

Aarey

DRUGS & PHARMACEUTICALS LTD.

22nd Annual Report
2011 - 2012

BOARD OF DIRECTORS

Mihir R.Ghatalia	Managing Director
Jagdish K.Shah	Chairman
Lalit R.Tulsiani	Director
Chetan K.Mehta	Director
Satish M.Sheth	Director

REGISTERED OFFICE
E-34, M.I.D.C.,
Tarapur, Boisar,
Dist.Thane.
Pincode - 401 506.

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

WORKS
E-34, M.I.D.C,
Tarapur, Boisar,
Dist.Thane.
Pincode - 401 506.

BANKERS
STATE BANK OF PATIALA
Seepz++,
Andheri (East) Branch
INDIAN OVERSEAS BANK
Vile Parle (East) Branch
CANARA BANK
Vile Parle (East) Branch

AUDITORS
DMKH & Co.
C-9, Sanjay Apartment,
Near Gokul Hotel,
SVP Road, Borivali (W),
Mumbai - 400 092.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON, 29TH SEPTEMBER, 2012 AT E-34, MIDC, TARAPUR, BOISAR, DIST. THANE AT 9.30 A.M. 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 2012 and the Balance Sheet as on that date and the Report of the Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Satish Sheth, who retires by rotation and, being eligible, offers himself for reappointment.

3. To appoint M/s DMKH and company, as auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

By order of the Board of Directors
FOR **AAREY DRUGS & PHARMACEUTICALS LIMITED**

Mihir R.Ghatalia
Managing Director

REGISTERED OFFICE :
E-34, MIDC, TARAPUR,
BOISAR, DIST.THANA

Date : 6th September, 2012
Place : Mumbai

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO 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 relevant Explanatory Statement pursuant to the Section 173 (2) of the Companies Act, 1956 is annexed hereto.

3. The register of members and the share transfer books of the company will remain closed from 26th September' 2012 to 29th September' 2012 (both days inclusive) in connection with the Annual General Meeting.

4. Members are requested to send all transfer deeds, share certificates and other correspondence relating to registration of transfers, transmission endorsement of payment of allotment moneys, change in their address etc to the Registrar & Share Transfer Agents i.e

   LINK INTIME INDIA PRIVATE LIMITED

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

5. As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed and reappointed is furnished below:

1	Name Of Director	Mr. Satish Sheth
2	Age	43 Years
3	Date of Appointment	31-01-2005
4	Qualification	B.Com
6	Directorship held in other Limited Companies (Excluding Foreign Companies)	NIL
7	Committee position held in other companies	NIL
8	Number of Shares held	NIL

6. Members are requested to bring their copy of the Annual Report at the meeting.

By order of the Board of Directors
FOR **AAREY DRUGS & PHARMACEUTICALS LIMITED**

Mihir R.Ghatalia
Managing Director

REGISTERED OFFICE :
E-34, MIDC, TARAPUR,
BOISAR, DIST. THANA

Date : 6th September, 2012
Place : Mumbai

DIRECTORS REPORT

To,
The Shareholders,
Your Directors have pleasure in presenting the Twenty Secound Annual Report together with Audited Accounts for the year-ended 31st March, 2012.

FINANCIAL RESULTS:

	(In ₹)	(In ₹)
Particular	**31st March' 2012**	**31st March' 2011**
Income	1306165678	678404953
Expenditure	1302054450	668449763
(Loss)/ Profit Before Exceptional Item & Tax	4111228	9955190
Profit Before Tax	4111228	9955190
(Less)/ Add: Balance Brought Forward From Previous Year	47981323	40075767
Less: Income Tax Provision	1272506	2049635
Balance Carried To Balance Sheet	51224923	47981322

During the year the Company has issued the Rights Shares in the ratio of 2:1 at a price of Rs. 25.00 per share (including premium of Rs.15.00 per share).

REVIEW OF OPERATIONS & FUTURE OUTLOOK

1. **PROFIT FROM WASTE** : Company plans to manufacture Ammonium Sulphate from effluent, which at present is drained away, additional investment of Rs. 95.22 lacs is required, the company has already invested Rs. 90 lacs from internal accruals & Share application money, company has already placed order for required machinery & expects to start productions by 31st March'2013. This will add to profitability of company.
2. **CREATING NEW CAPACITIES** : Company plans to increase capacity by app. 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 10.50 M.T. (MBO) to 20 M.T. (MBO) respectively, Additional investment of Rs.177.76 lacs is required the Company has already invested Rs. 160 lacs through internal accruals & Share application money. Company has already placed order for required machinery & expects to starts production by 31st March'2013.
3. **EXPANDING PRODUCT BASKET**: Company plans to add new products i.e. Tinidazole, Glyoxal and Sildenafil Citrate. The total requirement for addition of this 3 products is Rs.875.76 lacs out of which the company has already invested Rs.672.91 lacs towards expansion. This investment is done through Internal accruals & Share application money. Company has already placed order for required machinery & expects to starts production by September'2013

DIVIDEND

Your directors do not recommend any dividend for the year ended 31st March, 2012.

BONUS ISSUE

The Company has declared bonus shares in the ratio of 1:5, i.e. one bonus share for every five equity shares held as on the record date, during the month of June, 2012.

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. Satish Sheth, Director of the company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

DIRECTORS RESPONSIBILITY 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, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures , if any;

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,2012 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,2012 have been prepared on a "going concern basis"

AUDITORS

M/s. DMKH & Company, 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.

ACKNOWLEDGMENTS

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

Jagdish K.Shah
CHAIRMAN

Place: Mumbai
Date : 06th September, 2012

ANNEXURE TO DIRECTOR'S REPORT

ANNEXURE-"I"

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORBTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY :

a) Energy conservation measures taken :

i) The company has been strictly observing and monitoring the power consumption.

ii) The grinding operation with keeping the automatic regular of feeds has been maintained to minimize power consumption.

iii) Dual Fuel Burner was installed.

b) Impact of above measures:
High power factor above 0-9 and optimization of the grind ability has been maintained.

B. POWER AND FUEL CONSUMPTION :

Particulars	2011-2012	2010-2011
(i) Electricity Purchased:		
Units (KWH)	---	---
Total Amount (Rs.)		
Rate / Unit (Rs.)		
(ii) Own generation		
a) Through diesel generator Unit	---	---
Units per ltr. Of diesel oil		
Cost / Unit		
b) Through steam turbine/generator		
Unit	109125	581250
Units per ltr. Of fuel oil / gas	5.45	6.14
Cost / Unit	5.00	4.50
(iii) Coal		
Quantity (tones)	---	---
Total Cost		
Average rate		
(iv) Furnance Oil / Diesel		
Quantity (k. ltrs.)	20000	94352
Total Amount (Rs.)	545626	2615626
Average rate (Rs.)	27.28	27.72
(v) Others/internal generation		
Quantity	----	----
Total cost		
Rate / unit		

		Quantity (in MTS)	Quantity (in MTS)
C.	**ACTUAL PRODUCTION :**		
	Production of industrial solvents & Thinner	----	26.50
	RESEARCH & DEVELOPMENT (R & D):		
	i) Specific areas in which R & D is conducted By the company :		
	ii) Benefits derived as a result of above R &D :		
	iii) Further Plan of Action :		
	iv) Management Review :		
	v) Expenditure on R&D :	2011-12 (Rs.)	2010-2011 (Rs.)
	a) Capital	---	---
	b) Recurring	---	---
	Total		
	c) Total R&D Expenditure as a Percentage of total turnover		
D.	**TECHNOLOGY, ABSORPTION, ADAPTION AND INNOVATION :**	2011-12 (Rs.)	2010-2011 (Rs.)
	a) Efforts, in brief, made towards technology Absorption, adaption and innovation		
	b) Benefits derived as a result of the above	---	----
		2011-12 (Rs.)	2010-2011 (Rs.)
	c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)	----	----
	1. Technology import		
	2. Year of import		
	3. Has technology ben fully absorbed		
	4. If not fully absorbed, areas where this has not Taken place, Reasoms there for and future Plans of action		
E.	**FOREIGN EXCHANGE EARNINGS AND OUTGO :**	2011-12 (Rs.)	2010-2011 (Rs.)
	Activities relating to exports ; initiative taken To increase exports ;development of new Exports markets for products and services; and export plans;	---	---
	Total Foreign Exchange used		
	Total Foreign Exchange earned (F.O.B.)		

For and on behalf of the Board of Directors
Jagdish K.Shah
Chairman

Place: Mumbai
Date : 06th September, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

This report 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 95% capacity utilities i.e. Sales of Rs.13048.07 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 increased from Rs.6684.50 lacs. To Rs. 13020.54 lacs

The paid-up equity share capital stood at Rs.1401.22 lacs as on 31st March, 2012. The Earnings per Share were Rs.0.023. The Company has issued the Rights Shares in the ratio of 2:1 at a price of Rs. 25.00 per share (including premium of Rs.15.00 per share). 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 442.13 And unsecured loans is Rs.0.95 lacs, which is made by Director's & its 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.