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Aarey

DRUGS & PHARMACEUTICALS LIMITED

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19th Annual Report
2008 - 2009

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BOARD OF DIRECTORS

Rajesh P.Ghatalia	Chaiman & Managing Direcor
Mihir R.Ghatalia	Director
Lalit R.Tulsiani	Director
Chetan K.Mehta	Director
Atul A.Zatakia	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, Narshi Natha Street,
Narshi Natha Street,
Masjid, Mumbai - 400 009.

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

BANKERS
INDIAN OVERSEAS BANK
Vile Parle (East) Branch
CANARA BANK
Vile Parle (East) 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 NINETEEN ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON 30TH SEPTEMBER, 2009 AT 9.30 A.M. 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 2009 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. Rajesh P. Ghatalia, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Mihir R. Ghatalia, who retires by rotation and, being eligible, offers himself for reappointment.
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 authorize the 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. Chetan Mehta, who was appointed as an Additional Director of the Company with effect from 2nd June, 2008 by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice from a Member signifying his intention to proposed Mr. Chetan Mehta as a candidate for the office of a Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to retirement of directors by rotation".

By Order of the Board of Directors
For **AAREY DRUGS & PHARMACEUTICALS LIMITED**
RAJESH P. GHATALIA
Chairman & Managing Director

Date : 29th August, 2009
Place : Mumbai

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

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 25/09/2009 to 30/09/2009(both days inclusive) in connection with the Annual General Meeting.

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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
(Formerly Known as Intime Registry Limited)
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai 400078

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

Item No 2

1	NAME OF DIRECTOR	Mr. Rajesh P. Ghatalia
2	Age	52 Years
3	Date of Appointment	02/06/1992
4	Expertise in specific	Finance & Business Administration
5	Qualification	D.M.T.T & T.C
6	Directorship held in other Limited Companies (Excluding Foreign Companies)	Nil
7	Committee position held in other companies	Nil
8	Number of Shares held	263760

Item No 3

1	NAME OF DIRECTOR	Mr. Mihir R. Ghatalia
2	Age	25 Years
3	Date of Appointment	02/08/2004
4	Expertise in specific	Technical & Marketing
5	Qualification	B.E. Mechanical
6	Directorship held in other Limited Companies (Excluding Foreign Companies)	Nil
7	Committee position held in other companies	Nil
8	Number of Shares held	740580

Item No 5

1	NAME OF DIRECTOR	Mr. Chetan Mehta
2	Age	41 Years
3	Date of Appointment	02/06/2008
4	Expertise in specific	Marketing in Pharma Field
5	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

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2. 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**

Place : Mumbai
Date : 29th August, 2009

RAJESH GHATALIA
Chairman & Managing Director

Registered Office:

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO 5

Mr. Chetan Mehta is a B.Com. Graduate, well experienced in Marketing in Pharma Field. He will be a valuable addition to the Company's Board of Directors. He was appointed as an Additional Director by the Board of Directors of the Company ("The Board") at its Meeting held on 2nd June, 2008. Pursuant to Section 260 of the Companies Act, 1956 ("The Act") he holds office upto the date of the Annual General Meeting of the Company. Notice has been received from the Member of the Company in pursuance of Section 257 of the Act, proposing Mr. Chetan Mehta as a Candidate for the office of Director of the Company. Mr. Chetan Mehta has given his consent, to act as a Director of the Company, if appointed. Mr. Chetan Mehta does not hold office of a director in any other Company.

None of the Directors of the Company are interested in the Resolution except Mr. Chetan Mehta

By Order of the Board of Directors

For **AAREY DRUGS & PHARMACEUTICALS LIMITED**

Place : Mumbai
Date : 29th August, 2009

RAJESH GHATALIA
Chairman & Managing Director

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 Nineteenth Annual Report together with Audited Accounts for the year-ended 31stMarch, 2009.

FINANCIAL RESULTS:

Particular	31st March, 2009	31st March, 2008
Income	275682698.21	250,501,244.00
Expenditure	266570478.06	243173436.98
(Loss)/ Profit Before Exceptional Item & Tax	9112220.15	7,327,807.02
Profit Before Tax	9118609.88	7,327,807.02
(Less)/ Add: Balance Brought Forward From Previous Year	24235226.35	19,476,160.33
Balance Carried To Balance Sheet	31970732.23	24,235,226.35

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 March2010 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'2010. 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 ill commence production by June'2010. Additional investment of Rs. 300 lakhs, would be funded from bank / financial institution.

DIVIDEND

Your directors do not recommend any dividend for the year ended 31st March, 2009.

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. Rajesh Ghatalia & Mr. Mihir Ghatalia, 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:

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i) that in preparation of the Annual Accounts for the year ended 31st March,2009, 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,2009 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,2009 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 : 29/08/2009

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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 (DISCLOSURES 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 regulator 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 grindability has been maintained.

B. POWER AND FUEL CONSUMPTION :

Particulars	2008-2009	2007-2008
(i) Electricity Purchased :		
Units (KWH)	14339	11338
Total Amount (Rs.)	91064.00	63230.00
Rate / Unit (Rs.)	6.35	5.58
(ii) Own generation		
a) Through diesel generator	—	—
Unit		
Units per ltr. Of diesel oil		
Cost / Unit		
b) Through steam turbine/generator		
Unit	789180	—
Units per ltr.of fuel oil / gas	7.40	—
Cost / Unit (Rs.)	4.00	—
(iii) Coal		
Quantity (tonnes)	—	—
Total Cost		
Average rate		
(iv) Furnace Oil / Diesel		
Quantity (k.ltrs.)	107080	—
Total Amount (Rs.)	3156720.00	—
Average rate (Rs.)	29.50	—
(v) Others/internal generation		
Quantity	—	—
Total cost		
Rate / unit		
Total		

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	Quantity (In MTS)	Quantity (In MTS)
C. ACTUAL PRODUCTION :		
Production of Industrial solvents & Thinner	52.00	—
D. 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 :	2008-2009 (Rs.)	2007-2008 (Rs.)
a) Capital	—	—
b) Recurring	—	—
Total		
c) Total R&D Expenditure as a Percentage of total turnover		
E. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION :		
	2008-2009 (Rs.)	2007-2008 (Rs.)
a) Efforts, in brief, made towards technology Absorption, adaptation and innovation	—	—
b) Benefits derived as a result of the above		
	2008-2009 (Rs.)	**2007-2008** (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 :	**2008-2009** (Rs.)	**2007-2008** (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**

RAJESH P.GHATALIA

Chairman

Place : Mumbai
Date : 29/08/2009

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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.2753 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.2431.73 lacs to Rs.2665.70 lacs.

The paid-up equity share capital stood at Rs.500 lacs. The Earnings Per Share were Rs.1.55 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.150.31 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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