

DRUGS & PHARMACEUTICALS LTD.

24th Annual Report
2013 - 2014

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 &
Mumbai, Mandvi-Branch
CANARA BANK
Vile Parle (East) Branch
Punjab National Bank Ltd
Mumbai, Mandvi-Branch

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

CONTENTS

Particulars	Page No.
Board of Directors	3
Notice	4
Director's Report	8
Management Discussion and Analysis	12
Corporate Governance	13
Auditors' Report	19
Balance Sheet	24
Profit & Loss Account	25
Accounting Policies and Notes	26
Notes of Account	36
Cash Flow Statement	38

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON 20TH SEPTEMBER, 2014 AT E-34, MIDC, TARAPUR, BOISAR, DIST. THANE AT 11.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2014, the Balance sheet as on that date and the reports of Directors and Auditors thereon.
"**RESOLVED THAT** the Audited Profit & Loss Account for the year ended 31st March, 2014, the Balance sheet as on that date and the reports of Directors and Auditors thereon be and hereby approved."

2. To appoint a Director in place of Mr. Lalit R Tulsiani, who retires by rotation and, being eligible, offers himself for reappointment.
"**RESOLVED THAT** Mr. Lalit R Tulsiani who retires by rotation at this Annual General Meeting be and is hereby appointed as Director of the Company, liable to retire by rotation."

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.
"**RESOLVED THAT** that pursuant to the provisions of section 139 and any other applicable provisions of the Companies Act, 2013 M/S. DMKH and Company, Chartered Accountants, Mumbai be and are hereby appointed as Auditors of the Company to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting and that the Board of Directors are be and hereby authorized 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, BOISAR,
TARAPUR, DIST. THANE

Date : 14th August, 2014
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 register of members and the share transfer books of the company will remain closed from 16th September'2014 to 19th September'2014 (both days inclusive) in connection with the Annual General Meeting.

3. 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.

4. 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. Lalit R Tulsiani
2.	Age	56yrs
3.	Date of Appointment	02.12.2004
4.	Qualification	Mechanical Engineer
5.	Directorship held in other Limited Companies (Excluding Foreign Companies)	NIL
6.	Committee position held in other companies	NIL
7.	Number of Shares held	NIL

5. The Annual Report and Notice for the 24th AGM alongwith Attendance slip and Proxy form, is being send by electronic mode to all the shareholders whose email address are registered with the Company/ Depository Participant unless a member has requested for a hard copy of the same. For members who have not registered their email address, physicals copies have been send through permitted mode. Members are requested to bring their copy of the Annual Report at the meeting.

6. **Voting through electronic means:**

   Pursuant to the provisions of section 108 of the Companies Act, 2013 read with Companies (Management and Administration) Rules, the company is pleased to offer evoting facility to its members to cast their vote electronically for the 24th Annual General Meeting of the Company on 20th September, 2014. The Company has engaged the services of Central Depository Services (India) Ltd. ("CDSL") for providing e-voting facilities to the Members enabling them to cast their vote in a secure manner.

The instructions for members for voting electronically are as under:-

In case of members receiving e-mail:

Log on to the e-voting website www.evotingindia.com

(i) Click on "Shareholders" tab.

(ii) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(iii) Next enter the Image Verification as displayed and Click on Login.

(iv) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(v) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. Members who have not updated their DOB with the company / the depositve participant are requested to use 20.09.2014 in the DOB field.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter **the number of shares held by you as on the cut off date** in the **Dividend Bank details field**.

(vi) After entering these details appropriately, click on "SUBMIT" tab.

(vii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(viii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(ix) Click on the EVSN for Aarey Drugs & Pharmaceuticals Limited <Company Name> on which you choose to vote.

(x) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xi) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xv) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to https://www.evotingindia.com and register themselves as Corporates.
- They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

(xvi) **In case of members receiving the physical copy:** Please follow all steps from sl. no. (i) to sl. no. (xv) above to cast vote.

(xvii) The e-voting period shall commence on September 15, 2014 (9:00 a.m. onwards) and ends on September 17, 2014 (6:00 p.m.). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd August, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(xviii) Mr. Virendra Bhatt, Whole time Practicing Company Secretary, Mumbai has been appointed as Scrutinizer to scrutinize the evoting process in a fair and transparent manner.

(xix) The Scrutinizer shall within a period not exceeding two days from the conclusion of evoting period unblock the votes in the presence of two witnesses not in employment of the Company and make scrutinizer's Report of the votes cast in favour or against, forthwith to the Chairman of the Company.

(xx) The Results shall be declared on or after the AGM of the Company. The Result declared alongwith the Scrutinizer's Report shall be placed on the Company website at www.aareydrugs.com within two days of passing of the resolutions of the AGM and communicated to BSE Limited.

(xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

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. THANE
Date : 14th August, 2014
Place : Mumbai

DIRECTORS REPORT

To,
The Shareholders,
Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with Audited Accounts for the year-ended 31st March, 2014.

FINANCIAL RESULTS:

	(In ₹)	(In ₹)
Particular	**31st March' 2014**	**31st March' 2013**
Income	2013051137.00	1725120473.00
Expenditure	1999640910.00	1716095267.00
(Loss)/ Profit Before Exceptional Item & Tax	13410227.00	9025206.00
Profit Before Tax	13410227.00	9025206.00
(Less)/ Add: Tax Expenses	(2900382.00)	(2442690.00)
Balance Carried To Balance Sheet	10509845.00	6582517.00

REVIEW OF OPERATIONS & FUTURE OUTLOOK

CREATING NEW CAPACITIES: Our Company proposes to launch new products i.e. Tinidazole which is a forward integration & Glyxol which is a backward. Our Company intends to purchase specialized equipments for expanding the existing products capacity i.e. Metronidazole (MTZ) to 70 M.T, Tinidazole (TNZ) to 25 M.T, Glyaxol to 300 M.T, Metronidazole Benzoate (MBO) to 20 M.T. (MBO) and Ammonium Sulphate (AMS) to 600M.T. The Company has decided to convert the effluent of the company (which the company drains away) into Ammonium Sulphate.

DEMERGER: The Company is in process of demerger of its DEF Division, i.e. business of Acetic Acid, Butyl Acrly Monomer, Tolune and Vinaly Acitate Monomer, with Enam Organics India Limited under Clause 24(f) of the listing agreement under the scheme of Arrangement for Demerger u/s 391 to 394 of the Companies Act, 1956. The Company has already filed an application for the same with BSE on 3rd December, 2013.

DIVIDEND

Your directors do not recommend any dividend for the year ended 31st March, 2014.

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, 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, 2014, 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, 2014 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,2014 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.

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

Jagdish K.Shah
CHAIRMAN

Place: Mumbai
Date : 30th MAY, 2014

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	2013-2014	2012-2013
(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	665366 .00	8050.00
Units per ltr. Of fuel oil / gas	6.65	----
Cost / Unit	7.50	5.45
(iii) Coal		
Quantity (tones)	---	---
Total Cost		
Average rate		
(iv) Furnance Oil / Diesel		
Quantity (m.t.)	100.00	----
Total Amount (Rs.)	4990244.00	40250.00
Average rate (Rs.)	49.90	----
(v) Others/internal generation		
Quantity	----	----
Total cost		
Rate / unit		