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Aarey

DRUGS & PHARMACEUTICALS LIMITED

18th Annual Report
2007 - 2008

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BOARD OF DIRECTORS

Rajesh P. Ghatalia	Chairman & Managing Director
Mihir R. Ghatalia	Director
Lalit R. Tulsiani	Director
Atul A. Zhatakia	Director
Sanjay P. Thakkar	Director
Satish M. Sheth	Director
Jagdish K. Shah	Director

REGISTERED OFFICE
E-34, M.I.D.C.,
Tarapur, Boisar,
Dist. Thane.
Pincode - 401506

HEAD OFFICE
107, Sahakar Bhavan ,
340/348, Narsi Natha Street,
Masjid, Mumbai - 400 009.

WORKS
E - 34, M.I.D.C.,
Tarapur, Boisar,
Dist. Thane.
Pincode - 401506

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BANKERS
INDIAN OVERSEAS BANK
Vile Parle (East) Branch
CANARA BANK
Vile Parle (East) Branch
PUNJAB NATIONAL BANK
Santacruz (West) Branch
HDFC BANK
Lokhandwala Branch

AUDITORS
Navin Choudhary & Associates
Chartered Accountants.
101, Veena Industrial Estate,
OFF. Link Road,
Andheri (West).
Mumbai - 400 058.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE EIGHTEEN ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON 30TH SEPTEMBER 2008 AT 9.30 A.M. AT E-34, MIDC, TARAPUR, BOISAR, DIST. THANA TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2008 and the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.Lalit Tulsiani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.Atul A.Zhatakia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Navin Choudhary & Associates, Chartered Accountants as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise Board of Directors to fix their remuneration.

By Order of the Board of Directors

For **AAREY DRUGS & PHARMACEUTICALS LIMITED**

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Rajesh P. Ghatalia
Chairman & Managing Director

Date : 26/08/2008
Place : Mumbai

Registered Office:
E-34, MIDC, TARAPUR,
BOISAR, DIST. THANA

NOTES :

1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

   A proxy form duly completed and stamped, must reach the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.

2) The register of members and the share transfer books of the company will remain closed from 30th September 2008 to 06th October 2008 (both days inclusive) in connection with the Annual General Meeting.

3) Members are requested to inform the Company any change in their address immediately so as to enable the Company to dispatch dividend warrants and any further communication at their correct address to –

   INTIME SPECTRUM REGISTRY LIMITED

   C-13, Pannalal Silk Mills Compound,
   LBS Marg, Bhandup (West),
   Mumbai - 400 078.

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4) INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the Listing Agreement, the particular of the Director who is proposed to be re-appointed is furnished below:

Name	Mr. Lalit Tulsiani
Age	50 Years
Qualification	Mechanical Engineer
Date of appointment	02nd December,2004
Number of Shares	Nil

Mr. Lalit Tulsiani is not holding any Directorship in any other Companies and also not having any Membership of any other Committees of any other companies.

Name	Mr.Atul A.Zhatakia
Age	45 Years
Qualification	B'Com
Date of appointment	31st January,2005
Number of Shares	1600

Mr.Atul A.Zhatakia is not holding any Directorship in any other Companies and also not having any Membership of any other Committees of any other companies.

By Order of the Board of Directors

For AAREY DRUGS & PHARMACEUTICALS LIMITED

Rajesh Ghatalia
Chairman & Managing Director

Place : Mumbai
Date : 26/08/2008

Registered Office:

E-34, MIDC, TARAPUR,
BOISAR, DIST. THANA

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DIRECTOR'S REPORT

To,

The Shareholders,

Your Directors have pleasure in presenting the Eighteen Annual Report together with Audited Accounts for the year-ended 31st March, 2008.

FINANCIAL RESULTS:

	31st March, 2008	31st March, 2007
Sales	250,501,244.00	230,106,084.30
(Loss)/ Profit Before Exceptional Item & Tax	7,327,807.02	10,020,986.86
Profit Before Tax	7,327,807.02	10,097,702.78
(Less)/ Add: Balance Brought Forward From Previous Year	19,476,160.33	10,670,587.55
Balance Carried To Balance Sheet	24,235,226.35	19,476,160.33

REVIEW OF OPERATIONS & FUTURE OULLOOK

1. **PROFIT FROM WASTE :** Company plans to manufacture Ammounium Sulphate from effluent, which at present is drained away, additional investment of Rs.60 lacs is required which is invested from internal accruals, company has already placed order for required machinery & expects to start productions by 31st March'2009 This will add to profitability of company.

2. **CREATING NEW CAPACITIES :** Company plans to increase capacity by appx. 80% of existing capacity of Metronidazole (MTZ) and Metronidazole Benzoate (MBO) i.e. from 35 M.T. (MTZ) to 65 M.T.(MTZ) and from 10.5 M.T. (MBO) to 20 M.T.(MBO) respectively, the company plans to increase capacity by 31st March'2009. Appx. Rs.160 lakhs required will be invested through internal accruals & from bank/financial institution.

3. **EXPANDING PRODUCT BASKET :** Company plans to add new products i.e. Tinidazole and Glyoxal, which will commence production by June'2009. Additional investment of Rs. 300 lakhs, would be funded from bank / financial institution

DIVIDEND

The Company intends to go for expansion and hence your directors do not recommend any dividend for the year ended 31st March, 2008.

DEPOSITS

The Company has not accepted the deposits from the public as per the Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

DIRECTOR

Mr. Lalit Tulsiani & Mr. Atul Zhatakia, Directors of the company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS RESPONSIBILTY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

i) that in preparation of the Annual Accounts for the year ended 31st March,2008, the applicable accounting standards had been followed along with proper explanation relating to material departures , if any;

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ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of financial year ended 31st March,2008 and the profit/ (Loss) of the Company for the year under review;

iii) that proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act ,1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) that the annual accounts for the year ended 31st March,2008 have been prepared on a "going concern basis"

AUDITORS

M/s. Navin Choudhary & Associates, Chartered Accountants, Mumbai who were appointed as Auditors to hold office until the conclusion of the ensuing Annual General Meeting are eligible for re-appointment. The Company has received the Certificate from them to this effect.

AUDIT COMMITTEE

The Company has formed the Audit Committees as per Section 292A of the Companies Act, 1956. The Members of the Committees are experts in finance matters, company law and general business practice.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is produced as a part of the Annual Report along with the Auditors statement on its compliance.

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

Information in accordance with the provisions of Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in annexure and forms part of this report.

EMPLOYEES:

There were no employees coming under the purview of Section 217(2A) of the Companies Act, 1956 and the rules frame there under.

DISCLOSURE UNDER SECTION 274

None of the Directors of the company are disqualified for being appointed as Directors as specified under section 274 of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

ACKNOWLEDGEMENTS

Your Directors wish to place on record, the appreciation for the continued support of the customers, Bankers and Suppliers. Your Directors acknowledge and thank the employees for their valuable contribution and involvement.

For and on behalf of the Board of Directors

Rajesh P.Ghatalia
CHAIRMAN

Place : Mumbai
Date : 26th August,2008

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MANAGEMENT DISCUSSION AND ANALYSIS

This reports contains statements, which may constitute " forward looking statements" within the meaning of the applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of the future events. Actual results could differ materially from those expressed or implied. Important factors that could impact the Company's performance include, among others, economic conditions affecting the demand / supply and price conditions in the markets in which the company operates, changes in the Government policies, regulations, tax laws, other statutes and incidental factors.

The Company undertakes no obligations to update or revise forward-looking statements on the basis of any subsequent developments, information or events.

GENERAL REVIEW

The Company is in the API / Bulk Drugs manufacturing and offers a range of products for diverse industrial applications. The Company maintains its head office in Masjid, Mumbai and the plant in Tarapur, Maharashtra.

SIGNIFICANT FINANCIAL EVENTS OF THE YEAR

The Company has achieved 85% capacity utilities i.e.Sales of Rs.2505 lacs. This has been mainly possible due to the efforts put in to achieve growth. The increased sales also reflect the improved performances of the company. The Company's improved capacity utilization at the plant and streamlined production processes.

Expenditure decreased from Rs.123.66 lacs to Rs.113.45 lacs. This was possible due to improved financial controls.

The paid-up equity share capital stood at Rs.500 lacs. The Earnings Per Share were Rs.0.95 As the company is going for expansion hence dividend not recommended.

RESOURCES AND LIQUIDITY

Primary liquidity needs have been to finance working capital needs. To fund these, the company relied on internal accruals and borrowings. The Company's secured loans is Nil. And unsecured loans is Rs.67.86 lacs, which is made by Director's & it's Relatives.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains effective internal controls, systems and procedures for management of its business. As a part of this process, system and procedures are regularly reviewed and strengthened. The internal controls systems cover the accounting , production and administration functions. The Company has appointed an outside internal audit agency to further assess the systems and provide valuable feedback on the systems and areas of improvement of the same. The Company has a proper and adequate system to ensure that all assets are safeguard and protected against loss, theft, unauthorized use and damage from improper use.

HUMAN RESOURCES / DEVELOPMENT

The Company has a large pool of talented and knowledgeable personnel. The Company offers several in-house training programs to its personnel. This is aimed at continuos development and improvement of the company's talent pool. Over 15 in-house training Programs were conducted during the year. Industrial relations at the plant remained cordial throughout the year.

OUTLOOK

The industry sector under which the company operates has been posting healthy growth rates over the years. The market for the product mix is expanding at above 6% per annum. These factors provide opportunities for the company to continue to return impressive growth and returns for all stakeholders.

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CORPORATE GOVERNANCE

PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is concerned with creation of long term value of shareholders while also balancing interest of other stakeholders viz. Employees, Creditors, Government and the Society at large. Corporate governance is crucial as it build confidence and trust, which eventually leads to a more stable and sustained resources flow and long-term partnership with its investors and other stakeholders.

The Corporate Governance framework will encourage efficient use of resources and ensuring accountability for these resources. Its importance lays in the contribution it makes to the overall growth and direction of the business, management accountability and transparency and above all, equitable treatment for its stakeholders.

In Sum, Corporate Governance reinforces the concept of "Your Company" and emphasize that the chairman and Board of Directors are your fiduciaries and trustees, engaged in pushing the business forward and maximizing value for you, the shareholders.

CORPORATE GOVERNANCE

Your Company believes in adopting the best corporate governance practices and protecting rights and interest of stakeholders. We further believe that the shareholders have the right to know complete information on the Board of Directors and the management, their interest in the organisation as well as governance practice to be followed by them.

The report on corporate governance is divided into five parts:

I. Board of directors
II. Committees of the Board
III. Disclosure
IV. Means of Communication
V. Shareholder Information

I. BOARD OF DIRECTORS

A. The details of the Board of directors of the Company are given below:

Name of Director	Designation	Directorship in no. of other public limited Companies	Other Companies Committee	
			Membership	Chairperson
Mr. Rajesh P.Ghatalia	Chairman & Managing Director - Promoter	1	NIL	NIL
Mr.Lalit R.Tulsiani	Whole time Director	NIL	NIL	NIL
Mr.Mihir R.Ghatalia	Non Executive Director – Promoter	NIL	NIL	NIL
Mr.Atul A.Zhatakia	Non-executive Independent	NIL	NIL	NIL
Mr.Satish M.Sheth	Non-executive Independent	NIL	NIL	NIL
Mr.Jagdish K.Shah	Non-executive Independent	NIL	NIL	NIL
Mr. Sanjay P. Thakkar	Non-executive Director - Promoter	NIL	NIL	NIL

As required by the Companies Act, 1956 & clause 49 of the listing agreement, none of the directors hold directorship in more than 15 public companies, membership of board committees (audit/remuneration /investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

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B. REVIEW OF THE BOARD

The Board of Directors' review in their Board Meeting matters relating to:

- Strategy and business plans
- Annual operating and capital expenditure budgets
- Investment and exposure limits
- Business risk analysis and control
- Senior executive appointment
- Compliance with statutory / regulatory requirements and review of major legal issues
- Adoption of quarterly results/ annual results
- Transaction pertaining to purchase disposal of property, major provisions and write offs.

C. BOARD MEETINGS

The meetings of the Board of Directors' are scheduled well in advance and the folder containing the agenda for the meeting with detailed review of all aspects of the Company business, including performance of the Company, employee relations, details of investment, capital expenditure, etc. is circulated to all the directors before 7 days of the date of Board Meeting. It also highlights important matters discussed at the Audit Committee, Share Transfer Committee & Investor Grievance Committee of the Board. **Four** Board Meetings were held during the year on 02/06/2007, 31/07/2007, 31/10/2007, 31/01/2008.

Name of the Directors	No. of Board Meetings Held	No. of Board Meeting	Attended Attendance at last A.G.M.
Mr. Rajesh P. Ghatalia	4	4	Yes
Mr. Lalit R. Tulsiani	4	4	Yes
Mr. Mihir R. Ghatalia	4	4	Yes
Mr. Atul A. Zhatakia	4	4	Yes
Mr. Satish M. Sheth	4	4	Yes
Mr. Jagdish K. Shah	4	4	Yes
Mr. Sanjay P. Thakkar	4	4	Yes

D. CODE OF CONDUCT

The Board of Directors has adopted the Code of Conduct & Responsibilities of the Board towards the Company in the Board Meeting

II. COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE

The Composition of Audit Committee and attendance of members of the meetings are as under :

Name of Director	Category	Designation	No. of meeting attended
Mr. Mihir R. Ghatalia	Non-executive Independent	Chairman	4
Mr. Satish M. Sheth	Non-executive Independent	Member	4
Mr. Jagdish K. Shah	Non-executive Independent	Member	4

Audit Committee reviews in their meetings & recommends to the Board matters relating to the following terms of reference:

- To oversee the Company's financial reporting process and disclosure of its financial information.
- To recommend the appointment of Statutory Auditors and fixation of the Audit fee.
- To review and discuss with the Auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of internal audit function, major accounting policies, practices and entries, compliance with accounting standards with the Stock Exchanges and legal requirements concerning financial statements and related party transactions, if any.

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