



Aarey

DRUGS & PHARMACEUTICALS LIMITED

**16th Annual Report
2005 - 2006**

Aarey Drugs & Pharmaceuticals Limited

BOARD OF DIRECTORS

Rajesh P. Ghatalia

Mihir R. Ghatalia

Lalit R. Tulsiani

Atul A. Zhatakia

Sanjay P. Thakkar

Satish M. Sheth

Jagdish K. Shah

Chairman & Managing Director.

Director

Director

Director

Director

Director

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

BANKERS

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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Aarey Drugs & Pharmaceuticals Limited

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON FRIDAY 30TH JUNE, 2006 AT 11.00 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 2006 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 R.Tulsiani , who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.Mihir Ghatalia, 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.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification the following resolution as a Ordinary Resolution :

"RESOLVED THAT Mr.Sanjay P.Thakkar, who was appointed as an additional director of the Company by the Board of Directors of the Company and who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company liable to retirement by rotation."

6. To consider and if thought fit, to pass with or without modification the following resolution as a Ordinary Resolution

" RESOLVED THAT subject to the provisions of Section 198 ,269 read with Schedule XIII, 314 and any other applicable provisions of the Act and pursuant to Articles of Association of the company and further subject to the Financial Institution and where under such arrangements their approvals are necessary Mr.Rajesh P.Ghatalia be and is hereby re-appointed as Managing Director of the company for a period of five years w.e.f. 1st April,2005 upon such terms and conditions mentioned in the draft agreement between the company and the said Mr. Rajesh P.Ghatalia placed on table & signed by the Mr.Lalit R.Tulsiani by the chairman for this item on the agenda for the purpose of identification which draft be and is hereby approved."

By Order of the Board of Directors

For AAREY DRUGS & PHARMACEUTICALS LIMITED

Rajesh P. Ghatalia
Chairman & Managing Director

Place : Mumbai

Date : 31st May, 2006

Registered Office :

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

Aarey Drugs & Pharmaceuticals Limited

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 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 26.06.2006 TO 30.06.2006 (both days inclusive) in connection with the Annual General Meeting.
- 4) 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.

- 5) **INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :**

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

- i) Item No. 2 of the Notice:

Name	:	Mr. Lalit R.Tulsiani
Age	:	49 years
Qualification	:	B.E.Mechanical
Expertise	:	Technical & Marketing
Date of appointment	:	02.12.2004
Number of Shares	:	—

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

- ii) Item No. 3 of the Notice:

Name	:	Mr. Mihir R. Ghatalia
Age	:	22 years
Qualification	:	B.E.Chemicals
Expertise	:	Technical Expert
Date of appointment	:	02.08.2004
Number of Shares	:	740580

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

- iii) Item No. 5 of the Notice:

Name	:	Mr. Sanjay P.Thakkar
Age	:	41 years
Qualification	:	B.Com
Expertise	:	Marketing in Pharma field
Date of appointment	:	26.12.2005
Number of Shares	:	200000

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

- iv) Item No. 6 of the Notice:

Name	:	Mr. Rajesh P.Ghatalia
Age	:	49 years
Qualification	:	D.M.T.T. & T.C.
Expertise	:	Finance & Business Administration
Date of appointment	:	02.06.1992
Number of Shares	:	263760

Aarey Drugs & Pharmaceuticals Limited

Mr.Rajesh P.Ghatalia 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**

Place : Mumbai
Date : 31st May, 2006

Rajesh P. Ghatalia
Chairman & Managing Director

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr.Sanjay P.Thakkar is B.Com. Graduate, well experience in Marketing in Pharma field & there is no directorship in other companies. He will be valuable addition to the Company Board. He was appointed as additional director by the Board of Directors of the Company ("the Board") at its meeting held on 26th December,2005 . Pursuant to Section 260 of the Companies Act,1956 ("the Act") he holds office upto the date of Annual General Meeting of the Company. Notices have been received from the members of the company in pursuance of Section 257 of the Act , proposing Mr.Sanjay P.Thakkar as a candidate for the office of Director of the company. Mr.Sanjay P.Thakkar has given his consent , if appointed to act as a Director of the company.

None of the Directors of the Company are interested in the resolution except Mr..Sanjay P.Thakkar

ITEM NO:6

The remuneration committees recommend the re-appointment of Mr.Rajesh P. Ghatalia as Managing Director for the period of five years with effect from 1st April,2005 on the following terms

- A Salary of Rs.15,000/- p.m.
- B Wherein any financial year during the currency of the tenure of the Managing Director of the company has no profits or its profits are inadequate, the Board authorise to pay remuneration to Mr.Rajesh P.Ghatalia by way of salary and any other allowance not exceeding the ceiling limit prescribed under schedule XIII of Section II (A) of part II
- C. Mr. Rajesh P. Ghatalia shall also be eligible to the following perquisites which shall not be included in the computation of remuneration
 - a Contribution to Provident Fund , Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act,1961
 - b Gratuity payable at a rate not exceeding half a month salary for each completed year of service and
 - c Encashment of leave at the end of tenure

Yours Directors recommend the resolution set out in Item No.6 of the Notice.

A copy of the draft agreement may be inspected at the registered office of the company on any working day during business hours.

Except Mr.Rajesh Ghatalia & Mr.Mihir Ghatalia , none of the Directors is concerned or interested in the resolution

This statement should be treated as an abstract of the terms of contract with Mr.Rajesh Ghatalia for the purpose of section 302 of the Companies Act,1956.

By Order of the Board of Directors
For **AAREY DRUGS & PHARMACEUTICALS LIMITED**

Place : Mumbai
Date : 31st May, 2006
Registered Office:
E-34 , MIDC, TARAPUR,
BOISAR, DIST. THANA

Rajesh P. Ghatalia
Chairman & Managing Director

SANSKO Drugs & Pharmaceuticals Limited

DIRECTOR'S REPORT

To,

The Shareholders,

Your Directors have pleasure in presenting the Sixteenth Annual Report together with Audited Accounts for the year-ended 31st March, 2006.

FINANCIAL RESULTS :

	31st March, 2006	31st March, 2005
SALES	257,456,861=50	14,257,763=00
(LOSS) / PROFIT BEFORE EXCEPTIONAL ITEM & TAX	9,986,811=65	(21,742,944=41)
PROFIT BEFORE TAX	10,581,214=43	54,496,337=65
(LESS) / ADD: BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR	89,373=12	(54,406,964=51)
BALANCE CARRIED TO BALANCE SHEET	10,670,587=55	89,373=12

REVIEW OF OPERATIONS & FUTURE OUTLOOK

- PROFIT FROM WASTE :** Company plans to manufacture Ammonium Sulphate from effluent, which at present is drained away, additional investment of Rs.50 lacs is required which is invested from internal accruals, company has already placed order for required machinery & expects to start productions by 30th June'2006 This will add to profitability of company.
- CREATING NEW CAPACITIES :** Company plans to increase capacity by appx.50% of existing capacity of Metronidazole (MTZ) and Metronidazole Benzoate (MBO) i.e. from 35 M.T. (MTZ) to 50 M.T. (MTZ) and from 10.5 M.T. (MBO) to 20 M.T.(MBO) respectively, the company plans to increase capacity by 1st October'2006. Appx. Rs.100 lakhs required will be invested through internal accruals.
- EXPANDING PRODUCT BASKET :** Company plans to add new products i.e. Tinidazole and Omidazole which will commence production by December'2006. Additional investment of Rs.200 lakhs, would be funded from 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,2006.

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 R.Tulsiani & Mr.Mihir R.Ghatalia Director of the company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible , offer themselves for re-appointment.

Mr.Sanjay P.Thakkar was appointed as additional director of the company to hold office upto the date of Annual General Meeting. The Company has received notice from the members pursuant to Section 257 of the Companies Act,1956 of their intention to move resolution at the ensuing AGM for their re-appointment as director.

DIRECTORS RESPONSIBILITY STATEMENT :

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

- that in preparation of the Annual Accounts for the year ended 31st March,2006, 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, 2006 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, 2006 have been prepared on a "going concern basis"

AUDITORS :

During the Year the M/s.K.R.Manik & Co, Chartered Accountant resigned w.e.f. 31.01.2006 from the Statutory Auditors of the Company and in his place M/s. Navin Choudhary & Associates , Chartered Accountants, Mumbai are appointed as Statutory Auditors of the Company.

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 (1) (g) 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

Place : Mumbai
Date : 31st May, 2006

Rajesh P. Ghatalla
Chairman

Aarey Drugs & Pharmaceuticals Limited

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 during the first full year of manufacturing, after closure, has achieved 80% capacity utilities i.e. Sales of Rs.2574 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.82.50 lacs to Rs.175.00 lacs. This is in line with the increased sales volume. Interest & Financial charges are nil. 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.2.12. 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.109.78 lacs, which is made by Proprietor's & Group companies.

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 continuous 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.

Aarey Drugs & Pharmaceuticals Limited

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 maximising 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	NIL	NIL	NIL
Mr.Mihir R.Ghatalia	Non Executive Director - Promoter	NIL	NIL	NIL
Mr.Lalit R.Tulsiani	Independent Director	NIL	NIL	NIL
Mr.Atul A.Zhatakia	Non-executive Director	NIL	NIL	NIL
Mr.Satish M.Sheth	Independent Director	NIL	NIL	NIL
Mr.Jagdish K.Shah	Independent Director	NIL	NIL	NIL
Mr.Sanjay P.Thakkar *	Non-executive Director - Promoter	NIL	NIL	NIL
Mrs.Bina R.Ghatalia **	Non Executive Director - Promoter	NIL	NIL	NIL
Mr.Chetan K.Mehta ***	Non Executive Director	NIL	NIL	NIL

* Appointed as an additional director w.e.f. 26.12.2005

** Resigned from Directorship w.e.f. 08.06.2005

*** Resigned from Directorship w.e.f 22.06.2005

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.