) Drugs and Cosmetic Act, 1940 and Rules made thereunder.
  - (c) Fertilizer (Control) Order, 1985.
  - (d) The Explosive Act, 1889 – Gas Cylinder Rules, 1981.
  - (e) The Insecticides Act, 1968.
  - (f) Narcotic Drugs and Psychotropic Substances Act, 1985.
  - (g) The Indian Boilers Act, 1923 & The Indian Boilers Regulations, 1950.
  - (h) The Chemical Weapon Convention Act, 2000, and the Rules made thereunder.
  - (i) Air (Prevention and Control of Pollution) Act, 1981.
  - (j) Water (Prevention and Control of Pollution) Act, 1974.
  - (k) The Noise (Regulation and Control) Rules, 2000.
  - (l) Environment Protection Act, 1986 and other environmental laws.
  - (m) Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.
  - (n) Public Liability Insurance Act, 1991.
  - (o) The States Shops and Establishments Act.
  - (p) Maternity Benefit Act, 1961 & Rules.
  - (q) Child Labour (P&R) Act, 1986 & Rules.
  - (r) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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 applicable from 1<sup>st</sup> December, 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.

**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 atleast 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** 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: 6<sup>th</sup> May, 2016

## Appendix

To,

**The Members,**

**Aarti Industries Limited**

(CIN: L24110GJ1984PLC007301)

Plot Nos. 801, 801/23, GIDC Estate,

Phase III, Vapi, Dist. Valsad,

Gujarat 396195

Our 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 our 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 our 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.**

Sd/-

**CS Sunil M. Dedhia**

Proprietor

FCS No: 3483 C.P. No. 2031

Place: Mumbai

Date: 6<sup>th</sup> May, 2016



# Annexure 'D'

FORM AOC -1

(Pursuant to first proviso to Sub-Section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014

## SALIENT FEATURES OF FINANCIAL STATEMENTS OF SUBSIDIARIES AS PER COMPANIES ACT, 2013.

(₹ in Crs.)

Sr. No.	Name of Subsidiary Company	Reporting Currency and Exchange rate as on the last date of the relevant Financial Years in case of Foreign Subsidiaries	Share Capital	Reverse & Surplus	Total Assets	Total Liabilities	Investments	Turnover/ Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend	% Of Shareholding
1	Aarti Corporate Services Ltd.	INR	2.02	6.90	13.79	4.87	7.21	2.63	2.27	0.14	2.13	-	100.00
2	Nascent Chemical Industries Ltd.	INR	0.60	7.11	11.86	4.15	-	15.22	6.02	2.26	3.76	-	50.49
3	Shanti Intermediates Pvt. Ltd.	INR	0.07	0.69	4.47	3.72	0.01	9.27	- 0.03	- 0.02	- 0.01	-	100.00
4	Innovative Envirocare Jhagadia Ltd.	INR	0.35	- 0.05	0.30	-	-	-	- 0.01	-	- 0.01	-	100.00
5	Ganesh Polychem Ltd.	INR	6.17	90.59	165.04	68.29	0.14	132.41	32.11	13.42	18.68	-	50.24
6	Alchemie (Europe) Ltd.	GBP	0.01	-	0.35	0.34	-	0.64	0.01	-	0.01	-	88.89
		INR	0.86	0.25	33.60	32.50	-	60.75	0.83	-	0.83	-	
7	Aarti USA Inc.	USD	0.01	-	0.01	0.00	-	-	-	-	-	-	100.00
		INR	0.66	- 0.10	0.56	0.00	-	-	- 0.10	-	- 0.10	-	

The Financial Statement of Alchemie (Europe) Limited and Aarti USA INC. whose reporting currency is other than INR are converted into Indian Rupees on the basis of appropriate exchange rate as per applicable Accounting Standard. As at 31<sup>st</sup> March, 2016, GBP 1 = INR 95.00 and USD 1 = INR 66.25.

FOR AND ON BEHALF OF THE BOARD

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

Sd/-  
**RASHESH C. GOGRI**  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
**SHANTILAL T. SHAH**  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

Sd/-  
**CHETAN GANDHI**  
CHIEF FINANCIAL OFFICER

Sd/-  
**MONA PATEL**  
COMPANY SECRETARY

## Annexure - E

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

#### (A) CONSERVATION OF ENERGY:

##### (i) The Steps taken or Impact on Conservation of Energy;

- The Company had been operating various Captive and Co-generation Power Plants. This results into significant savings in the consumption of natural resources/fuel and also reduces the cost of Energy substantially.
- Energy audit had been conducted at regular intervals and recommendations were being implemented.
- Low Pressure Steam Generation/Extraction from Process areas to recover heat and use for Low Pressure Applications.

##### (ii) Additional Investments & Proposals, if any, being implemented for Reduction of Consumption of Energy:

- Implementation of Clean Development Mechanism Project, would lead to higher recovery of Heat and thus, resulting into reduction of emission of Green House gases.
- Ongoing Upgradation of Batch Nitration units into Continuous Nitration units would help in overall optimization of utilities thereby resulting into reduction in energy consumption.
- Your Company proposes to set up additional Captive Co-generation Power Plants at Jhagadia, Vapi (another site) and Kutch unit, similar to the one already operated at Vapi, thereby increasing thermal efficiency and reduced coal consumption per unit power as power is produced without condensation of steam. These Power Plants are expected to be commissioned by end of FY 2016-17.
- Upgradation of various other processes, wherever feasible, considering optimisation of utilities, thereby resulting the reduction in energy consumption.

##### (iii) The Capital Investment on Energy Conservation Equipments:

Your Company has invested about ₹ 26.14 Crs. during FY 2015-16 into energy conservation equipments.

#### (B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

##### (a) Efforts made towards Technology Absorption, Adaptation and Innovation:

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

##### (b) Benefits derived as a result of above efforts:

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

##### (c) Information regarding technology imported during the last 3 years: NIL

##### (d) Expenditure incurred on research and development:

	2015-16 (₹ in Crores)	2014-15 (₹ in Crores)
a) Revenue	10.36	9.39
b) Capital	5.65	4.20
<b>Total</b>	<b>16.01</b>	<b>13.59</b>

#### (C) TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange Earnings and Outgo were ₹ 1,352.39 Crores and ₹ 379.58 Crores respectively (previous year ₹ 1,449.31 Crores and ₹ 435.41 Crores respectively).

For and on behalf of the Board

Sd/-

**RAJENDRA V. GOGRI**

Chairman and Managing Director

Place: Mumbai

Date: 6<sup>th</sup> May, 2016

# Report on Corporate Governance

Your Company has complied in all respects with the applicable Corporate Governance Code as per Regulation 34(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") [read with Part C of Schedule VI] and the erstwhile Clause 49 of the Listing Agreement. A Report on the Corporate Governance compliance is furnished below:

## I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

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

## II. MANDATORY REQUIREMENTS:

### (1) BOARD OF DIRECTORS

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

**Aarti Industries Limited (AIL)** Board presently consists of 16 (Sixteen) Directors of whom 7 (Seven) are Executive, 1 (One) is Non-Executive and 8 (Eight) are Independent Non-Executive Directors except Managing Directors and Independent Directors, the other Directors are liable to retire by rotation.

Name of Directors	Category	No. of other Directorship*	No. of Committee Membership in other Companies** (excluding Aarti Industries Limited)		No. of Board Meetings Attended	Attendance at last AGM
			Chairman	Member		
Shri Rajendra V. Gogri	Promoter /Chairman and M.D.	1	1	None	6	Yes
Shri Rashesh C. Gogri	Vice-chairman and M.D.	2	None	2	6	Yes
Shri Shantilal T. Shah	Promoter/Vice-chairman, Non-executive	4	None	None	6	Yes
Shri Parimal H. Desai	Promoter/Executive	1	None	None	5	Yes
Shri Manoj M. Chheda	Executive	1	None	None	5	Yes

Name of Directors	Category	No. of other Directorship*	No. of Committee Membership in other Companies** (excluding Aarti Industries Limited)		No. of Board Meetings Attended	Attendance at last AGM
			Chairman	Member		
Smt. Hetal Gogri Gala	Executive	None	None	None	5	No
Shri Kirit R. Mehta	Executive	2	None	None	4	Yes
Shri Renil R. Gogri	Executive	None	None	None	3	No
Shri Ramdas M. Gandhi	Independent Non-executive	3	3	2	6	Yes
Shri Laxmichand K. Jain	Independent Non-executive	None	None	None	4	No
Shri Vijay H. Patil	Independent Non-executive	None	None	None	4	No
Shri P. A. Sethi	Independent Non-executive	1	None	1	6	Yes
Shri K.V.S. Shyam Sunder	Independent Non-executive	2	1	1	6	Yes
Shri Bhavesh R. Vora	Independent Non-executive	1	None	2	5	Yes
Prof. Ganapati D. Yadav	Independent Non-executive	None	None	None	5	No
Smt. Priti P. Savla	Independent Non-executive	1	None	None	5	Yes

\* This excludes Directorships held in Private Limited, Overseas Companies and Companies under Section 8 of the Companies Act, 2013.

\*\* Includes Audit Committee and the Stakeholders' Relationship Committee only.

**(b) Disclosure of Relationships between the Directors inter-se**

- Shri Rashesh C. Gogri is brother of Smt. Hetal Gogri Gala;
- Shri Rajendra V. Gogri is father of Shri Renil R. Gogri

**(c) Board Meetings:**

During the Year 2015-16, 6 (Six) Board Meetings were held on 13.05.2015, 06.08.2015, 24.09.2015, 05.11.2015, 05.02.2016 and 14.03.2016.

**(d) Code of Conduct:**

Aarti Industries Limited Code of Conduct laid down by the Board of Directors is applicable to all the Directors and Senior Management of the

Company. The Code of Conduct is posted on the Company's website [www.aartigroup.com](http://www.aartigroup.com). All the Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31<sup>st</sup> March, 2016. A declaration to this effect, duly signed by the Managing Director (CEO) is annexed hereto.

**(2) INDEPENDENT DIRECTORS:**

**(a) Separate Meeting of Independent Directors:**

During the year under review, the Independent Directors met on 21.03.2016 inter-alia:

- To review the performance of all the Non-independent Directors and the Board of Directors as a whole;



- To review the performance of the Chairperson taking into account the views of Executive Directors and Non-Executive Directors;
- To assess the quality, quantity and timeliness of flow of information between the Company's Management and the Board of Directors to effectively and reasonably perform their duties.

All Independent Directors were present at the Meeting.

**(b) Familiarisation Programme**

Details of familiarisation programmes imparted to Independent Directors are disclosed on the Company's website [www.aartigroup.com](http://www.aartigroup.com) and the web link thereto is [www.aartigroup.com/pdfs/Details%20of%20Familiarisation%20Programme.pdf](http://www.aartigroup.com/pdfs/Details%20of%20Familiarisation%20Programme.pdf)

**(3) AUDIT COMMITTEE:**

The Audit Committee has been constituted in line with the provisions of Section 177 of the Companies Act, 2013 read with Regulation 18 of Listing Regulations and the erstwhile Clause 49 of the Listing Agreement. The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Regulation 18 of the Listing Regulations which, inter-alia, include overseeing financial reporting process, reviewing periodic financial results, financial statements, internal control and internal

audit systems, accounting policies and practices, related party transactions, performance of Internal and Statutory Auditors, adequacy of Internal Audit function, discussions with Internal and Statutory Auditors and Cost Auditors.

**(i) Terms of Reference**

The Audit Committee inter-alia performs the functions of approving Annual Internal Audit Plan, review of financial reporting system, internal control system, discussion on financial results, interaction with statutory and Internal Auditors, recommendation for appointment of Statutory and Cost Auditors and their remuneration, recommendation of the appointment and remuneration of Internal Auditors, review of Business Risk Management Plan, Management Discussions and Analysis, Review of Internal Audit Reports, approval, review of related party transactions and scrutiny of inter corporate loans and investments. In fulfilling the above role Audit Committee has powers to investigate any activity within its terms of reference, to seek information from employees and to obtain outside legal and professional advice.

- (ii)** During the year 2015-16, 6 (Six) Audit Committee Meetings were held on 04.04.2015, 12.05.2015, 06.08.2015, 05.11.2015, 22.12.2015 and 05.02.2016.

**(iii)** The composition of the Audit Committee and other relevant details are given below:

Name of Directors	Category	Profession	No. of meetings attended
Shri Ramdas M. Gandhi (Chairman of the Committee)	Independent, Non-executive	Solicitor	6
Shri Rajendra V. Gogri	Promoter/Chairman & Managing Director, Executive	Industrialist	6
Shri Parimal H. Desai	Promoter/Executive	Industrialist	4
Shri Laxmichand K. Jain	Independent, Non-executive	Environmental Consultant	5
Shri Vijay H. Patil	Independent, Non-executive	Advocate	2
Shri P. A. Sethi	Independent, Non-executive	Banker	6
Shri K.V.S. Shyam Sunder	Independent, Non-executive	Chartered Accountant	6
Shri Bhavesh R. Vora	Independent, Non-executive	Chartered Accountant	5
Shri Rashesh C. Gogri	Vice Chairman & Managing Director, Executive	Industrialist	6

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

**(4) NOMINATION AND REMUNERATION COMMITTEE****(i) Brief description of terms of reference:**

The broad terms of reference of the Nomination and Remuneration Committee are as under:

- a. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- b. To formulate the criteria for evaluation of Independent Directors and the Board;
- c. To devise a policy on Board diversity;
- d. 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;

(ii) During the year 2015-16, 1 (one) meeting of the Nomination & Remuneration Committee was held on 05.05.2015.

(iii) The composition of the Nomination and Remuneration Committee and other relevant details are given below:

Name of the Directors	Category	No. of meetings attended
Shri Laxmichand K. Jain (Chairman of the Committee)	Independent, Non-executive	1
Shri Rajendra V. Gogri	Promoter/ Chairman & Managing Director, Executive	0
Shri Ramdas M. Gandhi	Independent, Non-executive	1
Shri Vijay H. Patil	Independent, Non-executive	1

**(iv) Performance evaluation criteria for Independent Directors**

The criteria for performance evaluation covers area relevant to the functioning as Independent Directors such as preparation, participation, conduct and

effectiveness. The performance evaluation of Independent Directors was done by entire Board of Directors and in evaluation, the Directors who are subject to evaluation had not participated.

**(v) Policy on Nomination and Remuneration:*****Criteria and Qualification for Nomination & Appointment***

A person to be appointed as Director, KMP or at Senior Management level should possess adequate and relevant qualification, expertise and experience for the position that he/she is being considered for.

***Policy on Remuneration***

The Company's Remuneration policy considers human resources as its invaluable assets, to pay equitable remuneration to all directors, key managerial personnel and employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company. The Remuneration policy for all the employees are designed in a way to attract talented executives and remunerate them fairly and responsibly, this being a continuous ongoing exercise at each level in the organization.

***Whole-time Directors***

The Company remunerates its Whole-time Director's by way of salary, perquisites and allowances and variable commission based on performance of the Company. Remuneration is paid within the limits recommended by the Nomination & Remuneration Committee and the Board and as approved by the shareholders within the stipulated limits of the Companies Act, 2013 and the Rules made thereunder. The remuneration paid to the Whole-time Director is determined keeping in view the industry benchmark and the relative performance of the Company to the industry performance.

***Non-executive Directors***

Non-executive Directors are presently receiving sitting fees (including reimbursement of expenses) for attending the meeting of the Board and its Committees as per the provisions of the Companies Act, 2013 and the rules made thereunder.

**Key Managerial Personnel and other senior employees**

The remuneration of KMP and other employees largely consists of basic salary, perquisites, allowances and performance incentives (wherever paid). Perquisites and retirement benefits are paid according to the Company policy. The components

of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience/merits, performance of each employee. The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package of the industry and its peer group.

**(vi) 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. Non-executive Directors are paid sitting fees at the rate of ₹ 12,000/- for each of the meetings of the Board or Audit Committee thereof attended by them and ₹ 4,000/- each for other Committee(s). The details of remuneration paid to each Director for the year 31<sup>st</sup> March, 2016 are as under:

(Amount in ₹)

Name of Director(s)	Salary and other Perquisites	Commission	Sitting Fees	Total Remuneration
Shri Rajendra V. Gogri	5,963,880	17,905,388	–	23,869,268
Shri Shantilal T. Shah	–	–	308,000	308,000
Shri Rashesh C. Gogri	5,963,880	17,905,388	–	23,869,268
Shri Parimal H. Desai	5,181,720	3,410,550	–	8,592,270
Shri Manoj M. Chheda	5,210,520	3,410,550	–	8,621,070
Shri Kirit R. Mehta	3,097,000	–	–	3,097,000
Smt. Hetal Gogri Gala	5,210,520	17,052,750	–	22,263,270
Shri Renil R. Gogri	3,671,520	8,526,375	–	12,197,895
Shri Laxmichand K. Jain	–	–	112,000	112,000
Shri Ramdas M. Gandhi	–	–	160,000	160,000
Shri Vijay H. Patil	–	–	88,000	88,000
Shri P. A. Sethi	–	–	156,000	156,000
Shri K.V.S. Shyam Sunder	–	–	156,000	156,000
Shri Bhavesh R. Vora	–	–	120,000	120,000
Prof. Ganapati D. Yadav	–	–	72,000	72,000
Smt. Priti P. Savla	–	–	72,000	72,000

**Notes:**

- The above figures do not include contribution to Group Gratuity Fund, Group Mediciam & Group Personal Accident, as separate figures are not available for the Directors.
- All Executive Directors are appointed under contracts each for a period of five years and with termination notice period of 180 days.
- The above figures do not include contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income-Tax law.

### Shares held by Non-executive Directors in the Company as on 31<sup>st</sup> March, 2016

Name	Number of Shares held	% of Total Shareholding
Shri Shantilal T. Shah	2434087	2.92
Shri Ramdas M. Gandhi	10000	0.01
Shri Laxmichand K. Jain	18550	0.02
Shri Vijay H. Patil	7200	0.01
Shri P. A. Sethi	Nil	Nil
Shri K.V.S. Shyam Sunder	Nil	Nil
Shri Bhavesh R. Vora	Nil	Nil
Prof. Ganapati D. Yadav	1200	0.00
Smt. Priti P. Savla	Nil	Nil

### (5) STAKEHOLDERS' RELATIONSHIP COMMITTEE:

#### (i) Terms of Reference

Brief Terms of Reference of the Committee inter-alia cover reviewing status of approval of transfer/transmission of shares, issue of duplicate certificates, non-receipt of annual report, non-receipt of declared dividends and specifically review/redressal of Investors' Grievances.

(ii) During the year 2015-16, 4 (Four) Stakeholders' Relationship Committee Meetings were held on 22.06.2015, 19.09.2015, 18.12.2015 and 17.03.2016.

(iii) The composition of the Stakeholders' Relationship Committee and other relevant details are given below:

Name of the Directors	Category	No. of meetings attended
Shri Shantilal T. Shah (Chairman of the Committee)	Promoter/Vice-Chairman, Non-executive	4
Shri Rajendra V. Gogri	Promoter/ Chairman & M.D., Executive	3
Shri Manoj M. Chheda	Executive	3
Shri Kirit R. Mehta	Executive	2

(iv) CS Mona Patel, Company Secretary is designated as the "Compliance Officer" who oversees the redressal of the investors' grievances.

#### (v) Shareholders' Complaints

During the year, 60 (Sixty) Complaints were received. All the Complaints were resolved to the satisfaction of the Shareholders. No request for Share Transfer or Dematerialisation was pending for approval as on 31<sup>st</sup> March, 2016.

### (6) CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

#### (i) Terms of Reference

(a) 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 Companies Act, 2013;

(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

(ii) During the year 2015-16, 2 (Two) Corporate Social Responsibility Committee Meetings were held on 05.05.2015 and 04.02.2016.

#### (iii) Composition of CSR Committee

The composition of the Corporate Social Responsibility Committee and other relevant details are given below:

Name of the Directors	Category	No. of meetings attended
Shri Laxmichand K. Jain (Chairman of the Committee)	Independent, Non-executive	2
Smt. Hetal Gogri Gala	Executive	2
Shri Kirit R. Mehta	Executive	2



## (7) GENERAL BODY MEETINGS:

## (i) Details of last three Annual General Meetings are as under:

Financial Year	Day, Date & Time	Venue	Special Resolutions passed for
2012-2013	Monday, 23.09.2013 11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.	–
2013-2014	Wednesday, 24.09.2014, 10.30 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.	<ul style="list-style-type: none"> <li>• Special Resolution under Section 180(1)(c) of the Companies Act, 2013 to consent for borrowing funds upto ₹ 2,000 crores.</li> <li>• Special Resolution to approve and ratify the issue of Non-Convertible Debentures on Private placement upto ₹ 300 crores.</li> <li>• Special Resolution to adopt new set of Articles of Association of the Company.</li> </ul>
2014-2015	Thursday, 24.09.2015, 11.30 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.	<ul style="list-style-type: none"> <li>• Special Resolution under Section 180(1)(c) of the Companies Act, 2013 to consent for borrowing funds upto ₹ 2,500 crores.</li> <li>• Special Resolution to approve the issue of Non-Convertible Debentures on Private placement upto ₹ 300 crores.</li> </ul>

(ii) During the year under review no special resolution has been passed through the exercise of Postal Ballot.

(iii) No special resolution is proposed to be conducted through Postal Ballot at the forthcoming AGM.

As required under Regulation 23(1) of Listing Regulations, the Company has formulated a policy on dealing with related party transactions. The said policy is also available on the website of the Company. The weblink thereto is <http://www.aartigroup.com/pdfs/Related%20Party%20Transaction%20Policy%20Pdf.pdf>

## (8) DISCLOSURES

(i) During the year, there were no material related party transactions i.e. transactions of the Company of a material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large. All related party transactions are mentioned in the notes to the accounts.

(ii) There was **No Non-Compliance** by the Company and no penalties or strictures were imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI), or any statutory authority on any matter related to the capital markets during the last three years.

(iii) Pursuant to Section 177(9) and (10) of the Companies Act, 2013, Regulation 22 of Listing Regulations, 2015

and erstwhile Clause 49 of the Listing Agreement, the Company has formulated Whistle Blower Policy for Vigil Mechanism for Directors and Employees to report to the Management about the unethical behaviour, fraud or violation of Company's code of conduct. The mechanism provides for adequate safeguards against victimisation of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the person has been denied access to the Audit Committee.

- (iv) The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Listing Regulations.
- (v) The Company has complied with all the mandatory requirements under erstwhile Clause 49 of Listing Agreements and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vi) With a view to regulate trading in securities by the directors and designated employees, the Company has adopted a Code of Conduct to Regulate, monitor and Report trading by insiders.
- (vii) The policy for determining material subsidiary is disclosed on the website of the Company and weblink thereto is <http://www.aartigroup.com/pdfs/Policy%20For%20determining%20Material%20Subsidiary.pdf>

#### (9) MEANS OF COMMUNICATION

Quarterly and annual financial results are published in The Western Times in (English) edition and (Gujarati) edition published from Ahmedabad and Financial Express (English) edition and (Gujarati) edition published from Ahmedabad.

These results and official news releases are also available on the website of the Company ([www.aartigroup.com](http://www.aartigroup.com)). All data required to be filed electronically or otherwise pursuant to the Listing Agreement with the Stock Exchanges, such as annual report, quarterly financial statements, Shareholding pattern, report on Corporate Governance are being regularly filed with the Stock

Exchanges, namely, NSE ([www.nseindia.com](http://www.nseindia.com)) and BSE Ltd. ([www.bseindia.com](http://www.bseindia.com)) and available on their websites as well.

Detailed presentations are made to institutional investors and financial analysts on the Company's audited quarterly as well as audited annual financial results. These presentations/Con-call transcript are also uploaded on the Company's website ([www.aartigroup.com](http://www.aartigroup.com)).

#### (10) COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

During the year 2016, 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. 34 to the Annual Accounts.

#### (11) GENERAL SHAREHOLDERS INFORMATION

##### (i) The day, date, time & venue of the 33<sup>rd</sup> Annual General Meeting:

Day	Date	Time	Venue
Friday	30 <sup>th</sup> September 2016	11.00 a.m.	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi 396195, Dist. Valsad, Gujarat.

##### (ii) Tentative Financial Calendar:

Financial Year	1 <sup>st</sup> April to 31 <sup>st</sup> March
<b>Adoption of Quarterly Results for the quarter ending :</b>	
June, 2016	1 <sup>st</sup> /2 <sup>nd</sup> week of August, 2016
September, 2016	1 <sup>st</sup> /2 <sup>nd</sup> week of November, 2016
December, 2016	1 <sup>st</sup> /2 <sup>nd</sup> week of February, 2017
March, 2017	1 <sup>st</sup> /2 <sup>nd</sup> /3 <sup>rd</sup> week of May, 2017.



(iii) Listing on Stock Exchanges:

Stock Exchange	Stock Code/ Symbol
National Stock Exchange of India Limited Address: Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	AARTIIND
BSE Ltd. Address: Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001	524208

(iv) Dates of Book Closure (Both days inclusive)

23<sup>rd</sup> September, 2016 to 30<sup>th</sup> September, 2016.

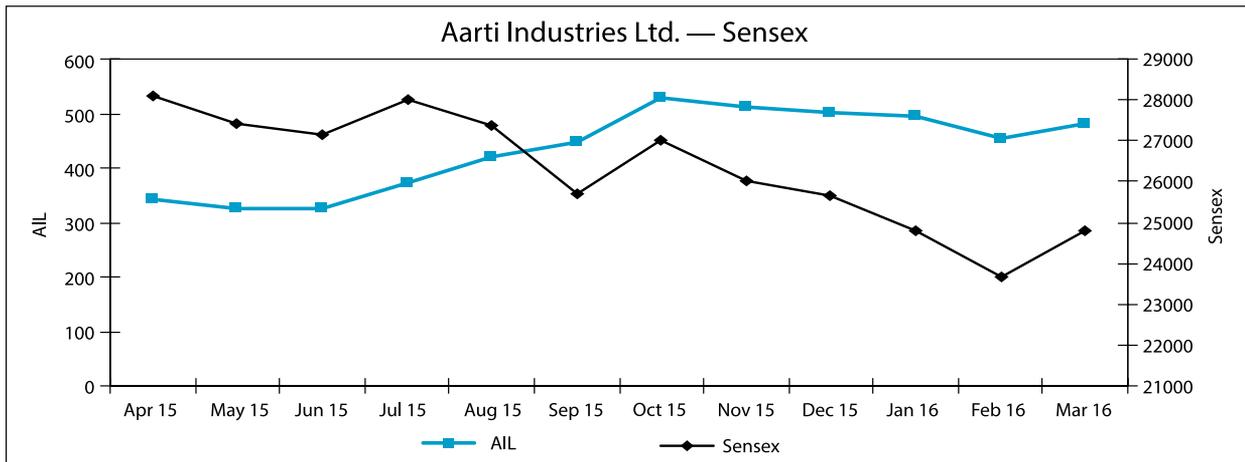
(v) Listing fees and Annual Custodial Fee:

The Company has paid the Annual Listing Fees to the Stock Exchanges and Annual Custodial Fee to NSDL and CDSL for the year 2016-2017.

(vi) Market Price Data: High, Low during each month in last financial year:

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2015	381.70	294.00	599429	381.00	293.55	1654362
May 2015	346.50	308.20	397258	348.00	308.15	1768962
June 2015	354.25	307.10	283261	355.00	307.00	1151788
July 2015	421.85	331.45	342782	423.00	331.40	1692081
August 2015	455.00	378.00	890580	456.00	377.25	3531854
September 2015	557.80	388.35	437553	557.80	389.25	2301806
October 2015	584.80	492.00	346351	587.00	506.10	1611346
November 2015	534.45	489.65	189020	534.95	485.00	837724
December 2015	530.00	477.00	178715	528.90	477.00	942618
January 2016	527.95	431.00	94162	528.00	431.75	640980
February 2016	502.00	417.00	98131	502.00	418.20	573026
March 2016	535.00	428.10	99001	537.00	426.00	675688

(vii) Performance in comparison to broad-based indices BSE Sensex:



**(viii) Registrar and Transfer Agents:****M/s. Sharepro Services India Pvt. Ltd.**

13 A-B Samhita Warehousing Complex,  
2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri-Kurla Road, Sakinaka,  
Andheri (E), Mumbai - 400 072.  
Telephone: 022-67720300/400  
Fax No.: 022-28591568.  
e-mail: sharepro@shareproservices.com  
website: www.shareproservices.com

The Company has appointed M/s. Link Intime India Pvt. Ltd. with effect from 25<sup>th</sup> April, 2016 and details of the same are as follows:

**M/s. Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound, LBS Marg,  
Bhandup (West), Mumbai - 400078  
Tel No.: 022-25963838  
Fax No.: 022-25962691  
e-mail : rnt.helpdesk@linkintime.co.in  
website : www.linkintime.co.in

**The shareholders are requested to address all their communications/suggestions/grievances to**

**the Registrar and Transfer Agents at the above address.**

**(ix) Debt Securities – Debenture Trustee  
IDBI Trusteeship Services Limited**

Asian Building, Ground Floor,  
17, R. Kamani Marg, Ballard Estate,  
Mumbai-400 001  
Ph:- +91 (22) 4080 7001  
Fax: +91 (22) 6631 7776  
e-mail: itsl@idbitrustee.com  
website: http://www.idbitrustee.com

**(x) Share Transfer System:**

Share Transfer Committee comprising of Shri Rajendra V. Gogri, Shri Shantilal T. Shah, Shri Rashesh C. Gogri and Smt. Hetal Gogri Gala meets weekly for approval of the transfer, dematerialisation, etc. Reports on Share Transfer/Transmission are placed before the Stakeholders' Relationship Committee and the Board from time to time.

**(xi) Shareholding Pattern as on 31<sup>st</sup> March, 2016**

Category	No. of Shares	%
Promoters – Indian	45524961	54.64
Promoters – Foreign	130737	0.16
Bodies Corporate	1320113	1.58
Banks, Financial Institutions	17366	0.02
Mutual Funds	10306343	12.37
FII/NRI/OCB	3002156	3.60
Public	23018707	27.63
<b>Total</b>	<b>83320383</b>	<b>100.00</b>

**(xii) Distribution of Shareholding as on 31<sup>st</sup> March, 2016**

No. of Shares	Shareholders		Shares	
	Number	%	Number	%
Less Than 1000	16,933	85.232	3542979	4.252
1001-2000	1,776	8.939	2361662	2.834
2001-4000	466	2.346	1329892	1.596
4001-6000	202	1.017	1019005	1.223
6001-8000	81	0.408	567306	0.681
8001-10000	62	0.312	572712	0.687
10001-20000	116	0.584	1661560	1.994
Above 20001	231	1.163	72265267	86.732
<b>Total</b>	<b>19,867</b>	<b>100.00</b>	<b>83320383</b>	<b>100.00</b>

**(xiii) Dematerialization of shares and liquidity:**

Equity Shares of the Company are traded compulsorily in Dematerialised Form and available for trading in the Depository Systems of both NSDL and CDSL. Security Code No. with NSDL and CDSL is – ISIN No. INE-769A01020. As on 31<sup>st</sup> March, 2016, 81886218 Equity Shares representing 98.28% of the Paid-up Share Capital of the Company are held in dematerialised form.

**(xiv) 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.

**(xv) ADRs/GDRs/Warrants**

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

**(xvi) Plant Locations**

- (a) PlotNos.801,801/15to19,21,22&23,802,803, 804/1-2-3, 806 & 807, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.
- (b) Plot No. 902 & 923, GIDC Estate, Phase II, Vapi – 396 195, Dist. Valsad, Gujarat.
- (c) Plot No. 286/1, 285, GIDC Estate, Phase II, Vapi – 396 195, Dist. Valsad, Gujarat.
- (d) Plot No. 22/C/1 & 2, GIDC Estate, Phase I, Vapi – 396 195, Dist. Valsad, Gujarat.
- (e) Plot Nos. 750-751, 2701, 2703 Sarigam Industrial Area, Sarigam, Tal. Umargaon, Dist. Valsad, Gujarat.
- (f) Plot Nos. 758/1-2-3, 756/2 A&B, 756/3 A&B, 756/4 A&B, 756/5 A&B, 756/6 A&B, 756/7, 779, Jhagadia Mega Estate, Village Kapalsadi, Tal. Jhagadia, Dist. Bharuch – Gujarat.
- (g) Survey No. 126, 135 & 136, Jhagadia Dist. Bharuch, Gujarat.
- (h) Survey No. 1430/1, NH-8, Bhachau, Kutch, Gujarat.
- (i) Plot No. D-18, MIDC, Tarapur, Dist. Thane, Maharashtra.

- (j) Plot No. E-50, MIDC, Tarapur, Dist. Thane, Maharashtra.
- (k) Plot No. K - 17/18/19, MIDC, Tarapur, Dist. Thane, Maharashtra.
- (l) Plot No. L – 5, L – 8 & L – 9/1 and L – 10, MIDC, Tarapur, Dist. Thane, Maharashtra.
- (m) Plot No. K – 65, K – 67, MIDC, Tarapur, Dist. Thane, Maharashtra.
- (n) Survey No. 193/1/4, 193/1/5, 193/1/6, Silvassa, Union Territory of Silvassa.
- (o) Plot No. D – 54, MIDC, Phase II, Dombivali (East), Dist. Thane, Maharashtra.
- (p) Plot Nos. 62, 63 & 64, Sagore, Pithampur Industrial Area, Sector-3, Pithampur, Dist. Dhar, Madhya Pradesh.
- (q) Plot No. Z/103/H, Dahej SEZ II, Tal. Vagara, Dist. Bharuch, Gujarat.

**(xvii) Address for Correspondence**

- (a) **Corporate Office:** 71, Udyog Kshetra, 2<sup>nd</sup> Floor, Mulund–Goregaon Link Road, L.B.S. Marg, Mulund (West), Mumbai–400 080.
- (b) **Registered Office:** Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi-396 195, Dist. Valsad, Gujarat.

**(xviii) R & D Centers**

- (a) Plot No. 801, GIDC Estate, Phase III, Vapi – 396 195, Dist. Valsad, Gujarat.
- (b) Plot Nos. D54, MIDC, Phase II, Dombivali (East), Dist. Thane, Maharashtra.

**(xix) Compliance Officer:**

**CS Mona Patel, Company Secretary**  
222, Udyog Kshetra, 2<sup>nd</sup> Floor,  
Mulund–Goregaon Link Road,  
L.B.S. Marg, Mulund (West),  
Mumbai-400 080.

In accordance with the Listing Regulations Company has specific Investor Grievance e-mail ID-[investorrelations@aartigroup.com](mailto:investorrelations@aartigroup.com).

**(xx) Details with respect to Demat Suspense Account/Unclaimed Suspense Account as per Regulation 34(3) of Listing 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 1 <sup>st</sup> April, 2015.	561	397338	–	–
Number of shareholders who approached the Company for transfer of shares from suspense account during the year.	17	46050	4	2400
Number of shareholders to whom shares were transferred from the suspense account during the year.	17	46050	4	2400
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on 31 <sup>st</sup> March, 2016.	540	348888	–	–

The voting rights on the shares outstanding in the suspense accounts as on 31<sup>st</sup> March, 2016 shall remain frozen till rightful owner of such shares claim the shares.

**(xxi) CEO/CFO Certification**

As required under Regulations 17(8) and 33(2)(a) of Securities and Exchange Board of India Listing Regulations Certificates duly signed by Shri Rajendra V. Gogri, CEO and Shri Chetan B. Gandhi, CFO were placed at the Meeting of the Board of Directors held on 6<sup>th</sup> May, 2016.

**III. DISCRETIONARY REQUIREMENTS**

The status of compliance with discretionary requirements of Part E of Schedule II of Listing Regulations with Stock Exchanges is provided below:

Sr. No.	Particulars	Remarks
1	Non-executive Chairman's Office	The Company does not have Non-executive Chairman.
2	Shareholders' 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 2015-16 is unmodified.
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 Chairman & Managing Director and has direct access to the Audit Committee.

For and on Behalf of the Board

Sd/-

**RAJENDRA V. GOGRI**

CHAIRMAN AND MANAGING DIRECTOR

Place: Mumbai

Date: 6<sup>th</sup> May, 2016



## CEO's Certification

All the Directors and the Senior Management Personnel have affirmed Compliance of the Code of Conduct laid down by the Board of Directors in terms of Regulation 17(5)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For and on Behalf of the Board

Sd/-

**RAJENDRA V. GOGRI**

CHAIRMAN AND MANAGING DIRECTOR

Place: Mumbai

Date: 6<sup>th</sup> May, 2016

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## CERTIFICATE

To the Members of  
Aarti Industries Limited  
Mumbai

We have examined the compliance of conditions of corporate governance by Aarti Industries Ltd. for the year ended on 31<sup>st</sup> March 2016, as stipulated in clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the Stock Exchanges for the period 1<sup>st</sup> April, 2015 to 30<sup>th</sup> November, 2015 and 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 for the period 1<sup>st</sup> December, 2015 to 31<sup>st</sup> March, 2016.

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

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

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 ACCOUNTANTS

Firm Registration Number: 103264W

Sd/-

**CA TEJAS J. PARIKH**

PARTNER

M. NO. 123215

Place: Mumbai

Date: 6<sup>th</sup> May, 2016

# Independent Auditors' Report

To the Members of AARTI INDUSTRIES LIMITED

## Report on the financial statements

We have audited the accompanying financial statements of **AARTI INDUSTRIES LIMITED** ("the company"), which comprise the Balance sheet as at 31<sup>st</sup> March 2016, 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 include 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.

## Auditors' 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 31<sup>st</sup> March 2016, 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 31<sup>st</sup> March 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016, 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 to our separate report in "Annexure B".
- 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 31<sup>st</sup> March 2016 on its financial position in its financial statements. Refer Note no: 25 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.

For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Registration Number: 103264W

Sd/-  
**CA TEJAS J. PARIKH**  
PARTNER  
Membership No. 123215

Place: Mumbai  
Date: May 6, 2016

## “Annexure A” to the Independent Auditors’ 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 property (buildings) are held in the name of the Company except leasehold plots nos 1430/1 (Kutch, Gujarat), D-53/55/56/57/59/60 MIDC (Dombivali, Thane, Maharashtra), plot No. Z/103/H at Dahej SEZ, Gujarat are in the name of erstwhile entities which are merged with the Company. According to explanation obtained from management, in view of merger through court scheme, leasehold rights are deemed to be transferred to the Company and procedure for transferring in the name of the Company is in progress.
- 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 unsecured loan to its one wholly owned subsidiary covered in the register maintained under Section 189 of the Companies Act.
  - a) In our opinion, terms and conditions of such loan was not prejudicial to the interest of the Company.
  - b) The schedule of principal amount and interest has been stipulated and it is regular.
  - c) There is no overdue amount 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 Statutes/ Nature of Dues	Financial Year	Forum where dispute is pending (₹ in crores)		Total (₹ in Crores)
		Commissionerate	Appellate Authorities and Tribunals	
The Central Excise Act, 1944/Customs Duty/Service Tax/Interest & Penalty	FY 2001-02 to FY 2013-14	44.73	10.46	55.19
Income Tax Act/Tax Interest & Penalty	FY 2008-09, FY 2009-10, FY 2010-11 FY 2011-12 FY 2012-13	10.15	6.64	16.79
<b>Total (₹ in Crores)</b>		<b>54.88</b>	<b>17.10</b>	<b>71.98</b>



- 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 Registration Number: 103264W

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

PARTNER  
Membership No. 123215

Place: Mumbai  
Date: May 6, 2016

## “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 INDUSTRIES LIMITED** (“the Company”) as of 31<sup>st</sup> March 2016 in conjunction with our audit of 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. 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 authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 31<sup>st</sup> March 2016, 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 Registration Number: 103264W

Sd/-

**CA TEJAS J. PARIKH**

PARTNER

Membership No. 123215

Place: Mumbai

Date: May 6, 2016

**Balance Sheet** as at 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	Note No.	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	1	41.66	44.30
(b) Reserves and Surplus	2	1,028.44	863.54
		1,070.10	907.84
<b>Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	525.18	418.92
(b) Deferred Tax Liabilities (Net)	4	119.46	102.46
(c) Other Long-Term Liabilities	5	0.18	0.18
(d) Long-Term Provisions	6	282.46	300.17
		927.28	821.73
<b>Current Liabilities</b>			
(a) Short-Term Borrowings	7	691.86	647.32
(b) Trade Payables		298.92	252.66
(c) Other Current Liabilities	8	89.49	156.31
(d) Short-Term Provisions	9	17.58	33.03
		1,097.85	1,089.32
	<b>Total</b>	<b>3,095.23</b>	<b>2,818.89</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>(a) Fixed Assets:</b>			
(i) Tangible Assets	10	1,169.70	936.05
(ii) Intangible Assets	10	NIL	0.04
(iii) Capital Work-in-Progress	10	306.76	187.95
(b) Non-Current Investments	11	32.40	63.24
(c) Long-Term Loans and Advances	12	443.83	429.96
		1,952.69	1,617.24
<b>Current Assets</b>			
(a) Inventories	13	474.24	543.87
(b) Trade Receivables	14	522.81	466.82
(c) Cash and Cash Equivalents	15	24.16	26.33
(d) Short-Term Loans and Advances	16	103.29	137.41
(e) Other Current Assets	17	18.04	27.22
		1,142.54	1,201.65
	<b>Total</b>	<b>3,095.23</b>	<b>2,818.89</b>
<b>Summary of Significant Accounting Policies and other Explanatory Information</b>		<b>25-36</b>	

As per our report of even date  
For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS

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

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

Sd/-  
**RASHESH C. GOGRI**  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
**SHANTILAL T. SHAH**  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

FOR AND ON BEHALF OF THE BOARD

Sd/-  
**CHETAN GANDHI**  
CHIEF FINANCIAL OFFICER

Sd/-  
**MONA PATEL**  
COMPANY SECRETARY

## Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	Note No.	For the Year Ended 31 <sup>st</sup> March, 2016	For the Year Ended 31 <sup>st</sup> March, 2015
<b>REVENUE</b>			
Revenue from Operations	18	2,717.01	2,870.65
Other Income	19	9.64	1.97
<b>Total Revenue</b>		<b>2,726.65</b>	<b>2,872.62</b>
<b>EXPENSES</b>			
Cost of Materials Consumed (Including Packing Material, Fuel, Stores & Spares)	20	1,351.19	1,646.02
Purchases of Stock-in-Trade		114.32	132.14
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	21	54.28	17.22
Employee Benefits Expense	22	110.39	89.71
Finance Costs	23	115.90	137.48
Depreciation and Amortisation Expenses		92.69	78.65
Other Expenses	24	556.63	529.08
<b>Total Expenses</b>		<b>2,395.40</b>	<b>2,630.30</b>
<b>PROFIT BEFORE EXCEPTIONAL ITEM &amp; TAX</b>		<b>331.25</b>	<b>242.32</b>
<b>EXCEPTIONAL ITEM</b>			
Gain due to change in depreciation method	10.4	NIL	3.48
	<b>Total</b>	<b>NIL</b>	<b>3.48</b>
<b>PROFIT BEFORE TAX</b>		<b>331.25</b>	<b>245.80</b>
<b>TAX EXPENSES</b>			
Current Year Tax		62.50	44.50
Earlier Year Tax		19.07	NIL
MAT Credit Entitlement		(19.75)	(4.50)
Deferred Tax		17.00	18.00
<b>Total Tax Expenses</b>		<b>78.82</b>	<b>58.00</b>
<b>PROFIT AFTER TAX</b>		<b>252.43</b>	<b>187.80</b>
<b>Earnings Per Equity Share (EPS) (in ₹)</b>			
Basic/Diluted	32	30.30	21.20
<b>Summary of Significant Accounting Policies and other Explanatory Information</b>	<b>25-36</b>		

As per our report of even date  
For GOKHALE & SATHE  
CHARTERED ACCOUNTANTS

Sd/-  
TEJAS J. PARIKH  
PARTNER

Sd/-  
RAJENDRA V. GOGRI  
CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
RASHESH C. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

Sd/-  
CHETAN GANDHI  
CHIEF FINANCIAL OFFICER

Sd/-  
MONA PATEL  
COMPANY SECRETARY

FOR AND ON BEHALF OF THE BOARD

## Significant Accounting Policies:

Pursuant to the approval of the scheme of amalgamation by the Hon'ble High Courts of Bombay and Gujarat on 10<sup>th</sup> July, 2015 & 31<sup>st</sup> July, 2015 respectively, the amalgamation of companies M/s. Anushakti Chemicals and Drugs Ltd., M/s. Anushakti Holdings Ltd., M/s. Alchemie Leasing and Financing Pvt. Ltd. and M/s. Gogri & Sons Investments Pvt. Ltd. into Aarti Industries Ltd. become effective with effect from 1<sup>st</sup> April, 2015.

### (a) Accounting Basis:

The Financial Statements are prepared under historical cost convention in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) and comply in all material aspects with the applicable Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

### (b) Revenue Recognition:

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Conversion, Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance claims are recognized on the time proportion method.
- (iv) Subsidy from Department of Fertilizers is recognised, based on the eligible quantities supplied by the Company, at the rates as notified/announced by the Government of India.

### (c) Fixed Assets and Depreciation:

#### (1) Fixed Assets

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

#### (2) Depreciation

- (A) Depreciation on Fixed Assets other than Leasehold Land and those mentioned above are provided under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 till FY 2013-14. Further in case of Assets installed by the Company in one plant, taken on operating lease, the Depreciation was provided on Reducing Balance Method at the rate prescribed under Schedule XIV of the Companies Act, 1956 till FY 2013-14.
- (B) Pursuant to the notification of Schedule II of the Companies Act, 2013, by the Ministry of Corporate Affairs effective from 1<sup>st</sup> April 2014, the management has reassessed and changed based on an independent technical estimates, wherever necessary, the useful lives to compute depreciation, to confirm to the requirements of the Companies Act, 2013. The revised useful life for various class of assets is as follows:

Particulars	Depreciation/Amortisation
(i) Leasehold Land	Over the remaining tenure of lease
(ii) Building	Over a period of 19 years
(iii) Residential Quarters	Over a period of 30 years
(iv) Plant & Equipments	Over its useful life as technically assessed, i.e. over a period of 9 - 19 years, based on the type of processes and equipments installed.
(v) Computers	Over a period of 3 years
(vi) Furniture and Fixtures	Over a period of 10 years
(vii) Vehicles	Over a period of 7 years

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

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

**(d) Investments:**

(i) Current investments are stated at lower of cost or fair market value.

(ii) Long term investments are stated at cost less provision for permanent diminution in value if any, of investments.

**(e) Valuation of Inventories:**

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

Inventories have been valued on the following basis:

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

**(f) Retirement Benefits:**

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

**(g) Foreign Currency Transactions:**

Foreign currency transactions are accounted at the rates prevailing on the date of the transaction. The exchange rate differences arising out of such transactions are dealt with in the Profit and Loss Account, except in case of long-term loans, where they relate to acquisition of fixed asset, in which case they are adjusted to the carrying cost of such assets. The premium in case of future contracts is dealt with in the Profit and Loss Account proportionately over the period of the contracts.

**(h) Research and Development:**

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

**(i) Operating Lease:**

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

**(j) Deferred Revenue Expenditure:**

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

**(k) Income Tax:**

Tax expense comprises 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 Indian Income Tax Act.



Deferred Tax reflects the impact of timing differences between Taxable Income and Accounting Income for the year and reversal of timing differences of earlier years. Deferred Tax is measured on the basis of Tax Rates and Tax Laws enacted or substantively enacted at the Balance Sheet. Deferred Tax Assets are recognized only if there is reasonable certainty of their realization except in case of Deferred Tax Assets on unabsorbed depreciation and carried forward business losses, which are recognized only if there is virtual certainty of their realization.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period i.e., the period for which MAT Credit is allowed to be carried forward. The Company reviews the same at each balance sheet date.

**(l) Borrowing Costs:**

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

**(m) Provisions and Contingent Liabilities:**

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

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

**(n) Principles of Scheme of Arrangement & Disclosures:**

- (a)** In terms of the Scheme of Arrangement approved by the Hon'ble High Courts at Ahmedabad and Mumbai, the companies M/s. Anushakti Chemicals and Drugs Ltd., M/s. Anushakti Holdings Ltd., M/s. Alchemie Leasing and Financing Pvt. Ltd. and M/s. Gogri & Sons Investments Pvt. Ltd. had been merged with the Company with effect from 1<sup>st</sup> April, 2015 on going concern basis.
- (b)** Pursuant to the Scheme being approved, the Assets and Liabilities of the amalgamating companies has taken into Company at its respective book values. All Intra Company transactions and balances are eliminated in the course of aforesaid Scheme of Arrangement.
- (c)** The Financial Statements of Aarti Industries Ltd. have been drawn using uniform accounting policies for like transactions and other events in similar circumstances.
- (d)** The difference, being the excess of the book value of the net assets of the amalgamating companies over the shares being allotted and pursuant to the cancellation of investments and share capital have been suitably adjusted into Amalgamation Reserve and Capital Reserves of the Company.

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>1. SHARE CAPITAL:</b>		
<b>Authorised Share Capital</b>		
23,01,50,320 (previous year 12,50,00,000) Equity Shares of ₹ 5/- each	115.08	62.50
<b>Issued, Subscribed &amp; Paid up</b>		
8,33,20,383 (previous year 8,85,91,687) Equity Shares of ₹ 5/- each fully paid up	41.66	44.30
<b>Total</b>	<b>41.66</b>	<b>44.30</b>

### 1.1 Reconciliation of the number of Shares outstanding as on 31<sup>st</sup> March, 2016:

Particulars	No. of Shares outstanding	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Equity Shares at the beginning of the year	88,591,687	88,591,687
Add: Shares issued during the year pursuant to the Scheme of Amalgamation	16,726,401	NIL
Less: Shares cancelled during the year pursuant to the Scheme of Amalgamation	21,997,705	NIL
Equity Shares at the end of the year	83,320,383	88,591,687

### 1.2 Details of shareholders holding more than 5% shares:

Name of the Shareholders	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	No. of Shares	% held	No. of Shares	% held
Rashesh Chandrakant Gogri	6,214,118	7.46	3,964,221	4.47
HDFC Trustee Company Ltd. - HDFC Prudence Fund	6,098,810	7.32	6,480,510	7.32
Hetal Gogri Gala	6,056,319	7.27	3,703,689	4.18
Anushakti Holdings Ltd.	NIL	N.A.	7,085,301	8.00
Gogri and Sons Investments Pvt. Ltd.	NIL	N.A.	5,973,773	6.74
Alchemie Leasing & Financing Pvt. Ltd.	NIL	N.A.	5,309,098	5.99

### 1.3 The details of Equity Shares outstanding during last 5 years:

Particulars	Financial Year				
	2015-16	2014-15	2013-14	2012-13	2011-12
No. of Equity Shares outstanding: (Refer Note No. 1.4)	83,320,383	88,591,687	88,591,687	79,120,073	79,120,073

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

- 843,649 (previous year 8,43,649) were issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.
- 42,000 (previous year 42,000) were issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.
- 3,025,000 (previous year 3,025,000) were issued towards Preferential allotment at a premium of ₹ 30.65 paise to Warranholders.
- 2,400,000 (previous year 2,400,000) have been issued towards Preferential allotment at a premium of ₹ 53/- to Warranholders.
- 9,471,614 (previous year 9,471,614) were issued to Shareholders of Anushakti Chemicals & Drugs Ltd. pursuant to its Scheme of arrangement with the Company.



## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

[f] 1,67,26,401 (previous year Nil) were issued to Shareholders of Anushakti Chemicals & Drugs Ltd., Anushakti Holdings Ltd., Gogri and Sons Investments Pvt. Ltd., and Alchemie Leasing & Financing Pvt. Ltd. pursuant to the Scheme of Amalgamation with the Company & 2,19,97,705 (previous year Nil) being held by them as investments had been cancelled. Hence on net basis 52,71,304 shares of the company has been cancelled.

### 2. RESERVE AND SURPLUS:

(₹ in Crs.)

Sr. No.	Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>a.</b>	<b>Capital Reserves</b>		
	Opening Balance	69.22	69.22
	Addition:		
	Pursuant to the Scheme of Amalgamation	0.10	NIL
	Deduction:		
	Pursuant to the Scheme of Amalgamation	60.27	NIL
	<b>Closing Balance</b>	<b>9.05</b>	<b>69.22</b>
<b>b.</b>	<b>Capital Redemption Reserve</b>		
	Opening Balance	0.55	0.55
	Addition	NIL	NIL
	Deduction	NIL	NIL
	<b>Closing Balance</b>	<b>0.55</b>	<b>0.55</b>
<b>c.</b>	<b>Securities Premium Account</b>		
	Opening Balance	21.99	21.99
	Addition	NIL	NIL
	Deduction	NIL	NIL
	<b>Closing Balance</b>	<b>21.99</b>	<b>21.99</b>
<b>d.</b>	<b>Debenture Redemption Reserve</b>		
	Opening Balance	30.00	NIL
	Addition: Transferred from Profit & Loss Account	30.00	30.00
	Deduction	NIL	NIL
	<b>Closing Balance</b>	<b>60.00</b>	<b>30.00</b>
<b>e.</b>	<b>Amalgamation Reserve</b>		
	Opening Balance	10.76	10.76
	Addition:	NIL	NIL
	Deduction: Pursuant to Scheme of Amalgamation	10.76	NIL
	<b>Closing Balance</b>	<b>NIL</b>	<b>10.76</b>
<b>f.</b>	<b>General Reserve</b>		
	Opening Balance	141.14	122.14
	Addition:		
	Pursuant to the Scheme of Amalgamation	2.30	NIL
	Transferred from Profit & Loss Account	25.25	19.00
	Deduction	NIL	NIL
	<b>Closing Balance</b>	<b>168.69</b>	<b>141.14</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 2. RESERVE AND SURPLUS: (contd)

(₹ in Crs.)

Sr. Particulars No.	As at	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>g. Profit and Loss Account</b>		
Opening Balance	587.51	507.36
<b>Addition:</b>		
Pursuant to the Scheme of Amalgamation	65.14	NIL
Net Profit/(Loss) for the year	252.43	187.80
<b>Deduction:</b>		
1 <sup>st</sup> Interim Dividend	25.00	19.93
2 <sup>nd</sup> Interim Dividend	16.66	13.29
3 <sup>rd</sup> Interim Dividend	29.16	NIL
Proposed Dividend	NIL	15.50
Tax on Dividend	13.13	9.80
Prior Period Expenses	0.09	NIL
Transferred to General Reserve	25.25	19.00
Transferred to Debenture Redemption Reserve	30.00	30.00
Effect of change in useful life of Fixed Assets	NIL	0.13
<b>Closing Balance</b>	<b>765.79</b>	<b>587.51</b>
<b>h. Other Reserves</b>		
State Investment Subsidy	0.52	0.52
Forfeiture Reserve	1.85	1.85
<b>Closing Balance</b>	<b>2.37</b>	<b>2.37</b>
<b>Total</b>	<b>1,028.44</b>	<b>863.54</b>

### 3. LONG-TERM BORROWINGS:

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Non-Current	Current	Non-Current	Current
<b>Secured</b>				
(a) Non Convertible Debentures (NCDs)	200.00	NIL	200.00	NIL
(b) ECB/Term loans from Banks/Financial Institutions	324.21	57.28	218.09	134.14
(c) Vehicle Loans from Banks/Financial Institutions	0.97	0.91	0.83	0.72
<b>Total</b>	<b>525.18</b>	<b>58.19</b>	<b>418.92</b>	<b>134.86</b>

- 3.1 (a) Secured, Redeemable, STRPPS NCDs bearing coupon rate of 11.75% p.a. Debentures of ₹ 200.00 Crs. are secured by way of First Pari Passu Hypothecation of the Moveable Plant & Machinery, Machinery Spares, Tools and Accessories and other movable fixed assets, both present and future, wherever situated, excluding those charged exclusively to other Term Lenders. The NCDs are issued in the year 2014-15 and are redeemable in five equal installments commencing from the end of the 3<sup>rd</sup> year from the date of allotment of these Debentures.



## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

- (b) Out of the total ECB/Term Loans from Banks/Financial Institutions to ₹ 381.49 Crs.
- (i) Outstanding Term Loans/ECBs to the extent of ₹ 214.03 Crs. are secured by way of Pari Passu Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi and Jhagadia, in the State of Gujarat, Pithampur in the State of Madhya Pradesh, Silvassa in the Union Territory of Silvassa, Tarapur in the State of Maharashtra and further by way of Pari Passu Hypothecation of the Moveable Plant & Machinery, Machinery Spares, Tools and Accessories and other movables, both present and future (except book debts, inventories and other current assets) wherever situated, excluding those charged exclusively to other Term Lenders.
- (ii) Term Loan from Citibank to the extent of ₹ 16.56 Crs. is secured by way of Exclusive Charge on the Moveable Plant & Machinery, Machinery Spares, Tools and Accessories and other movables, both present and future (except book debts, inventories and other current assets) situated at the new hydrogenation unit at Jhagadia Unit II.
- (iii) Term Loan of ₹ 150.90 Crs. from SVC Bank Ltd. and Aditya Birla Finance Ltd. is secured by way of Pari Passu Hypothecation of the Moveable Plant & Machinery, Machinery Spares, Tools and Accessories and other movables, both present and future (except book debts, inventories and other current assets) wherever situated, excluding those charged exclusively to other Term Lenders.
- (c) Vehicle loans from Banks/Financial Institutions are secured by way of hypothecation of respective vehicles.

### 3.2 Repayment Terms:

(₹ in Crs.)

Particulars	Repayment Tenor			
	1-2 years	2-3 years	3-4 years	Beyond 4 years
NCDs/ECB/Term Loans from Banks/Financial Institutions	128.52	130.69	110.00	155.00
Vehicle Loans from Banks/Financial Institutions	0.33	0.20	0.15	0.29

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>4. DEFERRED TAX LIABILITIES (NET):</b>		
<b>Deferred Tax Liabilities</b>	102.46	84.46
Difference between net book value of depreciable capital assets as per books vis - a- vis written down value as per Tax Laws	17.30	18.75
<b>Deferred Tax Assets</b>		
Items allowed for tax purpose on payment	(0.30)	(0.75)
<b>Deferred Tax Liabilities (Net)</b>	<b>119.46</b>	<b>102.46</b>
<b>5. OTHER LONG-TERM LIABILITIES:</b>		
Unsecured Loan From Others	0.18	0.18
<b>Total</b>	<b>0.18</b>	<b>0.18</b>
<b>6. LONG-TERM PROVISIONS:</b>		
Provision for Tax	282.46	300.17
<b>Total</b>	<b>282.46</b>	<b>300.17</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>7. SHORT-TERM BORROWINGS:</b>		
<b>Secured</b>		
Working Capital Loan from Banks	674.63	604.62
	<b>674.63</b>	<b>604.62</b>
<b>Unsecured</b>		
From Banks	17.23	42.70
	17.23	42.70
<b>Total</b>	<b>691.86</b>	<b>647.32</b>

- 7.1 Working Capital Loans availed from Scheduled Banks, are secured/to be secured by way of Pari Passu first charge by hypothecation of Raw Materials, Stock-In-Process, Semi-Finished Goods, Finished Goods, Packing Materials and Stores and Spares, Bills Receivables and Book Debts and all other moveable, both present and future. Also by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi, Jhagadia and Bhachau in the State of Gujarat Pithampur in the State of Madhya Pradesh, Silvassa in the Union Territory of Silvassa, and at Tarapur in the State of Maharashtra and further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated, ranking second to the charge held by NCDs/ECB/ Term Lenders.

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>8. OTHER CURRENT LIABILITIES:</b>		
(a) Current maturities of Long-Term Debt (Refer Note No. 3)	57.28	134.14
(b) Current maturities of Vehicle Loan (Refer Note No. 3)	0.91	0.72
(c) Interest accrued but not due on borrowings	18.61	15.65
(d) Unpaid Dividends	2.88	2.00
(e) Deposits	0.16	0.16
(f) Sales Tax Deferred Liability	0.15	0.30
(g) Other Current Liabilities & Taxes	9.50	3.34
<b>Total</b>	<b>89.49</b>	<b>156.31</b>
<b>9. SHORT-TERM PROVISIONS:</b>		
<b>Provision for</b>		
Employees' Benefits	17.58	14.37
Proposed Dividend & Tax thereon	NIL	18.66
<b>Total</b>	<b>17.58</b>	<b>33.03</b>



## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 11. NON-CURRENT INVESTMENTS:

(₹ in Crs.)

Name of the Company	Number of Units/Shares (all fully paid up)				As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Opening Balance	Acquisition	Disposal	Closing Balance		
<b>Trade Investments – (Quoted) in Equity Shares</b>						
Aarti Drugs Ltd.	500,118	NIL	NIL	500,118	0.40	0.40
Bank of India	285	NIL	285	NIL	NIL	0.02
Glenmark Pharmaceuticals Ltd.	400	NIL	400	NIL	NIL	0.01
					<b>0.40</b>	<b>0.43</b>
<b>Investments – (Unquoted) in Equity Shares of Subsidiary Companies</b>						
Aarti Corporate Services Ltd.	2,024,680	NIL	NIL	2,024,680	1.73	1.73
Alchemie (Europe) Ltd.	80,000	NIL	NIL	80,000	0.54	0.54
Innovative Envirocare Jhagadia Ltd.	350,000	NIL	NIL	350,000	0.35	0.35
Aarti USA Inc.	NIL	10,000,000	NIL	10,000,000	0.66	NIL
Ganesh Polychem Ltd. (Refer Note No. 11.2)	3,068,257	30,000	NIL	3,098,257	12.61	12.16
					<b>15.89</b>	<b>14.78</b>
<b>Investments – (Unquoted) in Equity Shares of Associate Companies</b>						
Anushakti Holdings Ltd. (Refer Note No. 11.1)	8,846,490	NIL	8,846,490	NIL	NIL	2.91
Anushakti Chemicals & Drugs Ltd. (Refer Note No. 11.1)	15,529,136	NIL	15,529,136	NIL	NIL	7.51
					<b>NIL</b>	<b>10.42</b>
<b>Investments – (Unquoted) in Equity Shares of Other Companies</b>						
Ichalkaranji Janata Sahakari Bank Ltd.	1,020	NIL	NIL	1,020	0.01	0.01
Damanganga Saha Khand Udyog Mandali Ltd.	61	NIL	NIL	61	0.01	0.01
Narmada Clean Tech Ltd.	102,230	185,320	NIL	287,550	0.13	0.13
Dilesh Roadlines Pvt. Ltd.	464,550	NIL	NIL	464,550	0.01	0.01
Indusken Pharmaceuticals Pvt. Ltd.	200,000	NIL	NIL	200,000	0.20	0.20
U.K.I.P. Co-Op. Soc. Ltd.	35	NIL	NIL	35	—	—
Perfect Enviro Control Systems Ltd.	36,800	NIL	NIL	36,800	0.04	0.04
Aarti Ventures Ltd.	190,000	NIL	NIL	190,000	0.19	0.19
Tarapur Environment Protection Society	7,188	NIL	NIL	7,188	0.62	0.07
Derma Touch Inc.	NIL	125,000	NIL	125,000	1.33	NIL
					<b>2.54</b>	<b>0.66</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 11. NON-CURRENT INVESTMENTS: (cont)

(₹ in Crs.)

Name of the Company	Number of Units/Shares (all fully paid up)				As at	As at
	Opening Balance	Acquisition	Disposal	Closing Balance	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b><u>Investments – (Unquoted) in Limited Liability Partnership</u></b>						
Aarti Udyog Limited Liability Partnership	NA	NA	NA	NA	3.80	3.80
Anushakti Specialities Limited Liability Partnership (Refer Note No. 11.3)	NA	NA	NA	NA	NIL	24.90
					<b>3.80</b>	<b>28.70</b>
<b><u>Investments – (Unquoted) in Unsecured Convertible Debentures</u></b>						
Aarti Corporate Services Ltd.	250,000	NIL	NIL	250,000	2.50	2.50
Aarti Ventures Ltd.	575,000	152,000	NIL	727,000	7.27	5.75
					<b>9.77</b>	<b>8.25</b>
<b>Total</b>					<b>32.40</b>	<b>63.24</b>

**11.1.** Pursuant to the Scheme of Arrangement, Anushakti Holdings Ltd. and Anushakti Chemicals & Drugs Ltd. had been merged into Aarti Industries Ltd. w.e.f. 01.04.2015. Hence the investment stands eliminated.

**11.2.** Ganesh Polychem Ltd, formerly an Associate, became a Subsidiary w.e.f. 18.03.2016 by acquiring additional 30,000 equity shares.

**11.3.** Anushakti Speciality Limited Liability Partnership has been merged/absorbed into Aarti Industries Ltd.

#### Aggregate Market Value of Quoted Investments:

(₹ in Crs.)

As on 31.03.2016

22.51

As on 31.03.2015

32.54

(₹ in Crs.)

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>12. LONG-TERM LOANS AND ADVANCES:</b>		
a. Capital Advances	40.40	28.89
b. Other Deposits	29.14	20.24
c. Other loans and advances:		
(i) Loans & Advances (Employees)	6.81	7.37
(ii) Loans & Advances (Others)	26.90	24.04
(iii) Loans & Advances (Related Parties)	0.92	NIL
(iv) Advance Tax and Tax Deducted at Source	339.66	349.42
<b>Total</b>	<b>443.83</b>	<b>429.96</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>13. INVENTORIES:</b>		
a. Raw Materials and Components (including In-transit stock)	157.23	161.65
b. Work-in-progress Finished Goods	137.32	173.53
c. Finished Goods (including In-transit stock)	156.11	175.43
d. Stock-in-trade	3.73	2.48
e. Stores and spares	7.13	7.16
f. Fuel (including In-transit stock)	8.82	20.14
g. Packing Materials	3.90	3.48
<b>Total</b>	<b>474.24</b>	<b>543.87</b>
<b>13.1 IN-TRANSIT INVENTORIES:</b>		
Raw Materials	15.80	11.87
Finished Goods	22.62	26.32
Fuel	6.15	15.75
<b>Total</b>	<b>44.57</b>	<b>53.94</b>
<b>14. TRADE RECEIVABLES:</b>		
Trade receivables outstanding for a period less than six months:		
Unsecured, considered good	485.78	436.25
Trade receivables outstanding for a period exceeding six months:		
Unsecured, considered good	37.03	30.57
<b>Total</b>	<b>522.81</b>	<b>466.82</b>
<b>15. CASH AND CASH EQUIVALENTS:</b>		
Cash on hand	1.02	1.33
Bank balance in Current Accounts	16.58	21.44
Bank deposits kept as Margin Money	3.68	1.56
Earmarked Balances (Unpaid Dividend Accounts)	2.88	2.00
<b>Total</b>	<b>24.16</b>	<b>26.33</b>
<b>16. SHORT-TERM LOANS AND ADVANCES:</b>		
Balances with Customs, Port Trust, Central Excise & Sales Tax Authorities	103.29	137.41
<b>Total</b>	<b>103.29</b>	<b>137.41</b>
<b>17. OTHER CURRENT ASSETS:</b>		
Others Receivables	3.22	0.21
Prepaid Expenses/Insurance	3.19	1.67
Subsidy Receivable	6.98	20.75
Gratuity Receivable	0.40	0.34
Insurance Claim Receivable	4.25	4.25
<b>Total</b>	<b>18.04</b>	<b>27.22</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the Year Ended 31 <sup>st</sup> March, 2016	For the Year Ended 31 <sup>st</sup> March, 2015
<b>18. REVENUE FROM OPERATIONS: (Refer Note No. 18.1)</b>		
Sale of Products	2,892.37	3,031.13
Sale of Services	10.33	7.11
Other Operating Revenues (Refer Note No. 18.2)	49.83	46.52
<b>GROSS REVENUE OPERATIONS</b>	<b>2,952.53</b>	<b>3,084.76</b>
Less: Excise Duty/Vat	235.52	214.11
<b>NET REVENUE FROM OPERATIONS</b>	<b>2,717.01</b>	<b>2,870.65</b>
<b>18.1 NET SALES &amp; OPERATING REVENUES:</b>		
<b>Local Sales:</b>		
Speciality Chemicals	1,058.02	1,109.32
Pharmaceuticals	190.12	139.09
Home & Personal Care Chemicals	116.48	172.93
<b>Total (A)</b>	<b>1,364.62</b>	<b>1,421.34</b>
<b>Export Sales:</b>		
Speciality Chemicals	1,144.11	1,251.32
Pharmaceuticals	193.01	164.10
Home & Personal Care Chemicals	15.27	33.89
<b>Total (B)</b>	<b>1,352.39</b>	<b>1,449.31</b>
<b>Total (A+B)</b>	<b>2,717.01</b>	<b>2,870.65</b>
<b>18.2 OTHER OPERATING REVENUES:</b>		
Fertilizers Subsidy Received	24.67	24.63
Export Benefits	18.31	11.95
Scrap Sales	4.42	5.31
SHIS Scheme Income	2.43	4.61
Insurance Claim Received	NIL	0.02
<b>Total</b>	<b>49.83</b>	<b>46.52</b>
<b>19. OTHER INCOME:</b>		
Dividend Received	8.65	1.30
Profit on Sale of Assets/Investments	0.54	0.20
Lease Rent Income	0.24	0.24
Other Income	0.21	0.23
<b>Total</b>	<b>9.64</b>	<b>1.97</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the Year Ended 31 <sup>st</sup> March, 2016	For the Year Ended 31 <sup>st</sup> March, 2015
<b>20. COST OF MATERIALS CONSUMED:</b>		
Consumption of Raw Materials	1,177.02	1,456.28
Consumption of Packing Materials	32.62	42.87
Consumption of Fuel	83.51	98.31
Consumption of Stores & Spares	58.04	48.56
<b>Total</b>	<b>1,351.19</b>	<b>1,646.02</b>
<b>21. CHANGE IN INVENTORY:</b>		
<b><u>Opening Stock</u></b>		
Finished Goods	177.91	175.89
Work-in-Progress	173.53	192.77
<b>Total (A)</b>	<b>351.44</b>	<b>368.66</b>
<b><u>Closing Stock</u></b>		
Finished Goods	159.84	177.91
Work-in-Progress	137.32	173.53
<b>Total (B)</b>	<b>297.16</b>	<b>351.44</b>
<b>Total (A-B)</b>	<b>54.28</b>	<b>17.22</b>
<b>22. EMPLOYEE BENEFITS:</b>		
Salaries, Wages & Bonus	99.03	82.06
Contribution to PF and other Funds	5.73	3.04
Workmen & Staff Welfare Expenses	5.63	4.61
<b>Total</b>	<b>110.39</b>	<b>89.71</b>
<b>23. FINANCE COST:</b>		
Interest on NCD's	23.50	15.65
Other Interest Expenses	84.06	108.88
Other Borrowing Costs	8.34	12.95
<b>Total</b>	<b>115.90</b>	<b>137.48</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the Year Ended 31 <sup>st</sup> March, 2016	For the Year Ended 31 <sup>st</sup> March, 2015
<b>24. OTHER EXPENSES:</b>		
<b><u>Manufacturing Expenses:</u></b>		
Freight, Cartage & Transport	76.51	85.08
Power	91.02	81.57
Water Charges	6.97	6.27
Processing Charges	26.49	21.29
Other Manufacturing Expenses	80.14	71.45
Repairs & Maintenance	48.92	43.45
Insurance Charges	2.05	2.59
Research & Development Expenses	10.36	9.39
Factory Administrative Expenses	20.08	19.08
<b>Total (A)</b>	<b>362.54</b>	<b>340.17</b>
<b><u>Office Administrative Expenses:</u></b>		
Rent, Rates and Taxes	3.89	2.47
Travelling and Conveyance	4.51	3.93
Auditor's Remuneration (Refer Note No. 24.1)	0.18	0.15
Legal & Professional Charges	3.33	2.51
Postage, Telegraph & Telephone	0.69	0.61
Printing & Stationery Expenses	0.75	0.74
Other Administrative Expenses	7.49	4.72
<b>Total (B)</b>	<b>20.84</b>	<b>15.13</b>
<b><u>Selling &amp; Distribution Expenses:</u></b>		
Advertisement & Sales Promotion	4.69	4.75
Export Freight Expenses	49.38	58.48
Freight and Forwarding Expenses	67.94	75.30
Commission	9.16	10.38
Export Insurance Charges	1.66	1.75
Sample Testing & Analysis Charges	0.86	1.04
Provision for Doubtful Debts	5.00	NIL
Lease Rent Paid	8.70	NIL
Discount Given	18.90	17.82
Bad Debts Written Off.	0.95	NIL
Sundry Balance Written Off./(Back)	1.14	0.57
<b>Total (C)</b>	<b>168.38</b>	<b>170.09</b>
<b><u>Non-Operating Expenses:</u></b>		
Donations and CSR Expenses	4.87	3.69
<b>Total (D)</b>	<b>4.87</b>	<b>3.69</b>
<b>Total (A+B+C+D)</b>	<b>556.63</b>	<b>529.08</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the Year Ended 31 <sup>st</sup> March, 2016	For the Year Ended 31 <sup>st</sup> March, 2015
<b>24.1 AUDITOR'S REMUNERATION:</b>		
Audit Fees	0.14	0.13
Certification Charges	0.03	0.01
Out of Pocket Expenses	0.01	0.01
<b>Total</b>	<b>0.18</b>	<b>0.15</b>

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>25. CONTINGENT LIABILITIES AND COMMITMENTS: (to the extent not provided for)</b>		
<b>(i) Contingent Liabilities:</b>		
(a) Claims against the company not acknowledged as Debts	71.98	48.56
(b) Letters of Credit, Bank Guarantees & Bills Discounted	48.64	33.18
	120.62	81.74
<b>(ii) Commitments:</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	31.89	26.04
	31.89	26.04
<b>Total</b>	<b>152.51</b>	<b>107.78</b>

26. There are no Micro and Small Enterprise, to whom the Company owes dues, which are outstanding for more than 45 days as at 31<sup>st</sup> March, 2016. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

27. Interest received of ₹ 4.61 Crs. (Tax Deducted at Source ₹ 0.36 Crs.) [previous year ₹3.95 Crs. (Tax Deducted at Source ₹ 0.34 Cr.)] is netted off against interest paid on Working Capital.

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

### 29. RESEARCH & DEVELOPMENT ACTIVITIES:

(₹ in Crs.)

Expenditure	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Revenue	10.36	9.39
Capital	5.65	4.20

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 30. SEGMENT REPORTING:

(₹ in Crs.)

Sr. No.	Particulars	Financial Year 2015-16	Financial Year 2014-15
<b>(A)</b>	<b>Primary Segments: Business Segments</b>		
	<b>1. Segment Revenue:</b>		
	a) Speciality Chemicals	2,202.13	2,360.65
	b) Pharmaceuticals	383.13	303.20
	c) Home & Personal Care Chemicals	131.75	206.80
	<b>Total</b>	<b>2,717.01</b>	<b>2,870.65</b>
	<b>2. Segment Results Profit/(Loss):</b>		
	Before Tax and Interest from each Segment		
	a) Speciality Chemicals	469.09	395.16
	b) Pharmaceuticals	38.80	35.81
	c) Home & Personal Care Chemicals	(0.24)	3.27
	<b>Total (A)</b>	<b>507.65</b>	<b>434.24</b>
	Less: Interest	115.90	137.48
	Other Unallocable Expenditure (Net)	60.50	50.96
	<b>Total (B)</b>	<b>176.40</b>	<b>188.44</b>
	<b>Total Profit before Tax (A-B)</b>	<b>331.25</b>	<b>245.80</b>
	<b>3. Capital Employed:</b>		
	a) Speciality Chemicals	1,625.09	1,446.34
	b) Pharmaceuticals	527.90	485.05
	c) Home & Personal Care Chemicals	88.85	87.43
	d) Unallocated Capital	45.48	58.16
	<b>Total</b>	<b>2,287.32</b>	<b>2,076.98</b>
<b>(B)</b>	<b>Secondary Segments: Geographical Segments</b>		
	a) India	1,364.62	1,421.34
	b) Out of India	1,352.39	1,449.31
	<b>Total</b>	<b>2,717.01</b>	<b>2,870.65</b>

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

#### I Following are the Subsidiaries of the Company as defined in Para 3(a) of Accounting Standard - 18:

1. Aarti Corporate Services Ltd.
2. Nascent Chemical Industries Ltd. (Through its holding Company: Aarti Corporate Services Ltd.)
3. Shanti Intermediates Pvt. Ltd. (Through its holding Company: Aarti Corporate Services Ltd.)
4. Innovative Envirocare Jhagadia Ltd.
5. Ganesh Polychem Ltd.
6. Alchemie (Europe) Ltd.
7. Aarti USA Inc.

#### II Following are the Enterprises/Firms over which controlling individuals/Key Management Personnel, of the Company along with their relatives, have significant influence as defined in Para 3(e) of the Accounting Standard - 18:

1. Alchemie Industries
2. Alchemie Laboratories
3. Aarti Drugs Ltd.
4. Alchemie Dye Chem Pvt. Ltd.

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

III Following are the individuals who with their relatives as defined in Para 3(c) and 3(d) of the Accounting Standard - 18 own Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel.

Sr. No.	Name	Status	Sr. No.	Name	Status
1.	Shri Rajendra V. Gogri	Director	6.	Shri Kirit R. Mehta	Director
2.	Shri Rashesh C. Gogri	Director	7.	Smt. Hetal Gogri Gala	Director
3.	Shri Shantilal T. Shah	Director	8.	Shri Renil R. Gogri	Director
4.	Shri Parimal H. Desai	Director	9.	Shri Chetan Gandhi	Chief Financial Officer
5.	Shri Manoj M. Chheda	Director	10.	Smt. Mona Patel	Company Secretary

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

(A) Details relating to parties referred to in items I and II above. (₹ in Crs.)

Sr. No.	Description of Transaction	Year	Subsidiary Companies	Associates	Other related Enterprises Firms
			[I]		[II]
1.	Sales of Finished Goods/Sales Income	CY	<b>103.88</b>	—	<b>32.36</b>
		PY	83.45	55.11	26.46
2.	Purchases of Raw Materials/Finished Goods	CY	<b>19.23</b>	—	<b>27.31</b>
		PY	5.03	8.74	20.40
3.	Other Manufacturing Expenses	CY	<b>19.51</b>	—	<b>2.84</b>
		PY	16.99	—	4.91
4.	Rent paid	CY	—	—	<b>0.15</b>
		PY	—	—	0.36
5.	Other Income	CY	—	—	<b>0.03</b>
		PY	—	—	0.03
6.	Sale of Fixed Assets	CY	<b>0.74</b>	—	—
		PY	0.05	—	8.91
7.	Purchase of Fixed Assets	CY	—	—	—
		PY	0.05	0.05	—
8.	Inter-Corporate Deposits taken/(Repaid) during the year	CY	—	—	—
		PY	—	(6.50)	—
9.	Inter-Corporate Deposits given/(Received back) during the year	CY	<b>0.65</b>	—	<b>0.30</b>
		PY	—	—	—
10.	Interest Income on the Inter-Corporate Deposits placed/unsecured loans/NCDs	CY	<b>0.30</b>	—	<b>0.02</b>
		PY	0.10	—	—
11.	Dividend Received	CY	<b>8.16</b>	—	<b>0.49</b>
		PY	0.91	—	0.39
12.	Equity Contribution/increase in investment in cash or in kind made during the year	CY	<b>1.11</b>	—	—
		PY	25.17	—	—
13.	Profit/(Loss) on sale of Fixed Assets	CY	—	—	—
		PY	0.05	—	—
14.	Outstanding items pertaining to the related parties at the balance sheet date – Receivable/ (Payable)	CY	<b>44.23</b>	—	<b>5.98</b>
		PY	56.05	2.61	0.24

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

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

(₹ in Crs.)

Particulars	Financial Year 2015-16	Financial Year 2014-15
a. Remuneration including perquisites <sup>#</sup>	3.83	3.60
b. Commission to Directors/KMPs	6.82	5.00
c. Sitting Fees	0.03	0.02
d. Rent paid	0.92	0.87
e. Travelling Expenses	0.88	0.74
f. Telephone Expenses	0.04	0.03
<b>Total</b>	<b>12.52</b>	<b>10.26</b>

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

# Value of Perquisites includes non Cash Perquisites of ₹ 0.02 Crs. (previous year ₹ 0.02 Crs.).

### 32. EARNING PER SHARE (EPS):

Particulars		Financial Year 2015-16	Financial Year 2014-15
Net Profit available for Equity Shareholders	(₹ in Crs.)	252.43	187.80
No. of Equity Shares	(Nos.)	83,320,383	88,591,687
Basic & Diluted EPS	(₹)	30.30	21.20
Nominal Value of Equity Share	(₹)	5.00	5.00

### 33. EMPLOYEE BENEFITS:

#### Defined Benefit Plan

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

(₹ in Crs.)

Particulars	Gratuity (funded) 2015-16	Gratuity (funded) 2014-15
<b>a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation</b>		
Defined Benefit Obligation at beginning of the Year	9.58	7.05
Current Service Cost	0.91	0.64
Interest Cost	0.76	0.66
Actuarial(gain)/loss	0.76	1.80
Benefits Paid	(0.52)	(0.57)
Defined Benefit Obligation at year end	11.49	9.58

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	Gratuity (funded) 2015-16	Gratuity (funded) 2014-15
<b>b. Reconciliation of opening and closing balances fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	8.25	5.68
Expected return of plan assets	0.66	0.49
Actuarial(gain)/loss	0.04	0.03
Employer Contribution	1.30	2.53
Benefits Paid	(0.52)	(0.48)
Fair value of plan assets at year end	9.73	8.25
Actual return on plan assets	0.70	0.53
<b>c. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets	9.73	8.26
Present value of obligation	11.49	9.57
Amount Recognized in Balance Sheet	1.76	1.31
<b>d. Expenses recognized during the year</b>		
Current Service Cost	0.91	0.64
Interest Cost	0.76	0.66
Expected return on plan assets	(0.66)	(0.49)
Actuarial(gain)/ loss	0.71	1.77
Net Cost	1.72	2.58
<b>e. Investment Details</b>		
L.I.C. Group Gratuity (Cash Accumulation) Policy	100% Invested with L.I.C.	100% Invested with L.I.C.
<b>f. Actuarial assumptions</b>		
Mortality Table (L.I.C.)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	9.31%	9.31%
Expected rate of return on plan assets (per annum)	8.70%	8.70%
Rate of escalation in Salary (per annum)	5.00%	5.00%

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

### Leave Encashment:

Leave Encashment liability amounting to ₹ 5.83 Crs. (previous year ₹ 4.49 Crs.) has been provided in the Books of Accounts.

### 34. DERIVATIVES & FORWARD CONTRACT INSTRUMENTS:

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

As at 31<sup>st</sup> March, 2016 the Company had hedged in aggregate an amount of ₹102.86 Crs. (previous year ₹157.48 Crs.) out of its annual trade related operations (Exports & Imports) aggregating to ₹1,663.09 Crs. (previous year ₹1,825.76 Crs.).

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

The Company had hedged its currency risks to the tune of ₹595.99 Crs. (previous year ₹98.39 Crs.), in respect of its long term Foreign Currency Loans/Borrowings. Relating to the same, the Company had also swapped its floating interest rate borrowing of ₹78.55 Crs. (previous year ₹136.23 Crs.) into a fixed rate loan through an interest rate swap.

(B) Net foreign exchange loss of ₹ 4.54 Crs. (previous year ₹ 17.43 Crs.) is included in Profit & Loss Account.

### 35. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE III TO THE COMPANIES ACT, 2013.

Particulars	(₹ in Crs.)	
	Financial Year 2015-16	Financial Year 2014-15
<b>(A) Details of Raw Material Consumption</b>		
Benzene	327.43	317.64
Concentrated Nitric Acid (C.N.A.)	91.63	75.26
Aniline	71.89	26.89
Alpha Olifine (AO)	68.72	93.94
Sulphur	67.60	72.47
Phthalic Anhydride	40.71	37.45
Others	509.04	832.62
<b>Total</b>	<b>1,177.02</b>	<b>1,456.27</b>
<b>(B) Sales of Products</b>		
Speciality Chemicals	2,202.13	2,360.64
Pharmaceuticals	383.13	303.19
Home & Personal Care Chemicals	131.75	206.81
<b>Total</b>	<b>2,717.01</b>	<b>2,870.64</b>
<b>(C) Details of Trading Purchases</b>		
Diethyl Phthalate	21.73	14.90
Ortho Anisidine	18.28	15.23
Phthalic Anhydride	17.39	2.69
Para Nitro Aniline	10.70	13.10
Others	46.23	86.23
<b>Total</b>	<b>114.33</b>	<b>132.15</b>
<b>(D) Value and percentage of Raw Materials and Stores and Spares consumed</b>		
<b>Raw Materials</b>		
Indigenous	887.83	1,054.98
	75.43%	72.44%
Imported	289.19	401.31
	24.57%	27.56%
<b>Total</b>	<b>1,177.02</b>	<b>1,456.29</b>
	<b>100.00%</b>	<b>100.00%</b>

## Notes on Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	Financial Year 2015-16	Financial Year 2014-15
<b>Stores and Spares</b>		
Indigenous	57.58	47.29
	99.21%	97.38%
Imported	0.46	1.27
	0.79%	2.62%
<b>Total</b>	<b>58.04</b>	<b>48.56</b>
	<b>100.00%</b>	<b>100.00%</b>
<b>Fuel</b>		
Indigenous	39.11	55.27
	46.83%	56.22%
Imported	44.40	43.04
	53.17%	43.78%
<b>Total</b>	<b>83.51</b>	<b>98.31</b>
	<b>100.00%</b>	<b>100.00%</b>
<b>(E) C.I.F. Value of Imports</b>		
Capital Goods	34.31	4.65
Raw Materials	266.77	331.65
Stores and Spares	0.46	1.27
Fuel	27.58	50.82
<b>(F) Expenditure in Foreign Currency</b>		
Commission on Export Sales	6.96	6.08
Import of Goods for Resale	10.42	20.20
Other Expenses	33.08	20.74
<b>(G) Earnings in Foreign Currency</b>		
F.O.B. Value of Export Sales	1,254.64	1,335.90

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

As per our report of even date  
For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS

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

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

Sd/-  
**RASHESH C. GOGRI**  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
**SHANTILAL T. SHAH**  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

Sd/-  
**CHETAN GANDHI**  
CHIEF FINANCIAL OFFICER

Sd/-  
**MONA PATEL**  
COMPANY SECRETARY

FOR AND ON BEHALF OF THE BOARD

**Cash Flow Statements** for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Sr. No.	Particulars	For the year Ended 31 <sup>st</sup> March, 2016	For the year Ended 31 <sup>st</sup> March, 2015
<b>A.</b>	<b>Cash Flow from Operating Activities:</b>		
	Net Profit before Tax and Exceptional/Extraordinary Items	331.25	242.32
	<b>Adjustments for:</b>		
	Interest and Finance Charges Paid	115.90	137.48
	Depreciation	92.69	78.65
		539.84	458.45
	Profit on Sale of Investments	—	NIL
	Profit on Sale of Assets	(0.54)	(0.20)
	Dividend Received	(8.65)	(1.30)
	Lease Rent Received	(0.24)	(0.24)
	Operating Profit before Working Capital Changes	530.41	456.71
	<b>Adjustments for:</b>		
	(Increase)/Decrease in Trade and Other Receivables	(22.67)	4.14
	(Increase)/Decrease in Trade Payables and other Current Liabilities	55.30	(104.42)
	(Increase)/Decrease in Inventories	69.63	59.46
	Cash Generated from Operations	632.67	415.89
	Direct Taxes Paid	(82.90)	(58.92)
	<b>Net Cash Flow from Operating Activities (A)</b>	549.77	356.97
<b>B.</b>	<b>Cash Flow from Investing Activities:</b>		
	Addition to Fixed Assets/Capital WIP	(434.85)	(301.63)
	Sale/Written off of Fixed Assets	1.36	8.39
	(Increase)/Decrease in Other Investments	(3.37)	(30.67)
	(Increase)/Decrease in Investments in Subsidiary Companies	(1.11)	(0.32)
	Dividend Received from Other Investments	8.16	0.39
	Dividend Received from Subsidiary Companies	0.49	0.91
	Lease Rent Received	0.24	0.24
	<b>Net Cash Flow from Investing Activities (B)</b>	(429.08)	(322.69)
<b>C.</b>	<b>Cash Flow from Financing Activities:</b>		
	Proceeds of Long-Term Borrowings	201.13	285.00
	Repayment of Long-Term Borrowings	(171.54)	(82.80)
	Proceeds/(Repayment) of Other Borrowings	44.54	(38.51)
	Interest and Finance Charges Paid	(115.90)	(137.48)
	Dividend Paid	(86.03)	(46.51)
	<b>Net Cash Flow from Financing Activities (C)</b>	(127.80)	(20.30)
	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	(7.11)	13.98
	<b>Cash and Cash Equivalents (Opening Balance)</b>	26.33	12.35
	Cash and Cash Equivalents (Opening Balance of Merged Co.)	4.94	NIL
	<b>Cash and Cash Equivalents (Closing Balance)</b>	24.16	26.33

Notes: (i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.

(ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date  
For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTSSd/-  
**TEJAS J. PARIKH**  
PARTNER

FOR AND ON BEHALF OF THE BOARD

Sd/-  
**RAJENDRA V. GOGRI**  
CHAIRMAN AND  
MANAGING DIRECTORPLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

## Independent Auditors' Report

To the Board of Directors of AARTI INDUSTRIES LIMITED

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **AARTI INDUSTRIES LIMITED** ("the Company") and its subsidiaries which comprise the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016, 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 subsidiaries 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 subsidiaries 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 auditors on the financial statements/financial information of the subsidiaries 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 subsidiaries as at 31<sup>st</sup> March, 2016, 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 six subsidiaries whose financial statements/financial information reflect total assets of ₹ 213.32 crores as at 31<sup>st</sup> March, 2016, total revenues of ₹ 170.97 crores and net cash inflows of ₹ 0.21 crores for the year then ended as considered in the consolidated financial statements. These financial statements/financial information have been audited by other auditors whose reports 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 these subsidiaries is based solely on the reports of the other auditors.

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 auditors 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 subsidiaries 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 subsidiaries 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 31<sup>st</sup> March, 2016 taken on record by the Company's Directors and the relevant assestions contained in reports of the statutory auditor of its subsidiaries incorporated in India, none of the directors of the Company, subsidiaries incorporated in India is disqualified as on 31<sup>st</sup> March, 2016 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 subsidiaries and the operating effectiveness of such controls, refer to our separate report in "Annexure A";
- 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 31<sup>st</sup> March, 2016 which would impact the consolidated financial position. Refer note no 25: consolidated Financial Statements.
  - ii. The Company, along with subsidiaries did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - 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 subsidiaries.

For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Registration Number: 103264W

Sd/-  
**CA TEJAS J. PARIKH**  
PARTNER  
Membership No. 123215

Place: Mumbai  
Date: May 6, 2016

## “Annexure A” 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”)

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31<sup>st</sup> March 2016, we have audited the internal financial controls over financial reporting of **Aarti Industries Limited** (hereinafter referred to as “the Company”) and its subsidiaries, 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 subsidiaries, incorporated in India are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company and its subsidiaries 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 subsidiaries, 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 subsidiaries 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 authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 subsidiaries, incorporated in India 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 31<sup>st</sup> March 2016, 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 its four subsidiaries, which are companies incorporated in India, is based on the corresponding report of the auditors of such company incorporated in India. Our opinion is not qualified in respect of this matter.

For **GOKHALE & SATHE**  
 CHARTERED ACCOUNTANTS  
 Firm Registration Number: 103264W

Sd/-  
**CA TEJAS J. PARIKH**  
 PARTNER  
 Membership No. 123215

Place: Mumbai  
 Date: May 6, 2016

## Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	Note No.	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	1	41.66	44.30
(b) Reserves and Surplus	2	1,072.75	972.11
		1,114.41	1,016.41
<b>Minority Interest</b>			
		52.09	5.86
<b>Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	526.76	419.06
(b) Deferred Tax Liabilities (Net)	4	127.06	102.66
(c) Other Long-Term Liabilities	5	0.18	0.18
(d) Long-Term Provisions	6	308.18	305.85
		962.18	827.75
<b>Current Liabilities</b>			
(a) Short-Term Borrowings	7	706.40	648.32
(b) Trade Payables		305.19	248.83
(c) Other Current Liabilities	8	91.00	156.60
(d) Short-Term Provisions	9	20.37	34.05
		1,122.96	1,087.80
	<b>Total</b>	<b>3,251.64</b>	<b>2,937.82</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	10	1,245.54	966.89
(ii) Intangible Assets	10	0.42	0.04
(iii) Capital Work-in-Progress	10	313.01	192.97
(b) Non-Current Investments	11	18.37	139.20
(c) Long-Term Loans and Advances	12	474.50	441.06
		2,051.84	1,740.16
<b>Current Assets</b>			
(a) Inventories	13	495.19	551.73
(b) Trade Receivables	14	523.40	438.98
(c) Cash and Cash Equivalents	15	28.99	33.71
(d) Short-Term Loans and Advances	16	133.73	140.93
(e) Other Current Assets	17	18.49	32.31
		1,199.80	1,197.66
	<b>Total</b>	<b>3,251.64</b>	<b>2,937.82</b>
<b>Summary of Significant Accounting Policies and other Explanatory Information</b>			
	<b>25-31</b>		

 As per our report of even date  
**For GOKHALE & SATHE**  
 CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

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

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

 Sd/-  
**RASHESH C. GOGRI**  
 VICE CHAIRMAN AND  
 MANAGING DIRECTOR

 Sd/-  
**SHANTILAL T. SHAH**  
 VICE CHAIRMAN

 PLACE: Mumbai  
 DATE: 6<sup>th</sup> May, 2016

 Sd/-  
**CHETAN GANDHI**  
 CHIEF FINANCIAL OFFICER

 Sd/-  
**MONA PATEL**  
 COMPANY SECRETARY

## Consolidated Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	Note No.	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>REVENUE</b>			
Revenue from Operations	18	2,779.62	2,907.96
Other Income	19	5.94	5.53
<b>Total Revenue</b>		<b>2,785.56</b>	<b>2,913.49</b>
<b>EXPENSES</b>			
Cost of materials consumed (Including Packing Material, Fuel, Stores & Spares)	20	1,357.63	1,644.32
Purchases of Stock-in-Trade		114.99	170.59
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	21	49.31	17.22
Employee Benefits Expense	22	120.70	93.65
Finance Costs	23	116.97	137.97
Depreciation and Amortization Expenses		98.50	81.98
Other Expenses	24	564.73	516.49
<b>Total Expenses</b>		<b>2,422.83</b>	<b>2,662.22</b>
<b>PROFIT BEFORE EXCEPTIONAL ITEM &amp; TAX</b>		<b>362.73</b>	<b>251.27</b>
<b>EXCEPTIONAL ITEM</b>			
Gain due to change in depreciation method	10.6	NIL	3.48
<b>Total</b>		<b>NIL</b>	<b>3.48</b>
<b>PROFIT BEFORE TAX</b>		<b>362.73</b>	<b>254.75</b>
<b>TAX EXPENSE</b>			
Current Tax		74.35	47.50
MAT Credit Entitlement		(19.75)	(4.50)
Deferred Tax		18.75	17.99
Short/(Excess) Tax provisions of earlier years		21.28	0.04
<b>Total Tax Expenses</b>		<b>94.63</b>	<b>61.03</b>
<b>PROFIT AFTER TAX</b>		<b>268.10</b>	<b>193.72</b>
Profit attributable to Minority Interest		(11.22)	(1.74)
Share of Profit/(Loss) of Associates		-	13.90
<b>PROFIT FOR THE PERIOD</b>		<b>256.88</b>	<b>205.88</b>
<b>Earnings Per Equity Share (EPS) (in ₹)</b>			
Basic/Diluted	29	30.83	23.24
<b>Summary of Significant Accounting Policies and other Explanatory Information</b>	<b>25-31</b>		

As per our report of even date  
For GOKHALE & SATHE  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-  
TEJAS J. PARIKH  
PARTNER

Sd/-  
RAJENDRA V. GOGRI  
CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
RASHESH C. GOGRI  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
SHANTILAL T. SHAH  
VICE CHAIRMAN

PLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

Sd/-  
CHETAN GANDHI  
CHIEF FINANCIAL OFFICER

Sd/-  
MONA PATEL  
COMPANY SECRETARY

## Significant Accounting Policies:

### (a) Background :

	Name of the Subsidiary	Country of Incorporation	Proportion of Ownership Interest (%)
<b>Indian Subsidiary</b>			
(i)	Aarti Corporate Services Limited	India	100.00%
(ii)	Nascent Chemical Industries Limited (Through its Holding Company: Aarti Corporate Services Limited)	India	50.49%
(iii)	Shanti Intermediates Private Limited (Through its Holding Company: Aarti Corporate Services Limited)	India	100.00%
(iv)	Innovative Envirocare Jhagadia Limited	India	100.00%
(v)	Ganesh Polychem Limited	India	50.24%
<b>Foreign Subsidiary</b>			
(vi)	Alchemie (Europe) Limited	United Kingdom	88.89%
(vii)	Aarti USA Inc.	USA	100.00%

### (b) Accounting Basis :

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

### (c) Principles of Consolidation :

- (i) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 – Consolidated Financial Statements & Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements.
- (ii) The Consolidated Financial Statements are prepared using the Financial Statements of the Parent Company and Subsidiary Companies drawn up to the same reporting date i.e. 31<sup>st</sup> March, 2016.
- (iii) In case of Foreign Subsidiary, revenue items are consolidated at the average rate prevailing during the period. All Assets (except Fixed Assets) and liabilities are converted at the rates, prevailing at the end of the year. In case of Fixed Assets, the same is consolidated at the rate applicable in the year of acquisition of the said assets. Any exchange difference arising on consolidation is recognised as Translation difference in Reserves & Surplus.
- (iv) The consolidation of financial statements of the Parent Company and its Subsidiaries is done on line by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances, intra-group transactions and unrealized profit or loss, except where cost cannot be recovered. The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.
- (v) Minorities' interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance sheet separately.
- (vi) As far as possible, the consolidated financial statements have been prepared using uniform Accounting Policies for like transactions and other events in similar circumstances. Differences in Accounting Policies if any will be disclosed separately.

(vii) Investments in Associates are accounted for using equity method in accordance with Accounting Standard 23 (AS-23) "Accounting for Investment in Associates in Consolidated Financial Statements" under which the investment is initially recorded at cost, identifying any goodwill or capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such Associates are not accounted for unless the accumulated losses are recouped.

**(d) Revenue Recognition:**

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Conversion, Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance claims are recognized on the time proportion method.
- (iv) Subsidy from Department of Fertilizers is recognised, based on the eligible quantities supplied by the company, at the rates as notified/announced by the Government of India.

**(e) Fixed Assets and Depreciation:**

**(i) Fixed Assets:**

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

**(ii) Depreciation:**

**(A)** Depreciation on Fixed Assets other than Leasehold Land and those mentioned above are provided under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 till FY 2013-14. Further in case of Assets installed by the company in one plant, taken on operating lease, the Depreciation was provided on Reducing Balance Method at the rate prescribed under Schedule XIV of the Companies Act, 1956 till FY 2013-14.

**(B)** Pursuant to the notification of Schedule II of the Companies Act, 2013, by the Ministry of Corporate Affairs effective 1<sup>st</sup> April 2014, the management has reassessed and changed based on an independent technical estimates, wherever necessary, the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. The revised useful life for various class of assets is as follows:

Particulars	Depreciation/Amortisation
(i) Leasehold Land	Over the remaining tenure of lease
(ii) Building	Over a period of 19 years
(iii) Residential Quarters	Over a period of 30 years
(iv) Plant & Equipment	Over its useful life as technically assessed, i.e. over a period of 9–19 years, based on the type of processes and equipments installed.
(v) Computers	Over a period of 3 years
(vi) Furniture and Fixtures	Over a period of 10 years
(vii) Vehicles	Over a period of 7 years

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

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

**(f) Investments:**

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

**(g) Valuation of Inventories:**

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

Inventories have been valued on the following basis:

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

**(h) Retirement Benefits:**

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

**(i) Foreign Currency Transactions:**

Foreign currency transactions are accounted at the rates prevailing on the date of the transaction. The exchange rate differences arising out of such transactions are dealt with in the Profit and Loss Account, except in case of long-term loans, where they relate to acquisition of fixed asset, in which case they are adjusted to the carrying cost of such assets. The premium in case of future contracts is dealt with in the Profit and Loss Account proportionately over the period of the contracts.

**(j) Research and Development:**

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

**(k) Operating Lease:**

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

**(l) Deferred Revenue Expenditure:**

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

**(m) Income Taxes:**

Tax expense comprises 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 Indian Income Tax Act.

Deferred Tax reflects the impact of timing differences between Taxable Income and Accounting Income for the year and reversal of timing differences of earlier years. Deferred Tax is measured on the basis of Tax Rates and Tax Laws enacted or substantively enacted at the Balance Sheet. Deferred Tax Assets are recognized only if there is reasonable certainty of their realization except in case of Deferred Tax Assets on unabsorbed depreciation and carried forward business losses, which are recognized only if there is virtual certainty of their realization.

Minimum Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period i.e., the period for which MAT Credit is allowed to be carried forward. The Company reviews the same at each balance sheet date.

**(n) Borrowing Costs:**

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

**(o) Provisions and Contingent Liabilities:**

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

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

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1. SHARE CAPITAL:</b>		
<b>Authorised Share Capital</b>		
23,01,50,320 (previous year 12,50,00,000) Equity Shares of ₹ 5/- each	115.08	62.50
<b>Issued, Subscribed &amp; Paid up</b>		
8,33,20,383 (previous year 8,85,91,687) Equity Shares of ₹ 5/- each fully paid up	41.66	44.30
<b>Total</b>	<b>41.66</b>	<b>44.30</b>

### 1.1 Reconciliation of the number of Shares outstanding as on 31<sup>st</sup> March, 2016:

Particulars	No. of Shares outstanding	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Equity Shares at the beginning of the year	88,591,687	88,591,687
Add: Shares issued during the year pursuant to the Scheme of Amalgamation	16,726,401	NIL
Less: Shares cancelled during the year pursuant to the Scheme of Amalgamation	21,997,705	NIL
<b>Equity shares at the end of the year</b>	<b>83,320,383</b>	<b>88,591,687</b>

### 1.2 Details of Shareholders holding more than 5% Shares:

Name of the Shareholders	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	No. of Shares	% held	No. of Shares	% held
Rashesh Chandrakant Gogri	6,214,118	7.46	3,964,221	4.47
HDFC Trustee Company Ltd. - HDFC Prudence Fund	6,098,810	7.32	6,480,510	7.32
Hetal Gogri Gala	6,056,319	7.27	3,703,689	4.18
Anushakti Holdings Ltd.	NIL	N.A.	7,085,301	8.00
Gogri and Sons Investments Pvt. Ltd.	NIL	N.A.	5,973,773	6.74
Alchemie Leasing & Financing Pvt. Ltd.	NIL	N.A.	5,309,098	5.99

### 1.3 The details of Equity Shares outstanding during last 5 years:

Particulars	Financial Year				
	2015-16	2014-15	2013-14	2012-13	2011-12
No. of Equity Shares outstanding: (Refer Note No. 1.4)	83,320,383	88,591,687	88,591,687	79,120,073	79,120,073

### 1.4 Note on issued, Subscribed and Paid up Equity Share Capital:

- 843,649 (previous year 843,649) were issued to Shareholders of Surfactant Specialities Ltd. pursuant to its Merger with the Company.
- 42,000 (previous year 42,000) were issued to Shareholders of Avinash Drugs Ltd. pursuant to its Merger with the Company.
- 3,025,000 (previous year 3,025,000) were issued towards Preferential allotment at a premium of ₹ 30.65 paise to Warranholders.
- 2,400,000 (previous year 2,400,000) have been issued towards Preferential allotment at a premium of ₹ 53/- to Warranholders.
- 9,471,614 (previous year 9,471,614) were issued to Shareholders of Anushakti Chemicals & Drugs Ltd. pursuant to its Scheme of arrangement with the Company.
- 1,67,26,401 (previous year Nil) were issued to Shareholders of Anushakti Chemicals & Drugs Ltd., Anushakti Holding Ltd., Gogri and Sons Investments Pvt. Ltd. and Alchemie Leasing & Financing Pvt. Ltd. pursuant to the scheme of amalgamation with the Company and 2,19,97,705 (previous year Nil) being held by them as investments had to been cancelled. Hence on net basis 52,71,304 shares of the Company has been cancelled.

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 2. RESERVE AND SURPLUS:

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>a. Capital Reserves</b>		
Opening Balance	69.38	69.22
Addition: Pursuant to the Scheme of Amalgamation	0.10	0.16
Deduction: Pursuant to the Scheme of Amalgamation	56.24	NIL
<b>Closing Balance</b>	<b>13.24</b>	<b>69.38</b>
<b>b. Capital Redemption Reserve</b>		
Opening Balance	0.55	0.55
Addition	0.72	NIL
Deduction	NIL	NIL
<b>Closing Balance</b>	<b>1.27</b>	<b>0.55</b>
<b>c. Securities Premium Account</b>		
Opening Balance	22.42	21.99
Addition	0.94	0.43
Deduction	NIL	NIL
<b>Closing Balance</b>	<b>23.36</b>	<b>22.42</b>
<b>d. Capital Reserve on Consolidation</b>		
Opening Balance	4.53	4.63
Addition: Adjustment on Consolidation	NIL	0.04
Deduction: Adjustment on Consolidation	4.53	0.14
<b>Closing Balance</b>	<b>NIL</b>	<b>4.53</b>
<b>e. RBI Reserve U/S 45(IC)</b>		
Opening Balance	1.43	0.58
Addition: Transferred from Profit & Loss Account	0.48	0.85
Deduction	NIL	NIL
<b>Closing Balance</b>	<b>1.91</b>	<b>1.43</b>
<b>f. Debenture Redemption Reserve</b>		
Opening Balance	30.00	NIL
Addition: Transferred from Profit & Loss Account	30.00	30.00
Deduction	NIL	NIL
<b>Closing Balance</b>	<b>60.00</b>	<b>30.00</b>
<b>g. Amalgamation Reserve</b>		
Opening Balance	10.77	10.77
Addition	NIL	NIL
Deduction: Pursuant to scheme of amalgamation	10.77	NIL
<b>Closing Balance</b>	<b>NIL</b>	<b>10.77</b>
<b>h. General Reserve</b>		
Opening Balance	141.14	122.14
Addition	2.30	NIL
Transferred from Profit & Loss Account	27.79	19.00
Deduction	NIL	NIL
<b>Closing Balance</b>	<b>171.23</b>	<b>141.14</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 2. RESERVE AND SURPLUS: (contd)

(₹ in Crs.)

Particulars	As at	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>i. Profit and Loss Account</b>		
Opening Balance	688.98	594.21
<b>Addition :</b>		
Net Profit/(Loss) for the year	256.88	205.88
<b>Deduction :</b>		
1 <sup>st</sup> Interim Dividend	31.73	21.44
2 <sup>nd</sup> Interim Dividend	17.26	13.89
3 <sup>rd</sup> Interim Dividend	29.16	NIL
Proposed Dividend	NIL	16.70
Tax on Dividend	16.15	10.28
Prior Period Expenses	0.09	NIL
Transfer to Reserves	58.27	49.85
Adjustment on account of Merger	0.49	NIL
Adjustment on Consolidation	2.47	0.48
Foreign Exchange Difference on Translation	0.78	(0.18)
Intergroup Dividend	(9.37)	(1.51)
Effect of change in useful life of Fixed Assets	NIL	0.16
<b>Closing Balance</b>	<b>798.83</b>	<b>688.98</b>
<b>j. Other Reserves</b>		
State Investment Subsidy	0.52	0.52
Forfeiture Reserve	1.85	1.85
Revaluation Reserve	0.54	0.54
<b>Closing Balance</b>	<b>2.91</b>	<b>2.91</b>
<b>Total</b>	<b>1,072.75</b>	<b>972.11</b>

### 3. LONG-TERM BORROWINGS:

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Non-Current	Current	Non-Current	Current
<b>Secured</b>				
(a) Non Convertible Debentures (NCD's)	200.00	NIL	200.00	NIL
(b) ECB/Term Loans from Banks/Financial Institutions	324.98	57.54	218.24	134.15
(c) Vehicle Loans from Banks/Financial Institutions	1.78	0.91	0.82	0.72
<b>Total</b>	<b>526.76</b>	<b>58.45</b>	<b>419.06</b>	<b>134.87</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>4. DEFERRED TAX LIABILITIES (NET):</b>		
<b>Deferred Tax Liabilities</b>	102.66	84.66
Difference between net book value of depreciable capital assets as per books vis-a-vis written down value as per Tax Laws	24.72	18.74
<b>Deferred Tax Assets</b>		
Items allowed for tax purpose on payment	(0.32)	(0.74)
<b>Deferred Tax Liabilities (Net)</b>	<b>127.06</b>	<b>102.66</b>
<b>5. OTHER LONG-TERM LIABILITIES:</b>		
Unsecured Loan from Others	0.18	0.18
<b>Total</b>	<b>0.18</b>	<b>0.18</b>
<b>6. LONG-TERM PROVISIONS:</b>		
Provision for Tax	308.05	305.79
Provision for Gratuity	0.13	0.06
<b>Total</b>	<b>308.18</b>	<b>305.85</b>
<b>7. SHORT-TERM BORROWINGS:</b>		
<b>Secured</b>		
Working Capital Loan from Banks	687.59	604.62
	<b>687.59</b>	<b>604.62</b>
<b>Unsecured</b>		
From Banks	17.23	42.70
From Others	1.58	1.00
	<b>18.81</b>	<b>43.70</b>
<b>Total</b>	<b>706.40</b>	<b>648.32</b>
<b>8. OTHER CURRENT LIABILITIES:</b>		
(a) Current Maturities of Long-Term Debt (Refer Note No. 3)	57.54	134.15
(b) Current Maturities of Vehicle Loan (Refer Note No. 3)	0.91	0.72
(c) Interest accrued but not due on borrowings	18.93	15.76
(d) Unpaid dividends	2.88	2.00
(e) Deposits	0.16	0.16
(f) Sales tax deferred liability	0.15	0.29
(g) Other Current Liabilities & Taxes	10.43	3.52
<b>Total</b>	<b>91.00</b>	<b>156.60</b>
<b>9. SHORT-TERM PROVISIONS:</b>		
<b>Provisions for</b>		
Employees' Benefits	20.37	14.56
Proposed Dividend & Tax thereon	NIL	19.49
<b>Total</b>	<b>20.37</b>	<b>34.05</b>

# Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

## 10. FIXED ASSETS:

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK		
	Balance as at 1 <sup>st</sup> April, 2015	Additions/ (Disposals) Adjustment	Deduction/ Adjustment Consolidation	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 1 <sup>st</sup> April, 2015	Depreciation charge for the year	Deduction/ Adjustment Consolidation	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2015
<b>(i) Tangible Assets</b>									
Free hold Land	3.68	0.02	NIL	12.99	0.26	0.14	NIL	0.31	12.28
Lease hold Land	42.17	2.40	NIL	44.57	2.66	0.27	NIL	2.93	41.64
Residential Flat	—	—	NIL	—	—	—	NIL	—	—
Buildings	123.61	36.00	NIL	161.00	35.97	7.35	-0.01	43.79	117.21
Plant and Equipment	1,442.47	301.40	15.99	1,777.90	615.90	86.75	0.13	16.04	1,059.34
Furniture and Fixtures	18.94	3.16	NIL	22.40	14.61	1.79	NIL	0.29	16.69
Vehicles	17.17	4.83	0.69	23.77	11.75	2.16	0.32	0.82	14.41
<b>TOTAL (i)</b>	<b>1,648.04</b>	<b>347.81</b>	<b>16.68</b>	<b>2,042.63</b>	<b>681.15</b>	<b>98.46</b>	<b>0.44</b>	<b>17.92</b>	<b>1,245.54</b>
<b>(ii) Intangible Assets</b>									
Process Development	19.96	NIL	NIL	19.96	19.96	NIL	NIL	NIL	19.96
Technical Knowhow	0.08	NIL	1.30	1.38	0.08	NIL	NIL	1.30	1.38
Goodwill	6.16	NIL	0.03	6.19	6.16	NIL	NIL	0.03	6.19
Computer Software	0.38	NIL	NIL	0.38	0.34	0.04	NIL	0.38	NIL
Copyrights and Patents	9.66	NIL	NIL	9.66	9.66	NIL	NIL	9.66	NIL
Goodwill on Consolidation	0.82	0.42	NIL	1.24	0.82	NIL	NIL	0.82	0.42
<b>TOTAL (ii)</b>	<b>37.06</b>	<b>0.42</b>	<b>NIL</b>	<b>38.81</b>	<b>37.02</b>	<b>0.04</b>	<b>NIL</b>	<b>1.33</b>	<b>38.39</b>
<b>TOTAL (i + ii)</b>	<b>1,685.10</b>	<b>348.23</b>	<b>16.68</b>	<b>2,081.44</b>	<b>718.17</b>	<b>98.50</b>	<b>0.44</b>	<b>19.25</b>	<b>835.48</b>
<b>(iii) Capital Work-in-Progress</b>									<b>313.01</b>
									<b>192.97</b>
<b>(i) Tangible Assets</b>									
Free hold Land	3.68	NIL	NIL	3.68	0.26	NIL	NIL	NIL	0.26
Lease hold Land	39.19	2.98	NIL	42.17	2.35	0.30	-0.01	NIL	2.66
Residential Flat	—	NIL	NIL	—	—	—	NIL	—	—
Buildings	103.09	20.94	0.42	123.61	30.27	5.85	0.15	NIL	35.97
Plant and Equipment	1,261.29	200.02	18.84	1,442.47	558.23	72.11	14.44	NIL	615.90
Furniture and Fixtures	16.89	2.25	0.20	18.94	12.77	1.87	0.03	NIL	14.61
Vehicles	15.83	1.34	NIL	17.17	9.95	1.81	0.01	NIL	11.75
<b>TOTAL (i)</b>	<b>1,439.97</b>	<b>227.53</b>	<b>19.46</b>	<b>1,648.04</b>	<b>613.83</b>	<b>81.94</b>	<b>14.62</b>	<b>NIL</b>	<b>681.15</b>
<b>(ii) Intangible Assets</b>									
Process Development	19.96	NIL	NIL	19.96	19.96	NIL	NIL	NIL	19.96
Technical Knowhow	0.08	NIL	NIL	0.08	0.08	NIL	NIL	NIL	0.08
Goodwill	6.16	NIL	NIL	6.16	6.16	NIL	NIL	NIL	6.16
Computer Software	0.38	NIL	NIL	0.38	0.30	0.04	NIL	0.34	0.04
Copyrights and Patents	9.66	NIL	NIL	9.66	9.66	NIL	NIL	9.66	NIL
Goodwill on Consolidation	0.82	0.42	NIL	1.24	0.82	NIL	NIL	0.82	0.42
<b>TOTAL (ii)</b>	<b>37.06</b>	<b>0.42</b>	<b>NIL</b>	<b>37.06</b>	<b>36.98</b>	<b>0.04</b>	<b>NIL</b>	<b>37.02</b>	<b>0.04</b>
<b>TOTAL (i + ii)</b>	<b>1,477.03</b>	<b>227.53</b>	<b>19.46</b>	<b>1,685.10</b>	<b>650.81</b>	<b>81.98</b>	<b>14.62</b>	<b>NIL</b>	<b>718.17</b>
<b>(iii) Capital Work-in-Progress</b>									<b>192.97</b>

10.1 Gross Block of Plant & Equipment includes assets given on Lease with Gross Block ₹ 1.15 Crs. (previous year ₹ 1.15 Crs.)

10.2 Additions to Gross Block includes an amount of ₹ 7.20 Crs. (previous year ₹ 10.36 Crs.) being the net foreign exchange loss, arising on account of restatement and repayments of Long-term Foreign Currency Loans during the year.

10.3 Current year depreciation includes ₹ 1.67 Crs. (previous year ₹ 1.19 Crs.) on Assets deployed for Research & Development.

10.4 Depreciation for Nascent Chemicals Industries Ltd. of ₹ 0.01 Crs. (previous year ₹ 0.01 Crs.) in respect of its revalued assets have been adjusted against its Revaluation Reserve.

10.5 Adjustment on Consolidation includes changes/addition on account of Ganesh Polychem Ltd. becoming a subsidiary of Aarti Industries Ltd.

10.6 In F.Y. 2014-15 the Company had changed the method of depreciation for one of its unit, taken on operating lease, from Written Down Value Method to Straight Line Method. Which was resulted into an accumulated surplus of ₹ 3.48 Crs. which was accounted as exceptional item in the Profit and Loss Statement for the year ended 31<sup>st</sup> March, 2015.

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 11. NON-CURRENT INVESTMENTS:

A. Name of the Company	Number of Units/Shares (All fully paid up)				₹ in Crs.)	
	Opening Balance	Acquisition	Disposal	Closing Balance	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>Trade Investments – (Quoted) in Equity Shares</b>						
Aarti Drugs Ltd.	500,118	NIL	NIL	500,118	0.40	0.40
Bank of India	285	285	NIL	NIL	NIL	0.02
Glenmark Pharmaceuticals Ltd.	400	400	NIL	NIL	NIL	0.01
					<b>0.40</b>	<b>0.43</b>
<b>Investments – (Unquoted) in Equity Shares of other Companies</b>						
Ichalkaranji Janata Sahakari Bank Ltd.	1,020	NIL	NIL	1,020	0.01	0.01
Damanganga Saha Khand Udyog Mandali Ltd.	61	NIL	NIL	61	0.01	0.01
Narmada Clean Tech. Ltd.	102,230	185,320	NIL	287,550	0.13	0.13
Dilesh Roadlines Pvt. Ltd.	464,550	NIL	NIL	464,550	0.01	0.01
Indusken Pharmaceuticals Pvt. Ltd.	200,000	NIL	NIL	200,000	0.20	0.20
U.K.I.P. Co-Op. Soc. Ltd.	35	NIL	NIL	35	–	–
Aarti Ventures Ltd.	190,000	NIL	NIL	190,000	0.19	0.19
Dispo Dyechem Ltd.	240,005	NIL	NIL	240,005	0.21	0.21
Amery Trading Pvt. Ltd.	5,000	NIL	5,000	NIL	NIL	0.01
SBPP Bank Ltd.	783	NIL	NIL	783	0.01	0.01
Deltecs Infotech Pvt. Ltd.	858	NIL	NIL	858	0.42	0.28
Bewakoof Brands Pvt. Ltd.	4,033	NIL	NIL	4,033	0.57	0.57
Draagon Drugs Pvt. Ltd.	64,500	NIL	64,500	NIL	NIL	0.66
Amarjyot Chemical Ltd.	NIL	35,963	NIL	35,963	0.66	NIL
Polygamma Industries Pvt. Ltd.	72,336	NIL	NIL	72,336	0.77	0.77
Trans Retail Ventures Pvt. Ltd.	6,566	22,230	NIL	28,796	1.29	1.08
Gujarat State Financial Corporation	300	NIL	NIL	300	–	–
Numbermask Digital Pvt. Ltd.	1,125	NIL	NIL	1,125	0.23	0.23
Derma Tech. Inc.	NIL	125,000	NIL	125,000	1.34	NIL
Tarapur Environment Protection Society	7,188	NIL	NIL	7,188	0.62	0.07
Aarti Biotech Ltd.	421,700	NIL	NIL	421,700	0.05	N.A.
Aarti Intermediate Pvt. Ltd.	22,125	NIL	NIL	22,125	–	N.A.
Perfect Enviro Control System Ltd.	380,640	NIL	NIL	380,640	0.04	N.A.
					<b>6.76</b>	<b>4.44</b>
<b>Investments – (Unquoted) in Limited Liability Partnership</b>						
Aarti Udyog Limited Liability Partnership	NA	NA	NA	NA	3.80	3.80
					<b>3.80</b>	<b>3.80</b>
<b>Investments – (Unquoted) in Unsecured Convertible Debentures</b>						
Aarti Venture Ltd.	575,000	152,000	NIL	727,000	7.27	5.75
					<b>7.27</b>	<b>5.75</b>
<b>Investments – Mutual Funds</b>						
IIFL Cash Opportunities Fund (Class B)	NIL	136,819	NIL	136,819	0.14	NIL
					<b>0.14</b>	<b>NIL</b>
<b>Total (A)</b>					<b>18.37</b>	<b>14.42</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### B. Investments in Associate Companies (Unquoted) in Equity Shares

(₹ in Crs.)

Name of the Company	Numbers	Original Investment As on 1 <sup>st</sup> April, 2015	Addition During the year	Adjustment on Consolidation	Additions to cost As on 1 <sup>st</sup> April, 2015	Share of Profit/ (Loss)	Adjustment on Consolidation	Additions to cost as on 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March 2016 (at cost)	As at 31 <sup>st</sup> March 2015 (at cost)
Ganesh Polychem Ltd.	3,068,257	12.16	(12.16)	NIL	36.34	NIL	(36.34)	NIL	NIL	48.50
Anushakti Holding Ltd.	8,846,490	2.91	(2.91)	NIL	21.75	NIL	(21.75)	NIL	NIL	24.66
Anushakti Chemicals & Drugs Ltd.	15,529,136	7.51	(7.51)	NIL	43.88	NIL	(43.88)	NIL	NIL	51.39
Aarti Biotech Ltd.	421,700	0.05	NIL	NIL	NIL	NIL	(0.05)	NIL	N.A.	0.09
Aarti Intermediate Pvt. Ltd.	22,125	—	NIL	NIL	NIL	NIL	—	NIL	N.A.	NIL
Perfect Enviro Control Systems Ltd.	380,640	0.04	NIL	NIL	NIL	NIL	(0.04)	NIL	N.A.	0.14
<b>Total (B)</b>									<b>NIL</b>	<b>124.78</b>
<b>Grand Total (A + B)</b>									<b>18.37</b>	<b>139.20</b>
<b>Aggregate Market Value of Quoted Investments: (₹ in Crs.)</b>									<b>22.65</b>	<b>32.54</b>

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>12. LONG-TERM LOANS AND ADVANCES:</b>		
a. Capital Advances	44.47	37.96
b. Other Deposits	30.70	20.37
c. Other loans and advances:		
(i) Loans & Advances (Employees)	7.17	7.37
(ii) Loans & Advances (Others)	27.02	24.63
Advance Tax and Tax Deducted at Source	365.14	350.73
<b>Total</b>	<b>474.50</b>	<b>441.06</b>
<b>13. INVENTORIES:</b>		
a. Raw Materials and Components	160.53	161.68
b. Work-in-progress Finished Goods	141.97	173.53
c. Finished Goods	167.94	183.27
d. Stock-in-trade	3.73	2.47
e. Stores and spares	7.43	7.16
f. Fuel	9.03	20.14
g. Packing Materials	4.56	3.48
<b>Total</b>	<b>495.19</b>	<b>551.73</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>14. TRADE RECEIVABLES:</b>		
Trade receivables outstanding for a period less than six months:		
Unsecured, considered good	482.85	408.42
Trade receivables outstanding for a period exceeding six months:		
Unsecured, considered good	40.55	30.56
<b>Total</b>	<b>523.40</b>	<b>438.98</b>
<b>15. CASH AND CASH EQUIVALENTS:</b>		
Cash on hand	1.16	1.40
Bank balance in Current Accounts	21.27	28.75
Bank deposits kept as Margin Money	3.68	1.56
Earmarked Balances (Unpaid Dividend Accounts)	2.88	2.00
<b>Total</b>	<b>28.99</b>	<b>33.71</b>
<b>16. SHORT-TERM LOANS AND ADVANCES:</b>		
Balances with Customs, Port Trust, Central Excise & Sales Tax Authorities	116.08	137.42
Loan Given to Others	17.65	3.51
<b>Total</b>	<b>133.73</b>	<b>140.93</b>
<b>17. OTHER CURRENT ASSETS:</b>		
Others Receivables	3.56	5.31
Prepaid Insurance/Expenses	3.30	1.66
Subsidy Receivable	6.98	20.75
Gratuity Receivable	0.40	0.34
Insurance Claim Receivable	4.25	4.25
<b>Total</b>	<b>18.49</b>	<b>32.31</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>18. REVENUE FROM OPERATIONS:</b>		
Sale of Products	2,964.78	3,068.96
Sale of Services	10.33	7.11
Other Operating Revenues (Refer Note No. 18.1)	50.38	46.52
<b>GROSS REVENUE OPERATIONS</b>	<b>3,025.49</b>	<b>3,122.59</b>
Less: Excise Duty/Vat	245.87	214.63
<b>Net revenue from operations</b>	<b>2,779.62</b>	<b>2,907.96</b>
<b>18.1 OTHER OPERATING REVENUES:</b>		
Export Benefits	18.64	11.95
Fertilizers Subsidy Received	24.66	24.63
SHIS Scheme Income	2.43	4.61
Insurance Claim Received	NIL	0.02
Scrap Sales	4.65	5.31
<b>Total</b>	<b>50.38</b>	<b>46.52</b>
<b>19. OTHER INCOME:</b>		
Dividend Received	1.65	1.01
Profit on Sale of Assets	0.54	0.20
Profit on Sale of Investments	0.15	3.38
Lease Rent Income	0.24	0.24
Interest Income	3.10	0.42
Other Income	0.26	0.27
<b>Total</b>	<b>5.94</b>	<b>5.52</b>
<b>20. COST OF MATERIALS CONSUMED:</b>		
Consumption of Raw Materials	1,163.16	1,453.96
Consumption of Packing Materials	34.39	42.87
Consumption of Fuel	100.37	98.31
Consumption of Stores & Spares	59.71	49.18
<b>Total</b>	<b>1,357.63</b>	<b>1,644.32</b>
<b>21. CHANGE IN INVENTORY:</b>		
<b>Opening Stock</b>		
Finished Goods	188.10	175.89
Work-in-Progress	176.11	192.77
<b>Total (A)</b>	<b>364.21</b>	<b>368.66</b>
<b>Closing Stock</b>		
Finished Goods	172.94	177.91
Work-in-Progress	141.97	173.53
<b>Total (B)</b>	<b>314.91</b>	<b>351.44</b>
<b>Total (A-B)</b>	<b>49.30</b>	<b>17.22</b>
<b>22. EMPLOYEE BENEFITS:</b>		
Salaries, Wages & Bonus	108.16	82.78
Contribution to PF and other Funds	6.20	3.26
Workmen & Staff Welfare Expenses	6.34	7.60
<b>Total</b>	<b>120.70</b>	<b>93.64</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>23. FINANCE COST:</b>		
Interest on NCDs	23.50	15.64
Other Interest Expenses	84.86	109.32
Other Borrowing Costs	8.62	13.01
<b>Total</b>	<b>116.98</b>	<b>137.97</b>
<b>24. OTHER EXPENSES:</b>		
<b>Manufacturing Expenses:</b>		
Freight, Cartage & Transport	83.10	85.08
Power	92.03	82.39
Water Charges	7.74	6.28
Processing Charges	20.91	17.68
Other Manufacturing Expenses	75.92	59.12
Repairs & Maintenance	52.94	44.19
Insurance Charges	2.21	2.70
Research & Development Expenses	10.36	9.39
Factory Administrative Expenses	20.67	20.19
<b>Total (A)</b>	<b>365.88</b>	<b>327.02</b>
<b>Office Administrative Expenses:</b>		
Rent, Rates and Taxes	3.96	2.49
Travelling and Conveyance	5.00	3.98
Auditor's Remuneration (Refer Note No. 24.1)	0.26	0.24
Legal & Professional Charges	3.80	2.78
Postage, Telegraph & Telephone	0.80	0.69
Printing & Stationery Expenses	0.86	0.76
Other Administrative Expenses	7.89	4.66
<b>Total (B)</b>	<b>22.57</b>	<b>15.60</b>
<b>Selling &amp; Distribution Expenses:</b>		
Advertisement & Sales Promotion	4.70	4.76
Export Freight Expenses	49.42	58.56
Freight and Forwarding Expenses	69.81	75.30
Commission	9.20	10.38
Export Insurance Charges	1.66	1.75
Sample Testing & Analysis Charges	0.88	1.04
Provision for Doubtful Debts	5.00	NIL
Lease Rent	8.70	NIL
Bad Debts Written Off	1.16	NIL
Discount Given	18.90	17.82
Prior Period Expenses	0.09	NIL
Other Expenses	0.02	NIL
Sales Tax & Other Dues Paid	0.11	NIL
Sundry Balance Written Off/(Back)	1.17	0.57
<b>Total (C)</b>	<b>170.82</b>	<b>170.18</b>
<b>Non-Operating Expenses:</b>		
Donations and CSR Expenses	5.32	3.69
Loss on Sale of Assets/Investment	0.14	NIL
<b>Total (D)</b>	<b>5.46</b>	<b>3.69</b>
<b>Total (A+B+C+D)</b>	<b>564.73</b>	<b>516.49</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>24.1 AUDITOR'S REMUNERATION:</b>		
Audit Fees	0.14	0.22
Certification Charges	0.03	0.01
Other Matters Charges	0.02	—
Out of Pocket Expenses	—	0.01
<b>Total</b>	<b>0.19</b>	<b>0.24</b>

### 25. CONTINGENT LIABILITIES AND COMMITMENTS:

(to the extent not provided for)

(₹ in Crs.)

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(i) Contingent Liabilities:</b>		
(a) Claims against the Company not acknowledged as Debts	72.25	48.82
(b) Letters of Credit, Bank Guarantees & Bills Discounted	51.21	33.18
	<b>123.46</b>	<b>82.00</b>
<b>(ii) Commitments:</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	41.25	26.04
	41.25	26.04
<b>Total</b>	<b>164.71</b>	<b>108.04</b>

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

- I. Following are the Enterprises/Firms over which controlling individuals/Key Management Personnel, of the Company along with their relatives, have significant influence as defined in Para 3(e) of the Accounting Standard - 18.
  1. Alchemie Industries
  2. Alchemie Laboratories
  3. Aarti Drugs Ltd.
  4. Alchemie Dye Chem Pvt. Ltd.
- II. Following are the individuals who with their relatives as defined in Para 3(c) and 3(d) of the Accounting Standard - 18 own Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel.
  1. Shri Rajendra V. Gogri
  2. Shri Rashesh C. Gogri
  3. Shri Shantilal T. Shah
  4. Shri Parimal H. Desai
  5. Shri Manoj M. Chheda
  6. Shri Kirit R. Mehta
  7. Smt. Hetal Gogri Gala
  8. Shri Renil R. Gogri
  9. Shri Chetan Gandhi
  10. Smt. Mona Patel

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

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

### (A) Details relating to parties referred to in items I above

(₹ in Crs.)

Sr. No.	Description of Transaction	Year	Associates	Other related Enterprises Firms
1.	Sales of Finished Goods/Sales Income	CY PY	— 55.11	<b>32.36</b> 26.46
2.	Purchases of Raw Materials/Finished Goods	CY PY	— 8.74	<b>27.31</b> 20.40
3.	Other Manufacturing Expenses	CY PY	— —	<b>2.84</b> 4.91
4.	Rent paid	CY PY	— —	<b>0.15</b> 0.36
5.	Other Income	CY PY	— —	<b>0.03</b> 0.03
6.	Sale of Fixed Assets	CY PY	— —	— 8.91
7.	Purchase of Fixed Assets	CY PY	— 0.05	— —
8.	Inter-Corporate Deposits taken/(Repaid) during the year	CY PY	— (6.50)	— —
9.	Inter-Corporate Deposits given/(Received back) during the year	CY PY	— —	<b>0.30</b> —
10.	Interest Income on the Inter-Corporate Deposits placed/ unsecured loans/NCDs	CY PY	— —	<b>0.02</b> —
11.	Dividend Received	CY PY	— —	<b>0.49</b> 0.39
12.	Outstanding items pertaining to the related parties at the balance sheet date – Receivable/(Payable)	CY PY	— 2.61	<b>5.98</b> 0.24

### (B) Details relating to persons referred to in Item II above\*

Particulars	Financial Year 2015-16	Financial Year 2014-15
a. Remuneration including perquisites #	8.59	6.40
b. Commission to Directors/KMPs	6.82	5.00
c. Sitting Fees	0.03	0.02
d. Rent paid	0.92	0.87
e. Travelling Expenses	0.88	0.74
f. Telephone Expenses	0.04	0.03
<b>Total</b>	<b>17.28</b>	<b>13.06</b>

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

# Value of Perquisites includes non Cash Perquisites of ₹ 0.02 Crs. (previous year ₹ 0.02 Crs.).

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 27. TREATMENT OF ASSOCIATES IN CONSOLIDATION:

(₹ in Crs.)

Sr. No.	Name of Associates	Opening Original Investment as on 01.04.2015	Additional Investment during the year	Deduction	Adjustment on Consolidation	Total Original Investment as on 31.03.2016	Carrying cost of Investment as on 01.04.2015	Adjustment on Consolidation	Share of Profit/ (loss) of the year	Carrying cost of Investment as on 31.03.2016
1	Ganesh Polychem Ltd.	12.16	NIL	12.16	NIL	NIL	48.50	(48.50)	NIL	NIL
2	Anushakti Holding Ltd.	2.91	NIL	2.91	NIL	NIL	24.66	(24.66)	NIL	NIL
3	Anushakti Chemicals & Drugs Ltd.	7.51	NIL	7.51	NIL	NIL	51.39	(51.39)	NIL	NIL
4	Aarti Biotech Ltd.	0.05	NIL	0.05	NIL	NIL	NIL	NIL	NIL	N.A.
5	Aarti Intermediates Pvt. Ltd.	—	NIL	—	NIL	NIL	NIL	NIL	NIL	N.A.
6	Perfect Enviro Control Systems Ltd.	0.04	NIL	0.04	NIL	NIL	NIL	NIL	NIL	N.A.
<b>Total</b>		<b>22.67</b>	<b>NIL</b>	<b>22.67</b>	<b>NIL</b>	<b>NIL</b>	<b>124.55</b>	<b>(124.55)</b>	<b>NIL</b>	<b>NIL</b>

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 28. SEGMENT REPORTING:

(₹ in Crs.)

Sr. No.	Particulars	Financial Year	
		2015-2016	2014-2015
<b>(A) Primary Segments: Business Segments</b>			
<b>1</b>	<b>Segment Revenue:</b>		
	(a) Speciality Chemicals	2,264.74	2,397.96
	(b) Pharmaceuticals	383.13	303.20
	(c) Home & Personal Care Chemicals	131.75	206.80
	<b>Total</b>	<b>2,779.62</b>	<b>2,907.96</b>
<b>2</b>	<b>Segment Results Profit/(Loss):</b>		
	Before Tax and Interest from each Segment		
	(a) Speciality Chemicals	503.64	408.09
	(b) Pharmaceuticals	38.80	35.81
	(c) Home & Personal Care Chemicals	(0.24)	3.27
	<b>Total (A)</b>	<b>542.20</b>	<b>447.17</b>
	Less: Interest	116.97	137.97
	Other Unallocable Expenditure (Net)	62.50	54.45
	<b>Total (B)</b>	<b>179.47</b>	<b>192.42</b>
	<b>Total Profit before Tax (A-B)</b>	<b>362.73</b>	<b>254.75</b>
<b>3</b>	<b>Capital Employed:</b>		
	(a) Speciality Chemicals	1,753.93	1,485.90
	(b) Pharmaceuticals	527.90	485.05
	(c) Home & Personal Care Chemicals	88.85	87.43
	(d) Unallocated Capital	28.98	134.12
	<b>Total</b>	<b>2,399.66</b>	<b>2,192.50</b>
<b>(B) Secondary Segments: Geographical Segments</b>			
	(a) India	1,348.17	1,458.65
	(b) Out of India	1,431.45	1,449.31
	<b>Total</b>	<b>2,779.62</b>	<b>2,907.96</b>

### 29. EARNING PER SHARE (EPS):

Particulars		Financial Year 2015-16	Financial Year 2014-15
Net Profit after Tax	(₹ in Crs.)	268.10	193.72
Profit attributable to Minority Interest	(₹ in Crs.)	(11.22)	(1.74)
Share of Profit/(Loss) of Associates	(₹ in Crs.)	NIL	13.90
<b>Net Profit After Consolidation available for Equity Shareholders</b>	(₹ in Crs.)	<b>256.88</b>	<b>205.88</b>
No. of Equity Shares	(Nos.)	83,320,383	88,591,687
Basic & Diluted EPS	(₹)	30.83	23.24
Nominal Value of Equity Share	(₹)	5.00	5.00

## Notes on Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 30. Additional Information, as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as Subsidiary.

Name of Enterprise	Net Assets (i.e. Total Assets minus total liabilities)		Share in Profit or Loss	
	As % of Consolidated net assets	(Amt. in Crs.)	As % of Consolidated Profit or Loss	(Amt. in Crs.)
<b>Parent</b>				
Aarti Industries Ltd.	96.02%	1,070.10	98.27%	252.43
<b>Subsidiaries</b>				
Alchemie (Europe) Ltd.	0.10%	1.07	0.23%	0.59
Aarti USA Inc.	0.05%	0.56	(0.04%)	(0.10)
Aarti Corporate Services Ltd.	0.80%	8.92	0.83%	2.13
Ganesh Polychem Ltd.	8.68%	96.75	7.27%	18.68
Innovative Envirocare Jhagadia Ltd.	0.03%	0.30	0.00%	(0.01)
Nascent Chemical Industries Ltd.	0.69%	7.71	1.46%	3.75
Shanti Intermediates Pvt. Ltd.	0.07%	0.75	0.00%	(0.01)
<b>Minority Interest in all Subsidiaries</b>	(4.67%)	(52.09)	(4.37%)	(11.22)
Inter Company Elimination & Consolidation Adjustment	(1.76%)	(19.66)	(3.64%)	(9.36)
<b>Total</b>	<b>100.00%</b>	<b>1,114.41</b>	<b>100.00%</b>	<b>256.88</b>

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

As per our report of even date  
For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS

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

PLACE: Mumbai  
DATE: 6<sup>th</sup> May, 2016

FOR AND ON BEHALF OF THE BOARD

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

Sd/-  
**RASHESH C. GOGRI**  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

Sd/-  
**CHETAN GANDHI**  
CHIEF FINANCIAL OFFICER

Sd/-  
**SHANTILAL T. SHAH**  
VICE CHAIRMAN

Sd/-  
**MONA PATEL**  
COMPANY SECRETARY

## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2016

(₹ in Crs.)

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit before Tax and Exceptional/Extraordinary Items	362.73	251.27
<b>Adjustments for:</b>		
Interest and Finance Charges Paid	116.97	137.97
Depreciation	98.50	81.98
Consolidated Adjustments	(0.78)	0.18
Loss on Sale of Assets	0.14	NIL
	<b>577.56</b>	<b>471.40</b>
Profit on Sale of Investments	(0.15)	(3.38)
Profit on Sale of Assets	(0.54)	(0.20)
Dividend Received from other Investments	(1.65)	(1.01)
Lease Rent Received	(0.24)	(0.24)
Operating Profit before Working Capital Changes	<b>574.98</b>	<b>466.57</b>
<b>Adjustments for:</b>		
(Increase)/Decrease in Trade and Other Receivables	(21.86)	(13.89)
(Increase)/Decrease in Trade Payables and Other Current Liabilities	53.90	(109.32)
(Increase)/Decrease in Inventories	64.39	54.39
Cash Generated from Operations	<b>671.41</b>	<b>397.75</b>
Direct Taxes Paid	(97.83)	(58.25)
<b>Net Cash Flow from Operating Activities (A)</b>	<b>573.58</b>	<b>339.50</b>
<b>B. Cash Flow from Investing Activities:</b>		
Addition to Fixed Assets/Capital WIP	(466.47)	(303.06)
Sale/Written off of Fixed Assets	16.64	8.37
(Increase)/Decrease in Other Investments	(4.01)	(4.24)
(Increase)/Decrease in Investments in Associate Companies	NIL	NIL
Dividend Received from Other Investments	1.65	1.01
Lease Rent Received	0.24	0.24
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(451.95)</b>	<b>(297.68)</b>
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds of Long-Term Borrowings	201.13	285.00
Repayment of Long-Term Borrowings	(170.17)	(83.16)
Proceeds/(Repayment) of Other Borrowings	52.74	(38.52)
Interest and Finance Charges Paid	(116.97)	(137.97)
Dividend Paid	(95.17)	(48.31)
<b>Net Cash Flow from Financing Activities (C)</b>	<b>(128.44)</b>	<b>(22.96)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(6.81)</b>	<b>18.86</b>
Cash and Cash Equivalents (Opening Balance)	33.71	14.85
Cash and Cash Equivalents (Opening Balances of Merged Co.)	2.09	NIL
<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>28.99</b>	<b>33.71</b>

Notes: (i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.

(ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

 As per our report of even date  
 For **GOKHALE & SATHE**  
 CHARTERED ACCOUNTANTS

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

 PLACE : Mumbai  
 DATE : 6<sup>th</sup> May, 2016

FOR AND ON BEHALF OF THE BOARD

Sd/-

**RAJENDRA V. GOGRI**

 CHAIRMAN AND  
 MANAGING DIRECTOR

# Notice

Notice is hereby given that the Thirty Third Annual General Meeting of the Members of **AARTI INDUSTRIES LIMITED** will be held at the Registered Office of the Company at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396195, Dist. Valsad, Gujarat, on Friday, the 30<sup>th</sup> day of September 2016, at 11.00 a.m. to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt;
  - (a) the audited Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2016, the Reports of the Board of Directors' and Auditors' thereon; and
  - (b) the audited consolidated financial statement of the Company for the financial year ended 31<sup>st</sup> March, 2016.
2. To appoint a Director in place of Shri Parimal H. Desai (DIN: 00009272), who is liable to retire by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. Hetal Gogri Gala (DIN: 00005499), who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:  
 "RESOLVED THAT pursuant to the provisions of Sections 139, 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 in terms of the resolution passed by the members at the Annual General Meeting (AGM) held on 24<sup>th</sup> September, 2014 the appointment of M/s. Gokhale & Sathe, Chartered Accountants (Firm Registration No. 103264W), as auditors of the

Company be and is hereby ratified to hold office till the conclusion of Thirty Fourth Annual General Meeting and, on such remuneration and reimbursement of out of pocket expenses, as shall be decided/approved by the Board of Directors."

## SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
 "RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Smt. Hetal Gogri Gala (DIN: 00005499) as a Whole-time Director, designated as Executive Director of the Company, for a period of 5 (Five) years with effect from 1<sup>st</sup> November, 2016 on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or remuneration as it may deem fit and as may be acceptable to Smt. Hetal Gogri Gala, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof;  
 RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."



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

"RESOLVED THAT pursuant to 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), Ms. Ketki D. Visariya, Cost Accountant (Membership Number 16028), being the Cost Auditor appointed by the Board of Directors of the Company to conduct audit of the cost records and related books maintained by the Company in respect of Organic and Inorganic Chemicals, Bulk Drugs and Fertilizers for Financial Year 2016-17 on a remuneration of ₹ 5,00,000/- (Rupees Five Lakh only) per annum plus Service Tax as applicable, and reimbursement of out of pocket expenses incurred by them in connection with aforesaid Audit be and is hereby ratified and confirmed."

7. To consider and approve issue of Non-Convertible Debentures by passing the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to the provisions of the Articles of Association of the Company, approval of the members be and is hereby accorded to authorize the Board of Directors of the Company to offer or invite subscriptions for Secured/Unsecured Redeemable Non-convertible Debentures, in one or more series/tranches, on private placement basis, aggregating up to ₹ 300 Crores (Rupees Three Hundred Crores only), within the overall borrowing limits of the Company, as approved by the members, on such terms and conditions as the Board of Directors of the Company (including Committees thereof) may, from time to time, determine and consider proper and most beneficial to the Company including as to when the said Debentures be issued, the consideration for the issue, utilization of the issue proceeds and all matters connected with or incidental thereto.

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof), be and is hereby authorised to do all such acts, deeds and things and give such directions and further to execute such documents, deeds, instruments and writings

as may be deemed necessary, proper, desirable or expedient to give effect to this resolution."

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

Place: Mumbai  
Date: 6<sup>th</sup> May, 2016

By order of the Board

Sd/-  
**CS MONA PATEL**  
Company Secretary

### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY/PROXIES TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF/HERSELF. SUCH A 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 10% (ten percent) of the total share capital of the Company. Further, a Member holding more than 10% (ten percent), of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.  
  
The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of meeting.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Business at Item Nos. 5 to 7 above is annexed hereto and forms part of the Notice.
3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 23<sup>rd</sup> September, 2016 to 30<sup>th</sup> September, 2016 (both days inclusive) for the purpose of AGM.
5. All documents referred to in the accompanying notice and the explanatory statement are open for inspection at the registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m., up to the date of the AGM.

6. The Company has changed the Registrar and Transfer Agents from M/s. Sharepro (India) Private Limited to M/s. Link Intime India Private Limited w.e.f. 25<sup>th</sup> April, 2016. Members holding shares in physical form are requested to inform the Company's new Registrars and Transfer Agents, M/s. Link Intime India Private Limited, immediately of any change in their address and bank details. Members holding shares in dematerialised form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the Members.
  7. Members holding shares in dematerialized form are requested to register their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) and Permanent Account Number (PAN) with their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's RTA as the same is mandated by the Securities and Exchange Board of India.
  8. Queries on accounts may please be sent to the Company 10 days in advance of the Annual General Meeting so that the answers may be made available at the meeting.
  9. The Company has transferred unclaimed amounts of Final Dividend, for the year 2007-08 and Interim Dividend for the year 2008-09 to the Investor Education and Protection Fund as required under Sections 205A and 205C of the Companies Act, 1956.
  10. The Ministry of Corporate Affairs (MCA) on 10<sup>th</sup> May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends as on the date of the 32<sup>nd</sup> Annual General Meeting (AGM) held on 24<sup>th</sup> September, 2015, on the website of the IEPF viz. [www.iepf.gov.in](http://www.iepf.gov.in) and under "Investors Section" on the Website of the Company viz. [www.aartigroup.com](http://www.aartigroup.com).
  11. The Company is concerned about the environment. We request you to update your email address with your Depository Participants to enable us to send you communications via email. Members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to provide their e-mail addresses to the M/s. Link Intime India Private Limited (RTA) sending an e-mail at [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in) or to the Company at [investorrelations@aartigroup.com](mailto:investorrelations@aartigroup.com).
  12. Copies of the Annual Report 2015-16 are being sent by electronic mode only to all the members whose email addresses are registered with the Company/Depository Participant(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 2015-16 are being sent by the permitted mode.
  13. Members/Proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
- 14. Voting Options**
- (1) Voting through Electronic Means**
- Pursuant to Section 108 of the Companies Act, 2013, read with the relevant Rules of the Act, and the provisions of Regulation 44 of the listing Regulations the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means.
- The Members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter.
- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participant(s)]:**
- (i) Open email and open PDF file viz; "Aarti Industries Limited e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>
  - (iii) Click on Shareholder - Login.
  - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note



new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (vi) Home page of e-voting opens. Click on e-voting: Active Voting Cycles.
- (vii) Select "EVEN" of Aarti Industries Limited.
- (viii) Now you are ready for e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to investorrelations@aatigroup.com with a copy marked to e-voting@nsdl.co.in.

**B. In case a Member receives physical copy of the Notice of AGM and Attendance Slip [for members whose email IDs are not registered with the Company/Depository Participant(s)] or requesting physical copy:**

- (i) Initial password is provided at the bottom of the Attendance Slip for the AGM:  
EVEN (E-voting Event Number) USER ID  
PASSWORD/PIN.
- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) Above, to cast vote.

**(2) 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 regards at the AGM Venue.

**OTHER INSTRUCTIONS**

- I. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

- II. If you are already registered with NSDL for e-voting then you can use your existing USER ID and PASSWORD/PIN for casting your vote.
- III. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IV. The Members, whose names appear in the Register of Members/list of Beneficial Owners as on 23<sup>rd</sup> September, 2016 are entitled to vote on the Resolutions, set forth in this Notice.
- V. The remote e-voting period will commence at 9.00 a.m. on 27<sup>th</sup> September, 2016 and will end at 5.00 p.m. on 29<sup>th</sup> September, 2016. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 23<sup>rd</sup> September, 2016, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date of 23<sup>rd</sup> September, 2016.
- VII. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 23<sup>rd</sup> September, 2016 may obtain the login ID and password by sending an email to [investorrelations@aatigroup.com](mailto:investorrelations@aatigroup.com) or [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) by mentioning their Folio No./DP ID and Client ID No. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset your password by using "Forget User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- VIII. A member may participate in the meeting even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the meeting.
- IX. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on cut-off date only shall be entitled to avail the facility of remote e-voting or voting at the meeting through ballot papers.

- X. CS Sunil M. Dedhia, Practicing Company Secretary of Sunil M. Dedhia and Co. has been appointed as the Scrutiniser to scrutinise the e-voting process in a fair and transparent manner.
- XI. The Scrutiniser shall, immediately after the conclusion of voting at general meeting, count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. Scrutiniser shall within 3 days of conclusion of the meeting submit a consolidated scrutiniser report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing.
- XII. The results along with the Scrutinisers Report shall be placed on the website of the Company and on the website of NSDL and shall be communicated to BSE Limited and National Stock Exchange of India Limited.

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

Place: Mumbai  
Date: 6<sup>th</sup> May, 2016

By order of the Board

Sd/-  
**CS MONA PATEL**  
Company Secretary

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

PARTICULARS	SHRI PARIMAL H. DESAI (DIN: 00009272)	SMT. HETAL GOGRI GALA (DIN: 00005499)
Date of birth and age	29.05.1949 (67 years)	10.07.1975 (41 years)
Appointed on	28.09.1984	01.11.2001
Qualifications	Chemical Engineer from UDCT (now known as ICT).	B.E. (Electronics) and MEP degree from IIM Ahmedabad.
Experience and expertise in specific functional areas	He has more than 38 years experience in Development and project implementation in the Chemical industry.	Smt. Hetal Gogri, an Electronics Engineer and MEP from IIM Ahmedabad has been whole-time Director of the Company since 1 <sup>st</sup> November, 2001. She has a rich and vast experience in the portfolios of Purchase, Supply Chain Management, HR & Admin and presently handles the same. She also manages Strategic Business unit of the Company.
Disclosure of Relationships between Director inter-se	Nil	Smt. Hetal Gogri is the sister of Shri. Rashesh Gogri, Vice-Chairman and Managing Director of the Company.
Directorships held in public companies other than Aarti Industries Limited	Aarti Corporate Services Limited.	Nil
Memberships/Chairmanships of committees across public companies other than Aarti Industries Limited	Nil	Nil
No. of shares held in the Company	356612	6056319

For other details such as numbers of meetings of the Board attended during the year and remuneration drawn in respect of Shri Parimal H. Desai and Smt. Hetal Gogri Gala please refer to the Corporate Governance Report.

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

Place: Mumbai  
Date: 6<sup>th</sup> May, 2016

By order of the Board

Sd/-  
**CS MONA PATEL**  
Company Secretary



## ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013.

### ITEM NO. 5

Smt. Hetal Gogri Gala has been the Whole-time Director of the Company since 1<sup>st</sup> November, 2001 and re-appointed from time to time. Based on the recommendation of the Nomination and Remuneration Committee duly approved by the resolution passed at its meeting, the Board of Directors have reappointed Smt. Hetal Gogri Gala as the Whole-time Director of the Company with effect from 1<sup>st</sup> November, 2016, for a period of five years, on expiration of her present term, subject to the approval of the Company in General Meeting upon the terms and conditions set out in the draft Agreement to be entered into by the Company with her. The said agreement, *inter alia*, contains the following material, terms and conditions:

1. **Period of Agreement:** 01.11.2016 to 31.10.2021

2. **Remuneration:**

(a) **Salary:** Salary of ₹ 3,30,000/- per month with power to the Board to make annual increment subject to maximum Salary of ₹ 5,00,000/- per month.

(b) **Commission:**

In addition to the salary as above, she shall also be entitled to be paid share in aggregate commission calculated at the rate of 2% of net profit of the Company computed under Section 198 of the Companies Act, 2013, payable to all the Managing/ Whole-time Directors of the Company. Share of such commission shall be determined by the Board of Directors of the Company. The commission will be calculated and payable every quarter on quarterly Net Profits of the Company computed in accordance with Section 197 read with Section 198 of the Companies Act, 2013. The commission payable on a quarterly basis shall be adjusted for the relative performance of the Company as per method approved by the Nomination and Remuneration Committee.

(c) **Perquisites/allowances:**

In addition to salary and Commission, the whole-time director shall be entitled to the following perquisites/ allowances: House rent allowance, reimbursement of

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

(d) Whole-time Director shall also be entitled to following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein:

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

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

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

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

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

(e) The perquisites and allowances together with the salary and commission payable as aforesaid shall be restricted to and be subject to the applicable overall maximum ceiling limit set out in Section 197 read with Schedule V of the Companies Act, 2013 or any amendments or modifications that may be made thereto by the Central Government in that behalf from time to time.

3. Wherein any financial year during the currency of the tenure of the Whole-time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as aforesaid.
4. The Whole-time Director shall be entitled to annual privilege leave on full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
5. No sitting fee shall be payable to her for attending the Meetings of the Board of Directors or Committee thereof.
6. Notwithstanding anything to the contrary contained in the Agreement, either party shall be entitled to terminate the Agreement, at any time by giving to the other party 180 days notice in writing in that behalf without the necessity of showing any cause and on the expiry of the period of such notice this Agreement shall stand determined and the Whole-time Director shall cease to be the Whole-time Director of the Company. Provided that the aforesaid notice may be waived mutually.
7. The terms and conditions of the said appointment herein and/or Agreement may be altered and varied by the Board from time to time at their discretion as they may deem fit so as not to exceed the limits specified in Schedule V to the Companies Act, 2013, or any amendments made hereafter in that regard.

The other terms and conditions of the Agreement are such as are customarily contained in agreement of similar nature.

8. The said appointment/agreement including the remuneration payable to her is subject to the approval of the Company and all such sanctions as may be necessary and shall be given effect to as per the modification, if any, made/approved as aforesaid.

The above may be treated as an abstract of the Agreement to be entered into between the Company and Smt. Hetal Gogri Gala pursuant to Section 190 of the Companies Act, 2013.

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

inspection at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. excluding Saturdays upto the date of Annual General Meeting.

Your Directors recommend the said resolution for your approval.

Smt. Hetal Gogri Gala is interested in the said resolution. Shri Rashesh C. Gogri is deemed to be interested in the said resolution as he is related to her. Except the above and their relatives 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.

Name	Nature of interest	No. of Shares	% Holding
Rashesh C. Gogri	Director	6214118	7.46
Hetal Gogri Gala	Director	6056319	7.27
Chandrakant V. Gogri	Realtives of Directors	2494234	2.99
Jaya C. Gogri	Realtives of Directors	3079739	3.70
Manisha R. Gogri	Realtives of Directors	679965	0.82
Aashay R. Gogri	Realtives of Directors	697427	0.84
Aarnav R. Gogri	Realtives of Directors	109283	0.13

#### ITEM NO. 6

In pursuance of Section 148 of the Companies Act, 2013 and Rule 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 2016-17 was recommended by the Audit Committee to the Board. The Board thereby proposed to re-appoint Smt. Ketki Damji Visariya (Membership Number 16028) Cost Accountant, as Cost Auditor at the Board Meeting held on 5<sup>th</sup> February, 2016 on remuneration of ₹ 5,00,000/- per annum plus service tax as applicable. Certificate dated 4<sup>th</sup> February, 2016 issued by Smt. Ketki Damji Visariya regarding her eligibility for appointment as Cost Auditor will be available for inspection at the registered office of the Company during 11.00 a.m. to 1.00 p.m. on working days.

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

None of the 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. 7**

Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 prescribed, *inter alia*, under Section 42 of the Act deals with private placement of securities by a Company. Sub-rule (2) of the said Rule 14 states that in case of an offer or invitation to subscribe for Non-Convertible Debentures (NCDs) on private placement, the Company shall obtain previous approval of its shareholders by means of a special resolution only once in a year for all the offers or invitations for such debentures during the year.

Company is expecting to borrow up to ₹ 300 Crores (Rupees Three Hundred Crores only) by way of issue of NCDs during the period from the date of passing of this resolution till the next annual general meeting with a view to augment long term resources for financing, *inter alia*, ongoing capital expenditure and for general corporate purposes including and not limited to long term working capital needs.

Accordingly, the approval of the members is being sought for issuance of NCDs upto ₹ 300 Crores, in one or more tranches, within the overall borrowing limits of the Company, as approved by the members from time to time, as stated in the draft resolution.

The Board recommends the resolution for your approval as a Special Resolution.

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

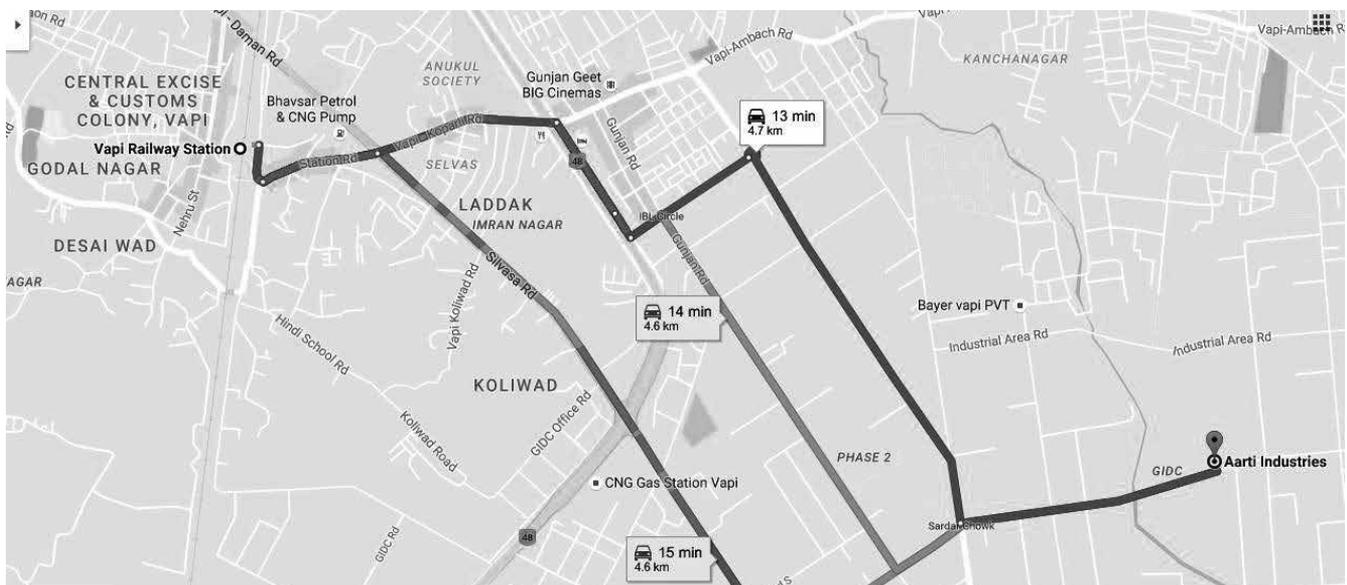
Registered Office:  
Plot Nos. 801, 801/23,  
GIDC Estate, Phase III,  
Vapi-396195,  
Dist. Valsad, Gujarat

Place: Mumbai  
Date: 6<sup>th</sup> May, 2016

By order of the Board

Sd/-  
**CS MONA PATEL**  
Company Secretary

**ROUTE MAP TO THE VENUE OF ANNUAL GENERAL MEETING**



## PROXY FORM

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



**AARTI INDUSTRIES LIMITED**

CIN: L24110GJ1984PLC007301

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

### 33<sup>RD</sup> ANNUAL GENERAL MEETING FRIDAY, 30<sup>TH</sup> DAY OF SEPTEMBER, 2016

Name of the member(s):

Registered address:

E-mail Id:

Folio No./ Client Id: DP ID:

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

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

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

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 33<sup>rd</sup> Annual General Meeting of the Company, to be held on the Friday, 30<sup>th</sup> day of September, 2016 at 11:00 a.m. at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Number	Resolution	Optional*	
		For	Against
<b>Ordinary Business</b>			
1	Adoption of Financial Statements for the year ended 31 <sup>st</sup> March, 2016.		
2	Re-appointment of Shri. Parimal H. Desai, who retires by rotation and being eligible, seeks re-appointment.		
3	Re-appointment of Smt. Hetal Gogri Gala, who retires by rotation and being eligible, seeks re-appointment.		
4	Ratification of appointment of statutory Auditors.		
<b>Special Business</b>			
5	Re-appointment of Smt. Hetal Gogri Gala, as Whole-time Director for a period of 5 (Five) years with effect from 1 <sup>st</sup> November, 2016.		
6	To Ratify the Remuneration of the Cost Auditor for the year 2016-17.		
7	Special Resolution to consider and approve the issue of Non-Convertible Debentures on private placement.		

Signed this..... day of..... 2016.

Signature of shareholder.....

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

Affix  
Re. 1/-  
Revenue  
Stamp

**Notes:**

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



Date: \_\_\_\_\_

To,

**Link Intime India Private Limited**  
**Unit: Aarti Industries Limited**  
 C-13, Pannalal Silk Mills Compound,  
 L.B.S. Road, Bhandup (West),  
 Mumbai - 400 078, Maharashtra.

Dear Sir/Madam,

**NATIONAL AUTOMATED CLEARING HOUSE FORM (NACH)**

(Not required to be filled by shareholders holding share in dematerialized form)

I/We do hereby authorise **Aarti Industries Limited** to Credit my dividend amount directly to my Bank Account as per details furnished below by National Automated Clearing House (NACH)

Folio No.	
Name	
Bank Name	
Bank Branch	
Bank Address	
Account Type (Saving/Current)	
New Core Banking Account Number allotted by your Bank (15 digit)	
9 Digit Code Number of the Bank & Branch as appearing on the MICR cheque. Please attach photocopy of the cheque.	
Telephone number (with STD code) of shareholder	
Email ID of Shareholder	

I/We shall not hold the Company responsible if the NACH mandate cannot be implemented for reasons beyond the control of the Company.

\_\_\_\_\_  
 Signature of shareholder(s)  
 (as per specimen lodged with the Company)



**COMPANY'S RECOMMENDATIONS TO THE SHAREHOLDERS/INVESTORS**

Register NACH Mandate and furnish correct bank account particulars to Company's R&TA/ Depository Participant (DP)

Investors holding shares in physical form should provide the NACH Mandate form to the Company's R&TA of the above mentioned address and investors holding shares in demat form should ensure that correct and updated particulars of their bank account are available with the Depository Participant (DP). This would facilitate in receiving direct credits of dividends, refunds etc., from companies and avoid postal delays and loss in transit. Investors must update their new bank account numbers allotted after implementation of Core Banking Solution (CBS) to the Company's R&TA in case of shares held in physical form and to the DP in case of shares held in demat form.



**AARTI INDUSTRIES LIMITED**

CIN: L24110GJ1984PLC007301

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

**ATTENDANCE SLIP**

**33<sup>RD</sup> ANNUAL GENERAL MEETING FRIDAY, 30<sup>TH</sup> DAY OF SEPTEMBER, 2016**

Registered Folio No. /DP ID No./Client ID No.:	Number of shares held:
--	------------------------

I/we hereby record my/our presence at the 33<sup>rd</sup> Annual General Meeting of the Company at Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat on Friday, 30<sup>th</sup> day of September, 2016 at 11:00 a.m.

\_\_\_\_\_  
Member's/Proxy's name in Block Letters

\_\_\_\_\_  
Member's/Proxy's Signature

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



**AARTI INDUSTRIES LIMITED**

CIN: L24110GJ1984PLC007301

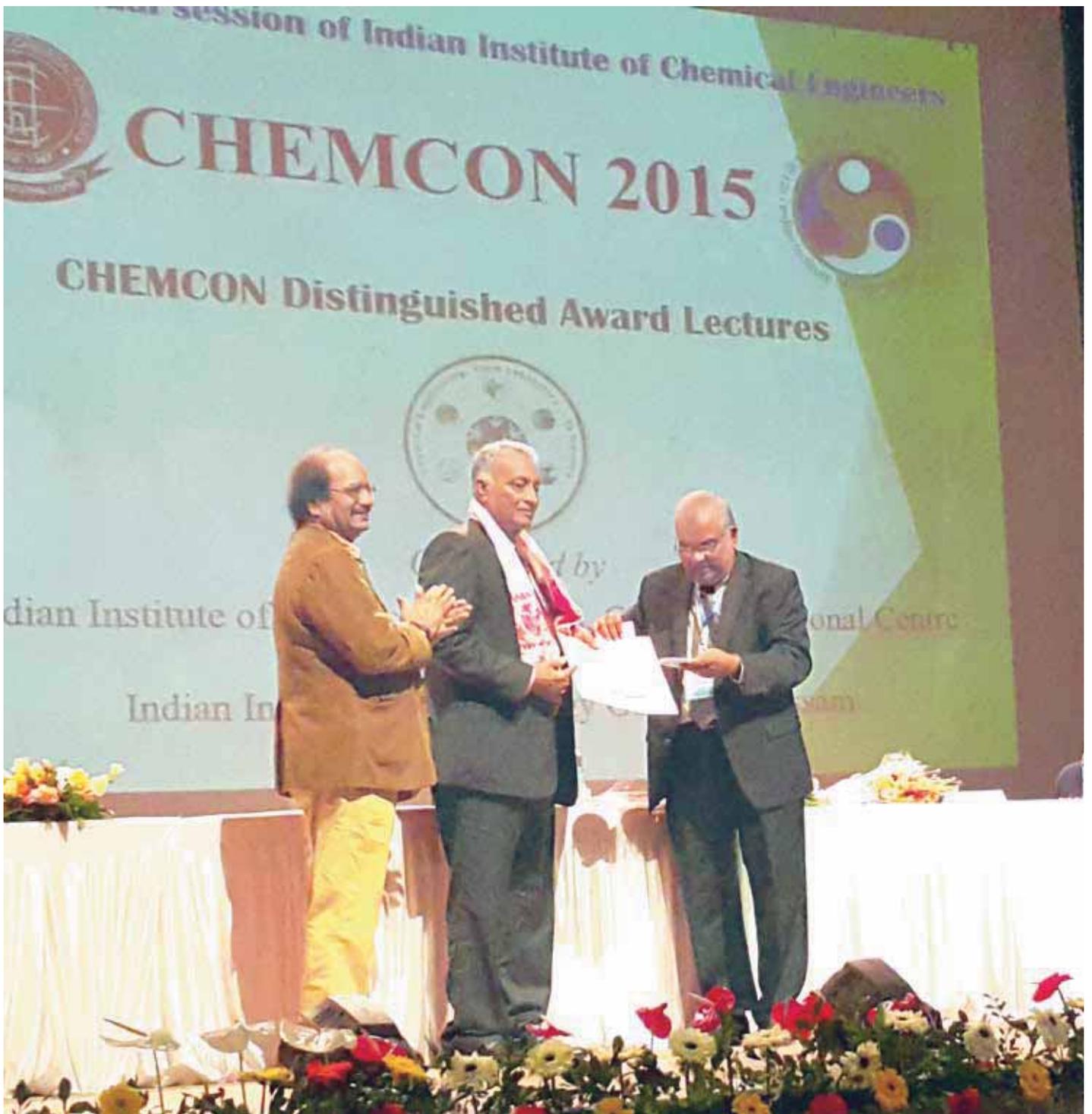
Regd. Off.: Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Dist. Valsad, Gujarat.

**ELECTRONIC VOTING PARTICULARS**

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

**Note:** Please read instructions given at Note No. 14 of the Notice of the 33<sup>rd</sup> Annual General Meeting carefully before voting electronically.

# Award and Recognition



*In recognition of outstanding achievements, the Indian Institute of Chemical Engineers bestowed the prestigious Lala Shriram National Award for **"Leadership in Chemical Industry"** to our Chairman Emeritus and founder Shri Chandrakant V. Gogri.*

BSE - 524208  
NSE - AARTIIND  
CIN - L24110GJ1984PLC007301



Aarti Industries Limited

**Registered Office:**  
Plot Nos. 801, 801/23 GIDC Estate  
Phase III, Vapi 396 195  
Dist. Valsad, Gujarat  
Website: [www.aartigroup.com](http://www.aartigroup.com)